Fidelity Workplace Consulting

International Benefits Newsletter

The Demand for Global Financial Wellness: Accelerated by the Global Pandemic

May 2020

Fidelity's international benefits newsletter focuses on key issues surrounding employer-sponsored benefit plan management globally. This edition highlights the results of our global financial wellness survey which identifies the common demand for globally-consistent, locally-relevant financial wellness programs, as well as the key challenges that employers face in deploying these. Additionally, there are legislative updates spanning the United Kingdom, India, and Peru, that require action from employers to ensure local compliance.

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Legislative Updates

While many governments continue to provide employers with financial support in response to the current pandemic, the following updates are intended to summarize key legislative changes that directly impact employer-sponsored benefit programs.

United Kingdom •

As referenced in last month's newsletter, as part of the Coronavirus Job Retention Scheme ("CJRS"), for furloughed employees, the UK government will temporarily cover 80% of the employer contributions under the company's autoenrollment occupational pension program.

Her Majesty's Revenue & Customs ("HMRC") released a new statute, effective April 25, 2020, with respect to the calculation of average weekly earnings ("AWE") for statutory parental pay entitlements of furloughed employees.

Pay for statutory maternity/paternity, adoption, shared parental, and bereavement is calculated on an employee's AWE over an eight-week assessment period. Before the new statute, the basis of the calculation was on AWE of actual amounts paid to employees. Now the AWE is based on the pay the employee would have received if they were not furloughed.

Action Required

Consider available relief from the CJRS, and ensure compliance with the new statute (including confirming correct AWE as the basis for payments starting on or after April 25, 2020).

India •

The 2020 Finance Bill has been passed. From April 1, 2021, employer contributions in excess of INR 750,000 (~USD 10,000) per employee to the provident fund, National Pension Scheme, or superannuation fund (in aggregate within a financial year) are now considered taxable and subject to personal income tax, in addition to the interest on those excess contributions.

Separately, for employers with fewer than 100 employees where at least 90% receive a monthly salary of INR 15,000 (~USD200) or less, the government will pay Employee Provident Fund ("EPF") contributions for both employees and employers (of 12% each) for a three-month period.

Action Required

The aggregate limit on employer retirement contributions may not be relevant for most multinationals' employees in India. For those affected, it will likely decrease retirement savings and increase tax burdens for high earners and will be more complicated to administer. Further guidance on administration is expected in the future. Many multinational corporations and their employees are likely not eligible for EPF contribution relief; if they are, they should take advantage of available provisions.

Peru •

All employers must now provide accidental death and disability (both total and partial) coverage starting on the date of hire. The minimum amount of coverage is 32 month's pay.

Effective January 1, 2021, natural death coverage will also be required from date of hire. The minimum coverage for natural death is 16 months' pay.

Previously, these coverages were only required after four years of service. The minimum coverage amounts have not changed.

Contracts must be registered centrally so that employees can confirm their coverage and beneficiary elections. Intermediaries such as brokers are prohibited from receiving payments such as commissions for placement.

Action Required

Ensure compliance with coverage eligibility for new and existing hires. All contracts are to be registered with the Ministry of Labor and Promotion of Employment.

Global Financial Wellness

9 out of 10

multinational employers are worried about the financial well-being of their workforce









The Demand for Financial Wellness

Fidelity's recent Global Financial Wellness client survey¹ found that 9 in 10 employers are worried about the financial wellness of their workforce. It also revealed that only half of respondents have implemented financial wellness programs in their headquarter country, and far fewer on a multi-country basis. This demonstrates the gap between current programs and those needed to support the global workforce.

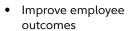
The growing need for companies to support their employees' financial wellness has been accelerated by the ongoing global pandemic, with increased levels of financial anxiety and stress caused by furloughs and pay reductions, fears over job security, and volatile financial markets. Fidelity research shows that financial stressors are the leading causes of total well-being deterioration if not handled well².

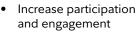
Globalizing Financial Wellness

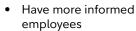
One in three respondents currently has a global financial wellness strategy/ framework, with only 15% having actually implemented programs on a multicountry basis. Another 50% are aiming to develop a global approach within the next five years. These employers are looking to implement programs which are globally consistent and locally relevant across the key areas of savings/investing (including retirement planning), protection, budgeting and debt management. To measure success, respondents cited measuring improved employee outcomes, higher engagement/participation, and more informed employees as the top key measures.

However, employers continue to experience difficulties in globalizing a successful domestic financial wellness program. Respondents called out making programs culturally relevant, communication, the lack of credible providers (and how organizations can utilize available local capabilities while leveraging global resources), as the top challenges faced when deploying financial wellness programs on a global basis.

Key Measures of Success







Key Challenges



- Cultural relevance
- Communications
- Providers

Defining Financial Wellness

We define financial wellness as one of the four pillars of Fidelity's total well-being framework (the other three being health, work and life). Within the Financial Wellness pillar are four key domains which need to be considered:

Budgeting and Expense Management

Maintaining a budget and positive cash flow are necessary (though not sufficient) precursors to managing debt, saving for the future, investing and protecting against risk.

Savings

Savings and investing is an important area to focus on for long term financial wellness. Saving and investing may be for short-term expenses and also for long-term goals, such as retirement.



Debt

Managing debt is a key area of financial wellness. Too much debt can be a considerable barrier to savings. While all debts pose a burden on financial resources, not all debts are created equal.

