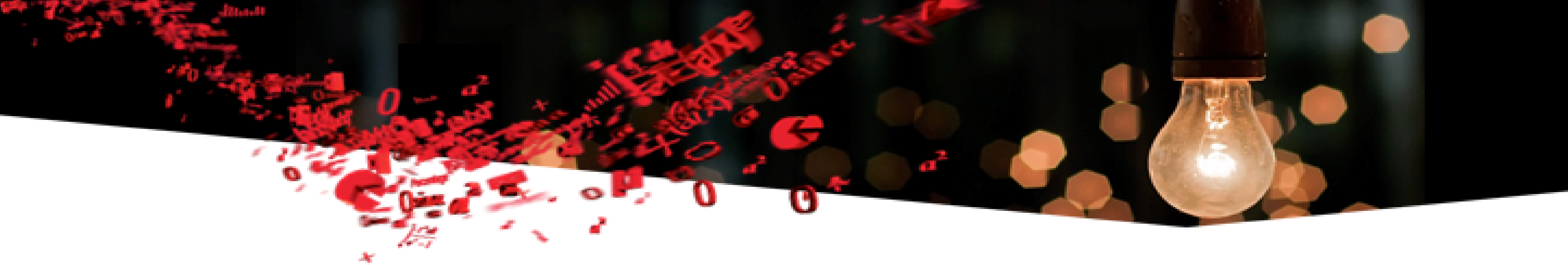

Aon Global Retirement Insights Quarterly
April to June 2018

Aon Global Insights Quarterly is a quarterly publication highlighting the main requirements, proposals and opportunities affecting sponsors of retirement plans. We highlight the latest developments affecting the design, financing and operations of employer-sponsored plans, as well as changes to State pension provision. We also include an overview, by region, of earlier topics that remain live, key trends for employers and upcoming opportunities for knowledge sharing.

Employers continue to focus on cost-effectiveness across:
- More effective defined contribution provision
- Lower risk defined benefit funding and investment
- Improved plan operations and governance

Legislators main areas of focus continue to be:
- Broader mandatory provision and/or risk-sharing or defined contribution plans
- Some adjustments to defined benefit funding or investments
- Stronger governance and employee communications
- Later retirement ages and/or higher social security contributions cost

In the latest period, pensions legislators have been most active in Canada, the US, Poland and in many countries changes are happening to the pension systems.
- Employers in Poland should consider the type of provision they wish to give as a new national pension plan might be introduced.
- In Ontario, Canada funding frameworks and rules are being updated for multi-employer plans and defined benefit plans.
- In the US, court decisions on Fiduciary Investment Advice Rules have created continued controversy.
- Many countries are in the process of making changes to the pension systems, particularly in the CEE region.

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.

Underlined text is a link for more details on the topic.

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

Prepared by Aon
Consulting | Retirement and Investment

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Contents

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Main developments in April to June 2018

- Requirements
- Proposals
- Opportunities

United Kingdom:
- Code of conduct for Master Trusts
- Guidance regarding cyber risk
- Simplifying DC bulk transfers without consent
- Guidance for members transferring or accessing

Ireland:
- Pension reform consultation

Rest of Europe:
- Austria: New mortality tables
- CEE Region: State & second-pillar pension reform proposals
- Italy: New Government with new ideas
- Netherlands: Some pension supervision may be devolve
- Netherlands: Pressure for diversity in governance boards
- Poland: Updated auto-enrolled PPK proposal
- Serbia: Rescinding previous reductions in State pensions
- Sweden: New protections for members

Canada:
- Alberta: LITB guidelines for DC plans
- Ontario: New funding framework, and further proposals
- Québec: Prevention of future variation by date of hire
- Pension bankruptcy legislation

EU/EEA:
- Brexit and cross-border schemes
- Sustainable finance proposal
- EIOPA reporting requirements

China:
- Individual accounts guidance
- Pilot individual insurance
- Minimum State pension raised

United States:
- Potential expansion of determination letter program
- Fiduciary investment advice court decision
- SEC proposals for transparent advice
- Social Security and Medicare annual reports

Hong Kong:
- Proposal to remove MPF offset
- Proposed new tax regime for MPF
- Launch of annuity scheme

India:
- Reduced EPFO contributions

Rest of Asia:
- Various State & 2nd pillar proposals
- Pakistan – Expanded investment menu

Latin America:
- Brazil: Loss of flexibility on social security contributions
- Chile: Investment ban exceptions
- Mexico: New model of voluntary pension scheme
- Nicaragua: Social security reform plan withdrawn
- Uruguay: Second pillar opt-out

Africa:
- Egypt: revised mortality tables
- Rwanda: reversal of rise in pension age

Australia:
- Many change in 2018-19 Budget
- Shortfalls in governance practices

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Key design-related updates from the quarter

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Design	Armenia	Mandatory employee pension contributions started	Mandatory employee contributions to the pension system started from July 1st, 2018.
	Australia	2018-19 Budget	The 2018/19 budget changes include the removal of automatic opt-in into life and disability insurance cover for fund members under age 25 and those with under AUG 6,000 in their super.
	Bangladesh	Universal pension system pilot planned	The blueprint for a compulsory second-pillar universal pension system will be released in early July, that would supersede the contributory provident fund scheme which is officially mandatory . The first stage would be a pilot program with private-sector workers. While employers would not manage these funds, they would be required to match employee contributions.
	Bulgaria	Distribution from second pillar pension	The Labour and Social Policy Ministry is near completion of draft legislation on distributions from second-pillar pension schemes. It would allow for three types of withdrawals, with a likely option to combine two or even all three of them.
	Bulgaria	Maximum waiting period introduced	Parliament has approved a bill amending the Social Insurance Code to bring Bulgaria into compliance with EU Directive 2014/50/EU, improving worker mobility between Member States by establishing certain key rights under employer-based supplemental pension schemes.
	Canada	Alberta: Life Income Type Benefit guidelines for DC plans	The Superintendent of Pensions released a draft interpretive guideline designed to explain what a Life Income Type Benefit (LITB) is and what is required for a pension plan to offer this benefit option.
	Canada	Quebéc: Prevention of future variation by date of hire	A Québec Bill was enacted that, among other things, prevents new disparity of treatment clauses based solely on date of hire with respect to pension plans and other employee benefits. However, disparity clauses that existed on June 11, 2018 are not affected by the new prohibition and therefore continue to apply.
	China	Guidance on individual retirement accounts.	The China Securities Regulatory Commission (CSRC) has drafted guidelines for private third-pillar retirement schemes on the individual retirement account model.
	China	Individual retirement scheme pilot launched	The pilot project for a tax-deferred individual insurance scheme has been launched on May in Shanghai, Fujian province, and the Suzhou Industrial Park in Jiangsu province for an initial one-year run.
	Estonia	Pension reform legislation update	The Cabinet has approved pension reform legislation aimed at strengthening the first and second pillar pension systems.
	Lithuania	Proposals for second pillar pension reforms	The Cabinet has unanimously approved a set of pension reform measures to the second pillar pension system. Changes include auto enrolment, contribution breaks and changes in social security contributions.
	Mexico	New model of voluntary pension scheme	The financial sector has been fleshing out a proposal for a new kind of voluntary pension scheme in consultation with the Finance Ministry.

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Key design-related updates from the quarter - continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Design	Netherlands	Mandatory pensions proposed	The youth departments of the ruling coalition's four political parties have issued a joint statement proposing mandatory pensions for all workers.
	Pakistan	New rules on Employee's Contributory Fund (ECF) investments	The Securities and Exchange Commission of Pakistan (SECP) has endorsed regulations expanding the investment menu for employee's contributory funds (ECF).
	Poland	Updated information on the PPK formation	Based on a public consultation, new and updated information has been published on the new Employee Capital Plans. Though still aimed for a January 1, 2019 start it is possible that their will be a delay with 6 months or more.
	Spain	Withdrawal rules relaxed	From January 1, 2025, members of a variety of pension schemes and retirement savings plans will be free to withdraw funds that have been held at least 10 years. At present, there are very limited opportunities to take any withdrawals before normal retirement age.
	Turkey	Revisions due for auto-enrollment scheme	Automatic enrollment in private pensions under Amendment Act of August 25, 2016 has had a drop-out rate of 61% so the Finance Ministry is preparing measures to make the scheme more appealing.
	Uruguay	Second pillar opt-out	From April 1, 2018, older participants in the second-pillar individual retirement account scheme are welcome to transfer their account balances to the state pension.

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Key financing-related updates from the quarter

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Financing	Austria	New mortality table is coming	For Austria new Mortality tables will be announced in late July – these tables are used for actuarial valuations acc. IFRS, US and local GAAP and also are used for pension funds. This will have an impact on balance sheet defined benefit obligations for pensions of the clients and DC pension fund participants.
	Canada	Ontario: Funding rules for multi-employer pension plans	A new Regulation was filed that extends the specified Ontario multi-employer pension plan (SOMEPP) funding rules.
	Canada	Ontario: Draft regulations for multi-employer pension plans that provide target benefits	The Ministry of Finance released a description of proposed regulations relating to the funding framework for eligible multi-employer pension plans (MEPPs) that provide target benefits as previously announced by the government on June 29, 2017.
	Canada	Ontario: New funding framework	A new Regulation was filed that will bring the new funding framework for defined benefit pension plans into force effective May 1, 2018.
	Chile	Investment ban exceptions	A new Rule confirms that private pension funds (AFP) may invest in EU UCITs (“Undertakings for Collective Investment in Transferable Securities”) model funds and US “1940 Act funds”.
	Estonia	Estonia: Cuts in DC management fees	The Finance Ministry has drafted a measure that would cut the maximum management fee for second-pillar pension schemes from 2% to 1.2%.
	EU	Sustainable finance proposal	The European Commission has introduced a set of sustainable finance proposals including a requirement for pension funds and other institutional investors to "integrate" environmental, social, and governance (ESG) factors in their investment decisions and disclose the ESG impacts of their investments.
	EU	New pension reporting requirements	The European Insurance and Occupational Pensions Authority (EIOPA) has posted the final draft of its occupational pension fund reporting requirements.
	Hong Kong	Launch of HKMC Annuity Plan	HKMC Annuity Limited (HKMCA), wholly-owned by The Hong Kong Mortgage Corporation Limited (HKMC), has launched the life annuity scheme called “HKMC Annuity Plan” (the Plan). Hong Kong Permanent Residents aged 65 years or above can register their intent to subscribe for the Plan within the Registration Period which will last for three weeks’ time from 19 July to 8 August 2018.
	Hong Kong	Mandatory Provident Fund (MPF) offset removal plan	The Secretary for Labour and Welfare has previewed a plan to remove the Mandatory Provident Fund (MPF) offset under which employers are able to finance severance and long-service payments with MPF funds.

