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Global View® Quarterly

Winter 2015

Global View is a Quarterly Update on Benefits Issues around the world.

FYI® In-Depth: Gen-Z and the Workplace of 2054

2054 used to be the setting of science fiction novels with personal robots, time travel, and commercial drones. Thanks to the likes of iRobot and Amazon, much of that fiction is now reality.

While only our imaginations can predict what the world will look like in 40 years, the generation that will have significant influence on that future is today's Generation Z (GenZ). The latest edition of FYI In-Depth – the eighth in a multi-part series of articles commemorating the 40th anniversary of the U.S. Employee Retirement Income Security Act – explores how the employee benefits industry has evolved, highlights lessons learned, and looks forward to what employers may expect in the future.

News

Continued Growth in Our Global Network

Our Global Network has increased coverage to nearly 90 countries with the inclusion of these new members:

- Colombia: Correcole SA – Correcole provides a full range of individual and group life, disability, and health programs to protect their clients.
- Denmark: Dahlberg – Dahlberg is Denmark's largest independent Danish-owned insurance broker offering insurance and pension solutions.
- Ireland: Tailored Finance – Tailored Finance has more than 25 years of experience in the Irish insurance market, specializing in the health insurance market.
- Norway and Sweden: Quality Broker – Quality Broker was founded in Oslo, Norway in 1992, and the branch office in Stockholm, Sweden was established in 2006. Quality Broker offers its clients a wide range of services including pension, life, disability and medical cover, as well as ongoing administrative support and consultation.

We welcome these new Global Network members to the team.

Article: Workplace Fun and Games

A fast-growing tactic for human resources, workplace gamification is changing how HR tackles many typical tasks. But it needs to be grounded in a basic understanding of how people are motivated to change. In this workspan article, retired Buck consultant Kenneth Pflug and Jose Jara, our National Practice Leader for multiemployer plans, look at look at the elements that make gamification campaigns successful.

In this issue:

Blog Post: Cashing in Your Annuity

UK | Why Cashing in Your Annuity is Wrong
Providers of annuities are unlikely to want to take on any great risk in cashing in their policies, so the terms of any cash in are in all probability not going to be good for pensioners.

Case Study: Global Benefits Strategy

A global manufacturing company couldn't gauge how competitive its local benefits were because it had only limited understanding of each country's practices. Our analysis armed them with the information they needed to make decisions about market expansion.

Austria

Pensions - Contributions

In 2014, state-sponsored retirement savings products (praemienbeguenstigte zukunftsvorsorge - PBZ) are subject to a government subsidy of 4.25% (unchanged) on total contributions of EUR 2,495.12 (up from EUR 2,445.50) per year.

Projected Regulation - US Foreign Account Tax Compliance

Following the inter-governmental agreement between the Austrian and US governments relating to the US Foreign Account Tax Compliance Act 2010 (FATCA), Austria needs to make internal arrangements to enable the application of the agreement and this will require new regulations.

Social Security - Benefits - Old Age Pension

For employees born prior to 1955, the minimum old age pension will reduce to 92.25% in 2015 (from 92.5% currently) of the old age pension calculated as per legislation in force prior to the 2003 reform.

Social Security - Contributions

On 24 April 2014 budgetary changes were published in the Federal Law Gazette that reduced social security charges in respect of occupational health and accident from 1.40% to 1.30% with effect from 1 July 2014. For employer contributions towards insolvency protection for employees the rate was reduced from 0.55% to 0.45% effective 1 January 2015.

Taxation - Pensions - Contributions

Market practitioners suggest that pension contributions for pensions greater than EUR 500,000 (USD 641,520) per year may lose tax deductibility.

Belgium

Projected Legislation - Social Security - Sickness Benefit

In October 2014 the Belgian federal government announced that the proposed extension of the guaranteed sick-pay period from 30 days to two months would be postponed for a further year, to 2016. This followed an earlier government declaration confirming the proposal that did not specify a time frame for the change or consider the tax and social security contribution issues.

Canada

Projected Regulation - Pensions

Proposed amendments to the Pensions Benefits Standards Regulations 1985 supporting the latest amendments to the Pensions Benefits Standards Act 1985 were published in September 2014. Amendments to the principal statute apply in the following areas:

- disclosure to members (including former members)
- member choice accounts, relating to investment choices available to members of defined contribution (DC) plans
- the option of variable benefit pensions under DC plans paid directly from the pension fund
- the requirement for spousal consent to exercise portability options
- amendments to investment rules.

