

# Global DB Flexibility

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

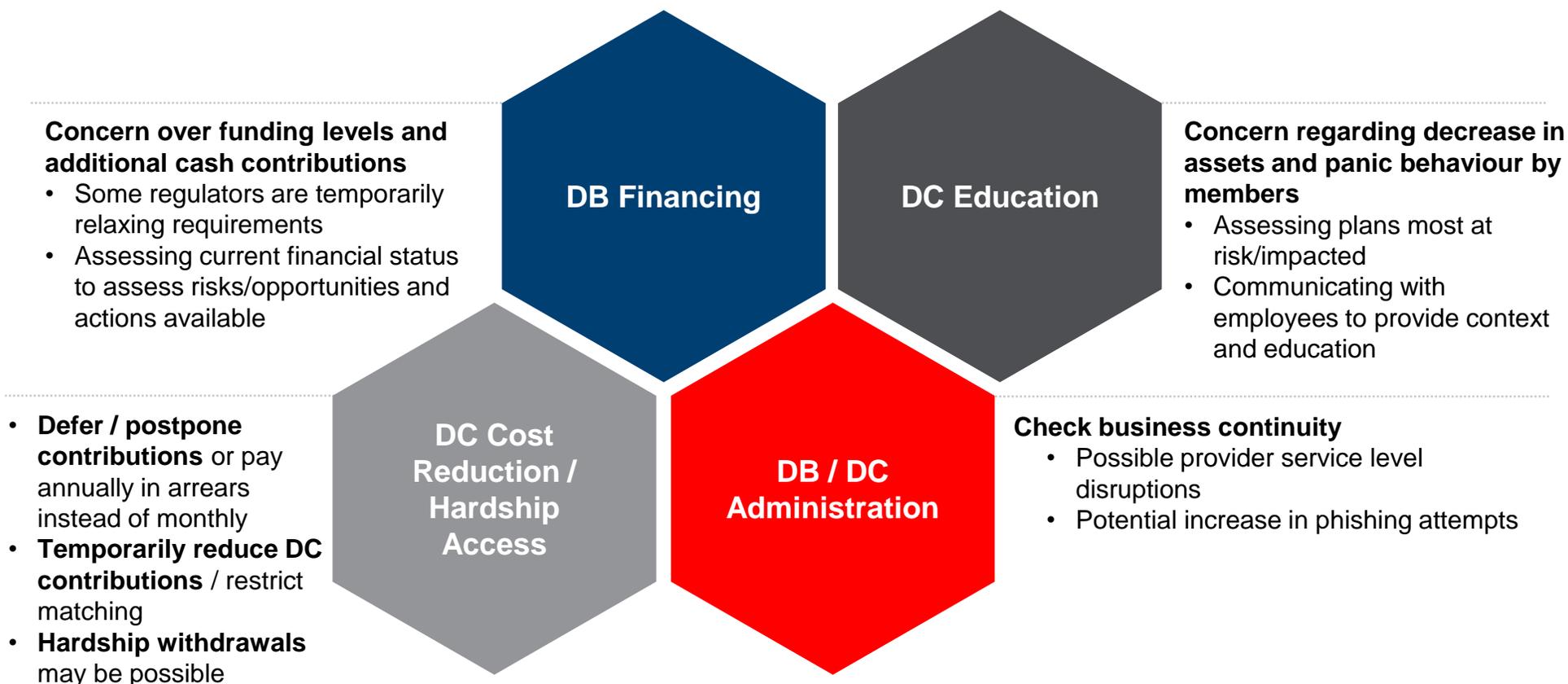
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Prepared by Aon

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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 DB Flexibility

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Most global organizations have Defined Benefit (DB) retirement plan obligations, although these plans are becoming less prevalent and are often closed to new entrants or closed to future accrual.

