

EMEA Employee Choice Survey in Benefits 2013-2014

Summary of Results Webcast



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QUESTIONS

- Please type your questions in the Q&A section of the toolbar and we will do our best to answer it.
- While in full-screen mode, simply use the Q&A button on the bottom right-hand side of your screen.
- While in half-screen mode, use the Q&A panel on the bottom right-hand side of your screen.

CONTENT

- About the Survey

- Summary of Results



Survey Closing Highlights

Distribution of respondents by country, region, industry and employer size

Countries were selected for inclusion in the survey on the basis of our knowledge that some form of employee choice was in place and that the legal and tax regimes in these regions would not prevent it.

The survey was fielded from Nov 2013 through to Jan 2014. In total, **636** employers participated.

**Austria, Latvia and Switzerland also participated in the survey. Due to their low responses, the participation numbers are not indicated in the table. Their participation total is indicated in “Other”.*

COUNTRY	Number of Respondents	%
Bulgaria	22	3%
Germany	65	10%
Ireland	19	3%
Italy	76	12%
Netherlands	40	6%
Poland	33	5%
Portugal	47	7%
Romania	32	5%
Saudi Arabia	28	4%
Slovakia	18	3%
Spain	65	10%
Turkey	49	8%
United Arab Emirates	25	4%
United Kingdom	95	15%
Other*	22	3%

Description of choice

Benefits choices:

Employees can exchange some or all of their existing employer-provided benefits for other benefits or an increased level of cover in an existing area.

Voluntary benefits:

These are products, insurances, and services that employees can purchase with their own money at discounted prices, generally via a portal on their employer's website.

Comprehensive flexible benefits programmes:

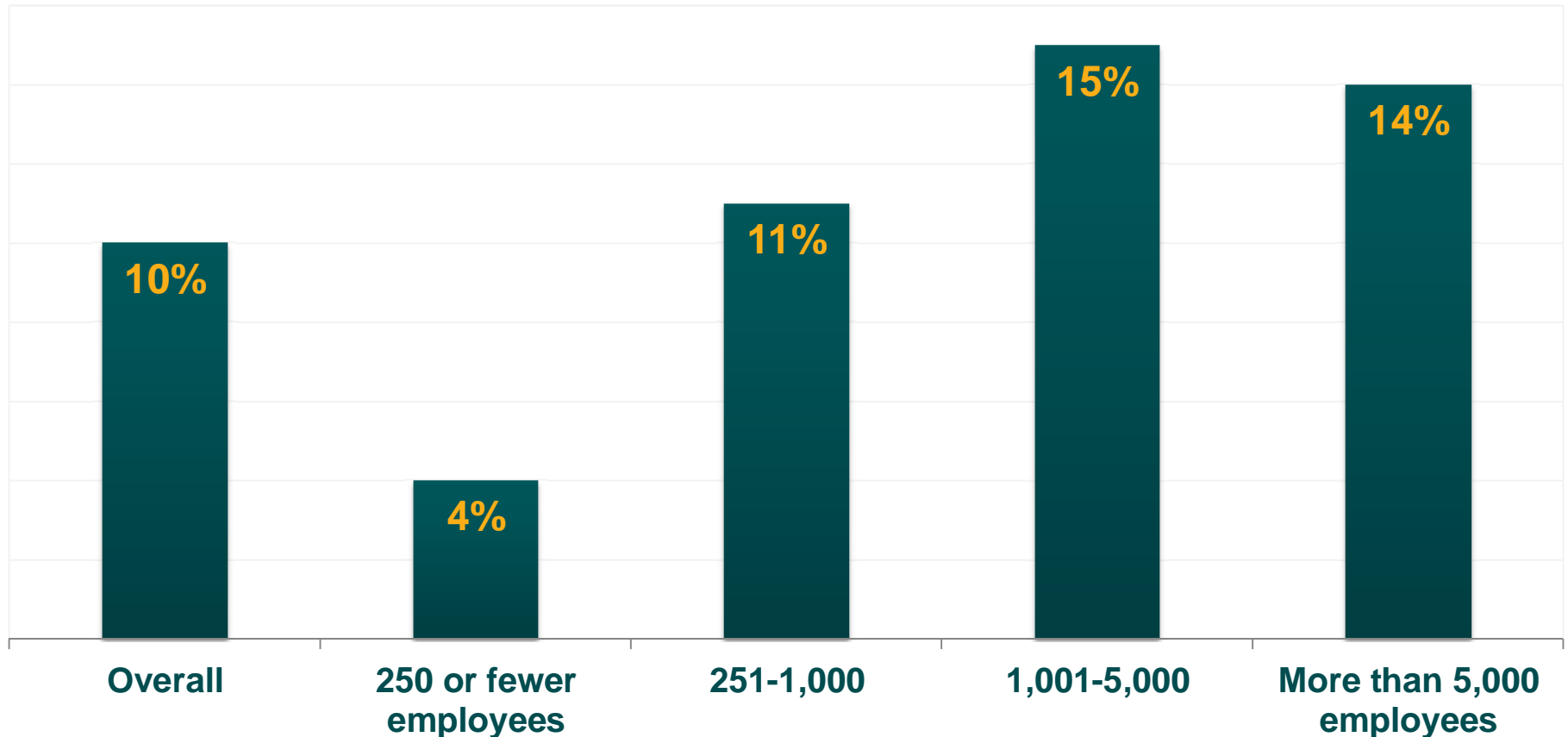
This is usually a programme combining core employer-paid benefits with optional employee-paid benefits; they can also allow employees to reduce their core benefit provision in return for additional take-home pay. Some comprehensive programmes offer credits or spending accounts in lieu of core benefits so that employees “purchase” the benefits they need.

