



THE PLATFORM

Employee Benefits Platforms

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EXECUTIVE SUMMARY

- This market is at the very earliest stages of development, with no full platforms on the market as at Q110
- We understand at least 7 life companies to be assessing delivery of an employee benefits platform in 2010, and at least 2 IFA platforms and IFA firms are also expanding into this space
- Drivers for change include an increasingly 'IT-savvy' workforce, employers seeking to motivate by means other than pay increases, upcoming auto-enrolment, continually improving platform technology and tax changes for higher rate payers
- With corporate clients assessing new strategies prior to auto-enrolment in 2012, timeframes for build and deployment are tight. The pace of delivery will be competitive
- According to delegates at the January employee benefits platform seminar, research conducted has indicated that employees trust their employers to provide financial services guidance more than life companies or IFAs
- The key challenge remains communication and engagement with the employee – new social and networking IT developments have been suggested as a conduit for addressing this
- Rather than compete with employee benefits platforms, an integrated benefits portal can also represent a gateway to the mass consumer market
- With little precedent to follow, IFA platforms are a useful starting point for considering likely associated costs to launch
- Costs of running an IFA platform at scale typically range from 25bps – 40bps
- Revenues charged will likely be lower than those seen on IFA platforms
- The technology to support employee benefits platforms is available in the market today
- However, the lack of common standards makes integration one of the biggest hurdles for the successful deployment of an employee benefits platform

INTRODUCTION

On 28 January 2010, The Platform held a seminar to discuss the emerging Employee Benefits Platforms (hereafter referred to as EBPs). Much has been written in the press and alluded to – but all the conversations have been generic and somewhat nebulous.

The aim of our seminar and this subsequent white paper is to bring some more clarity to these discussions. In this paper, we take a look at what we think an EBP covers, what the employer and employee needs and requirements are and finally, we assess how the various components to deliver such a platform might be assembled.

We thank the sponsors of this white paper for their input and support, and interest in supporting the earliest discussions being held about how this exciting new sector develops. Contact details are provided for each on page 35:

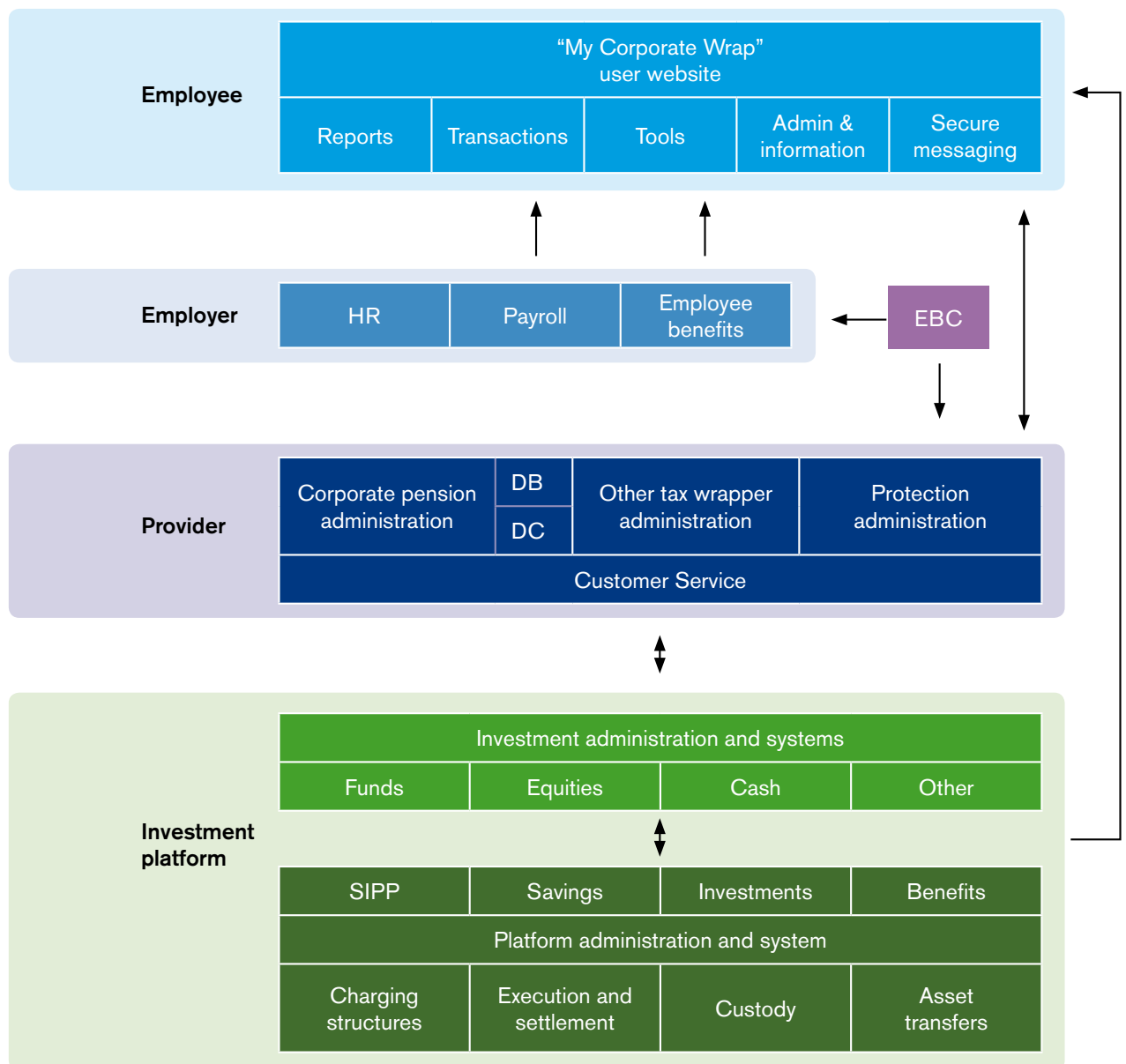


WHAT IS AN EMPLOYEE BENEFITS PLATFORM?

Too often, discussions about EBPs lack specific detail.

Some providers talk about a corporate wrap but really mean an extension to existing pension schemes distributed at corporate level. Others such as Hargreaves Lansdown, have indicated plans for 'Corporate ISAs' in the press. All of today's so-called corporate wraps tend to be hard-wired to a single provider.

We believe that a full EBP includes the following components which we illustrate below. This diagram represents our views based on what we have seen and discussed as at February 2010. The market is set to develop very quickly and we welcome feedback, amendments and additions. Most groups will inevitably position themselves at the epicentre of any such diagram! As independent observers with no commercial axe to grind, we hope to develop a consensus view of the sum of the parts:



LESSONS TO BE LEARNT FROM IFA PLATFORMS

This chapter has been written by Holly Mackay, MD of The Platform, and considers what those considering an EBP build could learn from the retail IFA platforms out there today.

When putting together a business case for the development of an EBP, there is little precedent in today's market other than that of IFA platforms.

Although these models share similarities at core platform level, the presentational layer or web interface will be substantially different. That notwithstanding, we believe there are some lessons from the IFA platform sector which should be observed by potential market entrants.

Costs

“Depending on the scale of assets and the service model offered, an established IFA platform will typically have ongoing costs of between 25 – 40 bps.”

It has been well publicised that many IFA platform builds in the past involved massive budgets which blew out to nightmare proportions. Although the platform market is better understood now than it was in the early 2000s and technology providers have evolved their systems to meet the needs of this once embryonic sector, it is still an area of ongoing concern for platform providers.

Although in the early stages focus tends to be on build and launch costs, the ongoing costs involved in running platforms is significant.

Scale

Although debate still rages on about this, we believe that scale is a significant factor in attaining profitability on all platforms. Outsourced IT providers will typically charge on a tiered basis and scale players will always have a better chance of delivering a more keenly priced proposition to market – something we think important in this context.