Our flexibility analysis looks specifically at DB plans. Insight on Defined Contribution (DC) 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:

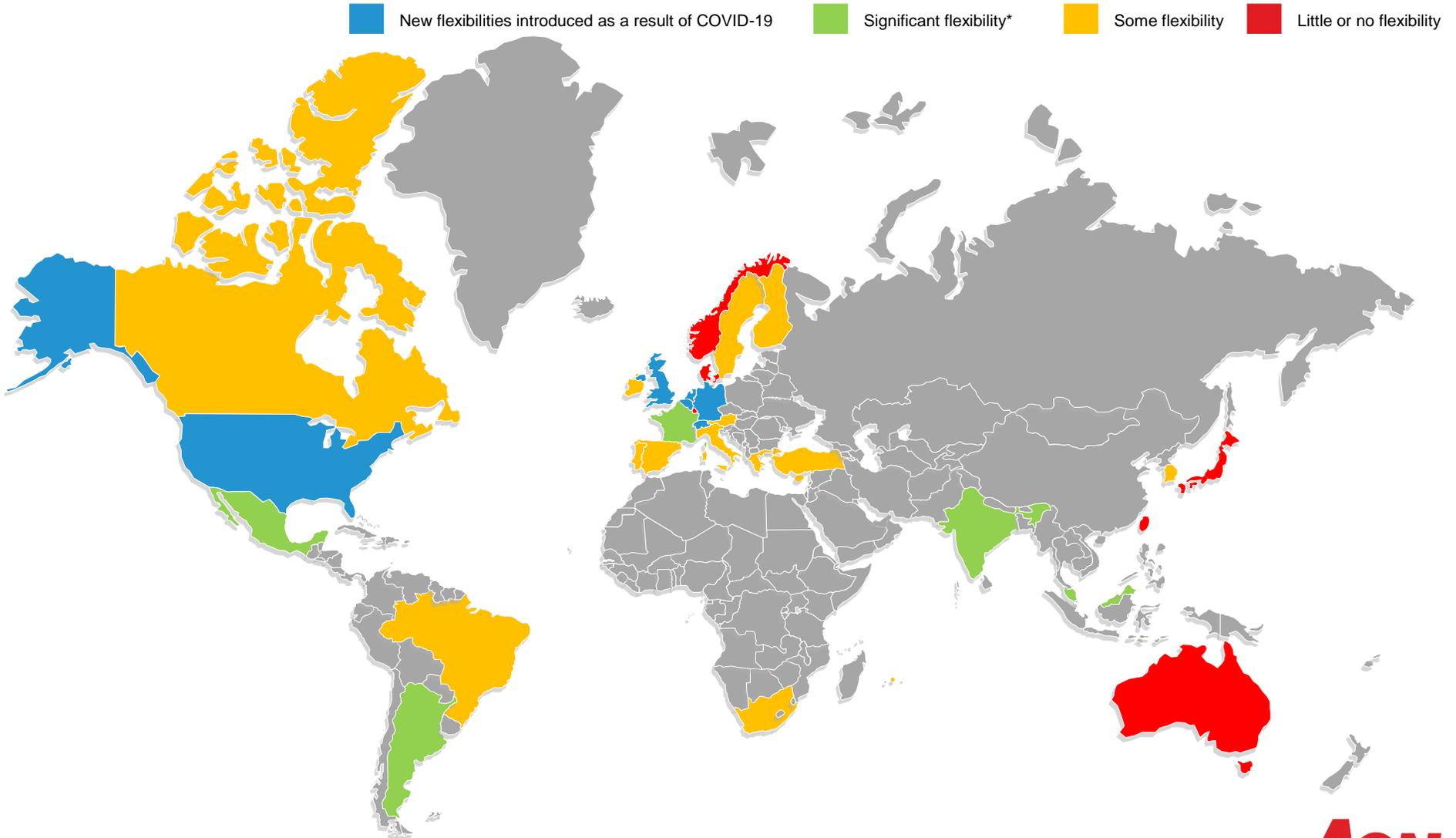
- 1 Countries where employers may be able to **suspend or defer contributions** to DB plans, for companies looking to mitigate cash outflow;
- 2 Countries where employers may be able to **access/use surplus assets** in DB plans, for immediate cashflow boosts;
- 3 Countries where **indexation on benefits may be able to be reduced**, for companies looking to control costs;
- 4 Countries where employees have the option to **take cash and/or transfer their benefits** out of DB plans at retirement or earlier;
- 5 Countries where the **pensions regulator or similar body has issued specific guidance or relaxations** for employers in respect of DB plans.

