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# Employee benefits

**Don’t look any further, KPMG is here to help.**

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Today's talent market is highly competitive. Attracting and keeping top talent is becoming more and more difficult. It is well known that the challenge of searching for skilled people means that many companies leverage fringe benefits as an incentive.

However, providing these benefits can be challenging for HR and Finance professionals. Given the technical complexity and evolving nature of pension and hospitalization matters, employers are required to regularly monitor the related risks to be sure they find the best options.

Our KPMG pension team can help you find a plan that conforms to your human resources and financial strategy and be there to support and advise you along the way, as you navigate the world of employee benefits.

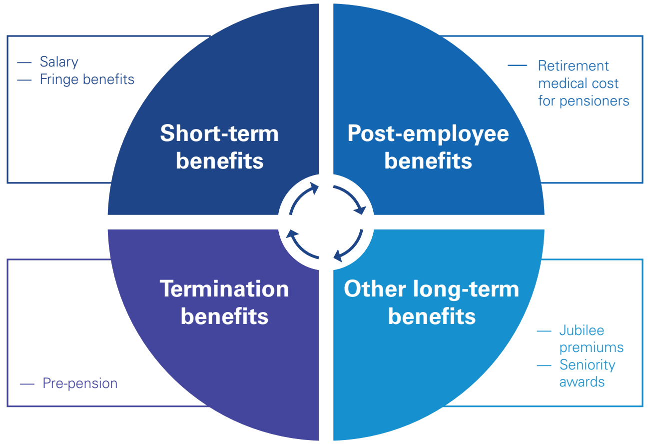
Let's take a closer look at:

— The accounting requirement for employee benefits (IAS19)
— Hospitalization insurance
— Harmonization of pensions
— Offering flexible reward plans



# Curious about the IAS19?

The **International Accounting Standard 19, Employee Benefits (IAS19)** outlines the accounting requirements for employee benefits, including short-term, various long-term and post-employee benefits. Employee benefits refer to all forms of consideration provided by an organization in exchange for services rendered by the employee. The Defined Contribution (DC) plans also falls in the scope of IAS19 / ASC715 and are evaluated using the Projected Unit Credit (PUC).




The general principle of the standard is to enhance comparison of the pension liabilities for different companies and thus facilitates overall consolidation and comparison. It includes all forms of benefits provided by a company in exchange for services rendered by their employees (constructive obligation).

To complete the accounting of these benefits and determine the pension liabilities, we use the PUC method. This method estimates the ultimate cost to the entity of the benefit that employees have earned in return for their service in current and prior periods as close to reality as possible. This requires the use of actuarial assumptions about demographic and financial variables that will affect the cost of the benefit. These method is prescribed mainly under IFRS (IAS19) / USGAAP (ASC715).

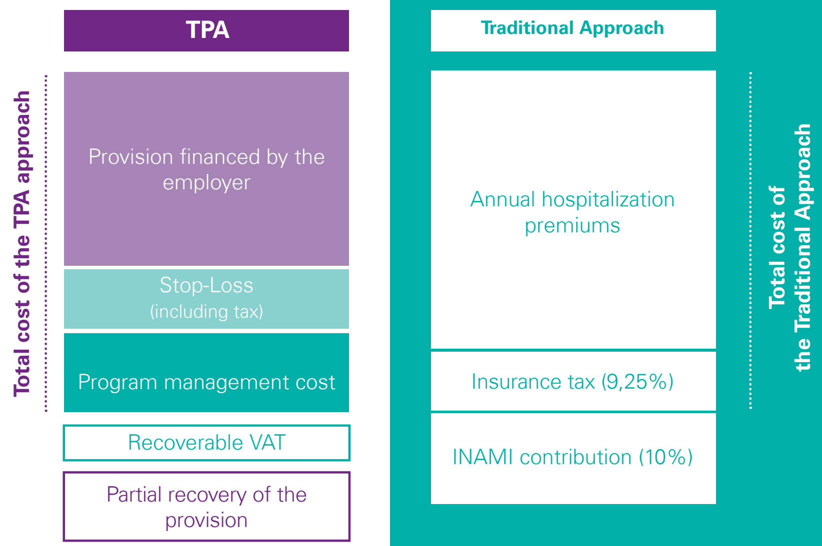
# Third Party Administrator: Alternative financing for hospitalization insurance

How can an employer guarantee the financing of the company's hospitalization insurance when they know that the costs of such a system will increase in the coming years and that it is highly appreciated by their employees?

**Traditional hospitalization insurance**
If an employer takes out a traditional hospitalization policy with an insurance company, the latter will require premiums in return for underwriting any potential claims. The premium will also include an element of profit for the insurer, as compensation for the risks incurred. The employers' bill on the other hand is further burdened by the tax on healthcare insurance premiums. The policyholder (in this case the employee) has to pay not only a part of the traditional insurance premium tax (9.25%) but also a specific INAMI contribution to hospitalization programs (10%). The combined tax for the employee therefore amounts to 19.25%.

