Aon Global Retirement Insights Quarterly October to December 2018

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**:**

- Auto-enrolment requirements and options in Poland
- Possible first steps away from End of Service Gratuities and towards DC in the Middle East
- The UK GMP equalisation court ruling
- The deadline being reached for implementation of IORP II by EU states
- Global Governance of retirement plans
- Italian Government response to challenges of affordability of retirement for employees

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

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

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

Prepared by Aon
Consulting | Retirement and Investment

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Contents

Main developments in October to December 2018:

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

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

Ongoing key areas of focus for employers:

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

Hot topics in October to December 2018: Additional insight into some topics creating discussion recently.

Throughout the document underlined text is a link for more details on the topic.

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Main developments in October to December 2018

- Requirements
- Proposals
- Opportunities

United Kingdom:
- Guidance on pensions within Directors' pay
- High Court ruling on GMP equalisation
- PPF levy determination for 2019/20
- Tender guidelines for fiduciary management
- Collective Defined Contribution consultation

Canada:
- Consultations on enhancing retirement security
- British Columbia: consultation on solvency funding

United States:
- IRS electronic submission guidelines
- PBGC changes
- Expanded access to multi-employer plans

Mexico:
- Performance and cyber standards
- Integration of pension pillars
- Social security recognition of same-sex marriage

Rest of Americas:
- Brazil: Increased retirement age & other reforms
- Chile: Increased employer contributions
- Chile: Relaxed investment rules
- Peru: Early retirement scheme extended

Common across Europe:
- Earlier vesting requirements: Austria; Spain
- Enhanced communication: Austria; Spain; Portugal
- IORP II applications in national laws
- State pension increases in many countries
- Updated mortality tables: Germany; Austria
- 1st & 2nd pillar reform continues in many countries
- EIOPA guidance on pension IORP II benefit statements
- EIOPA focus on impact of climate change & cyber risks
- Early Retirement options: Italy; Portugal

Middle East:
- Israel: Freedom of choice law
- UAE: DIFC mandatory 2nd pillar

India:
- LGBT ruling
- Concerns about investment default risk
- NPS tax incentives

Rest of Africa:
- East African Community: Pension portability study
- Ghana: Diverting State Pension to House financing
- Kenya: Connecting house, retirement & medical savings
- Mauritius: tax guidance on expatriate pensions
- Nigeria: voluntary contribution guidance
- Sierra Leone: 12.5x minimum pension jump

South Africa:
- Default investment option required
- Guidance on lump-sum taxation
- Guidance on foreign pensions

Netherlands:
- Higher bar proposed for cross-border transfers
- Retirement age hike postponed
- Discount rate challenged by unions & employers

Rest of Europe:
- Belgium: Voluntary DC without guarantees
- France: Harmonisation of pensions & savings rules
- Finland: Incomes register
- Poland: Employee capital plans (PPK) introduced
- Sweden: Investment flexibility
- Turkey: Auto-enrolment updated

Rest of Asia:
- Cambodia: cancellation DB plans
- Hong Kong: new reporting requirements
- Kazakhstan: material pension increase
- Malaysia: Changes to tax relief & EPF contributions
- Nepal: New social security provision and costs
- Philippines: Social Security for overseas Filipinos
- Singapore: Tax exemption for qualified expats
- South Korea: Pension splitting
- Thailand: Mandatory second-pillar scheme
- Vietnam: Social Security mandatory for expats

Oceania:
- French Polynesia: Retirement age increase
- New Zealand: Residency requirement eased
- Australia: Default life insurance in Super
- New Zealand: Kiwi reforms proposed

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Key design-related updates from the quarter

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Design	Australia	Consultation on early release of super benefits	The Treasurer has opened a consultation on draft proposals for early release of superannuation benefits under certain circumstances. Early release could be on compassionate grounds or in cases of severe financial hardship.
	Australia	Super protection bill status	Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018 is overdue for a final plenary vote in the Senate. It would make the default life insurance in superannuation funds an "opt-in" for members under age 25 and those with balances below $6,000. It would set thresholds for transfer of inactive accounts and empower the Commissioner of Taxation to consolidate funds below that threshold into an active superannuation account. If it does pass, every super fund in Australia will have to renegotiate terms on Group Life insurance cover (in a market dominated by two or three insurers) by June 30, 2019.
	Austria	New maximum vesting period	The General Social Insurance Act includes a provision that establishes a maximum 3-year vesting period for direct pension promises under "book reserve" pensions. The service periods, starting May 21, 2018, are the only ones recognized under the new law. Earlier periods remain subject to the previous rules.
	Belgium	Voluntary occupational pensions	Legislation establishing the voluntary occupational pension for employees (‘VOPE’) has cleared Parliament and will come into force three months after imminent publication in the Official Gazette. VOPE plans will not have the statutory guaranteed return required for occupational pensions.
	Cambodia	Cancellation DB plans	Legislation has been passed requiring cancellation of DB plans.
	Chile	Investment rules relaxed	The Financial Market Commission (CMF) has issued a final rule amending Circular 2,171 by expanding the investment menu for Voluntary Pension Savings (APV) and Collective Voluntary Pension Savings (APVC) plans. The move is expected to boost APV and APVC returns by relaxing restrictions on their exposure to derivatives.
	EU	National Competent Authorities (NCA) guidance on IORPs	The EIOPA has issued a decision superseding existing rules on improving transparency and cross-border collaboration between National Competent Authorities (NCA) on the supervision of Institutions of Occupational Retirement Provisions (IORPs). Issues include information exchange, outsourcing of key functions, and cross-border transfer of pension schemes.
	EU	EIOPA guidance on pension benefit statement under IORP II	Principles for the Pension Benefit Statement (PBS) include: PBS harmonization at national level; some degree of customization such as reflecting the member's current income; navigability and a design that steers decision-making. EIOPA will be consulting at the national level on standardized design for PBS.
	Finland	Incomes register	The Incomes Register is a new electronic national database, which will compose the data on earned incomes, benefits and pensions in the future. The Finnish Tax Administration is the authority maintaining the new database. Pension benefits expected to be included from 2020.
	Hong Kong	eMPF (Mandatory Provident Fund)	The Mandatory Provident Fund Schemes Authority has unveiled plans for a centralized electronic platform for scheme administration called eMPF. Advantages would include assigning members their own unique MPF number and making it easier to transfer funds or manage multiple accounts under different trustees. It would also support greater choice of funds and greater competition in the sector. Rollout expected in 2022.

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Key design-related updates from the quarter - continued

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	Country	Measures	Changes
Design	Hungary	Introduction of pension saving bonds	The Finance Minister has outlined plans to complement existing voluntary retirement schemes with pension savings bonds. The yields would average well above inflation (The scheme is modeled after baby bonds, which have a 3% higher yield.), possibly with some variation by age. These bonds would be redeemed at retirement age and distribution could come as a lump sum or a monthly annuity. The minister gave assurances that the tax incentives for the other retirement plans would not be affected. No time frame has been set yet.
	India	Proposal to increase tax exemption limit NPS approved	The National Pension Scheme (NPS) has provided more tax benefits to encourage participation. The Government has approved the proposal to increase the tax exemption limit for lump sum withdrawal at the time of exit from NPS to 60%, from 40% currently.
	India	Annuity process sought	The Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulator and Development Authority (PFRDA) are collaborating with the insurance sector on developing a streamlined annuity process under the New Pension Scheme (NPS) which already has several thousand requests backlogged. Their goal is a simplified online system for annuity purchase using KYC (know your customer) identification numbers.
	Mauritius	Tax guidance on expatriate pensions	The Mauritian Revenue Authority has posted Tax Rulings 189 and 190 to clarify the tax regimes for pension benefits to non-residents in a range of different circumstances. Most notably, benefits paid to non-residents under a Mauritian pension scheme are classified as taxable income.
	Mexico	CONSAR proposes pillar integration	The National Commission of the Savings System for Retirement (CONSAR) has published a working paper mapping out a coordination of pension schemes to increase eligibility and raise replacement ratios. The universal basic pension would be integrated into individual account schemes, and there would be a rise in worker second-pillar contributions differentiated by salary level.
	Netherlands	Retirement age hike postponed	Revised longevity figures have now convinced the Minister for Social Affairs to announce a further pause in the retirement age increase for the Dutch state pension (AOW). Already on hold for 2022-23, it will now remain stable at 67 years and three months for 2024.
	New Zealand	KiwiSaver reforms proposed	The Tax Working Group's Future of Tax: Interim Report proposes new government subsidies to encourage low income earners to save more in KiwiSaver schemes.
	Nigeria	Voluntary contribution guidance	The National Pension Commission (PenCom) has approved guidelines on Voluntary Pension Contributions (VPC) under the Contributory Pension Scheme (CPS).
	Poland	PPK signed into law	The President has signed the proposal on the Employee Capital Plans (PPK) into law. See our hot topic overview for more information..
	Singapore	Not Ordinarily Resident (NOR) pension tax exemption	The Inland Revenue Authority of Singapore (IRAS) has established more favourable rules for the Not Ordinarily Resident (NOR) Scheme which grants qualifying expats tax exemptions on contributions made by the employer to a non-mandatory overseas pension or provident fund for five consecutive years. NOR taxpayers who have not already claimed the concession for Years of Assessment (YA) 2017 and 2018, may apply to the IRAS for it within the next 4 years.

