

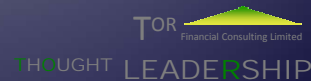


## Corporate Wrap – a solution looking for a market?



### Corporate Wrap/Platforms Technology and Lessons from Australia

David O. Harris – Managing Director



## Agenda

- Drivers
- Landscape
- Key Features Individual Wrap, Corporate Superannuation and Corporate Mastertrust Structures
- Business Architecture and Technology Challenges – Australia and the UK
- Value Chain Considerations & State of Play
- Innovations
- Closing Remarks and Main Observations



## Corporate Wrap – a solution looking for a market?

### Drivers for corporate platforms



- Purchasing decisions centre on:
  - Employee Benefit Consultants (EBC): value chain retention and business model realignment > fee based to assets under management
  - Employers: DB > DC/Trust Based and Bundled – fragmented employee benefit infrastructure: intranet, flex systems, share save, DB and DC structures
- Flexible retirement savings culture that span all employee segments
  - Enriched MI data for employer
- Potential joining together of the accumulation and disbursement cycle - The Principal Financial Group
- Maximising existing taxation arrangements on employee benefits > share save/corporate ISA/CSIPP – disbursement options
- Employers seeking to extract tangible value out of employee benefits expenditure
- 2003 – 2010: Development curves for corporate platforms

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### Australian Landscape



- \$1.23 trillion in superannuation assets
  - 9% employer contributions/average voluntary contributions 4%
  - Retail/Industry Funds/Corporate Super and Public Sector Schemes
  - Excluded funds – self managed superannuation
- Corporate Superannuation/Corporate Master Trust > parallel development
- Choice of Funds and investments
- Dominated by four banks and related fund management and life insurance
- EBCs rationalised > Mercer (Corporate Mastertrust) and Towers Watson (Investment Consulting)
- Shift from DB to DC has occurred > Judges and Military
- Engineering life insurance and TP&D coverage/disbursement products
- Simplified product propositions compared with the UK
- Limited estate planning > no death taxes
- Term certain annuity and allocated pension market
- Default funds and move from 9% to 12% - Cooper Review

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## Corporate Wrap – a solution looking for a market?

### Key Features – Platform Propositions

- Individual wraps dominate the advisory market (Commission/Fee Based)
  - Consolidation of advisory channels/bank domination
  - Financial advice provided to corporate super/mastertrust structures
- Corporate Superannuation > employer sponsored structures largely offered by bank-life and life insurers
  - AMP CustomSuper ( \$5.9 billion)
  - Flexible contributions
  - Wide investment choice – unlimited switching – choice of 10 investment choices out of 66 fund managers
  - Insurance cover options
  - Flexible fee structures – rebates
  - Member education, communication and reporting > on-line and face to face
  - In-house integrated technologies
  - Family members can join the scheme

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### Key features

Corporate Master Trust is an investment portfolio solution that provides employees with consolidated reporting and a convenient way of investing into a wide choice of investments at usually wholesale rates

- Mercer Corporate Master Trust - \$12.9 billion of assets for 160,000 employees of differing industry sectors
- Broad range of investment options with particular focus on manager of manager/fund of fund constructions by Mercer – 85% of Australians on average don't make an investment decision
- Select Your Own and ready Made Investment Options
- Online, advice and guidance services
- Online planning tools
- Continuation and retirement options – retention of clients



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## Corporate Wrap – a solution looking for a market?

