Aon Global Retirement Insights Quarterly January to March 2019

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

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

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

- A 10 point plan to revise the pension system was announced the Netherlands
- Retiree lump sum windows available again in the US
- Increased emphasis on responsible investment in the EU, and elsewhere
- EIOPA is carrying out EU-wide pension fund stress tests
- Various regulatory changes to pension plans are being implemented and announced in Hong Kong

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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Main developments in January to March 2019:

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

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

Ongoing key areas of focus for employers:

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

Hot topics in January to March 2019: Additional insight into some topics creating discussion recently.

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

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Main developments in January to March 2019

- Requirements
- Proposals
- Opportunities

United Kingdom:
- Regulator's annual funding statement
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- EU Pension tracking service
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- IORP2 update
- Pension reforms in many countries

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- Norway: Indvidual pension account system for DC plans
- Poland: Updates on PPK regulations
- Portugal: DC plans – new regulations on benefit payment flexibility
- Sweden: Offering occupational pension
- Switzerland: Referendum on Tax Reform and AHV
- Turkey: Update on auto-enrolment

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- Brazil/Chile: Pension reform
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- Mexico: Greater investment flexibility for Afores pension funds
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India:
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- Pilot for automated EPFO transfers
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- NPS audits

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- Supermarket reform proposals
- Regulator’s prudential standards package
- Protecting your Super’ regulations
- Technical amendments to Superannuation tax reform package
- Member account transaction service
- Superannuation misconduct report

Rest of Africa:
- Zimbabwe: Looser capital requirements planned

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Key design-related updates from the quarter

- Requirements
- Proposals
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	Country	Measures	Changes
Design	Albania	Reforms in pension model	The government is preparing social security reform legislation that would follow the classic three-pillar model with a mandatory second-pillar scheme and a voluntary third pillar. At this stage, about 3% of the 21.6% combined employer/employee social security contribution is penciled in for diversion to the second-pillar scheme.
	Argentina	Expanded definition of retirement income for tax purposes	The director of the National Social Security Administration (Anses) has disclosed that there will be a broader definition of the retirement income subject to personal income tax above a fixed ceiling. The cap on tax-exempt retirement income is pegged to six minimum monthly pensions, set to rise in March from $55,854 to $62,462 (US $1,621.99). Income subject to that limit will now include all pensions for those receiving benefits from more than one pension system.
	Armenia	DC contribution reduction is temporary	The Finance Minister has revealed that last July's shift in second-pillar contributions from 5% employee / 5% government to 2.5% and 7.5%, respectively is a temporary measure. When the individual income tax rate drops to 20% in 2023, the formula will revert to 5% each.
	Austria	Reduction of vesting period	The new regulation means a severe restriction to the book-reserved pension plans and makes it less attractive for employers. The new regulation is applicable not only to newly implemented plans but has an impact also on existing plans, as it applies to accruals gained since effective date of the Law. Clients with book-reserved pension plans should be aware of this new legal requirement. They should check their plan wordings carefully to see if their plan is affected. If so, they must act in case of leaving employees who have been member of the plan for at least 3 years.
	Azerbaijan	Private pension system	The Minister of Labour and Social Protection is setting out to develop a private pension fund system to expand on the retirement products currently offered by life insurers. He noted that there are no legislative barriers to private pensions but that they need a regulatory framework and financial incentives for the sector to develop.
	Azerbaijan	Tax break on pensions, life insurance premiums	Law No. 1356-VQD, a package of Tax Code amendments that came into force on January 1, 2019, includes a provision granting employers exemptions on premiums paid for pension insurance and accumulative life insurance. To qualify, the premiums must be for contracts of at least three years and they must amount to less than 50% of an employee's taxable income.
	Belgium	Supplementary pension tax regime harmonized	The March 15, 2019 Belgian Moniteur published Law 54/2857, which is retroactive to January 1, 2019. Prior to this law, people who retired at the pensionable age (currently 65) paid a 10% tax on the supplementary pension while those qualified to retire before age 65 after 45 years of contributions were taxed at a rate of 16.5-20% on their supplementary pensions. Now, anyone who retires after 45 years pays a 10% tax on supplementary pensions.
	Brazil	Ruling clarifies VGBL tax treatment	The tax authorities have issued Private Ruling No. 99021/18 which explains that the popular Free Benefit Life (VGBL) supplemental pension scheme, a defined contribution life insurance scheme with survivor coverage, is still subject to personal income tax when the beneficiary has a severe illness.
	Canada	Federal Budget 2019	The pre-election budget includes measures to improve retirement financial security for Canadians by proposing safeguards to protect workplace pensions in the event of employer bankruptcy and other matters. Among other things, it also proposes a number of changes to the annuity options available under capital accumulation plans such as defined contribution pension plans and registered retirement savings plans. An Aon Information Bulletin with more detail can be downloaded here.
	Channel Islands	Jersey's International Savings Plans	Jersey Finance has introduced the International Savings Plans (ISP) in a bid to entice multinationals to establish retirement savings plans in Jersey. The plans will allow pre-retirement payouts in cases of job termination, divorce, or sickness. Members would not be subject to tax in Jersey. The Law went into effect on January 1, 2019.

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	Country	Measures	Changes
Design	Channel Islands	Secondary pension planned for Guernsey	The government of Guernsey is finalizing a set of proposals for a secondary pension system following the auto-enrollment model, with compulsory participation but a window for opting out. Employers would be responsible for enrolling employees and for re-enrolling those who opt out every three years. Employer contributions would climb from 1% to 3.5% over the course of seven years and employee rates would rise from 1% to 6.5% during the same period. The scheme would be optional for workers already in a qualifying pension plan.
	Estonia	Changes in second pillar pension	The three parties seeking common ground to form a coalition government have been discussing a proposal to make the mandatory second-pillar scheme voluntary. The governor of the Bank of Estonia has raised several arguments against this move, most notably that loss of the incentive to report wages could lead to a resurgence of the shadow economy and has asked to join the pension reform component of coalition talks.
	EU	EU Pension tracking service	The Track and Trace Your Pension in Europe (TTYPE) consortium now plans to have the European pension tracking service (ETS) for cross-border pensions launched within two years. Designed to help cross-border workers understand their pension rights, it will debut for first- and second-pillar pensions in five states (Belgium, Netherlands, Denmark, Sweden and Norway) but may take another 10 years to cover all pensions in all Member States. Member States will not be coerced to participate in ETS, but they are expected to recognize their stake in it.
	EU	European Parliament approves trilogue PEPP agreement	The agreement allows savers across the EU to save into the same scheme even if they move to another EU country, will compete with national products in the field and thus provide more choice to people wishing to save for retirement. This can channel more savings towards long-term investments in the EU. The PEPP's regulation ensures strong consumer protection, full transparency of costs and environmental, social and governance (ESG) policy, mandatory advice, and right of switching. It also gives product intervention powers to the EIOPA and national competent authorities (NCAs). The association also said the tax treatment applicable to the PEPP will be a crucial element for its promotion and success and that member states should grant the same tax relief to the PEPP as the most favourable one granted to national pension products.
	France	AGIRC – ARRCO merger	From January 1, 2019, the two main pension funds for private-sector workers, the General Association of Retirement Institutions for Executives (AGIRC) and the Association of Supplemental Pension Plans for Employees (ARRCO), were merged to form a single program called AGIRC-ARRCO: • The new contribution rate is 3.15% EE/4.72% ER on amounts up to the social security earnings ceiling, currently 3,377 euros per month, and 8.64% EE/12.95% ER on higher amounts up to eight times that threshold. • The pension point formulas for calculating benefits are harmonized, preventing variations by type of employee. • A single set of retirement deferral incentives sets temporary penalties for early retirement and temporary bonuses for later retirement. A recent bulletin from Aon France (in French) adds some details.
	Georgia	Auto enrollment new pension system contested	The auto-enrollment pension system that launched on January 1 is being contested in Constitutional Court. It allegedly violates the constitution's articles on right to equality and right to property. The scheme may be more vulnerable to the charge that its contributions amount to a new tax and must be subject to a national referendum before introduction.
	Germany	Elimination of double contributions to health insurance	In January, the ministry of health issued a draft bill to abolish the pensioners' contributions representing the notional employer's share. This includes raising the tax grant (from the general fiscal budget) by €2.5bn and lowering the liquidity reserve requirements of statutory health insurance schemes. The bill was reject however the topic is still current.
	Germany	Employers required to increase supplement employee contributions	Since January, the Occupational Pensions Strengthening Act (BRSG) has required some employers to increase employee-financed contributions to external pension providers by 15%. These contributions save the employer social insurance contributions, depending on circumstances. The increase is limited to the actual amount saved by the employer.

