

Global Expense & Compensation Management

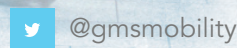
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Organizations are becoming increasingly aware of their responsibility to report accurate and timely expenses and compensation information for their international assignee populations. Whether managed in house or outsourced, the costs associated with a quality and compliant program are often overlooked, or not well understood. Moreover, 44% of HR and Payroll professionals reported being unaware of the operating costs associated with a compliant

global expense and compensation management program. Recent industry and Worldwide ERC surveys report that 75% to 85% of companies utilize a home country compensation approach for global assignment. Understandably, these companies are seeking ways to improve efficiencies, reduce costs, elevate quality and compliance drivers. Our study provides valuable insight into the range of service delivery options and their associated costs.



Terminal 1	ABC	Terminal 2	DE
1	A	050-461	A14
1	A	050-461	A13
1	B	482-489	B42
1	A	051-461	B27
1	A	050-461	B
1	A	050-461	A23
1	A	050-461	A22
1	A	050-461	B4
1	A	050-461	A8
1	A	050-461	B8
1	A	050-461	A5
1	A	050-461	A32
1	A	050-461	B12
1	A	050-461	T6
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1	A	051-461	B27
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1	A	050-461	A23
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1	A	050-461	B12
1	A	050-461	T6
1	A	050-461	A16
1	A	051-461	B
1	A	050-461	A40



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Our Case Study

Our study included an in-depth look into industry delivery models for international expense management and global compensation services for expatriate assignments. Our focus was on the scope of work, stakeholder involvement and the cost of delivering a compliant program. This study includes comparable assessments against prominent Relocation Management Companies within the industry as well as clients with in-house and outsourced models.

It is with this background that GMS was able to develop this case study summary for your consideration; specifically in the areas of:

Global Expense Management

- Expense Audit to Policy
- Assignee Reimbursement
- Supplier Payment Processing
- Flexible Currency Wires
- Tax Provider Data Reporting

Expatriate Global Compensation Administration

- Assignment & Tax Cost Estimates
- Balance Sheet Management
- Split-Payroll Instructions & Hypo Tax
- Total Compensation Data Collection
- Monthly & Annual Total Earnings Reports

“Companies moving talent are often not aware of the fees and costs associated with delivering quality global mobility expense and compensation management.”

- John Fernandez | GMS VP of Global Services



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Industry Delivery Models

In the mobility industry, there are two (2) common delivery models for global expense and compensation management.

Company (In-house) Model:

In this model, HR and Payroll stakeholders around the globe work closely together with a designated Tax Provider and/or Team to delivery services.

Relocation Management Company Model:

In this model, the RMC assumes the global administration and coordination with Payroll stakeholders and with a designated Tax Provider.

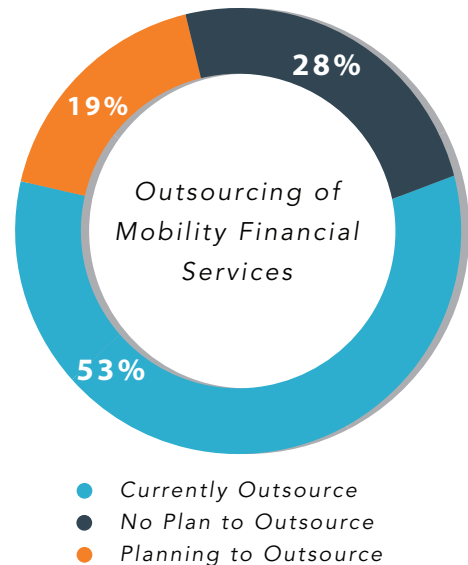
Home Based Approach

The home-based or balance sheet approach is the most popular and used by 75% to 85% of U.S. multinational companies. This approach provides international employees with a compensation package that equalizes cost differences between the international assignment and the same assignment in the home country of the individual or the organization. The balance sheet approach is based on some key assumptions and data. This approach is designed to protect expatriations from cost differences between home and host countries.

Host Based Approach

In the host-based approach, the assignee transfers to the host country payroll and receives base and incentive pay based on host country compensation practices and regulations. The host country payroll typically delivers salary and incentive pay. With organizations looking for cost-cutting opportunities, they have looked to localize assignees. The host-based approach is cost effective, including local plus policy components. Difficulties can occur in repatriating assignees, if applying this approach, because the employee is on the local salary structure, which can make it more difficult to move the assignee to another destination or back to their home country.

