

AUTO ENROLMENT

Colin Hatley, Associated British Foods plc

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Who is ABF plc?

- Associated British Foods is a diversified, international food, ingredients and retail group
- Sales of £13.3bn
- Over 113,000 employees in 47 countries

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ABF Pension Scheme (UK)



Membership	DC Section	DB Section
Active	15,600	2,800
Deferred	2,300	8,500
Pensioner	-	16,300
Value (£ million)	220	3,100

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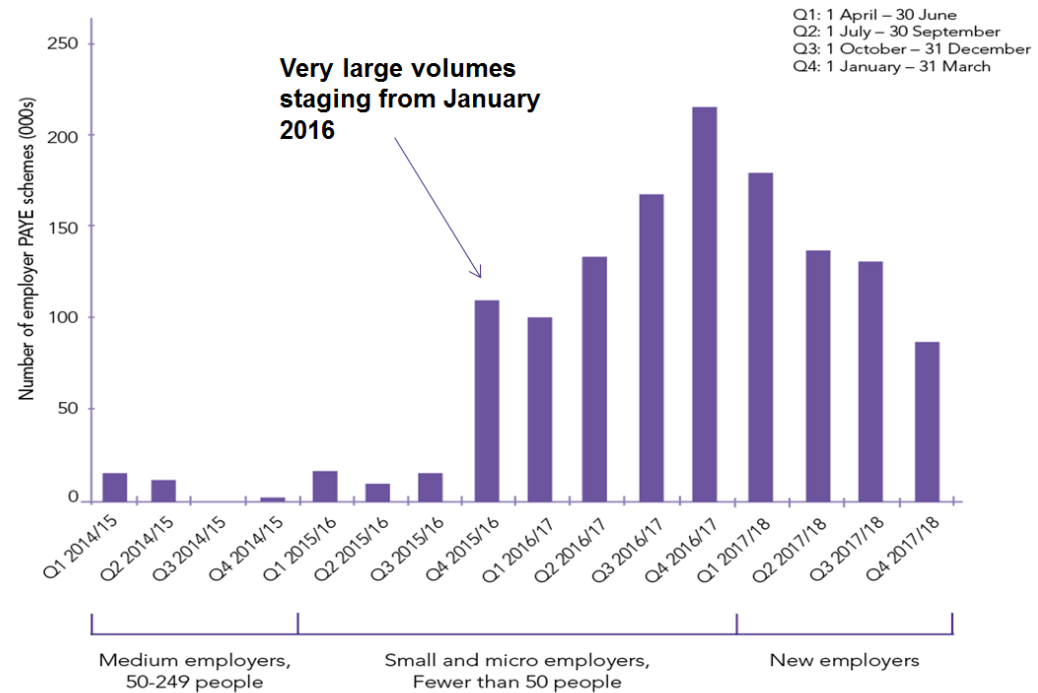
Auto-enrolment

- Auto-enrolment has been successful (so far)
- Two years since the first of the UK's largest employers began meeting new duties under the automatic enrolment programme
- Four and a half million workers have been automatically enrolled
- 28,000 businesses have met their new legal duties

Staging Profile

Staging profile (volumes of employers)

- More to do
 - Large volumes
 - Capacity issues?



What have we learned?

- Tax relief plays its part
 - Government campaign
 - You pay, boss pays, Gov't pays
- Power of matching contributions
- ABF – value for money



You pay...	+	Your employer pays	=	So the total paid into your pension is...
4%		4%		8%
5%		5%		10%
6%		6%		12%
7%		7%		14%
8%		8%		16%
9%		9%		18%
10%		10%		20%



Your estimated annual salary	£18,045
Your estimated monthly pay	£1,503.75
Your 4% contribution	£60.15
- Tax relief*	£12.03
= Estimated monthly cost to you	£48.12
+ ABF contribution	£60.15
= Total paid into Pension Scheme	£120.30

