



Advising a Multinational: Managing Risk

- Mergers & Acquisitions
 - Missing financial liabilities, not advising on integration issues, neglecting to review deal language for critical issues
 - Global deal managed centrally, global deal managed globally, local deal managed locally
- Plan Design & Integration
 - Designing locally, but failing to obtain HQ approval
 - Designing centrally, but failing to obtain local buy-in
 - Local strategy may be at odds with HQ strategy
- Shared Services/Pooling Risk
 - Failing to leverage experience, failing to leverage purchasing power

...anecdotes to follow

W WATERWORTH

Actuaries support the entire deal

"Deal Flow"

Formulate Locate Investigate Negotiate Integrate

*Pre-Deal
(assessing, planning,
forecasting value)*

Pay and benefits financial due diligence

- costing, funding of pension plans, retiree medical, plan structures, risks, liabilities, termination indemnities, executive compensation

*Deal
(agreeing
value)*

At the table

- deal language can hold pitfalls

*Post-Deal
(realizing
value)*

Plan design

- integration and cost management add value to the deal



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Multinational Applications: what's special about these?

- If meetings are an important part of unified decision making, what happens if you can't have them?
- Add in multiple time zones, multiple languages and multiple "cultures" - the way things are done
- The regulatory rules - the foundation is different around the world with respect to labor laws, taxation, social regulations, speed of decision making, role of decision maker, total compensation structure and mix, etc
- And all countries are different from each other
- If Business Unit leaders struggle to understand HR's role and value in their own country - they are totally "lost" when it comes to *international*



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Benefit Plans - anecdotes

- **Germany:**
 - *Deal managed locally - asset deal, but target wants Multinational to cover retirees*
 - *Still early stages of the deal, local actuary advises verbally regarding the difficulties/costs*
 - *Local business unit provides written summary to HQ misrepresenting some of the issues, local adviser did not review*
- **Australia:**
 - *Locally advised on selecting insurance provider - preferred pool did not make the short list*
 - *Local business was not concerned, but HQ pressured business and advisers to support the decision*

Benefit Plans - anecdotes

- **Japan:**
 - *Multinational on fifth acquisition in Japan. Needs to integrate compensation practices & change to more "Western Style", have a common but flexible retirement & other benefit plans.*
 - *HQ wanted to control retirement plan design, but not comp*
 - *Created global team from Japan and US in order to match client's local & HQ needs, and was integrated into client's global team.*
- **Mexico:**
 - *Local business designs competitive plan*
 - *HQ withholds approval since business need was not identified*

Benefit Plans - anecdotes

- **U.S. / France, Netherlands**
 - *Global deal structure depended on finding synergies*
 - *HQ. had fully rationalized U.S. costs*
 - *However, redundancy costs and timeframe in minor deal countries proved to be a substantial hurdle*
- **Brazil**
 - *Global deal intended to move target employees to Multinationals programs as soon as possible. Multinational had better programs in Brazil, so move should be easy*
 - *However, target had better medical/dental and local HR saw an opportunity to improve benefits for everyone, but it was not necessary*

Benefit Plans - anecdotes

- **Austria:**
 - *Book reserve for TI was larger than that for DB plan - had been omitted from deal agreement & went to arbitration*
 - *Local management didn't allow actuary to review deal language, but HQ expected such a review*
- **Japan:**
 - *Target employees covered by "parent" Health Insurance Association - no buyer control, possible adverse cost exposures - HQ pressed to move employees to government plan*
 - *HQ later denied such pressure - employees lost valuable benefit, costs increased, surplus lost*

Benefit Plans - anecdotes

- **Global:**
 - *Fortune 100 company lets business unit run deal - however, first major global deal is overwhelming*
 - *Business unit makes the Multinational look like an amateur rather than a global player. Local advisers try to guide the business, but learning curve is too steep*
 - *Multinational will now establish an HQ M&A team to work with all business units for future deals*