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Issue 27

GBV

Global Benefits Vision

Knowledge & Wisdom for Global Employee Benefits Professionals

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Knowledge & Wisdom for Global Employee Benefits Professionals

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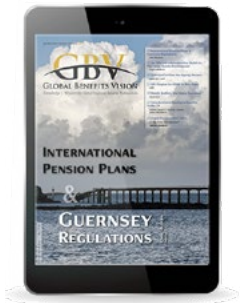

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Head of Business Development

Dejan is Head of Business Development for outsourcing industry with a multi-annual experience within different business areas: Pension Funds, Insurance, Finance and Healthcare area. His main role is to establish and develop business relationships with international clients.

As specialist in multi-country Defined Contribution pension arrangements Dejan works with various big consulting companies and multinationals on implementation of new plans as well as governance, management and administration of existing International Pension Plans.

Currently, Dejan is working on new pan-european (IORP & cross-border schemes) opportunities in the pension and insurance industry.

He is Senior Client Manager within International Department (in charge of RESAVER-Pan European Pension Fund, NATO DC Pension Scheme, Nestlé Middle East Plan, British Petroleum OFP, Harbour Pensions-Malta, ...).

Dejan covers as well the role of the Key Project Manager for big international ongoing projects (pensions, insurance, global benefits network platform) with advanced Project Management Skills.

Dejan is one of the leaders in definition of the business strategy, the marketing proposition development and clients provision with innovative solutions and services for the Previnet's European pension, insurance and benefits business.

PAGE 20 : *An Efficient Administrative Model for The Cross-Border Environment*

Providing an efficient admin model in the cross-border environment

So far cross-border pensions have been discussed extensively, however, have not been put into practice with as much effort. We can all agree how challenging it can be operating in the cross-border environment, in particular complying with the many (and often complex) requirements at each single local level.

The administration of cross border pensions is affected by challenges and inherent complexities, and there is a need for an optimal combination of the right "*ingredients*" in order to deal with this complexity in an efficient way.

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Dejan Malesic

Sponsors of international pension vehicles such as IORPs or IPPs have quite demanding expectations. The list of must have "ingredients" for an optimal admin model is extensive. Combining the "*ingredients*" properly is, again, a relevant effort which not many organisations are capable of.

The perfect recipe should include at least some of the following:

Multi-channel communication

Reach the members & deliver the communication package through multiple channels (web, mobile, and even hardcopies in case no valid alternatives are in place).

Tailored communication on single country, employer, and member category

Communication needs to be compliant with local legislation and set-up according to local best practice. The emphasis should be on more personalised communication to Members, rather than generic communication, providing them with the right tools and learning modules to be able to make informed decisions and actions.

Paperless approach

Whenever is possible, and allowed by local regulation, the principle is to go paperless and deliver the service through web/mobile channels. This approach will save money, time, and could be a real win-win strategy to be put in place among stakeholders involved.

Email/Text Message Notifications

Members can be proactively notified about main events, news or new documents related to their pension scheme. In a fast-growing technology environment, paper seems to have given way to notifications (emails and text messages) which can help to reduce the information gap between end-users and back-office. The notification service should cover all the typical pension scheme workflow events. E.g. a new cross-border pensions project should include email and text alerts during the main steps of the Membership processes (acquisition process, completion and provision of credentials for the web portal access). Similarly, when the Pension Benefit Statement is available on-line, a dedicated alert is sent to plan participants.

Rule based engine

Local requirements are translated into rules and set-up in the cross-border rule-based engine. In the standard cross-border model, there are mainly three levels for the set-up of the rules:

- **1st Layer (General Scheme/Pension Fund Level):** The main driver in terms of pension administration is represented by a set of general principles designed in accordance with the Plan Rules and best practices.

- **2nd Layer (Country Level):** Within the same pension scheme, specific rules may apply on a country-basis. Firstly, Tax and SLLs may vary for each country, making it mandatory for the scheme administrator to comply with local regulations. As an example, eligibility, Normal Retirement Age, available ben-efits, and communica-tions to members tend to be different per country. Secondly, investment options may vary according to country of application. As an example, Fund A, Fund B, Fund C may be available in Belgium; Fund A, Fund B may be avail-able in the UK; and Fund Z may only be available for Italy.