Summary of Results

Key findings

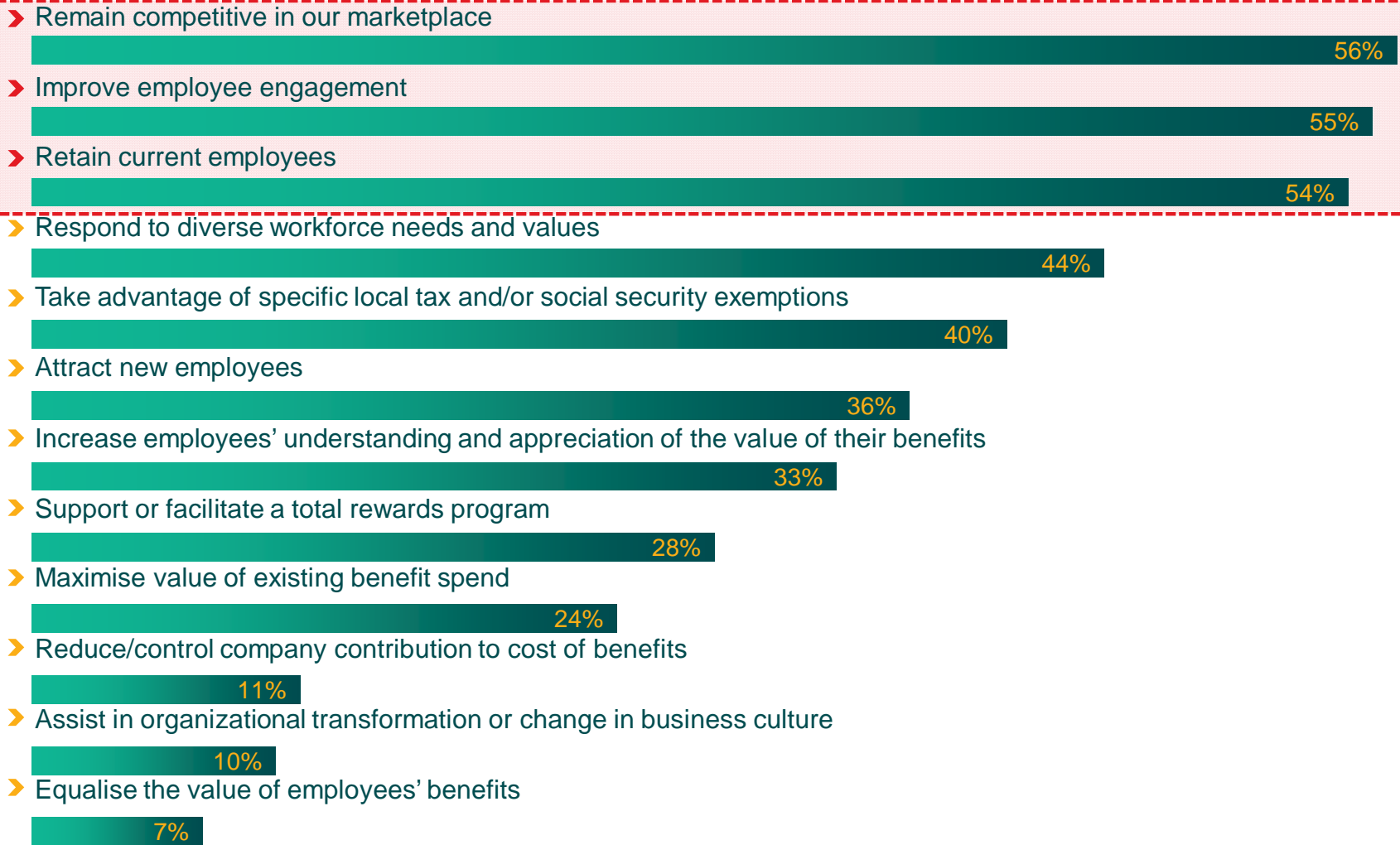
- 1** Over half of surveyed employers offer employees some degree of benefit choice, and 10% offer a comprehensive flex programme.
- 2** The most common objectives for offering employee choice is to remain competitive in the labour market and improve employee engagement.
- 3** While cost and complexity of administration are seen as the two biggest barriers to offering flex, most employers with comprehensive flex programmes report that implementing flex was cost-neutral or saved money.
- 4** Employers that provide a comprehensive programme are increasing outsourcing (or co-sourcing) of flex benefits administration: 73%, up from 69% in 2011 and 49% in 2009.
- 5** Employers report high levels of employee satisfaction with benefit choice programmes: 76% say employee response has been positive.

Employers offering fully developed, comprehensive flexible benefit programs Among all respondents



Most important reasons for implementing employee choice programme

Among respondents that provide choice in benefits



Most significant challenges faced when implementing and running employee choice programme

Percentage of respondents saying “very significant” or “significant”

