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*SAMPLE VERSION*  
*8 of 49 Available Countries*

**MERCER**



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN

# **Introduction to Benefit Plans Around the World**

A guide for multinational employers



Consulting. Outsourcing. Investments.



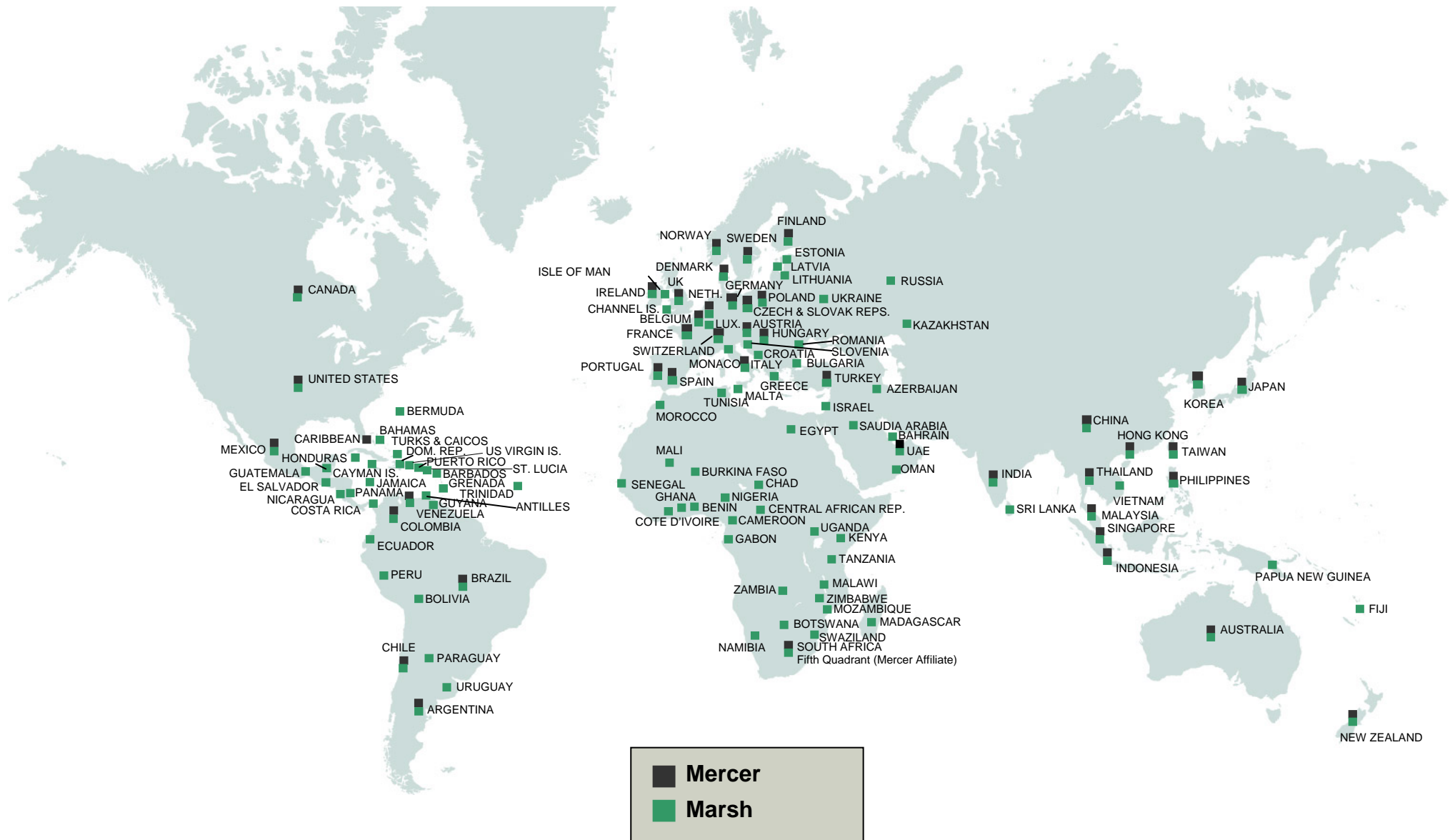
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# 1. Mercer/Marsh Global Presence



## 2. Contact Information

For further information, please contact your existing Mercer consultant and/or any of our global report team members.

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### **About Mercer and Marsh**

**Mercer** is a leading global provider of consulting, outsourcing and investment services. Mercer consultants help clients design and manage health, retirement and other benefits, and optimize human capital. The firm also provides customized administration, technology and total-benefit outsourcing solutions. Mercer's investment services include global leadership in investment consulting and multimanager investment management. Mercer's global network ensures integrated, worldwide solutions for clients that wish to establish global policies and procedures while allowing for the flexibility to accommodate local cultural, legal and regulatory requirements. The firm's locally based professionals are also available to serve midsize companies and to address country-specific issues and opportunities.

**Marsh** is the world leader in delivering risk and insurance services and solutions to clients. It provides global risk management, risk consulting, insurance broking, alternative risk financing, and insurance program management services for businesses, public entities, associations, professional services organizations and private clients. Marsh is organized by client, industry and risk categories to facilitate the global delivery of highly specialized products and services covering a wide spectrum of risks.

## 3. Executive Summary

### 3.1. Employee Benefits – Top Five Global Employer Challenges

Challenges	Synopsis
<p><b>React to changes in government policy</b></p> 	<p>In the short-term, reform is being contemplated in public healthcare policy in several countries around the world, e.g., the US, China and Germany. Employers can expect that such reform will have a significant knock-on effect on the programs they provide.</p> <p>A number of public policy changes have been enacted to help companies respond to the recession and decline in the capital markets, e.g., minimum funding standards for retirement plans have been relaxed in several countries, although preconditions such as increased disclosure to participants are often required. Companies should examine the implications of these changes on funding strategy in the short- to medium-term.</p> <p>Longer-term, it is likely that governments will continue to shift cost from the public sector to the private sector as they grapple with the impact of ageing societies.</p>
<p><b>Balance the response to the recession with long-term positioning</b></p> 	<p>Companies are relying on tried and tested cost control tactics to weather the current recession. Citing some examples from the Mercer May 2009 global survey report, <i>Leading Through Unprecedented Times 2.0</i>:</p> <ul style="list-style-type: none"> <li>▪ 27% of companies have either already reduced contributions to DC plans or plan to do so</li> <li>▪ 10% of companies have cut back or stopped accruals in DB plans</li> <li>▪ 58% of companies are likely to increase employee contributions for health coverage for the upcoming plan year</li> </ul> <p>Many companies are also introducing strategic innovations to benefit programs, that may help with cost control in the longer term and may also be positively viewed by employees, for example:</p> <ul style="list-style-type: none"> <li>▪ 29% have recently added wellness programs and a further 38% reported that they are likely to do so in the near future.</li> <li>▪ Companies are reviewing the introduction of choice to allow different categories or generations of employees tailor their own benefit packages, e.g., through the implementation of a flexible benefits program</li> <li>▪ Companies are assessing whether the level of certain benefits provided can be linked to profitability, e.g., through the introduction of a profit-sharing component in a DC plan</li> </ul> <p>Companies are also looking to implement other cost control initiatives that may be less visible to employees, e.g., by achieving global economies of scale through consolidation of third party vendors, pooling of insurance risk etc.</p> <p>Job security has supplanted the impact on retirement plan investments as employees' primary concern since the first version of the survey conducted in Q4 2008. Employees appear to be ready to become part of the solution, at least in the short-term, to ensure the viability of the company. Nevertheless, it is likely that the recession has raised the profile of retirement, health and risk benefit programs among employees. Companies will need to take this into account as they formulate reward strategies for the recovery and beyond.</p>

## Challenges

## Synopsis

**Shift from defined benefit (DB) to defined contribution (DC)**

The trend from DB to DC has been generally accompanied in lock-step by a trend to lower employer-provided retirement benefits. In many countries, market-average DC plans provide significantly less retirement income than market-average DB plans.

The recent turmoil in the capital markets has highlighted some of the pitfalls of providing lower retirement benefits through a DC plan. For example, the generation of employees close to retirement may not be able to afford to retire as anticipated, leading to workforce planning issues, particularly in mature industries where employers had been planning to turn over a significant portion of the workforce through retirement over the next five to ten years.

Many companies have increased their focus on DC plan management, often on a global basis, with a view to ensuring cost efficiency, and ensuring that employees are empowered to make good decisions relating to retirement:

- The Mercer global survey report, *Leading Through Unprecedented Times 2.0* indicates that 33% of companies have already reviewed third-party fees relating to DC plans and a further 43% plan to do so in the near-term
- Similar percentages of employers plan to review the investment fund line up available, including the default options and lifecycle funds
- 85% of companies indicated that the financial education of DC participants was a priority.

**Understand the cost and risk drivers**

A significant portion of companies are intensifying efforts to develop a clear understanding of the cost and risk drivers embedded in retirement and benefit programs.

This will enable companies to adopt targeted solutions to mitigate cost and risk drivers that can be controlled, e.g., by encouraging behavioral change through a global health management program or by adjusting investment strategy to neutralize certain uncompensated risks being carried in a retirement plan.

- Over 70% of companies have identified risk identification and mitigation as a priority in the context of retirement plans.
- 23% of companies plan to review the cost base for health and welfare plans, e.g., through dependent eligibility audits.

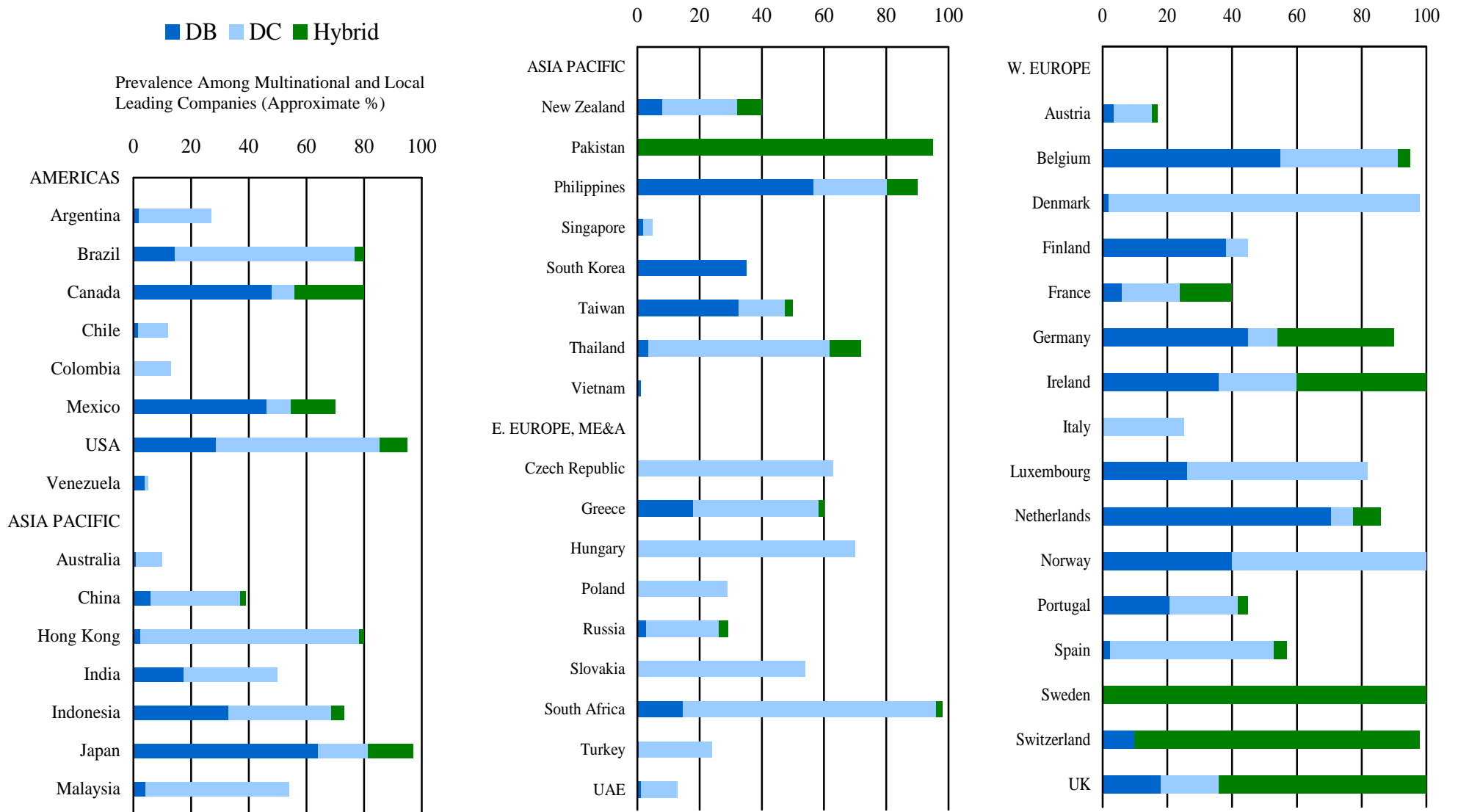
**Improve global benefits/governance**

The increased visibility of retirement and benefit programs at board and senior management level has encouraged a trend toward increased global oversight over the past number of years. As multinational companies often have less resource available on the ground to manage these programs locally and less headquarters' resource available to oversee them centrally, the importance of having a robust global governance framework is greater today than it has ever been. Such a framework includes both the structure and the supporting processes needed to achieve the desired level of central oversight and frequently includes written policies on design, funding and investment, clear delegation of authority and assignment of responsibility related to benefit programs, and a defined approach to monitoring and mitigating risks.

The *Financial Management of Retirement plans 2008 multinational survey report* confirmed that one of the main drivers for increased global governance was the need to better manage financial risk and volatility and to minimize future surprises.

Historically, the absence of central reporting requirements on health & welfare plans globally resulted in a multi-local decision-making approach. However, there has been a marked increase in the appetite of multinational employers to establish global guiding principles for the design, placement and ongoing management of health and welfare plans, and to ensure adherence to these guiding principles.

