



Relocation Strategies for Unprecedented Times

*A Webinar Series from
Crown Relocations*

April 28, 2009

Meet Crown's Webinar Hosts



Carmella Elletson, CRP, GMS

Regional Director, Global Mobility Services, Americas

With over 20 years of relocation practice and expertise, and completion of multiple domestic and international assignments, Carmella offers practical and direct experience to provide corporate relocation program solutions. Carmella leads the Crown Relocations Global Mobility Services Group for the Americas region to provide outstanding account management and operations support.



Maureen McMenamin, CRP, GMS

Director, Business Development, USA

Maureen leverages her 20 years of diverse mobility experience to support and direct the U.S. National Sales Group in the areas of coaching, training and technical expertise. Maureen leads a team of business development managers uniquely versed in creating customized and cost effective relocation support programs that result in an exceptional customer service experience.



Tricia Stewart, BA, CRP

Director, Consulting Services

Tricia features 20 years of corporate mobility experience. As the Director of HR for a Fortune 500 company she implemented domestic and international relocation policy and managed supplier sourcing, payroll and immigration compliance. Tricia features extensive experience in developing, implementing and managing compensation, benefits and relocation programs.



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An Introduction to Crown Relocations

Ownership Structure:	Privately held corporation
Americas Headquarters:	Los Angeles, CA
Founded:	1965
Relocation Service Centers in North America:	<u>US:</u> Houston, TX; Los Angeles, CA; Brookfield, CT <u>Canada:</u> Calgary; Montreal; Toronto
Crown's Worldwide Offices:	Over 150 Crown offices in 52 countries
Associates:	2,750 employees, 52 nationalities, 40 languages
Services:	Domestic & International Program Management & Policy Counseling, Real Estate Services, Expense Management, Transportation Solutions, Destination Services, Spouse/Career Support, Learning & Development Programs, Consulting Services

For more information visit crownrelo.com



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Agenda

- Trends & Observations
- Domestic & International Mobility Strategies
- Case Studies
- Recovery Readiness
- Action Plan Considerations
- Questions & Answers



