Willis Towers Watson

International Pension Plan Survey

Report 2018

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Survey background

This report summarises the results of the 2018 International Pension Plan Survey, an annual survey conducted by Willis Towers Watson analysing International Pension Plan (IPP) and International Savings Plan (ISP) specific design elements and membership criteria. The survey this year covers 999 IPPs and ISPs sponsored by 939 companies (the 2017 survey covered 870 from 818 companies). With 76 plans set up in 2018, this indicates a sharp increasing trend compared with prior years, evidencing expanded market demand for IPPs and ISPs.

The 2018 survey includes some new questions around domicile and provider business acceptance policies but has remained largely unchanged compared with prior years, for continuity and comparability purposes. As with previous editions of the survey, the sample comprises large and midsize multinational employers across a wide range of industry sectors, which employ expatriate and local workforces participating in IPPs/ISPs, ranging from less than 10 members to more than 7,000 members. Our survey covers basic information around IPP/ISP membership criteria (e.g., plan size and location), plan design (e.g., defined contribution [DC], defined benefit [DB] or hybrid), funding, vesting criteria, vehicle used, employer and employee contribution rates, investment funds and retirement distribution options.

Overall results

The 2018 survey covers a wide array of industry sectors as in previous editions. The largest concentration sponsoring IPPs/ISPs continues to be from the Banking and Finance sector, followed by Oil and Gas, Food and Drink, Consumer Goods and Retail, Industrials, Technology and Transport and Travel sectors. The main objective of IPPs/ISPs is in most cases the provision of retirement benefits (IPP), though shorter-term savings vehicles (ISP) are becoming more common.

For the majority of IPPs/ISPs, the strategic intent is the provision of savings or retirement benefits for expatriates that are not covered by any home country plans and/or not participating in a local host country retirement plan. Out of the total number of IPPs and ISPs in our survey, around 20% were set up in the last three years, with 76 plans set up in 2018 alone.

The IPPs/ISPs in our survey have a total membership that ranges from fewer than 10 members up to more than 7,000 members spread across the globe. The total assets under management for these is estimated to be around $14.7 billion compared with $12.6 billion in last year's survey. As in previous years, the majority of IPPs and ISPs in this year's survey, were set up for a 'global' workforce.

DC plans remain the most prevalent design basis, with DB plans still in operation but typically closed to new members and falling in numbers.

Three-quarters of IPPs and ISPs in our survey offer immediate vesting, despite the fact that incorporating vesting criteria into the IPP/ISP design can encourage employee retention. Where vesting rules do exist, a flat (or cliff) vesting schedule continues to be more popular than phased vesting.

Trust-based vehicles continue to be the most popular way to segregate and protect member assets. Contract-based plans are also common, which may be due to the historic cost of trust provision as well as a general aversion to trusts in certain regions; however, the proportion of contract-based plans has decreased slightly as compared with last year.

The 2018 survey featured a new question on the domicile of IPPs. The results show that for trust-based arrangements set up in the last five years, Isle of Man is the most popular choice of domicile, followed by Guernsey. For contract-based arrangements, Luxembourg is the most common domicile.

Contribution amounts and structures continue to vary in this market. The main findings are the following:

- Pensionable salary is most commonly defined as 'base salary only' (66% of responses), followed by 'base plus bonus' and 'all remuneration'.
- The highest concentration of IPPs/ISPs report having a flat or service-related contribution scale as opposed to age-related scales.
- The majority of contributory IPPs/ISPs have no employer matching contributions. In cases where employer matching is a feature, employee to employer 1:1 matching is more prevalent than 1:2 matching.
- The most popular minimum contribution rate for employers is less than 5% of pensionable salary (after removing the 'nil' category – meaning no contributions at all), followed by the 5% to 9% bracket. The maximum employer contributions are most commonly between 5% and 9%, with 10% to 14% being the next most popular range.
- In the majority of IPPs and ISPs, employees are not required to contribute, either because employee contributions are voluntary or because this has not been incorporated into the design (i.e., the IPP/ISP is funded by employer contributions only).
- Minimum employee contributions are most commonly reported as 0% of pensionable salary. The next most frequently reported amount is less than 5%. For maximum employee contributions, the most commonly reported amount was between 5% and 9%. A small number also reported no maximum limit.
- The number of IPPs/ISPs that offer access to external fund managers (as opposed to internal funds only, which are typically limited to the Provider's proprietary investments) increased from last year's survey and continues to be the most popular offering.

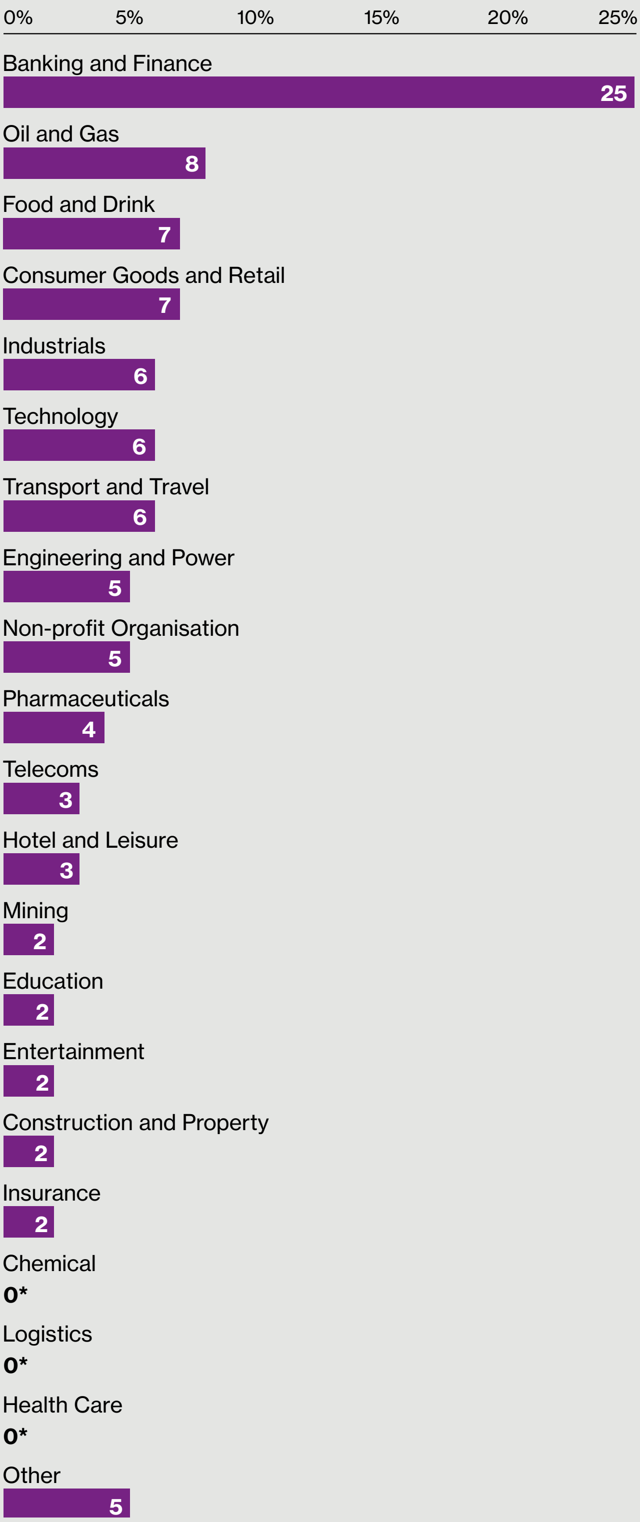
Lifestyle strategies or funds continue to feature in the investment offering, where over 40% of those surveyed now offer at least one lifestyle option, and roughly 30% of IPPs and ISPs offer more than one lifestyle option to provide for different membership demographics, risk profiles or currencies.