- **3rd Layer (Employer):** Within the same pension scheme and within each country, tailored rules with respect to different employers may also be required. As an example: Multinational XYZ may offer 2 different investment strategies for the 2 subsidiaries based in Ireland.

- **Additional layer(s):** Additional and different layers can be added. As an example, within the same pension scheme, within each country, within the same employer, different and dedicated options can be made available to senior staff only.

Flexibility

There is a need to be flexible in accommodat-ing employer/payroll specific requirements. This can be accommodated mainly at the employer level (3rd layer) of the rule engine.

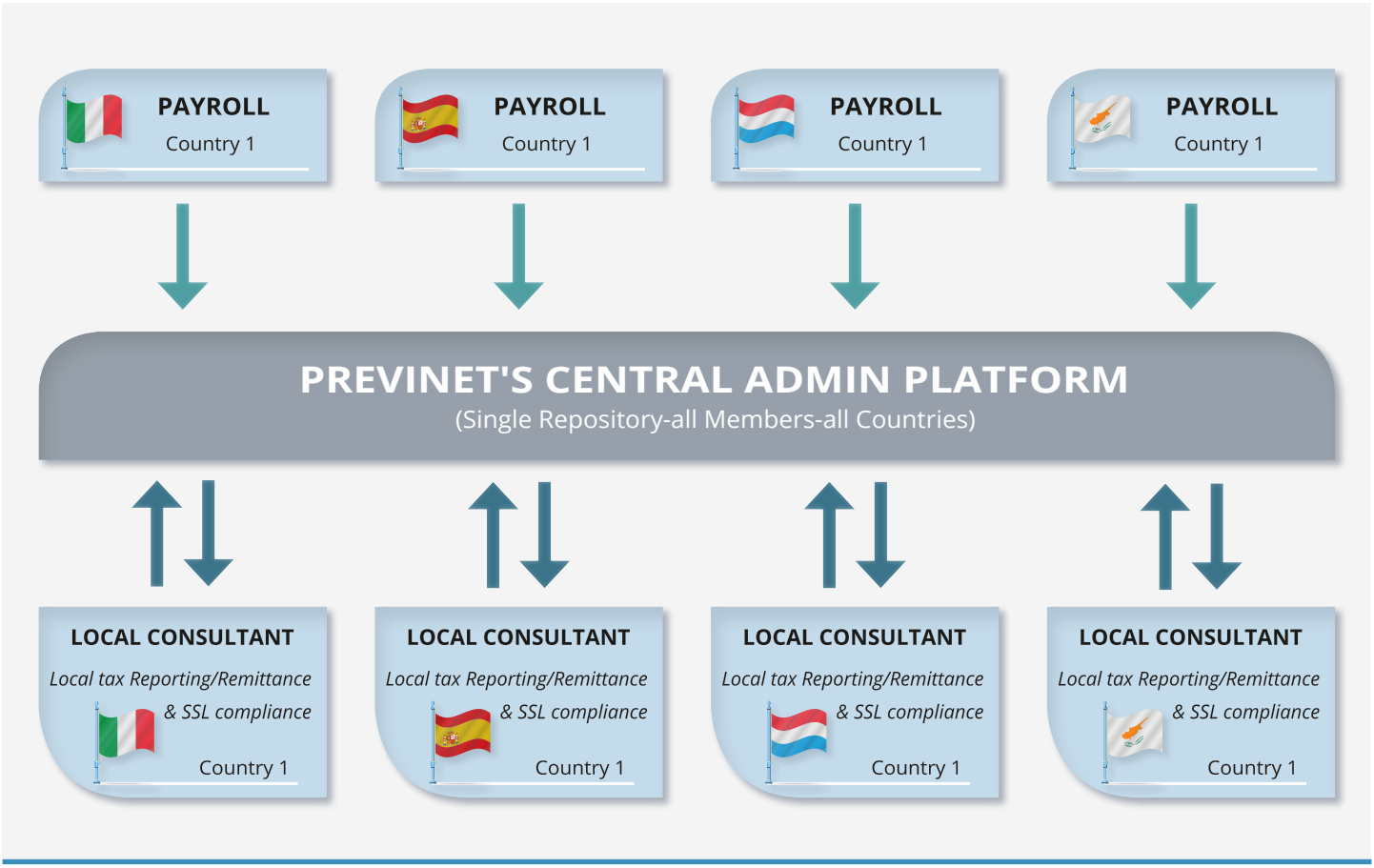
Centralised administration & local consulting