### 3.2. Retirement – Prevalence and Types of Supplementary Plans

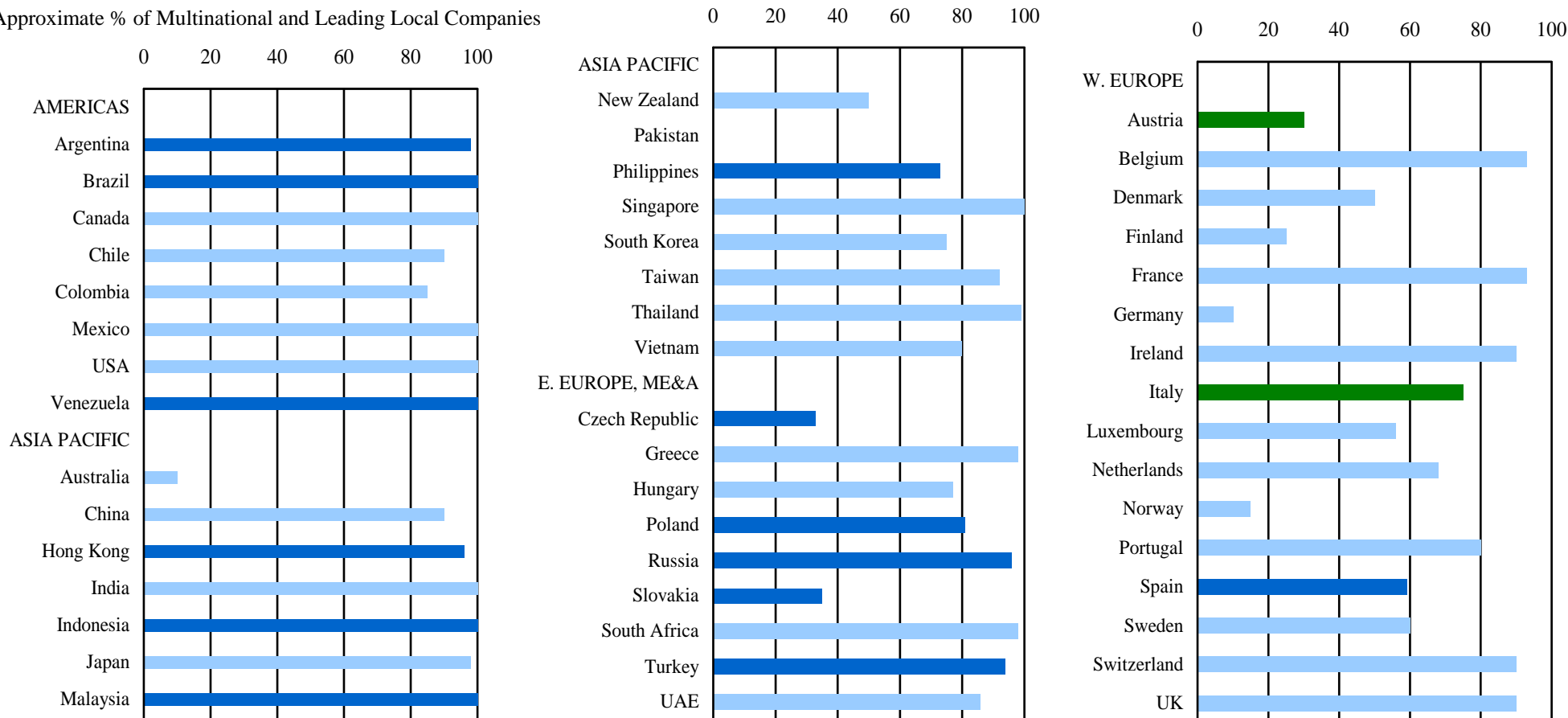


Typical hybrids – **Brazil:** Minimum (guarantee) benefit is provided. **Canada, Ireland, New Zealand and UK:** DB for existing employees, DC for new hires. **France, Luxembourg:** Both DB and DC plans. **Germany:** DC plan with guaranteed interest, insured plans (*Pensionskassen*, or “direct insurance”) or reinsured DB plan with defined contributions. **Japan:** Large companies with new DB plan tend to use cash balance design rather than traditional formula linked to final pay. **Mexico:** DB to cover termination indemnity and DC top-up. **Netherlands:** DB plans with DC accounting. **Pakistan:** Large numbers of employers provide for all employees both a gratuity (DB) and a provident fund (DC); 14% of employers also provide supplementary pension for managers only. **Philippines:** Mandatory minimum under Labor Code is guaranteed. **Spain:** Pure DC plan for all employees, plus a supplemental DB plan for managers. **Sweden:** ITP DB plan for salaried employees and SAF-LO DC plan for hourly. **Switzerland:** Accumulation of contributions with minimum interest rate guaranteed on mandatory retirement savings. **USA:** DB plans with DC-like features such as cash balance or retirement shares.

### 3.3. Medical – Prevalence of Supplementary Benefits

- █ Typically provides supplement for executives only
- █ Typically provides supplement (equal benefit level for all employee levels)
- █ Typically provides supplement for all employees (higher benefit level for executives or benefit level varies by employee level)

Approximate % of Multinational and Leading Local Companies



**Belgium, Canada, France, Greece, New Zealand:** Benefit level may vary by employee level, although this is not prevalent. **Australia:** Practice varies; no typical practice. **China:** Higher medical benefits for foreign employees. **Finland:** For 90% of employee contracts, scope of mandatory occupational health care service is expanded; only 25% of companies provide supplementary medical coverage. **Germany:** 90% of German employees are in a social sickness fund and receive basic health coverage; 10% of German employees have upgraded health coverage through private health insurance (possible only for employees earning over the SSCC). **Hungary:** 77% of companies provide coverage through a voluntary health fund (VHF), either as a core benefit or as part of a flex plan; 7% provide private medical insurance (all as part of a flex plan). **Italy:** Trend is to provide to nonexecutives (40%), although majority of plans still cover executives only. **Japan:** Nearly all multinationals and local leading companies opt out of the Employees' Health Insurance (EHI) and provide alternative compulsory medical coverage through Health Insurance Associations (HIA). Less than one-third provide hospitalization insurance on top of EHI/HIA. **Mexico:** 100% of multinationals and local leading companies provide major medical insurance to nonunion employees; 10% provide minor medical coverage. **Netherlands:** Residents are covered through a collective program; 68% of multinationals and local leading companies negotiate group discounts for employees, while 50% of companies provide a monthly allowance for medical coverage. **Spain:** Typically medical assistance is provided to all employees and a medical reimbursement plan to executives. **Switzerland:** Mandatory individual health insurance; 90% of companies provide employees with monthly allowance toward the cost of individual coverage. **Taiwan:** Typically multinationals provide one plan that covers both executives and other employees, while local companies have two separate plans. **Turkey:** Plan typically covers white-collar employees only; executives have a separate plan in half of cases. **Venezuela:** 100% of multinationals and large local companies offer basic supplemental medical coverage; 3% provide surplus plan (major medical).

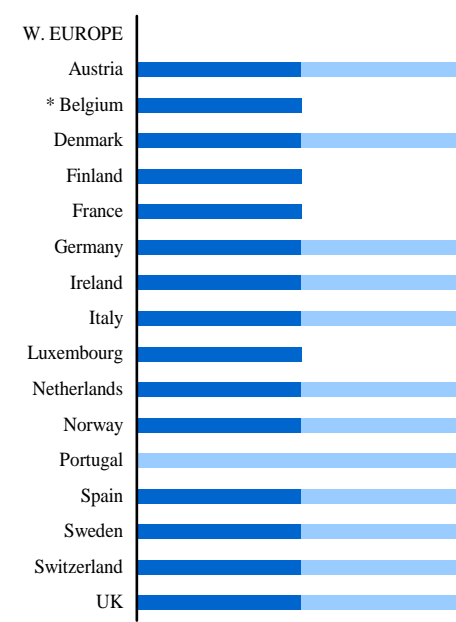
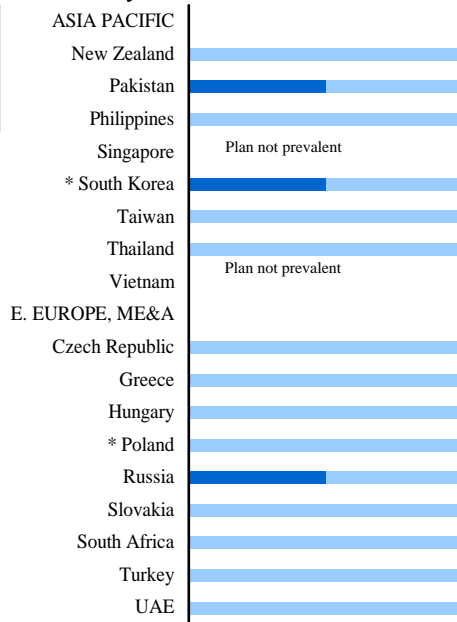
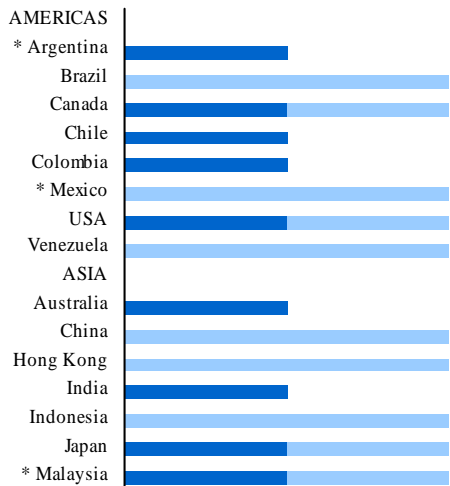
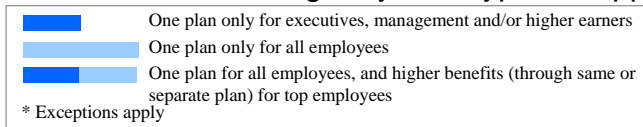
### 3.4. New Laws Requiring Employer Action (August 2008 – July 2009)

This list is not intended to be an all-inclusive summary. More updates are available in the Country Snapshots section of this report and also in Mercer's *Global Benefits Legislative Update*, a monthly report.

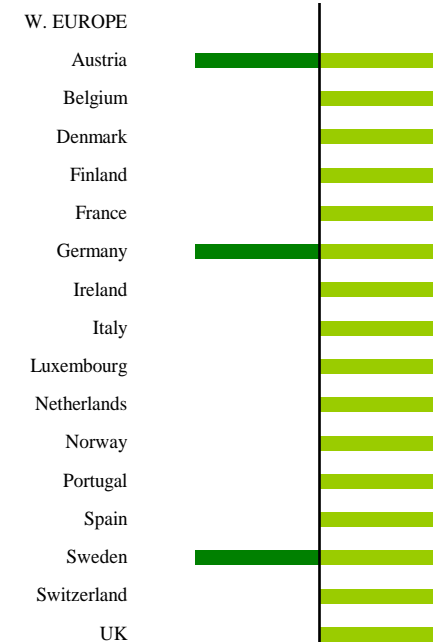
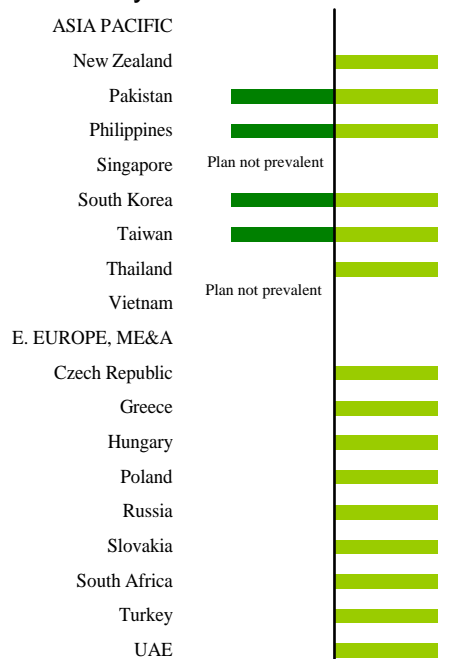
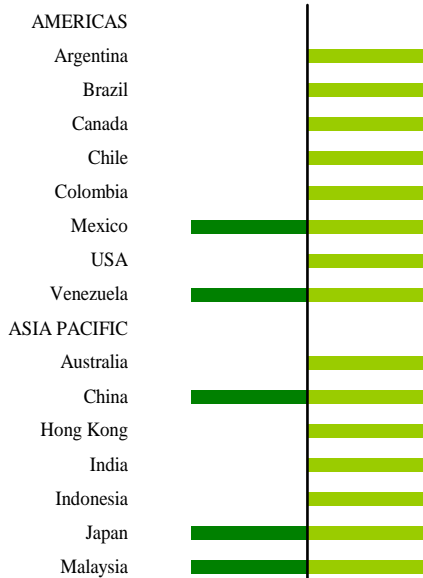
Country	New Laws (August 2008 – July 2009)	Action Required/Impact on Employers
Argentina	<ul style="list-style-type: none"> <li>Significant change to the financing of private health insurance. Employer contributions remain at 6%. However, the salary cap (previously ARS 4,800/month) has been eliminated.</li> </ul>	<ul style="list-style-type: none"> <li>Employers must now contribute based on uncapped salary. Health care costs will likely rise.</li> </ul>
France	<ul style="list-style-type: none"> <li>The table of legal dismissal indemnities has changed. The new table starts at one year of service and provides an indemnity equal to one-fifth times monthly salary from one to 10 years of service and one-third times monthly salary after 10 years.</li> </ul>	<ul style="list-style-type: none"> <li>Employers must adopt the new minimum tables when dismissing or retiring employees.</li> </ul>
India	<ul style="list-style-type: none"> <li>All foreign workers in India from countries with which India has not signed a social security agreement (SSA) – as well as all Indians working for an Indian company in a country with which India does not have a SSA – must contribute 12% of applicable salary to the Employees' Provident Fund. There is no exemption for foreign workers earning more than INR 6,500 per month.</li> </ul>	<ul style="list-style-type: none"> <li>Employers will have to make a 12% contribution for nonexcluded employees.</li> </ul>
India	<ul style="list-style-type: none"> <li>New National Pension Scheme (NPS) launched. The scheme is available to all citizens. It offers investment and provider choice.</li> </ul>	<ul style="list-style-type: none"> <li>Consider use of NPS for supplemental retirement saving.</li> </ul>
Ireland	<ul style="list-style-type: none"> <li>Amendments to the Pensions Act 1990 change priority orders on windup and extend the Pensions Board powers in relation to reducing benefits. A pension insolvency scheme will also be introduced.</li> </ul>	<ul style="list-style-type: none"> <li>Employers must ensure compliance with amendments.</li> </ul>
Poland	<ul style="list-style-type: none"> <li>Changes to standard maternity leave, effective January 1, 2009, and additional maternity leave, effective January 1, 2014. Paternity leave also extended.</li> </ul>	<ul style="list-style-type: none"> <li>Employers must comply with the new standards when granting maternity/paternity leave.</li> </ul>
Russia	<ul style="list-style-type: none"> <li>Government incentives introduced to encourage saving for retirement. Employees can make additional voluntary contributions to the second-pillar pension and receive a matching contribution from the government. Employees can elect to contribute via payroll.</li> </ul>	<ul style="list-style-type: none"> <li>Employers must provide payroll deduction facilities if requested. Employers can consider using the system to enhance retirement benefits for employees.</li> </ul>

