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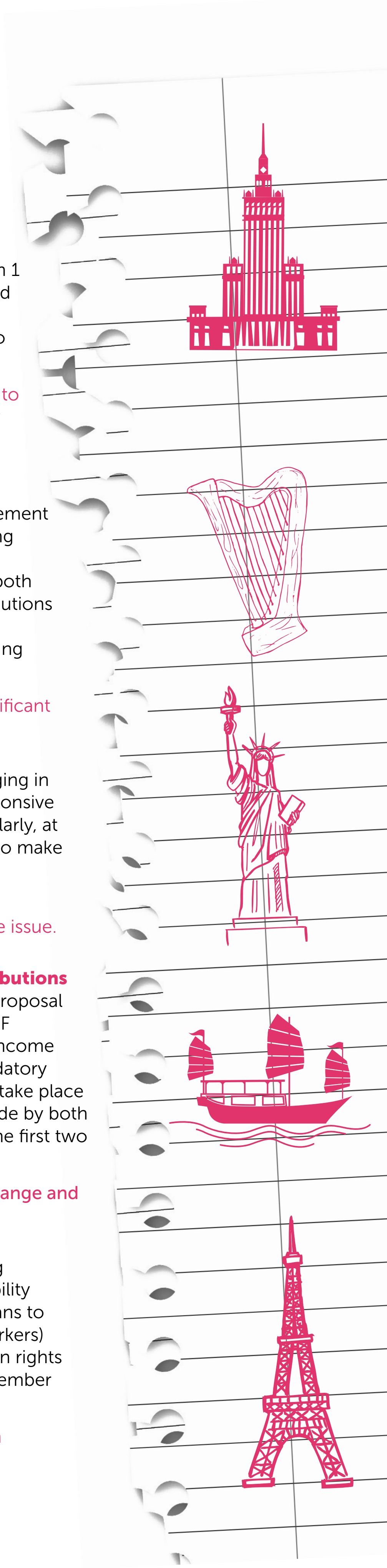
A window on the world
International Pensions Agenda

November 2018



1 Poland: new employee capital plans — The Polish government is finalising work on the creation of employee capital plans, a new type of "third pillar" pension savings plan. It is envisaged that the new law on employee capital plans will come into force from 1 January 2019 and apply to the biggest employers (those with at least 250 employees) from 1 July 2019. It is expected that minimum contributions will need to be paid by both employers and employees - 1.5% of salary by the employer and 2% by the employee. Additional contributions will also be possible, up to certain limits.

Action — Employers should review the progress of this legislation (due to be published in final form by the end of this year) and factor in the likely additional costs.

2 Ireland: proposals for new automatic enrolment system — The Irish government is consulting on a new automatic enrolment retirement savings system. The proposals involve mandatory enrolment of qualifying staff aged between 23 and 60 who are earning over €20,000 a year. Minimum contributions are due to begin in 2022 at 1% of earnings (for both members and employers), building up gradually to 6% matching contributions on earnings up to €75,000 a year. A new authority will be established to carry out a number of functions under the system, including administering contributions. For more information, please see our briefing here.

Action — Employers and providers should consider the potentially significant financial, administrative and other implications of these proposals.

3 USA: missing participants — The US Department of Labor is engaging in a major effort to ensure that employers are locating missing and unresponsive former employees who are entitled to pension and 401(k) benefits. Similarly, at least one state has brought an action against a major insurer for failing to make adequate efforts to pay annuity benefits to missing annuitants.

Action — Review processes and efforts to identify and find missing and unresponsive participants before a Department of Labor audit forces the issue.

4 Hong Kong: increase in Mandatory Provident Fund (MPF) contributions — The Mandatory Provident Fund Schemes Authority has submitted a proposal to the government to increase the income level for exemption from MPF contributions from HK$7,100 to HK$8,250 and the maximum monthly income level of which employers and employees are required to make 5% mandatory contributions from HK$30,000 to HK$48,000. The implementation will take place in two stages, meaning that the maximum mandatory contributions made by both employers and employees would rise from HK$1,500 to HK$1,950 for the first two years and to HK$2,400 after that.

