Global Retirement Update

This Update summarises key recent developments related to the management of employer-sponsored retirement plans globally, including:
• Regulatory changes that may require employers to take action to implement new or imminent requirements;
• Planned changes and trends that may trigger a need to review local plans and plan actions;
• Proposed changes that may need consideration of potential impact, and monitor development.

<table>
<thead>
<tr>
<th>IMPLEMENT</th>
<th>REVIEW</th>
<th>MONITOR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Netherlands</strong>: Implement change to retirement age in pension plans from 1 January 2018.</td>
<td><strong>Canada</strong>: Review pension and benefit issues covered in 2017 Ontario Budget.</td>
<td><strong>Canada</strong>: Monitor proposed changes to Ontario’s defined benefit pension plan funding framework.</td>
</tr>
<tr>
<td><strong>United Kingdom</strong>: Implement changes for master trusts enacted by Pension Schemes Act 2017.</td>
<td><strong>Italy</strong>: Review new options for voluntary early retirement agreements with employees.</td>
<td><strong>Hong Kong</strong>: Monitor the launch of a public annuity scheme expected to launch in mid-2018.</td>
</tr>
<tr>
<td><strong>Latvia</strong>: Review impact of expected tax reforms.</td>
<td><strong>Indonesia</strong>: Monitor proposals relating to additional benefits to be offered by pension schemes.</td>
<td><strong>Ireland</strong>: Monitor proposals relating to Personal Future Savings Accounts.</td>
</tr>
</tbody>
</table>

If you have questions please contact your Aon consultant or email global.retirement.mailbox@aon.com
Please also use this mailbox to let us know how we could improve the ways in which we update you on new retirement topics of importance to you.
Key Updates for Implementation

**Netherlands: Implement change to retirement age in pension plans**

The government recently issued a decree raising the normal retirement age for work pensions in light of new longevity figures. From January 1, 2018, it will increase from 67 to 68. The Tax Authority has published provisional contribution scales for defined contribution schemes reflecting that increase. As a result of the increase of the retirement age from 67 to 68, the pension plans must be updated.

Employers should ensure that the changes are implemented appropriately, and consider any broader impact for employees.

*For more information, or support implementing, please contact Alexander Gorree.*

**United Kingdom: Implement changes enacted by Pension Schemes Act 2017.**

The *Pension Schemes Act* was enacted on April 27. The Act is intended to provide greater protection for members of master trust schemes, and amends existing legislation to support the Government’s intention to cap early exit charges and ban member-borne commission charges in certain occupational pension schemes.

Employers that use a master trust will need to check that their scheme is compliant with the new requirements.

Trustees of master trust schemes should familiarize themselves with the transitional measures.

*For more information, or support implementing, please contact Jillian Pegrum.*
Key Updates for Review

**Canada: Review pension and benefit issues covered in 2017 Ontario Budget**

The *2017 Ontario Budget, A stronger, Healthier Ontario* was released on April 27, 2017. A number of issues that are of interest to pension and benefit plan sponsors were covered.

Aon Canada produced a bulletin on the 2017 Ontario Budget that is available [here](#).

*For more information, or support, please contact Julianne Ralph.*

**Italy: Review new options for voluntary early retirement agreements**

An implementation Decree for APe Social should be finalized soon. The Decree is related to early retirement funded by an individual loan. This will be introduced temporarily for the period from May 2017 to December 2018 for people aged 63+ and within 3 years and 7 months of retirement age. In order to make the APe more attractive, companies are allowed (on the basis of voluntary agreements with employees) to participate in the funding (partially or totally) of this early retirement. APe Social Implementation Decree has been signed by the Prime Minister on 22 May. This year the employees can request APe by 15 July 2017.

Employers should review the suitability of this new option as part of their workforce planning.

