



Pension Administration
Focus on the future

Paul Latimer
2 November 2010

Agenda

- Background
- Legislation
- Governance
- Delivery

Current background

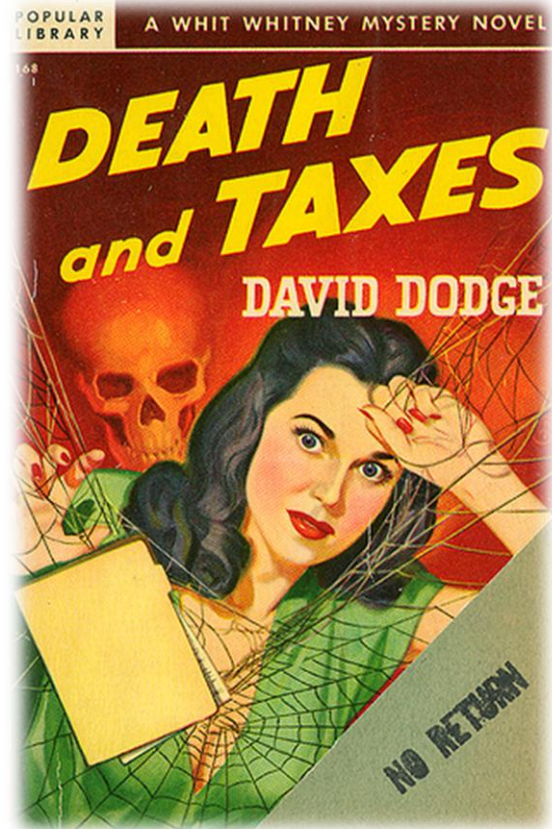
- Trust based DB schemes in decline
- Schemes entering into PPF
- Trust based DC
- Hybrid schemes
- CARE schemes
- Risk sharing
- Costs

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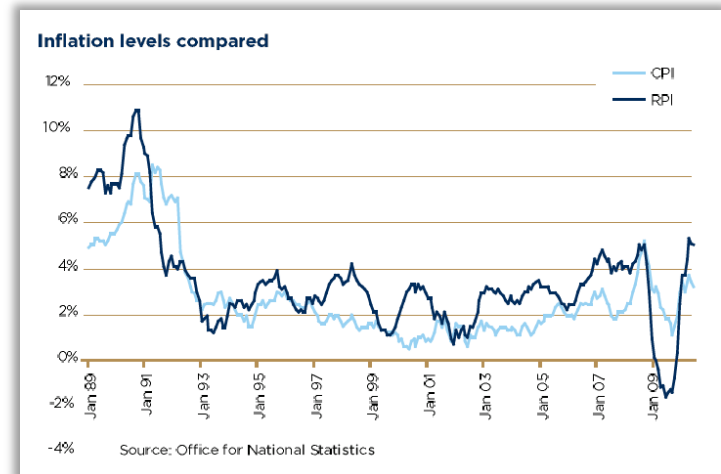
Tax relief

- Reform of tax relief
- Annual allowance
 - £255k to £50k
 - Marginal rate tax
 - From April 2011
- Lifetime allowance
 - Reduced to £1.5m
 - From April 2012



Consumer prices index

- From April 2011
- Public and private sector
- Revaluation in deferment
- Pension in payment increases
- Scheme rules may complicate
- CPI usually a lower rate