› Cost

82%

› Complexity of administration

81%

› Resource constraints within the organization to implement changes

69%

› Demonstrating a return on investment

68%

› Getting support from senior management

62%

› Legal or tax issues

59%

› Employee communication challenges

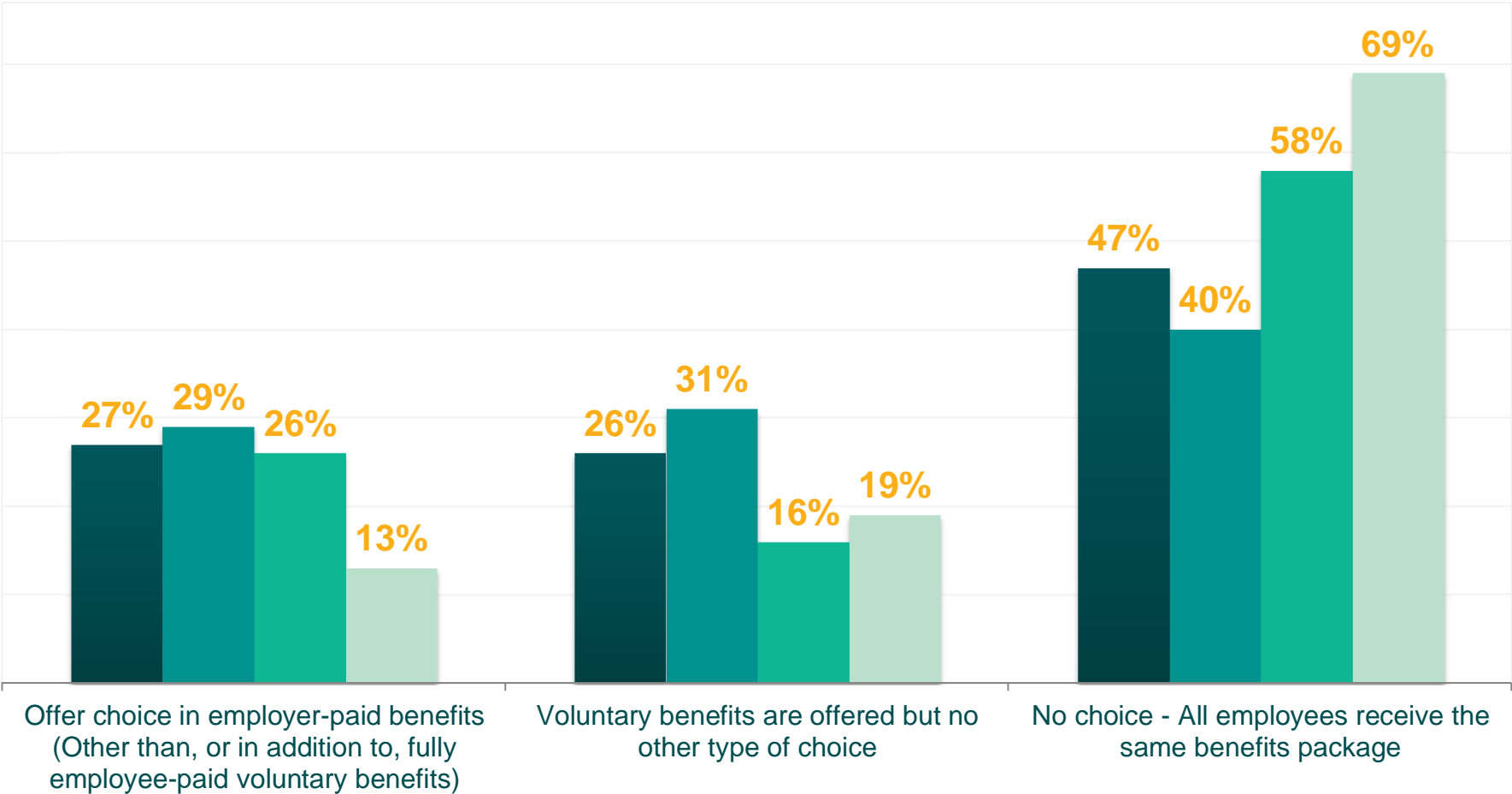
54%

› Technology

48%

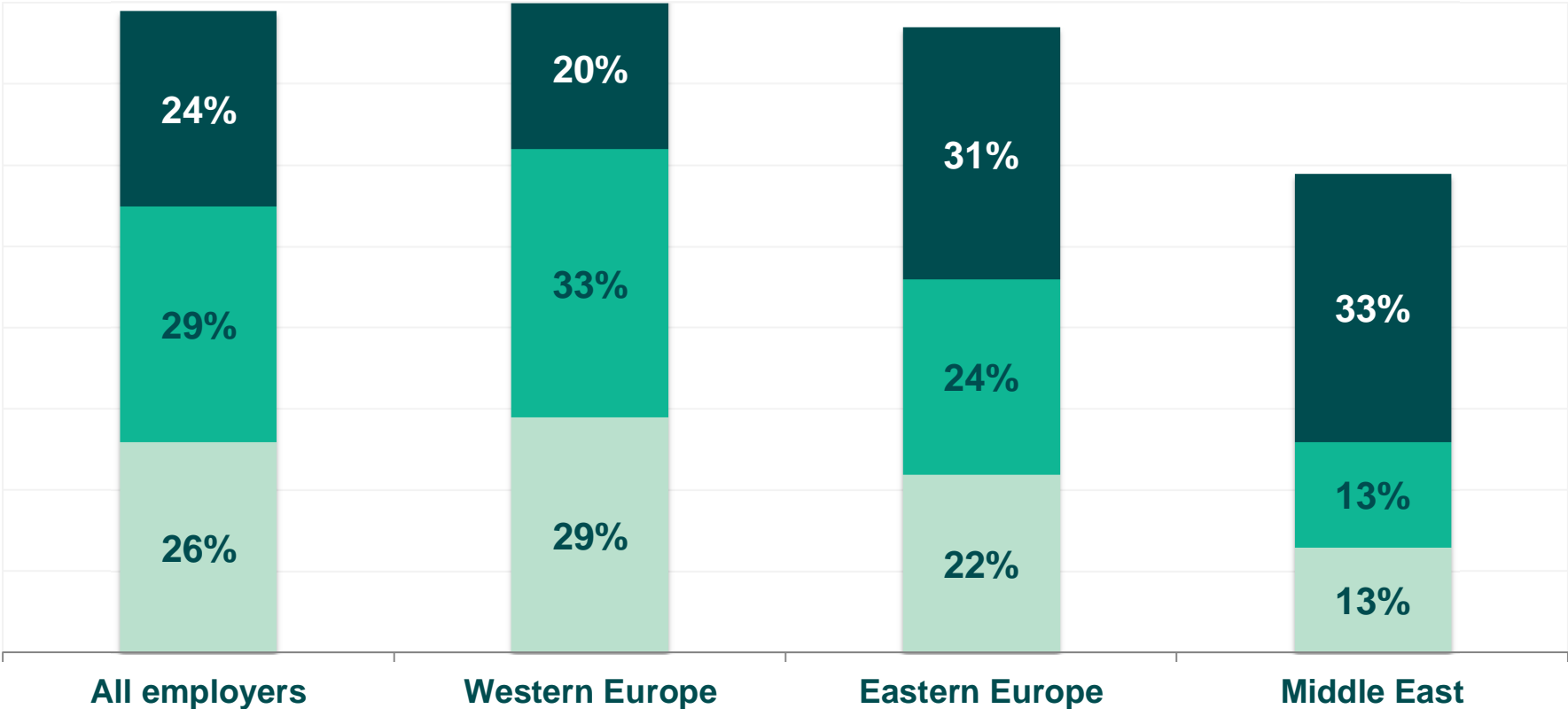
Benefit choices offered to employees

■ All respondents
 ■ Western Europe
 ■ Eastern Europe
 ■ Middle East



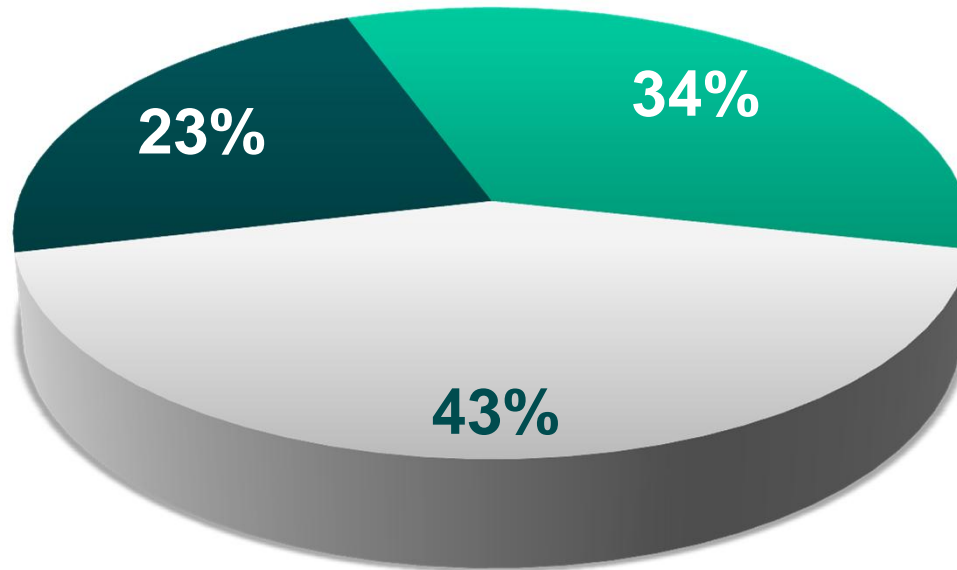
Prevalence of voluntary benefits varies by region