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	Country	Measures	Changes
Design	South Africa	Guidance on taxation of lump-sum distributions	The South Africa Revenue Service (SARS) has revised its Guide on the Calculation of the Tax Payable on Lump Sum Benefits in light of tax law amendments in recent years affecting lump sum benefits from retirement funds. The guidance is applicable from the 2018 year of assessment. Click here to read the guide.
	South Africa	Retirement funds to comply with final Default Regulations	From March 1, all retirement funds must have a default strategy in place with regards to Investment options within the Fund, preservation of benefits, on exit prior to retirement, and annuity options on exit at retirement.
	South Korea	Tax package reaches National Assembly	The Ministry of Health and Welfare has delivered a bill to the National Assembly on relaxing the pension-splitting protocol on divorce. Prerequisites for sharing a pension currently include having been married for at least five years. In response to a surge of elderly divorces, this bill would cut the minimum marriage period to one year.
	South Korea	Tax package reaches National Assembly	The Tax Revision Bill 2018,which was approved by the Cabinet Council in August is now before the National Assembly.
	Spain	Regulate about vested rights and information regime	Mainly, retirement plans financed through collective insurance contracts are the plans affected by the law. Royal decree 11/2018, regulates two main issues related to retirement commitments when employment relationship is terminated: vested rights and information regime. In the case of a vesting scale the total period cannot be of more than three years. Information requirements will take place as of July 2019.
	Sweden	Changes in social security contributions	The employer health contribution will drop from 4.35% to 3.55%. The general salary tax, a supplemental social security contribution paid by the employer, would increase from 10.72% to 11.62%. The employer levy for survivor's pension insurance would decrease from 7% to 6%.
	Sweden	Swedish pension bill causes lower and more unstable pensions	The Swedish pensions industry questions the government’s implementation of IORP II, saying it will cause low, volatile and expensive pensions and contradicts the purpose of the European Union. In a comment industry leaders said it is surprising that the state chooses to interpret an EU directive in a way that will prioritize competition in Sweden before competition in Europe, contradicting to the basic idea of the EU and the single market.
	Taiwan	Trust fund for seniors	The Financial Supervisory Commission (FSC) has conferred with the Judicial Yuan on a proposed amendment to the Family Act that would require trust companies to offer adult custodial systems to help with long-term disability, reflecting reducing generational support.
	Thailand	National Pension Fund bill	The legislation on establishing a mandatory second-pillar scheme has cleared both the Cabinet and the Office of the Council of State. The National Pension Fund (NPF) will now go before the National Legislative Assembly. In the current draft: Employers and employees would be required to contribute 3% each for the first 3 years, 5% for years 4-6, 7% for years, 7-9 then 10% thereafter. The maximum pensionable salary would be 60,000 baht per month. Employers would contribute the employee share for workers earning under 10,000 baht per month. Employees would be allowed to contribute up to 30% of monthly salary and there is no limit set on employer contributions.

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Key design-related updates from the quarter - continued

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	Country	Measures	Changes
Design	Turkey	Updates to the Auto Enrolment pension system	Regulations on improving retention in the auto-enrolment pension system. Those who opt out will be automatically re-enrolled after three years. Workers who have opted out are free to opt back in at any time, and auto-enrolment is extended to workers below age 18. Employees may take a contribution break, new enterprises with at least five workers must offer a defined contribution scheme with auto-enrolment within the first month and funds that exceed performance targets are allowed to raise their management fees up to a limit. The regulations went into effect on December 28, 2018. A new clarification has been published in January 2019 about the definition of age by Turkish Treasury. If the company has launched a plan before December 28, 2018, the age is calculated from January 1, 2017. So, all employees who are Turkish or blue card holders and who are born after January 1, 1972 should be enrolled. Companies which have not met the legislative requirement have an additional two months period until February 27, 2019. No penalty will apply until this period.
	Ukraine	Delay in pension reforms	Introduced about a year ago, the Cabinet of Ministers has now approved the Ministry of Social Policy's proposal to delay the introduction of the second level of the pension reform per one year, until January 1, 2020. From this date, people under age 35 will start making contributions to a compulsory funded pension scheme The contribution rate will initially be 2% of salary but is set to grow at a pace determined by wage inflation.
	United Kingdom	Government consults on CDC	The Government published a consultation on collective defined contribution (CDC) schemes. It set out broad proposals about how a particular type of CDC scheme might work in the UK, how the system might adapt over time to incorporate other forms, and the legislative and regulatory regime that would be needed to support such schemes.
	United Kingdom	Updated guidelines on executive pay	The Investment Association has updated its executive pay guidelines following concerns that companies are not listening or responding to shareholders over pay. Under the new principles, companies should 'pay pension contributions to directors in line with the rate given to the majority of the rest of the workforce, rather than giving higher payments as a mechanism for increasing total remuneration'.

Key financing-related updates from the quarter

- Requirements
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	Country	Measures	Changes
Financing	Austria	New mortality tables	Impact is on book-reserves for pension, termination indemnity, and jubilee pay liabilities.
	Canada	British Columbia solvency funding consultation	The Financial Institutions Commission (FICOM) posted a Ministry of Finance Solvency Funding Consultation, which focuses on review of the solvency funding framework for defined benefit pension plans registered in British Columbia that are required to fund on a solvency basis. The purpose of the consultation is to determine whether changes exist that would better support both the protection of members' benefits and the long-term sustainability of these plans.
	Canada	Pension bankruptcy bill	Bill S-253, an Act to amend the Bankruptcy and Insolvency Act and other Acts and Regulations (pension plans) received first reading.
	Germany	Mortality tables revised	The following changes are advised in the revised mortality table: Slight reduction in the mortality improvement rate. Small changes to the base table. Correction of a small issue with the turn-over assumptions of the unisex table.
	Germany	Gentler formula planned for interest rate guarantee buffers	The Finance Ministry has posted draft legislation on altering the calculation for additional interest rate guarantee buffers (Zinszusatzreserve). This would offer pension funds and life insurers significant relief in determining their actuarial reserves. Mainly relevant for pension insurance brokers.
	Hong Kong	Proposal for ending Mandatory Provident Fund (MPF) offset	The Executive Council has approved a plan to partially subsidize employer costs for removal of the Mandatory Provident Fund (MPF) offset with HKD 29.3B in MPF contributions over the next 25 years. The proposal will now be reviewed by the legislature. The abolition of the "offsetting" arrangement is targeted to be implemented in 2022, two years after the expected passage of the legislative amendments.
	India	IL&FS Loan default impact	Several retirement funds had exposure to the IL&FS group which is struggling financially since Q3 2018 leading to defaults in interest payments to these Funds potentially leading to deficit financing by the employer. This may also lead to higher financial commitments from the employer in future in the event of the investments turning Non-Performing Assets.
	India	Pension fund investment review	The above scandal involving pension fund exposure to bad investments has prompted the Pension Fund Regulatory & Development Authority Act (PFRDA) to open a broad review of risk management guidelines for pension funds. Credit ratings alone did not warn a number of pension funds away from a troubled financial company. The regulator will look into other ways that institutional vestors can exercise due diligence.
	Kenya	Post- Retirement Medical Funds (PRMF) consultation	The Retirement Benefit Authority (RBA) has drafted guidelines for Post-Retirement Medical Funds (PRMF). Employers sponsoring registered retirement benefit schemes now have the option of offering a PRMF with a pension, using additional voluntary contributions or diverting part of retirement benefits to pay for medical coverage. The Treasury has endorsed the draft, so it should be gazetted soon with the new regulatory framework improving the market for this product.