Action — Employers should keep up to date on the progress of this change and factor in the financial impact if it is approved by the government.

5 Luxembourg: supplementary pension reform — The Luxembourg government has adopted legislation implementing the European Portability Directive. The new law extends the scope of supplementary pension plans to liberal and independent professions (they were previously limited to workers) and improves the acquisition and preservation of supplementary pension rights of members in order to further facilitate worker mobility between EU Member States.

Action — Employees should be informed of the changes, particularly in mobility situations.

6 France: implementing a new national retirement scheme — The French government has launched negotiations on a new national retirement scheme. This new scheme will apply to all workers (not only employees) and will replace all the current schemes. The law is due to be voted on in January 2019. In addition, a new bill related to supplementary plans (Loi PACTE) is also being voted on - this will impact profit sharing and supplementary plans, including defined benefit.

Action — Employers should follow the negotiations and keep their employees informed. Further actions will arise after the bills have been finalised. Note that employers also have to implement a previous reform, the merger of the ARRCO and AGIRC schemes on 1 January 2019 (for more details, click here).

7 Netherlands: automatic transfer of small pensions — From January 2019, pension providers will have the option of transferring small pensions (up to an equivalent annuity of €474 a year on current figures) unilaterally to a deferred member's new pension provider. Redemption of small pension amounts above €2 a year will also be prohibited. Pension providers must co-operate to receive an incoming value transfer – there is no right to block it. Most pension institutions are working on their policy on this type of transfer.

Action — Make an inventory of potential transfers and provide for this. Note that it may lead to unexpected and potentially high additional costs. In certain sectors, more than 50% of deferred members' pensions are worth less than €474 a year.

8 Spain: insurance policy changes — The Spanish government has enacted a Royal-Law Decree implementing the EU Pensions Portability Directive. As a result, the law now includes some limits to the restrictions established by insurance policies when granting retirement benefits. In particular, if the insurance policy sets out the members' right to receive retirement payments before the retirement itself, the policy cannot require more than three years of employment either for the employee to become a member and/or for the employee to acquire the rights provided for by the insurance policy.

Action — Review insurance policies to ensure they are compliant with the new law.

9 Austria: increases of up to 2.6% in 2019 — In January 2019, pensions will increase on a graded basis. The change will apply under the statutory pension insurance scheme (gesetzliche Pensionsversicherung) and to civil service pensions (Beamtenpension). For pensions of up to €1,115 there will be an increase of 2.6%. For pensions above that level, lower increases will apply.

Action — Employers should keep up to date with this change.

10 Hong Kong: amendments to the Occupational Retirement Schemes Ordinance (ORSO) — The Mandatory Provident Fund Schemes Authority (MPFA) proposed amendments to the ORSO to address concerns that certain investment products for non-retirement purposes were registered or exempted under the ORSO, compromising the integrity of the regulation on investment products in Hong Kong. The amendments include: (1) employers of existing ORSO schemes are required to confirm that benefits are derived from an employment relationship, (2) the MPFA will not accept new applications for ORSO exemption certificates, (3) scheme administrators will only be permitted to accept a transfer of benefits from another scheme if the member of the scheme meets certain criteria, and (4) the MPFA's power to inspect, investigate, enforce, cancel registration and withdraw exemption of existing schemes will be enhanced.

Action — If the amendments are adopted by the government, employers will be required to file an annual statement to the MPFA to confirm that the employment-based criterion is met. New applicants for registration of their ORSO schemes will also need a solicitor's and an auditor's statement confirming that they have complied with this criterion.

11 UK: IORP II implementation — In late October 2018, the UK issued regulations designed to bring into force cross-border and governance aspects of the European Pensions Directive, IORP II. Much of the detail is being left to future changes to UK Pensions Regulator publications - these are expected to be consulted on next year.

Action — No immediate action is required but watch out for consultation on changes to UK Pensions Regulator publication, particularly in the governance arena, next year.

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