

Good Governance = Good Business

Workplace Savings





Introducing pension scheme governance

Governance is about steering your pension scheme to achieve the right results for you and your employees.

If your company gets its governance right then this creates a strong framework through which you can more easily manage the pension scheme and any wider employee benefits.

In addition to value for money, governance is becoming an increasingly strong theme in the world of pensions. You are expected to ensure that the pension scheme you put in place, through Automatic Enrolment or otherwise, remains fit for purpose to deliver the best outcomes for the members – your employees. After all, the pension scheme chosen by you as an employer contains other people's money!

We believe good governance is not just a tick-box compliance exercise; it is simply good business practice.

Why is good governance important?

The Government wants individuals to save more for their retirement and also maximise the amount of income they receive from their pension fund. To support this there is increasing regulatory guidance to encourage good pension scheme governance by employers. Good governance does not just mean doing it; it means having the processes and audit trail to evidence that you have done it too. You can no longer set up a scheme and just assume it will always be fit for purpose.

Paying pension contributions on behalf of employees is likely to be one of your biggest outgoings. It is therefore prudent for you to closely monitor that level of spend to ensure that it is achieving what you want and is giving you value for money.

Governance aids effective decision-making, provides clear accountability and also helps you manage and mitigate any associated risks.

Finally, governance and the supporting management information enable you to highlight and quickly remedy areas where your pension scheme and supporting employee benefits are not achieving the desired outcomes. This gives you an opportunity to engage with your employees and make the necessary adjustments, which can ultimately improve morale, retain quality people and increase productivity.

It is in your own interests

A key objective of governance for both the Government and business is to help ensure employees receive good outcomes in their retirement planning as they build up their pension fund and then take their benefits.

Employees need help in understanding how pensions work, and support in making decisions on how much to save, when to retire and how pensions fit into the wider context of financial planning. A business that supports its employees in this way as part of the governance process will find that it may make long-term savings in employment costs and attract and retain an engaged workforce; allowing the business to remain competitive and grow.

If a firm employs 100 people at the national average wage of £27,000 p.a.* this is a total payroll of £2.7m. Pension contributions of 4% would therefore cost the employer £108,000 p.a.

And after 5 years, there is likely to be in excess of £1m of members' funds in the scheme.

*Source: ONS Annual Survey of Hours and Earnings, 2013 Provisional Results

How confident are you that you have the right resources and time to do all of this (whilst running your business and keeping your customers happy)?

Governance principles

The Pensions Regulator has helpfully set out six principles for good design and governance of workplace defined contribution schemes. These principles are the backbone of good governance and are summarised below:

Scheme set up

Principle 1: Clear roles and responsibilities

Schemes should be designed to be durable, fair and deliver good outcomes for members, including features such as the provision of a suitable default investment option, transparent costs and charges, protected assets and sufficient protection for members against loss of their savings.

Principle 2: Effective decision making

A comprehensive scheme governance framework should be established at set-up, with clear accountabilities and responsibilities agreed and made transparent. This includes identifying key activities which need to be carried out, and ensuring each of the activities has an 'owner' who has the necessary resources to carry out the activity.

Principle 3: Appropriate investment options

Those who are accountable for scheme decisions and activity should understand their duties and be fit and proper to carry them out. This principle ensures that those who are given accountability or responsibility for a key governance task are able to carry this out.

Ongoing monitoring

Principle 4: Appropriate default strategy


Schemes should benefit from effective governance and monitoring through their full lifecycle. This principle looks at the ongoing governance and running of the scheme, including the internal controls and monitoring needed to ensure that the scheme continues to meet its objectives, and continues to be run with the best interests of its membership in mind.

Principle 5: Effective performance assessment

Schemes should be well-administered with timely, accurate and comprehensive processes and records.

Principle 6: Communication to members

Communications should be well designed and delivered to ensure members are able to make informed decisions about their retirement savings. This is from joining the scheme through to making decisions about converting their pension pot into a retirement income, including promotion of the Open Market Option.



Embracing governance is a smart way to manage your employee benefits and deliver sustainable value for your business and employees

Three governance support options to enable you to select the best fit for your business.

Governance support

Underlying the Pension Regulator's six governance principles are a number of supporting features – 31 in total.

Good governance should address all of these features to some extent, through devices such as terms of reference, key performance indicators, annual plans, management information, governance meetings and member engagement. But where to start?!

