



Aon Global Retirement Insights Quarterly

April to June 2019

Aon Global Insights Quarterly is a quarterly publication highlighting the main requirements, proposals and opportunities affecting sponsors of retirement plans. We highlight the latest developments affecting the [design](#), [financing](#) and [operations](#) of employer-sponsored plans, as well as changes to State pension provision.

We also include information on key trends, earlier topics that remain live, and highlight some upcoming opportunities for knowledge sharing.

In this edition, we include a little more insight on the following current Hot Topics:

- In [Poland](#) the first deadline of the formation of an Employee Capital Plans has passed.
- In the [Netherlands](#) an agreement has been reached among the Social Partners for adjustment to the pension system.
- In [Australia](#) Protecting your Superannuation Package (PYS) regulations have come into effect on 1 July 2019.
- In the [UK](#), further guidance has been provided on conversion of GMPs as part of equalisation remediation.

Throughout the document we highlight the need for action with three colours in common with our popular global risk dashboard.

- Requirements, developments that need your immediate attention, are highlighted in red.
- Proposals, developments that are not finalized yet but important enough to bring to your attention, are identified in amber.
- Opportunities, developments that present an opportunity to improve the cost-effectiveness of your plans, are identified in green.

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.

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Consulting | Retirement and Investment

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Main developments in April to June 2019:

We highlight the latest developments affecting the [design](#), [financing](#) and [operations](#) of employer-sponsored plans, as well as changes to State pension provision.

- Global overview of the latest developments affecting employers
- Highlights of the new developments categorised as affecting:
 - [Design](#) of retirement plans
 - [Financing](#) of retirement plans
 - [Operations](#) of retirement plans
 - State pension provisions

Ongoing key areas of focus for employers:

- Global overview of key trends affecting employers
- An overview, by region, of earlier priority topics that remain live and upcoming opportunities for knowledge sharing. For this purpose regions are defined as:
 - North America
 - UK and Ireland
 - Continental Europe
 - Asia Pacific
 - The rest of the world

Hot topics in April to June 2019 : Additional insight into some topics creating discussion recently.

Throughout the document underlined text is a link for more details on the topic, or to generate an email to request more information.

Main developments in April to June 2019

- Requirements
- Proposals
- Opportunities

United Kingdom:

- GMP equalisation
- Changes to statement of investment principles (SIP)
- Pension Dashboard proposals
- Pension Regulator's tougher approach
- Aon advised Trustee of Rolls-Royce on largest ever UK bulk annuity purchase

Canada:

- Manitoba: Pension solvency relief
- Quebec: Annuity purchase policy
- Ontario: Pension funding clarification
- Ontario: Target Benefit Plan legislation proposed in budget

United States:

- House approves SECURE Act
- SEC adopts final regulations on investment advice

Rest of Americas:

- Argentina: Income tax exemptions for state pension
- Argentina: Increase in tax break on employee pension contributions
- Mexico: Reform to Saving System for Retirement
- Peru: New retirement savings account

Rest of Europe:

- France: Social security reform package
- Germany: Pension dashboard model proposed
- Italy: Pension reform implementing regulations
- Poland: OFE reforms proposed
- Romania: New pension fund capital requirements
- Russia: DC regulatory framework
- Turkey: Private Pension System (BES) changes

Switzerland:

- Supplementary benefits reform
- Tax Reform and OASI Funding approved

Middle East and North Africa:

- Egypt: First ever Egyptian actuarial tables
- Egypt: Minimum pension to increase
- Jordan: Basic retirement pension to rise
- UAE: New end of service benefits

India:

- EPF: "Excluded Employee" redefined
- NPS investment guidelines
- Bangladesh: Universal Pension

Sub-Saharan Africa:

- Mauritius: Portable retirement gratuity
- Zimbabwe: Pension reform plan

Netherlands:

- Agreement reached on pension system reforms
- Decree on valuation of pensions and annuities
- Bill on pension sharing in divorce
- Defined contribution plan disclosure standards backed

Common across Europe:

- IORP disclosure guidance
- Occupational pension stress test
- PEPP rules (3rd pillar pension) approved
- Social security coordination vote postponed

Rest of Asia:

- Japan: Retirement age deferral
- Kyrgyzstan: Third pillar legislation
- Taiwan: Pensions for expats
- South Korea: Reform underway
- Uzbekistan: State contribution to rise

Australia:

- Superannuation Prudential framework review
- Advice fees – Trustee oversight obligation
- Super governance review
- Super reform Package passed

Key design-related updates from the quarter

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|--------|------------------------------------|--------------------------------------|--|
| Design | Albania | Proposed reforms in pension system | The government is preparing social security reform legislation that would follow the classic three-pillar model with a mandatory second-pillar scheme and a voluntary third pillar. At this stage, about 3% of the 21.6% combined employer/employee social security contribution is penciled in for diversion to the second-pillar scheme. |
| | Australia | ATO guidance on annual leave loading | The Australian Taxation Office has published guidance on the superannuation guarantee treatment of annual leave loading. It is classified as ordinary time earnings (OTE) unless it is "demonstrably...a lost opportunity to work overtime." |
| | Australia | Gender diversity targets | The Australian Council of Superannuation Investors has proposed using its institutional investor clout to affect workplace culture and diversity. It calls for gender diversity targets (40% minimum for each gender) for the boards of publicly listed companies and recommends a 2025 deadline for achieving this without "regulatory intervention." |
| | Australia | 2019 Federal Budget | The 2019-20 Federal Budget includes some notable measures: Workers age 65-66 would be able to make voluntary superannuation contributions without meeting the work test (at least 40 hours of work in 30 days). The threshold for spousal contributions would rise from age 69 to 74. The maximum age for "bring-forward arrangements" allowing three years' worth of nonconcessional contributions in one year would rise from 64 to 66. A number of superannuation law adjustments target the retirement income gap for women and there will be unspecified initiatives to address the gender pay gap. A temporary measure providing tax relief to merging superannuation funds is slated to become permanent. |
| | Bangladesh | Universal Pension | The Finance Minister noted while presenting the 2019-20 Budget that the government plans to establish a 'Universal Pension Authority' to roll out and oversee a universal pension for all formal and informal sector workers. He also mentioned that an Electronic Fund Transfer (EFT) process for direct deposit of pension benefits is already being implemented and should be in place for all pensions in the next fiscal year. |
| | Barbados | Post-retirement employment proposed | The Prime Minister has advised the Barbados Employers Confederation of plans to revise the National Insurance Scheme framework regulations to allow pensioners to stay in the workforce without forfeiting any benefits. |
| | Canada | Guidance for transfers to IPPs | The Registered Plans Directorate of the Canada Revenue Agency published a reminder that the 2019 Federal Budget proposed to prohibit individual pension plans (IPPs) from providing retirement benefits in respect of past years of employment that were pensionable under a defined benefit plan of an employer other than the IPP's participating employer (or its predecessor employer). |
| | Canada | Amendments reducing benefits | The Office of the Superintendent of Financial Institutions (OSFI) published Proposed changes to Instruction Guide—Authorization of Amendments Reducing Benefits in Defined Benefit Pension Plans. OSFI indicates that there are no significant policy changes in the revisions, rather the revisions provide further details regarding OSFI's current expectations for applications for authorization of a reducing amendment. |
| | Dominican Republic | Debate over voluntary second pillar | The three parties seeking common ground to form a coalition government have been discussing a proposal to make the mandatory second-pillar scheme voluntary. The governor of the Bank of Estonia has raised several arguments against this move, most notably that loss of the incentive to report wages could lead to a resurgence of the shadow economy. |

Key design-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|--------|---------------------------|---|---|
| Design | Estonia | Proposed changes to second pillar pension | The new government has a four-point plan for reform of the second-pillar pension. Contributions would be voluntary, early withdrawal would be permitted for periods of incapacity, members would be able to withdraw a portion of their account, possibly just their own contributions, before retirement age, but it would entail a tax penalty and people would have the option of diverting their contributions to a self-directed retirement savings account. This would help finance significant increases in the basic state pension. The necessary legislation should reach the Riigikogu in September, fast-tracked for passage by the end of the year |
| | EU | Pan-European Personal Pension (PEPP) rules advance | Parliament has approved the Pan-European Personal Pension Product (PEPP) rules. PEPPs are meant to complement, not infringe on state and occupational pensions and there is no obligation for Member States to offer tax incentives. The next step is official adoption in the European Council and implementing regulations will follow over the next 12 months. |
| | France | Social security reform package | The Prime Minister has previewed a social security reform package: <ul style="list-style-type: none"> ▪ The state retirement age would be more flexible, with retirement at age 62 preserved but new incentives introduced for retirement deferral. ▪ Companies in several sectors that disproportionately use short-term contracts would come under a ""bonus-malus"" formula for encouraging longer contracts and discouraging short-term contracts. ▪ Higher income workers would be paid lower unemployment benefits. ▪ Mechanisms allowing some people to receive higher benefits than their former salaries would be removed. |
| | Greece | Benefit reforms to be expected | A new government was elected and the new minister of social security was announced. In their agenda is to review all this kind of provisions in a much wider tax reform. |
| | Hong Kong | Tax relief on retirement scheme contributions | A government press release heralds the Legislative Council's passage of the Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Bill 2018. Contributions to tax-deductible Mandatory Provident Fund (MPF) voluntary contribution accounts and qualifying deferred annuities will be tax deductible up to HK 60,000 per year, starting with year of assessment 2019-20. |
| | India | "Excluded employee" definition redefined | A recent Supreme Court judgement has narrowed the definition of "excluded employee" for Employees Provident Fund (EPF) purposes. Retired workers who had withdrawn their full assets from the General Provident Fund (GPF) were later re-employed on a lump sum honorarium basis. Their employer categorized them as excluded employees because they had fully withdrawn their provident fund but the Court concluded that only workers who had concluded their membership with the EPF met the definition of excluded employee. |
| | Japan | Retirement age deferral efforts | The government is preparing legislation to reconcile the common practice of companies setting a retirement age of 60 despite the official retirement age of 65. The bill, due before Parliament next year would, at least initially, refrain from punishing companies that don't keep workers on until age 65. A separate government initiative will meanwhile encourage employers to keep workers until age 70 if they wish to stay employed and to set up outplacement programs for workers retiring earlier. |
| | Japan | Benefit eligibility for dependents of foreign workers | The Diet has passed legislation that will block dependents of foreign workers who live outside Japan from access to the "kosei nenkin" pension scheme for corporate workers. These measures should take effect in April 2020. |