Country	New Laws (August 2008 – July 2009)	Action Required/Impact on Employers
Taiwan	<ul style="list-style-type: none"> <li>▪ New early retirement clause in the Labor Standards Act permits retirement at age 60 with 10 years' service.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employers should amend policy documentation and also reflect the change in financial accounting.</li> </ul>
UK	<ul style="list-style-type: none"> <li>▪ Increases to pensions for early leavers in defined benefit schemes can be capped at 2.5% p.a. (compound) from April 6, 2009.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employers should check whether the change is permitted under the scheme rules. Employee consultation may be required.</li> </ul>
UK	<ul style="list-style-type: none"> <li>▪ Pensions Regulator statement issued to assist trustees and employers in dealing with contribution affordability.</li> <li>▪ Pensions Regulator has power to fine employers that fail to comply with employee consultation requirements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ No employer action required. Companies should be aware of the statement when negotiating.</li> <li>▪ Employers must be sure to meet the necessary requirements, or they face a penalty of up to GBP 50,000.</li> </ul>
UK	<ul style="list-style-type: none"> <li>▪ Proposed changes to UK pension tax relief for those earning more than GBP 150,000 have been announced effective April 6, 2011. Transitional rules apply from April 22, 2009.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consider informing affected individuals of the changes, particularly those intending to make additional contributions in the current tax year.</li> </ul>
UK	<ul style="list-style-type: none"> <li>▪ Changes to “failure score” element of PPF levy formulae could affect costs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monitor D&amp;B ratings in the period up to March 2010 to ensure no surprises.</li> </ul>
USA	<ul style="list-style-type: none"> <li>▪ Auto-enrollment regulations of the Pension Protection Act (2006) issued.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employers must comply with the rules that apply retroactively.</li> </ul>
USA	<ul style="list-style-type: none"> <li>▪ New restrictions on executive remuneration and benefits for companies that receive government funding.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employers must take action to comply with new guidance. Different restrictions apply depending on the level of funding.</li> </ul>

### 3.5. Retirement – Plan Eligibility in a Typical Supplementary Plan



### 3.6. Retirement – Plan Financing in a Typical Supplementary Plan\*\*



\*\* In light green-only countries, plans are typically funded. In dark green/light green countries, plans are typically partially funded, or both funded and unfunded approaches are used.

## 4. Definitions

This report covers all benefits except business travel accident, severance and workers' compensation. Definitions of frequently used terms are as follows:

All Benefits	Retirement	Medical, Sickness, Disability & Death
<ul style="list-style-type: none"> <li>▪ <b>Key Legislation:</b> Recently approved or proposed crucial legislation that affects benefit plans and has an impact on employers.</li> <li>▪ <b>Mandatory Practice:</b> Benefits provided by social security or mandatory employer-sponsored plan.</li> <li>▪ <b>MFR/MFS:</b> Minimum funding requirement/minimum funding standard.</li> <li>▪ <b>Opportunities and Trends:</b> Key changes in the benefit plan environment that present opportunities for employers.</li> <li>▪ <b>Prevalence:</b> Indicates how commonly the plan is provided by multinational and local leading companies. Prevalence percentages are based on Mercer's <i>Total Remuneration Surveys</i> and on senior Mercer consultants' experience working with these companies in the local market.</li> <li>▪ <b>Threats and Restrictions:</b> Key aspects of the benefit plan environment that restrict or threaten establishment and/or management of a supplementary plan.</li> <li>▪ <b>Typical Market Practice:</b> Describes typical (half or more than half of companies), nonindustry-specific, general market practice for supplementary benefits provision by employers that include multinational and local leading companies. Does not describe any subgroup differences in practice that may exist.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>DB:</b> Defined benefit retirement plan.</li> <li>▪ <b>DC:</b> Defined contribution retirement plan.</li> <li>▪ <b>Executive-only Plans:</b> Either a retirement plan exclusively for higher-earning employees or plan under which a higher contribution or defined benefit is provided to this group through the same retirement plan as for other employees.</li> <li>▪ <b>Hybrid:</b> Mixture of defined benefit and defined contribution features in a single plan. Examples include:               <ul style="list-style-type: none"> <li>○ A defined contribution plan that provides a guaranteed minimum defined benefit payment upon retirement;</li> <li>○ A defined contribution plan with benefit at retirement age equal to accumulated contributions plus interest or a fixed formula benefit, whichever benefit is higher; or</li> <li>○ Company provides DB plan for existing employees and DC plan for new hires (in effect, two separate plans).</li> </ul> </li> <li>▪ <b>Mandatory Termination Indemnity:</b> Lump-sum payment that must be made by the company (or that has been prefunded by the company, possibly through an outside agency other than social security) when an employee retires.</li> <li>▪ <b>NRA – M/F:</b> Normal retirement age: male (age)/female (age).</li> <li>▪ <b>SSCC:</b> Social security contribution ceiling.</li> <li>▪ <b>Vesting:</b> Acquisition by a plan member of an absolute right to an immediate or deferred benefit by fulfilling prescribed conditions, especially service requirements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>AD&amp;D:</b> Accidental death and dismemberment.</li> <li>▪ <b>Dependent Coverage:</b> Describes whether the plan provides coverage for dependents. Dependent category includes the spouse and dependent children, unless otherwise stated in a Country Snapshot.</li> <li>▪ <b>GP:</b> General practitioner.</li> <li>▪ <b>Inpatient:</b> Services provided under direction of a physician for at least 24 hours to an individual who is admitted to a hospital as a registered bed patient.</li> <li>▪ <b>LTD:</b> Long-term disability.</li> <li>▪ <b>Medical Inflation:</b> National average rate of increase in medical care costs, shown as percent change over the previous year. Not all countries report this statistic. Typical source is a government agency.</li> <li>▪ <b>Outpatient:</b> Services provided to an individual who is admitted to a hospital or clinic for treatment that does not require an overnight stay.</li> <li>▪ <b>Rider:</b> Indicates whether a benefit is financed as part of another policy. For instance, the dental benefit may be a rider to the medical plan.</li> <li>▪ <b>Self-funded/Self-insured:</b> When a company finances the benefit internally (as opposed to using an external insurance policy).</li> <li>▪ <b>STD:</b> Short-term disability.</li> <li>▪ <b>TPD:</b> Total permanent disability.</li> </ul>

Brazil		Author: <a href="mailto:Carolina.Wanderley@mercer.com">Carolina.Wanderley@mercer.com</a>		
Retirement		Peer Reviewer: <a href="mailto:Eduardo.Correia@mercer.com">Eduardo.Correia@mercer.com</a>		
EMPLOYER PRACTICE				
	Prevalence	DB		DC
<b>Mandatory Practice</b>	All companies	Instituto Nacional de Seguridade Social (INSS) + mandatory termination indemnity (FGTS) – 40% of the FGTS accumulated balance goes to the terminated employee.	PLAN NAME	Mandatory termination indemnity (FGTS) – Mandatory 8% employer contribution based on monthly payroll plus 10% of the FGTS balance, as a penalty to the government.
<b>Typical Market Practice</b>	Approximate: <b>% of the 200 biggest companies (including both multinational and local) with a supplementary plan 80%</b>  <b>% of supplementary plans</b> DB: 18% DC: 78% Hybrid: 4%  <b>Executive-only plans</b> Not prevalent	All employees upon date of hire, with no distinction made between hourly and salaried workers.	PLAN ELIGIBILITY	All employees upon date of hire, with no distinction made between hourly and salaried workers.
		60 males/60 females.	NORMAL RET. AGE	60 males/60 females.
		Employee receives 1.7% to 2% of final pay per year of service, with maximum of 30 years.	BENEFIT FORMULA	Accumulation of contributions with interest.
		Death and disability benefits are typically provided in the retirement plan as a monthly benefit, in addition to lump sum-type insured benefits.	DEATH & DISABILITY	Death and disability benefits are provided in the retirement plan as a refund of the total account balance (employee and employer) or as a monthly benefit.
		Vesting benefit: 100% after three years of plan participation.	VESTING	Vesting of employer contributions: After three years of plan participation.
		Between 0% and 50% of total cost.	EMPLOYEE CONTRIBUTION	Required. Between 2% and 6% of base pay and 13th salary. Employee usually contributes one-third to one-half of total plan cost.
		Between 50% to 100% of total cost.	EMPLOYER CONTRIBUTION	Company matches between 100% and 200% of employee contributions.
		Single-company funds (closed entity) and multi-employer funds (also closed entity). Closed entities are trust fund-type pension funds, while open entities are retirement plans managed by insurance companies. DB products are no longer offered by insurance companies.	FINANCING	Single-company funds (closed entity), multi-employer funds (closed entity) and insurance company funds (open entity, known as PGBL – Plano Gerador de Benefício Livre).
		Lifetime annuity (up to 25% as a lump sum for closed entities).	FORM OF PAYMENT	Closed entities: Monthly benefit in number of shares or lifetime annuity (up to 25% as a lump sum). For open entities, lifetime annuity or 100% as a lump sum.
Minimum (guarantee) benefit is provided (closed entity), though at times very minimal, for example, a lump-sum payment equal to three final monthly salaries.	HYBRID ALTERNATIVES	Minimum (guarantee) benefit is provided (closed entity). Not common under an open entity, although it is becoming more popular to offer this under open entities as well.		
Valuations: Annually. Local accounting standard: NPC 26.	OTHER	Employee investment choice: Not typical yet, but it is a growing trend to offer three or four investment funds to employees.		
PENSION ENVIRONMENT				
Threats and Restrictions		Opportunities and Trends		Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Too much enforced regulation (for closed entities) inhibits the establishment of new plans, especially small plans.</li> <li>Lack of long-term bonds, lower interest rates and longer longevity. Investment outside of Brazil is limited to a maximum of 0.6% of fund.</li> </ul>		<ul style="list-style-type: none"> <li>The prevalence of supplementary retirement plans is high among medium and large multinational companies, but the need to supplement is growing among smaller companies.</li> <li>Greater development of financial education and retirement planning services for DC plan members.</li> <li>With a growing equity market, the implementation of investment options to participants is increasing.</li> </ul>		<ul style="list-style-type: none"> <li>Surplus utilization in closed entities regulated in October 2008.</li> <li>Governance legislation for closed and open entities.</li> <li>Social security benefit is being discussed.</li> </ul>

EMPLOYER PRACTICE		
Medical Benefits	Sickness & Disability Benefits	Death Benefits
<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security (Instituto Nacional de Seguridade Social – INSS): Outpatient, hospitalization, ambulance services, dental, vision, work-related benefits.</li> <li>Plan Eligibility: All employees.</li> <li>Plan Financing: Contributions to social security.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate, very poor service.</li> </ul>	<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Long-term disability (LTD). Short-term disability (STD) benefits are based on 80% of average of last 12 monthly contribution salaries (indexed) immediately before the date on which the employee becomes eligible to receive the benefits.</li> <li>Benefits Provided by Employer: STD – During the first 15 days of absence, the employer is responsible for full salary payment.</li> <li>Plan Eligibility: All employees.</li> <li>Plan Financing: Contributions to social security.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? More than adequate for low-paid employees, but inadequate for high earners.</li> </ul>	<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: A monthly payment (annuity) equal to the disability pension is paid to spouse in case of natural or accidental death.</li> <li>Plan Eligibility: All employees.</li> <li>Plan Financing: Contributions to social security, based on a percentage of monthly payroll.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? More than adequate for low-paid employees, but inadequate for high earners.</li> </ul>
<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Medical.</li> <li>Prevalence: 100% of multinational and local leading companies.</li> <li>Plan Eligibility: All employees; it is typical to have various levels of coverage/network providers by job status – Level 1: basic plan for all employees; Level 2: intermediate plan for supervisors and second-line managers; Level 3: top plan for executives. Employees in smaller cities may also have different coverage.</li> <li>Dependent Coverage: Yes (spouse and children only).</li> <li>Benefit Description: All health and dental benefits mentioned in health care legislation (Law No. 9,656/98 and new procedures from National Private Health Agency as of April 1, 2008).</li> <li>Employee Contributions: 14% on average.</li> <li>Plan Financing: Prepaid plan with an insurance company or through PPO or HMO.</li> <li>Is Coverage Part of Another Plan? No.</li> </ul>	<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Total permanent disability (TPD) and short-term disability (STD).</li> <li>Prevalence: TPD for 95% and STD for 68% of multinational and local leading companies.</li> <li>Plan Eligibility: All employees.</li> <li>Benefit Description: TPD – Equal to life insurance amount. STD – Common for employers to supplement up to 100% of salary during an initial period of three months after the first 15 days of absence, reduced to 75% after a three-month period and thereafter decided on case by case basis (practice varies).</li> <li>Employee Contributions: TPD – As death benefits; STD – None.</li> <li>Plan Financing: Self-funded (STD only, usually required by CBA); insurance policy (LTD).</li> <li>Is Coverage Part of Another Plan? TPD – Yes, as a rider to life insurance policy; STD – No.</li> </ul>	<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Death and accidental death &amp; dismemberment (AD&amp;D).</li> <li>Prevalence: 95% of multinational and local leading companies.</li> <li>Plan Eligibility: Death – All employees; AD&amp;D – All employees.</li> <li>Benefits Provided: Death – 24 to 30 times monthly salary for death by natural causes. AD&amp;D – For accidental death, double indemnity of death benefit (“principal” amount). A percentage of the principal amount is paid upon dismemberment.</li> <li>Employee Contributions: 66% of companies require employee contributions (which average 40% of cost).</li> <li>Plan Financing: Insurance policy.</li> <li>Is Coverage Part of Another Plan? Death benefits through private retirement plan or life insurance policy; AD&amp;D as a rider to life insurance.</li> </ul>
MEDICAL, SICKNESS, DISABILITY & DEATH BENEFITS ENVIRONMENT		
Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>About 8% to 10% medical inflation (2008 national average rate of increase in medical care costs as percentage change over previous year).</li> <li>The private health market is becoming smaller as a result of continued mergers and acquisitions that consolidate the insurance industry.</li> <li>National Health Agency (ANS) has been including new mandatory coverages in the private medical plans, which may increase the cost of programs.</li> </ul>	<ul style="list-style-type: none"> <li>Growing trend for wellness programs in order to control health care cost increase in the longer term.</li> <li>Employers are reviewing eligibility clauses and plan design and are looking to shift employees’ contributions from fixed contributions to co-insurance schemes in order to avoid voluntary post-employment extension and FAS106 liabilities.</li> <li>Medical inflation rate (2009 forecast): 7% to 9%.</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory post-employment medical coverage is being enforced in recent years (applies to contributory plans); this impacts FAS accounting and increases company costs.</li> <li>Senate has approved project to include mandatory fertility treatments in private medical plans. This lawmaking project must be approved by the president and, if successful, will be in place in 2010.</li> </ul>

