Global Legislative Update

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Frenkel Benefits is a member of three networks of worldwide independent insurance and benefits brokers: Assurex Global, GBN Worldwide and the International Benefits Network. This global legislative update summarizes recent legislative developments and trends in employee benefits across the world that our global partners have shared with us, which may affect employers. This includes recently passed or pending legislation that may require employers to take action to comply with new rules.

Belarus	The minimum age for registration of a labor pension will increase by 6 months and by the beginning of 2022 it will be 58 years for females and 63 years males under pension reforms.
Brazil	Employers are likely to see a more flexible job market, as they will be able to freely negotiate with individuals. The changes, set to be launched in November 2017, see job categories redefined and new restrictions on union influence.
Canada	2017 Federal Budget Initiatives changes entitlements under extended parental leave, which could impact employer costs and parental top up plans.
Croatia	Consultation opened for accelerated retirement age increases and equalization as well as harsher penalties for early retirement.
France	Portability of rights and transition period for compliance on medical plans runs up until 1 January 2018. European Union regulation concerning complementary pension plans and the portability from one member state to another will be set up by in early May 2018.
Germany	Occupational Pension Improvement Act to come into effect on 1 January 2018 concerning the introduction of DC schemes and the reduction of risk in occupational pensions for the employer.
Israel	Amendments to the terms of providing long term disability cover seek to standardize terms across insurers for individual cover. There is little impact on group Long Term Disability schemes. The minimum retirement age for women has increased to 64 and maternity leave has increased from 14 to 26 weeks.
Italy	Amendments to the Stability Law have introduced tax exemptions for benefits defined through collective bargaining. This has been hailed as an approach to incentivizing benefits and improving employees' quality of life.
Japan	Pension reforms allow for reductions if national average wages fall. Whilst there may be little to no impact on employers, this change should continue to be monitored for future benefits plans. Risk sharing pension plan, a new hybrid scheme is available in Japan. It provides companies with a new option to reduce or eliminate their pension risks.

Kazakhstan	Introduction of the compulsory health insurance plan sets timeline for employer and employee minimum contributions to provide more security for employees.
Lithuania	Income tax act amendments on incentives for life insurance premium payers introduces €2,000 limit per tax period.
The Netherlands	Changes to the state retirement age from 67 to 67 and three months means that DB schemes may see a reduction in the value by as much as 5%. In such cases employers will have to make allowances within the scheme or find other arrangements as compensation.
Romania	Changed status of private medical networks allows for non-insurance products to be tax-free for employer and employee up to a threshold of €400 per year per person.
Russia	New Telemedicine Law introduces changes to the process of receiving medical care as consultations can be accessed remotely. This could mean life insurance products become cheaper in the long run.
Switzerland	The outcome of the public vote on Altersvorsorge 2020 is uncertain as the Swiss population would have to agree to increased taxation in exchange for changes to the pension pillars such as increasing the retirement age for women and a CHF 70 top-up payment to account for cuts to the pension framework. Amendments to 1e-plans remove any guarantees when leaving a pension fund as a result of including risk free investments.
United Kingdom	The government announced plans to increase the State Pension age from 67 to 68 in 2037 to 2039, bringing it forward by seven years from its current legislated date of 2044 to 2046. Employers should consider the change in benefit structure planning.
United States	In New York, Paid Family Leave is to be community rated, which restricts cost variations based on demographics. Changes have also been made to the definition of part-time employees from working less than 5 days a week to less than 20 hours a week. Employers should review their categorization.

AMERICAS

Brazil

Important change to the labor law that will be launched in November 2017

The changes are designed to be more business friendly, with employers likely to see a more flexible job market as they are able to freely negotiate with individuals.

Under the new terms, several types of job relationships will be acceptable:

- Part time jobs
- Jobs by demand during the month
- Working from home (part time, by demand, etc.)
- Third party contractors

Additionally, individual job agreements will have empowerment via the law following certain minimum parameters (Minimum salary, the 13th month salary, vacation, taxes, etc.)

There will also be an extinction of union interference on job agreements, including fixing minimum benefits, minimum annual increases on salaries, etc.

Current employment agreements will not be affected by this law.

As a consequence, benefits will be affected and redesigned for each job category and for employees with multiple jobs.

The new law will go into effect on 11th November 2017.

