INTERNATIONAL BENEFITS NETWORK

Global legislative update – June 2016

This document summarises recent legislative developments and trends related to employee benefits and highlights recently passed and pending legislation that may require employers to take action to comply with new rules.

This document should not be seen as exhaustive and any action should be taken in conjunction with your Global Benefits Consultant.

About International Benefits Network

IBN is a network of independent employee benefits consulting firms in over 70 countries around the world. IBN provides member firms and their clients with access to international employee benefits expertise. We select the best consultants to provide services for each specific market, and we promote global standards in employee benefits consulting.

Members offer a range of retirement and benefits services, as relevant in their country:

- Pension and retirement plans
- Health care plans
- Insurance programs
- Life and disability insurance

And many more…

We do business where you do business!

Countries covered in this update:

Americas: Brazil, Canada and the United States
Asia Pacific: Australia, Singapore and South Korea
Europe: Albania, Bulgaria, Croatia, Finland, France, Germany, Romania, Serbia and Switzerland

Recent Developments Summary

Australia	Employers should consider the impact of the changes to 'Real Life Insurance' commissions, where the phase-down of upfront commissions to a maximum percentage and a two year retention 'clawback' period will be implemented effective from 1 July 2016.
Brazil	Employers should note the potential of likely increases in medical insurance cost following the inclusion of more medical procedures in medical contracts.
Bulgaria	Employers should be aware of the minimum security thresholds for different professions have been increased by approximately 8% following the release of a new Insurance Code effective from 1 January 2016.
Canada	Employers implementing private medical plans in Ontario should note the increase of income-eligibility thresholds for the low-income seniors' benefit effective from 1 August 2016. Retirees should submit expenses for reimbursement under their prior employer-sponsored benefit plans following the changes.
Croatia	Companies with Health Insurance in Croatia should be aware of the likely increase of premium cost for complementary health insurance from 840 HRK to 1,068 HRK.
Denmark	Changes to the age of retirement mean that employers with a pension scheme need to make adjustments to the retirement age in their pension agreement with the insurance company.
Finland	Employers should take necessary actions in preparation for the pension reform which is going to be implemented effective from 1 January 2017. The reform features the merger of all public pensions into one pension, closing down of TEL-L pension plans, abolishment of part-time pensions and the increase of pension accrual rate for older employees. Employers should communicate to employees regarding the changes to public health care effective from 1 January 2016 including the increase of hospital charges by 30% and the decrease of daily sickness allowance paid by NHS by 20%.
France	Employers should be aware of the new ceiling for reimbursement for all group medical plans effective from 1 January 2016. This applies to group medical plans implemented after 1 April 2015. Employers may want to check if their current medical plans implemented after this date can benefit from postponing the implementation until 1 January 2018 under certain conditions.
Germany	Financial managers and payroll service providers may want to consider alternative options to avoid the impact of the extension of pension discount rates from a 7-year average to a 10-year average, on pension book reserves.

Italy	Companies should be aware of the recent changes passed by the Jobs Act including fiscal incentives for companies to hire and offering lunch vouchers. Employers may also want to consider offering employees new tax effective benefits which have been introduced by the Jobs Act.
Romania	Employers should be aware of the new tax exemption threshold for Health Insurance effective from 1 January 2016 and apply new tax calculation method.
Serbia	Financial managers may want to check new tax rates applied to Death due to Illness (DDI) insurance which is now treated as taxable earning with an approximate. 70% tax rate applied effective from 26 December 2015. This benefit was previously tax deductible..
Singapore	Companies should issue itemised payslips and list the key employment terms to all employees in order to comply with the new amendment to the Employment Act.
South Korea	Employers with over 300 employees should adopt a Corporate Pension Plan effective from 1 January 2016 and employers that have more than 1 employee will be required to adopt a plan by 2022.
Switzerland	Employers should be aware of the elimination of minimum guarantees for 401k plan.
United States	Employers with 50 or more full-time employees must provide a Form 1095-C or 1095-B to all applicable employees by 31 March 2016. Employers subject to employer reporting requirements who fail to provide the required Form 1095s by the deadline may face penalties.

