



Aon Global Retirement Bulletin

January 2020

Aon Global Retirement Bulletin is a very short monthly publication referencing a few changes since the latest Global Retirement Insights Quarterly. On page 3 you will find an overview of upcoming Global and Regional events that might be of interest to you.

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

- Design
- Financing
- Operations
- State

- In [Nigeria](#), effective January 31, 2020, pension fund administrators may no longer open death benefit accounts for the beneficiaries of deceased workers (commonly employed as substitute for retirement savings accounts)
- In [Romania](#) plans are unveiled to raise the second-pillar pension member contribution rate from 3.75% to 5.0% from 2021 and ultimately to 6.0%.
- In [Vietnam](#), the retirement ages will increase to 62 for men (by 2028) and to 60 for women (by 2035).
- In the [UK](#), the PPF has published its final levy determination for 2020/21. Overall the PPF estimates that total levies will be around 8% higher than in 2019/20, but the impact will vary significantly between schemes.
- In [Azerbaijan](#) effective January 1, 2020, women are eligible to apply for social security benefits at the age of 61.5 (was 62) and men at the age of 64.5 (was 67).
- In [France](#), the government's plan to increase the retirement age from 62 to 64 will be withdrawn "provisionally" and delay decisions on financing the system until April.
- In [Ireland](#), a private member's bill that would block the administration's planned retirement age increases, has reached the significant stage of being slated for debate.
- In the [US](#), Aon has published the [Compliance Calendar](#) to alert plan sponsors of regulatory due dates and deadlines for benefit-related compliance obligations

We included the following Hot Topic:

- In [Sweden](#), the premiums for ITP2 DB Pensions will be raised.

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

Prepared by Aon

Consulting | Retirement and Investment

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Hot Topic: Sweden – Raise in premiums for ITP2 DB Pensions

What has happened?	Alecta manages ITP occupational pensions in Sweden and collects premiums from companies to pay their employees' pensions. ITP2 is a DB pension scheme, available for employees born in 1978 or earlier. Alecta have made two recent announcements: September 2019: Raise in employers' single premium for redemption of ITP2 DB pensions, effective 1 October 2019. Redemption refers to the scenario when an employer insures some or all of their ITP2 obligation with Alecta, when previously it was financed by book reserve or with a pension foundation. It includes voluntary and compulsory redemptions as well as takeovers. This change has come mainly as a result of falling interest rates. The gross discount rate used by Alecta to calculate premiums was lowered from 0.85% to 0.25% but since interest rates recovered slightly, it has been increased as part of the February 2020 announcement to 0.50% (/0.20% net discount rate after allowing for taxes and operating costs). In February, increases in life expectancy have also been taken into account. The average PRI redemption will increase by circa 15% as a result of these changes. February 2020: Raise in employers' regular ongoing premiums for ITP2 DB pensions, effective 1 March 2020. The gross discount rate used by Alecta to calculate premiums has lowered from 1.25% to 0.80% (/0.50% net discount rate after allowing for taxes and operating costs) in addition to increases in life expectancy. The average premium will increase by circa 16%: 9% as a result of falling interest rates and 7% for increases in life expectancy. The changes applies for future accrual, benefit increases and to some extent redemptions.
Why does this matter to employers?	▪ All employers are impacted by the latest change if they participate in ITP2, and this will increase Alecta premiums (even for those companies with unfunded ITP2 plans, as Alecta is used to insure other benefits including family pension). ▪ Employers with employees in Alternative ITP may see increased premiums if these are set using Alecta premiums. ▪ Employers considering the settlement of unfunded ITP2 liabilities with Alecta will find the settlement premiums are higher than they were prior to September 2019.
What are companies thinking?	▪ Multinational employers who need to meet international accounting standards often find that the Alecta obligation is close to or lower than their accounting obligation and so redemption is a possible option. We work with these employers to consider the feasibility of this. ▪ Employers are starting to consider how to budget costs of ITP2 pension provisions and are also considering alternative financing/benefit design opportunities e.g. PRI credit insurance and ITP1. We help employers understand and prioritise their options.
What actions should be taken now?	▪ Review what impact this change in premium rate has on the company's ongoing ITP2 cost and ensure that this is budgeted for. ▪ Consider the range of financing/benefit design opportunities available to the company for controlling costs e.g. by introducing ITP1 for all new hires, regardless of age. ▪ Consider whether full or partial redemption of the company's ITP2 pension plan is a possible option.
Who can provide more information or support?	Gowri Suresh Babu or Colin Haines from Aon's International Retirement & Investment Practice can provide support on managing Swedish DB liabilities and focuses on ITP2. Johan Keding from Aon Sweden's Health & Benefits team can help with managing and administering occupational pension plans in Sweden.