While this snapshot is Mercer’s understanding of current typical market practice, there are usually industry and geographical differences that should be taken into account if benchmarking or establishing a plan. Within the Retirement summary, Death & Disability excludes information on any death and/or disability benefits that may be provided outside the retirement plan. Copyright 2009 Mercer LLC. All rights reserved.

Canada  
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## EMPLOYER PRACTICE

	Prevalence	DB		DC
<b>Mandatory Practice</b>	All companies	Old Age Security (OAS) + Guaranteed Income Supplement (GIS) + Canada/Quebec Pension Plan (CPP/QPP)	PLAN NAME	All members receive DB only.
<b>Typical Market Practice</b>	Approximate: <b>% of multinational and local leading companies with a supplementary plan</b> 80%  <b>% of supplementary plans</b> DB: 60% DC: 10% Hybrid: 30% Hybrid means typically DB for existing employees, DC for new hires  <b>Executive-only plans</b> Common, especially among larger companies	All full- and part-time employees, subject to a minimum service requirement. For part-time employees, a minimum earnings level requirement applies.	PLAN ELIGIBILITY	All full- and part-time employees, subject to a minimum service requirement. For part-time employees, a minimum earnings level requirement applies.
		65 males/65 females.	NORMAL RET. AGE	65 males/65 females.
		Typically up to 2% of final average earnings times years of service (65% of DB plans). Alternatives are career average earnings (15%) and flat benefit (20%) plans.	BENEFIT FORMULA	Accumulation of contributions with interest.
		Included in retirement plan: Death – Yes. Disability – Varies.	DEATH & DISABILITY	Included in retirement plan: Death – Yes. Disability – No.
		Vesting benefit: Immediate or after two years of plan membership.	VESTING	Vesting of employer contributions: Generally after two years of plan membership.
		May be required (50% of plans); generally 3% – 7% of salary.	EMPLOYEE CONTRIBUTION	May be required; generally 3% – 7% of salary.
		Full cost of plan less any employee contributions.	EMPLOYER CONTRIBUTION	A match of employee contributions up to a maximum, or a fixed contribution, or both.
		Large employers: Trusts. Medium and small employers: Insurance policies or trusts.	FINANCING	Investment with insurance or trust company.
		Choice of annuity or lump sum.	FORM OF PAYMENT	Choice of annuity or lump sum.
		Alternatives: Sum of DB and DC, maximum DB or DC, flexible plans.	HYBRID ALTERNATIVES	Alternatives: Sum of DB and DC, maximum DB or DC, flexible plans.
Valuations: Required every three years. Some provinces require annual valuations when plans are less than fully funded. Local accounting standard: CICA 3461.	OTHER	Employee investment choice: Yes.		

## PENSION ENVIRONMENT

Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Current legislative environment results in asymmetry with respect to surplus and deficits in DB plans.</li> <li>Companies wanting to make pension asset transfers, either in the context of sale or purchase activity, or for the purpose of rationalizing or harmonizing their own plans, face uncertainty after a series of court decisions.</li> <li>Potential inadequacy of DC benefits due to low-interest-rate environment.</li> </ul>	<ul style="list-style-type: none"> <li>Employers are considering ways to improve retention features and reduce costs in DB plans, such as reducing early retirement subsidies.</li> <li>Interest in phased retirement programs.</li> <li>Trend toward DC plans continues.</li> <li>Tax treatment of DC plans is more advantageous for younger employees than that of DB plans; tax treatment is neutral for older employees.</li> <li>Smaller companies may provide capital accumulation plans to avoid minimum provincial pension standards. These include registered retirement savings plans (RRSPs), deferred profit sharing plans (DPSPs) and employee profit sharing plans (EPSPs).</li> </ul>	<ul style="list-style-type: none"> <li>Phased retirement arrangements are allowed in some jurisdictions. A partial pension may be drawn while an employee continues to accumulate pension credit, working part-time.</li> <li>Newfoundland and Nova Scotia now require full funding of pension plans on windup. Additionally, employers who leave the province of Nova Scotia must fully fund their plans.</li> <li>Temporary funding relief due to the recent market downturn is available in most jurisdictions. Level of relief varies by jurisdiction.</li> </ul>

Canada

Medical, Sickness, Disability & Death Benefits

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EMPLOYER PRACTICE		
Medical Benefits	Sickness & Disability Benefits	Death Benefits
<p><b>Mandatory</b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Provincial health care – Coverage varies by province but all provinces provide for physician visits and hospitalization; limited prescription drug coverage available (some provinces provide this only to seniors; coverage is often income-tested). Some provinces provide basic dental care for children receiving social assistance.</li> <li>Plan Eligibility: Typically three months of permanent residence.</li> <li>Plan Financing: General provincial government revenues, including federal transfer payments and income taxes. Some provinces charge a premium; some impose an employer payroll tax.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Provincial plans are intended to cover only basic, medically necessary expenses.</li> </ul>	<p><b>Mandatory</b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Canada Pension Plan (CPP) provides limited long-term disability (LTD); short-term disability (STD) is provided by employment insurance (EI), which pays 55% of insurable earnings from the third week of sickness for up to 15 weeks (weekly maximum of CAD 447 in 2009).</li> <li>Benefits Provided by Employer: Work-related disability – Vary by province, but range from 75% to 90% of salary. Additional benefits are not mandatory.</li> <li>Plan Eligibility: EI and CPP eligibility is based on meeting contributory period requirements; work-related disability coverage requirements vary by province.</li> <li>Plan Financing: Employer and employee premiums.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate for non-work-related absences.</li> </ul>	<p><b>Mandatory</b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Canada Pension Plan (or Quebec Pension Plan) – Death Benefit: A lump sum benefit of up to CAD 2,500. Widows' and Orphans': Monthly benefit. Additional monthly benefits are payable for each dependent child.</li> <li>Plan Eligibility: Subject to minimum contributory periods under the Canada Pension Plan/Quebec Pension Plan.</li> <li>Plan Financing: Employer and employee premiums.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate.</li> </ul>
<p><b>Typical</b></p> <ul style="list-style-type: none"> <li>Plans: Extended health and dental coverage.</li> <li>Prevalence: Close to 100% of multinational and local leading companies.</li> <li>Plan Eligibility: All permanent full-time employees after zero to three months of employment. Typically separate plans for union and nonunion employees; a limited number of employers offer a separate plan for executives.</li> <li>Dependent Coverage: Yes.</li> <li>Benefit Description: Prescription drugs, paramedical practitioners, vision care, private or semiprivate hospital, ambulance, dental, out-of-country emergency medical.</li> <li>Employee Contributions: 70% of plans 100% employer funded.</li> <li>Plan Financing: Insured or self-insured.</li> <li>Is Coverage Part of Another Plan? No (vision typically part of extended health).</li> </ul>	<p><b>Typical</b></p> <ul style="list-style-type: none"> <li>Plans: Long-term disability (LTD) and short-term disability (STD).</li> <li>Prevalence: LTD and STD provided by close to 100% of multinational and local leading companies.</li> <li>Plan Eligibility: LTD and STD provided to all permanent full-time employees after zero to three months of employment.</li> <li>Benefit Description: LTD – Monthly benefit of 60% to 70% of earnings for salaried employees (50% – 60% for hourly employees) until age 65; monthly maximum of CAD 3,000 to CAD 10,000 typically applies. STD – 60% to 100% of salary for three to six months for salaried employees (55% to 70% for up to six months for hourly employees).</li> <li>Employee Contributions: STD – None. LTD – About 40% of plans are 100% employee paid.</li> <li>Plan Financing: STD – Insured or self-insured; LTD – Insured.</li> <li>Is Coverage Part of Another Plan? No.</li> </ul>	<p><b>Typical</b></p> <ul style="list-style-type: none"> <li>Plans: Death and accidental death &amp; dismemberment (AD&amp;D).</li> <li>Prevalence: Death and AD&amp;D provided by close to 100% of multinational and local leading companies.</li> <li>Plan Eligibility: All permanent, full-time employees after zero to three months of employment.</li> <li>Benefit Description: Death – Natural causes: one to three times annual salary; AD&amp;D – Equal to the death benefit.</li> <li>Employee Contributions: None in about 80% of plans (note that some employers provide optional life and/or AD&amp;D and this is 100% employee paid).</li> <li>Plan Financing: Insurance policy.</li> <li>Is Coverage Part of Another Plan? No.</li> </ul>
MEDICAL, SICKNESS, DISABILITY & DEATH BENEFITS ENVIRONMENT		
Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Medical inflation rate (2008): 8% to 10%.</li> <li>Downturn in global economy is impacting Canadian employers.</li> <li>Provincial governments continue to be constrained financially to support rising health care costs; this results in continued reduction of coverage, which in turn increases the demand for company-sponsored health care programs.</li> <li>Some employers continue to provide certain benefits to retirees but are considering changes to ensure financial sustainability.</li> <li>There is a rising prevalence of health spending accounts.</li> <li>Consolidated insurance industry has resulted in a seller's market with decreased flexibility and overall customer service.</li> </ul>	<ul style="list-style-type: none"> <li>The role of benefits in attraction and retention of employees as a part of a total rewards proposition is increasing.</li> <li>Employers are being more creative about introducing additional flexibility into benefit plans.</li> <li>The opportunity is increasing for more sophisticated cost management.</li> <li>Employers are increasingly interested in health and productivity (wellness) programs.</li> <li>Legal decisions relating to benefits are resulting in an increasing focus on good corporate governance.</li> </ul>	<ul style="list-style-type: none"> <li>The act respecting prescription drug insurance in Quebec substantially impacts employers that offer group insurance plans covering Quebec employees, from both an administrative and a plan documentation management perspective.</li> <li>The impact of Ontario Bill 102 prescription drug pricing in Ontario in terms of increasing costs for company-sponsored plans remains to be seen; similar pricing is being implemented in British Columbia under the PharmaCare (provincial) program.</li> <li>The Manitoba Employment Standards Act was amended to reflect family leaves of absence and revised employer notice periods in the event of nonculpable terminations and overtime.</li> </ul>

## Mexico

## Retirement

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EMPLOYER PRACTICE				
	Prevalence	DB		DC
<b>Mandatory Practice</b>	All companies	Instituto Mexicano de Seguridad Social (IMSS) (old scheme is DB) + mandatory termination indemnity (can be DB or DC).	PLAN NAME	IMSS (new scheme is DC) + mandatory termination indemnity (can be DB or DC).
<b>Typical Market Practice</b>	Approximate: <b>% of multinational and local leading companies with a supplementary plan</b> 70%	All nonunion employees upon date of hire. For nonunion employees, plans (can be DB or DC) are designed to cover statutory severance indemnity at retirement plus additional benefits for earnings above the social security salary ceiling.	PLAN ELIGIBILITY	All nonunion employees upon date of hire. For nonunion employees, plans (can be DB or DC) are designed to cover statutory severance indemnity at retirement plus additional benefits for earnings above the social security salary ceiling.
		60 or 65 males/60 or 65 females.	NORMAL RET. AGE	60 or 65 males/60 or 65 females.
		0.7% to 1.0% of final earnings per year of service (replaces mandatory termination indemnity). Plus additional 0.7% to 1.0% of salary over social security ceiling.	BENEFIT FORMULA	Accumulation of contributions with interest.
	<b>% of supplementary plans</b> DB: 66% DC: 12% Hybrid: 22%	Included in retirement plan: Death – No. Disability – No.	DEATH & DISABILITY	Included in retirement plan: Death – Yes. Disability – Yes.
		Vesting benefit: Vested at normal or early retirement ages.	VESTING	Vesting of employer contributions: Partial vesting after one year of service and 100% vested after 10 to 15 years of service.
		Not required. None.	EMPLOYEE CONTRIBUTION	Required to contribute 1% to 10% of base pay.
		Full cost of plan.	EMPLOYER CONTRIBUTION	2% to 5% of base salary, usually on a matching basis (25% to 100% match of employee contribution).
		Most multinationals use trust funds. Some companies use book reserve or stockbroker investment contracts.	FINANCING	Most multinationals use trust funds (through banks), but record keeping is normally performed by stockbroker house.
		Lump sum.	FORM OF PAYMENT	Lump sum.
		DB to cover the termination indemnity at retirement, and a DC on top.	HYBRID ALTERNATIVES	DC to cover the termination indemnity with shortfalls covered through a guarantee (DB), and a DC on top.
<b>Executive-only plans</b> Not prevalent. Those that exist are non-qualified plans if not offered to all employees	Valuations: Annually. Local accounting standard: NIF D-3 – The local accounting standard is converging to the international accounting standards (IAS 19), and this new methodology will be applicable from January 1, 2008.	OTHER	Employee investment choice: Not common during first years. If DC is used to cover termination indemnities, the guarantees (shortfalls) are measured through an actuarial valuation.	