Americas

Brazil

More procedures included on medical contracts

ANS, the Brazilian Health agency, obliges carriers to provide new procedures through medical insurance contracts. This increase is mandatory and will significantly impact health policies. Carriers must provide additional services to insurers every 2 years, starting in 2016. The most significant change is that oncological drugs are covered in plans, and also some video laparoscopy procedures. This change is likely to impact medical cost.

Canada

Health initiatives which may have an impact on benefit plans

- The government has stated an intention to provide $25 million over five years, starting in 2016–17 to increase vaccination coverage for Canadians.
- Access to compassionate care benefits will be improved and flexibility in parental leave benefits will be provided to better accommodate unique family/work situations.
- The government has started to invest $270.2 million over five years to expand and enhance extent health care facilities in First Nations Communities.

Ontario Province

Ontario income-eligibility thresholds will be increased

The following health initiatives may have an impact on benefit plans:

Expanded scope of Practice for Pharmacists and Nurses

- The government is working to allow the administration of travel vaccines in local pharmacies;
- The government proposes to authorise pharmacists to administer a wider range of vaccines;
- The government will explore the benefits of further expanding pharmacists' scope of practice; and

- The government is also planning to expand the scope of practice of registered nurses to allow them to prescribe some medications directly to patients.

New Patients First Drug Program

The government intends to introduce a redesigned public drug program by 2019, the Patients First Drug Program. The Budget states that this redesigned drug program would coordinate with individuals' private insurance benefits and increase equitable access to medications. However, the Budget did not elaborate on how this would be achieved. The government plans to release a vision paper and launch public consultations in spring 2016 concerning the design of this new drug program.

Changes to Ontario Drug Benefit Program (ODB)

- Before implementing the Patients First Drug Program, the government will update the current ODB Program by increasing the income-eligibility thresholds for the low-income seniors' benefit, and making changes to co-payments and deductibles for other seniors. Effective from 1 August 2016:
  - the low-income seniors' benefit threshold will increased from $16,018 to $19,300 for single seniors and from $24,175 to $32,300 for senior couples;
  - the co-payment per prescription will be increased from $6.11 to $7.11 per prescription; and
  - the annual deductible for seniors will be increased from $100 to $170.

Saskatchewan Province

Income threshold for Senior Drug Plan decreased

The income threshold related to Seniors Drug Plan has been lowered. Under this plan eligible seniors pay a max of $20 per prescription drug listed on the Saskatchewan formulary. The budget lowers the income threshold for participation from $80,255 to $65,515, effective from 1 July 2015.

The budget provides $210.5 million for targeted program funding, primarily for First Nations and Métis organisations and individuals, including funding for training and employment initiatives. According to a government news release the budget provides for "$5.1 million in ongoing funding for initiatives that respond to the Joint Task Force on Improving Education and Employment Outcomes for First Nations and Métis People (Ministry of Education)".

Effective from 1 April 2015, this tax credit rate for qualifying Research and Development expenditures is reduced from 15 % to 10 %, and the tax credit must be claimed against Saskatchewan income taxes otherwise payable.

British Columbia

Premiums for Medical Services Plan increases by approximately 4%

Effective from 1 January 2016, monthly premiums for the Medical Services Plan increased by approximately 4% as follows:

- **For single persons** – $3.00 per month increase to a total $75.00
- **For two person families** – increase of $5.50 per month to $136.00, and
- **For families of three or more persons** – increase of $6.00 per month to $150.00.

Quebec Province

Elimination of individual health contribution tax over three years

The health contribution tax will be eliminated over a three-year period beginning on 1 January 2017 when it will be eliminated for those in the lowest income bracket.

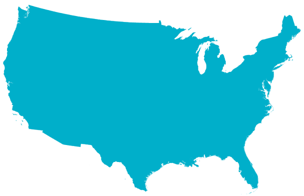
The health contribution applicable to the second and third income brackets will be phased out by 2019.

Nova Scotia Province

Changes to Senior’s Pharmacare Program

Effective from 1 April 2016, members will now pay a reduced co-payment of 20% for each prescription to a maximum of $382 per year. This represents a 10% reduction from previous 30% co-payment requirement; Seniors’ Pharmacare premiums will now be based on the member’s income, or the combined income of a couple.

