



Corporate Wrap – The Future for Workplace Benefits

TISA – Corporate Wrap Seminar 1 October 2009
Andy Cheseldine

The Adviser view of Corporate Wrap – What are the Critical Success Factors?

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Scope

- ▣ Caveats and definitions – what is a Corporate Wrap?
- ▣ Why is a Corporate Wrap?
- ▣ The shape of the market and prevalence of different types of competitor
- ▣ Its about wealth not pensions
- ▣ Two consistent but not entirely congruent views
 - Strategic view – don't push young or means tested into an inappropriate financial position
 - Tactical view – make the most of applicable tax legislation

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Why is a Corporate Wrap?

- The IFA model
 - managing diverse investment, savings and risk products
 - Managing income streams and client data
- The EBC model
 - distribution media
 - communication control
 - Industrialising processes but facilitating flexibility

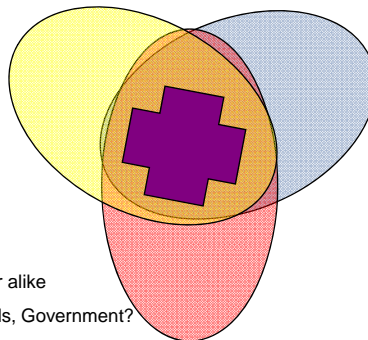
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Where interests (and problems) overlap....

Employers – Shareholders
 Responsibility – CEO, CFO, HR
 Implementation – HR, Finance & Advisers

Stakeholders – Society as a whole
 Responsibility – Government
 Implementation – HMRC & DWP



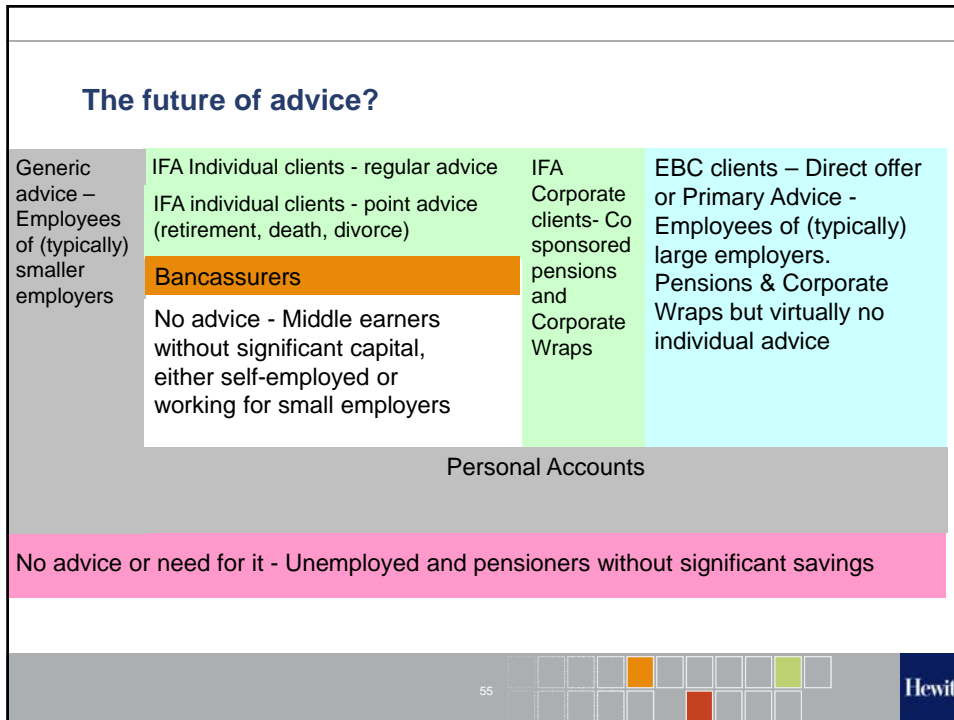
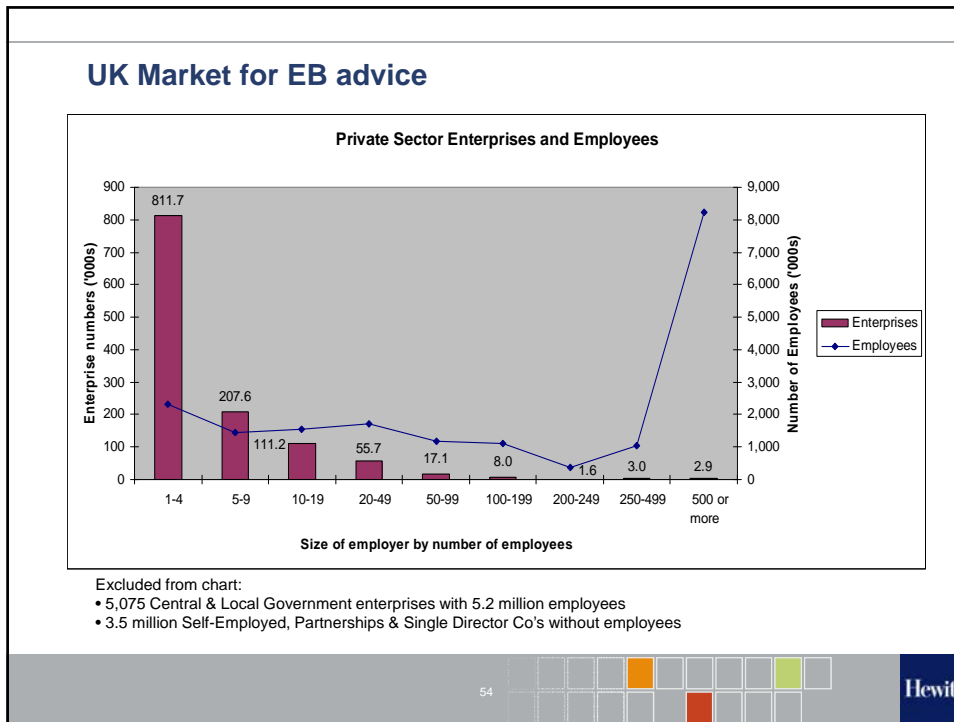
Employees – Rich & poor alike
 Responsibility – Individuals, Government?
 Unions?
 Implementation – Individuals, IFAs and providers

