

Appendix B

Case examples of employer engagement

These case examples are to be read in conjunction with our guidance on voluntary employer engagement in work place contract-based pension schemes and are for illustrative purposes only

www.thepensionsregulator.gov.uk/employers

Case examples

As management committees are relatively new, we've provided a number of case examples for employers interested in putting one in place.

In two of the examples, schemes and related companies are named. Naming should not however be read as an endorsement by the Pensions Regulator. Case examples should be read as illustrative only and advice should be sought on your scheme's particular circumstances.

We would like to thank Alexander Forbes, Aon, Harris Interactive, SBJ Consultants, Watson Wyatt and others for their valuable help in providing some of the case examples.

You may also want to take a look at the two examples included in Chapter 12 of our discussion paper, 'The governance of work-based pension schemes', published on our website in the consultations archive.

Whilst there are aspects of all the case examples which may be of interest to employers of all sizes, smaller employers may have more interest in the earlier case examples.

The case examples include the following:

IFA-led

Case example 1: Group personal pension with IFA support - overview

Case example 2: Group personal pension IFA Review - overview

Management committees

Case example 3: Group stakeholder with management committee - overview; terms of reference; objectives and Key Performance Indicators

Case example 4: Group personal pension with management committee - overview; governance group objectives

Case example 5: Associated multi-employer group personal pension with management committee - overview including terms of reference

Case example 6: Group personal pension with management committee – overview; terms of reference

Case example 7: Specimen meeting agenda for management committee

Case example 8: Specimen agenda for annual review meeting

Case example 9: Group personal pension with management committee – overview; terms of reference; and agenda

Industry-wide schemes

Case example 10: Industry-wide group stakeholder/personal pension – overview; terms of reference

Case example 11: Industry-wide group stakeholder with representative board of directors - overview

Case example 1

Group personal pension with IFA support

A media company in the north east has a young work force of 250 currently and a high turnover of staff. In the late 1990s when the business was much smaller, they started a group personal pension that was initially well-received by staff and had a good take-up rate. Since that time the business has grown and there is a high turnover of staff. By 2006, the take-up had declined to 25% of current employees. The management felt that this was due to a number of factors including lack of understanding of the benefits of pensions, the nature of the sector and the youth of the workforce. They also reported that many younger employees were focused on paying off student debts and saving for a property so starting a pension did not seem to be a priority.

A new HR manager was appointed and asked for a meeting with the IFA to review the scheme. The advisers confirmed that they were still happy with the provider. They had updated the fund range in line with developments in the market, including making available funds from external investment managers. The charges also were considered to represent value for money for the service provided. The HR manager was initially very interested in moving to a stakeholder pension because "it's cheaper". The IFA confirmed that the provider's charges had been reduced and now were on a single charge stakeholder-style charging basis, with the actual charge depending on the fund selected. This could range from well below stakeholder charges on a tracker fund to significantly above stakeholder charges for actively managed funds from external investment managers.

The HR manager said that based on his conversations with staff he felt they did not really understand the need for pensions and how they worked. He felt the business should be doing more to improve member understanding and asked the adviser to provide a report. This was presented to a meeting of the management of the business and a new strategy was put in place including the following features:

1. Changes to the joining pack given to new employees. Whereas before it was the standard pack from the provider, it was agreed to also include literature from both the employer and the adviser.
2. Previously, unless employees met with the IFA, no guidance was given on fund choice and members were left to choose which fund to invest in. A default fund was introduced and the leaflet in the joining pack included information from the adviser to assist with fund choice for those employees who wanted to make an active choice.
3. The periodic surgeries offered by the IFA had fallen away due to lack of interest from employees, but these were re-launched with monthly email reminders to staff of upcoming surgery dates.
4. Since the inception of the scheme, the provider had introduced on-line access to fund values and a financial planning modeller. There was no cost to this service. The provider had written to all members of the scheme of these new services but according to the provider's records, no members had signed up. The IFA started to demonstrate the planner at all one-to-one meetings with staff and invited members to sign up for the new service.

As a result of the changes, the HR manager says that pensions are now more highly valued by employees due to greater understanding and the take-up rate is now in excess of 50%, which is still less than the employer wants to see, and the employer and the IFA are continuing to work together on scheme design and communication.

Case example 2

Group personal pension IFA review

In the 1990s a small business in London employing 12 staff had decided that it wanted to provide a pension scheme for its staff. The business is in the environmental sector and the management and staff had strong feelings about where their money was invested. They therefore consulted an IFA specializing in ethical investment who researched the market for ethical personal pensions and recommended a scheme with a combination of ethical criteria, investment performance and administrative efficiency.

The IFA gave one-to-one advice to all the employees at outset and subsequently when new employees joined they were offered advice either face-to-face or over the telephone.

The IFA kept up-to-date with developments in the GPP market and in 2002 recommended a transfer to a stakeholder pension. The rationale for the transfer was that whilst their current group personal pension scheme was reasonable in its charges compared to the schemes available at the time it was started, the government had by now introduced stakeholder pensions. The IFA had liaised with the provider with a view to securing a reduction in the charges on the existing scheme to be equivalent to the new lower stakeholder charging level. Due to the administration involved in running a modest scheme, the provider was not prepared to offer the lower charges.