Around half of IPPs/ISPs in our survey offer up to 10 investment funds for members to choose from. The remainder offer in excess of 10 investment options, with a significant number offering over 40 different investment funds. The plans that reported 'cash only' mainly relate to historic UK IPPs set up for executives. IPPs/ISPs offer funds across multiple asset classes and currencies to meet the needs of a geographically diverse workforce.

Lump sum payments continue to be the most popular form of distribution.

IPPs/ISPs are being set up by global companies for multiple purposes, and we expect this trend to continue, leading to more diverse memberships in the future. One region that we are observing significant interest in IPPs/ISPs is Singapore, and this year's survey includes a feature article on the use of these arrangements in this region. Improvements in technology will also help drive the development of Providers' administration platforms, allowing them to handle more diverse and complex arrangements and improve member experience. Many Providers are reporting greater investment in the use of artificial intelligence (AI), robotics and other developing technology in this area now and in the future.

Figure 1. **Industry overview – Plans by industry**



*Please note that 0% is due to rounding.

Survey participants

Industry sectors

The 2018 Willis Towers Watson International Pension Plan Survey includes 939 multinational employers that sponsor one or more International Pension Plan or International Savings Plan. Survey participants represent a cross section of industry sectors, with the largest concentration in Banking and Finance, followed by Oil and Gas, Food and Drink, and Consumer Goods and Retail, Industrials, Technology and Transport and Travel sectors. Fifty-three plans fell outside our broad industry sectors and so were classified as 'Other'. A full breakdown by industry is shown in *Figures 1 and 2.*

Plan size (membership)

Plan size is defined by the total number of active and inactive members. IPPs/ISPs serve any number of members: 42 have only one active member while three have 5,000 or more members. The most common size ranges from one to 19 members (346 IPPs/ISPs), as shown in *Figure 3*. In addition, 318 IPPs/ISPs have between 20 and 199 members and 179 IPPs/ISPs have 200 or more. The total assets under management for the IPPs and ISPs covered in our survey is estimated to be approximately US$14.7 billion *(Figure 4).*

Figure 2. **Industry overview – Plans by industry**

	Number of plans	Percentage of plans
Banking and Finance	248	25%
Oil and Gas	76	8%
Food and Drink	69	7%
Consumer Goods and Retail	68	7%
Industrials	61	6%
Technology	57	6%
Transport and Travel	56	6%
Engineering and Power	53	5%
Non-profit Organisation	47	5%
Pharmaceuticals	39	4%
Telecoms	30	3%
Hotel and Leisure	26	3%
Mining	25	2%
Education	22	2%
Entertainment	22	2%
Construction and Property	21	2%
Insurance	15	2%
Chemical	4	0%*
Logistics	4	0%*
Health Care	3	0%*
Other	53	5%
Total	**999**	**100%**

*Please note that 0% is due to rounding.

Figure 3. **Plan size by membership**

	Number of plans	Percentage of plans
0	13	2%
1 to 9	256	30%
10 to 19	90	10%
20 to 49	127	15%
50 to 199	191	22%
200 to 499	86	10%
500 to 999	50	6%
1,000 and above	43	5%
Total	**856**	**100%**
Not disclosed	*143*	

Figure 4. **Assets under management**

	Number of plans
< US$1 million	269
US$1 million to US$5 million	174
US$5 million to US$10 million	64
US$10 million to US$25 million	71
US$25 million to US$50 million	51
US$50 million to US$100 million	32
US$100 million to US$250 million	27
US$250 million to US$500 million	6
More than US$500 million	2
Unfunded	54
Total	**750**
Not disclosed	*249*

Objective of IPP/ISP

The overall objective of the majority of plans is to provide income at retirement (IPP). However, plans are increasingly being set up for saving purposes, with 335 plans reporting a primary objective of savings (ISPs) *(Figure 5).*

Figure 5. **Objective of plan**

	Number of plans	Percentage of plans
Retirement objective	**590**	**64%**
Savings objective	**335**	**36%**
Total	**925**	**100%**
Not disclosed	***74***	

The strategic intent of many IPPs/ISPs is to provide a 'top-up' or replacement benefit for international or expatriate employees who are no longer eligible for their home country plans or face a shortfall or no benefit from host country plans. An increasing trend is establishing new IPPs and ISPs, or extending the eligibility of existing ones, to enable local workforces to join the IPP/ISP. This occurs most often where the local savings or retirement plan market is underdeveloped, offers no or minimal tax advantages, or requires investment in local instruments such as bonds (that are often at high risk of default), or where investment offerings are restricted and/or few local Providers offer quality administration and communication services.

As shown in *Figure 6*, the following membership categories were identified for our survey:

- **Expatriates (51%):** While the definition of expatriate varies by organisation, this group typically contains IPP/ISP members who could no longer remain in their home country plans and/or could not or should not (perhaps because of lengthy vesting periods) participate in a host country arrangement. The category includes a range of expatriates, including typical 'out and back' as well as career 'nomads'.
- **Executives (23%):** The percentage of IPP and ISP offered to executives only has increased since the last year's survey. These are typically top management enrolled in IPPs/ISPs either as nomads, meaning they have moved around throughout their career and thus need a top-up for postretirement savings, or as current executives offered IPP/ISP membership as an incentive to take on a new role in another country.

