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## Global Legislative Updates

### Global Legislative Developments

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.

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Countries covered in this update:

**Americas:** Canada, USA

**Asia Pacific:** Japan

**Europe:** Finland, France, Germany, the Netherlands, Italy, and Switzerland

**Middle East  
& Africa:** Israel, Nigeria

## Recent developments summary

<b>Canada</b>	Potential changes to pension and benefits landscape in Canada are on the horizon
<b>Finland</b>	Working Hours Act amendment – new flexible working rules
<b>France</b>	The pension reform jeopardizing the social climate in France
<b>Germany</b>	Audit requirements for severance clauses in pension commitments First bi-lateral pension fund founded New contribution rate 2019 - Insolvency protection (PSVaG)
<b>Israel</b>	Changes to market regulations regarding employer payments to employee retirement saving plans and professional training funds
<b>Italy</b>	Update to life coverage for Executives under National Labour Contracts
<b>Japan</b>	Work Style reforms
<b>Netherlands</b>	Introduction of parental and birth leave Substantial reduction in group medical scheme discounts
<b>Nigeria</b>	Requirement for insurance and re-insurance companies to recapitalise by 30 <sup>th</sup> June
<b>Switzerland</b>	Interest rate on pension savings held and minor changes to rates for mandatory accident insurance
<b>USA</b>	The Internal Revenue Service (IRS) released Revenue Procedure 2019-44, increasing Health FSA Contribution Limit for 2020, Adjusts Other Benefit Limits

## Canada



### Old Age Security and Canada Pension Plan

The platform promises to increase the Old Age Security Benefit by 10% for seniors when they turn 75, and to continue to increase the benefit with inflation. According to the platform, this change will add \$729 to the annual retirement income of most seniors who are 75 or over.

The platform also promises to work towards increasing the survivor benefits available under CPP and QPP by 25%, which would provide up to an additional \$2,080 per year for qualifying seniors. The consent of the provinces is required for changes to the Canada Pension Plan.

### National Pharmacare

In June 2019, the Advisory Council on the Implementation of National Pharmacare produced a report recommending the adoption of a universal public, single-payer pharmacare system. The Liberals' election victory means the government will likely continue to push for a national universal pharmacare program, particularly as the New Democratic Party, which now holds a balance of power, has also indicated it regards pharmacare as a priority issue. However, significant involvement from provincial and territorial governments would be required to implement national pharmacare.

### Mental Health

The Liberals have promised to introduce “distinctions-based” health legislation for indigenous Canadians to ensure indigenous control over the development and delivery of healthcare services.

The 2019 platform promises up to \$3,000 in free counselling services for veterans through Veterans Affairs Canada or one of its service partners before they are required to make a disability claim. The Liberals also promised to create a new rapid-response service for veterans staffed by social workers, case management counsellors and peer support workers, and to provide automatic approval for the most common disability applications such as depression, post-traumatic stress disorder and arthritis.

## United States



### The Internal Revenue Service (IRS) released Revenue Procedure 2019-44, increasing Health FSA Contribution Limit for 2020, Adjusts Other Benefit Limits

The health Flexible Spending Account (FSA) salary reduction contribution limit has been raised by \$50 to \$2,750 for plan years beginning in 2020. The Revenue Procedure also contains the cost-of-living adjustments that apply to dollar limitations in certain sections of the Internal Revenue Code.

#### Qualified Commuter Parking and Mass Transit Pass Monthly Limit Increase

- For 2020, the monthly limits for qualified parking and mass transit are \$270 each (up \$5 from 2019).

#### Adoption Assistance Tax Credit Increase

- For 2020, the credit allowed for adoption of a child is \$14,300 (up \$220 from 2019). The credit begins to phase out for taxpayers with modified adjusted gross income in excess of \$214,520 (up \$3,360 from 2019) and is completely phased out for taxpayers with modified adjusted gross income of \$254,520 or more (up \$3,360 from 2019).

#### Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) Increase

- For 2020, reimbursements under a QSEHRA cannot exceed \$5,250 (single) / \$10,600 (family), an increase of \$100 (single) / \$150 (family) from 2019.

