

Global DC Flexibility

Where can you take action in response to the COVID-19 crisis?

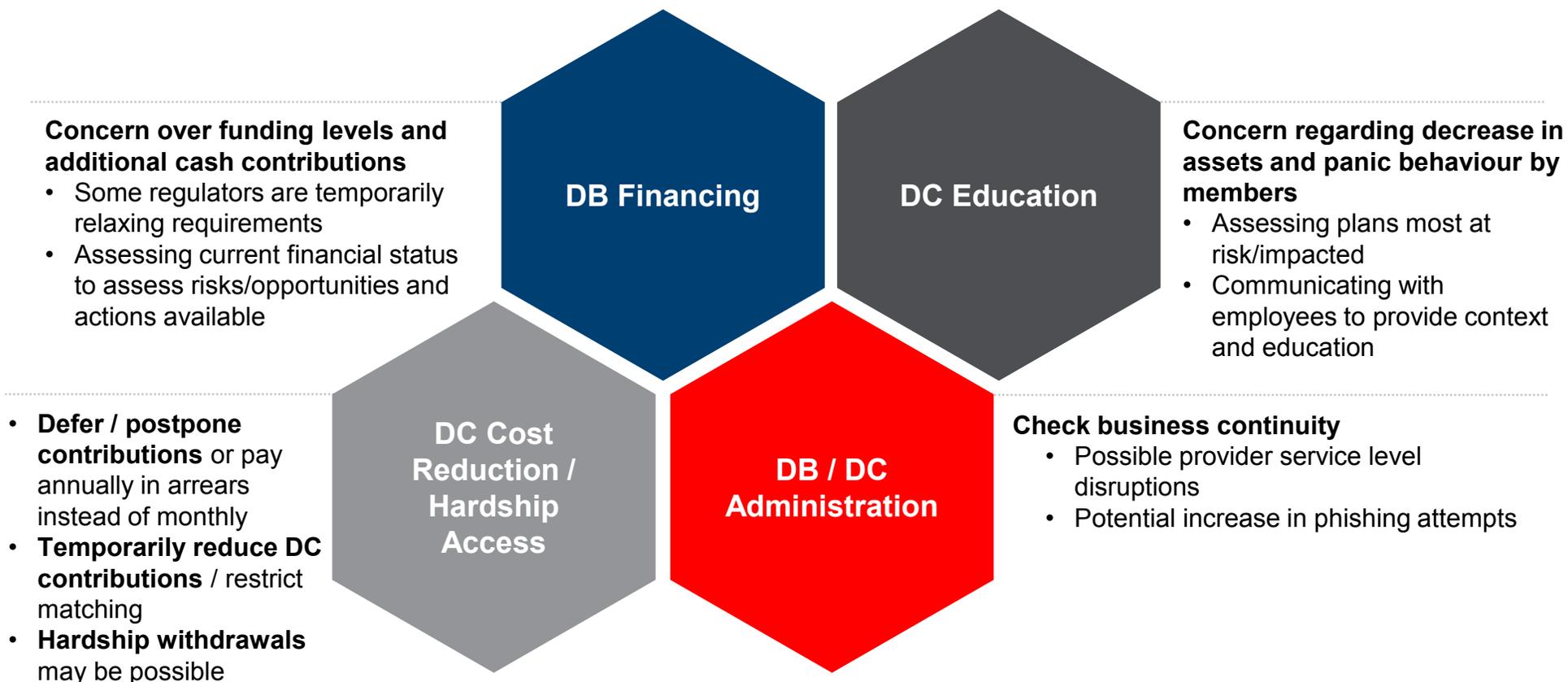
April 2020

Prepared by Aon

AON
Empower Results®

COVID-19 Disruption – Understanding its Impact on Global Retirement Plans

Organizations face significant workforce challenges due to COVID-19, and many have investigated cost flexibility within home country employee retirement plans. Interest is increasing to consider retirement plans elsewhere in the world, and Aon has insight to help navigate this journey. Major topics are shown below.