Trying to build it all in-house

In today's market, there are many specialist providers of the various parts required in the overall 'assembly' of a wrap. We think there are very very few providers who should be assessing an internal build as the availability of outsourced partners today is both wide and varied.

Some of the earliest platform failures involved models where significant time and expense was spent trying to build many of the components internally.

Time to market

From the selection of an outsourced IT provider partner, we believe that at least 12-15 months should be factored in as a reasonable timeframe for any build and launch. This is especially true for new markets where experience and specific 'know-how' are lacking and unforeseen complications arise as the project progresses.

Build what your customers really want!

Although a potentially useful part of an IFA platform, we sometimes refer to 'stochastic syndrome' - a focus on the latest feature, tool or gimmick based on the belief that this is a critical proposition component. In part, this 'syndrome' is exacerbated by how research is conducted. Saying "yes" to a leading question is not the same as actively nominating a priority.

In 2010, we hear from senior IFA platform directors that they are planning to take stock this year and focus on customer service and making sure that a good administration service is offered – rather than chasing the last must-have piece of functionality. This lesson is important both in terms of financial resource and time resource.

Break-even timeframes

As a very general comment, we think that it will take at least 5 years for any platform to break-even and the reality is probably more like 6-8 years. This clearly depends on what level of fees customers will tolerate. In an IFA-intermediated world, there is a clear correlation between revenues charged and service levels offered. In an EBP environment, we think the pricing will need to be keener and the ability to charge larger fees if very high service levels are offered will be less relevant.

These are just some of the areas that we think potential entrants need to focus on carefully and a more detailed assessment of the retail IFA platforms' experience is a worthwhile exercise to conduct. Of course, some of these platforms are embarking on journeys to deliver a corporate wrap themselves... A big unknown for them is the integration with HR, payroll and what this means to delivery schedules and budgets.

In summary, we have seen many players in the past make strategic decisions to build platforms based on appealing potential growth charts, only to fall foul of crippling IT build costs and ongoing maintenance fees. There are many ways to participate in the platform trend without needing to build and run a proprietary one.

“WHAT DO EMPLOYEES WANT AND NEED? HOW MIGHT EMPLOYEE BENEFITS PLATFORMS ADDRESS THESE POINTS?”

Before jumping into product build mode, we first wanted to hear from 3 experts in the field about what they felt the core issues facing employers and employees in today's market are. Is there really a need for EBPs or are product managers getting carried away without the supporting demand?

We invited three experts from different fields to share some thoughts with us on this point.

Mike Sullivan, Chair, PMI and Head of Employee Benefits, Veolia UK believes that employees really appreciate total rewards and financial incentives

“Pensions have become rather unfashionable with employers and employees in recent years. A lot of people moved from DB schemes to DC and there has generally been a reduction in contributions and in the take up as well. As a result we are seeing a lower number of benefits on offer.

“Personally I think this is quite worrying for UK plc and also for the people who will be heading towards their later years very ill equipped for their financial future post-work.

“From an employee's perspective, lots of people simply think they don't need to save for the future. Many associate pensions with old age and others, when looking at their parents, just think they automatically happen – you hit retirement and go about doing the things you want to do.

“There seems to be this attitude of ‘Can't cook, won't cook’ when it comes to pensions, i.e. don't understand them, don't want to understand them! – there are more demands on savings than 40 years ago and people have large amounts of debt, particularly students.

“Employees also seem far more interested on what else an employer has on offer other than a pension (material benefits, holiday allowance etc). There's a much greater interest in the total rewards package.

“Employers are also struggling with the pension question. Every type of pension provision comes with implications for them. There are lots of employees in lengthy DB/DC schemes who will be retiring at a later age than 60-65 etc. How do pensions help with retention – well as a tool they are questionable and there's an argument that they retain the wrong type of employee. For recruitment, I'd say they're not even in the top 10 of priorities.

“Pensions as rewards no longer really stacks up with employees.

“Do employees appreciate pensions? No. Do they appreciate other financial incentives? More likely. This shows that there is a real need for increased education and awareness around saving. **For many employees in the UK and especially those at the lower end of the pay scale, they are typically only interested in two things: cash and holidays.**”

Nigel Aston, Business Development Director at PensionDCisions discusses how convenience, clarity and context make the case for EBPs

“I just want to explore the idea of the unsustainability of DB schemes as being, potentially, a good thing. Look at people’s attitudes now compared to when DB schemes were set up – they could not be more different. Society has changed: the ‘Generation Y’ mantra is work to live, rather than live to work; People are in jobs for a much shorter time, moving on after an average of 7 years, they are also living longer; divorce rates have also increased the number of single person households, and so on.

“Try telling a university leaver with £15,000 worth of debt to put 5% of whatever they earn away for use in 60 years time. Most can’t think about next week let alone what they might be doing in 60 years time.

“Employee Benefit Platforms have the potential for being good for everybody: good for employers, employees, and shareholders alike.”

“I want to pick up on Mike’s point as why as an employer you wouldn’t just pay cash to the workforce – it’s easy and everybody understands cash. However, it is all about the perception of value to the employee. We all know that £1 of cash to an employee costs the employer a lot more (corporation tax, NI etc). This was the original attraction of pensions - the tax advantages they bring. Unfortunately, this has now changed, for instance, with the punitive taxes for the higher paid. At the same time the pensions’ image has been badly tarnished. The perception of value has been reduced.

“The important thing is the perception of utility in the hands of the recipient. Different benefits have different values for different individuals. What can an employer do? Well, it depends. It really comes down to the individual they are dealing with: man/woman; young/old; rich/ less well off and so on.

“An employee benefits platform can tailor solutions to the individual and offer that choice. That means it delivers the maximum benefit bangs for the sponsors buck and should be really appreciated by the member – surely the purpose of any reward structure.

“From an employee perspective it comes down to three key points: Convenience, clarity and context. The first point comes back to this question of trust. Do employees trust their employers to do the right thing by them? The answer is that they certainly trust them at the moment more than the financial services industry and the government. If individuals do not do their own financial planning then the work place is ideal.

“Clarity comes from people looking at their pension funds and not having adequate explanation

over the associated risks with their portfolios – pensions don't treat people as individuals. We need to start to focus on the consumer.

“Lastly context – people are interested in what others are doing. Take Amazon for example. The collaborative filtering techniques they use (‘people who bought this book also enjoyed this one...’), are very powerful. This approach is also possible with financial products – not as instruction, but as guidance. If applied effectively it can facilitate choice and lead to ‘better’ behaviour and improved outcomes for members.

“Differentiation between platforms will be all about the user experience. In terms of how we communicate to the many different individuals in any workforce we should consider how people wish to be treated:

1. Show Me That You Know Me (treat me as an individual)
2. Remember Me (don't ask me the same questions every time I log on)
3. Help Me (it's complex – but please don't lecture me)
4. Make some helpful suggestions (but don't try to sell to me the whole time)
5. Make It Convenient, Clear and give me some Context.”

Jamie Jenkins, Head of Employee Wealth Solutions at Standard Life thinks that employers are trusted in relation to an employee's financial services affairs

“Try speaking with students in a pub – they will tell you that they have absolutely no interest in pensions or savings. They are more worried about the level of debt they have been left with post-university.

“There is a big difference between employee wants and needs. Employees will want a holiday but will likely need an ISA or savings plan to pay for it. The ISA is simply the means to the end. We can't engage people in tax wrappers and products themselves.

“Research suggests employers are generally trusted to select financial providers and products that are suitable for employees, but are not expected to advise on them.”

“I also think that employees are looking for constant reassurances from their peers that a particular pension or a particular savings plan is a good idea - again, it's not advice, but it's reassuring to know what others are doing.

