

# Global View<sup>®</sup>

## Update on benefits issues around the world

### Buck News

#### Fraser Smart appointed President of Buck Consultants

Fraser Smart has been appointed as the new President and head of Buck Consultants worldwide, effective February 2014. Fraser has more than 20 years of industry experience and is a UK pensions actuary by training. He was previously the Managing Director of Buck in Europe and has now relocated from London to New York City. Fraser will be responsible for Buck's overall business growth and client satisfaction. Steven White, managing director of Buck Global Investment Advisors and Global Benefits Administration, succeeds Fraser as the managing director for Buck's Benefits Administration and Consulting business in Europe.

#### Buck reports on significant changes to UK pension rules

The UK Chancellor's recent Budget 2014 speech included radical changes to how people will be able to access their pension savings at retirement. Read Buck's Budget analysis [here](#) and

our focus on practical implications of the Budget changes [here](#).

#### Buck Consultants appointed to carry out review of Sint Maarten pension system

The Ministry of Public Health, Social Development and Labour for Sint Maarten (the southern half of the Caribbean island of Saint Martin) has commissioned Buck Consultants to carry out a feasibility study on strengthening pensions provision in the country including the likely introduction of mandatory employee participation. This study will be carried out over the coming months by consultants from our Curacao office who have extensive knowledge of the Caribbean market.

#### Buck affiliate Invesco Limited reports on pensions and employee benefits in Ireland

Our Ireland network partner, Invesco Limited, has recently published its [2014 Pension Review](#) in which Invesco consultants share their views on a range of issues impacting pensions and employee benefits

in Ireland. In addition, Invesco's [March Legislative Update](#) focuses on key issues arising from recent changes in Irish pensions legislation.

#### Buck's Global Network expanding

We are pleased to announce two new members of Buck's Global Network.

- Turkey: [Brokers' House](#) in Istanbul has a team of experienced consultants that are actively involved in the provision

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of independent employee risk benefits advisory and broking services to both local and international employers based in Turkey.

- Spain: [Grupo de Asesores Previgalia \(GAP\)](#) is an actuarial consultancy firm based in Madrid with extensive experience in the design, management and valuation of Spanish pension and other benefits arrangements for local and international companies. GAP take great pride in their flexible approach to consultancy which places great emphasis on meeting their clients' specific goals in the most effective way.

Buck's Global Network now covers over 80 countries with over 200 offices.

### Foreign Account Tax Compliance Act (FACTA) for non-US retirement plans

Multinational employers that sponsor long-term benefit programs such as non-US retirement savings plans should be aware of the revised May 5th registration and July 1st withholding and reporting deadlines. See Buck's detailed review of the FACTA requirements [here](#).

## Algeria

### Regulation - Health Insurance

The Algerian finance ministry issued a circular on 7 November 2013 forbidding insurers from issuing health insurance policies offering medical treatment outside Algeria.

## Australia

### Pensions - Contributions

The Mid-Year Fiscal and Economic Outlook delivered by the coalition government on 17 December 2013 announced a delay to the proposed increases in the superannuation guarantee levy. Under the *Superannuation Guarantee (Administration) Amendment Act 2012*, the superannuation guarantee levy was to rise by 0.25% annually between 1 July 2013 and 1 July 2019 to reach 12%. The proposed rise to 9.5% scheduled for 1 July 2014 has been rescheduled and the levy will now be maintained at 9.25% until 30 June 2016.

## Austria

### Social Security - Contributions

For 2014 the maximum contribution base has increased from EUR 4,440 to EUR 4,530 per month (applicable 14 times per year) for employees and from EUR 5,180 to EUR 5,285 per month (applicable 12 times per year) for the self-employed. The minimum below which no contributions are payable has increased from EUR 386.80 to EUR 395.31 per month (applicable 14 times per year) for employees; different minima apply for the self-employed depending on which category they fall into. PA (workers' compensation) contributions for the self-employed increased to EUR 8.67 per month from EUR 8.48.

## China

### Legislation - Taxation - Pensions

According to press reports, the government introduced income tax relief in respect of employee contributions to enterprise annuities from 1 January 2014. The maximum tax-free contribution is 4% of an employee's previous year's salary, subject to a cap of three times city average earnings. Tax will be recouped upon retirement, when income taken from an enterprise annuity will be added to the employee's other income and taxed.

