

A Global Framework for DC Governance

Establishing a Global Framework – Ten Best Practices for Multinational DC Plans

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Globalization Requires a New Approach to Retirement Plan Strategy

- **Globalization is increasing sponsor need for a comprehensive DC management strategy**
 - Plans are not ‘one size fits all’
 - Must be tailored to navigate differences in languages, currencies, cultures, and expectations
- **Sponsors are looking for strategies to help structure and manage their plans**
 - Our ongoing dialog with clients reflect the need for guidance on the topic

“It is important for us to have a culture in which we all share **common objectives** for our plan and participants... that way, for example, we can make investment decisions with a full understanding of the implications for plan design and benefits structure. And we can ensure that the individual decisions we make about our **plans around the world work cohesively** to advance our company’s overall goals.”

— Andrew Perrin
Global Head of Pensions & Investments at Thomson Reuters

10 Best Practices for Global DC Plans



DEFINE

Goals and Align Benefits

01

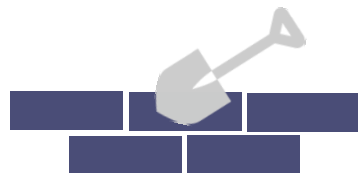
Articulate objectives of total rewards globally.

02

Assess your company's existing rewards structures around the world.

03

Seek ever-closer interaction between benefits functions globally.



BUILD

Efficient Governance Structures

04

Establish a clear and flexible governance framework.

05

Thoroughly understand and adhere to regulation, compliance and legislation.



WEIGH

Pros & Cons of Centralization

06

Decide on the degree to which the company employs a global investment philosophy.

07

Seek efficiencies.



IMPROVE

Plans' Effectiveness for Participants

08

Promote higher savings rates globally.

09

Establish a specific plan for the transition of assets from accumulation to decumulation.

10

Create a strong employee communications program.

Build Efficient Governance Structures

- Establish a clear, flexible governance structure, endorsed by senior management.
- Consider tiered structures that provide oversight at local, regional and global levels.
- Build in independent oversight where needed and participant representation where appropriate.

Think Globally,
Act Locally.



One Plan Sponsors' Approach

A large global shipping company operates plans in 71 countries including the United States. It employs three committees — local, international, and enterprise-wide — to assign oversight where it is most appropriate and efficient.

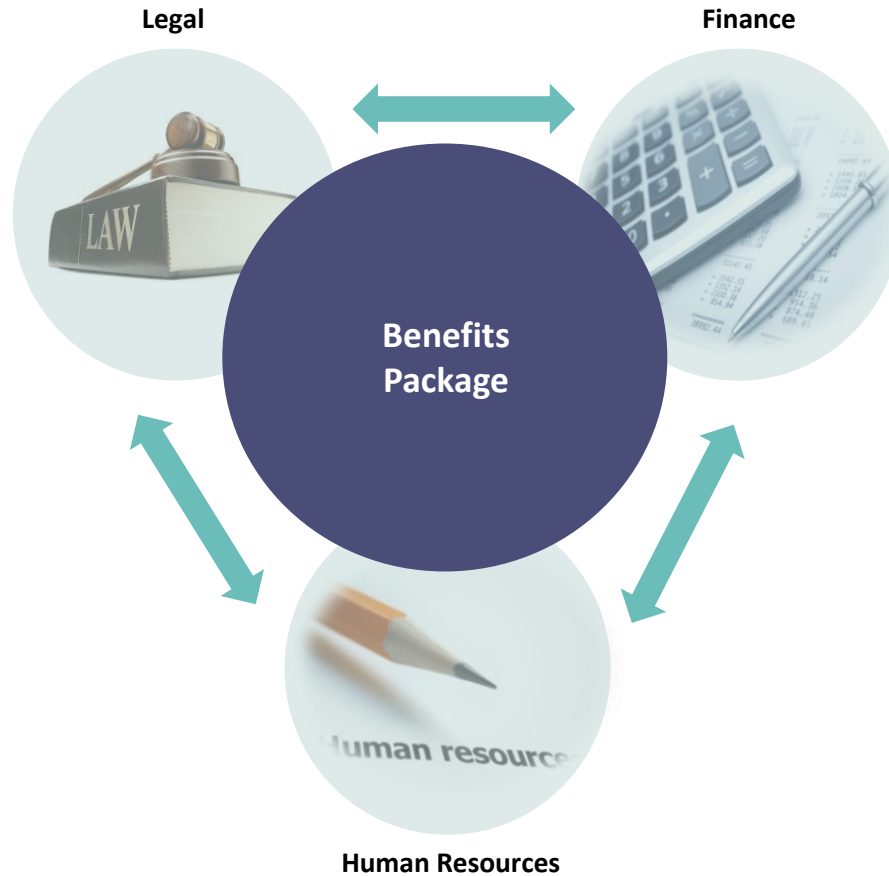
Weigh Pros and Cons of Centralization in Investment and Other Functions