We are able to support you with a range of strategies to help you put the appropriate governance regime in place for your business. Further details of the various elements are shown over the page but in summary:

1. Core

This lower tier is a hands-off service where we provide you with the documentation and materials to enable you to establish and run your own governance. This is naturally the lowest cost option and may be appropriate if you want light-touch governance that helps you monitor and manage the key aspects of your scheme.

It could be suitable if you are a smaller employer who has just set up your pension scheme through Auto Enrolment. This option is the same governance service that is integrated with Jelf AEase, our streamlined Auto Enrolment consultancy package for small businesses.

Our core governance service is a positive first step to demonstrating you are managing your pension scheme properly.

2. Best practice

This is the middle tier of governance support we offer. We provide templates and guidance for you to use in areas where you are likely to be capable and confident to deal with things yourself, but also support you in key areas through more intensive consultancy. This includes attendance at governance meetings, training and bespoke MI and reporting.

If you put a governance regime in place in line with this 'best practice' service, it really shows that you have embraced governance to deliver the best outcomes for your employees.

3. Premier

This top tier is an extensive, comprehensive governance service with a significant level of engagement from Jelf in all aspects, including helping you set the terms of reference and KPIs for your business, providing training for governors and attending governance meetings. Jelf's involvement also gives you a robust audit trail; a feature which is becoming increasingly important. It is a fully bespoke service and will be built in line with the unique requirements and objectives of your business. Your governance committee would have an employee-nominated representative and you'd receive additional analysis in relation to how your default investment solution meets the detailed Investment Governance Group requirements.

Large employers are likely to need this intensive level of governance support in view of the size and the complexity of their business and pension plans.

Schedule of Jelf governance support

The following table summarises the key elements of our three governance support solutions.

	Core	Best practice	Premier
Governance committee			
Assistance with formation of the Committee, including initial training		✓	✓
Production of Terms of Reference		✓	✓
Jelf act as secretary and take minutes		✓	✓
Frequency of meetings			
Annual governance - Conference call	✓		
Annual governance meeting – Jelf attend in person		✓	✓
Interim governance meetings – Jelf attend in person			✓
Services			
Provision of provider MI report	✓		
Ongoing telephone access to Jelf consultant and employer helpline	✓	✓	✓
Access to Jelf Online Employer Hub	✓	✓	✓
Invite to Jelf Employee Benefits seminars	✓	✓	✓
The Pensions Regulator – review of key principles	✓	✓	✓
Provision of risk register template	✓		
Provider “RAG” status report	✓	✓	✓
Employer quarterly newsletter	✓	✓	✓
Plan summary	✓	✓	✓
Annual default investment update	✓		
Quarterly default investment update		✓	✓
Training of governance committee members			✓
Provision of Jelf bespoke MI report		✓	✓
Annual plan		✓	✓
Assistance with developing and completing bespoke risk register		✓	✓
Setting and monitoring of company-specific KPIs		✓	✓
Establish annual communication strategy			✓
Review of investments against Investment Governance Group guidance			✓
Annual benchmarking of provider against its peers			✓



Crucial ongoing support

Expert help when you need it

Each tier of Jelf's governance support includes consultancy time from one of our qualified and experienced workplace pension specialists. This is naturally important when you're first setting up your governance arrangements, but we also provide you with the reassurance of future support through ongoing access to our team as well.

We know things don't stand still. Your business and the profile of your workforce can change, new questions and problems arise, the market changes and there always seems to be new regulations on the horizon.

Sometimes situations or questions arise with your pension scheme or wider employee benefits and you don't need

in-depth advice; just the reassurance of a friendly expert to talk to and sort things out. Jelf is happy to help, and of course if a wider range of services or deeper consultancy is required we can provide those, as you'd expect from one of the UK's leading employee benefits consultancies.

24/7 access to our Employer Hub

When you sign up for Jelf Governance we automatically give you access to our online Employer Hub.

This is a convenient, central source of information, employer guides, templates and additional support, to help you run your governance regime and deal with common issues or questions. It is regularly reviewed to ensure the content is up to date and relevant.

Additional services to optimise your governance regime

Effective governance helps ensure you run your pension scheme efficiently for your business, and also gives you the best chance of delivering good outcomes for members.

The logical outcome of strong governance is that as you go along you will identify improvements you can make.

For example, if one of your stated objectives is to achieve contributions higher than the statutory minimum from your employees, then member communications might be appropriate. This would show employees the valuable, long-term benefits of saving for retirement and help them achieve this.