Figure 6. **Membership criteria**

	Number of plans	Percentage of plans
Expatriates	**442**	**51%**
All local employees	**97**	**11%**
For executives only	**202**	**23%**
Closed plans	**20**	**2%**
For non-US members only	**1**	**0%**
Other	**109**	**13%**
Total	**871**	**100%**
Not disclosed	***128***	

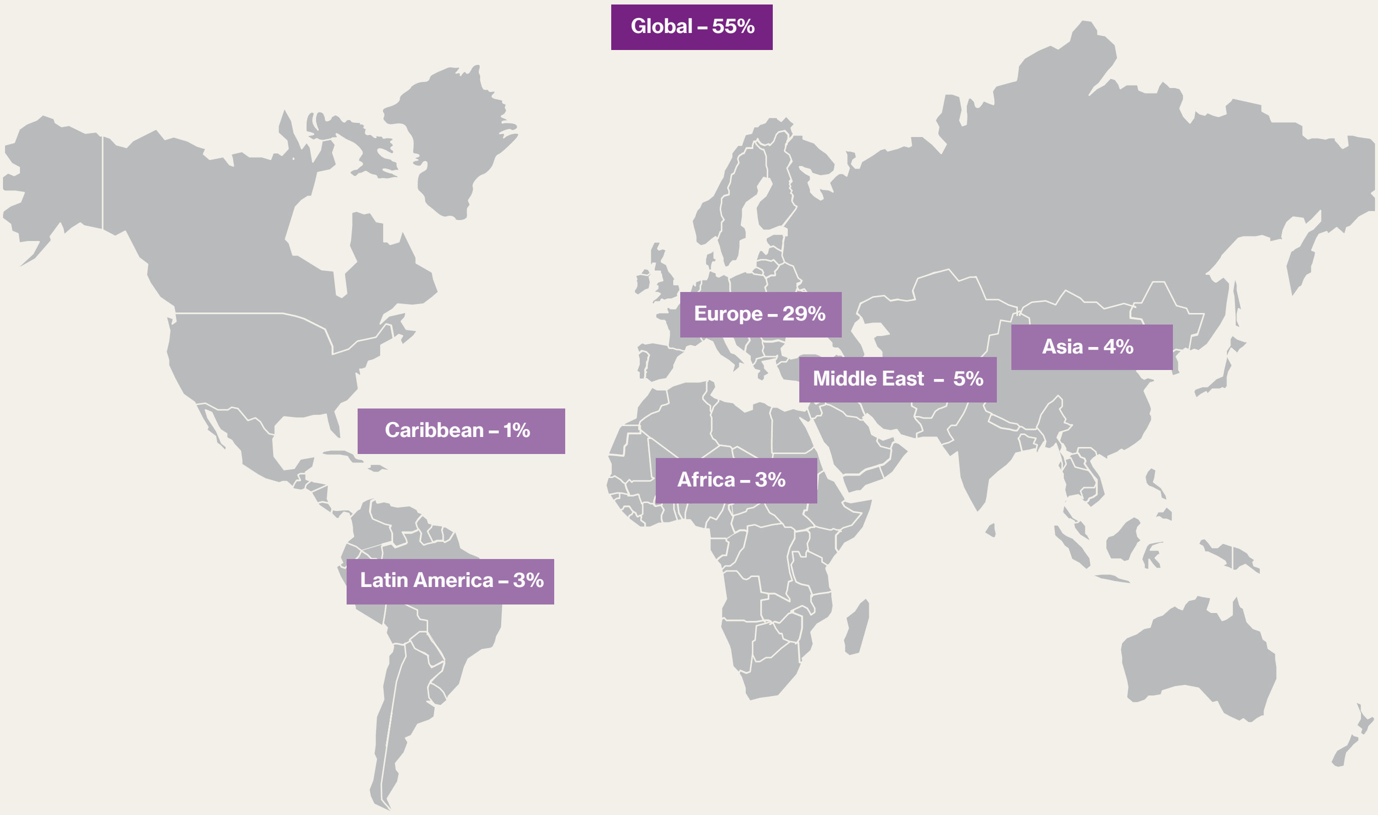
- **All local employees (11%):** IPPs/ISPs are commonly used for all local employees based in countries or regions with inadequately developed savings or retirement plan markets, but with a demand for efficient short- or long-term savings vehicles or retirement benefits. For example, IPPs/ISPs might be offered to local employees to support the employer's recruitment and retention efforts. The Middle East and Europe are common sites for this category of membership. Some IPPs/ISPs are also being extended to local employees as a voluntary savings vehicle or to top up mandatory benefits.
- **Other (13%):** This catch-all category encompasses other employer-defined criteria, such as all members of a legacy DB arrangement or non-US employees who are transferred to another country and are not enrolled in another pension plan (and not typically categorised as expatriates).

Geographical coverage

The majority of IPPs and ISPs (55%) were described as global, meaning that members could be based anywhere in the world and be of any nationality (subject to Providers' business acceptance policies that may place restrictions on certain nationalities, such as US citizens). Twenty-nine percent of the surveyed IPPs and ISPs covered Europe and 5% covered the Middle East. *Figure 7* shows a location breakdown.

Figure 8 shows the number of IPPs and ISPs that cover countries that might be viewed as operating in challenging economic conditions with some in economic crisis. IPPs/ISPs can provide a valuable vehicle that can safeguard employees' savings in a vehicle that protects these savings from any local economic and political turbulence. The number of plans covering such populations has doubled compared with last year's survey.

Figure 7. **Location of membership**



This year we collected details on the domicile of IPPs/ISPs. Luxembourg is historically the most common domicile with one-third of IPPs/ISPs being domiciled here. These are all contract-based (non-trust) arrangements and for certain Providers will by default be domiciled in Luxembourg, as the major Providers of such plans are based in this location. However, the results show that for trust-based arrangements set up in the last five years, Isle of Man is the most popular choice of domicile (57%), followed by Guernsey (30%). *Figure 9* shows a full breakdown of the IPPs/ISPs by domicile.

Figure 8. **IPPs and ISPs offered to local employees in countries suffering economic or political challenges**

	Number of plans
Egypt	24
Iraq	3
Russia	17
Syria	2
Turkey	13
Ukraine	11
Argentina	16
Venezuela	5
Angola	5
Total*	**47**

*May cover more than one country; hence, the total number in these countries is not the sum of IPPs and ISPs in the table.