“What we need as an industry, is a better insight – a better understanding of what truly motivates and engages people.

“From speaking with employers they want simplicity, they don't want extra cost and they do want to be an employer of choice so they are able to attract the best talent. Critically, employers want to focus on their core business – they don't want to have to spend ages worrying about pensions and benefits.”

After hearing these views, we then took questions from the floor

“Mike what would you say, as an employer, if somebody tried to sell you an employee benefit platform tomorrow?”

“It’s very difficult to answer that question with a company like Veolia as it is made up of five separate businesses in the UK. I can see one of the businesses fitting with an EBP quite well. They are a more professional workforce, staff who have been retained for longer periods of time and choose to take the pension options available. These sorts of staff are more aware of the need to save for the future.

“What about our more manual workers? Here I would say that there was less likelihood of them being interested in this proposition as there is more interest in the basics like pay and holiday. Our other business tend to fall between the two extremes.

“I think in most businesses there would have to be a huge education piece supporting the proposition – however good a platform is, without awareness, understanding and a willingness to plan for the future, its benefit will be lost.”

“Jamie, how will these platforms work with any compulsory solutions? Alongside them or as one and the same thing”.

“Corporate platforms should be an enabler for auto-enrolment.”

“The true compulsion coming from the Pensions Reforms is on employers, to automatically enrol employees into a qualifying pension scheme. For the vast majority, a pensions wrapper will remain the most tax efficient means of long term saving, so it will continue to sit at the core of most employer benefit packages. Corporate platforms should be an enabler for auto-enrolment, particularly for larger employers

where the provider’s technology can be integrated with payroll to provide a seamless process, minimising the administration burden for all parties.”

“Nigel, themes mentioned this morning include education, engagement and insight. Are there any thoughts on what shape marketing might take to engage employees? A firm like Tesco has a real range of employees from those working in school holidays upwards.

“Interesting that you should mention Tesco if we look at them from the employee perspective and from a marketing perspective. A Tesco loyalty card will give a customer various offers but what it does for Tesco is provide them with a database of information on the shopping habits of their customers right down to what sells when and why. We are nowhere near that level of understanding in financial services and the provision of benefits.

“The more we learn about individuals and the more our IT and analytic systems improve, the better we will become.”

Comment from the floor:

“According to the Tesco CEO, the group know more about their customers than they do about their own staff and realised that this had to change. The first stage before marketing any product to your employees is to understand them by collecting data.”

In Summary

We highlight a few common denominators here which effectively summarise the views of what was felt to be important to employees and employers:

- It's no longer just about pensions – employees want a total view of their package and benefits
- Employees want security and context – what are their peers doing? New social technologies should help deliver this
- Employers are generally trusted more than financial services providers
- Employers want simplicity and help with communicating full benefit packages to employees
- Employers want to compete for talent and EBPs have a role to play here
- We have to learn from DC and not just offer employees choice with accompanying restrictions such as one window for change each 12 months
- Communication and engagement remain the real challenges

Our panellists and delegates were of the cautiously optimistic view that there is an employee and employer demand for these platforms – but they won't suit everyone and the primary challenge remains that of education and engagement.

The Platform comment: “An interesting idea that came from our panellists was the need to really engage on the basis of customer insights – and in this sense there's almost a ‘chicken and egg’ quality to these platforms? The very presence and usage of such platforms will enable information sharing and collection – and surely offer the ability to capitalise on newer, social networking techniques to work on employee engagement as well as data collection?”

WHAT IMPACT MIGHT TAX CHANGES FOR HIGHER RATE TAX PAYERS HAVE ON THE ADOPTION OF THESE PLATFORMS?

In this chapter, we ask Tony Wickenden, CEO of Technical Connections, to assess what impact tax changes may have on the attractiveness of EBPs. He shares his thoughts and reveals his football allegiances below.

Tony, you're a technical and tax expert. Can you give us a brief rundown on what changes are coming up and how this might impact the adoption of EBPs?

We already know that the next tax year's top rate of tax will be 50% for those who have taxable income of £150,000 or more. Actually, the top effective rate will be 60% and, strangely, for those with income between £100,000 and £113,000, well, £112,950 to be precise. This effective rate comes about because of the gradual removal of the personal allowance by £1 for every £2 that a taxpayer's income exceeds £100,000 so that each of these measly two pounds generates 80p of tax (at 40%) and 40p by virtue of the lost tax shelter of £1.

We also already know that those with relevant income (basically an individual's earned and unearned income less up to £20,000 of member contributions to a registered pension scheme and less any gift aid contributions) of £130,000 or more will suffer a special annual allowance tax charge on the value of pension accruals/contributions that exceed the greater of the individual's special annual allowance and his protected pension input.

And from 6 April 2011 a tax charge will be imposed on all pension accrual/contributions in a tax year where an individual has:

- pre tax income (defined broadly as total income for tax purposes *plus* any pension contributions paid personally by the individual and charitable donations;) of £130,000 or more, and
- gross income (i.e. pre tax income plus any employer pension contributions/employer funded pension accrual on behalf of the individual) of £150,000 or more.

In this case there will be a taper of pension relief for those on gross income between £150,000 and £180,000, with relief reducing incrementally until it is restricted to the basic rate for those with income of £180,000 or more. This will apply to contributions paid by the individual and by their employer. The restriction of relief will be subject to anti-avoidance provisions.

More interestingly, what will (or does) this all mean? What is likely to happen as a result of all this? And, how, if at all, will this significant development have an impact on the mysterious world of corporate platforms?

The short (and truthful) answer is "I don't know". But I can make a guess.

Consider this. Tax has been used over the years as a lever by HMRC – a lever to change behaviour and to secure (officially) desired outcomes. Consider enterprise zones, capital allowances, pensions, PEPs, ISAs, VCTs, and EISs etc.

But it also works the other way. **Tax influences taxpayers, who will be “hurt” by it, to alter their behaviour so as to avoid the pain.** Many advisers to so-called “non-doms” are reporting that many of this “taxpayer segment” are seriously considering leaving these shores in reaction to the imminent higher tax rates and new(ish) tougher remittance basis rules. Fans of Premiership teams up and down the country have good cause to be concerned. Whilst Arsene Wenger’s loyalty and commitment to the project may well keep him here, as may Thomas Rosicky’s new contract ... what about the others? Think on, I say.

But seriously, the combination of 50% and effective 60% tax and the removal of higher rate tax on pensions does, I believe, represent a tipping point (thanks for that Malcolm...Gladwell that is) that means a far greater willingness to take action to avoid these new provisions – legitimately of course.

“Corporate platforms could have a real role to play here as a place to secure information and guidance on hard choices.”

Corporate platforms could have a real role to play here as a place to secure information and guidance on hard choices. And ...Shock! Horror! registered pensions may well not be the most suitable or even financially beneficial way to save for retirement for high earners.

Relatively straightforward modelling, through carefully designed tools that could be made accessible through corporate platforms, could give valuable and valued guidance as to the best after-tax outcomes of the various wrappers for retirement portfolios – all other things being equal.

Clear guidance on the softer factors could also be given; and the combination of information and guidance could lead to a platform user, when coming to an adviser meeting, being better informed and better equipped to make decisions. And that must be a good thing.

The corporate platform could also be (and many already are, or evolving towards being) the place to execute the investment choices that will result in an appropriate and tax effective retirement plan.

Choices could include:

- registered pensions
- ISAs
- employer - financed retirement benefits schemes (EFRBS)
- UK and offshore collective
- UK and offshore bonds

and the most appropriate solution for any one investor could include one or more of these.

I know that the foregoing represents the highest of high level views (bordering on the superficial) but I hope it gives at least a flavour of the possible – and on the eve of the game against Chelsea ... anything's possible!

