



Aon Global Retirement Bulletin

February 2019

Aon Global Retirement Bulletin is a very short monthly publication referencing a few changes since the latest Global Retirement Insights Quarterly.

Below are the highlighted changes and proposals that have arisen this month:

- Design
- Financing
- Operations
- State

- In the [United States](#), the IRS issued Notice 2019-18, which again enables retiree lump sum windows in defined benefit plans. See [page 3](#) for more info.
- In [Mexico](#), new legislation sponsored by the President would grant greater investment flexibility to Afores pension funds.
- In the [United Kingdom](#), the Regulator has increased expectations on trustees to have a clear longer-term “self-sufficient” funding plan.

- In [Norway](#), private pension reform is a top priority where the agenda calls for safe and predictable frameworks private occupational pension schemes and savings.
- In the [United Kingdom](#), the Pensions Regulator has set out changes that it has made when handling ailing pension schemes since the Kodak case in 2012.
- In the [United Kingdom](#), the DWP's response to a recent consultation has confirmed most of the powers proposed for the Regulator. In particular, companies will need to be conscious that more of their actions could trigger both a Notifiable Event and a need for a Declaration of Intent.

- In [Azerbaijan](#), there has been a major shift in the social security contribution formula and the minimum pension per month has risen by 38.5% to 160 manat.
- In [Nicaragua](#), social security reforms, similar to those that triggered social unrest last spring, went into effect on February 1, 2019.

If you have questions please contact your Aon consultant, click on the country name 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.

Visit our [website](#) to find previous issues of our update as well as our #GlobalBenefitsBulletin Highlights, Aon's monthly high-level report on benefits

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Consulting | Retirement and Investment

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- Requirements
- Proposals
- Opportunities

Key areas of current focus for employers

North America, UK & Ireland:

- Win-win member options, inc. lump sums
- 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
- Guidance on post-employment pension contributions
- Minister's 10-point plan for pension reform with focus on DC

United Kingdom & Ireland:

- Any implications from Brexit
- Increased Regulator powers
- Ireland: Central bank DB reporting
- UK: GMP equalisation corrections

Canada:

- Pension funding reform in many Provinces

Italy:

- New early retirement options available in 2019
- Encouragement of savings for sufficient pension
- Cabinet approves pension reform decree
- Compromise with European Union over pension reform

Latin America:

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

Brazil:

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

Switzerland:

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

Africa:

- Encouragement of saving for retirement

Middle East:

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

India:

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

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

Elsewhere across Europe:

- Belgium: voluntary DC without guarantee
- Eastern Europe: 1st & 2nd pillar reform
- France: pension rules harmonisation
- Greece: State pension cuts shelved
- EU: Consultation on sustainability risk through March 8, 2019
- Hungary: Tax treatment pension products changed
- Poland: mandatory plan implementation
- Portugal: flexible retirement age plan
- Turkey: auto re-enrolment rules

Japan:

- New CDC type plans
- DC governance & quality

China:

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

Common across South-East Asia:

- Changes to mandatory funds

South Pacific:

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

Hot Topic: United States – Retiree Lump Sum Windows Available Again

What has happened?	<p>The IRS indicated that it no longer plans to amend the section 401(a)(9) regulations to prohibit retiree lump sum windows. This represents a reversal of the position the IRS previously put in place in July 2015.</p> <p>The IRS and Treasury will continue studying the issue of retiree lump sum windows, and may issue further guidance in the future. Until such guidance is issued, the IRS will not assert that a retiree lump sum window causes a plan to violate section 401(a)(9), but will continue to evaluate whether the plan satisfies other sections of the Internal Revenue Code.</p>
Why does this matter to employers?	<p>Such lump sum “windows” have been prevalent among US companies for deferred members. It is now once again possible to use the same approach for retirees.</p> <p>This adds back an option for the settlement of liabilities, and is likely on more favorable terms than an annuity with an insurer.</p>
What are companies thinking?	<ul style="list-style-type: none">▪ Would a retiree lump sum window be an effective strategy?▪ How would the cost of settling retiree liabilities using a retiree lump sum window compare to the cost of settling retiree liabilities using an insured retiree buyout?▪ What is the ASC 715/IAS 19 impact of removing liabilities in this way?
What actions should be taken now?	Seek advice about the attractiveness and feasibility of this opportunity to settle retiree liabilities in your plans.
Who can provide more information or support?	Contact your Aon Retirement consultant, or Eric Keener , for additional information and support.