United States



Form 1095 Deadline and Penalties for health coverage reporting

For the first time in 2016, all applicable large employers (generally those with 50 or more full-time equivalents) are required to provide a Form 1095-C to any employees who were full-time for at least one month during 2015. All employers, regardless of size, offering coverage under a self-funded plan during 2015 must provide either a Form 1095-B or Form 1095-C to any individuals covered under the self-funded plan.

For 2016 only, the IRS extended the reporting deadlines. Reporting using Forms 1094 and 1095 is due to the IRS by 31 May 2016 (or 30th of June if filing electronically), and a copy of the applicable Form 1095 must be provided to full-time employees and covered individuals by 31 March 2016.

The IRS has promised a bit more leniency and relief overall for this first year of employer reporting, but there is no guarantee of penalty relief for a failure to provide on a timely basis. It is in the employer’s best interest to provide Form 1095s to applicable individuals as soon as possible. Even employers who fail to meet the 31 March deadline should provide statements to employees as soon as possible.

Asia Pacific

Australia

Changes to ‘Retail life insurance’ commissions

The Australian Securities and Investments Commission (ASIC) have released a Consultation Paper regarding the ‘Retail life insurance advice reforms’ for feedback on the proposals to implement the Government’s reforms to the regulation of life insurance commissions.

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The Australian Securities and Investments Commission (ASIC) have released a Consultation Paper regarding the ‘Retail life insurance advice reforms’ for feedback on the proposals to implement the Government’s reforms to the regulation of life insurance commissions.

The consultation paper outlines the maximum commissions payable and the clawback arrangements that ASIC will impose via legislative instrument, including:

Phase-down of upfront commissions to a maximum of:

- 80% from 1 July 2016
- 70% from 1 July 2017
- 60% from 1 July 2018
- Maximum ongoing commission of 20% from 1 July 2016

A two year retention ‘clawback’ period from 1 July 2016 as follows:

- In the first year of the policy, 100% of the commission on the first year’s premium
- In the second year of the policy, 60% of the commission on the first year’s premium.

Commission percentage amounts will be based on the premium payable (including policy fees), but excluding any taxes that may be imposed.

Submissions close 29 January 2016. ASIC plans to release the required legislative instrument to effect the proposals in April 2016.

Singapore

Itemised payslips and Key Employment Terms (KETs) to be issued

Effective from 1 April 2016, all employers are required to provide itemised payslips to all their employees covered under the Employment Act together with their salary payments. The payslips can be issued in soft or hard copy; payslips for different periods can be consolidated into one, as long as they include a breakdown of all items.

Employers are required to provide written KETs to all employees covered under the EA with continuous employment of at least 14 days with the company, effective from 1 April 2016. Employers will have some flexibility in how they provide the KETs as long as the required items are clearly accessible.

South Korea

Corporates with over 300 employees are required to adopt Corporate Pension Plan from 2016

Implemented on 1 December 2015, the Corporate Pension Scheme is a significant financial product in Korea. It includes Defined Benefit (DB) plan, Defined Contribution (DC) plan, and Individual Retirement Pension (IRP).

Corporates with over 300 employees are required to adopt a Corporate Pension Plan effective from the 1 January 2016 and all corporates which have more than 1 employee will be required to adopt a Plan by 2022.

Europe

Bulgaria

Social security contributions increased

The Social Security Code in Bulgaria regulates the compulsory payments that have to be contributed both from the employer and the employee to the State System, which guarantees compensation in case of disability, unemployment, maternity, labour accident, retirement and other situations.

The minimum security thresholds for the different professions have been increased by about 8% on average, which also reflects the minimum monthly salary in the country which is up to BGN 420.

A new Insurance Code, with effect 1 January 2016, has been released. The main purpose of the act is to transpose the Solvency II Directive. There are no significant amendments concerning voluntary Employee Benefits insurances.

Croatia

Premium for complementary health insurance subject to increase

On 31 March 2016, the Croatian Institute for Health Insurance received the official order from the Ministry of Health to raise the premium for complementary health insurance from 840 HRK to 1,068 HRK. The Governing Council of the Croatian Institute for Health Insurance will make the final decision to increase the premium based on a detailed analysis and report from the public debate.

Complementary health insurance covers the difference between full value of services and value covered by Compulsory health insurance. It can be purchased at Croatian Institute for Health Insurance or at private insurers.