*For more information, or support reviewing, please contact Flora Mastromarino.*

**Latvia: Review impact of expected tax reforms**

The ministry of finance has held a consultation on a set of tax reform proposals. Most notably:
- There would be a EUR 95,100 earnings cap for annual salary subject to social security contributions.
- The monthly minimum wage would rise from EUR 380 to EUR 430.
- The tax-exempt minimum for pensioners would climb from EUR 235 per month to EUR 300 per month over the next three years.
- The 23% personal income tax would be 20% on income under EUR 45,000 per year.

At this point, the government is supporting these measures. There are still ongoing discussions about problematic areas like healthcare funding. The proposals are expected to go into law January 1, 2018.

Employers should start to review the impact of these changes on their employees.

*For more information, or support reviewing, please contact Zane Dreifelde.*
Key Updates for Monitoring

**Canada: Monitor proposed changes to Ontario’s defined benefit pension plan funding framework**

The Ontario government issued two press releases on May 19, 2017, *Making Workplace Pension Plans More Sustainable* and *Strengthening and Modernizing Workplace Pensions*, which proposed changes to Ontario’s defined benefit pension plan funding framework.

The press releases indicated that draft regulations in respect of new funding rules will be released in the fall of 2017 for further public consultation.

Aon Canada produced a bulletin on the proposed funding changes that is available [here](#).

*For more information, or support, please contact Julianne Ralph.*

**Hong Kong: Monitor new planned annuity scheme**

The Hong Kong mortgage corporation has announced agreement in principle on a public annuity scheme expected to launch in mid-2018. People would invest a lump-sum premium of between HK $50,000 and HK $1M to generate a lifetime income stream accessible from age 65. There would be no management fee or surrender charge and there is a death benefit of 105% of total premium, minus the monthly annuity already paid out. The product is expected to generate a guaranteed 5-7% rate of return. This is initially set to be an HK $10B scheme, but the public reception has been encouraging and there is already talk of expanding the scope and raising the maximum premium if next year’s launch goes well.

*For more information, or support, please contact Keren Li.*

**Indonesia: Monitor push for pension market diversification by Financial Services Authority (OJK)**

The Financial Services Authority (OJK) wants to see more of the workforce participating in retirement schemes. Part of the solution will be to revise the pension law to allow more nonbank financial institutions to offer pension funds. OJK will try to push for passage of relevant legislation already before the house of representatives. The draft would make the consolidation of retirement programs more effective by developing products that can offer additional benefits. Other types of benefits that can be granted to the participants include educational funding for children, housing funds, religious worship funds, disability benefit funds, death funds, health care benefits, and severance pay. OJK has recently authorized pension funds to invest up to 15% in infrastructure bonds and is encouraging the sector to invest in securities offered by the Indonesian export financing agency (LPEI).

*For more information, or support, please contact Ozairi Othman.*
Ireland: Monitor proposed Personal Future Savings Accounts

The Social Affairs Minister has proposed a Personal Future Savings Account, a universal top-up pension to complement that state pension for the estimated two-thirds of private-sector workers who have no other source of retirement income:

- Contributions would be mandatory for both employees and employers. The state would provide tax relief.
- The account would follow a worker from job to job.
- Early withdrawals would be permitted for "big life events" including home purchase and career breaks.

Australia's superannuation scheme and Singapore's Central Provident Fund have been cited as models. The ministry will now consult with social partners and other stakeholders and "if we are ambitious, we can start it in 2021."

For more information, or support, please contact Shane Horgan.
### Other Notable Updates