The material reflects our analysis of about 40 countries during May 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.

# Global DB Flexibility

## 1. Can employers suspend or defer their contributions to DB plans?



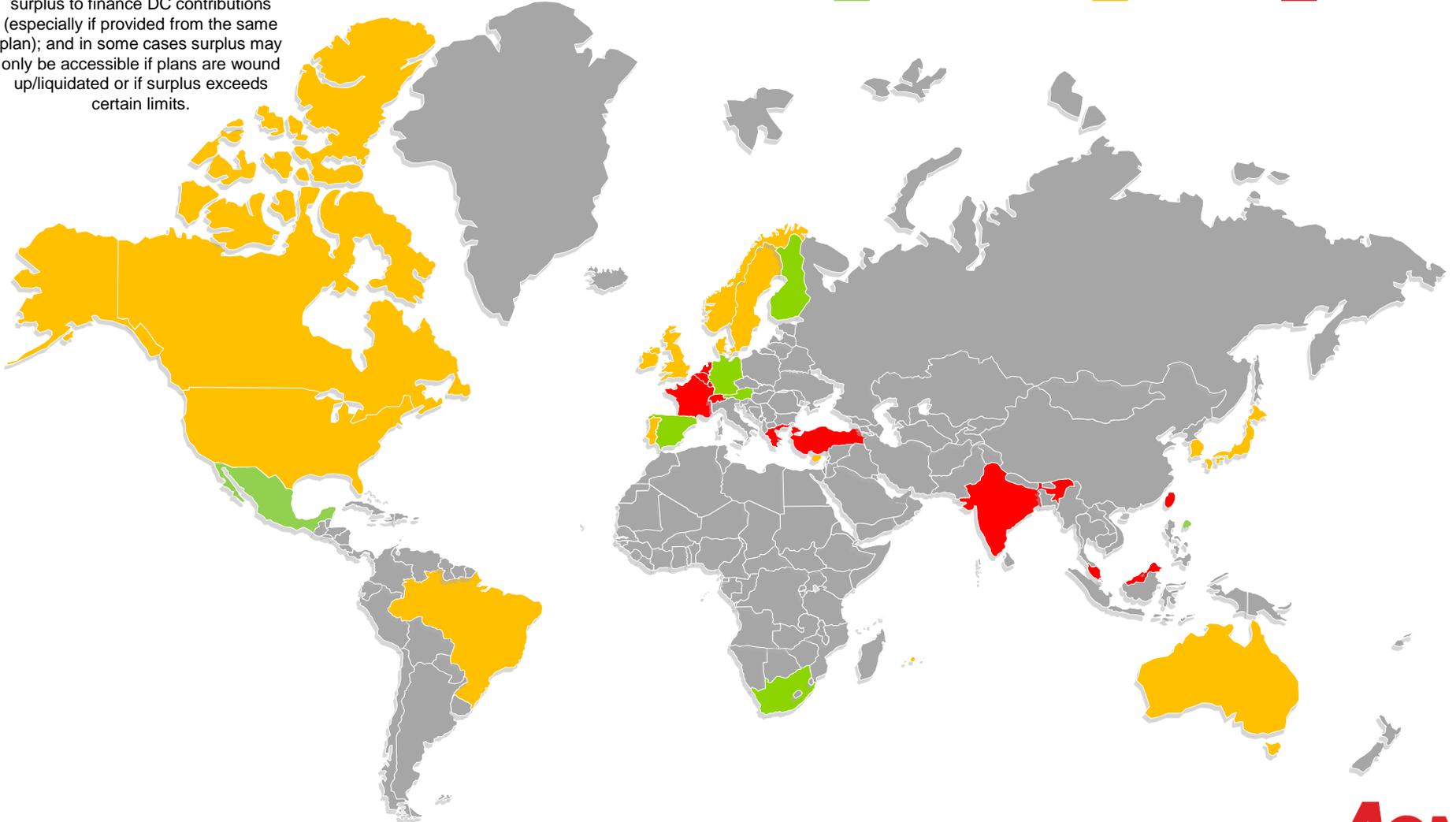
\* Green denotes a greater degree of flexibility either in terms of range of options, and/or relative ease of implementation compared to other jurisdictions.

