



# Aon Global Retirement Insights Quarterly

## July to September 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 and Country Trends:

- [Germany](#): Low-interest rates triggering plan re-design, pensioner lump-sum opportunity, revised mortality assumptions and focus on asset investment.
- [France reforms](#): Major pension reform creating opportunity to step-back and review all retirement provision for simplicity, flexibility and tax-efficiency.
- [Responsible Investment](#): Increasing focus from regulators, and increasingly extending from guidance to expectations in an environment of strong public focus.
- [Low-interest rates](#): Year-end disclosures have the main focus at the moment, but also leading to cash-calls, pension cuts and review of guarantee rates.
- [Risk Settlement in the UK](#): A string of recent record-breaking risk settlements passing DB plan liabilities to insurers, and similar opportunities beyond the UK.
- [Cyber protection](#): October is defined as Cyber Security Awareness Month across much of the world – are pension plans forgotten in current protections?
- [Plan consolidation](#): IORP2 has increased the demand for consolidation, particularly in Belgium. New consolidation providers have developed in the UK.
- [India EPF](#): Significant increase in the definition of contribution salary for employees earning below the limit for contributions.

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](mailto: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

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# Contents

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**Hot topics in July to September 2019 :** Additional insight into some topics creating discussion recently.

## **Main developments in July to September 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

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

# Country Trends: Germany

<p><b>What is trending?</b></p>	<p><b>Design:</b> Reviewing interest rate guarantees, and introducing options for employees to take a single cash sum at retirement.</p> <p><b>Financing:</b> Holding assets, especially through a Pensionsfonds and seeking alternatives to default mortality assumptions.</p> <p><b>Risk settlement:</b> Settling liabilities with long-retired pensioners.</p> <p><b>Operations:</b> Outsourcing administration and elements of governance, and managing social security rebates.</p>
<p><b>Why does this matter to employers?</b></p>	<p>Reduction of risk, both financial and operational, is a key driver.</p> <p>Reducing accounting costs is a major driver for settlements, asset holdings, pay-out options and modern mortality assumptions.</p> <p>Tax efficiency is driving some forms of asset holding.</p> <p>Much reduced interest rates have increased awareness of the benefits of holding assets - and the cost of interest guarantees.</p> <p>The recent fall in interest rates has created a time-limited opportunity for increased savings on pensioner settlements.</p>
<p><b>What are companies thinking?</b></p>	<ul style="list-style-type: none"> <li>▪ Which pensioners can be offered lump sum payments, how much can be saved, and when does the saving “window” narrow?</li> <li>▪ How does providing a lump sum option reduce accounting costs?</li> <li>▪ How does a lump sum option for current employees, or a pensioner lump sum, affect the member’s tax payments?</li> <li>▪ Why are more modern mortality projections suitable and how do they affect costs?</li> <li>▪ Which is the most cost effective method for building up assets?</li> <li>▪ Can outsourced administration and asset management be bundled together?</li> </ul>
<p><b>What actions should be taken now?</b></p>	<ul style="list-style-type: none"> <li>▪ Explore pensioner lump sums before the cost savings reduce.</li> <li>▪ Review the cost of interest rate guarantees relative to the historically low interest rates.</li> <li>▪ Whether reviewing interest rates or not, consider whether to add a lump sum option for current employees.</li> <li>▪ Explore whether a Pensionsfonds or CTA best suits your asset accumulation and administration needs.</li> <li>▪ Identify the cost savings that more modern mortality projections are likely to reveal.</li> </ul>
<p><b>Who can provide more information or support?</b></p>	<p><a href="#">Angelika Brandl</a> leads on the evolving opportunities for multinational employers in Germany.</p>

# Hot Topic: Pension Reform in France

What has happened?	<p>The French Government has introduced the long-discussed law to integrate the different pensions structures.</p> <p>There is to be convergence of tax treatment and design of the various retirement and savings vehicles.</p> <p>This will also enable transferability between the different types of DC plans and vesting with portability for DB plans.</p> <p>It also intends to increase equity holdings through default lifestyle funds and incentives for holding French small cap equities.</p> <p>State provisions will also be changed.</p> <p>The overall intention is to increase pension savings.</p>
Why does this matter to employers?	<p>The pension structures will be significantly simplified, and also more flexible.</p> <p>The vesting of DB plans will make them more attractive for higher earners compared to the low tax limit for DC plans.</p> <p>Voluntary pensions savings for employees will be more tax-efficient.</p> <p>A wider range of funding possibilities that have tax incentives.</p> <p>In total an opportunity to step-back and create a neater and more tax-efficient approach to retirement and savings provisions.</p>
What are employers thinking?	<ul style="list-style-type: none"> <li>▪ What are the most suitable options for our business and our employees?</li> <li>▪ Should we introduce DB pensions for higher earners?</li> <li>▪ If we introduce DB provision, how do we control the related risks?</li> <li>▪ How do we best communicate the broad retirement and savings picture to employees?</li> <li>▪ When should we start to look at the possibilities?</li> </ul>
What actions should be taken now?	<ul style="list-style-type: none"> <li>▪ Start to rethink benefits policy, including savings plans as well as retirement provisions.</li> <li>▪ Ensure that existing plans will comply with the new law in order to get the tax advantages.</li> </ul>
Who can provide more information or support?	<p><a href="#">Alain Boyadjian</a> leads Retirement consulting in France.</p>

# Hot Topic: Responsible Investment

<b>What has happened?</b>	<p>Various Governments and Regulators, including the European Union, have put increased emphasis on the need for pension plan fiduciaries to consider environmental, social and governance (ESG) factors in making investment decisions.</p> <p>Emphasis on this has increased significantly during 2019, perhaps understandably given the broader public emphasis on climate change in particular over the year.</p> <p>Aon has published the <a href="#">2019 Global Perspectives on Responsible Investment</a> following a poll of 230 investment professionals globally that confirms significant increases in: the existence of corporate pensions responsible investment strategies; those who consider responsible investment to be important or very important; and the allocations of assets to responsible investments.</p>
<b>Why does this matter to employers?</b>	<p>This is consistent with expectations being placed on many employers through their own regulators and consumers.</p> <p>Regulator expectations may lead to public disclosure that may be damaging to the corporate reputation.</p> <p>Expectations or pressures to change pension investment strategies could affect the cost of provision or outcome for employees.</p>
<b>What are companies thinking?</b>	<ul style="list-style-type: none"><li>▪ Will responsible investment reduce or improve investment performance?</li><li>▪ Are pension plan investments inconsistent with corporate principles on ESG matters?</li><li>▪ Should we have policies or principles locally, regionally or globally for responsible pension plan investment?</li><li>▪ What are the requirements of different Regulators around the world and the risks if found to be non-compliant?</li><li>▪ To what extent would our current investments be considered to be responsible?</li></ul>
<b>What actions should be taken now?</b>	<ul style="list-style-type: none"><li>▪ Discuss with your global investment consultant the extent to which ESG matters are currently taken into account.</li><li>▪ Review or develop a global strategy for responsible investment.</li><li>▪ Assess local alignment with global strategy.</li></ul>
<b>Who can provide more information or support?</b>	<p><a href="#">Tim Manuel</a> and <a href="#">Meredith Jones</a> lead Aon's focus on responsible investment strategies and ESG risk assessment.</p>

# Hot Topic: Low interest rates

<b>What has happened?</b>	Bond yields have once again reduced significantly around the world, and are negative over the mid-long term in an increasing number of countries.
<b>Why does this matter to employers?</b>	<p>Year-end pension costs and balance sheet obligations will be greater.</p> <p>Cash funding requirements may be affected in the short-terms in some countries.</p> <p>In some countries, pensions payable to members may be reduced, or escalations may not be permitted.</p> <p>Investment returns will be lower where holding bonds.</p>
<b>What are companies thinking?</b>	<ul style="list-style-type: none"> <li>▪ In which countries will this materially affect our pending year-end results?</li> <li>▪ Are there actions we can take to minimize the impact on our year-end results?</li> <li>▪ In which countries will this affect short-term cash demands for our pension plans?</li> <li>▪ How should we deal with the possibility to reduce accrued pensions in the Netherlands?</li> <li>▪ Should we move away from insured plans that provide a (now very low) guaranteed return (eg in Belgium)?</li> <li>▪ Should we move away from high guaranteed interest rates to for benefits accruing for current employees (eg Germany)?</li> <li>▪ Can yields go lower, or can we reduce our hedging?</li> <li>▪ Is there still value in buying into a negative return if it protects against further decline in rates?</li> <li>▪ What is the outlook for returns on equities and alternative forms of investment?</li> <li>▪ Should we move more assets into real estate or other less liquid investments?</li> <li>▪ To what extent does longevity become a more material risk if long-term yields are reduced?</li> </ul>
<b>What actions should be taken now?</b>	<ul style="list-style-type: none"> <li>▪ Analyse the likely impact on year-end financials, while time to explore options and provide internal awareness.</li> <li>▪ Identify the countries in which short-term cash demands are likely to arise, and explore opportunities to manage.</li> <li>▪ Understand the options available for pension funds in the Netherlands where the default is reduction of current pensions.</li> <li>▪ Explore where alternative financing regimes exist that reduce the impact of market volatilities.</li> </ul>
<b>Who can provide more information or support?</b>	Contact any Aon global or local consultant to help you explore the impact on your plans globally or in specific countries. Aon's Risk Analyzer tool will be able to readily model the impact on your year-end results across multiple countries. For more information about this global web-based risk modelling contact <a href="#">Jim Tindale</a> or <a href="#">Paul van der Vaart</a> .