## France

### Legislation - Health Insurance

More details are now available on Law No 2013-504 (Loi No 2013-504 du 14 juin 2013 relative a la securisation de l'emploi - ESL) which introduced an obligation for all employers to put in place extended health insurance coverage to a minimum standard by 1 January 2016. By 1 June 2014 minimum levels of maternity cover have to be put in place and by 1 June 2015 minimum levels of death and both short-term and long-term disability covers are required.

### Regulation - Unemployment Insurance

Under the *Order of 17 July 2013 (Arrete du 17 juillet 2013 relatif a l'agrement de l'avenant du 29 mai 2013 modifiant l'article 3 de la convention du 6 mai 2011 relative a l'indemnisation du chomage, l'article 44 du reglement general annexe a la convention du*

*6 mai 2011 et l'article 60 des annexes VIII et X au règlement général annexe à la convention du 6 mai 2011*), which was issued subsequent to *Law No 2013-504*, the surcharge for unemployment insurance contributions in respect of contract workers ranges between 0.5% and 3%. In addition unemployment insurance contributions are waived for employers in respect of employees under 26 (for three months for those employers with 50 or more employees and four months for those with fewer than 50 employees).

## Germany

### Healthcare - Contributions

In 2014 the upper limit for statutory health insurance contributions increased to EUR 48,600 (from EUR 47,250 in 2013) and the salary level required to opt out of the statutory system increased to EUR 53,550 (from EUR 52,200 in 2013).

### Taxation - Pensions

The levy rate for the pension insolvency fund, the Pension Mutual Insurance Company (Pensions Sicherungs Verein auf Gegenseitigkeit - PSVaG), was reduced for 2013 to 1.7‰ (from 3.0‰). The rate for 2014 is expected to be decided in the first half of the year.

## Hong Kong

### Pensions - Contributions

The government has agreed the following increases in maximum and minimum relevant income levels for mandatory pension fund (MPF) contributions:

- The minimum relevant income (below which employees are not required to make MPF contributions) will be raised from HKD 6,500 (USD 833) to HKD 7,100 (USD 910) per month with effect from 1 November 2013.
- The maximum relevant income (above which neither employers nor employees are required to make MPF contributions) will be raised from HKD 25,000 (USD 3,205) to HKD 30,000 (USD 3,846) per month with effect from 1 June 2014.

## Iceland

### Taxation - Premium Tax - Stamp Duty

With effect from 1 January 2014 all stamp duty on non-life insurance (including accident and health) contracts has been abolished.

## Ireland

### Projected Legislation - Social Security - Contributions

- *The Social Welfare and Pensions Bill 2013* published on 23 October 2013 extends the pay-related social insurance (PRSI) charge to unearned income for eligible contributors.
- The reduced PRSI rate of 4.25%, payable by employers on annual incomes under EUR 18,512, reverts to 8.5% from 1 January 2014.

### Projected Legislation - Taxation - Pension Funds

*Finance (No 2) Bill 2013* contains measures announced in *Budget 2014* including an increase in the pension

levy to 0.75% for 2014. The levy will also be payable in 2015, at the lower rate of 0.15%.

### Projected Legislation - Taxation - Personal Taxation

*Finance (No 2) Bill 2013* contains measures announced in *Budget 2014*, including the restriction of tax relief on health insurance premiums to EUR 1,000 per adult and EUR 500 per child for policies bought or renewed after 16 October 2013. The standard fund threshold, which is the maximum aggregate value for all pension entitlements, is also reduced to EUR 2mn from EUR 2.3mn. The bill also introduces a unified rate for deposit interest retention tax (DIRT) and exit tax on life insurance policies of 41% (the premium payment frequency differential is abolished).

## Japan

### Court Ruling - Survivor's Pension

Under current legislation, the minimum age for entitlement to survivor's pension by a dependent widower is 55; there is no age restriction for widows. In November 2013, an Osaka court ruled that a widower who was aged 51 at the time his wife died was entitled to survivor's benefit; the gender-based provisions relating to survivor's pension were ruled as unconstitutional.