Key financing-related updates from the quarter - continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Financing	Kenya	Housing Development Fund	The National Housing Development Fund (NHDF) scheme established under Finance Act 2018 is now set to come into force on January 1, 2019, provided implementing regulations are finalized in time. Employers and employees will each contribute 1.5% of gross pay, with a maximum total contribution of Kshs 5,000 per month. The NHDF is meant to fund affordable housing but people who have contributed at least 15 years to their account or have reached retirement age will have the option of transferring the contributions and the interest earned on them into a registered pension scheme.
	Malaysia	2019 Budget	The Finance Ministry has published the 2019 Budget which proposes splitting the MYR 6,000 maximum annual tax relief for EPF (Employee Provident Fund) contributions and life insurance or takaful deductions into MYR 4,000 for EPF and MYR 3,000 for life insurance and takaful premiums. In addition, mandatory employer EPF contributions for workers age 60 and up would be cut from 6% to 4% as an incentive for hiring more seniors.
	Netherlands	Discount rate change request	Some pension funds asking for weaker discount rates to avoid deficit, however the minister does not agree with it.
	Sweden	Investment flexibility for AP funds	Parliament has approved by a wide margin legislation liberalizing the investment rules for AP1, AP2, AP3 and AP4 buffer funds. After years of gestation, this measure will allow the funds to cut the minimum investment in interest-bearing-securities from 30% to 20% and increase their investments in alternative and "illiquid" assets.
	Switzerland	Federal act on Tax Reform and AHV-Financing	Large corporate groups and SMEs will be taxed in the same way in the future. This will reduce the overall tax burden for SMEs. By linking the tax reform and AHV financing, the population will benefit directly. In the long term, TRAF will ensure general prosperity in Switzerland, provide certainty and predictability for companies and help secure pensions.
	United Kingdom	Climate-related risks and financial disclosures	The Government response to the Environmental Audit Committee's report on Greening Finance accepted some recommendations, such as clarifying that trustees have a fiduciary duty to consider long-term risk and opportunities, including environmental risks. It rejected a proposal to make pension fund climate-related financial disclosures compulsory by 2022.
	United Kingdom	Regulator sets out new approach	The Pensions Regulator set out its new approach to regulation, which will result in increased Regulator/scheme interactions.
	United Kingdom	DWP consults on DB consolidation schemes	The DWP is consulting on a legislative framework for DB consolidation schemes. The Pensions Regulator would be responsible for authorising and supervising these DB 'superfunds', and its role could include the ability to prevent profits from being taken, closing the consolidator to new business, or forcing it to wind up.

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Key operations-related updates from the quarter

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Operations	Canada	**Consultations on enhancing retirement security**	As part of its 2018 Fall Economic Statement, the Canadian government committed to consulting pensioners, workers, and companies to support the development of a whole-of-government, evidence-based approach to addressing retirement security for all Canadians and protecting Canadians' pensions. As a result, the Minister of Seniors announced the next steps in national consultations on enhancing Canadians' retirement security, which are related to pensioners receiving reduced benefits due to their employer's insolvency and underfunded workplace pension plan.
	France	**New pension reform**	Pension reform is going to take place in France which aims to simplify, harmonize and uniform the rules between the different pension funds and employees' savings plans. Next to this, tax rules will be harmonized as well. Only 40% of the firms have implemented the pension plans, the implementations will grow up in the next 10 years.
	Hong Kong	**Retirement scheme reporting requirements**	From January 1, 2020, the MPF schemes, ORSO registered schemes, ORSO pooling agreements and approved pooled investment funds will be subject to reporting requirements under the Automatic Exchange of Financial Account Information in Tax Matters (AEOI) regime. Plan sponsors will now need to disclose their data to the Inland Revenue Department (IRD) and communicate to members about their change in status.
	India	**LGBT ruling**	Anviti has issued a bulletin on implications for the insurance sector of a recent Supreme Court decision decriminalizing homosexuality. Click here to read the article.
	Israel	**Update on two pension developments**	Circular ending the requirement to use third party trust accounts for transferring pension payments. A ruling that clarifies the scope of freedom of choice under Section 20 of the Provident Law. Click here to read the article.
	Italy	**Labor law consolidation and minimum pension**	The Labour Minister has set a December 31, 2018 deadline for consolidating an incomprehensible "jungle" of 140 labour laws into a single reader-friendly labour code. He mentioned in the same interview that the administration will set a firm minimum monthly pension of EUR 780.
	Mexico	**Circulars on Afores internal management, performance**	The National Commission of the Retirement Savings System has published an operation circular on technological innovations under recent rules for the administrators of retirement funds (afores), which include cybersecurity standards, biometric authentication, customer service, and transparency. Another circular on upgrading afores performance came into effect recently, and included a bill of rights for members, streamlined grievance procedures, agent training standards, and transparent service processes.
	Netherlands	**Bill would ban outsourcing investment policy**	Parliament has advanced a measure as part of its transposition of the IORP II Directive, that would bar pension funds from outsourcing responsibility for asset management strategy to fiduciary managers. They would be able to conduct asset management but not manage investment policy.
	Netherlands	**Higher bar proposed for cross-border pension transfers**	The Social Affairs Minister has submitted an amendment to the bill on transposing the IORP II Directive that would require approval from two-thirds of participants and pensioners for a cross-border pension transfer. He noted that there can be valid reasons for these transfers but suggested that there could be further measures to curb the practice of shopping for a jurisdiction with gentler regulations. Analysts have noted that EU regulations may constrain member state ability to limit cross-border pension mobility. The legislation was adopted on 18 December despite a lot of discussion about the legislation and the two thirds majority.
	New Zealand	**Life insurance code of conduct**	The Financial Services Council (FSC) of New Zealand, comprised of major life and disability insurers as well as some KiwiSaver providers, has issued a mandatory code of conduct with a January 1, 2019 deadline for compliance.