# Hot Topic: Risk Settlement in the UK

<b>What has happened?</b>	<p>It is already a record-breaking year for risk settlements for UK pension plans.</p> <p>The eight £1bn+ annuity transactions in 2019 alone total over £25bn - more than the total market volume for any previous year. These mega deals have included both pensioner buy-ins and full plan buy-outs, the latest being for Walmart's UK pension plan. Additionally, earlier in the year was a record-breaking £7bn longevity swap transaction.</p>
<b>Why does this matter to employers?</b>	<p>Annuity transactions remove liabilities and uncertainty from the balance sheet and from future pension costs and contributions. Recent transactions confirm that almost any size of transaction is possible, and that transactions are considered affordable. Longevity swaps remove uncertainties relating to life expectancy, while enable asset risks and returns to be managed separately.</p>
<b>What are companies thinking?</b>	<ul style="list-style-type: none"> <li>▪ Does current annuity pricing provide opportunity to remove some of our pensioner liabilities?</li> <li>▪ Do the full plan buy-outs indicate that pricing for non-pensioner liabilities is now affordable?</li> <li>▪ Would a longevity swap be more suitable than an annuity purchase for our pension plan?</li> <li>▪ If current pricing and market capacity remains how long will it be until we have sufficient plan assets to afford full buy-out?</li> <li>▪ Are there actions we can take to make full plan buy-out affordable sooner?</li> <li>▪ How much would we be willing to contribute to plug the gap between plan assets and full buy-out prices?</li> <li>▪ Are transactions also taking place for plans much smaller than £1Bn?</li> <li>▪ Are there ways of simplifying the process (and price) for plans at the smaller end of the scale?</li> <li>▪ Who has provided the expertise to manage these mega deals?</li> <li>▪ In which other countries are similar opportunities available?</li> </ul>
<b>What actions should be taken now?</b>	<ul style="list-style-type: none"> <li>▪ Ensure there is a clear long-term financing place for all UK pensions plans (Regulator requirement).</li> <li>▪ Identify when nature experience would likely make full buy-out affordable.</li> <li>▪ Determine what actions could be taken to make the timeline to affordable buy-out more certain and/or earlier (and how much).</li> <li>▪ Explore the potential for similar risk settlements in other countries, e.g. USA, Canada, Switzerland, Netherlands, Ireland, Brazil.</li> </ul>
<b>Who can provide more information or support?</b>	<p><a href="#">Colin Haines</a> works with insurance companies and employers at global level to identify countries where transactions make sense. <a href="#">Martin Bird</a> leads the Aon UK Retirement Risk Settlement team that has lead 9 of the 20 largest annuity transactions of all time.</p>

# Hot Topic: Cyber risk for pension schemes

<b>What has happened?</b>	<p>October is defined as Cyber Security Awareness Month across much of the world.</p> <p>Cyber threats are not a new topic, but awareness of the specific risks relating to pension plan data is growing.</p> <p>The UK Pensions Regulator has recently indicated an expectation that pension plans focus on controls against cyber risks.</p> <p>In the UK and EU, auditors are increasingly expecting cyber risks to be recorded on pension plan risk registers.</p> <p>An Aon survey of UK pension plans indicated that 23% are unprepared for cyber risks.</p>
<b>Why does this matter to employers?</b>	<p>Pension plans hold enormous amounts of personal data relating to current and former employees.</p> <p>Often a range of third-party providers necessarily have access to this data.</p> <p>In some countries, former employees operate on pension boards/committees and may use less-secure personal email accounts.</p> <p>Most pensioners are heavily reliant on receiving their pensions on time, without fear of delay caused by a cyber attack.</p>
<b>What are companies thinking?</b>	<ul style="list-style-type: none"> <li>▪ Are our pension plan cyber risks covered by our corporate cyber insurance?</li> <li>▪ What cyber controls are in place specific to our pension plans?</li> <li>▪ What questions should we ask our providers to know if they adequately manage cyber risks?</li> <li>▪ Which types of providers create the most cyber risk?</li> <li>▪ Have we got a response plan for a cyber incident?</li> <li>▪ Does such a plan include ready access to cyber resolution expertise?</li> <li>▪ Has the plan been tested or simulated?</li> <li>▪ Who has cyber expertise specific to pension plans?</li> </ul>
<b>What actions should be taken now?</b>	<ul style="list-style-type: none"> <li>▪ Ensure that there is a plan in place, and tested, to handle a cyber incident should it arise.</li> <li>▪ Ensure that all providers who have access to confidential or personal data have robust cyber management plans.</li> <li>▪ Ensure that internal controls, and protections, are in place that cover the pension plans.</li> </ul>
<b>Who can provide more information or support?</b>	<p>Aon has cyber expertise around the world, that has been combined with retirement plan expertise to identify approaches to suit pension plans. Contact <a href="#">Colin Haines</a> or <a href="#">Paul McGlone</a> for more information on the pension-specific aspects of cyber risk control.</p>



# Hot Topic: Plan consolidation

<b>What has happened?</b>	<p>Consolidation of pension plans for greater financial efficiency and easier governance has long been carried out.</p> <p>As the governance expectations continue to increase, and financial liabilities continue to grow, the range of opportunities to consolidate pension plans continues to grow.</p> <p>In recent months, new types of consolidation have arisen in the UK.</p> <p>In the EU, the introduction of IORP2 earlier in the year, and recent falls in interest rates, have stimulated interest in multi-employer plans, including cross-border plans with different financing and operational requirements.</p>
<b>Why does this matter to employers?</b>	<p>Increasing opportunities to reduce ongoing governance costs (or limit the impact of increasing governance requirements).</p> <p>In some cases, opportunities to reduce financing risks alongside governance costs and risks.</p>
<b>What are companies thinking?</b>	<ul style="list-style-type: none"> <li>▪ Are we close enough to being able to pass our liabilities to an insurer, and so also pass on governance requirements?</li> <li>▪ Are the UK's two new consolidation plans suitable to our situation, and will Government regulations support their growth?</li> <li>▪ In which countries would a multi-employer plan help our governance time and costs?</li> <li>▪ How could fiduciary management of investments help reduce our governance time and costs?</li> <li>▪ Are there more effective governance approaches that we can take for our own pension plans, potentially merging some roles?</li> <li>▪ Should we consider an EU cross-border plan, given the fall in interest rates affecting funding requirements in some countries?</li> </ul>
<b>What actions should be taken now?</b>	<ul style="list-style-type: none"> <li>▪ Get a complete picture of your pension plans around the world, and the evolving governance and reporting requirements.</li> <li>▪ Where material costs and risks are identified, get a complete picture of the range of opportunities to reduce the governance burden through consolidation or other means, and prioritise countries or regions in which to take action.</li> </ul>
<b>Who can provide more information or support?</b>	<p>Your regular Aon global consultant or <a href="#">Colin Haines</a>, <a href="#">Yves McGale</a> or <a href="#">Jim Tindale</a>.</p> <p>Aon has prepared a paper setting out the <a href="#">opportunities for consolidation for UK pension plans</a>.</p>

# Hot Topic: India EPF: Changes to Contribution Salary Definition

<b>What has happened?</b>	<p>Allowances universally, ordinarily and necessarily paid to employees to be classed as basic salary in calculating contributions.</p> <p>In market practice these varied tax efficient allowances are typically around half an employee's gross salary.</p>
<b>Why does this matter to employers?</b>	<p>Significant financial implications where a large number of employees with basic wages below the PF wage limit of INR 15,000 per month.</p> <p>The cost could be up to 6% of gross pay (assuming basic wage defined as 50% of gross salary).</p>
<b>What are companies thinking?</b>	<ul style="list-style-type: none"> <li>▪ How many employees are impacted and what is the financial impact?</li> <li>▪ Is there a retrospective applicability of the judgement, which could have a serious financial impact.</li> <li>▪ When will the new contribution basis go into effect and how will it be enforced?</li> <li>▪ How many employers have already taken action</li> </ul>
<b>What actions should be taken now?</b>	<ul style="list-style-type: none"> <li>▪ Employers should internally assess how many employees are within the scope of the judgement.</li> <li>▪ Check whether the nature of particular allowances provided are captured by the requirement.</li> <li>▪ Employers should take adequate legal opinion on the judgement and include an assessment of potential retrospective liability.</li> <li>▪ Identify the best way to ensure compliance with the judgement.</li> <li>▪ Consider whether the variety of small allowances can be simplified.</li> <li>▪ Assess potential implications on other benefit plans linked to basic pay, such as Gratuity and Leave encashment.</li> </ul>
<b>Who can provide more information or support?</b>	<ul style="list-style-type: none"> <li>▪ For more information please contact <a href="#">Vishal Grover</a>, Practice Leader, Retirement Solutions, Aon India.</li> <li>▪ Aon India conducted a Provident Fund Amendments Action Survey – you can find the results <a href="#">here</a>.</li> <li>▪ Aon India wrote an article on this and other changes impacting the Provident Fund, which you can find <a href="#">here</a>.</li> </ul>

# Main developments in July to September 2019

- Requirements
- Proposals
- Opportunities

## United Kingdom:

- Various record-breaking annuity deals
- RPI revision proposed
- Wide ranging Pensions Bill (early October)
- Regulator further increases governance focus
- GMP equalisation guidance
- Covenant view of climate change readiness
- CMA reforms for investment service providers

## Canada:

- Reminder of penalties for filings after October
- Proposal on tax treatment for retirement products
- BC: Potential reform for solvency funding rules
- Retirement security measures introduced
- QB: Update in actuarial valuations for supplemental pension plans

## United States:

- EBSA expanded access to retirement savings
- New mortality table published
- Proposal for Pension Rehabilitation Trust Fund
- Proposed changes to PBGC legislations
- Regulation on multi employer workplace retirement

## Rest of Americas:

- Bermuda: enrolling foreign workers
- Brazil: Pension reforms advancing
- Chile: Proposal greater flexibility to AFP pension funds.
- Mexico: Changes to pension system

## Rest of Europe:

- France: Wide ranging reform package
- Italy: New early retirement options
- Gibraltar: Pension reform proposals
- Turkey: Private Pension System (BES) changes
- Austria: Maternity leave credits
- Belgium: expanded definition of compensation
- Greece: Guidance on pension thresholds
- Turkey: Auto-enrolment audit

## Switzerland:

- Supplementary benefits reform
- Tax Reform and OASI Funding approved
- Sustainable finance developments

## Global:

- Low interest rates

## Middle East and North Africa:

- Egypt: Social Security reform passed
- Egypt: Draft law pension scheme governance
- Jordan: Amendments to Social Security law
- Saudi Arabia: Severance pay upgrade proposed
- UAE: Details of new DIFC plan

## Sub-Saharan Africa:

- South Africa: Pension transfer ruling
- Nigeria: Flexible use of voluntary contributions
- Uganda: NSSF Amendment bill

## Netherlands:

- Proposal on lump-sum withdrawals
- Update on pension reform

## Common across Europe:

- IORP disclosure guidance
- Occupational pension stress test
- Personal Pension Plan proposals

## Rest of Asia:

- Kazakhstan & Kyrgyzstan: Pre-retirement withdrawals proposed
- Philippines: Universal pension bill
- Singapore: Promoting retirement deferral
- Taiwan: Promoting retirement deferral
- Taiwan: Protecting temporary workers

## India:

- EP: Broader definition of basic wage
- EPF: Broader definition “worker”
- Government Budget proposals

## Australia:

- Curbs on default life insurance
- New cost of living assumption for projections
- Super self review

