

# Corporate Wrap – The Future for Workplace Benefits




**Process and System design challenges in Corporate Wrap - how Personal Accounts will change things**

**Corporate Wrap Seminar  
1 October 2009  
TISA**


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Logica DC Pension Scheme

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## Agenda




- 1 The Logica DC Pension Scheme**
- 2 It isn't just Personal Accounts**
- 3 The requirements: 3 different perspectives**
- 4 What do we all want?**
- 5 Process design challenges**
- 6 System design challenges**

**Questions?**

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## Corporate Wrap – The Future for Workplace Benefits



# 1

## The Logica DC Pension Scheme

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### The Logica DC Pension Scheme

- Been in existence – as a DC Scheme - since the early 1970's – one of the first
- Over 6000 members (mixture of active and deferred)
- Over £400m funds under management
- A trust based scheme
  - Third party administrators
  - Three fund managers with an above average number of funds
  - Separate scheme lawyers & scheme advisors
- Considered to be an exemplary scheme – The Pensions Regulator used the scheme governance model as an (unreferenced) example
- The Scheme is the top 10% of DC Schemes in the UK by asset size
- Our members
  - Spectrum of salaries: from high earners to lower
  - Part time, transfers in/out, off-shore staff and some temporary staff on secondments
  - Sophisticated investors (high number of switches) to those happy to leave well alone
  - Significant pot sizes in a small cohort

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**The Logica Scheme provides**

- Best of breed investment and administration, more cost effectively than many other occupational schemes
- Tangible benefits to members – significant additional return over the last three years in excess of benchmark returns
- Competitive advantage to the Company in a market where DC schemes are the predominant form of pension provision
- An innovative financing arrangement with a mixture of fixed and asset based charges that are applied to active members, deferred members and the employer, which ensures a fair distribution of costs
- Value for money for both company and members in terms of the combination of operational costs, return on investments, risk management and employee appreciation
- Flexibility to adapt to the changing needs of the employer, members and the regulatory environment
- Best practice by virtue of its longevity, size and reputation which reduces risks to both employer and members


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It isn't just Personal Accounts 2

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**It isn't just Personal Accounts**

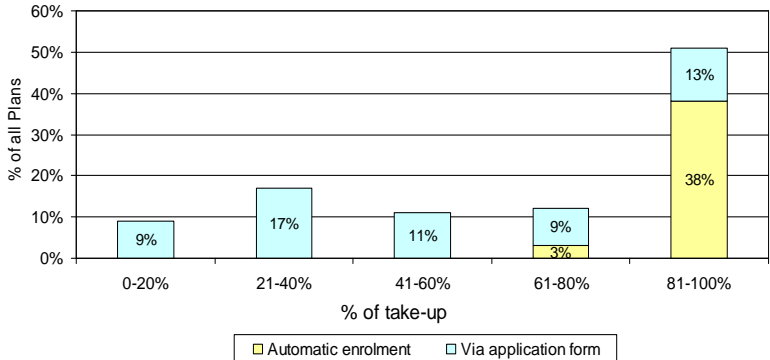
- Auto-enrolment
  - Gradual introduction of auto-enrolment?
  - Re-design of benefits package?
- Alignment of contribution rates to meet the minimum criteria of Personal Accounts
- Tax changes – effect on higher earners in particular
- New legislation on 'contractor' pensions

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**Auto-enrolment – how effective is it?**

Membership take-up rates




Age Group	Automatic enrolment	Via application form	Total
0-20%	0%	9%	9%
21-40%	0%	17%	17%
41-60%	0%	11%	11%
61-80%	3%	6%	9%
81-100%	38%	13%	51%

Logica has an average take-up rate of circa 68% varying by age and location

Source:  
WW FTSE 100  
Survey 2007

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# 3

The requirements: 3 different perspectives

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**The Employee/member wants...**