Trends & Observations

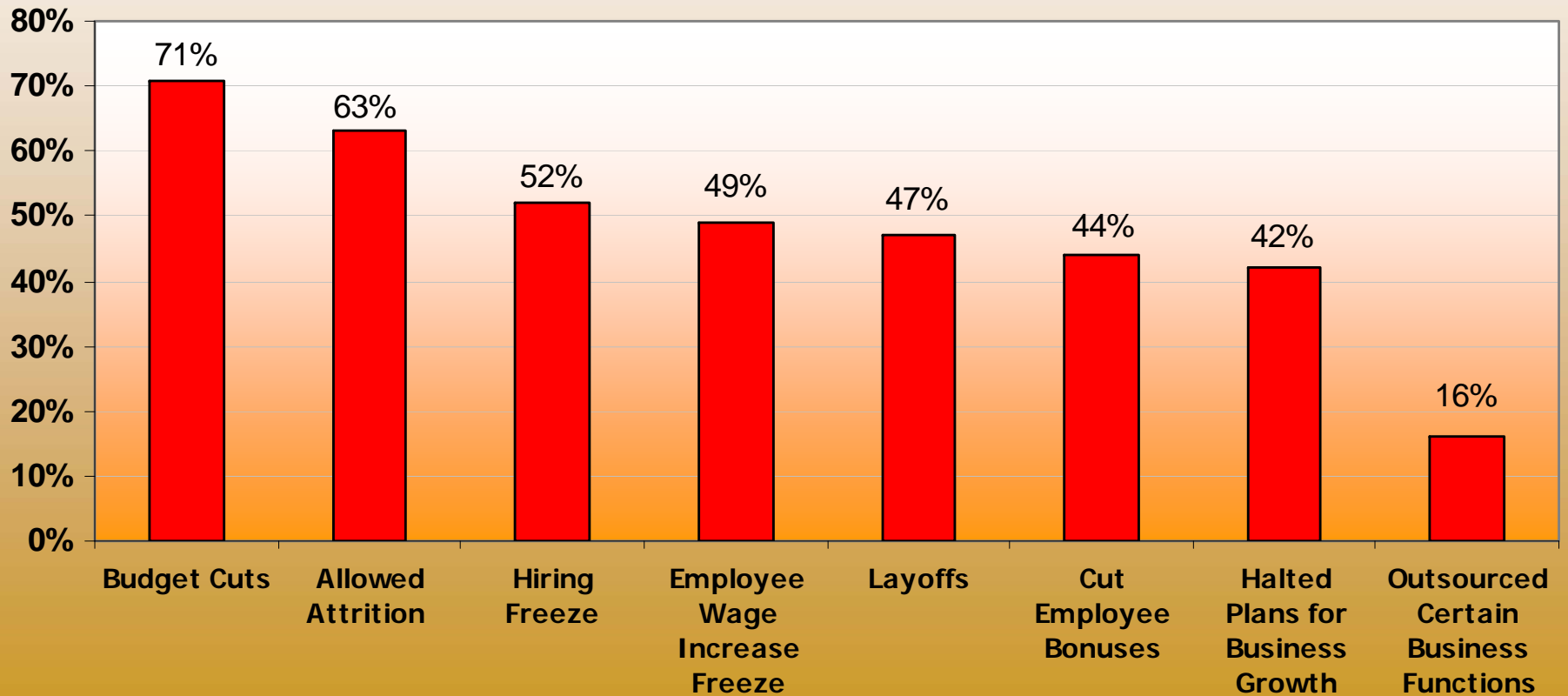
–Economic Influences

- 🌐 **Workplace** – Employees have greater appreciation of benefits, reduced sense of entitlement
- 🌐 **Mobility Programs** – Opportunity to re-examine policy & practice
- 🌐 **Talent Management** – Supporting employee mobility remains a priority for corporate culture and growth
- 🌐 **Cost Management** – Allocating spend must yield the greatest return
- 🌐 **Change Management** – Adaptation skills are critical in designing and managing mobility programs



Trends & Observations –SHRM Poll

Employer Response to Economic Downturn



Trends & Observations

SHRM Survey

Will the Number of Employees that Organizations will Relocate in 2009 Change Compared With 2008?

	Increase	Stay the Same	Decrease
Total Number of Employees Organization Will Relocate	20%	68%	12%
Relocations From Outside of the United States	5%	84%	12%

Trends & Observations

SHRM Survey

What is Included in Organizations' Employee Relocation Policies or Practices?

Shipment or storage of household goods	82%
Lump-sum payments	66%
Moving automobile(s) to new location	57%
Income tax gross-up of reimbursements	42%
Paying closing costs for purchase of new home	41%
Paying closing costs for sale of previous home	36%
Use of a third-party vendor to handle the buy/sell aspects of a home	36%
Real estate commissions	31%
Offering a home purchase plan whereby a third-party vendor purchases the home of the relocated employee outright	18%
Carrying costs of former home after employee starts new assignment	13%
Buying down mortgages for new home	12%
Payment for loss of sale on previous home	11%
Costs for temporary housing and house-hunting trips	9%
Other	6%

