

Global View® Quarterly

Fall 2016

News

A Message from Jill Neilson,
Managing Director, Global
Consulting and Strategy

11th Annual Buck Consultants
Global Network Conference –
June 30-July 1, 2016 - Dublin, Ireland

The city of Dublin provided a wonderful backdrop for our 11th Annual Buck Consultants Global Network Conference. Network members from more than 20 countries representing all regions joined members of the Global Consulting and Strategy team to share information, network with fellow members, and learn about the latest trends in employee benefits.

Our Global Network has seen growth over the past year, with several new network members joining the team (see below). The conference was a perfect opportunity for long-standing members to catch up and to share their experience with the newcomers. The new members also had the opportunity to share their knowledge by giving brief presentations about their respective firms and experience.

Our annual conference is an integral part of the strength of our network. I would like to thank all of our Global Network Members and my Xerox colleagues who attended this year's conference.

Conference highlights included:

- Discussing the specific benefit management needs of multinational clients
- Reviewing our new offering - Global Benefits Solutions - with a technology partner that will provide enhanced services for clients



Dublin Castle



Michelle Molina, GCS Event Coordinator



Attendees enjoying a festive evening with dinner hosted together with the Mansion House during the Buck Consultants Global Network Conference.

- Hearing from new Global Network Members in Brazil, Hungary, Ireland, Japan, Netherlands, Russia and Thailand
- Debating the potential impact of Brexit on multinational businesses

Our Global Network Conference is one of the highlights of the year – and planning has already started for the 2017 conference.

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Member Highlights

Our Recent Joiners

- [Joao Mata, Lda.](#) (Portugal, Mozambique) – Insurance Brokers and Consultants. In addition to expertise in Employee Benefits, Joao Mata's services include workers' compensation and Property & Casualty insurance, including motor. Joao Mata was founded in 1972 and now has nearly 60 employees.
- [JP Actuary Consulting Co., Ltd.](#) (Japan) – Founded in 2000, JP Actuary Consulting offers services in the areas of retirement benefits with a philosophy to contribute to an improvement of retirement benefits; as well as, enhanced security of post-retirement income through assisting employers with their programs.

Member Updates

MAI CEE Insurance Brokers announced it has celebrated its 25th Anniversary in Prague, Czech Republic in July 2016.

All MAI CEE country managers, senior employees and partners from the entire Central and Eastern Europe together with MAI CEE shareholders all traveled to Prague to celebrate this milestone Anniversary.

Message from Dean Aloise

Happy 100th anniversary to our consultants!

It was exactly a century ago, on August 1, 1916, that George B. Buck started an actuarial business in New York City. From those modest beginnings, we've grown tremendously into the global HR services firm we are today. Yet, we are still known for our founding principles – dedication to our clients, innovative thinking, and upholding the highest standards of excellence.

We've had an illustrious history as Buck Consultants, and the journey is continuing in amazing new directions. We're about to become part of Conduent, a brand-new services firm that will be a pioneer in its own right.

Buck Consultants was always known for the character of its people, and that lives on... through HRS.

Visit our [100th anniversary site](#) on xerox.com.

Global Network Member Profile: MAI CEE Insurance Brokers

We are seeing many of our clients enter the Central and Eastern European markets, and of course, this requires not only an understanding of the employee benefits market, but also the ability to provide coverage to these employees. To support client growth, we would like to shine a spotlight on MAI CEE Insurance Brokers, a regional network member that provides coverage across 25 Central and Eastern European countries. Each MAI operation features expertise in each local market in the region. Read this special edition [Regional Profile here](#).

EU mobility directive signed into German law

The German Government has signed into law to implement the EU Mobility Directive (2014/50/EU). This law comes into effect from 1 January 2018 and has the following impact on pension commitments in Germany:

- A reduction in the vesting period from five to three years and a reduction in the minimum vesting age from 25 to 21.
- Vested benefit increases in defined benefit plans open to new joiners on 20 May 2014 in order to help preserve value of the benefit in real terms for plans where the vested benefit was previously frozen.
- Increased duties on employers and pension providers to provide more certain specified information to members of plans
- Introduction of a requirement to obtain members' consent for severance payments that cover minimum benefits

These changes need to be reflected in pension rules before the law comes into effect on 1 January 2018. If vested revaluation requirements need to be incorporated the cost of pension provision will increase. Employers may want to consider options for mitigating the pension cost increases through amendments to benefits or the structure of the pension commitment.

From our HR Insights blog

[Understanding the Past, Building the Future: Health Care](#)

The future of retirement programs in Canada, the U.S., and the U.K.

[Simon Says: What's hot and what's not in HR and employee benefits?](#)

Here is our take on what's hot and what's not in HR and employee benefits.