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Key financing-related updates from the quarter - continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Financing	Hong Kong	**Proposed tax regime pension contributions and premiums**	The Financial Services and Treasury Bureau has outlined its proposed tax regime for deferred annuity premiums and voluntary contributions to the Mandatory Provident Fund (MPF) in a message to the Legislative Council.
	India	**New Employees Provident Fund (EPF) rate set**	Employees Provident Fund Organisation (EPFO) will drop from 8.65% to 8.55% for 2017-18, the lowest rate in several years.
	Netherlands	**Review of approach to funding**	The new financial testing framework helps to stabilize pension contributions, however this has worsened the financial position of some funds.
	Norway	**Impact of solvency requirement for pension funds**	There is a negative effect of the new solvency requirements on investments.
	Peru	**Consultation on pension market consolidation**	Financial services regulator SBS has held a public consultation on a plan to reduce the number of pension products on the market.
	United Kingdom	**Consultation on code of conduct for Master Trusts**	The Government has published the response to its consultation on details of the new authorization and supervisory regime for master trusts, which is due to come into force on October 1, 2018.

Key operations-related updates from the quarter

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Operations	Australia	Review of superannuation board governance practices	The Australia Prudential Regulatory Authority (APRA) has released findings of a review of current superannuation board governance practices. It found shortfalls in board composition policy, succession planning and board performance assessment as well as an overreliance on independent experts and therefore plans on revise the superannuation prudential framework
	Australia	2018-19 Budget	The 2018/19 budget changes include a program to increase the employment income a pensioner may earn without pension payments being affected and the opportunity to combine small inactive super accounts with a member's active account.
	Canada	Pension bankruptcy legislation	An Act to amend the Pension Benefits Standards Act, 1985 and the Companies' Creditors Arrangement Act (pension plans) received first reading. Among other things, the bill purports to authorize the administrator of an underfunded pension plan to amend the plan or to transfer or permit the transfer of any part of the assets or liabilities of the pension plan to another pension plan.
	Egypt	Proposed revamp life tables	The Financial Regulatory Authority's (FRA) 2018-2022 agenda for the insurance sector features swapping the old English-based life tables for a set reflecting the local population.
	EU	Brexit and cross-border schemes	The European Commission has issued a note setting out the possible effects of Brexit on cross-border pension schemes - assuming that there is no withdrawal agreement or transitional arrangement maintaining the current rules.
	EU	Compliance with EU mobility directive	National legislation that will affect many employer-provided supplementary retirement plans either has been adopted or is currently being developed by EU member states, in compliance with the 2014 EU Pension Mobility Directive. The Directive's goal is to facilitate the movement of workers across the EU; to this end, it imposed new plan requirements regarding members who move between EU countries ("outgoing workers").
	Finland	Incomes Register to be effective 1/1/2019	The wage information of all employees will be submitted electronically into the Incomes Register and no longer to pension companies. This is mandatory. The information in the Incomes Register will be used by e.g. tax authorities and pension providers.
	Hong Kong	Mandatory Provident Fund (MPF) governance charter	All Mandatory Provident Fund Schemes Authority (MPF) trustees are required to comply with the new Governance Charter for MPF trustees. The charter provides a governance framework with an emphasis on customer service. Aims include slashing fees, improving transparency, boosting fund performance, and recruiting more independent directors.
	Netherlands	Some pension supervision could devolve to private sector	Pension supervisor DNB has published Proportional and Effective Supervision, a report proposing that supervision of pension funds with good risk management and internal governance could be safely delegated to private sector experts such as actuaries or accountants.
	Netherlands	Diversity goals for pension governance	Ruling coalition member, the Liberal Democratic Party (D66), has warned pension funds that if they don't achieve the diversity goals set in the sector code in the coming year that it will pursue a legislative solution.

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Key operations-related updates from the quarter - continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
Operations	Paraguay	Pension reform legislation	The Finance Ministry has set out to allay fears about pension reform legislation featuring establishment of a Superintendency of Retirement and Pension Funds.
	Sweden	Legislation to improve protections for members	The Finance Ministry proclaimed its support for proposals in the Council on Legislation's A safe and more sustainable premium pension system .
	Switzerland	Pension fund audits targeted	The Federal Audit Oversight Authority (FAOA) has stated in its annual report that pension fund auditors are dangerously under regulated.
	United Kingdom	Pensions Regulator's guidance on cyber security	The Pensions Regulator has published new guidance for pension schemes, which sets out good practice for dealing with cyber risk. Companies should review their processes and check that trustees are considering cyber risks.
	United Kingdom	DWP guidance published for DC bulk transfers without consent	The DWP has published guidance for trustees to help them comply with the new regulation changes, which aim to simplify bulk transfers without member consent for DC benefits that do not include underlying promises or guarantees.
	United Kingdom	Financial Guidance and Claims Act 2018	The Financial Guidance and Claims Act 2018 has received Royal Assent. Among other things, it will require pension providers to ensure that members with flexible benefits have either received, or opted out of, "appropriate pensions guidance" before transferring or accessing their benefits. Regulations are needed to set out the detailed provisions, for which timescales are not yet known.
	United Kingdom	Proposals for cross-border pension regulation	The Sustainable Growth Commission's Scotland—the new case for optimism: A strategy for inter-generational economic renaissance offers two scenarios for post-independence handling of occupational pension schemes operating in both Scotland and the UK.
	United States	Fiduciary investment advice rules	The new Circuit Court decisions change the landscape regarding the enforceability of DOL's fiduciary investment advice rules.
	United States	Notice on potential expansion of pension plan determination letter program	The Internal Revenue Service (IRS) released a Notice requesting comments on the potential expansion of the scope of the determination letter program for individually designed plans during the 2019 calendar year.
	United States	SEC proposes to enhance protections and preserve choice for retail investors	The Securities and Exchange Commission (SEC) voted to propose a package of rulemakings and interpretations designed to enhance the quality and transparency of investors' relationships with investment advisers and broker-dealers while preserving access to a variety of types of advice relationships and investment products.

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Key State-related updates from the quarter

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	Australia	2018-19 Budget	Australia's 2018-19 federal budget includes a proposal that the waiting period before migrants are eligible for welfare payments would increase from three years to four from July 1, 2018.
	Belarus	Retirement age harmonization	Social security reform discussions in the Council of the Republic have centered on harmonizing retirement age for men and women by 2032.
	Brazil	Flexibility on social security contributions could be removed	The Chamber of Deputies has overwhelmingly passed a measure that would largely rescind a 2011 law giving many employers flexibility on social security contributions.
	China	Minimum pension raised	The minimum basic pension for urban and rural residents has risen from 70 yuan per month to 88 yuan (US$14) retroactive to January 1, 2018. The ministry is committed to further increases in the basic minimum standard "as soon as possible."
	France	Pension reform consultation	Consultation on the plans to merge (in 2019) of the 42 pay-as-you go unfunded state retirement schemes .
	Iran	Social Security Reform	The dependency ratio has spiked in recent years leaving 17 of the nation's 18 retirement funds in deficit. The government is currently looking into ways how to create a sustainable pension system.
	Ireland	Pension reform consultation	The Minister for Employment Affairs and Social Protection has launched a public consultation (until 3 September) on state pension reform.
	Italy	Coalition government plan changes	While the threat to withdraw from the euro is now muted, the coalition has confirmed other agenda highlights, including reversal of the Fornero social security reform and introduction of a universal basic income.
	Italy	Further reduction of the retirement coverage	Based on the Monti Fornero Reform the Government has published the new state pension benefits (applicable as per January 1, 2019) that lead to a further reduction in pension amounts.
	Latvia	Introduction of new survivors pension	The Social and Labor Affairs Committee made a proposal for a new survivor's pension of 50% of the member's benefit.
	Nicaragua	Social security reform plan withdrawn	A package of strong measures urged by the International Monetary Fund (IMF) to make the social security system more sustainable spawned violent demonstrations when it was signed into effect last month and has since been withdrawn. A new set of reforms will be negotiated with social partners who had united in opposition to the government's scheme.

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Key State-related updates from the quarter - continued

- Requirements
- Proposals
- Opportunities

	Country	Measures	Changes
State	Philippines	Contribution hike postponed	The Social Security System (SSS) has had to defer the first tranche of a sharp contribution increase that it had scheduled for April because the President did not signed off on it.
State	Romania	Changes in contribution structure	The leaked government's legislative program for 2018 includes a draft measure on suspending the 3.7% contribution shift from the first-pillar pension to the second-pillar scheme and changing the social insurance charge (CAS) to have a fixed rate split evenly between employer and employee. These proposals are in clear contradiction with the new proposals coming in force January 1, 2018 and have now been formally withdrawn after widespread condemnation. A revision is expected in July.
State	Russia	Retirement age hike	The Cabinet has approved the Prime Minister's draft legislation for a pension reform that would raise the retirement age from 60 to 65 for men by 2028 and from 55 to 63 for women by 2034. Expected to start in 2019, this would be the first retirement age hike in nearly 90 years.
State	Rwanda	Retirement age change reversal	A coalition of legislators is pushing for a labour law amendment that would reverse the 2009 legislation that raised the retirement age from 55 to 65.
State	Serbia	Pension improvements	The President has advised the press that legislation intended to come into effect by November 2018 will rescind a 2014 austerity measure that sharply reduced pensions .
State	Slovakia	Pension age reform	The senior ruling coalition partner, SMER-SD, is completing a measure for submission to Parliament next month that would set a maximum retirement age.
State	United Kingdom	Scotland: Social security law passed	The Social Security (Scotland) Bill establishing a system that will initially deliver 11 types of benefits has now passed its third and final stage in Parliament. The transition to an independent social security system is still expected to start in mid-2019 and conclude by 2021.
State	United States	Puerto Rico: Proposals to reduce state pension rejected	The Governor's revision of the New Fiscal Plan for Puerto Rico leaves out some of the tough measures requested by the Financial Oversight and Management Board including reductions to state pensions of over $1,000 per month.
State	United States	Social Security and Medicare annual reports	The Social Security and Medicare Boards of Trustees issued their annual financial review of the programs, indicating expected increases in Social Security contributions.
State	Uzbekistan	Pension reform plans outlined	The Ministry of Finance has drafted a blueprint for reform of the state pension system.