PENSION ENVIRONMENT		
Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Plan assets must be 100% invested in Mexican registered securities, with a minimum of 30% in government bonds.</li> <li>Public companies are not allowed to invest more than 10% of the fund in their own equities.</li> <li>As a result of the changes to the income tax law (LISR), effective December 2006, tax deduction of combined employee and employer contributions to both DB and DC plans has now been limited to 12.5% of pay.</li> </ul>	<ul style="list-style-type: none"> <li>Trend from DB toward hybrid plan (for example, DB to cover the termination indemnity at retirement and a DC on top).</li> </ul>	<p>New IETU tax became applicable on January 1, 2008. The law establishes a new requirement for companies to calculate taxes. It is called “single-rate business tax” (<i>impuesto empresarial a tasa unica</i>, or IETU), which is a flat tax rate (16.50% in 2008, 17.00% in 2009, 17.50% from 2010). During the transition period (2008–2010), companies will have to calculate IETU and ISR (current tax: 28%) and will pay the higher of the two amounts. The IETU does not consider the payment of insurance premiums and contributions to pension plans as tax-deductible expenses. But there is some ambiguity in the legislation wording, which is being analyzed by tax advisers. The law also changes the way employee taxes are calculated. Further regulations are still expected to be issued to clarify the new law. As this law changes methodology for calculating the tax on employee pay, we recommend that companies inform employees about this change and its impact on their net earnings. The new law will have a significant impact in some cases. Companies will need to review the impact of the IETU and may be subject to higher taxes.</p>

## Mexico

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## Medical, Sickness, Disability &amp; Death Benefits

## EMPLOYER PRACTICE

Medical Benefits	Sickness & Disability Benefits	Death Benefits
<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Hospitalization, ambulance services, dental, vision, doctor and specialist visits.</li> <li>Plan Eligibility: Union and nonunion employees.</li> <li>Plan Financing: Contributions to social security.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate. The mandatory benefits are limited and insufficient to cover employee needs; the service provided by social security is insufficient; and there is a lack of resources and long waiting lines for non-emergency care.</li> </ul>	<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Short-term disability, total permanent disability – lump sum; Long-term disability – income continuation, work-related benefits.</li> <li>Plan Eligibility: Union and nonunion employees.</li> <li>Plan Financing: Contributions to social security.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate; these only cover minimum amounts.</li> </ul>	<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Death – natural and accidental causes, dismemberment, work-related benefits. For death, a survivor's pension is paid to a widow, a dependent or a disabled widower, as well as a lump-sum benefit and a funeral grant.</li> <li>Plan Eligibility: Union and nonunion employees.</li> <li>Plan Financing: Contributions to social security.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate.</li> </ul>
<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Medical.</li> <li>Prevalence: 100% of multinational and local leading companies provide major medical, and only 10% provide minor medical.</li> <li>Plan Eligibility: All nonunion employees – One plan covering executives and nonunion employees. Generally, little medical coverage is provided to union employees.</li> <li>Dependent Coverage: Yes.</li> <li>Benefit Description: Outpatient services, hospitalization, ambulance services, dental, vision. The level of coverage varies by company. There are usually major medical policies and minor medical policies.</li> <li>Employee Contributions: Some companies have an employee contribution, which can vary from 50% of cost or 100% of dependent cost.</li> <li>Plan Financing: Insurance policy for major medical; self-funded or insurance policy for minor medical.</li> <li>Is Coverage Part of Another Plan? No.</li> </ul>	<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Total permanent disability (TPD); short-term disability (STD).</li> <li>Prevalence: TPD – 100% of multinational and local leading companies. STD – 50% to 70% of companies.</li> <li>Plan Eligibility: Union and nonunion employees.</li> <li>Benefit Description: TPD – Lump-sum benefit is generally provided under the group life insurance policy. By law, a seniority premium is payable if an employee is disabled on a permanent basis. STD – Commonly, employers pay salary at 100% rate for the first three days not covered by social security. After the third day, most employers will supplement salary up to 100%, with a maximum of 25 times monthly minimum wage for a maximum of 52 weeks, in particular for non-union workers.</li> <li>Employee Contributions: None.</li> <li>Plan Financing: TPD – Insurance policy. STD – Self-funded.</li> <li>Is Coverage Part of Another Plan? TPD – Yes, as a rider to life insurance policy or as part of the pension plan. STD – No.</li> </ul>	<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Death and accidental death &amp; dismemberment (AD&amp;D).</li> <li>Prevalence: 100% of multinational and local leading companies.</li> <li>Plan Eligibility: Union and nonunion employees.</li> <li>Benefit Description: Death – Lump sum of 24 to 36 (average 30) times monthly salary payable upon death in service. By law, a company must also pay the employee's legal beneficiaries the seniority premium (12 days of salary, up to two times minimum wage, per year of service), paid as a lump sum. AD&amp;D: Double the life insurance benefit.</li> <li>Employee Contributions: None.</li> <li>Plan Financing: Insurance policy.</li> <li>Is Coverage Part of Another Plan? Death – Sometimes part of the pension plan; life insurance policy is more common. AD&amp;D – Yes, as a rider to life insurance policy.</li> </ul>
MEDICAL, SICKNESS, DISABILITY & DEATH BENEFITS ENVIRONMENT		
Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Medical inflation rate (2008): 12% to 14%.</li> <li>Limited budgets of companies for provision of health coverage.</li> </ul>	<ul style="list-style-type: none"> <li>Emphasis on preventive care.</li> <li>Increased interest in minor medical plans.</li> </ul>	

USA  
Retirement

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**EMPLOYER PRACTICE**

	Prevalence	DB		DC
<b>Mandatory Practice</b>	All companies	Social Security.	PLAN NAME	All members receive DB only.
<b>Typical Market Practice</b>	Approximate: <b>% of multinational and local leading companies with a supplementary plan</b> 95%  <b>% of supplementary plans</b> DB: 30% DC: 60% Hybrid: 10% (hybrid is a sub-category of a DB plan) About 70% of large employers offer both DB and DC plans for active employees  <b>Executive-only plans:</b> Common	The following describes a typical tax-qualified plan. All employees age 18 and over are eligible after one year of service.	PLAN ELIGIBILITY	The following describes a typical tax-qualified plan. All employees are eligible upon date of hire.
		65 males/65 females.	NORMAL RET. AGE	65 males/65 females (account balance may be withdrawn earlier, upon termination with possible penalties, or at age 59½).
		Percentage of average pay in final three to five years for each year of service. Some more recent designs use total career pay.	BENEFIT FORMULA	Accumulation of contributions with investment earnings.
		Included in retirement plan: Death – Yes. Disability – Yes.	DEATH & DISABILITY	Included in retirement plan: Death – No. Disability – No. (Other than full account balance is available to beneficiary.)
		Vesting benefit: Full vesting after five years of service.	VESTING	Vesting of employer contributions: Full vesting after three years of service or gradual vesting over a six-year period.
		Very few plans require contributions.	EMPLOYEE CONTRIBUTION	Not required. Voluntary pretax salary deferrals permitted.
		Full cost of plan.	EMPLOYER CONTRIBUTION	Employer usually matches employee contributions up to a limit. Flat percentage of pay contribution is common.
		Larger plans use an institutional trustee, usually a bank. Some smaller plans use insurance companies.	FINANCING	Investment management company.
		Annuity; lump-sum options sometimes available.	FORM OF PAYMENT	Lump sum.
		DB plans with DC-like features are gaining in popularity, for example, cash balance and retirement shares plans. A cash balance plan is an account-based formula with a lump-sum option and full vesting after three years of service.	HYBRID ALTERNATIVES	DC plan offering DB forms of payment. For example, employee has annuity payment options (life annuity or joint and survivor annuity) and receives a series of fixed payments over a period of years.
Valuations: Annually. Local accounting standard: FAS 87.	OTHER	Employee investment choice: Yes.		

**PENSION ENVIRONMENT**

Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Government regulation of pension plans and litigation opposing hybrid plans both threaten long-term viability of DB plans. Recent legislation has eased but not removed the litigation threat.</li> <li>Significantly underfunded plans have seen a large increase in minimum funding requirements as well as accounting charges that have a significant impact on organizations' financial health. Some organizations are considering limiting participation in their DB plans to existing employees.</li> </ul>	<ul style="list-style-type: none"> <li>Typically active employees of large companies participate in both a DB plan and a DC plan. Trend is moving toward offering only a DC plan to new hires and a DB plan for existing employees, but this is not typical practice yet.</li> <li>Trend toward greater employee cost sharing of retirement benefits continues with the popularity of 401(k) plans.</li> <li>The majority of DC plans are 401(k) plans, but other plan types include (in order of prevalence): tax-sheltered annuities, or 403(b) plans, for educational and not-for-profit organizations; deferred compensation plans (457 plans) for public-sector employers; profit sharing plans; discount stock purchase plans; and employee stock ownership plans.</li> <li>Mark-to-market funding and accounting rules have increased interest in topics such as total risk management, investment allocation, and (for frozen plans) "end game" planning and strategies for eventual windup of the DB plan.</li> </ul>	<ul style="list-style-type: none"> <li>Generally effective January 1, 2009, new rules governing 403(b) plans – which are similar to 401(k) plans but for public schools, universities and certain nonprofit employers such as hospitals – are intended to give employers more oversight over employees' investments, but create many administrative requirements necessary to bring the plans into compliance.</li> <li>Rules governing the timing and election of payments within nonqualified deferred compensation programs (including executive retirement plans, incentive and equity awards, and severance arrangements) have been revised. Originally set to take effect January 1, 2008, transition rules have generally been extended to December 31, 2008.</li> <li>Sweeping pension reform legislation, known as the Pension Protection Act (PPA) of 2006, was approved in August 2006. The new law requires organizations to fully fund their pension liabilities over seven years, beginning in 2008. DC plan provisions in the PPA include better plan member education. In response to the extremely poor market performance in 2008, companies have been given temporary statutory and regulatory relief for 2009 to ease the transition into the full requirements of PPA.</li> </ul>

USA  
Medical, Sickness, Disability & Death Benefits

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**EMPLOYER PRACTICE**

Medical Benefits	Sickness & Disability Benefits	Death Benefits
<p><b>Mandatory</b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security – Medicare: Outpatient services, hospitalization, ambulance services, prescription drugs.</li> <li>Plan Eligibility: Medicare – Persons age 65 or over; individuals under age 65 who are receiving Social Security disability income benefits or railroad retirement disability payments for at least 24 months; individuals with end-stage renal disease or amyotrophic lateral sclerosis.</li> <li>Plan Financing: Medicare – Contributions to Medicare.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate.</li> </ul>	<p><b>Mandatory</b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Employer: STD – No federal provision for sickness benefits, but six jurisdictions (California, Hawaii, New Jersey, New York, Rhode Island and Puerto Rico) mandate STD coverage for employees. Benefits range from a flat weekly amount to a percentage of average weekly earnings; benefits are limited to a maximum level and are paid for a limited period.</li> <li>Plan Eligibility: STD – All employees if applicable.</li> <li>Plan Financing: Self-insured or fully insured.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate.</li> </ul>	<p><b>Mandatory</b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Survivors' benefits (death – natural causes, death – accidental causes, death of spouse).</li> <li>Plan Eligibility: All employees.</li> <li>Plan Financing: Contributions to Social Security.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Benefit provides baseline income but is lower for survivors under age 65.</li> </ul>
<p><b>Typical</b></p> <ul style="list-style-type: none"> <li>Plans: Medical.</li> <li>Prevalence: Close to 100% of multinational and local leading companies.</li> <li>Plan Eligibility: Full-time salaried and hourly employees.</li> <li>Dependent Coverage: Yes.</li> <li>Benefit Description: Outpatient services, hospitalization, surgical benefit, laboratory fees and X-rays, prescription drugs, dental, vision, and preventive and acute care services.</li> <li>Employee Contributions: Typically 20% of the premium for employee coverage and 30% for dependent coverage.</li> <li>Plan Financing: Fully insured – many large employers fund these benefits through self-funded arrangements.</li> <li>Is Coverage Part of Another Plan? No.</li> </ul>	<p><b>Typical</b></p> <ul style="list-style-type: none"> <li>Plans: Long-term disability (LTD) and short-term disability (STD).</li> <li>Prevalence: LTD for close to 100% and STD for close to 90% of all large employers.</li> <li>Plan Eligibility: Full-time salaried and hourly employees.</li> <li>Benefit Description: LTD – Income continuation on the level of 40.00% to 66.66% of income protection inclusive of Social Security payments. STD – 50% to 100% of income protection for up to six months.</li> <li>Employee Contributions: None.</li> <li>Plan Financing: Fully insured. Many large employers fund these benefits through self-funded arrangements.</li> <li>Is Coverage Part of Another Plan? LTD – No. STD – No.</li> </ul>	<p><b>Typical</b></p> <ul style="list-style-type: none"> <li>Plans: Death and accidental death &amp; dismemberment (AD&amp;D).</li> <li>Prevalence: Death for close to 90% and AD&amp;D for more than 90% of large employers.</li> <li>Plan Eligibility: Full-time salaried and hourly employees.</li> <li>Benefit Description: Death from natural causes or death of spouse typically pay one times the annual salary. AD&amp;D benefits for death from accidental causes, dismemberment or disablement.</li> <li>Employee Contributions: None.</li> <li>Plan Financing: Insurance policy.</li> <li>Is Coverage Part of Another Plan? Life – No. AD&amp;D – Yes, as a rider to life insurance policy.</li> </ul>

