

## International Assignment Management

### Report Criteria

The following information was supplied for this report:

Report Reference IAM Demo Report  
 Date April 21, 2017  
 Individual's Name Joe Bloggs

Home Company Home Company Group  
 Home Location USA, Philadelphia PA  
 Home Currency US Dollar, USD

Host Company Host JV LTD  
 Host Location Singapore, Singapore  
 Host Currency Singapore Dollar, SGD  
 Exchange Rate 1.3962  
 Job Level Senior (Graduate)  
 Family Size Single/Married

### Basket Groups

The following basket selections were made in the calculator:

Excluded: Provide by Employer/State	Included: Paid by Employees Salary
Education Healthcare Household Transport	Alcohol & Tobacco Clothing Communication Furniture & Appliances Groceries Miscellaneous Personal Care Recreation & Culture Restaurants Meals Out and Hotels

The baskets are based on information for approximately 200 different goods and services. The prices for the same quantity of each item are collected in each location. The data is thoroughly quality assured and manually checked and moderated by experienced analysts. For ease of use, the 200 goods and services have been grouped into 13 basket groups. To compare the cost of living, we use the total cost of the basket in each location. The difference in the cost of the basket at the ruling exchange rate is the basis of the cost of living difference.

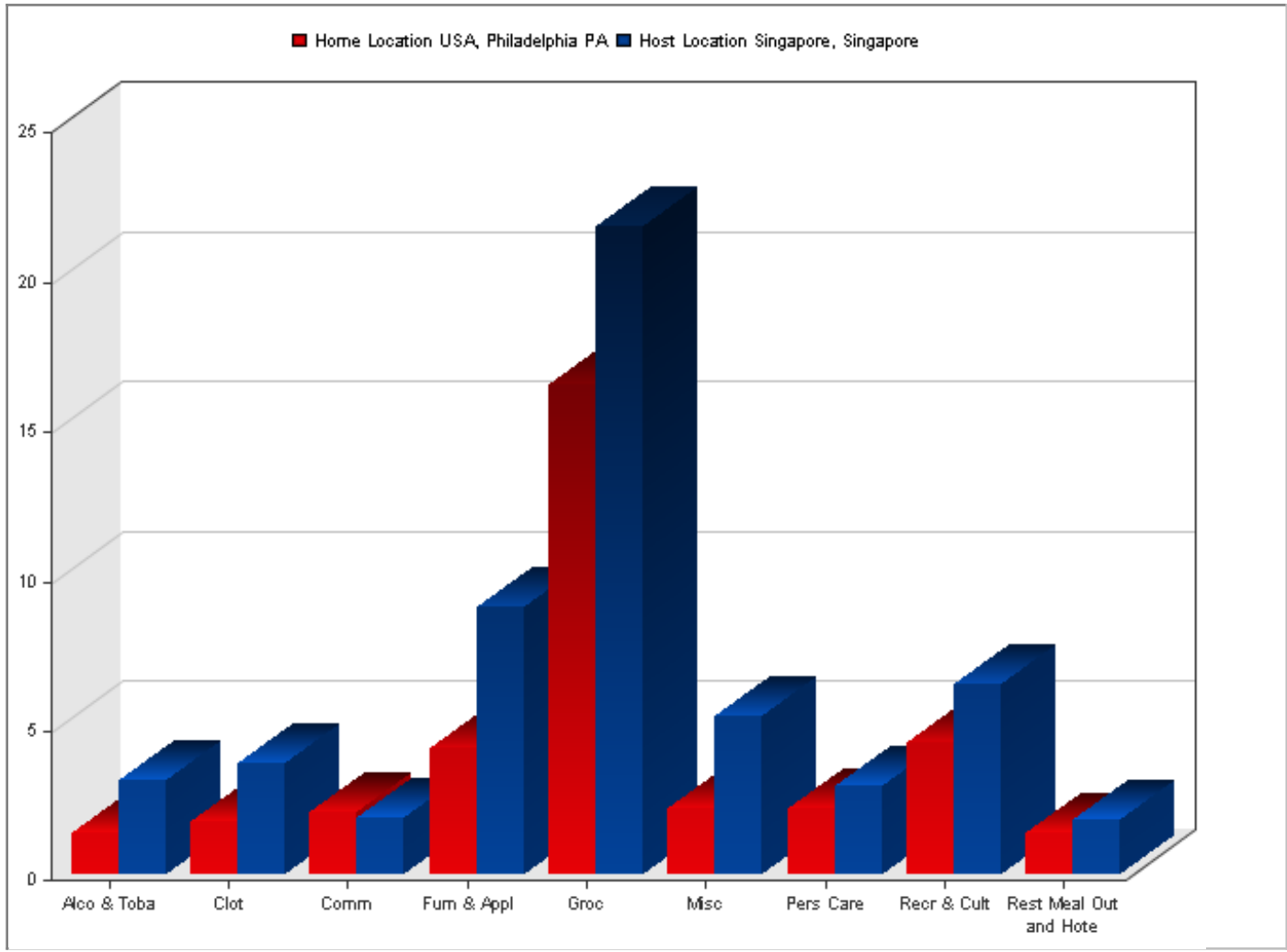
The basket groups that have been excluded are those that will be provided by either the employing company or in some cases by the state in the new location. The basket groups that have been included in calculating the cost of living difference are those that will be paid by the employee from their salary.