# Global DB Flexibility

## 2. Can DB plan surplus assets be accessed/used by the employer?

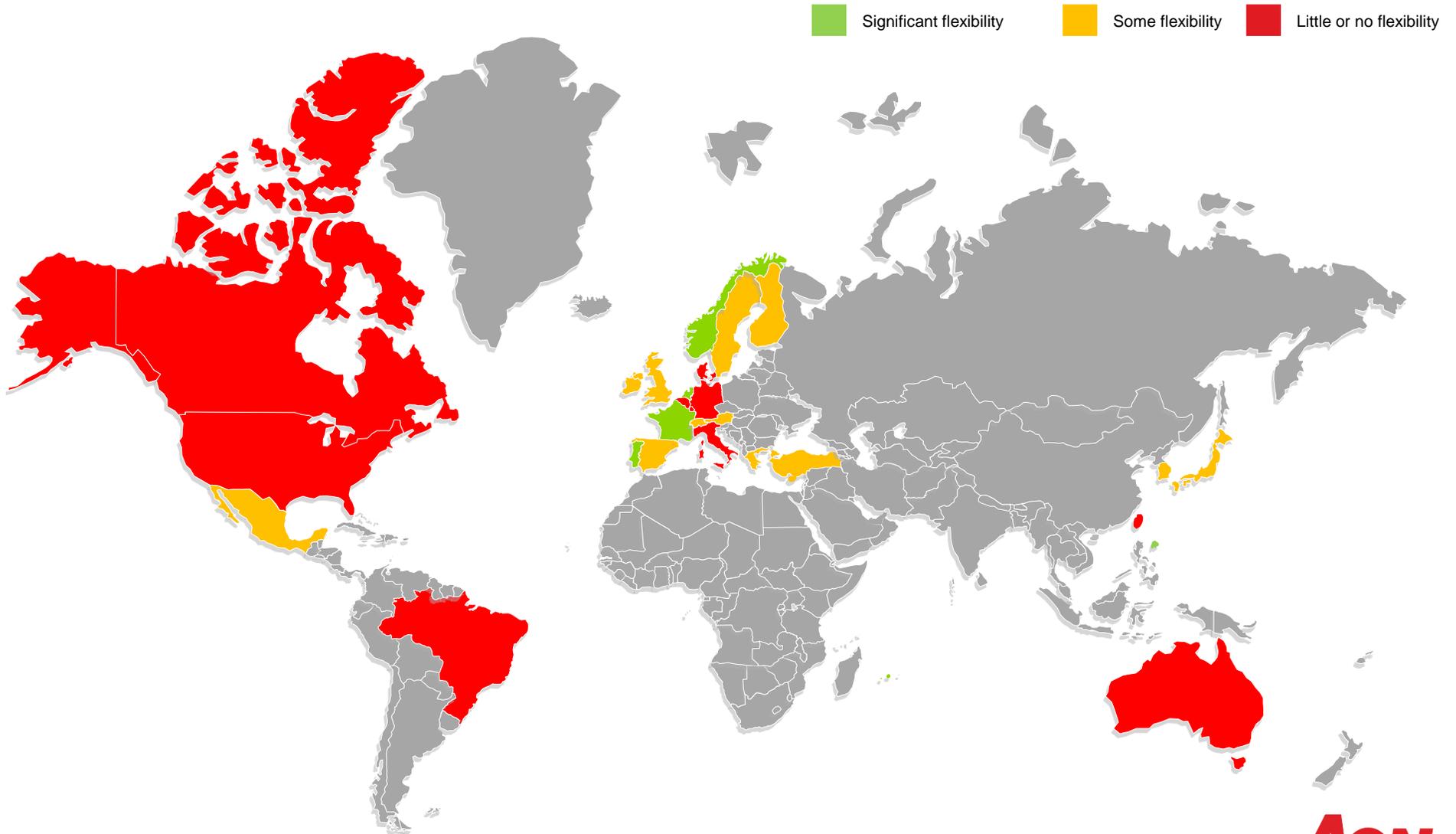
"Use by employer" may include using surplus to finance DC contributions (especially if provided from the same plan); and in some cases surplus may only be accessible if plans are wound up/liquidated or if surplus exceeds certain limits.