Key design-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|--------|-----------------------------|---|--|
| Design | Kyrgyzstan | Third pillar legislation | The Kyrgyzstan State Financial Supervision Agency has drafted "On Accumulative Pension Funds in the Kyrgyz Republic", legislation to flesh out the regulatory framework for voluntary third-pillar defined contribution schemes. It would facilitate the establishment of corporate and professional accumulative pension funds modelled after joint stock companies. |
| | Mauritius | 2019-20 Budget | The Prime Minister's 2019-20 Budget Speech introduces a few notable proposals: The imminent Workers Rights Bill would redesign the end-of-service gratuity into a Portable Retirement Gratuity (PRFG) Fund to reflect one's entire employment history. The bill would also introduce a Wage Guarantee Fund protecting up to Rs 50,000 (US \$1,412.69) in wages for workers who lose their jobs in an insolvency. In addition, a committee has been appointed to review creditor priority in a business insolvency. The Solidarity Levy would be waived for lump-sum pension, workers compensation or death gratuity payments. This is retroactive to the July 1, 2017 start of the Solidarity Levy. |
| | Mexico | Survivor benefit rules found discriminatory | The Supreme Court of Justice of the Nation (SCJN) has ruled that setting stricter condition for men for entitlement to survivor pensions is unconstitutional. It concluded that a municipal pension's requirement that a surviving male spouse be either disabled, economically dependent on the wife, or above age 55 to claim the benefit must be retracted. |
| | New Zealand | KiwiSaver eligibility for Seniors | Inland Revenue has expanded KiwiSaver eligibility, with the scheme opening to people age 65 and up from July 1, 2019. People who have closed their KiwiSaver accounts will have the option of rejoining and those who join between ages 60-64 after that date will be able to withdraw funds at age 65 rather than hold them for the five-year minimum lock-down period. |
| | Peru | New retirement savings account proposed | The dominant Fuerza Popular party backs legislation that would greatly expand participation in defined contribution plans by complementing the AFP pension system with a scheme financed by diverting 2% of the 18% IGTV general sales tax on goods and services into a new retirement savings account that could also be tapped for death and disability benefits for those not entitled to them from another source. |
| | Poland | Proposed changes to the OFE system | The Prime Minister has delivered a briefing on plans to reform the OFE second-pillar pension fund system. Plans include OFE members would have the option of transferring their funds into the IKE individual retirement accounts, incurring a 15% tax (spread over 2 years), or sending them into virtual individual accounts in the state system. Also, OFE open pension funds would become open-ended investment funds subject to investment fund regulations., the equity allocation for the funds transferred to IKE would be allowed to shrink by 2.5% per year and OFE contributions would fundamentally be eliminated with the full 19.52% social security premium directed to the first pillar. The law is expected to get through Parliament by the end of October and go into effect in January 2020. |
| | Russia | Proposal on regulatory framework for DC plans | The Finance Minister revealed that legislation on the regulatory framework for a voluntary individual account defined contribution plan first broached last year is nearly completed. There will be provisions for both occupational pensions and individual schemes. It is designed to replace approximately 20% of final salary and launch is planned for early 2020. |

Key design-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|--------|-----------------------------|---|--|
| Design | South Korea | Occupational pension reform study underway | The ruling Democratic Party has appointed a special committee to develop proposals for private pension reform. Mandatory occupational pensions are already phasing in but these are predominantly defined benefit plans with lump-sum pay-outs and they are hampered by lower interest rates. The government reportedly favors the DC approach with more investment flexibility and a role in management for financial institutions, possibly through a fund model with company management, workers and outside experts sharing control. Draft legislation on a default DC scheme with professionals making investment decisions is already being examined in the National Assembly. |
| | South Korea | Ruling could impact retirement age | Stakeholders have been reviewing the implications of a February Supreme Court ruling that determined that damage claims for a manual laborer who is killed or injured should be based on retirement at age 65 rather than 60. This interpretation of a normal career span is expected to raise the eligibility age for certain retirement benefits and senior perks. The state pension age is currently on a slow climb to reach 65 in 2033. |
| | Spain | Discriminatory benefit formula flagged | The European Court of Justice (ECJ) ruled in Case C-181/18 that Spain's retirement benefit formula for part-time workers is unnecessarily detrimental to female workers. It took issue with the formula factoring in days of contribution and with the general policy of a lower benefit based on part-time status, indicating that a simple pro-rata basis would be more fair. |
| | Switzerland | Supplementary benefits reform | The reform of supplementary benefits (prestations complémentaires, PC) was passed in March, which should come into effect in 2021. It aims to maintain the level of benefits and it sets wealth thresholds for the right to the PC, which in the final draft exclude the value of the home in which one resides. For the details please turn to our contact. |
| | Switzerland | Social partners compromise on the reform of occupational pensions | The compromise aimed at solving the most pressing problems of the second pillar was presented on 2 July 2019. The redistribution from young to old would thus be officially introduced. The proposed measures are: <ul style="list-style-type: none"> ▪ the reduction of the conversion rate to 6%, ▪ the halving of the coordination deduction, ▪ the division of wage contributions into only two age categories and ▪ the payment of a pension supplement financed by solidarity for future pensioners. This pensioner supplement would be financed over the next 15 years by a wage contribution of 0.5 percent on income up to 853,200 Swiss francs. The supplement would be paid out on a pay-as-you-go basis. |
| | Taiwan | Bill opens labor pension system to expats | The Legislative Yuan has passed in final reading a bill that will amend the Labor Pension Act to require all foreigners with permanent residency in Taiwan to obtain coverage under the labor pension system. This entails a minimum 6% monthly employer contribution and gives employees the option of making tax-exempt contributions up to 6%. There will be a schedule of fines for employers that fail to make the statutory contributions to employee pension accounts under these schemes. |
| | Thailand | Labor Protection Act entry into force | The Labor Protection Act, which was passed late last year was finally published in the Royal Gazette last month with a notice that it will come into force on May 5, 2019. It will raise the severance compensation for workers with at least 20 years of service from 300 days pay to 400 while: those employed less than one year are entitled to 30 days of pay; employment of more than one year but less than three earns 90 days of pay; For more than three years but less than six years, the rate is 180 days of pay; For 6-10 years, it's 240 days of pay; and Workers employed for over 10 years but under 20 years are entitled to 300 days' pay. |

Key design-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|--------|--------------------------------|---|---|
| Design | Turkey | Severance payment fund plan resurfaces | Conversion of the severance pay system into a severance payment fund, first broached in 1975, is back on the Finance Minister's agenda. Under his economic reform plan for 2019, people who are currently employed would be grandfathered in the existing system but new hires would have individual severance pay accounts financed by employer contributions, possibly supplemented by government contributions, to complement the private pension system (BES). People who leave voluntarily or are dismissed for cause would be able to claim the contents of their account. This would be part of pursuing the government's goal of a "more sustainable pension system". |
| | Turkey | Economic reform agenda | Turkey's "New Economy Programme Structural Transformation Steps 2019, expands on earlier Finance Ministry statements signaling some major reforms. For the pension sector there are plans to revamp the private pension system for increased retirement savings presumably include the Finance Minister's proposal to convert the existing severance pay system to individual severance pay accounts. |
| | UAE | New end-of-service benefit planned | The Dubai International Financial Centre (DIFC) is preparing to replace the end-of-service gratuity scheme, which provides a lump-sum upon termination, with the DIFC Employee Workplace Savings (DEWS) Trust savings scheme, to more closely serve as a DC retirement plan. While key details such as the contribution rate must still be determined, the scheme is expected to launch on January 1, 2020. The federal government has expressed support for this plan but has not made formal commitment to adopting it for the entire UAE. |
| | United Kingdom | Civil partnerships to be extended to opposite-sex | Legislation expected to come into force by December 31, 2019 will permit the extension of civil partnerships to opposite-sex couples in England and Wales. The change may increase entitlements to survivor benefits under occupational schemes (although many schemes already provide for cohabiting couples irrespective of marital/partnership status) and might require changes to scheme rules and communications. |
| | United Kingdom | CDC schemes move a step closer | The Government has responded to its consultation on Collective Defined Contribution (CDC) pension schemes. Legislation for the CDC model set out in the consultation will focus on schemes set up by single or associated employers; however, the aim is to legislate in a way that can quickly accommodate other models, such as CDC schemes run as master trusts, if appropriate in the future. |
| | United States | House approves retirement bill | The House approved with a 417-3 vote the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act – H.R. 1994), which modifies requirements for employer-provided retirement plans, individual retirement accounts, and other tax-favored savings accounts. The bill moves to the Senate, where passage is uncertain. |
| | Vietnam | Draft Labor Code debated | The National Assembly has conducted a round of voting on some of the Labor Ministry's draft Labor Code amendments: The retirement age increase from 60 to 62 for men and from 55 to 60 for women would have concessions for workers in particularly taxing jobs and deferrals |
| | Zambia | New employment code | The Employment Code Act No. 3 of 2019 is a major revision and consolidation of employment law that among other laws includes: the introduction of a severance pay obligation for permanent workers but details will be in implementing regulations and makes payment of gratuity mandatory for workers on fixed-term contracts |

Key financing-related updates from the quarter

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|-----------|-------------------------|--|---|
| Financing | Austria | Reduction in interest rate in pension funds | It has been announced that the interest rate for new pension fund business will very likely be reduced from currently 2.5% p.a. to 2.0% p.a. The decree to reduce the interest rate is currently under review, a final decision is still outstanding. |
| | Canada | CAPSA funding guidance | The Canadian Association of Pension Supervisory Authorities (CAPSA) published its final Guidance: Solvency or hypothetical wind-up liabilities based on actual life insurance company annuity quotation. The guidance was prepared to outline the expectations with respect to situations where an actuary would like to use a life insurance company annuity purchase quotation to determine the underlying solvency or hypothetical wind-up liabilities. |
| | Canada | 2019 Ontario Budget | The 2019 Ontario Budget was released along with the related Bill 100, and they include a number of items related to pensions. Among other things, the government's intent to implement a permanent framework for target benefit plans is affirmed and the Pension Benefits Act is amended so that the prior year credit balance can continue to be used to offset or reduce contributions for the normal cost and the provision for adverse deviations on the normal cost contributions. An Aon Information Bulletin with more detail can be downloaded here . |
| | Canada | Manitoba pension reform bill | The Manitoba government announced that it will introduce legislative amendments in the fall of 2019 that are intended to strengthen the current pension benefits legislation and address the needs of pension members with their desire for more flexibility. Additional changes will align Manitoba's legislation with other jurisdictions. |
| | Canada | Ontario pension funding regulation | Ontario Regulation 105/19 made under the Pension Benefits Act was filed, which is intended to clarify the provisions of the new funding framework for defined benefit pension plans that took effect on May 1, 2018 and to make several technical amendments. |
| | China | Foreign company admitted into pension sector | The China Banking and Insurance Regulatory Commission (CBIRC) has confirmed its approval of the first foreign-funded pension insurance company, a UK/Chinese joint venture. This has been hailed as a milestone in the opening of the Chinese financial market to foreign institutions. |
| | Denmark | FTT debate | One issue debated in the run-up to the June 5 general election was the imposition of a 0.1% Financial Transaction Tax (FTT) on financial institutions when they buy or sell shares or bonds. Critics of the plan warn that it would be passed on to consumers, resulting in higher taxation of pension returns. The party backing the FTT, the Social Democrats, now appears poised to form a coalition government. |
| | Egypt | First ever Egyptian Actuarial Tables | Currently, most of the Egyptian life insurance companies use the 50 year old British mortality table A67/70 ultimate. However, the Egyptian mortality characteristics are likely to be different from the United Kingdom and even neighbouring countries. The Financial Regulatory Authority (FRA) has signed a cooperation protocol with the African Reinsurance Social Responsibility Foundation (ARF) under which the latter will provide financial support to build the first set of Egyptian actuarial tables. FRA has formed a steering committee named Egyptian Committee for Actuarial Tables (ECAT) to be responsible for developing these tables. No further details are available at the moment. |
| | Fiji | Larger tax breaks planned for FNPF contributions | The 2019-20 Budget includes a measure that would double the tax relief on employer contributions to the Fiji National Provident Fund (FNPF) from 50% to 100% from January 1, 2020. |