Protection

Protecting and insuring against potential losses is another important area. Without adequate emergency savings and/or financial protection, one's financial situation can go from comfortable to distressed very quickly.

Considerations and tips within each of the domains

There are many principles that apply globally before being adapted for local country specifics. We've extracted below some of the common messages that could be included in global financial wellness support for international employees. In light of the current global situation, there are some elements that have increased in prominence.

Budgeting

Budgeting and short-term debt management were the top concerns identified by survey respondents, and among the most common element included in those employers' financial wellness frameworks. While employees might be daunted by the prospect of budgeting, information and modeling tools can assist. In light of COVID-19, more individuals are dealing with tighter budgets caused by loss of income, increasing the need for education in this area. To the right are some tips to help individuals balance essential expenses with short-term savings.

Budgeting Tips



- Know how much you're earning and spending, and create a budget
- Limit essential expenses to 50% of income, and hold back at least 5% of income for short-term savings

Debt Tips



- Look for lower interest rates on loans, or pay down higher interest debt first
- Try to pay more than the minimum on credit cards
- Build an emergency fund of 3-6 months of essential expenses

Debt

Getting out of debt can be painful but rewarding; some simple steps can help people to improve their financial situation. To the left are some tips to help individuals prioritize and pay down debt more quickly, as well as avoiding unnecessary debt altogether.

Savings

Ensuring that employees are financially secure and ready for retirement, and empowering employees to make financial decisions, were the key objectives expressed by survey respondents. With COVID-19 hardships leading to reductions in retirement contributions or early withdrawals, and increased anxiety around turbulent financial markets, providing education and support is going to be critical.

Savings Tips



- Review retirement contributions to ensure retirement remains on track
- Where savings have been impacted by early withdrawals or market volatility, take guidance on future planning

Protection Tips



- Ensure adequate life and disability insurance to provide for your family
- Create an estate plan and will

Protection

Protection is included in half of respondents' financial wellness frameworks and, while an area of low concern among respondents, is still an important aspect for individuals to incorporate in a holistic financial plan. Your employees have worked hard to build all they have, so it's important they can preserve it, using tools like life insurance and estate planning for their and their families' peace of mind.

What's Next for Multinationals?

In the short term, as individuals look to manage financial worry and strain, we're seeing employers turn to their Employee Assistance Program and other well-being providers to leverage their available resources to support employees and families through this crisis. We're also seeing demand from employers wanting to provide targeted educational materials to their global workforce, including articles, microsites and webinars.

In the medium term, we expect to see employers focus on resiliency of both the workforce and the benefits programs that support them. This is likely to be reflected by helping staff deal with debt, encouraging the creation of emergency funds, and reinforcing the need for long-term retirement planning. Resiliency will be an important component of preparedness for potential future unexpected events and mitigating the risks to the best extent possible.

In the longer term, as employers continue to leverage best practices from their domestic programs, we are seeing demand for individual financial wellness assessments, with employers wanting to support the unique needs of their workforce globally and to provide tailored educational materials and resources based on each employee's individual situation.

When developing a strategy and supporting programs, it is critical to understand the different local needs of, and within, the workforce. While a globally-consistent framework is required, the key to success is making programs relevant to the target populations based on their needs, and to reflect that these differ not only by country, but also by employee circumstances. This can be summarized in the mantra "globally consistent, locally and individually relevant".

For more information on any areas covered by the newsletter or to discuss your international benefits or global mobility programs, contact:

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About Fidelity Workplace Consulting Global

Fidelity's Workplace Consulting Global team is independent and focuses on supporting clients in meeting their business objectives through the provision of impartial, but tailored, advice reflecting market trends and best practice.

Global Benefits Governance	International Defined Contribution Governance	International Retirement & Financial Wellness	International Health Care & Wellbeing	International Mobility	International Miscellaneous
Design / implementation of a tailored global benefits governance structure International audit and compliance review of overseas plans Benchmarking and development of global policies and standards Independent ongoing support to global benefits committees Advice on global financing opportunities, including risk financing Training on best practices in international benefits management	Developing fiduciary and compliance oversight and policy for international DC plans Cross border implementation of best practice and group policy Development of preferred provider arrangements to drive operational and financial efficiency Support on enhancing employee experience through developing & implementing communication best practice Ongoing support to global benefits committees	Retirement Benchmarking/ setting of globally consistent financing assumptions Advice on opportunities for de-risking in respect of retirement plans Consolidation of financial reporting & budgeting Financial Wellness Benchmarking/ implementation of global best practice Design/ implementation of programs to support financial well-being Vendor selection and oversight for globally consistent local implementation	Vendor selection for international health care policies Advice on strategies to improve employee behaviors and reduce health care costs Development of health care policies to improve financial/operational efficiency Wellbeing Global wellbeing education strategies & programs Benchmarking and deployment of global wellbeing programs Vendor selection for International providers	International Mobility Policy Overall assessment / design of mobility framework and policies Vendor assessment and selection Alignment with talent strategy and assignment goals International Benefits Programs Support with design and implementation Support with stakeholder engagement Ongoing Support Day-to-day plan management Support with budgeting Support with complex cases Vendor management	Development of global insurance programs to reduce costs / commissions and improve operational efficiency Advice on country benefits practice (both mandatory and typical practice) Support for benefit aspects on mergers, acquisitions and divestitures / splits Independent second opinions on local advice Strategy to respond to legislative changes Facilitation of global stock plan advice On-site support and benefits leadership