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Key operations-related updates from the quarter - continued

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	Country	Measures	Changes
Operations	Paraguay	Pension regulator plan rejected	Pension reform legislation that would have established a Superintendency of Retirement and Pension Funds to regulate both public and private pension funds was approved in the Lower House, rejected in the Senate, and returned to the Lower House. Later, the Chamber of Deputies seconded the Senate's rejection because a majority felt that it was wrong to exclude social partners from the supervisory structure.
	South Africa	Guidance on tax treatment of foreign pensions	The South Africa Revenue Service's (SARS) Interpretation Note No. 104 explains the income tax exemption for foreign pensions. Any "lump sum, pension or annuity" from a source outside South Africa, including those transferred to a local retirement fund from a foreign source, is exempt from income tax. Click here to read the Note.
	Switzerland	Pension fund oversight dispute	A Federal Council report concluded that pension regulator was not authorized to introduce special permits for the auditors of occupational pension funds. It did conclude that existing rules on auditing pension funds were overdue for revision by Parliament and that legislators had the option of conferring full authority to the regulator to admit and supervise pension auditors.
	United Kingdom	Auto-enrolment thresholds for 2019/20	The Government has published its review of the automatic enrolment earnings thresholds for 2019/20. It proposes that the earnings trigger will remain at £10,000, and the lower and upper limits of the qualifying earnings band will increase to £6,136 and £50,000 respectively, aligned with National Insurance limits. Companies will need to update their auto-enrolment processes when the thresholds are confirmed.
	United Kingdom	CMA announces reforms	Following its investigation, the Competition and Markets Authority (CMA) has confirmed remedies for the investment consultancy and fiduciary management sectors. These include a requirement for a competitive tender with at least three firms where trustees wish to delegate investment decisions (for more than 20% of their assets) to a fiduciary manager.
	United Kingdom	Employer NICs on termination payments delayed	Employer (class 1A) National Insurance Contributions (NICs) were originally due to be charged from April 2018 on the amount of a termination payment that is subject to income tax, i.e. the amount in excess of the £30,000 tax-free amount. This change had already been deferred to April 2019, but October's Budget indicated that this will now not be implemented until April 2020.
	United Kingdom	Governance requirements of Pensions Directive	The Government laid regulations to implement the governance provisions of the Pensions Directive ('IORP II') in October. The regulations came into force on January 13, 2019 but do not themselves impose new requirements on schemes. Instead, they require the Pensions Regulator to issue a new Code of Practice on scheme governance. The detail will be set out in the new Code, and schemes will have two years to comply.
	United Kingdom	High Court ruling on GMP Equalisation	The High Court has ruled that schemes are required to equalise benefits between men and women for the effect of unequal Guaranteed Minimum Pensions (GMPs) and that several methods of equalisation are possible. The case concerned Lloyds Banking Group Pensions Trustees and three related schemes, but it will have implications for other schemes contracted out between 1990 and 1997. See Hot Topic
	United Kingdom	Pensions Dashboard consultation launched	The DWP has published a consultation on pensions dashboards, which proposes that multiple industry dashboards should exist alongside a noncommercial dashboard hosted by the new Single Financial Guidance Body (SFGB).
	United Kingdom	PPF publishes 2019/20 levy consultation	The Pension Protection Fund (PPF) has published its final 2019/20 Levy Determination. The levy calculation is unchanged from 2018/19, other than a very small number of adjustments and clarifications arising from the significant changes introduced last year. Companies can now estimate levies for their schemes and consider any mitigating actions.
	United Kingdom	Master trust authorisation and supervision regime	Schemes that fall within the master trust definition will have six months from October 1, 2018 to either apply for authorisation by the Pensions Regulator or wind up. Regulations provide detail on the regime, and the Regulator has published a code of practice, outlining what it expects of master trusts applying for authorisation. It has also consulted on a policy outlining how it will supervise authorised master trusts.

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Key operations-related updates from the quarter - continued

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	Country	Measures	Changes
Operations	United States	EBSA seeks expanded access to MEPs	The Department of Labor's Employee Benefits Security Administration (EBSA) released a proposed regulation aiming to expand access to affordable quality retirement saving options by allowing greater access to Multiple-Employer Plans (MEPs).
	United States	H.R. 6757—The Family Savings Act of 2018	The House of Representatives passed Bill 6757, which would amend the tax code to modify requirements for tax-favored savings accounts and employer-provided retirement plans. Senate passage is uncertain.
	United States	IRS releases Revenue Procedure updating EPCRS	The IRS released Revenue Procedure 2018-52, which modifies certain aspects of the Employee Plans Compliance Resolution System (EPCRS) including establishing new electronic submission guidelines that must be used to file Voluntary Correction Program (VCP) submissions and pay user fees.
	United States	IRS 2019 Official Indexed Figures	The Internal Revenue Service (IRS) issued Information Release 2018-211 providing the 2019 official indexed figures for retirement plans and other employee benefit plans. The IRS issued technical guidance detailing these items in Notice 2018-83.
	United States	PBGC amendments	The PBGC released a final rule amending its regulations on guaranteed benefits and asset allocation. The amendments incorporate statutory changes to the rules for participants with certain ownership interests in a plan sponsor.

Key State-related updates from the quarter

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	Country	Measures	Changes
State	Angola	Definition of pensionable salary revised	Presidential Decree No.227/18 trims the list of payments that are exempt from social security contributions. Effective September 27, 2018, it preserves the exemptions for vacation allowances, employer contributions for social benefits, and employer/employee payments for optional complementary social protection. Other cash benefits and the cash value of remuneration in kind are subject to social security contributions.
	Armenia	Changes to state pension	The Ministry of Labor and Social Affairs is backing legislation that would peg the maximum pension to 10 times the minimum pension. The limit would extend to the pensions of high government officials and the aim is to give officials a stake in regular increases to the minimum pension. This bill will be joining another measure before the National Assembly that would raise the minimum benefit by 60% to 25,500 drams (US $52.54) per month.
	Brazil	Pension reform	The new president-elect has made pension reform a top priority. Initially, the president-elect planned for a clean start centering on an individual retirement saving account model; however, he later decided that the current model progressing through Congress would be the most expedient way to bring urgent change to the insolvent pension system. The reform bill features a retirement age hike for men and women and a standardization of specialized pension schemes.
	Chile	Pension reform plan	The President unveiled the administration's new pension reform plan, and the key features include a 4% increase in the employer contribution rate (raising it to 14% over eight years), incentives for deferring retirement, and reinforcement of the solidarity pillar.
	Columbia	Social security fund diversion flagged	The Chairman of the House of Representatives has issued a warning that a provision of the draft National Budget threatens the solvency of the Colpensiones state pension fund manager.
	Croatia	Pension reforms	Parliament has now passed the administration's pension reform bill featuring an increase in the retirement age from 65 to 67 by 2033. It also has measures penalizing early retirement with a benefit reduction of 3.6% per year and it rewards retirement deferral with a similar formula. In addition, pensioners will be able to work up to four hours per day without losing benefits. The law was slated to come into effect on January 1, 2019.
	Cyprus	Social insurance contribution hikes	The matching employer and employee contributions to the Cyprus Social Insurance Fund (SIF) will rise from 7.8% each to 8.3% on January 1, 2019 then continue climbing by 0.5% at five-year intervals – from 2039 it will be 10.3%.
	Czech Republic	Updates on pension reforms	The Finance Ministry disclosed that the parties of the coalition government have agreed on a broad outline for pension reform including pensions for men and women would be equalized, early retirement option for miners would be extended to other arduous occupations and there would be a harmonization of employer and employee contributions.
	East African Community	Pension portability study	East Africa Pension Supervisors Association has concluded a pension portability study for the six-member states of the East African Community (EAC) as part of delivering on EAC commitment to free movement of workers under the EAC Common Market.
	Estonia	Proposed state pension changes	The ruling Center Party is campaigning on (among other things) a pledge of state pension. The average monthly pension would rise from EUR 500 to EUR 700 by 2023 and a widow's pension would be introduced.