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Wealth

- DB is dead, long live DC - except DC suffers from "critical illnesses" – The Treasury and HMRC (not to mention DWP, TPR, EU etc)
- DC is great, so long as:
 - you earn more than £25,000 pa (means testing),
 - and less than £150,000 pa,
 - can afford the contributions, especially if you are a graduate repaying your student loan
 - will not be caught by the Lifetime Allowance,
 - understand investment risk
 - and can keep track of your numerous arrangements
 - or your employer has a friendly "Wealth-orientated" Total Reward programme (Corporate Wrap)

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The strategic view

- Even ignoring the tax anomalies produced by the Government's interventions there is a fundamentally powerful rationale for not trying to shoehorn all employees into one wealth creation model
- Younger employees have an expectation of a strong "covenant" of future earnings cashflow
- Few employees understand the implications of inflation, longevity improvements, risk or even simple compound interest
- The strategic view is most important from "Society's" perspective, but employers and indeed employees will look at obtaining shorter term, tactical, advantage....

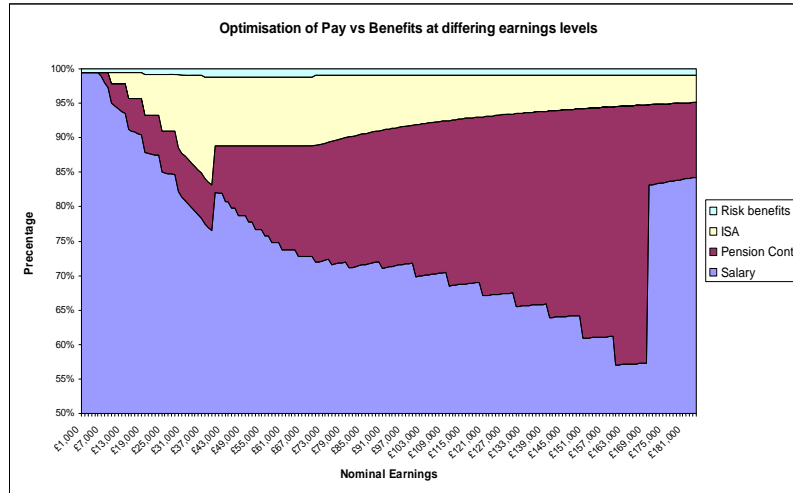
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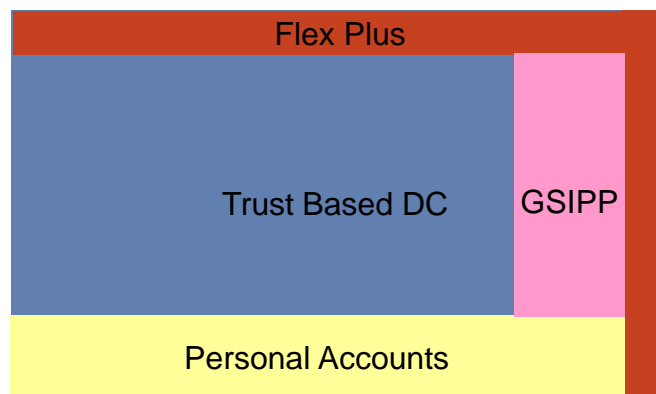
Efficient benefit provision will vary by earnings....



