Fidelity Benefits Consulting

International Defined Contribution Newsletter

November 2018

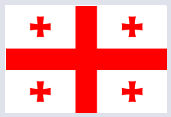
What's Inside

Fidelity's international defined contribution newsletter focuses on the key issues surrounding employer-sponsored defined contribution retirement plans globally.

Issued on a bi-monthly basis, this update from our international team seeks to keep you informed of upcoming changes to local legislation and market trends while providing thought-provoking articles to keep you up-to-date in the ever changing defined contribution landscape.

Fidelity INVESTMENTS

Legislative & Regulatory Update



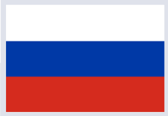
Georgia

Accumulated Pension System scheduled to launch on January 1, 2019.

Participation will be mandatory (an opt-out provision is expected) with required employer and employee contributions of 2% of gross pay (each up to a limit).

Action Required

Implement – take necessary actions in advanced of impending deadline.



Russia

Increases to the state retirement age from January 1, 2019.

The new legislation will increase the retirement age for both men and women to 65 and 60 respectively over a number of years beginning in 2019.

Action Required

Implement – take necessary actions in advance of impending deadline.

Poland

Auto enrollment legislation approved by Poland's Lower House and awaiting approvals from the Upper House and President.

The legislation is expected to be written into law with effect from January 1, 2019, with the first tranche of auto enrollment beginning on July 1, 2019 for companies with more than 250 employees. Further tranches are scheduled in six-monthly intervals with January 2021 being the final deadline.

Action Required

Implement – take necessary actions in advance of impending deadline.

Bahrain

Possible pension reform.

Changes to the pension system are expected in order to support economic reforms and the country's fiscal stability. At this time limited information is available on the proposed nature of the reform.

Action Required

Monitor – await further announcements.

France

Pension reform plans revealed.

The French government has outlined plans for a major pension reform. The plans are now set to be discussed further with implementation not scheduled before 2025.

Action Required

Monitor – await further announcements.

A Consistent International Approach to Retirement Planning

Governments and employers alike are increasingly focusing on financial education as more and more people struggle with the effects of debt and inadequate retirement provisions. For example, the Government of Canada provides a suite of tools and resources centered on money and finances designed to improve an individual's financial literacy. Similarly, but from a corporate perspective, a number of studies point to the adverse impact on employee productivity and engagement resulting from financial stress, and the added issue of effective planning for a workforce who cannot afford to retire.

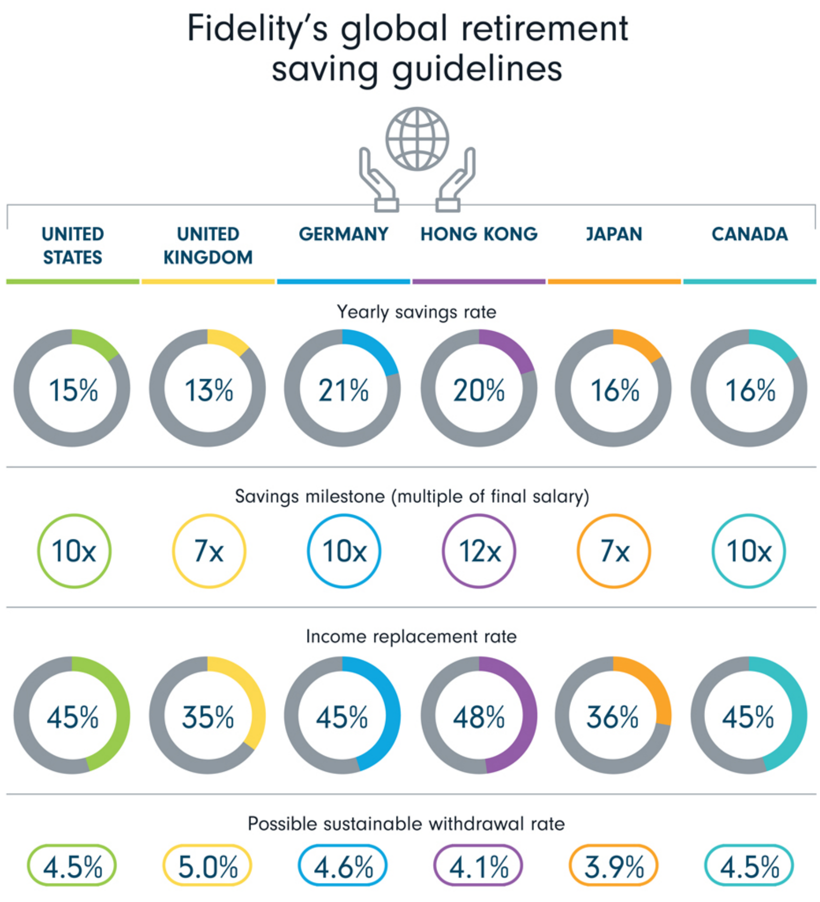
This has led to multinationals seeking to deploy a consistent global financial wellness strategy designed to support personnel in all locations. Whilst financial wellness is only one pillar of an integrated total well-being strategy, we are seeing a significant focus on education as the primary approach, with retirement planning a key item on the agenda.