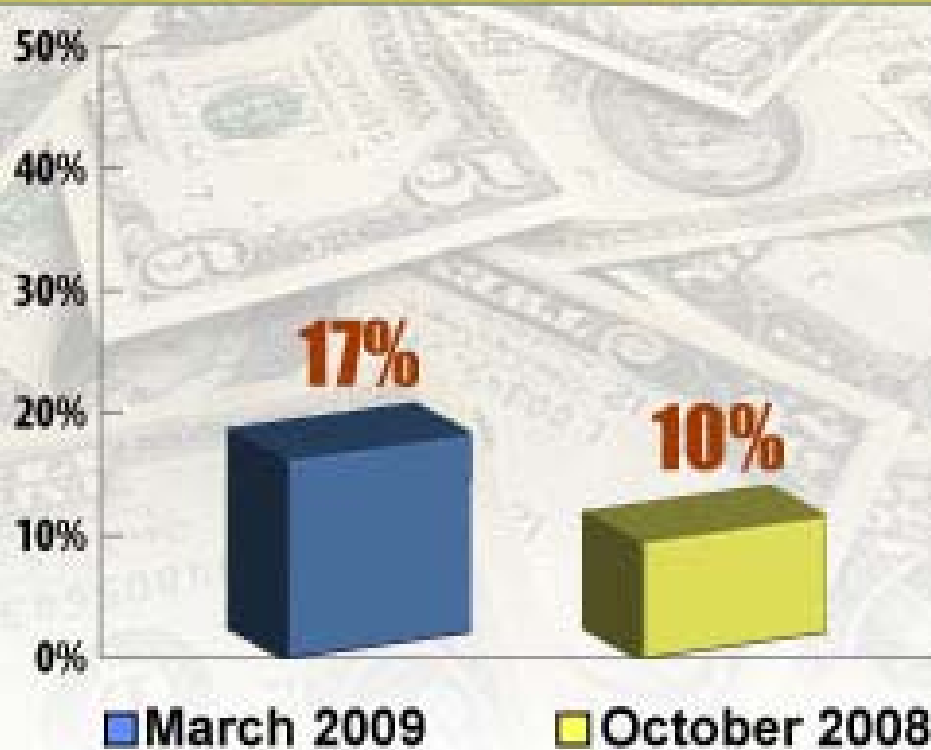
Trends & Observations

SHRM Survey

Top Barriers to Employee Relocation in 2008

Difficulty selling existing house in order to move to another location	86%
Feeling the economy is too unstable to relocate for a new position	50%
Difficulty finding a new job for spouse/partner	44%
New salaries aren't compelling enough to warrant relocation	34%
Inability to convince spouse/partner to move	31%
Insufficient relocation assistance	24%
Difficulty locating a suitable rental property	3%
Other	6%

Has your organization reduced employee benefits offering within the past 6 months as a result of the financial challenges to the U.S. and global economy?



Trends & Observations

–Domestic U.S. Mobility

- Real estate is biggest obstacle to mobility
- Highest foreclosure rates: Arizona, California, Florida, Georgia, Illinois, Idaho, Nevada, Ohio, Oregon and Utah
- Loss of spouse/partner income becoming significant relocation deterrent
- Overall relocation activity down approximately 17%-24% (some upticks due to mergers, consolidation, closures)



Trends & Observations

–Domestic Canada Mobility

- Market downturn and some bankruptcies, but not as pronounced as the U.S.
- Banks have not required same level of bailout as U.S. (strict lending/regulatory requirements)
- Oil and energy communities in the West seeing greatest decrease in housing prices
- Manufacturing industry traditionally servicing U.S. auto makers greatly impacted
- Low interest rates are assisting with recovery
- Buyer's housing market has emerged



Trends & Observations

–International Mobility

- 🌐 Greater use of local hires and increased localization of expats
- 🌐 Increase in early repatriations
- 🌐 Applications for foreign workers in U.S. (H1Bs) down
- 🌐 Increased use of unaccompanied assignments / short term assignments vs. long term assignments
- 🌐 Destination service programs focused on “living like a local” – stretching Goods & Services allowance
- 🌐 Increased use of automation/self-serve tools for HR support



Webinar Poll Results



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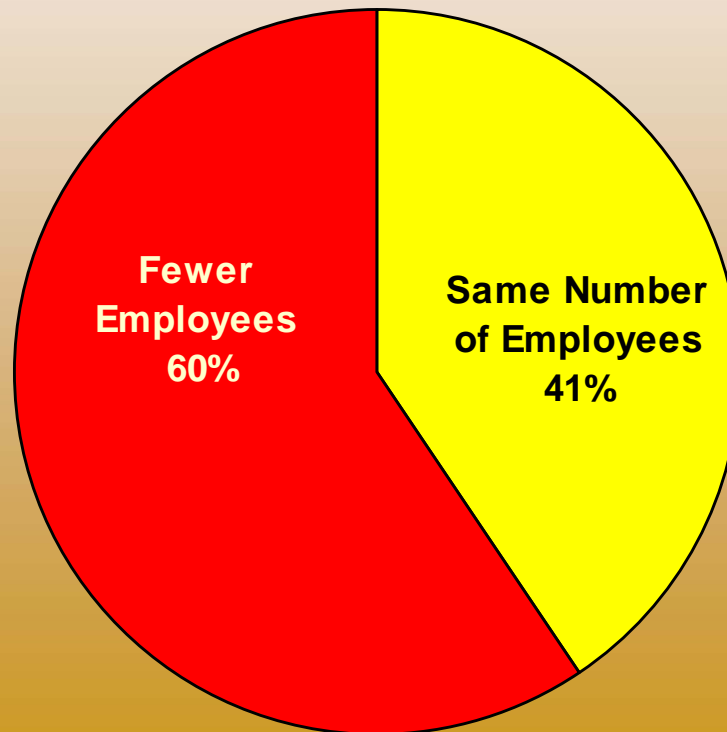
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Trends & Observations