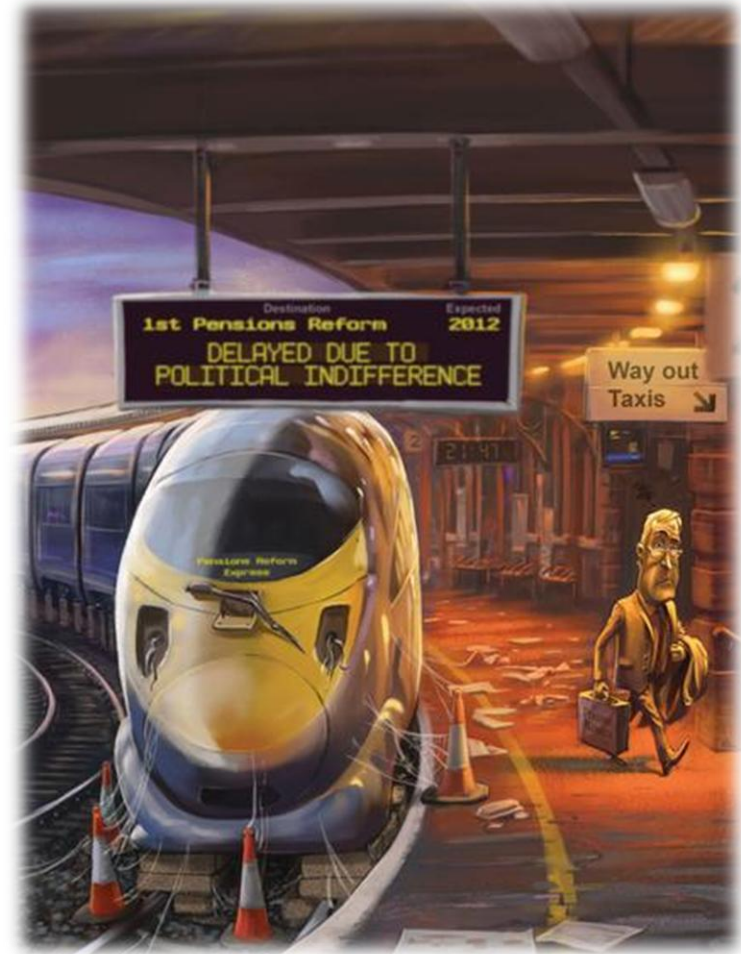


PAYE review

- Tax returns
 - After every payment
 - From April 2012?
- Tax deduction centrally
 - Tax codes not required in admin
 - Gross payment to HMRC
 - They deduct tax and make payment
 - Use BACS system

Equalisation of GMPs

- Previous government announcement
- FAS
- PPF
- Methodology?
- Increased fees
 - More administration
 - Wait and see



Default retirement age

- Abolish DRA from October 2011
- Transitional period from April 2011
- DRA not linked to NRA
- Flexible retirement
 - Scheme rules
 - Draw part/all of pension and stay in work
- Late retirement factors review
 - Right basis for your scheme

Auto-enrolment

- Current gap between eligibility and take-up
- Auto-enrolment October 2012
- Review of NEST
- Enforce efficiency savings
- Qualifying workplace scheme
- Use existing trust based schemes?



DC

- New DC regulatory framework
- TPR Corporate Plan 2010-13
- Consultation expected in 2010
- Design of a good DC scheme
 - Suits member needs
 - Good internal controls, record-keeping and member communications
 - Adequate contributions
- Annuity purchase by age 75 to be removed from April 2011

DC recent surveys

- NEST irrelevant for large employers
- Reduction in number of funds
- Lifestyle strategies as default option
- Employee wealth platforms
- Trust based DC model most popular

Abolition of DC contracting-out

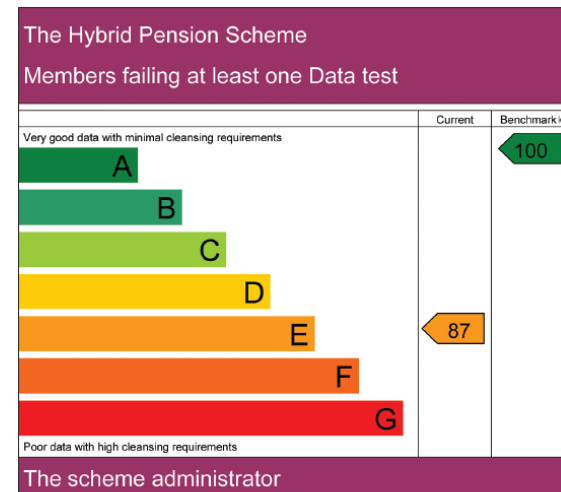
- From April 2012
- End of transfers COSR to DC?
- Transfers to s32 still allowed
- Consultation closed 19 October