PS I checked over this after the Chelsea gameso maybe not!

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Advice on each case based on its own facts is essential.

Tony Wickenden has offered to make Techlink available free of charge on a trial basis to all Platform subscribers. You can access the Techlink service (including Library, Bulletins and Multi-Media) free for a month by going to www.techlink.co.uk clicking the "Contact Us" link at the top of the screen and then requesting your free trial from the drop down menu. Remember to state that you are a "Platform user."

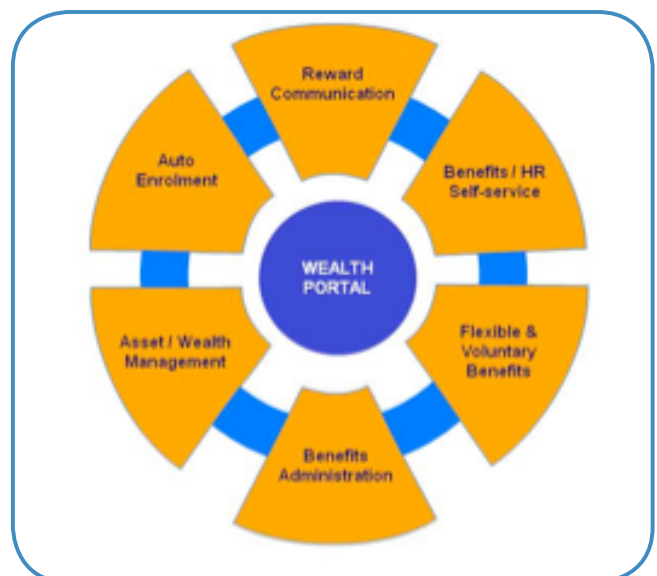
FLEXIBLE BENEFITS: HOW DO TODAY'S FLEXIBLE BENEFITS PROVIDERS FIT INTO THIS SPACE?

This chapter has been written by Phil Hollingdale, the CEO and founder of Staffcare. Staffcare is a privately owned technology company providing software as a service for reward communication and benefits administration for fixed (core) and flexible benefits. Our business strategy is to license our software to Corporate Independent Financial Advisers (IFAs) and Employee Benefit Consultants (EBCs) who deliver end-to-end solutions to their clients who seek advice, broking, technology and administration.

Our software, which we refer to as a benefits portal, helps employers get a better return on their investment by improving the communication of the benefits they provide to their employees and by introducing choice in recognition that each of their employees has different needs and wants. The portal also provides facilities for HR self-service, content publishing / management and benefits administration and reporting.

We have witnessed an increasing interest in our software from providers of corporate wrap platforms, and the following pages set out our views on how benefit portals and corporate wrap could sit together.

The Journey to Corporate Wrap



Source: Staffcare

Market Trends

Employers do need help with their reward strategy and corporate wrap can play a big part in that. But corporate wrap on its own, as a standalone solution, won't help the bigger issue, which is that most employees don't understand the benefits they are provided today, even the simple ones, so presenting them with sophisticated asset allocation and financial modelling calculators isn't the answer. It is part of the answer, but it won't address a big concern for employers, which put simply, is that they are not getting a good return on investment and in today's economic climate that's not sustainable.

Employers want to show employees a consolidated view of all of their benefits, through one portal, and give them choice from a wide range of financial and lifestyle benefits. Implementing a benefits portal is the first step on a journey to flexible benefits (flex). The benefits portal is helping employers clean, consolidate, communicate and interrogate their benefits data and get their employees used to online self-service and help them get a better understanding and appreciation of the benefits provided.

“So why haven’t more companies implemented flex or benefit portals? Price and hassle!”

In Corporate Britain the market penetration of flex is still low with less than 10% of companies overall. For the moment employers are less focused on being an employer of choice, although that remains a constant objective in the war for talent, but more focused on cost containment and alternate pay strategies, which in lay speak means no pay rises but we want to do something to reward and motivate the workforce. So getting more out of existing benefits is high on

the agenda and flex provides opportunities to do just that. Many flex projects are cost neutral, so employees benefit as they get the financial and lifestyle products they want and employers win as they get more bang for their buck and they have a more engaged workforce.

So why haven’t more companies implemented flex or benefit portals? Price and hassle! The consultancy and technology fees have been too high, and of late there have been more tactical things to deal with. Price barriers are being removed. **In 2002 when we first started designing our software the competition were typically charging £10 / month / employee. Today it’s more typically between £1 and £3 / month.** More recently we have seen the software costs hidden in the annual management charge when being sold with a new pension scheme, or in some cases the software fees are offset against commission earned from re-broking the benefits.

The hassle factor is gradually being removed. It’s being removed by third party administrators who are providing outsourced administration services on behalf of the client. It’s also being removed with pre-configured software packages which can “plug and play” and be operational in a matter of days rather than several months as is often the case with bespoke schemes.

The speed of adoption of benefit portals has been a lot slower than we anticipated and this is something that the corporate wrap providers need to consider when forecasting the uptake of their platforms. Even if you provide it for free, and however good you think it is, if the corporate client can’t see the value to them, and they have limited bandwidth in the HR and finance department to take on new projects, it won’t get implemented at the rate you anticipate.

Benefit Portals vs. Corporate Platforms.

Benefit portals are made up of a series of building blocks and we believe that corporate wrap should be part of the proposition.

Why would an employer put in a standalone corporate wrap platform? What’s in it for them? Yes, it is a way of enhancing the appeal of the pension, the most expensive benefit, but it’s only addressing a small part of the business requirement. And what’s in it for the employee, what’s their motive? As a Provider told me, their recent research confirmed that consumers are more interested in Starbucks and Sky TV than pensions. So flexible and voluntary benefits, including discounted bicycles, season ticket loans and the flexibility to buy or sell holiday entitlement is going to be more interesting to most employees than group SIPP and group ISAs.

It would be an interesting fight if the client is presented with a choice of the two propositions; portal or wrap? Given HR bandwidth limitations it would have to be one or the other. But it could be a very compelling proposition if the two sat together.

A benefits portal integrated with corporate wrap presents a good opportunity for product providers as these portals are a gateway to a mass consumer market that is being encouraged to consider benefits and financial wellbeing in the workplace. So when employees are looking at their reward statement and choosing their benefits they can drill down and be encouraged to consider the broader pension and savings options that the corporate wrap provides.

If we offer separate solutions there will be issues with data duplication, different user interfaces to navigate through, no consolidated view of the employees' total well being, restrictions around movement of their assets and utilisation of their full spending capability, a fight for a share of HR's wallet and a fight to get dominance on the desktop in the workplace.

So with a broader combined proposition there are many benefits for the employer, the employee, the distributors and the providers. We can take them on a journey. Start with improved communication, after all if they don't understand the concept of some of the most basic benefits, how on earth will they make sense of sophisticated asset allocation and financial modelling tools? Let's get them used to online self service and self education, address their immediate needs with discounted lifestyle benefits, help build the business case and budget by utilising the tax benefits of salary sacrifice and start to introduce broader flex choices, then we can introduce them to full flexible wealth where they can view and manage their complete financial wellbeing with corporate sponsored benefits and personal assets through one portal. **And when auto enrolment arrives in 2012, we'll be well positioned to maximize the potential of worksite marketing and invite employees to enrol into a broader suite of benefits.**

The Competitive Landscape

Most IFAs and EBCs have already built a benefits portal or partnered with a technology supplier. They've invested time and money that they won't want to write off, and they have clients operating on a platform who they don't want to disturb.