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Key areas of current focus for employers

- Requirements
- Proposals
- Opportunities

United Kingdom:
- White Paper on member protection
- Liability settlement and asset hedging
- Supporting retirement decisions
- Various possible implications of Brexit

Ireland:
- Highlighting members' transfer option
- Exploring funding alternatives
- Roadmap for Pension Reform

Netherlands:
- Increased governance expectations
- Responding to insurer consolidation
- Exploring use of a cross-border plan

Switzerland:
- Lump sums instead of annuities
- Pure DC (1e) for high-earners
- Transfer to multi-employer funds

Germany:
- Potential new pure DC plans
- DB de-risking and external financing
- Plan harmonization and governance
- Accounting for DC guarantees

Rest of Europe:
- 1st & 2nd pillar reform in many countries
- Austria: new mortality tables
- Belgium: exploring multi-employer plans
- France: 2019 new pensions vehicle
- Norway: solvency investment constraints
- Poland: mandatory plan proposals
- Spain: social security challenges & options
- Turkey: auto-enrolment implementation

Canada:
- Re-design to reflect State changes
- Funding reform in many Provinces
- Settlement with insurers
- More formal governance

EU/EEA:
- IORP2 governance
- Sustainable investment
- Employer action code
- Implementation of Mobility Directive

South Korea:
- Increased minimum DB funding

United States:
- Opportunities from tax reforms
- Defined contribution optimization
- Managing and settling DB liabilities
- Improving plan Governance

Italy:
- Impact of New Government
- Early retirement options
- State retirement age incease to 67 from 2019
- New Government's proposed changes

Japan:
- New risk-sharing plan
- DC quality requirements

China:
- Growth of supplemental plans
- Financial wellbeing where low Province benefits
- Tax benefits of commercial pension insurance

Mexico:
- Migration from DB to DC
- Life-cycle investment funds
- Communication and financial wellbeing
- New voluntary second-pillar structure

Hong Kong:
- Various Hong Kong MPF changes

India:
- Gratuity limit enhancement
- Increased equity choice

Rest of Asia Pacific:
- Various changes to Provident Funds

Brazil:
- Migration from DB to DC
- Pension issues in pending national election
- Settle DB risks with an insurer
- Loss of flexibility on Social contributions

Australia:
- Risk-pooling exploration
- Member-outcomes focus
- Wide-ranging new Budget
- New retirement income system being developed

Global:
- New IAS19 special events calculation rules

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Ongoing developments: North America

- Requirements
- Proposals
- Opportunities

	Canada	United States
State		▪ Social Security and Medicare trustee reports.
Design	▪ Opportunities to reduce benefits to balance cost of the changes to CPP and QPP. ▪ **Alberta:** Potential to offer variable income from a DC pension plan. ▪ **Manitoba**: Consultation on risk-sharing plans and compulsory provision. ▪ **Ontario:** Harmonization of Pooled DC plans with federal law. ▪ **Québec:** Prevention of variation of provision by date of hire.	▪ Corporate tax changes create opportunity to review design of plans. ▪ **Puerto Rico:** Tax changes on contributions and lump sum payments.
Financing	▪ Increasing trend to explore liability settlement options with insurers due to improved financial positions and new rules making annuity purchases more attractive. ▪ General trend of funding regulation to reduce/remove emphasis on solvency. ▪ **Manitoba**: Consultation on solvency funding changes. ▪ **Ontario:** New funding rules in force from 1 May 2018. ▪ **Ontario:** New framework for target benefit multi-employer schemes. ▪ **Ontario:** Enhancement to Pension Benefits Guarantee Fund (PBGF). ▪ **Québec:** Funding rules changed retrospectively from 1 January 2016. ▪ **Multi-jurisdiction:** Consultation on funding and winding-up.	▪ Increasing liability management, including settlement of obligations with an insurer. ▪ Corporate tax changes create opportunity to review timing of financing of DB plans.
Operations	▪ **Ontario:** New Pensions Regulator and disclosable events. ▪ Draft bill with options for insolvency administrator with underfunded pension plan.	▪ Strong focus on engaging employees in DC plans and broader financial wellbeing. ▪ Expansion of determination letter program. ▪ Court decisions made regarding Fiduciary Investment Advice Rules. ▪ SEC proposal regarding best-interest broker advice.
Knowledge Sharing	▪ Aon Survey: only 17% of companies have started planning for CPP/QPP changes	▪ Aon Compliance Calendar covers significant Compensation & Benefits dates in 2018 ▪ Annuity Settlement Market Update provides a review of 2017 and insights for 2018 ▪ Aon Quarterly Update highlights various other regulatory changes and opportunities ▪ Aon White Paper: An Overview of the Multiemployer Pension System ▪ Aon Thought Leadership: Documents are frequently added ▪ Aon White Paper: Banking on Pensions

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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.	▪ State pension to be maintained around 34-35% of average earnings. ▪ State pension from 2020 to be more aligned with contributions made, consultation on this is ongoing.
Design	▪ GMP Equalisation Court Case may increase accrued liabilities.	▪ Auto-enrolment to be launched from 2022.
Financing	▪ Consultation on code of conduct for Master Trusts. ▪ Low yields environment stimulated risk settlement & hedging strategies. ▪ Debate evolving over alternative ways of valuing pension scheme funding liabilities. ▪ Regulator's annual funding statement expects more of sponsors and trustees. ▪ Latest national mortality tables show slowing of longevity improvements. ▪ White Paper published aimed at enhancing protection for members' pensions. ▪ New supervisory regime for Master Trusts.	▪ Strong funding requirements driving parental guarantees or cross-border plans.
Operations	▪ Increasing interest in tools to support members' decision-making at retirement. ▪ Uncertainty for cross-border pensions and insurance contracts due to Brexit. ▪ Additional expectations in relation to pension transfers. ▪ Rules enabling DC fund transfer without member consent to aid plan harmonisation. ▪ Regulator's 21st Century Trusteeship requirements. ▪ New guidance for pension schemes on cyber security. ▪ Isle of Man regulatory framework proposed to be enhanced.	▪ Increasing interest in exercises to inform members' of their option to transfer. ▪ More coherent and transparent environment planned for governance.
Knowledge Sharing	▪ UK retirement conferences and seminars are added frequently ▪ Risk Settlement Annual Review: a look at 2017 market activity and survey findings ▪ 2018 Fiduciary Survey: our UK Fiduciary Survey is now open ▪ Aon Insight zone is frequently updated with new insightful reading materials ▪ Aon's Guide to Member Options	

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Ongoing developments: Continental Europe

- Requirements
- Proposals
- Opportunities

	Central & Eastern Europe	Continental Western Europe
State	**Latvia:** Solidarity Tax should be changed by January 2019. **Poland:** Removing cap on contributions January 2019. **Romania:** Potential changes to the Social contribution structure. **Region:** Many countries discussing changes in state pension. **Serbia**: Pension improvements from November 2018.	**Germany:** Aim to provide a pension that is 48% of average wage. **Italy:** Reduction in state pension, and retirement age increase to 67 from 2019. **Italy:** new Government planning various changes to pensions. **Spain:** Reduced state replacement ratios due to public system deficit. **Sweden:** Increase in state pension age to 64, or 69 if deferred.
Design	**Armenia:** Second-pillar pension compulsory from July 2018. **Bulgaria:** Distribution options to be introduced for second pillar pension scheme. **Bulgaria:** Implemented maximum waiting period to comply with EU requirements. **Czech Republic:** Account-based second-pillar plans from 2020. **Estonia:** Flexible second pillar provision planned for 2021. **Lithuania:** Proposals for second pillar pension reforms. **Poland:** Updated information on employer-sponsored (PPK) plan. **Turkey:** Auto-enrolment withdrawal window extended to 6 months.	**France:** New pension vehicle available from 2019. **Italy:** Three types of recent early retirement options. **Luxembourg**: Awaiting details of potential second-pillar reforms. **Netherlands:** Awaiting progress on Government ambitions for changes by 2020. **Netherlands:** Proposal made for mandatory pensions for all earners. **Spain:** Cash-out option for employees with 10 years' service.
Financing	**Estonia:** Plans to reduce management fees for second pillar plans. **Latvia**: Reductions to administrative commission fees from January 2019. **Turkey:** New limit on assets with a single investment manager. **EU/EEA:** Employers in various countries exploring cross-border plans. **European Union:** Proposed unified classification system for sustainability.	**Austria:** New mortality tables to be published, increasing liabilities. **Finland:** New flexibility in return of overpaid pension premiums. **Germany:** DC plans with guarantees confirmed as DB for accounting. **Netherlands:** Review of approach to funding. **Norway:** Solvency rules leading to changes in investment strategies.
Operations	**Croatia:** Adjustments for compliance with EU requirements.	**Netherlands:** Diversity goals pension funds. **Netherlands:** Pension supervision could devolve to private sector. **Sweden**: Legislation to improve protections for members. **Switzerland:** Pension fund audits targeted.
	European Union: IORP2 Directive regarding risk management, governance and communications. **European Union:** Awaiting details of plans to introduce a Pan-European Personal Pension (PEPP). **European Union:** Local legislation progressing in relation to the Employer action code.	