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Key State-related updates from the quarter - continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	Estonia	Amendments to pension reforms	The Riigikogu social affairs committee has approved an amendment to the draft pension reform bill that would factor an individual's salary into the benefit formula. The Ministry of Social Affairs proposed this amendment on the grounds that the gradual transition to basing the benefit on length of service would be a disincentive for some. Another committee-stage amendment would reduce the contribution history requirement for workers with partial or total incapacity.
	Finland	Pension contribution rate adjustments	Employer earnings-related pension contributions will decrease from an average of 17.75% to 17.35%. The pension insurance premium will rise from 6.35% to 6.75% for worker under age 53 or over age 62. For those between ages 53-62, the increase is from 7.85% to 8.25%.
	French Polynesia	Pension reform bill approved	Defying a general strike, the territorial assembly passed a controversial pension reform package by a wide margin Provisions confirmed in the final draft include: *Raising the retirement age from 60 to 62 by 2023 with allowance for early retirement at 57, or 55 for those performing "heavy work." *Setting a 30-year contribution period for a full pension. *Increasing the minimum age for survivor's pensions to 55. *Establishment of a transitional solidarity old-age allowance (AVS) for people from age 60 to 62. *Introduction of a solidarity pension supplement (CSR) to ensure a minimum benefit. The strike has now been called off but there will be a court challenge.
	Germany	State social security system	On November 8, 2018, the cabinet has agreed on a set of measures to shore up the state pension system.
	Georgia	Details on pension reforms	More details emerged on the pension reforms. Withdrawals may be taken as lump sum or monthly annuity. One becomes eligible for benefits at retirement age (M 60, F 55). Withdrawals are also allowed in cases of death or permanent disability. Once a year, members will have the opportunity to switch to high, medium, or low-risk investment funds with defaults corresponding to a life-cycle fund's reduction of risk tolerance with age.
	Ghana	Pension fund withdrawals for housing planned	The Minister of Works and Housing said that the government is drafting legislation that would boost the housing market by allowing contributors to the Social Security and National Insurance Trust to divert up to 30% of their pension funds into mortgage financing.
	Italy	Changes in pension system	Several important changes are expected in the Italian pension system in 2019. The changes will not modify the current issues companies coping with, however companies will have additional options to manage the context. See our hot topic overview for more information..
	Japan	"100-year life" social security initiative	The Prime Minister has demonstrated his commitment to a social security reform featuring retirement deferral by announcing the creation of new minister post to coordinate the interministerial effort. He identified his Cabinet's "largest challenge" as an "all-generation social security system" in support of the "100-year life."
	Kazakhstan	Minimum wage and pension increases	The President is pressing for quick passage of legislation that would raise the minimum wage by 50% from January 1, 2019. He also aims to raise pensions, survivor benefits, disability pensions, and unemployment benefits by 30% from January 1, 2020.
	Latvia	Salary maximum subject to contributions updated	Official Publication No. 2018/225.25 raises the maximum salary subject to social security tax from EUR 55,000 to EUR 62,800 per year from January 1, 2019. That rate will be frozen through 2021. The 24.09% employer contribution rate and the 11% employee contribution remain unchanged as does the solidarity tax on amounts above that threshold.

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Key State-related updates from the quarter - continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	Mexico	Measure to extend survivor benefits to same-sex marriage	The Senate's Social Security Commission unanimously passed a measure to comply with the National Human Rights Commission (CNDH) order to the Mexican Institute of Social Insurance (IMSS) that it recognize same-sex marriage for the purpose of entitlement to survivor benefits. The Senate subsequently passed in final vote a law that will reform laws of the Mexican Institute of Social Security (IMSS) to extend survivor benefits to same-sex spouses.
State	Nepal	Social Security Act	The Social Security Act came into effect on November 27, 2018. From May 22, 2019, employees will contribute 11% of income; 10% to the provident fund and 1% to the social security fund while employers will pay 20%; 10% each to the provident fund and the social security fund. Over the next several months, private-sector employers will register their workers for social security cards which entitle them to lifetime pensions, worker's compensation, maternity benefits, disability insurance, and a basic package of health services. Most of these plans have a minimum contribution period to qualify for the benefit.
State	New Zealand	Residency requirement eased	The Social Assistance (Residency Qualification) Legislation Bill has now cleared Parliament and received Royal Assent. It lowers the threshold for entitlement to New Zealand Superannuation and Veteran's Pensions for those living in Cook Islands, Niue, and Tokelau to 10 years New Zealand residence from the age of 20, dropping the requirement for at least five years after age 50. The date of entry into force has not yet been set.
State	New Zealand	Social security law revision	Social Security Legislation Rewrite Bill, which imposes clarity and coherence on the "disjointed" Social Security Act of 1964 has passed through Parliament and awaits Royal Assent. The "policy neutral" legislation will enter into force on November 26, 2018.
State	Peru	Early retirement scheme extended	The special early retirement scheme for unemployed seniors (Reja), which was to have lapsed on December 31, 2018, has received a two-year reprieve. Members of the Private Pension System (SPP) age 55 and up who have been unemployed for at least 12 months may start to collect benefits provided their pension would pay a "minimum living wage" and they have contributed at least 60% of the past 120 months.
State	Philippines	OFW social security coverage to be mandatory	Senate Bill 1753, Social Security Act of 2018 has cleared both houses of Congress and the bicameral committee. It provides for mandatory social security coverage for overseas Filipino workers (OFWs) and two other legislative changes.
State	Philippines	Social security contribution hike planned	The head of the Social Security System (SSS) initially broached a plan to offset rising costs - including an increase in paid maternity leave - with a gradual rise in the employer/employee social security contribution from 11% to 17%. He has now advised reporters of plans to amend the Social Security Charter with increases of 1% every other year peaking at 15%.
State	Poland	Update on salary cap	The Constitutional Tribunal has ruled against recent legislation that had removed the cap on salary subject to the ZUS social security premiums. The cap is 30x average monthly pay and the measure on eliminating it got through Parliament with some voting irregularities and without the standard social partner consultations. The bill is expected to be resubmitted to Parliament but not in time to affect 2019 premiums.
State	Portugal	Next stage of roll-out for long-service early retirement	People who contributed without break from age 16 may now retire after 46 years of contributions. It was published to introduce a new concept of personal retirement age – that is determined by reducing 4 months, by each year above 40 years of contributed career to the system considered on the pension calculations, to the annual normal retirement age publish for the year (2019 - 66 years and 5 months).

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Key State-related updates from the quarter - continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	Romania	Minimum pension increase	The Cabinet and parliament have approved an emergency decree raising the minimum pension from RON 1,100 (it increased from RON 1,000 on July 1) to RON 1,775 (US $444.61) by 2020. The President, however, views this measure as an unaffordable election year (2020) ploy (there are nine retirees for every 10 workers) and has asked the Constitutional Court to review it.
	Russia	Diversion second pillar contributions extended	The diversion of second-pillar accumulative pension contributions to the first-pillar pension, initially introduced for 2014-15 and subsequently extended through 2020, will now continue through 2021.
	Russia	Pension contributions for hazardous jobs	The Federal Tax Service's Letter No. BS-4-11/19048 provides guidance on the higher pension fund contribution rates that employers must pay for workers in "hazardous or dangerous" occupations. Under Tax Code amendments that went into effect on October 1, 2018, the supplemental contributions now range as high as 9%, depending on the hazard exposure identified in a workplace conditions assessment (WCA).
	Sierra Leone	Minimum pension increase	The Minister of Finance has advised the legislature that from January 1, 2019, the minimum monthly pension will jump from Le20,000 to Le250,000 (US $29.58), restoring a statutory peg to 50% of the minimum wage.He also noted that the government is working on a harmonization of pension laws, in part to reduce the incidence of people collecting multiple pensions.
	Slovakia	Changes in pension age	Legislation on amending the constitution to cap the retirement age at 64 has passed its first reading by a wider margin than the final vote that it would need to achieve a constitutional majority. The bill would add the following passage to the constitution, "the age required to claim appropriate material provision in old age must not exceed 64. In order for the state to support the family and motherhood, everyone who has raised a child has the right to a reasonable reduction in the maximum age".
	Switzerland	Social Security contribution hike approved	The Federal Act on Tax Reform and AHV Financing which was passed in Parliament last month would increase both employer and employee social security contributions from 4.2% to 4.35% from January 1, 2020.
	United States	Social Security totalization agreements	Several bilateral social security totalization agreements (SSTA) have recently entered into force for the United States, including agreements with Brazil, Slovenia, and Uruguay.
	Vietnam	Social security mandatory for expats	The decree on mandatory social security coverage for foreign workers has now been issued and will come into effect on December 1, 2018. From that date, employers will contribute 3% of monthly salary for sickness and maternity benefits and 0.5% for worker's compensation. From January 1, 2022, employers will contribute 14% to retirement and survivorship schemes and workers will contribute 8%. Coverage will not be mandatory for foreign workers posted in Vietnam for less than one year.
	Vietnam	Workplace gender discrimination targeted	Ministry of Labour, Invalids and Social Affairs (MOLISA) officials recently consulted with EU representatives and social partners in preparation for a set of Labor Code amendments advancing gender equality in the workplace