Significant flexibility    Some flexibility    Little or no flexibility



# Global DB Flexibility

## 3. Can accrued benefits or indexation on DB benefits be reduced?

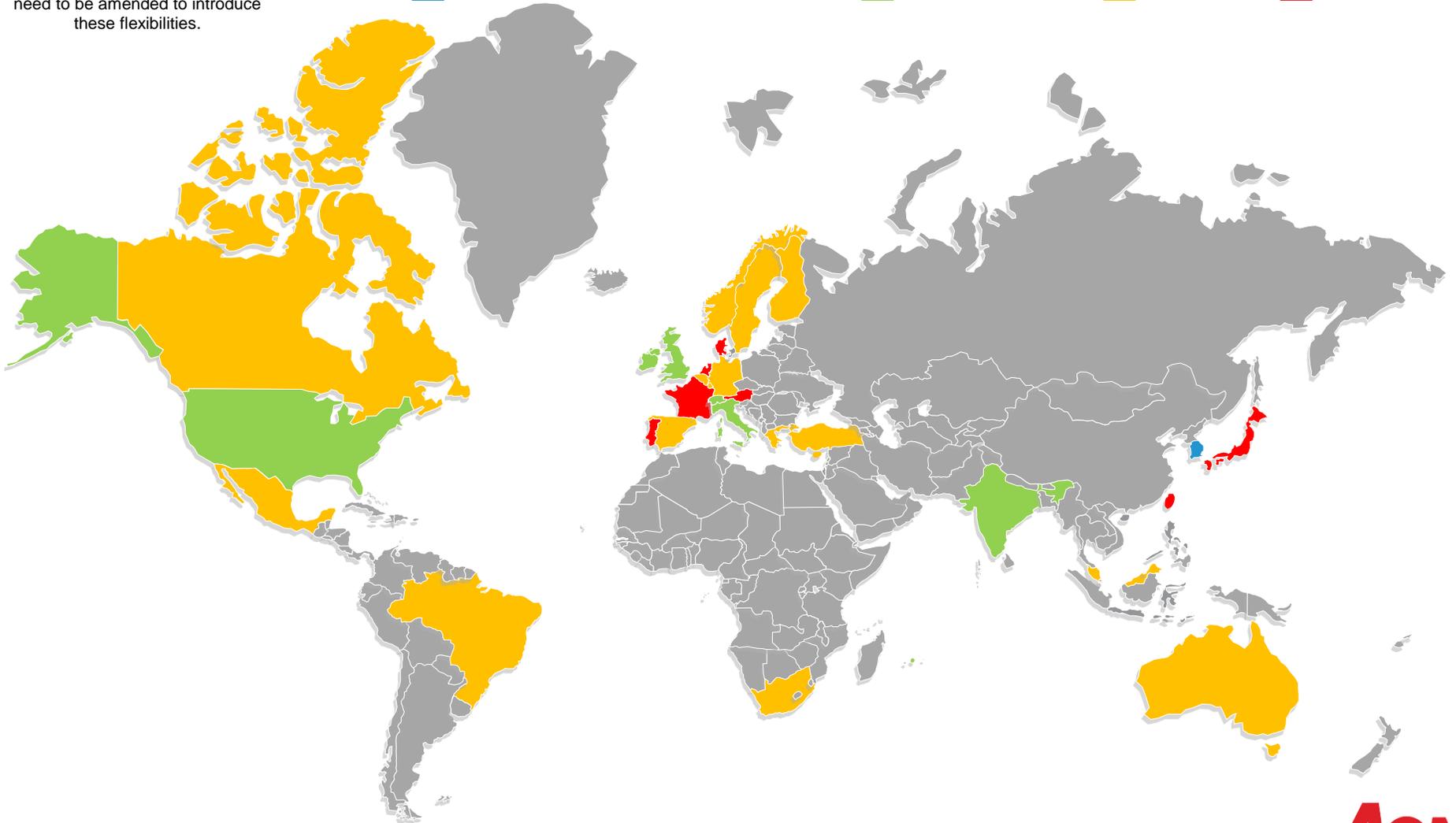


# Global DB Flexibility

## 4. Can employees take cash and/or transfer their DB benefits at retirement (or earlier)?

