

International retirement plans for a global workforce

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Organisations need to provide their expatriate employees with adequate benefits in order to retain valuable talent and expertise, says **Paolo Lippi**

Globalised economies rely on an increasingly mobile workforce. A growing number of workers across sectors plan their career abroad. They are less inclined to return home and more likely to relocate.

While expatriate employees are a key asset for organisations operating across countries, providing them with adequate benefits can be challenging. Employers need dedicated solutions and support to unlock opportunities that the mobility of skills and talent can offer, while reducing the administrative burden.

International retirement plans are a key component in a competitive remuneration package to retain valuable staff and expertise. With shrinking state-funded benefits and longer life expectancy, employers are called on to help their employees save throughout life. Once taken for granted, securing an adequate income at retirement is among the major concerns to most individuals today, the more so to those moving across jurisdictions.

International plans can help HR departments respond to their employees' urgent needs, and to address challenges of co-ordination across geographies by enhancing portability, flexibility and transparency.

The importance of portability

Portability is essential in any international plan for expatriates. A single plan that operates across geographies ensures protection for employees when local solutions are not available or not appropriate. Reconnecting an otherwise fragmented experience, it allows benefits to continue accruing after any change in location so that paid contributions are not lost. HR managers will find it simpler to manage rather than running and monitoring separate contracts across the globe.

This approach will also enable employers to deliver a consistent benefits strategy at global level, independent of the country or nationality of their employees. In order to ensure the necessary portability, the plan should be issued from a well-regulated international centre, with well-established pension legislation and investor protection.

International plans allow for greater flexibility than local solutions. They can be tailored to the specific requirements of each organisation through flexible benefits design, including bespoke vesting rights, currency choice, wider investment options and more flexible drawdown options.

Investment options are important both for the build-up phase and the drawdown phase. Traditional pension return is challenged by the latest trends, such as an ageing population, rising unemployment and low interest rates. Drawdown is increasingly being seen as a more attractive option than a guaranteed annuity, because the plan can hold a range of assets to provide a higher income, and flexible options such as transfer rights in case of death.

The drawdown option has, in turn, challenged the traditional structure of pension build-up. Traditionally, defined contribution pension planning was structured by investing in more volatile assets the further away someone is from retirement (they have a higher risk/return ratio), then switching to more stable investments as retirement approaches.

Now the investment horizons extend from the start of the build-up process to death, rather than to retirement. Employees should look at higher allocations to equities for a longer period. These assets have provided the highest returns over a 30-year period than bonds or cash and also provide some protection against inflation.



With increased responsibility on employers and individuals, providers such as Generali Employee Benefits' (GEB's) role is to deliver effective and transparent pension solutions to best equip employers, independent of their size, risk appetite and financial expertise. Educational tools, online platforms for secure and simple operations and dedicated members' engagement programmes are no longer just nice to have, but essential. The development of international pension plans dedicated to small and medium-sized organisations shows how these plans are becoming a comfortable solution for more employers, and confirms providers' capacity to make sophisticated solutions accessible and available to the widest possible number of employees.



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