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Key areas of current focus for employers

- Requirements
- Proposals
- Opportunities

North America, UK & Ireland:
- DC optimization
- De-risking DB plans
- More formal plan governance
- Settlement with insurers

Netherlands:
- Pension supervision could devolve to private sector
- Deficit contributions or benefit reductions
- 2/3rds approval for cross-border plans

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

United Kingdom & Ireland:
- Supporting win-win member options
- Any implications from Brexit
- Ireland: Central bank DB reporting
- UK: GMP equalisation corrections

Germany:
- Increasing pre-funding of DB plans
- DC without guarantees

Elsewhere across Europe:
- Belgium: voluntary DC without guarantee
- Eastern Europe: 1st & 2nd pillar reform
- France: pension rules harmonisation
- Hungary: Tax treatment pension products changed
- Norway: New pension solvency rules
- Poland: mandatory plan implementation
- Turkey: auto re-enrolment rules

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

Canada:
- Pension funding reform in many Provinces

Italy:
- New early retirement options available in 2019
- Encouragement of savings for sufficient pension

Japan:
- New CDC type plans
- DC governance & quality

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

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

China:
- Growth of non-State provision
- HK: Proposed new reporting requirements
- HK: MPF offset proposals

India:
- Financial Wellbeing
- Improving attractiveness of NPS
- Investment risk governance

Common across South-East Asia:
- Changes to mandatory funds

Brazil:
- Settle DB risks with an insurer
- Plans of the new President
- DC plan operations & governance

Africa:
- Encouragement of saving for retirement

South Pacific:
- Australia: Focus on member outcomes & governance
- New Zealand: Report due on alternative tax regime

Ongoing developments: North America

- Requirements
- Proposals
- Opportunities

	Canada	United States
State		
Design	▪ Opportunities to reduce future benefits to balance cost of the changes to CPP/QPP. ▪ **Manitoba**: Consultation on risk-sharing plans and compulsory provision. ▪ **Québec:** Prevention of variation of provision by date of hire.	▪ Optional form and early retirement factor review in lieu of recent lawsuits. ▪ Executive order issued, which aims to expand access to Multiple Employer Plans. ▪ Bill to amend the tax code for retirement plans.
Financing	▪ Liability settlement noting improved financial positions and new annuity rules. ▪ General trend of funding regulation to reduce/remove emphasis on solvency. ▪ **British Columbia and Manitoba**: Consultations on solvency funding changes. ▪ **Ontario:** Enhancement to Pension Benefits Guarantee Fund (PBGF). ▪ Air Canada to form its own insurance company and transfer pension risk.	▪ Increasing liability management, including settlement of obligations with an insurer. ▪ ASU 2018-14, which updates the ASC 715 disclosure requirements for defined benefit plans.
Operations	▪ Exposure Draft on revised commuted value standards, changes expected later in 2019 ▪ **Ontario:** Restructured Pensions Regulator and disclosable events. ▪ **Federal**: Consultation on unclaimed pension balances.	▪ Government shutdowns could create delays for plan sponsors. ▪ Strong focus on engaging employees in DC plans and broader financial wellbeing. ▪ SEC proposal regarding best-interest broker advice.
Knowledge Sharing	▪ Aon Survey: Global DC and financial Wellbeing – Canada Findings summary	▪ Aon Survey: Global DC and financial Wellbeing – U.S. Findings summary ▪ Pathways: Aon Hewitt Investment Consulting's newsletter for retirement plans ▪ Aon Compliance Calendar covers significant Compensation & Benefits dates in 2019 ▪ Annuity Settlement Market Update 2018, look out for 2019 version soon ▪ Aon Quarterly Update highlights various other regulatory changes and opportunities ▪ Aon 2019 Limits for Benefit Plans Bulletin with important 2019 IRS indexed figures ▪ Aon Thought Leadership: Documents are frequently added

Ongoing developments: UK & Ireland

- Requirements
- Proposals
- Opportunities

	United Kingdom	Ireland
State	▪ **Scotland:** Intention to develop independent Social Security from mid 2019.	▪ State pension from 2020 to be more aligned with contributions made, consultation on this is ongoing.
Design	▪ How Collective Defined Contribution (CDC) plans might fit regulatory regime.	▪ Consultation on auto-enrolment due to be launched starting in 2022.
Financing	▪ White Paper aimed at enhancing protection for members' pensions. ▪ Legislative framework for "superfunds" consolidating funds with risk transfer.	▪ Central Bank reporting requirements.
Operations	▪ Uncertainty for cross-border pensions and insurance contracts due to Brexit. ▪ Isle of Man regulatory framework proposed to be enhanced. ▪ Pensions dashboard consultations.	▪ More coherent and transparent environment planned for governance. ▪ Consultation on proposed regulations for defined contribution master trusts. ▪ Implementation of IORP II in local law. ▪ Regulator's aim to consolidate plans to reduce from 70,000 to 100 plans.
Knowledge Sharing	▪ UK retirement conferences and seminars are added frequently ▪ UK Investment monthly gives you the latest thinking and research on Investment ▪ Monthly retirement market podcast to stay up to date in the Retirement landscape ▪ Insight a quarterly pensions publication ▪ Aon Insight zone is frequently updated with new insightful reading materials ▪ DC and Financial Wellbeing Employee Survey 2018 – an employee's perspective ▪ Aon's Guide to Member Options	▪ Ireland Pension Conference in Dublin on 10 April 2019

Ongoing developments: Continental Europe

- Requirements
- Proposals
- Opportunities

	Central & Eastern Europe	Continental Western Europe
State	**Latvia:** Solidarity Tax should be changed by January 2019. **Poland:** Update on removing cap on contributions January 2019. **Region:** Many countries discussing changes in state pension.	**Italy:** Reduction in state pension, and retirement age increase to 67 from 2019.
Design	**Armenia:** Second-pillar pension reforms ongoing **Czech Republic:** Account-based second-pillar plans from 2020. **Estonia:** Flexible second pillar provision planned for 2021. **Hungary:** Changes in tax treatment of pension related products **Lithuania:** second pillar pension reforms approved, started January 1, 2019. **Poland:** Employer-sponsored (PPK) plan have come into law. **Turkey:** Updated information on the auto enrolment system. **Ukraine**: Delays in pension reforms to 2020.	**Germany**: DC plans without guarantees **Netherlands:** Awaiting progress on Government ambitions for changes by 2020. **Portugal**: Exploring provision of annuity by pension funds as alternative to insurer **Spain:** Cash-out option for employees with 10 years' service.
Financing		**Switzerland**: Proposals on short-term financing of DC plans.
	EU/EEA: Employers in various countries exploring cross-border plans. **EU/EEA**: EIOPA consultations on customisation of the Pensions Benefit Statement	
Operations		**Italy:** Companies can now introduce DB bridging plans **Netherlands**: Government response to pleas for pensions reform progress. **Switzerland**: Review of rules on auditing pension funds.