Legislation - Pensions, British Columbia

British Columbia became the fourth province to enact Pooled Registered Pension Plan (PRPP) legislation with the Bill 9 - Pooled Registered Pension Plans Act receiving royal assent on 29 May 2014. The legislation will come into force by regulation of the Lieutenant Governor in Council.

Projected Legislation - Pensions, Ontario

The Ontario government is taking a leading role in addressing problems of pension coverage and retirement income adequacy, due to the lack of federal government support. Their approach is to enhance pension benefits for everyone using a plan similar to the Canada Pension Plan (CPP).

The ORPP would build upon the structure of the CPP and have several notable features.

- A mandatory plan that will allow employers with comparable pension programs to opt out.

Many of the details of the plan and its implementation remain to be determined. Further technical details will be released later this year and further consultation will take place with both employers and labour.

Chile

Projected Legislation - Private Medical Insurance

In April 2014, President Bachelet named a new Presidential Commission (Comisión Asesora Presidencial para el Estudio y Propuesta de un Nuevo Modelo y Marco Juridico para el Sistema Privado de Salud), comprising 18 members, for the study of a new model and legislative regime for the private healthcare system (Instituciones de Salud Previsional - ISAPREs). The principal goal is to treat all citizens equally, including ending discrimination of insureds by risk and selection; control cost increases and variability; regulate plans according to benefits and co-payments; and generate a proposal which considers a global view of financing, insurance, and of providers. The commission presented its final report to the government on 8 October 2014. Divergence of opinions among the commission members, however, meant that two alternative versions of the proposal have been included in the report.

Finland

Regulation - Pensions

From 1 September 2014 holders of paid-up defined benefit pension contracts (fripoliser) may opt to convert these contracts to non-guaranteed policies and assume the investment risk.

Pensions - Contributions

As reported in 2012, employer and employee pension contributions to the statutory pension system (Tyoelake -TyEL) were originally to increase by 0.4 points in the years 2015 and 2016 but after a year of no change in 2013 the contributions have now been increased by 0.8 points in 2014; there will be a further increase of 0.4 points in 2015 and possibly also in 2016.

Projected Legislation - Pensions

Further reform of the statutory pension system (Tyoelake -TyEL) is planned to come into effect from 2017. The details of this are to be decided by discussions between employers and trade unions and proposals should be published in the autumn of 2014, but it seems highly likely that the minimum retirement age will be increased in some way, to 65 years.

Greece

Legislation - Pensions

In April 2014 the government passed legislation to consolidate a number of pension funds into three specific funds. The Insurance Employees' Insurance Pension Fund (TEAA PAE) and other pension funds will therefore be abolished with effect from 1 January 2015.

Social Security - Contributions

Effective 1 July 2014, in accordance with Law No 4254/2014, the social security contribution rates for employees insured with the Social Insurance Institute (IKA-ETAM) were reduced by a total of 3.9%, with the employee contribution being reduced by 1% and employer contribution by 2.9%. The reduction applies to the unemployment and medical care components of the contributions.

India

Social Security - Benefits

The minimum benefit in respect of pensionable service was increased from INR 365 to INR 1,000 per month with effect from 1 September 2014.

Social Security - Contributions

The maximum monthly pensionable salary was increased from INR 6,500 to INR 15,000 with effect from 1 September 2014.

Ireland

Legislation - Social Security

The Social Welfare and Pensions Act 2014 transposed EU Directive 2010/41/EU to enact gender equality provisions relating to the self-employed into Irish law.

Projected Legislation - Health Insurance

The full adoption of universal health insurance (UHI) from 2019 was deemed "too ambitious" by the new health minister, Leo Varadkar, according to press news reports in August 2014. UHI costings are due to be published in early 2015.

The Health Insurance (Amendment) Bill 2014, tabled in parliament in November 2014, includes revised stamp duty levies, risk equalisation credits and hospitalisation bed utilisation credits for private health insurance effective from 1 March 2015.

Stamp duty rates on new and renewed contracts for advanced cover remain unchanged at EUR 135 for those under the age of 18 and EUR 399 for those aged 18 and over. Non-advanced rates are cut to EUR 80 for the under 18s and EUR 240 for over 18s.

Risk equalisation credits benefit authorised providers insuring male and female lives over age 60. Overall these are lower than previously and range from EUR 150 to EUR 3,725 per covered life. The hospitalisation bed utilisation credit increases by 50% to EUR 90.