**MEDICAL, SICKNESS, DISABILITY & DEATH BENEFITS ENVIRONMENT**

Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Rate of health care cost increases continue to outpace inflation. Frustration with current system's inability to control price and improve quality of service.</li> <li>Rising number of individuals without health insurance coverage.</li> <li>Increased demand for services.</li> <li>Complicated health care delivery system.</li> <li>Retiree medical cost pressures.</li> <li>Increased government regulation.</li> </ul>	<ul style="list-style-type: none"> <li>Employers and other health care stakeholders are considering the potential implications of US health system reforms as they await the outcome of the current national health care reform debate.</li> <li>Focus is on health management and health promotion to improve employee health and control costs.</li> <li>Emphasis is on cost management and quality improvement strategies to (i) increase transparency of health costs and data and (ii) select and reward providers based on performance measures.</li> </ul>	<ul style="list-style-type: none"> <li>President Obama and congressional leaders are debating significant reforms to address the US health care system.</li> <li>A new temporary program provides a federal subsidy of 65% of premiums for certain people who continue their employer group health plan coverage that would otherwise end due to an involuntary employment termination.</li> <li>States and localities are developing local solutions. Massachusetts, Vermont and the City of San Francisco enacted laws requiring employers that do not provide adequate employee health coverage to help finance coverage for the uninsured. Several other states are considering similar laws.</li> </ul>

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Retirement		Peer Reviewer: <a href="mailto:Russell.Mason@mercer.com">Russell.Mason@mercer.com</a>		
EMPLOYER PRACTICE				
	Prevalence	DB	PLAN NAME	DC
<b>Mandatory Practice</b>	All companies	Social security + mandatory superannuation guarantee (SG), which can be DB or DC.	PLAN NAME	Social security + mandatory superannuation guarantee (SG), which can be DB or DC.
<b>Typical Market Practice</b>	Approximate: <b>% of multinational and local leading companies that provide supplementary benefits through same mandatory plan</b>	In general, supplementary pension plans are provided mainly to management and higher-paid groups. Most DB plans are closed to new hires. Where open, eligibility begins upon date of hire.	PLAN ELIGIBILITY	In general, supplementary pension plans are provided mainly to management and higher-paid groups upon date of hire.
		65 males/65 females.	NORMAL RET. AGE	65 males/65 females.
		Typically six to seven times the final three-year average salary after 40 years' service (inclusive of the mandatory SG). Lower benefit scales may apply to employees classified as "wage earners."	BENEFIT FORMULA	Accumulation of contributions with interest.
	10%  <b>% of supplementary plans</b> DB: 10% DC: 90% Hybrid: 0%	Included in retirement plan: Death – Yes. Disability – Yes.	DEATH & DISABILITY	Included in retirement plan: Death – Yes. Disability – Yes.
		Vesting benefit: Vesting periods are now less common (that is, most plans immediately vest). Benefit formula may be more generous on retirement after age 55.	VESTING	Vesting of employer contributions: Immediate full vesting.
		Typically 5% of salary (not counted toward the mandatory SG) from either pretax or post-tax salary, with additional voluntary contributions possible.	EMPLOYEE CONTRIBUTION	Not required; voluntary contributions possible.
		1% – 2% of earnings in addition to 9% mandatory contribution to SG.	EMPLOYER CONTRIBUTION	1% – 2% of earnings in addition to 9% mandatory contribution to SG.
		Stand-alone trust, master trust or industry fund.	FINANCING	Stand-alone trust, master trust or industry fund.
		Lump sum.	FORM OF PAYMENT	Lump sum.
		Not prevalent.	HYBRID ALTERNATIVES	Not prevalent.
<b>Executive-only plans</b>  Not prevalent	Valuations: Formally every three years; informal valuations conducted more frequently.	OTHER	Employee investment choice: Yes. Choice of fund also applies from July 1, 2005.	
	Local accounting standard: AASB 119 (based on IAS 19).			
PENSION ENVIRONMENT				
General Comments	Opportunities and Trends		Key Legislation (Recent or Proposed)	
<ul style="list-style-type: none"> <li>Australia does not typically have supplementary plans in the sense that there is a separate plan. Instead, about 10% of multinational and local leading companies provide supplementary benefits for higher-paid groups within the same (mandatory) superannuation plan as for other employees, but through different membership categories.</li> <li>Many senior executives are "packaged," and superannuation is one component of that package. Senior executives can choose how much of that package is directed toward superannuation (other than for the minimum 9% SG). Even where there is a supplementary arrangement, it is not usually significantly higher than the 9% SG.</li> </ul>	<ul style="list-style-type: none"> <li>Continuing trend toward master trusts and industry funds. Many employers have decided to wind up their stand-alone trust because of increasing regulatory complexity and compliance costs.</li> <li>Most companies have shifted away from defined benefits.</li> <li>Mandated and voluntary choices. Flexible defined contribution plans – flexible contributions, insurance and investment choice, choice of fund.</li> </ul>		<ul style="list-style-type: none"> <li>The concessional contribution limit has been reduced to AUD 25,000 per annum (AUD 50,000 per annum for those over age 50), effective July 1, 2009.</li> <li>The government has proposed to lift the eligibility age for the social security age pension from 65 to 67 over the period to 2023. A number of other changes are also proposed.</li> </ul>	

## Australia

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## Medical, Sickness, Disability &amp; Death Benefits

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Medical Benefits	Sickness & Disability Benefits	Death Benefits
<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Medicare – Hospitalization, outpatient services.</li> <li>Plan Eligibility: All citizens and permanent residents.</li> <li>Plan Financing: Medicare tax levy and general revenue.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Provides basic medical and emergency cover only. Approximately 40% of the population has supplementary private medical coverage.</li> </ul>	<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Disability pension benefits provided after two years of disability.</li> <li>Benefits Provided by Employer: Workers' compensation for work-related injuries and illnesses.</li> <li>Plan Eligibility: All employees.</li> <li>Plan Financing: Insurance policy.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Provides a basic level of coverage only, particularly for long-term disability.</li> </ul>	<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Short-term assistance for widows.</li> <li>Benefits Provided by Employer: Workers' compensation for work-related deaths.</li> <li>Benefits Provided Under Workers' Compensation: Lump sum that varies by state (for example, AUD 325,000 in New South Wales).</li> <li>Plan Eligibility: All employees.</li> <li>Plan Financing: Insurance policy.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Death benefit is adequate for many employees, but not at executive level. Not payable if death is not work-related.</li> </ul>
<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Medical.</li> <li>Prevalence: Less than 10% of multinational and local leading companies.</li> <li>Plan Eligibility: Varies by organization. Given the very low prevalence, there is no typical situation.</li> <li>Dependent Coverage: Yes.</li> <li>Benefit Description: Hospitalization, ambulance services, dental, vision, and other ancillary benefits such as physiotherapy and chiropractic.</li> <li>Employee Contributions: Employees commonly pay 100%.</li> <li>Plan Financing: Insurance policy.</li> <li>Is Coverage Part of Another Plan? No.</li> </ul>	<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Total permanent disability (TPD), long-term disability (LTD) and short-term disability (STD) as riders to retirement (superannuation) fund.</li> <li>Prevalence: 95% of multinational and local leading companies.</li> <li>Plan Eligibility: All permanent employees.</li> <li>Benefit Description: TPD – Lump sum equal to death benefit. LTD – Salary continuance at 75% of salary until age 65. STD – Salary continuance at 75% of salary for two years.</li> <li>Employee Contributions: Where provided through retirement plan, same contributions as for death benefits.</li> <li>Plan Financing: Typically provided through retirement plan. Some long-term salary continuance policies may be provided through an insurance policy held by the company.</li> <li>Is Coverage Part of Another Plan? Yes, the retirement plan.</li> </ul>	<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Death benefits through retirement (superannuation) fund.</li> <li>Prevalence: 99% of multinational and local leading companies.</li> <li>Plan Eligibility: All permanent employees. Casual employees will often be covered.</li> <li>Benefits Provided: For all causes of death. DC plan: Account balance plus an insured amount, which is often flexible. DB plan: Prospective lump-sum retirement benefit at age 65.</li> <li>Employee Contributions: Depends on plan design. DC plan – Employee bears the total cost by deduction from the account balance. DB plan (where applicable) – Employee contribution is fixed; employer pays balance of cost.</li> <li>Plan Financing: Typically provided through retirement plan.</li> <li>Is Coverage Part of Another Plan? Yes, the retirement plan.</li> </ul>
<b>MEDICAL, SICKNESS, DISABILITY &amp; DEATH BENEFITS ENVIRONMENT</b>		
Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Medical inflation rate (2008): 4.8%.</li> <li>Choice-of-fund legislation makes it difficult for employer to provide consistent coverage to all employees. Death and disability coverage is generally provided most tax-effectively via a retirement plan. However, employees may choose to join a plan other than the employer plan.</li> </ul>		<ul style="list-style-type: none"> <li>From July 1, 2010, the 30% tax rebate on private medical insurance premiums will be subject to an income test. At the same time, the Medicare Levy Surcharge (for those without private insurance) will increase to up to 1.5% for high-income earners.</li> </ul>

Japan  
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	Prevalence	DB		DC
<b>Mandatory Practice</b>	All companies	National Pension (NP) + Employees' Pension Insurance (EPI).	PLAN NAME	All members receive DB only.
<b>Typical Market Practice</b>	Approximate: <b>% of multinational and local leading companies with a supplementary plan</b> 97%  <b>% of supplementary plans</b> DB: 66% Funded: 49% Unfunded: 51% DC: 18% Hybrid: 16%  <b>Executive-only plans</b> Fairly common, especially among larger companies	All regular employees, from date of hire. Regular employees are those who are subject to work rules, not contract employees.	PLAN ELIGIBILITY	All regular employees, from date of hire.
		60 males/60 females. Although NRA is being extended to 65, most plans still provide benefit accruals only until age 60.	NORMAL RET. AGE	60 males/60 females. In general, contributions not currently permitted for employees at or over NRA.
		In addition to traditional final salary plans and point plans,* cash balance plans were introduced with the 2002 DB Law.	BENEFIT FORMULA	Accumulation of contributions with interest.
		Not typically provided. Lump-sum benefit usually paid on account of death or disability.	DEATH & DISABILITY	Included in retirement plan; lump-sum payment of account balance usually paid on account of death or disability.
		Involuntary retirement: one year of service. Voluntary resignation: two to three years of service.	VESTING	Immediate full vesting after three years of service.
		Typically none. Under a DB plan, it is possible to require employees to share the plan cost (not a market practice).	EMPLOYEE CONTRIBUTION	Not permitted by law.
		Typically full cost of plan.	EMPLOYER CONTRIBUTION	Full cost of plan.
		Book reserves as internal financing, or tax-qualified pension plans (TQPP/New DB) or Employees' Pension Funds (EPF) as external financing, or a combination of these. Typically a single plan per company, but industry plans exist.	FINANCING	Financed in tax-qualified defined contribution plan governed by the DC Law, managed by DC service providers.
		Lump sum, annuity or a combination.	FORM OF PAYMENT	Choice of annuity or lump sum.
		Large companies that have introduced new DB plans tend to use cash balance design rather than a traditional final pay-linked formula.	HYBRID ALTERNATIVES	Can offer employees the option to receive their DC contribution as normal salary, depending on the plan design requirements and company situation.
Valuations: Funding tests must be carried out each year. Also, every three to five years a comprehensive funding status review is required. Local accounting standard: Japan GAAP.	OTHER	Employee investment choice: Yes. In general, other than upon death or disability, employee cannot receive a distribution prior to age 60.		

**PENSION ENVIRONMENT**

Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Many companies are eager to implement DC-type arrangements. However, DC plans are still not understood by employees, which presents communication challenges. Due to the low contribution limits, DC-only is usually not a viable option because it will not deliver a competitive benefit. The investment fees, particularly on actively managed equity investments (paid by the employee in a DC plan), are also prohibitively high.</li> <li>Funding levels in DB plans continue to remain low by international standards. As the Japanese population ages, this will put severe pressure on companies' cash flow to fund and pay benefits.</li> </ul>	<ul style="list-style-type: none"> <li>Companies are taking advantage of new DC and cash balance vehicles. The 2002 DB Law introduced funded cash balance plans and minimum funding requirements. Since the 2001 DC Law, some 11,706 companies (as of March 31, 2009) have implemented a DC-type arrangement.</li> <li>Trend to reduce or at least change directors' pension arrangements.</li> <li>Companies are not allowed to set up a new TQPP from April 2002, and all TQPP plans must be eliminated by 2012. Companies are still in the process of converting current TQPP plans to new plans, including qualified DC, qualified DB and unfunded DB plans.</li> </ul>	<ul style="list-style-type: none"> <li>The normal retirement age (NRA) is being gradually extended to 65 between 2006 and 2013. Companies that apply an NRA of less than 65 need to take action.</li> <li>There is currently a proposal in Parliament (DIET) to increase the maximum monthly DC contribution limit, to allow employee contributions in DC plans and to raise the maximum participation age in DC plans to 65 (currently that age is 60). There are also discussions regarding the easing of the rules that pertain to changing investment options offered to participants and the reduction of the favorable tax-free allowances that apply to lump-sum payments from retirement plans.</li> </ul>

\* A point plan is unique to Japan. Employees earn points based on factors (for example, service, job grade). Points have a monetary value, usually JPY 10,000. Upon retirement, the benefit is calculated as point sum times point value.