## Netherlands

### Court Ruling - Pensions

It was reported in November 2013 that the Dutch Supreme Court has ruled that pension conditions can be changed even if people are already drawing

their pensions. The original case was brought by a group of pensioners of the insurance company Delta Lloyd when a guarantee of fully indexed pensions was removed.

In September 2013, the Supreme Court had made a similar ruling in a case between Energieonderzoek Centrum Nederland (ECN) and its former employees. ECN had changed the conditions for pension indexation for those employees. According to the Supreme Court ruling, the termination of employment does not imply that pension conditions must remain unaltered.

### Projected Legislation - Pensions

It was reported in December 2013 that an agreement had been reached between the parliamentary parties and the government on pension changes that are to take effect in 2015. The maximum pension accrual rate for tax approved average salary pension plans will be reduced to 1.875% from 1 January 2015, and 1.657% for final salary plans. As in earlier proposals, the maximum pensionable income will be capped at EUR 100,000, less the state pension offset, but there will also be a new voluntary system for those earning more than that which allows accrual of up to 1.875% of average pay per annum, without tax relief on contributions but providing a tax-free pension. A new voluntary collective pension plan is planned for the self-employed with no staff; it will provide flexibility with regard to contributions and payments and benefits can be payable in the event of disability.

These measures will be included in a new bill to be presented to parliament in 2014.

### Social Security - Contributions

Amendments made in November 2013 to the 2014 tax plan included a temporary reduction in employers' social security contributions from 1 July 2014 for people hired in 2014 and 2015 provided that:

- the employee is aged between 18 and 27
- the employee had been receiving unemployment benefits at the time he or she was hired
- the employment contract is for at least 32 hours of work per week for at least six months.

## Nicaragua

### Social Security - Contributions

From 1 January 2014, employers' social security contribution rate increased from 16% to 17%; it will increase to 18% in 2015, 18.5% in 2016 and 19% in 2017. The earnings ceiling for contribution purposes rose from NIO 37,518 to NIO 54,964. In 2015, it will increase to NIO 72,410.

Contrary to earlier reports in 2013, the retirement age or the required number of contributions did not increase. The government announced that the purpose of these changes is to "guarantee the sustainability of social security until at least 2036". It also stated that it intended to gradually pay its debt to the Nicaraguan Institute of Social Security (Instituto Nicaraguense de Seguridad Social - INSS).

## Portugal

### Legislation - Severance Payments

*Law No 70/2013* of 30 August 2013 established the legislative framework for a new employment compensation fund (Fundo de Compensacao do Trabalho - FCT) designed to fund up to 50% of all severance payments for employees hired from 1 October 2013. A second compensation fund (Fundo de Garantia de Compensacao do Trabalho - FGCT) will guarantee up to 50% of severance payments in the event of employer bankruptcy. Funding of the schemes will be via employer contributions based on wage roll. Enrolment in the funds is automatic and mandatory, although employers may opt out of the FCT and contribute instead to similar funds managed by a financial service provider (Mecanismo Equivalente - ME).

### Legislation - Social Security

The state budget for 2014 was passed in December 2013 and contained a variety of measures designed to reduce government spending and facilitate economic growth. Amongst the changes was the suspension of the update to the social support index (indexante dos apoios sociais - IAS) which remains at EUR 419.22 for 2014. The contribution limit for company directors, which was previously 12 times the social support index (IAS), was removed.

The government also increased the normal retirement age from 65 to 66 in 2014 and 2015 although this has been strongly opposed by union federations and certain employer associations.

In 2014, pensions above EUR 1,350 per month will be reduced by between 3.5% and 10%.

### Legislation - Taxation - Personal Taxation

Changes introduced under the state budget for 2014 included an exemption from income tax for employer-funded health insurance premiums which were previously considered as employment income for employees.

## Taiwan

### Social Security - Minimum Wage

On 1 January 2014 the minimum hourly wage was increased from TWN 109 to TWD 115 and the minimum monthly wage is scheduled to be increased from TWD 19,047 to TWD 19,273 with effect from 1 July 2014. The minimum wage affects contributions and in some cases benefits relating to national health insurance, employees' insurance, national pension insurance and labour insurance as well as affecting severance benefits.

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