The cost of living differences for the included basket groups, which will be paid by the employee from their salary, are as follows:

Basket Group	Home Location USA, Philadelphia PA Weighted COLI 11	Host Location Singapore, Singapore Weighted COLI 11	Cost of Living in Singapore, Singapore compared to USA, Philadelphia PA
Alcohol & Tobacco	1.40	3.15	125.00% Singapore is <b>more expensive</b>
Clothing	1.79	3.77	110.61% Singapore is <b>more expensive</b>
Communication	2.08	1.93	-7.21% Singapore is <b>cheaper</b>
Furniture & Appliances	4.27	8.95	109.60% Singapore is <b>more expensive</b>
Groceries	16.39	21.72	32.52% Singapore is <b>more expensive</b>
Miscellaneous	2.21	5.32	140.72% Singapore is <b>more expensive</b>

Personal Care	2.23	2.97	33.18%	Singapore is <b>more expensive</b>
Recreation & Culture	4.42	6.37	44.12%	Singapore is <b>more expensive</b>
Restaurants Meals Out and Hotels	1.41	1.88	33.33%	Singapore is <b>more expensive</b>
<b>Overall Cost of Living Index</b>	<b>36.20</b>	<b>56.06</b>	<b>54.86%</b>	<b>Singapore is more expensive</b>

The overall weighted cost of living difference between USA, Philadelphia PA and Singapore, Singapore is 54.86%.



## Results

**Home Base Salary<sup>1</sup>**  
150,000 US Dollar (USD)  
**Less Hypothetical Tax<sup>2</sup>**  
43,000 US Dollar (USD)  
**Home Net Salary<sup>3</sup>**  
107,000 US Dollar (USD)

### HOME

**Home Net Balance 60%<sup>4</sup>**  
64,200 US Dollar (USD)  
**Hardship Premium 0%<sup>5</sup>**  
0 US Dollar (USD)  
**Expatriation Premium 15%<sup>6</sup>**  
22,500 US Dollar (USD)  
**= Home Net Currency Balance<sup>7</sup>**  
86,700 US Dollar (USD)

**Benchmark Monthly Housing Allowance: Senior (Graduate) + Single/Married<sup>8</sup>**

6,816 Singapore Dollar (SGD)
<b>Benchmark Monthly Transport Allowance: Senior (Graduate) + Single/Married<sup>9</sup></b>
1,048 Singapore Dollar (SGD)
<b>HOST</b>
<b>Host Net Essential Spending 40%<sup>10</sup></b>
42,800 US Dollar (USD)
<b>x Cost of Living Difference<sup>11</sup></b>
54.86%
<b>x Exchange Rate<sup>12</sup></b>
1.3962
<b>= Host Net Currency Spendable<sup>13</sup></b>
92,540 Singapore Dollar (SGD)
<b>Total Net Assignment Cost Excluding Housing and Transport</b>
152,980 US Dollar (USD)

#### Notes: International Assignment

**1) Home Base Salary:** This is the current home country base salary.

The Base Salary consists of basic salary plus the cash value of all allowances and benefits. Base Salary excludes all variable payments and payments related to performance.