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Ongoing developments: Asia Pacific

- Requirements
- Proposals
- Opportunities

	South East Asia & Pacific	Rest of Asia
State	**New Zealand:** Eligibility simplified for residents of “Realm” countries. **Philippines**: Planned jump in social security contributions.	**Kazakhstan:** Ongoing pension reform **Uzbekistan:** Pension reform plans outlined.
Design	**Australia**: Some flexibilities in 2018/19 Budget, several effective from July 2019. **New Zealand**: Proposals for subsidies to encourage low income savings.	**Bangladesh:** Universal pension system pilot planned. **China:** Third pillar individual account plan guidelines and pilot. **China:** New maximum contributions and vesting periods. **India**: Ongoing approaches to improve attractiveness of NPS **South Korea**: Pension splitting on divorce **Thailand**: Introduction of mandatory second-pillar fund.
Financing	**Australia:** Government exploration of longevity risk-pooling options. **Hong Kong:** New annuity plan for residents over 65. **Hong Kong:** Plan to remove MPF offset for severance and long-service payments.	**India**: Potential guidelines or requirements for investment governance **Japan:** Consider closing EPFs due to 2019 funding requirements. **Malaysia**: Budget proposals to change tax relief and employer contributions. **South Korea**: Funding targets from 80% to 90% in 2019, and to 100% in 2021.
Operations	**Australia:** Awaiting final proposals aimed at improving member outcomes. **Australia:** Plans to improve governance of superannuation. **Australia:** New retirement income system being developed, more info here. **Hong Kong:** proposed tax regime for annuity premiums / contributions to the (MPF). **Hong Kong:** plans for a centralised electronic administration platform.	**India**: Exploring how to streamline annuity process.

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Ongoing developments: Middle East, Africa & Latin America

- Requirements
- Proposals
- Opportunities

	Middle East & Africa	Latin America
State	**Ghana:** Diverting social security pension into mortgage financing **Iran:** Social security reform expected due to increase in dependency ratio. **Rwanda:** proposals made to reverse previous increase in retirement age.	**Brazil:** State pension reforms **Chile**: AFP reform proposals. **Colombia:** Concerns about impact of National Budget on state pension solvency **Mexico**: Proposals for nationwide minimum pension and retirement age hike. **Mexico**: Exploring wys to integrate first and second pillars and improve savings.
Design	**Nigeria:** Proposals to increase retirement lump-sums. **South Africa**: Default investment strategy required from 1 March 2019	**Chile:** Proposed private pension reforms, including employer contributions. **Mexico:** Plans being developed for voluntary employer-provided pension schemes. **Peru**: Simplification, transparency, and market consolidation for Private Pension System (SPP).
Financing	**Kenya**: Draft guidelines to enable retirement funds to be diverted for medical cover. **Mauritius**: Potential transfer for retirement gratuity on change of employment.	**Mexico:** Increased interest in life-cycle investment funds. **Peru:** Efforts to simplify pension products and pension product choices.
Operations	**Egypt**: Life tables revamped to be proposed. **Zambia:** Social protection bill proposed three-pillar pension system. **Zimbabwe:** Draft regulations on governance for pension trustees.	**Mexico:** Increased focus on employee communication and financial wellbeing.

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Hot Topics

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

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

Prepared by Aon
Consulting | Retirement and Investment

Hot Topics for employers: General trends relating to retirement savings

<table>
<tr><th></th><th></th><th>Defined Benefit</th><th>Defined Contribution</th><th>Expats & Mobile employees</th><th>Financial Wellbeing</th></tr>
<tr><td rowspan="3">Design</td><td>Revisit plan designs</td><td></td><td>State changes, auto-enrolment, matching</td><td>Holistic view</td><td>Need for broader planning</td></tr>
<tr><td>More employee responsibility</td><td>Closing/freezing plans</td><td>Removing guarantees</td><td></td><td>Education & understanding</td></tr>
<tr><td>Employee choice</td><td>Options for personal needs</td><td>Investment defaults
Automatic changes</td><td>Improved investment options</td><td>Comparison to other commitment & saving</td></tr>
<tr><td rowspan="4">Financing</td><td>Funding</td><td>More pre-funding
Cross-border options</td><td></td><td>Which jurisdiction and how?</td><td></td></tr>
<tr><td>Liability management</td><td>Member options
Transfer to insurers</td><td colspan="3"></td></tr>
<tr><td>Asset performance</td><td colspan="2">Broader investment categories
Responsible Investment (ESG)</td><td>Tax efficiency</td><td>Comparison to personal debt</td></tr>
<tr><td>Cost of investment</td><td colspan="3">Investment cost transparency
Multi-employer funds</td><td></td></tr>
<tr><td rowspan="4">Operations</td><td>Complex compliance</td><td colspan="2">EEA IORP2 risk management
Cyber risk testing & protection</td><td>Multiple jurisdictions</td><td></td></tr>
<tr><td>Less local expertise</td><td colspan="4">Decision-making protocols
Outsourced delegation of policy execution</td></tr>
<tr><td>Employee experience</td><td></td><td colspan="3">Employee portals
Global consistency (esp. for mobile employees)</td></tr>
<tr><td>Providers</td><td colspan="4">Admin performance & compliance
Global contracting power</td></tr>
</table>

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

What has happened?	The legislative proposal on Employee Capital Plans (PPK) has finally been signed into law. PPKs are aimed at increasing pensions savings for employees. The Act entered into force on January 1, 2019, with a 6-month grace period. Companies with less than 250 employees have a longer period in which to comply. Companies that form a PPK need to have a contract in place with a pension provider to manage a PPK by October 25th 2019 and to run PPK by November 12th 2019. The first contribution payable to the PPK scheme will be calculated by taking the first salary after signing a contract to run a PPK.
Why does this matter to employers?	Employers must create a PPK and contribute at least 1.5% of pay for enrolled employees. Employees must contribute 2% of pay. Enrollment must be automatic for all employees aged 18 to 55. Employees aged 55 and older can participate voluntarily. Employer contributions are not required in relation to any employee who chooses to stop their contribution payments. Lifecycle investment funds must be offered. Employers are exempt from providing a PPK if they provide an Employee Pension Program (PPE) to which they contribute at least 3.5% of an employee's gross remuneration, and in which at least 25% of employees participate.
What are companies thinking?	▪ What is the deadline for implementation for a company of our size? ▪ Is it better to provide a PPE instead of a PPK? ▪ What is the likely level of enrolment and therefore cost? ▪ What will our competitors be doing? ▪ What level of contributions and investment funds fits best with global corporate policies? ▪ How do we choose a provider?
What actions should be taken now?	Seek advice on the options in regards to the formation of a PPK versus having a PPE in place.
Who can provide more information or support?	**Sebastian Ludwin**, a Retirement plan consultant in Poland, who has lead Aon thinking and advice on the choice of implementation of a new PPK or the alternative PPE.

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Hot Topic: UAE – Proposal for mandatory DC provision

What has happened?	The UAE has announced plans for the creation of a mandatory centralised 2nd pillar DC plan, on 1 January 2020, to replace future accrual of End of Service Gratuities for people working in the DIFC. It has been suggested that this could be a blueprint for extension to the wider UAE in due course.
Why does this matter to employers?	At the moment, this only matters to employers operating in the DIFC rather than the wider UAE. Naturally, it would be a major change for these employers changing in a short timescale from DB to DC for future service. It may also open opportunities for voluntary retirement savings for employees and therefore better retirement outcomes than the traditional gratuities provide. If the planned timescale is to be retained, there will be a very short period for employers to prepare once the details are finalised. This also comes at a time when employers were starting to review their End of Service Gratuities with a view to the role of savings support in becoming an employer of choice, and the impact of no social security provision for the many expats.
What are companies thinking?	▪ Will the proposals be implemented, and to the timescale indicated? ▪ Will voluntary contributions be possible to the same centralized fund? ▪ Will there be investment choices that suit our employees, and will they be similar to those elsewhere in the world? ▪ Who will manage the assets and ensure suitable returns, net of fees? Will there be choice of providers? ▪ What is the best way of managing the accrued End of Service Gratuities? ▪ Will this expand to the rest of the UAE, and if so what timescale would be likely?
What actions should be taken now?	Seek advice on the progress of the proposals, and stay closely connected as they progress over the coming months.
Who can provide more information or support?	**Martin McGuigan,** leads Aon's consulting team in the UAE, and is closely involved in discussions about the implementation of the proposals.