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Ongoing developments: Asia Pacific

- Requirements
- Proposals
- Opportunities

	South East Asia & Pacific	Rest of Asia
State	▪ **Australia:** Waiting period for migrants eligibility for welfare increased to 4 years. ▪ **New Zealand:** Eligibility simplified for residents of "Realm" countries. ▪ **Philippines**: a planned social security contribution increase has been deferred. ▪ **Vietnam:** Equalised state pension implemented. ▪ **Vietnam:** Multi-tiered social security proposals expected in May.	▪ **China:** Minimum basic pension for urban and rural residents increased. ▪ **India:** Proposed salary ceiling increase for mandatory provident fund. ▪ **Iran:** Social security reform expected due to increase in dependency ratio. ▪ **Uzbekistan:** Pension reform plans outlined.
Design	▪ **Australia:** Various flexibilities included in recent Government Budget. ▪ **Hong Kong:** Plans to increase contribution thresholds in MPF.	▪ **Bangladesh:** Universal pension system pilot planned. ▪ **China:** Third pillar individual account plan guidelines and pilot. ▪ **China:** New maximum contributions and vesting periods. ▪ **India**: Maximum tax-free gratuity payment doubled. ▪ **India:** Proposed increase in equity holdings for active NPS investors. ▪ **India:** Early retirement eligibility broadened from Provident Fund. ▪ **Japan:** Risk sharing pension plans as an option to DB or DC. ▪ **Pakistan**: Broadened range of investment options for employees' contribution funds.
Financing	▪ **Australia:** Government exploration of longevity risk-pooling options. ▪ **Hong Kong:** New annuity plan for residents over 65. ▪ **Hong Kong:** Plan to remove MPF offset for severance and long-service payments. ▪ **Hong Kong:** Proposed tax regime pension contributions and premiums. ▪ **Singapore:** Transfer flexibility from Central Provident Fund.	▪ **India**: Government to pay the 12% employer EPF contribution for new hires. ▪ **India:** Employee Provident Fund contribution reduced from 8.65% to 8.55%. ▪ **Japan:** Consider closing EPFs due to 2019 funding requirements. ▪ **South Korea**: Funding targets from 80% to 90% in 2019, and to 100% in 2021.
Operations	▪ **Australia:** Awaiting final proposals aimed at improving member outcomes. ▪ **Australia:** Plans to improve governance of superannuation. ▪ **Australia:** Various changes in the recent Government Budget. ▪ **Australia:** New retirement income system being developed, more info here. ▪ **Hong Kong:** New disclosure obligations for ORSs subject to CRS. ▪ **Hong Kong:** New Governance Charter adopted by MPF Trustees. ▪ **Hong Kong:** proposed tax regime for annuity premiums / contributions to the (MPF).	▪ **Japan:** New law from May 2018 to promote the quality of DC plans. Aon's paper . ▪ **India:** Employees Provident Fund charge cap lowered to 0.50% from June 2018.

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Ongoing developments: Middle East, Africa & Latin America

- Requirements
- Proposals
- Opportunities

	Middle East & Africa	Latin America
State	**Iran:** Social Security Reform. **Rwanda:** proposals made to reverse previous increase in retirement age.	**Brazil:** Proposed changes postponed due to pending election. **Brazil:** Law drafted to remove employers' flexibility on social security contributions. **Nicaragua:** Major changes that sparked highly publicized violent demonstrations.
Design	**Nigeria:** Proposals to increase retirement lump-sums.	Migration from DB to DC continues in Mexico and Brazil. Many countries may be affected by Inter-American ruling on marriage equality. **Brazil:** Plan re-design to reflect recent changes to social security provisions. **Chile:** Proposed private pension reforms, including employer contributions. **Mexico:** Plans being developed for voluntary employer-provided pension schemes. **Uruguay:** Individuals over 50 may transfer funds to their state pension.
Financing		**Brazil:** Increasing interest and opportunity to settle DB liabilities with an insurer. **Chile:** EU and US exceptions to the derivative investments ban. **Mexico:** Increased interest in life-cycle investment funds. **Peru:** Dynamic mortality tables now required for annuity calculation from AFP. **Peru:** Efforts to simplify pension products and pension product choices.
Operations	**Egypt**: Life tables revamped to be proposed. **Morocco:** Now able to transfer funds to another qualified insurer. **Zambia:** Social protection bill proposes three-pillar pension system. **Zimbabwe:** Draft regulations on governance for pension trustees.	**Mexico:** Increased focus on employee communication and financial wellbeing. **Paraguay:** New regulator for governance of pension funds.

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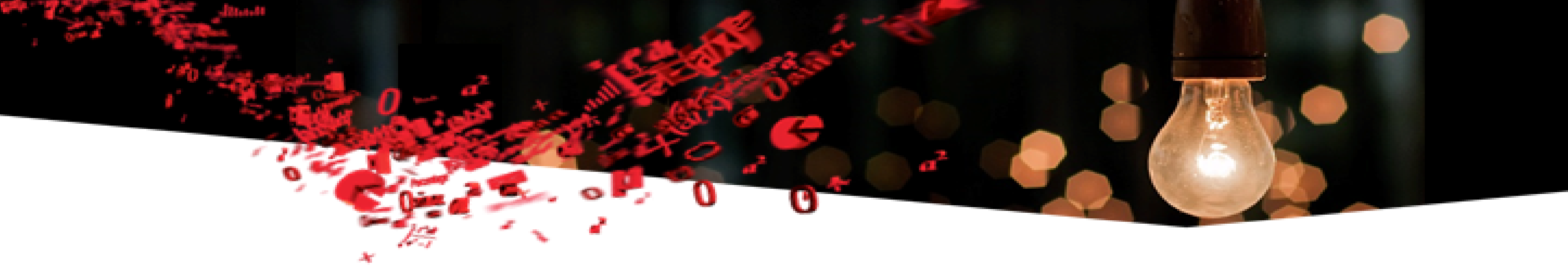

Aon Global Retirement Insights Appendix

Further details on the main developments affecting sponsors of retirement plans April to June 2018

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.

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More information on changes during the quarter
Multi-country applicability

- Requirements
- Proposals
- Opportunities

	Financing
EU: Sustainable finance proposal	A "unified classification system" would standardize criteria for assessing the sustainability of economic activity, as well as benchmarks for determining a company's or an investment portfolio's carbon footprint. A consultation on amendments to delegated acts on ESG "considerations" in an investment firm's advice to individual clients was accepting feedback through June 21, 2018. **For more information, or support, please contact Marc Salameh.**
EU: New pension reporting requirements	A consolidation of reporting standards developed in collaboration with the European Central Bank. Mandatory scheme disclosure to national pension authorities will include: • Balance sheet information. • Inputs and assumptions used for valuations. • Flow data. Quarterly reporting requirements will take effect in the third quarter of 2019 and annual requirements at the end of 2019. **For more information, or support, please contact Marc Salameh.**

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More information on changes during the quarter
Multi-country applicability

- Requirements
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- Opportunities

	Operations
EU: Brexit and cross-border schemes	From the date of withdrawal, UK cross-border schemes would no longer be able to provide services in the EU as they can now; the existing authorization and approval by the Pensions Regulator would cease to apply. We have subsequently seen communication from one member state's pensions regulator suggesting that all liabilities relating to members in a UK cross-border scheme, including deferred members, that were built up under their social and labour law, would need to be transferred to an insurance company or an IORP in a member state of the EU. A note on the possible effects has been published by the EU and can be found here. **For more information, or support, please contact Marc Salameh.**
EU: Compliance with EU mobility directive	The introduction of the EU mobility directive can have a (significant) impact on employers in EU countries.The potential impact on employer plans is linked to countries with more developed supplementary pension regimes, i.e., Western Europe. Specific legislative changes will vary by country, with potentially significant plan administration and cost impacts. Plans with long vesting periods or where benefits vest only at retirement (e.g., in France) may be particularly affected. Employers should monitor and prepare for these changes. • Germany passed complying domestic legislation in 2015. • In Belgium the EU directive has been adopted in National Legislation. There is no minimum age anymore, and vesting is immediate (previously after one year in plan). The impact on IFRS will be negligible. • In France conforming legislation is under development. This effort is linked with the far-ranging Action Plan for Business Growth and Transformation (PACTE) initiative currently under review. This will impact only French DB plans by providing vested rights whereas other French pension plans already provide those. PACTE will be voted the soonest by the end of the year if not in the first half of 2019. • Spanish legislator was working on local transposition of this EU Directive for a year. A new local law was expected to be approved by end of May, but due to the change of Government the approval has been blocked. • Conforming legislation is under development in Austria and Portugal. **For more information, or support, please contact Marc Salameh.**

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More information on changes during the quarter
Canada

- Requirements
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	Design
Alberta: Life Income Type Benefit guidelines for DC plans	On May 3, 2018, the Superintendent of Pensions released a draft interpretive guideline, IG-21, Life Income Type Benefit. This guideline is designed to explain what a Life Income Type Benefit (LITB) is and what is required for a pension plan to offer this benefit option. A LITB is a retirement income option that may be offered to members of a pension plan that has a defined contribution (DC) provision. It mirrors the requirements of a Life Income Fund (LIF), with the same minimum and maximum payment requirements, but is provided through the pension plan as opposed to requiring the member to transfer funds to a financial institution. Comments can be submitted until August 3, 2018. *Source: IG-21, Life Income Type Benefit* **For more information, or support, please contact Julianne Ralph.**
Quebec: Prevention of future variation by date of hire	Québec Bill No. 176 entitled "An Act to amend the Act respecting labor standards and other legislative provisions primarily to facilitate family-work balance" was passed and enacted on June 12. This Québec law provides, among other things, provisions relating to Disparity Clauses based on the date of hire with respect to pension plans and other employee benefits (the "Disparity Clauses"). The purpose of these provisions is to prohibit a distinction based solely on the date of hire, with respect to a pension or benefit plan. However, because of a transitional provision, the Disparity Clauses that existed on June 11, 2018 are not affected by the new prohibition and therefore will continue to apply. For more information, we refer you to our March 2018 information bulletin on Bill 176, as the Disparity Clauses provisions of this bill have remained unchanged following the final stages of the legislative process. **For more information, or support, please contact Julianne Ralph.**

