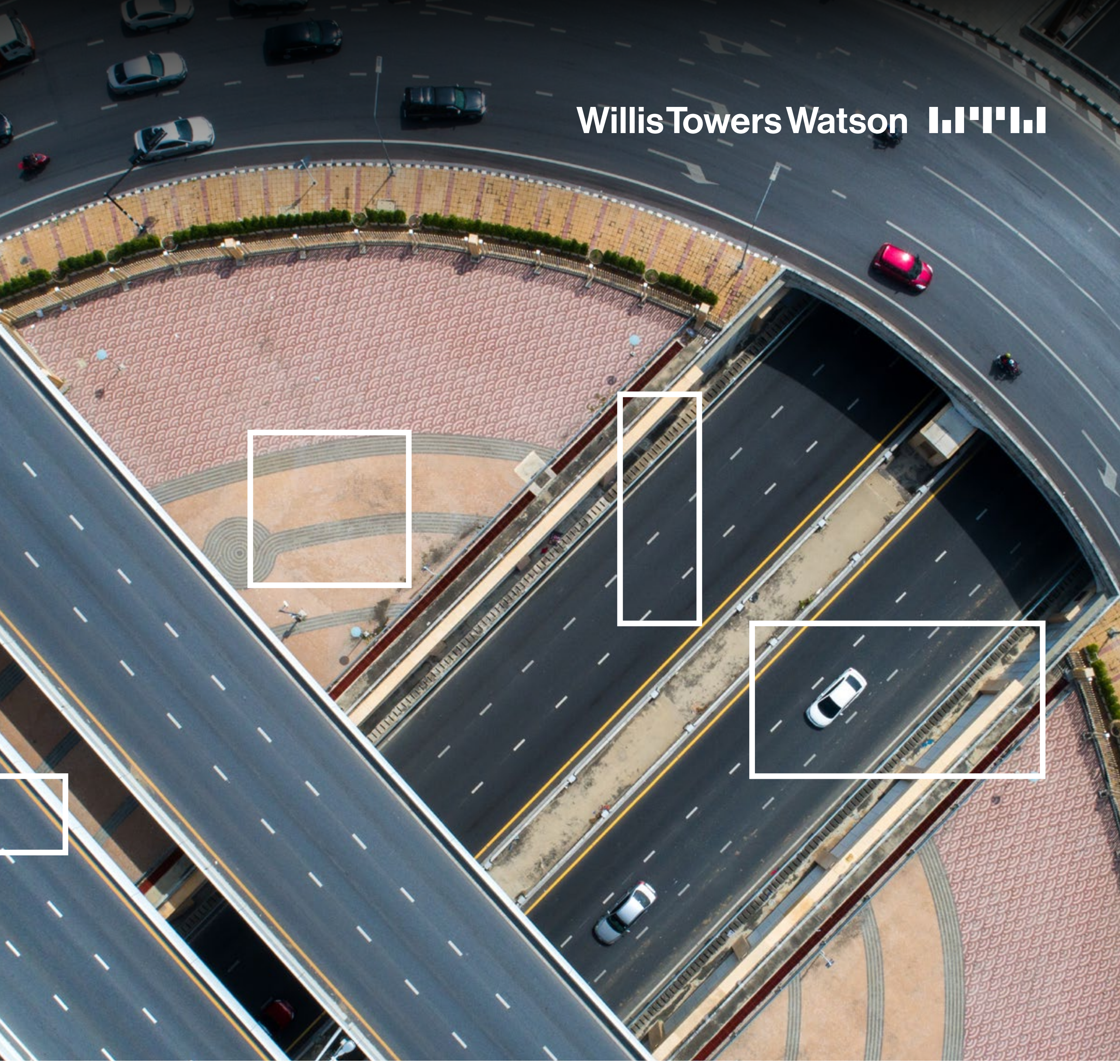


2020 International Pension Plan Survey Report

January 2021

Table of contents

Executive summary

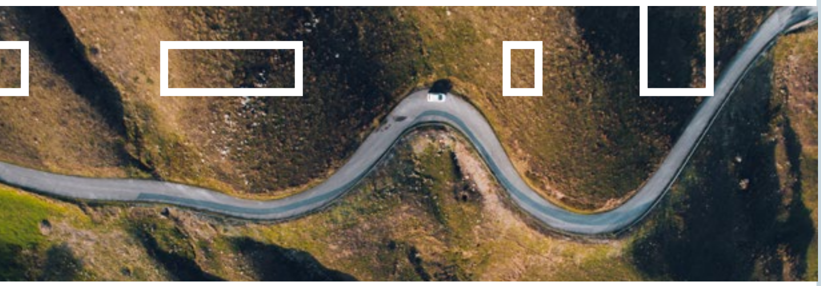
About the survey

This report summarises the results of the 2020 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. This year's survey covers 988 IPPs and ISPs sponsored by 932 companies. Total assets under management for all the IPPs and ISPs in this year's survey are estimated to be around US$17.2 billion.

The 2020 survey questions have remained largely consistent with those of 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 fewer than 10 members to more than 18,000 members.

Our survey covers basic information around IPP/ISP membership criteria (plan size and location), plan design (such as defined contribution [DC], defined benefit [DB] or hybrid), funding, vesting criteria, vehicle used, employer and employee contribution rates, investment funds and retirement distribution options.

This year's survey includes market observations on the impact of COVID-19 and the related sovereign debt crisis on IPPs/ISPs.



Assets under management

2019 — **US$15.8B**

2020 — **US$17.2B**

35

New IPPs and ISPs were established in 2020

10~18,000

Total membership spread across the globe

Overall results

Industry sectors: The largest concentration sponsoring IPPs/ISPs continues to be from Banking and Finance, followed by Oil and Gas, and Consumer Goods and Retail.

Membership categories: The majority of IPPs/ ISPs are set up to provide savings or retirement benefits for expatriates who are not covered by any home country plans and/or not participating in a local host country retirement plan, though some also include local employees and executives. As in previous years, the majority of IPPs and ISPs in this year's survey were set up for a 'global' workforce. We have observed an increase in the use of IPPs in countries that are facing a high risk of government debt defaults.

Market size: The total assets under management for these is estimated to be around US$17.2 billion, compared with US$15.8 billion in last year's survey. The IPPs/ISPs in this year's survey have a total membership that ranges from fewer than 10 members up to 18,000 members spread across the globe.

Vesting period: Three-quarters of IPPs and ISPs in this year's survey offer immediate vesting, even though incorporating vesting criteria into the IPP/ ISP design can encourage employee retention. Where vesting rules do exist, a phased vesting schedule is slightly more popular than a flat vesting schedule.

Objective: The main objective of IPPs/ISPs in most cases is the provision of retirement benefits (IPP), though shorter-term savings vehicles (ISP) are also common.

Increasing prevalence: Out of the total number of IPPs and ISPs in our survey, around 19% were set up in the past three years, with 35 plans set up in 2020 alone. IPPs/ISPs are being set up for multiple purposes, and we expect this trend to continue, leading to more diverse memberships in the future. We are seeing a marked increase in interest from non-profit organisations (intergovernmental organisations and nongovernmental organisations) looking to set up new IPPs/ISPs.

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

Plan vehicle: 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, such as the Channel Islands. For contract-based arrangements, Luxembourg is the most common domicile.

Fund management: The number of IPPs and 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.