Figure 9. **Domicile of the IPPs/ISPs**

	Number of plans	Percentage of plans
Luxembourg	298	33%
Guernsey	232	26%
Jersey	190	21%
Isle of Man	155	17%
Hong Kong	14	2%
Cayman	4	0%
Bermuda	1	0%
Other	9	1%
Total	**903**	**100%**
Not disclosed	96	

Plan design features

DC, DB or hybrid design

Most new IPPs/ISPs are set up as DC arrangements. In our survey, only two DB plans have been set up since 2012, and none in the last three years. DB plans have been more prevalent historically and still exist, but on a much smaller scale since our first International Pension Plan Survey in 2008. Hybrid plans are even less common than either DB or DC plans *(Figure 10)*.

In countries with a statutory End of Service Benefit (ESB), termination indemnity or gratuity payment due to the employee, such as in parts of Europe and the Middle East, the benefit is sometimes incorporated or funded through the IPP/ISP. For example, IPPs/ISPs can offer additional underlying DB benefits, such as applying extra-days accrual to a mandatory period-based formula. This type of offering would be considered a hybrid design.

The vast majority (94%) of IPPs/ISPs are funded, with only 6% unfunded, according to our survey. Almost all (97%) of DC IPPs/ISPs are funded, and 60% of DB IPPs/ISPs are funded, while only 14% of hybrid IPPs/ISPs are currently funded.

Figure 10. **DC, DB or hybrid design**

	Number of plans	Percentage of plans
DC	**938**	**94%**
DB	**49**	**5%**
Hybrid	**10**	**1%**
Total	**997**	**100%**
Not disclosed	***2***	

Waiting periods and vesting criteria

Three out of four IPPs/ISPs offer immediate access for eligible employees. Where waiting periods exist, they are typically one year or less.

Incorporating vesting criteria into the IPP/ISP design can encourage employee retention. However, only around 23% of IPPs incorporate vesting provisions into the initial design. Most commonly, where a vesting period exists, employer contributions vest completely within three to five years of initial participation.

Figures 11 through 13 show vesting periods for the IPPs/ISPs in our survey.

Vesting rules may be based on a flat or cliff scale, meaning that the member receives employer contributions after a specified number of years of participation. Phased (or tiered) vesting scales are also common, whereby the member gradually becomes entitled to employer contributions over a number of years.

- **Flat (or cliff) vesting schedule (109 IPPs and ISPs):** A flat vesting schedule means that employer contributions become 100% vested after a fixed number of years. Members are not entitled to any employer contributions unless they reach the requisite number of service years *(Figure 12).*
- **Phased vesting schedule (97 IPPs and ISPs):** In a phased vesting schedule, employer contributions vest gradually over a set period. Members become entitled to a specified percentage of employer contributions after each year of service, up to the maximum service required. The proportion is usually linked to the maximum length of time up to 100% vesting, such as 20% a year over five years on a straight-line basis. However, as shown in *Figure 13*, other designs are possible.

Plan vehicle

Pension assets held within IPPs/ISPs are most commonly retained in trust vehicles in offshore locations. However, according to the 2018 survey data, 44% of all IPPs/ISPs are contract-based *(Figure 14)*. IPPs/ISPs may be used as funding vehicles for mandatory termination indemnities, gratuities or ESBs, especially in the Middle East. The sponsoring employer often needs to maintain control over the underlying assets, which is achieved through a contract-based solution.

Figure 11. **Vesting period**

	Number of plans	Percentage of plans
Immediate	689	77%
Phased	97	11%
Flat/Cliff	109	12%
Total	**895**	**100%**
Not disclosed	104	

Figure 12. **Flat vesting schedule**

	Number of plans	Percentage of plans
Less than one year	10	10%
One year	19	19%
Two years	17	17%
Three years	20	20%
Four years	2	2%
Five years	26	27%
Other	5	5%
Total	**99**	**100%**
Not disclosed	*10*	

Figure 13. **Phased vesting schedule**

	Number of plans	Percentage of plans
Two years	6	8%
Three years	19	25%
Four years	9	12%
Five years	25	32%
Six years	4	5%
10 years	2	3%
Other	12	15%
Total	**77**	**100%**
Not disclosed	*20*	

Figure 14. **Plan vehicle**

	Number of plans	Percentage of plans
Trust	519	56%
Contract	416	44%
Total	**935**	**100%**
Not disclosed	*64*	

Pensionable salary definition

As for pensionable salary definitions, base salary only continues to be most common definition used *(Figure 15)*. However, a number of IPPs and ISPs also include bonuses when calculating contributions (145 IPPs and ISPs) or even all remuneration, which may also include commissions and benefits-in-kind (50 IPPs and ISPs). 'Other' definitions include those where contributions vary by individual contract.

Figure 15. **Pensionable salary definition**

	Number of plans	Percentage of plans
Base salary only	423	66%
Base + bonus	132	21%
Base + bonus + allowances	13	2%
All remuneration	50	8%
Other	21	3%
Total	**639**	**100%**
Not applicable (plan closed)	5	
Not disclosed	*355*	

Figure 16. **Contribution design**

	Number of plans	Percentage of plans
Service-related, 1:1 matching*	35	4%
Service-related, 1:2 matching	4	0%**
Service-related, no matching	235	28%
Age-related, 1:1 matching	9	1%
Age-related, 1:2 matching	4	0%**
Age-related, no matching	21	3%
Age-related, other matching	1	0%**
Flat, 1:1 matching	82	10%
Flat, 1:2 matching	8	1%
Flat, no matching	153	18%
Flat, other matching	15	2%
Employer-funded	2	0%**
Closed	190	23%
Other	82	10%
Total	**841**	**100%**
Not disclosed	*97*	

*Matching ratios shown above are employee to employer.
**Please note this is 0% due to rounding.

Contribution amounts (DC plans only)

DB plans are employer funded where the benefits received are typically service-related. For contributions we focus on pure DC plans. Contribution schedules vary widely amongst the IPPs and ISPs. Contribution designs fall largely into three groups: flat amounts (258 IPPs), service-related (274 IPPs) or age-related (35 IPPs), although age-related is becoming less popular with employers due to discrimination concerns. We also break these three groups down further according to whether the IPP/ISP has an employer-matching element *(Figure 16)*.

Newer DC designs are generally moving away from service- and age-related scales and report either a flat rate for all employees or different flat rates for different groups of employees (for example, one rate for local employees and another for executives). In this year's survey, 40% of IPPs set up since 2012 reported a flat rate, and about 53% of these do not offer employer matching.

Figure 16 summarises the main features of the contribution schedules in this year's survey. There are 190 IPPs/ISPs that are closed to new members (with no future contributions being accepted for the existing membership), the majority of which are historic plans that were set up for UK executives. The 'other' category includes IPPs/ISPs that have discretionary contributions either annually or at different times (such as a top-up for an executive with another local pension plan). In addition, 'other' structures reported this year include employer contributions that are matched but capped at either a percentage or a monetary amount. A combination of different structures is also noted, such as age-related contributions plus a matching element that also increases with age.