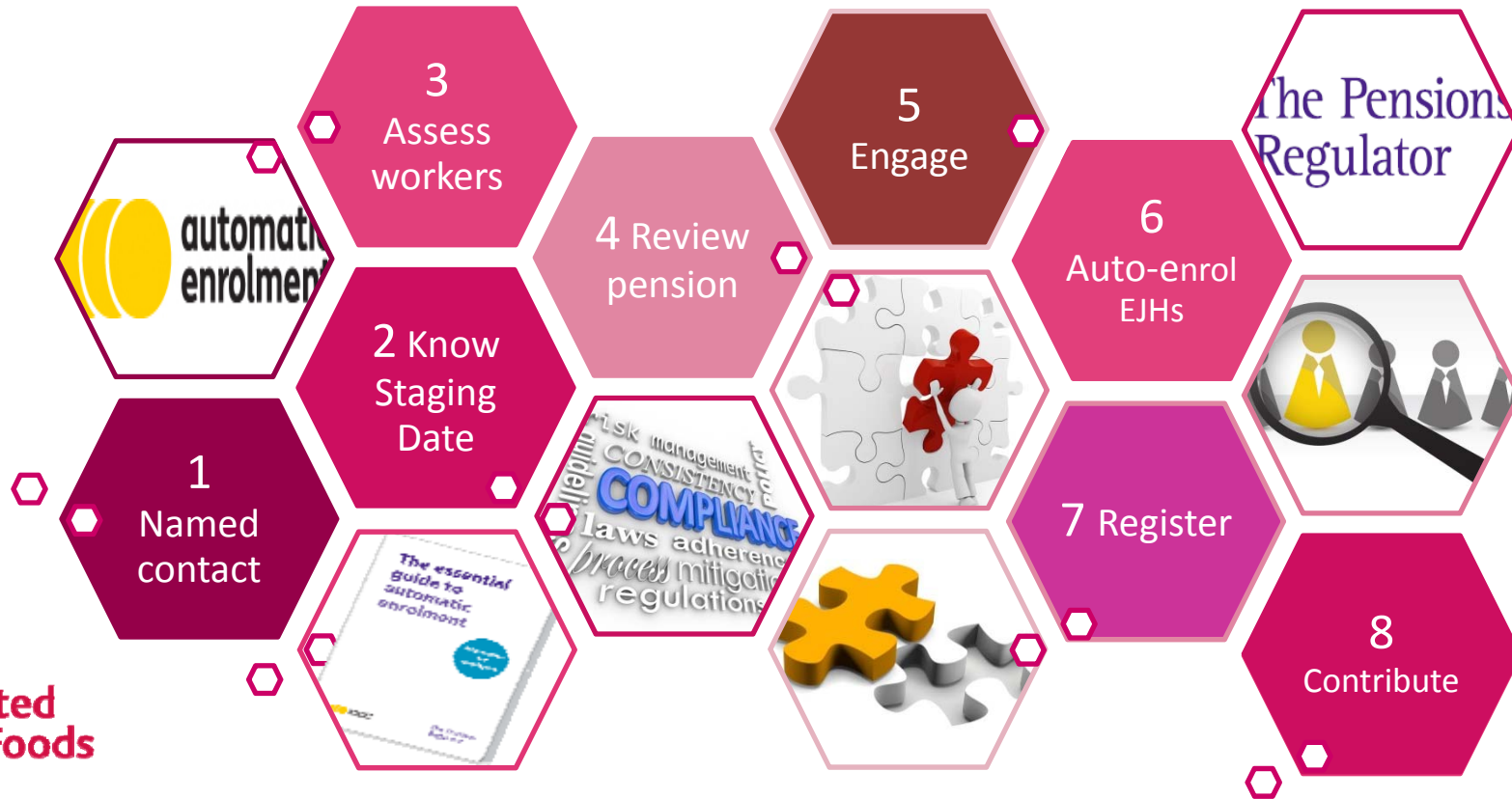
Other learnings

- Engagement with Government
 - Input on consultation
- Auto-enrolment is unnecessarily complex
 - The pension scheme is the easy bit – the admin is not!!!
- Payroll providers were slow to react
 - A common industry standard for payroll data was needed
- Communications are important – make easy to understand / timely

Auto-enrolment: Employer Duties

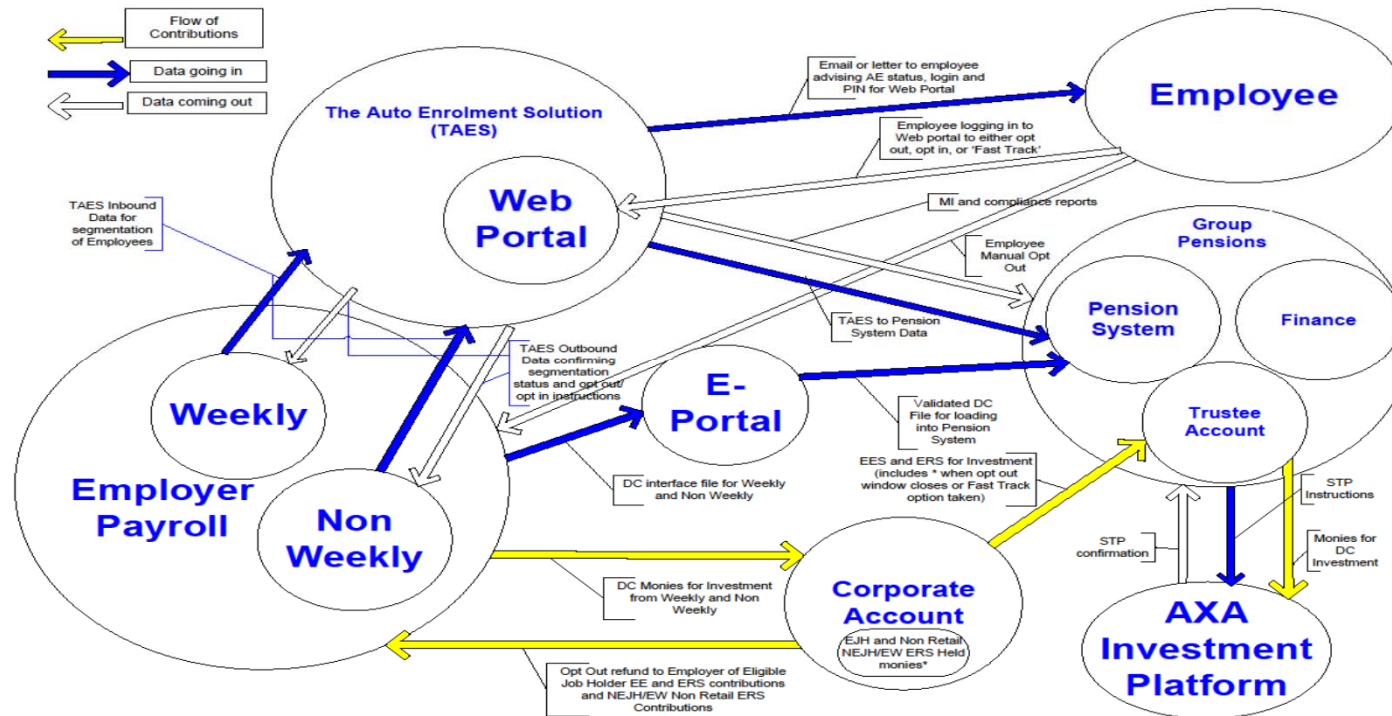
- Must auto-enrol **eligible jobholders** into a 'qualifying workplace pension scheme'
- Must pay contributions at least equal to minimum level required
- Must provide certain information to all workers
- Plan ahead – Main steps set out by The Pensions Regulator
- Sounds easy?

