

Employee Benefit Due Diligence



Kudos Financial Services
ABERDEEN | GLASGOW | LONDON

Introduction

Kudos Independent Financial Services Ltd has been involved for over 15 years in the provision of Employee Benefit Due Diligence, working closely with corporate clients and prospects as well as many professional intermediaries.

Due Diligence provides a comprehensive analysis of all aspects of a Company's Pension and Ancillary Benefits, including the internal processes supporting them and their interaction with their HR function, to identify and evaluate all the current and potential liabilities of the various schemes in place. By undertaking such an audit process it also allows the client to fully understand how effective their benefits are in terms of:

- risk mitigation
- value for money
- employees understanding of benefits and the value they place on their benefits
- competitiveness
- meeting contractual commitments
- supporting the business strategy

Employee Benefit Due Diligence is an important issue during various transactions such as the sale or purchase of a business but the process can be just as beneficial for any Company to ensure their Employee Benefit programme minimises any potential risk and supports the business strategy both now and in the future.

With regard to Kudos process we will provide comment on and provide in-depth analysis of the following areas:-

Pension Schemes – Defined Benefit

- Affordability
- Scheme governance
- Valuation bases and actuarial assumptions used
- Funding – Deficit/Surplus
- Potential solutions
- Potential liabilities, e.g. Rules, Beckmann etc
- Current investment strategy in relation to the Statement of Investment Principles
- Current fund managers and performance
- All costs – administration, actuarial, consultancy, investment & project management

Pension Schemes – Defined Contribution

- Adoption of Age Discrimination legislation
- European Directive
- Impact of introduction of National Pension Savings Scheme
- Investment managers and fund performance
- Communication process
- Benchmarking
- All costs

Ancillary Schemes

- Potential liabilities, e.g.
 - All members on risk who should be
 - Exclusions under Terms and Conditions – hazardous occupations etc
 - Non Medical limits
 - Long term absentees
 - Catastrophe limits
- Competitiveness of rates
- Overall costs
- Comparison of benefits to contractual commitments

HR Function

- Total cost of administering package
- Communication process:-
 - Online or paper based
 - Frequency
 - Content
 - Relevance
- Flex Benefits
- Can improvements/additions be made on minimal/cost neutral terms

Business Protection

- Has the Company identified its Key Persons
- Is cover required
- Levels and cost of cover
- Review of existing arrangements
- Review any governing documentation
- Succession planning
- Exit strategy

Absence Management

- Evaluating the impact of employee absence on the business

This is a summary of our basic process which can be tailored either more or less extensively according to an individual Company's needs.

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