Recent Country Regulatory Updates

For more detailed information, contact hrservices@xerox.com.

Australia

Projected Legislation - Pensions

On 3 May 2016, the Federal Budget 2016 announced a range of amendments to superannuation effective from 1 July 2017. Significant measures include those listed below.

- The concessional (before tax) contribution cap is to decrease from AUD 30,000 (USD 21,352) to AUD 25,000 (USD 17,794). This may be exceeded via a new carry forward option where the cap has not been fully exploited in previous years and the superannuation balance is below AUD 500,000 (USD 355,872).
- Those with combined incomes and superannuation contributions of more than AUD 250,000 (USD 177,936) would pay 30% tax on their concessional contributions.
- Personal contributions to superannuation will be tax deductible to age 75 regardless of personal working circumstances.
- An AUD 1.6mn (USD 1.14mn) lifetime cap is introduced on accumulated fund balances, for transfer into pension income.

A non-concessional (after tax) lifetime contribution cap of AUD 500,000 (USD 355,872) is introduced from 3 May 2016



From the Buck Consultants Global Network Conference - The Star of Saint Patrick – Emblem of the Order

China

Projected Legislation - Social Security - Contributions and Benefits

One of the aspirations of the 13th Five-year Plan (for 2016 to 2020) is to merge maternity insurance with healthcare insurance so as to increase the number of women with maternity cover. The planned unification of social pension systems should also lead to the introduction of a uniform pension contribution rate across all cities

Germany

Projected Legislation - Taxation - Pensions

In February 2016, a final draft of the act to amend investment taxation (*Investmentsteuerreformgesetz - InvStRefG*) was published. Commentators state that whilst returns under private pension savings are exempted, the rules may affect returns on certain investments under corporate pension funds.

India

Healthcare

The Union Budget 2016-17 included a proposal to introduce a new health protection scheme to provide hospitalisation cover for around one-third of the population, with an additional top-up package for senior citizens.

Projected Regulation - Health Insurance

On 19 January 2016 the Insurance Regulatory and Development Authority of India (IRDAI) issued an exposure draft of the IRDAI (Health Insurance) Regulations, 2016. The aim is to replace previous regulations as well as align the regulations with those applying to third party administrators (TPAs).

Regulation - Distribution - Health Insurance

Further to the *Guidelines on Point of Sales Person for Non-life and Health Insurers* issued under circular *IRDA/Inf/GDL/ORD/183/10/2015* in October 2015, on 14 March 2016 the Insurance Regulatory and Development Authority of India (IRDAI) issued circular *IRDA/INT/GDL/ORD/047/03/2016*, by virtue of which the range of products to which the guidelines apply has been extended to include hospital cash and critical illness policies.

Regulation - Microinsurance - Health

On 8 January 2016 the Insurance Regulatory and Development Authority of India (IRDAI) issued a circular to all non-life and health insurers entitled *Filing of Microinsurance Products subsequent to the implementation of IRDAI (Microinsurance) Regulations, 2015*.



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Japan

Legislation - Pensions

On 26 May 2016 the Diet passed the *Defined Contribution (DC) Amendment Act* which is to be implemented in three phases starting in January 2017.

The first phase, effective from 1 January 2017 would remove all restrictions on who could become a defined contribution (DC) pension fund member. Members with small balances in funds on termination of employment will no longer be able to take the value as cash, effectively introducing compulsory preservation.

The second phase, from 1 January 2018, would see the limits for contributions redefined on an annual rather than a monthly basis.

The third phase, for which no implementation date was included and which will require new regulations, includes changes in investment options and their management; a requirement for the plan sponsors to review service quality at least every five years; small employers being allowed to contribute to employees' individual DC plans and the option of transfer from smaller enterprise retirement allowance mutual aid (SERAMA) plans to DC plans.

Mexico

Regulation - Pensions - Investments

Responding to industry complaints about the lack of choices the Mexican pension regulator, the National Retirement Savings Commission (Comision Nacional del Sistema de Ahorro para el Retiro - Consar) has widened the investment options for pension funds. Two investment vehicles, which have been established recently in order to allow private sector investment in Mexican infrastructure projects, were added to the list of eligible investments for pension funds. Fund managers can now include certificates issued by the Fibra E (Fideicomiso de la Inversion y Bienes Raisés) trust, which focuses on the energy and infrastructure sectors, as well as the bond certificates known as CERPI (certificados bursatiles fiduciarios de proyectos de inversion), which cover projects in a range of sectors, in their investment portfolio. The changes were published in Consar press release No 17/2016 on 26 April 2016.