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More information on changes during the quarter
Canada

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	Financing
Ontario: Funding rules for multi-employer pension plans	On April 3, 2018, Ontario Regulation 192/18 was filed. This Regulation extends the specified Ontario multi-employer pension plan (SOMEPP) funding rules until the earlier of the following dates: ▪ The first anniversary of the date on which section 81.0.2 of the Pension Benefits Act comes into force ▪ January 1, 2024. This Regulation facilitates the transition of SOMEPPs to target benefit MEPPs. Ontario Regulation 192/18 can be found here. **For more information, or support, please contact Julianne Ralph.**
Ontario: Draft regulations for multi-employer pension plans that provide target benefits	On April 4, 2018, the Ministry of Finance released a description of proposed regulations relating to the funding framework for eligible multi-employer pension plans (MEPPs) that provide target benefits as previously announced by the government on June 29, 2017. Included in the proposals are descriptions of the new going concern rules, including how the provision for adverse deviations will be determined and applied; funding rules for benefit improvements; the contribution sufficiency test; the new basis for determining commuted value payments and transition rules. The release indicates that other matters related to the target benefit framework, including funding and governance policies, eligibility requirements, process to reduce accrued benefits and conversion rules will appear in subsequent postings. Source: Ontario's Proposed Funding Rules for Multi-Employer Pension Plans that Offer Target Benefits: Description of Proposed Regulations **For more information, or support, please contact Julianne Ralph.**

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More information on changes during the quarter
Canada

- Requirements
- Proposals
- Opportunities

	Financing
Ontario: New funding framework	On April 20, 2018, Ontario Regulation 250/18 was filed. These regulations will bring the new funding framework for defined benefit pension plans into force effective May 1, 2018. Valuation reports dated on or after December 31, 2017 that are filed on or after May 1, 2018 must follow the new funding rules. The filing deadline for required funding reports with valuation dates on or after December 31, 2017 and before March 1, 2018, has been extended to November 30, 2018. Please see Aon's Information Bulletin, Ontario New Funding Framework, for further details. Source: Ontario Regulation 250/18 **For more information, or support, please contact Julianne Ralph.**

	Operations
Pension bankruptcy legislation	On June 1, 2018, Bill C-405, An Act to amend the Federal Pension Benefits Standards Act, 1985 and the Companies' Creditors Arrangement Act (pension plans) received first reading. The bill purports to amend the Federal Pension Benefits Standards Act, 1985 to authorize the administrator of an underfunded pension plan (where the employer is subject to proceedings under the Companies' Creditors Arrangement Act or the Bankruptcy and Insolvency Act), to amend the plan or to transfer or permit the transfer of any part of the assets or liabilities of the pension plan to another pension plan. The bill also purports to provide for the tabling of an annual report by the Superintendent of Financial Institutions respecting the solvency of pension plans. The enactment also amends the Companies' Creditors Arrangement Act to provide for conditions respecting the approval of any plan offering incentives to certain directors, officers, or employees to remain in the company's employ. Please note that this bill is a private member's bill and it may not have the support required to become law. Source: Bill C-405, An Act to amend the Pension Benefits Standards Act, 1985 and the Companies' Creditors Arrangement Act (pension plans) **For more information, or support, please contact Julianne Ralph.**

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More information on changes during the quarter
United States

- Requirements
- Proposals
- Opportunities

	Operations
Fiduciary investment advice rules	New Circuit Court Decisions Change the Landscape Regarding Enforceability of DOL's Fiduciary Investment Advice Rules **Key Take-Aways** ▪ Ultimate fate of Obama Administration investment advice fiduciary standards remains uncertain. ▪ Recent appellate court opinions create dilemma for Trump's Department of Labor (DOL). ▪ Standards in flux for financial advisors in retirement savings marketplace. ▪ Underscores importance of plan sponsor's role as fiduciary for ERISA retirement savings plans. Controversy continues around the DOL's new rules regarding fiduciary investment advice. The regulatory guidance finalized in April 2016 includes a revised definition of fiduciary investment advice that encompasses a far broader scope of activity than the five-part regulatory test that was in effect for over 40 years. The new guidance also revised standards for some prohibited transaction class exemptions and added a new "best interest contract" requirement as a condition for investment advisors to conduct certain transactions without violating ERISA's prohibited transaction rules. Plan sponsors should be mindful of their fiduciary obligations regarding any investment products and investment services that are offered under their ERISA plans. The Aon bulletin, which provides a summary of the litigation, can be found here. **For more information, or support, please contact Elizabeth Groenewegen.**
Notice on potential expansion of pension plan determination letter program	On April 5, 2018, the Internal Revenue Service (IRS) released Notice 2018-24. The Notice requests comments on the potential expansion of the scope of the determination letter program for individually designed plans during the 2019 calendar year, beyond provision of determination letters for initial qualification and qualification upon plan termination. According to the latest Notice, the Treasury Department and the IRS will review comments and then consider the factors regarding the scope of the determination letter program set forth in Section 4.03(3) of Revenue Procedure 2016-37, 2016-29 I.R.B. 136. The Treasury Department and the IRS will then issue guidance if they identify any additional types of plans for which plan sponsors may request determination letters during the 2019 calendar year. IRS Notice 2018-24 is available here. **For more information, or support, please contact Jennifer Ross Berrian.**

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More information on changes during the quarter
United States

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- Proposals
- Opportunities

	Operations
SEC proposes to enhance protections and preserve choice for retail investors	On April 18, 2018, the Securities and Exchange Commission (SEC) voted to propose a package of rulemakings and interpretations designed to enhance the quality and transparency of investors' relationships with investment advisers and broker-dealers while preserving access to a variety of types of advice relationships and investment products. Under proposed Regulation Best Interest, a broker-dealer would be required to act in the best interest of a retail customer when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer. Regulation Best Interest is designed to make it clear that a broker-dealer may not put its financial interests ahead of the interests of a retail customer in making recommendations. For additional information about the rulemaking, please see the Aon bulletin Passing of the Baton? DOL Fiduciary Investment Advice Rule May Be Supplanted by SEC's New Regulatory Initiative available here. The bulletin focuses on the Regulation Best Interest and its relationship to the DOL Fiduciary Investment Advice Rule. The SEC news release and fact sheet is available here. **For more information, or support, please contact Thomas Meagher or John Thompson.**

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More information on changes during the quarter
United States

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	State
Puerto Rico: Proposals to reduce state pension rejected	The Governor's revision of the New Fiscal Plan for Puerto Rico leaves out some of the tough measures requested by the Financial Oversight and Management Board: ▪ Reductions averaging 10% to state pensions of over $1,000 per month have been rejected. ▪ Vacation and sick pay entitlements would not be aligned with the U.S., but the Governor has introduced legislation cutting the minimum for each from 15 days per year to seven, effective January 1, 2019. Maternity leave would not be reduced. ▪ Under this legislation, the Christmas bonus would become optional three years after the law is signed. ▪ Also from that date, Puerto Rico would become an employment at will jurisdiction. ▪ The minimum wage would rise from $7.25 per hour to $8.25. ▪ A variety of training programs and a hiring incentive are previewed. ▪ There would be a work requirement for beneficiaries of the Nutrition Assistant Program (NAP) ages 18-50. Each page of the document is labeled DRAFT SUBMISSION—SUBJECT TO MATERIAL CHANGE. The oversight board has demanded a revision and the governor will prepare one, but he insists that the pension and labor austerity measures will not be accepted. **For more information, or support, please contact Eva Gonzalez.**
Social Security and Medicare annual reports	On June 5, 2018, the Social Security and Medicare Boards of Trustees issued their annual financial review of the programs. The projections indicate that income is sufficient to pay full scheduled benefits until 2026 for Medicare's Hospital Insurance program, until 2032 for Social Security's Disability Insurance program, and until 2034 for Social Security's Old Age and Survivors Insurance program. The Supplementary Medical Insurance (SMI) Trust Fund remains adequately financed throughout the projection period, but only because SMI has unlimited access to general revenues. The Trustees project that Medicare costs will grow from approximately 3.7% of gross domestic product (GDP) in 2017 to 5.8% of GDP by 2038, and will increase gradually thereafter to about 6.2% of GDP by 2092. The costs of the Social Security program equaled 4.9% of GDP in 2017 and are expected to rise to 6.1% of GDP by 2038, decline to 5.9% of GDP by 2052, and then rise slowly to 6.1% of GDP by 2092. The Social Security and Medicare Trustees Report Fact Sheet and the full reports are available here. **For more information, or support, please contact Matthew Bond.**

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More information on changes during the quarter
United Kingdom

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	Financing
Consultation on code of conduct for Master Trusts	The Government has published the response to its consultation on details of the new authorization and supervisory regime for master trusts, which is due to come into force on October 1, 2018. Minor amendments have been made to the draft regulations, but the main provisions and overall approach are unchanged. The Regulator is now consulting on a related Code of Practice. **For more information, or support, please contact Jillian Pegrum.**

	Operations
Pensions Regulator's guidance on cyber security	The Pensions Regulator has published new guidance for pension schemes, which sets out good practice for dealing with cyber risk. It states that trustees should work with all relevant parties including employers, as well as in-house functions and third-party service providers, to define their approach to managing this risk. Companies should review their processes and check that trustees are considering cyber risks. Additional information can be found here. **For more information, or support, please contact Jillian Pegrum.**
DWP guidance published for DC bulk transfers without consent	New regulations aim to simplify bulk transfers without member consent for DC benefits that do not include underlying promises or guarantees. The DWP has published guidance for trustees to help them comply with the changes. The guidance is likely to be useful for companies that are considering changing their DC vehicle as it will provide insight into the type of factors that trustees are likely to take into account in relation to the new DC scheme in order to agree that a 'without consent' transfer is in the best interests of the members. Additional information can be found here. **For more information, or support, please contact Jillian Pegrum.**

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More information on changes during the quarter
United Kingdom

