Of the 114 multinational companies that participated in the last Mercer global benefits governance survey, 84% of respondents said they believed their existing global benefits governance structures were insufficient to meet current and future needs.

In light of this finding, how do other Canadian-based multinational companies manage their global benefits plans and, more specifically, how did they get there and what decisions allowed them to reach their destination?

To avoid the pitfalls that lie ahead, the stories of the accomplishments of leading Canadian-based organizations...
CASE STUDY: CSA GROUP
In 2010, CSA Group, whose CSA certification mark appears on billions of products worldwide, had just embarked on a global growth path in Europe and Asia that resulted in a threefold headcount increase in those regions to reach 700 employees in 2015. At the time, the chief executive officer and executive vice-president of human resources both realized the need for globally consistent total rewards programs that better aligned with corporate values and business strategy.

To achieve that, they created a director of total rewards position with initial objectives of surveying existing rewards programs and ensuring market competitiveness. The ultimate goal was to have the rewards programs become an integral part of the engagement and retention strategy while ensuring appropriate structure to manage risk, costs and providing awareness to CSA Group executives and board members.

As is the case for many organizations, identifying pension and benefits plans currently offered to employees proved to be the main challenge faced by CSA Group since historical growth and lack of central co-ordination resulted in different arrangements, including individual agreements. Melodie Mason, director of total rewards at CSA Group, says: “After obtaining robust competitive market information and cost impact estimates, we were able to articulate clear recommendations and get agreement from the executive team on a phased implementation strategy in 2013 and 2014.” At the time, the company determined that corporate human resources would have primary responsibility for ensuring strategic alignment of all pension and benefits programs and regional or local offices would be responsible for implementation.

In addition, the company implemented a new global pension governance structure that clearly identified accountability according to role in early 2013. The global pension committee includes key executives in the areas of human resources, legal and finance and is responsible for reporting on legislative and regulatory compliance of the global pension plans to the board committees through quarterly meetings and an annual pension activity report.

The implementation of those governance changes and efforts to co-ordinate renewal activities and maintain an updated online inventory of benefits plans made it possible for the CSA Group to efficiently monitor its international pension and benefits programs for legislative updates and trends, better manage its costs and even reduce costs in some countries. In addition, the board committees have expressed increased confidence that the company is effectively managing pension-related risk management activities.

“CSA Group’s focus has now shifted to establishing the foundation for a global wellness effort we consider a key driver for our employee engagement and retention strategy,” says Mason.

in the area of global benefits and where they are heading next offer useful tips and experiences for others with a global footprint.

Addressing the challenges
When CGI Group Inc., a multinational company headquartered in Montreal that provides end-to-end information technology and business process services, acquired Logica in 2012 to more than double its size to 68,000 employees in 40 countries, it accelerated a human resources optimization process initiated by its executive vice-president of human resources earlier that year. CGI's executive committee supported and monitored that and other corporate services functions and enterprise-wide efforts.

For CGI, the objectives for harmonizing global benefits were clear. “Simplify the current governance structure by reducing the number of local brokers, standardizing processes, adopting best practices to achieve cost optimization, while reducing the risks inherent to the existence of myriad benefits plans,” says Céline Plante, director of CGI’s total compensation centre of expertise, in summarizing the objectives.

Scotiabank offers another example. In 2013, major changes to accounting standards affected how Scotiabank and other public Canadian companies account and report pension and other benefit plans in their financial statements. The change coincided with a continued decrease in interest rates, triggering a significant increase in defined benefit pension plan obligations.

According to Simone Reitzes, director of actuarial analysis and governance at Scotiabank, the changes required additional resources. “The focus on global pension governance increased, as did the need for enhanced pension risk management analyses and reporting,” says Reitzes. “Additional resources were added to the team to monitor and to support delivery.” Whether the initial trigger is internal (through, for example, a global acquisition, questions from a board member or a request from the family of a deceased employee in a foreign country) or external (such as a change in legislation or pressure from an influential shareholder), the result is an immediate increase in awareness and interest from executives to establish governance rules that will support their corporate strategy.

Centralization versus a hands-off role
Not all multinational companies want or need strong governance from the centre. There are a number of organizations that have a decentralized operational structure with limited corporate service functions. They may opt for a more hands-off approach, and there’s nothing wrong with that. The key resides in making a conscious decision on the governance approach that best aligns with the corporate strategy.

Imagine you receive a notice advising that your group medical insurance plan in Singapore will expire tomorrow and you immediately think to yourself: “I wasn’t aware that we sponsor benefits plans in this country.” With a hands-off approach, you could resolve the issue simply by sending a scan of the renewal letter to the Singapore operations manager.

Yet Mercer’s global benefits governance survey showed that 91% of participating multinational companies worldwide provide guidance to countries and 69% strongly influence decisions related to benefit plan changes and vendor management. Many companies, then, want to have an active role. In fact, the
The majority of the multinational companies surveyed by Mercer are either planning or considering changes to their governance structure in order to reduce costs (52%) and adopt best practice governance (66%).

Of course, implementing such changes isn’t easy. Getting all stakeholders on board is crucial. While some companies are able to bring in such changes immediately and unilaterally, the reality is that implementation is often gradual.

CGI, which had just doubled its global headcount, decided to opt for an approach that involved two steps: an immediate implementation with countries that were willing to adopt the new process and then demonstrating to other local executive teams the advantages for them. Based on our observations, corporate human resources departments typically make a formal one-time announcement to operations worldwide and then implement the changes to countries in phases. We’ve also observed that the order of the countries where companies implement changes varies according to factors such as headcount, cost of benefits, existing issues, geographic area and renewal dates in the case of insured programs.

**Work not over**

While the changes to CGI’s benefit management and Scotiabank’s pension governance structure required leadership, time and resources, those efforts deliver results that many organizations would like to already have in place. When it comes to governance, Reitzes says that for Scotiabank, the main achievement was “the identification of opportunities to proactively manage the costs and risks associated with our pension plans.”

For CGI, Plante notes the organization has successfully met the objectives it had established for itself at the outset. But according to Plante, the work is all but over. To address the challenges of an increasingly competitive environment, she says CGI will now tackle adopting “a more global approach to country benchmarking, tracking benefit trends and financing arrangements.”

Lisa Scian, a director of human resources in the information technology sector who recently oversaw a limited headcount that supports 17 international locations, has some advice to offer from her experience. “If you are planning on growing your employee base outside of Canada, centralizing your benefits management provides your business with access to country-specific information, reducing and, in some cases, eliminating the unknowns of establishing a benefits program in foreign countries,” she says.

**TIPS FOR FIRST HIRES ABROAD**

Here are a few tips to consider when hiring the first local employees in a new country:

- Incorporate your target market positioning in your global benefits philosophy.
- Bear in mind that social security systems vary significantly worldwide, as do typical supplemental benefits plans.
- Investigate headcount requirements for local group financing solutions.
- For smaller groups, expect higher costs and constraints in terms of design and underwriting.
- If you can’t offer group coverage, you can provide a benefits allowance in cash while taking care to ensure it’s reasonable and not considered salary and structuring it so you can later replace it with a regular benefits structure once the headcount allows.
- Be more general than specific in employment contracts when it comes to the benefits you offer.

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