The EBCs are focused on larger schemes driving good consultancy and outsourced administration revenues and securing strong strategic relations. Our experience taught us that they want bespoke solutions, not just branded, but bespoke. They want ownership of the customer and control of the process but recognize that building their own platform isn't the best economic option or their core competency. Most of the EBCs have moved from building their own platform to licensing software from specialist technology providers. So I'm surprised when I read that most EBCs are building their own corporate wrap for launch this quarter. Why would they go down that route again?

The new breed of EBCs, the smaller corporate IFAs who have re-invented themselves, they want branded solutions too, they want to own the customer, they want to protect their client base and want

to cross sell other products. They are competing on the turf with the larger EBCs and offering more competitively priced solutions, often using the same technology platforms. These firms, together with the technology providers, are winning the bulk of the new flex schemes in the market place today.

“The bulk of Corporate IFAs have been slow to embrace flex.”

The bulk of Corporate IFAs have been slow to embrace flex. Why? They are out of their comfort zone, they are better at selling products than consulting. However, flex gives them something new to talk about, a point of difference to open doors, added value which helps the transition to fees, new commission income from a broader

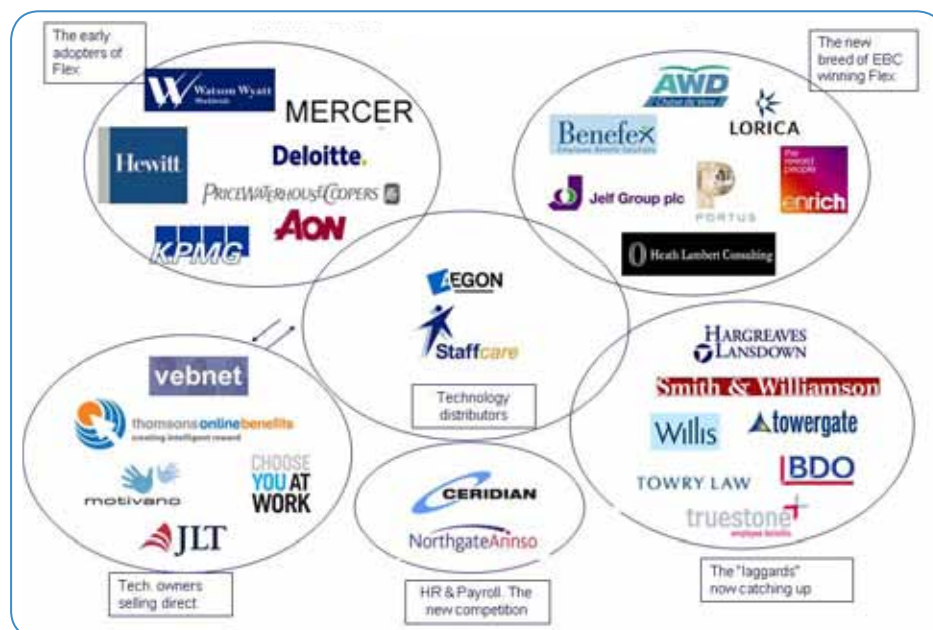
range of product providers and a platform that allows them to manage and then get control of all benefits data, regardless of the broker or provider. New plug and play products coming into the market will make it easier for IFAs to sell and gain traction in the SME sector.

Most technology providers have broadened their offering to include consultancy and administration and now focus on selling direct, often competing with the EBCs they use to sell through. Some of these EBCs, such as JLT and Bluefin, have responded by building their own flex platforms. It is now only really Staffcare and Aegon Benefits Solutions who focus on selling technology through channel partners.

As the second user market develops and the early adopters of flex come back to market, technology providers will have the opportunity to sell more directly as the buying decision will be focused on software rather than benefits or consultancy. The second-time buyer will be better informed and able to identify the inefficiencies of many of the flex platforms.

The new competition will be the HR and payroll providers. They manage the payroll data and they have a strong relationship with HR & finance. Flex is a natural extension to what they do. Northgate and Ceridian are already active in the market place and others will follow. It's a natural cross sell and it will be an important retention tool.

The Competitive Landscape



Source: Staffcare

In this landscape where do the corporate wrap providers sit and who will be the dominant players? Will it be product providers, wrap platforms, retail wrap, fund supermarkets, the new consumer facing wraps that are coming to market? Or will it be the consumer giants like Tesco and Virgin or the banks?

Will the platform providers sell direct or through the channel? If they sell direct how will they sit with the client's flexible benefits, HR and payroll systems? If they sell through the channel how will they sit with the distributors existing flex platform provider and also their private client wrap platform? Who will own the customer?

Maybe the wrap providers will build their own flex front end? Staffcare, Vebnet, Motivano, Aegon, You at Work, Thomsons, as well as several of the larger EBCs, and those technology providers before us who didn't quite make it; like Simple2, 4thContact and Eurobenefits, have all spent millions of pounds and

“It will be no easier for a wrap provider to build a flex front end than it will be for a flex provider to build a wrap platform.”

many man years building and maintaining flex platforms, so whilst on the surface they may look fairly simple, as with most of these applications there's an iceberg beneath the surface. It will be no easier for a wrap provider to build a flex front end than it will be for a flex provider to build a wrap platform.

There continues to be a land grab in the flex market and there will be a land grab in corporate wrap.

Conclusion

Corporate wrap has a place in the market and we can see why the providers want it out there, and how eventually the consumer and distributors will benefit.

Flex and wrap platforms will compete unless they join forces. As they are today, I predict that flex benefit portals will beat corporate wrap in the race for the desktop and share of the customers wallet. Employers get more quick wins from flex portals than they can from corporate wrap, and employees will respond more positively to lifestyle flexible benefits than they will to a pension and savings wrap.

What distribution channels will work best for corporate wrap? IFAs are OK at using technology in their own office as is evidenced by their use of IFA back office systems and the way they have embraced wrap for private clients, but they are not good at using technology at point of sale or selling it to their clients. As a channel they have not delivered at the level that the flex industry expected. Typically they will use benefit portals to open doors but then focus on the bigger prize of securing the benefits. They may be more motivated with corporate wrap, especially if they earn from assets under management, which in itself is one of the reasons why I would like to see flex and corporate wrap combined. The IFAs will have more motivation to sell it and there will be scope for more creative pricing.

EBCs will want bespoke, and they will want to own it and link it to their flex platform and their own global portals. They probably will attempt to build their own corporate wrap, but if there were a combined flex and corporate wrap proposition today I'm sure they would take it.

What about the end customer, the corporate clients, what do they want? They prefer independence, freedom of choice, best of breed. They don't want to be locked in. They will want the platform to be branded to look like it's theirs and they will want it linked to their HR and payroll systems. Who has the relationship with the client today and is best positioned to take them on this journey? Whoever holds all of their data is best positioned to get to their desktop first.

The wrap platforms I have seen all lack a good consumer front end. They have been designed for advisers not consumers. They are over-sophisticated for 95% of the employee population. I would like to see flex systems and corporate wrap together. That would be a compelling proposition for all parties. It would create broader appeal to the sponsor, more engagement for the user, more motivation for the seller and alternate methods of remuneration for the manufacturers.

So where do today's flexible benefit systems fit in this space? Think of us as the wrapper on the wrap.

THE CORE IT PLATFORM: WHAT TECHNOLOGY BUILDING BLOCKS ARE OUT THERE TO SUPPORT EB PLATFORMS?

This chapter assesses the IT provider of the underlying investment and product platform and has been provided by Robert DeDominicis, CEO of GBST.

GBST is a leading provider of wrap and platform solutions in the UK and Australian markets, with our Composer solution being used by platform providers, fund managers, banks and administrators across a spectrum of corporate, individual and wrap based models/propositions within wealth management and financial services

Composer offers a full front end and back office administration system, focusing on areas that we see as key to the market including straight through processing, consolidated reporting and full transactional capability

The emergence of workplace advice delivered through platform technology, or 'workplace wrap' as it is being coined, is an obvious new market for platform providers. It clearly provides a huge opportunity for the advisers and employee benefit consultants in terms of distribution channel, fee earning and asset gathering potential, as well as deepening employer/employee relationship and staff retention. But the main benefit should be for the employees, with the workplace platform driving real change in their behaviour towards saving for retirement and provision for lifestyle changes.

