Lynn Dudley, the Council’s senior vice president, global retirement and compensation policy, participated in the International Employee Benefits Association’s (IEBA) 14th annual conference on March 11-13 in Brussels, Belgium.

IEBA is the preeminent education and professional development network for benefits professionals throughout Europe. Established twenty years ago, IEBA is headquartered in the United Kingdom with branches in Belgium, France, Germany, Netherlands, the Nordic countries and Switzerland. In addition to sponsoring regular programs in these countries (whose online materials will be available to Council members), IEBA holds an annual meeting in Brussels, headquarters of the European Union.

In his opening remarks, IEBA Chairman Hugh Gallagher recognized the partnership, established in 2013, between the Council and IEBA. The partnership is part of the Council’s continuing activity to expand services and resources to our members in the global benefits arena. Through the Council’s education and research affiliate, the
American Benefits Institute, Council members have been able to enjoy a year-long membership in IEBA at no additional cost to those members. As a result of the partnership, membership in IEBA has grown rapidly to approximately 250 additional members in the past year from the United States and around the globe.

The conference included several excellent sessions regarding various aspects of global compensation and benefits:

LONGEVITY AND THE ECONOMY

Dr. Alex Zhavoronkov, of the Biogerontology Research Foundation, gave a provocative presentation concerning the impact of longevity on the economy and offered an argument for shifting the focus of medical research and policymaking toward improving productive lifespans. Zhavoronkov described advances in medical research that are, in turn, continually lengthening the potential age of workforce productivity. He argued that assumptions underlying public programs such as Social Security and Medicare do not adequately take into account growing longevity; and thereby the unfunded liabilities of these programs may be far more significant than commonly understood.

Zhavoronkov noted that rather than growing the so-called “rejuvenation rate” – the rate at which one’s ability to perform useful work is partially or completely restored – medical attention and resources are misdirected toward end of life treatment. Using data from his research to support his conclusions, he opined that greater value would be obtained if the focus of healthcare were shifted more toward prevention and productive life-extension. He also made the case for greater research into aging and the accelerated propagation of laboratory discoveries into clinical and mainstream use.

AGING AND EMPLOYMENT

Conference participants also considered aging issues in the context of their own company’s employment needs in a discussion led by representatives from Schneider Electric and Sanofi. These companies, along with JTI and Sandvik, jointly conducted a study of the effect of the world’s aging population on their future employment prospects. The study included 15 countries and over 200,000 employees. It focused on demographic changes in two age brackets: ages 19-34 and ages 60-69. The aggregated 2012 data was compared to United Nations information on the working age population in 2010 and projected data for 2025. Findings from the study helped identify countries in which there are likely to be aging issues or shortages in the workforce for the participating companies. The companies plan to expand the study; both to understand the situation in more countries and to include more companies.
Governance

A panel of plan sponsors discussed the challenges of overseeing their subsidiaries and governing their benefits plans. Not surprisingly, the companies all took somewhat different approaches in their governance depending on the countries involved, the types of programs sponsored and their corporate philosophy and culture. There was no “one size fits all” solution to some of the challenges discussed such as the significant question of whether decisions should be centralized or left to the leaders of the local businesses. Panelists addressed strategies to build relationships between corporate headquarters and local operations. The size of the enterprise and number of workers does not necessarily foretell the challenges, since small country operations can have big problems. Panelists also expressed concern that data may or may not always be available but, to the extent it is, it is extremely useful in making objective decisions. The company representatives agreed that governance is being taken very seriously by senior management, with an increased role for internal auditing and outside expertise and consulting. There continues to be an emphasis on controlling costs, making the business case for expenditures on benefits and in more and more situations employing metrics to measure success of benefits.

Case Study: Global Management

Sandik, which operates in 130 countries, presented a case study on global benefits management. Beginning with the fundamental premise that benefits are an integral part of the company’s competitive compensation package in the local marketplace, the management strategy involves several key points: (1) identifying which benefits should be governed centrally versus locally, (2) building a framework for governance that includes all internal stakeholders, (3) prioritization of countries based on percentage of the business represented, and (4) staying on top of change and communicating effectively within the company.