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	Country	Measures	Changes
Design	Hong Kong	MPFA Fund Performance Platform	The Mandatory Provident Fund Schemes Authority (MPFA) has developed a Fund Performance Platform that will have its formal debut at the end of the month. The site will make the sector more competitive by allowing employees to comparison shop fund investment performance and expense ratios as well as administrative and management fees. More information here.
	Hong Kong	MPF reform proposal	The Financial Services Development Council has published a report on upgrading the Mandatory Provident Fund (MPF) system. The advisory board has proposed complementing the mandatory tax-deductible 5% employee contribution with an additional 10% voluntary tax-deductible contribution. It also recommends a larger investment menu and empowering the MPF Authority to alter the menu as investment products evolve.
	India	Ruling expands compensations subject to Employee Provident Fund contributions	A recent Supreme Court ruling determined that the Employee Provident Fund (EPF) contribution must be based on total salary, including all allowances, not just basic salary. This should impact the common practice of paying a significant portion of compensation in allowances in order to dodge EPF contributions. The Employee Provident Fund Organization (EPFO) is expected to produce guidance on when this new contribution basis goes into effect and how it will be enforced. This is now being subject to interpretations regarding applicability on high earners as well. The regulator is expected to come out with a detailed implementation soon. We expect to see some compensation restructuring as a result.
	India	Tax relief proposed	The 2019-20 Union Budget features a proposal for a full tax rebate to senior citizens with income up to Rs 500,000 (US $6.968).
	India	National Pension System guarantee options mulled	The Pension Fund Regulatory and Development Authority (PFRDA) has circulated an Expression of Interest (EOI) to actuarial firms for "Design and development of a Minimum Assured Returns Scheme (MARS) under the National Pension System (NPS)." Part of the EOI response will be to make a case for what type of guarantee should be offered. More information here and here.
	India	EPF interest rate rises	The Central Board of Trustees of the Employees Provident Fund (EPF) has unexpectedly proposed a rise in the EPF member account interest rate from 8.55% to 8.65% for 2018-19. The government has not yet approved this rate. More information here and here.
	Isle of Man	Tax exemption proposed for pension withdrawals	The Income Tax Legislation (Amendment) Bill 2019, now before Parliament, would introduce a 40% income tax exemption on pension withdrawals, whether they are taken in lump sums or installments. It would also allow for distribution of a deceased scheme member's "relevant benefits" to the "surviving spouse or civil partner, surviving child or dependent, or personal representative."
	Israel	Pensions Update	A Bulletin on pension limits and allowances is available here and includes changes in National Average Monthly Salary , Monthly salary base for Retirement and LTD contributions, the Pension Contribution Limit, and more. Employers should update internal documents if necessary.
	Malaysia	EPF contributions to be voluntary for seniors	The Employees Provident Fund (EPF) has served notice that mandatory contributions will end for members age 60 and up starting with the February 2019 payments reflecting this month's wages. In addition, the employer contribution for this age group will drop from 6.0-6.5% to 4%. The goal is to make continued employment more appealing to seniors and it is also expected to improve the job market for them.
	Poland	Proposed changes to contribution cap PPK	The government is consulting with social partners on a measure that would amend the Employee Capital Plan (PPK) legislation to remove the cap on income subject to the statutory PPK contribution (1.5% ER/ 2% EE). At present, the limit for PPK contributions is harmonized with that for pension and disability benefits, which is currently PLN 142,950 (approx. EUR 33,245).

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Key design-related updates from the quarter - continued

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	Country	Measures	Changes
Design	Singapore	2019 Budget measures affecting retirement	Singapore's 2019 Budget feature the following: the Not Ordinary Resident (NOR) scheme, a five-year tax break for talented foreign workers, will be allowed to lapse in 2020, but will run its full course for those already enrolled in it, Aon APAC has published this article explaining the changes and the impact on employers; a Tripartite Workgroup on Older Workers will assess the CPF contribution rates of older workers as well as the retirement and re-employment age. More information on 2019 Budget here. Aon APAC have written an article on how these changes affect employee retirement plans and can be provided upon request by emailing Aon APAC Retirement.
Design	Sweden	Offering occupational pension	Insurance companies and friendly societies offering pensions will have to change their legal status to an occupational pensions company, offering only occupational pensions. They will be subject to regulation based on IORP II, but with additional risk-based capital requirements. The regulation has been delayed but will take effect on the same date as the IORP II legislation which is scheduled in July.
Design	Turkey	Update on auto-enrolment	Rules published in the official gazette on December 27, 2018 provided several changes and clarifications to the auto-enrolment system for the Private Pension System (BES): • People who have withdrawn from BES will be re-enrolled on the third anniversary of the day they signed up but will still have a window for withdrawal. • Those who have opted out will be free to re-enroll at any time • Workers under age 18 are now included in the plan. • There is greater flexibility on contribution holidays. • Funds that exceed performance targets may charge supplemental management fees.
Design	United States	Lump sum payment options for retirees	On March 6, 2019, the Internal Revenue Service (IRS) released Notice 2019-18, which informs taxpayers that the Treasury Department and IRS no longer intend to amend the required minimum distribution regulations under Section 401(a)(9) of the Internal Revenue Code to address the practice of offering retirees and beneficiaries who are currently receiving annuity payments under a defined benefit plan a temporary option to elect a lump-sum payment in lieu of future annuity payments.

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Key financing-related updates from the quarter

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	Country	Measures	Changes
Financing	Bahrain	Value-Added Tax (VAT) exemption for life insurance	From January 1, 2019 a 5% value-added tax (VAT) will be applied to all non-life insurance premiums. Life insurance will be exempt.
Financing	Canada	Quebec consultation on funding multi-jurisdictional plans	A draft Regulation respecting the funding of multi-jurisdictional defined benefit pension plans was published in the Gazette officielle du Québec. The draft Regulation prescribes the minimum funding requirements on a solvency basis that apply in respect of a pension plan governed both by the Supplemental Pension Plans Act and by similar legislation of another legislative jurisdiction in Canada.
Financing	Canada	British Columbia funding relief	Effective January 24, 2019, Schedule 8 of the Pension Benefits Standards Regulation that relates to the extension of solvency deficiency payment period (over 10 years) was amended by providing a "further election" for plans with a review date falling on or after December 31, 2018 and before January 1, 2021.
Financing	Canada	CAPSA guidelines for funding benefits for non-DC Plans	On February 14, 2019, the CAPSA published Recommendations: Funding of Benefits for Plans Other than Defined Contribution Plans. The recommendations suggest a number of funding options for policy maker consideration, which could be adopted as stand-alone items or as part of a larger reform package.
Financing	Denmark	Update on SEB Pension	SEB Pension were bought by Danica Pension last year. Integration is due from 1st of April 2019 and SEB Pension will close as an individual pensions company from 1st of July 2019. It is still unknown what full consequences will be for employees with savings in SEB Pension and which insurance terms and products will be relevant going forward.
Financing	Denmark	AP Pension	AP Pension bought Skandia Pension at 1st of January 2019 and integration process have begun – however until Q1 2020 Skandia clients will continue with current insurance products as well as investment setup.
Financing	Hong Kong	Tax relief on retirement scheme contributions	A government press release heralds the Legislative Council's passage of the Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Bill 2018. Contributions to tax-deductible Mandatory Provident Fund (MPF) voluntary contribution accounts and qualifying deferred annuities will be tax deductible up to HK 60,000 per year, starting with year of assessment 2019-20. Read Press Release here.
Financing	Netherlands	Contributions after disability retirement	Extension of post-retirement voluntary contributions to cases of involuntary dismissal due to disability. There is also guidance on how to calculate contribution levels, and clarity on terms for qualifying.
Financing	Netherlands	Pension reform	The Ministry for Social Affairs has appointed a committee to recommend new actuarial assumptions for discount rates and pension fund returns every five years.
Financing	Netherlands	Proposal on pension sharing in divorce	The Minister for Social Affairs has proposed a more automatic mechanism for pension sharing in divorce. Pension entitlements are often not factored into a formal divorce procedure and filing a claim at some later point can get unpleasant. The minister aims to include pension issues in the standard divorce registration. Rules to that effect would come into force in 2021.

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Key financing-related updates from the quarter - continued

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	Country	Measures	Changes
Financing	Singapore	2019 Budget measures affecting retirement	Singapore's 2019 Budget feature the following: the Not Ordinary Resident (NOR) scheme, a five-year tax break for talented foreign workers, will be allowed to lapse in 2020, but will run its full course for those already enrolled in it, Aon APAC has published this article explaining the changes and the impact on employers; a Tripartite Workgroup on Older Workers will assess the CPF contribution rates of older workers as well as the retirement and re-employment age. More information on 2019 Budget here.
	Taiwan	Pension fund shortfall corrections required	The Labor Standards Act mandates companies to make up the shortfall to Labour pension funds set aside with Bank of Taiwan by March, if the balance is inadequate to pay pensions for employees who are eligible for retirement by the end of year. In case of failure to make up the shortfall to Bank of Taiwan, a fine of NT$90,000 to NT$450,000 will be imposed.
	United Kingdom	Investment in "patient capital"	A number of initiatives are underway to increase investment in 'patient capital' – a range of alternative assets such as infrastructure, real estate, private equity and venture capital.
	United Kingdom	Regulator's annual funding statement	The Pensions Regulator has published its annual funding statement for defined benefit schemes. It is aimed at arrangements with valuation dates between September 22, 2018 and September 21, 2019, as well as schemes undergoing significant changes that require a review of their funding and risk strategies. Among other things, the Regulator is increasing its focus on long-term funding targets and scheme maturity. Companies will likely want to drive the long-term strategy and not leave it purely to the trustees. An Aon In Touch technical update with more information can be found here.
	Zimbabwe	Looser capital requirements planned	The Insurance and Pensions Commission (IPEC) is drafting a plan to relax minimum regulatory capital requirements in the pensions and insurance sector. IPEC has determined that the sector is stunted by a risk-based capital framework that blocks out all but the largest players.