- Considering offering in the next 2 years
- Offer outside of a choice / flex programme
- Offer as part of choice / flex programme



Impact of flex on programme cost

Among respondents with a comprehensive flex programme



- Cost has been largely unaffected by implementing flex
- Cost is higher than it would have been without flex
- Cost is lower than it would have been without flex

Allocation of tax savings generated by choice programme

Among respondents with a choice programme

- › The savings are not allocated to anything

19%

- › We give all of the savings to employees

14%

- › We share the savings with employees

13%

- › Offset the cost of the employee choice programme

14%

- › We reinvest them in the core business

12%

- › Fund other HR programmes

5%

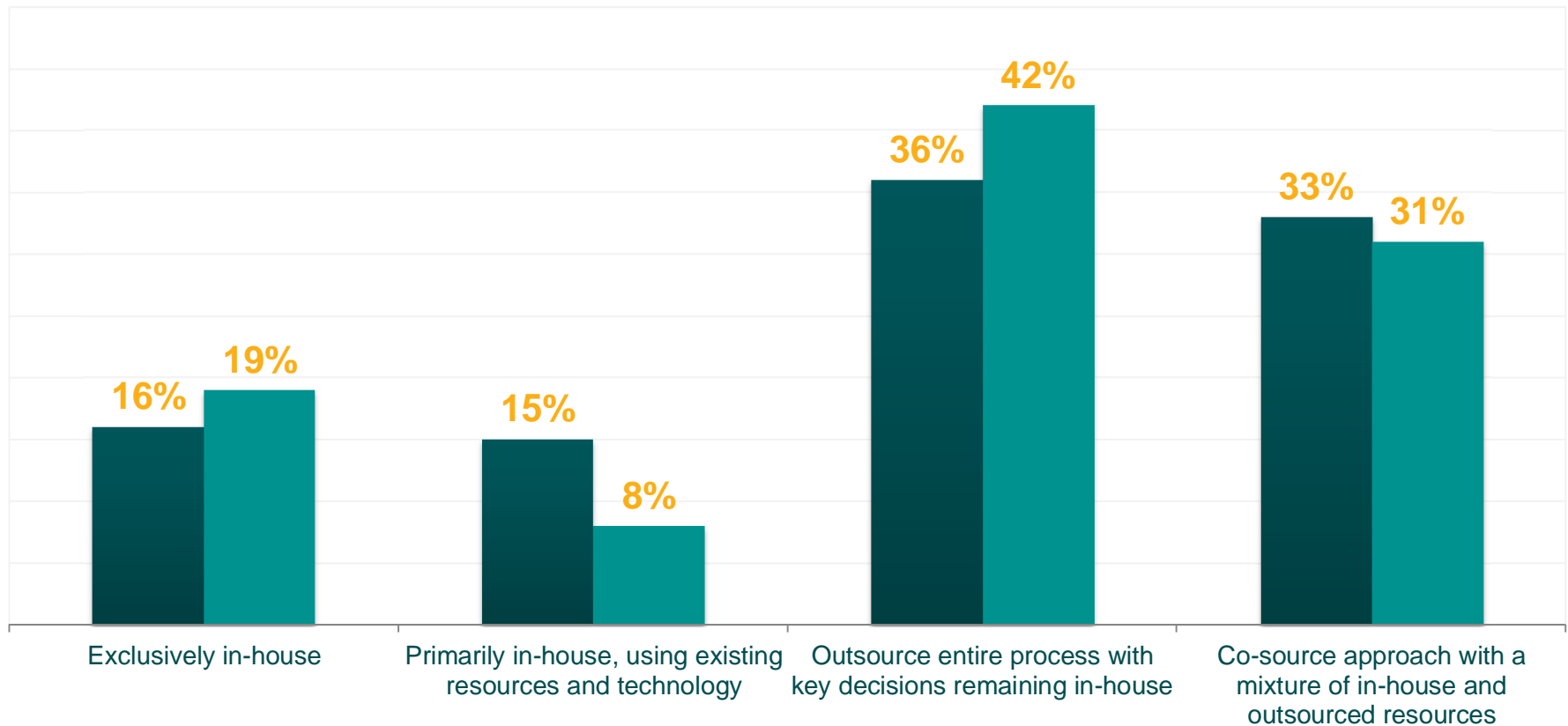
- › We invest them in our retirement schemes