2014 WERC
Global Trends Survey



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Global Approach

A global approach to compensation requires the international assignment be viewed as continuous, even though the assignment may be for various periods of time and the employee may be in various countries. This approach is much more inclusive. Regardless of which country the assignee is assigned, the main benefits are provided. There are pros and cons to each approach. Variations in laws, living costs, tax policies, and other factors all must be considered in establishing the compensation for expatriates. This is the least utilized approach due to the complex nature and high cost to deliver.

The GMS Model

Assignment and Tax Cost Estimates

- Total projected assignment cost - compensation, relocation, on-assignment, repatriation, and tax.
- Comprehensive and tailored to specific assignment offer letter and GMS supplier costs.
- Tax cost estimate only option.

Global Expense Management

- Assignee expense reimbursement and supplier payment process.
- Expense audit review to offer letter and flexible currency payments.
- Cost capture and data reporting to global tax provider.

Balance Sheet Management

- Compensation worksheet creation, payroll allowance schedules, split-payroll instruction.
- Hypothetical tax calculations and exchange rate updates.
- Data and tax provider coordination and worksheet inclusion.

Total Compensation Data Collection

- Compensation data accumulation - home/host AP, payroll, travel, balance sheets.
- 3rd party payment data accumulation - RMC payments, tax payments.
- Shadow payroll reporting and annual assignee total earnings reports to tax provider.
- Global statement of earnings product.

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GMS Cost Projecting Model

When comparing Global Mobility Solutions to other Relocation Management Companies, the data is clear. GMS provides high quality mobility cost estimating at a lower cost. In fact, our review indicates that the GMS model is 49% to 55% less expensive per assignee than other models in the industry, when compared to an annualized assignment cost of \$333,333. This is due to our bundled pricing approach, which includes our all inclusive design e.g. cost estimating, data licensing and tax calculations, under a single delivery model. This approach allows for a significant reduction in operating costs, streamlining of process, quality and compliance unmatched in the industry. GMS subscribes to passing on the savings to our clients.

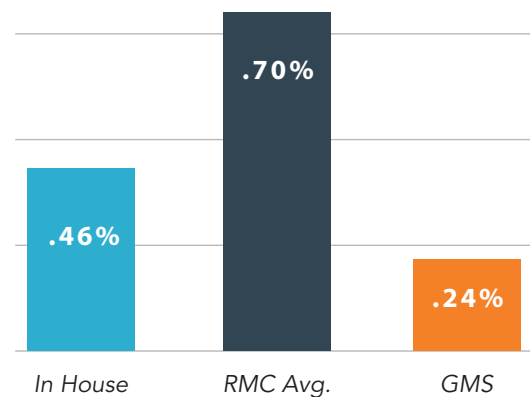
Total Compensation Management

Global Mobility Solutions provides a full service, high quality Global Expenses Management and Compensation Model that ensures compliance and the best value in the industry. Our model is 36% to 47% less expensive per file than other models within our industry; when compared to an annualized assignment cost of \$333,333.

Like our Cost Projections model, GMS subscribes to a bundled solution to ensure all elements of Global Expenses Management and Compensation are provided under a single delivery model.

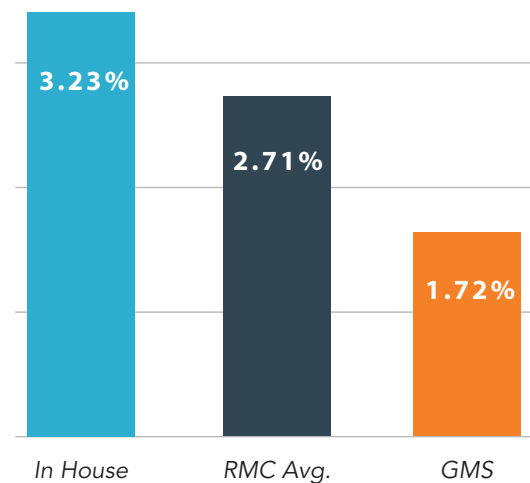
This inherently comes with significant savings via reduced operating costs, enhanced processes, improved quality and compliance around the globe.