Employer contributions

The most commonly reported minimum amount of employer contributions is less than 5% of pensionable salary, followed by 5% to 9%, after removing the 'nil' category, meaning no contributions at all *(Figure 17)*. As for the maximum employer contribution amount, from 5% to 9% was the most popular, followed by 10% to 14% of pensionable salary *(Figure 18)*.

Figure 17. **Employer minimum contribution**

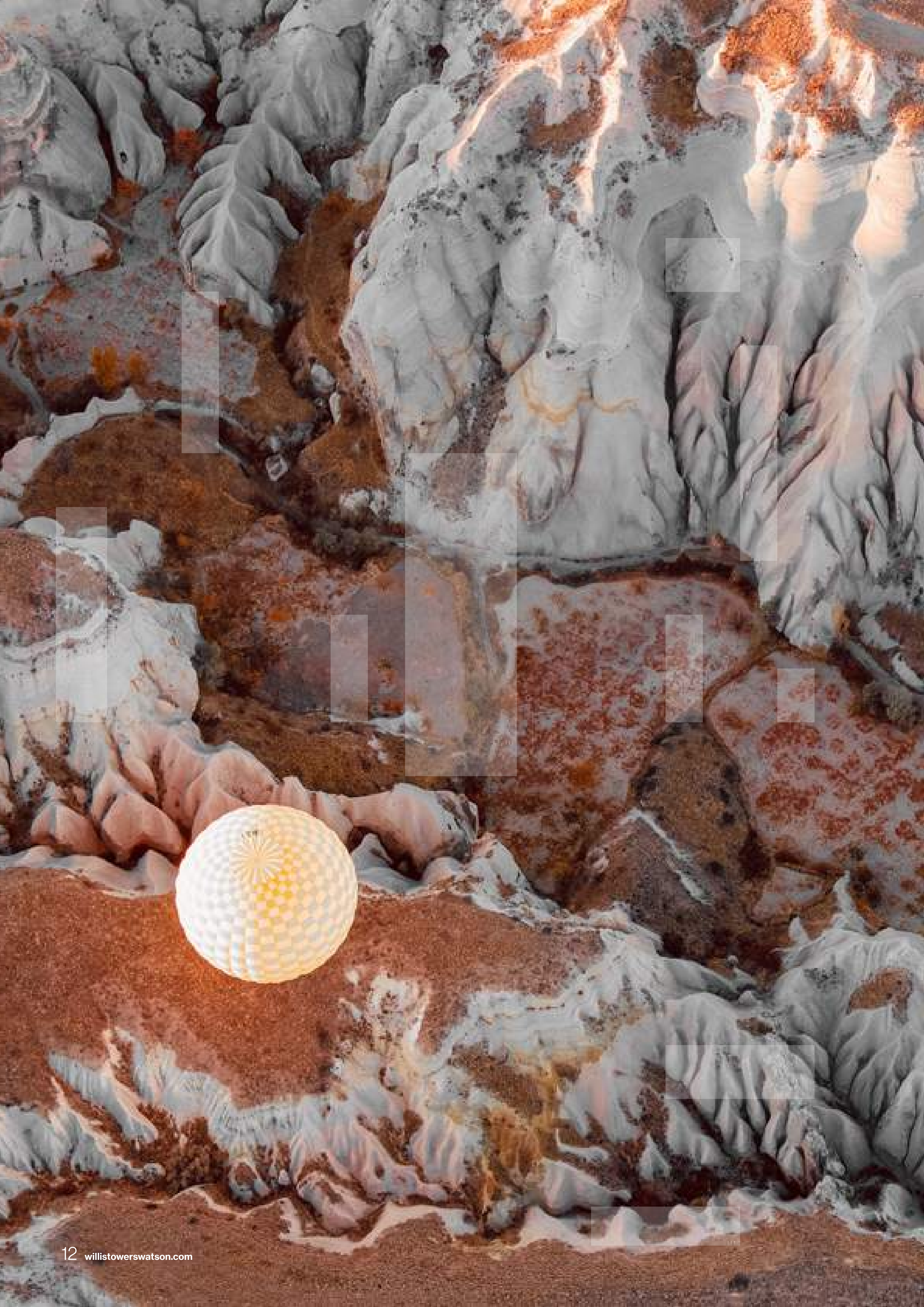
	Number of plans	Percentage of plans
Nil	**119**	**32%**
<5%	**102**	**28%**
5% – 9%	**94**	**25%**
10% – 14%	**23**	**6%**
15% – 19%	**4**	**1%**
20% or more	**5**	**1%**
Other	**26**	**7%**
Total	**373**	**100%**
Noncontributory	**32**	
Closed	**190**	
Not disclosed	***343***	