The administration of the cross-border schemes is managed through centralised system with the support of local partners acting in the European and international space for full SLL & Tax compliance. This is an ongoing process as the cross-border service needs to always be complaint on a multi-jurisdiction level. Systems must be translated to assist the compliance require-ments addressed by local partners (through the rule-based engine). This is an example on how Previnet has implemented this concept in different cross-border projects.
(see Exhibit 1)

Centralised model, but NO one-size-fits-all approach

A combination of dedicated solutions on a country-by-country basis, taking advantage of a single administration platform. There should be no illusion that the same solutions will fit every single need at a local level.

Exhibit 1 : Previnet & Local Consultants



Source: Previnet Nov 2017

A strong (but flexible) IT system makes it possible to accommodate different requirements on a local basis.

Admin ring-fencing

All information managed at country-employer level is segregated according to ring fencing requirements of the cross-border model.

One-single-secure multi-account web access on member level

Multiple accounts covering different countries (e.g. ES and NL) are managed through the same web access-single credentials (no multiple web accesses to cover multiple accounts).

Onboarding tools dedicated to employers

Off-the-shelf tools are available for tablets and pcs, capable of supporting the onboarding process of new employers. The concept is quick, easy, and relies on only a few tasks:

- Plan representatives present the pension solution to the sponsoring employer and the possible degree of flexibility in plan design.
- The relevant information is quickly and easily collected by taking advantage of a set of pre-defined options, which can be chosen with just a few quick taps on the tablet:

- *The employer is asked to indicate the number of employees involved, the expected growth of its organization.*
- *Further information on vesting rules (if any), retirement age, average salary must be collected.*
- *Contributions are explored in terms of currency, frequency, percentages, calculation base, calculation methodology, and default investment options to be applied for new joiners.*
- *Finally, the sponsoring employer is asked to choose from a set of investment options, ranging from target date funds (or lifecycle options) to "free-style" solutions.*

- The assessment is completed a short period. The onboarding tool recommends costs involved, provides for 3 to 5 years projections, and allows to finalize a pdf quotation ready to be printed and signed.
- Finalized quotations and employers' data are then readily available in the system real-time.

100 % In-house IT system (fully developed and maintained in house)

This permits flexibility in development of the systems and can be made to be very responsive to client needs. The integral components of the system include:

- A single on-line admin platform (all members' data, all countries in one system) accessible to the stakeholders (board, auditors, actuaries, and concerned parties).
- Full member record-keeping and benefit administration with order routing to investment managers and insurance companies.
- On-line access with a wide range of functionalities and apps for all stake-holders (members, employers, payrolls, and pension fund).
- Central reporting to Pension Fund / auditors / actuaries / other relevant departnents.
- Call center support & integration.
- Business Intelligence tools.
- Maximum level of security etc.