# Key design-related updates from the quarter

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Design	<a href="#">Australia</a>	Curbs on default life insurance	The Senate Standing Committees on Economics has approved Treasury Laws Amendment (Putting Members' Interests First) Bill 2019 which would bar superannuation trustees from providing default life insurance on an opt-out basis to members under age 25 on or after October 1, 2019 and those with balances below \$6,000. Members may opt-in to life insurance subject to the fund and insurer's requirements. The measure is a companion to a larger package of consumer protection provisions for the superannuation sector. The committee set the commencement date as December 1, 2019.
	<a href="#">Australia</a>	Super reform agenda	The Assistant Minister for Superannuation and Financial Services has set out a pension reform agenda that she wants in place before the 2021 rise in the superannuation guarantee from 9.5% to 10%. The administration's responses to the Productivity Commission and the Financial Services Royal Commission super reform recommendations will include plans for: a single default superannuation account for each person; higher standards for flagging under performing products; and an independent member advocacy board.
	<a href="#">Austria</a>	Maternity leave – extended consideration as creditable service period	For children born after August 1st, 2019 new maternity leave regulations applies. In the past, maternity leave was not considered as service period for jubilee pay and under the “old” termination indemnity system (a DB system). In the future, all maternity leave (approx. up to 22 months per child) will be credited as service period for these benefits (and for other employment law claims).
	<a href="#">Austria</a>	Pension Funds (Pensionskassen) – reduction in technical interest rate	The Austrian FMA has issued a regulation reducing the maximum technical interest rate (“Rechnungszins”) from 2.50% p.a. to 2.00% p.a.. The technical interest rate is not a guaranteed interest rate (because Austrian pension funds must not offer a guaranteed interest rate) but a calculatory size only, used for the conversion of capital into annuity. In parallel, the calculatory performance (“rechnungsmäßiger Überschuss”) is reduced from 4.50% p.a. to 4.00% p.a. The new regulation is effective for new pension fund contracts concluded after Dec 31, 2019 as well as for new plan members of existing pension fund contracts joining the plan after Dec 31, 2019.
	<a href="#">Canada</a>	Proposal on tax treatment for retirement products	On July 30, 2019 the Department of Finance Canada released draft legislative proposals to implement tax and other related measures (as announced in Budget 2019) for consultation. Among other matters, the proposals purport to greater flexibility in managing retirement savings by permitting two new types of annuities under the tax rules for certain registered plans, bring the Specified Multi-Employer Plan (SMEP) rules into line with the tax rules that apply to other defined benefit registered pension plans and prohibit an Individual Pension Plan (IPP) from providing retirement benefits in respect of past years of pensionable service under a defined benefit plan of an employer other than the Individual Pension Plan's participating employer (or its predecessor employer). Further information can be found <a href="#">here</a> and the period to provide comments ended on October 7.
	<a href="#">Chile</a>	Proposal greater flexibility to AFP pension funds	The Superintendent of Pensions has previewed a set of proposals that would introduce greater flexibility to AFP pension funds. The prohibition on investment in commodities would make an exemption for vehicles with exposure to gold, The use of foreign currency investments for hedging purposes would face less restrictions, A more refined approach to controlling the level of risk in investment portfolios would move away from quantitative limits, Climate risk would be added to the risk-based monitoring (SBR) process and AFPs would be able to invest in hedge funds.
	<a href="#">Croatia</a>	Pension reform review resumed	The new Labor and Pension System Minister announced that social partners will be reconvened this month to re-evaluate the government's pension reform plan. One key proposal, which would raise the 5% mandatory second-pillar employee contribution to 5.5% in 2021 and 6% in 2022 - there were informal discussions of ultimately raising the rate to 10% - has reportedly been shelved.

# Key design-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Design	<a href="#">Denmark</a>	Consolidation in the Danish market	Following the consolidation of providers in recent years, some employers are finding the reduced range of options are not suiting the needs of their workforce and are looking at ways of combining solutions from different providers to better fit subsets of their workforce.
	<a href="#">Estonia</a>	Lower tax on voluntary pension contributions	Parliament has agreed to open debate on Bill No. 42 which would slash the social tax rate on qualifying employer contributions to voluntary pension schemes from 33% to 13%. The rate cut would be limited to contributions under the income tax exemption limit and would come into effect on January 1, 2020. This proposal coincides with the administration's plan to make the mandatory second-pillar pension optional.
	<a href="#">Estonia</a>	Second pillar opt-out planned	The parties of the coalition government have reached agreement on a blueprint for pension reform legislation. It would allow members of the second-pillar scheme to withdraw their funds or discontinue contributions from 2020. The government's revenue windfall from this move would be earmarked for an "extraordinary" boost to the state pension benefit. There are now social partner consultations underway and legislation is expected to reach Parliament this fall.
	<a href="#">France</a>	Pension reform proposal	The President's special advisor on pension reform has broached a scenario in which the retirement age would remain 62 but it would take an additional two years to qualify for a full pension. In addition, 42 different pension schemes would merge into a single plan. The 28.12% contribution would be split 60% ER/40% EE. Parents would receive a shared 5% bonus for each child and the survivor's pension would be 70% of the total of the two partners' pensions. There will be stakeholder consultations for the balance of this year and the legislation should be produced early next year. The new system would come into effect in 2025.
	<a href="#">Germany</a>	Riester review	The government has tasked a tripartite commission with conducting a review of the Riester retirement savings scheme. The 2018 coalition agreement had mentioned a more standardized Riester product entailing a simplified system of subsidies and broader eligibility. Eliminating the Riester model will be one of the options considered. A report is expected in March 2020. Riester plans are heavily regulated and government-subsidized without employer obligations.
	<a href="#">India</a>	Broader definition of basic wages	The Ministry of Labour and Employment is staging a public consultation on Amendment in the Employees' Provident Funds & Miscellaneous Provisions (EPF and MP) Act. It would introduce a broader definition of the "basic wages" subject to EPF contributions, which would include any allowance over 50% of total remuneration. Comments were welcome through September 22, 2019. More information in the <a href="#">link</a> .
	<a href="#">India</a>	Broader definition of 'worker'	A recent Supreme Court judgment significantly expanded the definition of "worker" under Employees' Provident Fund and Miscellaneous Provisions Act, 1952. A company paid "women workers" to do piecemeal work on garments in their own homes. The Court determined that under the terms of the EPF Act, the definition of employee is wide enough to include these workers who might otherwise be classified as independent.
	<a href="#">Italy</a>	Increased contribution flexibility	Last July the 30th the CBA for industrial Dirigenti has been renewed. Contributions to the industry pension fund (Previndai) has been reviewed. In the past in fact they were capped (both employer and employee ones) at a annual salary of 150k euro. Now the cap has been increased to 180k euro. In addition in the past contributions were 8% split 50/50 between employer and employee (4% each). Now there is the possibility through a company agreement that the company pays part of the contribution that the employee should pay (up to 7% employer and 1% employee).

# Key design-related updates from the quarter - Continued

- Requirements
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	Country	Measures	Changes
Design	<a href="#">Italy</a>	Early retirement scheme	An early retirement scheme for companies undergoing re-organization will initially be offered through 2020. Enterprises with at least 1,000 workers would be able to negotiate with their unions and the Ministry of Labour on the terms of an early retirement bridge incentive for workers who have contributed at least 20 years and are within five years of qualifying. The employer would offer a monthly allowance until formal retirement for those who either resign or cut their hours.
	<a href="#">Italy</a>	INPS-managed second-pillar scheme proposed	The head of the Social Security Institute (INPS) has proposed adding an INPS-managed "good alternative" to second-pillar pension schemes. The sector, while recognizing the need for occupational pension reform, has expressed misgivings that INPS is not cut out for the task and that this approach "runs the risk of compromising any initiative aimed at relaunching the system, creating further confusion among potential members."
	<a href="#">Kazakhstan</a>	Pre-retirement withdrawals proposed	The President has ordered Parliament to draw up legislation by the end of this year that would allow pre-retirement withdrawals from the retirement savings scheme for housing and education – this is still pending. Withdrawals for medical emergencies are reportedly also under consideration.
	<a href="#">Kazakhstan</a>	Another speedbump for pension contribution hike	The administration had signaled this summer that a 5% employer contribution to Unified National Pension Fund (UNPF) that was introduced in a 2015 law but subsequently postponed would finally launch on January 1, 2020. The Deputy Minister has now advised the public that the complexity of the issue had compelled the President to convene a "task team" to flesh out the details of an implementation proposal which will then be subject to a vote. Issues will include ensuring that the 5% employer contribution is not offset by salary reductions.
	<a href="#">Malta</a>	Consultation on occupational retirement scheme rules	The Malta Financial Services Authority (MFSA) held a Consultation on Amendments to the Pension Rules for Occupational Retirement Schemes issued under the Retirement Pensions Act. As part of its transposition of the EU's IORP II Directive, it would: <ul style="list-style-type: none"> <li>- require schemes to publish their annual reports;</li> <li>- oblige the schemes to maintain risk management and internal audit functions;</li> <li>- allow up to 30% lump-sum withdrawals, provided the balance of the account is capable of generating at least minimum wage for life; and</li> <li>- mandate publication of compensation details for key scheme personnel.</li> </ul> The consultation ended on August 12, 2019.
	<a href="#">Mauritius</a>	Workers' Rights Act	A new Workers' Right Act was voted in Parliament in August 2019 in replacement of the Employment Rights Act 2008, making significant changes to a whole swath of legislation pertaining to workers conditions of employment and including the entitlements to a retirement gratuity when employees change employment. Whilst previously, only the service with the last employer would count towards the determination of the retirement gratuity (this was deemed unfair by unions), under the new legislation, employers would now be required to contribute to a Portable Retirement Gratuity Fund for their employees who were not members of a pension scheme. The rate of contributions is also not confirmed as well as other details of how the scheme would be run. It appears that employers would have the choice of either contributing to the PRGF or set up a private pension scheme. However, last minute revisions to the Act brought back the same previous legislation for existing members of private pension schemes and so technically, the same checks at retirement to determine the top-up (i.e. legal formula minus allowable deductions from pension schemes) would apply.
	<a href="#">Mexico</a>	Changes to pension system	The head of the Mexican Association of Retirement Fund Administrators (Amafore) has noted that salary replacement under the current pension system is 30% and needs to reach 70%. He has proposed raising the contribution level from 6.5% to 15%. To offset a harmful impact on worker income, he has proposed gradual increases, possibly 1% per year, that would come as salary increases earmarked for direct deposit into individual retirement accounts.