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Key operations-related updates from the quarter

- Requirements
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	Country	Measures	Changes
Operations	Australia	**Single Touch Payroll (STP) extension bill passed**	A Bill has now been completed in Parliament that extends Single Touch Payroll (STP) requirements to enterprises with fewer than 20 employees from July 1, 2019. Additionally, the Bill enables tax authorities to direct employers to make delinquent payments, and expands fund reporting requirements. The roll-out is intended to be "flexible, reasonable and pragmatic". More information here and here.
	Australia	**Super market reform proposals**	The Productivity Commission concludes that many superannuation fund members are ill-served by an overcrowded market resulting in multiple accounts and underperforming funds. Proposals cover: performance standards; member choice of product from a "best in show shortlist"; limiting default assignment to a single time; raising standards for trustee boards; and legislation to clarify and strengthen the role of regulators.
	Australia	**Regulator's prudential standards package**	In December 2018, APRA released a package of new and enhanced requirements to strengthen the focus on the delivery of quality outcomes for members. A central component is an 'outcomes assessment' requiring annual benchmarking and evaluation of value-for-money outcomes to all members. There are also strengthened requirements for strategic and business planning, including management and oversight of fund expenditure and reserves. See Prudential Standard SPS 515 Strategic Planning and Member Outcomes.
	Australia	**'Protecting your Super' Regulations**	A package of amendments to the Superannuation laws and regulations announced in May 2018 was passed into law in February 2019. The package aims to ensure that insurance arrangements are appropriate, not inappropriately eroding retirement savings and not hidden from members. Changes include: restrictions on default insurance; capping fees on small accounts; banning exit fees; unifying small account balances with an active account.
	Australia	**Consultation on super fee disclosure**	The Australian Securities and Investment Commission (ASIC) issued a consultation, that closed on 2 April, on fee disclosures. Its aims are greater clarity, transparency, and consistency. More information here.
	Australia	**Technical amendments to Superannuation Tax Reform package**	The Government published minor technical amendments to correct unintended consequences of recent superannuation and pension reforms, particularly for the "transfer balance cap" and taxation of death insured benefits rolled into a new superannuation fund. More information here.
	Australia	**Member Account Transaction Service (MATS)**	MATS will cater for more frequent reporting of member transactions (such as contributions into superannuation). Having this information reported more frequently and at a granular level allows the tax authorities to accurately determine entitlements (eg government co-contributions), tax assessments and the member's position against superannuation caps. More information here.
	Australia	**Superannuation Misconduct Report**	The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has released its final report. The government has broadly enhanced all 76 recommendations. They include: barring deduction of advice fees from My Super accounts and limiting them for choice accounts, banning the 'hawking' of super products, and 'stapling' participants to a single default fund. The elections in May will 2019 will determine which political party will implement the recommendations
	Brazil	**Consultations on pension governance and transparency**	The National Superintendent of Pension Funds (Previc) held a pair of public consultation on draft rules for pension fund governance and transparency. The governance guidelines covered internal controls, assignment of responsibility, and conflicts of interest. The transparency guidelines would support governance by giving participants and other stakeholders greater access to information.

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Key operations-related updates from the quarter - continued

- Requirements
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	Country	Measures	Changes
Operations	Canada	Quebec settlement of benefits in a wind-up	A draft Regulation to amend the Supplemental Pension Plans Act was published that provides for various technical amendments, including amendments concerning the settlement of benefits for members and beneficiaries. The source for the draft regulation is available here.
	Canada	BC disclosure guidance for target benefit plans	The Financial Institutions Commission published information bulletin PEN-18-004, which details the Superintendent's expectations on the disclosure of solvency deficiencies for plans with target benefit components.
	Canada	CAPSA Communique—Review of Leverage Use within Pension Plans	The CAPSA Leverage Working Group conducted research and held discussions with pension industry experts and administrators of select pension plans to understand the use of leverage. The Working Group concluded that, given the complex relationship between leverage use and investment risk, regulators could enhance their risk assessment and oversight of pension plans by reviewing the processes in place to manage investment risk in lieu of only relying on regulatory disclosures to identify potential problems. The Working Group summarized its findings in a Communique - Review of Leverage Use within Pension Plans, and it will make recommendations to CAPSA about the additional guidance that may be needed in this area.
	Canada	CAPSA DC plan guidance	On February 7, 2019, CAPSA published its final updated Guideline No.8 - Defined Contribution Pension Plans Guideline. The revisions in the updated guideline focus on communication to members regarding variable benefits, assumptions used in retirement projections, and disclosure of fees. CAPSA also published its new Guideline No. 9 - Searching for Un-locatable Members of a Pension Plan, which was developed for plan administrators.
	Canada	Amendments to the Assessment of Pension Plans Regulations	On March 6, 2019, Regulation SOR/2019-53 was published in the Canada Gazette. This regulation amends the Assessment of Pension Plans Regulations. The new regulations came into force on April 1, 2019.
	Canada	Nova Scotia Pension Benefits Act	On March 12, 2019, Bill 109, Pension Benefits Act (amended) received first reading. The bill purports to make various administrative and funding amendments to the Pension Benefits Act (PBA). The administrative-related changes will be effective when the bill passes. The funding-related changes will be effective upon proclamation (expected proclamation Fall 2019).
	Chile	Pension portability, comparison shopping improved	The Ministry of Labour and the Superintendency of Pensions (SP) have introduced new standards for simplifying the safe transfer of affiliates between pension fund administrators (AFPs). A common platform for remote authentication will feature the "find and decide" web tool to help consumers with comparison shopping. AFPs will have an August 1, 2019 deadline for adopting the necessary technology.
	EU	Consultation on sustainability risk	The EIOPA has issued a "call for evidence" to the insurance sector on how sustainability risk should be factored into investment policy and insurance underwriting. This comes in response to a European Commission query on whether Solvency II would have a positive or negative impact on sustainable investment. The consultation closed in early March.

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Key operations-related updates from the quarter - continued

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	Country	Measures	Changes
Operations	EU	IORP2 update	IORP2 implementation status as at 29 March 2019: • Countries that have not yet transposed IORP2: Cyprus (expected to be finalized until end of the year), France, Greece, Ireland, Luxembourg, Malta, Poland, Portugal, Romania, Slovenia, Spain, Sweden • Countries that have only partially transposed IORP2: Bulgaria, Czech Republic • Countries that have transposed IORP2, but Commission consider infringing the Directive: Germany, Latvia, Netherlands • Countries that have transposed IORP2 with no infringements: Austria, Belgium, Croatia, Denmark, Estonia, Finland, Hungary, Italy, Lithuania, Slovakia, United Kingdom Action is to be taken against the countries that have not yet complied. More information here.
Operations	Ireland	Delay on compliance with IORP II rules	The Department of Employment Affairs and Social Protection conceded that it could not meet the January 13, 2019 deadline for transposition of the EU IORP II rules. The final regulations should be completed towards the end of the second quarter and the Pensions Authority is drafting Codes of Practice for implementing the rules. The department assured the pensions sector of "sufficient support, time and information" to come into compliance with the new rules but offered no details on a transition period.
Operations	Ireland	New PQS category	The Irish Association of Pension Funds (IAPF) has added a new category to its pension savings benchmark (PQS) for recognizing high standards in defined contribution schemes. The "merit Plus" designation sets higher governance and communications standards than the existing PQS categories and requires at least 20% in total contributions with no less than 15% coming from the employer.
Operations	India	Pilot for automated EPFO transfers	The Labour Ministry has advised the press that the Employees Provident Fund Organization (EPFO) is conducting a pilot program for fully automated fund transfers. Under EPFO transfer rules due to launch next fiscal year, the universal account number (UAN) will be used to expedite the process. More information here.
Operations	India	National Pension System (NPS) audits	The Pension Fund Regulatory and Development Authority is preparing an audit of fund managers in the National Pension System (NPS) as well as key intermediaries, including Central Recordkeeping Agency, NPS Trust, Trustee Bank, and Points of Presence. The audit will review corporate governance, reporting and disclosure, professional background of top management, investment policy, and conflicts of interest. More information here.
Operations	Netherlands	Law to limit fiduciary asset management	Parliament has ruled that pension funds can't outsource the formulation and the supervision of strategic asset management policy. The Social Affairs Minister has clarified that this doesn't aim to ban fiduciary management, just to assign ultimate responsibility to the pension's board.
Operations	Netherlands	Pension system reform	A law covering miscellaneous pension matters was adopted by the upper house last December and came into force in January. It covers: • the automatic value transfer and surrender of very small pensions; • data delivery to De Nederlandsche Bank; • bridging pensions; • employee participation in small businesses; • premium payments based on actual monthly amounts paid to employees and not estimates.
Operations	Peru	Innovative incentive for voluntary contributions	The Superintendency of Banking and Insurance (SBS) has introduced Resolution No. 00010-2019, establishing a regulatory framework for the Pension Fund Administrators (AFP) to partner with retailers and service providers to create incentives for voluntary pension contributions.