So what are the critical elements to planning for a comfortable retirement?

In order to support employees at retirement we believe that a financial education program must help individuals answer four critical questions:

1. How much should I save?
2. How much will I need when I retire?
3. How much will come from the state?
4. How do I make my retirement savings last?

Using these key questions, Fidelity has developed a consistent approach to providing guidance across a number of countries, which we call our Retirement Savings Guidelines. These factors aim to aid employees by providing important information which is easy to understand and easily benchmarked against an individual's personal situation. Furthermore, this approach is now being integrated into the tools and educational materials available, intending to improve retirement engagement and overall outcomes.



Definitions:

Yearly savings rate: The suggested annual rate of (pre-tax) savings over a full working lifetime.

Savings milestones: Age-based savings targets expressed as multiples of current income.

Income replacement rate: The percentage of pre-retirement income that an individual/household should target to replace annually from their personal savings (including workplace savings) in retirement in order to maintain pre-retirement lifestyle.

Possible sustainable withdrawal rate: The real (inflation-adjusted), annual withdrawal amount expressed as a percentage of the initial (at retirement) asset balance.

Footnotes:

Hong Kong savings rate - 20% savings rate is net of an assumed 5% MPF contribution from both employer and employee pay.

Japan's income replacement rate - 28%, which excludes 8% income replacement from an assumed final lump sum salary payment of 2x annual pre-retirement salary.

Canada's income replacement rate assumes CPP enhancement, fully realised in base case (Current Age = 25).

The term "Fidelity" can refer to one or both of Fidelity International and Fidelity Investments. Fidelity Investments and Fidelity International are separate companies that operate in different jurisdictions through their subsidiaries and affiliates.

How do the elements differ by country?

To create these guidelines we have taken into consideration factors such as historical market returns, expected longevity and retirement age, spending habits and government provided retirement income, for each country. As can be expected, retirement savings rates, replacement rates and withdrawal rates all vary by country[1]. For example, the results, as per the Retirement Savings Guidelines chart, illustrate the following:

- In Germany, the suggested savings rate is 21%, in contrast to 15% in the US and 13% in the UK.
- In Hong Kong, approximately 48% of income should be funded by private savings, whilst in Japan that number falls to 36%.
- Individuals in Japan should be targeting retirement savings of 7 times their earnings by the time they retire, in contrast to 12 times in Hong Kong.
- In the UK, you can withdraw 5% of your savings sustainably, in contrast to 3.9% in Japan.