<table>
<thead>
<tr>
<th>Country</th>
<th>Action date</th>
<th>Brief indication of the change</th>
<th>Local Aon consultant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>1 July 2017</td>
<td>The Treasury held a brief consultation on the draft legislation on income tax relief for transfers within a fund to a ‘My Super Product’.</td>
<td>Ashley Palmer</td>
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<tr>
<td>Belgium</td>
<td></td>
<td>The Interprofessional Agreement limits wage cost increases to 1.1% in the period of 2017-2018.</td>
<td>Steven Cauwenberghs</td>
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<tr>
<td>Brazil</td>
<td></td>
<td>The President’s pension reform proposal was revised to improve its likelihood of being passed.</td>
<td>Dulcelene Giardim</td>
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<tr>
<td>Chile</td>
<td></td>
<td>The administration disclosed additional details about its draft legislation for state-managed supplemental pensions.</td>
<td>Carola Orellana</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1 January 2018</td>
<td>The President signed an amendment to the Law on Health Insurance that would give fathers paid paternity leave and children of a deceased worker an orphan’s annuity.</td>
<td>Jan Hlavac</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1 January 2018</td>
<td>In advance of next month's tripartite negotiations, the prime minister has declared that the minimum wage from 2018 should be no less than 40% of the average wage.</td>
<td>Jan Hlavac</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1 November 2017</td>
<td>Review of code setting minimum salary for Management Status employees to CZK 75,000 and exempting these employees of premiums for overtime, weekend and holiday work</td>
<td>Jan Hlavac</td>
</tr>
<tr>
<td>El Salvador</td>
<td></td>
<td>An impasse in Congress over budget measures caused the government to miss payments on its pension-related debt.</td>
<td>Patricia Barra</td>
</tr>
<tr>
<td>Estonia</td>
<td>1 January 2018</td>
<td>The Finance Minister has issued a regulation setting mandatory pension fund management fee rate reductions.</td>
<td>Ingrid Siska</td>
</tr>
<tr>
<td>European Union</td>
<td>2020</td>
<td>A European Commission proposal on simplifying derivatives rules includes a three-year exemption from central clearing of OTC derivative transactions for pension schemes.</td>
<td>Colin Haines</td>
</tr>
<tr>
<td>European Union</td>
<td></td>
<td>The European Central bank is preparing draft regulations on pension fund reporting requirements for public consultation later this summer.</td>
<td>Colin Haines</td>
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<tr>
<td>Greece</td>
<td></td>
<td>The Independent Revenue Authority explained that foreign social security contributions made by Greek taxpayers as a result of foreign service are generally tax deductible.</td>
<td>George Kendouris</td>
</tr>
<tr>
<td>Greece</td>
<td></td>
<td>The General Court of the European Union ruled that Greek citizens whose pension benefits were cut under EU-imposed austerity measures could not sue for damages.</td>
<td>George Kendouris</td>
</tr>
<tr>
<td>Hong Kong</td>
<td></td>
<td>The Equal Opportunities Commission announced an inquiry into possible sexual bias in the design of the draft public annuity scheme.</td>
<td>Keren Li</td>
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Other Notable Updates (continued)

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<tr>
<td>India</td>
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<td>The Ministry Of Labour And Employment has simplified member access to Employee Provident Fund (EPF) holdings for medical expenses.</td>
<td>Chitra Jayasimha</td>
</tr>
<tr>
<td>Nepal</td>
<td>1 November 2017</td>
<td>Soon, there will be a vote on changes including mandatory contributions from employees into the Provident and Social Security Funds and creation of an unemployment allowance.</td>
<td>Ashley Palmer</td>
</tr>
<tr>
<td>Poland</td>
<td>1 November 2017</td>
<td>To reduce the impact of pension age reduction reform on social security funding, a proposal was made to increase (state) retirement benefits by 8% per year for deferring retirement.</td>
<td>Remigiusz Kostka</td>
</tr>
<tr>
<td>Scotland</td>
<td></td>
<td>About half of the social security benefits currently administered for Scotland by the UK government are being devolved to the Scottish Social Security Agency.</td>
<td>Jillian Pegrum</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td>The parliamentary pension committee has delivered an action plan on stricter controls for the premium pension system (PPM) to the Ministry of Finance.</td>
<td>Carita Opseth</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1 January 2021</td>
<td>The Ministry of Labor, Invalids and Social Affairs has started consultations on a retirement age hike proposal that would increase the normal retirement age for men and women.</td>
<td>Ashley Palmer</td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
<td>New regulations announced for coordinated supervision of life insurance products which cut down the costs of compliance and administrative burden for the life insurance sector.</td>
<td>Ashley Palmer</td>
</tr>
</tbody>
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Additional information on the above, plus other updates can be found in [Greater Insight](#) which is updated & emailed on a weekly basis. Also visit:
- [retirementandinvestmentblog.aon.com](#) for twice weekly information on economic & investment topics
- the [Global Retirement Management](#) section of [aon.com](#) for access to broader information about global retirement topics.
## Reminder of Previous Key Updates

The items in this section have implementation dates in the next 6 or so months, and need some action or consideration soon. These items were highlighted in earlier updates as being typically of interest to readers with global or regional responsibilities.