- Safe scheme with good returns (of course)
- Options to move monies between funds
- To take advantage of new, changed tax legislation as soon as possible
- Move monies in/out of other products and in/out of funds
- Ease of use
- Flexibility
- “Whole of Life” consideration
- Financial planning opportunities
- Assistance for members approaching retirement to achieve most competitive pension possible
- Flexibility at retirement – taking pension and lump sum in separate tranches
- Ability to take full advantage of appropriate tax reliefs
- Options for income drawdown

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**The Employer wants...**

- To take account of Personal Accounts, auto-enrolment
- Potential to provide some shared capability across other operating territories
  - Infrastructure only has to be provided once
  - Funds under management would increase
  - Asset pooling
  - Payroll consolidation
- Much wider variation in offerings across workforce
- Tie up with broader 'flex' benefits provision
- Simplicity and consequential cost reduction
- Cater for employees with shorter accumulation periods in the scheme
- Harness increased pensions coverage and public awareness
- Reduce administrative burden
- Increase appreciation of total benefit package
- Efficient processes for deferred members

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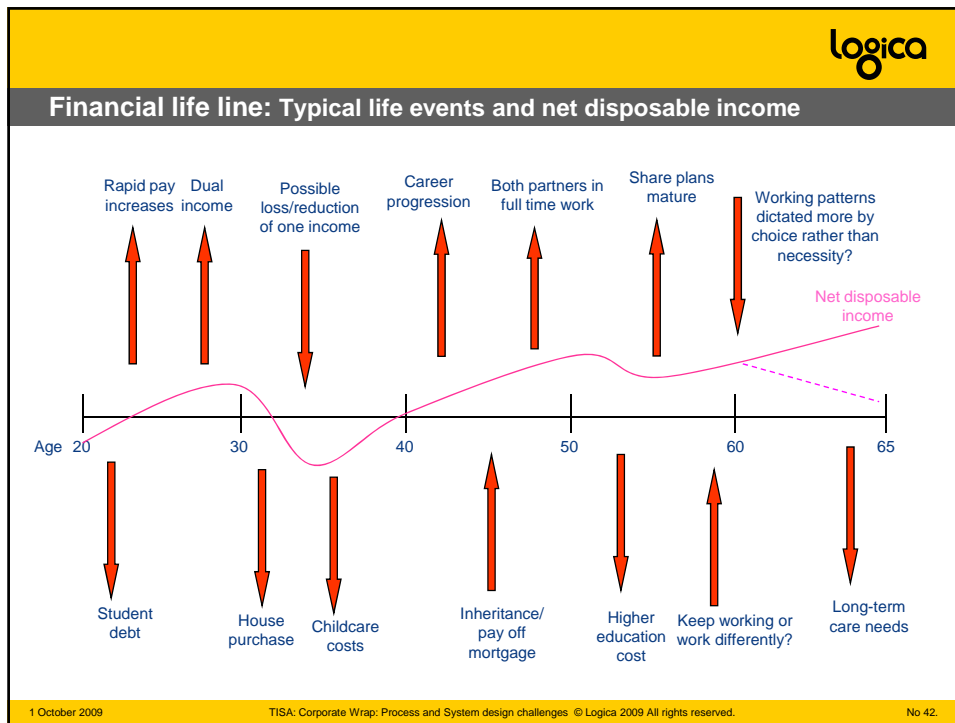
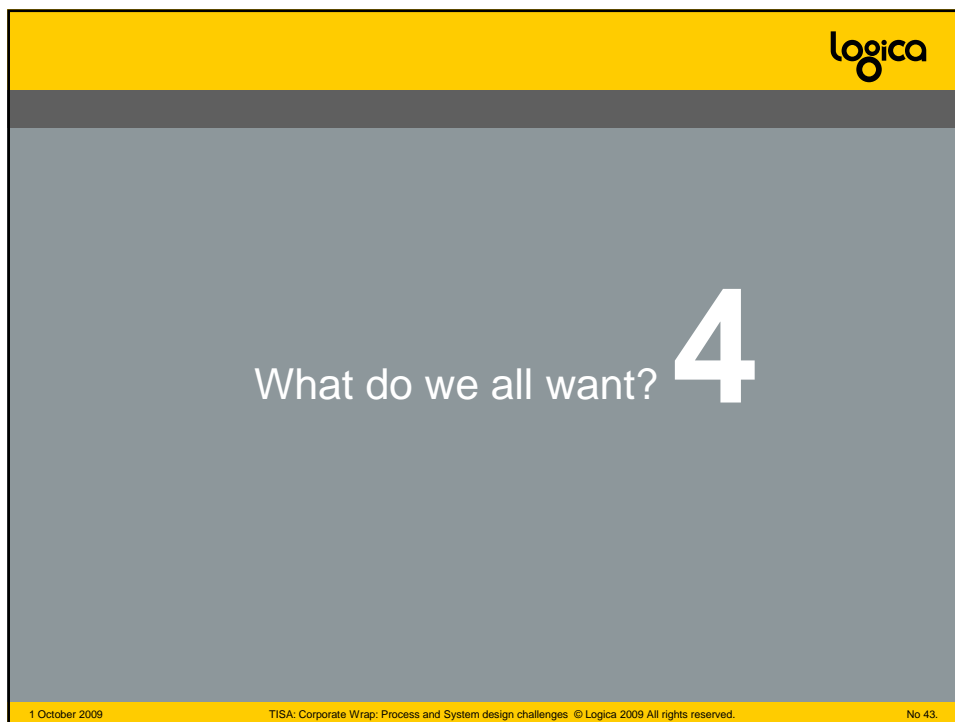