Hot Topic: United Kingdom – Requirement to equalise GMPs

What has happened?	A UK court has ruled that Guaranteed Minimum Pensions (GMPs) must be equalised between males and females. The Judge indicated that a number of different approaches could be taken to implement the equalisation. In a subsequent hearing, the Judge: ▪ rejected union request to require a higher cost approach and remove time-limits on back-payments. ▪ confirmed the principles of an approach to convert GMP into different, simpler, form of pension. The union had until 24 December to make a claim to the Court of Appeal. A further hearing is expected to provide clarity on the treatment of transfer payments made to other pension plans.
Why does this matter to employers?	This ends uncertainty that has existed since the 1990s, and confirms a potentially material additional cost for pension plans. This cost will typically need to be recognised in the P&L as a past service cost. Under International accounting standards this will mean full immediate recognition in the P&L, whilst under US GAAP the cost can be amortised. The additional cost may also create a need for additional cash funding when the trustees next review funding.
What are companies thinking?	▪ Which of the permitted approaches should be taken? ▪ How much additional liability will arise under each approach? ▪ Is it possible to defer the cost in the P&L, or for it to not go through the P&L? ▪ Do we need to formally decide which approach to take before determining the P&L cost? ▪ Will the administrative costs to apply the least cost options outweigh the financial benefit relative to higher liability options? ▪ How many years of past payments need to be corrected? ▪ How quickly do the corrections need to be made? ▪ Do any new benefit requests need to be put on hold until corrections can be made?
What actions should be taken now?	▪ Actuarial advice and calculations regarding the additional liability, and its impact for corporate accounting and plan funding. ▪ Legal advice on the actions to correct past payments and continuity of payments ahead of correction. ▪ Advice on administration and communication procedures.
Who can provide more information or support?	Thomas Yorath, a UK consultant from Aon, who acted as Expert Witness for the Judge in the Court case.

Hot Topic: European Union - IORP II Directive

What has happened?	EU states were required to implement national laws by 13 January 2019 focus on governance, risk management and member communication for occupational pension funds. Among the additional governance and risk management expectations, pension funds will be required to appoint an Internal Auditor, an Appointed Actuary and a Risk Manager. Some of these formalised roles will be new in most countries. The governance requirements will also cover the existence, and regular review, of policies, controls, and disclosures. The risk management focus includes triennial own-risk assessments, as well as a broader expectation of focus on risk from a member's perspective in all decision making. The Directive also introduces elements to facilitate cross-border pension funds.
Why does this matter to employers?	Companies with pension funds in the EU will need to ensure that additional procedures and roles are in place. The degree of impact will vary from country to country, depending on the way in which the local law has applied the requirement. The impact for any pension fund will naturally depend on the degree to which strong governance has already been applied.
What are companies thinking?	Do we have the expertise, or time, to carry out the new expectations and the new formal role of Risk Manager? In which countries will there be the greatest impact? What are the timescales for compliance in the different countries? Are there commonalities in the requirements that could be applied on a regional rather than local basis?
What actions should be taken now?	Check with those responsible for your local pension funds the degree to which there will be additional requirements locally. Explore possibilities for outsourcing some of the new roles and responsibilities. Explore whether a multi-country plan would now be beneficial.
Who can provide more information or support?	**Thierry Verkest**, an International consultant based in Belgium is leading Aon's IORP II specialist consulting team. Also see **IORP II survey** for more information on the expectations of the EU and to check your compliance

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Hot Topic: Global Governance of Retirement plans

What has happened?	Aon has just completed the 3rd triennial Global Benefits Governance Study together with the American Benefits Council. Companies are making good progress with global governance, but nearly all (90%) want to make further progress. Many are becoming more centralised, enabling easier, but not easy, progress. But blockages remain due to lack of central resource, time, technology, and budget, and lack of local expertise. The greatest challenges typically relate to the collection and interpretation of data, and development and execution of decisions.
Why does this matter to employers?	Opportunities are being missed to reduce costs & risks. Those who've made most progress (Best Practice companies) have: • much more confidence about achieving business aims (twice as confident as other companies) • carried out the actions that others still aspire to take • started to identify clear financial gains, as well as risk reduction (15% are saving at least $1M p.a.)
What are companies thinking?	▪ How do we demonstrate the value to gain budget for implementing a global strategy and governance structure? ▪ Where do we start? There is so much happening, we're in so many countries, and we have very little local expertise. ▪ Who needs to be involved internally, and where do we seek external support? ▪ What have other companies done to make progress with governance and take priority actions around the world?
What actions should be taken now?	Aon's Global Benefits and Retirement consultants support many multinationals with global strategy development and execution. Aon has a well-established three step process for helping clients achieve best practice global governance: ▪ Clarity of strategy & structure ▪ Analysis of local alignment & action prioritisation ▪ Followed by ongoing monitoring & reporting. Best Practice consists of policies; structure; data; insights; and ongoing monitoring.
Who can provide more information or support?	Jim Tindale led the governance study with the American Benefits Council, and leads advice to clients on the implementation of best practice global governance or any other member of the International Team. A report on the survey will appear here by the end of March.

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Hot Topic: Italy - changes in pension system

What has happened?	The Italian Government is planning to provide some opportunities to facilitate early retirements in the next few years. This is in response to deferrals in retirement that have arisen as a result of previous reductions in social security provision. Main disposals Government has issued regarding the changes in pension system are the following: • Until 2021, employees aged 62 years or more, with at least 38 years of contributions will be able to receive an additional pension provided they do not accumulate any other employed income. • During the same period, pensions in course of payment will receive a lower revaluation than in the past. On higher pensions a solidarity contribution will be applied • In 2019, the changes will facilitate retirement of females from age 58 with 35 years of contributions.
Why does this matter to employers?	Employers have been faced with the challenge of a static ageing workforce unwilling to retire. The changes will help some employers to support early retirement where it would enable necessary workforce transitions. However, in most cases the pensions will still be fairly low.
What are companies thinking?	How will the new options affect our workforce? Will the changes be beneficial for our business? Are there ways in which we can help employees build up greater pension savings to facilitate future retirement?
What actions should be taken now?	The full details of the new possibilities should be defined in the first quarter of 2019. In the meantime an analysis of the impact could be helpful. It also serves as a reminder to consider the employer-sponsored and voluntary pension savings levels of younger employees to ensure that they are more able to afford to retire on a suitable timescale.
Who can provide more information or support?	**Claudio Pinna**, leads Aon's Retirement Solutions team in Italy.

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Knowledge sharing opportunities

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

Surveys open for participation in more than one country

IORP II survey – this survey highlights the requirements for governance, risk management and communications that will apply to pension plans across the European Union by January 2019, and enables companies to self-assess their current compliance in order to prioritise areas for advice and action.

Recently published insights covering more than one country

2018 Global Benefits Governance and Operations Study – this Study carried out with the American Benefits Council has now closed, and findings have started to be shared in conferences and webinars. Participants are being contacted about the findings from the Study. For others, further information will appear on the linked page by the end of the quarter.

Global Financial Wellbeing Study 2018 - nearly 200 large multinationals provided an insight into what they currently do, and plan to do, in this area.

Continental Europe Investment Survey – designed to identify trends and insights in investment management and fiduciary management.

Aon's Responsible Investing Survey– Reports on the survey findings are now available, giving more insight on Responsible Investing and the way how companies incorporate this both now and in the future.

Aon's the One Brief– Covering a range of topics that are relevant to employers today. There was a recent publication on environment, social and governance, which can be found here.

Global Pension Risk Governance – Interview style white paper with three of Aon's experts on the topic of global pension risk governance, discussing how multi-national companies can effectively take a holistic approach to managing pension risk across the globe.

Upcoming events covering more than one country

Rethink Pensions: European pensions and retirement savings – look out for invitations to webinars in Q1 2019 that will repeat many parts of this valued conference

Developing trends

Aon Retirement and Investment Blog – twice a week with latest information and insights, with strong focus on investment market changes.

Global Benefits Bulletin – Follow this link to request a copy of our monthly bulletin on broader benefits matters.

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

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