The amendment bill also introduces measures giving insurance providers the discretion to offer discounted premium rates to lives between ages 18 and 25.

Regulation - Health Insurance

Under Statutory Instrument No 312 of 2014 lifetime community rating (LCR) is to be introduced from 1 May 2015. Progressive premium loadings of 2% per year attained are to be applied to insureds from age 35 at entry. These increase to 70% at age 69 and above. Credit will be given for previous periods of health insurance cover and for periods of unemployment since the 2008 economic downturn.

Projected Legislation - Health Insurance

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Projected Legislation - Pensions

The Employment Equality (Abolition of Mandatory Retirement Age) Bill 2014 was introduced on 1 April 2014 and seeks to amend current law to abolish the mandatory retirement age.

Social Security - Survivors' Benefits

From 27 December 2013, the new conditions for eligibility for a survivors' (contributory) pension are as follows:

- either the pensioner or the surviving spouse/civil partner (either one but not together) must have paid at least 260 contributions (increased from 156 contributions) before the earliest of the following dates: the date of death of the spouse/civil partner, the 66th birthday of the deceased spouse/civil partner or the beneficiary's 66th birthday and
- there must be a yearly average of at least 39 weekly contributions paid or credited in either the three or five tax years (whichever is more favourable) before the pensioner died or attained age 66 or
- there must be a yearly average of at least 24 paid or credited contributions from the year of first entry into insurance until the year of death or reaching pension age.

Where this condition applies, an average of 24 contributions entitles claimants to a minimum pension, with a full pension attained with an average of 48 contributions per year.

Taxation - Pensions

As reported in the January 2014 Life & Benefits Regulatory Alerts under Legislation - Taxation - Personal Taxation, the standard fund threshold (SFT) was reduced from EUR 2.3mn to EUR 2mn. Those funds exceeding the SFT may claim an alternative calculation in the personal fund threshold (PFT), which calculates maximum pension income entitlement in relation to an age-related capitalisation factor and effectively increases the maximum to the former EUR 2.3mn (USD 3.1mn) limit. Benefits accrued before 1 January 2014 are capitalised at a 20:1 factor. Benefits accrued after that date apply age-linked factors ranging from 37:1 from age 50 to 22:1 from age 70. Grandfathering provisions, however, may apply according to individual circumstances. Where pension maxima are exceeded, any excess will be subject to tax at 41%.

A commitment by the Irish government under the terms of the EU/International Monetary Fund (IMF) Joint Stability Programme to change pension tax relief on personal contributions from relief based on marginal tax rates to a flat relief of 33% or possibly lower (reported in the October 2011 Life & Benefits Regulatory Alerts under Projected Legislation - Taxation - Pensions), has not been put into effect.

New Zealand

Regulation - Pensions

Regulations were issued in November 2014 to give effect to Part 4 of the Financial Markets Conduct Act 2013. This introduces registration and a regulatory operating framework for managed investment schemes (MIS) from 1 December 2014. Superannuation schemes and KiwiSaver are included within the definition of an MIS.

Nigeria

Legislation - Social Security and Pensions

The Pension Reform Act, 2004 has, with effect from 1 July 2014, been repealed and replaced by the Pension Reform Act, 2014. The Nigeria Social Insurance Trust Fund Act, No 73, 1993 is deemed to be amended in all particulars to bring it into full compliance with the new act.

The new act aims to make provision for contributory pension schemes for public and private sector employees in Nigeria (those working in companies with less than 15 employees however do not currently come under the scope of the act). It also establishes a uniform set of rules, regulations and standards for the administration and payment of retirement benefits.

The Pension Reform Act, 2014 maintains the separate roles of pension fund administrator (PFA) and pension fund custodian (PFC) (the PFA manages and invests the pension funds while the PFC keeps the pension funds and assets in safe custody and carries out transactions on behalf of the PFA). The new legislation also continues with the requirement that employees have a retirement saving account (RSA) opened in the individual's name with a PFA of the employee's choice. The individual RSA remains with the employee until retirement. Employment and even PFAs may be changed but the account is retained by the employee. Under the scheme the total contribution to the RSA may not be less than 18% of basic salary and the value of housing and transport allowances. Employees must make a contribution of 8% and employers 10%. If employers elect to bear full responsibility for the scheme contributions, the employer's contribution must not be less than 20% of the monthly emoluments of the employee.

Viable private sector pension funds that were already in existence have been permitted to continue, subject to fulfilling the requirements of the act. Employees wishing to join a new scheme were, however, permitted to do so, their existing pension fund being transferred to an RSA.