**Is alternative financing possible?**
The basic principle of the Third Party Administrator (TPA) is that a **part of the claims will be reimbursed by the employer**. By proceeding in this way, the employer is able to act as its own insurer and therefore remains liable for a part of the inherent risk. Concretely, the employer makes payments in order to constitute a provision that will be used for paying the claims directly. As the amount of this provision is not comparable to an insurance premium, it is not subject to tax. Once a year, an itemized account will be established in order to compensate for any difference between the provision made and the actual amount of the claims. In order to limit the incurred risk, the employer, simultaneously with this provision, will decide on a limit beyond which the claims will be paid by an insurance company. This is the Stop-Loss insurance principle.

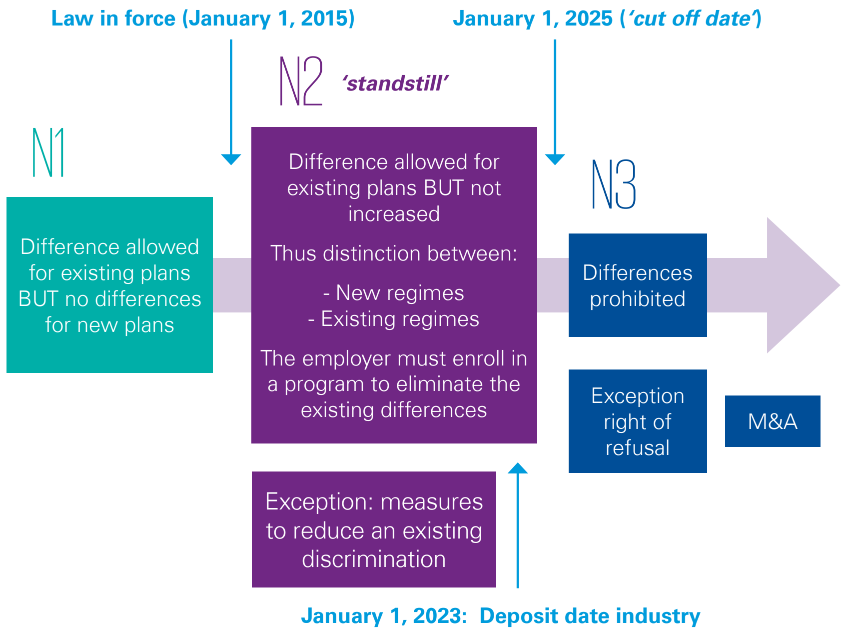
Note that the adoption of such a system in no way alters the proposed cover. The difference is only at the level of its financing:




The TPA system is not a standardized solution that can be applied to every situation. For each company, a study must be carried out in order to validate the compatibility of such an approach with the employer's specific characteristics, particularly the size of population and the claim statistics. If all these parameters are consistent, all a company needs to do is find an insurance company ready to collaborate in this way.

# Status harmonization

Harmonization of pensions for blue and white collar workers is necessary in light of the difference of applications. KPMG is helping companies to face this legal requirement by implementing tailor-made solutions. Here is an overview of the planning of the coming years:




Simplification of the current plans can be understood according to two axes:

— Administrative simplification such as the reduction in the number of providers;

— Financial simplification with the analysis of the related costs (transition costs, ongoing costs, etc.). Nevertheless if a new plan should be established with one of the current insurers, we would have some additional margin for the negotiation of these costs.

Simulations of the related costs and the identification of legal issues is integrated in our approach.

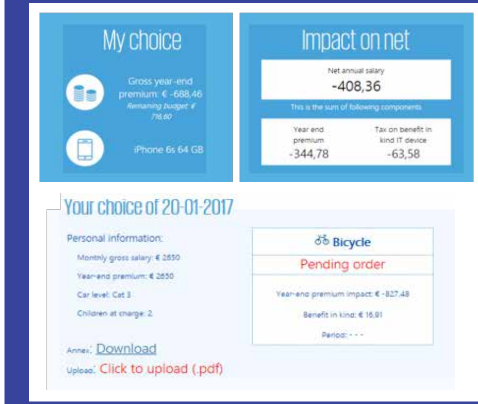
Does the legislative context of the pension plan harmonization seems complicated for your organization? Find out how to align your plans simply and effectively.



# Giving employees the flexibility to design their own benefits packages

Today's talent market is highly competitive. Attracting and keeping top talent is becoming more and more difficult. Employees want flexibility, but sometimes offering them flexible compensation plans can be time consuming and add heavy administrative, tax and legal burdens.

This doesn't have to be the case. With our Flex Reward plan, we help you **simplify the process, while reducing the burdens and extra work**, so you can provide your employees with the ease and flexibility of choosing their own rewards. Our tool provides a user-friendly web-based platform to offer your employees more choices for their compensation and benefits package. It provides them with the freedom to choose, keeping them happy, without any added work for you!




Why should you implement the KPMG Flex Reward Plan?

— Attract and keep the best talent on the market by offering them the incentive of designing their own rewards package

— Gain the freedom to shape compensation packages to your employees' individual and often shifting needs

— Reduce costs with limited, or even better, no net impact for the employees

— Option to include a mobility package to encourage employees to use other mobility measures

Our team has not only extensive experience with compensation and benefits plans, but a deep understanding of the policies and structures behind remuneration in Belgium. We can help you implement a cafeteria plan in Belgium, giving your employees more choices and making your administrative burdens easier to manage.

# Contact us

Let's get together and discuss how we can help you bring the right benefits to your employees. Schedule an appointment today with one of our team members at pensions@kpmg.be or by calling +32 2 708 43 74.

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