Auto-enrolment in 8 easy steps



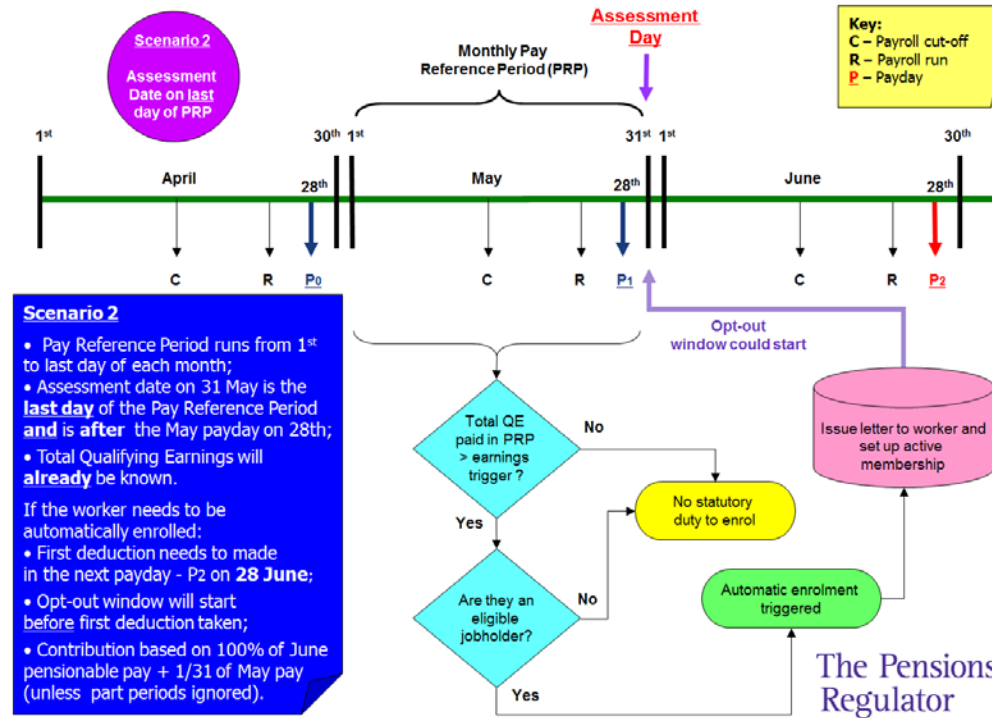
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Easy?



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Simple?

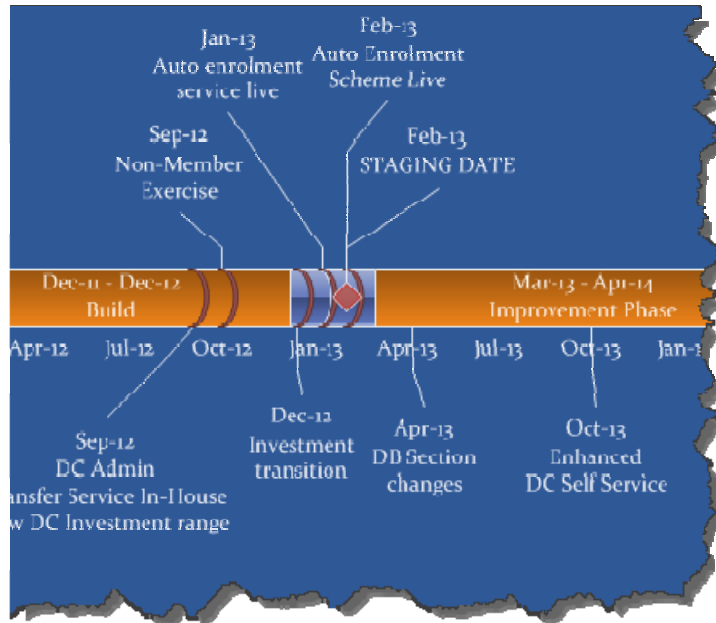


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The auto-enrolment challenge for ABF