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Key operations-related updates from the quarter - continued

- Requirements
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	Country	Measures	Changes
Operations	Peru	New fund transfer protocols proposed	The Superintendency of Banking and Insurance (SBS) held a brief consultation on cutting the fund transfer period for members of the Private Pension System (SPP) from a range of 27-49 days to 6-27. This would entail internal process revisions for providers to improves both access and security for affiliate assets.
	United Kingdom	Cold calling ban goes into effect	New regulations to ban unsolicited direct marketing calls in relation to pensions came into force on January 9, 2019. Cold calling is the most common method used to initiate pension fraud and the ban is intended to help tackle the problem of speculative calls from pension scammers. It will not affect calls that schemes would normally make to members.
	United Kingdom	Government responds to Taylor Review	As part of its 'Good Work Plan' (setting out its vision for the future of the UK labour market and how it intends to implement the recommendations of the Taylor Review of Modern Working Practices), the Government intends to improve the clarity of tests to determine employment status. An individual's employment status determines their legal rights; a 'worker' is entitled to rights including holiday pay, the national minimum wage, automatic enrollment, and protection from discrimination.
	United Kingdom	Cross-border pensions in a 'no-deal' Brexit	The Government has confirmed that it is in discussion with the UK and Irish pensions regulators over how to protect members of UK/Ireland cross-border schemes in the event of a no-deal Brexit (which would mean that the UK cannot participate in the EU's cross-border authorization regime). Companies with cross-border schemes should take advice on Brexit implications.
	United Kingdom	Proposed changes to FRS 102	The Financial Reporting Council has proposed changes to FRS 102 for presenting the impact of moving from defined contribution to defined benefit accounting. This is required when sufficient information becomes available for an employer in a multi-employer DB scheme to apply DB accounting. The changes are expected to apply to accounting periods beginning on or after January 1, 2020, with early application permitted.
	United Kingdom	Consultation response on protecting DB schemes	The DWP has published its response to last year's consultation on 'Protecting Defined Benefit Pension Schemes - a stronger Pensions Regulator' confirming that most of the powers proposed to be granted to the Regulator will be taken forward. In addition, two key changes are that the list of Notifiable Events will be expanded and that companies will be required to issue a Declaration of Intent to the trustees and Regulator before taking certain actions that could have an impact on the scheme. As a result, companies will need to consider the pension impact of actions much earlier than may currently be the case. An Aon In Touch technical update with more information can be found here.
	United Kingdom	Regulator outlines changes to its approach for ailing schemes	The Pensions Regulator has set out changes that it has made when handling ailing pension schemes since the Kodak case in 2012. In a letter to the Chair of the Work and Pensions Committee, it notes "difficult and finely balanced decisions of this type are now subject to additional layers of scrutiny and challenge as well as collective decision-making in our Executive Committee". For example, normal practice was to rely on professional advice provided to trustees, but it now commissions its own advice. It notes that "today we would not approve a restructuring deal which left a scheme so exposed to the performance of one investment".
	United Kingdom	DC investment in illiquids and consolidation	The Department for Work and Pensions has published a consultation on measures designed to encourage occupational defined contribution pension schemes to invest in less liquid assets, such as housing, green energy, and infrastructure. The main proposals are that larger DC schemes should be required to report annually on their policy and practice in relation to investment in illiquid assets and that smaller DC schemes should assess every three years whether their members would benefit from consolidating into a larger scheme.

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Key operations-related updates from the quarter - continued

- Requirements
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	Country	Measures	Changes
Operations	United Kingdom	**Investment Association issues warning about pension contributions for executives**	The Investment Association (IA) has warned that it will "red top" companies that pay newly appointed directors pension contributions that are not in line with the rest of its workforce. A red top is the highest level of warning issued by the IA's Institutional Voting Information Service, which provides shareholders with research to aid their voting decisions. Where any existing executive director receives a pension contribution of 25% of salary or more, there will be an "amber top" (a lesser warning) on the company's remuneration policy and remuneration report.
	United Kingdom	**New standards for professional trustees**	The Association of Professional Pension Trustees has published new standards which all professional trustees will be expected to meet. Professional trustees can demonstrate they meet the standards through an accreditation process. There are additional standards for professional trustees who chair or are sole trustees. Companies should consider how any professional trustees appointed to their schemes meet the new standards.
	United Kingdom	**Financial Reporting Council proposes updates to UK Stewardship code**	The FRC is consulting on changes to the UK Stewardship Code, intended to complement the stronger corporate governance provisions that apply from January 1, 2019. The consultation "sets substantially higher expectations for investor stewardship policy and practice", focusing "on how effective stewardship delivers sustainable value for beneficiaries, the economy and society". The proposed Code has been tailored to three broad categories of signatories: asset owners, asset managers, and service providers. The revised Code is expected to come into force on July 16, 2019.

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Key State-related updates from the quarter

- Requirements
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	Country	Measures	Changes
State	Angola	Minimum wage, pension to rise	Hefty increases in the minimum wage and minimum pension to be announced imminently. The minimum wage will rise by 30%. The minimum pension will rise by 57.14% to 33,598 kwanzas (US $106).
State	Australia	Limit on post-retirement employment eased	Social Services and Other Legislation Amendment (Supporting Retirement Incomes) Bill 2018 has now passed both houses of Parliament. From July 1, 2019: It will expand eligibility for the Work Bonus, the ability to earn retirement income without a pension reduction and raise the threshold to A $300 per fortnight. The law will also see adjustments in the social security means testing rules that are more hospitable to lifetime retirement income stream products. More pensioners will have the option of taking out loans on the value of their homes. More information here.
State	Azerbaijan	Social security contribution shift	From January 1, 2019, there was a major shift in the social security contribution formula. The rate remains EE 3% and ER 22% on salary up to 200 manat per month. For higher amounts, the rate is now EE 10% and ER 15%. This formula is set to remain stable for seven years. Employee income exempt from the contribution includes qualifying pension and life insurance premiums, lump-sum severance pay in a bankruptcy, and subsidy of employee meals.
State	Azerbaijan	Wage inflation peg for state pension	The President has announced that retroactive to January 1, 2019, the insurance component of the state pension will be pegged annually to wage inflation.
State	Azerbaijan	Minimum pension hiked	The Minister of Labour disclosed that, accompanying a sharp increase in the minimum wage, the minimum pension will rise by 38.5% to 160 manats (US $93.84) per month from March 1, 2019.
State	Brazil	Pension reform plan	The government has presented its social security reform proposal to the National Congress. The proposal includes a proposed employee contribution rate for the private sector reflects monthly salary and ranges from 7.5% to 14%, a 12-year transitional period for the rise in the retirement age to 65 for men and 62 for women and workers would have the option of transferring their contributions to an individual account defined contribution plan (among other measures announced). The proposal is currently under discussion.
State	Chile	Social security coverage for independent contractors	Both houses of Congress have passed legislation extending social security coverage to independent contractors. Those with gross earnings of at least 1.3mn pesos (US$ 1,873) per year will contribute 10% from 2019 and it will climb to 17% in 2027. This will cover pensions, disability, survivor benefits, sick leave, and maternity leave. There is also the option of health insurance coverage for an additional 7%. The president is expected to sign the measure.
State	Chile	Pension reform plan	The President has conceded that there is a strong case for revising his pension reform plan. The employer contribution rate had been slated to raise from 10% to 14% over the course of eight years. He is now "open to the idea" that adequate financing will entail continuing that climb to 18%.
State	China	Social Security contribution rate adjustment proposal	The Government has proposed an adjustment of the ER contribution rate to the Social Security Basic Pension Insurance to a minimum of 16% from currently 19%-20% starting from May 1, 2019.

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Key State-related updates from the quarter - continued

- Requirements
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	Country	Measures	Changes
State	China	Social Security collection authority change	The social security contribution will be collected by Tax Bureau instead of the original authority Social Security Bureau starting from Jan. 1, 2019.
	Costa Rica	Social security reform	The Costa Rican Social Security Fund (CCSS) is developing an austerity plan that would both raise social security contributions and reduce benefits:
	Cyprus	Contribution changes	The matching employer and employee contributions to the Cyprus Social Insurance Fund (SIF) has risen from 7.8% to 8.3% on January 1, 2019. A contribution of 1.7% for employees and 1.85% for employers for the Gesy National Health Insurance System (NHIS) has started from March 1, 2019.
	Czech Republic	Proposal for pension reforms	The Ministry of Labour and Social Affairs has appointed the Commission for Fair Pensions to draw up plans for a more just pension system. Its tasks include narrowing the gap between male and female pensions, considering the prospect of early retirement for hardship occupation, developing a widower pension while refining widow's pension and reconsidering retirement income targets.
	Democratic Republic of the Congo	Social security contribution shift	From January 1, 2019, the social security pension contribution rose from 3.5%ER/3.5%EE to 5% each. The 4% ER family contribution rose to 6.5%. The workers compensation rate remains 1.5% ER, with some high-risk sectors contributing as much as 3%.
	Denmark	Update on social security benefits	A legislative overhaul took effect in December 2018, improving access to data on social security benefits. Under law, pay-outs from some pension products – 'aldersopsparing' – are tax-free and do not reduce means-tested social benefits. But contributions are not tax-deductible, so someone who changes from contributing into a tax-deductible pension product to an aldersopsparing may receive lower social benefits because of means-testing.
	Dominican Republic	Social security reform bill	The President has delivered draft social security reform legislation to Congress. In addition, the Labour Minister previewed plans to establish a special early retirement scheme for people in strenuous occupations.
	Ecuador	Retirement age hike options	A National Assembly committee is reviewing two scenarios for relaxing state pension eligibility. One would pay 75% of final average salary to those retiring at age 60 with 20 years of contributions and pay full salary to those at least age 60 with 30 years of contributions. The other would pay full benefit after 30 years in the system, whatever one's age.
	France	Yellow Vest package enacted	Parliament has passed, and the President signed the package. Most notably: • Bonuses paid between December 11, 2018 and March 31, 2019 to workers earning no more than EUR 3,600 per month will have income tax and social security contributions waived on up to EUR 1,000. • From January 1, 2019, up to EUR 5,000 per year in overtime compensation is exempt from social security contributions and personal income tax. • Retired people earning less than EUR 2,000 per month will be exempted from last year's 1.7% increase in the generalized social contribution rate.