2%

Growth and use of outsourcing for comprehensive flex programs

Among respondents with a comprehensive flex program

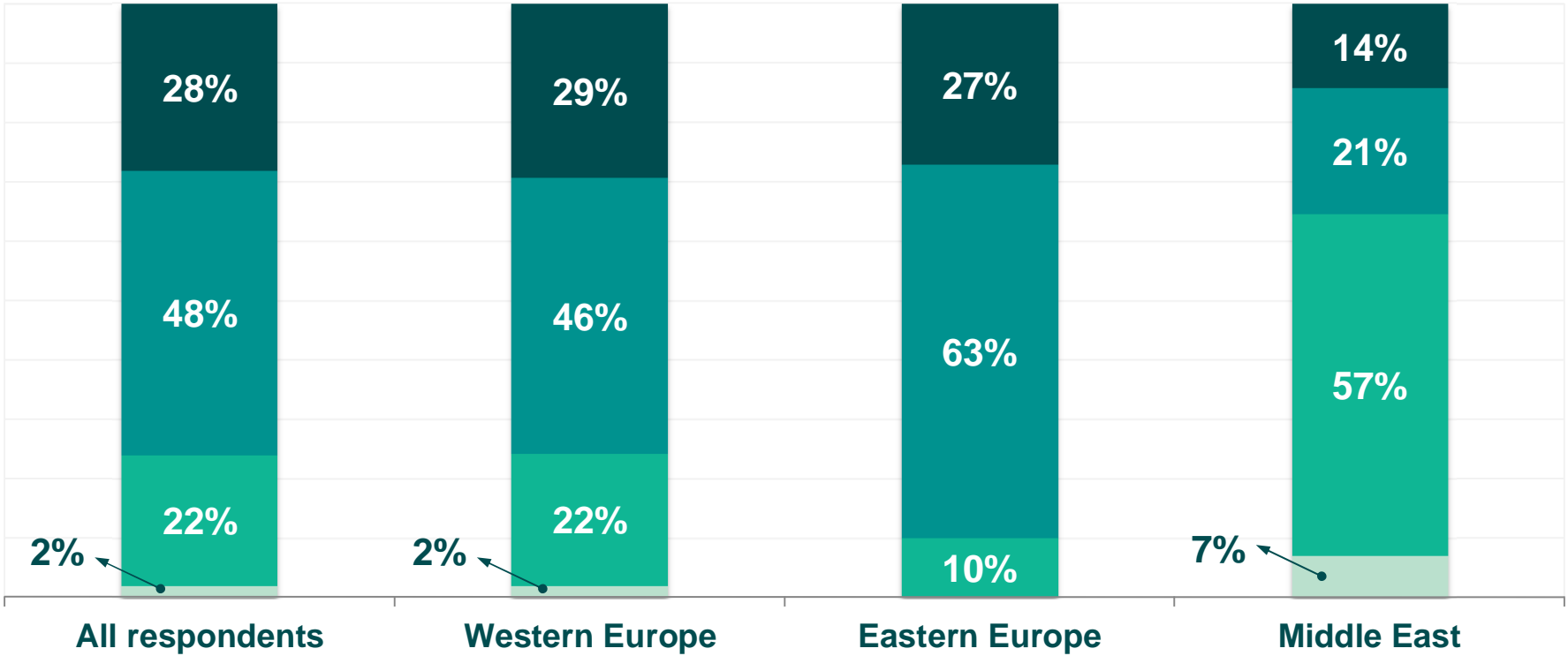
■ 2011 ■ 2013



Employee response to choice plans is largely positive

Among respondents with a choice programme

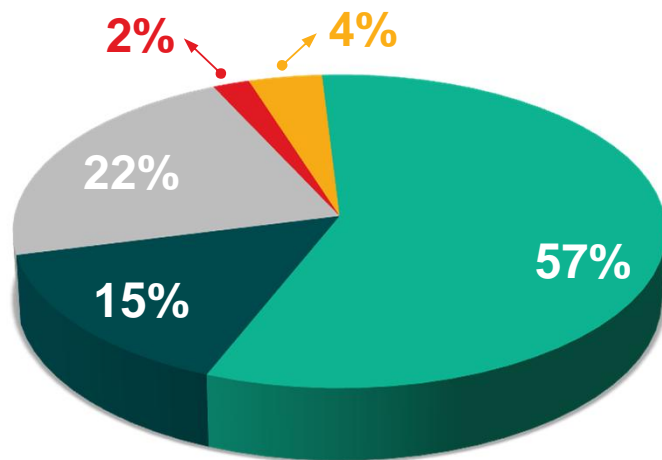
- Strongly positive
- More positive than negative
- Evenly mixed between positive and negative
- More negative than positive



Employer opinion: Choice program met objectives

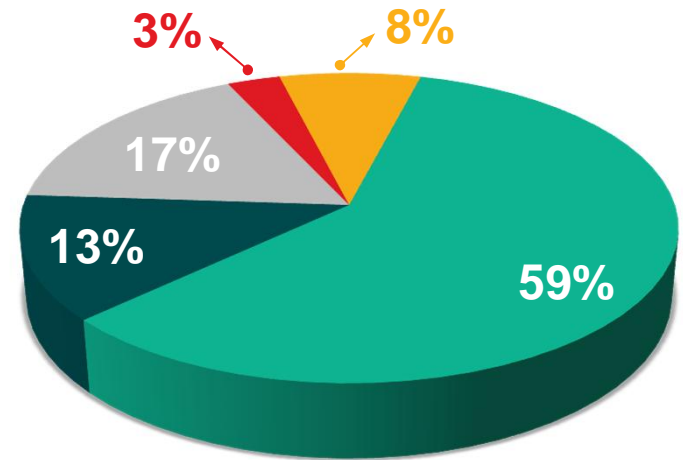
Among respondents with choice programs

Overall Choice Program



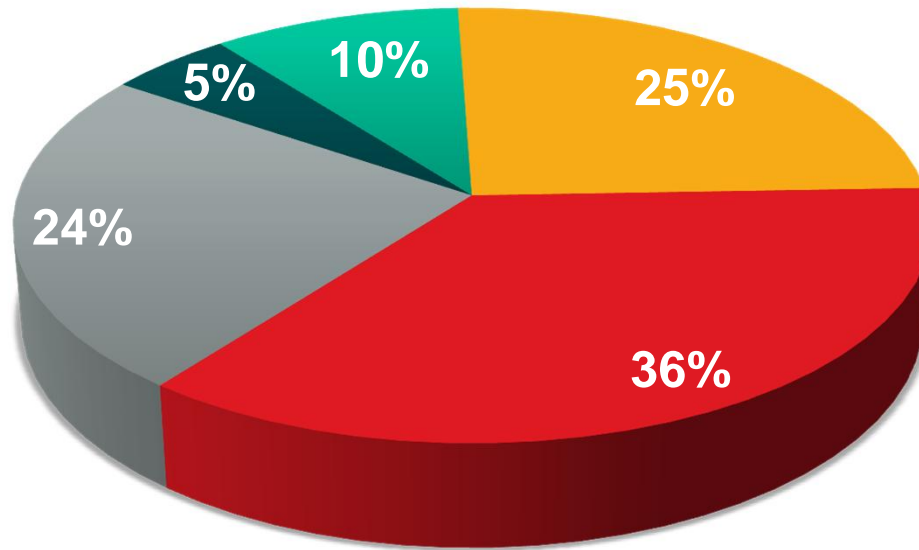
- Strongly disagree
- Disagree
- Agree
- Strongly agree
- Cannot measure