–Webinar Poll Results

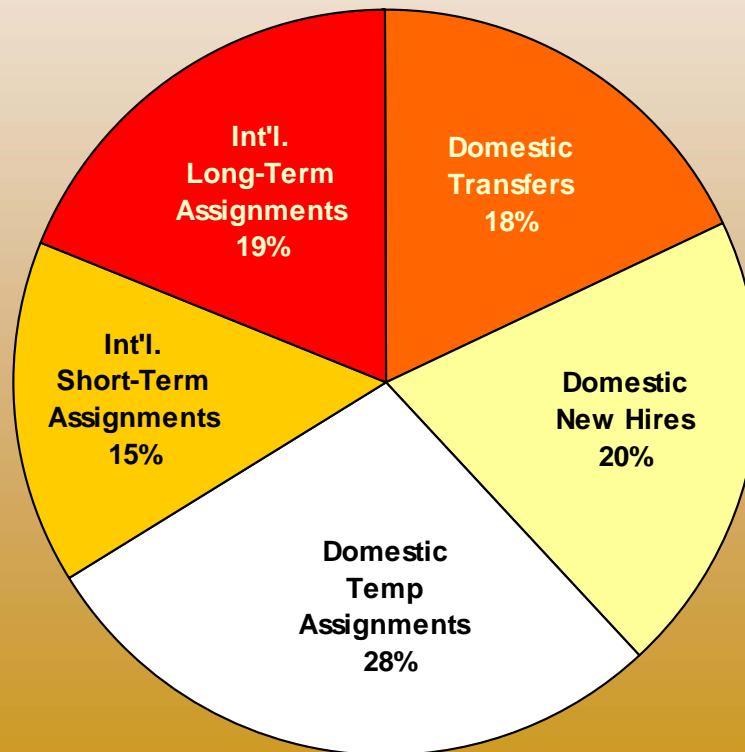
As a result of the current economic climate,
my company will relocate:



Trends & Observations

–Webinar Poll Results

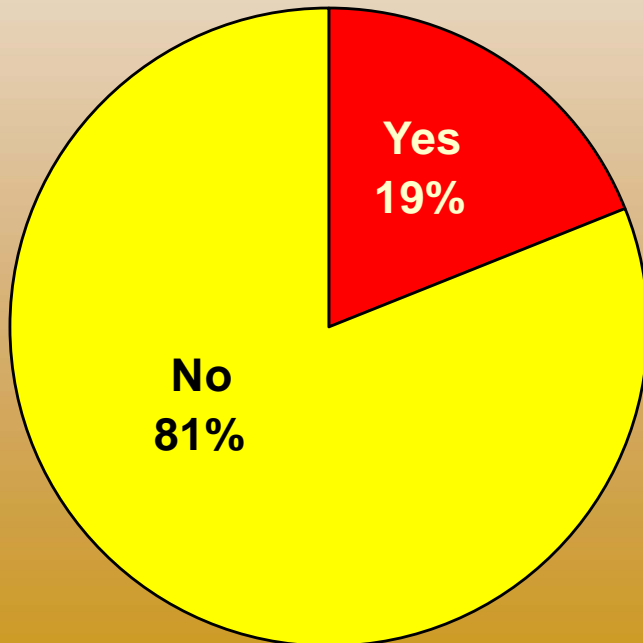
The move type impacted the most by the current economic climate is:



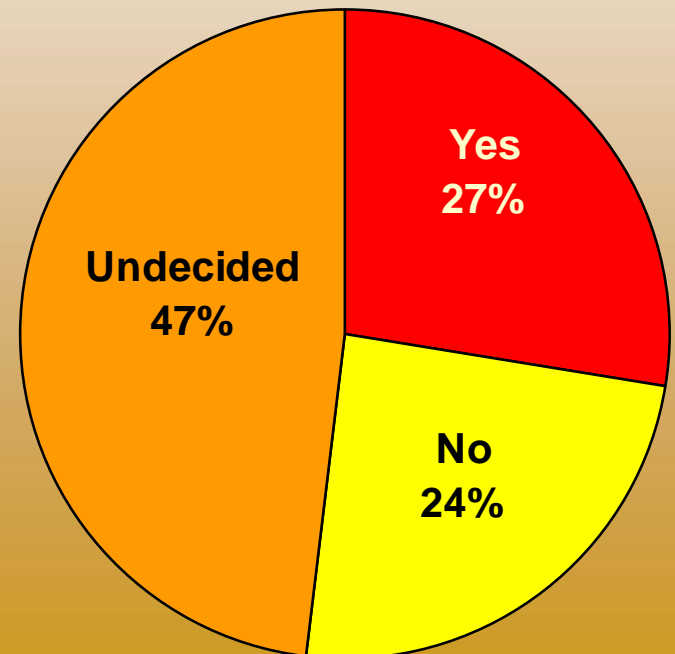
Trends & Observations

–Webinar Poll Results

Has your company amended its relocation policy?



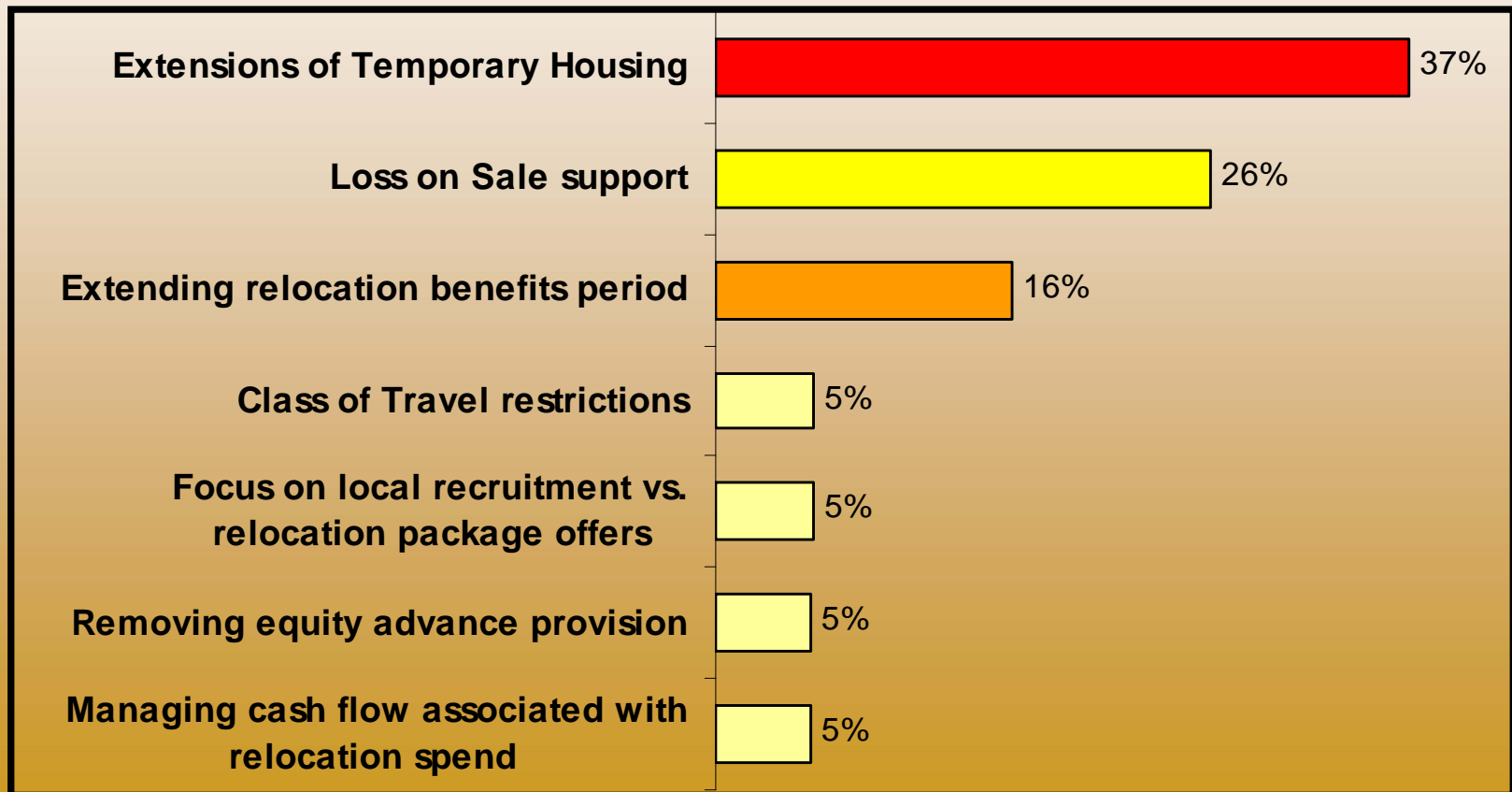
Will your company be updating its relocation policy this year?