# Key design-related updates from the quarter - Continued

- Requirements
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	Country	Measures	Changes
Design	<a href="#">Morocco</a>	New benefit systems for professionals	The Cabinet has endorsed a decree on establishing a pension system for professionals in several sectors including, health care, accounting, legal services, construction and insurance. The relevant government offices will consult with professional associations and regulatory bodies in those sectors to flesh out the plan. This same group of professionals is scheduled for inclusion in the first phase of the compulsory health insurance scheme.
	<a href="#">Nauru</a>	Compulsory superannuation scheme	Extension of a compulsory superannuation scheme to the private sector had its January 1, 2019 launch date deferred under Nauru Superannuation Act 2018 and the expansion came into effect on July 1, 2019. Employees must now contribute 5% of salary to the scheme and employers must contribute 5% of payroll. There are provisions for both additional voluntary contributions and pre-retirement partial withdrawals.
	<a href="#">Netherlands</a>	Proposal on lump-sum withdrawals	The Social Affairs Minister has advised Parliament that the recent framework agreement on pension reform will give members of second and third-pillar pensions the option of withdrawing a lump sum up to 10% of their accrued benefit on the date of retirement. An earlier proposal that the withdrawal be earmarked for certain specific purposes has been set aside but unresolved issues include how to calculate that 10% and whether this option will be extended to members of underfunded schemes. The pension reform legislation should reach Parliament by summer 2020 and it will be preceded by a public consultation.
	<a href="#">Netherlands</a>	Plan to increase survivor benefit	The social partners are preparing measures to improve the Anw survivor benefits for the spouse of those who die before retirement. The payment would be up to five years' salary payable as a lifetime benefit or five annual instalments. In addition, the Social Affairs Minister has corresponded with Parliament about modifications to Anw that would protect the benefit in cases of divorce, unemployment, or recent job changes (it currently reflects only service with most recent employer).
	<a href="#">New Zealand</a>	National Party priorities	The main opposition National Party has made a campaign issue of its commitment to raise the age for superannuation entitlement from 65 to 67, with the climb starting in 2037. The required residency period for a citizen or permanent resident would double to 20 years. The position paper also aims to permit employer KiwiSaver contributions to continue for those who stay in the workforce past age 65.
	<a href="#">Nigeria</a>	Voluntary Pension Contributions (VPC) early withdrawals	The Tax Appeal Tribunal (TAT) has ruled that Voluntary Pension Contributions (VPC) above the statutory 8% may be withdrawn tax-free before retirement under recent pension reform guidance. The VPC must stay in the Retirement Savings Account (RSA) for at least two years and no more than 50% may be withdrawn. There must be another two-year wait before the next 50% VPC withdrawal. The ruling confirms that the common practice of larger pre-retirement VPC withdrawals is not allowed but the limit will not be applied retroactively.
	<a href="#">Nigeria</a>	Tax of end-of-service gratuity	A regional Tax Appeals Tribunal (TAT) has issued a ruling resolving contradictions in personal income tax (PIT) law over whether end-of-service gratuity payments are taxable income. The tribunal concluded that the PIT Act of 2004 intentionally excluded gratuities from the list of income subject to PIT, so earlier measures applying PIT to those payments were clearly superseded.
	<a href="#">Poland</a>	OFE pension reform bill update	The OFE pension reform legislation has now reached the Council of Ministers. It would essentially dissolve the OFE second pillar pension schemes, transferring most of their assets to third pillar IKE individual retirement accounts but granting the option of diversion into virtual individual accounts in the state pension system. The administration aims to expedite the bill through Parliament for a November 1, 2019 entry into force, but it will depend on the results of the Parliament election that are planned on October 13, 2019. This coincides with news of a measure in preparation for next year's budget that would remove the cap on salary subject to social insurance contributions which currently stands at 30 times average pay.

# Key design-related updates from the quarter - Continued

- Requirements
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	Country	Measures	Changes
Design	<a href="#">Russia</a>	"Guaranteed Pension Product"	The Finance Ministry has completed plans for a voluntary "Guaranteed Pension Product", a retirement savings scheme with the state buffering part of the investment risk. While fully voluntary, it would offer significant tax incentives for participation. No mention yet of any changes for the mandatory second-pillar scheme that was frozen in 2014. The proposal now goes to the Labor Ministry before review by the full cabinet. It already has the Central Bank's backing.
	<a href="#">Saudi Arabia</a>	Severance pay upgrade formula proposed.	The Shura Council is reportedly preparing an amendment to the Labour Law that would increase the default severance pay for Saudi nationals. Those who are dismissed while on a permanent employment contract are currently entitled to a termination benefit of two months' salary. The upgrade stipulates that, if the employment contract does not contain a specific compensation for unjust termination, the employee is due one month's wage for each year of employment on an indefinite term contract.
	<a href="#">Singapore</a>	Measures to support retirement deferral	<p>The government has embraced all 22 recommendations set out in the Report of the Tripartite Group on Older Workers - Strengthening Support for Older Workers. Among the highlights:</p> <ul style="list-style-type: none"> <li>- The retirement age would climb to 65 and the re-employment age to 70 by 2030. The first stage would take them to 63 and 68 respectively in 2022.</li> <li>- The Central Provident Fund contribution rate, which tapers off from 37% to 26% at age 55 and levels off at 12.5% at age 65 would taper off at 60 and level off at 70.</li> <li>- Jobs and workplaces would be redesigned to support career longevity.</li> <li>- Re-employment would benefit from more career development initiatives and more part-time opportunities.</li> </ul> <p>The anticipated reforms were a prominent theme in the Prime Minister's National Day Rally.</p>
	<a href="#">South Sudan</a>	Conflicting signals on pension taxation	The Commissioner General of the South Sudan National Revenue Authority (NRA) has issued a circular indefinitely suspending the taxation of pension income. The government will now try to resolve contradictions between the Finance Ministry's law subjecting pension income to personal income tax and the Labour Ministry's ban on employers withholding income tax from pensions.
	<a href="#">Spain</a>	Unfair benefit formula for part-timers	A decision the European Court of Justice conclusion that the formula for determining a part-time worker's retirement benefit entitlement (#GBB May 30, 2019) was unfair in its calculation of working time and that the benefit reduction disproportionately impacted female workers. A "partiality coefficient" applied in addition to the reduced contributions of a part-time worker had resulted in recognition of a shorter contribution history.
	<a href="#">Switzerland</a>	Federal Council adopts Opinion AHV 21	The Federal Council has adopted the AHV 21 pension reform legislation and forwarded it to Parliament. Women and men would have a flexible pension age in the range between 62-70 and those deferring retirement past the reference age would be able to take out a portion of their state pension. The retirement reference age for both the state pension (AHV) and occupational pension would rise from 64 to 65 (It's already 65 for men) over a four-year period. Special accommodations would be provided for women nearing retirement age. In addition, a 0.7% rise in value-added tax (VAT) would bolster AHV funding.
	<a href="#">Switzerland</a>	Minimum interest rate proposed	The BVG-Kommission, the government-appointed occupational advisory body, has called for maintaining the minimum interest rate for mandatory retirement savings schemes at 1%. It approved this rate by a narrow margin despite its formula for determining the figure coming up with a far lower rate (0.5-0.6% this year) for the second year in a row.



# Key design-related updates from the quarter - Continued

- Requirements
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	Country	Measures	Changes
Design	<a href="#">Taiwan</a>	Promoting retirement deferral	<p>The Executive Yuan has approved a Labour Ministry measure on promoting the employment of seniors in a "super-aged society." It would:</p> <ul style="list-style-type: none"> <li>- End mandatory retirement at age 65, allowing employers to offer employment contracts to workers over that age.</li> <li>- Relax rules on hiring contract workers over age 65.</li> <li>- Ban age discrimination in hiring, performance evaluation, promotion, pensions, and severance benefits.</li> <li>- Entitle senior workers to unemployment benefits.</li> <li>- Introduce financial incentives for employer to keep workers on past age 65.</li> <li>- Require employers to maintain minimum 6% monthly contributions to older employee pension plans, even if they are already collecting benefits.</li> </ul> <p>Aon Taiwan wrote an article on the topic, <a href="#">link</a>.</p>
	<a href="#">Taiwan</a>	Temporary worker protections	<p>A set of amendments to the Labour Standards Act and Regulations establishing new protections for temporary workers went into effect on June 19, 2019. Among the highlights:</p> <ul style="list-style-type: none"> <li>- There is now a process in place for contract workers claiming unpaid salary.</li> <li>- A company's employees may not be transferred to a staffing agency.</li> <li>- Compensation for a temporary agency worker's workplace injury is a joint obligation of the employer and the agency.</li> <li>- Workers on indefinite but non-permanent contracts are entitled to severance and retirement payments.</li> </ul>
	<a href="#">Turkey</a>	Second-pillar refinements	<p>The mandatory private pension system (BES) with automatic enrolment has seen the majority of members opting out and there are plans to extend the minimum participation period before opt-out to three years. People who have opted out would have the right to re-join. The administration is now adding further refinements to the system to improve participation levels. It has just revised minimum qualifications and licensing requirements for pension intermediaries.</p>
	<a href="#">Turkey</a>	Audit system for auto enrolment plans	<p>The aim of these audits is to check and clarify:</p> <ul style="list-style-type: none"> <li>- whether the employers have launched an auto enrolment plan according to the legislation,</li> <li>- whether launched a plan on behalf of eligible employees,</li> <li>- whether the contribution amounts deducted from the employee's salary are transferred to the pension company in full and on time,</li> <li>- what will be the process for the payments which are not transferred to the pension company, transferred to the pension company, missing or late.</li> </ul>
	<a href="#">UAE</a>	Dubai International Financial Centre (DIFC) Mandatory Provision	<p>Details have been published on changes to the mandatory provisions for employers in the DIFC. These include the requirements that need to be met by alternative providers of the mandatory provision.</p> <p>Implementation is still timetabled for 1 January 2020. A lengthier presentation is also provided in the <a href="#">link</a>.</p>

# Key financing-related updates from the quarter

- Requirements
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	Country	Measures	Changes
Financing	<a href="#">Canada</a>	Potential reform for solvency funding rules in British Colombia	As previously reported, British Columbia is currently reviewing potential reform options for solvency funding rules for defined benefit (DB) pension plans. The purpose is to determine whether changes exist that would better support both the protection of members' benefits and the long-term sustainability of these plans. An initial public consultation was held from October 2018 to January 31, 2019. In early August, the "Report on Stakeholder Committee Process" (Report) was released for comments (until the end of August). The Report sets out the consensus reached by the Stakeholder Committee on the requirements for minimum ongoing funding requirements for DB pension plans. More info can be found <a href="#">here</a> and <a href="#">here</a> .
	<a href="#">EU</a>	Sustainable finance developments	The European Commission's expert group on sustainable finance has issued its final recommendations for a taxonomy of environmentally sustainable activities. This coincides with a number of related initiatives, most notably the commission's new guidelines on corporate climate-related information reporting and a recommendation for new criteria on an EU green bond standard. All of these efforts support the agenda of directing institutional investors towards sustainable finance.
	<a href="#">Germany</a>	International real estate investments	The continued low interest rate environment is causing institutional investors to consider previously unused asset classes. Long-term investors should consider less liquid asset classes as part of optimizing their investment strategy.
	<a href="#">Hong Kong</a>	Guidance on Mandatory Provident Fund (MPF) premium deductions	The Inland Revenue Department recently issued the guidance notes: - Departmental Interpretation and Practice Notes No. 57 Concessionary Deductions: Sections 26N to 26U Annuity Premiums and MPF Voluntary Contributions covering the premium tax deductions that came into force in April 2019. More information in the <a href="#">link</a> .
	<a href="#">India</a>	Provident funds increase state investments	Provident funds have increased their investment in state governments to pursue for higher yields in order to meet the return assured to employees. Read more about this in the August 2019 edition of Anviti's Benefits Pulse available in the <a href="#">link</a> .
	<a href="#">India</a>	Standard mortality table updated	The standard mortality table (for actives) has been updated effective 1 April 2019. The new table is called Indian Assured Lives mortality (2012-14) Ult. and has been updated from Indian Assured Lives Mortality (2006-08) Ult. Mortality rates during active service life have gone down but the impact on plans for which a lump sum benefit is paid (e.g. standard Gratuity valuation) would not be significant.
	<a href="#">Malaysia</a>	New mortality table released	There has been a new mortality table released. The Malaysia Ordinary Insured Life Table (M1115) Male and Female replace the previous table (M9903) and will be used for the first time on 2019 year end for most plans. The rates are on average about 20% lower. However, the expected impact on the plan liability is very minimal as all plans pay lump sums on retirement.
	<a href="#">Pakistan</a>	Retirement scheme investment rules	On August 17, 2019, the Securities and Exchange Commission of Pakistan (SECP) notified the updated Employees Contributory Funds (Investment in Listed Securities) Regulations 2018. It revises investment rules, including allocation caps for employer-sponsored provident funds and contributory retirement funds, but not pension funds which have their rules set out under Voluntary Pension Systems Rules 2005.