Voluntary Benefits



Methods of providing employee choice

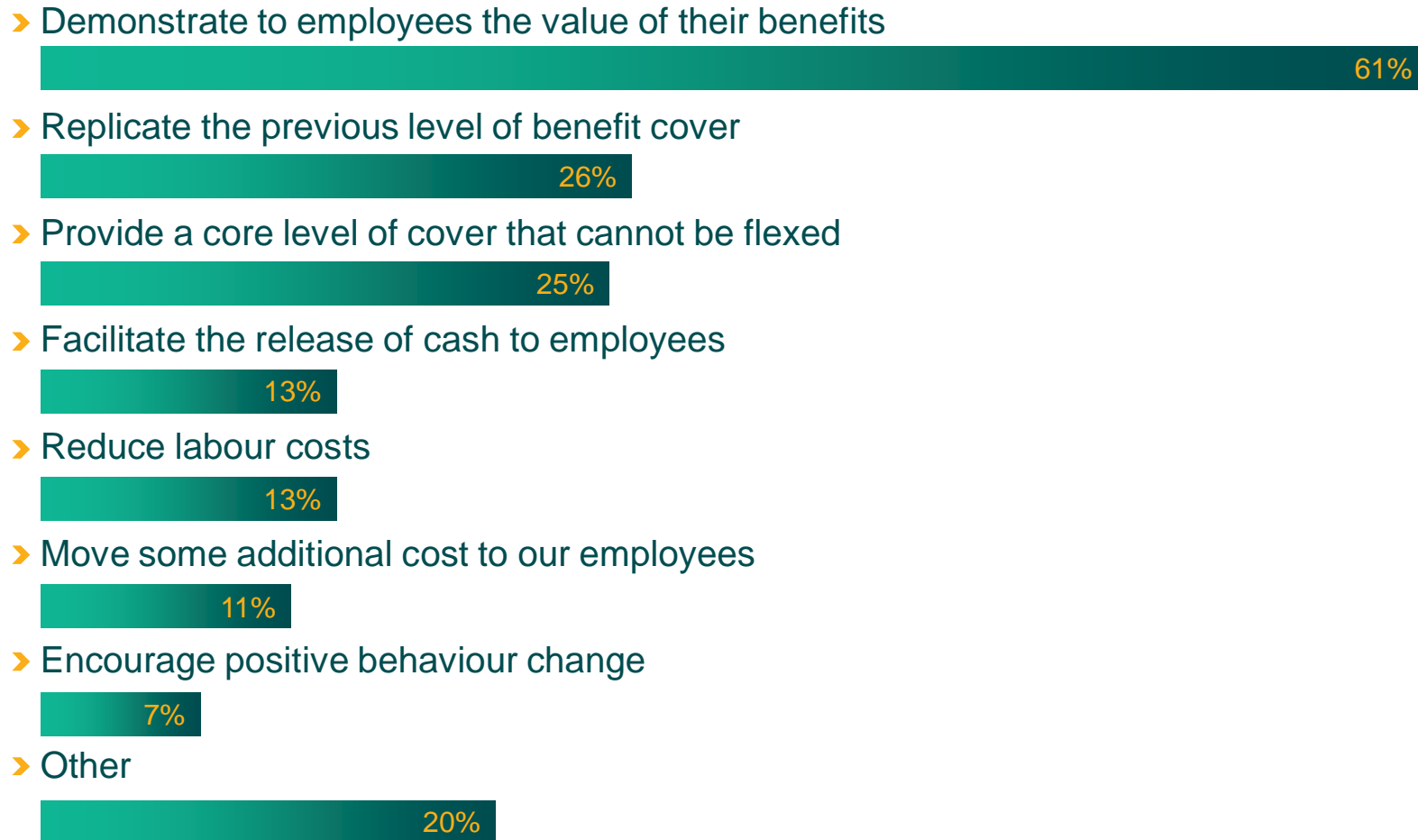
Among respondents that provide employees choice in the benefits they receive



- Flex fund / benefit credits and salary can be exchanged for benefits
- Flex fund / benefit credits only may be exchanged for benefits
- Employees can exchange salary and certain benefits
- Can exchange salary only for benefits
- Other

Objectives that influenced design of flex fund

Among respondents with a comprehensive flex program



How do you communicate with your employees regarding their flexible benefit programme?

➤ Internal e-mail

84%

➤ Online company-sponsored portal

63%

➤ Printed materials

53%

➤ Vendor portals

45%

➤ Face-to-face meetings

44%

➤ SMS text messages

3%

➤ Mobile device application

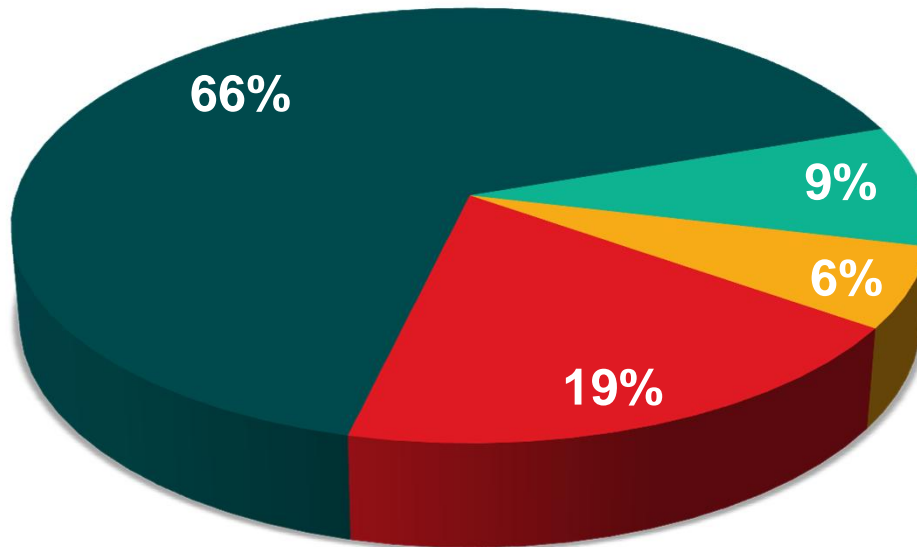
2%

Number of Respondents

64

Global scope of choice program

Among respondents with operations in more than one country



- Programs are developed and implemented on a local country basis
- Common approach to developing programs for countries within a specific geographic region
- One program is developed globally and implemented the same way in most or all countries
- Do not have employee choice programs outside of this country