As the charges under stakeholder pensions would be broadly half the charges under the current scheme (equivalent to approximately 2% pa of the fund value), the IFA recommended that the employer switch its scheme to a stakeholder scheme as there were no transfer penalties from the old scheme. A supporting factor in considering the switch was that the administration of the new scheme was more automated than the systems used by the current provider, resulting in a lower administrative burden for the employer. The changeover was therefore regarded as beneficial for both employer (reduced administration and scheme perceived as offering better value for money) and employees (more competitive charging structure).

The IFA discussed the rationale for the change with the employer and once the employer had agreed to make the change, personalized illustrations and applications were issued to all staff. The IFA arranged to visit the workplace for a series of one-to-one meetings with all staff who wanted to discuss the arrangements. The IFA also arranged for the values of the current policies to be transferred across to the new provider.

Case example 3

Group stakeholder with management committee

- XYZ Ltd established a group stakeholder plan to replace an occupational DB plan following a management buy-out
- There were concerns that members were moving from a trust-based to a contract-based environment, so a governance group was set up to oversee the new plan and act as a forum for consideration of the DC issues; admin investment and communication
- The Governance Group was established with the attached Terms of Reference and Objectives
- It meets three times annually
- At one meeting, the Stakeholder provider attends and comments on their performance during the year
- The adviser to the employer, prepares a detailed annual Governance Report, which looks at administration service levels, member investment choice, contribution history, scheme demographics
- The Governance Group agrees a year planner to identify when certain actions need to take place
- XYZ has found it to be a very helpful forum, for example when discussing the down rating of a particular fund manager on the provider's platform. The Group is able to consider the issues and decide upon communication with members, although the ultimate decision rests with the employer.

XYZ Pensions Governance Group

Terms of Reference

XYZ Ltd recognises the critical importance of good governance of its pension arrangements and so has established the Pensions Governance Group (the Governance Group) for this purpose.

The principal objective for the Governance Group is to help XYZ ensure the successful operation of its contract-based DC pension plan. This is recognised by XYZ as responsible risk management and is consistent with its values.

The Governance Group will be advisory and will not of itself make any changes to the arrangements. It falls to XYZ to accept or act upon recommendations made by the Governance Group, as it sees fit.

In setting up the Governance Group, XYZ is not giving up any of its rights and responsibilities in relation to the plan. In particular, XYZ continues to reserve the right to terminate or amend the plan, or its contributions at any time.

XYZ reserves the right to change these Terms of Reference, or disband the Governance Group, in its absolute discretion

The arrangements for which the Governance Group will be responsible

- The XYZ Retirement Savings Plan
- Disability and life assurance arrangements covering members of the above, including the XYZ Life Assurance Scheme.

XYZ may from time to time request that other pension or life assurance arrangements should fall under the Governance Group's remit.

Membership of the Governance Group

XYZ appoints the members of the Governance Group, subject to the following

- They will be at least 16] but not more than 18] in number.
- Not all need be plan members, but at least two will be a member of the plan.
- Any member of the plan who is an active employee of XYZ or its associated employers will be entitled to be considered for membership of the Governance Group. Applications should be made in writing to the HR director of XYZ and be supported by two other plan members.
- In appointing members, XYZ will consider how the membership of the Governance Group in terms of the members' location, area of work and seniority reflects that of the plan membership as a whole - this is not a commitment that every identifiable constituency will necessarily be represented

Members of the Governance Group will be normally required to serve a term of two years after which they will be required to re-apply for membership of the Governance Group.

A member of the Governance Group will be entitled to resign whilst remaining as a member of the plan. Unless XYZ requests otherwise, membership of the Governance Group will automatically terminate on the day the member's employment by XYZ or its associated employer ceases.

XYZ retains the right to terminate an employee's membership of the Governance Group. This power will not be exercised unreasonably but subject to consistency with legal requirements, will not be fettered unnecessarily.

Professional advisers

Subject to the agreement of XYZ, which should not be unreasonably withheld, the Governance Group will be entitled to seek and receive advice from professional advisers. The costs of such advice will be met by XYZ.

Meetings

The Governance Group will meet three times per year at the offices of XYZ unless agreed otherwise.

Members of the Governance Group will be entitled to attend by telephone, internet web cast or video conferencing if necessary.

Invitations will be issued and an Agenda circulated not less than 5 working days in advance of each meeting. A lesser period will be acceptable with the agreement of all members of the Group.

A Chairman and Secretary will be appointed at each meeting and formal minutes will be prepared and agreed at the next meeting.

The quorum for each meeting will be four plus the Secretary.

Professional advisers may be asked to attend meetings and to advise the Governance Group during the meeting.

Decision making

Decisions as to the recommendations to be made to XYZ will be carried by a majority of those present, with the Chairman holding the casting vote.

The Governance Group's decisions will be recorded by the Secretary.

Reporting to XYZ

The recommendations made by the Governance Group will be communicated to XYZ in writing by the Chairman to the HR Director.