# Key financing-related updates from the quarter - Continued

- Requirements
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	Country	Measures	Changes
Financing	<a href="#">South Africa</a>	<b>Pension transfer ruling</b>	A Binding Class Ruling (BCR) from the South African Revenue Service explains the tax treatment of both transferring surplus retirement fund assets between funds and shifting surplus assets from an employer's defined benefit pension fund account to a member's defined contribution retirement account.
	<a href="#">Switzerland</a>	<b>Investment flexibility for collective pension foundations</b>	The Federal Council has adopted rules affording Swiss collective pension foundations more investment flexibility. From August 1, 2019, they have higher thresholds for equities and alternative investments. The rules also democratize the governance of these investment foundations.
	<a href="#">UK</a>	<b>Batch of record-breaking risk settlements</b>	Recent months have seen an unprecedented batch of multi-billion pound risk settlements by major employers with records smashed for the size of liabilities settled. Aon has been the lead adviser on most of these.
	<a href="#">UK</a>	<b>Proposed change to RPI definition</b>	Government has indicated that the method of calculating RPI reviewed early in 2020, with potential change between 2025 and 2030. If change is made it would result in a lower value for RPI with implications for RPI-linked investments.
	<a href="#">UK</a>	<b>Climate change business impact in covenant assessments</b>	The Employer Covenant Practitioners Association has urged trustees to consider the potential implications of climate change on their sponsors' businesses. Employers may need to provide additional information to covenant advisers.
	<a href="#">UK</a>	<b>CMA's Investment Consultancy and Fiduciary Management Order</b>	Legislation drafted to require regular tender of fiduciary management services and clear objectives for their investment consultants. The CMA requirements are effective from 10 December 2019, and they have provided more information <a href="#">here</a> .
	<a href="#">United States</a>	<b>New mortality table published</b>	On October 23, 2019, the Society of Actuaries published the <a href="#">MP-2019</a> report and <a href="#">Pri-2012 Private Retirement Plan Mortality Tables</a> report. Relative to MP-2018, MP-2019 reduces typical annuity liabilities by about 0.3% to 1.0% (at a 4.0% discount rate) and typical life expectancies by 0.1 years, which is consistent with the decreases estimated by Aon's MP-2019 proxy. The impact of MP-2019 will generally be larger for annuities indexed to medical trend or cost-of-living measures and smaller for calculations using higher discount rates or plans offering material lump sums.
	<a href="#">United States</a>	<b>Proposal for Pension Rehabilitation Trust Fund</b>	On July 24, 2019, the House passed with a 264–169 vote the Rehabilitation for Multiemployer Pensions Act of 2019 (H.R. 397). Among other provisions, the bill would amend the Internal Revenue Code of 1986 to create a Pension Rehabilitation Trust Fund and also establish a Pension Rehabilitation Administration within the Department of the Treasury to make loans to multiemployer defined benefit plans. The bill moves to the Senate, where passage is uncertain. More info can be found <a href="#">here</a> .

# Key operations-related updates from the quarter

- Requirements
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	Country	Measures	Changes
Operations	<a href="#">Australia</a>	Retirement calculator guidance	The Australian Securities and Investments Commission (ASIC) has revised its guidance on retirement calculators with instructions on cost-of-living assumptions added. There is a December 5, 2019 deadline for either adopting ASIC inflation figures or provide a detailed explanation of the methodology for arriving at an alternative inflation rate.
	<a href="#">Australia</a>	Super change-in-control oversight	The Australian Prudential Regulation Authority (APRA) has held a brief consultation on a form and draft guidance for applying to the regulator for a controlling stake (above 15% ownership) in a registrable superannuation entity (RSE) licensee.
	<a href="#">Australia</a>	Traffic light model proposed for super funds	The deputy chair of the Australian Prudential Regulation Authority (APRA) has reportedly advised the House of Representatives Economics Committee that APRA will be employing a traffic light model for rating individual superannuation funds. The red, amber, and green light system would be applied separately to net returns, fees and costs, insurance and "sustainability". In this case, "sustainability" would indicate stability of finances. There has been no mention of a timetable, but the first stage of this initiative will be the approximately 100 MySuper products.
	<a href="#">Australia</a>	Super self-review requirement	The Australian Prudential Regulation Authority (APRA) announced that from January 1, 2020, Prudential Standard SPS 515 Strategic Planning and Member Outcomes (SPS 515) will oblige all registrable superannuation entity (RSE) licensees to perform an annual Business Performance Review on a range of member outcomes. Draft guidance is undergoing a public consultation through October 10, 2019.
	<a href="#">Canada</a>	Retirement security measures introduced	As of November 1, 2019 sections 133 to 140 of the Budget Implementation Act, 2019, No. 1 came into effect. These provisions relate to the retirement security measures introduced in the 2019 Federal Budget that are intended to make insolvency proceedings fairer, more transparent and more accessible for pensioners and workers, expand the authority of the Courts under the Bankruptcy and Insolvency Act, to inquire into certain payments (e.g., termination pay, severance pay, or incentive benefits) to, among other persons, directors; or officers of a corporation in the year preceding insolvency and impose liability on the directors for those payments.
	<a href="#">Canada</a>	Update in actuarial valuations for supplemental pension plans Quebec	On August 22, 2019, Retraite Québec published new information related to actuarial valuations for supplemental pension plans. The new information can be found in Rappels aux actuares (this section has been renamed, updated and improved to include instructions on the stabilization contribution) and Cotisations requises (this section now takes into account the Regulation respecting the funding of multi-jurisdictional defined benefit pension plans).
	<a href="#">Cyprus</a>	President rejects widower's pension bill	The President has sent a bill on widower's pension entitlement back to Parliament following an actuarial study concluding that the final draft of the measure would compromise the Social Insurance Fund's sustainability. A widowers' group is planning a constitutional challenge.
	<a href="#">Denmark</a>	Tax principles for external managers	ATP, Industriens Pension, PensionDanmark and PFA, four of the dominant Danish pension funds, have jointly issued a set of common tax principles that external managers will be expected to adopt. Aggressive tax planning will be prohibited for external managers working with these funds and they must be able to verify their compliance.
	<a href="#">Egypt</a>	Governance	The Financial Regulatory Authority (FRA) announced that it has completed the final draft of a consolidated insurance law. Text on the governance of private insurance funds for pension provision cover defined benefit, defined contribution, and hybrid schemes as well as mechanisms for portability. The next meeting of the FRA board will consider this draft.

# Key operations-related updates from the quarter - Continued

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	Country	Measures	Changes
Operations	<a href="#">EU</a>	IORP II guidance	The European Insurance and Occupational Pensions Authority (EIOPA) has issued four Opinions to guide National Competent Authorities (NCAs) in their compliance with the Institutions for Occupational Retirement Provisions (IORP) II Directive. They cover standards for governance, transparency and risk assessment, including "the supervision of the management of environment, social and governance risks."
	<a href="#">EU</a>	Reforms advancing PEPP and cross-border investment funds	A pair of Capital Markets Union (CMU) reforms have cleared the European Council. The Regulation on pan-European Personal Pension Product (PEPP) sets the regulatory framework for introduction of a voluntary personal pension product with optimal EU-wide portability. The Regulation and Directive on cross-border distribution of investment funds will ensure smoother operation for an EU-wide investment fund market. All three are set to come into force 20 days after publication in the Official Journal. The European Insurance and Occupational Pension Authority (EIOPA) has appointed its Expert Practitioner Panel on the Pan-European Personal Pension Product (PEPP). The panel will advise EIOPA on development of PEPP products and policies.
	<a href="#">France</a>	IORP II transposition	The Finance Ministry has drafted a bill that would ratify Ordinance No. 2019-575 of June 12, 2019 on the activities and supervision of institutions for occupational retirement completing the transposition of the EU pension fund directive IORP II started with the private retirement plan harmonization measures included in the Action Plan for Growth and Business Transformation (Plan d'action pour la croissance et la transformation des entreprises, PACTE) Act. The bill would expand the scope of IORPs to encompass individual retirement savings plans and optional membership plans.
	<a href="#">Greece</a>	Plan to convert supplementary pension system	The Ministry of Labour and Social Affairs has charged a committee of government officials, academics, and pension fund managers with developing a plan to transform the supplementary pension system from a defined benefit model to an individual account defined contribution plan financed by employer and employee contributions. The holdings of these accounts would be converted to income streams at retirement. The new schemes would debut for workers who enter the job market from January 1, 2021. The committee will deliver its report on October 4, 2019.
	<a href="#">Greece</a>	Guidance on pension thresholds	The Ministry of Labour's circular Δ.15/Δ/9096/227 clarifies the maximum pension contribution and the formula for arriving at it. The maximum pensionable salary is 10 times the minimum wage, which is currently EUR 650 per month. The ensuing EUR 6,500 at the 13.33% rate for employers peaks at EUR 866.45 per month while the maximum at the employee rate of 6.67% comes out to EUR 433.55 per month. More information in the <a href="#">link</a> .
	<a href="#">Hong Kong</a>	Bill would establish eMPF platform	The Mandatory Provident Fund Schemes (Amendment) Bill 2019 was submitted to the Legislative Council on July 3. It would pave the way for establishment of an eMPF Centralised Platform (CP) for streamlined, standardized administration of Mandatory Provident Fund (MPF) schemes. MPF trustees would pay a statutory Annual Registration Fee (ARF) of 0.03% of the net asset value (NAV) of an MPF scheme to finance CP from January 1, 2020 and would be barred from passing the charge on to scheme members. The ARF level will be reviewed after six years.
	<a href="#">Philippines</a>	New security of tenure bill	House Bill 3381 An Act Strengthening the Worker's Right to Security of Tenure, replaces the security of tenure bill recently vetoed by the President. The bill would establish a total ban on agency-based hiring and put atypical workers on "a clear path to regular status, with no role for intermediaries." The Philippines' Department of Labour and Employment (DOLE) is drafting an alternative security of tenure bill that would empower DOLE to enforce compliance with measures protecting contract workers and entrust the labour secretary with determining whether a job is part of a company's "core function or activity", which would disqualify it for outsourcing. The Trade Department is preparing amendments to this bill that would boost pension portability when people change jobs.