Canada

Extended parental leave expected

Within the 2017 Federal Budget Initiatives of Interest there were changes to extended parental leave. Going forward:

- Employees could opt to take 12 months at 55% percent of average weekly earnings or 18 months at 33%.
- Once claimed a recipient may not change the option they have selected.
- Maternity benefits can be claimed up to 12 weeks before due date (currently 8 weeks before due date)

The new legislation could have the following impacts:

- Potential for increased costs for employers
- Potential impact on the cost and design of existing benefit plans, notably pregnancy/parental top-up plans.
- The government expects the changes to be in place by the end of 2017.

United States

New York Paid Family Leave to be community rated and changes to the definition of part-time employees

The Department of Financial Services (DFS) has confirmed that New York Paid Family Leave (NYPFL) benefits shall be community rated to ensure that all employees are similarly treated and are not subject to cost variations based on age, gender, geographic location or any other demographic factor. The maximum employee contribution for NYPFL coverage will be 0.126% of an employee's weekly wage, not to exceed the NY State Average Weekly Wage (NYSAWW). This equates to a maximum employee contribution of $1.65 per week using the current NYSAWW of $1,305.92. The NYPFL program will be effective as of 1st January 2018.

Another important update to note is that the definition of part-time employees has been changed from working less than 5 days a week to less than 20 hours a week.

ASIA PACIFIC

Japan

Pension reforms and amendments

The eligibility for the Employee Pension Insurance (earnings related public pension) is to be expanded to short term workers in mid-size companies with less than 500 employees. (Effective date TBC)

Eligibility for individual DC pension plans will be expanded; small employers (100 workers or less) will be able to contribute to individual DC plans to which each employee contracts separately. (Effective date TBC)

New risk sharing pension plan

The risk sharing pension plan, is a new hybrid scheme that is available in Japan. It provides companies with a new option to reduce or eliminate their pension risks while offering their employees a collectively managed funded pension plan.

Employers will have flexibility regarding how their contributions are determined depending on plan circumstances. Employers are allowed to choose to contribute in excess of the normal contributions in order to build up a risk margin and reduce the possibility that any unfavorable experience will lead to a benefit reduction for the employees in the future.

The first risk sharing plans are expected to be established by the end of 2017.

Kazakhstan

Compulsory health insurance plan launched

All legal entities registered in Kazakhstan and employing local residents are obliged to make compulsory contribution to the compulsory Social Health Insurance system. Compulsory employer contribution requirements are as follows:

- From July 2017 – 1% of salary per employee per month;
- From January 2018 – 1.5% of salary per employee per month;
- From January 2020 – 2% of salary per employee per month;
- From January 2022 – 3% of salary per employee per month.

Compulsory employee contribution requirements:

- From January 2019 – 1% of salary per employee per month;
- From January 2020 – 2% of salary per employee per month.

Contributions will be made via salary deductions.

All children of the residents will be covered despite the parents' contributions.

The employees who are not residents will not be eligible for the social health insurance cover as they are not required to make contributions. Such employees should, therefore, consider international private medical insurance solutions to ensure protection in the event of injury or illness.

EUROPE

Belarus

Changes to pension provision coming into effect

On the basis of Decree 137 of 11th April 2016, the minimum age for registration of a labor pension will increase by 6 months on an annual basis starting from 1st January 2017. By the beginning of 2022 it will be 58 years for females and 63 years males.

The minimum period of insurance required to pay into the Old-Age Pensions will increase by 6 months annually from 1st January 2017 till 2022. The current minimum period required is 15 years and by 2025 it will reach 20 years.

Croatia

Consultation announced on pension reform measures

The Ministry of Labor and Pension System has initiated a counselling process for pension reform measures which include:

- An acceleration of the planned retirement age, increased to age 67 (concluding in 2029 or 2030 rather than 2038); equalization of male and female retirement age will be moved forward from 2031 to 2025.
- Harsher penalties for early retirement will establish a benefit reduction of 0.3% per month of early retirement, replacing a range that goes as low as 0.1%. The early retirement age threshold will rise from 60 to 62.

France

Complementary pension plans to be transposed by 2018

A European Union directive of 16th April 2014, on improving the mobility of workers between member states will be transposed into French Law before 21st May 2018. It establishes the minimum standards for the protection of mobile workers' pension rights including: pension rights are irrevocably acquired no later than after three years of an employment relationship; when leaving a pension scheme, a worker is entitled to keep his vested pension rights in the scheme, unless he/she agrees to receive them as a capital payment.