Netherlands

Legislation - Pensions

A new act was passed in June 2016, which will give pension fund members more flexibility when buying annuities. The act, which amends the *Pensions Act (Pensioenwet)*, the *Act Concerning Compulsory Membership of an Occupational Pension Scheme (Wet betreffende verplichte deelneming in een beroepspensioenregeling)* and the *Wages and Salaries Tax Act 1964 (Wet op de loonbelasting)*, will make it possible for members to choose between a fixed pension, a variable pension or a combination of the two.

Social Security - Contributions

For 2016, the employer contributions in respect of retirement benefits increased from 5.25% to 5.88%, contributions to the general unemployment fund increased from 2.07% to 2.44% and contributions in respect of basic medical benefits reduced from 6.95% to 6.75%.

The salary ceiling in 2016 for contributions for retirement benefits, death benefits and long-term care is EUR 33,715 (increased from EUR 33,363); for all other benefit types it is EUR 52,763 (increased from EUR 51,414).

New Zealand

Projected Legislation - Social Security

The *Social Security Legislation Rewrite Bill* introduced on 17 March 2016 seeks to repeal and replace the 1964 governing social security law with an updated, clearer and more coherent statute. The draft law is scheduled to become effective for the most part from July 2017.

Norway

Projected Regulation - Capital Requirements - Pension Funds

The Ministry of Finance and the financial supervisory authority (Finanstilsynet) have agreed that capital requirements for the Norway's pension funds should be strengthened and be based on a simplified version of *Solvency II*. Finanstilsynet is to produce draft proposals by the end of June with possible implementation from 1 January 2018.

The regulations will apply to all pension funds which are exposed to both biometric (longevity/mortality) and investment risks (in practice this means all but one of Norway's pension funds); they are expected to be based on the stress tests, already used by Finanstilsynet, which pensions funds must carry out. Currently, it is recommended under one of the tests that pension funds have enough capital to cover their liabilities at market value; under the new regulations, this recommendation will become a requirement.

Peru

Legislation - Pensions

Law No 30425 of 21 April 2016 introduced reforms to the pensions law, the *Texto Unico Ordenado de la Ley del Sistema Privado de Administracion de Fondos de Pensiones*. The most notable changes are listed below.

- The early retirement scheme for the unemployed (Regimen Especial de Jubilacion Anticipada para Desempleados) created by *Law 29426 of 26 October 2009* is extended until 31 December 2018 (Article 1).
- Affiliates over 65 years of age may choose to receive a pension benefit in any of the existing formats or alternatively, may now request a withdrawal from

private pension fund administrators (Administradores de Fondos de Pensiones - AFPs) of up to 95.5% of the accumulated fund held in the personal retirement account (cuenta individual de capitalizacion - CIC) (Article 2).

- The affiliate is permitted to use 25% of the capital accrued in the CIC as collateral for the initial payment on a mortgage to acquire a first home (Article 4).
- Early retirement or access to paid contributions will be granted to an affiliate who is diagnosed with cancer or a terminal disease, subject to certain conditions. A payment of up to 50% of paid contributions including any interest may be granted where there are no beneficiaries (Article 5).

Social Security - Early Retirement

Law No 30425 of 21 April 2016 extended the early retirement scheme for the unemployed (Regimen Especial de Jubilacion Anticipada para Desempleados) created by *Law 29426 of 26 October 2009* until 31 December 2018 (Article 1).



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Singapore

Legislation - Pensions

The *Central Provident Fund (Amendment) Bill 2016* passed into law on 29 February 2016 and received presidential assent on 13 April. It takes effect from a date determined by ministerial notice. It provides greater flexibility for members in the use and withdrawal of pension funds (retirement account balances). A further measure permits transfer of pension fund monies between spouses.

Social Security - Benefits

The *Central Provident Fund (Amendment) Bill 2016* passed into law on 29 February 2016 and received presidential assent on 13 April. It takes effect from a date determined by ministerial notice. It contains revised measures to the Dependants' Protection Scheme (DPS) and Home Protection Scheme (HPS) benefits within the Central Provident Fund (CPF). This includes some relaxation in the payment of claims in instances where the disabled member may be able to secure future employment. A further measure clarifies the circumstances when cover may be refused on account of a pre-existing condition. An updated definition of "incapacitated" means that a total and permanent disability (TPD) or terminal illness is also included.

South Africa

Legislation - Pensions

The *Taxation Laws Amendment Act 25 of 2015* was signed into law on 8 January 2016, despite union opposition, implementing pension reform measures to equalise treatment of pension and provident funds in terms of tax and annuitisation requirements from 1 March 2016. The 2016-17 budget, however, announced that the compulsory annuitisation of provident funds required further consultation with key stakeholders and would therefore be postponed for two years until 1 March 2018.

The tax changes contained in the *Taxation Laws Amendment Act 25 of 2015* would continue to be implemented from 1 March 2016.