It is well documented that consumers still struggle with today's UK financial services jargon; many have also become sceptical of the role of advice and also of traditional providers and have taken to educating themselves, researching and making their own decisions. Unsurprisingly, for office-based workers much of this activity is also carried out in the workplace, with the internet readily available and email used as a communication method to request further correspondence.

Corporate Wraps can focus more on the employee needs and requirements

With the web providing so much financial information, this desire to improve understanding and 'do-it-yourself' is a natural evolution. However, we should also be mindful that what is being created may in fact cause wider confusion and misinterpretation when this knowledge is subsequently passed on to others - typically to colleagues, friends and family using email and again in the workplace. If a cross section of today's consumers was asked to explain an ISA, stakeholder or company pension, would they provide the same or several different answers? Is this down to interpretation? In due course, the time for advice will be recognised and therefore needs to be readily available.

Intermediary focused wraps and fund platforms have successfully demonstrated the concept of open architecture across multiple tax wrappers and the unbundling of product charges. They also provide an alternative vehicle to deliver first-hand advice to the consumer. However, it can be argued that the

adviser is the main beneficiary through increased administrative efficiency, cost savings and ongoing asset based income streams over time. **Corporate wraps and workplace platforms will flip this concept around and put the employee/consumer in a more favourable position, with the technology solution and provider proposition focused primarily on their needs, packaged by the employer with their employee benefits consultants accordingly.**

In terms of accessing a corporate wrap, the positioning of any user experience shifts away from intermediary focused planning tools and provides for the employee through news, information, training and education. Tools and calculators will be important, but will need to be simplified with greater online help and user guides available. The employee should also have access to benefits beyond those of the company pension scheme, itself showing a complete benefits package including arrangements like death-in service provision, health care, bonus, salary and share save schemes.

The real value to employees

The real value to employees is delivered by leveraging the core wrap technology underpinning most intermediary wrap platforms. The employee will be able log in via intranet or internet, see company pension scheme arrangements (administered by the platform) alongside other employee benefits via interfaces with specialist software packages, and also have access to personal investments held on the platform in other tax wrappers (ISA, PEP, Bonds, SIPP). Other non-platform products like previous employer schemes can also be reflected for valuation purposes or transferred to the platform as appropriate. The employee can transact/switch into a range of investments which have been 'approved' by the company for the pension scheme, and/or be given a wider choice for other tax wrappers. This can all be supported through tools, literature and basic advice decision trees which may be provided by the platform provider to the employer. However, the employee can also seek full advice at any time from their own adviser and/or corporate adviser. The platform's technology will provide access, smooth hand offs, controls and audit trails to ensure activity is monitored and compliant.

The functionality is available today...

Much of this functionality should be adaptable from existing technology used by today's platform providers, however those with greater configurability and deeper functionality will also look to leverage asset allocation, model portfolios, and rebalancing hand-in-hand with the employer/corporate adviser relationship to deliver a more complete advice package to scheme members. Cash management facilities akin to online banking services could also prove popular for linking payroll/employer contributions to money movements into and out of the platform. In time providers may also consider reconstructing unitised products for benefit top-ups around life, illness and medical cover transacted on the platform. The chosen platform may also need to be able to deal with and provide 'Chinese walls' between multiple employee advisers if the advisers for the pension are different to those for the ISA portfolio or other financial products.

“Any workplace platform solution will...need to be delivered at low cost.”

Any workplace platform solution will need to remain highly focused on usability, but more importantly will need to be delivered at low cost. It is likely that the end-consumer/employee will be a much broader market segment than today's affluent/HNW wrap client. Therefore, the charging structure will need to be lower with greater flexibility to accommodate different levels of advice and charges

e.g. client only transaction (possibly tiered according to the complexity of the chosen assets), client/adviser transaction, client/corporate adviser transaction and any relevant ongoing charging dynamics. Straight through processing and operational efficiency of the platform will be paramount.

...but this won't happen overnight

Some major providers have already stated their intent to enter the corporate wrap market in the near future, and no doubt their existing wrap/SIPP facilities will provide an initial foundation to build on. However, the road to a true workplace solution will take time if the right system architecture is not already in place. To deliver a workplace platform successfully into the UK market the system must have a robust and adaptable user and account hierarchy which can facilitate the different relationships involved and provide appropriate segmentation of personal and financial information, securely and compliantly.

Providers will look to roll out corporate wrap in the near future to capture the wider distribution opportunity, but this may be a stretch for the underpinning technology designed for the IFA and HNW market which they have in place today. This may involve substantial redesign or even a change of technology partner to accommodate group business or employee arrangements. **Time will tell but it may be the newer players who can enter the market by opting for more robust and flexible technology solutions that begin to capture the workplace opportunity sooner.**

PULLING ALL THE PIECES TOGETHER

We have heard from GBST and Staffcare. Referring again to our diagram of an EBP on page 5, we can see that integration between many different systems is required. Andrew Lloyd is the Director of Insurance & Wealth Management at Logica and shares some views on the integration piece required for EB platforms.

Logica is a leading IT and business services company, which enables business transformation for customers through innovative use of technology. Logica has marked out Insurance and Wealth Management globally as a major focus for the design and implementation of customer-centric solutions. Logica's track record in this and other sectors means that it is continually involved in the collaborative delivery of sustainable solutions that make a positive impact on all stakeholders involved – from end-customer experience through to increased shareholder value.

Wealth management platform services, for corporate and retail markets, are fast becoming a standard to be lived up to – Logica is excited to be involved in helping its clients 'pull the pieces together'.

Consider this. Average annual sales of bonds or life assurance comprise around three to five per cent of new business, depending on the product. All the rest is churn – existing investment money being moved from one place to another. The percentage of new money should and could be far larger.

And consider this. Millions of people have no retirement provision beyond a state pension. Of those who do, interaction with their private pension is generally limited to a once- or twice-yearly statement. The recipients are either pleasantly surprised or disappointed. The statement is filed and forgotten. The same is true for bondholders and owners of similar products.

There is a disengagement between consumers and life & pensions (L&P) companies, leading to low savings rates. In part, consumers are suspicious of the companies and the market, most likely because they simply do not understand the products. That itself is a symptom of a wider ignorance about financial matters.

Making L&P thrive

It is in the country's economic interest to have a thriving L&P sector and it is government policy that everyone should have a second pension, through Personal Accounts (NEST) or otherwise. Indeed, it is highly likely that sooner, rather than later, people will be forced to take out a private pension, if only to ease the financial burden on the state of an aging population. Into this mix can be thrown the reform of L&P product distribution. **Some 70 per cent of L&P products are currently sold through independent financial advisors and that route is about to be substantially narrowed. That means we need a new way to reach customers.**

So where do we go from here? How do we engage consumers with L&P products; encourage saving in pensions; educate people about their finances; develop new, more efficient distribution channels; and, above all, dispel suspicion and create trust?

The Australian experience

“Give easy access to financial information and it will be used – and the market grows.”

Part of the answer lies in Australia. There, a mandatory superannuation scheme meant that employers and staff had to contribute to pensions. It forced businesses and employees to take pensions seriously and brought about transparency from pension providers. For the first time, Australians took an interest – an interest that grew as their pension funds increased. They became more aware of the L&P sector as a whole and their views became more positive.