Key financing-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|-----------|-----------------------------|--|---|
| Financing | France | Pension reform framework to be revealed | The overall legislation seems to be focused on encouraging growth amongst businesses in France. For pensions, the main aims are to simplify/provide more consistency across the structure of the local pensions market and provide more flexibilities. The Action Plan for Growth and Business Transformation Act (PACTE) was promulgated on May 24, 2019. Companies currently lack the equity capital essential to their development. The PACTE will facilitate access to diversified funding (public listing, investment capital, crowdfunding and ICO). It will orientate French citizens' savings towards companies' equity capital to fund future growth and innovation. |
| | Greece | Partial amnesty for delinquent pension and tax payments | The Prime Minister divulged in a recent press conference that the massive problem of state pension and tax arrears were being addressed in fast-track legislation. The bill quickly cleared Parliament and millions of citizens will now have a chance to benefit from discounts of up to 65% payable over the course of up to 120 months. The new law will also introduce a permanent annual bonus to pensioners as first step in offsetting the 13 pension cuts that occurred between 2010-2017. |
| | India | Investment thresholds rise | A Pension Fund Regulatory and Development Authority (PFRDA) circular has amended investment guidelines for several National Pension System (NPS) schemes. Effective April 1, 2019, the limits on several asset classes are raised by 5% each. |
| | India | EPF interest hike | A full report on the EPF interest rate hike published by Anviti : The finance ministry has approved 8.65% of interest on employees' Provident Fund (EPF) for the 2018/19 as decided by the retirement fund body (EPFO) and will benefit more than 60 million (6 crore) formal sector workers. |
| | Mexico | Chamber of Deputies approves Afores reform bill | Legislation on reforming the Savings System for Retirement (SAR) has now passed in plenary vote in the Chamber of Deputies by a wide margin. It will: <ul style="list-style-type: none"> ▪ Split the fees for Retirement Funds Administrators (Afores) into a component based on resources managed and one reflecting the yield. ▪ Replace the Specialized Retirement Fund Investment Companies ("Siefores") with Specialized Investment Funds of Retirement Funds ("Fiefores"). ▪ Introduce a "target date fund" investment regime set by the Pension Funds System Commission (Comisión Nacional del Sistema de Ahorro para el Retiro, "Consar"), to reflect member investment priorities over the duration of a career. ▪ Allow early withdrawal of voluntary deposits. |
| | Namibia | Higher tax relief proposed for contributions | The 2019-20 Budget features a proposal to raise the maximum tax deduction for retirement fund contributions from N \$40,000 per year to 27.5% of annual income up to N \$150,000. It is not clear how the measure would affect pension and educational scheme contributions which also count towards the current N \$40,000 threshold. The budget also proposes taxation of a citizen's foreign-source income. |
| | Netherlands | Decree on valuation of pensions and annuities | The Finance Ministry's Decree No. 2019-6904 of March 19, 2019 revises its guidance (available in Dutch) on valuation policy, featuring fair market value in a few different settings including annuities, insured pensions, and changes after dissolution of fiscal unity. |
| | Netherlands | Bill on pension sharing in divorce | The Cabinet has approved a draft bill from the Ministry of Social Affairs that would "modernize" pension sharing in divorce. The default arrangement would be that an ex-spouse would be entitled to part of the portion of the pension that accrued during marriage. The bill is being reviewed by the State Council before proceeding to Parliament. |

Key financing-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|-----------|--------------------------------|---|---|
| Financing | Netherlands | New UFR calculation | Both the government and the central bank (DNB) have approved an advisory committee's proposal on a more conservative approach to calculating the ultimate forward rate (UFR) in determining the discount rate for defined benefit scheme liabilities. The Social Affairs Minister, who recently negotiated a pension reform plan featuring a temporary reduction in the funding ratio from 104.2% to 100%, has advised Parliament that this will reduce coverage ratios by about 2.5%. The DNB plans to adopt the new UFR on January 1, 2021. |
| | Romania | Changes in capital requirements | Sharply higher capital requirements that were to be introduced for mandatory private pension funds from May 31, 2019 have been significantly reduced and are deferred to December 31, 2019. Under an agreement with pension fund managers, the minimum capital requirement of 10% of contributions will be cut to 8% with additional reductions possible for investments in public/private partnerships and infrastructure projects. |
| | Russia | Changes in investment rules for NPF's | The Bank of Russia has posted a draft ordinance on rules for investing the reserves of nongovernmental pension funds (NPFs). It would establish standards under which NPFs could invest their reserves without enlisting management companies and sets the terms under which they may invest in specific products. This includes a 10% cap on products deemed risky. The final draft is due in the third quarter of this year. |
| | Sweden | Bill would improve pension and life insurance portability | The Finance Ministry has previewed legislation that would simplify the process of transferring assets of life insurance and pension insurance policies. This would include a tax exemption on the transfer and greater regulation - including transparency standards - for the fees charged for these transactions. The draft is now under review in the Law Council. Entry into force is slated for January 1, 2020. |
| | Sweden | Government response to Premium Pension System (PPM) reform plan | The Swedish National Audit Office (NAO) recently issued a report calling for greater cost-effectiveness and transparency in the Premium Pension System (PPM). The government approved some NOA recommendations, noting that they overlap with ongoing PPM reform efforts, but it expressly rejected full disclosure of all costs and "regular evaluations of the cost-effectiveness of the fund market." |
| | Turkey | New investment thresholds | The Capital Markets Board (SPK) announced Amendments to the Guidelines Regarding Pension Investment Fund that set minimum investment thresholds for private pension funds and other institutional investors. They should have had at least 25% invested in government bonds and 10% invested in stock on the Istanbul Stock Exchange, the deadline was July 31, 2019. |
| | United Kingdom | Regulator's tougher approach to scheme funding | The Pensions Regulator has issued a press release, describing a case study on how it is taking a tougher approach to scheme funding. The case study describes how the Regulator's intervention led to a "suite of improvements" including an upfront payment of GBP 10 million, a reduction in the recovery period, and a commitment to stop dividend payments for six years. Companies should continue to be aware of the Regulator's approach, particularly in relation to dividends. |
| | United Kingdom | Rolls-Royce annuity purchase | Aon advised the Trustee of the Rolls-Royce UK Pension Fund on a partial buyout in excess of £4.6 billion, which was the largest ever insured bulk annuity purchase in the UK. |
| | United States | SOA private-sector mortality experience study | The Society of Actuaries' (SOA's) Retirement Plans Experience Committee (RPEC) released an exposure draft of its latest private-sector mortality experience study ("Pri-2012"), which it intends to finalize in October 2019. The new tables do not directly impact assumptions prescribed by the IRS for funding, PBGC premiums, and plan administration, but they may be taken into account in developing future prescribed tables. |
| | United States | Proposed PBGC changes | The Trump administration released additional details regarding its fiscal 2020 budget proposal, which includes changes to the PBGC premiums for both single employer plans and multiemployer plans. |

Key operations-related updates from the quarter

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|------------|---------------------------|---|--|
| Operations | Argentina | Tax break on pension contributions to rise | An ARS 12,000 annual personal income tax exemption for employee contributions to private pension plans administered through an insurance company and supplemental life insurance coverage is set to rise to ARS 18,000 in 2020 and ARS 24,000 in 2021. The investment fund regulator Comisión Nacional de Valores is expected to confirm that the funds offered in many occupational pension plans will qualify for this deduction. |
| | Australia | Climate-related financial risk | The Australian Prudential Regulation Authority (APRA) warned superannuation trustees, insurers, and banks that it will ratchet up its oversight of their responses to climate-related financial risks . APRA supervisors will factor climate risk into supervision under existing prudential risk management standards CPS 220 and SPS 220. |
| | Australia | Advice fees in superannuation: reminder of trustee oversight obligations | The Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC) have issued a joint letter to superannuation trustees setting out their responsibility for oversight of the fees and other charges deducted from member superannuation accounts for financial advice. It addresses a range of issues that must be addressed in oversight practices. |
| | Australia | Super governance review | The Australian Prudential Regulation Authority (APRA) has issued a report warning super funds and other financial institutions that their first round of self-assessments yielded evidence of widespread flaws in risk management and governance. It has concluded that the industry needs stronger guidance on managing nonfinancial risk and that a number of institutions will need to set higher capital requirements. |
| | Australia | Retirement income system review | The Treasurer has indicated that he will follow through on the Productivity Commission's recommendation that the government conduct a thorough review of the retirement income system. Issues will include how the superannuation scheme complements the government pension, whether retirement income is sufficiently improved since introduction of the mandatory super, and whether the tax regime needs refinement. |
| | Australia | Superannuation prudential framework review | The Australian Prudential Regulatory Authority's Review of APRA's 2013 superannuation prudential framework delivered a generally positive assessment but concluded that new rules will be necessary for curbing conflict of interest, particularly in cases of outsourcing to related parties. Other areas slated for improvement include the board appointment process, reporting standards, guidance on investment governance and life insurance in superannuation. |
| | Austria | Align retirement age with life expectancy | The EU Commission noted that past reforms in the country have successfully provided incentives to retire later, with the effective exit age from the labour market increasing by an estimated 1.5 years for men and by 1 year for women between 2014 and 2017. the Commission recommends introducing an automatic link between the statutory retirement age and gains in life expectancy in the future, as it could reduce public pension expenditure. This furthers closing the gap between the statutory and the effective retirement age and contribute to the long term stability of the system. |