The Governance Group's role

The Governance Group's role will be:

- To agree performance benchmarks for:
 - Investment performance
 - Administration standards
 - Communication effectiveness
- To monitor and report on the following:
 - The operation and management by the plan provider
 - The investment fund range that should be highlighted to members.
 - The selection of investment funds by the plan members
 - The performance of the investment funds selected by the plan members
 - The administration of the plan by the providers and by XYZ HR Services
 - The levels of projected retirement benefits from the plan
- To identify risks to XYZ and the members of the plan and to recommend to XYZ appropriate strategies for their management and reduction.
- To review the media, standard and effectiveness of communication materials for the plan
- To keep these terms of reference under review
- To make recommendations to XYZ in relation to any of the above areas.

What the Governance Group will not consider

- Future pensions and benefits strategy, including XYZ' objectives for reward, retention and recruitment
- Whether the plan compares favourably with the arrangements offered by XYZ's competitors and with general market levels
- The pension contributions XYZ will make in future
- All other compensation and benefit issues

XYZ Pensions Governance Group (the Governance Group)

Objectives and Key Performance Indicators

This document sets out the objectives and key performance indicators developed by the Governance Group for its operations in 2005, along with the means of review.

These objectives, KPIs and review methods are set against the Terms of Reference specified by XYZ for the operation of the Governance Group. They are not fixed and will evolve and develop over time, as legislation, experience and best practice require.

Objective	KPI	Review method
<p>Management — The Governance Group will be responsible for monitoring whether:</p> <ul style="list-style-type: none"> • The plan is being operated by the relevant providers in a professional manner, with due attention given to the needs of XYZ, its employees and their dependents • The plan is being operated in line with best practice • All risks for XYZ associated with the plan are identified and understood as well as being adequately managed and minimised • Relevant professional advice is being sought at the appropriate times. 	<ul style="list-style-type: none"> • XYZ and member satisfaction • Continued suitability & appropriateness of providers • Adequacy & effectiveness of Governance structure & process. • Risk assessment • Evidence of advice 	<ul style="list-style-type: none"> • Governance audit • Member survey • Provider review & updates • Governance audit • Annual risk assessment review • Governance audit
<p>Investment - The Governance Group will consider from time to time:</p> <ul style="list-style-type: none"> • Whether the range of investment funds under the plan is sufficient to afford members the ability to choose funds that meet their differing objectives and attitudes to investment risk • Whether the benchmarks for investment performance are appropriate • Whether the individual investment managers are performing in line with the agreed benchmarks. 	<ul style="list-style-type: none"> • Appropriate investment advice • Member behaviour • Member satisfaction • Relevance of Benchmarks (agreed by XYZ) and in line with market practice and trends • Investment performance and manager developments 	<ul style="list-style-type: none"> • Annual investment review • Member survey • Annual investment review • Quarterly investment review

Objective	KPI	Review method
<p>Administration — The Governance Group will monitor:</p> <ul style="list-style-type: none"> • That the plan is being administered efficiently and effectively by the providers and by XYZ HR Services Services • That member contributions deducted from salary are remitted to the provider and then invested within best practice and statutory time limits • That all relevant legislation and regulations are being complied with • That the provider is administering the plan within their agreed levels of service standards • That the correct management information is produced in a timely manner to ensure that the Governance Group can monitor the administration of the plan. 	<ul style="list-style-type: none"> • Minimal involvement of HR Services in routine administration • Minimal complaints or errors • No reporting to Regulator • No breaches of legislation & regulations • Performance against SLA • Availability of information for each Governance Group meeting 	<ul style="list-style-type: none"> • Quarterly administration review • Quarterly administration review • Annual audit • Quarterly administration review • Quarterly administration review

Objective	KPI	Review method
<p>Communications - The Governance Group will:</p> <ul style="list-style-type: none"> Review on a regular basis whether members have access to the right information, at the right time and through the right medium to enable them to make decisions relating to their circumstances Recommend to XYZ how best to encourage understanding of the importance of pension saving, the basis of retirement planning and the levels of contribution needed to provide the benefits that members desire in retirement Review the communications issued by XYZ and the provider Review whether the communication materials are effective in engaging members and in providing the opportunity for members to increase their financial awareness and education. 	<ul style="list-style-type: none"> Member behaviour Changes in contribution or investment choice Member satisfaction Appropriate communications advice Adoption of new media and/or tools Member behaviour Changes in contribution or investment choice Member satisfaction Member behaviour Member satisfaction 	<ul style="list-style-type: none"> Annual communications review Member survey Annual communications review Annual communications review Annual communications review Member survey

Case example 4

Group personal pension with management committee

ABC Ltd, a US multinational, had acquired numerous UK businesses over a number of years which had been arranged into three operating units. These businesses had all set up their own pension arrangements including group personal pensions, stakeholder pensions, occupational DC plans and a DB plan.

About five different providers were being used with widely different contribution structures and eligibility criteria. Take up rates were generally very low.

The company was keen to explore opportunities to integrate pension provision as well as understand the risks involved in running these separate plans. The adviser was asked to help the parent company investigate the options. As part of their work they conducted an audit of the various arrangements which was consolidated into a risk assessment report.

The main findings showed that;

- Member experience varied across the companies in terms of communication support and access to advice / information
- Default investment options were fairly predictable and did not reflect the adviser's latest thinking on lifecycle design. As a consequence there was a missed opportunity cost risk in terms of the potential returns for members
- Contributions were being paid on time and there was little evidence of dissatisfaction / complaints

In order to help with integration the adviser recommended the establishment of a Group Personal Pension Plan to cover all of the UK companies. Individual companies could join the plan as and when they were ready. In order to provide a focus to the plan a governance committee was established with finance and HR representation for all three operating units.