Determining Global DC Flexibility

The majority of employees in most global organizations participate in Defined Contribution (DC) retirement plans and our flexibility analysis looks specifically at these plans. Insight on Defined Benefit (DB) flexibility is available separately.

There is no uniform rule on what action can be taken. Labor laws, tax regulations, union presence and other factors differ greatly across each country and influence the actions possible in each country. We have looked at:

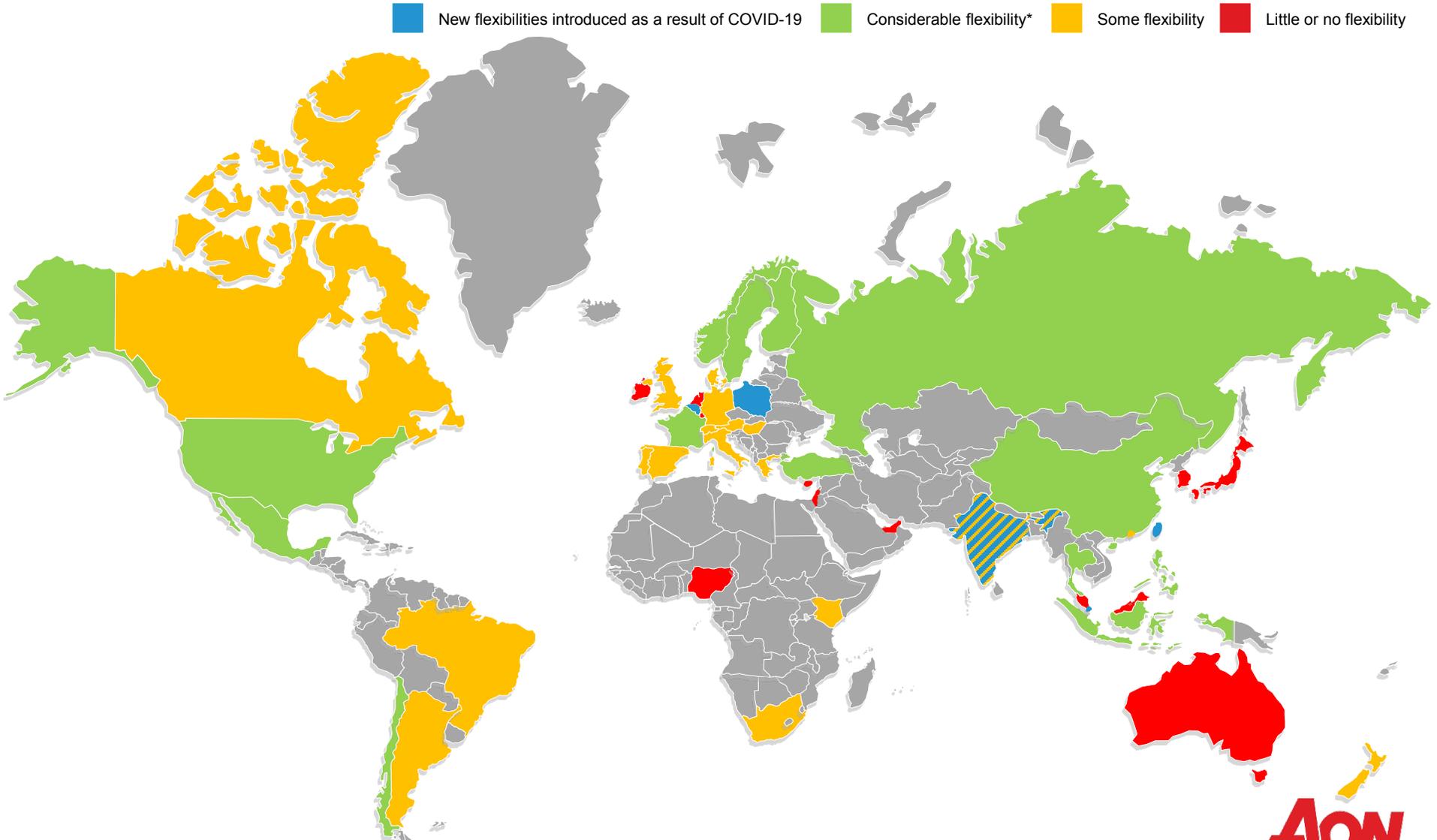
- 1 Countries where **employers** may be able to **reduce, delay or suspend their contributions** to DC plans, for companies looking to mitigate or defer costs;
- 2 Countries where **employees** may be able to **reduce, delay or suspend their contributions** to DC plans, for companies looking to give employees the opportunity to increase immediately accessible pay;
- 3 Countries where there is the possibility for **employees to access part or all of their DC fund accumulation**, in cases of hardship; and
- 4 Countries where the **pensions regulator or similar body has issued specific guidance or relaxations** for employers in respect of DC plans.