Distribution options: Lump sum payments (56% of responses) continue to be the most popular form of distribution, though 20% now also offer a drawdown option, which was not offered 10 years ago.

Technology and artificial intelligence: Providers continue to invest in artificial intelligence (AI), robotics and other developing technology to improve administration platforms, allowing them to handle more diverse and complex arrangements and offer a superior member experience.

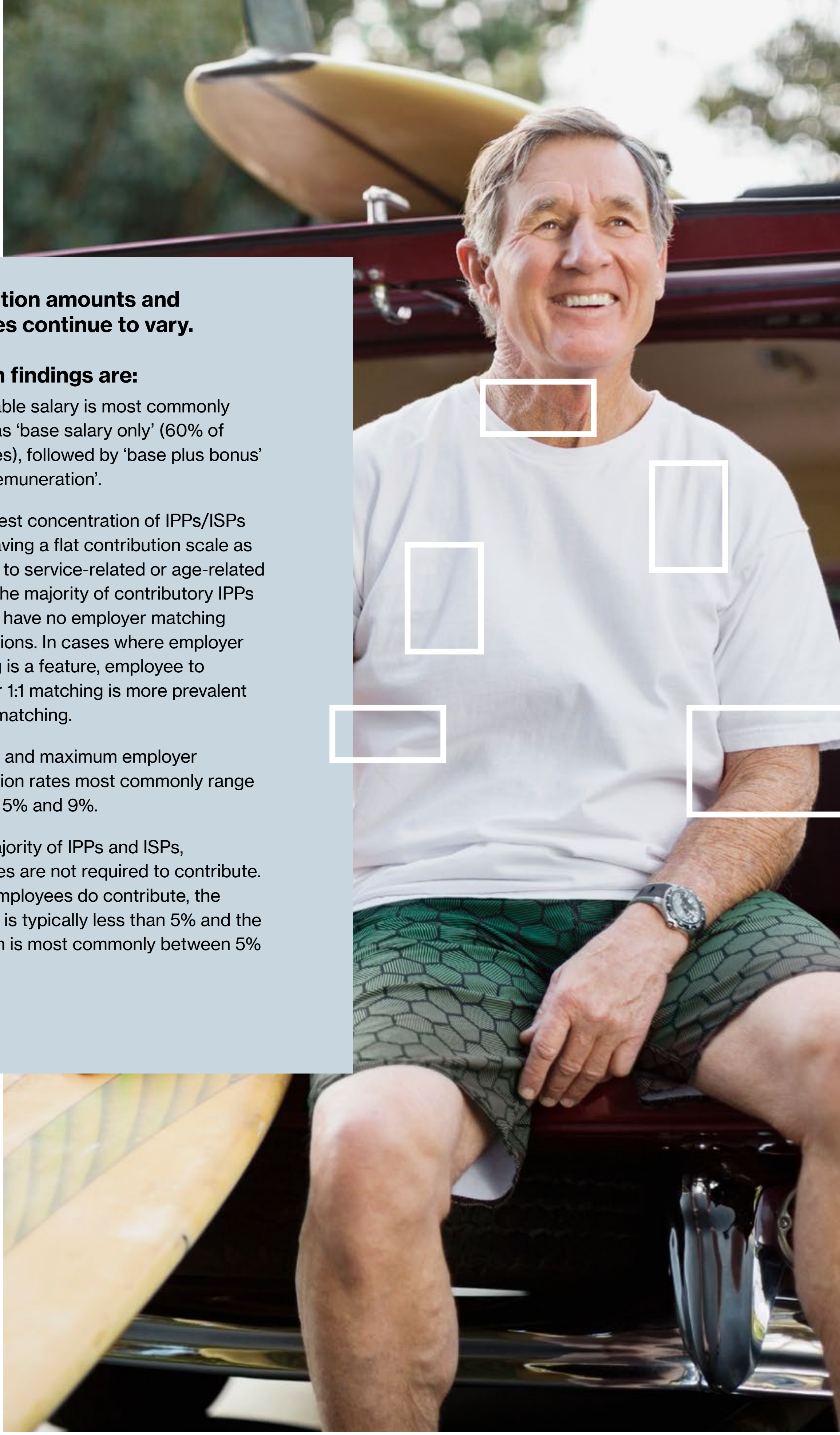
Lifestyle strategies: Lifestyle strategies or funds continue to feature in the investment offering, where 17% of those surveyed offer one Lifestyle option, and 31% of IPPs and ISPs offer more than one Lifestyle option to provide for different membership demographics, risk profiles or currencies.

Investment funds: Around half of IPPs and 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.

Contribution amounts and structures continue to vary.

The main findings are:

- Pensionable salary is most commonly defined as ‘base salary only’ (60% of responses), followed by ‘base plus bonus’ and ‘all remuneration’.
- The highest concentration of IPPs/ISPs report having a flat contribution scale as opposed to service-related or age-related scales. The majority of contributory IPPs and 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.
- Minimum and maximum employer contribution rates most commonly range between 5% and 9%.
- In the majority of IPPs and ISPs, employees are not required to contribute. Where employees do contribute, the minimum is typically less than 5% and the maximum is most commonly between 5% and 9%.