- Auto-enrolment represents a significant challenge
 - 43,000 UK employees; 18 employing entities
 - 48 PAYE schemes; 99 regular payrolls (weekly, four-weekly, and monthly); 15 different payroll solutions
 - System automation essential, data quality critical
- ABF embraced change and invested
 - Investment design; Contribution structures; Administration

ABF – Milestones



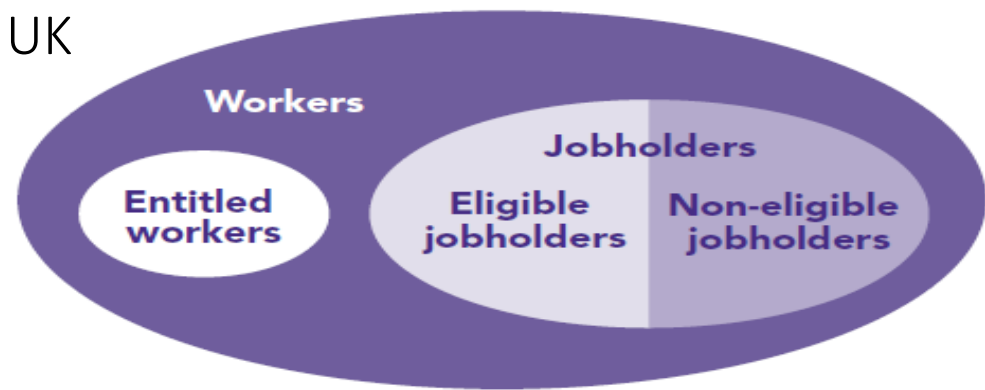
Milestones

- 09/11 Plan Start
- 09/12 Transfer DC Admin
- 09/12 Non-Member Offer
- 10/12 New DC Investments
- 12/12 DC Asset Transition
- 01/13 Auto Enrolment Service
- 02/13 Staging Date
- 04/13 DB changes
- 10/13 Enhance Self-Service
- 09/14 DC system migration

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Categorisation of workers

- A 'worker' is any individual who:
 - works under a contract of employment, or
 - has a contract to perform work or services personally and is not undertaking the work as part of their own business
 - wholly or ordinarily works in UK



Categorisation of workers

Earnings	Age Range →	16-21	22-SPA	SPA-74
Under lower earnings threshold <£5,772 pa	Entitled worker (can request to join a scheme)			
Between £5,772 pa and up to £10,000 pa	Non-eligible jobholder (can Opt-in to an auto-enrolment scheme)			
Over earnings trigger for automatic enrolment >£10,000 pa	Non-eligible jobholder	Eligible jobholder (must be auto-enrolled)	Non-eligible jobholder	Non-eligible jobholder




ABF plc – Initial Assessment

- Initial Assessment of 30,000 Non-Members (Jan 2012)

WORKFORCE ASSESSMENT	Qualifying Earnings		
	<£5,564	£5,564 to £8,105	>£8,105
Age of Worker			
16 - 21	11,200	7,700	1,100
22 to State pension age			9,600
Stage Pension Age to 75			70

- Increasing workforce – currently 43,000 employees

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Key		Entitled workers
		Non-eligible jobholders
		Eligible jobholders