The Pension Reform Act, 2014, now permits a pension fund administrator to invest pension funds in any investment outside of Nigeria within the categories of investments as established by the act. This is subject to current Central Bank of Nigeria foreign exchange rules. This is likely to make a marked improvement on the balance and spread of pension fund investments.

Projected Legislation - Healthcare

In February 2014 the National Health Bill, 2014 passed through the Nigerian Senate and now awaits the concurrence of the House of Representatives prior to presidential assent. The bill is intended to repeal the National Health Insurance Scheme Act, 1999 and replace it with legislation that will, amongst other things, provide a framework for the regulation, development and management of a compulsory national health scheme. This scheme would be designed to establish a universal mandatory health scheme nationwide as opposed to the more limited scheme currently operational.

Projected Regulation - Pensions

It is expected that the pensions regulator, the National Pension Commission (PenCom), will issue guidelines clarifying certain aspects of the Pension Reform Act, 2014, including a guideline clarifying how the self-employed and private organisations with fewer than 15 employees (currently excluded under the new act) will be handled in terms of the new legislation.

Taxation - Pensions

Under Section 10 of the Pension Reform Act, 2014 voluntary contributions to an approved pension fund are tax deductible. Section 7(4) of the act does, however, state that voluntary contributions are subject to tax at the point of withdrawal, where the withdrawal is made before the end of five years from the date the voluntary contribution was made.

The law also stipulates that all pension benefits are free from tax, as are all interests, dividends, profits and any other income accruable to the pension fund.

Poland

Projected Legislation - Pensions

It was reported in September 2014 that the Constitutional Tribunal had still not ruled on the constitutionality of the Polish pension reform. In the meantime the deadline to opt in to the second pillar operated by the private sector had passed with only around 10% of the Polish workforce deciding to continue and the balance deciding to revert to the first pillar only.

Saudi Arabia

Regulation - Compulsory Health Insurance

The Council of Cooperative Health Insurance (CCHI) has raised the age limit of dependents eligible for family cover under a compulsory health insurance policy from 18 to 25 years. It has also approved a measure to double the minimum limit for compulsory health insurance coverage from SAR 250,000 (USD 66,667) to SAR 500,000 (USD 133,333), effective from the beginning of August 2014. This measure is primarily aimed at more adequately covering the treatment of terminal illnesses. The latest measures apply to all those (expatriates and Saudi nationals employed in the private sector) covered by compulsory health insurance requirements under the Cooperative Health Insurance Law, its implementing regulations and amendments thereto. Following these developments insurers are reported to have increased premiums charged for compulsory health insurance as from August 2014.

Projected Legislation - Compulsory Insurance - Health Insurance

It was announced in April 2014 that the Ministry of Health and the General Directorate of Passports was planning to make it mandatory for expatriates to obtain health insurance coverage for their dependants. It has been assumed (and confirmation is awaited) that the announcement relates to visiting dependants.

Projected Legislation - Retirement Age

It was reported in early May 2014 that the Consultative Council (Majlis Al Shura) has approved a proposal that the retirement age for government employees should be raised from 60 to 62 years. Further developments can be expected as the decision of the Consultative Council is passed on to the Council of Ministers for further consideration.

Singapore

Social Security - Benefits - Short-Term Sickness

Effective from 1 April 2014, executives, professionals and managers earning less than SGD 4,500 per month are covered by the Employment Act and are entitled to sickness benefits subject to qualifying conditions.

Social Security - Contributions

Effective from 1 January 2015 employer contributions to the Central Provident Fund (CPF) for employees with monthly total wages greater than SGD 50 will be increased as follows:

Employee age (years)	2014 employer contribution (% of pensionable salary)	2015 employer contribution (% of pensionable salary)
Up to age 50	16	17
Age 50 to age 55	14	16
Age 55 to age 60	10.5	12
Age 60 to age 65	7	8.5
66 and above	6.5	7.5

Note: To mitigate the increase in employer contribution in 2015, the government will provide employers with a temporary employment credit of 0.5% and a special employment credit of up to 0.5% in 2015.

Source: Axco Global Statistics / Industry Associations and Regulatory Bodies

The contribution increase will be allocated as follows: 1% to the Medisave account and the remaining, if any, to the Special Account (SA).