The Australian experience depended on wrap platforms that allowed consumers to see how their funds were doing. That brings us to UK wrap platforms, which allow non-specialist investors to see exactly how their savings in stocks, unit funds and many other investments are doing on a single screen. The platforms are popular because they are accessible but they are generally used only by those with reasonable funds to invest and who have an existing, if basic, understanding of how the process works.

But the principle holds. Give easy access to financial information and it will be used – and the market grows. Accessing the information becomes part of daily life. That principle can be greatly extended.

A sense of financial place

Suppose there was a place online where you could see how your pension and other savings, such as ISAs, bonds and unit trusts, were performing and could chose to swap out of them and into something else, whenever you liked.

And suppose that place was set up by your employer, contained all your HR details and listed the benefits you'd chosen when you took your job. Suppose again: it could incorporate a budgeting engine, so you could see how you spend your money and how you could save money. It could even include your credit report.

Add to that a suggestions engine that prompts you to consider specific financial matters at specific points in your life or highlights tax breaks. Meanwhile, a social network application could channel product recommendations from others in similar circumstances. For example, it might make sense for some people to move out of a defined benefits pension scheme and into a SIPP at some point in their career but they'll need prompting, a full understanding of what they're getting into and confidence from peer recommendation that the move is a good one.

Now make one last supposition. When you move job – the average person lasts seven years with a big employer – you could still access all the non-employment-specific detail from a linked site at home and even transfer it to another employer when the time came.

Financial enlightenment

This system would bring financial enlightenment to employees, encourage them to be financially responsible and help them to make financial plans for the long term. By giving instant access to L&P products, it stimulates interest in them, while recommendations and prompts mean they will not be overwhelmed with choice.

The L&P industry get one-to-one access to their potential customers via straight-through processing, which helps manage their distribution costs much more efficiently and ensures the IFAs add value when an advisory role is wholly necessitated. It also encourages competition on product and results, rather than on distribution channel. The result is increased take-up: volume growth.

Employers benefit because the system helps to create employee loyalty by showing that employers care about the financial well-being of their staff. It also improves employees' financial confidence, so they are freed to focus more consistently on their work. It provides business intelligence (BI), showing where money is flowing and to whom. BI also shows employers at a glance which of the benefits they offer are popular and which can be dropped.

The hub is the nub

Portals with more limited functionality already exist but they are effectively hard-wired to a single provider and with point-to-point interfaces. Each one involves an unnecessary reinvention of the wheel. **To create a fully functioning, accessible online market for L&P products linked to HR and benefits, you need agreed standards, interoperable interfaces, a means of switching between products and providers and mass – the volume to kick-start the process.**

The sensible course is to create a hub that links providers on one side and employers on the other. Each provider links to the hub through an agreed interface – for example, one based on ISO20022 with defined messages, service, and interlinking processes. Employers use the same standards to link their systems to the hub on the other side. Product and sales go from provider to customer and back again, using straight-through processing.

Smart moves

“The humble SMS text message can only be sent and received because of standards we developed back in 1992.”

The situation is analogous to that facing the energy industry, which faces the introduction of smart meters and smart grids. It is also of similar scale. By 2020, all 47 million UK meters in 26 million locations will be smart, sending and receiving billions of messages a year. That requires common standards that allow data to be shared and exchanged by all interested parties. We're working on that now, building on our experience in creating ELEXON – the open sales, balancing and settlement system we developed for the New Electricity Trading Arrangements (NETA).

To use a couple of international analogies, cross-border funds transfers used to be difficult, time-consuming and costly before we created SWIFT, which is based on common standards and is now used by all financial institutions around the world, while the humble SMS text message can only be sent and received (in its billions every day) because of standards we developed back in 1992.

Creating critical mass

In this case, the job is made easier by the need for critical mass. Between them, SAP and Oracle systems serve the HR, payroll and benefit needs of more than half of all employers with more than 1,000 staff. Bringing them around a table with major HR and Payroll Service Providers, L&P players and the Financial Services Authority to hammer out standards will create a de facto open specification, which can then be used by others in linking to the hub. It becomes plug and play.

If it proves necessary to create a kernel hub, with modules for each provider, this will not be an insuperable problem – we've done the same for the oil industry with our kernel and module-based Prodis supply chain engine.

The cost to providers of joining this new, single hub-based market will be many times less than trying to recreate the system's effects through a series of point-to-point portals or multiple hubs. It will also make it easier to integrate legacy systems when providers merge or are taken over, as they will be able to connect their systems through the same agreed standards. System investments will not, therefore, be wasted.

As time goes on, the reach of the hub can be extended from large employers to smaller ones, right down to one-man bands, with access to providers through small-scale packages, similar to current PC-based software for accounts and taxation.

It would be an L&P revolution – and one that we badly need.

AN INDUSTRY UTILITY FOR PROVIDERS / PLATFORMS AND THEIR CORPORATE CUSTOMERS

Andrew Lloyd made the point for the need for common standards if this sector is to thrive and grow. We have been sent some further points by one of our delegates to encourage this debate and we summarise them here:

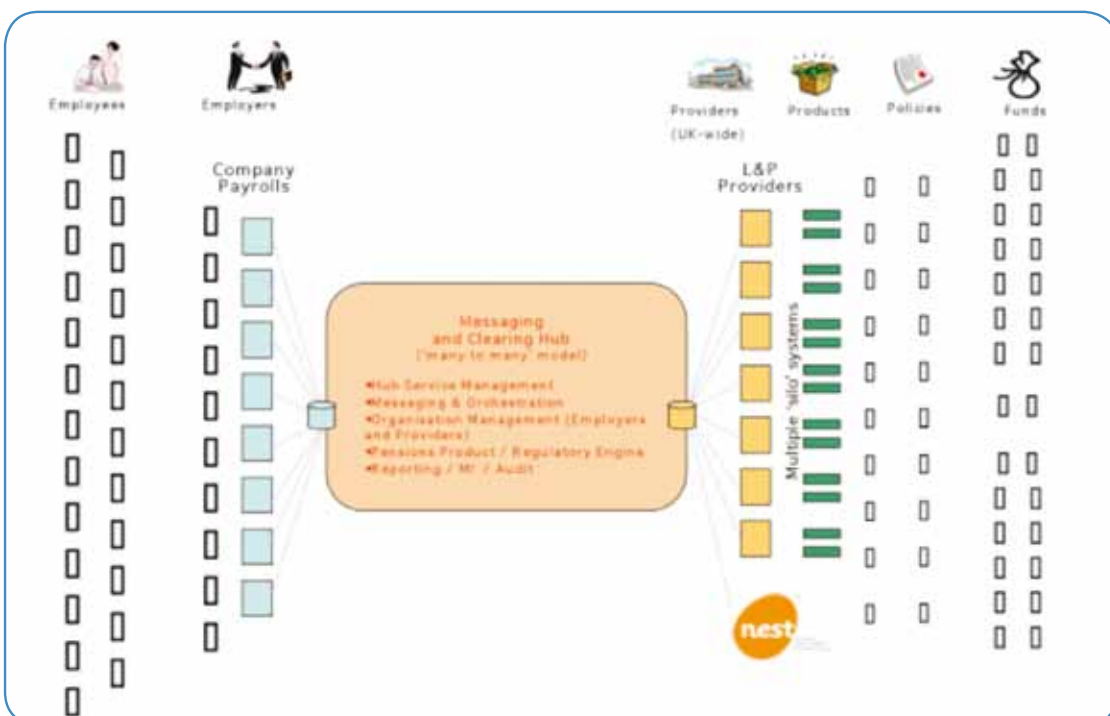
The cost pressures for doing business in the finance sector are enormous and growing. With a '1% world' today (and moving lower with NEST) the Life and Pensions sector cannot afford for each company to 'plough its own furrow' especially for those elements of IT infrastructure that add no competitive advantage or particular value to the customer.