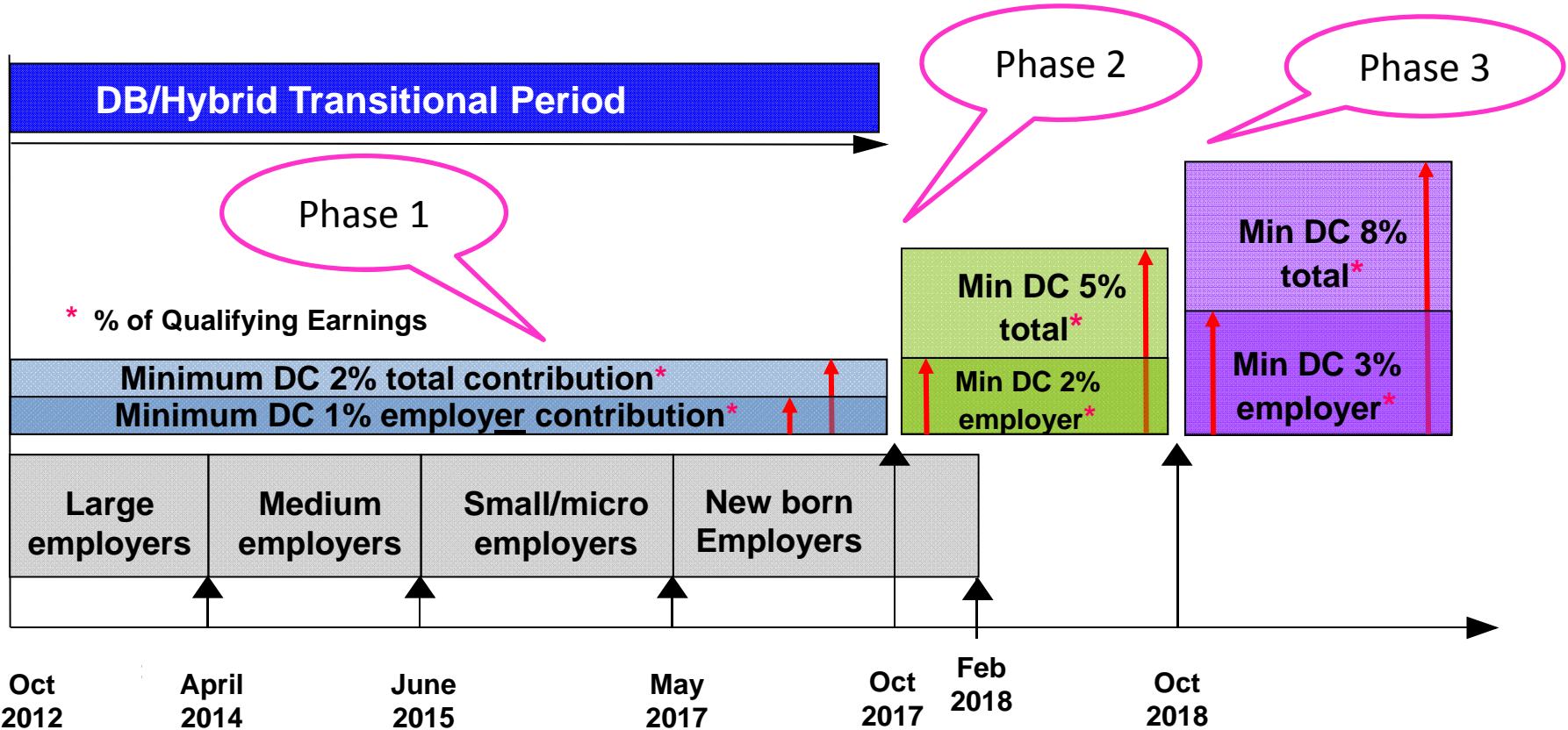
ABF – Membership Outcomes

Staging Date – 1 Feb 2013 Outcomes	
Total Workers	39,700
Eligible Jobholders Auto-enrolled	4,700
Already in Qualifying Scheme	14,900
Other Workers	20,100

Non-Members – One Year On (Mar 2014)	
ABF Employers (UK)	18
Total Employees	42,850
Eligible Jobholders Opt Out Rate	7%
Eligible Jobholders Not in DC Scheme	2,950
Other workers not in DC Scheme	21,550

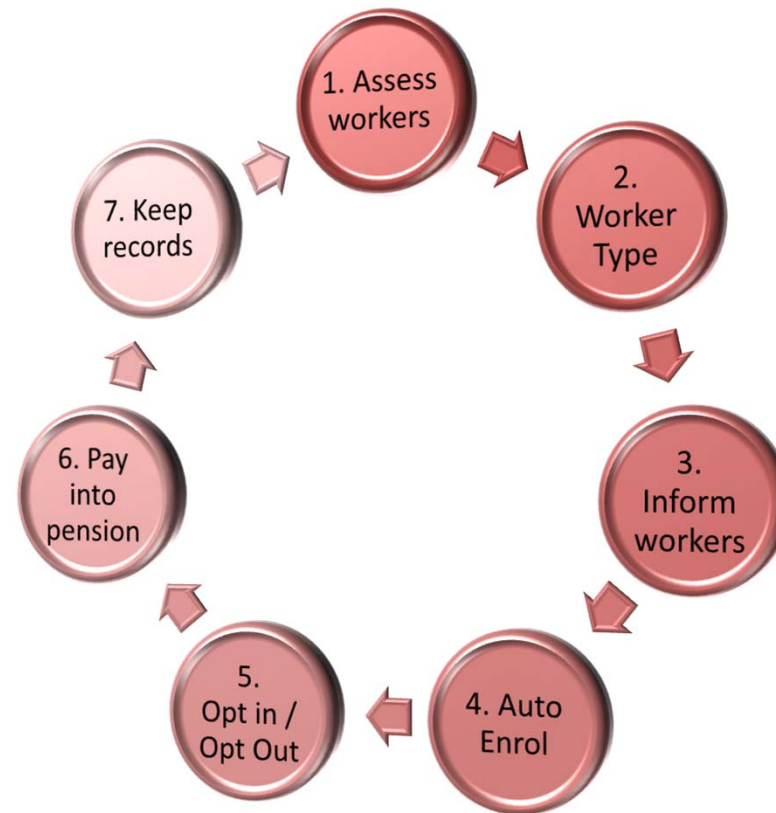


DC scheme minimum contributions



Administration Cycle

- Significant administration
- Ongoing monitoring
- Re-enrolment every 3rd anniversary of the Staging Date