Prevalence of benefits offered

By region



	Western Europe			Eastern Europe			Middle East		
	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary
Insurance									
Life	60%	20%	9%	58%	13%	25%	57%	0%	7%
Accident	63%	8%	11%	65%	14%	12%	58%	17%	0%
Medical	44%	37%	24%	69%	31%	14%	67%	27%	13%
Critical illness	26%	14%	13%	40%	7%	18%	50%	8%	8%
Long-term disability income	47%	12%	10%	37%	11%	17%	57%	7%	7%
Long-term care	13%	4%	6%	17%	2%	15%	33%	0%	0%
Dental	20%	20%	36%	18%	18%	22%	50%	7%	36%
Travel	30%	6%	23%	33%	7%	11%	43%	7%	7%
Optical / vision	23%	9%	17%	30%	18%	16%	36%	7%	21%
Maternity (additional coverage)	35%	4%	4%	23%	7%	2%	64%	7%	7%
Dependents' insurance	20%	17%	21%	6%	17%	27%	62%	15%	15%
Pet	0%	1%	5%	0%	0%	2%	0%	0%	8%
Homeowners	0%	1%	11%	7%	0%	5%	8%	0%	15%
Allowances									
Mobile phones / telecommunications	50%	5%	8%	80%	11%	2%	53%	13%	13%
Computers	35%	8%	15%	81%	4%	2%	60%	0%	13%
Meal vouchers	35%	8%	10%	54%	15%	2%	25%	0%	0%
Housing	5%	6%	7%	15%	2%	2%	73%	0%	20%
Bicycle to work	3%	11%	27%	4%	0%	2%	0%	0%	0%
Gym membership	11%	11%	32%	25%	31%	17%	7%	7%	29%
Public transportation / commuting fund	18%	6%	19%	27%	6%	4%	25%	17%	0%
Childcare (e.g., vouchers, on-site nursery)	16%	16%	40%	10%	2%	2%	8%	8%	0%
Elder care	5%	3%	5%	0%	0%	4%	0%	0%	0%
Professional subscriptions	26%	6%	2%	15%	4%	2%	8%	17%	8%
Cars	42%	20%	10%	68%	19%	6%	31%	23%	8%
Employee training	58%	9%	12%	72%	13%	2%	69%	8%	15%
Health care cash plan	18%	12%	19%	15%	9%	4%	0%	0%	0%
Educational allowance for family	7%	4%	2%	2%	6%	6%	58%	8%	0%
Services									
Legal counselling / will writing	4%	2%	8%	2%	2%	2%	17%	0%	0%
Financial planning / tax returns	4%	2%	6%	0%	4%	4%	17%	0%	0%
ID theft	2%	0%	1%	0%	0%	0%	8%	0%	0%
Health screening	41%	14%	14%	65%	11%	6%	38%	8%	15%
Health training / lifestyle management programmes (smoking cessation, etc)	28%	6%	3%	34%	9%	0%	25%	0%	25%
Loans	14%	3%	6%	17%	2%	9%	33%	13%	20%
Retail discounts	29%	5%	29%	20%	14%	16%	8%	8%	8%
Travel discounts	15%	3%	24%	8%	12%	16%	8%	0%	8%
Concierge services	5%	1%	8%	0%	0%	0%	0%	8%	0%
Cinema tickets	3%	1%	18%	0%	22%	8%	0%	0%	0%
Online DVD / games rental	1%	0%	4%	0%	4%	0%	0%	0%	0%
Motor breakdown	2%	3%	12%	2%	0%	0%	0%	0%	0%
Other benefits									
Pension / retirement savings plan (including voluntary pension)	66%	30%	5%	20%	29%	14%	46%	8%	8%
Employee savings plans (other than pensions)	9%	4%	8%	2%	8%	4%	15%	0%	8%
Holiday buy / sell	9%	16%	11%	4%	21%	6%	0%	15%	15%
Sabbatical buy	15%	3%	8%	0%	2%	0%	8%	8%	8%
Share schemes	20%	7%	7%	17%	2%	2%	15%	0%	8%
Charity donations	13%	8%	20%	7%	13%	2%	8%	0%	8%
Education Fund	11%	3%	1%	8%	16%	2%	0%	8%	8%
Working time account	20%	5%	1%	11%	2%	2%	0%	0%	14%

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Description

Mercer **BenefitsMonitor**™ (MBM) means:

- ✓ Quick on-line access to the market data on benefits policies.
- ✓ Possibility to define own reference market.
- ✓ Easy comparison of company's policy to general market or peer group.
- ✓ Several types of reports - serve different needs.
- ✓ Possibility to generate unlimited number of reports.

Mercer **BenefitsMonitor**™

Characteristics

Online database with full coverage of the benefits landscape:

- ✓ Retirement DB/DC
- ✓ LTD
- ✓ STD
- ✓ Life insurance
- ✓ AD&D
- ✓ Medical
- ✓ Flex programmes
- ✓ Leave
- ✓ Work time
- ✓ Company cars
- ✓ Other, including Health management

Mercer BenefitsMonitor™

Spotlight Report



2011/2012 **Spotlight on Benefits** Netherlands MBM

3

Background – Benefits in the Netherlands

In this section practices in the areas of retirement, death, disability and medical provision for employees are summarized.

In the Netherlands, in the event of retirement, death or disability, benefit payments can be cumulated from 3 sources: state benefits, company benefits and individual benefits.

3.1. State Benefits

The state retirement pension benefit is a flat-rate benefit: it is funded on a pay-as-you-go basis. The current pension age is 65. The annual allowance is EUR 9,143.26 for each partner in a married couple or EUR 13,285.8 for a single person or EUR 16,983 for a single parent (January 2012). Social security benefits are adjusted twice a year on 1st January and 1st July in line with the minimum wage. There is discussion about raising the pension age to 67 years.

A means-tested survivor's pension on death before the age of 65 is paid subject to certain conditions. The full allowance is EUR 14,322.56 with additional payments for children.

For most categories of employees (excluding casual laborers, temporary staff and pregnant women) it is a legal requirement that the employer pay the short-term disability pension of 70% of the salary up to the social security ceiling (EUR 191.82 per day in 2012) for the first 2 years of illness.

In the event of total permanent disability, the state long-term disability benefit is 70% of the last salary up to the social security ceiling. A reduced benefit – broadly prorated – is given to partially disabled employees for a temporary period and is adapted after that period. No payments are made for disability below 35%.

The employer does not contribute to the state retirement or death benefits. The employee pays 17.6% of yearly earnings capped at EUR 50,064 in 2012 for retirement benefits and 1.1% of same for death benefits.

Employers can opt out of the state disability benefits and self-insure or privately insure the disability pension. For those who remain in the state system the cost varies between 5.66% and 7.5025% of the social security ceiling and up to half of the charge for partial disability coverage can be transferred to the employee.

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4

Statistical Results

In this section, the statistical results of the survey are provided based on general industry results. Throughout the report, unless otherwise stated, results are first presented for "professionals" and can be representative of broad-based plans offered across the employee population.

4.1. Retirement Plans

41% of companies offer DB plans and 48% offer DC plans. The remaining 11% offer a combination of DB and DC plans or another form of plan. Where a combination is offered, it is typically DB up to a certain salary level and DC above that salary level.

4.2. Defined Benefit Retirement Plans

None of the defined benefit plans in the survey are administered through a pan-European pension vehicle. The most common vehicle at 43% is insurance followed by company pension fund at 36% and industry pension fund at 20%. For blue collar workers the proportion of industry pension funds rises from 22% to 33%.

