

BENEFITS & COMPENSATION INTERNATIONAL

TOTAL REMUNERATION AND
PENSION INVESTMENT

**The Liquidity Risk of
Hedge Fund Investing
& Pension Plan Sponsors**

The Art of Pay Modelling

**Pensions and Medical Cover
in Francophone Africa**

**Mercer LA&C HR Forum:
*Miami***

**LCP Global Pensions Event:
*London***



Products and Services

Cross-Border Benefits Safety-net Launched: Global

Workplace Options has announced the launch of its 'Global Assurance' solution for businesses seeking to add employee benefits coverage for employees travelling out of the country. The first service of its kind in the industry, Global Assurance will ensure that any current work-life or employee support benefits will follow the employee rather than only providing coverage while in his/her home country. The product will continue to provide employees with the same employer-provided benefits they would receive while at home (for example, if a UK citizen travelling to the USA for a week-long business trip found him/herself in need of legal services while there, Workplace Options would be able to connect him/her with legal service providers in the USA, instead of a service provider hundreds or even thousands of miles away). Whether on a business trip or holiday, under the protection of Global Assurance, employees are covered for up to 30 days. Additional expatriate or extended global coverage services are also available for instances when employees are out of the country for an extended period of time. The Global Assurance product is available immediately as an optional service and provides coverage in any of the 153 countries worldwide served by Workplace Options.*

AH-C

Tool to Address the Tightening Regulatory Environment Launched: UK

Mercer has launched the 'Mercer Optimiser Tool' (MOT), a diagnostic tool designed to help trustees and governance committees improve the performance of their defined contribution pension schemes, reduce running costs and ensure that their schemes continue to meet the needs of members. In addition, the tool will help them

prepare for new guidance on DC governance expected from the UK's Pensions Regulator. In Mercer's 2009 'Global DC Survey', 47% of the 354 companies polled in the UK did not have any formal defined contribution governance policies in place for their DC schemes. However, the 53% of companies that did have something in place tended to focus on accuracy in the administration of benefits and contributions, compliance with legislation and accuracy in member communications. The MOT addresses 10 key areas that trustees and governance committees for DC schemes should review, as follows:

What are the strategic objectives?

Objective setting in advance of strategic analysis is perhaps one of the more challenging aspects of defined contribution scheme design. Co-operation between scheme sponsors, trustees and the governance committee is vital in setting clear objectives, strategies and success measures.

What can sponsors and trustees learn from profiling their members?

Members do not always act as expected. Member profiling can help identify particular patterns of behaviour in order to improve the scheme by setting specific objectives, defining strategies or tailoring member communication to complement members' behaviour.

Are contribution strategies sufficient to achieve benefit adequacy? While investment returns tend to have the greatest focus, the main source of fund growth in the early years is the contribution level.

Is the current investment strategy fit for purpose? Sponsors and trustees need to ensure that they fully understand the implications of their scheme's investment strategy for different groups of members, particularly where the workforce is diverse. This makes it easier to tailor the investment arrangements and complement them with other strategies, such as recognizing the risk and return profile of the assets relative to a member's annuity purchase at retirement.

Is the default strategy aligned with the membership? While 'lifestyling' has generally achieved its objectives, it can be improved. Ideally, it would be much better for schemes to offer more appropriate member-focused default strategies that are better aligned with the profile of the membership.

Are members keeping their options up to date? Funds can become out of date leaving members invested in poorly performing funds. Offering structured choice can help encourage members to choose their own funds based on their own circumstances.

Have sponsors/trustees considered some of the newer approaches?

An increasing array of investments is now being introduced to the defined contribution market that could be used as part of a balanced range for members to select from or to add diversification to the growth elements of default/lifestyle funds.

How insightful is the current monitoring of investment options?

Current monitoring often simply focuses on reviewing the past performance of funds, which does not provide a good indication of future performance. A more active monitoring of the potential prospects of underlying funds and markets, in addition to a review of what members are actually investing, would be improvements. Furthermore, monitoring members' contribution decisions and the use of communication and administration facilities should provide valuable insights into the success of the scheme.

How effective is communication in engaging members? The largest obstacle to members obtaining the most from their defined contribution pension arrangements is often a lack of understanding of the scheme's benefits and operation, rather than a lack of interest. Making defined contribution pensions accessible and engaging through good communication lessens the risks of inadequate benefits arising from poor member decision-making. This

* Further information available at: www.workplaceoptions.co.uk