Important deadlines

Communication	Deadlines for communication
Opt Out Window	1 month - from the latest of when: <ul style="list-style-type: none">• the enrolment notice is issued, and• active membership is achieved.
Declaration after Staging	<u>5 months</u> after Staging
Declaration after Re-enrolment	<u>2 months</u> after Re-enrolment
Normal contribution payments to scheme provider	22 nd day of the month following the month of deduction

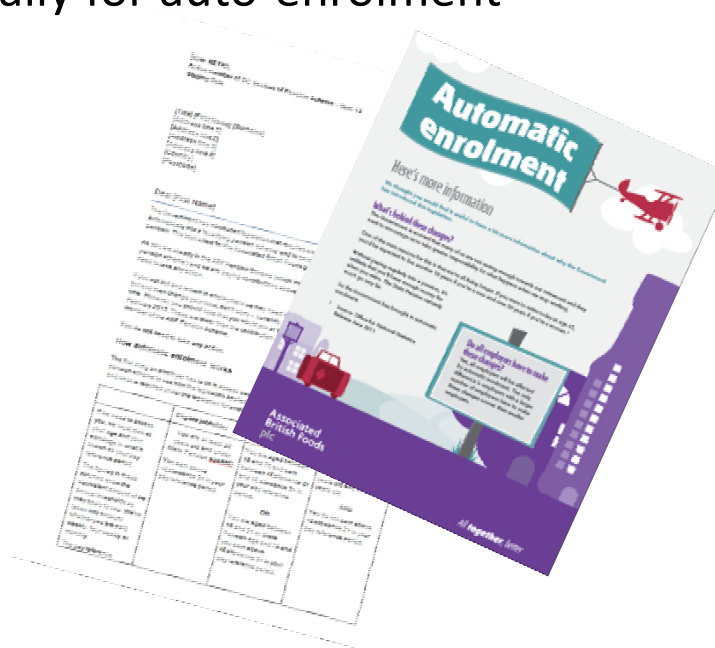
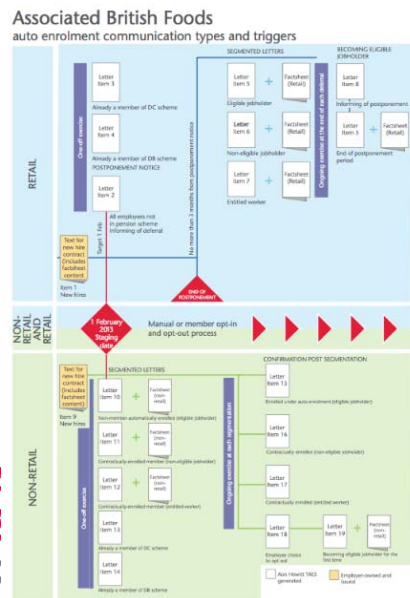
Communication – Critical Timings

Communication	Deadlines for communication
Existing scheme members at Staging	2 months after Staging
Workers <u>not</u> already in a scheme at Staging	<u>6 weeks</u> after Staging
Enrolment notifications	<u>6 weeks</u> from Assessment date
Postponement notices	<u>6 weeks</u> from the day after the Assessment Date

Not at all straightforward!

ABF – Automated electronic delivery

- Communication triggered automatically for auto-enrolment



Associated British Foods plc This website allows you to make a decision in regards to the membership of the ABF Pension Scheme - Defined Contribution Section.

Secure
Your information is safe with us. Use your User ID and Password to login.

Personalised
When you log in you will only see the benefits and options that you are able to select.

Anywhere Access
Manage your benefits using mobile device and internet browser of your choice.

Learn More
Research benefits options and easily locate information about existing benefits.

Login
User ID:
Password:
Forgot Password?

First Time User?

- Your User ID and password will have been communicated to you
- You will need to change your password once you login
- Please note that the password is case sensitive

ABF – General Communication Delivery

- Transformed our approach
- High quality, engaging and timely
 - Online self-service; Electronic
 - HR Community
 - Telephony
 - Face-2-Face
 - Welcome packs; Benefit Statements; Annual Report

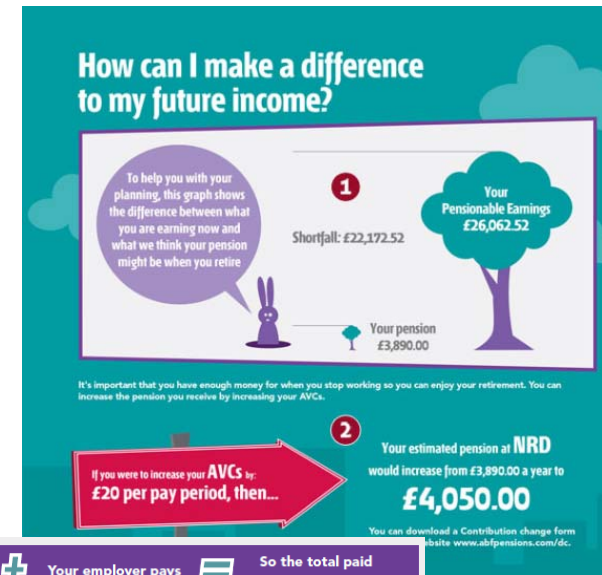
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ABF – Driving engagement for better outcomes