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
- U.S.: SECURE act comes into effect (4-19)

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:

- Cyber risk management (3-19)
- Responding to low interest rates (3-19)
- Plan consolidation (3-19)

Canada:

- Pension funding reform in many Provinces
- Commuted values law passed

Latin America:

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

Brazil:

- Settle DB risks with an insurer
- Social security reform passed (4-19)
- 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
- Consultation on occupational pension tax adjustment – comments by 20th March

Italy:

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

Middle East:

- Pension and savings reform: young population, reducing oil
- UAE/DIFC Mandatory DC 2nd pillar proposal (4-19)
- Funding End of Service Gratuities

Africa:

- Encouragement of saving for retirement
- Mauritius: Portable Retirement Gratuity Fund (4-19)

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
- Pension stress test consolidation proposed

Elsewhere across Europe:

- Belgium: non-discrimination law
- Denmark: 30-year bonds to return
- Eastern Europe: 1st & 2nd pillar reform
- France: Fully revised pension plan structure (3-19)
- Norway: Pension investment regime consultation
- 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

Aon International Retirement Events & Thought Leadership Update

Global Events & Surveys

[DC and Financial Wellbeing Webinar](#) - A webinar was held 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](#).

[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. Local teams have now produced outputs for the USA, Canada, UK, Germany, Ireland, Netherlands, Switzerland and APAC – plus multinational findings – which can be found via the [global page](#). Please feel free to contact your regular Aon consultant to discuss findings.

[IEBA Annual Conference](#) – The International Employee Benefits Association's 20th Annual Conference will be held in **Brussels on 11 and 12 March 2020**. We are proud to be one of the event's sponsors and our colleague Yves McGale will be presenting alongside Kimberley Wood from LafargeHolcim on Global DB and DC retirement plan management.

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. Two live webinars will run at 1pm (UK time) on **31 March and 9am (UK time) on 1 April**.

[Switzerland](#) – Registration remains open to join our Aon Switzerland colleagues at local evening events covering a number of pensions topics in [Zurich \(10 March\)](#) and [Bellinzona \(12 March\)](#). Our new app also arrived giving direct access to useful information on Retirement (click the title for more information).

[UK](#) – A set of Pensions conferences are being held in February and March in various cities. This conference will help you set a clear vision for your own pension scheme strategy and will include lots of real-life examples. Attendance will offer delegates the opportunity to hear experts' views and ideas on how to manage defined benefit and defined contribution pension schemes and provides a platform to learn from and network with peers.

[UK](#) – A range of events are scheduled over the coming months. A Wellbeing Briefing for Multinationals will be held in Manchester on **23 April 4-6pm**, a Hot Topics Seminar on the Netherlands and Switzerland will be held in London on **6 May 3-5:45pm**, as well as a Hot Topic Seminar on France, Italy, Spain and Portugal in London on **7 July 9-12:30pm**. Click [here](#) if you'd like any more info on these seminars or to register.

For more information, please contact your Aon international retirement consultant, Aon account executive, other Aon contacts, or [Colin Haines](#) (Partner, International Retirement). Also see:

[Aon's global Retirement Insights digital hub](#)

[Global Retirement Management](#) on aon.com

[Aon Retirement and Investment Blog](#) updated twice a week with latest information and insights, with strong focus on investment market changes.

[Monthly Global Benefits Bulletin](#) send an email to enroll

[Retirement-themed podcasts](#) Click on the link