While this snapshot is Mercer's understanding of current typical market practice, there are usually industry and geographical differences that should be taken into account if benchmarking or establishing a plan. Within the Retirement summary, Death & Disability excludes information on any death and/or disability benefits that may be provided outside the retirement plan. Copyright 2009 Mercer LLC. All rights reserved.

## Japan

## Medical, Sickness, Disability &amp; Death Benefits

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## EMPLOYER PRACTICE

Medical Benefits	Sickness & Disability Benefits	Death Benefits
<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: As part of the universal health care scheme, Employees' Health Insurance (EHI) in general covers medical, dental, vision, drugs, injections, surgery, hospitalization and nursing.</li> <li>Plan Eligibility: All employees and directors/executives (no special arrangement for directors/executives).</li> <li>Dependent Coverage: Employees may opt for family coverage (which includes spouse, children, parents, grandchildren, grandparents, younger siblings).</li> <li>Plan Financing: Contributions to social security.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Adequate – coverage is universal and comprehensive.</li> </ul>	<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: LTD – National Pension (NP), Employees' Pension Insurance (EPI) and Workers' Accident Compensation Insurance (WACI) provide a combination of disability pension and lump-sum benefits; disability benefits are paid according to degree of disability, per statutory ruling. STD – EHI covers short-term disability via income continuation (two-thirds of employee's income is secured for a maximum of 18 months during sickness or injury).</li> <li>Plan Eligibility: All employees and directors/executives (except WACI; directors/executives are typically not eligible).</li> <li>Plan Financing: Contributions to social and labor insurance.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? LTD – Inadequate; STD – Very adequate.</li> </ul>	<p><b><u>Mandatory</u></b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: NP, EPI and WACI provide for death and total disability and dismemberment from natural causes, accidental causes and work-related events.</li> <li>Plan Eligibility: All employees and directors/executives (except WACI; directors/executives are typically not eligible).</li> <li>Plan Financing: Contributions to social and labor insurance.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate. WACI does not cover directors, it is difficult to get approval, the benefit amount is insufficient and it is only for on-the-job incidents.</li> </ul>
<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Health Insurance Association (HIA) scheme and supplemental private hospitalization insurance (hospitalization).</li> <li>Prevalence: HIA – Nearly all employees opt out of the EHI scheme and create or join a single-/multi-employer HIA scheme. Hospitalization: Less than one-third of multinational and local leading companies provide hospitalization supplementary to compulsory benefits (EHI/HIA). <b>The following describes HIA only.</b></li> <li>Plan Eligibility: Same as EHI.</li> <li>Dependent Coverage: Same as EHI.</li> <li>Benefit Description: Same as EHI except with typically higher medical reimbursement level, additional lump-sum benefits and a multitude of wellness programs.</li> <li>Employee Contributions: Split with employer. Employee contributions tend to be smaller.</li> <li>Plan Financing: Contributions to HIA (typically lower than EHI).</li> <li>Is Coverage Part of Another Plan? No.</li> </ul>	<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Long-term disability insurance (LTD) and short-term disability rules (STD).</li> <li>Prevalence: LTD – Nearly two-thirds. STD – Less than one-third of multinational and local leading companies.</li> <li>Plan Eligibility: All employees and directors/executives.</li> <li>Benefit Description: LTD – Income continuation: 30% to 60% of last drawn annual income, up to company retirement age; 90-to-180-day waiting period. STD – Large companies provide paid disability leave that varies by years of service. Benefit typically ranges from six to 21 months at 100% salary continuation. The supplementary LTD and STD benefits both are integrated with mandatory benefits.</li> <li>Employee Contributions: LTD – None. STD – None.</li> <li>Plan Financing: LTD – Private insurance policy. STD – Self-funded (salary continuance) and stipulated in company's rules of employment (RoE).</li> <li>Is Coverage Part of Another Plan? No.</li> </ul>	<p><b><u>Typical</u></b></p> <ul style="list-style-type: none"> <li>Plans: Group term life insurance (GTL) and accidental death &amp; dismemberment insurance (AD&amp;D).</li> <li>Prevalence: GTL – Nearly all. AD&amp;D – Less than one-third of multinational and local leading companies.</li> <li>Plan Eligibility: All employees and directors/executives.</li> <li>Benefit Description: GTL – Death by accidental/natural causes, total permanent disability: lump sum of two times annual salary. AD&amp;D – Death by accidental causes: lump sum of JPY 10 million or two times annual salary. Dismemberment per accident scale: 3% to 100% of death amount.</li> <li>Employee Contributions: None.</li> <li>Plan Financing: Private insurance policy.</li> <li>Is Coverage Part of Another Plan? GTL – No. AD&amp;D – Can be stand-alone or added on as a rider to GTL insurance.</li> </ul>

## MEDICAL, SICKNESS, DISABILITY &amp; DEATH BENEFITS ENVIRONMENT

Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>The majority of HIAs will be required to bear more contributions to the universal health care scheme due to the introduction of the new medical system for the elderly.</li> <li>As a result of the above, the majority of HIAs have been forced to increase premium levels to bear the new contribution requirements, or else disband and revert back to the EHI.</li> </ul>	<ul style="list-style-type: none"> <li>Growth trend in the LTD market due to need for a benefit plan for mental sickness, which makes up more than half of disability claims. Also, more companies are converting to insurance policies the risk of old salary continuation benefits written in their RoE.</li> <li>Private hospitalization and other various supplemental insurance coverages are beginning to appear on the market. However, the benefit levels are still small and are not integrated with the universal health care system.</li> </ul>	<ul style="list-style-type: none"> <li>Government-managed EHI premium rates to change to prefecture-based system. Each prefecture will have different premium rate settings.</li> </ul>

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EMPLOYER PRACTICE				
	Prevalence	DB	PLAN NAME	DC
<b>Mandatory Practice</b>	All companies	Social Security retirement insurance.	PLAN NAME	All members receive DB only.
<b>Typical Market Practice</b>	Approximate: <b>% of multinational and local leading companies with a supplementary plan</b> 90%  <b>% of supplementary plans</b> DB: 50% DC: 10% Hybrid: 40%  <b>Executive-only plans</b> Common	All full- and part-time employees, usually upon date of hire.	PLAN ELIGIBILITY	All full- and part-time employees, usually upon date of hire.
		65 males/65 females (tending toward 67 for new hires; see below).	NORMAL RET. AGE	65 males/65 females (tending toward 67 for new hires, see below).
		0.2% to 0.5% of salary below social security contribution ceiling (EUR 64,800 for the western federal states and EUR 54,600 for the eastern federal states) plus 0.9% to 1.8% of salary above the ceiling, multiplied by the number of service years (on either a final-pay or a career-average basis).	BENEFIT FORMULA	DC plans effectively are only possible as fully insured plans where premium determines insured benefit; premium typically equals 2% to 4% of covered pay, up to social security contribution ceiling (SSCC; EUR 64,800 for the western federal states and EUR 54,600 for the eastern federal states). Most plans are hybrid plans.
		Included in retirement plan: Death – Yes. Survivors' benefit is 60% of disability or old-age benefit. Disability – Yes (accrued old-age benefit).	DEATH & DISABILITY	Included in retirement plan: Death – Yes. Survivors' benefit typically is 60% of disability or old-age benefit. Cash balance: Payment of (notional) account. Disability – Often, accrued old-age benefit.
		Vesting benefit: Five years of service + age 25.	VESTING	Vesting of employer contributions: Five years of service + age 25. Vesting for employee contributions: Immediately.
		Not required, and unusual.	EMPLOYEE CONTRIBUTION	Not required, but varies by plan. Often requested within new plans, with employer matching contribution. Deferred compensation common for executives; offer mandatory for all employees, up to a contribution of 4% of the SSCC.
		Full cost of plan.	EMPLOYER CONTRIBUTION	General plan arrangements: 1.5% to 4.0% of salary below SSCC salary ceiling and 6.0% to 15.0% above ceiling; executives even more. Deferred compensation plans: Individual contributions.
		Most popular method is a book reserve with or without segregated assets in contractual trust arrangements. Other methods: Support funds, pension funds (" <i>Pensionskassen</i> ") and direct insurance.	FINANCING	Either insured, external entity (direct insurance, <i>Pensionskassen</i> , <i>Pensionsfonds</i> or support fund) or book reserved; some employers fund their book reserve plan via reinsurance or CTA.
		Annuity (predominant) or lump sum; combination of annuity/lump sum is not uncommon.	FORM OF PAYMENT	Predominantly lump sum or annuity, though combination is possible.
Reinsured DB plan with defined contributions; level of benefits depends on the insurance benefits.	HYBRID ALTERNATIVES	Only some insured plans are fully DC from the accounting perspective; all others are hybrid plans.		
Valuations: Annually. Local accounting standard: German Commercial Code (CC) but compliance with CC by using tax law standards (Teilwert-Methode). Trend is to move to IFRS.	OTHER	Valuations according to IAS 19 are often necessary. Employee investment choice: Yes, but only in rare cases.		
PENSION ENVIRONMENT				
Threats and Restrictions	Opportunities and Trends		Key Legislation (Recent or Proposed)	
<ul style="list-style-type: none"> <li>A pure DC plan is still not possible (since the employer always retains parts of the investment risk); fully insured plans (and plans with <i>Pensionskassen</i> and <i>Pensionsfonds</i>) are still tax-inefficient for contributions in excess of 4% of pay, up to social security ceiling (any excess is fully taxable as income).</li> </ul>	<ul style="list-style-type: none"> <li>Strong tendency to change from DB plans to DC-type hybrid plans (virtually all new plans are of this type). Many DB plans are closed to new hires.</li> <li>Harmonization of pension plans currently involves conversion of past service from different pension plans into an initial building block in a cash balance-type hybrid plan; for future service, there is only one valid cash balance-type hybrid plan.</li> <li>Ongoing trend toward transferring a pension plan from book reserve to Contractual Trust Arrangement (and increasingly to <i>Pensionsfonds</i>).</li> <li>Employment after normal retirement age 65 will be taken into account by bonuses. Pensions (if drawn later) will be increased.</li> </ul>		<ul style="list-style-type: none"> <li>Social security NRA will increase gradually from age 65 to age 67 between 2012 and 2029.</li> <li>BilMoG (German Accounting Law Modernization Act) makes particular pension accruals more "realistic" by considering future developments of wages, prices and discount rates more in line with capital market developments. The tax valuation of pension accruals remains unchanged.</li> <li>The reform of pension rights adjustment will influence employers, which will have to share the company pension rights adjustment that the employee earned during the relationship. The new law will take effect September 1, 2009.</li> </ul>	

While this snapshot is Mercer's understanding of current typical market practice, there are usually industry and geographical differences that should be taken into account if benchmarking or establishing a plan. Within the Retirement summary, Death & Disability excludes information on any death and/or disability benefits that may be provided outside the retirement plan. Copyright 2009 Mercer LLC. All rights reserved.

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EMPLOYER PRACTICE				
	Prevalence	Health Insurance		Compulsory Long-term Care Insurance
<b>Mandatory Practice</b>	All companies	Compulsory health insurance.		Compulsory long-term care insurance.
<b>Typical Market Practice</b>	Approximate: <b>% of German employees are in a social sickness fund</b> 90% (basic health coverage)  <b>% of German employees are private health insured</b> 10% (upgraded health coverage, only possible for employees with an income over the SSCC)	All full- and part-time employees, except those with higher incomes who have opted out, are covered (usually as of date of hire).	PLAN ELIGIBILITY	All full- and part-time employees, usually commencing at the date of hire.
		Premium of compulsory health insurance amounts to 15.5% of the income, up to the SSCC in the compulsory health insurance (2009: EUR 44,100). 50.0% paid by the employer and 50.0% paid by the employee + 0.9% extra premium (paid only by the employee) for dental prosthesis. Dependents are covered without additional premiums. The statutory health insurance generally covers all hospitalization and medical costs. Patients have to consult with a general practitioner before seeing a specialist; no additional costs will be incurred for further consultations if this is respected.	SOCIAL SYSTEM	Premium of compulsory long-term care insurance amounts to 1.95% of the income, up to the SSCC in the compulsory health insurance. 50.00% paid by the employer and 50.00% paid by the employee. For members without children there is an extra premium of 0.25% (paid only by the employee).
		Employees with income above EUR 48,600 in 2009; EUR 48,150 in 2008; and EUR 47,700 in 2007 (three consecutive years) are able to opt out of the social health system and obtain private insurance that provides full medical coverage. In this case, premium is individually calculated and is independent of income. Employer pays 50.0% of the premium to compulsory health insurance (15.5% from July 1, 2009, up to the SSCC). In addition, premiums have to be paid for dependents' cover; premium level depends on the age and sex of dependents.	PRIVATE SYSTEM	Premium of private, long-term care insurance is calculated on an average premium basis for private insured and is limited to 1.95% of the income up to the SSCC in the compulsory health insurance.  50% paid by the employer and 50% paid by the employee.
		Paid out by the employer until retirement age; employee's share as described above.	CONTRIBUTIONS	Paid out by the employer until retirement age; employee's share as described above.
MEDICAL, SICKNESS, DISABILITY & DEATH BENEFITS ENVIRONMENT				
Threats and Restrictions		Opportunities and Trends		Key Legislation (Recent or Proposed)
		<ul style="list-style-type: none"> <li>▪ Health coverage will become a new type of employee benefit other than retirement arrangements, as employers begin providing additional health benefits to cover decreasing benefits of the compulsory insurance or to improve them.               <ul style="list-style-type: none"> <li>- 90% of multinationals and local leading companies already offer a supplementary group medical plan for all employees who are members of compulsory health insurance. However, there is a low take-up rate, as employees must assume the full premium. Participation rates may increase following decreasing compulsory insurance coverage.</li> <li>- Employer-sponsored plans also allow for preferred conditions over voluntary health group contracts.</li> </ul> </li> <li>▪ Some employers have begun introducing employer-paid additional long-term care insurance.</li> <li>▪ Trend toward workforce health management. One of the reasons is that government and sickness funds offer tax and other financial benefits for employers and employees.</li> </ul>		<ul style="list-style-type: none"> <li>▪ Health reform currently under way, with second step effective January 1, 2009:               <ul style="list-style-type: none"> <li>- Every individual residing in Germany is obligated to have health insurance for himself/herself and his/her legal dependents. The health insurance must be contracted with an insurance company certified to do business in Germany.</li> <li>- One compulsory health insurance contribution rate will be defined for all insurance funds by the Federal Ministry of Health (previously, rates were set by the funds themselves and varied by fund).</li> <li>- New basic tariff in private health insurance, with the same premiums and benefits as the compulsory insurance.</li> </ul> </li> <li>▪ Reform of long-term care insurance was announced in 2008:               <ul style="list-style-type: none"> <li>- As of July 1, 2008, the mandatory contribution is 1.95% of income, up to the SSCC, plus an extra premium of 0.25% for members without children (paid only by the employee).</li> <li>- The benefits will increase in phases between 2008 and 2012. Coverage will be provided for individuals with limited capabilities in terms of activities of daily living.</li> </ul> </li> </ul>