Home Base Salary is the fundamental building block of the home based build-up salary system. Purchasing power cannot be maintained if the home salary is not regularly reviewed.

In addition, retirement benefits for most assignees are linked to home base pay. The home company is responsible for maintaining the home base salary in line with individual performance and home market movement.

**2) Hypothetical Tax:** This is the tax for which the assignee would have been responsible in the home country.

Expatriate assignees should neither lose nor gain as a result of tax treatment in the host country. Therefore, net assignment salaries are calculated in line with the build-up methodology outlined below:

- The calculation of hypothetical tax should take into account tax dispensations that would have applied to basic salary and to standard company contributions to home country benefits.
- Tax dispensations which could arise from additional contributions to company, or personal benefit plans are not normally included in the calculation.
- Hypothetical tax will normally be adjusted once per annum, at the time of the home country annual salary review.
- Any such adjustment will use the tax rates/allowances applicable at that time.
- Material changes of circumstances, promotion, significant governmental review of fiscal policy in the home country etc. would also prompt a review of hypothetical tax and accordingly the assignment package calculation.

**3) Home Net Salary:** This is Home Base Salary less Hypothetical Tax.

**4) Home Net Balance:** This is simply the balance of home net salary after the split for host net essential spending.

The home net balance, includes discretionary (non-essential) spending, i.e. what the assignee chooses to spend on home country housing, savings, investments, holidays etc. The international benchmark is 60% being the balance of the recommended 40% host net essential spending. The sum of the percentage host net essential spending (10) and home net balance (4) will always be 100% of the home net salary (3)."

**5) Hardship Premium:**

The **Home** Location USA, Philadelphia PA is ranked as a minimal hardship location with a hardship premium of 10%

The **To** Location Singapore, Singapore is ranked as a minimal hardship location with a hardship premium of 10%

The relative difference in hardship premium (i.e. Host Location Premium minus Home Location Premium) is 0%

Hardship is the relative difference in quality of living/lifestyle a person and their family are likely to experience, assessed in global terms, when moving between different locations. The hardship ranking system measures the relative quality of living conditions between locations, and assesses the level of difficulty that will be experienced in adapting to a new location.

**6) Expatriation Premium:** This is the percentage of Home Base Salary to encourage international mobility.

The international benchmark is 15% however, this can be increased or decreased as required. The expatriation premium may be subject to negotiation between the company and the assignee at the beginning of the assignment.

**7) Home Net Currency Balance:** This is the net value in home currency of the balance of the assignment salary ie, Home Net Balance (4) plus Hardship Premium (5) plus Expatriation Premium (6).

**8) Benchmark Housing Allowance:** Accommodation in the host location will typically be provided in line with the host company policy.

The host company may provide furnished accommodation including all white goods in accordance with Host Company Policy. The host company will typically reimburse (or where appropriate pay direct) the costs for reasonable usage of all water, electricity, and gas supplies, including connection fees. The assignee is normally responsible for the provision of soft furnishings including linen, kitchenware, crockery, glassware and minor electrical equipment. Where furnished accommodation is not the norm, or is unavailable, consideration will usually be given to shipping the assignees own furniture or providing an appropriate furniture allowance. Where appropriate a housing allowance enabling assignees to rent properties themselves may be paid. In such circumstances it may be appropriate to consider a Housing Allowance. Based on the data collected, the benchmark allowance is reported in host location currency based on family size and job level. The benchmark housing allowance is intended to cover the fully inclusive (rental, utilities, local taxes, furnishing etc) of accommodation relative to the level and family size of the employee. As a general rule, home companies typically have no involvement with the home country housing arrangements of an assignee. Should the assignee choose to rent out their home location accommodation, then the decision is an entirely personal one. However, assignees are cautioned against selling their home property on assignment as this may have cost consequences. The home

company does not typically provide additional home country housing support such as storage, gardening, extended periods of temporary accommodation (except in the case of emergency repatriation), insurance, compensation for damage and depreciation not covered by the tenant's deposit, etc."