# Key operations-related updates from the quarter - Continued

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	Country	Measures	Changes
Operations	<a href="#">South Africa</a>	Minimum skills and training requirements for Board Members of Pension Funds	The Financial Sector Conduct Authority (FSCA) issued a document for market review and input (closing date was 04 July 2019) in which they stipulated minimum training standards for all Trustees, which is currently not a legal requirement. This would have a direct impact on members of Funds when they consider and put forward potential candidates to be considered for election as Trustees. More information provided in the <a href="#">link</a> .
	<a href="#">UK</a>	Pension Regulator consulted on plan governance	The Regulator is pushing for pension plan consolidation if governance is not improved. This is most relevant to smaller schemes for which governance costs are disproportionately high. Employers should consider whether some form of consolidation is the best route to suitable governance. See the Hot Topic on Plan Consolidation, and for more details see <a href="#">this</a> on the Regulators website.
	<a href="#">UK</a>	FCA consultation on DB transfer advice	The Financial Conduct Authority has launched a consultation ( <a href="#">link</a> ) on changes to the advice requirements for DB to DC pension transfers. The proposals should help improve the quality of advice in the IFA market and provide clarity over advice costs. However, they may also lead to a shortage of transfer advice specialists. Where they have not already done so, companies should consider appointing a reputable IFA to provide advice for scheme members.
	<a href="#">UK</a>	Pensions Bill	Regulations planned for the next parliamentary session to cover: a framework for CDC schemes; funding strategy statements; increased Regulator powers in relation to irresponsible employers; restrictions on the right to transfer; compelling information for pensions dashboards.
	<a href="#">UK</a>	Pensions Regulator scrutinises governance of DC default investment arrangements	The Regulator is carrying out a pilot with 500 pension plans to explore the governance of default investments. The default strategy and the performance of the default arrangement must be reviewed at least every three years, and monitored more regularly. Employers should check the frequency and quality of such monitoring and review across their pension plans.
	<a href="#">UK</a>	Pensions Regulator updates guidance for DC investments	The Regulator has published updated guidance regarding the Statement of Investment Principles to provide further clarity on aspects relating to the strengthen focus on environmental, social and governance responsibilities. Also see the Hot Topic on Responsible Investment.
	<a href="#">UK</a>	GMP Equalisation update	Further guidance has been published outlining methods that schemes could use to equalise GMPs, and suggested approaches for detailing with common issues that may arise along the way. This follows earlier guidance urging work to prepare data and confirm GMPs, and giving guidance on dealing with transactions ahead of finalisation. Additionally, the PPF has published guidance on allowance for GMP equalisation in s179 valuation driving levy contributions. Employers should also consider whether new information about GMP equalisation should affect year-end financial disclosures.
	<a href="#">UK</a>	Pensions Regulator launches new online re-enrolment tool	The Pensions Regulator has launched an online tool to help simplify the automatic re-enrolment process and help employers comply with their re-enrolment duties. Employers need to carry out an automatic re-enrolment exercise every three years and report information to the Regulator within certain deadlines. The Regulator has also announced that short-notice inspections are taking place to crack down on non-compliance with auto-enrolment. Follow this <a href="#">link</a> to more information on the Regulator's website
	<a href="#">United States</a>	Proposed changes to PBGC legislations	On June 27, the PBGC published proposed changes to regulations for premium payments, reportable events, ERISA Section 4010 filings, and standard termination filings. In general, the PBGC proposes to make changes to these rules in order to simplify filings or clarify requirements. The proposed rules do not include an intended effective date and presumably will be effective for filings due on or after the date final rules are published in the Federal Register.

# Key State-related updates from the quarter

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	<a href="#">Australia</a>	Deeming rates cut	The Department of Human Services has reduced the deeming rates, assumptions of income received from financial assets that are used in income and asset tests for calculating pension benefits. The rate on assets under \$51,800 for singles or \$86,200 for couples where one at least gets a pension or \$43,100 for couples where neither get a pension is reduced from 1.75% to 1% and for assets over that amount it drops from 3.25% to 3%. This should prove a significant pension boost to many. The change will come into force in late September, but it is retroactive to July 1, 2019. Many legislators believe that the adjustment is inadequate and are calling for a Senate inquiry into the whole process of setting pension and welfare rates. More information provided in the <a href="#">link</a> .
	<a href="#">Azerbaijan</a>	Another pension rise	The minimum pension, which rose by 38.5% to 160 manats per month on March 1, 2019, is slated for another health boost up to 200 manats (US \$117.30) per month from October 1, 2019.
	<a href="#">Belgium</a>	Disability pay opportunity	A recent legal development in Belgium is that employees who continue working after they reach the legal pension age (currently 65 years) and become sick (unfit for work), are now entitled to 6 months of legal disability pay before the authorities will mandatorily retire them. Before, this mandatory retirement was immediate when an employee over 65 became disabled. This change in legislation is to encourage people to continue working after reaching the legal pension age.
	<a href="#">Bermuda</a>	Planned amendments to the National Pension Scheme	The Finance Minister's speech to the House of Assembly on planned amendments to the National Pension Scheme (Occupational Pensions) Act 1998 featured a proposal to require that all foreign workers except those on short-term work permits be enrolled in a registered pension plan. Their contribution rates would gradually rise during a transition period to match those of local workers (5% ER/5%EE). Other amendments would expand member withdrawal options.
	<a href="#">Brazil</a>	Pension reforms advancing	The President's pension reform bill cleared a pair of votes in the House in July but needed to go through another round of votes because it entails amendments to the constitution. It was approved by a wide margin in the House on August 5 then a round of voting that rejected all opposition amendments. It is now before the Senate's Constitution and Justice Commission.
	<a href="#">China</a>	Internal mobility boost	The Ministry of Human Resources and Social Security has set out to relax domestic migration restrictions under the "hukou" home registration permit rules. Full resident entitlements for college graduates who move from small towns to large cities enhances worker mobility and makes it easier to post skilled workers where they are most needed. This move accompanies a set of measures on improving the job market for new college graduates as well as supporting start-ups and rural enterprises. Incidentally, the State Council has agreed at an executive meeting to go nationwide with a pilot program on the transfer of 10% of the equity in state-owned companies to the national social security fund and relevant local entities. This will be a significant factor in maintaining the sustainability of the state pension system.
	<a href="#">Croatia</a>	Default minimum pension proposed	A Labor Ministry working group on pension reform is fleshing out a plan for a national pension allowance scheme that would establish a default minimum benefit for those without adequate retirement income. This would be significantly lower than the minimum pension now in place for those who have contributed at least 15 years. Unresolved issues include whether one would become eligible at age 65 or 67. The bill will be introduced in 2020 and the law should come into effect in 2021.



# Key State-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	<a href="#">Denmark</a>	Changes in retirement age	The retirement age used to be 65, but was changed 1 January 2019 to 65.5, then on 1 July to 66 and it will be 67 from 1. January 2021 and 68 in 2030. It will be reviewed whether specific groups or people with x-years on labor market can retire earlier, but there is "no plan" and determining specific jobs that have an earlier retirement age is problematic as people change job functions during work life.
	<a href="#">Egypt</a>	Social insurance law signed	The President has signed the new Social Insurance and Pension Law and it is slated to come into effect on January 1, 2020. It harmonizes existing social insurance laws and introduces an unemployment benefit. The initial total contribution rate is now being reported as 29.75% - ER 18.75%/ EE 11% - a significant shift away from rates reported earlier. The minimum and maximum salaries subject to these contributions will be set in regulations by the end of January 2020.
	<a href="#">France</a>	Three new retirement savings products unveiled	The Ministry of Economy and Finance has introduced a trio of new retirement savings products, each debuting on October 1, 2019: <ul style="list-style-type: none"> <li>- A collective corporate retirement savings plan is widely available and replaces the Perco scheme.</li> <li>- Another corporate plan, designed to replace the article 83 contract, is for limited categories of workers.</li> <li>- The third is an individual retirement savings product taken as a securities account or insurance contract.</li> </ul> All three are designed to be simple and highly portable. The superseded products will wind down by October 1, 2020 and a tax benefit for transferring from a life insurance product to a retirement savings product will lapse on January 1, 2023.
	<a href="#">France</a>	Pension reform update	The President's special advisor on pension reform now has a cabinet-level position and is negotiating the administration's pension reform plan with the unions and employers. Its central premise that the retirement age would remain 62 but one would not qualify for a full benefit until 64 is widely criticized as a semantic stunt.
	<a href="#">Ghana</a>	Plan to expand pensionable salary	The Director General of the Social Security and National Insurance Trust (SSNIT) has advised a forum on pension reform that the key to adequate retirement income is expanding the definition of pensionable salary from basic salary to total emoluments. He has asked social partners to negotiate the terms of this significant contribution increase.
	<a href="#">Greece</a>	Maximum state pension proposed	The Labour Minister has called for urgent legislation to cap the maximum state pension at EUR 10k per month. There is currently no maximum benefit and the minister's order came in response to news of draft ministerial decisions that would allow pensions of up to EUR 24k per month.
	<a href="#">India</a>	2019 Budget	On Friday July 5, the Finance Ministry delivered a federal budget featuring some notable proposals: <ul style="list-style-type: none"> <li>- The tax exemption on the maximum 60% lump-sum withdrawal from the National Pension System (NPS) would increase from 40% to the entire 60%.</li> <li>- The consolidation of 44 labour laws into four is included. One of the four, the Minimum Wage Law, has already secured the Cabinet's approval.</li> <li>- The government would introduce a pension benefit scheme for retail traders and shopkeepers.</li> <li>- 100% foreign direct investment (FDI) for insurance intermediaries would be allowed.</li> </ul>
	<a href="#">India</a>	Broader Employee's State Insurance Corporation (ESIC) exemption	The government has amended Employee's State Insurance Corporation (ESIC) rules to expand the population of workers exempt from ESIC employee contributions. The threshold of INR 137 per day will rise to INR 176 per day on the imminent date of the measure's publication in the Official Gazette.