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	Operations
Financial Guidance and Claims Act 2018	The Act has received Royal Assent and will: ▪ Require pension providers to ensure that members with flexible benefits have either received, or opted out of, "appropriate pensions guidance" before transferring or accessing their benefits. ▪ Prevent cold-calling in relation to pensions. ▪ Establish the Single Financial Guidance Body, to replace the Money Advice Service, Pensions Advisory Service, and Pension Wise. Regulations are needed to set out the detailed provisions, for which timescales are not yet known. Please view here for additional information. **For more information, or support, please contact Jillian Pegrum.**
Proposals for cross-border pension regulation	The Sustainable Growth Commission's Scotland—the new case for optimism: A strategy for inter-generational economic renaissance offers two scenarios for post-independence handling of occupational pension schemes operating in both Scotland and the UK. If a suitable arrangement can be reached with the UK, they would be jointly regulated. Otherwise, Scotland would establish a national pension regulator compatible with UK's The Pensions Regulator (TPR) and a protection scheme based on the UK's Pension Protection Fund (PPF). **For more information, or support, please contact Jillian Pegrum.**

	State
Scotland: Social security law passed	Social Security (Scotland) Bill, establishing a system that will initially deliver 11 types of benefits, has now passed its third and final stage in Parliament. A late amendment bars the private sector from having a role in the new system. Moving forward, an independent Scottish Commission on Social Security will review any proposed changes to the program. The transition to an independent social security system is still expected to start in mid-2019 and conclude by 2021. **For more information, or support, please contact Jillian Pegrum.**

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More information on changes during the quarter Ireland

- Requirements
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	State
Pension reform consultation	The Minister for Employment Affairs and Social Protection has launched a public consultation on state pension reform. It seeks input on the Total Contributions Approach (TCA) to the state pension which is slated to become mandatory for new retirees by 2020 and will become optional by the end of this year for all who attained State Pension age after September 1, 2012. TCA will make the retirement benefit more equitable by basing it on lifetime PRSI (Pay Related Social Insurance) contributions. The consultation closes on September 3, 2018 and will be followed by one on auto-enrolment. **For more information, or support, please contact Shane Horgan.**

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More information on changes during the quarter
Central & Eastern Europe

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	Design
Armenia: Mandatory employee pension contributions started	Already mentioned in our update from May 2016, the mandatory contribution by employees to the funded pension system for the private sector will be introduced as per July 1, 2018. The law was already introduced 2011, and voluntary contributions are already possible. Due to public resistance and legal challenges the introduction for the private sector has been postponed several times until July 1, 2018. There were proposals for the minister of labour to push the date back even further (to July 1, 2019) and possible change the law altogether, but the prime minister has stepped in and overruled her, ensuring the law is launched. **For more information, please contact Bart Steegs.**
Bulgaria: Distribution from second pillar pension scheme	The Labour and Social Policy Ministry is near completion of draft legislation on distributions from second-pillar pension schemes. It would allow for three types of withdrawals, with a likely option to combine two or even all three of them: ▪ A single lump sum ▪ Lifetime annuity ▪ Fixed-period annuity The Bulgarian Association of Supplementary Pension Security Companies (BASPSC) is urging the ministry to guarantee at least the amounts that are contributed into these funds. **For more information, or support, please contact Bart Steegs.**
Bulgaria: Maximum waiting period introduced	Parliament has approved a bill amending the Social Insurance Code to bring Bulgaria into compliance with EU Directive 2014/50/EU, improving worker mobility between Member States by establishing certain key rights under employer-based supplemental pension schemes. The maximum waiting period before an employer must contribute to the worker's supplementary retirement insurance fund is six months. The law came into force on May 21, 2018. **For more information, or support, please contact Bart Steegs.**
Estonia: Pension reform legislation update	The Cabinet has approved pension reform legislation. Among the measures that are approved: ▪ Peg the retirement age to life expectancy from 2027 ▪ Allow more flexible second-pillar contributions from 2021 ▪ Gradually transition the first pillar from 2021 to 2037 to a solidarity model, fully based on number of years worked These proposals are aimed long term to strengthen the pension system. **For more information, or support, please contact Bart Steegs.**

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More information on changes during the quarter
Central & Eastern Europe

- Requirements
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	Design
Lithuania: Proposals for second pillar pension reforms	The Cabinet has unanimously approved a set of proposed pension reform measures that include: ▪ Second-pillar scheme auto-enrollment for workers below age 40 ▪ The possibility of 12-month contribution breaks for workers who don't opt out of the second-pillar scheme ▪ Gradual doubling of the 2% employee second-pillar contribution, offsetting wind-down of the 2% diverted to it from the state pension ▪ A halving of the ceiling for pensionable income ▪ Higher employee contributions to the state pension, offset by salary hikes A retirement age hike has been ruled out at this stage. Backers expect passage in the parliament for a January 1, 2019 launch. The total burden on the employer remains roughly the same, as the shift in paying the social contributions from employers to employees is offset by higher salary costs. **For more information, or support, please contact Vilija Blekaityte.**
Poland: Updated information on the formation of a PPK	As disclosed in the Q1 update of the GRU, the legislation proposal published at that time in regards to the new Employee Capital Plan (PPK) was circulated for public consultation. Based on that, a new proposal has been published (as per May 24, 2018) which has the following changes/additions compared to the original proposed legislation: ▪ Open pension fund managers and life insurers would be able to manage PPKs ▪ The mandatory 2% employee PPK contribution could be cut to 0.5% for low-income workers (Salaries below 2,100 PLN), the employer's contribution would be still on level of 1.5% ▪ Lifecycle investment funds would have to be offered ▪ Renewal of opt-out selection would be every four years, down from every two ▪ The PLN 10M minimum capitalization for PPKs is now raised to PLN 25M ▪ An exemption can be obtained for forming a PPK if 50% or more of the employees joins an Employee Pension Plan (PPE) and the employer pays a contribution of at least 3.5% This updated version has to be ratified by the Sejm and signed by the President before coming into law. The proposal still foresees a January 1, 2019 implementation, but it is possible that a delay will happen (Until July 1, 2019 or even January 1, 2020). As an employer, it remains prudent to take these options into consideration. **For more information, or support, please contact Remigiusz Kostka or Sebastian Ludwin.**

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More information on changes during the quarter
Central & Eastern Europe

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	Design
Turkey: Revisions due for auto-enrollment scheme	A draft omnibus law would expand the withdrawal window from two months to six. There would also be a one-off state contribution of TL 1,000. Analysts believe that the scheme will stay unpopular unless a mandatory employer contribution is introduced and the ministry still has not committed to proposing that. **For more information, or support, please contact Neslihan Ayanoglu.**

	Financing
Estonia: Cuts in DC management fees	The Finance Ministry has drafted a measure that would cut the maximum management fee for second-pillar pension schemes from 2% to 1.2%. This threshold is based on the average management fee for OECD countries. **For more information, please contact Pille Parind.**

	State
Belarus: Retirement age harmonization	Social security reform discussions in the Council of the Republic have centered on harmonizing retirement age for men and women. An increase from 55 to 58 for women and from 60 to 63 for men is already underway and due to conclude in 2022. The new proposal would keep the retirement age for women climbing at a rate of six months per year, reaching 63 in 2032. **For more information, or support, please contact Bart Steegs.**
Latvia: Introduction of new survivors pension	The Saeima's Social and Labor Affairs Committee's proposal for a new survivor's pension has passed in its final plenary reading. A deceased pensioner's surviving spouse will now receive 50% of the member's benefit for a year. The legislation will also correct an anomaly by boosting the pension benefit formula for those members who retired before 1996. These measures will be introduced as per January 1, 2019. **For more information, or support, please contact Zane Dreifelde.**

More information on changes during the quarter
Central & Eastern Europe

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	State
Romania: Uncertainty over recent changes	The leaked government's legislative program for 2018 includes a draft measure on suspending the 3.7% contribution shift from the first-pillar pension to the second-pillar scheme from July 1, 2018 to December 31, 2018. Furthermore, the social insurance charge (CAS), which recently shifted to completely employee contribution, would have a fixed rate of contributions split evenly between employers and employees. These proposals are in clear contradiction with the proposal that went into force as per January 1, 2018 in which the social security contributions (both those for pensions and those for healthcare and unemployment) were fully transferred from the employer to the employee. Furthermore, the proposal on the second pillar pension disputes the "unofficial" understanding that this system would be either "dismantled" or set to cease receive the contributions from the first pillar pension. Officials asked to comment on the proposals asserted that they believed those were drafts that had not been finalized and they have now been formally withdrawn after widespread condemnation. A revision is expected in July. **For more information, or support, please contact Kostas Verras.**
Russia: Proposal on retirement age hike	The Cabinet has approved the Prime Minister's draft legislation for a pension reform that would raise the retirement age from 60 to 65 for men by 2028 and from 55 to 63 for women by 2034. Expected to start in 2019, this would be the first retirement age hike in nearly 90 years. The compulsory pension insurance would remain 22%, deferring a planned increase to 26% in 2021, but income above the pensionable threshold would be taxed at 10%. Benefit increases would outpace inflation to make up for the years that they had lagged behind. The bill has now been delivered to the State Duma. **For more information, or support, please contact Anastasiya Averina.**
Serbia: Pension improvements	The President has advised the press that legislation intended to come into effect by November 2018 will rescind a 2014 austerity measure that sharply reduced pensions higher than 25,000 dinars per year. Those benefits are due to increase by up to 25% and pensioners receiving less than 25,000 dinars per year will see a 5-13% increase. **For more information, please contact Bart Steegs.**
Slovakia: Proposal on retirement age	The senior ruling coalition partner, SMER-SD, is completing a measure for submission to Parliament next month that would set a maximum retirement age to clearly establish that workers are not expected to die on the job. The party chairman aims to set that age at 65, but noted that passage in Parliament would be difficult. The main opposition party confirmed that it has serious qualms with this proposal, and announced that it is preparing a bill allowing women to retire one year earlier for each child they raise that graduates from secondary school. **For more information, or support, please contact Bart Steegs.**

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More information on changes during the quarter
Continental Western Europe