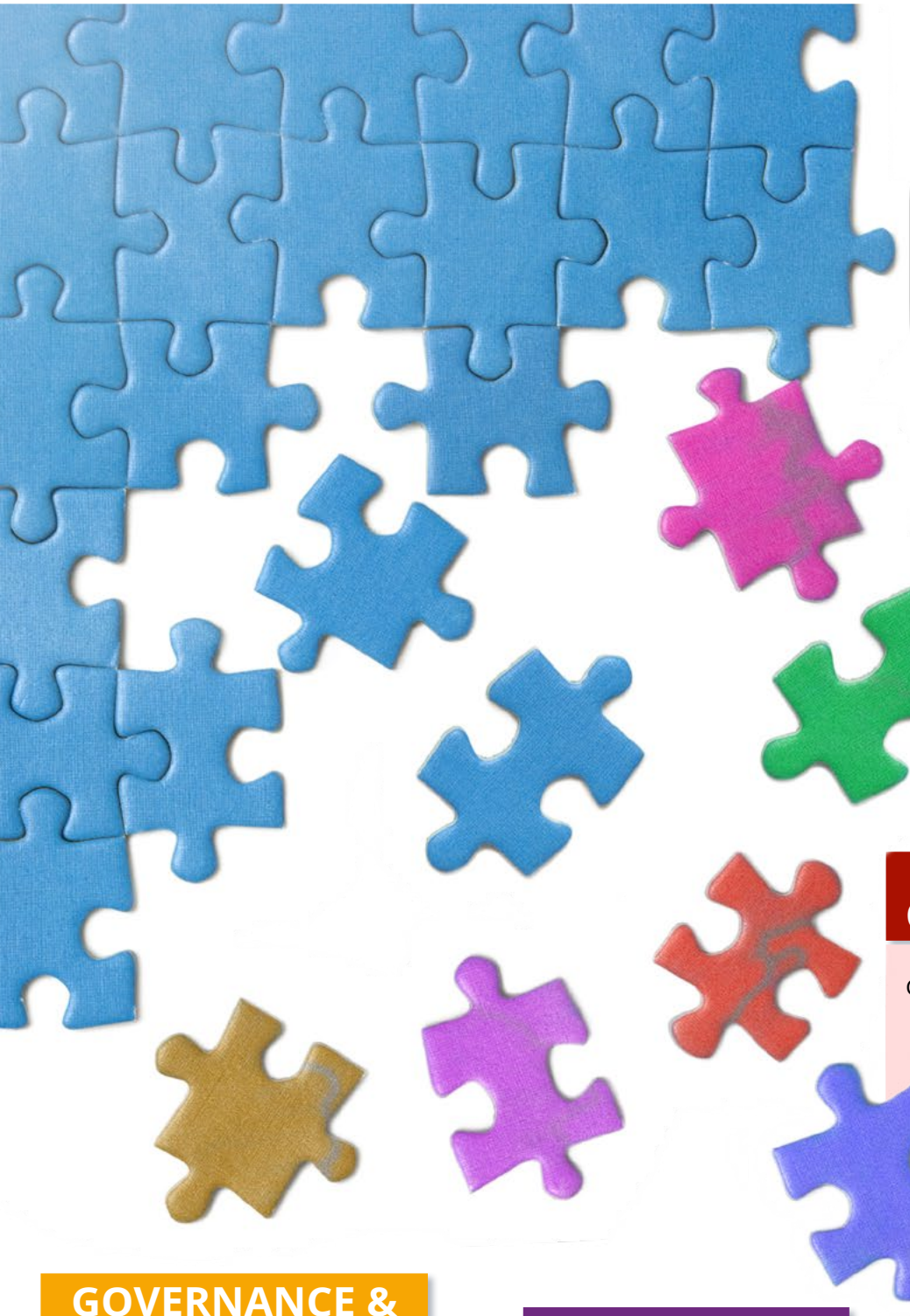
Interfaces, connectors & Integration capabilities

Integration capabilities with some external systems must be in place in a multi-country scenario (e.g. regulators/authorities, payments/settlements, accounting). Here is an example of integration between scheme administrator and other players involved in the cross-border scenario. (see Exhibit 2)

Online/Mobile Member Experience (through different devices – pc, laptop, tablet or smartphone)

Information needs to be presented in a friendly and transparent way, taking advan-tage of different 'layers' to display more

Exhibit 2 : Interfaces, connectors & Integration capabilities



REGULATORS

Local Regulator Reporting,
Tax Reportings,
AML & sanction screening
(World Check, GIANOS,...)

3RD PARTIES

Asset manager,
Swift,
Calastone,
Proprietary systems,
EDOC

COMPANY/ CLIENT PLATFORMS

General Ledger (SAP),
Accounting,
Reinsurance,
Reserves,...

GOVERNANCE & NOTIFICATIONS

BI Dashboarding (App & Web),
Self-Service Reporting,
Printing & mailing services,
Actuarial Projections

PAYMENTS / SETTLEMENTS

Bank Transfer,...