Earlier this year, the IRS announced the inflation adjusted amounts for HSAs and high deductible health plans (HDHPs). The 2020 Single/Family Limits are:

Annual HSA Contribution Limit: \$3,550 / \$7,100



### Work Style Reforms

The “work style” reform bill was passed by the Japanese Diet, and Many of the amendments became effective on April 1, 2019 as below:

- Maximum Limit of Overtime Work
  1. Basic Limit Rule.
    - Overtime work hours, which are working hours exceeding 8 hours per day or 40 hours per week, cannot exceed 45 hours per month and 360 hours per year (“Basic Limit”). Maximum period of settlement for flex time to be raised to 3 months.
  2. Extended Limit Rule.
    - When there are special circumstances, such as unexpected volume of customer complaints or sudden change of product specifications, the employer is allowed to extend the Basic Limit. The total number of overtime work and work on statutory holidays, however, cannot exceed 100 hours per month, and the average overtime hours cannot exceed 80 hours per month in the applicable second through sixth months. The number of months when the employee works over the Basic Limit cannot exceed six months in a year. The yearly maximum Extended Limit hours for overtime work will be 720 hours.
- Increased Overtime Rate for Small Employers
  - In April 2010, Japan’s wage laws were revised to increase the premium for overtime that exceeded 60 hours per month from 1.25 times the regular rate to 1.5 times the regular rate. Small employers, however, were exempt from this amendment and could maintain a 1.25-times-the-regular-rate premium no matter how many overtime hours their employees worked. This exemption will be abolished and all employers—including small employers—will be required to pay a 1.5-times-the-regular-rate premium if the employee’s overtime exceeds 60 hours in a month. This change will become effective in April 2023.
- Maximum period of settlement for flex time to be raised to 3 months.
- The legislation does urge employers to try to introduce the work-interval system.
- Time Tracking Requirement for All Employees
  - Employers are currently required to track the working time of all non-exempt employees in Japan. With the new law, however, employers will be required to track working hours for all employees including exempt employees in order to protect each employee’s health.
- Requirement to Take Annual Leave
  - Japan has a mandatory annual leave system. Full-time employees are generally entitled to annual leave ranging from 10 to 20 days depending on the length of service with the employer.
  - The new law will require employees to take at least five days of annual leave if they have more than 10 days of unused annual leave. In other words, if the employee has not taken five days of annual leave in a year, the employer

needs to specify the days for annual leave so that the employee will take those days off.

- Same labour, same wages (prohibit unreasonable difference in treatment between regular and non-regular workers)
- Introduction of a new “highly professional” work system, under which overtime regulations can be lifted on people engaged in certain jobs requiring specialized skills, such as financial dealers or people in research and development, who earn ¥10.75 million or more per annum.



### Working Hours Act Amendment

The new Act amendments will enter into force on 1 January 2020. The amendments improve employees' work-life balance by facilitating flexible working arrangements for all employees. The new Act applies to all employees except those who already have full independence over their working hours, such as top management. The new Act provides a framework for regulating working hours in all sectors and industries. In practice, employers and employees are free to negotiate better terms.

As of 1.1.2020, employees will have partly the right to decide independently when and where to perform their work for at least half of their working hours, so long as the nature of their work allows it. The remaining half of the employee's working hours may be determined by the employer. This understanding must be agreed between the individual employee and the employer.

A working hours bank has been in place in some cases to allow employees to convert their overtime compensation, holiday bonuses or any other monetary benefits into leave for later use. The new Act extends the existing statutory working hours bank concept to all employees. Currently, this right applies only when authorized by the collective agreement applicable to the employer. Starting from 1 January 2020, a statutory working hours bank will be available to all workplaces upon agreement of the employer and their employees or employees' representatives.

- The new Act states that the maximum working hours, over a four-month period, may not exceed 48 hours per week. In addition, it will no longer be possible to agree on additional overtime beyond the 48 hours per week.
- Flexitime refers to a limited working time arrangement agreed in advance by both the employer and the employee. The amended Act allows employees to extend or shorten their workday by four hours and no longer three hours as it is currently the case. Employers should monitor the implementation timeline of the amendment and make changes in arrangements when applicable.



### Pension reform jeopardising the social climate in France

The pension reform in France, scheduled for 2025, and aiming to impact workers born after 1963 is currently under debate.

The question of retirement based on the age set at 62 or on the contributions period is dividing the government. Equally, the reference to a universal system where 1 euro contributed opens a right to the same amount of pension to all workers is perceived as fair by part of the population, and unfair by the others.

But it is mostly the "grandfathering clause" which opposes members of the government now. The question is: should the new regime apply only to new joiners who start working after the promulgation of the law, costing billions to the government, or starting from this date for all workers? The public sector officers see the new reform as a social regression.

While the President of France has declared he “would not answer to weakness or complacency”, no agreement has been reached so far and the tension is rising as the reform is becoming a significant public concern.

## Germany



### Audit requirements for severance clauses in pension commitments

Compensation clauses of pension commitments must be clearly and precisely set out in writing, otherwise the formation of a pension provision is ruled out. Current case law about companies should give companies an opportunity to review the severance clauses contained in their pension commitments. They should not constitute a tax-damaging reservation and make sure that clauses are clearly and unambiguously formulated.

