

Products and Services

Bonus Index Launched: Europe

A new index that converts relative company performance into a bonus recommendation for top management has been released. The Obermatt Bonus Index measures each company relative to a customized peer group of its competitors in a percentile rank calculation. This percentile rank is then converted into a bonus multiple between 0 and 2. Thus, the multiplication factor for a given bonus target is defined. Median bonuses – or one times bonus target – are recommended for median performance. This is in the interests of shareholders who also base their investment decisions relative to alternative investments. Obermatt will publish a UK Bonus Index twice a year so that executives and shareholders receive the same independent performance assessment. Obermatt also publishes a bonus multiple for companies listed in Switzerland and Germany twice a year.*

AH-C

New Web-based Management Tool for DB Schemes: UK

PensionsFirst is launching PFaroe, a web-based managed service which will bring new levels of precision to the measurement and management of defined benefit risk. PFaroe provides clarity, timeliness and definition to the valuation and understanding of the complex area of defined benefit risk by generating actuarial valuations within 24 hours, in a clearly presented format supported by detailed and transparent assumptions. Cash flows are produced at an individual member level and for each scheme asset, allowing users to conduct multiple, user-defined scenario analyses. The service is designed for users with no actuarial expertise, enabling them to perform instant sensitivity testing on

both assets and liabilities by altering assumptions for:

- longevity,
- interest rates,
- inflation, and
- investment risk.

It will allow users to conduct standard VaR analysis or scenario testing and refine benefit design. In addition, because it is web-based and available to sponsors, trustees and consultants, PFaroe provides a powerful tool to facilitate consensus in negotiation between the scheme stakeholders.†

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Coverage for H1N1 Flu Vaccinations: Europe

Aetna recently announced that it will provide first-dollar coverage for the administration of the H1N1 flu vaccine for all of its Aetna Global Benefits (AGB) health plan members in the European region. AGB is the organization's international business segment that supports more than 400,000 members worldwide. The company will pay health-care professionals such as doctors, nurses and pharmacists to administer the H1N1 flu vaccine to all members at no cost. This coverage is available to all AGB members, even if their AGB plan does not include coverage for preventive care (or has coverage limitations). In addition, any applicable co-payments, co-insurance or deductibles are waived for the administration of the vaccine. Aetna's comprehensive H1N1 influenza education programme has been in place since April 2009 to provide members, customers and its own employees with information on the H1N1 flu and tips for preventing infection. Resources available on Aetna's public website that businesses can download and share with employees include:

- fact sheets,
- Q&As,
- posters, and
- flyers.

The materials use plain language to make them easy to understand.‡

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Survey Highlights

Nearly Half of Employees Cash Out their 401(k) Accounts when Leaving their Jobs: USA

Increased efforts to caution Americans about the negative financial consequences of cashing out their 401(k) plans have had little impact in changing their behaviour over the past few years, according to a new study by Hewitt Associates. In fact, the number of employees who took a cash distribution from their 401(k) plan when they left their job was alarmingly high – 46% – and has remained virtually unchanged since 2005. The study shows that the remainder of employees either rolled over their money to a qualified Individual Retirement Account (IRA) or to another retirement plan (25%) or kept their savings in their previous employer's 401(k) plan (29%). A similar Hewitt analysis conducted in 2005 revealed almost identical results: 45% of employees took a cash distribution, 23% rolled over their savings to a qualified IRA or other retirement plan and nearly a third (32%) left their money in their previous employer's 401(k) plan. The study shows that younger employees are more likely to cash out their 401(k) accounts than those who are older and have longer service with the company. Six in 10 employees in their twenties took a cash distribution compared with just a third (34%) of those in their fifties. For example, an employee who cashes out US\$5,000 from his/her retirement plan at the age of 25 may potentially be sacrificing US\$75,000 at retirement, yet he/she receives a small amount – perhaps only US\$3,500 – from the cash-out due to taxes and penalties. The analysis also found a direct correlation between 401(k) plan balances and cash-out rates. Just 8% of employees

* Further information available at: www.obermatt.com/bonus-index

† Further information available at: www.pensionsfirstanalytics.com

‡ Further information available at: www.aetna.com