# Key State-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	<a href="#">Italy</a>	Review of Quota 100	Discussion about the new Budget Law for next year are in due course. Some changes to the disposal introduced last year to allow early retirement (Quota 100) could be introduced, limiting the possibility provided to access to retirement.
	<a href="#">Jordan</a>	Tougher criteria for some benefits	Parliament has passed a set of 2019 amendment to the Social Securities Law: <ul style="list-style-type: none"> <li>- The minimum early retirement age for men is raised from 50 to 55 and requires 21 years of service.</li> <li>- Until now, women qualified for early retirement with 19 years of service. A minimum age requirement of 52 has been added.</li> <li>- Someone must participate for at least 10 years for their survivors to qualify for death benefits.</li> <li>- It is confirmed that employers must pay old age, disability, and death contributions during maternity leave.</li> <li>- Terms are set for subscribers tapping their retirement funds to pay for certain medical expenses or a child's education.</li> </ul>
	<a href="#">Jordan</a>	Partial penalty relief for delinquent payments	The Social Security Corporation (SSC) has proclaimed a low-interest rate window for enterprises that have fallen behind in the contributions. The 9% interest rate on late payments is cut to 5% for the balance of September. The rate will then increase by 1% in the succeeding months until it returns to 9% in January 2020.
	<a href="#">Jordan</a>	Social security deferral for start-ups	The Minister of Digital Economy and Entrepreneurship has advised the press that the government is preparing amendments to the Social Security Law that would grant start-ups some contribution relief. Qualifying new companies would have the option of claiming a five-year postponement of social security registration.
	<a href="#">Kyrgyzstan</a>	Pre-retirement withdrawals proposed	The Social Fund of Kyrgyzstan is holding a public consultation on a draft resolution that would allow members to make withdrawals from the State Pension Savings Fund, the mandatory second-pillar scheme, to defray the cost of treating select serious illnesses from a list maintained by the government. It would also allow withdrawals for initial mortgage payments under the state mortgage program.
	<a href="#">Netherlands</a>	Update on pension reform	The steering committee wants to finalize the details of the pension deal by the end of April next year. The cabinet would then publish a white paper that year, to be able to submit a legislative proposal for a review of the Dutch pension system in early 2021. Research has also started on voluntary pension fund affiliation for the self-employed.
	<a href="#">Philippines</a>	Universal pension bill	The Presidential Legislative Liaison Office (PLLO) has flagged a universal pension bill that stalled in an earlier session of Parliament as a legislative priority. It would reach the 40% of senior citizens not yet covered by the state pension and a large benefit increase would be extended to all, without means testing. Funding sources have not yet been confirmed.
	<a href="#">Poland</a>	Minimum wage, pension hikes proposed	The ruling party, which appears destined to an easy victory in next month's national elections, is campaigning on plans for a massive rise in the monthly minimum wage. The floor rate would rise from PLN2,250 to PLN 3,000 (\$US 764.75) at the end of 2020 and then reach PLN 4,000 by the end of 2023. It would also raise the minimum monthly pension from PLN 1,100 to PLN 1,200 and add a regular bonus pension payment.

# Key State-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	<a href="#">Russia</a>	Retirement age legislation	The State Duma has approved legislation that would set a retirement age under occupational pensions of 60 for men and 55 for women. There are provisions for earlier retirement for certain populations including workers with disabilities and those posted in the far north. A law that will gradually raise the state pension age from 60 to 65 for men and from 55 to 60 for women recently came into force.
	<a href="#">Serbia</a>	Pension indexation proposal	A new formula for pension indexation is about to be formally adopted. It will follow the popular "Swiss model", combining 50% consumer price index and 50% wage inflation. It will yield a 5.5% increase from January 1, 2020. There will also be a one-off RSD 5,000 (US \$47.00) bonus for pensioners.
	<a href="#">Slovakia</a>	Minimum pension peg planned	The ruling coalition has delivered a bill to Parliament that would set an automatic peg for the minimum pension benefit. A person who has participated for 30 years would be guaranteed at least 33% of the average wage from two years earlier.
	<a href="#">Slovakia</a>	Retirement age legislation	Slovakia's retirement age will be capped at 64 for men and childless women under a change to the constitution that will take effect on 1 Jul 2019. For women with children, the retirement age will be reduced depending on the number of children.
	<a href="#">Taiwan</a>	Pension experiment	The government in Taiwan recently launched a trial National Pension Project, allowing members to invest their own pension under 3 government-selected funds. The enrollment was open in early July and targeted to enroll 10,000 participants, but ended up reaching 110,000 participants. Most people are really looking forward to the new platform / channel to save for one's own retirement. More information in the <a href="#">link</a> .
	<a href="#">Uganda</a>	National Social Security Fund (NSSF) amendment bill	A joint parliamentary committee is now reviewing the National Social Security Fund (NSSF) Amendment Bill and a couple of Cabinet members have shared their misgivings. They argue that the capital market and consumers would be far better served if private-sector competition were brought in to break the NSSF monopoly of a scheme that would be mandatory for all private-sector workers.
	<a href="#">Uganda</a>	Compulsion for private sector	The National Social Security Fund (Amendment) Bill, 2019 has been submitted to Parliament following the Cabinet's approval. It would compel all formal-sector workers to contribute to NSSF. Their contributions and investment income would be tax-exempt, but they would be taxed on their pensions. There are provisions for additional voluntary contributions which could be withdrawn before retirement. There would be tighter and more transparent governance for NSSF, including a tripartite board of directors.
	<a href="#">West African States</a>	Umbrella funds to gain regulatory framework	The Financial Sector Conduct Authority (FSCA) supports consolidation of retirement funds, particularly the smaller ones, but their shift to umbrella funds is hampered by the lack of a regulatory framework. The FSCA is now drafting amendments to the Conduct of Financial Institutions Bill that would address governance, risk management, consumer protection, and marketing while accommodating the differences between commercial umbrella funds and those sponsored by employers or unions.

# Key State-related updates from the quarter - Continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	<a href="#">UK</a>	Post-Brexit contingencies	UK nationals retired in the EU, EEA, or Switzerland would continue to get state pension uprating at least until 2023 in the event of a no-deal Brexit. The Government plans to negotiate a new arrangement to ensure that uprating continues thereafter. Information is available on the <a href="#">Government's website</a> .
	<a href="#">United States</a>	Final regulation on multi employer workplace retirement	On July 29, 2019, the Department of Labor's Employee Benefits Security Administration (EBSA) released a final regulation that expands the ability for small employers to band together in multiple employer defined contribution retirement plans. The regulation is intended to mitigate the fiduciary and administrative burdens of these plans, encouraging greater access to retirement savings opportunities for employees of these employers. The final regulation is effective September 30, 2019. More info can be found <a href="#">here</a> .
	<a href="#">United States</a>	Extension to nondiscrimination testing for closed DB plans	On August 23, 2019, the IRS issued Notice 2019-49, which extends by another year the temporary nondiscrimination testing relief for closed defined benefit plans that was originally provided in Notice 2014-5 and extended by Notices 2015-28, 2016-57, 2017-45, and 2018-69. The extended relief is now available through plan years beginning before January 1, 2021, rather than January 1, 2020. This temporary relief is limited to DB/DC gateway tests. All other required nondiscrimination testing continues to apply.

# 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: Redefinition (lower) of RPI inflation
- UK: Wide ranging Pensions Bill
- UK: GMP equalisation corrections (2-19)
- UK: Increasing Regulator involvement
- Ireland: Pension Reform 2023

## Global:

- More formal plan governance (4-18)
- Global DC and financial wellbeing (4-18)
- Cyber risk management (3-19)
- Responding to low interest rates (3-19)
- Plan consolidation (3-19)

## 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
- 1<sup>st</sup> & 2<sup>nd</sup> 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: (3-19)

- Increasing pre-funding of DB plans
- DC without guarantees
- CMI-linked mortality tables
- Member lump sum options
- Implementation of the IORP II Directive

## Switzerland:

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

## 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 2<sup>nd</sup> pillar proposal (4-18)
- Funding End of Service Gratuities

## India:

- Financial Wellbeing
- Improving attractiveness of NPS
- Investment risk governance
- EPF contributions on all earnings (3-19)

## Australia:

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

## Common across Europe:

- Multi-employer plans to ease governance & operations
- Responsible investment (ESG) (3-19)
- 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:

- Denmark: more clients are asking for sustainable investments
- Eastern Europe: 1<sup>st</sup> & 2<sup>nd</sup> pillar reform
- Belgium: non-discrimination law
- France: Fully revised pension plan structure (3-19)
- Poland: mandatory plan implementation (2-19)

## Japan:

- CDC type plans
- DC governance & quality

## Hong Kong: (1-19)

- 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
- Financial Wellbeing
- Increases in retirement age
- Super-ageing population
- Promoting retirement deferral
- Social Security coverage expatriates
- Singapore: changes to tax for expats

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

# 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			

# Ongoing developments: North America

- Requirements
- Proposals
- Opportunities

	Canada	United States
State		<ul style="list-style-type: none"> <li>■ Final regulation on multi employer workplace retirement</li> </ul>
Design	<ul style="list-style-type: none"> <li>■ Opportunities to reduce future benefits to balance cost of the changes to CPP/QPP.</li> <li>■ Proposal on tax treatment for retirement products</li> <li>■ <b>Ontario:</b> Budget 2019 affirms government's support for Target Benefit Plans.</li> <li>■ <b>Québec:</b> Prevention of variation of provision by date of hire.</li> <li>■ <b>Federal:</b> Budget 2019 proposals to protect workplace pensions.</li> </ul>	<ul style="list-style-type: none"> <li>■ Optional form and early retirement factor review in lieu of recent lawsuits.</li> <li>■ Bill to amend the tax code for retirement plans.</li> <li>■ Temporary options for in-pay retirees/beneficiaries to elect lump sums in lieu of future annuity payments</li> <li>■ House approves SECURE Act, which includes a number of proposed modifications to requirements for employer-provided retirement plans.</li> </ul>
Financing	<ul style="list-style-type: none"> <li>■ Liability settlement noting improved financial positions and new annuity rules.</li> <li>■ General trend of funding regulation to reduce/remove emphasis on solvency.</li> <li>■ <b>British Columbia:</b> Potential reform for solvency funding rules</li> <li>■ <b>Québec:</b> Funding of multi-jurisdictional defined benefit pension plans.</li> <li>■ <b>Ontario:</b> Enhancement to Pension Benefits Guarantee Fund (PBGF).</li> <li>■ <b>Ontario:</b> Clarification of new DB plan funding framework.</li> </ul>	<ul style="list-style-type: none"> <li>■ ASU 2018-14, which updates the ASC 715 disclosure requirements for defined benefit plans.</li> <li>■ Proposal for Pension Rehabilitation Trust Fund</li> <li>■ New mortality table published</li> </ul>
Operations	<ul style="list-style-type: none"> <li>■ Revised commuted value standards, changes expected later in 2019</li> <li>■ Retirement security measures introduced</li> <li>■ <b>Québec:</b> Update in actuarial valuations for supplemental pension plans</li> <li>■ <b>Federal:</b> Consultation on unclaimed pension balances.</li> </ul>	<ul style="list-style-type: none"> <li>■ IRS Notice 2019-26, which provides updated mortality improvement rates and static mortality tables.</li> <li>■ SEC adopts final regulations on investment advice.</li> <li>■ Proposed changes to PBGC legislations</li> </ul>
Knowledge Sharing	<ul style="list-style-type: none"> <li>■ <a href="#">Aon Survey</a>: Global DC and financial Wellbeing – Canada Findings summary</li> <li>■ 2019 Global Pension Risk Survey: A recording of the English webinar (along other information) can be found <a href="#">here</a>.</li> </ul>	<ul style="list-style-type: none"> <li>■ <a href="#">Aon Survey</a>: Global DC and financial Wellbeing – U.S. Findings summary</li> <li>■ <a href="#">Pathways</a>: Aon Hewitt Investment Consulting's newsletter for retirement plans</li> <li>■ <a href="#">Aon Compliance Calendar</a> covers significant Compensation &amp; Benefits dates in 2019</li> <li>■ <a href="#">Annuity Settlement Market Update 2019</a></li> <li>■ <a href="#">Aon Thought Leadership</a>: Documents are frequently added</li> </ul>