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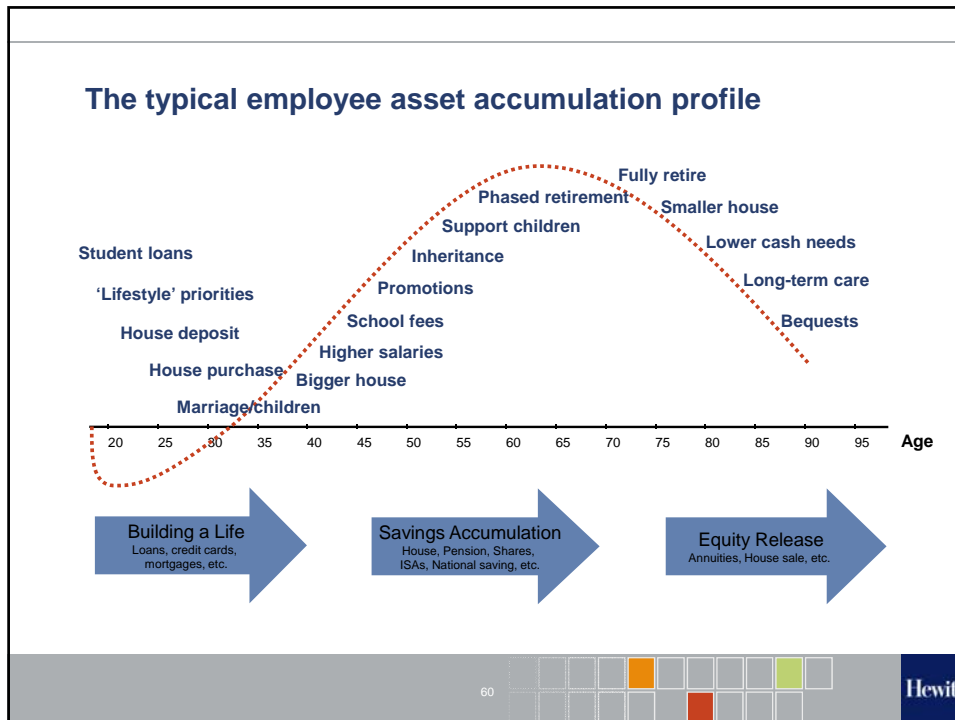
The (simplistic) shape of (pension) things to come for large employers?



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How a default benefit structure might vary for different employee segments within one employer

- Any of these examples can only be a "Snapshot"
- Lots of other variables, including:
 - Age
 - Future earnings expectations
 - Length of service and/or contribution history (eg to ISA)
 - Job role (eg contrasting between Sales with high variable pay and Administration)
 - SMART pensions
 - Variations in tax rates and legislation
 - Employer's history of bonus payments, recruitment and redundancy exercises
- Rules based defaults make life as easy as possible for employees, but:
 - with full opt out flexibility – not just pension
 - variable risk benefits

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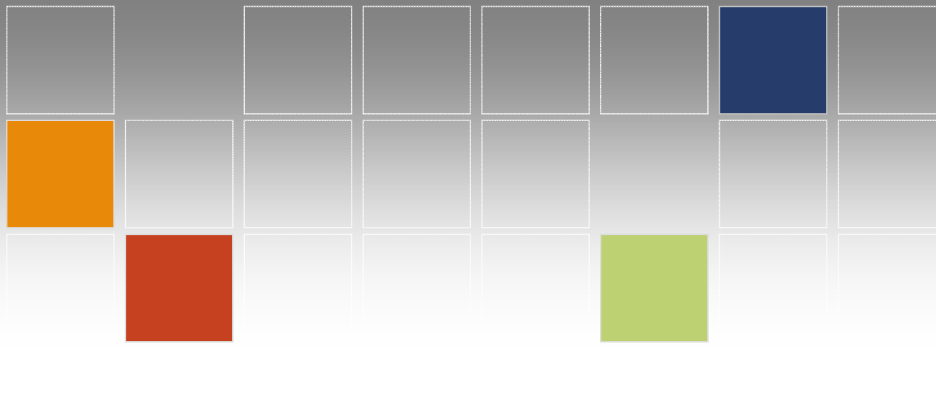


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So, what does success look like?

- ▣ Which market – IFA or EBC?
- ▣ Low cost
- ▣ High flexibility – multiple, justifiable, defaults
- ▣ All-encompassing
- ▣ Clear communication
- ▣ Trusted and trustworthy

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