Jelf offer an extensive menu of consultancy, services, education and support which complement your governance arrangements and enable you to tailor the right solutions for your business and your employees.

Using governance to put you in control

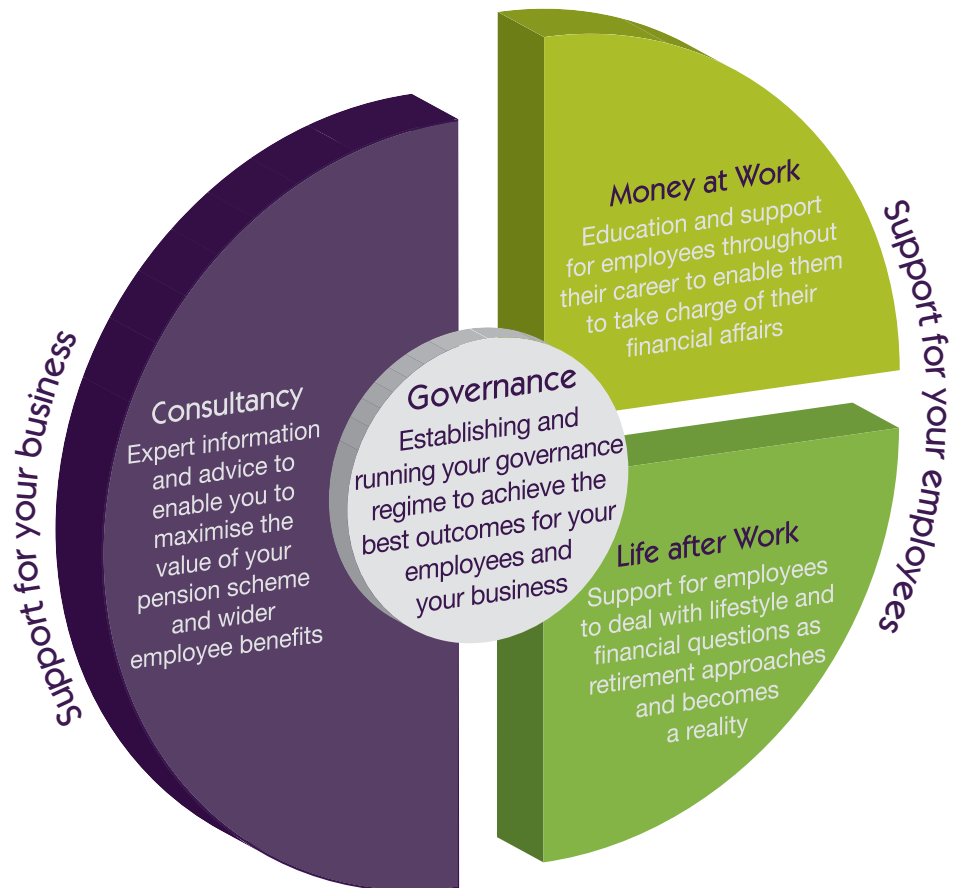
Your pension scheme is likely to be the cornerstone of your employee benefits package.

The governance you put in place around it can be structured to satisfy the minimum regulatory guidance, but why don't you take the opportunity to take a fresh look at your approach to benefits? You can turn things around from governance being a regulatory chore, into it being the fulcrum of your employee benefits management; promoting higher levels of employee engagement and loyalty.

Jelf is on hand to support you with your governance arrangements and the complementary services that enable you meet your regulatory requirements, but also make so much more of your employee benefits.

A menu of support services and consultancy configured around the needs of your business and your employees.

Jelf | Workplace Savings







Why Jelf

Jelf is a leading independent consultancy, founded in 1989. We offer expert advice on employee benefits, financial planning, insurance and healthcare.

Jelf Employee Benefits works with companies of all sizes throughout the UK and across a broad spectrum of industries. We currently advise over 5,000 companies on a range of employee benefits strategies, to help them attract, retain and reward high quality staff.

In 2014 Jelf won both the At-Retirement and Pension Scheme Communication awards in the prestigious Pensions Age Awards. These latest awards are powerful independent testament to Jelf's ongoing expertise in the key areas of retirement planning and employee engagement.



Contact details

www.jelfgroup.com

Further information is available and we would be happy to discuss your individual requirements. Please telephone 0333 220 4776 or email employerassist@jelfgroup.com.

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