In some cases, plan rules may need to be amended to introduce these flexibilities.

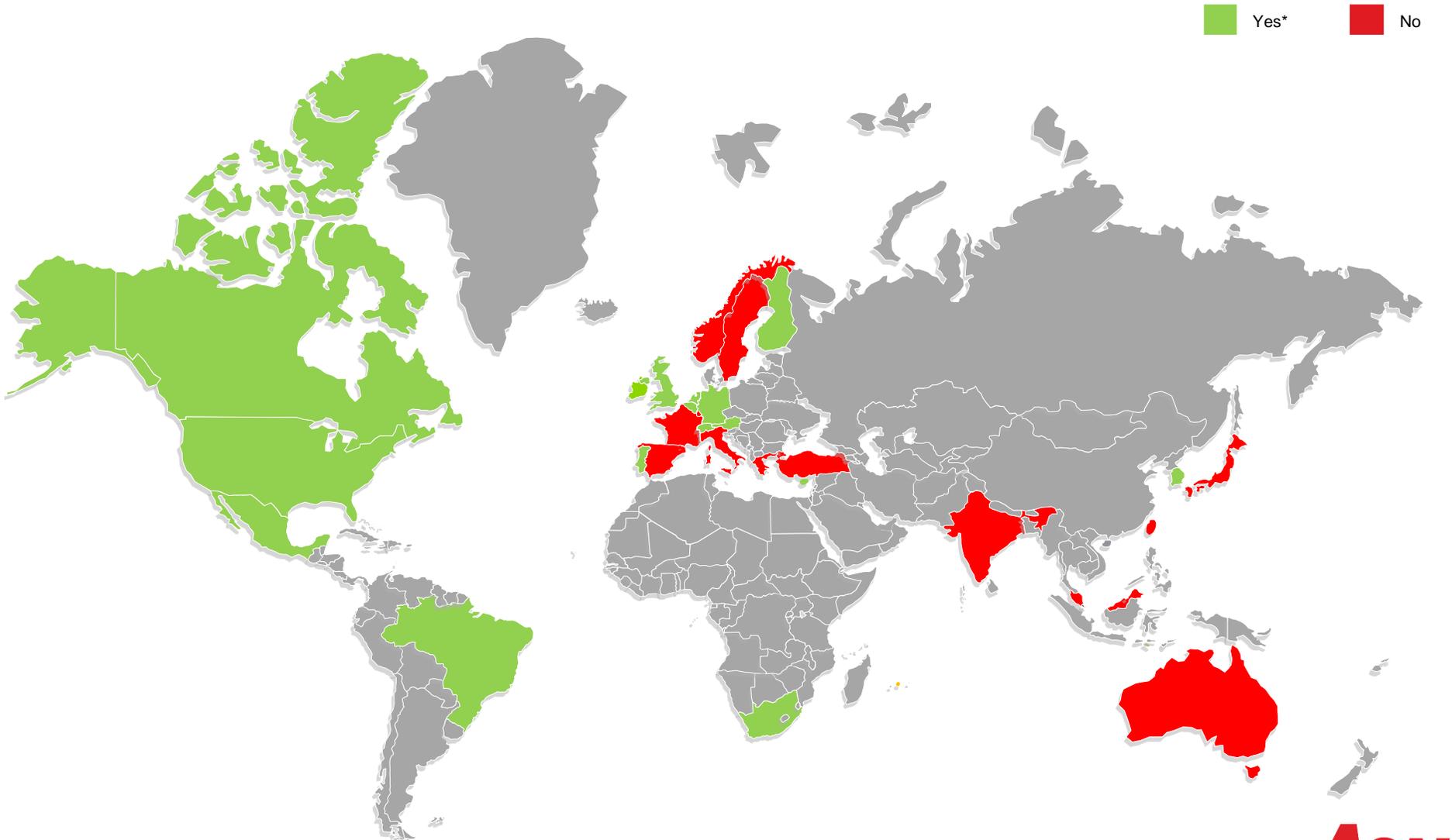
■ New flexibilities introduced as a result of COVID-19    ■ Significant flexibility\*    ■ Some flexibility    ■ Little or no flexibility