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<td><strong>British Virgin Islands</strong>: Minimum compulsory retirement age set. <a href="#">GRU August 2016</a>. Start implementing asap. Contact: <a href="#">Jillian Pegrum</a></td>
<td><strong>Azerbaijan</strong>: Presidential approval now in place for the increase in retirement age towards 65, and a flat-rate State pension. Effective 1 July 2017. <a href="#">GRU March 2017</a>. Contact: <a href="#">Bart Steegs</a></td>
<td><strong>Chile</strong>: Monitor proposals for a 5% mandatory employer pension contribution to a new government-run pension scheme. <a href="#">GRU April 2017</a>. Contact: <a href="#">Carola Orellana</a></td>
</tr>
<tr>
<td><strong>Poland</strong>: Alternative to new State-run DC plan. <a href="#">GRU January 2017</a>. Start implementing asap. Contact: <a href="#">Remigiusz Kostka</a></td>
<td><strong>European Union</strong>: IORP2 Directive regarding risk management, governance and communications by 13 January 2019. <a href="#">GRU January 2017</a>. Contact: <a href="#">Colin Haines</a></td>
<td><strong>India</strong>: Monitor proposal to raise the salary ceiling for mandatory participation in employee provident funds from Rs 15,000 per month to Rs 21,000. <a href="#">GRU April 2017</a>. Contact: <a href="#">Chitra Jayasimha</a></td>
</tr>
<tr>
<td><strong>Turkey</strong>: Auto-enrollment key dates. <a href="#">GRU January 2017</a>. Contact: <a href="#">Neslihan Ayanoglu</a></td>
<td><strong>France</strong>: Review suitability of new occupational pension vehicle available early 2018. <a href="#">GRU April 2017</a>. Contact: <a href="#">Marc Salameh</a></td>
<td><strong>Nigeria</strong>: Monitor proposals to raise the minimum employer contribution to CPS from 10% to 12%. <a href="#">GRU April 2017</a>. Contact: <a href="#">San Singaravelloo</a></td>
</tr>
<tr>
<td><strong>Japan</strong>: Options to convert DB plans to DC. <a href="#">GRU February 2017</a>. Contact: <a href="#">Hajime Baba</a></td>
<td><strong>Poland</strong>: Impact of State pension age drop to 65 for men and 60 for women from 1 October 2017. <a href="#">GRU January 2017</a>. Contact: <a href="#">Remigiusz Kostka</a></td>
<td><strong>Pakistan</strong>: Monitor proposals for a new Regulatory Authority, new funding requirements, and encouragement of corporate pension schemes. <a href="#">GRU April 2017</a>. Contact: <a href="#">Chitra Jayasimha</a></td>
</tr>
<tr>
<td><strong>Russia</strong>: Review impact of new stress test. <a href="#">GRU April 2017</a>. Contact: <a href="#">Bart Steegs</a></td>
<td><strong>United Kingdom</strong>: Finance Act 2017 was enacted, but without reduction in money purchase allowance and tax exemption on ‘relevant pensions advice’. <a href="#">GRU March 2017</a>. Contact: <a href="#">Jillian Pegrum</a></td>
<td><strong>Switzerland</strong>: Pension Reform 2020 public referendum on 24 September 2017. <a href="#">GRU March 2017</a>. <a href="#">Aon Hewitt News</a>. Contact: <a href="#">Mary Ann McNally</a></td>
</tr>
<tr>
<td><strong>United States</strong>: Monitor President’s reform agenda, in particular corporate tax reform that could result in strategic pension funding opportunities. <a href="#">GRU December 2016</a>. Contact: <a href="#">Matthew Bond</a></td>
<td><strong>Turkey</strong>: Auto-enrollment key dates. <a href="#">GRU January 2017</a>. Contact: <a href="#">Neslihan Ayanoglu</a></td>
<td><strong>United Kingdom</strong>: Finance Act 2017 was enacted, but without reduction in money purchase allowance and tax exemption on ‘relevant pensions advice’. <a href="#">GRU March 2017</a>. Contact: <a href="#">Jillian Pegrum</a></td>
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Previous Key Updates for Implementation