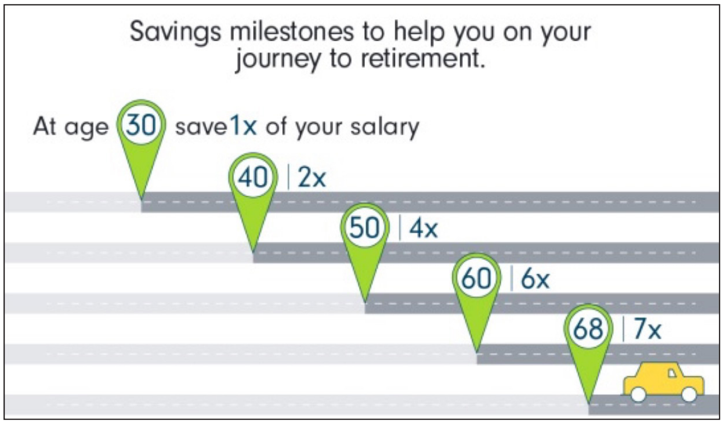
What does this mean for multinationals?

Adopting a global financial wellness framework enables multinationals to understand the challenges faced by employees in different countries, whilst providing a consistent experience to the workforce. Retirement planning is a critical pillar, with employers taking the responsibility for providing educational materials, which could include the examples on the right.

As more organizations seek to develop a global financial wellness strategy, the use of a consistent approach and methodology provides an opportunity for successful deployment of their strategy. It also enables them to consider the retirement preparedness of the workforce to identify education needs and provides critical data on workforce planning. Ultimately, it reinforces the key messages of broader total well-being initiatives that the company cares for its employees and will provide support for them to plan for their retirement needs.

For more information and details with respect to Fidelity's Global Retirement Savings Guidelines, please visit https://retirement.fidelityinternational.com/.

Assumes no retirement savings balance before starting age.



The savings milestone rule of thumb (illustrated for Japan above) allows you to approximate how much you will need to have put aside by the time you retire. Simply multiply your income at certain ages by your savings factor in order to see how much you'll need to maintain your lifestyle when you stop working.

[1]These numbers will also vary by age, income level, life expectancy and market conditions

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About Fidelity International Benefits Consulting

Fidelity's International Benefits Consulting team is independent and focuses on supporting clients in meeting their business objectives through the provision of impartial, but tailored, advice reflecting market trends and best practice.

<table>
<tr><th>Global Benefits Governance</th><th>International DC Governance</th><th>International Retirement & Financial Wellbeing</th><th>International Healthcare & Wellness</th><th>International Miscellaneous</th></tr>
<tr>
<td rowspan="2">Governance structure & operating model
International audit, benchmarking and compliance review
Management and reporting
Ongoing support to global benefits committees
Advice on global financing opportunities</td>
<td rowspan="2">Fiduciary and compliance oversight
Best practice implementation
Development of preferred provider arrangements
Enhancing employee experience</td>
<td>Financial Wellbeing
Benchmarking/ implementation of global best practice
Design/ implementation of programs to support financial wellbeing
Vendor selection and oversight</td>
<td>International Healthcare
Vendor selection
Strategic plan management advice
Cost optimization</td>
<td rowspan="2">Global insurance programs
Corporate transactions
Second opinions on local advice
Strategy to respond to legislative changes
Facilitation of global stock plan advice</td>
</tr>
<tr>
<td>International Retirement
Benchmarking/ setting of financing assumptions
Advice on opportunities for de-risking
Consolidation of financial reporting & budgeting</td>
<td>Wellness
Global wellness education strategies & programs
Benchmarking and deployment
Vendor selection</td>
</tr>
</table>

The income replacement rate for each region represents the percentage of pre-retirement income that Fidelity estimates will be required to come from personal savings in order to maintain a pre-retirement lifestyle throughout retirement (when combined with state pension). The value may vary across regions based on differences in expenditures, taxation, and the level of income replacement from state pension, among other factors.