Trends & Observations

–Webinar Poll Results

Our company has made exceptions to the relocation policy, such as:



Domestic & International Mobility Strategies



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Domestic Mobility Strategies –U.S. & Canada Program Design

- 🌐 Generate cost estimate per relocation
- 🌐 Increase temporary/commuter assignments
- 🌐 Increase hybrid lump sum programs
- 🌐 Use national lenders with corporate mortgage programs
- 🌐 Renegotiate service provider contracts
- 🌐 Tie benefits to eligibility e.g., List Price Caps, Mandatory Broker Registration, etc.
- 🌐 Develop supplemental policy options



Domestic Mobility Strategies

—U.S. & Canada Supplemental Policy Options

- 🌐 Quick sale bonuses, buyer incentives, staging allowances, loss on sale
- 🌐 Benefits period eligibility extensions
- 🌐 Spouse/Career Assistance offerings
- 🌐 Extensions of temporary housing vs. duplicate carrying costs
- 🌐 Property management programs



International Mobility Strategies –International Policy Elements

- 🌐 Lump sum for more policy elements (loss on auto, dependant care, home leave travel, etc.)
- 🌐 Eliminate mobility premium, trim use of high tier housing and goods & services allowance tables
- 🌐 Repatriation planning/downsizing
- 🌐 Consider short term and commuter assignments vs. long term posts
- 🌐 Change in class of travel and accompaniment eligibility





DONNELLY

"Ma'am, you're going to have to check that."

Case Studies



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Case Study

–Retail Company, Domestic Plan

Objective:

- 🌐 Reduce Home Inventory/Expedite Home Sales
- 🌐 Cost Reduction
- 🌐 Address reluctance to relocate

Solutions:

- 🌐 Restructured direct reimbursement plan to BVO
- 🌐 Offered up to \$1,000 for staging
- 🌐 Incentive options
- 🌐 Added supplemental loss on sale
- 🌐 Allowed renters home purchase benefits (U.S. home buyer incentive of \$8,000)

Case Study

–Import/Export Co.

International Assignment Plan

Objective:

- ④ Centralization of Administration
- ④ Cost Reduction
- ④ Global Assignment Policy Application

Solutions:

- ④ Restructured candidate selection process and cost estimate exercise
- ④ Modified Short term Assignment plan
 - Travel guidelines
 - Negotiated corporate housing
 - Household Goods
 - Added completion bonus
- ④ Modified Long term Assignment plan
 - Destination services
 - Localization plan
 - Restructured foreign service premium

The Big Question

When will it get better?



