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LCP INTERNATIONAL UPDATE FEBRUARY 2011

Helping international companies keep on top of pensions issues.

The pensions world is constantly changing.

For international companies, managing the design, cost and risk of multiple pension plans requires a detailed understanding of the rapidly changing legal, fiscal and regulatory environment in each country of operation. Here we highlight just some of the more recent developments and challenges that might have an impact on pension plans, company profits and balance sheets.

Europe

Belgium: New pensions governance and compliance requirements have been introduced. Schemes must now provide significant amounts of information to a new central government database.

France: The government is introducing reforms to state pensions and increasing the state retirement age. Additional taxes will be levied on medical and pension plans.

Germany: New market related German GAAP accounting rules ("BilMoG") have been introduced. Significant reductions to PSV levies in 2011. Pension-sharing in divorce cases is undergoing reform.

Ireland: The deadlines for submitting funding plans are to be extended further. New legislation governing DB pension plans is expected in 2011. The introduction of 'Sovereign Annuities' presents new risk reduction opportunities.

Italy: Private sector retirement ages are to be linked to life expectancy projections.

Netherlands: Due to increased administration costs, new mortality tables and improving buy-out prices, a large number of small and medium sized pension funds are seriously considering a pension buy out. More than 250 companies have insured their plans over the last 10 years.

Norway: Defined benefit plans will need to be reviewed following the introduction of the new state system in January 2011.

Spain: The state retirement age will be increased from 65 to 67, with wide exceptions for those with long contribution careers. The average period for calculating pensions will be increased from the last 15 years to 25 years. These changes will take full effect from 2027 and could reduce the costs of pensions by 20%.

Sweden: Concerns have been raised over significant differences between life insurers' longevity assumptions and their effect on pension liabilities. Premiums for some occupational pension arrangements will be higher in 2011.

Switzerland: Schemes are experiencing increased pressures due to increases to life expectancy and potentially unsustainable conversion rates. New investment, governance and transparency regulations are being introduced.

UK: Pensions taxation is set to increase for high-earners. From 2013, companies must automatically enrol employees in a pension scheme. Companies are addressing longevity and investment risks. The state pension age is increasing, and there are significant changes to statutory pension increases.

This information reflects country developments up to the start of February 2011.

Americas

Brazil: IFRS has been adopted - employee benefits are now accounted for under IAS19. Hybrid pension plans are growing in popularity. Previc (supervisory agency) is working on the development of a risk-based supervision model.

Canada: New investment and funding rules for federally regulated plans have been implemented and a new discount rate methodology for accounting valuations is being discussed. Ontario-registered plans face significant changes in plan rules.

Latin America: Widening investment options are available in Colombia, Chile, Mexico, Panama and Peru. Schemes are allocating a higher proportion of assets to foreign investments.

USA: Additional temporary funding relief has been provided for plan deficits. Easements have been made to requirements to stop benefit accrual if under 60% funded. Regulations were finally issued on hybrid plans (including cash balance plans), clearing the way for increased utilization of these programs.

Africa, Asia and Middle East

Australia: The government has proposed that the minimum employer contribution to superannuation should increase from 9% to 12% by 2019.

India: Schemes have seen increased liabilities due to higher maximum payments for lump sum "gratuity" benefits. Schemes are currently moving from Indian GAAP accounting standards to IFRS. Changes to "provident fund" rules for expatriates.

Japan: Deadline on the TQPP (Tax Qualified Pension Plan) abolition is approaching (March 2012). DC pension reform is awaiting government approval. The amendment of Japanese GAAP is expected for 2012 and IFRS may be adopted.

Singapore: The employer contribution rate to the Central Provident Fund has increased from 15% to 15.5% effective March 2011 whilst the employee contribution rate remains unchanged at 20%.

South Africa: Retirement funds are undergoing reform. LDI strategies and mortality swaps are being implemented for defined benefit schemes. Annuity prices are being linked to individual health status.

South Korea: Tax reforms have been proposed to make employer-sponsored plans more tax effective and to remove tax deductions for book-reserved statutory severance pay schemes.

UAE: There is a growing trend towards valuing end of service liabilities in accordance with IFRS, and an increased workforce awareness of pensions and benefits.

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For further details contact your usual LCP adviser or a local contact from LCP's international network.

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About LCP's international network

LCP's international network of independent actuarial and consulting firms was founded in 1991. The network includes many leading local actuarial and consulting firms from around the world and provides a full range of local and global consulting services on pensions, insurance and employee benefits issues. Each firm in the network is independently owned and managed, and is able to develop their own business to best meet local market needs.

Together, the network firms have over 6,000 employees in more than 30 countries across five continents, and advise over half of the world's 100 largest multinationals. Please see separate sheet for current locations and contacts. Further information can be found at www.lcp.uk.com/locations. To find out more about LCP's local and international services please contact your usual LCP adviser or one of the international team below.

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