FRONT END

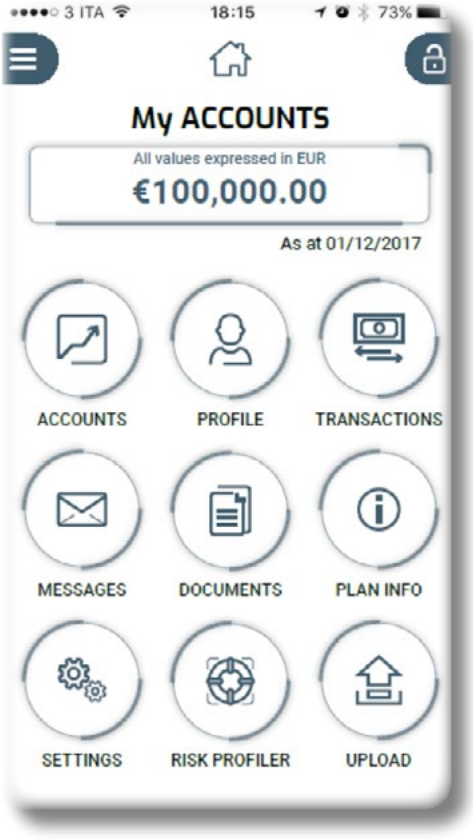
SSO/Rest Service Integration,
User Management,
Personal Details,
Salary,
Payment Details...

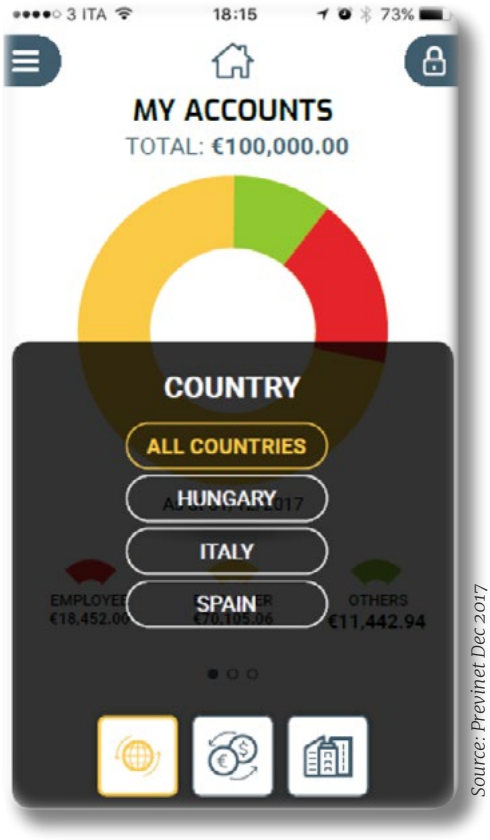
Source: Previnet Nov 2017

detailed data. Interactive online functionalities, such as a switch request or pension projections, are a must have. In particular:

- **Online member portal:** Needs to be an intuitive, secure and user-friendly member portal, where dedicated online functionalities can effectively support changes of investment strategies/funds (switches), rebalances, and so on. Information should be provided in "*layers*," starting from main data and values, and ending with the details. In the first layer of information, Members' key questions are answered, and in further layers legal or more complex information is retrievable. The portal needs to provide a full view of personal information, historical contributions, real-time holdings and NAVs, chosen beneficiaries, fund performances, and news. Pension projections (per country) are required. The member portal then needs to be multilingual, with English being the main language while also involving all other local languages in its scope. All communication/documentation with local members also needs to be available in local languages.

- **Mobile channel:** Mobile solutions communicate with members, allowing them to stay up to date with their profile, inspect paid contributions, verify units, access performance, check the "*status*" of each pending issue, access the Rules of the plan, submit documents/images, receive news, and alerts etc. A few samples of pension scheme mobile applications for cross-border clients are shown below.





Source: Previnet Dec 2017

- **Risk Profiler:** When a degree of investment freedom is available, then the Risk Profiler is required. This is to assign a risk profile to each participant: enabling information to members (through alerts) when investment choices are not within a pre-defined range/threshold. Improving members' financial education and engagement is essential in arrangements, including a DC component. Members need to be informed about the importance of contributing to the DC scheme and the effects of long term capital accumulation. Similarly, they need to understand the effects of risk on capital growth, according to their investment choices.