The committee was initially involved in selecting a provider and a suitable default investment strategy and now meets twice yearly to review the operation of the plan and provider, investment performance and progress towards integration. By involving all of the operating units in the management of the plan, including those not initially participating in the plan, they are aware of its availability and the potential advantages to the employers and employees.

The role of pensions in the total reward package now has greater visibility and the issue of take up and contribution rates is discussed more widely across the businesses. Four of the businesses have already decided to switch to the new plan with the expectation that more will follow suit as this becomes the flagship plan for the UK group as a whole.

ABC Ltd Group Personal Pension Plan

Pension Scheme Governance

This note explains the governance of the ABC companies' pension arrangements.

In order to ensure appropriate governance of our pension arrangements, we are establishing a Governance Group.

Although the Governance Group does not have the same legal constitution or powers as a trustee board, it is intended to operate as a distinct and formal forum to review the operation of the Plan. The Governance Group will make recommendations as to how to improve the Plan's governance to the ABC operating companies where appropriate, for them to consider.

In setting up the Governance Group, the operating companies are not giving up any of their rights and responsibilities in relation to the Plan. In particular, the operating companies continue to receive the right to terminate their participation, or its contributions to it at any time. Amendment of the Plan itself will be determined by ABC Corporation.

Objectives for the Governance Group

Our objective for the Governance group is primarily to help the ABC Group Companies ensure the successful operation of the Plan. We see this as responsible risk management and is consistent with our values. Our people can also be reassured the Plan is a pension arrangement operated to the highest standards of management.

These objectives are not fixed and will evolve and develop overtime, as legislation and best practice require. The Governance Group will try and meet the principles/objectives set out below:

Management — The Governance Group will be responsible for monitoring issues that include whether:

- The Plan is being operated by the relevant provider in a professional manner, with due attention given to the needs of the ABC Group Companies, our employees and their dependents
- The Plan is being operated in line with good market practice
- The Plan provider continues to be suitable and appropriate
- All risks for ABC Companies associated with the Plan are identified and understood as well as being adequately managed and minimized

ABC Ltd Group Personal Pension Plan Pension Scheme Governance –

Relevant professional advice is being sought at the appropriate times.

Investment — Investment choice under the Plan is critical to allow members to meet their own objectives for their retirement savings. The Governance Group will therefore consider from time to time issues such as:

- Whether the range of investment funds under the Plan is sufficient to afford members the ability to choose funds that meet their differing objectives and attitudes to investment risk
- Monitoring of the default option to judge its continued suitability
- Understanding investment trends and decisions taken by members
- Agreeing benchmarks for investment performance
- Whether the individual investment managers of the key funds are performing in line with their benchmarks.

The Governance group will make changes to the investment arrangements if they see fit having notified the participating companies of the intended changes.

Administration — The efficient administration of the Plan is crucial to its success, in the eyes of both ABC and our people. The Governance Group will therefore monitor:

- That the Plan is being administered efficiently and effectively
- That member contributions deducted from salary are remitted to the provider and then invested within reasonable and statutory time limits
- That all other relevant regulations are being complied with
- That the provider is performing within their agreed levels of service standards
- That the correct management information is produced in a timely manner to ensure that the Governance Group can monitor the administration of the Plan.

Communications — Clear communication to members is critical to achieving employee understanding. The Governance Group will therefore:

- Review on a regular basis whether members have access to the right information, at the right time and through the right medium to enable them to make decisions relating to their circumstances
- Recommend to the ABC group companies how best to encourage understanding of the importance of pension saving, the basis of retirement planning and the levels of contribution needed to provide the benefits that members desire in retirement
- Review the communications issued by ABC and the providers

- Review whether the communication materials are effective in engaging members and in providing the opportunity for members to increase their financial awareness and education.

What the Governance Group will not decide

It is important that you understand what the Governance Group will not consider, as these issues will be decided by the ABC operating companies although they may seek information and advice in these areas from the Committee from time to time. These areas include:

- Future pensions and benefits strategy, including ABC's objectives for reward, retention and recruitment
- Whether the Plan compares favourably with the arrangements offered by ABC's competitors and with general market levels
- The pension contributions the ABC operating companies will make in future
- All other compensation and benefit issues

The Governance Group will be advisory and will not of itself make any changes to the arrangements (other than investment options). It falls to the ABC operating companies to accept or act upon recommendations made by the Governance Group, as it sees fit.

How will the Governance Group operate?

The Governance Group intends to meet formally on a half yearly basis and will conduct its affairs in a business-like manner. However, it will not have the same legal status as a trustee body.

The Governance Group will draw up a list of key performance indicators in conjunction with the ABC operating companies and will produce a year planner to keep track of its activities. Taken together with this terms of reference these documents will effectively become the governance plan for the GPP.

Case example 5

Associated multi-employer scheme

A large plc with a number of subsidiaries operates a GPP with 2,700 members. The GPP was set up in April 2006, to replace a Contracted-In Money Purchase scheme which has wound up. Take-up varies throughout the group; eg one employer does not actively encourage membership, another wants to increase take-up. The scheme has an Annual Management Charge (AMC) of 0.5% pa with a small commission payable by the provider to the IFA who set up and services the scheme. The provider stated that the AMC would be 0.5% regardless of whether a commission was paid.