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Key State-related updates from the quarter - continued

- Requirements
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	Country	Measures	Changes
State	Hong Kong	Age limit raised for Comprehensive Social Security Assistance	The age threshold for full support under the elderly Comprehensive Social Security Assistance (CSSA) scheme rose from 60 to 65 from February 1st.The benefit increases the HK $2525 per month adult support to HK $3585. There was a public outcry over the sudden change and the Chief Executive has now agreed to a transitional period for those now ages 60-64
State	Hungary	Changes in contributions for working pensioners	A Parliamentary press release gave notice of a measure exempting both employers and employees from social contributions on the salaries of working pensioners. The law went into effect on January 1, 2019.
State	India	Proposal to double the minimum pension	The Finance Ministry is "actively" considering a proposal to double the minimum pension under the Employees' Pension Scheme to Rs 2,000 per month. The ministry has been reviewing options for financing the extra cost. They are expected to include tighter restrictions on pre-retirement withdrawals.
State	Indonesia	Economy-linked increases to maximum contributions and pensions	Adjustments to the income cap for mandatory pension contributions and to pension benefit limits applied from 1 March 2019. The maximum income for pension contributions increased from Rp 8,094,000 (2018) to Rp 8,512,400 (2019) reflecting 2018 GDP growth of 5.17%. The limit to the pension benefit ar retirement age is increased by 3.13% in line with inflation.
State	Italy	Cabinet approves pension reform decree	Most important new rules are as follows: • "Quota 100" - for a limited period i.e. from April 1st, 2019 to December 31st, 2021 this option allows the anticipation of the date of retirement. As far as the sum of age and years of contribution in pension system is at least equal to 100, this is possible for an employee to retire. • "Opzione Donna" - women employees born before December 31, 1960 and having at least contribution seniority of 35 years in pension system as at December 31, 2018 have the possibility to retire, even if they don't reach the current requirements for normal retirement. Companies shall think about checking the potential retirees in their population of employees during the next years, to anticipate cost and take this as an opportunity if the reduction of their ageing population of worker is one of their objectives.
State	Japan	Social security reform previewed	The government is finalizing a social security reform roadmap, due to be finalised in 2019, giving people the option - and incentives - to defer retirement past age 70. There are also changes to medical co-payments for people over age 75 planned from 2020 legislation, and emphasis on preventive medicine.
State	Japan	Plan to expand mandatory pension	The Ministry of Health Labour and Welfare has reportedly proposed to implement law in 2020 to require employers with less than 501 workers to offer the government-sponsored pension to their employees. The Ministry also aims to relax the minimum income (88,000 yen per month) and working hours (20 per week) requirements.
State	Kazakhstan	Social security to be optional for independent contractors	The Labour Ministry has amended employment laws to make social security contributions optional for independent contractors working under service contracts.
State	Kazakhstan	Contribution hike proposed	The draft Law on Compulsory Social Insurance is now before the lower house of Parliament. Billed as an overhaul of the social insurance system, it would raise the 3.5% employee social insurance contribution to 5% from January 1, 2025. More information here.

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Key State-related updates from the quarter - continued

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	Country	Measures	Changes
State	Kenya	Housing levy suspended	The Employment and Labour Relations Court barred the 1.5% employer and employee levies that were about to be introduced to finance the National Housing Development Fund (NHDF) scheme, which would have doubled as an additional source of retirement income. The injunction was delivered because the tax measure allegedly skipped the public consultation stage.
	Kenya	National Social Security Fund (NSSF) contribution to rise	The head of the National Social Security Fund (NSSF) has advised the press of plans to sharply raise the NSSF employee contribution, which is currently 200 shillings (US $2.00) per month. Regulations due by the end of June will set premium rates of 6% of total compensation for workers in the formal sector. This will finance a monthly lifetime pension as well as permanent disability benefits and survivor benefits.
	Macedonia	Changes in pension contributions	The Revenue Office disclosed that the 18.0% mandatory contribution for pension and disability insurance rose to 18.4% from January 1, 2019 and will increase to 18.8% on January 1, 2020.
	Malaysia	Social Security coverage for expatriates	Effective 1 January 2019, employers who hire foreign workers shall register their employees with the Social Security Organization (SOCSO) and contribute to the Employment Injury under the Employees' Social Security Act 1996. The employer shall contribute 1.25% of the insured monthly salary. A FAQ sheet is available here and more information can be found here.
	Malaysia	Retirement income enhancement review	The Deputy Finance Minister, noting that most pensioners deplete their savings within five years of retirement, said that there will be a review of retirement savings schemes to improve their adequacy. Options under consideration include raising the retirement age and re-assessing the opportunities for pre-retirement withdrawals which currently include home purchase, education, and medical expenses.
	Mexico	Ruling on widow's pension for same-sex partner	The second chamber of the Supreme Court ruled that the Mexican Social Security Institute (IMSS) was wrong to deny a widow's pension to the deceased person's same-sex partner. The Court determined that a Social Security Law provision limiting survivor benefits to heterosexual couples is unconstitutional.
	Mexico	Social security coverage for Youth Building the Future program	Last December saw the launch of the Youth Building the Future program, a large-scale effort to unite unemployed youth with enterprises in a variety of training and apprenticeship programs for up to a year with the government paying a monthly stipend of up to 3,600 pesos. Under a January 31 Presidential Decree, participants in this program are now covered by mandatory social security benefits including maternity, disability, and occupational risk insurance.
	Mexico	Greater investment flexibility for Afores pension funds	New legislation sponsored by the President would, among other things, grant greater investment flexibility to Afores pension funds. This would be accomplished in part by giving the National Commission of the Savings System for Retirement (Consar) a greater role in managing Afores investment policy. The Finance Committee of the Chamber of Deputies passed the draft legislation. The opposition parties are planning to submit amendments to protect investments, particularly infrastructure projects, against excess risk before there is a plenary vote.
	Mexico	Early Afores withdrawal proposed for medical expenses	The main opposition Institutional Revolutionary Party (PRI) has set a measure before the Senate that would allow the terminally ill to tap their Afores pension fund accounts before retirement without tax penalty to pay for medical expenses.
	Nepal	Parental retirement contributions	Parliament has now enacted the measure amending the Senior Citizens Act to require children of seniors (age 60+) to deposit up to 10% of their monthly income into their parents' savings accounts to help ensure adequate retirement income.

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Key State-related updates from the quarter - continued

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	Country	Measures	Changes
State	Nepal	Social security coverage for Nepalese overseas	A task force has proposed mandatory social security coverage for the large segment of the Nepalese population who are employed overseas. Obtaining or renewing work visas would entail enlistment in social security or a Foreign Employment Provident Fund. The foreign employers would deduct their contributions ranging from an annual minimum of Rs 24,000 to a maximum of Rs 300,000.
	Netherlands	Government developing new second-pillar model	With social partner negotiations stalled, the Social Affairs Ministry is now pursuing an individual accrual occupational pension scheme design rather than the collective accrual version with generational risk sharing favoured by social partners. The proposal will also feature a lifestyle investment model with the risk profile adjusted as a member ages. Once it has drafted a plan, the ministry will hold consultations with social partners and other stakeholders. The unions have already come out strongly against it.
	Nicaragua	Social security contributions and contribution periods rise	Drastic social security reforms closely resembling those that triggered social unrest last spring were announced by the Directive Council of the Nicaraguan Social Security Institute (INSS) on January 28, 2019 and went into effect on February 1. 2019.
	Norway	Individual pension account system for DC pension plans	This is a new proposal where the system is set up in such a way that everyone will have their own pension account. The purpose of such a rule is to help ensure that pension funds in defined contribution pension schemes are managed more efficiently, so that the most possible pension for a given payment is made, and that the employee must get a better overview of his/her own pension earnings.
	Pakistan	Minimum pension to rise	The Employees' Old-Age Benefits Institution (EOBI) minimum pension which recently jumped by 20% to Rp 6,500 per month has a target of Rp 15,000 (US $107.68) by 2023. The Ministry of Overseas Pakistanis and Human Resource Development has asserted that tax collection upgrades including e-governance and measures to curb EOBI corruption will go a long way towards funding this increase.
	Palestine	Social security reform suspended.	The President has halted implementation of an unpopular social security law in great part because a financially strapped populace doesn't trust the government to safeguard their contributions. The program would have guaranteed a state pension to people age 60 who have made 180 monthly contributions. The contributions would also finance a workers' compensation scheme and maternity benefits. The government will now hold further consultations on the program with social partners.
	Peru	Survivor benefit entitlement expansion	A new regulation extends survivor pension entitlements to couples in common-law relationships. Common-law status is conferred automatically after two years of cohabitation.
	Peru	Early retirement bridge extension vetoed	The executive branch ended up rejecting the measure that had granted a two-year reprieve to the special early retirement scheme for unemployed seniors offering the explanation that it was a temporary arrangement and too costly to continue. Congress had passed the measure by a wide margin and will attempt to overturn the veto.
	Philippines	President signs social security reform law	Social Security contribution will rise from 11% (2/3rds by employer) to 12% this year and add 1% annually until it hits 15%. Initially employers will pay a larger share before the 2/3rds balance is restored from 2025. Minimum and maximum pensionable salary will rise from P1,000 pm and P16,000 pm to P2,000 and P20,000 this year, then climb to P5,000 and P35,000 by 2025. Coverage will be compulsory for all overseas Filipino workers. A new involuntary separation benefit will pay dismissed workers under age 60, 50% of monthly salary for up to two months.. More information here and here.