Denmark

New model for calculating retirement age

The government has launched a new model regarding retirement age for public pension. According to a government plan retirement age will be adjusted every 5 years.

The official retirement age has been changed from 67 to 68. The model for calculating retirement age is dynamic and based on applicants' date of birth. Details can be found in the following table.

Date of birth	Government retirement age
To 1954	65
01-01-1954 to 30-16-1954	65½
01-07-1954 to 31-12-1954	66
01-01-1955 to 30-06-1955	66½
01-07-1955 to 31-12-1955	67
01-01-1956 to 30-06-1956	67
01-07-1956 to 31-12-1958	67
01-01-1959 to 30-06-1959	67
01-07-1959 to 31-12-1962	67
01-01-1963 to 31-12-1966[1]	68
01-01-1967 to 31-12-1970[1]	69
01-01-1971 to 31-12-1974[1]	70
01-01-1975 or later	70½

Changes to the retirement age mean that employers with a pension scheme need to make adjustments to the new official retirement age in their pension agreement with the insurance company. However, it should be noted that not all insurance companies in the Danish market are ready to handle this change. It is expected that most insurance companies will be ready at some point during 2016.

Finland

TyEL-pension reform implemented 1 January 2017, closing down the registered TEL-L plans, cut in social security benefits, discussion on reorganising the public health care

Pension reforms

A large pension reform will be implemented from 1 January 2017 in an effort to avoid premium increases. The State, municipals and the church have had separate pension legislations. From 1 January the public pensions will all be merged into one pension legislation – JUeL (Julkinen eläkelaki). The legislation will follow the TyEL-legislation. The premium rates will be the same as in 2016 due to the amendments.

Main features of the pension reform:

- The pensionable age will gradually increase from 63 years to 65 years, staring form those born in 1955, who shall work 3 months longer. The pensionable age for those born in 1962 is 65 years. In 2025 the future increase of the pensionable ages will be revaluated and if needed the retirement age will be increased by 2 months per age group.
- After the insured has reached the highest pensionable age, premiums are no longer paid. The pension accrues from age 17 (at present from age 18).
- The pension accrual will be 1.5% of the taxable salary, which is not deducted from the pensionable salary as present. The employee contribution for those of age 52 or younger is 5.7% and 7.2% for those who are 53 or older. During a transition period of 10 years the pension accrual will be 1.7% for older employees. In case the pension is not withdrawn from the minimum pensionable age the pension amount will be increased by 0.4% per month. The highest pensionable age will also gradually be increased from 68 years to 70 years.
- The part-time pension will be abolished. Currently Insured people born in 1955 or earlier can take out a part-time pension from age 61. This benefit is abolished from 1 January 2017. From 2017 all insured people are entitled to take out 25% or 50% or their accrued old age pension as a monthly pension payable for life. The pension is decreased by 0.4% for every month the pension is withdrawn before the minimum pensionable age. When the insured has reached the minimum pensionable age, the remaining part of the accrued old age pension can be claimed. The pensions are always paid out as a monthly pension payable for life.
- The Registered pension plan TEL-L plans will be closed on 31 December 2016. Some plans include a funeral grant, but these will no longer be paid after 2016.
- The national pension amounts have decreased by 0.4%. Also the tax free child allowance has been decreased and only 95 € will be payable for the first child from 2017.

Changes to public health care

The reimbursement for travel expenses to and from treatment, for dental treatment and for medical treatment and for prescribed medicines has been reduced from 2016. The municipal health care visits and hospital charges have been increased by 30%. The daily sickness allowance paid by NHS has also been decreased by 20%.

France

New ceiling for reimbursement for group medical plan now in force

Effective from 1 January 2016, a new ceiling for reimbursement has been applied to all medical group plans that are implemented after 1 April 2015. A transition period is permitted under certain conditions for medical plans implemented after 1 April 2015, which allows the plans to postpone the implementation until 1 January 2018 at the latest.

Eligibility rights allowing exemptions from enrolment for group Medical, Life and Pension plans for specific categories of employees are now listed in law effective from 1 January 2016. The employer must collect the written proof from employees that they are exempted; otherwise, the plan set up by the employer may lose the tax advantage granted for group plans.