British Virgin Islands: Urgently review minimum compulsory retirement age

The *Retirement Age Act 2016* bars employers from requiring workers to retire before age 65. Existing employment contracts and collective agreements that say otherwise are not grandfathered. Workers who were at least age 59 when the law went into effect on April 1, 2017 may request retirement before age 65 and those who were slated to retire within six months of the effective date may defer retirement.

For more information, or support implementing, please contact Jillian Pegrum.

Poland: Urgently review if wish to set up an EPP instead of State-run DC plan

Significant changes coming towards second-pillar pension expected from January 2018.

**Opportunity to avoid having to pay into the PKK, but need to start implementation in June 2017.**

Already mentioned in our previous update (GRU January 2017), there is a limited window of opportunity for employers to avoid having to pay into the new government-run defined contribution scheme (PPK) by establishing a EPP (employee pension plan) before the end of 2017. Some advantages of this:

- More flexibility over the structure and rate of contributions;
- Flexibility over vesting requirements;
- Avoid the conservative investment menu that the government scheme has to offer;
- Offering investment choices;
- The client is free to select a provider of their choice.

We are estimating the time it takes to set up an EPP is about **4 months**. These [slides](#) summarize the options. At this point, the Polish government will release new legislation soon that could have an impact on the timing or any other aspect of the law.

For more information or support reviewing and implementing please contact Michal Baczkowski.
Turkey: Implement auto-enrolment according to launch deadlines based on number of employees

Deadlines have already passed for companies with 250 employees or more. The next deadline is **1 July 2017** for companies with 100 to 249 employees. Subsequent deadlines apply for companies with fewer than 100 employees.

If they have not already done so, employers should determine the actions that they will take to satisfy the auto-enrollment requirements.

Please click [here](#) for a more detailed presentation on auto-enrollment (Page-by-page in Turkish and English.)

For more information, or support implementing, please contact [Neslihan Ayanoglu](#).
What other companies are doing

From time to time Aon carries out global, regional and local surveys to share insight amongst peers, and events to share information with clients.

Surveys open for participation

**Global Pension Risk Survey** - This survey explores approaches to corporate risk management of defined benefit pension plans.

Related local market surveys have closed for some markets, but a few remain open.

**UK DC Scheme Survey** - This recently launched survey looks at all aspects of DC plans in the UK. When the results have been analysed we will be producing a free benchmarking reports for those who complete it allowing them to compare themselves against their peers.

Recently published insights

**Global Pension Risk Survey** - Survey results relating to UK pension risks are now available.

Global pension risk governance results for other markets will become available during July and August.

**Annual UK Risk Settlement Report** - This report has just been published as an interactive pdf. The report includes case studies and topical articles on trends in the UK and overseas settlement markets, along with a more detailed review of the UK settlement market.

Upcoming events

**UK Risk Settlement Conference** - This conference will provide an opportunity to hear about developments in the risk settlement market in the UK.

Aon's Risk Settlement team recently won the Professional Pensions Award for risk reduction advice, an award that rarely changes hands. The conference will provide an opportunity to hear about some of the actions with clients that lead to this award, and actions that you could take to reduce risks in your UK defined benefit plans. Please alert colleagues based in the UK about this conference being held in Leeds on 11 July.

Also visit the [Global Retirement Management](#) section of aon.com for access to broader information about global retirement topics.

Please email global.retirement.mailbox@aon.com with any questions or to let us know how we could improve this update document.