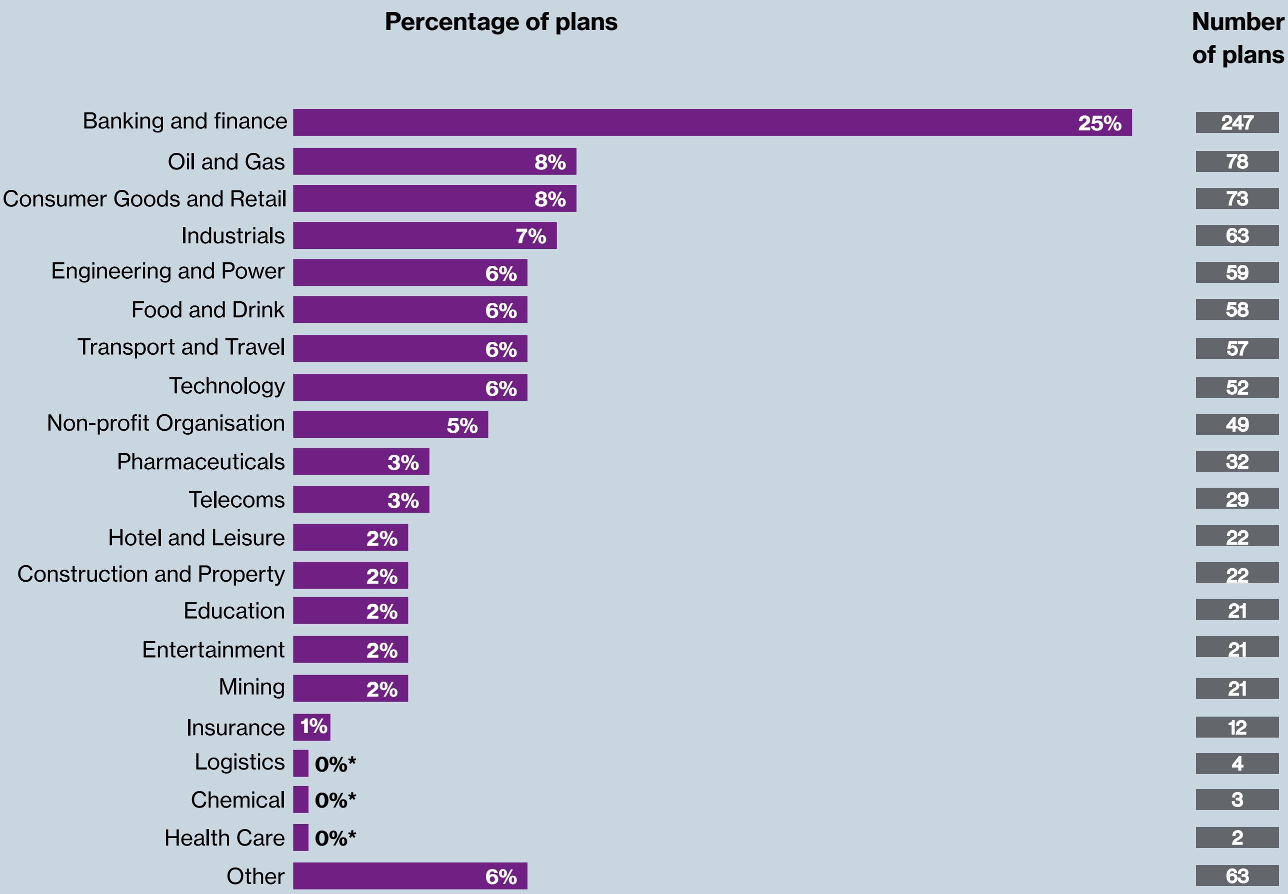


Survey participants

Industry overview

The 2020 Willis Towers Watson International Pension Plan Survey includes 932 multinational employers that sponsor one or more International Pension Plan (IPP) or International Savings Plan (ISP). Survey participants represent a cross section of industry sectors, with the largest concentration in Banking and Finance, followed by Oil and Gas, and Consumer Goods and Retail. We are now also seeing a marked increase in interest from non-profit organisations (intergovernmental organisations and nongovernmental organisations) looking to set up new IPPs and ISPs for their often diverse workforce. A full breakdown of plans by industry is shown in Figure 1.

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



*Please note this is 0% due to rounding.

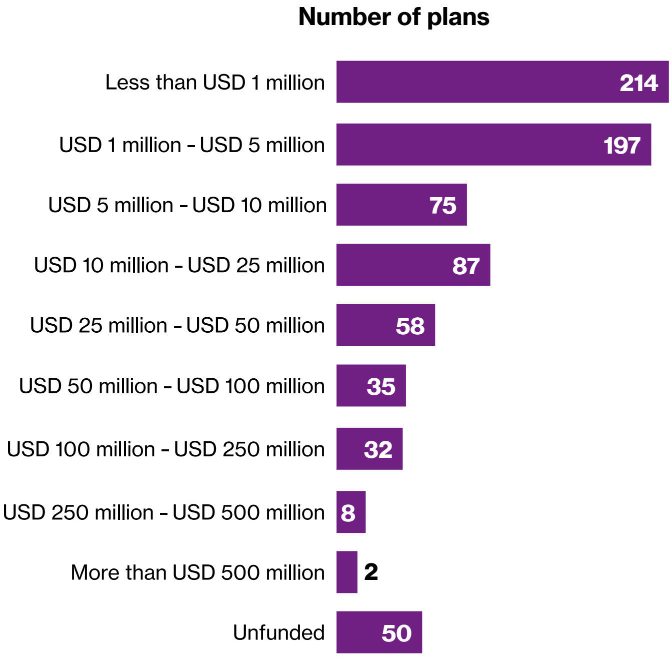
Plan size

Plan size is defined by the total number of active and inactive members. IPPs and ISPs serve any number of members: 36 have only one active member while six have 5,000 or more total members. Most common size includes between one and nine members (226 IPPs and ISPs) followed by 50 to 199 members (196 IPPs and ISPs), as shown in Figure 2. Total assets under management for IPPs and ISPs covered in our survey are estimated to be approximately US$17.2 billion (Figure 3). More than 50% of the plans reported assets under management of less than US$ 5 million.

Figure 2. **Plan size by membership**

	Number of plans	Percentage of plans
0	**15**	**2%**
1 – 9	**226**	**26%**
10 – 19	**104**	**12%**
20 – 49	**150**	**17%**
50 – 199	**196**	**23%**
200 – 499	**87**	**10%**
500 – 999	**47**	**5%**
1,000 and above	**48**	**5%**
Total	**873**	**100%**
Not disclosed	***115***	

Figure 3. **Assets under management**



Not disclosed: 230 plans

Objective of IPP/ISP

As in prior years, the overall objective of the majority of plans is to provide income at retirement (IPP). However, a significant proportion of plans are set up for savings purposes, with 272 plans reporting a primary objective of savings (ISPs) (Figure 4).

Figure 4. **Objective of plan**

70% **Retirement objective** 647 plans

30% **Saving objective** 272 plans

Not disclosed: 69 plans

The strategic intent of many IPPs and 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 who 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 or 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. This year we have observed eight countries default on their government debt instruments. We note the use of IPPs and ISPs to provide a safer vehicle in such markets in the Market Observation section at the end of this report.

As shown in Figure 5, the following membership categories were identified for our survey:

Expatriates (52%): 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 (22%): These are typically top management enrolled in IPPs and ISPs either as nomads, meaning they have moved around throughout their career and thus need a top-up for post-retirement savings, or as current executives offered IPP and ISP membership as an incentive to take on a new role in another country.

All local employees (12%): IPPs and ISPs are commonly used for 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 and 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 and ISPs are also being extended to local employees as a voluntary savings vehicle or to top-up mandatory benefits.

Other (14%): This catch-all category encompasses other employer-defined criteria, such as all members of a legacy defined benefit (DB) arrangement or non-U.S. employees who are transferred to another country and are not enrolled in another pension plan (and not typically categorised as expatriates).