**9) Benchmark Transport Allowance:** As a general principle both the value and the tax liability arising from provision of a company car/transport benefit entitlement in the home package are excluded from the assignment salary calculation. Generally, assignees who give up a company car/transport benefit in the home location will be provided with transportation in the host location. This will typically be delivered in line with local business policy, either by way of a vehicle or an appropriate transportation allowance. Where appropriate for safety or security reasons, local drivers may be provided. Based on data collected, the benchmark transport allowance is reported in host location currency based on family size and job level. The transport allowance is intended to cover the fully inclusive (vehicle, maintenance, fuel, insurance etc) hiring/purchase of a vehicle(s) and/or public transport for the employee, relative to the level and family size of the employee.

**10) Host Net Essential Spending:** This is the percentage of Home Net Salary to be used in the host location. The essential spending amount reflects the proportion of income typically spent on essential day to day living e.g.: communication, furniture & appliances, groceries, personal care, recreation & culture, meals out and entertainment.

Whilst on assignment, Host Net Essential Spending is protected to ensure consistent purchasing power in respect of these essential daily living costs between the home and host location. Host Net Essential Spending typically does not include in this figure, spending on items such as education, healthcare, household accommodation and transport, which typically are provided by the host company. However, if these items are not provided then they should be included.

The international benchmark is 40% however, this can be increased or decreased as required. Subject to local legislation and the availability of an appropriate payroll, assignees are normally allowed to review the percentage host net essential spending, once each year. Any change to the Host Essential Spending percentage will impact the Home Net Balance. Up to 100 % of the home net salary may be selected as host net essential spending subject to any minimum amount required in the home country to meet ongoing commitments to home company benefit programmes, such as retirement contributions. However, the calculator will decrease the Host Net Currency Spendable when the cost of living<sup>11</sup> is lower in the Host location. It is therefore recommended that the 40% benchmark not be increased where the assignment is in a lower cost of living location.

The percentage Host Net Essential Spending is set at the beginning of an assignment and can typically be adjusted within three months, i.e. when the assignee has a better appreciation of their local spending requirements.

Thereafter changes to the Host Net Essential Spending amount will typically only be permitted in the event of the following:

- A change to home base salary, e.g. annual salary review or promotion.
- A material change in personal circumstances, e.g. birth of a child, family member returning home etc. (Subject to host company approval).
- Following any interim review of assignment package occasioned by an adjustment to the Cost of Living Index, typically in countries with high inflation.

**11) Cost of Living (COL) Index:** The cost of living difference is the difference in the cost of the same basket of goods and services in order to maintain the same standard of living when relocating to a different location. When you relocate, the cost of everything you spend your salary on will either cost more or less. Some of the costs may be higher in the new location and some of the costs may be lower.

In order to protect the Host Net Essential Spending (10), purchasing power, from cost of living differences, the COL Index is applied to the host net essential spending proportion of the assignment package. The COL index measures the relative cost of the same basket of goods and services in the home and host locations.

The home location is used as the base for the calculation of the COL Index. An index of 1 means there is no cost of living difference between home and host, whereas an index above 1 means the host location is more expensive than the home location, while an index below 1 means the host location is less expensive than the home location. Where there is a high rate of annual inflation (15% plus) the COL Index should be reviewed on a more frequent basis, either semi-annually or quarterly.

The cost of living data is updated every 3 months.

When comparing the cost of living between two locations, the difference in the aggregate cost of all the items in the selected baskets are examined in each location, this is done by using the average reported price in each location for the same quantity of each item.

Based on the selected basket groups the cost of living difference has been calculated between the selected locations. If you change the selection of basket groups you are likely to get different results, as some basket groups may cost relatively more and some relatively less between the selected locations.

Weights reflect the proportion of salary spent on each basket as a result of extensive research of actual spending habits. By applying the weights we have reported the weighted indexes which are used to report the overall weighted difference in the cost of living.