The material reflects our analysis of about 50 countries during April 2020. Red/yellow/green indicators are based on Aon's subjective views and specific advice must be sought before taking any decisions to vary the terms or operations of any plan. Please note that in all cases, legal advice must be sought before implementing any changes to ensure all consultation/notification obligations and legal processes are followed.

For further information, please speak to your usual Aon consultant or see the [Contacts](#) page.

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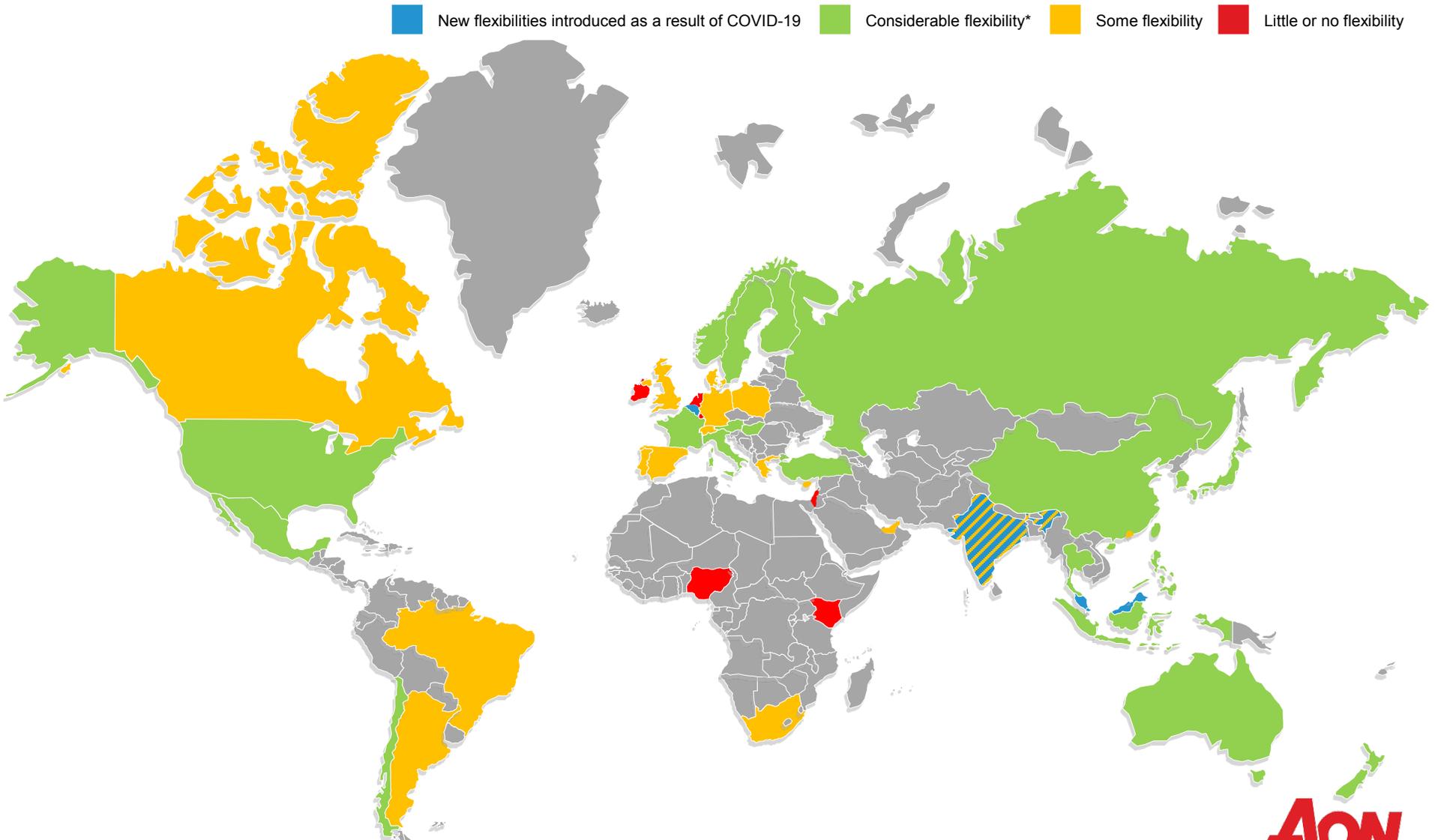
1. Can employers reduce, delay or suspend contributions to DC plans?