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Record-keeping

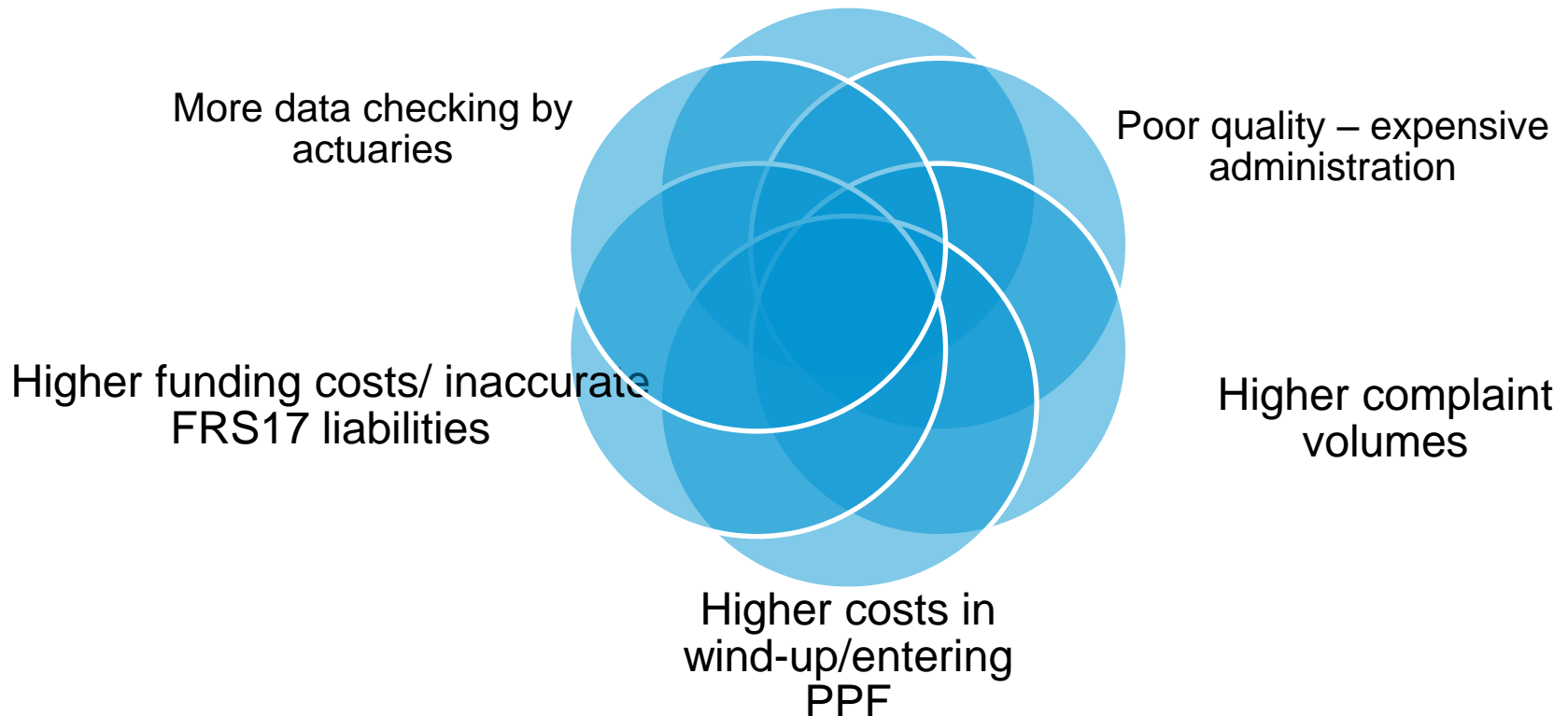
- Continued guidance
- Prescriptive approach
- Improve data quality
- Numerical, common, conditional
- Data cleansing plans
- Show progress



Source: Pensions Regulator

Importance – the bigger picture

Implications



Internal controls

- AAF 01/06
- Procedures and processes
- Data protection
- Disaster recovery
- Trade-off
 - Efficiency v control

Our aim is to provide our clients with a first class pension administration service with a personal and tailored approach at a competitive price. We achieve our aim by striking an appropriate balance between technology and people skills.



Communications

- Best practice
 - Identify objectives
 - Clear communication plan
 - Identify best methods
 - Tailor
 - All groups
 - Open and honest
 - Avoid jargon
 - Choose best time
 - Get members engaged

Effective communication is vital in the running of a pension scheme. Barnett Waddingham can help you communicate technical and complex matters in a clear and concise manner so that employees really appreciate your investment in their pension scheme.