# Ongoing developments: UK & Ireland

- Requirements
- Proposals
- Opportunities

	United Kingdom	Ireland
State		<ul style="list-style-type: none"> <li>■ State pension from 2020 to be more aligned with contributions made, consultation on this is ongoing.</li> </ul>
Design	<ul style="list-style-type: none"> <li>■ Collective Defined Contribution (CDC) plans to be brought into regulatory regime.</li> </ul>	<ul style="list-style-type: none"> <li>■ Consultation on auto-enrolment due to be launched starting in 2022.</li> </ul>
Financing	<ul style="list-style-type: none"> <li>■ Pensions Regulator increases focus on long-term funding and scheme maturity.</li> <li>■ Legislative framework for “superfunds” consolidating funds with risk transfer.</li> <li>■ Proposal to change the definition of RPI, reducing returns on indexed bonds.</li> <li>■ Record levels of risk settlements.</li> <li>■ Increasing focus on ESG and the impact of climate change.</li> </ul>	<ul style="list-style-type: none"> <li>■ Central Bank reporting requirements.</li> </ul>
Operations	<ul style="list-style-type: none"> <li>■ GMP equalization guidance evolving.</li> <li>■ SIPs must cover Environmental, Social and Governance approach.</li> <li>■ Additional powers for Pensions Regulator may require more/earlier company actions.</li> <li>■ Increased focus on governance.</li> <li>■ Pensions dashboard proposals.</li> <li>■ Uncertainty for cross-border pensions and insurance contracts due to Brexit.</li> <li>■ Tendering of fiduciary management services and investment advice objectives</li> </ul>	<ul style="list-style-type: none"> <li>■ More coherent and transparent environment planned for governance.</li> <li>■ Implementation of IORP II in local law.</li> <li>■ Regulator's aim to consolidate DC plans to reduce from 70,000 to 100 plans.</li> <li>■ New IAPF benchmark “merit Plus” designation possible for defined contribution schemes.</li> <li>■ Trustees are planning for EU beneficial owner requirements.</li> </ul>
Knowledge Sharing	<ul style="list-style-type: none"> <li>■ <a href="#">UK retirement conferences and seminars</a> are added frequently</li> <li>■ <a href="#">Monthly retirement market podcast</a> to stay up to date in the Retirement landscape</li> <li>■ <a href="#">Aon Insight zone</a> is frequently updated with new insightful reading materials</li> <li>■ <a href="#">DC and Financial Wellbeing Employee Survey 2018</a> – an employee's perspective</li> <li>■ <a href="#">Aon's Guide to Member Options</a></li> <li>■ <a href="#">Aon's Guide to Plan consolidation</a></li> <li>■ <a href="#">Aon's Monthly Risk Settlement bulletin</a> provides updates on the settlement market.</li> <li>■ <a href="#">Pension Clicks</a> – Monthly newsletter on Retirement related topics. Prior letters <a href="#">here</a>.</li> </ul>	

# Ongoing developments: Continental Europe

- Requirements
- Proposals
- Opportunities

	Central & Eastern Europe	Continental Western Europe
State	<ul style="list-style-type: none"> <li>■ <b>Region:</b> 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.</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Italy:</b> Cabinet approves pension reform decree</li> <li>■ <b>Norway:</b> Individual pension account system for DC pension plans approved</li> <li>■ <b>Sweden:</b> Contribution waiver for younger workers proposed</li> </ul>
Design	<ul style="list-style-type: none"> <li>■ <b>Armenia:</b> Second-pillar pension reforms ongoing</li> <li>■ <b>Czech Republic:</b> Account-based second-pillar plans from 2020.</li> <li>■ <b>Poland:</b> Employer-sponsored (PPK) plan have come into law. First deadline passed</li> <li>■ <b>Poland:</b> OFE reforms announced</li> <li>■ <b>Russia:</b> Proposal on regulatory framework for DC plans</li> <li>■ <b>Turkey:</b> New updates are expected on the auto enrolment system at the end of this year</li> <li>■ <b>Ukraine:</b> Delays in reforms until 2020 - constitutional challenge on retirement age</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Belgium:</b> Non-discrimination between blue- &amp; white- collar workers</li> <li>■ <b>Belgium:</b> Reviewing interest guarantees in view of much lower interest rates</li> <li>■ <b>France:</b> Wide-spread regulatory reform (see Hot Topic 3-19)</li> <li>■ <b>Germany:</b> DC plans without guarantees</li> <li>■ <b>Greece:</b> DB to DC transition</li> <li>■ <b>Portugal:</b> Exploring provision of annuity by pension funds as alternative to insurer</li> <li>■ <b>Spain:</b> Cash-out option for employees with 10 years' service.</li> </ul>
Financing	<ul style="list-style-type: none"> <li>■ <b>Romania:</b> Changes in capital requirements for pension funds</li> <li>■ <b>Russia:</b> Changes in investment rules for NPF's</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Switzerland:</b> Proposals on short-term financing of DC plans.</li> </ul>
Operations	<ul style="list-style-type: none"> <li>■ <b>EU/EEA:</b> EIOPA consultations on customisation of the Pensions Benefit Statement</li> <li>■ <b>EU:</b> IORP2 update: 17 countries have already transposed, action is to be taken against the countries (11) that have not yet complied</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Italy:</b> Companies can now introduce DB bridging plans</li> <li>■ <b>Switzerland:</b> Review of rules on auditing pension funds.</li> </ul>
Knowledge Sharing		<ul style="list-style-type: none"> <li>■ <b>France:</b> AGIRC – ARRCO merger - A bulletin from Aon France (in French) adds some <a href="#">details</a>.</li> </ul>



# Ongoing developments: Asia Pacific

- Requirements
- Proposals
- Opportunities

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

# Ongoing developments: Middle East, Africa & Latin America

- Requirements
- Proposals
- Opportunities

	Middle East & Africa	Latin America
State	<ul style="list-style-type: none"> <li>■ <b>Ghana:</b> Diverting social security pension into mortgage financing</li> <li>■ <b>Iran:</b> Social security reform expected due to increase in dependency ratio.</li> <li>■ <b>Kenya:</b> Housing levy suspended</li> <li>■ <b>Mauritius:</b> Worker's Rights Act</li> <li>■ <b>Rwanda:</b> proposals made to reverse previous increase in retirement age.</li> <li>■ <b>Pakistan:</b> Minimum pension to rise by 2023</li> <li>■ <b>Tanzania:</b> State pension formula reprieve until 2023</li> <li>■ <b>Zimbabwe:</b> Pension revaluation plan &amp; pension reform plan</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Bermuda:</b> Planned amendments to the National Pension Scheme</li> <li>■ <b>Brazil:</b> State medical and pension reforms.</li> <li>■ <b>Chile:</b> AFP reform proposals.</li> <li>■ <b>Columbia:</b> Social security reforms.</li> <li>■ <b>Costa Rica:</b> Social security reforms.</li> <li>■ <b>Ecuador:</b> Review of social security benefits.</li> <li>■ <b>Mexico:</b> Proposals for nationwide minimum pensions and retirement age hike.</li> <li>■ <b>Mexico:</b> Exploring ways to integrate first and second pillars and improve savings.</li> <li>■ <b>Nicaragua:</b> Social security reforms.</li> <li>■ <b>Peru:</b> Pension reform talks.</li> </ul>
Design	<ul style="list-style-type: none"> <li>■ <b>Ghana:</b> Plan to expand pensionable salary</li> <li>■ <b>Morocco:</b> Pension system professionals to be established</li> <li>■ <b>Uganda:</b> NSSF to be compulsory for private sector</li> <li>■ <b>UAE:</b> New end of service plan planned</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Chile:</b> Proposed private pension reforms, including employer contributions.</li> <li>■ <b>Dominican Republic:</b> Debate over voluntary second pillar.</li> <li>■ <b>Mexico:</b> Plans being developed for voluntary employer-provided pension schemes.</li> </ul>
Financing	<ul style="list-style-type: none"> <li>■ <b>Kenya:</b> Draft guidelines to enable retirement funds to be diverted for medical cover.</li> <li>■ <b>Mauritius:</b> Plans for transfer for retirement gratuity on change of employment.</li> <li>■ <b>Namibia:</b> higher tax relief proposed for contributions in 2019-20 Budget</li> <li>■ <b>Saudi Arabia:</b> Severance pay upgrade proposed</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Mexico:</b> Increased interest in life-cycle investment funds.</li> <li>■ <b>Peru:</b> Efforts to simplify pension products and pension product choices.</li> </ul>
Operations	<ul style="list-style-type: none"> <li>■ <b>Egypt:</b> Draft law pension scheme governance</li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Mexico:</b> Increased focus on employee communication and financial wellbeing.</li> <li>■ <b>Peru:</b> AFP longevity incentive discounts on management fees.</li> </ul>

# Aon International Retirement Events & Thought Leadership Update

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## Global Events & Surveys

**[DC and Financial Wellbeing Webinar](#)** - A webinar was held on the 20<sup>th</sup> 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](#)** - Thank you to those who participated in the Global Pension Risk Survey 2019. The results have been collated and local teams are analysing and producing outputs. Please click [here](#) for UK findings and [here](#) for German findings; other countries' output will be published via the [global page](#) in due course. Please feel free to contact your regular Aon consultant to discuss survey findings.

**[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](#).

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## Country/Regional Events & Surveys

**[Netherlands](#)** - Join Heleen Vaandrager (CCO, Retirement & Investment Aon Netherlands) for a webinar discussing the upcoming changes to the Dutch pension reforms - including slowing the rate of increase in retirement age, providing early retirement solutions, lump sum options and simplified spouse/partner retirement arrangements. Date and time to be confirmed.

**[UK - De-Risking Event for DB Schemes £1bn+](#)** - Join Martin Bird (Senior Partner, Risk Settlement) at the Aon Centre for an afternoon forum and dinner event for trustees/sponsor of £1bn+ schemes. The session will cover recent case studies where Aon has advised on major bulk annuity and longevity swap transactions, including telnet, Rolls-Royce and HSBC

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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.