

CLIENT

BENCHMARKING OF EMPLOYEE BENEFITS

FEBRUARY 2016

SAMPLE

Introduction

This report provides a summary of the benefits currently offered by *Client* in Malaysia.

It also summarizes information on the following statutory and supplementary employee benefits for the general industry.

- ✓ Retirement
- ✓ Life, AD&D and Business Travel Insurance
- ✓ Sickness and Disability
- ✓ Medical, Dental and Vision
- ✓ Vacations, holidays and leaves of absence
- ✓ Other various perquisites/allowances, including transportation programs

The analysis performed includes:

- A benchmarking of the design of existing employee benefit programs against *Client*'s target market positioning (50th percentile)
- A review of alternative strategies and synergies on plan design
- Recommendations on how and when to implement any proposed changes
- Information on market trends, new developments and recent or upcoming legislative changes

The priority color code below is used throughout this report and is subject to interpretation as *Client* may wish to prioritize certain countries and benefits based on various factors.

Legend:

<i>Positioning:</i>	▲ above market median	= at market median	▼ below market median	× compliance concern
<i>Priority:</i>	● None	● to be considered	● immediate	

Considerations

This analysis is meant to serve as a first step in a benefits review process and any areas of concern or competitive disadvantages identified in this report should be reviewed holistically in the context of external factors such as:

- ✓ Expected growth;
- ✓ Current level of employee satisfaction with overall benefits situation;
- ✓ Job level and personal situation;
- ✓ Retention and attraction;
- ✓ Employees' perception and maximization of money spent on benefits and/or salary;
- ✓ Whether or not current salary reflects the value of the benefits currently being offered (total remuneration' concept);
- ✓ Cost/tax savings for the company or employees;
- ✓ Legal implications for the company;
- ✓ Benefits included in offer letters, including individual arrangements, and if there is a possibility to change them;
- ✓ Collective bargaining agreements, Works Council and other such associations, and the obligation to consult or agree with them on changes;
- ✓ Global benefits consistency versus local market practice; and
- ✓ Timing of implementing new benefits (e.g. ability to cancel current policies and obtain refund)

At this stage, we would recommend *Client* to be prudent in sharing new benefits information with employees, as only a marketing exercise with different vendors will confirm possible benefits plan design to be offered.

Note that Mercer Malaysia offers a broad range of brokering and consulting services with regards to the benefits benchmarked in this report and can further explore or assist with implementing any of the recommendations made.

Methodology and Assumptions

Throughout this report, we have presented market practice for the general industry, Mercer's 2015 Worldwide Benefit and Employment Guidelines as well as Mercer Marsh's 2015 Benefits Survey to 197 local leading and multinational companies. Our local in-country experience and knowledge of the marketplace were used to validate market practice and establish recommendations.

Note that this report is based on information provided by *Client* to Mercer. For our review, Mercer has relied on the information provided and we have reviewed it to make sure that it was complete and accurate, but have not audited it. *Client* is solely responsible for the validity, accuracy and comprehensiveness of the plan provisions provided. If the information supplied is not accurate and complete, we may have to revise our report accordingly.

In the report, we have considered LTD to be income continuance and have discussed lump sum total or partial disability benefits in the AD&D section.

The Benefit Competitiveness Score is determined by quantifying ▲ *above market median* as 2, = *at market median* as 1, and ▼ *below market median* as 0 and calculating the weighted average with the following allocation 20% to retirement, 10% to life, 5% to AD&D, 5% to business travel, 10% to STD, 5% to LTD, 20% to medical, 5% to dental, 5% to vision, 10% to vacations, holidays and leaves of absence, and 5% to other various perquisites/allowances, including transportation programs. Those weights were agreed with *Client* as best representing the value attributed to each employee benefit.

When performing the benchmark, we reviewed the information provided and have commented in this report on any obvious compliance issues. However, we have not performed a compliance audit.

For your reference the exchange rate as at February 1, 2016 is USD 1.00 = MYR 4.14.