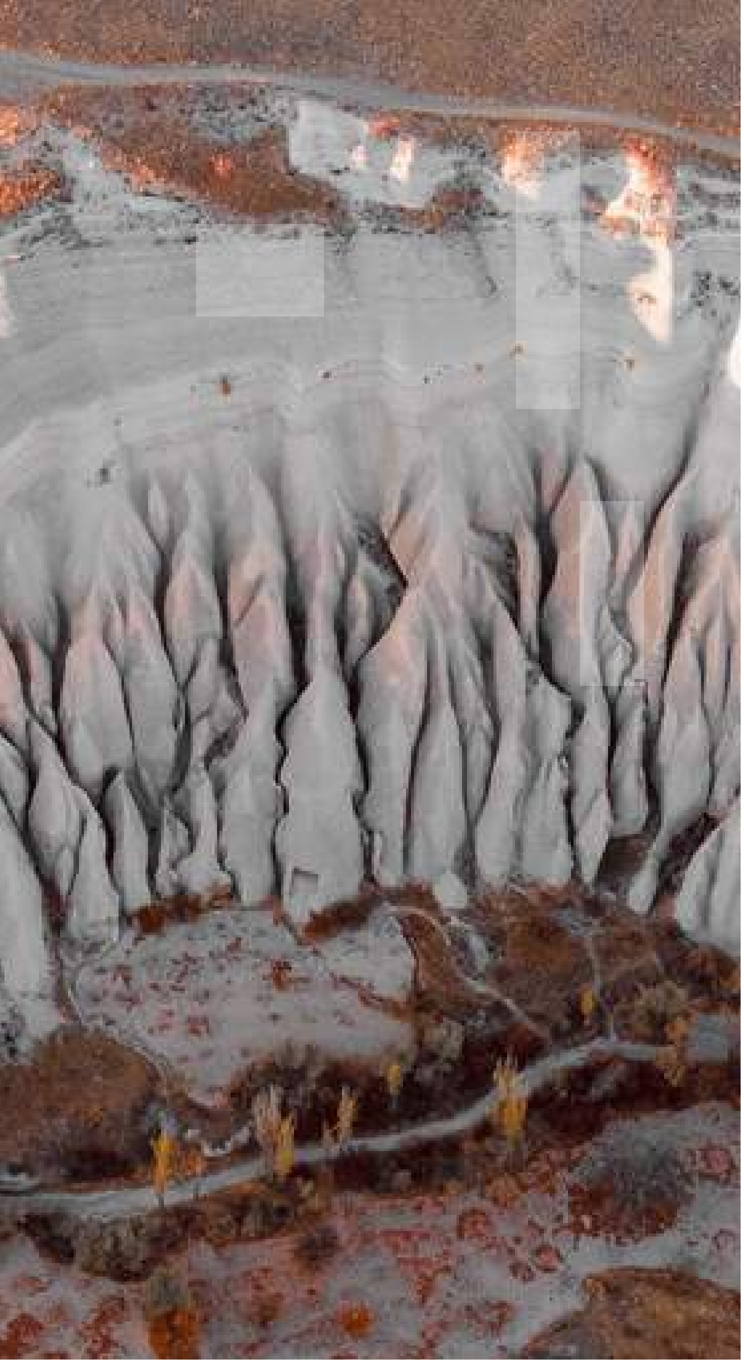
Figure 18. **Employer maximum contribution**

	Number of plans	Percentage of plans
Nil	**0**	**0%**
<5%	**26**	**7%**
5% – 9%	**124**	**34%**
10% – 14%	**84**	**23%**
15% – 19%	**53**	**15%**
20% or more	**35**	**10%**
No maximum	**9**	**3%**
Other	**30**	**8%**
Total	**361**	**100%**
Noncontributory	**32**	
Closed	**190**	
Not disclosed	***355***	

Figure 19. **Employer average contribution**

	Number of plans	Percentage of plans
Nil	**0**	**0%**
<5%	**5**	**8%**
5% to 9%	**28**	**44%**
10% to 14%	**11**	**17%**
15% to 19%	**5**	**8%**
20% or more	**4**	**6%**
Other	**11**	**17%**
Total	**64**	**100%**
Noncontributory	**34**	
Closed	**190**	
Not disclosed	***650***	





Employee contributions

In the majority of IPPs and ISPs, employee contributions are voluntary (that is, contributions are not compulsory and not based on a set range or scale) or noncontributory, meaning employee contributions are not incorporated into the design or are not allowed. In this year's survey, 566 IPPs and ISPs report allowing employees to contribute additional voluntary contributions.

Minimum employee contributions are most commonly 0% (327 IPPs and ISPs including noncontributory plans). The next most frequently reported amount is less than 5%, which is in line with last year's findings *(Figure 20)*. The most commonly reported maximum employee contribution amount is 5% to 9% of pensionable salary, which was also the largest category last year (excluding noncontributory plans), followed by 20% or more, as seen in *Figure 21*.

Figure 20. **Employee minimum contribution**

	Number of plans	Percentage of plans
Nil	**185**	**57%**
<5%	**88**	**27%**
5% to 9%	**46**	**14%**
10% or more	**5**	**2%**
Other	**1**	**0%***
Total	**325**	**100%**
Noncontributory	**142**	
Closed	**185**	
Not disclosed	***286***	

*Please note this is 0% due to rounding.

Figure 21. **Employee maximum contribution**

	Number of plans	Percentage of plans
Nil	**0**	**0%**
<5%	**11**	**4%**
5% to 9%	**75**	**26%**
10% to 14%	**45**	**16%**
15% to 19%	**27**	**9%**
20% or more	**51**	**18%**
No maximum	**38**	**13%**
Other	**40**	**14%**
Total	**287**	**100%**
Noncontributory	**144**	
Closed	**189**	
Not disclosed	***318***	

Figure 22. **Employee average contribution**

	Number of plans	Percentage of plans
Nil	**0**	**0%**
<5%	**6**	**16%**
5% to 9%	**7**	**18%**
10% to 14%	**10**	**26%**
15% to 19%	**3**	**8%**
20% or more	**9**	**24%**
Other	**3**	**8%**
Total	**38**	**100%**
Noncontributory	**143**	
Closed	**182**	
Not disclosed	***575***	

Figure 23. **Nature of funds offered**

	Number of plans	Percentage of plans
Internal	**169**	**22%**
External	**613**	**77%**
Internal and external	**10**	**1%**
Total	**792**	**100%**
Not applicable (including unfunded)	**20**	
Not disclosed	***187***	

Figure 24. **Lifestyle strategies or funds offered**

	Number of plans	Percentage of plans
0	**519**	**58%**
1	**122**	**13%**
2	**18**	**2%**
3	**118**	**13%**
4	**11**	**1%**
5 or more	**118**	**13%**
Total	**906**	**100%**
Not disclosed	***93***	

Investment options

The investment funds in IPPs and ISPs vary from basic to very sophisticated, depending on the underlying membership as well as the Provider's capabilities. More recently established IPPs/ISPs offer a large range of investment funds, often from 'guided' or 'open' architecture investment platforms or gateways through specialist Providers. The IPP/ISP sponsor (or trustee) may limit or expand the number of funds offered based on the sophistication of members and their needs. The funds available are often 'best of breed', being drawn from the wide universe of investment funds and investment managers available in the offshore market. Asset classes include global equity, regional equity, global bonds, emerging markets, diversified, commercial property, socially responsible (ethical), commodities, Shariah-compliant and cash. Many of these funds are offered in a range of currencies reflective of and convenient for the membership, for example, EUR, USD, CHF, JPY and GBP, being most common.

The fund range in the offshore market includes both actively and passively managed funds, with a number of IPPs and ISPs offering both active and passive alternatives in core asset classes, such as global equity and global bonds.

The majority of IPPs/ISPs in our survey offer access to external fund managers on the investment platform (as opposed to internal funds only, which are typically limited to the Provider's proprietary investments), with a small number of IPPs/ISPs offering access to both internal and external fund managers *(Figure 23)*.