% of Annual Assignment Cost Projecting



Includes: wages, benefits, tax calculations, COLA/data and assignment costs.

% of Annual Assignment Cost



Includes: Global Expense Management, Balance Sheet and Total Compensation Reporting/Management.

Case Study Scope of Services

Global Expense Management

1. Expense auditing to policy, assignment letter and/or program guidelines.
2. Assignee reimbursements.
3. Supplier payment processing.
4. Global Expense Reporting.
5. Gross up calculation and management, as applicable.

Payroll Instructions for Benefits

1. Creation of an initial compensation worksheet/balance sheet.
2. Send compensation, allowances, and other assignment allowance/deduction information to payroll via data feeds in agreed upon format, and per agreed upon schedule.
3. Reconcile with client payroll to ensure assignee is receiving allowances fed by RMC or payroll – payroll instructions to paid data provided by client; includes return feeds.
4. Process non-recurring assignment pay owed to assignee per policy, assignment letter and/or assignment initiation form as directed by client.
5. Manage updates to compensation worksheet for life event changes such as, base salary increases, family size changes or standard updates including COLA, FX, and Hypothetical Tax.
6. Follow through with calculation updates, including retroactive adjustments and process through payroll via agreed upon format and schedule.
7. Home payroll compensation data collection for shadow payroll and total compensation collection and reporting where required in conjunction with client tax provider.
8. Inclusion (through payroll) of additional compensation items such as equity and pension when made available by client in RMC standard upload format.
9. Partner w/tax provider for annual US tax estimate inclusion in payroll.



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Case Study Scope of Services continued...

Collection of Total Compensation

1. Manage periodic off payroll compensation collection and reporting per agreed timeline, using automated process within RMC's system. E.g. distribute standard worksheet/template to contact list, as provided by the client.
2. Coordinate the periodic inclusion of off-payroll amounts into home and host country payroll system per agreed frequency.

Global Tax Coordination

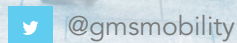
1. Coordinate the calculation of home, host and hypothetical taxes through your tax provider, as required.
2. Any direct cost associated will be passed through to the client.
3. Accumulate required data and report to tax provider for hypothetical tax reset - YTD wages, salary deferrals, YTD allowances, etc.

Active and Repatriated Assignee Year End

1. Reconcile earnings and assignment-related compensation fed to payroll for US W2 reporting, Box 1 and Box 5 when receipt of return feed is provided for total compensation collection.
2. Provide detailed breakdown of compensation to assignee per agreed timeline.
3. Prepare and distribute Global Statement of Earnings compensation summaries to assignees and Tax Provider
 - Year End Data Management - Interface and Project Management
 - Fiscal Year Reporting
 - Tax Payments



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Case Study Scope of Services continued...

Certificate of Coverage (US) Application and Tracking

1. Apply for a Certificate of Coverage for eligible employee on assignment for US outbound, where a totalization agreement is in place.
2. Apply for extensions where applicable.
3. Maintain monitoring status and coordination with Compensation and Payroll.
4. Tax Equalization Collection Support.

Monthly Filing and Shadow Payroll Support

1. Provide reporting to local countries within agreed timeline to support local tax filing support.

048	BELGRAD	21**	1 A 050-461 A30	0700	BILBAO	21**	1 A 050-461 A
936	MADRID	21**	1 A 050-461 050	0554	BOETZBOURG	21**	1 A 050-461 B
706	LONDON-HEATHROW	21**	1 A 050-461 A10	0440	BERLIN-TEGEL	21**	1 A 050-461 B
982	MUNICH	21**	1 A 050-461 031	0300	WIEN	21**	1 A 050-461 A
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4234	TOULOUSE	21**	1 A 050-461 A	400	ISTANBUL	22**	1 A 050-461 B
913	OSLO	21**	1 A 050-461 A	3416	KIEV-BORISPOL	22**	1 A 050-461 B
692	KOPENHAGEN	21**	1 A 050-461 B	7850	KELN-HBF	22**	2 E 041-240 E
				4234	ABU DHABI	22**	1 A 050-461 T6
				913	JAKARTA-SINGAPUR	22**	1 A 050-461 C
				692	HANNOVER	22**	1 A 050-461 A



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