Germany

Occupational Pension Improvement Act to come into effect

The legislative procedure of the Occupational Pension Improvement Act (Betriebsrentenstärkungsgesetz) is completed. The new law will be effective on 1st January 2018. Some details are still being debated, especially the introduction of a purely defined contribution pension scheme.

The aim of the bill is to set up German occupational pensions into a "real" DC setup rather than current DB or hybrid schemes where the investment risk lies with the employer. Therefore, the payable benefits will depend on the investment performance.

Italy

Corporate Welfare one year long evolution

Developing changes to the Stability Law has seen employees more engaged in their benefits through tax savings and promoting quality of life.

The Stability Law 2017 promotes conversion on so-called performance bonus in Welfare services, by promoting integrated health care and pension schemes. The new budget law establishes that, bonuses up to €3,000, if added to private pensions or to pay private healthcare insurance premiums, are not subject to tax. This applies even when the total annual amount set aside exceeds the limits for tax-free annual contributions to pensions and private healthcare (€5,164.57 and €3,615.20 for pensions and healthcare, respectively). The tax exemption also applies to the payout phase – in other words, the benefits earned from contributions through performance-related bonuses are untaxed (while pension benefits are normally taxed).

The substitute tax of 10% will be applied to performance bonuses with the limit of €3,000 (€4,000 in the presence of peer organizations within the company) for all employees with employment income up to € 80,000.

Lithuania

Income tax act amendments on incentives for life insurance premium payers introduces €2000 limit per tax period

Details of legislative changes:

- In order to be socially oriented, it has been established that the total maximum amount of deductible life insurance contributions and pension contributions to pension funds should not exceed €2,000 per tax period.
- Exemptions will be applied if the beneficiary provided for in the insurance contract has not been changed from the date of conclusion of the insurance contract, unless the beneficiary has been changed due to the death of the beneficiary or the marriage or divorce or if the beneficiary is his / her child (adopter, guardian) and is replaced by another child (adoptive, guardian), also if the beneficiary changed prior to 31st December 2016.
- The amendments came into force on 1st January 2017.
- The provisions of this law will apply to the calculation and declaration of the income for the year 2017 and subsequent tax periods.

Broker fees application (change of law)

- Going forward, the client will have to pay a fee to their broker for insurance services, from the year 2018. Up until now, the brokers' fee has been paid by the insurer.

Romania

Status of private medical networks reviewed

The competition between Private Health Insurers (providers of medical services through voluntary insurance products), and Private Medical Networks (providers of medical services based on monthly subscription, which is a non-insurance product), has reached a new development.

Due to the strong lobby made by the private medical networks among the members of the Parliament, they have succeeded to get an amendment to the fiscal law issued, through which they have been given the same fiscal advantages the insurance companies were awarded a few years ago.

According to this change of law, the fiscal regime of their products (non-insurance) is going to be similar with the one applicable to the private health insurance products, through which the expenditure of such products is tax free for both employer and employee up to the threshold of €400 per year per head.

Russia

New Telemedicine Law introduces changes to the process of receiving medical care

In the field of medical insurance some changes are expected in the process of receiving medical care. On 1st January 2018, a new Telemedicine Law will come into force. According to the Law, doctors will have the right to provide medical consultations, make diagnosis and prescribe treatment remotely. In the long run, this may lead to a reduction in the cost of insurance services.

Switzerland

The outcome of the public vote on Altersvorsorge 2020 is uncertain

The AV2020 pension reform package contains a lot of different amendments. For both pillars, the retirement age for women increases from 64 to 65 years of age. In addition, there is a top-up payment and increase in contributions for the state pension. In the second pillar, the minimum conversion rate will be cut from 6.8% to 6%. The contribution rates will slightly increase. On the other hand, the VAT will also increase.

The outcome of the public referendum is uncertain. There is a mixture of compensation measures between the first and second pillar. Furthermore, the Swiss population have to vote yes for the tax increase and the amendments in the two pillars as well. If VAT proposal is rejected, it means no reform will take place.

Amendments to 1e-plans remove any guarantees when leaving a pension fund

The other important amendment affects so called 1e plans for salaries above CHF 126’900. The new law will take effect in October 2017. The providers can offer up to 10 different investment strategies. One of them has to be risk free. When a risky investment strategy delivers poor returns, no minimum level of benefits should be guaranteed if a member is transferring to another provider.