Key operations-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|------------|--------------------------|---|--|
| Operations | Cambodia | Seniority payments suspended until 2021 | Last year, the government issued directive 443 on seniority indemnity, which requires employers to pay a bonus equalling to half of a month's wage, twice a year to qualified workers. This payment was supposed to be effective 1 January 2019 but the Labour Ministry has now decided to suspend this payment for non-garment and footwear workers until December 2021. The first payment was expected to occur in June each year and the second payment in December. During the suspension, employers who terminate their employees based on mistakes, retirement or death, must still pay the indemnity pay to workers. However, for those who resigned or were fired before 2019 will not be paid. More info here . |
| | Canada | CAPSA electronic communication guideline | The Canadian Association of Pension Supervisory Authorities (CAPSA) published its updated Guideline No. 2 Electronic Communication in the Pension Industry. The guideline applies to communications required under pension legislation from a pension plan administrator and/or pension plan sponsor, which are provided in electronic format. |
| | Canada | CAPSA Strategic Plan | The Canadian Association of Pension Supervisory Authorities (CAPSA) published its Strategic Plan April 2019-March 2022, which sets out its priorities for the next three years. |
| | Canada | Quebec Annuity purchasing policy | Retraite Québec announced a new Annuity Purchasing Policy section on its website. Under the Supplemental Pension Plans Act, final payment of the members' and beneficiaries' benefits can be made to an insurer provided the plan has an annuity purchasing policy. If there is no annuity purchasing policy, it is still possible to have benefits guaranteed; however, in this case, it is not considered a payment and the member in question remains a member of the plan. |
| | Denmark | Social Democrat agenda | The Social Democrat Party, charged with leading the new coalition government, has set out a proposal to develop an early pension scheme for "dilapidated,, workers, those with physically or mentally taxing jobs. A recent early retirement agreement between the outgoing Employment Ministry and social partners suggests that this plan will not be widely opposed. |
| | EU | Guidance on climate-related risk disclosure | The Sustainability Accounting Standards Board (SASB) and the Climate Disclosure Standards Board (CDSB) have collaborated on guidance for more standardized disclosure of climate-related risks in a company's financial filings. This disclosure is voluntary but several hundred large companies have already signaled their intention to include this information in their reporting and have asked the boards for guidance. |
| | EU | Sustainable investment agreement | Parliament has adopted a resolution for a taxonomy on determining which economic activities truly contribute to environmental sustainability. The European Council is expected to agree on a resolution soon and then the two bodies can reconcile their positions. |
| | EU | Pension fund levy rejected | The EU Council and the European Parliament have rejected the European Commission's 2017 proposal to introduce a levy on EU pension funds to help finance the European Insurance and Occupational Pensions Authority (EIOPA), the European Securities and Markets Authority (ESMA), and the European Banking Authority (EBA). They have concluded that current funding sources are adequate. |
| | EU | IORP disclosure guidance | The European Insurance and Occupational Pensions Authority (EIOPA) has issued principles and guidance on clear and adequate disclosure to plan members under the IORP (Institutions for Occupational Retirement Provision) II Directive. This includes the timing and communications channels during the preretirement and pay-out periods as well as historical performance data for prospective members. |

Key operations-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|------------|---------------------------|---|--|
| Operations | EU | Occupational pension stress test | The European Insurance and Occupational Pensions Authority (EIOPA) is conducting its biennial occupational pension stress test , this time featuring an evaluation of Environmental, Social, and Governance (ESG) exposures. Results of the test are due at the end of December. |
| | EU | IORP II infringement proceedings | The European Commission's Directorate-General for Financial Stability and Capital Markets (DG FISMA) has opened infringement proceedings against a majority of member states for failure to meet the January 13, 2019 deadline for full transposition of the IORP II Directive. Five of these nations are credited with partial transposition while another 12 have yet to notify the legislation. Analysts have noted that several of these states are actually well along in the process and that fines are not expected for those complying by 2020. |
| | EU | PEPP expert panel | The European Insurance and Occupational Pensions Authority (EIOPA) will convene an expert panel on the Pan-European Personal Pension Product (PEPP) Regulation. The body will advise EIOPA on the content of PEPP Key Information Documents (KID) and Benefit Statements as well as PEPP cost ceilings and risk mitigation techniques. Furthermore the expert panel will provide insights that will help EIOPA develop "superior solutions and smart policy advice", which will incentivize financial innovation while being of benefit to consumers in Europe. |
| | EU | IDD proposal | EIOPA has delivered advice to the European Commission on sustainability in the areas of risk management, investment strategy, stewardship, and product oversight, which features a proposal to include ESG (environmental, social, and governance stability factors) considerations in the implementing rules of the Insurance Distribution Directive (IDD) . |
| | Germany | Pension dashboard model proposed | Aon was co-author of the government-commissioned Conceptual foundations for a cross-pillar retirement information, which offers a blueprint for a pension dashboard with standardized information on pension entitlements and the tax treatment of retirement benefits as well as retirement income forecasts. This dashboard should provide citizens a comprehensive overview of their total expected retirement income across all three pillars. There will be stakeholder consultations before commitment to a pilot project. For more information see the link (German). |
| | Hong Kong | Bill would clarify the role of ORSO | The Occupational Retirement Schemes (Amendment) Bill 2019 would curb abuses of the Occupational Retirement Schemes Ordinance (ORSO) such as nonretirement uses and inclusion of nonemployees. Documentation required for registration would establish that the plan is purely an occupational retirement scheme. |
| | Hong Kong | New standards for retirement schemes | The MPF and ORSO retirement plans will be subject to the OECD's Automatic Exchange of Information (AEOI) reporting standard from January 1, 2020. Trustees of these schemes will have to submit their first annual reports under AEOI, reflecting the year 2020 to the Inland Revenue Department by mid-2021. |
| | India | EPFO more transparent for members | The April 2019 issue of Benefits Pulse includes the following update: The EPFO will provide a worksheet on provident fund calculations at the time of withdrawal to the subscribers to increase transparency. Members will receive this via email or SMS. Additionally, the EPFO has made it easier for individuals to find out their claim status. At the time of retirement, after making the PF claim, one can check its status through the EPFO website, the EPFO unified portal for members and by visiting the member claim status link. |

Key operations-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|------------|-----------------------------|--|---|
| Operations | Ireland | Guidance on EU reporting requirements | The relevant Irish regulators, the Pensions Authority, and the Central Bank of Ireland, have been posting information about the EIOPA and ECB reporting requirements that were introduced last year for occupational pension funds, including a list of those enterprises that will be responsible for detailed quarterly reports. The first reports come due in December 2019. |
| | Ireland | Revision of capitalization rules for multi-employer trusts | The Pension Authority has revised draft capitalization requirements for multi-employer defined contribution (DC) master trusts. Other proposed requirements address transparency and board composition. |
| | Israel | Employers interface revised | On 23 May 2019 a draft of the Employers Interface was published, which will come into effect on 8 September 2019. More information can be found in the Aon/AKT May Pension Update . |
| | Netherlands | Longer pension recovery period proposed | Draft legislation merging measures drawn up by two different parties would extend the five-year recovery period for underfunded pension schemes to seven years and increase the measurement points for financial recovery from six to eight. The recovery period has grown steadily since first introduced as a single year in 2006 and the Council of State (RvS), the nation's official advisory body, has branded this new measure as "irresponsible" but evidently will not be able to block it from reaching Parliament. |
| | Netherlands | Responsible investment charter | Dutch pensions supervisor De Nederlandsche Bank (DNB) has published a responsible investment charter featuring six environmental, social, and corporate governance (ESG) principles. DNB is the world's first central bank to adopt the UN's Principles for Responsible Investment (PRI) and its charter is being hailed as a bellwether. |
| | Netherlands | Defined contribution plan disclosure standards backed | The Autoriteit Financiële Markten (AFM) has sent the Finance Minister a proposal for improving the statutory requirements for defined contribution products. Communications and disclosure standards would improve consumer protection. This coincides with a position paper on self-policing in this area from the Dutch Association of Insurers (VvV). It proposes standardization of plan reporting in the service of easier comparison. |
| | Peru | AFP longevity incentives | The Superintendency of Banking and Insurance (SBS) has set out the terms under which AFP private pension funds may set discounts on management fees for affiliates. The discounts would come at the end of a designated period as a bonus for longevity. |
| | Switzerland | Broker commissions under scrutiny | The government has indicated that it is "prepared to look into" a legal remedy to "wrong incentives" in the current system of second-pillar broker commissions. Recent studies have concluded that existing laws allow brokers to recommend pension funds based on the fees they may generate rather than their suitability for the client. Authorities will consider proposals to prohibit "volume-based commissions" or "a general ban on commissions paid for by the pension funds". |
| | Turkey | Pension plan changes | The government is working on termination indemnity plan. The general discussion is about moving the plan from unfunded liability of the companies to a funded plan. There are lots of options and discussion in the market. There is a general reaction about this discussion. The labor union and the employees wants to keep the gained right. Both of them have not been finalized yet. |

Key operations-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|------------|--------------------------------|---|---|
| Operations | United Kingdom | Equalising for GMPs—Conversion Guidance | The Lloyds Bank ruling set out a number of options for equalising for the effects of Guaranteed Minimum Pensions (GMPs). The DWP has published guidance setting out how schemes could use the GMP conversion legislation to achieve equality. Companies should start to consider the long-term solution to equalise for GMPs, whether or not this is conversion, in conjunction with trustees and advisers. |
| | United Kingdom | Government response on pension dashboards | The Government has published its response to the consultation, enabling individuals to see information from their pension schemes in one place. Roll-out will be staged and the majority of schemes will need to provide information within three to four years. Initially, only basic information will be required. State Pension information will be shown "at the earliest possible opportunity." |
| | United Kingdom | Pensions Regulator report on involvement in takeover | The Regulator has published a Regulatory Intervention Report in relation to a particular pension scheme. The report is intended to highlight to trustees, employers, and advisers how the Regulator expects to work with them, where there is a takeover or acquisition and a DB scheme is involved. Companies involved in corporate transactions should be aware of the Regulator's expectations. |
| | United Kingdom | PPF guide to help trustees plan for insolvency | The Pension Protection Fund (PPF), working with the Pensions Regulator, has published a new guide entitled 'Contingency planning for employer insolvency', which aims to help trustees understand the different challenges they will face when there is a higher risk of the employer becoming insolvent. Companies should be aware of this guidance and be prepared to respond to requests for information from trustees. |
| | United Kingdom | FRS 102 amendments | The Financial Reporting Council has issued 'Amendments to FRS 102 – Multi-employer defined benefit plans', which clarifies that when sufficient information about a multi-employer DB plan becomes available for the employer to apply DB accounting for the first time, the impact of the transition from DC to DB accounting should be shown in Other Comprehensive Income. |
| | United Kingdom | Automatic enrolment short-notice checks | The Pensions Regulator has announced that it will carry out short-notice inspections, targeting employers who flout their automatic enrolment pension duties. |
| | United Kingdom | Further SIP changes | The Department for Work and Pensions has published regulations that make further changes to the requirements for pension schemes' Statements of Investment Principles (SIPs) from October 2020. The changes include additional content relating to policy on asset managers, and a requirement for DB schemes to make their SIP available on a website. These changes are in addition to those applying from October 2019. An Aon In Touch technical update with more detail can be downloaded here . |
| | United Kingdom | CTI—New tools to help pension schemes deliver better value for money for members | The Cost Transparency Initiative (CTI) has launched new tools to help pension schemes obtain data on costs and charges, supporting them in their assessment of value for money for members. Unless suitable tools are already in place, trustees should engage immediately with their investment and/or DC advisers, to ensure that they adopt the new templates. |
| | United Kingdom | Money and Pensions Service launches | The Money and Pensions Service has officially launched its new name and brand and is developing its national strategy for money and pensions. The new body replaces the Pensions Advisory Service (TPAS) and the Money Advice Service, and it is responsible for Pension Wise. A customer website is set to go live towards the end of 2019. Companies should ensure that communications now refer to the new body. |