A management committee was formally set up once the contract was in place. The committee is made up of HR directors from the different businesses, plus a senior finance manager, plus the group's pensions manager. There are no member representatives as channels already exist for members to raise issues, eg union.

The committee has terms of reference:

1. meet annually or more frequently if required
2. review administration performance
3. review investment performance
4. consider continuing appropriateness of investment options
5. consider continuing compliance of scheme
6. consider additional comms to members

A key benefit of the management committee is that it spreads ownership of the scheme throughout the business. The cost of the committee to the employer is staff time.

The committee has met once so far. The 1st meeting was largely informative plus they spent a lot of time talking about investment options. The scheme has a default fund (tracker: 60% UK, 40% overseas, with lifestyling) and 98% of members are in it. One issue discussed was whether members understand the risks of equity investment. The group's pensions manager receives quarterly reports from the provider on administration - eg joiners, leavers, complaints. The committee has issued a newsletter, which was sent by the provider with the six monthly benefit statement. Future newsletters are to be issued annually or more frequently if required. The IFA who set the scheme up offers a generic helpline for members and can do work place presentations on request. These services, together with drafting and printing of newsletters are paid for by the commission received.

Case example 6

Group personal pension with management committee

An engineering company in the South of England with 300-400 members moved from Occupational DB to contract based DC in 2004 and still wanted to give employees a watching brief in the running of their pension scheme so they set up such a committee to meet half yearly to review their new GPP and report back to the company. It has 3 members appointed by the company and 2 appointed by employees.

It has interviewed the provider on administration and investment matters and has reviewed its default Investment choice and speed of contribution payment by the employer. It reports back to the employer on any matters of concern.

[NAME OF COMPANY] STAKEHOLDER / GROUP PERSONAL PENSION PLAN

TERMS OF REFERENCE FOR SUPERVISORY COMMITTEE

1. OVERVIEW

- 1.1 The Company has established a stakeholder / group personal pension plan, known as the [insert name of pension plan] (the 'Plan').
- 1.2 The Plan has been established with [insert name of provider] (the 'Provider').
- 1.3 Each eligible employee who chooses to become a member of the Plan will have a separate pension policy issued by the Provider into which the employee and Company pay contributions.

2. TERMS OF REFERENCE

- 2.1 The Company has the sole responsibility for managing the Plan. In order to ensure that the Plan is properly administered, the Company wishes to establish a supervisory committee to monitor the Plan and make recommendations to the Board of Directors of the Company regarding the Plan. The Company has no legal obligation to implement any recommendations made by the Committee but will give them due consideration when taking any measure which affects the Plan.
- 2.2 The Committee shall be responsible for and shall make recommendations to the Company in relation to the following matters:
 - 2.2.1 monitoring the quality of the Plan administration;
 - 2.2.2 receiving presentations from the investment managers;
 - 2.2.3 considering any news concerning the Plan Provider;
 - 2.2.4 approving and keeping up to date all Plan communication material to be issued by Company;

- 2.2.5 monitoring the effectiveness of presentations to Plan members;
 - 2.2.6 receiving and reviewing Plan management information reports;
 - 2.2.7 receiving and considering advice and information concerning legislative changes and good modern practice;
 - 2.2.8 considering any member suggestions regarding the Plan;
 - 2.2.9 making proposals regarding the running of the Plan to the Company.
- 2.3 The Committee may be dissolved at any time by the Company

3. COMMITTEE MEMBERS

- 3.1 The Committee shall consist of [insert number] members who may be appointed and removed at the sole discretion of the Company / [X] will be appointed by the Company and [X] will be appointed by the Plan membership [delete as appropriate].
- 3.2 [insert number] members of the Committee shall represent a quorum for the purposes of considering questions in connection with the Plan.
- 3.3 The Chairman of the Committee shall be [suggest Company Director]. The Committee may elect one of its members to be the Committee Secretary.

4. MEETINGS

- 4.1 The Committee will meet at least annually and normally on a quarterly basis to discuss all relevant issues in connection with the Plan.
- 4.2 Unless otherwise resolved by the Company:
- 4.2.1 each member of the Committee shall have one vote on any matter to be determined by the Committee, and in the case of an equality of votes, the Chairman shall have a second vote;
 - 4.2.2 minutes of the meeting shall be kept by the Secretary and circulated to the members and the Board of Directors.

5. ADVICE

The Committee will only act upon advice from professional advisers appointed by the Company.

6. INCURRING COSTS

The Committee will only be able to authorise expenditure on behalf of the Company when this has previously been agreed with the Company's Financial Director.

7. BOOKLET

The Committee will arrange for the preparation and maintenance of an announcement booklet for issue to members on joining, detailing the contributions required and benefits provided. The Committee will refer such literature to a person authorised to sign off documents as an advertisement within the meaning of the Financial Services and Markets Act 2000.

8. INFORMATION TO MEMBERS

8.1 The Committee will arrange for appropriate information regarding the Plan to be available to all members and for Statutory Money Purchase illustrations to be provided to members on an annual basis.

8.2 Further consideration will be given to the timing and format of appropriate information provided to members as they approach retirement.