Disclosure

- Communicating with members
- From October 2010
- Trustees can elect electronic communications
- Engage with members better
 - Make more effective decisions
- Members can opt-out

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Offshoring

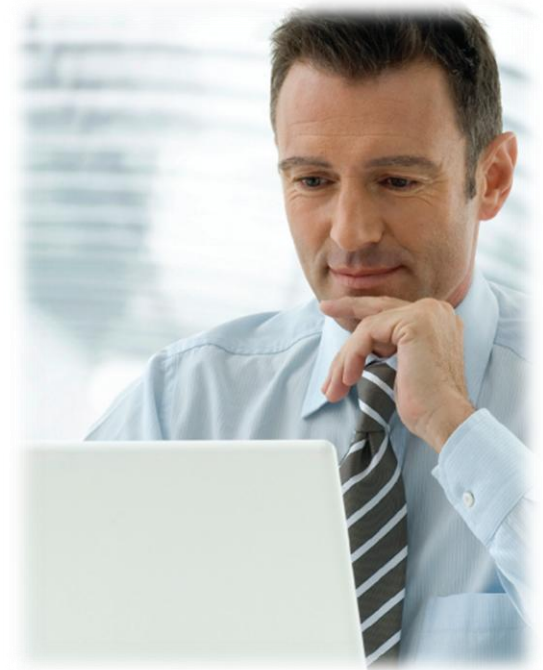
- Offshore, not outsource
- Same processes as UK
- Same systems, same servers
- Offshore team no direct contact with client
- Trained by UK team, in UK if possible
- Output checked until quality displayed
- Responsibility of the UK team
- Client choice

Straight-through processing

- Electronic communications
- Not payments
- Efficiency
- Cost savings over paper
- Access to fund prices for online services

System integration

- Data and benefits
- Payroll
- Accounting
- Online banking
- Electronic documents
- Internet capability: trustee/
member
- HMRC gateways
- Straight-through processing
- Workflow



Systems drive an efficient administration service, and the key to an effective system is the expertise behind it.

Market developments

- Fewer TPAs
 - Mergers
 - Insurance companies ceasing administration
- Reduced DB market
 - Wind-ups
 - Buy-outs
 - PPF schemes
- DC
 - Contract or trust based

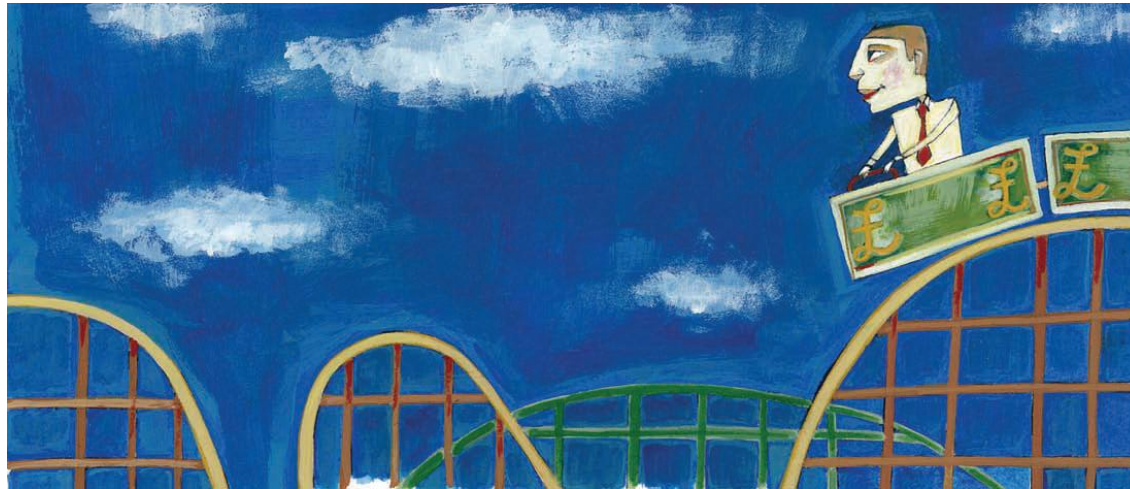


Future trends

- Specialisation
- Efficiency improvements
- System integration
- Lower costs passed to clients
- Maintain quality

Questions

- What's next on the horizon?





Barnett Waddingham

20/20 Vision

A view of pensions over the next decade

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