Lifestyle strategies (usually composed of three or four funds) or lifestyle funds continue to feature in investment offerings. Forty-three percent of IPPs and ISPs offer lifestyle options, with 29% offering more than one lifestyle option to different memberships with different demographics, risk profiles and currencies *(Figure 24)*. There are also US-style target-date funds (TDFs) being offered on some Provider platforms. Although not strategies, these are funds that aim to achieve similar de-risking objectives, as lifestyles.

Around 50% of IPPs and ISPs in our survey allow members to choose from up to 10 investment funds, and the rest offer more than 10 investment fund options *(Figure 25)*. The number of IPPs and ISPs that offer in excess of 40 different funds has increased to 123 from 86 last year.

The level of governance and oversight provided to the IPP or ISP market seems to be relatively low, where about 14% of the IPPs and ISPs indicate reporting being made to an investment committee *(Figure 26)*.

Unlike in the US and UK, where DC is highly developed and investment or management committees are very commonly used to maintain regular and ongoing oversight, ensuring the DC plan is compliant, appreciated by the membership, offers suitable investment funds, is well administered, maintains cost control (both to the employer and the member through low-cost fund charges) and delivers regular communications to inform members to support them in their decision making, it is a surprise to see the same level of governance and oversight not being provided to the IPP or ISP, where circa 14% of the IPPs and ISPs indicate reporting being made to an investment committee. It must be said that given the average size of the IPPs and ISPs are circa 50 members or less (57% in the survey have fewer than 50 members), this may be a reason for the inconsistency; perhaps sponsors are viewing the IPP and ISP as being immaterial for DC oversight.

Figure 25. **Number of funds**

	Number of plans	Percentage of plans
0	**1**	**0%***
1 to 5	**291**	**32%**
6 to 10	**167**	**18%**
11 to 15	**70**	**8%**
16 to 20	**48**	**5%**
21 to 40	**164**	**18%**
More than 40	**123**	**14%**
N/A – Cash only	**45**	**5%**
Total	**909**	**100%**
Not disclosed	***90***	

*Note: This is 0% due to rounding.

Figure 26. **Investment Governance Committee**

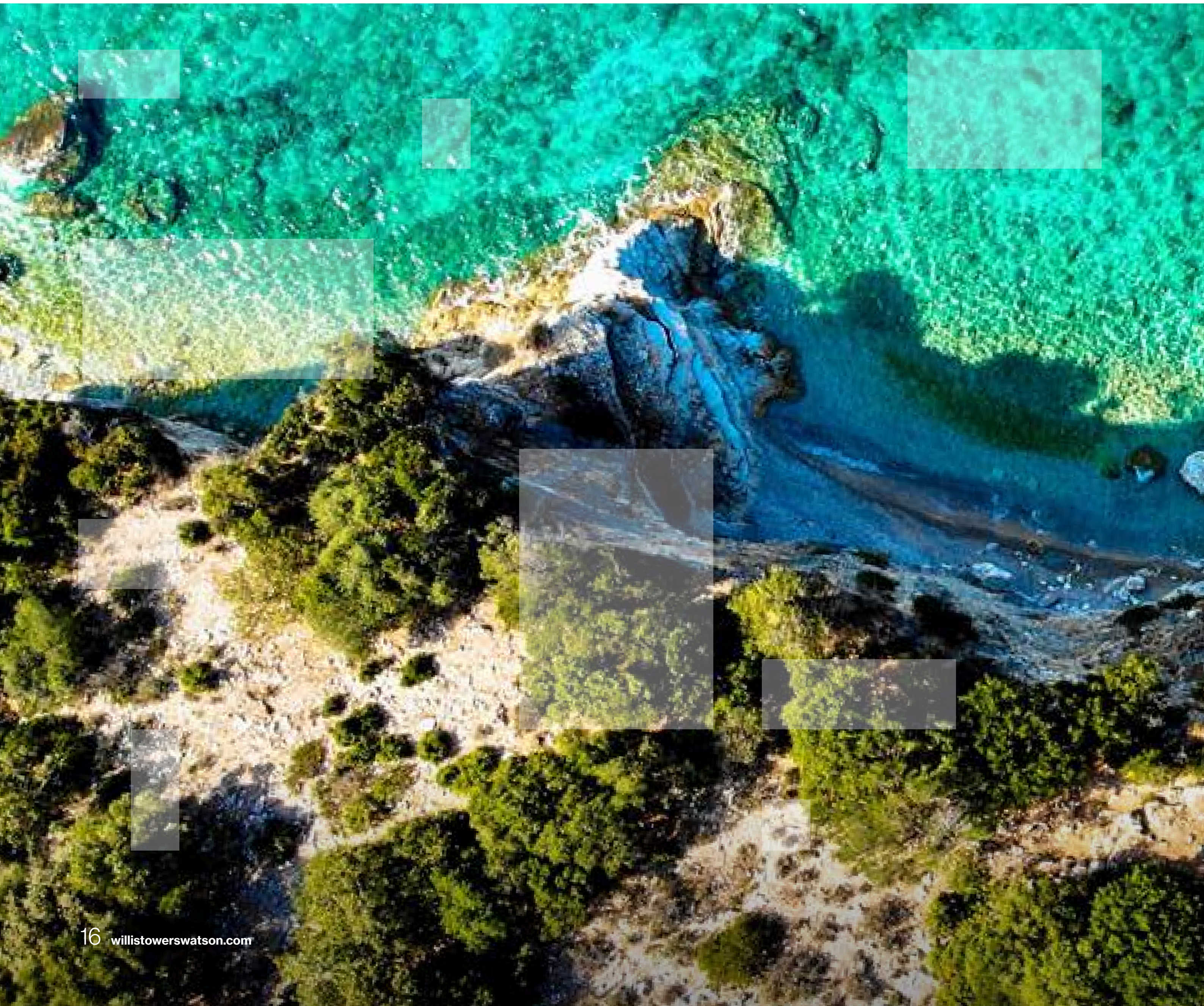
	Number of plans	Percentage of plans
Yes	**119**	**14%**
No or not sure	**705**	**86%**
Total	**824**	**100%**
Not disclosed	***175***	

Distribution options

The final area of focus relates to distribution options, either at retirement or upon leaving employment (if IPP/ISP rules allow for distribution before a specified retirement age). A lump sum cash distribution is the most prevalent distribution option by far, as was the case last year. However, an increasingly common option, especially in IPPs/ISPs set up in the last 10 years, is allowing members to choose between a lump sum and an annuity (often an internal annuity or drawdown, rather than an externally purchased offshore annuity). The next common option is lump sum and drawdown followed by an annuity option, which is provided by a very small minority of these IPPs/ISPs *(Figure 27)*.