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Key State-related updates from the quarter - continued

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	Country	Measures	Changes
State	Portugal	DC plans – new regulations on benefit payment flexibility	From 2019 onwards, it is possible for the beneficiary to exercise the right as to the form of payment of his/her pension, if through the acquisition of a life annuity insurance contract or if through payment by the Pension Fund up to the limit of capacity of the balance. In both options there are benefits and drawbacks that directly affect the amount of the pension to be received, the guarantee of the period of receipt and its reversibility. With this new possibility if the beneficiary decides to receive the pension through the Pension Fund he will have more flexibility on the value of the pension to receive, to change this amount, suspend it or even acquire the life annuity later, he can also change the accumulate amount from one Pension Fund to another without transfer cost.
	Romania	Reforms in the second pillar pension	The government's second-pillar pension reform plan is increasingly being flagged as a stealth scheme to nationalize the program. Besides cutting the 2.5% cap on fund manager schemes to 1%, it would set the allegedly impossible minimum capital requirement of 10% of annual pension contributions. There is a back-up plan for state entities to take over the fund manager role if the sector is too depleted. While the legislation is slated to come into effect on June 30, 2019, there is a more precipitous deadline in the requirement to indicate in each fund's April 2019 annual report whether or not it would comply with the reform.
	Romania	Minimum pension increase	Parliament has approved the Cabinet's emergency decree raising the minimum monthly pension from 1,100 lei to 1,265 lei next year then 1,775 lei (US$ 436.72) in 2021. There will still be constitutional challenges to this measure.
	Singapore	Retirement deferral plan	A handful of legislators has opened national debate on proposals to encourage retirement deferral. The retirement age would be eliminated. The re-employment age would rise from 65 to 70. Central Provident Fund (CPF) contributions would be restored for seniors. There would be a universal health scheme for seniors. Partial CPF withdrawals would be permitted when incapacity forced a significant break in employment.
	Singapore	Retirement age hike reports refuted	The Central Provident Fund (CPF) Board had to take the unusual step of formally denying misinformation on the retirement pay-out age that had gone viral. A misinterpretation of a CPF message to its members had spawned reports that the benefit eligibility was rising from age 65 to 70.
	Slovenia	Reforms in pension model	The Ministry of Labour, the Family, Social Affairs and Equal Opportunities has debriefed the press on its new pension reform proposal. Reforms include the retirement age for those without a 40-year contribution history would climb from 65 to 67 by 2034, the replacement rate for pension benefits, now 57.25% of long-term average wage for men and 60.25% for women, would rise to 63% each, there would be benefit credits for periods of parental leave and pensioners who remain in the workforce would be able to collect 50% of their pension entitlement, up from 20%.
	South Korea	Pension reform options outlined	The Ministry of Health and Welfare has set out a range of scenarios for reform of the national pension scheme (NPS). Maintain a 9% contribution rate and 40% income replacement ratio with the basic pension rising to 300.000 won in 2021. Keep the same replacement ratio and contribution rate then raise the basic pension to 400,000 won in 2022. Raise the premium to 12% with a replacement ratio of 45%. Set a 13% premium and a 50% replacement ratio. Under all for options, the government now plans to guarantee payments under NPS.
	Spain	Updates in retirement system	Maximum pension in 2019 set at 37,231.74 EUR (1.6% increase), and Social Security Contribution Ceiling set as 48,841.2 EUR (7% increase). Mandatory retirement through collective bargaining agreement entitles the employee to 100% of the social security retirement pension. Negotiated equal treatment and opportunities plans for women and men required, by 7 March 2022, for companies with more than 50 workers.
	Sweden	Contribution waiver for younger workers proposed	The Ministry of Finance held a brief public consultation (it closed on March 15) on a plan to reduce employer social security contributions for workers age 15-18. From August 1, 2019, the 10.21% employer pension contribution would remain but those for health insurance, unemployment insurance, and other benefits totaling over 20% of salary would be waived.

Key State-related updates from the quarter - continued

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	Country	Measures	Changes
State	Switzerland	Referendum on the Federal Act on Tax Reform and OASI (AHV) Funding	The Department of Finance has confirmed that it will stage a May 19, 2019 national referendum on the Federal Act on Tax Reform and Old Age and Survivors' Insurance (AHV) Funding. With this bill, the AHV will receive around CHF 2 billion more per year from 2020. The federal government will contribute around CHF 800 million of the additional revenue. The rest is contributed by the companies and the insured: For the first time in over 40 years, AHV contributions are being raised slightly. The contribution rates of employers and employees will each be increased by 0.15 percentage points.
	Switzerland	Stabilisation of the AHV	Regarding the stabilization of the AHV, the Federal Department of Home Affairs will submit a draft message on the AHV 21 to the Federal Council by the end of August 2019 at the latest.
	Taiwan	Experimental pension investment platform to be launched	The government's experimental pension investment platform that will allow 10,000 people to join and let people select their fund manager is expected to be launched in July. More information here.
	Tanzania	State pension formula reprieve	The President has ordered a delay in the controversial Social Security Regulatory Authority (SSRA) plan to switch the pension benefit distribution formula from 50% lump sum and 50% monthly annuities to 25% lump sum and 75% annuities. This was to have preceded the 2023 consolidation of social security funds into one for the private sector and one for the public sector. The benefit shift will now be delayed until 2023.
	Ukraine	Indexation mechanism pushed forward	The automatic annual pension indexation based on a combination of consumer price index and wage inflation had been scheduled to debut in 2021 but was introduced on March 1, 2019. Later this year, a mechanism will be established to set a minimum pension for those workers who had a long contribution history but low-wage jobs.
	United Kingdom	SFGB starts operation	On January 1, 2019 the Single Financial Guidance Body (SFGB) went live and officially adopted its five core functions: pensions guidance, money guidance, debt advice, consumer protection and strategy. The SFGB replaces Pension Wise, the Pensions Advisory Service and the Money Advice Service. Information provided to individuals will need to be updated where it currently refers to one of the previous organizations.
	Uzbekistan	Tax consolidation plan	The administration's tax consolidation plan went into effect on January 1, 2019. The Single Social Payment for most private-sector enterprises is cut from 15% to 12%. The 8% employee contribution to the nonbudgetary pension fund is eliminated. The individual income tax brackets are replaced by a flat rate of 12%.
	Zimbabwe	Pension revaluation plan	Insurance and pensions regulator, IPEC, is preparing a plan for restoring value to pension accounts that were sharply depleted by the 2008 hyperinflation and the currency peg conversion to US dollars in 2009. The administration has been working for years on finding a way to compensate for undervaluation of pension and insurance benefits in a way that restores the insurance sector rather than destabilizing it.

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Key areas of current focus for employers

- Requirements
- Proposals
- Opportunities

North America, UK & Ireland:
- DC optimization
- De-risking DB plans
- Member options, including lump sums (1-19)
- Settlement with insurers

Netherlands:
- Government's 10-point plan with a pure DC focus (1-19)
- 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) (1-19)
- EIOPA stress tests (1-19)
- Earlier vesting: From EU Directive
- IORP II governance & risk management (4-18)
- Lower & later State pension causing ER challenges
- Member communication standards
- New mortality tables

United Kingdom & Ireland:
- Any implications from Brexit
- UK: GMP equalisation corrections (4-18)
- UK: Increasing Regulator involvement
- Ireland: Pension Reform 2023

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

Global:
- More formal plan governance (4-18)

Elsewhere across Europe:
- Belgium: voluntary DC without guarantee
- Eastern Europe: 1^{st} & 2^{nd} pillar reform
- France: Merging AGIRC and ARRCO (1-19)
- Poland: mandatory plan implementation (4-18)
- 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 (4-18)
- Encouragement of savings for sufficient pension

Japan:
- CDC type plans
- DC governance & quality

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

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

Hong Kong:
- New tax deductions
- New administration requirements
- MPF offset removal
- New tax reporting requirements

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

Elsewhere Asia Pacific:
- Changes to mandatory funds
- Social Security coverage expatriates
- Singapore: changes to tax for expats

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

Africa:
- Encouragement of saving for retirement

Australia:
- Focus on member outcomes & governance
- Strengthening Superannuation