Projected Legislation - Healthcare

The Ministry of Health has presented a white paper which envisages the establishment of a national health insurance (NHI) system in three phases by 2025.

Phase I, to be completed in the 2017 financial year, would require the setup of a project team to oversee the establishment of an NHI fund, preparatory work such as moving central hospitals to a national competence and establishing various institutions such as the Office of Health Standards Compliance and the National Health Commission.

Phase II, to be completed in the 2021 financial year, would see the government reviewing its own medical aid subsidies; the purchase (by the government, as no funds would be available to the NHI Fund) of services from both public and private providers; finalising the NHI Fund and establishing its management and governance structures, and amending the *Medical Schemes Act*.

Phase III, to be completed in the 2025 financial year, would see the introduction of compulsory contributions for the NHI Fund, contracting with accredited private hospitals and specialist services and implementing the amendments to the *Medical Schemes Act*.

Projected Regulation - Solvency - Medical Schemes

The Council for Medical Schemes (CMS) has proposed a review of the solvency basis for medical schemes. The primary proposal is to move to a risk based solvency measure based on the risk profile of the individual schemes (different schemes have substantially different membership profiles and investment philosophies). Stakeholders were given until 20 May 2016 to comment on the proposal, but no timeframe was discussed for final implementation.

United States

Projected Legislation - Healthcare

On 4 February 2016 a bill called the *Health Savings Act 2016* was introduced in the House of Representatives, which will amend the Internal Revenue Code to improve access to health care through expanded health savings accounts (HSAs) and flexible spending accounts (FSAs).

Benchmark Month End Discount Rates

The Buck Consultants Corporate Bond Yield Curves, including benchmark discount rates, is produced monthly.

The Yield Curves and benchmark discount rates are developed from data on corporate bonds with a high-quality rating by either Moody's or Standard & Poor's. Yield Curves are developed for bonds denominated in several currencies. The Nelson-Siegel-Bliss (NSB) curve-fitting methodology is then used to construct a curve of spot rates as a function of duration.

These curves and indices help determine the appropriate discount rate used to value the defined benefit pension liabilities for accounting purposes under US GAAP and IFRS.

As pension liabilities are inversely proportional to the discount rate and recent discount rate movements have been more volatile than in the past, companies with defined benefit pension obligations should track the movement in benchmark rates to avoid year-end financial surprises.

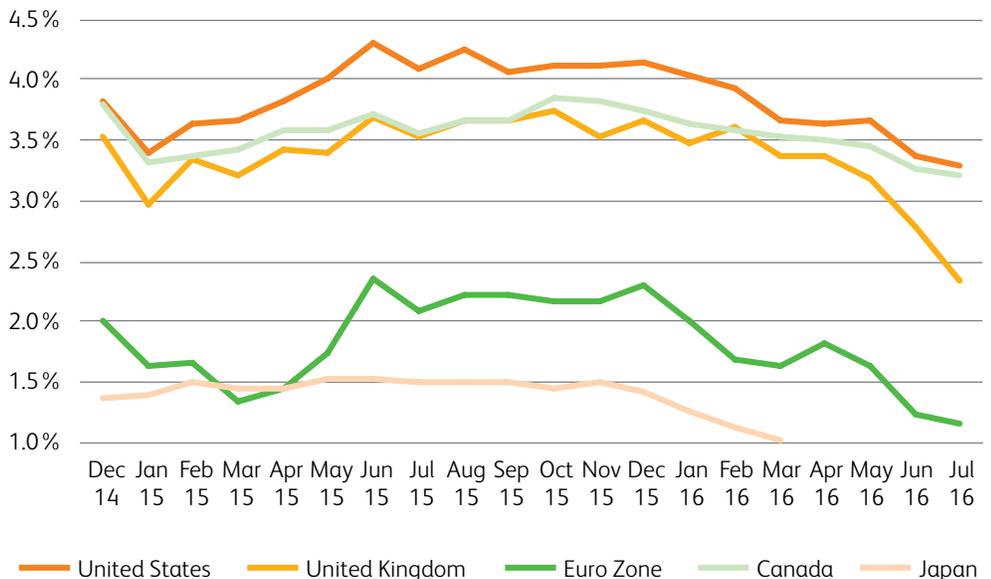
Rates have decreased since the end of 2015 for all countries, specifically a 65 basis point decrease for the Eurozone and a 50 basis point decrease for the US. We will continue to monitor the rates throughout the upcoming months.

Contact Us

If you have any questions or would like more information, contact our Global Consulting and Strategy team at **1 866.355.6647** or hrservices@xerox.com.

www.xerox.com/hrservices

Benchmark Month End Discount Rates



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