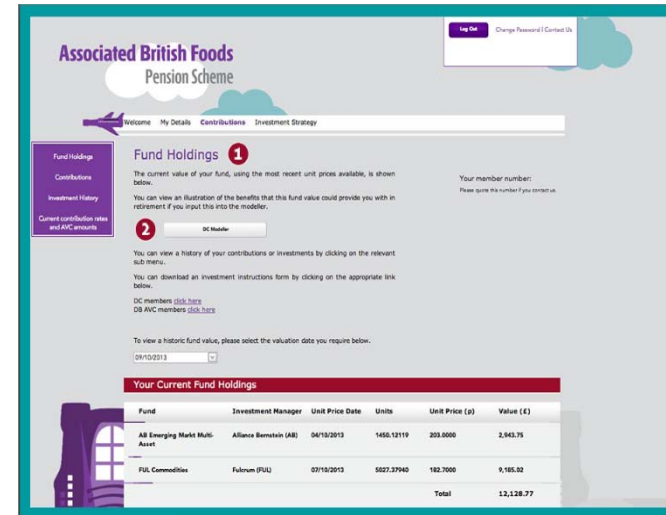
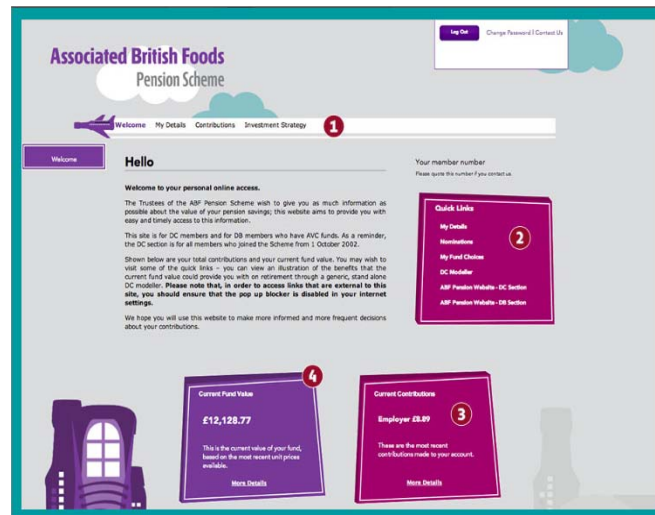
- Building confidence
- Focus on things members can effect
 - Not hung-up on driving investment choice – the default option is appropriate for most members
- Encourage saving
 - Time ahead
 - Power of matching contributions

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ABF – Online self-service



- Access to pension account
- Interactive content
- Transactional capability

- Contribution/Impact modelling
- SMPI / Benefit Statements
- Personal folder for documents

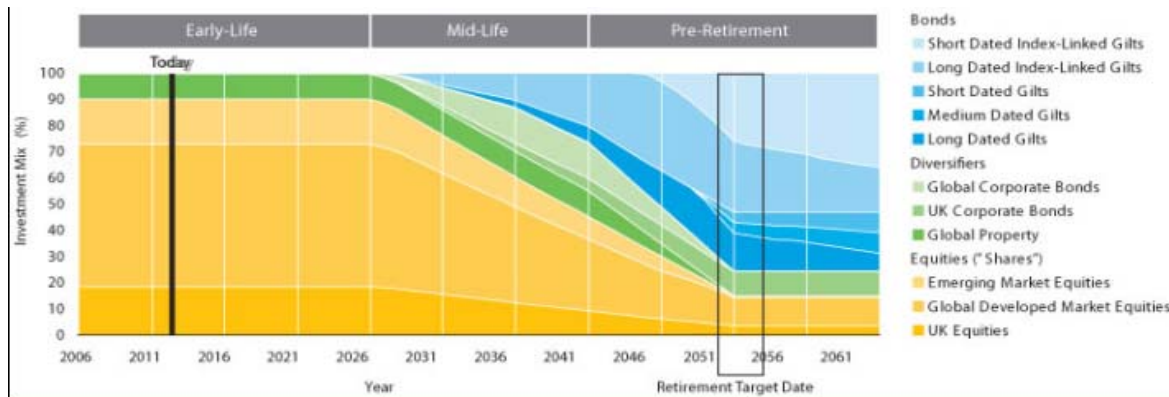
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IAPF Annual Conference: 22 October 2014

www.iapf.ie

ABF Default Option - Target Date Funds

- Auto-enrolment requires use of a default fund
- ABF - Target Date Funds
 - Aims to give highest possible pension income for reasonable level of risk based on age and time available to retirement
 - Gradually moves from more “adventurous” investments, through “balanced” to more “cautious” investments



ABF – Other Investment Options

Other investment options

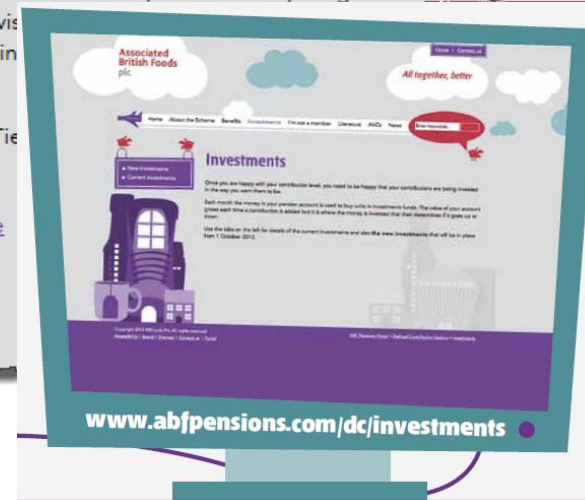
If you don't want to retire at 65, or you don't think Target Date Funds are right for you, there are four other options available.

