

In depth



ANALYSIS: A little company with a big reach that thinks it can help all of us cope with auto-enrolment. Just what is Staffcare? asks **David Rowley**

INNOVATION DRIVERS

Staffcare is one of the industry's best-kept secrets, according to the company's founder Phil Hollingdale.

Its employee benefits portal software has a formidable number of providers and consultants, yet its end users – hundreds of employers and tens of thousands of employees – rarely see the brand name.

One of its newest customers is Aviva, who is using it to construct total reward statements for its group personal pension customers.

However, it is most often used as a flexible benefits portal, to allow employees to make benefit and pension selections and to check their fund values. Its biggest attraction may prove to be the way it enables employees to deal with the legal obligations and administrative hassle posed by auto-enrolment.

For this reason, Paradigm Pensions' Steve Bee is using Staffcare software as part of his bid to help turn large IFA firms into employee benefit consultants in the post-2012 world.

He is not the only one to make this connection. A host of other consultants are doing the same – Mercer, KPMG, Enrich and AWD Chase De Vere – and Staffcare founder Hollingdale reveals there are another two consultants yet to be announced. Furthermore Hollingdale reveals the company is in talks with several pension providers about providing improved employee interfaces.

This might suggest a vanilla solution for the consultants, but part of the appeal is the ability to personalise the software.

Graham Jarvis, managing director of Staffcare, who has a background working for Friends Provident and advising on flex at Hewitt, explains: "Our proprietary toolkit allows clients to change configuration settings and support all the rules, benefits and providers in the scheme, without involving Staffcare in the process. We charge them an initial fee and a wholesale licence fee, which includes the cost of hosting client data. They are then free to charge whatever fees they like as part of a broader proposition including broking, consultancy and admin."

And it gets even better, according to Jarvis.

"Clients benefit from the combined design input from all of our other partners and clients, and have access to all the new features we release as a result of our continued investment in product improvement."

Cheapness is another attraction. Jarvis estimates this sort of software would cost millions for consultants to develop on their own. However, this is apparently a step being taken by Towers Watson, who is designing a benefits portal for companies of 1,000 employees and above.

So why would anyone spend all that money? For Jarvis, the key is the large compliance burden of auto-enrolment.

For companies that have never offered a pension scheme before, Staffcare is being designed to be as compliant as possible with the regulations. And yet, while the prospect for such companies is scary,

FOR MORE INFORMATION
AND STORIES VISIT
OUR WEBSITE
WWW.SCHEMEXPERT.COM



Clients benefit from the combined design input from all our partners and clients, and have access to all the new features we release as a result of our continued investment

the reality is the Pensions Regulator will be more interested in the bigger players in order to make an example.

Jarvis poses several questions for those companies. Will they provide all the necessary information for their employees? How will they ensure the right contributions are being made? Is their system as up to date as it should be to comply? Do they have a system that can provide historical records of people's decisions to opt out?

Steve Bee for one has said if Staffcare is so confident it has answered these questions, they should apply for a kite mark from the National Employment Savings Trust (Nest) and/or the regulator on compliance with auto-enrolment.

Jarvis says: "Our software already interfaces with any HR and payroll system and any benefits provider. It can send data in real time to any benefit provider. We can hold any content and it can be used as an HR system, enabling the employer to have a full audit trail of their employee data - no data is ever deleted, ensuring you have a full audit trail of what was changed and by whom. It can also trigger messages and remind the employer they need to enrol staff."

Right place, right time

The advent of auto-enrolment has come if anything as a blessing for Staffcare. It launched its flex offering in 2004, and while many in the industry have talked of flex as the future, it has failed to set the HR world alight in the way the providers might have hoped. Hollingdale, the somewhat flamboyant serial entrepreneur, whose role it is to go out and talk up the company he launched, sees auto-enrolment as a game-changer. He says employee benefits portals have gone from being a nice-to-have to a must-have. Their appeal has also changed given the growing interest in corporate wraps, or financial flex, as some were first calling the concept.

Indeed a flex system with a choice of pension, ISAs and sharesave is much more tangible than one with childcare vouchers, bikes to work, shopping vouchers and health cover. Hollingdale posits an interesting way in which these platforms could work. An employee who trades in a week's holiday could put a fair lump of money into an ISA instead.

For the future, Staffcare is working on a number of innovations. It is looking at a global version of their technology to support multiple languages and currencies in a single site.

There are plans for integration with a number of pension providers including single sign-on and straight-through processing of new pension joiners.

There is also a move to make the system more like iGoogle and the BBC website so individual employees within a company scheme can customise it to meet their individual requirements.

This all sounds like a brave new future, but for the time being, the burden of auto-enrolment is a greater concern and there will be a lot riding on companies such as Staffcare delivering on this promise.



Charles Amos

Will government bail out the PPF?

The Pension Protection Fund (PPF) has been running for nearly six years now. According to its funding strategy published last year, it has already made life better for nearly 250,000 pensioners whose former employer has gone bust - not to mention 650 MPs who have been spared 250,000 complainants. So would they really stand by if the PPF went bust?

The official line is yes. It's a self-funding scheme, with wide powers to raise levies or reduce compensation if it gets into trouble. Pointedly, the website is '.org', not '.gov' - consistent with the Treasury line 'Nothing to do with us, gov.' Yet, when the Department for Work and Pensions tries to resist European solvency regulations, its strongest defence is that the PPF already satisfies existing EU protection standards. That argument would be a lot weaker if they hadn't also set up the government funded Financial Assistance Scheme (FAS) to deal with insolvencies before the PPF started. Pessimists argue that the risk of companies going bust rises geometrically over time, while the levy-paying base of employer-supported defined benefit pension schemes will shrink. The PPF counterargument is that it may indeed be a race against time but, if they can build up enough reserves to be fully funded by 2030, they can win it. To do that, though, they need the size of the average shortfall when employers go bust to decline substantially. That will need not only progres-

If the regulatory regime fails to stay ahead of the game, there will be severe limits to using taxpayers' money to bail out the PPF

sively tougher funding standards (as the PPF funding strategy acknowledges), but also a regulatory regime that copes much better with covenant-weakening takeovers and uncooperative foreign courts. So the survival of the PPF in its current form depends on significantly strengthening the regulatory regime over

time - difficult, given the endless corporate lobbying for deregulation. But, if the regulatory regime fails to stay ahead of the game, there will be severe limits to using taxpayers' money to bail out the PPF. Helping the poorest pensioners could probably be justified, since much of the bill could be offset against savings in state benefits. But, at the other end of the scale, government could hardly ask taxpayers to help better-off pensioners receive more than the average taxpayer earns for going to work. So the PPF compensation cap would have to apply to pensioners of all ages and would also fall in real terms. Levies would rise substantially too - if only to protect the Treasury from the risk of falling foul of minimum European standards for pension protection. So the brunt of any failure by the regulatory system to protect the PPF is likely to fall, not on the taxpayer, but on higher-paid pensioners and on employers. No one much enjoys being regulated; but those who press indiscriminately for pensions deregulation can have no complaints if they then end up bearing most of the consequences for the PPF.

Charles Amos

Chief executive, Pension Secretariat Services