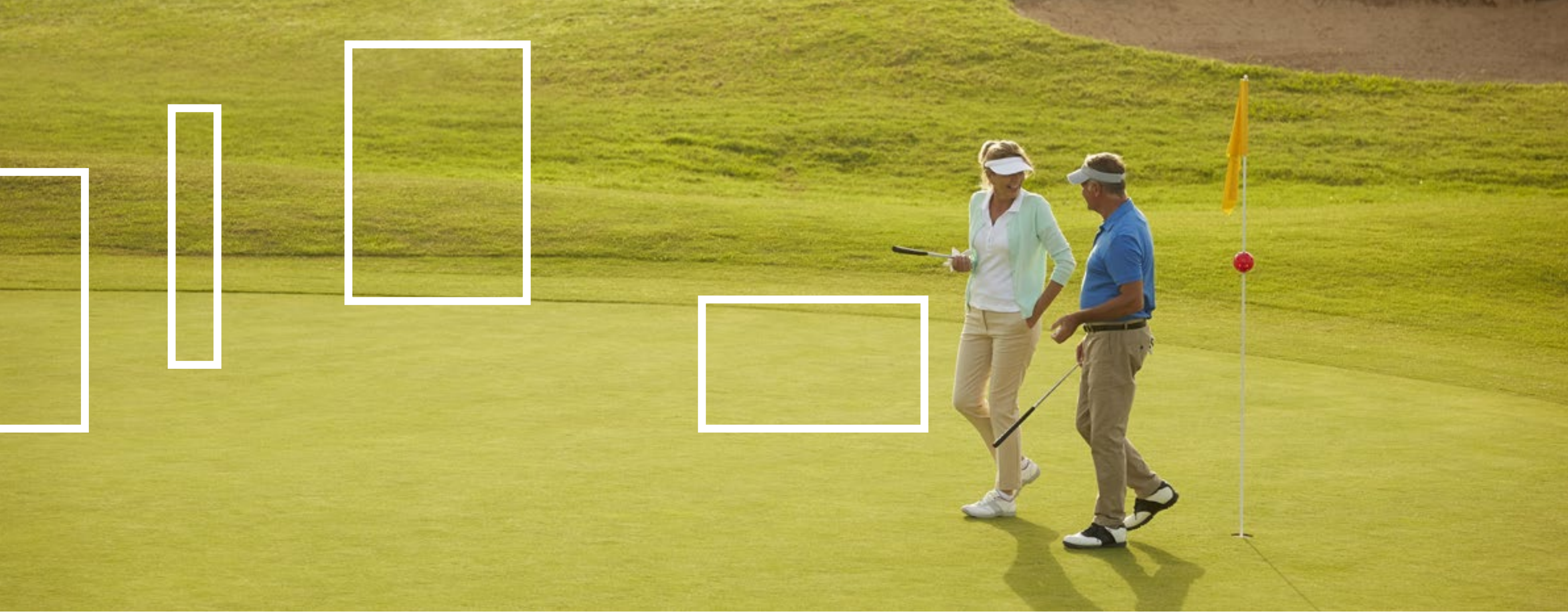


Figure 5. **Membership categories**

	Number of plans	Percentage of plans
Expatriates	**455**	**52%**
All local employees	**109**	**12%**
For executives only	**192**	**22%**
Closed plans	**9**	**1%**
For non-US members only	**7**	**1%**
Other	**104**	**12%**
Total	**876**	**100%**
Not disclosed	***112***	

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. This is subject to the providers' business acceptance policies, which may place restrictions on certain nationalities, such as U.S. citizens, though recently providers are showing willingness to relax some of these policies for certain nationalities, such as Chinese nationals based in China. Of the surveyed IPPs and ISPs, 26% covered Europe, 6% covered the Middle East, and 6% covered Asia. Figure 6 shows a location breakdown.

Figure 6. **Location of membership**

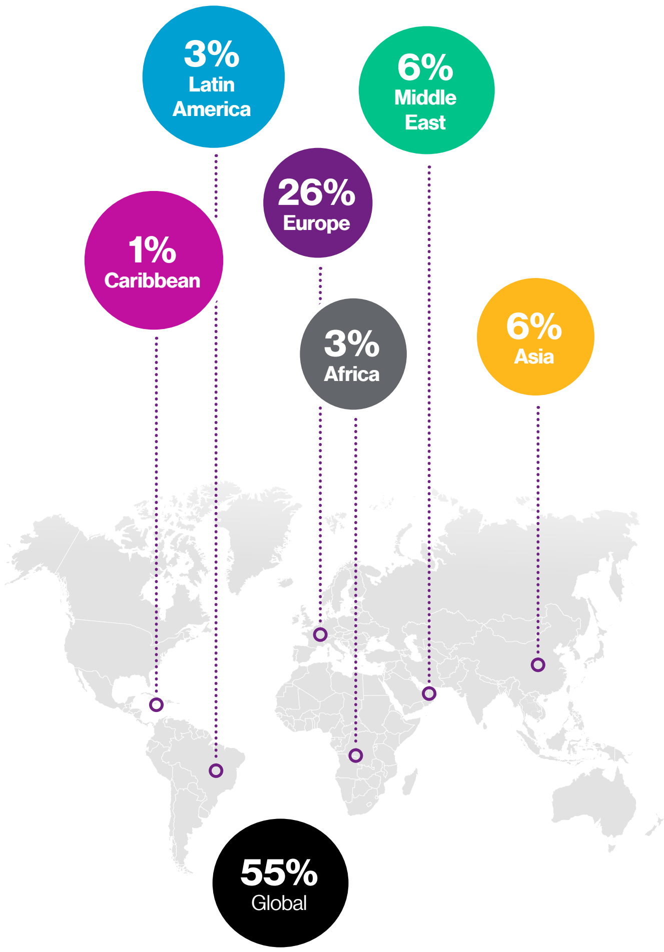
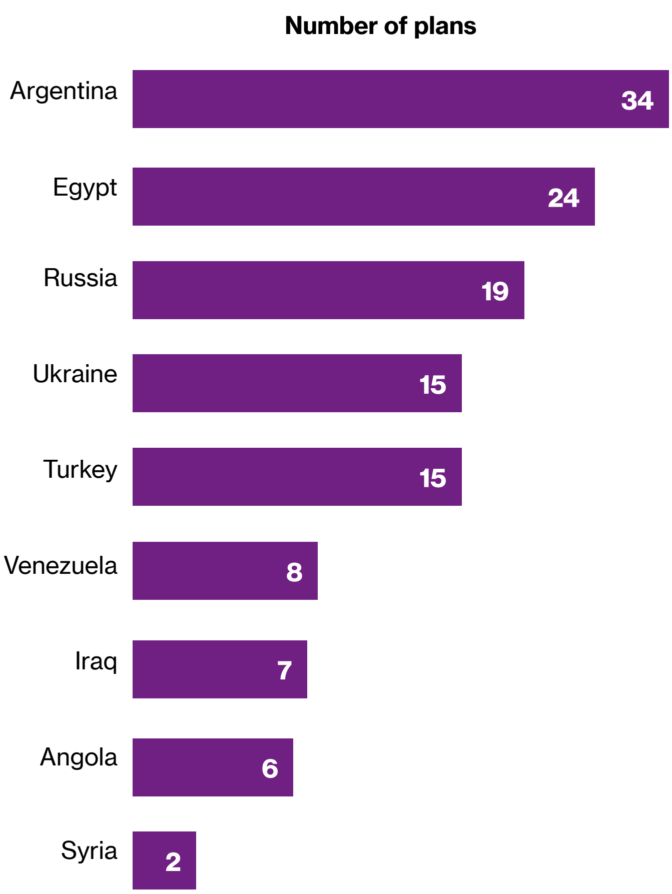
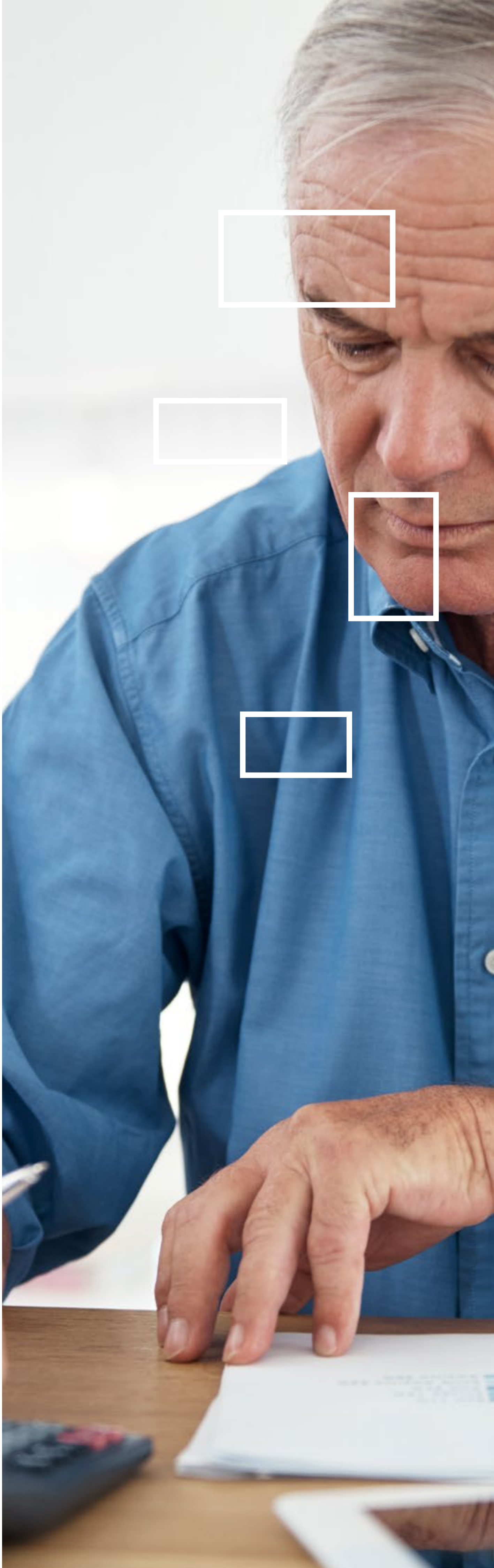