Please note: Mercer is not a law firm and therefore cannot provide legal advice. The commentary and recommendations contained in this report should be analyzed with legal counsel before any actions are taken.

Statutory Overview

Working Hours

According to Labor Law (UU) No. 13, 2003, normal working hours are 40 hours per week, comprised of either 6 days a week up to 7 hours per day or 5 days a week up to 8 hours per day.

Maternity Leave

Female employees are entitled to 3 months of maternity leave at full wage, to be taken in 2 periods of 1.5 months before and after delivery date.

In the case of a miscarriage, female employees are entitled to 1.5 months of leave. They are required to submit a medical statement issued by an obstetrician or midwife as a supporting document.

Paternity Leave

Male employees are entitled to 2 working days of paternity leave at full wage in the event of the birth of a child or miscarriage by a spouse.

SAMPLE

Executive Summary

Benefit Competitiveness Score		At Market (0.75)
Employee Benefits	Current Situation	Recommendations and Other Considerations
Retirement 	Design summary: DC plan with 5% of additional employer contribution to statutory requirement Market competitiveness: = Provider: Not provided	Recommendations and rationale: No changes Other Considerations: Mandatory employee contribution drops to 8% effective March 2016
Life 	Design summary: Lump sum of 24x monthly salary Market competitiveness: ▼ Provider: AIA Insurance	Recommendations and rationale: Increase benefit to lump sum of 36x monthly salary to match prevalent market practice Other Considerations: Cost impacts
AD&D 	Design summary: Lump sum of 24x monthly salary Market competitiveness: ▼ Provider: Malaysia Insurance Berhad	Recommendations and rationale: Increase benefit to lump sum of 36x monthly salary to match prevalent market practice Other Considerations: Cost impacts
Short-Term Disability 	Design summary: Weekly Indemnity up to 60 weeks for temporary disablement of up to 100% of actual weekly salary Market competitiveness: ▲ Provider: Malaysia Insurance Berhad	Recommendations and rationale: No changes Other Considerations: Clarify whether employees have coverage for non-accidental disabilities

Legend:

Positioning: ▲ above market median = at market median ▼ below market median ✕ compliance concern
Priority: ● None ● to be considered ● immediate

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Detailed Analysis

Retirement

Feature	Statutory Benefits	Typical Practice	*Client*
Type of Plan	Defined Contribution (DC)	Defined Contribution (DC)	Defined Contribution (DC). Sponsored by *Client* Malaysia. Legal Name: Employee Provident Fund.
Prevalence	N/A	29% (WBEG 2013) of the surveyed multinational and local leading companies offer a supplemental plan in addition to the mandatory EPF plan	N/A
Eligible Employees	All private-sector employees must be Employee Provident Fund (EPF) members. Public-sector employees have the option to remain in EPF after 3 years of service or join the Public Sector Pension Scheme. Foreign employees can voluntarily elect to be covered by EPF.	Most common eligibility is for management only, but since 2011, there is a trend to extend the plan to non-management. The additional EPF contribution is typically provided on a fixed rate.	All full-time employees. Open to new entrants.
Pensionable Earnings	Generally, earnings is defined as all remuneration that includes monthly base salary, bonuses, allowances, commissions, arrears of wages, payment of unused leaves, and other payments under contract of service or otherwise. Exclusions are service charge, overtime pay, gratuity, retirement/retrenchment/layoff/termination benefits, and travelling allowances.	Earnings are defined as basic salary plus bonus, allowances, and commissions	Salary, payment for unutilised annual, bonus, allowance, commission, incentive, arrears of wages, wages for maternity leave, and other payments under services contract or otherwise, including perfect attendance allowance, shift allowance, sales incentive plan, annual incentive plan.
Normal Retirement Age	Age 60	Age 60	Effective July 2013, per Minimum Retirement Age Act, the retirement age for private sector is 60 years. However, *Client* Malaysia policy applies for employee option to retire at 55 years of age.