Key operations-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|------------|--------------------------------|---|---|
| Operations | United Kingdom | Money and Pensions Service launches | The Money and Pensions Service has officially launched its new name and brand and is developing its national strategy for money and pensions. The new body replaces the Pensions Advisory Service (TPAS) and the Money Advice Service, and it is responsible for Pension Wise. A customer website is set to go live towards the end of 2019. Companies should ensure that communications now refer to the new body. |
| | United States | Revised EPCRS guidance | The Internal Revenue Service (IRS) published Revenue Procedure 2019-19, which sets forth the Employee Plans Compliance Resolution System (EPCRS). Revenue Procedure 2019-19 modifies and supersedes Revenue Procedure 2018-52, primarily to expand certain failures subject to self-correction. |
| | United States | SEC final regulations on investment advice | The Securities and Exchange Commission (SEC) voted to adopt a package of regulations and interpretations that are intended to enhance the quality and transparency of retail investors' relationships with investment advisers and broker-dealers, while preserving access to services and products and balancing other factors. |

Key State-related updates from the quarter

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|-------|---------------------------|---|--|
| State | Argentina | Ruling on state pension income tax exemption | The Supreme Court agreed with a pensioner who challenged the personal income tax (PIT) levied on her social security payments as unconstitutional. Many similar cases have already been filed and some analysts expect it to result in legislation that will ultimately benefit the estimated 300,000 pensioners who receive a payment above the tax-exempt threshold. |
| | Armenia | Minimum pension raise | Parliament has approved in second and final reading a measure to raise the minimum pension benefit by 60% from 16,000 drams to 25,500 drams (US \$52.54) per month. This law will be retroactive to January 1, 2019. |
| | Brazil | Social security reform update | The leaders of 13 parties representing 291 of the 513 deputies have drawn up a statement broadly endorsing the administration's social security reform plan but flatly rejecting a few provisions. The most significant sticking point is the provision that would deconstitutionalize pension rules because removing them from the purview of the constitution would make it easier to enact further changes. |
| | Brazil | Social security reform bill | The social security reform bill proceeding through Congress has had the key provisions on an individually funded pension scheme stripped out for later introduction as stand-alone legislation by the House of Representatives' Special Committee. The administration has announced plans to restore it later in the legislative process. |
| | Chile | Pension reform will require revisions | The President's pension reform legislation was narrowly defeated in the lower house's Labor Committee. Sticking points included allowing the AFP pension funds, rather than a nonprofit government entity, to manage the higher pension contributions. A revision will now be drafted. |
| | China | Contribution cuts are being implemented | The State Council has announced an over-all reduction in employer social security contributions. The rates vary by province and currently range from 14-20%. With the cooperation of the provinces, the federal government aims for reducing most rates to no more than 16%, effective May 1, 2019. A redefinition of pensionable salary is expected to generate an additional 2-3% in savings. Lower unemployment insurance and workers' compensation insurance rates are also on the agenda. Much still needs to be clarified and resolved. |
| | Columbia | Social security reform consultation | An interministerial initiative has created a portal for public consultation on preparing a package of social security reform legislation. The reform legislation is due by the end of the year. |
| | Croatia | Referendum on pension reforms | A trio of trade union federations is holding a referendum campaign on rescinding the measure in the recently-passed pension reform on raising to retirement age from 65 to 67 by 2033. The "67 is too much" referendum will also call for reducing early retirement penalties and lengthening the transition period for equalization of male and female pensions. |
| | Denmark | Early retirement for strenuous work | The Employment Ministry has reached agreement on a pension reform plan that will allow people with reduced work capacity to retire up to six years early. To qualify for this "senior pension", one would need at least 20 years of employment and an assessment that a candidate is no longer capable of full-time work. The plan will also expand flexible/reduced hours opportunities for those nearing retirement age and improve terms for those who stay on the job while drawing their state pensions. New regulations implementing this plan are due to come into force on January 1, 2020. The Ministry will also appoint a commission to consider the prospect of further increases to the retirement age after 2040 when it is expected to be 70. |

Key State-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|-------|------------------------------------|---|--|
| State | Dominican Republic | IDSS revamp planned | The government has announced plans to dismantle the Dominican Social Security Institute (IDSS) and replace it with a National Institute for the Prevention and Administration of Labor Risks (Inaril). |
| | Ecuador | IESS solvency report | The actuarial directorate of the social security institute (IESS) has delivered its report on how to make the system solvent. If accomplished by a premium hike alone, the worker contribution of 11.15% and the employer rate of 9.45% would share a 4.77% increase. A reduced replacement ratio is considered as a possible alternative and the more volatile issue of a retirement age hike is not taken off the table. |
| | Egypt | Minimum wage and pension to rise | The President has declared that the minimum wage for both the private and public sector will rise by 67%, from 1,200 Egyptian pounds per month to 2,000 pounds (US \$116) from July 1, 2019. He also announced that from July 1, 2019, the minimum pension will rise from 750 pounds per month to 900 pounds. In addition, private-sector wage indexation will lift monthly salaries by 10%, at least 75 pounds per month. |
| | El Salvador | Solidarity fund under scrutiny | An imminent deficit is forecast for the nation's solidarity pension pillar (CGS), which was introduced as part of the 2017 pension reforms. The financial sector regulator (SSF) study is contributing to the pressure for another round of pension reforms. |
| | EU | Social security coordination vote postponed | A plenary vote in Parliament has narrowly approved a resolution to postpone further consideration of the revised rules on social security coordination until the next parliamentary term. There was already a provisional agreement with the European Council and European Commission on this major "modernization" of the rules and its backers were surprised by this move. The European Commission has now announced that there will be debate on an "enhanced use" of qualified majority voting on social security and other social policy issues to make "decision-making more timely, flexible and efficient." |
| | Finland | Social security coverage for expatriates | The Social Insurance Institute, KELA, has announced entry into force of the Act on the Application of Residence-based Social Security which waives the requirement that foreign workers be in Finland for at least four months to be entitled to social security benefits. From April 1, 2019, cross-border employees are eligible for social security coverage, provided their monthly salary is above the basic monthly unemployment allowance (currently EUR 696.60). |
| | Georgia | Update on pension reforms | Members of the auto-enrollment accumulative pension plan who were over age 40 as of January 1, 2019 will have a two-month window for withdrawal after three months in the scheme. The worker's 2% contribution and any interest credited to it would be returned within 30 days, employer 2% contributions would be similarly reimbursed and the state 2% contributions would be diverted to a Treasury account. The law was published on May 27, 2019 but is retroactive to April 1. |
| | Isle of Man | Social security benefits now taxable | Parliament approved Income Tax (Social Security Benefits) Order 2019, which rendered all social security benefit payments subject to income tax starting on April 6, 2019. |
| | Isle of Man | Manx State Pension | A state pension reform that was approved in July 2015 went into effect on April 6, 2019. For people retiring on that date or later, the two-tier pension plan is replaced by the single-tier Manx State Pension. |

Key State-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|-------|-------------------------------|--|--|
| State | Italy | Pension reform implementing regulations arrive | The Senate has "definitively" approved the social security reform legislation that will allow retirement as early as age 62 provided one's age and years of contribution total at least 100. The passage reportedly occurred in time to meet the April 1, 2019 target for entry into force in the private sector. |
| | Italy | Stand-off over reforms | The European Commission has threatened an infringement procedure against Italy over failure to rein in debt, citing the "quota 100" (age + contribution period = 100) formula for retirement and the universal citizenship wage. The penalty procedure would carry a EUR 3B fine, but the Prime Minister has pledged to keep both programs. |
| | Italy | More on early retirement law | Press coverage of the new early retirement law, A.S. 1018-B notes that a second stage of reform remains unspecified and emphasizes that the "Quota 100" formula allowing retirement as early as age 62 (with age and contribution period totaling 100) will lapse in 2021 and should be regarded as temporary absent details on a second stage. |
| | Japan | State pension report rejected | A Financial Services Agency (FSA) report on the state pension system estimated a JPY 20 million (USD 184,400) retirement income shortfall for a couple living to age 95, supporting the case for dramatic pension reform and more of a retirement savings culture. The report caused much distress a month in advance of national elections and the Finance Minister has rejected it, branding its findings a source of "extreme worries and misunderstanding." |
| | Jordan | Benefit hikes | The Social Security Corporation (SSC) announced that, starting this month, the minimum monthly basic retirement and disability pensions will rise to JD 100, a 100% increase for some. This follows the statutory five-year review of pensions. The SSC aims to narrow a gap between these benefits and the minimum wage, which now stands at JD 220 per month. |
| | New Caledonia | Retirement age hike proposed | Social Security Protection Fund CAFAT has proposed raising the retirement age from 60 (or 57.5 after 35 years of contributions) to 62 in order to keep the system sustainable. The government and employer organizations support this plan, but the major unions have organized large protests against it. |
| | Peru | Minimum pension rises | The Economy Ministry has outlined a plan to use a sliding scale for benefit increases under the National Pension System. From June 1, the minimum monthly pension of S415 (US \$125) per month will rise to S500 per month. Percentage increases will be gradually reduced for higher pensions, with the maximum benefit rising by S35 to S893. |
| | Peru | AFP reform legislation | Recent congressional discussion on pension reform options was quickly followed by the submission of bills under which: <ul style="list-style-type: none"> • A government-sponsored AFP pension scheme would be introduced to compete with the four private-sector AFPs. • A longevity insurance scheme would start with retirement funds established for each child with a government contribution of 1,650 soles. • The 16% general sales tax would see 2% diverted into AFP savings accounts. |