Generalisation of medical cover came into effect on 1 January 2016. Mandatory medical cover for employer of at least 50% of the total contribution still applies.

In respect of “free” life cover for employees leaving a company, where when the contract is terminated by the employer, the employee may continue to have life cover for a maximum of 12 months (depending on the length of employment). The cover will be funded by the employer and no contribution is required by the employees.

Italy

Recent changes to the Jobs Act and new tax effective benefits have been introduced

The Jobs Act is a Labour market reform package, which simplifies the different employment contracts, addresses the problem of labour-market duality, seeks to improve the income losses of job-seekers and strengthens activation policies. The following changes have been recently passed by the Jobs Act:

- Lump sum of €80 per month per employee with an annual income under €26,000
- Baby bonus
- Fiscal incentives for companies to hire
- Increase of fiscal incentive for companies offering restaurant vouchers
- TFR (termination indemnity) for employees in the private sector will be available upon request through monthly payroll
- Welfare introduction with 2016 productivity bonus law

The following new benefits with no taxation and no social security contribution were introduced by the Jobs Act:

- Assistance to elderly people/people that are not self-sufficient
- Possibilities of companies to offer benefits through the form of vouchers

Preferential taxation for ‘productivity bonuses’ is applied. An employee has the option to choose between receiving cash or welfare benefits regarding their productivity bonus. A preferential tax rate of 10% is applied for employees choosing to receive the bonus in cash; alternatively, they can receive the exact amount through welfare services and programmes without any tax applied. Employees with a gross annual salary up to €50,000 can receive a maximum bonus of €2,000 or €2,500 if the company has agreements in place with the Trade Unions.

Germany

Rate cuts impact pension provisions reported on financial statements (“book reserves”)

The long-awaited regulatory intervention on German pension discount rates was passed into law in late February 2016.

Legislators have long been discussing a change to “averaging rates” over 15 years. However, the current bill only extends from a 7-year average to a 10-year average. In general, the new regulation should be mandatory to all financial years ending after 31 December 2015. However, companies have the option of applying it earlier. The bill prohibits companies from paying out the difference between the 7-year-average and 10-year-average valuations.

When first applied in 2016, in addition to normal allocation, the new regulation will trigger a release equal to 5%. Applying it to the unclosed 2015 financial statements yields a harmonious increase with significant easing for 2015 and smooth increases thereafter.

Regardless of the alleviation caused by stretching the provision increase based on the planned law, it is likely that the values of the two methods will be adjusted again. Without changing the average, the cumulative increase through to the year 2022 comes to approximately 60%%. Changing the averaging period from 7 to 10 years postpones this peak until 2024.

Romania

Changes in taxation level for Private Health Insurance

Starting from 1 January 2016, the new tax exemption threshold for Health Insurance has been changed to €400 per employee per annum, and is applicable to both Employer and Employee.

Serbia

Death due to Illness benefit becomes part of Life Assurance policy – implications on tax treatment

Effective from 26 December 2015, Death due to Illness (DDI) insurance which was originally covered under Group Personal Accident policies has been changed to be part of Life Assurance policy cover. DDI benefit is now treated as taxable earning benefit with c. 70% tax rate applied. This benefit, however, was previously tax deductible when it was under Group Personal Accident policy.

Switzerland

Elimination of minimum guarantees for 401k plans

Parliament agreed to eliminate minimum guarantees for 401k similar pension plans (Art. 15 and 17 FZG). If an employee leaves a company, he/she will solely receive the liquidation amount of his/her 401k fund. Implementation of the new provision is expected from 1 January 2017.

The following changes to pension are being discussed and will not be implemented until 2020.

- Increasing ordinary retirement age for women from currently 64 to 65
- Reducing annuity conversion rate from currently 6.8% to 6.0% (solely BVG-Capital)
- Reducing the age at which pension savings commence from 25 to 21
- Reducing the coordination deduction from CHF 24’675 to 1st pillar
- Changing the percentage of retirement contributions (currently minimum retirement contribution for salary between CHF 84’600 – CHF 24’675 amounts to: age 25 – 34: 7%; age 35 – 44: 10%; age 45 – 54: 15%; age 55 – 64/65: 18%)
- Increasing VAT on funding by 1%
- Increasing of the 1st Pillar by CHF 70 for new pensioners