Figure 7 shows the number of IPPs and ISPs that cover countries that might be viewed as operating in challenging circumstances. IPPs and ISPs can provide a valuable vehicle that can safeguard and protect employee savings from any local economic and political turbulence. Of the IPPs and ISPs surveyed, 61 plans are offered to local employees in these countries, which represents a 13% increase compared with last year (plans may cover more than one country).

Figure 7. **IPPs and ISPs offered to local employees in countries operating in challenging circumstances**





Operational structure

Domicile

Historically, Luxembourg has been the most common domicile for IPPs and ISPs, with three in 10 based there. This is primarily because most providers offering contract-based arrangements are domiciled in Luxembourg; therefore, those plans will by default be domiciled in this location. However, the results show that for trust-based arrangements set up in the past five years, the Isle of Man is the most popular choice of domicile (63%), followed by Guernsey (18%)[1]. Figure 8 shows a full breakdown of the IPPs and ISPs by domicile.

Plan vehicle

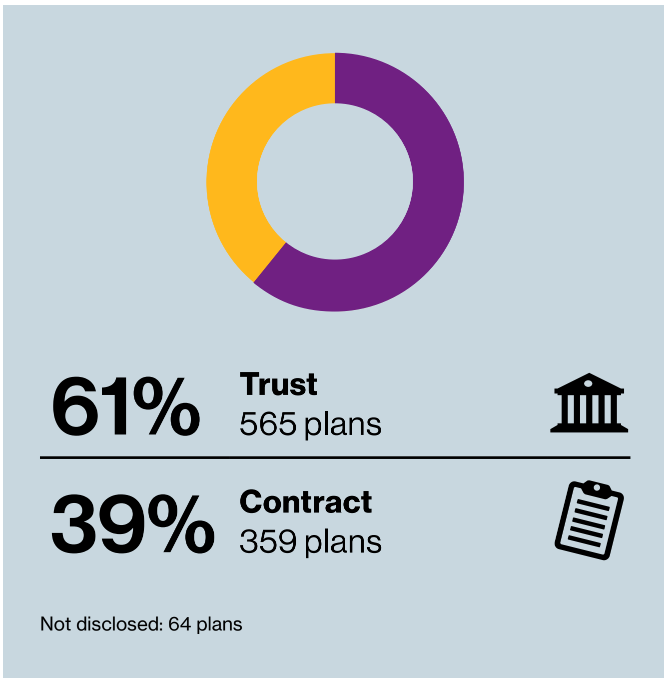
Pension assets held within IPPs and ISPs are most commonly retained in trust vehicles in offshore locations and this year's survey shows an increasing trend towards trust vehicles. That being said, according to the 2020 survey data, 39% of all IPPs and ISPs are contract-based (Figure 9). IPPs and ISPs may be used as funding vehicles for mandatory termination indemnities, gratuities or end of service benefits (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 8. **Domicile of the IPPs and ISPs**

	Number of plans	Percentage of plans
Luxembourg	**260**	**29%**
Isle of Man	**206**	**23%**
Guernsey	**199**	**22%**
Jersey	**176**	**20%**
Hong Kong	**31**	**4%**
Cayman	**5**	**1%**
Bermuda	**1**	**0%***
Singapore	**1**	**0%***
Other	**9**	**1%**
Total	**888**	**100%**
Not disclosed	***100***	

*Please note this is 0% due to rounding.

Figure 9. **Plan vehicle**



[1]Source: Willis Towers Watson International Pension Plan Surveys 2016 – 2020

Plan design features

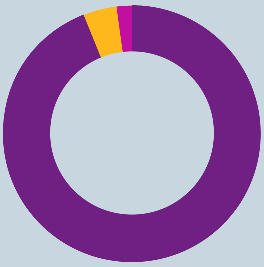
DC, DB or hybrid design

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

In countries with a statutory 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 and ISP. For example, IPPs and 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.

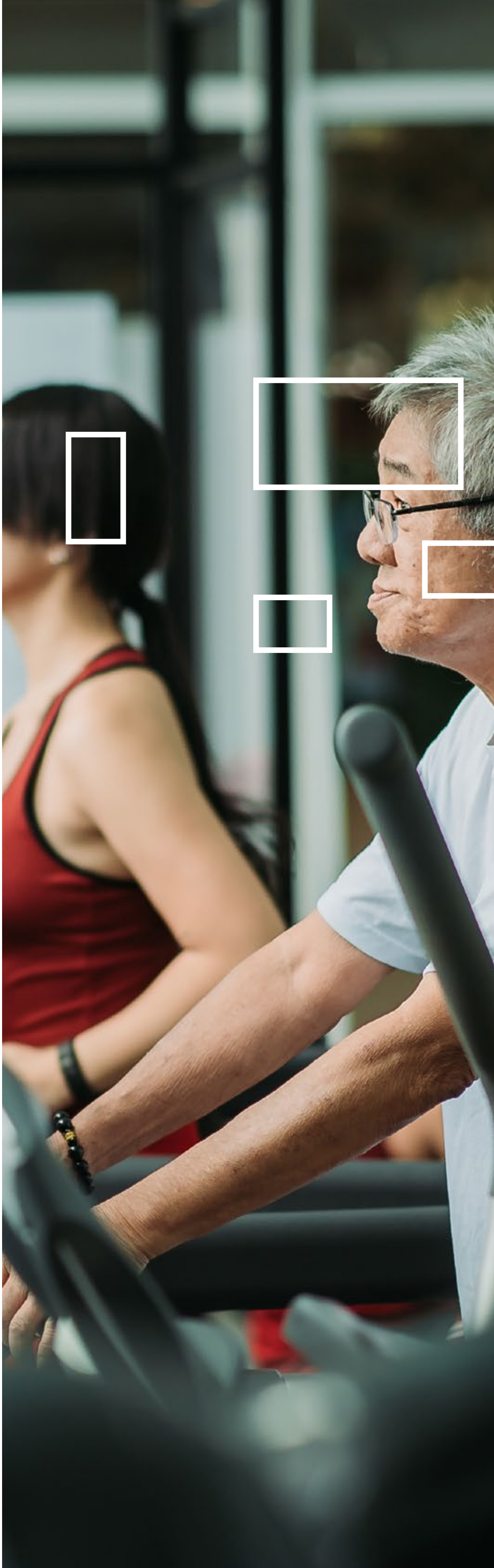
The vast majority (94%) of IPPs and ISPs are funded, with only 6% unfunded, according to our survey; 58% of DB IPPs and ISPs are funded.