- Seek efficiencies through global pricing and other means in technology, external providers, advisers, systems and fund structures.

Investment	Reduce costs by negotiating global investment manager fees with large asset managers
Administration	Use a single recordkeeping system or fund trading platform
Communication	Create a single set of communication materials across markets

Define Goals and Align Benefits

- Seek ever-closer interaction between benefits functions.
- Recognize that DC plans fit into a wider ecosystem of benefits that may differ from country to country but must be considered in aggregate.



Improve Plans' Effectiveness for Participants

- Promote higher savings rates globally.
- Work systematically to understand employee needs through research, employee data analysis, surveys and engagement.

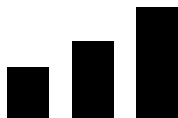
Understand employees' needs through:



Research



Surveys



Data analysis

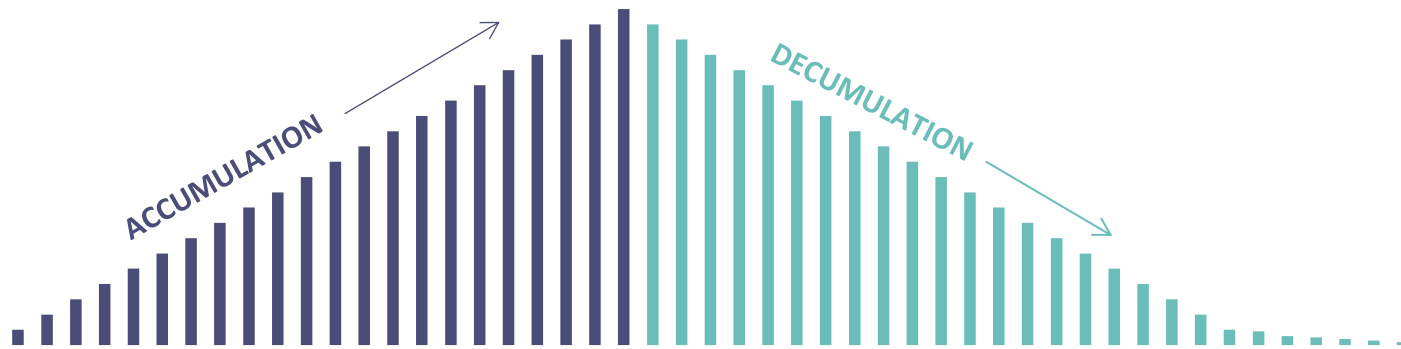
What Plan Sponsors Are Saying

'At the center of this grand design we need to ensure that there is a robust foundation of strong defaults; products that can support the changing needs of the majority of plan members at a reasonable cost and that deliver a member experience to encourage long term saving and retirement readiness'

— Large UK Plan Sponsor

Improve Plans' Effectiveness for Participants

- Establish a specific plan for the transition from accumulation to decumulation



How will plans handle this transition for participants?

- State insurance model
- Annuities
- Drawdown
- *Lamborghinis?*

Improve Plans' Effectiveness for Participants

- Create a strong participant/member communications program to encourage greater participant engagement, improve retirement outcomes and build participant confidence