(4-18) indicates that a Hot Topic page was published in the Quarter 4 2018 edition
(1-19) indicates that a Hot Topic page is published in this Quarter 1 2019 edition

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. ▪ **Québec:** Prevention of variation of provision by date of hire. ▪ **Federal**: Budget 2019 proposals to protect workplace pensions.	▪ Optional form and early retirement factor review in lieu of recent lawsuits. ▪ Executive order issued, which aims to expand access to Multiple Employer Plans. ▪ Bill to amend the tax code for retirement plans. ▪ Temporary options for in-pay retirees/beneficiaries to elect lump sums in lieu of future annuity payments
Financing	▪ Liability settlement noting improved financial positions and new annuity rules. ▪ General trend of funding regulation to reduce/remove emphasis on solvency. ▪ **British Columbia**: Consultations on solvency funding changes. ▪ **British Columbia**: Funding relief. ▪ **Québec: F**unding of multi-jurisdictional defined benefit pension plans. ▪ **Ontario:** Enhancement to Pension Benefits Guarantee Fund (PBGF). ▪ Air Canada to form its own insurance company and transfer pension risk.	▪ ASU 2018-14, which updates the ASC 715 disclosure requirements for defined benefit plans. ▪ President's fiscal 2020 budget proposal, which includes changes to PBGC premiums.
Operations	▪ Exposure Draft on revised commuted value standards, changes expected later in 2019 ▪ **Québec:** Settlement of benefits in a wind-up. ▪ **Federal**: Consultation on unclaimed pension balances.	▪ SEC proposal regarding best-interest broker advice. ▪ IRS Notice 2019-26, which provides updated mortality improvement rates and static mortality tables
Knowledge Sharing	▪ Aon Survey: Global DC and financial Wellbeing – Canada Findings summary ▪ Pension Risk Seminar 30th of May in Toronto, recommended for plan sponsors ▪ Federal budget: Bulletin on Federal Budget changes to retirement plans ▪ Annual Roundup: A recap of 2018 reforms for Ontario pension plans	▪ Aon Survey: Global DC and financial Wellbeing – U.S. Findings summary ▪ Pathways: Aon Hewitt Investment Consulting's newsletter for retirement plans ▪ Aon Compliance Calendar covers significant Compensation & Benefits dates in 2019 ▪ Annuity Settlement Market Update 2019 ▪ Aon Quarterly Update highlights various other regulatory changes and opportunities ▪ Aon 2019 Limits for Benefit Plans Bulletin with important 2019 IRS indexed figures ▪ Aon Thought Leadership: Documents are frequently added

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Ongoing developments: UK & Ireland

- Requirements
- Proposals
- Opportunities

	United Kingdom	Ireland
State	▪ **Scotland:** Intention to develop independent Social Security from mid 2019. ▪ Single Financial Guidance Body started operations, replacing Pensions Advisory Service and Money Advice Service.	▪ 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. ▪ Government restated its intention to reduce the lower age limit from 22 to 18 for automatically enrolling workers.	▪ Consultation on auto-enrolment due to be launched starting in 2022.
Financing	▪ Legislative framework for “superfunds” consolidating funds with risk transfer. ▪ Pensions Regulator increases focus on long-term funding and scheme maturity.	▪ Central Bank reporting requirements.
Operations	▪ Uncertainty for cross-border pensions and insurance contracts due to Brexit. ▪ Pensions dashboard proposals. ▪ By October 1, 2019, SIPs will need to set out how the trustees intend to address Environmental, Social and Governance issues. ▪ Additional powers for Pensions Regulator may require more/earlier company actions. ▪ Occupational DC pension schemes encouraged to invest in less liquid assets, ▪ New standards for professional trustees to meet.	▪ More coherent and transparent environment planned for governance. ▪ Implementation of IORP II in local law. ▪ Regulator’s aim to consolidate plans to reduce from 70,000 to 100 plans. ▪ New IAPF benchmark “merit Plus” designation possible for defined contribution schemes.
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 ▪ Aon’s Monthly Risk Settlement bulletin provides monthly updates to the RS market ▪ Pension Clicks – Monthly newsletter on Retirement related topics. Prior letters here.	

Ongoing developments: Continental Europe

- Requirements
- Proposals
- Opportunities

	Central & Eastern Europe	Continental Western Europe
State	▪ **Region:** Many countries discussing and implementing changes in state pension both how it is design as well as how it is financed. Latest countries that are discussing and implementing are Czech Republic Romania and Slovenia.	▪ **Italy:** Cabinet approves pension reform decree ▪ **Netherlands**: Government developing new second-pillar model ▪ **Norway**: Individual pension account system for DC pension plans ▪ **Sweden**: Contribution waiver for younger workers proposed ▪ **Switzerland**: Referendum on the Federal Act on Tax Reform and OASI Funding
Design	▪ **Armenia:** Second-pillar pension reforms ongoing ▪ **Czech Republic:** Account-based second-pillar plans from 2020. ▪ **Hungary:** Changes in tax treatment of (among other things) pension related products ▪ **Poland:** Employer-sponsored (PPK) plan have come into law. ▪ **Turkey:** information on the auto enrolment system. ▪ **Ukraine**: Delays in pension reforms to 2020. Indexation mechanism pushed forward	▪ **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. ▪ **Austria**: Reduction of vesting period ▪ **Netherlands**: Pension system reform
Financing		▪ **Switzerland**: Proposals on short-term financing of DC plans.
	▪ **EU/EEA:** Employers in various countries exploring cross-border plans.	
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.
	▪ **EU/EEA**: EIOPA consultations on customisation of the Pensions Benefit Statement ▪ **EU**: IORP2 update: 14 countries have already transposed, action is to be taken against the countries (14) that have not yet complied	
Knowledge Sharing		▪ **France**: AGIRC – ARRCO merger - A recent bulletin from Aon France (in French) adds some details.

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Ongoing developments: Asia Pacific

- Requirements
- Proposals
- Opportunities

	South East Asia & Pacific	Rest of Asia
State	▪ **Australia**: From 1 July 2019 limits on post retirement eased ▪ **Japan:** Social Security reforms & plans to expand mandatory pension ▪ **Malaysia:** Retirement income enhancement review ▪ **Philippines**: Planned jump in social security contributions. ▪ **Singapore**: Retirement deferral plan	▪ **China:** Social Security contribution rate adjustment proposal ▪ **India:** Proposal to double the minimum pension ▪ **Kazakhstan:** Ongoing pension reform & contribution hike proposed from 1 Jan 2025 ▪ **Nepal:** Social Security coverage for Nepalese overseas proposed ▪ **South Korea:** Pension Reform options outlined ▪ **Uzbekistan:** Pension reform plans outlined.
Design	▪ **Australia**: Some flexibilities in 2018/19 Budget, several effective from July 2019. ▪ **Honk Kong:** MPF reform proposal ▪ **New Zealand**: Proposals for subsidies to encourage low income savings. ▪ **Singapore:** article on tax changes affecting retirement. ▪ **South Korea**: Pension splitting on divorce ▪ **Thailand**: Introduction of mandatory second-pillar fund.	▪ **Azerbaijan:** Private pension fund system in development ▪ **Bangladesh:** Universal pension system pilot planned. ▪ **China:** Third pillar individual account plan guidelines and pilot. ▪ **India**: Ongoing approaches to improve attractiveness of NPS ▪ **India:** EPF interest rates rises & salary definition to change, detailed implementation and guidance soon.
Financing	▪ **Australia:** Several Superannuation reforms and regulations to protect members. ▪ **Australia:** Superannuation misconduct report with 76 recommendations that could be implemented after May 2019 elections. ▪ **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 ▪ **India:** proposal to double the minimum pension. ▪ **Malaysia**: Budget proposals to change tax relief and employer contributions. ▪ **South Korea**: Funding targets from 80% to 90% in 2019, and to 100% in 2021. ▪ **Japan:** Consider closing EPFs due to 2019 funding requirements.
Operations	▪ **Australia:** Awaiting final proposals aimed at improving member outcomes. ▪ **Australia:** Plans to improve governance of superannuation. ▪ **Hong Kong:** proposed tax regime for annuity premiums / contributions to the (MPF).	▪ **India**: Exploring how to streamline annuity process. ▪ **India:** pilot for automated EPFO transfers next fiscal year (1 April 2020)
Knowledge sharing	▪ Aon APAC Retirement & Benefits Trends Roundtable – London, UK 14 May	▪ The Annual Japan Benefits Survey is now open ▪ Japan Retirement Benefit Trends & Accounting Seminars – Tokyo, JP 23 & 24 May, for more information contact Tomohiro Soga.