The Life and Pensions Industry (Pension Providers and Platforms) should collaborate with each other, and their major corporate clients, to create a central Utility (an Industry Hub) to automate the movement of bulk payroll / employee contribution data and provide 'value added' services.

Drivers for such a shared service include:

- Cost Pressures – driving automation and 'straight through processing'
- Technology Under-delivery – not delivered the promise of e-commerce
- New Technology Opportunities – utilising the internet and broadband
- Capital Constraints – shared investments become attractive

Life and Pensions Industry Hub: Automating the Link between Employers and Providers



Roadmap of Services:

Phase 1: Messaging hub; download/upload and validation of payroll files; reporting and audit

Phase 2: Statement Service – Provider and Combined; online Pensions Modelling

Phase 3: Regulatory Reporting Service to HMRC – for both Providers and Employers

This is not a novel proposal! Providers have collaborated to build and operate Industry Utility models. These include:

- Emxco – messaging service joining up distributors and fund managers
- Bacs – the industry body responsible for clearing and settlement of automated payments
- Assureweb – portal and e-commerce service for L&P companies and IFAs

Questions and challenges

- Is there an appetite for the Industry Utility Model in the Corporate space?
- Is the 'hole deep enough' to drive collaboration?
- How might NEST fit into the model / Hub service? (Might they drive it?)
- Does this model help drive costs down (well below 1%) for all – and so help meet Government policy drivers
- What other services might the Hub provide to help reduce costs further and provide a better service to employers and their employees?
- Who is interested in exploring the 'art of the possible' and under the aegis of which organisation?

For a more detailed version of this discussion paper see www.theplatform.com

The Platform comment: Please let us have any feedback you have in relation to this issue. We are happy to put interested parties in touch with each other or to facilitate further meetings and discussions.

DEBATE, DISCUSSIONS AND QUESTIONS FROM THE DAY TO OUR PANEL

We ended the day with a series of questions from the floor to our panel which included¹:

Robert DeDominicis, CEO, GBST

Philip Hollingdale, CEO, Staffcare

Andrew Lloyd, Director, Logica

Holly Mackay, MD, The Platform

Katharine Photiou, Principal, Mercer

Questions from the floor

Anon: “We’ve heard different views surrounding the issue of segmentation amongst employers and employees. It seems to me that on one hand there seems to be suitability towards what we would call HNW individuals and on the other hand there is a large population of people who are struggling to engage with DC pensions and have a real need for better engagement and additional relevant choice. What’s the panel’s views on this segmentation?”

KP: “I don’t know the answer to that yet. Trying to match different segments is very difficult as employers have such diverse needs for a diverse workforce. I think we are in an embryonic stage development with EBPs at the moment and it is not something that employers should be rushing into.

HM: “Can I chuck your question back at you? Have you any research or thoughts on segmentation to share?”

Anon: “There could be a much broader application for this technology. If we look at contract based workplace pensions the take up is around 50%. Something around how the benefits of taking up a pension is not being communicated as effectively as it could be. I think EBP technology could help this.

HM: [to the CEO of a retail IFA platform] can I ask you about the learnings you have experienced from the retail platform space with client segmentation. Your platform will tend to target the HNW clients where as the supermarkets may cover the mass market better.”

Anon: “We target IFAs really – we would target IFAs with HNW clients as that is where the money is. We don’t see our platform as appropriate for someone with less than say, £50,000 to save. So it’s a different model.”

KP: “I guess segmentation in the retail space comes from those smaller IFA firms who are using the fund supermarkets, rather than the full wraps.”

¹ As a courtesy we don’t name those delegates who asked the questions in this paper.

HM: “[back to the CEO] do you think that the technology that underpins IFA platforms could be used to support an EBP proposition?”

BV: “Absolutely”

KP: “I would like to pick up on the point about flexible benefits being in direct competition with EBPs which is an interesting point. I think EBP should be an extension of flex.

HM: “I would view flex as being a component of corporate wrap – I guess it depends on which groups you speak to. Phil could you expand on how flex could work alongside corporate wrap and do you not see flex as a component of corporate wrap?”

PH: “I’m not saying that flexible benefits providers and corporate wraps are competing for the same business, they are competing for the attention of HR budget and the engagement of the consumer. What I’m saying is that if they do not come together and find a way to work together, then they will likely be competing for the same bandwidth of customers.”

“On the question of segmentation – technology should be able to support all segments of the market. Segmentation is not driven by technology or tools but by the desire and appetite of product providers and distributors.”

HM: “Rob, do you see groups like GBST having to integrate with providers like Staffcare if, for example, a life company came to you tomorrow and asked you to build an EBP solution?”

RD: “No I think it would be more relevant for EBCs to want that kind of solution. I find that the larger corporate employers and product providers want to provide a solution to the employers that is more focused around the investment side rather than the pensions and savings side. The two have to coexist. In my opinion it is the retail banks that have a real opportunity to clean up the mass market where as product providers and EBCs will likely focus on the HNW.”

HM: “So do you think there could be multiple propositions being developed? You mentioned EBCs building something different to a corporate wrap.

RD: “I think EBCs target a different end of the market because they seek value from one segment of the market.”

HM: “Katharine are EBCs going to build these things? Or are they going to work alongside life companies to deliver EBPs?”

KP: “My personal view is no they won’t as they are very expensive. If you look at the retail wrap market it takes a huge amount of money to break even and of the 20 or so propositions only 3 have achieved this so far.”

“What we must not do is dilute the value of our proposition through competition because we did that with DC. We can’t let this happen as you start to lose quality and value.”

Anon: "My question is to Andrew, who spoke in his presentation about a "hub". There have only been 2-3 instances when the Life and Pensions industry come together and collaborated. There are very few examples of shared services – mostly because providers don't like to cooperate. How do you make them do this?"

AL: "This comes back to the understanding of what the benefits are of cooperation. If we think about wrap on the retail side, TISA has taken the mantle of moving re-registration forward with the backing of the FSA, for example.

"We are already aware of major providers of HR and Payroll systems who understand the issue and want to move with the modern world."

IN SUMMARY

We hope that this paper has helped to shed further light on this rapidly expanding sector. It is our view that – after discussion and input from many experts from different fields at both our seminar and over previous months – that there is certainly a demand and need for EBPs.

If a lesson is learned from the IFA wrap market, it must be that often a collaborative approach works better than a standalone attempt. Life companies in particular have sunk massive amounts into developing IFA wrap propositions with relatively little to show for it to date.

Build costs are high and break-even often requires scale and time. Paybacks are slow. Notwithstanding the above, IT platform costs have come down over recent years and a component approach to any development, assembling the various building blocks such as those discussed here, should reap rewards for some providers.

To our minds, this is a market which represents significant opportunities and where the assets under administration could even significantly pass those assets on IFA platforms.

Some of the key challenges we perceive in building a proposition are:

- Engagement with the customer – how to build a web-enabled proposition that will truly engage employees
- Keeping costs under control – learning from IFA platform builds of the past
- Revenue – providers we speak to are undecided about where to levy fees for such a service and those with the potential for cross-selling will package a proposition differently to those offering a pure fee-for-service administration model. We believe the fees will need to be lower than those seen on IFA platforms
- Customisation – corporate clients will typically expect some 'bespoking' but customising what should be automated platform propositions can be expensive
- How should EBPs be distributed – are IFAs a feature of this service or is their input likely to include only an introducer's fee?
- Assembling the building blocks and including a layer which is hitherto untested in the world of platforms – the 'layer' of HR, payroll and flex
- Integration at many levels without common standards

As the year progresses, The Platform will be conducting further research and analysis of this developing sector with a view to publishing our first EBP research later in the year. Please contact us if you would be interested in steering this research or participating.

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