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When will it get better?

- 🌐 Federal Reserve estimates declines to bottom out end of 2010
- 🌐 National Association of Realtors cites median home prices are down 26% nationally compared to 2 years ago – it's a good time to buy
- 🌐 Moody's estimates a turn around to start mid-2010
- 🌐 S&P 500 hits bottom, historically 4 months before turn around starts, according to Industry Analysts in Associated Press Wall Street has endured the worst of the bear market as of March 2009



Recovery Readiness

–What can I do now?

- 🌐 Identify key talent – Is telecommuting or independent contract work an option until physical relocation is feasible?
- 🌐 Maintain integrity of policy by implementing supplemental options only
- 🌐 Enhance recruitment/retention efforts with non-traditional alternatives
- 🌐 Create policies for new “move types”



Recovery Readiness –Action Plan Considerations

- 🌐 Identify move profiles
 - Feedback from business leaders
 - Recruitment challenges
 - Review geographic locations
- 🌐 Examine current costs
- 🌐 Select supplemental options that align with business objectives
- 🌐 Utilize a formal selection tool to identify “right person, right place, right time”
- 🌐 Develop an ongoing communication with HR staff and business divisions



Questions and Answers



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In building a temporary assignment plan, what kind of benefits are typically provided?

- Given the reluctance to relocate, the emergence of commuter or temporary assignment plans are gaining popularity. In the US, there are specific tax advantages to utilizing a temporary assignment in lieu of a permanent transfer. (See the US IRS Publication 463 at www.irs.gov for details.)
- Typically, expenses for corporate furnished housing at destination, round trip transportation and a meals/incidental per diem are core components of a temporary assignment plan.
- Often employers allow a trip home at least once per month, and sometimes as often as twice monthly. A return trip provision should be considered as even though the employee may be excused from the upheaval associated with a permanent relocation, accepting a commuter or temporary assignment still involves substantial separation from the employee's family, friends and associates.
- Additional benefits Crown has observed in use in a domestic temporary assignment plan include the shipment of the employee's primary auto to the destination location, the provision of a tax return preparation stipend of \$500 for the costs of filing multi-state tax returns, reimbursement of lease cancellation fees at origin, and in some cases reimbursement of property management services at origin.

In the case study and in the strategies there is reference to early repatriation and localization plans—how have you seen companies approach these?

- ④ To reduce costs, companies are indeed limiting the period of time on assignment or accelerating the localization process.
- ④ For early repatriations, as we mentioned in the Webinar, planning and timing is key so that companies do not forfeit significant deposits related to housing or auto leases or school tuitions. If the employee has rented the owned residence at the origin location, this represents another “planning” opportunity to orchestrate the repatriation carefully so that the employee can re-occupy the home country property.
- ④ As for employee support, generally, the same outbound expat provisions apply to the return exercise. Examples of provisions that are reimbursed include en-route travel, household goods shipment, and temporary housing as needed, as well as a small discretionary allowance.

In the case study and in the strategies there is reference to early repatriation and localization plans—how have you seen companies approach these? (Cont'd.)

- ④ For building a localization plan, the first step is to determine when it should be invoked, i.e. what is the threshold for when expatriates should be converted to local status if the employee is to remain at host. Next, companies need to determine the transition period length. Crown observes expatriate benefits phase out periods of 6 – 9 – 12 months.
- ④ Next, we recommend that a specific Letter of Employment reference the expatriate provisions that will be phased out and stipulates any local move provisions. Typical components that are addressed include a step down in the goods and services, housing allowance, education tuition assistance, home leave and tax assistance. This should all be documented. Then provisions for the local hire should be addressed, this sometimes includes a local move, and permanent residency immigration support.

Do completion bonuses create section 409(A) challenges?

- 🌐 The US IRS Code - Section 409A deals with a nonqualified deferred compensation plan and when the income tax is incurred. Crown recommends consultation with a tax accounting firm to ensure all aspects of the individual employee's scenario are considered vs. adopting a blanket approach.
- 🌐 For any payments made related to international assignments, the employee's immigration status, income sourcing rules and geographies will also dictate the determination of such expenses being treated as employee compensation. If structured and documented properly as strictly related to the relocation/assignment package there are some opportunities to avoid classification of these payments as deferred compensation. Again, consultation with a qualified tax firm is required.

