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NEW CHALLENGES
NEW SOLUTIONS



Corporate Relocation Policy for Tough
Times: Part II

Modifications to Domestic Policy

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Myth, Fact & Alternatives: The Domestic Perspective

- Myth:
 - # 1: Lump Sum is answer to containing costs
 - # 2: Companies are no longer purchasing homes
- Alternative:
 - # 1: Introduction of a Flexible Spending Account
 - # 2: Reduce % of appraised values in GHSP



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Implementation Strategy

- Approval process
 - Key stakeholders: Executive, HR, unions, suppliers
 - Benchmarking study
- Staff implications
 - Impact on ability to staff & transfer
 - Impact on internal administration & staff
- Costs & benefits
 - Short-term, long-term, per transfer & overall
- Communication issues
 - Policy re-write, processes, guidelines, road show



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Case Study # 1: Introduction of a Flexible Spending Account Approval Process:

- Spelling out advantages for employees:
 - Tailor their benefits to their needs
 - Greater satisfaction
 - Increased ownership of the policy
 - More counselling to assist employee in how to manage flex account
 - More tax effective than providing a lump sum
 - Better appreciation of relocation costs



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Case Study # 1: Introduction of a Flexible Spending Account Approval Process:

- Spelling out advantages to corporation:
 - Fewer exceptions
 - Less policing the policy and saying “no” to employees
 - Better control of costs by organization
 - Potential for cost reduction

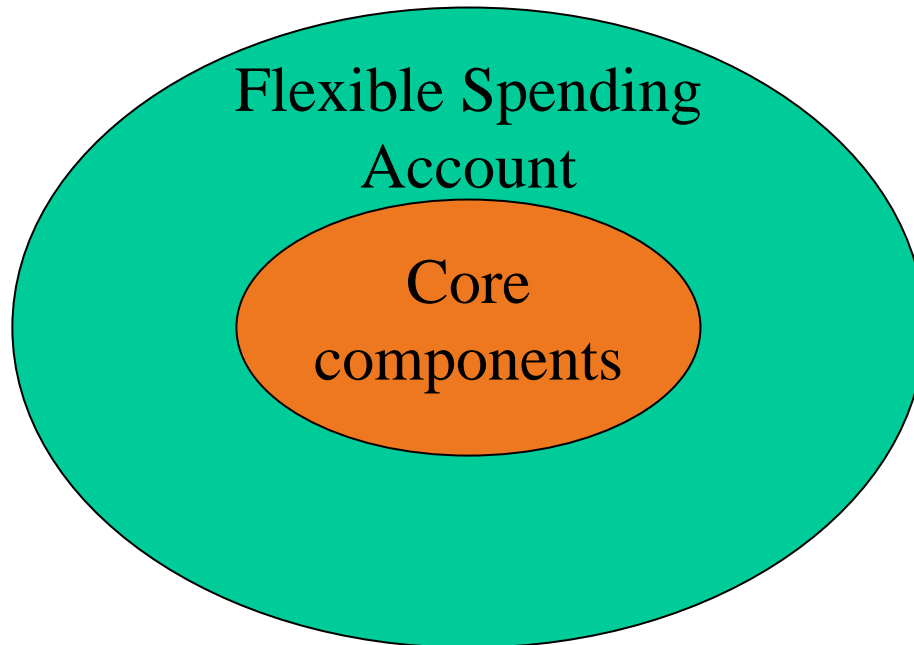


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Case Study # 1: Introduction of a Flexible Spending Account Approval Process:



- Identify the provisions included in Flex & Core
- Assess the cost per employee / transaction
- Determine usage %
- Analyse the total annual cost per policy type
- Match to objectives



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Case Study # 1: Introduction of a Flexible Spending Account Staff Implications:

- Transferees have greater level of satisfaction with policy
- Fewer exceptions managed internally
- Increased counselling (*)
- Calculation of Flexible Spending Account (*)
- Calculation of taxable benefit and balance to be paid out

(*) internal or external



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Case Study # 1: Introduction of a Flexible Spending Account Cost & Benefits:

- Comparative analysis
 - Current costs per employee & overall usage
- vs.
- Projected cost of Flexible Spending Account (100% usage)
- Analyse the total annual costs per policy type
- Flexible Spending Accounts can be designed to be higher, lower or neutral cost



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Case Study # 1: Introduction of a Flexible Spending Account Communication Issues:

- Clearly identify how Flex is calculated, what components are used in the amount
- Clearly explain how it can be used, i.e. eligible expenses, providing maximum flexibility
- Describe taxability and tax effectiveness
- Prepare examples
- Design tools to keep on-going tabs on employee spend



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Case Study # 2: Reduce % of appraised values in GHSP

Approval Process:

- Spelling out advantages to corporation:
 - Reduced financial risk associated with GHSP
 - Lower inventory costs & loss on sale
 - Minimal impact on employee acceptance of transfers
 - More accurate plan prices in declining market



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Case Study # 2: Reduce % of appraised values in GHSP

Approval Process:

- Selling the concept to key stakeholders:
 - 95% of appraised value represents a true safety net, a vacant property value
 - Property may still sell for more in 90 days
 - Sharing of the 'hypothetical' loss
 - Cushions impact of appraisal error
 - Palatable for employees

true value = sale price



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Case Study # 2: Reduce % of appraised values in GHSP

Staff Implications:

- Minimal impact on employee acceptance of transfers
- Employee still have safety net and takeover feature
- No impact on internal administration
- Counsellors need to be trained on rationale & impact



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Case Study # 2: Reduce % of appraised values in GHSP

Cost & Benefits:

- Assess current cost & potential cost of loss on sale under 100% appraised values vs. 95% appraised values
- Assess cost & potential cost of properties in inventory



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Case Study # 2: Reduce % of appraised values in GHSP

Communication Issues:

- Reducing resistance from employees is critical to the implementation's success
- Most saleable if combined with other policy changes
- Modify policy & guidelines document
- Modify contract, freedom to operate & SLA's with suppliers
- Explain impact to hiring managers & other stakeholders
- Train supplier's counsellors on rationale and impact on employees to help employees understand process