The Target Date Funds are known as Tier 1, but there are three other Tiers on offer, each one requiring different levels of involvement from members. Working with its investment advisers, ABF offers a range of investment funds for you to choose from. The entire fund range is being offered on the ABF platform.

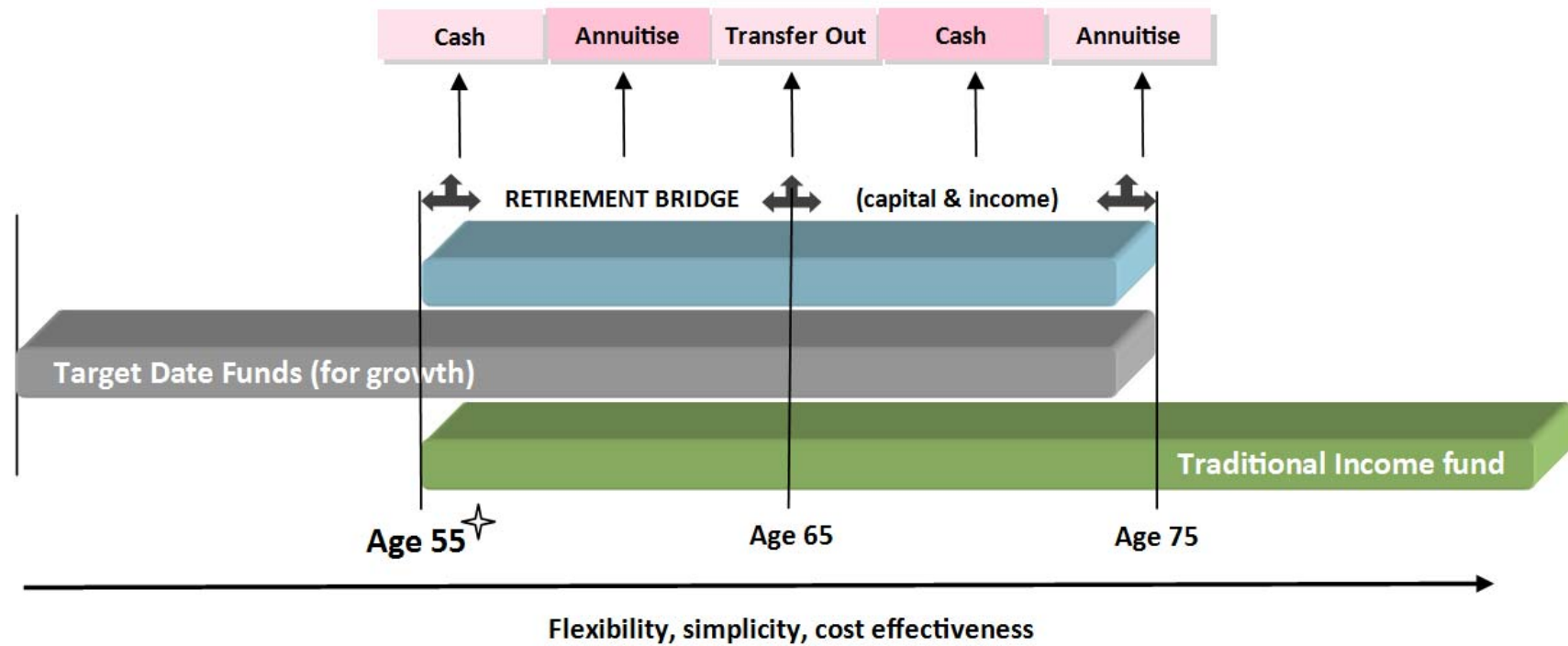
You can mix your investment options across any combination of the Tiers. The total investment allocation equals 100%. Click on the links below to find out more.

- ▶ [Tier 1: A Target Date Fund with a different target retirement age](#)
- ▶ [Tier 2: Diversified growth/multi-asset investment funds](#)
- ▶ [Tier 3: Single asset funds](#)
- ▶ [Tier 4: Funds 'on request'](#)

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Future enhancements – New law April 2015



Conclusions

- Tax relief is important!!!
- Power of matching contributions
- Government consultations – get involved!!!
- Auto-enrolment administration processes - Keep it simple!!!
 - Agree a common industry data standard. Where possible, avoid unnecessary administration and systems costs for HR, Payroll, Finance, and Pension administrators/providers
- Communications - easy to understand and timely