9. CHANGES BROUGHT ABOUT BY LEGISLATION

Where changes are enforced by legislation, the Committee will ensure that such changes are implemented at the earliest appropriate opportunity. Where changes are permitted following legislation, such changes will be implemented following receipt of professional advice and following consideration of a quorate meeting of the Committee.

10. MAINTAINING SCHEDULES OF CONTRIBUTIONS

10.1 The Committee will ensure that a Schedule of Contributions is prepared annually and maintained detailing member and Company contributions.

10.2 The Committee will monitor the payment of contributions and require the Company's Payroll Manager to ensure that a member's contribution to the Plan is paid within 19 days of the end of the month in which the deduction was made from that member's salary.

10.3 The Committee will monitor members' and Company contributions to ensure that they are paid in line with the Schedule of Contributions.

11. REVIEW OF CONTRIBUTIONS AND BENEFITS

11.1 Whilst the Company reserves the right to amend the Plan at any time, any changes would be discussed at a Supervisory Committee Meeting before being implemented.

11.2 Any proposal to change the access or contribution levels would be dependent on the terms of individual contracts of employment.

12. INVESTMENT AND ADMINISTRATION OF THE PLAN

12.1 [Name of provider] will be invited to present details of investment performance and administration results on an annual basis.

- 12.2 The Committee will take appropriate advice in considering the default investment option. Any recommended change will be introduced with appropriate communication to members.
- 12.3 The Committee will take appropriate advice in considering if and when any change in provider is appropriate. In such circumstances, the Committee would request the Company's approval to instigate a review and implement a change of provider.
- 12.4 The Company and the Committee do not assume or accept any responsibility or liability for the investment performance of the Plan.
- 12.5 The Committee will at no time provide any advice to members.

13. REGISTRATION (only applicable to stakeholder plans)

- 13.1 The Committee will periodically (normally annually) check that the Plan is still registered as a stakeholder scheme with the Pensions Regulator.
- 13.2 If the Plan ceases to be registered with the Pensions Regulator, the Committee will withdraw the Company designation of the Plan and provide access to an alternative provider within three months.

14. DATA PROTECTION ACT 1998

The Committee will be mindful of the requirements of the Data Protection Act, and will only handle individual member data when this is essential for the proper fulfillment of the Committee's Terms of Reference, and when the member's express permission has been granted.

15. COMPLAINTS

- 15.1 Complaints or disputes concerning the Plan should in the first instance be referred to the Company's Personnel Department for resolution on an informal basis.
- 15.2 Members of the Plan with a dispute that they are unable to resolve informally may contact the Committee by writing to the Company Secretary. The complaint will be considered by the Company Secretary, and / or referred to the Committee for discussion at the next Committee meeting.

16. INDEMNITY

The Company will indemnify and hold the Committee and its members harmless from and against any and all liabilities which may be incurred arising out of or in connection with the Plan in the management and administration of the Plan, other than liabilities arising from fraud or wilful neglect and default on the part of the Committee member sought to be made liable.

Case example 7
Specimen meeting agenda for management committee

XYZ LTD
PENSIONS MANAGEMENT COMMITTEE

The Meeting Room
XYZ Ltd Offices

AGENDA

10.00—10.15	Welcome Introduction of attendees Format of meeting Objectives of meeting
10.15—10.30	Group Personal Pension Plans General Overview
10.45 —11.15	General Pension Discussion Points Future legislation / market practice
11.15—12.15	Investment & Administration Report Provider update to Pensions Management Committee
12.15—12 .45	Lunch
12.45— 14.45	Pension Plan Discussion Points Review Management Information Reports Current pension communications / presentations / administration Miscellaneous Member feedback Provider news
14.45— 15.00	Meeting Round-Up AOB - Any Other Business Review of meeting format Actions from meeting Propose date for next meeting
15.00	Meeting Close

Case example 8

Specimen agenda for annual scheme review meeting

1. Legislative Updates/Developments – Governance, Age Discrimination, TPR and Risks to members
2. Administration Review – Workflow reports, New Joiner/Leaver summaries
3. Forthcoming Retirements – The Annuity process
4. Investment Review – Performance against benchmark/peer group, Member choices being selected, fund range, Review of Lifestyling, Default funds
5. Take up statistics
6. Review of contribution rates – Employer and employee
7. Presentation/Member meeting requirements
8. Other Benefit reviews – DIS/PHI/PMI

Case example 9

Group personal pension with management committee

Background

Due to increasing costs, a multinational technology company (MTC) decided in Q1 2006 to close their final salary scheme at the end of June 2006 and implement a Group Personal Pension Plan (GPPP) for existing and future employees.

Objectives

The adviser's objectives were to implement a GPPP which would prove attractive to members and to carry out a communication exercise to explain to the options the members were now faced with (e.g. choice of contribution rate, investment choice, target retirement age, contracting out). The company were keen to implement a contribution structure which rewarded higher employee contributions.