- Requirements
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	Design
Netherlands: Mandatory pensions proposed	The youth departments of the ruling coalition's four political parties have issued a joint statement proposing mandatory pensions for all workers including the self-employed and contract workers. Provided they receive qualifying financial advice, participants would have greater choice of investment and the option of taking more as a lump sum at retirement. Older workers would make higher contributions and members would have individual pension pots with some element of solidarity preserved. Meanwhile, social partners have missed an early April deadline for negotiating an agreement on pension reform but the Social Affairs Minister has reported that "many elements have already been fleshed out and the urgency of proposals is undiminished." **For more information, or support, please contact Yasemin Ozdal.**
Spain: Withdrawal rules relaxed	The rules relating to the recently introduced 10-year withdrawal window have been relaxed to apply only to qualified pension funds, and only then if the rules of the plan allow for it. So rules would need to be amended to allow for this as it wasn't previously allowed. Therefore there is potentially a decision for the company to take about whether to allow a rule amendment and offer this sometime before 2025. If they do introduce the rule, the control committee needs to think how this may impact the investment policy from 2025. This does not apply to non-qualified insurance contracts, which are common due to low tax limits on qualified plans (€8k p.a.) **For more information, or support, please contact Jose Luis Martin.**

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More information on changes during the quarter
Continental Western Europe

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	Financing
Austria: New mortality table is coming	The new tables will increase the pension liabilities, given that longevity has increased more than expected in the 2008 tables. No indication on the magnitude of the increase has been published so far. The Austrian Actuarial Association, which is delivering the tables expects and increase in defined benefit pension obligations and a decrease of DC pensions of pension fund participants. **For more information, or support, please contact Elisabeth Holecek.**
Netherlands: Review of approach to funding	Financial regulator DNB has published a position paper warning that the new Dutch financial testing framework (nFTK), while helping to stabilize pension contributions, has caused some depletion of fund assets which has worsened the financial position of some funds. It calls for more realistic assumptions about investment performance and suggests that the DNB may have to revisit the contribution-to-return requirement. **For more information, or support, please contact Yasemin Ozdal.**
Norway: Impact of solvency requirement for pension funds	There is a negative effect of the new solvency requirements on investments. After a fall in the equity market, combined with a reduced level of interest, pension funds have to sell equities. In the long term this will lead to lower returns, and thereby lower indexation of pensions and full-paid policies. At the consultation stage last year, the idea was met with a mixed response from stakeholders in Norway, while PensionsEurope has warned about potential harm to the Norwegian system from solvency rules. **For more information, or support, please contact Øystein Mathiassen.**

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	Operations
Finland: Incomes Register to be effective 1/1/2019	The Incomes Register is an electronic database that includes comprehensive information about wages, pensions and benefits at the individual level. It is maintained by the Finnish Tax Administration. Incomes register is for wages reporting purpose only, not for any kind of paying of any taxes, premiums etc. and this is mandatory. To go forward, a single notification will suffice, and the employer will not have to submit the same wage information several times to many different entities (e.g. to the authorities or insurance providers). The information in the Incomes Register will be used by e.g. tax authorities and pension providers.In the register, income earners will be able to see up-to-date information on payments that have been made to them. **For more information, or support, please contact Janne Myllymaki.**
Netherlands: Some pension supervision could devolve to private sector	Pension supervisor DNB has published Proportional and Effective Supervision, a report proposing that supervision of pension funds with good risk management and internal governance could be safely delegated to private sector experts such as actuaries or accountants. The report came in response to complaints about excess DNB supervision of the sector. This approach could entail bringing these service providers partially under DNB supervision. **For more information, or support, please contact Yasemin Ozdal.**
Netherlands: Diversity goals pension funds	Ruling coalition member, the Liberal Democratic Party (D66), has warned pension funds that if they don't achieve the diversity goals set in the sector code in the coming year that it will pursue a legislative solution. The code sets a minimum of one female member, one male, and one under age 40. D66 has the support of other (unspecified) parties on this initiative and the Social Affairs Minister, a D66 member, will work with pension funds to keep voluntary compliance adequate. **For more information, or support, please contact Yasemin Ozdal.**
Sweden: Legislation to improve protections for members	The Finance Ministry proclaimed its support for proposals in the Council on Legislation's “A safe and more sustainable premium pension system (PPM)” and they have become legislation. These proposals include: ▪ From July 1, 2018, a member's signature would is required for any transfer of funds. ▪ A ban on telephone sales of related services and products has gone into effect on the same date. ▪ From November 1, 2018, the Pensions Agency can impose new requirements in their agreements with fund managers. There is an appeal mechanism for when the agency rejects a proposed agreement. Additional consumer protections on the horizon will pursue the ministry's aim of consolidating and weeding out PPM products to deliver a "professionally procured fund marketplace." **For more information, or support, please contact Johan Keding.**

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	Operations
Switzerland: Pension fund audits targeted	The Federal Audit Oversight Authority (FAOA) has stated in its annual report that pension fund auditors are dangerously underregulated. The FAOA and the federal government are considering both licensing requirements for pension auditors and having them placed under FAOA supervision. **For more information, or support, please contact Jeannette Nartey.**

	State
France: Pension reform consultation	Project of Law that aim to reform the pension plans. The High Commissioner for Pension Reform has opened an online public consultation, a "citizen participation device", for input on the government's plan to merge 42 existing pension plans into a universal pension system. The consultation will run through October 25, with a draft proposal subject to social partner consultation towards the end of the year and draft legislation reaching Parliament in 2019. The law is expected to take effect in 2025 and allow at least a 10-year transition for harmonization. **For more information, or support, please contact Marc Salameh.**
Italy: Coalition government plan changes	While the threat to withdraw from the euro is now muted, the coalition has confirmed other agenda highlights, including reversal of the Fornero social security reform and introduction of a universal basic income. The new administration also aims to rescind the Jobs Act for Self-Employed workers, charging that it encourages precarious employment. **For more information, or support, please contact Flora Mastromarino.**
Italy: Further reduction of the retirement coverage	Pension benefits provided by Italian National Social Security are calculated using a notional defined contributions method. Every two years, based on the Monti Fornero Reform, the rates are reviewed based on the increase of the life expectancy. The Government has now published the new values which will be applied starting from January 1st 2019. These values will further reduce the pension amounts. Multinationals should continue to monitor retirement benefits provided to their employees on top of the National Pension System: providing them information on existing Defined Contribution pension schemes to which they can participate and checking that the level of contributions proposed is in line with the market practice and employees' needs. **For more information, or support, please contact Flora Mastromarino.**

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	Design
Australia: 2018-19 Budget	Australia's 2018-19 federal budget features a number of notable proposals. Those affecting the design of benefits include: ▪ From July 1, 2018, people with multiple employers and income over A$263,157 could elect to have some income sources exempt from superannuation guarantee contributions. ▪ Superannuation fund members under age 25, those with under A$6,000 in their accounts and those who have suspended contributions (i.e., no contributions received for 13 months) would no longer be automatically opted-in to pay for life insurance or disability insurance coverage within super, effective July 1, 2019. ▪ An existing pension loan scheme would be liberalized to let the government offer a viable alternative to bank-sponsored products in the reverse mortgage market to not just pensioners, but to all Australians of pension age. People would also be allowed to borrow to create an income stream 50% higher than the full pension. ▪ The work test (minimum hours of employment) for allowing superannuation contributions between ages 65 -74 would be relaxed from July 1, 2019. **For more information, or support, please contact Ashley Palmer.**

	Financing
Hong Kong: Launch of HKMC Annuity Plan	HKMC Annuity Limited (HKMCA), wholly-owned by The Hong Kong Mortgage Corporation Limited (HKMC), has launched the life annuity scheme called "HKMC Annuity Plan" (the Plan). Hong Kong Permanent Residents aged 65 years or above can register their intent to subscribe for the Plan within the Registration Period which will last for three weeks' time from 19 July to 8 August 2018. **For more information, or support, please contact Jayla Chen.**
Hong Kong: Mandatory Provident Fund (MPF) offset removal plan	The Secretary for Labour and Welfare has previewed a plan to remove the Mandatory Provident Fund (MPF) offset under which employers are able to finance severance and long-service payments with MPF funds. The government would earmark HK $17.2B (US $2.2B) to subsidize the new employer obligation, which is estimated at 1% of payroll, for the first 12 years. The benefits would not change and employer MPF contributions would not be reduced. The minister expects the Legislative Council to approve the measure in 2020 and plans to implement no later than 2022. **For more information, or support, please contact Jayla Chen.**

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	Financing
Hong Kong: Proposed tax regime pension contributions and premiums	The Financial Services and Treasury Bureau has outlined its proposed tax regime for deferred annuity premiums and voluntary contributions to the Mandatory Provident Fund (MPF) in a message to the Legislative Council. Each would have an annual tax deduction on up to HK $36,000 (US $4,600). The MPF tax relief would be contingent on postponing withdrawal to age 65 and any riders such as death benefits would be taxable. A qualifying deferred annuity product would have a total premium of no less than HK $180,000 with contributions spread out over at least five years. Unlike the MPF, it would allow withdrawals as early as age 50. Stakeholders are warning that tax harmonization should not leave so large a gap in withdrawal age between the two products. The legislation should reach plenary debate in the 4th quarter of this year. **For more information, or support, please contact Jayla Chen.**

	Operations
Australia: Review of superannuation board governance practices	The Australia Prudential Regulatory Authority (APRA) has released findings of a review of current superannuation board governance practices. It found shortfalls in board composition policy, succession planning and board performance assessment as well as an overreliance on independent experts. The APRA report states that mere compliance with APRA's prudential framework is not enough. Licensees should change their approach from legal compliance to the development of governance practices that aim to deliver the best possible outcomes for members. APRA plans to revise the superannuation prudential framework in light of these findings. **For more information, or support, please contact Ashley Palmer.**