**12) Exchange Rate <sup>21</sup>:** The exchange rate is applied to the Host Net Essential Spending portion of the assignment package. Exchange rates are updated quarterly at the time of pricing the baskets.

**13) Host Net Currency Spendable:** This is the net value in local currency of the Host Net Essential Spending after the cost of living index and exchange rate have been applied.

The host company will typically be responsible for any host country tax liability arising from the assignment salary and benefits as well as any home country tax liabilities on home company earned income. The COL Index and the associated exchange rate should be monitored throughout the year. If the Cost of Living Index should vary by more than 15% due to price inflation or currency fluctuation, a new assignment salary should be calculated using the revised COL Index and exchange rate.

**14) Healthcare:** The assignee and the accompanying members of their family will typically be covered for medical costs during the assignment by means of an appropriate medical scheme.

Any medical or dental costs the assignee would normally expect to be personally liable for in their home country may be excluded.

**15) Education:** The basic philosophy is to provide appropriate education support for an assignees' children, in order to minimise the disruption to their education caused by an international assignment.

Where practically possible, children of assignees are typically assisted to maintain continuity with their home education system, through attending schools which most closely follow their home education curriculum. This principle usually extends from pre-school, through to the completion of secondary education. Where the most appropriate education is only available through private or boarding schools, the host company will in most cases meet the appropriate education and accommodation costs, subject to host company policy. Education support will normally be available until the end of the academic year in which repatriation takes place. In certain circumstances, e.g. where a child is approaching critical examinations upon return to the home country, the cost of additional private tuition ("cramming") required to meet any gaps in syllabus coverage may be met by the host company. In addition, to enable families with children studying in the home country to be re-united on a reasonably frequent basis, appropriate travel arrangements are typically agreed to.

**16) Retirement Benefits:** The general principle is that the assignee will remain a member of the home country retirement scheme wherever possible.

**17) Variable Pay / Bonuses:** Variable compensation typically forms part of the total home country compensation package.

As such, the delivery and level of variable pay is designed to ensure that total reward is competitive within the home country. In line with the home build-up philosophy assignees will generally continue to participate in their home country bonus scheme(s), i.e. assignees will remain competitive with their home

country peers. Bonuses will be calculated from the home base salary, but in line with host company and individual performance. In line with the no loss/no gain policy in relation to taxation, a home country hypothetical tax will be taken on all bonuses, using the appropriate marginal tax rate, all bonuses will be delivered net.

**18) Host Company Policy:** This is the policies for those elements of the package which are delivered in the host location e.g. housing, utilities, healthcare, education, transport etc. are best developed locally by the host company and line management. Host Company Policy will also typically prevail with regards to employment conditions such as working hours, training and development, business conduct, ethics, public holidays, health and safety, discipline, confidentiality, intellectual property and assignment of inventions and discoveries, copyright, competition compliance & guidelines, security & search, conflict of interest, non poaching and solicitation, conflict of interest etc.

**19) Survey Date:** The cost of living, hardship, and exchange rate data are updated quarterly at the time of pricing the baskets. Increases in prices in the host location (i.e. inflation) will cause the host cost of living index to increase. Decrease in prices (i.e. deflation) in the host location will cause the host cost of living index to decrease.

**20) Weights:** The weights used per basket group for the overall weighted cost of living index difference are as follows:

Alcohol & Tobacco	2.0%
Clothing	2.5%
Communication	2.0%
Education	5.0%
Furniture & Appliances	5.0%
Groceries	16.5%
Healthcare	5.0%
Household	30.0%
Miscellaneous	3.0%
Personal Care	3.0%
Recreation & Culture	6.0%
Restaurants Meals Out and Hotels	2.0%
Transport	18.0%

The formula used to calculate the cost of living difference percentage is as follows:

$$\frac{(\text{Host Index} - \text{Home Index}) \times 100}{\text{Home Index}}$$

**21) Arbitrage Exchange Rate:** This is the practice of taking advantage of a price difference between two or more markets. The Arbitrage Exchange Rate calculates each currency against a single currency in order that any temporary price differences are negated.