Can you discuss the use of Lump Sum payments further? We are considering introducing a lump sum payment as an option and allowing the employee to manage their move. Are you seeing companies using this approach? What's included?

- ④ Lump sum programs involve a single payment to an employee by the employer with the understanding the funds are to be used for costs the employee will incur in the relocation. The employee has full discretion as to the use of funds and does not have to account for expenses with receipts.
- ④ Lump Sum Provision Advantages
 - Facilitates employee cash flow
 - Permits employee to allocate support where it is needed most
 - Administratively efficient
 - Gives employee independence/control in managing portion of the relocation event
- ④ Lump Sum Provision Challenges
 - Lack of guidance/assistance in procuring services
 - Inability to leverage purchasing power of company at individual level
 - Risk of employee misuse of funds
 - No tracking of actual usage of relocation funds to validate expenditure levels

Can you discuss the use of Lump Sum payments further? We are considering introducing a lump sum payment as an option and allowing the employee to manage their move. Are you seeing companies using this approach? What's included? (Cont'd.)

- ⊕ Components: The most common components for the lump sum are:
 - home finding
 - temporary living
 - return trips
 - miscellaneous allowance
- ⊕ Typically, en-route travel, home sale, home purchase, household goods shipment and 30 days storage in transit are excluded from the lump sum as most of those provisions are either tax deductible or excludable.

What is the range for lump sum packages? Entry/mid level and director and above?

- ④ Lump Sum programs can be an effective approach to providing employees with relocation related financial support. For entry level hires such as recent college graduates, a lump sum may be the sole relocation benefit offering. Crown observes lump sum payouts ranging from \$3,000 - \$5,000 for this tier; more than half of all employers tax assist the payment to ensure the employee yields the full benefit of the allowance amount. This tier is the most popular recipient of a lump sum approach. Crown recommends partnering with the relocation provider so that this entry level tier can access the favorable rates associated with household goods, temporary housing, or real estate services even though the move is for the most part self-managed so that at least some qualified support is available.

What is the range for lump sum packages? Entry/mid level and director and above? (Cont'd.)

- For Professional and Executive level transfers, a lump sum typically assists in complimenting the other areas of relocation services that are contracted on the employee's behalf or reimbursed to the employee on a reasonable and actual basis. Crown has observed the use of a lump sum approach as a supplemental provision to assist employee's with the home sale effort, i.e. to cover loss on sale, purchaser incentive, staging costs, etc. Lump Sum allowances permit employees flexibility and ease the burden of incurring out-of-pocket costs related to a transfer.
- If the intent of the lump sum allowance is clearly communicated by the employer, and the lump sum amounts are calculated in a targeted and accurate way, lump sum allowances can be a method of controlling and managing costs for higher tier level employees and giving employee's broad latitude in how their relocation spend is allocated according to their individually unique needs.

When does Crown Relocations anticipate stabilization or return to previous level home sale values and normal marketing times?

- As discussed in the Webinar, various sources from Moody's to the National Association of Realtors predict recovery in 2010. However, keep in mind that in many major markets a recovery simply means the stabilization of prices vs. the "free fall" we have observed. So, employees may continue to experience a "loss on sale" for quite some time beyond 2010; what we do hope a recovery will reduce is the high number of foreclosures, negative equities, and short sales that are compromising employee's ability to relocate at all.

You mention leveraging the US 2009 home buyer credit for first time buyers, would you offer this as supplemental benefit or core provision?

- 📍 Crown recommends that any provision to offer renters a home purchase benefit be considered part of the company's "tool box" to address the reluctance to relocate in challenging times. This should be a supplemental provision and not a core benefit. However, this strategy illustrates the employer's contribution to supporting the recovery process while enabling the flex option to secure valuable talent during an economically challenging time.

A Special Thank You



A recording of this Webinar will be available on mobilityleader.com as well as on the Crown Relocations Web site crownrelo.com



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