Tasks

- Beauty parade to select provider
- Liaison with Trade Union
- Design and implementation of GPPP
- Communication programme for members consisting of:
 - Consultation letters with employees
 - Option letters to existing pension members
 - Member telephone helpline
 - Presentations and one to one sessions with all existing members
- Advice on appropriate default investment option
- Formation of Steering Group Committee

Achievements

- GPPP successfully implemented in the timescale required
- 99% of existing pension members moved over to the new GPPP. Members that opted out were close to retirement.
- All existing members of the final salary scheme were given a clear indication of their projected benefits at retirement (including state pensions) to enable informed pension planning.
- A streamlined joiner process was introduced for new members
- A payroll link to provider was established to enable a web-based monthly contribution process
- Web access for all pension members
- Implementation of a communication programme for all new joiners
- The whole project was completed in Q2 2006

MTC Group Personal Pension Plan

TERMS OF REFERENCE

Responsibilities of Steering Group

The purpose of the Steering Group is, to take responsibility as the agent of the Company to:

- select and monitor the provider.
- take responsibility for ensuring that an effective audit trail of decisions taken and advice received is maintained.
- take responsibility for communicating to members to ensure they are kept informed of any pension related matters.

Composition of Steering Group

It was agreed that the existing trustees of the closed DC scheme will initially form the Steering Group. In any event the Steering Group should be made up as follows:

- 4 members from Operational Unit A (to include Head of HR)
- 2 members from Operational Unit B
- 1 member from Operational Unit C

The Steering Group is not registered under the Financial Services and Markets Act and must ensure that it does not undertake any prohibited activities. In particular, it cannot advise members on investment matters and, if approached, must advise the member to seek independent financial advice from an FSA authorised person.

Duties

- The Steering Group will meet at least twice a year.
- The meetings will follow a formal agenda covering topics such as administration, investment, communication, governance and legislation.
- The Provider will provide quarterly administration Stewardship Reports to be discussed at the meetings.
- The Provider will be asked to attend one Steering Group meeting a year to discuss administration and investment performance.
- Steering Group members should maintain and improve their level of knowledge particularly in relation to dc pensions.

Secretarial Duties

Meeting papers will be distributed to the attendees at least one week prior to the meeting date and the minutes of meetings will be distributed to the Steering Group following each meeting. Responsibility for the preparation and distribution of all agendas, meeting papers and minutes will be delegated to the advisers.

AGENDA

MEETING OF THE STEERING COMMITTEE OF THE MTC GROUP PERSONAL PENSION PLAN TO BE HELD ON [] AT []

- 1. Apologies for Absence**
- 2. Minutes of the Meeting held on []**
- 3. Matters Arising from Meeting held on [] and not covered elsewhere**
- 4. Investment**
 - Presentation by Provider
 - Monitoring Report
- 5. Administration**
 - Stewardship Report from the Provider
 - Annuity Process
 - Cancellation Notices (pension increases > 25%)
- 6. Governance and Consultancy**
 - Due Diligence Checklist
 - Briefing Notes
 - Pensions Regulator – DC risks
- 7. Communication**
 - Communication Plan
 - Bulletin
- 8. Risk Register**
- 9. State Benefits**
 - Basic State Pension
 - State Second Reason
 - Changes to NIC rates
 - NPSS
- 10. High Earners**
- 11. Any Other Business**
 - Death in Service
- 12. Date of Next Meeting**

Case example 10

Printing Industry Pension Scheme – GPP/GSHP for printing industry

The Printing Industry Pension Scheme (PIPS) was set up in 1986 by the employer federation (the British Printing Industries Federation, BPIF) and the trade union (now Unite), for employers in the printing industry without pension arrangements. It currently comprises both group personal pension schemes and stakeholder pension schemes (with two providers) and has over 6,000 members and over 200 employers involved, with assets in excess of £90 million. The annual management charge is 0.85% or 1.00% per annum.

There is a Management Committee with 8 members which comprises 50% employer representatives and 50% union representatives, in both cases nominated from the BPIF's and Unite's (print sector) governing bodies. The management committee has an independent secretary, and a chair which changes every 2 years. The committee has formal terms of reference (see below). The committee expenses (eg fees to secretary; travel expenses) are funded by the providers and advisers. The committee meets quarterly and meetings are attended by the providers and advisers who provide reports on the scheme's operation.

The PIPS ethos is to provide good value pension arrangements for the industry which give confidence to members through the endorsement, and watching brief, of employers and trade union.

The committee has its own website and issues an annual newsletter and CPFs to members.

TERMS OF REFERENCE of the PIPS MANAGEMENT COMMITTEE

Updated April 2007.

1. Purpose of PIPS Pensions Committee

The purpose of the Pensions Committee is to consider the best interests of members, deferred members and pensioners in connection with their pension plans with the designated Providers and risk benefits with the designated or other appropriate providers. Risk benefits shall include spouses and children's benefits, life assurance and long term disability insurance.

Members of the Pensions Committee will jointly co-operate in the development and expansion of the Printing Industry Pension Scheme (PIPS). This co-operation shall include the design of promotional material, arranging presentation meetings and other sales and marketing opportunities.

The Pensions Committee and its members shall act in an advisory capacity and are not empowered to take any decisions of a legal nature nor does the committee have authority to incur any financial obligations in connection with the pension scheme. All legal obligations for the operation and day to day activities of the scheme rest with the Providers.