What Plan Sponsors Are Saying

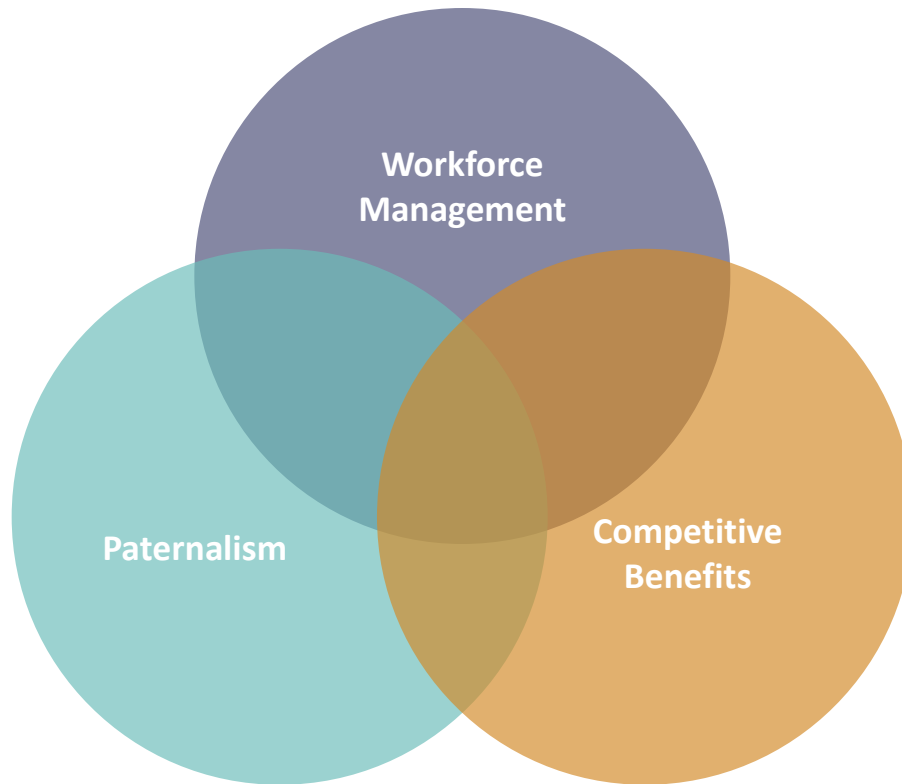
'The real solution lies not in providing employees with a specific number. Instead, plan sponsors should work toward transitioning people away from a lump-sum concept and toward a retirement income stream.

This conversation is best started when participants are around age 50'

— Large US Plan Sponsor

Define Goals and Align Benefits

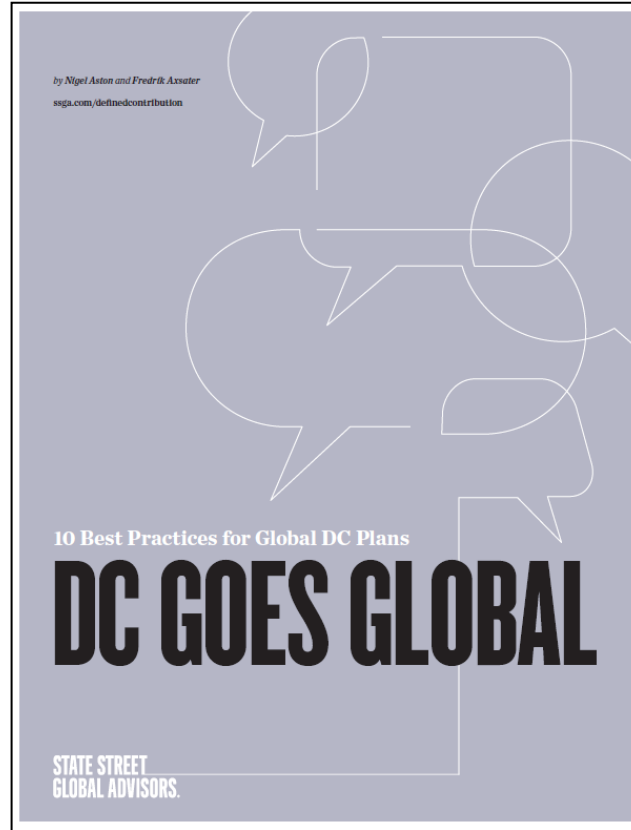
- Articulate benefits objectives globally, ensuring they reflect the company's culture and values



DC Goes Global

This paper is the result of dozens of conversations with some of the largest plan sponsors in the world, across three continents, as well as leading consultants, colleagues and other defined contribution professionals.

Learn more at www.ssga.com/definedcontribution



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