\*Green denotes a greater degree of flexibility when it comes to member access to cash at retirement or leaving employment (via lump sums and transfer outs)

# Global DB Flexibility

## 5. Has DB-related guidance been issued by local regulators in response to COVID-19?



\* The range of guidance published varies widely between jurisdictions and is subject to frequent development. Areas of focus may include operational guidance (e.g. relaxations of reporting deadlines or Trustee meeting requirements), advice on special measures introduced by the government, member communications guidance, etc.

# Global DB Flexibility – Other Key Findings

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## Employer Contributions

There is flexibility in some countries to adjust contributions to DB plans, specifically in the US, UK, Belgium and Switzerland. Conditions vary by country and specific plan rules, and may be influenced by other factors such as Collective Bargaining Agreements.



## Benefits

There are potential opportunities for multinationals to consider reducing future indexation on benefits accruing in future. Doing so would lead to a lower cost of benefits and potentially reduce the contribution requirements of their DB plans in future. In particular, multinationals with plans in France, Norway Portugal and Mauritius could have significant flexibility to do so in the near future.



## Assets

The market shocks seen as a result of the COVID-19 pandemic are likely to have led to significant falls in the value of assets held by funded DB plans around the world. However, DB plan sponsors and trustees are generally not taking immediate action to change investment strategies and any changes are likely to be considered as part of a more detailed or regular review of the existing strategy.

Where multinationals have plans in surplus, there are some significant opportunities around the globe where they can either look to have surplus refunded to them (subject to local tax laws) or can look to offset future contributions by using some of that surplus. In particular, South Africa, Mexico, Austria, Finland, Germany and Spain could have opportunities for access to cash immediately.



## Communications

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 DB plans.

## Next Steps

### Global DB Plan Impact Analysis

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

- You provide your global IAS19/US GAAP disclosures (including details of projected future DB cash contributions for each plan), and information on 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.

### Global DB / DC Plan Impact Analysis

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

- You collate your existing global DB / 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.

**\$8,000 fixed + \$2,000 per country** where material recommendations exist.

### 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.

*\* Detailed advice to implement actions in any country, including support on negotiation with pension plan boards and benefit change costings, would be a separate project and subject to additional fees*

*The charges quoted above are subject to sales tax, VAT, GST and equivalents and additional charges may apply.*

# Contacts

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**To obtain further insight on global DB 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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