Figure 27. **Distribution options**

	Number of plans	Percentage of plans
Lump sum only	543	58%
Lump sum and annuity	227	24%
Lump sum and drawdown	140	15%
Annuity only	19	2%
Other	7	1%
Total	936	100%
Not disclosed	*63*	

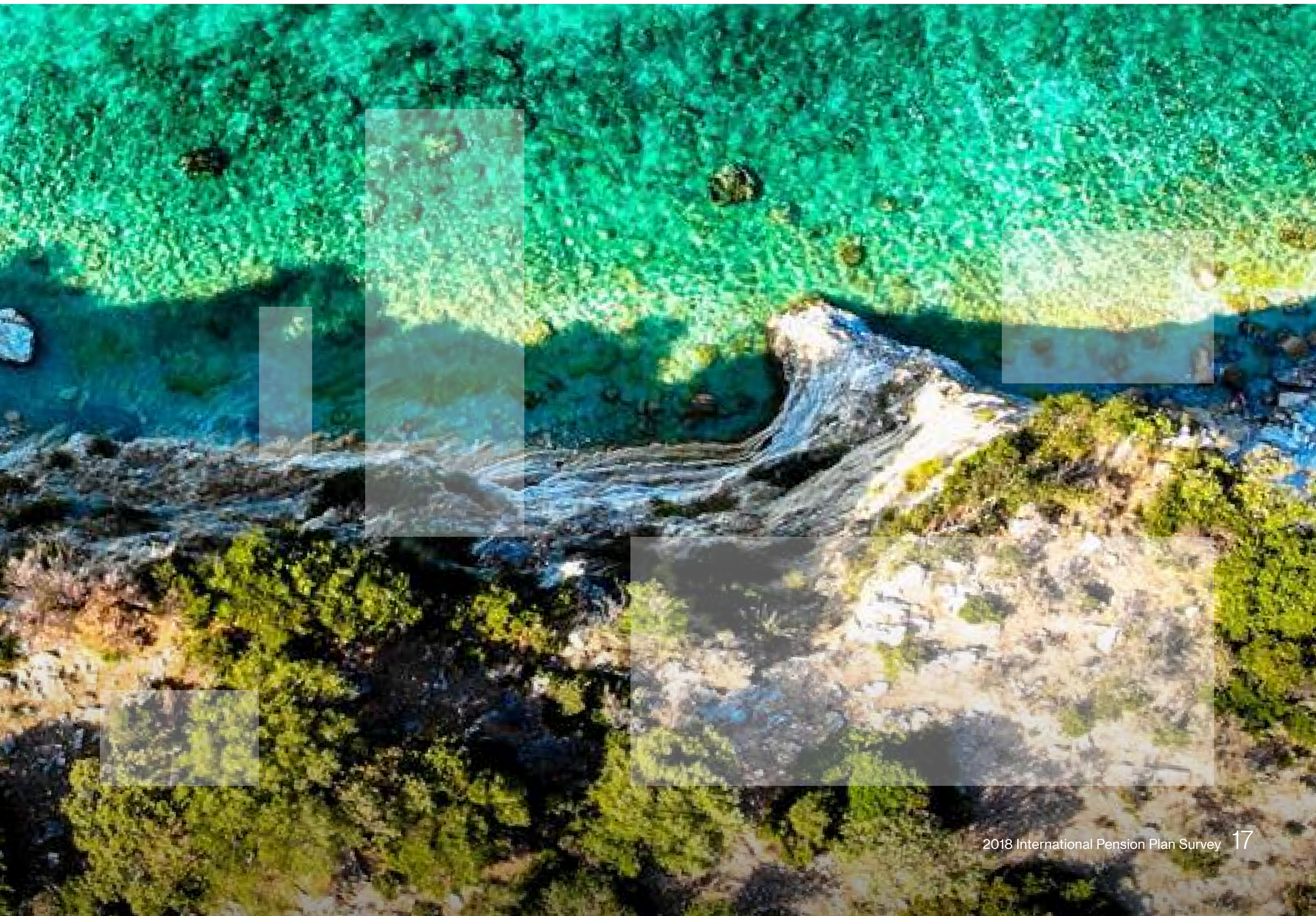


Providers’ technology capabilities

Similar to last year, we collected information on the technology capabilities of IPP and ISP Providers, including their plans for future developments. Responses were received from nine Providers, the results of which are summarised in *Figure 28.* The results show that Providers are showing continued interest in developing technological capabilities and tools. In particular this year we have observed more Providers investing in the use of AI and robotics, to develop online chat functionality.

Figure 28. **Technology capabilities**

	Tools currently available	Tools currently under development
Attitude to risk assessment tool	**78%**	**33%**
Financial education workshops	**56%**	**22%**
Online projection/budgeting tool	**100%**	**22%**
Online chat	**11%**	**33%**
Mobile app	**22%**	**44%**
Employer reporting	**100%**	**22%**



Case study: Singapore

The 2018 International Pension Plan Survey indicates that a growing number of IPPs are being used for populations in Singapore, with 110 plans set up in the last three years being offered to foreign employees in Singapore (among other locations).

This is predominantly in relation to expatriates who are excluded from the local Singapore Central Provident Fund or CPF (that is offered to local employees for savings and other purposes). As these foreign expatriates are excluded from the CPF, they must save in other ways, and surprisingly the local individual and corporate solutions offered to these foreign expatriates are limited and currently viewed as generally poor value. What is attractive instead to many foreign multinationals operating in Singapore is that offering an IPP/ISP to foreign workers excluded from the CPF can come with tax relief to the sponsoring employer for the company contributions to the IPP/ISP. Consequently, there has been very high demand in 2018, and this is expected to develop further in 2019. These are also not limited to just Singapore, and some are being established as limited multi-country structures.

Case study: Angola

The 2018 International Pension Plan Survey indicates a growing number of IPPs are being used for populations in Angola (five plans reported this year compared with only one last year).

The 2018 International Pension Plan Survey indicates a growing number of IPPs are being used for populations in Angola (five plans reported this year compared with only one last year). Structurally, these are being established as offshore trusts with an agreed trust deed and rules. The IPP is a Corporate Savings Plan, and the underlying plan membership maintain a beneficial interest in an earmarked portion of the savings plan. Contributions come from the sponsoring employer in Angola to the trustee; the trustee pays over these for allocation and investment into the IPP, and benefit claims are made to the trustee. The trust provides key functions in terms of protection through segregation of the assets from the sponsoring employer and potential creditors.
This compliant structure has seen much interest in 2018 and can be expected to develop further in 2019.

Further information

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About Willis Towers Watson

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