2. Composition of Pension Committee (8 members)

- 2.1 BPIF and GPMS/UNITE: Four members each will be appointed by the two sponsoring organisations; the British Printing Industries Federation and the Graphical, Paper & Media Sector(GPMS) of the Unite trade union.
- 2.2 Chairman: The role of Chairman of the PIPS Committee will alternate on a two year rotation between the BPIF and GPMS/UNITE.
- 2.3 Secretary: The appointment of a Secretary shall be made by the members of the PIPS Committee.
- 2.4 Co-options: The PIPS Management Committee shall normally co-opt representatives to assist in the promotion and administration of the scheme from the following interested parties:
- 2.5 Two members each will be appointed by the joint Independent Financial Advisers.
- 2.6 The Provider companies will nominate such persons as it considers appropriate to deal with the PIPS Pension Scheme and Committee.
- 2.7 The "risk" provider may nominate a representative to attend meetings or deal with other matters, as appropriate.

3. Structure of Pensions Committee

The structure of the Pensions Committee will be reviewed every two years.

4. Role of Pensions Committee

The role of the Printing Industry Pensions Committee is to give guidance and assistance to the joint Independent Financial Advisers and the insurers on behalf of the BPIF and GPMS. The Pensions Committee shall take care, on behalf of the BPIF and the GPMS, to ensure the scheme is for the benefit of the members, deferred members and employees within the printing industries; whether or not they are members of the BPIF or the GPMS/UNITE.

The Printing Industry Pension Scheme Committee shall give guidance and assistance on matters such as:

- 4.1 To monitor and assess the performance and administration carried out by the designated Providers and any other providers involved from time to time, on behalf of members.
- 4.2 To monitor, assess and annually review the performance and administration carried out by the joint Independent Financial Advisers, who shall supply an annual report to the committee.
- 4.3 To co-ordinate the respective roles of the Independent Financial Advisers.
- 4.4 To settle conflicts of interests between members and the advisers.
- 4.5 To act in a consultative role when required by the advisers or members.

5. Meetings

Meetings shall be held quarterly intervals or as the Pensions Committee shall decide.

Meetings will usually be held at the offices of Amicus/Unite or at any other suitable venue.

In addition to the Pensions Committee, representatives of the Providers and both IFAs, will attend.

Agenda at meetings

The content of meeting agendas would include the following:

- 5.1 Summary in movements of GPP and stakeholder schemes during the quarter and year, expressed in numbers and contributions.
- 5.2 Statement of the size of the PIPS Scheme and growth comparisons.
- 5.3 Scheme enquiries received and new business completed.
- 5.4 Marketing progress and initiatives.
- 5.5 Changes to pensions legislation affecting members and employers.
- 5.6 Summary of numbers of members - active, deferred and pensioners.
- 5.7 Summary of risk benefits being paid and new claims accepted.
- 5.8 Presentation of problems raised by members with the Providers or the IFAs.

Case example 11

B&CE – industry-wide scheme

Please note that this example is very different from the earlier ones as it shows how a provider has involved employers and employees in the running of a stakeholder pension scheme through membership of the board of directors of the provider itself. This board is therefore subject to regulation by the Financial Services Authority and the Pensions Regulator in a way that a management committee is not.

The EasyBuild stakeholder pension scheme is provided and administered by B & CE Insurance Ltd (part of B&CE Benefit Schemes), who are authorised and regulated by the Financial Services Authority. B&CE Benefit Schemes are a not-for-profit organisation set up over 60 years ago to provide benefits for employees of the 6,000 plus employers in the building and construction industry. EasyBuild has nearly 500,000 active and deferred members making it the stakeholder scheme with the largest number of members and nearly £500m of funds under management.

B & CE Insurance Ltd has an executive board of directors comprising an independent chairman, two executive directors and five non-executive directors (two sponsored by industry trade unions, two sponsored by employer trade bodies and one independent). The Board, unlike “typical” management committees which often only have an advisory role in relation to the provider, have responsibility for running the scheme as B & CE Insurance Limited are themselves the provider. Therefore responsibility for all aspects of the scheme’s design and delivery fall to the Board including scheme charges, investment options and member communications. The board structure is unusual in having employee representatives through the two trade union sponsored non-executive directors. Part of the Board’s responsibility is to encourage the organisations that they represent (employer federations and trade unions) to use EasyBuild as the vehicle to save for retirement.

The organisation has extensive experience in administering high volume schemes for small amounts. The minimum employee contribution is £1 per week and the minimum employer contribution is £3 per week with employer matching up to £10 per week under an industry agreement some employers have signed up to. The scheme has an Annual Management Charge of 0.8% pa.

The default fund is a managed fund invested by a leading investment manager that follows the asset allocation of the average UK pension fund within the Balanced section of the CAPS Pooled Pension Fund survey excluding property. A cash fund is also offered for those members wanting lower risk and for lifestyling in the run-up to retirement. The investment principles for EasyBuild are prepared in conjunction with the investment advisors and investment managers and agreed by the Board.

Free work place presentations are available to employees and 3,000 employees received presentations in 2005.

At retirement, members of EasyBuild can exercise the open market option with their pension fund although B&CE Insurance Limited also provide annuities for its scheme members. Their rates are generally more attractive than those available in the open

market for standard lives, partly as a result of the slightly shorter life expectancy of its members.

Because of its fairly unique position in providing pension opportunities for a large number of lower-to-moderate earners, B&CE has an active lobbying programme to Ministers, MPs and financial services regulators.