- **Pension Projections:** Requires an actuarial engine with rules implemented for each single jurisdiction involved within a single pension scheme. This tool provides the user with an estimated progression of the pension savings over time, through the calculation of hypothetical final benefits at retirement age. It needs to cope with different countries having different languages, assumptions, restrictions, and parameters available as member options. All parameters of the income projection tool are customized according to Plan Rules (or even employer specifications where required): members can only run simulations which are strictly relevant for him/her. A single user is can customise the simulation and understand how to achieve his/her savings ambitions. This estimation is based on pre-defined assumptions and multiple parameters, which may be modified and combined differently to model final benefits payable at retirement. Available parameters may include, but not be limited to the contribution level and currency, investment strategy, retirement age, market expectations, and final pay-out method.

Open investment platform

This is relevant to accommodate the options and strategies available at local country level. Pension Fund Clients often require full flexibility when choosing multiple investment managers, strategies and funds and the choices may differ from one single jurisdiction involved to another. Therefore, a scheme administrator needs to be able to manage different Investment Managers (and/or Insurance Companies), strategies and funds within the same platform.

STP (Straight Through Processing) of dealing orders/ confirmation messages

Performed through automated electronic channels (e.g. SWIFT). No manual interventions from the providers' staff, and an automatic update of the system with confirmation messages received from asset managers.

Central reporting and business intelligence capabilities (for better governance & monitoring on cross-border level)

This item pays particular attention to the cross-border environment where it is crucial to have available, accurate, and comprehensive dashboard/reporting tools. A dashboard with sophisticated figures monitors main trends (members, contributions, benefit payments, fund performance) of the business and is particularly relevant to business owners and supervisors of the scheme, in order to always be informed

AUGMENTED REALITY

NBA DREAM & RETIREMENT SAVINGS

Users can learn that static objects in the ad can come alive to tell their own experience: such as that of a young boy who dreams of becoming an NBA champion, yet keeps his feet down-to-earth by planning on building a "*pension pot*" for future retirement.

GAMING 3D AND VR EXPERIENCES

ROCKET VR

A Virtual reality game to drive members through selection of their best fitting lifetime investment option.

Source: Previnet Dec 2017

and be able to take decisions. On the other side, at the business analyst level, it is relevant to not only have some predefined reporting for the standard assessment check available, but also to be able to be able to create new and ad-hoc/non-standard analysis with personalized parameters.

Improving members' communication & engagement

Communication innovation with Pension Scheme Members is always relevant through offering an attractive and customer-friendly User Experience utilising different channels (web portals, mobile apps and, most recently, even Augmented Reality-AR, Virtual Reality-VR).

In particular positive results have been achieved through:

- **Augmented Reality:** Where augmented reality works, traditional hard paper ads start talking and become a video experience. By placing the tablet above a newspaper, the camera automatically recognises the relevant pictures and the screen "*animates*" them. Users (members) can therefore learn that static objects in the ad can come alive to tell their own experience and educate about importance of building "*a pension pot.*"

- **Gaming 3D & VR Experience:** Users (members) dive into a virtual world, where they travel through space and complete the mission of planning for their own pension and therefore choosing a best fitting lifetime investment option. Their mission takes them through a learning path of discovery and selection of the specific features of their pension plan/policy.

Evolutionary approach

Always ready to change and adapt the solutions in order to maintain the highest-level standard of service delivery. This is achieved through application of the gradual legacy transformation process and dealing with prevention of the obsolescence phenomena.

Digital transformation

Business is moving from Data Administration towards (Big) Data Analysis. Working actively in this direction and applying knowledge discovery techniques to infer outcomes on every chunk of knowledge and offer additional (added value) services to cross-border clients.

These concepts have already been successfully implemented by Previnet in different cross-border projects. Among them is the RESAVER Pension Fund OFP : a multi-employer, pan-European defined contribution pension solution for research organisations and their employees. ∞

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