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



94%	**DC** 915 plans	
5%	**DB** 50 plans	
1%	**Hybrid** 11 plans	

Not disclosed: 12 plans



Waiting periods and vesting criteria

Three out of four IPPs and ISPs offer immediate access for eligible employees. Any waiting periods are typically one year or less.

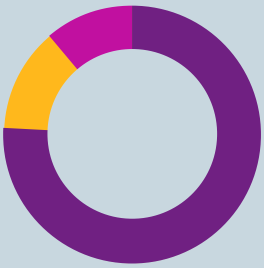
Incorporating vesting criteria into the IPP and ISP design can encourage employee retention. However, only around 24% of IPPs incorporate vesting provisions into the initial design. Most commonly, where there is a vesting period, employer contributions vest completely within three to five years of initial participation.

Figures 11 through 13 show vesting periods for the IPPs and 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 (100 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).

Figure 11. **Vesting period**



76% **Immediate** 667 plans

13% **Phased** 110 plans

11% **Flat/Cliff** 100 plans

Not disclosed: 111 plans

Figure 12. **Flat vesting schedule**

	Number of plans	Percentage of plans
Less than one year	8	9%
One year	17	18%
Two years	16	17%
Three years	19	21%
Four years	4	4%
Five years	24	26%
10 years	1	1%
Other	4	4%
Total	**93**	**100%**
Not disclosed	7	

Phased vesting schedule (110 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.

Figure 13. **Phased vesting schedule**

	Number of plans	Percentage of plans
One year	**1**	**1%**
Two years	**6**	**6%**
Three years	**22**	**24%**
Four years	**10**	**11%**
Five years	**23**	**25%**
Six years	**5**	**5%**
10 years	**8**	**9%**
Other	**18**	**19%**
Total	**93**	**100%**
Not disclosed	***17***	

Pensionable salary definition

As for pensionable salary definitions, ‘base salary only’ continues to be the most common definition used (Figure 14). However, a number of IPPs and ISPs also include bonuses when calculating contributions (164 IPPs and ISPs) or even all remuneration, which may also include commissions and benefits-in-kind (76 IPPs and ISPs). ‘Other’ definitions include those where contributions vary by individual contract.

Figure 14. **Pensionable salary definition**

	Number of plans	Percentage of plans
Base salary only	**397**	**60%**
Base + bonus	**154**	**23%**
Base + bonus + allowances	**10**	**2%**
All remuneration	**76**	**11%**
Other	**28**	**4%**
Total	**665**	**100%**
Not applicable (plan closed)	***9***	
Not disclosed	**314**	

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 (411 IPPs), service-related (85 IPPs) or age-related (76 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 and ISP has an employer-matching element (Figure 15).

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, 67% of IPPs set up since 2012 reported a flat rate, and about 66% of these do not offer employer matching. Where matching is offered, 1:1 is the most common.

Figure 15 summarises the main features of the contribution schedules in this year’s survey. One hundred fifty-one IPPs and ISPs 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 U.K. executives.

The 'other' category includes IPPs and 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.

Figure 15. **Contribution design**

	Number of plans	Percentage of plans
Service-related, 1:1 matching*	34	4%
Service-related, 1:2 matching	3	0%**
Service-related, no matching	46	6%
Service-related, other matching	2	0%**
Age-related, 1:1 matching	9	1%
Age-related, 1:2 matching	4	1%
Age-related, no matching	62	8%
Age-related, other matching	1	0%**
Flat, 1:1 matching	84	11%
Flat, 1:2 matching	9	1%
Flat, no matching	287	36%
Flat, other matching	31	4%
Employer-funded	2	0%**
Closed	151	19%
Other	73	9%
Total	**798**	**100%**
Not disclosed	*117*	

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

Employer contributions

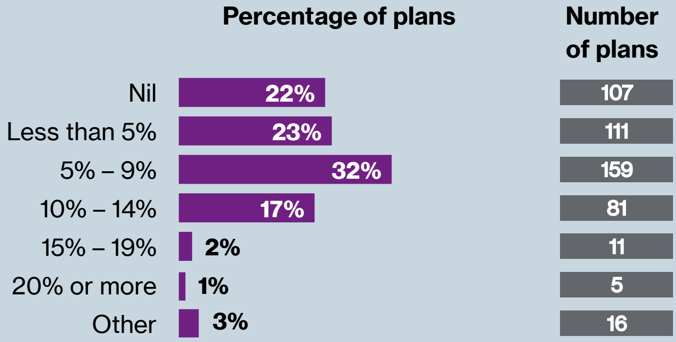
Similar to last year, the most commonly reported minimum amount of employer contributions is 5% to 9% of pensionable salary, followed by less than 5%. As for the maximum employer contribution amount, between 5% and 9% is the most popular, followed by 10% to 14% of pensionable salary (figures 16 through 18).

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 non-contributory, meaning employee contributions are not incorporated into the design or are not allowed. This year, 480 IPPs and ISPs report allowing employees to contribute additional voluntary contributions.

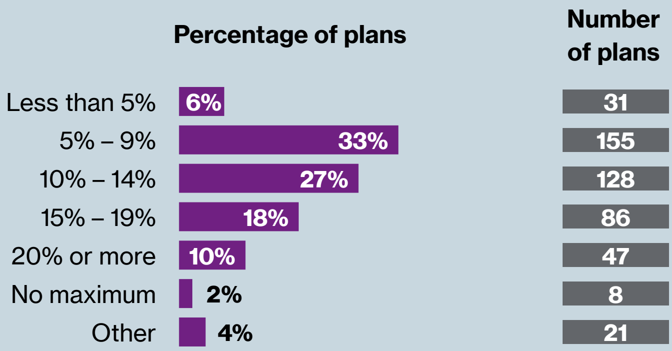
Minimum employee contributions are most commonly 0% (343 IPPs and ISPs, including non-contributory plans). The next most frequently reported amount is less than 5%, which is in line with last year's findings (Figure 19). The most commonly reported maximum employee contribution amount is 5% to 9% of pensionable salary, which was also the largest category last year (excluding non-contributory plans), followed by 20% or more, as seen in Figure 20.