**The Trustees want...**

- To reduce the out-of market risk for members during switches etc.
- To reduce the risk of fund underperformance due to fund manager underperformance
- To enable the trustees to put 'Best of Breed' funds together ie white labelling
- To facilitate the introduction of a default fund going forward
- To facilitate the introduction of new funds to the scheme going forward
- To facilitate 'rest of life' coverage for members (inclusion of corporate ISA, SIPP etc.)
- To facilitate the introduction of a drawdown facility
- To add a diversified growth fund
- To help maintain the fund's position as a 'flagship fund'
- To reduce administration costs

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What do we all want? **4**

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**“MyPension”...**

- A “platform” for the member/customer
  - where a single view of all his/her “products” lie
  - which allows visibility and access to all the underlying assets
  - provides convenience and support when he/she wants it in the right way
  - a facility to help organise and monitor his/her affairs on one screen/dashboard.
  - accessible at home, at work and on the move
  - financial modelling tools
- A “platform” for the employer
  - to offer a consistent and coherent set of workplace benefits including but not limited to pensions and related savings
  - flexibility to offer new benefits
- A “platform” for the trustee
  - to provide a consolidated picture of the underlying assets
  - to monitor asset performance and switch funds/allocations etc as appropriate
  - meet statutory requirements

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## Process design challenges

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**Key principals for all processes...**

- Information
  - Security
  - Privacy
  - Separation of data – without company access!
  - Audit
  - Reconciliation
- Single sign-on
- Simplicity

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**Key processes...**

- Offer to the employee a wide variety of platform provider and non-platform provider products (eg 'pension', corporate ISA, SIPP) for employer provider benefits
- Offer to the employee the ability to move other products in and out of the platform
- Offer to the employee the capability to move funds between products
- Provision of protection policies
- Linkage to other 'flex' benefits
- Information and decision support
- 'Basic' advice?
- Financial planning tools
- Pension provision tools and purchase

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## System design challenges

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**Including...**

- Open “Architecture”
- Straight through processing (eg linkage through administration systems to funds managers)
- Automation of routine tasks (eg fund switching, changes in allocations)
- Self-provisioning/self-care (members/IFAs)
- Data consolidation
- Audit & compliance
- Finance reconciliation
- Banking (collections/disbursements)
- Common standards (messaging)
- Links to other avenues of life choice eg personal & financial health, as well as relevant news & relaxation.
- Wider access to guidelines, signposts to professional advice

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Questions?



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