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Ongoing developments: Middle East, Africa & Latin America

- Requirements
- Proposals
- Opportunities

	Middle East & Africa	Latin America
State	▪ **Angola:** Minimum wage/pension to rise imminently ▪ **Ghana:** Diverting social security pension into mortgage financing ▪ **Iran:** Social security reform expected due to increase in dependency ratio. ▪ **Kenya:** NSSF contribution to rise by the end of June 2019 ▪ **Kenya:** Housing levy suspended ▪ **Rwanda:** proposals made to reverse previous increase in retirement age. ▪ **Palestine**: Social Security reform suspended ▪ **Pakistan:** Minimum pension to rise by 2023 ▪ **Tanzania:** State pension formula reprieve until 2023 ▪ **Zimbabwe:** Pension revaluation plan	▪ **Brazil:** State medical and pension reforms. ▪ **Chile**: AFP reform proposals. ▪ **Costa Rica**: Social security reforms. ▪ **Ecuador**: Review of social security benefits. ▪ **Mexico**: Allowance of widow's pension for same-sex partners. ▪ **Mexico**: Proposals for nationwide minimum pensions, retirement age hike, and greater investment flexibility for Afores pension funds. ▪ **Mexico**: Exploring wys to integrate first and second pillars and improve savings. ▪ **Nicaragua**: Social security reforms. ▪ **Peru**: Extension of survivor pensions to couples in common-law relationships.
Design	▪ **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.
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 revamp to be proposed for the 2018-2022 agenda.	▪ **Mexico:** Increased focus on employee communication and financial wellbeing.
Knowledge sharing	▪ South Africa "Umbrella Retirement Funds" Industry Development Seminar – mid May (date & time TBC) Sandton, ZA. For more information contact Gavin Griffin. ▪ UAE Financial Awareness Survey 2019 is now open	

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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

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Hot Topics for employers: General trends relating to retirement savings

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<tr><td>Less local expertise</td><td colspan="4">Decision-making protocols
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Global contracting power</td></tr>
</table>

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Hot Topic: The Netherlands – Minister's 10 point plan

What has happened?	The Minister of Social Affairs has announced a 10 point plan to revise the pensions framework. This follows failed consultations between the government and social partners who oppose some of the planned changes. The details are expected in summer 2019, with legislation planned for 2020 and full implementation starting in 2021. The main proposals facilitate personal pension accounts (DC) and remove the average premium common for industry-wide funds. Other changes include customised investment, partial lump sum benefits, and improved member communication.
Why does this matter to employers?	Pension premiums will accrue less pension for older employees than for younger employees. DC provision will become more attractive for industry-wide pension funds. Accrued DB pensions will be able to be converted into DC funds. In general, employers will need to take a step-back and review all aspects of their retirement provision and operations.
What are employers thinking?	▪ Will the proposals become law? And if so, will the timescales change? ▪ Will Works Councils be able to resist changes of past or future accrual to DC? ▪ Will some companies continue to apply the premiums to build age-varying DB accrual rather than DC? ▪ Are providers ready to deliver? ▪ Does this change any considerations about moving our plan out of the Netherlands?
What actions should be taken now?	▪ Get a deeper understanding of the proposed changes. ▪ Explore the potential impact on future pension provision for your employees, and on the costs and risks for the company.
Who can provide more information or support?	Frank Driessen leads the Dutch retirement and investment consulting business that is leading advice and solutions for companies.

Hot Topic: United States – Retiree lump sums

What has happened?	The IRS has confirmed that it no longer plans to amend the section 401(a)(9) regulations to prohibit retiree lump sum windows. While the IRS 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).
Why does this matter to employers?	The cost of providing the lump sum may be lower than the cost of settling the pension with an insurer or keeping retirees in the plan. Paying the lump sum also removes the ongoing administrative cost of paying the pension. Settling the pension liability removes the related investment and longevity risks. For many retirees, a lump sum may suit their financial needs better than a monthly annuity.
What are employers thinking?	▪ What are our long-term objectives for the pension plan? ▪ Will there be a financial gain given the profile of our retirees? ▪ What communication or education will help our retirees make a decision that is right for them? ▪ Should we offer this lump sum to all retirees or only a subset? ▪ What is antiselection, and how does it affect the economics of a retiree lump sum window? ▪ Should we also offer deferred participants a similar opportunity to take immediate lump sums? ▪ Are we doing similar things in other countries, e.g. Germany or the United Kingdom?
What actions should be taken now?	▪ Understand your options. ▪ Ensure you understand the nuances and details (design, data verification, investment strategy, communications, etc.). ▪ Determine the financial impact of offering lump sums to retirees. ▪ Determine whether it would be valuable to have a global policy on providing lump sum options to plan members, where permissible.
Who can provide more information or support?	Contact your Aon Retirement consultant, or Rick Jones or Cedy Jury, for additional information and support. There will also be a Webinar around this topic on the 9th of May, see the last page of this document for more details.

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Hot Topic: Responsible Investment

What has happened?	Various Governments and Regulators, including the European Union, have put increased emphasis on the need for pension plan fiduciaries to consider environmental, social and governance (ESG) factors in making investment decisions.
Why does this matter to employers?	This is consistent with expectations being placed on many employers through their own regulators and consumers. Regulator expectations may lead to public disclosure that may be damaging to the corporate reputation. Expectations or pressures to change pension investment strategies could affect the cost of provision or outcome for employees.
What are companies thinking?	▪ Will responsible investment reduce or improve investment performance? ▪ Are pension plan investments inconsistent with corporate principles on ESG matters? ▪ Should we have policies or principles locally, regionally or globally for responsible pension plan investment? ▪ What are the requirements of different Regulators around the world and the risks if found to be non-compliant? ▪ To what extent would our current investments be considered to be responsible?
What actions should be taken now?	▪ Discuss with your global investment consultant the extent to which ESG matters are currently taken into account. ▪ Review or develop a global strategy for responsible investment. ▪ Assess local alignment with global strategy.
Who can provide more information or support?	Tim Manuel leads a team focused on responsible investment strategies and ESG risk assessment across EMEA.

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Hot Topic: EU - EIOPA Stress test

What has happened?	EIOPA is carrying out EU-wide pension fund stress tests in 2019, as part of a 2-yearly cycle. These stress tests cover both DB and DC pension funds, and are similar to those for insurance companies. Read more here.
Why does this matter to employers?	In most member states (including the UK), national regulators are expected to ask pension funds in take part: • In some member states, national regulators may insist that pension funds take part. • It is also likely that national regulators want as many pension funds as possible (especially large ones) to take part so that their national position is adequately reflected. The calculations are on a prescribed methodology different to those carried out regularly for pension plans.
What are companies thinking?	▪ Will we have to take part in the stress test, and should we do so if not required to do so? ▪ How do we complete the test? ▪ Who can give support us? ▪ What is the scope of the stress test? ▪ What are the details of timeline for stress test?
What actions should be taken now?	Seek advice on whether you will be required to take part, and the benefits of voluntary participation. Determine whether beneficial to consolidate completion of the tests across all relevant countries.
Who can provide more information or support?	Colin Haines is an International Retirement consultant with particular focus on the requirements of the EU and EIOPA.

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Hot Topic: Hong Kong - Regulatory changes

What has happened?	A number of new requirements and opportunities have been implemented or announced for retirement plans in Hong Kong: ▪ Planned reclassification of ORSO plan vendors as a reporting institution for tax purposes from 1 January 2020. ▪ Plans for mandatory electronic administration for MPFs from 2022 to improve efficiency. ▪ Plans to remove, in 2022, of the offsetting mechanism that enables MPF contributions to fund other benefits. ▪ Tax deductions from 1 April 2019 for employees making voluntary MPF contributions.
Why does this matter to employers?	Employers will need to prepare for the changes to reporting and administration procedures in order to comply in time. The removal of the MPF offset increases costs for employers through a need to separately fund severance and service benefits. The tax deductions provide an opportunity to highlight this tax-efficient savings opportunity.
What are companies thinking?	▪ Are the proposed changes certain to happen, and if so will timescales slip? ▪ Do we have the information we need to carry out the reporting to tax authorities? (Particularly if a large expat population.) ▪ Should we inform employees about the information that will be provided to the tax authorities? ▪ To what extent should we provide information or guidance to employees in relation to voluntary MPF contributions? ▪ Will payroll systems need to be changed to accommodate the new electronic admin processes? ▪ What will be the cost of the removal of the MPF offsetting?
What actions should be taken now?	▪ Review current processes and any need for improvements to comply with the reporting to tax authorities in January 2020. ▪ Monitor the planned MPF changes and start to determine the impact on systems and costs. ▪ Plan employee communication strategy in relation to voluntary contributions and ORSO tax reporting.
Who can provide more information or support?	Ashley Palmer is based in Hong Kong and leads Retirement and Benefits consulting across the Asia Pacific region. Aon APAC have written an article on how these changes affect employee retirement plans and can be provided upon request by emailing Aon APAC Retirement.

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

2019 Global Pension Risk Survey - The Global Pension Risk Survey is Aon's biennial survey of pension plan sponsors, trustees/fiduciaries and other pensions professionals. The survey is now open for participation.

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 closed, and the full report and it's main findings have been published. More information can be found by clicking on the linked page.

Aon's the One Brief– Covering a range of topics that are relevant to employers today.

Lump Sum Windows and Member Options Around the World – Aon organizes a Webinar on May 9th on the additional options employees have gotten, and how this fits into broader risk management strategies for DB sponsors.

APAC Retirement & Benefits Trends Roundtable – Ashley Palmer, Asia Retirement Practice Leader, will discuss the latest trends and developments for retirement provision in APAC on 14th May in London. Click the link to contact us for more information.

2019 Global Risk Management Survey – Aon recently published the 2019 Global Risk Management Survey Report detailing risks that corporate leaders are seeing around the world and how they are preparing for them.

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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