Figure 16. **Employer minimum contribution**



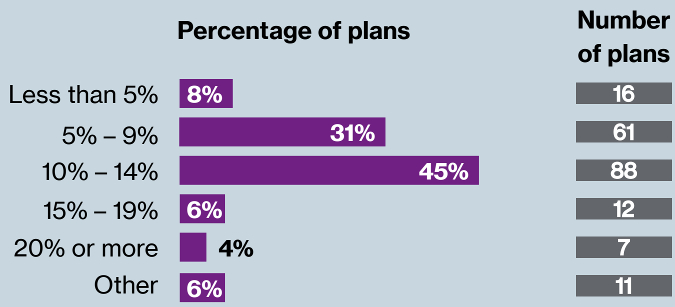
Non-contributory plans: 41; Closed plans: 151; Not disclosed: 233

Figure 17. **Employer maximum contribution**



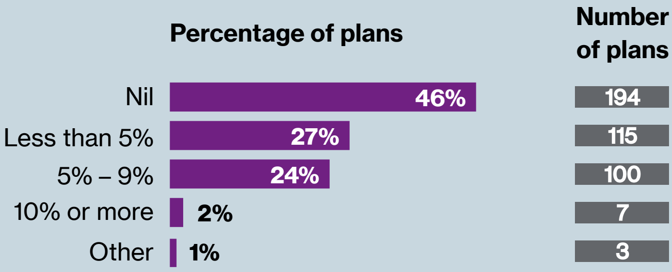
Non-contributory plans: 41; Closed plans: 151; Not disclosed: 247

Figure 18. **Employer average contribution**



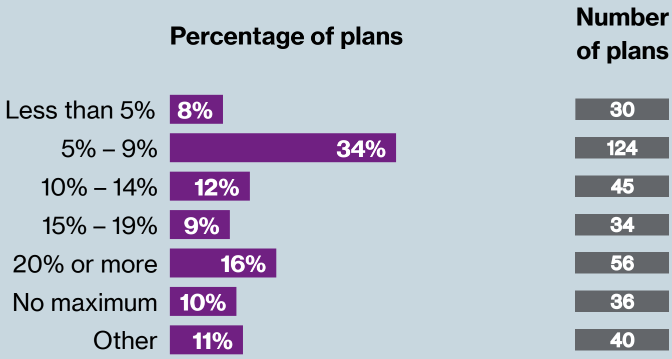
Non-contributory plans: 41; Closed plans: 151; Not disclosed: 528

Figure 19. **Employee minimum contribution**



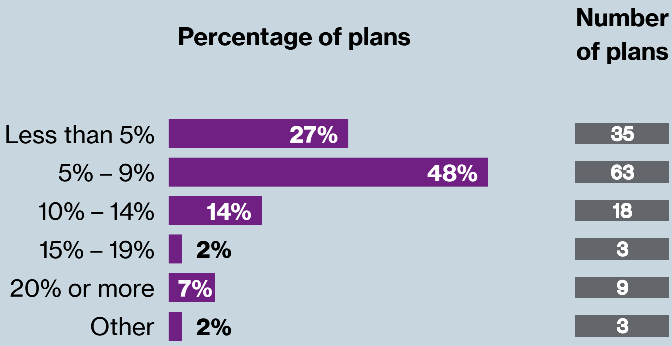
Non-contributory plans: 149; Closed plans: 144; Not disclosed: 203

Figure 20. **Employee maximum contributions**



Non-contributory plans: 149; Closed plans: 148; Not disclosed: 253

Figure 21. **Employee average contribution**



Non-contributory plans: 153; Closed plans: 141; Not disclosed: 490

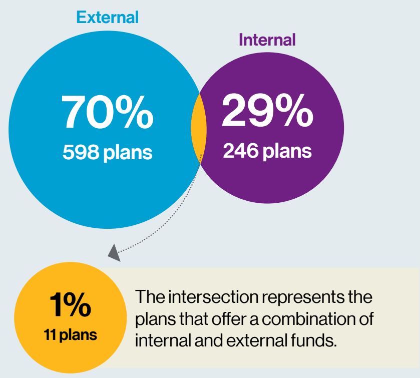
Investment options

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 and ISPs offer a large range of investment funds, often from 'guided' or 'open' architecture investment platforms or gateways through specialist providers. The IPP and 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. Sustainable funds, which use environmental, social and corporate governance (ESG) criteria to evaluate investments, have also become popular in recent years. Many of these funds are offered in a range of currencies reflective of and convenient for the membership, with 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 and ISPs offering access to both internal and external fund managers (Figure 22).

Figure 22. **Access to fund managers**

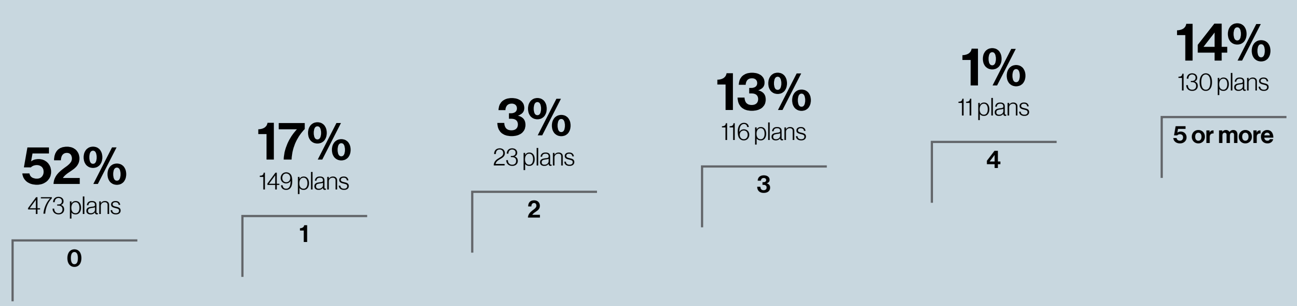


Not applicable (including unfunded): 21 plans; Not disclosed: 112 plans

Lifestyle strategies (usually composed of three or four funds) or Lifestyle funds continue to feature in investment offerings: 48% of IPP and ISP offer Lifestyle options, with 31% offering more than one Lifestyle option to different memberships with different demographics, risk profiles and currencies (Figure 23). There are also US-style target-date funds being offered on some provider platforms. Although not strategies, these funds aim to achieve similar de-risking objectives, as Lifestyles.

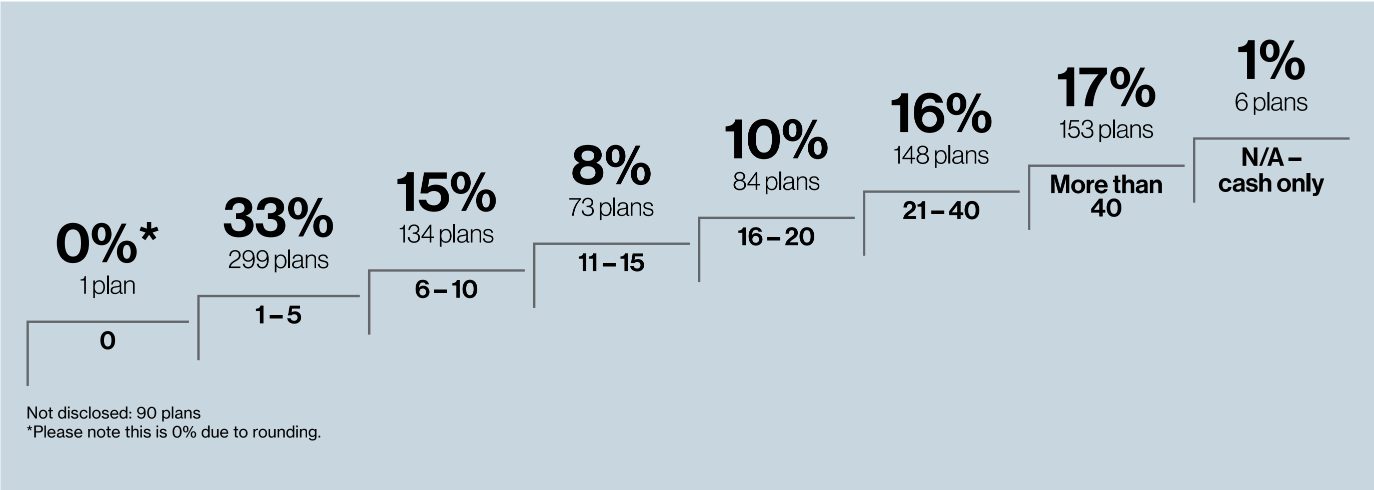
Around 48% of IPPs and ISPs in our survey allow members to choose from up to 10 investment funds, and the rest offer more than 10 investment fund options (Figure 24). The number of IPPs and ISPs that offer in excess of 40 different funds has increased to 153 from 135 last year. However, of the plans set up in the past five years, 62% offer only up to 10 funds, which suggests the trend is to offer a narrower range of funds to members.