* Green denotes a greater degree of flexibility either in terms of range of options, and/or relative ease of implementation compared to other jurisdictions.

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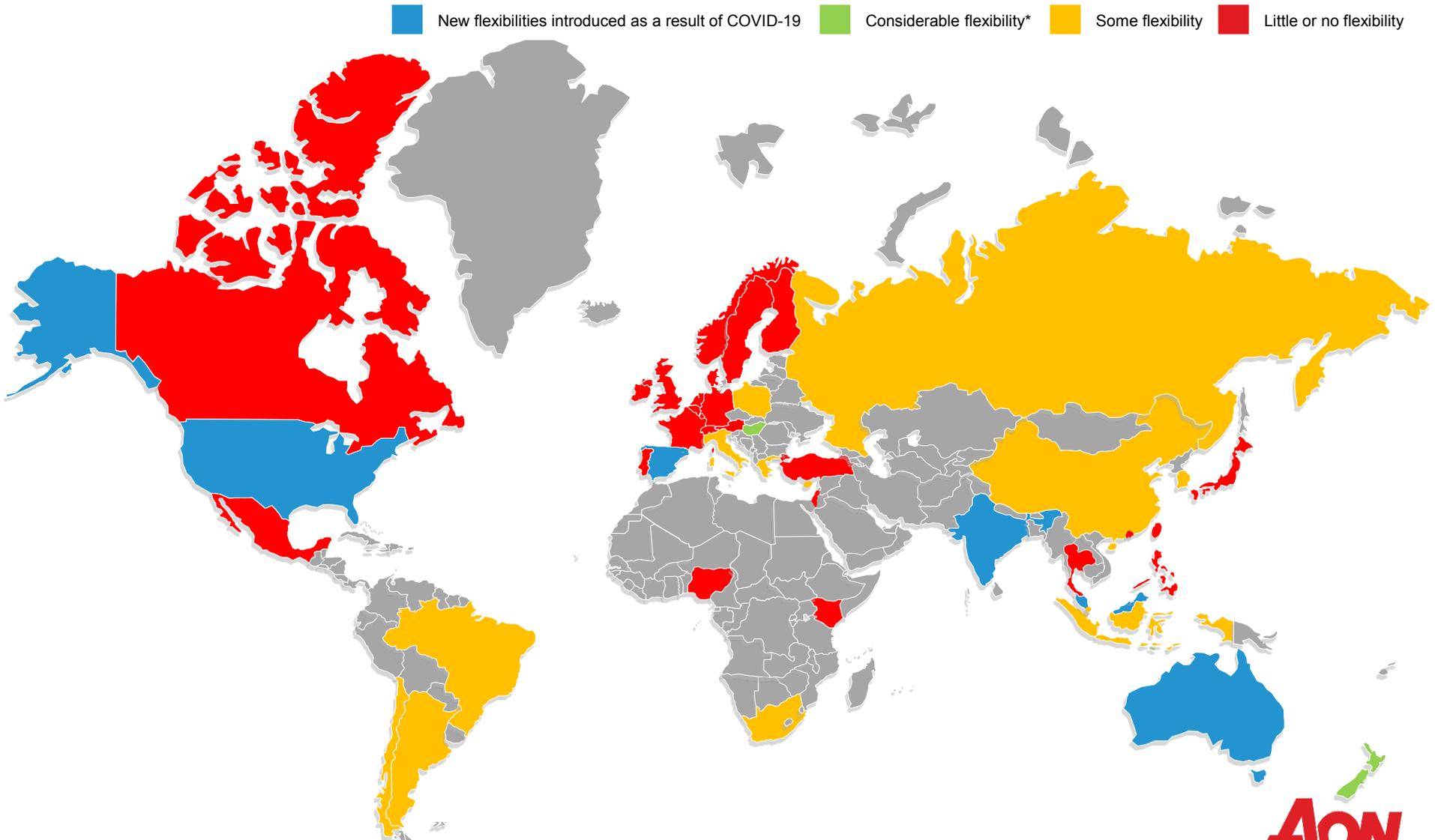
2. Can employees reduce, delay or suspend contributions to DC plans?