### Business Architecture and Technology Challenges – Australia and the UK

- UK Business Architecture for Corporate Platforms
  - Front end tools
  - Integration Layer
  - Complex product/wrapper layers
  - Underlying investments
- Related employee, employer and distributor journeys
- Australian Business Architecture for Corporate Superannuation or Corporate Mastertrusts
  - Front end tools: Recycling of Retail Wrap tools – COIN and IRESS
  - Aggregation and Administration layers – Capital Gains Tax calculators, trade and investment placement, unit pricing
  - Plug in software solutions for disbursement and risk considerations
- Amalgam Solutions (Australia) + In-House
- Existing DC infrastructure, retail wrap, regional wealth solutions/Investment Engine supplier-Front End/Plug Ins – United Kingdom
- Perceptions of employers and EBCs towards technology and administration
  - Field of Dreams Mentality
  - Direct to Employer
  - EBC deals
  - Flex Benefits Solutions

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### Business Architecture and Technology Challenges – Australia and the UK

- Regulatory considerations and pitfalls of platform technologies
  - Unit pricing
  - Data protection
- Importance of the front end for employers and EBCs
  - Trust based DC/DB – Institutional Investment Platform
  - Bundled solutions – pension and non-pension solutions
- Contractual considerations for domestic and international markets
  - Leveraging technology into Asia – Regional Wealth Platforms
  - Custody and Administration
- Bank domination of platforms – more fractured and diverse in the UK
- Technology and systems architecture – interfaces and integration
  - Employers/Share Save and Flex technologies
  - EBCs
- The rise of multi-tasking and Internet behaviours
  - Transactional and engagement journeys
- Technology blend – EBCs and Financial Services Providers



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### Value Chain and State of Play

- The role of EBC and Employer
  - Direct Model Development
  - Nest
  - SMEs – Corporate Wrap Lite
- 2011 will witness a strong deepening in the corporate platform market
  - Real life expenditure and sales activity
    - Corporate platform/Institutional Investment Platforms
    - 'We are selling workplace solutions not simply products'
- Open Market/Partnerships and a Preferred Partner for the EBC
  - Improved administration of the DC back book
  - Default Option design – Fund of Fund structures
- Governance and investment considerations for the EBCs and Employer
  - Corporate platform will help with these 'overlay' considerations through data and improved employee segmentation
- Member engagement and behavioural finance
  - Technology applications

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### Value Chain and State of Play

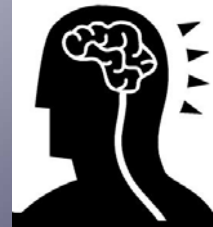
- Employers and EBCs – changing attitudes towards technology
- Consultation in the market place of DC providers
- Compression of bundled DC margins
  - Long payoff profiles
- Government pension policy – fees and charges and soft compulsion
- Retention of the employee > 20 to 80 years
  - Growth in disbursement needs and solutions
- Flexible investment solutions – for all or some workers
  - Buying decisions
  - Solidarity
- Ageing populations and skill shortages for employers

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### Innovations

- Risk product blending with the corporate platform
  - More specific employee data
- Banking or pseudo gift/reward programmes
  - [www.restaurant.com](http://www.restaurant.com)
  - [www.coupons.com](http://www.coupons.com)
- Technology applications > intuitive and mobile/accessible
- Budgeting and debt counselling for younger workers
  - Peer group and 'buddy system' mechanisms
- Greater understanding of neurological decision making and the flow on for behavioural finance
- Multi-Currency/Regional wealth solutions
- 'Turkeys Don't Vote for Christmas' – Pension Managers want solutions and innovation



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### Closing Remarks and Main Observations

- Seeing first evidence of a step change in how employees will save in the future
  - Plan Ahead Get Ahead
- Technology solutions becoming more modular, with recycling being stressed
  - The days of big IT spends are declining
  - Agile systems responsive to client needs will win
- Australia does not provide a panacea but a comparison > like the United States – 401(k) structures
- Economics and globalism are forcing FTSE 100s to confront how they construct their employee benefits
- Aligning the interests of employees, employers, distributors and financial services providers towards corporate platforms will be the key
- Individual product wrapper growth (CISA) into a corporate platform solution will occur today as in tomorrow.
  - Be mindful of Beta Max

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Corporate Wrap/Platforms  
**Technology and Lessons from  
Australia**

David O. Harris – Managing Director