The DB plan is governed by collective labor agreement (CLA) – whether company or industry - for 65% of plans, rising to 94% for blue collar staff.

Over 80% of the DB plans covered in the survey are career average plan; the remaining final pay plans are not subject to any averaging longer than a year.

Eligibility Conditions

The minimum age is most typically 21 years, with the lowest defined age being 16 years.

Retirement Age

The normal retirement age in company sponsored DB plans is invariably 65 years.

Pensionable salary typically includes base salary (100%) and vacation pay (32%). Other elements of pay are also commonly included such as 10th month (62%), shift pay (42%) and bonus (31%).

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Graph 2: Type of Employee Contribution

	Average	25 th Percentile	50 th Percentile	75 th Percentile
% Pensionable Salary	2.75%	1.70%	2.00%	4.20%
% Pension Base	7.17%	4.62%	6.60%	10.33%

4.3. Defined Contribution Retirement Plans

None of the defined contribution plans in the survey are administered through a pan-European pension vehicle or a pre-retirement savings (PRS). The most common vehicle at 68% is insurance followed by company pension fund at 23%.

Unlike DB plans which are typically governed by collective labor agreement – whether company or industry – less than 15% of DC plans are governed by collective labor agreement.

Eligibility Conditions

61% of companies apply a minimum age condition, always varying between 18 and 21 years (median: 21 years).

Retirement Ages

The normal retirement age in company sponsored DC plans is invariably 65 years.

Pensionable salary typically includes both base salary (100%) and vacation pay (100%). Other elements of pay are also commonly included such as 10th month (48%), shift pay (30%) and bonus (17%).

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- ✔ Provides an overview of key benefits practice trends in the general market.
- ✔ Updated yearly.
- ✔ Presents results that can be used for making informed decisions on benefits programs.



Damon Robinson



Beth Umland



Eryk Majewski

QUESTIONS

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Prevalence of benefits offered / By region	Western Europe			Eastern Europe			Middle East		
Insurance	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary
Life	60%	20%	9%	58%	13%	25%	57%	0%	7%
Accident	63%	8%	11%	65%	14%	12%	58%	17%	0%
Medical	44%	37%	24%	69%	31%	14%	67%	27%	13%
Critical illness	26%	14%	13%	40%	7%	18%	50%	8%	8%
Long-term disability income	47%	12%	10%	37%	11%	17%	57%	7%	7%
Long-term care	13%	4%	6%	17%	2%	15%	33%	0%	0%
Dental	20%	20%	36%	18%	18%	22%	50%	7%	36%
Travel	30%	6%	23%	33%	7%	11%	43%	7%	7%
Optical / vision	23%	9%	17%	30%	18%	16%	36%	7%	21%
Maternity (additional coverage)	35%	4%	4%	23%	7%	2%	64%	7%	7%
Dependents' insurance	20%	17%	21%	6%	17%	27%	62%	15%	15%
Pet	0%	1%	5%	0%	0%	2%	0%	0%	8%
Homeowners	0%	1%	11%	7%	0%	5%	8%	0%	15%

Prevalence of benefits offered / By region	Western Europe			Eastern Europe			Middle East		
Allowances	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary
Mobile phones / telecommunications	50%	5%	8%	80%	11%	2%	53%	13%	13%
Computers	35%	8%	15%	81%	4%	2%	60%	0%	13%
Meal vouchers	35%	8%	10%	54%	15%	2%	25%	0%	0%
Housing	5%	6%	7%	15%	2%	2%	73%	0%	20%
Bicycle to work	3%	11%	27%	4%	0%	2%	0%	0%	0%
Gym membership	11%	11%	32%	25%	31%	17%	7%	7%	29%
Public transportation / commuting fund	18%	6%	19%	27%	6%	4%	25%	17%	0%
Childcare (e.g., vouchers, on-site nursery)	16%	16%	40%	10%	2%	2%	8%	8%	0%
Elder care	5%	3%	5%	0%	0%	4%	0%	0%	0%
Professional subscriptions	26%	6%	2%	15%	4%	2%	8%	17%	8%
Cars	42%	20%	10%	68%	19%	6%	31%	23%	8%
Employee training	58%	9%	12%	72%	13%	2%	69%	8%	15%
Health care cash plan	18%	12%	19%	15%	9%	4%	0%	0%	0%
Educational allowance for family	7%	4%	2%	2%	6%	6%	58%	8%	0%

Prevalence of benefits offered / By region	Western Europe			Eastern Europe			Middle East		
Services	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary
Legal counselling / will writing	4%	2%	8%	2%	2%	2%	17%	0%	0%
Financial planning / tax returns	4%	2%	6%	0%	4%	4%	17%	0%	0%
ID theft	2%	0%	1%	0%	0%	0%	8%	0%	0%
Health screening	41%	14%	14%	65%	11%	6%	38%	8%	15%
Health training / lifestyle management programmes (smoking cessation, etc)	28%	6%	3%	34%	9%	0%	25%	0%	25%
Loans	14%	3%	6%	17%	2%	9%	33%	13%	20%
Retail discounts	29%	5%	29%	20%	14%	16%	8%	8%	8%
Travel discounts	15%	3%	24%	8%	12%	16%	8%	0%	8%
Concierge services	5%	1%	8%	0%	0%	0%	0%	8%	0%
Cinema tickets	3%	1%	18%	8%	22%	8%	0%	0%	0%
Online DVD / games rental	1%	0%	4%	0%	4%	0%	0%	0%	0%
Motor breakdown	2%	3%	12%	2%	0%	0%	0%	0%	0%

Prevalence of benefits offered / By region

 [Back to continue](#)

Other benefits	Western Europe			Eastern Europe			Middle East		
	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary	Core	May be flexed	Voluntary
Pension / retirement savings plan (including voluntary pension)	66%	30%	5%	20%	29%	14%	46%	8%	8%
Employee savings plans (other than pensions)	9%	4%	8%	2%	8%	4%	15%	0%	8%
Holiday buy / sell	9%	16%	11%	4%	21%	6%	0%	15%	15%
Sabbatical buy	15%	3%	8%	0%	2%	0%	8%	8%	8%
Share schemes	20%	7%	7%	17%	2%	2%	15%	0%	8%
Charity donations	13%	8%	20%	7%	13%	2%	8%	0%	8%
Education Fund	11%	3%	1%	8%	16%	2%	0%	8%	8%
Working time account	20%	5%	1%	11%	2%	2%	0%	0%	14%