Also effective 1 January 2015, for the 50 to 55 employee age band, the employee contribution will increase as follows:

- for those earning more than SGD 500 and up to SGD 750 - from 55.5% to 57% of total wages in excess of SGD 500. Contribution increases will continue to be phased in
- for those earning more than SGD 750 - from 18.5% to 19% of total wages. This increase will be allocated to the Ordinary Account (OA).

For 2015, the CPF annual limit (the maximum mandatory and voluntary contributions for the year) is increased to SGD 31,450 from SGD 30,600.

Social Security - Contributions and Benefits

From 1 July 2014 the Central Provident Fund (CPF) minimum sum, Medisave minimum sum (MMS) and Medisave contribution ceiling (MCC) were increased. For members reaching age 55 between 1 July 2014 and 30 June 2015 the CPF minimum sum rose from SGD 148,000 to SGD 155,000. The MMS increased to SGD 43,500 from SGD 40,500 and the MCC, which is fixed at SGD 5,000 above the MMS, therefore rose to SGD 48,500.

Taxation - US Foreign Account Tax Compliance

Singapore has initialed a Model 1 Intergovernmental agreement (IGA) with the US to implement the requirements of the US Foreign Account Tax Compliance Act 2010 (FATCA); it is deemed to have an IGA in effect from 5 May 2014. It is understood that insurers have since absorbed its reporting requirements with regard to US citizens into their administrative processes.

Slovakia

Legislation - Pensions

In June 2014 the president signed into law new regulations regarding pension benefits payable under pillar II pensions, which are to begin in January 2015. Key features of the rules are listed below.

Programmed withdrawal is permissible where the combined pension from pillar I and pillar II meets a minimum level (1.25 times the average wage).

A lifetime annuity may be purchased from an insurance company offering these products.

Pensioners can decide if they want to receive increases during payment of the annuity, ie if it is to be indexed.

Pensioners can decide whether to include a guaranteed pension payment for seven years; if the pensioner dies during the guarantee period the remaining instalments will be paid to a nominated beneficiary.

Pensioners can decide whether to attach spouse's and orphan's pensions.

For those with insufficient funds to provide a lifetime annuity, an agreement may be made with the pension fund management company to pay a lump sum or receive payment through a series of instalments.

Switzerland

Legislation -Social Security

In September 2014 the government passed regulations concerning the reintegration of disabled people into the workforce. These come into force 1 January 2015.

Projected Legislation - Healthcare

In a referendum held in September 2014 the Swiss public voted against the creation of a single public health insurer. This is a positive development for private insurers that offer both the compulsory basic and supplementary health insurance.

Regulation - Insurance and Pensions

The government has maintained the guaranteed minimum technical interest rate for the compulsory component of pensions and life insurance products at 1.75% for 2015. The Insurance Association considers the rate is too high.

United Kingdom

Legislation - Pensions

The Finance Act 2014, enacted on 17 July 2014, implemented a number of changes announced in Budget 2014, including the provision for retirees to access their entire defined contribution (DC) pension funds as a cash lump sum from 6 April 2015.

Projected Legislation - Pensions

The Pension Schemes Bill 2014-2015 was introduced in parliament on 26 June 2014 following a favourable conclusion to the public consultation Reshaping Workplace Pensions for Future Generations. Launched in November 2013 by the Department of Work and Pensions, it found broad support for the creation of a shared risk category of corporate-sponsored provision, the Defined Ambition (DA) pension.

Further measures contained in the bill include:

- increased flexibility on how and when members can access retirement savings
- provision of a framework for "collective benefit" provision under workplace and personal pension plans. Collective defined contribution plans (CDCs) effectively encourage large scale risk pooling in the manner of an industry scheme across multiple employers. Such schemes seek to lower costs and provide target benefits for individual members the introduction of a guidance guarantee where everyone with a defined contribution (DC) arrangement is offered free, impartial advice as to the range of options available to them at retirement
- the introduction of further safeguards to protect members and pension schemes when a transfer out of a defined benefit scheme.

Projected Legislation - Taxation - Pensions

Draft legislation was published for consultation by HR Revenue and Customs (HMRC) in August 2014 to amend pension tax rules in light of liberalisation announcements made in Budget 2014. Proposed measures in the Taxation of Pensions Bill include allowing those aged 55 or over to access their entire defined contribution (DC) pension savings. Where this is accessed, however, any future DC contributions are capped at an annual tax free allowance of GBP 10,000. The bill seeks also to remove all withdrawal restrictions on income drawdown.

Contact Us

If you have any questions or would like more information, contact our Global Consulting and Strategy team at hrconsulting@xerox.com.

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