Key State-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|-------|-----------------------------|---|---|
| State | Peru | REJA early retirement scheme restored | Congress has overturned an executive branch veto of its reprieve for the Special Regime for Early Retirement (REJA). Under REJA, unemployed men/women as young as age 55/50 may start to tap income from their AFP pension funds rather than wait for the normal retirement age of 65. The new measure provides no expiration date for this initially temporary scheme and the President has signaled that he plans to sign it. |
| | Philippines | Social security contributions rise | The Social Security System (SSS) has disclosed that the first tranche of contribution increases under the Social Security Act of 2018 got underway on April 1, 2019. At this stage, the 7.37% employer contribution has risen to 8% and the 3.63% employee contribution is up to 4%. |
| | Poland | 13 th month pension approved | The "pension plus" legislation introducing a 13th month pension, initially at a standard rate of PLN 1,100 (EUR 255), was approved in the Senate and signed by the President quickly enough to meet its May 1, 2019 target date for entry into force. |
| | Romania | Changes for retirement day works | Government Emergency Ordinance No. 26/2019 published in the April 19 Official Gazette, introduced (Among other changes) the following: Day workers are covered by the state pension system, so employers must make contributions on their behalf. |
| | Russia | Proposed changes to retirement age occupational pension | Legislation now before the State Duma would set occupational pension retirement age at 55 for women and 60 for men, with benefit reductions for earlier retirement and increases for delayed retirement. This follows entry into force of a law that will raise retirement age for the state pension from 60 to 65 for men and 55 to 60 for women. |
| | Samoa | SNPF rate hike proposed | The government has proposed increasing worker contributions to the Samoa National Provident Fund (SNPF) from 7% to 10%, at a rate of 1% per year starting in July 2019. Employers are required to fully match the employee contributions so both unions and the business sector have expressed misgivings about the premium hike's affordability. The SNPF has given the private sector assurance of unspecified flexibility and support during the transition. |
| | Serbia | Proposal on indexation | The government has reached a principle agreement with the International Monetary Fund (IMF) on draft legislation that would set an automatic peg for pension indexation. It would follow the "Swiss model", blending 50% Consumer Price Index and 50% wage inflation. The law should arrive this fall and the first application of the formula should come in December. It is expected this will lead to an increase of 5%. |
| | Slovakia | Retirement age changes | Parliament has passed in its final vote a bill amending the constitution to cap the retirement age at 64. Women who have had children may retire up to a year and a half earlier. The law will go into effect on July 1, 2019. |
| | Switzerland | The Federal Act on Tax Reform and OASI Funding was approved | Swiss voters have approved stricter measures for corporate taxes to get rid of its low-tax branding and increased pension finance in a referendum. Switzerland has been under pressure from the EU and the OECD to meet international standards of taxation and eliminate the benefits which about 24,000 foreign companies operating from Switzerland are profiting from. The measures will require raised pensions contributions by CHF 2bn (€1.8bn) of which employers and workers will be paying 1.2bn with an additional contribution rate of 0.15 percentage point. |

Key State-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

| | Country | Measures | Changes |
|-------|-----------------------------|---|---|
| State | Switzerland | Legislative draft of new AHV Law will be presented in August | <p>Planned measures of the legislation (more information is available here):</p> <ul style="list-style-type: none"> ▪ The reference age of women will be gradually increased by 3 months per year to 65. ▪ Compensatory measures amounting to CHF 700 million are planned for a period of 9 years. ▪ The date of the AHV pension can be freely chosen between 62 and 70 years. ▪ Setting incentives for gainful employment over the age of 65. ▪ VAT will be increased by a maximum of 0.7 percentage points for the AHV |
| | Turkey | Expanded day credits for foreign worker social security credits | Social security premiums for foreign workers have been based on a 30-day month with only maternity leave days subtracted. Under a March 18, 2019 Social Security Institution (SSI) notice, the premium requirement may now also be trimmed to reflect documented periods of sick leave, time abroad, work permit gaps, strikes, and other work stoppages and periods of imprisonment. |
| | Ukraine | Update on pension reforms | A recent Constitutional Court decision concluded that last year's pension reform measures including a minimum age requirement for certain length-of-service pensions are unconstitutional. The grievance was over minimum pension age for workers in particularly dangerous or unhealthy occupations. This refers to jobs that can directly affect the health of an employee and can cause a loss of professional ability (ability to perform work) before the age giving entitlement to retirement by age. |
| | Uzbekistan | Measure would raise state pension contribution | The Senate has approved an amendment to the law "On State Pension Benefits of Citizens" that would increase the maximum pensionable salary from 8x the minimum wage to 10x the minimum wage. Reporting was not clear on which steps remain before entry into force. |
| | Uzbekistan | National payroll registry | The Ministry of Justice has called for a nationwide electric registry of all payroll wages. The State Tax Committee will manage the centralized database to better calculate each citizen's pension benefits. It is not yet clear whether employers will have new responsibilities for disclosing payroll data to the government but they will be obliged to provide workers with a monthly statement of accrued benefits. |
| | Vietnam | Social security exemptions for some foreign workers | The Ministry of Labor, Invalids and Social Affairs has issued Official Letter No.1064 clarifying the scope of mandatory social security coverage for foreign workers under a decree that went into effect on December 1, 2018. Foreign workers who have reached retirement age (55 for women, 60 for men) are not subject to social security contributions and qualifying intra-company transfers (ICT) are also exempt. |
| | Zimbabwe | Pension reform plan | The Insurance and Pension Commission (IPEC) has concluded that the pension system is not fulfilling its retirement income security mission in the current inflationary economy. It is preparing a proposal for a schedule of early withdrawals based on age and years of contribution. Reforms will also address corporate governance inadequacies and high administrative fees. |

Key areas of current focus for employers

- Requirements
- Proposals
- Opportunities

Common across North America, UK & Ireland:

- DC optimization
- De-risking DB plans
- Member options, including lump sums (1-19)
- Settlement with insurers

United Kingdom & Ireland:

- UK: Any implications from Brexit
- UK: GMP equalisation corrections (2-19)
- UK: Increasing Regulator involvement
- Ireland: Pension Reform 2023

Global:

- More formal plan governance
- Global DC and financial wellbeing (4-18)

Canada:

- Pension funding reform in many Provinces
- Changes made to CPP/QPP

Latin America:

- Migration from DB to DC
- Evolving investment strategies
- Communication and financial wellbeing
- 1st & 2nd pillar reform

Brazil:

- Settle DB risks with an insurer
- Social security reform
- DC plan operations & governance

Netherlands:

- Agreement reached on pension reforms (2-19)
- Deficit contributions or benefit reductions
- 2/3rds approval for cross-border plans

Germany:

- Increasing pre-funding of DB plans
- DC without guarantees
- CMI-linked mortality tables
- Member lump sum options

Switzerland:

- Reducing annuity conversion rates
- Pure DC for high-earners
- New discount rates & deficit recovery

Italy:

- New early retirement options available in 2019 (4-18)
- Encouragement of savings for sufficient pension

Middle East:

- Pension and savings reform: young population, reducing oil
- UAE/DIFC Mandatory DC 2nd pillar proposal (4-18)
- Funding End of Service Gratuities

India:

- Financial Wellbeing
- Improving attractiveness of NPS
- Investment risk governance
- EPF contributions on all earnings

Africa:

- Encouragement of saving for retirement

Common across Europe:

- Multi-employer plans to ease governance & operations
- Sustainable investment (ESG) (1-19)
- Earlier vesting: From EU Directive
- IORP II governance & risk management (4-18)
- Lower & later State pension causing ER challenges
- Member communication standards
- New mortality tables

Elsewhere across Europe:

- Belgium: voluntary DC without guarantee
- Eastern Europe: 1st & 2nd pillar reform
- France: Merging AGIRC and ARRCO (1-19)
- Poland: mandatory plan implementation (2-19)
- Poland: OFE reforms revealed
- Turkey: auto re-enrolment rules

Japan:

- CDC type plans
- DC governance & quality

Hong Kong:

- New tax deductions
- New administration requirements
- MPF offset removal
- New tax reporting requirements

Elsewhere Asia Pacific:

- Changes to mandatory funds
- Development of occupational and private schemes
- Increases in retirement age
- Social Security coverage expatriates
- Singapore: changes to tax for expats

Australia:

- Focus on member outcomes & governance
- Strengthening Superannuation (2-19)

(X-YY) indicates that a Hot Topic page was published in the Quarter X 20YY edition

Ongoing developments: North America

- Requirements
- Proposals
- Opportunities

| | Canada | United States |
|-------------------|---|--|
| State | | |
| Design | <ul style="list-style-type: none"> ■ Opportunities to reduce future benefits to balance cost of the changes to CPP/QPP. ■ Ontario: Budget 2019 affirms government's support for Target Benefit Plans. ■ Québec: Prevention of variation of provision by date of hire. ■ Federal: Budget 2019 proposals to protect workplace pensions. | <ul style="list-style-type: none"> ■ Optional form and early retirement factor review in lieu of recent lawsuits. ■ Executive order issued, which aims to expand access to Multiple Employer Plans. ■ Bill to amend the tax code for retirement plans. ■ Temporary options for in-pay retirees/beneficiaries to elect lump sums in lieu of future annuity payments ■ House approves SECURE Act, which includes a number of proposed modifications to requirements for employer-provided retirement plans. |
| Financing | <ul style="list-style-type: none"> ■ Liability settlement noting improved financial positions and new annuity rules. ■ General trend of funding regulation to reduce/remove emphasis on solvency. ■ British Columbia: Consultations on solvency funding changes. ■ British Columbia: Funding relief. ■ Québec: Funding of multi-jurisdictional defined benefit pension plans. ■ Ontario: Enhancement to Pension Benefits Guarantee Fund (PBGF). ■ Ontario: Clarification of new DB plan funding framework. ■ Air Canada to form its own insurance company and transfer pension risk. | <ul style="list-style-type: none"> ■ ASU 2018-14, which updates the ASC 715 disclosure requirements for defined benefit plans. ■ President's fiscal 2020 budget proposal, which includes changes to PBGC premiums. ■ SOA private-sector mortality experience study Pri-2012. |
| Operations | <ul style="list-style-type: none"> ■ Revised commuted value standards, changes expected later in 2019 ■ Québec: Settlement of benefits in a wind-up. ■ Federal: Consultation on unclaimed pension balances. | <ul style="list-style-type: none"> ■ IRS Notice 2019-26, which provides updated mortality improvement rates and static mortality tables. ■ SEC adopts final regulations on investment advice. |
| Knowledge Sharing | <ul style="list-style-type: none"> ■ Aon Survey: Global DC and financial Wellbeing – Canada Findings summary ■ 2019 Global Pension Risk Survey: A Webinar on the Canadian results (French). Click the link for more information and registration. A recording of the English webinar can be found here. | <ul style="list-style-type: none"> ■ Aon Survey: Global DC and financial Wellbeing – U.S. Findings summary ■ Pathways: Aon Hewitt Investment Consulting's newsletter for retirement plans ■ Aon Compliance Calendar covers significant Compensation & Benefits dates in 2019 ■ Annuity Settlement Market Update 2019 ■ Aon Quarterly Update highlights various other regulatory changes and opportunities ■ Aon Thought Leadership: Documents are frequently added |