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	Operations
Australia: 2018-19 Budget	Australia's 2018-19 federal budget features a number of notable provisions. Those affecting the operations of pension plans include: ▪ The Pension Work Bonus Program would increase the employment income a pensioner may earn without pension payments being affected from A$250 per fortnight to A$300. ▪ A complementary skills and training program would help older workers over age 45 to stay in the workforce. ▪ The Australian Tax Office (ATO) would be authorized to combine small inactive super accounts with a member's active account. ▪ Superannuation exit fees would be banned and passive fees on accounts with balances below A$6,000 would be limited to 3% from July 1, 2019. ▪ There will soon be a public consultation on draft amendments to Corporations Act 2001 that would introduce standardized metrics disclosure of retirement income products. **For more information, or support, please contact Ashley Palmer.**
Hong Kong: Mandatory Provident Fund (MPF) governance charter	The Mandatory Provident Fund Schemes Authority (MPFA) reported that all MPF trustees held a "pledging ceremony" in support of the new Governance Charter for MPF trustees. The charter provides a governance framework with an emphasis on customer service. Aims include slashing fees, improving transparency, boosting fund performance, and recruiting more independent directors. The charter is not legally binding, but it will have "comply or explain" status. **For more information, or support, please contact Jayla Chen.**

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	State
Australia: 2018-19 Budget	Australia's 2018-19 federal budget includes a proposal that the waiting period before migrants are eligible for welfare payments would increase from three years to four from July 1, 2018. **For more information, or support, please contact Ashley Palmer.**
Philippines: Contribution hike postponed	The Social Security System (SSS) has had to defer the first tranche of a sharp contribution increase that it had scheduled for April because the President did not signed off on it. Earlier delays had forced the planned increase to double to 3%, raising the rate from 11% to 14%. The level is initially intended to rise an additional 1.5% over the next two years, settling in at 17% in 2020. It was meant to offset a large benefit increase introduced last year, but opponents insist that more rigorous collection of contributions would be more effective. The President of SSS will press for the contribution hike by the end of this year. **For more information, or support, please contact Surendran Ramanathan.**

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	Design
Bangladesh: Universal pension system pilot planned	The Finance Minister's budget speech early next month will reportedly offer a blueprint for a compulsory second-pillar universal pension system that would supersede the contributory provident fund scheme which is officially mandatory but not widely used. The first stage would be a pilot program with private-sector workers. A pension fund regulator would be created to oversee the sector established to manage these pensions. While employers would not manage these funds, they would be required to match employee contributions. There would be a partial government subsidy for the contributions of low-income workers. **For more information, or support, please contact Bart Steegs.**
China: Guidance on individual retirement accounts	The China Securities Regulatory Commission (CSRC) has drafted guidelines for private third-pillar retirement schemes on the individual retirement account model. There would be minimum holding periods of 1-5 years with lower fees for the longer periods. The CSRC has already authorized three asset managers to offer fund of funds (FOF) products. **For more information, or support, please contact Jayla Chen.**
China: Individual retirement scheme pilot launched	Several ministries have jointly issued Circular 22 (2018) introducing the pilot project for a tax-deferred individual insurance scheme. The pilot launched on May 1 in Shanghai, Fujian province, and the Suzhou Industrial Park in Jiangsu province for an initial one-year run. The tax deduction on contributions will be the lesser of 6% of monthly wages or CNY 1,000 (US $159). Investment income is tax-free. At distribution, 25% of the pension will be tax-exempt provided it is taken as an annuity of at least 15 years, and the balance will be taxed at 10%. Investment - to be pre-approved by the Finance Ministry - must be low-risk or risk-free. **For more information, or support, please contact Jayla Chen.**
Pakistan: New rules on Employee's Contributory Fund (ECF) investments	The Securities and Exchange Commission of Pakistan (SECP) has endorsed regulations expanding the investment menu for employee's contributory funds (ECF). Employee's Contributory Funds (Investment In Listed Securities) Regulations, 2018 aims for a balance of risk and returns and grants new employees a one-time opportunity to exempt their contributions from any specific investment. **For more information, or support, please contact Vishal Grover.**

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	Financing
India: New Employees Provident Fund (EPF) rate set	The Finance Ministry has confirmed that the Employees Provident Fund Organisation (EPFO) will drop from 8.65% to 8.55% for 2017-18, the lowest rate in several years. The ministry warned that this modest cut left the EPFO surplus dangerously low and proposed that a reserve fund be created to shield the government from the risk of an EPFO bailout. **For more information, or support, please contact Vishal Grover.**

	State
China: Minimum pension raised	A Ministry of Human Resources and Social Security press release served notice that the minimum basic pension for urban and rural residents has risen from 70 yuan per month to 88 yuan (US$14) retroactive to January 1, 2018. The ministry is committed to further increases in the basic minimum standard "as soon as possible." **For more information, or support, please contact Jayla Chen.**
Uzbekistan: Pension reform plans outlined	The latest news on the Finance Ministry's pension reform plans features a modification of the retirement age hike. A gradual climb from 55 for women and 60 for men to 62 for both is now depicted as reaching 58 for women and 63 for men, both starting in 2022 and rising at a rate of six months per year. The Ministry also plans to increase pensionable salary from 8x minimum wage to 12x the minimum. The minimum contribution period, now 25 years for men and 20 for women, would gradually rise by up to 10 years. **For more information, or support, please contact Bart Steegs.**

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	Operations
Egypt: Proposed revamp life tables	The Financial Regulatory Authority's (FRA) 2018-2022 agenda for the insurance sector features swapping the old English-based life tables for a set reflecting the local population. This is expected to result in life insurance, pension, and long-term health insurance products better tailored to the target market. **For more information, or support, please contact Philippos Mannaris.**

	State
Iran: Social Security Reform	The dependency ratio has spiked in recent years leaving 17 of the nation's 18 retirement funds in deficit. Officials are studying best practices for sustainable pension in other jurisdictions, including Austria and Slovakia. The Ministry of Labor and Social Welfare has divulged that proposals under review include benefit cuts and consolidation of the many special pension schemes into the Social Security Organization. **For more information, or support, please contact Aazma Farooqui.**
Rwanda: Retirement age change reversal	A coalition of legislators is pushing for a labour law amendment that would reverse the 2009 legislation that raised the retirement age from 55 to 65. The retirement age hike has allegedly precipitated an increase in youth unemployment and the measure's backers consider it "unfair to graduates" for older workers to remain in the workforce much past 30 year. The Ministry of Labour has praised the proposal but awaits input from the Finance Ministry and the pension fund before formally backing it. **For more information, or support, please contact San Singaravello.**

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	Design
Mexico: New model of voluntary pension scheme	Second-pillar scheme regulator CONSAR has had some success promoting additional voluntary contributions to pension schemes, but the financial sector has been fleshing out a proposal for a new kind of voluntary pension scheme in consultation with the Finance Ministry since last year. The Mexican Association of Insurance Institutions (AMIS) is in broad agreement with the Mexican associations of Retirement Fund Administrators (Amafore), Banks of Mexico (ABM), Insurance Institutions (AMIS), and Stock Exchange Intermediaries (AMIB) on the model. When salaries are deposited into bank accounts, a portion would be diverted into retirement savings schemes managed by Afores pension fund administrators, banks or insurers. While the employer would have an administrative role in these schemes, they would be highly portable. AMIS expects a green light from the Finance Ministry for this product by the end of the year. **For more information, or support, please contact Patricia Barra.**
Uruguay: Second pillar opt-out	From April 1, 2018, older participants in the second-pillar individual retirement account scheme are welcome to transfer their account balances to the state pension. The option is initially available to those who were at least age 50 on April 1, 2016 and will extend to all age 50 and up by 2020. Members must first consult with the Social Security Bank (BPS) to get a sense of the decision's impact, then they will have a 90-day window to make an irrevocable decision. BPS will deposit these holdings into a public trust fund for financing the social insurance program and credit the contributions to the first-pillar scheme. **For more information, or support, please contact Gisela Mariel Fridman.**

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	Financing
Chile: Investment ban exceptions	Guidance issued in 2017 by pension regulator SP barred private pension funds (AFP) from investing in funds with "hedge fund-like investment strategies." This proved to have the unexpected consequences of prohibiting investment in the EU UCITs (“Undertakings for Collective Investment in Transferable Securities”) model funds and US "1940 Act funds". Rule No. 220 of April 2, 2018, confirms that there are exemptions for these two major investment products. **For more information, or support, please contact Judith Bekerman.**
Peru: Consultation on pension market consolidation	Financial services regulator SBS has held a public consultation on a plan to reduce the number of pension products on the market from 131 to 36. This is part of an ongoing effort to simplify both choice (the market is consolidated from a high of 520 products in 2010) and the products themselves. **For more information, or support, please contact Gisela Mariel Fridman.**

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	Operations
Paraguay: Pension reform legislation	The Finance Ministry has set out to allay fears about pension reform legislation featuring establishment of a Superintendency of Retirement and Pension Funds. The new body's agenda would include auditing pension funds, relaxing investment limits, improving governance and making the sector more transparent. **For more information, or support, please contact Gisela Mariel Fridman.**

	State
Brazil: Flexibility on social security contributions could be removed	The Chamber of Deputies has overwhelmingly passed a measure that would largely rescind a 2011 law giving many employers flexibility on social security contributions. Enterprises in 56 sectors have had the option since then of making social security contributions based on gross monthly revenue rather than total payroll. The option may be preserved for a handful of sectors including public transportation, construction, infrastructure, and communications. **For more information, or support, please contact Dulcelene Giardim.**
Nicaragua: Social security reform plan withdrawn	A package of strong measures urged by the International Monetary Fund (IMF) to make the social security system more sustainable spawned violent demonstrations when it was signed into effect last month and has since been withdrawn. Under the plan: ▪ The employee contribution would rise from 6.25% to 7% on July 1, 2018. ▪ The employer's share would increase from 19% to 22.5% over the next three years. ▪ Pensioners and those in the disability scheme would see 5% of their benefit diverted to medical costs. ▪ From July 1, 2018, there would no longer be a cap on pensionable salary. A new set of reforms will be negotiated with social partners who had united in opposition to the government's scheme. **For more information, or support, please contact Patricia Barra.**

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Surveys open for participation in more than one country

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

2018 Global Benefits Governance and Operations Study – this Study carried out with the American Benefits Council follows similar studies in 2012 and 2015, and digs deeper into the breadth and depth of global benefits governance, including barriers, enablers and value achieved.

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