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3. Can employees access DC assets due to financial hardship while in employment or on temporary suspension?



* Green denotes a greater degree of flexibility when it comes to member access to funds whilst they are still an active member of the plan compared to other jurisdictions.

Global DC Flexibility – Key Findings



Employer Contributions

There is significant flexibility in many countries to adjust contributions to DC plans, specifically in the US, Mexico, China, India, and in several European countries. Conditions vary by country, and may be influenced by other factors such as Collective Bargaining Agreements.



Employee Contributions

There is flexibility in a large number of countries for employees to change their own contributions, particularly where employee contributions are voluntary. The pattern of flexibility differs from where employers have flexibility with their contributions.



Hardship

A certain amount of flexibility existed before the crisis but a number of countries have introduced additional flexibility, such as the US, Spain, India and Australia. Employers should consider the implications of employees accessing their retirement accounts.



Regulatory

Many countries have issued general guidance on the impact of COVID-19 on retirement plans, and a number of those have provided specific guidance on local DC plans. EIOPA, the European pensions authority, has issued [general guidance](#) asking local regulators to ensure they consider factors such as business continuity, funding/liquidity, member protection and communication.



Communications

Whilst initially the focus was on health and protection, it is now turning to retirement and ensuring employees are given some reassurance and information. Until now, employers have generally relied on providers to deliver communications to the plan members. There is emerging market practice for communications which discourage plan members from making short-term decisions which will impact their long-term retirement outcomes, and in some cases looking at implications for employees about to retire.

Next Steps

Global DC Plan Impact Analysis

Aon delivers an impact analysis to help you explore where changes can be made to your DC plans in response to the current crisis:

- You collate your existing global DC plan data, including any expected changes to workforce employment patterns per country.
- We analyze your data and prepare a high-level report presenting possible actions for consideration on a country-by-country basis.

\$5,000 fixed + \$1,000 per country where material recommendations exist.

Financial Wellness Employee Webinars

Aon delivers customized local/regional webinars designed to help your employees manage personal finances during the COVID-19 crisis.

- COVID-19 is having material impacts on personal finances and savings.
- Each session provides an action plan to support employees to take control and avoid financial stress.
- It also explores what it means for employees' retirement savings and investment choices.

\$2,500 fixed setup + \$1,000 per webinar session and can be modified* as you require.

Looking Longer Term?

Aon has developed additional solutions to help organizations keep track of global retirement plans, enabling them to react faster in future when necessary. Please get in touch if you would like to participate.

Subject to sales tax, VAT, GST and equivalents.

** Additional charges may apply*

Contacts

To obtain further insight on global DC flexibility available to your organization and for implementation advice and support, please speak to your usual Aon consultant or one of the contacts below:

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