Ongoing developments: UK & Ireland

- Requirements
- Proposals
- Opportunities

| | United Kingdom | Ireland |
|-------------------|---|--|
| State | <ul style="list-style-type: none"> ■ Scotland: Intention to develop independent Social Security from mid 2019. | <ul style="list-style-type: none"> ■ State pension from 2020 to be more aligned with contributions made, consultation on this is ongoing. |
| Design | <ul style="list-style-type: none"> ■ How Collective Defined Contribution (CDC) plans might fit regulatory regime. ■ Government restated its intention to reduce lower age limit from 22 to 18 for automatically enrolling workers and pay minimum contributions from first pound earned. | <ul style="list-style-type: none"> ■ Consultation on auto-enrolment due to be launched starting in 2022. |
| Financing | <ul style="list-style-type: none"> ■ Pensions Regulator increases focus on long-term funding and scheme maturity. ■ Legislative framework for “superfunds” consolidating funds with risk transfer. | <ul style="list-style-type: none"> ■ Central Bank reporting requirements. |
| Operations | <ul style="list-style-type: none"> ■ GMP equalization guidance evolving. ■ By October 1, 2019, SIPs must set out how the trustees will address Environmental, Social and Governance issues and some schemes must disclose on website. ■ Additional powers for Pensions Regulator may require more/earlier company actions. ■ Increased focus on governance. ■ Pensions dashboard proposals. ■ Uncertainty for cross-border pensions and insurance contracts due to Brexit. | <ul style="list-style-type: none"> ■ More coherent and transparent environment planned for governance. ■ Implementation of IORP II in local law. ■ Regulator’s aim to consolidate DC plans to reduce from 70,000 to 100 plans. ■ New IAPF benchmark “merit Plus” designation possible for defined contribution schemes. ■ Trustees are planning for EU beneficial owner requirements. |
| Knowledge Sharing | <ul style="list-style-type: none"> ■ UK retirement conferences and seminars are added frequently ■ Monthly retirement market podcast to stay up to date in the Retirement landscape ■ Insight a quarterly pensions publication ■ Aon Insight zone is frequently updated with new insightful reading materials ■ DC and Financial Wellbeing Employee Survey 2018 – an employee’s perspective ■ Aon’s Guide to Member Options ■ Aon’s Monthly Risk Settlement bulletin provides monthly updates to the RS market (refer to links on right of webpage) ■ Pension Clicks – Monthly newsletter on Retirement related topics. Prior letters here. | <ul style="list-style-type: none"> ■ Spotlights – Periodic updates on Retirement related topics. Prior update here. |

Ongoing developments: Continental Europe

- Requirements
- Proposals
- Opportunities

| | Central & Eastern Europe | Continental Western Europe |
|-------------------|---|--|
| State | <ul style="list-style-type: none"> ■ Region: Many countries discussing and implementing changes in state pension both how it is design as well as how it is financed. Latest countries that are discussing and implementing are Croatia, Georgia, Russia and Slovakia. More details can be found earlier in this publication. | <ul style="list-style-type: none"> ■ Italy: Cabinet approves pension reform decree ■ Norway: Individual pension account system for DC pension plans approved ■ Sweden: Contribution waiver for younger workers proposed |
| Design | <ul style="list-style-type: none"> ■ Armenia: Second-pillar pension reforms ongoing ■ Czech Republic: Account-based second-pillar plans from 2020. ■ Poland: Employer-sponsored (PPK) plan have come into law. First deadline passed ■ Poland: OFE reforms announced ■ Russia: Proposal on regulatory framework for DC plans ■ Turkey: new updates are expected on the auto enrolment system ■ Ukraine: Delays in reforms until 2020 - constitutional challenge on retirement age | <ul style="list-style-type: none"> ■ Germany: DC plans without guarantees ■ Portugal: Exploring provision of annuity by pension funds as alternative to insurer ■ Spain: Cash-out option for employees with 10 years' service. |
| Financing | <ul style="list-style-type: none"> ■ Romania: Changes in capital requirements for pension funds ■ Russia: Changes in investment rules for NPF's | <ul style="list-style-type: none"> ■ Switzerland: Proposals on short-term financing of DC plans. |
| Operations | <ul style="list-style-type: none"> ■ EU/EEA: Employers in various countries exploring cross-border plans. | <ul style="list-style-type: none"> ■ Italy: Companies can now introduce DB bridging plans ■ Switzerland: Review of rules on auditing pension funds. |
| Knowledge Sharing | <ul style="list-style-type: none"> ■ EU/EEA: EIOPA consultations on customisation of the Pensions Benefit Statement ■ EU: IORP2 update: 17 countries have already transposed, action is to be taken against the countries (11) that have not yet complied | <ul style="list-style-type: none"> ■ France: AGIRC – ARRCO merger - A bulletin from Aon France (in French) adds some details. |

Ongoing developments: Asia Pacific

- Requirements
- Proposals
- Opportunities

| | South East Asia & Pacific | Rest of Asia |
|-------------------|---|---|
| State | <ul style="list-style-type: none"> ■ Japan: Social Security reforms & plans to expand mandatory pension ■ Malaysia: Retirement income enhancement review ■ Singapore: Retirement deferral plan ■ South Korea: Pension Reform options | <ul style="list-style-type: none"> ■ Kazakhstan: Ongoing pension reform & contribution hike proposed from 1 Jan 2025 ■ Nepal: Social Security coverage for Nepalese overseas proposed ■ Uzbekistan: Pension reform plans outlined. ■ Vietnam: Proposals to increase retirement age to 60 (F) and 62 (M). |
| Design | <ul style="list-style-type: none"> ■ Hong Kong: MPF reform proposal ■ New Zealand: Proposals for subsidies to encourage low income savings. ■ Thailand: Introduction of mandatory second-pillar fund. ■ South Korea: Occupational Pension reform study underway | <ul style="list-style-type: none"> ■ Azerbaijan: Private pension fund system in development ■ Bangladesh: Universal pension system pilot planned. ■ China: Third pillar individual account plan guidelines and pilot. ■ India: Ongoing approaches to improve attractiveness of NPS ■ Japan: Dependents foreign workers blocked corporate pension plan in April 2020 ■ Kyrgyzstan: legislation framework third pillar DC schemes |
| Financing | <ul style="list-style-type: none"> ■ Australia: Several Superannuation reforms and regulations to protect members. ■ Cambodia: Seniority payments suspended until Dec 2021 ■ Fiji: Double tax relief employer contributions to FMPF from Jan 2020 ■ Hong Kong: New annuity plan for residents over 65. ■ Hong Kong: Plan to remove MPF offset for severance and long-service payments. ■ Hong Kong: tax relief on voluntary MPF contribution accounts starting year 2019/20 | <ul style="list-style-type: none"> ■ India: Potential guidelines or requirements for investment governance ■ India: proposal to double the minimum pension. ■ Malaysia: Budget proposals to change tax relief and employer contributions. ■ South Korea: Funding targets from 80% to 90% in 2019, and to 100% in 2021. ■ Japan: Consider closing EPFs due to 2019 funding requirements. |
| Operations | <ul style="list-style-type: none"> ■ Australia: Superannuation prudential framework review, Super governance review, Retirement Income review to improve governance of superannuation. ■ Hong Kong: proposed tax regime for annuity premiums / contributions to the (MPF). ■ Hong Kong: MPF and ORSO subject to OECD AIOI from Jan 2020. | <ul style="list-style-type: none"> ■ India: Exploring how to streamline annuity process. ■ India: pilot for automated EPFO transfers next fiscal year (1 April 2020) |
| Knowledge sharing | <ul style="list-style-type: none"> ■ Aon Thailand have published a whitepaper on retirement developments and trends, read and/or download here. ■ Aon Hong Kong have published an article on important tax, administration and financing changes affecting employee retirement plans, read and/or download here. | <ul style="list-style-type: none"> ■ Aon India have published an article on important developments impacting the Statutory Provident Fund, read and/or download here. ■ Aon Singapore have published an article on changes impacting expats and employee retirement plans, read and/or download here. |

Ongoing developments: Middle East, Africa & Latin America

- Requirements
- Proposals
- Opportunities

| | Middle East & Africa | Latin America |
|------------|--|--|
| State | <ul style="list-style-type: none"> ■ Ghana: Diverting social security pension into mortgage financing ■ Iran: Social security reform expected due to increase in dependency ratio. ■ Kenya: Housing levy suspended ■ Rwanda: proposals made to reverse previous increase in retirement age. ■ Pakistan: Minimum pension to rise by 2023 ■ Tanzania: State pension formula reprieve until 2023 ■ Zimbabwe: Pension revaluation plan & pension reform plan | <ul style="list-style-type: none"> ■ Brazil: State medical and pension reforms. ■ Chile: AFP reform proposals. ■ Columbia: Social security reforms. ■ Costa Rica: Social security reforms. ■ Ecuador: Review of social security benefits. ■ Mexico: Proposals for nationwide minimum pensions and retirement age hike. ■ Mexico: Exploring ways to integrate first and second pillars and improve savings. ■ Nicaragua: Social security reforms. ■ Peru: Pension reform talks. |
| Design | <ul style="list-style-type: none"> ■ UAE: New end of service plan planned | <ul style="list-style-type: none"> ■ Chile: Proposed private pension reforms, including employer contributions. ■ Dominican Republic: Debate over voluntary second pillar. ■ Mexico: Plans being developed for voluntary employer-provided pension schemes. |
| Financing | <ul style="list-style-type: none"> ■ Kenya: Draft guidelines to enable retirement funds to be diverted for medical cover. ■ Mauritius: Plans for transfer for retirement gratuity on change of employment. ■ Namibia: higher tax relief proposed for contributions in 2019-20 Budget | <ul style="list-style-type: none"> ■ Mexico: Increased interest in life-cycle investment funds. ■ Peru: Efforts to simplify pension products and pension product choices. |
| Operations | <ul style="list-style-type: none"> ■ Israel: Employers interface to come into effect on 8 Sep 2019 | <ul style="list-style-type: none"> ■ Mexico: Increased focus on employee communication and financial wellbeing. ■ Peru: AFP longevity incentive discounts on management fees. |



Hot Topics

Further details on the hot topics currently affecting sponsors of retirement plans

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.

Prepared by Aon
Consulting | Retirement and Investment

AON
Empower Results®

Hot Topics for employers: General trends relating to retirement savings

| | | Defined Benefit | Defined Contribution | Expats & Mobile employees | Financial Wellbeing |
|------------|------------------------------|--|--|-----------------------------|---|
| Design | Revisit plan designs | | State changes, auto-enrolment, matching | Holistic view | Need for broader planning Working when retired |
| | More employee responsibility | Closing/freezing plans | Removing guarantees | | Education & understanding |
| | Employee choice | Options for personal needs | Investment defaults Automatic changes | Improved investment options | Comparison to other commitment & saving |
| Financing | Funding | More pre-funding Cross-border options | | Which jurisdiction and how? | |
| | Liability management | Member options Transfer to insurers | | | |
| | Asset performance | Broader investment categories Responsible Investment (ESG) | | Tax efficiency | Comparison to personal debt |
| | Cost of investment | Investment cost transparency Multi-employer funds | | | |
| Operations | Complex compliance | EEA IORP2 risk management Cyber risk testing & protection | | Multiple jurisdictions | |
| | Less local expertise | Decision-making protocols Outsourced delegation of policy execution | | | |
| | Employee experience | | Employee portals Global consistency (esp. for mobile employees) | | |
| | Providers | Admin performance & compliance Global contracting power | | | |