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Retirement				
EMPLOYER PRACTICE				
	Prevalence	DB		DC
<b>Mandatory Practice</b>	All companies	Basic State Pension (BSP) + State Second Pension (S2P) + Pension Credit.	PLAN NAME	All members receive DB only.
<b>Typical Market Practice</b>	Approximate: <b>% of multinational and local leading companies with a supplementary plan</b> 100%	A typical DB salaried staff plan is contracted out of the state plan (S2P). All employees, sometimes with a service requirement of three to 12 months.	PLAN ELIGIBILITY	Occupational schemes and personal pension plans. Eligibility varies but unless employer has an occupational pension scheme, the law requires the employer to offer access to a stakeholder plan but does not require employer contribution.
		65 males/65 females.	NORMAL RET. AGE	65 males/65 females.
		Two-thirds of final pensionable earnings after 40 years' service – that is, accrual rate of 1/60th of final pensionable earnings per year of service.	BENEFIT FORMULA	Accumulation of contributions with investment returns.
	<b>% supplementary plans</b> DB: 18% DC: 18% Hybrid: 64% Typically DB for existing employees, DC for new hires	Included in retirement plan: Death – Yes. Disability – Yes in majority of cases; practice varies as to whether the plan is used or salary continuation is provided by the employer.	DEATH & DISABILITY	Included in retirement plan: Death – Normally provided in conjunction; may be from a legally separate plan. Disability – Normally a separate plan, if provided at all.
		Vesting benefit: From April 2006, three months.	VESTING	Increasingly immediate vesting – required under stakeholder/personal plans. From April 2006, three months maximum.
		Typically 5% to 8% of base salary, to a 1/60th scheme (many plans are trending up; note that two years ago, contributions were 3% to 5%). Most (not all) plans require a contribution.	EMPLOYEE CONTRIBUTION	Typically 2% – 7% of base salary. Most plans require a contribution. No legal requirement for a contribution, and noncontributory plans do exist.
	<b>Executive-only plans</b> Common, with benefits up to double basic plan accruals; under new tax regime, unfunded plan or salary alternative (where benefits exceed GBP 1.75m value*)	Around 20% to 30% of base salary (1/60th final salary benefit). Current rates are higher due to past service-funding deficits.	EMPLOYER CONTRIBUTION	Equals 4% to 12% base salary; formula related to level of employee contributions. Some employers use age-related scale as well.
		Method depends on the size of plan assets. Most sizeable plans have investment managers directing the assets.	FINANCING	Trust fund or a personal pension/stakeholder contract. Contract-based approaches are becoming more common.
		Most plans allow around 25% of pension benefit to be taken as a tax-free lump sum. Remaining benefit as annuity. Annuity in respect of current accruals must be linked to inflation once in payment, but limited to 2.5% per annum.	FORM OF PAYMENT	Normally 25% lump sum, remaining benefit as annuity. Flexible forms of annuities are developing.
Career-average schemes adopted by a significant minority of schemes. Typically accrued benefits are linked to prices.		HYBRID ALTERNATIVES	Small number of schemes with various forms of guarantees; not common.	
		Valuations: Formal valuations every three years. Annual "health check" reviews a statutory requirement. Local accounting standard: FRS 17, IAS 19.	OTHER	Employee investment choice: Yes. Lifestyle option now common (equity-based investment with automatic migration to bonds and cash over last five to 10 years).
PENSION ENVIRONMENT				
Threats and Restrictions		Opportunities and Trends		Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Significant power now lies with trustees and regulator.</li> <li>Increase in deficits and consequent increase in employer costs due to market falls and lower gilt yields.</li> <li>High taxation on any individual building up pension assets in excess of GBP 1.75 million.*</li> <li>Effective April 22, 2009, there is a new restriction on tax relief in respect of pension savings for those with total income over GBP 150,000.</li> </ul> <p>* For 2009/10 tax year.</p>		<ul style="list-style-type: none"> <li>Refinancing of pension deficit by other borrowing to reduce PPF levies.</li> <li>Reconsideration of DB and DC investment strategy.</li> <li>2006 tax rules increased flexibility of contributions and retirement planning, especially for DC. No longer so attractive to high earners.</li> <li>Consider DC contribution adequacy.</li> <li>Recent legislation means that pensions are now more important in mergers, acquisitions and corporate restructures.</li> <li>Competitive pricing from recent buy-out entrants and alternative investment markets have led employers to consider how to secure or derisk the obligations of their closed DB schemes.</li> </ul>		<ul style="list-style-type: none"> <li>Major tax reforms effective April 2006.</li> <li>Age discrimination legislation effective December 1, 2006, for pension schemes.</li> <li>The Pensions Act 2007 confirmed major reforms to state retirement provision, including a gradual increase in state pension age to 68 over the period 2024 – 2046. A new, quasicompulsory savings plan referred to as "personal accounts" is expected from 2012.</li> <li>Reduction in mandatory increases to defined benefits after an employee leaves.</li> </ul>

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## United Kingdom

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## Medical, Sickness, Disability &amp; Death Benefits

## EMPLOYER PRACTICE

Medical Benefits	Sickness & Disability Benefits	Death Benefits
<p><b>Mandatory</b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security – National Health Service (NHS): Most treatment is free, although patients have to pay part of dental costs and prescriptions.</li> <li>Benefits Provided by Employer: Eye tests and subsidization of the cost of lenses for all visual display unit (VDU) users.</li> <li>Plan Eligibility: All residents.</li> <li>Plan Financing: Contributions to social security.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? National Health Service provides good emergency treatment. For planned treatment, however, access can be slow and not all drugs may be available, particularly those for oncology (hence the reason for private medical insurance).</li> </ul>	<p><b>Mandatory</b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Long-term disability.</li> <li>Benefits Provided by Employer: STD – Statutory Sick Pay (SSP) is GBP 79.15 per week, paid from fourth day of sickness, up to 28 weeks in any period of sickness for those earning more than GBP 95 per week.</li> <li>Plan Eligibility: All residents.</li> <li>Plan Financing: LTD – Contributions to social security. STD – No advance financing. Paid when required from company assets.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate.</li> </ul>	<p><b>Mandatory</b></p> <ul style="list-style-type: none"> <li>Benefits Provided by Social Security: Bereavement Payment, Widowed Parent's Allowance, Bereavement Allowance, Guardian's Allowance, SERPS/S2P.</li> <li>Plan Eligibility: Three bereavement benefits are available to both widows and widowers. Entitlement to benefit is based on the deceased spouse's national insurance contribution record only, not on the claimant's.</li> <li>Plan Financing: Contributions to social security.</li> <li>How Adequate Are Mandatory Benefits in Meeting Employee Needs? Inadequate.</li> </ul>
<p><b>Typical</b></p> <ul style="list-style-type: none"> <li>Plans: Medical.</li> <li>Prevalence: Up to 90% of multinational and local leading companies. 12.5% of population is covered by private medical insurance, mostly through company-paid plans.</li> <li>Plan Eligibility: Typically one plan for all employees.</li> <li>Dependent Coverage: At discretion of company. If dependent coverage is not paid for by company, employees can be allowed to include their dependents at their own cost.</li> <li>Benefit Description: Medical – Private hospital accommodation, surgeons' and anesthetists' fees, specialist consultation fees, outpatient visits, inpatient drugs and dressings. Dental and vision – Reimbursement up to fixed limits, depending on the nature of treatment.</li> <li>Employee Contributions: Generally the employer pays the employee premium. In the majority of cases, the employee pays for dependents' coverage.</li> <li>Plan Financing: Generally fully insured. However, larger plans are frequently self-funded, often using a medical trust.</li> <li>Is Coverage Part of Another Plan? No.</li> </ul>	<p><b>Typical</b></p> <ul style="list-style-type: none"> <li>Plans: Long-term disability (LTD) and short-term disability (STD).</li> <li>Prevalence: LTD for 90% and STD for 100% of multinational and local leading companies.</li> <li>Plan Eligibility: LTD – All employees, although coverage for hourly paid staff is less common. STD – All employees.</li> <li>Benefit Description: LTD – Paid after six months of disability and ceasing at retirement; 50% to 75% of predisability pay and, at the higher level, usually integrated with state benefits. Payments for a limited period only, for example, five years may be provided, and sometimes a lump-sum payment. Often DB plans provide some form of ill-health retirement pension based on augmented service and without reduction for early payment. STD – Salary continuation for salaried staff during sickness for up to six months, usually at 100%, reducing after a period that depends on service. For hourly paid employees, practice varies; most of the time they will receive statutory sick pay only.</li> <li>Employee Contributions: None.</li> <li>Plan Financing: LTD – Insurance policy. STD – Self-funded.</li> <li>Is Coverage Part of Another Plan? LTD – No, though may be a rider to a DB retirement plan. STD – No.</li> </ul>	<p><b>Typical</b></p> <ul style="list-style-type: none"> <li>Plans: Death and accidental death &amp; dismemberment (AD&amp;D).</li> <li>Prevalence: Death for 100% and AD&amp;D for 90% of multinational and local leading companies.</li> <li>Plan Eligibility: Pension plan members. Common to extend benefits to nonmembers, but often at a lower level.</li> <li>Benefit Description: Death – Lump sum for death-in-service in most pension plans, equal to three or four times annual salary. DB plan: Spouse's pension is paid at 50% level of the member's prospective pension, but may be calculated as a percentage of member's salary or accrued pension. Death in retirement and spouse's benefits are a continuation of member's pension, commonly at 50% of member's pension prior to exchange for cash at retirement. Dependent children's pensions are payable. DC plan: Spouse's pension may be provided as a percentage of member's salary or as an additional lump sum. AD&amp;D – Lump sum of up to six times annual salary for accident during business.</li> <li>Employee Contributions: Death – None unless a part of the pension plan. AD&amp;D – None.</li> <li>Plan Financing: Insurance policy.</li> <li>Is Coverage Part of Another Plan? Death – No, can be part of retirement plan. AD&amp;D – Rider to life insurance.</li> </ul>

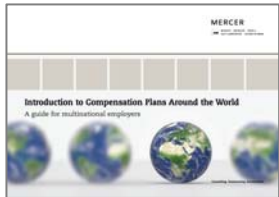
## MEDICAL, SICKNESS, DISABILITY &amp; DEATH BENEFITS ENVIRONMENT

Threats and Restrictions	Opportunities and Trends	Key Legislation (Recent or Proposed)
<ul style="list-style-type: none"> <li>Medical costs continue to escalate well above salary and retail price inflation (insurers indicate inflation of 9% to 11% p.a.), although the long-term estimate is somewhat lower at 6% p.a. Large company-paid plans are dependent on their own experience, but on average have lower inflation figures than those indicated by the insurance market. There is increasing concern by employers about the trend of rising costs for private medical coverage, particularly for high-cost treatment such as oncology.</li> <li>Premiums paid by employers on behalf of employees (and any dependents) are subject to income tax as a "benefit in kind" at the highest rate of tax paid by the employee.</li> </ul>	<ul style="list-style-type: none"> <li>Trend among employers is to provide dental and optical insurance coverage (often fully paid by the employee), often as part of a flexible benefit plan.</li> <li>Employers have looked for ways to contain rising costs of premiums by, for example, removing certain treatments from coverage or including an excess payable by employee. The two main insurers of these benefits have developed hospital and/or consultant networks in an attempt to improve quality and reduce costs without excluding treatments from coverage.</li> </ul>	<ul style="list-style-type: none"> <li>NHS has been under pressure for many years due to a shortage of funds. This is being redressed with the government's allocation of significant additional funding already pledged through to 2010.</li> <li>Welfare Reform Act 2007. Reform of incapacity benefits from autumn 2008. Both amount of benefit and assessment methodology for entitlement to benefit will change. Current opinion is that state benefits will be smaller and harder to obtain. More focus on rehabilitation and on work-related activities that individuals can undertake.</li> </ul>



## 6. Popular Resources

### Benefit and Compensation Plans Around the World (BPAW and CPAW)



Designed for multinational employers, *BPAW* and *CPAW* are annually updated global reference guides to retirement and health benefit plans and compensation programs in 48 countries.

- *BPAW* offers two pages per country – one page retirement, one page health and welfare.
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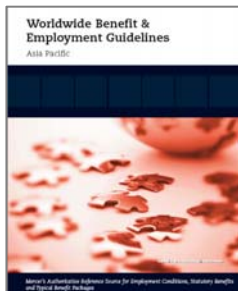
### Global Compensation Planning Report



Multinational employers the world over continue to refer to this report for hard-to-find information on salary trends and key economic and labor market indices, in addition to emerging market studies, wage analyses and economic research. Our subscribers include economists, researchers, planners and policymakers who use the information to support business planning and to inform and advise decision makers.

<http://www.imercer.com/gcpr>

### Worldwide Benefits and Employment Guidelines (WBEG)



With its extensive market practice information, this report is an authoritative source on mandatory and private benefit practices as well as statutory regulations around the world. Recent and pending regulatory changes help employers manage changes in benefits across boundaries. *WBEG* offers data for 64 countries; the 2009 edition is available in five regional volumes.

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### MercerGOLD™



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