The Netherlands

Changes to the state retirement age

The Dutch government announced increasing the state retirement age from 67 to 67 and 3 months in 2022. Because of this change, the government obligates companies to amend the company sponsored pension schemes. In most cases this means changing the retirement age from 67 to 68.

Most pension schemes need to be adjusted to reflect this change. For most DC schemes the impact is very limited. However, for DB plans the impact may be more serious: a reduction of the value of the benefit of 5% to 6% and a cost reduction of approx. 5%. Employees will need to give their consent to this change, regardless of the fact that this is mandated by the Government. In practice, this means that employees may/will ask for compensation. Possible solutions may be found within the scheme itself or by giving other forms of compensation e.g. introducing other benefits or a salary raise.

Ukraine

Government plans to change length of pensionable service

The main changes are planned in the requirements for length of pensionable service depending on the categories of business activity and pension calculation. It is expected that the requirements for length of service will increase (from 25 years in 2018 to 35 years in 2028; currently it is 15 years).

United Kingdom

State Pension age increase to be brought forward

On 19th July 2017, the Government published its State Pension age review announcing that it intends to increase the State Pension age from 67 to 68 in 2037 to 2039, bringing it forward by seven years from its current legislated date of 2044 to 2046.

This would mean that those born on or before 5th April 1970 would see no change to their State Pension age. It is therefore expected that those born after 5th April 1971 will have a State Pension age of 68, whereas currently it is only those born after 5th April 1978 that have a State Pension age of 68.

MIDDLE EAST

Israel

Long Term Disability cover revision of terms

Further to the revision of terms for new long-term disability insurance policies as of the 1st August this year, and pending approval by the Minister of Finance, insurance companies in Israel are not authorized to issue new insurance cover in this category. New hires from 1st August may select alternative provision to provide partial cover for LTD and this according to employee freedom of choice regulations. LTD cover will be included as a component of the individual insured retirement benefit (pension) arrangement pending authorization.

For employers providing LTD via a collective insurance policy:

- No immediate change although terms of renewal may be affected. Renewal and new collective policies may be validated up to 1st November 2017.

For employers providing individual policies:

- New policies for new hires, pending approval, will accord to standardized terms across all insurers and policies;
- The issue of new policies will discontinue from 1st August 2017 until approved by the Ministry of Finance;
- Pre-existing individual policies will continue without amendment although cover adjustments corresponding to a salary increase will not be possible until approved by the Ministry of Finance;
- New hires may be covered for LTD by enrolment in a multiemployer pension fund which includes native disability pension provision.

Revised minimum retirement age for women

As from 3rd August 2017, the minimum retirement age in Israel for women born from July 1959 has increased to age 64. This is the age from which a female employee may choose retirement without the agreement of the employer. The employer may impose retirement, for both men and women, only from age 67. Employees may retire early from age 60 with the agreement of the employer.

Maternity allowance and leave amendments

Effective from January 2017, National Insurance maternity allowance is increased from 14 to 15 weeks. Maternity leave as described by law is increased from 14 to 26 weeks for births from January 2017.

OTHER UPDATES:

EU General Data Protective Regulation (GDPR) will be effective from May 2018

The Regulation of the European Parliament and of the Council on the protection of natural peons with regard to the processing of personal data, abbreviated to General Data Protection Regulation (GDPR), was adopted in April 2016. In order to comply with the new regulations that will apply to the whole EU, businesses will face the necessity of implementing numerous legal and organizational changes.

Organizations whose business activities rely mostly on processing personal data will find preparations for the new regulations all the more essential as:

- the definition of personal data, including identifying of the person related to the data, will be much broader,
- automated processing of personal data will be permitted under certain conditions,
- the legal rights of the individual will be increased considerably,
- personal data processors, controllers and Data Protection Officers will have many new obligations related to providing technical and organizational protection of personal data,
- administrative fines for non-compliance with the Regulation can reach 20 million euros or 4% of an organization's annual worldwide turnover. Moreover, individuals will have the right to judicial redress and claim compensation beyond the statutory fines.

Businesses need to prepare for the new regulations to avoid the substantial penalties and to treat them not as obstacles but as an opportunity to make their activities more effective. Naturally this will impact how employers, benefit consultants and providers handle data going forward.

Please be aware that this does not represent legal or tax advice and is only Frenkel's interpretation of the laws, regulations and statutes. This list is not intended to be exhaustive. It is highly recommended that you seek the advice of your legal and tax professional as to the applicability of this information to your particular situation.