Hot Topic: Poland – Obligation for employers to provide a PPK

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|--|---|
| What has happened? | <p>The legislative proposal on Employee Capital Plans (PPK) has been signed into law.</p> <p>PPKs are aimed at increasing pensions savings for employees.</p> <p>The Act entered into force on January 1, 2019 and the first deadline (for companies with more than 250 people) has passed on July 1st, 2019. Companies with less than 250 employees have a longer period.</p> <p>Companies that form a PPK need to have a contract in place with a pension provider to manage a PPK by October 25th 2019 and to run PPK by November 12th 2019 (For companies with more than 250 people). The first contribution payable to the PPK scheme will be calculated by taking the first salary after signing a contract to run a PPK.</p> |
| Why does this matter to employers? | <p>Employers must create a PPK and contribute at least 1.5% of pay for enrolled employees. Employees must contribute 2% of pay.</p> <p>Enrollment must be automatic for all employees aged 18 to 55. Employees aged 55 and older can participate voluntarily.</p> <p>Employer contributions are not required in relation to any employee who chooses to stop their contribution payments.</p> <p>Lifecycle investment funds must be offered.</p> <p>Employers are exempt from providing a PPK if they provide an Employee Pension Program (PPE) to which they contribute at least 3.5% of an employee's gross remuneration, and in which at least 25% of employees participate.</p> |
| What are employers thinking? | <ul style="list-style-type: none"> ▪ What is the deadline for implementation for a company of our size? ▪ Is it better to provide a PPE instead of a PPK? ▪ What is the likely level of enrolment and therefore cost? ▪ What will our competitors be doing? ▪ What level of contributions and investment funds fits best with global corporate policies? ▪ How do we choose a provider? |
| What actions should be taken now? | <p>Seek advice on the options in regards to the formation of a PPK versus having a PPE in place.</p> |
| Who can provide more information or support? | <p>Sebastian Ludwin, a Retirement plan consultant in Poland, who has lead Aon thinking and advice on the choice of implementation of a new PPK or the alternative PPE.</p> <p>Aon recently hosted a webinar on the topic, which can be played back here.</p> |

Hot Topic: The Netherlands – Agreement reached to make changes to the current pension system

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|--|---|
| <p>What has happened?</p> | <p>On June 5th, 2019 the social partners in NL (consisting of representatives of the Government, Employers and Employees) presented an agreement to work on revising the pension system in NL after having been in discussion for more than 9 years.</p> <p>The agreement is aimed towards tackling some of the problematic points of the current pension system which include: slower increases to retirement age; removal of the uniform premiums approach (“Doorsneepremie”); new funding rules for pension funds; and better options to facilitate early retirement.</p> <p>A task force is being formed to develop greater details and ultimately the new law. This is expected to happen by January 1st 2022. The changes to state pension age will be implemented from January 2020, and the early retirement changes may also come early.</p> |
| <p>Why does this matter to employers?</p> | <p>Higher costs could arise from the new pension funding rules and the transition from the uniform premium system.</p> <p>Employees benefits may also be affected by each of these two changes.</p> <p>The funding changes include different rules for indexation and benefit reduction, as well as changes to premium levels.</p> <p>The replacement for the uniform pension system will be accruals that reduce with increasing age to reflect the shorter period for investment of the premiums – similar to DC plans with age-independent contributions.</p> <p>Employees can be offered early retirement without a penalty for the employer, and the lower state pension age (than had previously been planned) may also change retirement timing habits and expectations.</p> |
| <p>What are employers thinking?</p> | <ul style="list-style-type: none"> ▪ What do the new funding and premium rules mean for the costs of our pension arrangements? ▪ How will employees react on the new rules on the retirement age and early retirement? ▪ What sort of pension should we offer to our employees in the future (DC/DB/CDC), and how do we handle the transition? ▪ What opportunities will come out of this, and how can we utilize them? ▪ Will cross-border plans still have some advantages? |
| <p>What actions should be taken now?</p> | <p>Employers should prepare themselves for the upcoming changes and should map the impact it will have on their business. Employers should also ensure that they can keep up to date as the details develop.</p> |
| <p>Who can provide more information or support?</p> | <p>Aon NL has launched a website (Dutch) that contains the latest information on the changes. Among other things it also has a tool to calculate the new retirement age based on birthdate.</p> <p>Contact Sanne Spoelstra, Ronald Hagoort or your local Aon Consultant for more information.</p> |

Hot Topic: Australia – Protecting your Superannuation Package (PYS)

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| What has happened? | <p>The PYS regulations have come into effect on 1 July 2019.</p> <p>The PYS aims to protect the superannuation/retirement savings account balances of members from erosion by fees and costs (incl. product fees and insurance costs). The major reforms include:</p> <ul style="list-style-type: none"> ▪ Super funds must cancel insurance cover where an account has become inactive for more than 16 Months ▪ Capping fees at 3% on accounts less than \$6,000 (AUD) ▪ Banning exit fees from 1 July 2019 ▪ Inactive low balance accounts to transfer to the Australian Taxation Office to re-unify with the member's active super account |
| Why does this matter to employers? | <p>There will be significant changes to the operational insurance design of the Super funds and their fee disclosure.</p> <p>There will be impacts on fees and costs for superannuation and insurance in super.</p> <p>Some Super funds are cancelling insurance cover where an account has become inactive for <u>less</u> than 16 months.</p> <p>In the event of a death or disability or income protection claim, a risk that insurance cover is lower than expected.</p> <p>Employer and employee concerns around the governance practices of some Super funds and financial advice firms.</p> |
| What are companies thinking? | <p>How will this impact our employees?</p> <p>Are there gaps in our insurance provision (for example for employees that select a 'choice of fund')?</p> <p>Should we inform employees of the changes happening to their superannuation funds?</p> <p>How can employees access help and support and financial wellbeing services?</p> <p>Are our arrangements compliant, competitive and sufficient?</p> |
| What actions should be taken now? | <p>Employers should consider ensuring that all employees are aware of and act on these changes as well as encouraging employees to consolidate any legacy super accounts and to reclaim any 'lost super'.</p> <p>Employers should review their current retirement governance process and ensure providers are reviewed at least once every 3 years. This also extends to services from financial advisory firms which employees may access.</p> |
| Who can provide more information or support? | <p>The Australian Prudential Regulation Authority (APRA) has posted a FAQ on compliance with Treasury Laws Amendment PYS Act, which provides guidance on how the fee caps and insurance opt-ins will work as well as the handling inactive Low-Balance Accounts.</p> <p>Ashley Palmer leads Retirement and Benefit consulting across the Asia Pacific region and can provide more information and support. You can also use our general email: apac.retirement@aon.com</p> |

Hot Topic: United Kingdom – Requirement to equalise GMPs

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|---|---|
| What has happened? | <p>A UK court has ruled that Guaranteed Minimum Pensions (GMPs) must be equalised between males and females. The Judge indicated that a number of different approaches could be taken to implement the equalisation. These fall into two main categories:</p> <ul style="list-style-type: none"> ▪ 'Dual records' – where the relevant benefits for both a male and female are both recorded for each member, and the member is paid the higher of the two amounts (perhaps with some adjustments for past differences); ▪ 'GMP conversion' – where each members' benefits are valued, including the effect of equalising GMPs, and the member is given a new benefit of equivalent value, with no GMP. <p>The Government has published guidance on the GMP conversion approach, which adds some clarity to the requirements. A further court hearing is expected to provide clarity on the treatment of transfer payments made to other pension plans.</p> |
| Why does this matter to employers? | <p>This ends uncertainty that has existed since the 1990s, and confirms a potentially material additional cost for pension plans. This cost will typically need to be recognised in the P&L as a past service cost. Under International accounting standards this will mean full immediate recognition in the P&L, whilst under US GAAP the cost can be amortised. The additional cost may also create a need for additional cash funding when the trustees next review funding.</p> |
| What are companies thinking? | <ul style="list-style-type: none"> ▪ Which of the permitted approaches should be taken? ▪ How much additional liability will arise under each approach? ▪ Is it possible to defer the cost in the P&L, or for it to not go through the P&L? ▪ Do we need to formally decide which approach to take before determining the P&L cost? ▪ Will the administrative costs to apply the least cost options outweigh the financial benefit relative to higher liability options? ▪ Will the ongoing administrative costs of the dual records approach outweigh the upfront cost of GMP conversion? ▪ How many years of past payments need to be corrected? ▪ How quickly do the corrections need to be made? |
| What actions should be taken now? | <ul style="list-style-type: none"> ▪ Actuarial advice and calculations regarding the additional liability, and its impact for corporate accounting and plan funding. ▪ Legal advice on the actions to correct past payments and continuity of payments ahead of correction. ▪ Advice on administration and communication procedures. |
| Who can provide more information or support? | <p>Thomas Yorath, a UK consultant from Aon, who acted as Expert Witness for the Judge in the Court case.</p> |

Aon International Retirement Events & Thought Leadership Update

Global Events & Surveys

[DC and Financial Wellbeing Webinar](#) - A webinar was held on the 20th of June to present findings on Aon's "Living the Dream" study as well as other recent Aon studies on the topics of DC and Financial Well Being. Click on the link to view the recording for the UK. The report on the study can also be found [here](#).

[Global Responsible Investment Survey 2019](#) - We are running a short survey to better understand thoughts and actions relating to responsible investing, click [here](#) ([French](#)) for registering for North America and [here](#) for UK and Europe.

[2018 Global Benefits Governance and Operations Study](#) - this Study carried out with the American Benefits Council has closed, and the full report and its main findings have been published. More information can be found by clicking on the linked page.

[2019 Global Pension Risk Survey](#) - The Global Pension Risk Survey is Aon's biennial survey of DB pension plan sponsors and trustees/fiduciaries. The survey has closed now, results will be published soon.

[Global Survey Accounting assumptions FY 2018](#) - Aon's annual survey includes an overview of the average assumptions used by companies for disclosures produced under ASC 715, IAS 19 and FRS 102. For more info contact [Kirsten Miler](#) or [Yc Tao](#).

Country/Regional Events & Surveys

[Poland](#) - On 19 June and 25 June Aon hosted webinars on Auto-Enrolment Under the Employee Capital Plans (PPK). The implementation is staged so that employers with 250+ employees must begin preparations from 1 July 2019 and be ready to pay contributions no later than November 2019. Click the link in the word "Poland" to see a recording of the webinar.

[South Korea](#) - Participate in our local survey to contribute to and receive analysis on market returns on DC Markets in South Korea, including insight on asset allocation, product competitiveness and participant behaviours. Click on the link to request more information.

[Japan](#) - The annual benefit study for Japan is open once again. Last year a large number of companies participated providing good qualitative and quantitative insights into benefits. Click on the link for more information.

[UAE](#) - The 2019 financial awareness study is now open for participation. Click on the link for more information

For more information on any of the above, please contact your Aon international retirement consultant, your Aon global account executive, other regular Aon contacts, or [Colin Haines](#) (Partner, International Retirement). Click [here](#) to access more thought leadership in Aon's new global digital Retirement Insights hub. Also visit the [Global Retirement Management](#) section of [aon.com](#) for access to broader information about global retirement topics or the [Aon Retirement and Investment Blog](#) which sees updates twice a week with latest information and insights, with strong focus on investment market changes. Lastly, Follow this [link](#) to request a copy of our monthly bulletin on broader benefits matters.