Core Unit 1B – Foundation in International Employee Benefits

Assignment 2 Notes

(Manual 1, Part 7 The Role of Different Parties in the Provision of International Employee Benefits)

*Recommended Time: 1 Hour*

# Identify the key parties within a multinational company that may be involved in employee benefit provision.

**10 marks**

As the question asks for identification and carries 10 marks it is expected only approximately 2 marks would be awarded per party mentioned below:

* International Benefits Manager-responsible for ensuring that the international benefit strategy of the organisation is successfully put into place. This means ensuring that the global benefits provided are in line with corporate business objective, risks are managed and mitigate and that other tasks are carried out efficiently and effectively.
* Finance department, including - Financial controller, Treasury department. The introduction and application of International Accounting Standards acted as a catalyst in the increasing involvement of the financial controller in benefit plan operations.
* Human resources department, including compensation and benefits managers and industrial relation managers (who might deal with the works council)
* Risk department- the main function is to optimise the Risk/Return trade off. The return from employee benefits is seen as improved workforce capability and higher productivity.
* Employee representatives- their role is to negotiate with employers on behalf of employees and others no matters of collective concern to all employees.

(Relevant sections are Manual 1, Part 7, Chapters 3, 4, 5, 6 and 7.)

# Identify the main objectives of an international benefits manager.

Ultimately the role of the International Benefits Manager exists to control costs and mange risks associated with the organisation’s benefit plans I the different territories where it operates. For example, the management of a pension plan has come increasingly complex and sophisticated over the last 20 years. The current environment typically requires a continual assessment of risk and costs related to employee benefit provision. External pressure for good management and corporate governance comes from regulators, investors, members, employees, and auditors.

* + Ensuring benefit provision is in line with business objectives
  + Ensuring benefit plans run smoothly
  + Compliance with regulatory requirements
  + Actuarial issues and Funding for Defined Benefit pension plans
  + Accounting issues for plans
  + Managing pension and investment risk
  + Appointing third party advisers
  + Member communication and disclosure

(Relevant section is Manual 1, Part 7, Chapter 3.2.1.)

# 10 marks

1. **Explain the purpose of an international benefit strategy and outline the factors that need to be considered when designing such a strategy.**

**10 marks**

Answer should cover:

An International Benefit Strategy should

-be consistent with the company’s business stagey and employment objectives

- consider the local labour market

-reflect desired market positioning in the relevant labour market

-Encourage benefit consistency across borders

-lay down the principles and guidelines regarding practical considerations that management of benefit plans will entail

The following factors should be considered in the design of the IBS

* + Structural & Organisational
  + Corporate vs Local Management
  + Design Considerations
  + Financing and Funding Alternatives
  + Risk Management and Control
  + Operations
  + Professional Advisers

(Relevant sections are Manual 1, Part 7, Chapters 3.2.3 and 3.2.4)

# Outline the purpose and identify the main responsibilities of a works council.

**5 marks**

Answer should cover:

A works council is a body that represents the interests of its workers (either located at a single site, company or industry).

Its responsibilities include:

* Protecting Employee Rights
* Reducing workplace conflict

Efficiency of negotiation of terms and conditions

(Relevant section is Manual1, Part 7, Chapter 7.2)

1. **Outline the purpose and identify the main responsibilities of a local regulator.**

# 5 marks

The local regulator can be defined as the body responsible at a local level to ensure that the legislation is applied in practice. It will typically issue guidelines for benefit plans at Local or National Level. In addition, there may be two separate regulatory bodies that monitor pension and benefit plan operations – one responsible for ensuring adequate funding and governance of benefits; and another who will ensure that plans adhere to tax regulations.

The key objectives of the regulator are to:

* Protect Employee and Member Rights through ensuring compliance with all legal requirements
* Ensure transparency of the benefit arrangements operated by employers
* Avoid the abuse of tax incentives

(Relevant section is Manual 1, Part 7, Chapters 10.1 and 10.2)

# Explain the main types of risk that must be managed by the risk function of a multinational organisation.

**10 marks**

Answer should cover:

The main types of risk that must be managed include:

* + Benefit Payment Risk- risk to the organisation’s financial statements of benefit payments being more than expected.
  + Currency Risk-in most funded pension plans there will b a diversification of assets, meaning that part of the assets will be held in a different currency to the liabilities.
  + Legislative and Compliance Risk- the organisation must comply with all laws and regulations governing benefit plan operation.
  + Investment Risk- may include local requirements for the plan to invest in certain types of assets, which may then lose value in relation to the plan’s liabilities
  + Reputational Risk-although intangible, this risk arises when an organisation receives adverse publicity or damages it brand through poorly considered decision.
  + Operational Risk- the operation and management of benefit plans is itself open to risk, from breakdown of systems to confidentiality issues.
  + Talent Risk-if benefits are not appropriate, the employer risks losing key staff and may face the inability to recruit replaacements.

(Relevant section is Manual 1, Part 7, Chapter 6.2.2)