Figure 23. **Lifestyle strategies or funds offered**



Not disclosed: 86 plans

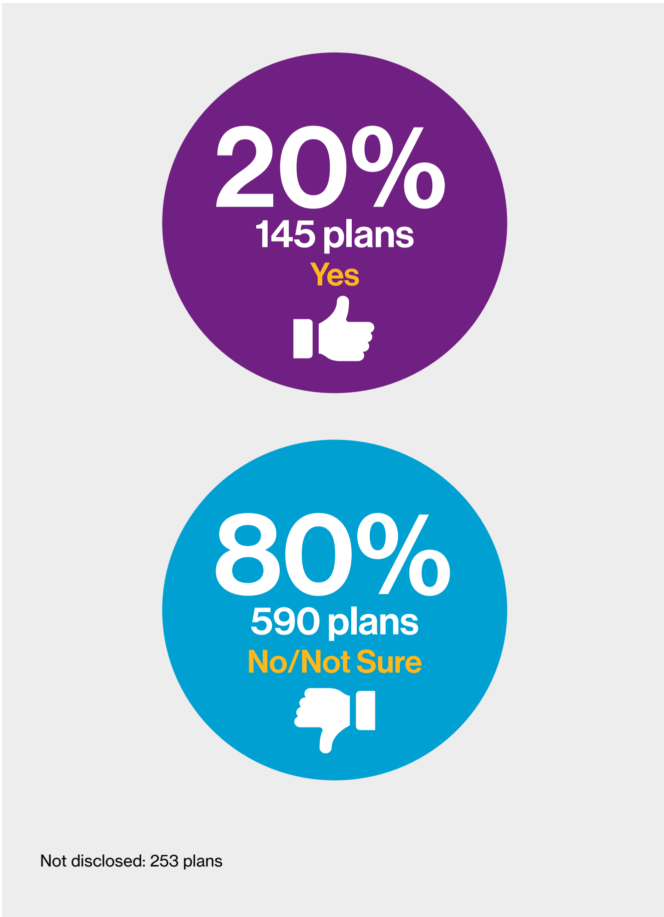
Figure 24. **Investment funds**



The level of governance and oversight provided to the IPP or ISP market seems to be relatively low, where about 20% of the IPPs and ISPs indicate reporting being made to an investment committee (Figure 25), though this is increasing compared with prior years.

Unlike in the U.S. and U.K., where DC is highly developed and investment or management committees are very commonly used to maintain regular and ongoing oversight, the same level of governance and oversight does not seem to be provided to the IPP or ISP market currently. This year, 20% of the IPPs and ISPs indicate reporting being made to an investment committee, which is a slight increase compared with last year. Given that the average size of IPPs and ISPs are circa 50 members or less (more than 50% in the survey have fewer than 50 members), sponsors may view the plan as being immaterial for DC oversight, and this may be a reason for the inconsistency. That being said, the market volatility in 2020 has had a significant impact on the value of accumulated funds, which has highlighted the need for plan sponsors to have appropriate governance structures in place.

Figure 25. **Investment governance committee**



Distribution options

The final area of focus relates to distribution options, either at retirement or upon leaving employment (if IPP and 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 and ISPs set up in the past 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 and ISPs (Figure 26).

Figure 26. **Distribution options**

	Number of plans	Percentage of plans
Lump sum only	**529**	**56%**
Lump sum and annuity	**198**	**21%**
Annuity only	**19**	**2%**
Lump sum and drawdown	**191**	**20%**
Other	**10**	**1%**
Total	**947**	**100%**
Not disclosed	***41***	

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 27. The results reveal 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 artificial intelligence and robotics, to develop online chat functionality, as well as improving efficiency by automating certain manual administration processes.

Figure 27. **Technology capabilities**

Attitude to risk assessment tool

78% of providers have tools currently available

44% of providers have tools currently under development (including enhancement of existing tools)

Financial education workshops

56% of providers currently offer this

33% of providers have tools currently under development (including enhancement of existing tools)

Online projection/ budgeting tool

100% of providers have tools currently available

22% of providers have tools currently under development (including enhancement of existing tools)

Online chat

11% of providers have tools currently available

33% of providers have tools currently under development (including enhancement of existing tools)

Mobile app

33% of providers have tools currently available

33% of providers have tools currently under development (including enhancement of existing tools)

Employer reporting

100% of providers have tools currently available

22% of providers have tools currently under development (including enhancement of existing tools)

IPP market observations 2020

Covid-19 and the impact on IPPs and ISPs

The necessary measures to help prevent the spread of COVID-19 have come at a significant economic cost as businesses adapt, reduce or completely suspend operations. As a result, employers and employees alike may be facing short-term financial stress. For employers, retirement plans can be a significant drain on available cash. For employees, loss of retirement savings can be a source of financial stress but can also be a source of funds to help with short-term financial needs. Both employees and employers have options to relieve this stress. We observed a range of actions in response to this during 2020:

- **Hardship withdrawals:** Many IPPs and ISPs have amended their trust deed and rules or contracts to allow hardship withdrawals. Regulators in the key domiciles have shown a willingness to support this and ease up on the hardship verification requirements, allowing the withdrawal to be progressed more rapidly than usual.

- **Changes to employer and employee contributions:** Some employers have either suspended or reduced employer contributions temporarily, or imposed a cap on matching contributions, as a form of short-term cash-flow relief. Employee contribution requirements have in a few cases been reduced or suspended for short periods.

- **Greater flexibility:** Eligibility criteria has become more flexible to allow more local employees at greater concentrations to participate in IPPs and ISPs due to insecurity of local plans in a growing number of countries. IPP and ISP providers are also showing willingness to relax certain of their business acceptance policies in light of this need.

IPPs and ISPs and the sovereign debt crisis

With a second wave of COVID-19 now affecting many countries, governments that can are continuing to expand their borrowing to provide domestic support. A rising number of countries are unable to repay or service this debt, and defaults are becoming more common. During 2020, at least eight countries defaulted or were unable to borrow on the financial markets (double the number of countries in normal times). This included Argentina, Belize, Ecuador, Lebanon, Suriname, Venezuela, Zambia and Zimbabwe.

This presents a challenge for employers that have pension arrangements in these countries or wish to provide such supplementary benefits to their employees. IPPs and ISPs can be used in such situations to provide a more secure vehicle with access to global investment funds in hard currencies, thereby reducing exposure to local high-risk markets. As a result, the number of IPPs and/or ISPs being used for employees in these high-risk countries has increased by 13%.

Further information

For further information about the research, or for help with your international pension plan, please contact:

Michael Brough
+44 20 7170 2155
michael.brough@willistowerswatson.com

Ashika Tailor
+971 (0)4 455 1787
Ashika.Tailor@willistowerswatson.com

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimise benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.

willistowerswatson.com/social-media

WTW549207/01/2021

willistowerswatson.com

Willis Towers Watson