### First bi- lateral pension fund founded – agreement between employer’s association and relating labour union

Since the new Occupational Pension Improvement Act (BRSG) went into effect in January 2018, a "pure" defined contribution pension scheme (Sozialpartnermodell) is basically possible, but only within employers' associations and trade unions. It is not possible on a single company group level.

After quite a while the first social partner model is launched as "Deutsche Betriebsrente". The "Deutsche Betriebsrente" - a cooperation for the social partner model of Talanx and Zurich Group Germany - is looking forward to its first customer: Talanx AG, Hannover, and the Vereinte Dienstleistungsgewerkschaft ver. di, Berlin. Both have agreed in their negotiations to establish the first social partner model in Germany.

The agreement is to be concluded by January 1, 2020. The agreement will be implemented as soon as the Federal Financial Supervisory Authority (BaFin) has given its approval. The Talanx Group is thus offering its approximately 12,000 German employees an additional company pension.

### New contribution rate 2019 - Insolvency protection (PSVaG)

Direct pension promises and support funds are subject to insolvency protection (EE against ER) by the PSVaG. This institution is funded as a mutual risk carrier by employer associations and German life insurers. The annual premium rate is based on the claims development in the past.

At a regular meeting on 6 November 2019, the supervisory board of PSVaG approved the contribution rate for 2019 set by the Board of Management: -The contribution rate for 2019 is then 3.1 per mil. In the previous year, the contribution rate was 2.1 per mil.



### Update to life coverage for Executives under National Labour Contracts

The Executive Industrial National Labour Contract "CCNL INDUSTRIA DIRIGENTI" has been renewed, modifying the "life" coverage amount as follows:

- Art. 12 - Treatment of accident and illness cause by the service/work - insurance cover
- The Art. 12, paragraph 5, is amended as follows:

"The company will also stipulate, in the interests of the manager, a policy which insures, in the event of death and in the event of permanent disability such as to reduce the specific work capacity of the executive by more than 2/3, for reasons other than accident and occupational disease, a sum, in addition to the normal liquidation treatment, from 1 January 2020, equal to 200,000.00 euros when the manager has no dependent children or spouse. The aforementioned sum will be equal to 300,000 euros when the family of the subject manager is composed of one or more dependent children and or the spouse. The manager will contribute to the cost of the relative cost with the amount of 200.00 euros (two hundred / 00) per year which will be withheld by the company on its remuneration according to specific procedures."

Previously the requirement was 129,114.22 euros without dependents and 180,759.91 euros with dependents and the cost to the Executive was €139.44 euro annually.

## The Netherlands



### Introduction of parental and birth leave

Effective 01 January 2019: All employees are eligible to take one week off as paternal leave, against regular pay (based on the actual working hours a week). This should be used within 4 weeks after birth.

Effective 01 January 2020: All employees are eligible to have 5 weeks extra birth leave limited to 70% of the social security limit (2019: € 55,927).

## Switzerland



### Pension Savings interest rate

The Federal Council decided to keep the minimal interest rate on old age pension savings unchanged at 1% for 2020

### Mandatory Accident Insurance rate changes

Some minor adjustments have been made to the rates for mandatory accident insurance. Tariffs of all insurers are adjusted to inflation as per 2020. This will result in a minimal increase in premiums.

### Israel



#### Changes to market regulations regarding employer payments to employee retirement and saving plans, and professional training funds

Insurance companies, saving funds and pension funds (the insurer) will be permitted to receive employer and employee payments only via the following payment methods: credit card, bank transfer, or banker's order.

Employers who currently pay directly to the insurer via cheque or to a broker trustee account are required to establish a new payment procedure.

This regulation will be implemented in two phases:

- Phase 1: employers with 100 employees or more - from February 2020
- Phase 2: Other employers with less than 100 employees - from February 2021

New procedures with insurance brokers and other operating service providers should be established in advance with the relevant provider – which is recommended for companies to continue receiving the operating payment services (payments allocation, monthly reconciliation etc.) in good time.

Employers who may exceed the 100 employees limit in the near future are advised to implement the change before February 2020.

### Nigeria



#### Requirement for Insurance and Re-Insurance companies to recapitalise by 30<sup>th</sup> June 2020.

Currently there are 19 insurance and reinsurance companies that write life business and the recapitalisation will probably reduce this to about 10. From employers' perspective this will not have a significant impact on cost of Group life as the rate is tariffed at 6 per mile, however the current free covers like burial expenses may disappear as underwriting choices reduce.

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