Conference participants examined the evolving nature of human resources and benefits communication. Increased cost pressures, shifting market dynamics, the expectation of innovation and speed are resulting in rapid changes, both in regard to internal communication amongst decision-makers and communication with employees. There is an expectation that communication will be delivered multiple ways: written, spoken, felt, seen and through actions. It was noted that a lot of indirect costs are incurred in failed communication and, as a result, increasingly companies are using additional resources to improve the likelihood that communication is successful.
CASE STUDY: NEGOTIATIONS

Not only are communications important internally and with plan participants, but it is critical for many companies that cooperate with unions in the provision of benefits. Hewlett-Packard shared its experience in France with respect to health coverage, life insurance plans and an employee savings plan. Breaking down the collective bargaining experience, the speaker walked the audience through a successful negotiation including identifying stakeholders, and really understanding their needs and the specific roles of those involved with the social dialogue. The company is guided by its desire to be competitive externally and in its talent strategy; tempered by financial considerations. Key elements of success included breaking down the specific terms, conditions and costs of the agreement, as well as involving company suppliers and then culminating in a clear communication of the final agreement.

CASE STUDY: HEALTH AND SUSTAINABILITY

L’Oreal offered an inside view of its commitment to health and sustainability. The company has identified six goals to be achieved by 2020 for its social care program involving 65 countries. Among the goals are: innovating to give all products an environmental or social benefit, reducing the company’s environmental footprint, offering consumers sustainable consumption choices, providing access to health care, social protection and training for its employees throughout the world, developing sustainability partners through its suppliers, and enabling access to work for 100,000 people from underserved communities. The program has a double ambition including implementation of a common social framework and making each country a social innovation laboratory focused on local needs.

CASE STUDY: REDUCING HEALTH RISKS

Dr. Chris Tompkins, of AXA Healthcare Ltd., offered insight into ways to address the accumulated risks from the combined effects of a poor lifestyle plus aging. Dr. Tompkins examined the common risks in populations and the resulting gradual productivity loss and associated costs. Addressing the accumulated risks requires a sustainable program; and to do that it is often necessary for a company to rethink its approach. This may involve adopting a corporate vision with precise goals, such as: reducing a specific disease risk like obesity, developing company capability using technology, designing a program that includes face-to-face time for employees and intervention in high risk situations.

Beyond the aforementioned case studies, conference participants heard presentations and engaged in discussions focused on other health care issues. One particularly noteworthy presentation examined the assessment of health care drivers
through the analysis of plan data and country population metrics relating to health. Identifying health care cost drivers helped companies more effectively design benefit programs to target and change costly behaviors.

LEVERAGING COSTS

The conference also included several practical presentations on leveraging costs. One presentation examined the value of, and trends in, pooling. Through a pooling contract, a company with two or more locations can spread insurance risk by joining a larger pool of insured lives. This session examined how pooling has evolved with respect to procurement, compliance, governance and the importance of analyzing data. The session addressed adaptability to changing market developments and new demands; as well as clear streamlined processes with agreed upon data.

Another session examined both captives and pooling, and the decisions that may lead companies to use one or the other. A captive involves an insurance or reinsurance company whose business is primarily supplied and controlled by its owners — typically the principal insured lives. These owners/insured lives participate by controlling the underwriting, claims and investment decisions of the insurance company.

Yet another presentation discussed tools for efficient operations and management of pension assets in Europe, including cross-border solutions. The speakers noted the value of centralizing the pension delivery from reporting, governance and cost perspectives and the role of the European Commission’s Directives in moving companies toward more centralization. Several other sessions allowed conference participants to drill down into issues such as the evolving view of benefits as part of total rewards, current de-accumulation options in defined contribution plans that allow retirees to outlive their retirement assets and the growing focus on privacy issues.

The conference participants saved time to hear reports from all of IEBA’s country branches, including the inaugural meeting of the Nordic branch. In addition, the conference participants heard a report on the highly regarded educational designation – the IEBA Diploma in International Employee Benefits, now in its 19th year. The two examinations necessary to receive the diploma are administered by the U.K.-based Pension Management Institute.

The Council’s Lynn Dudley shared insight into the Council’s role in public policy advocacy in the United States and an update on U.S. benefits policy. The report included developments regarding tax reform and the continuing challenges stemming from the U.S. debt and entitlement program costs.
Dudley also participated in a final conference presentation on the key findings from an extensive mobility study conducted by AonHewitt in partnership with the American Benefits Institute. The study reflects a qualitative study of 140 multinational companies in North America, Europe and Asia and offers insight into the importance of understanding different types of internationally mobile employees (IMEs) and their critical role to meeting business needs. The study also focuses on how companies make and implement decisions around reward and benefits for different types of IMEs, and the challenges faced when managing and rewarding IMEs. The results demonstrate that there is effectively no mapping of the type of IMEs with business needs. While information on IMEs is critical for effective management and decision-making, there is a critical shortage of information with little in the way of metrics for measuring a return on investment.

IEBA’s 15th Annual Conference will be held in March 2015, again in Brussels, Belgium.