

Redefining end of service gratuity

Reena Vivek, Zurich Workplace Solution, outlines the DIFC Employee Workplace Savings plan

The DIFC Employee Workplace Savings (DEWS) plan was launched in a bid to restructure the previously defined end-of-service gratuity scheme into a funded and professionally managed, defined contribution plan. The DIFC Employee Workplace Savings (DEWS) plan recently marked 12 months since its launch. During the first year of operations, the plan has proven to be an unqualified success, reaching more than \$127m in AuM. The plan was launched in a bid to transform the way in which end-of-service gratuity benefits were managed and to foster a long-term savings culture among DIFC's workforce.

Currently, end-of-service benefits in the UAE are paid to employees as a lump sum payment, at termination of employment, in lieu of other financial benefits that expat residents might expect in their native countries. The final settlement amount is a function of the employee's

final basic salary, contract type and amount of years served in the role (known as a 'defined benefit' model) and is defined under the UAE Labour Law.

This defined benefit model can result in an open-ended and unfunded liability for the employer and expose employees to the risk of this benefit not being paid in full, or not paid at all. To mitigate these risks, many countries across the world have adopted a 'defined contribution' model.

The DEWS plan is a defined contribution plan which has been established in the DIFC under the revised Employment Law. Companies that have enrolled into DEWS pay the gratuity into the plan on a monthly basis, and the money is accumulated and held in a trust under the independent legal ownership of a master trustee (Equiom) on behalf of the employees. Under this approach, the EoSG is funded; employees have visibility and

control over their end-of-service gratuity and can withdraw it from their member account as soon as their employment is terminated.

The DEWS plan is regulated by the Dubai Financial Services Regulator (DFSA) and operates under the supervision of an independent board.

Zurich Workplace Solutions is the administrator for the DEWS plan and responsible for its day-to-day operations. This includes handling employer and employee enrolment, managing and investing incoming contributions, supporting leavers, processing withdrawals, plan reporting etc. All plan-related activities are done using the employer and employee portal as well as the DEWS member app ("Zurich for DEWS" app), provided by Zurich Workplace Solutions, thereby making it simple and effortless for all parties involved.

The plan also has various investment options and risk-rated funds available, so that members have the flexibility to invest the monthly contributions made into their account based on their personal risk appetite and benefit from long-term growth.

The DEWS plan fills a gap in the market for low-cost savings solutions, where individuals can save small amounts on a regular basis. The DEWS Booster, which is the voluntary contribution facility of



With over 23 years of work experience, **Reena Vivek** spearheads Zurich Workplace Solutions (Middle East) Limited (ZWS), a part of the Zurich Insurance Group entities operating within the Middle East as senior executive officer. With commendable leadership qualities and expertise in financial services, she has successfully driven transformational customer-led strategies with innovative solutions for Zurich's customers in the Middle East and aims to continue deploying

progressive directives and solutions to help customers protect their financial future.

DEWS, allows individuals to save towards their retirement goals by transferring a portion of their salary into the plan and allowing it to grow over the longer term.

With such an attractive proposition, it should be no surprise to learn that within one year, over 19,000 members of the DIFC workforce from 1,187 of DIFC's firms have been enrolled in the DEWS plan. In addition, a substantial number of employees from various companies within DIFC have chosen to make additional voluntary contributions from their salaries into the DEWS plan, showcasing trust in this plan.

Timely and relevant

DEWS has been designed to align with global standards and customised to meet the unique needs of this region.

Given the recent global events and its economic impact, financial security is paramount. In the absence of a defined contribution solution such as DEWS, employees who have spent many years with their employers remain open to the risk of employer bankruptcy and non-payment of a benefit which is a critical part of their retirement savings.

With the way DEWS is structured, members know that their benefit is funded and that the contributions are ring-fenced and should their employer fall into financial difficulty, there would be no impact to their final end-of-service gratuity. For expatriate workers (who make up the majority of the UAE's working population) – a community that may not always be known to have a long-term financial planning mindset – the certainty provided by the new regulatory framework and access to the DEWS plan will be a factor when choosing to relocate to the UAE, or to continue living or retire here.

On a more practical level, the ability to supplement the employer mandatory contributions into DEWS with employee voluntary contributions from payroll will kick-start a 'saving at source' culture that will create discipline and help individuals accumulate additional wealth over time.

Having direct input into how contribu-

tions are invested allows for a level of employee choice never witnessed before. Through the online member portal and member app, employees enrolled in the plan have the flexibility to decide on the investment option that best fulfils their personal requirements, investment horizon and risk profile. The investment choices of risk-rated conventional and sharia funds are deliberately designed to be simple, goal-oriented and cost-effective.

As of end-January 2021, the majority of the DEWS Plan's assets (75%) remain invested in the Low/ Moderate Growth Fund, which is the default fund of the DEWS Plan. Nearly 20% of the assets are split across the other growth fund options including the Moderate Growth, Moderate/High Growth, and High Growth funds, which highlights individual employees' engagement and the active role they are taking in their savings and financial planning.

The competition to attract the best human capital is fierce, and companies that have joined the DEWS plan have an edge because they can offer their workforce

full transparency over their benefits and the added opportunity to grow their savings through a well-regulated solution.

Digital edge

A key factor in the programme's success has been the level of digitalisation offered. This includes a seamless on-boarding capability that is designed to ensure that employers can enrol into DEWS in less than 15 minutes and enrol their eligible employees through a simple upload process.

A user-friendly employer portal, member portal and member app help bring further efficiencies, enhancing engagement and encouraging the use of DEWS.

DEWS fits perfectly into the UAE's vision to be a 'digital nation' with high levels of efficiency, transparency and digitalisation and translates the public commitment from the country's leadership to a paperless and 'smart' future into reality. DEWS actively endorses and promotes this digital shift, while providing a powerful means to attract and retain the kind of talent that will be essential for the country's continued growth. ■

About DEWS

DIFC Employee Workplace Savings (DEWS) is a workplace savings scheme that will help employers meet their end-of-service benefit liabilities and help employees to save. A progressive end-of-service benefits scheme for expatriate workers, DEWS has been introduced within the DIFC to restructure the defined employee benefit scheme into a funded, professionally-managed and defined contribution plan that is aligned with international standards.

DEWS also offers employees working in the DIFC a voluntary savings plan, allowing them to secure their financial future with ease.

More about DEWS <https://zws.zurich.ae/about-dews.html>

About Zurich Workplace Solutions

Zurich Workplace Solutions (Middle East) Limited (ZWS), part of the Zurich Insurance Group entities operating within the Middle East, is a DIFC based company. As an administrator of the DIFC Employee Workplace Savings (DEWS) scheme, ZWS provides support to employers and employees through the administration and management of the DEWS plan. This includes enrolment of employers and employees, management of contributions, onboarding new joiners and supporting leavers, enablement of the investment process and administering withdrawals. ZWS also provides an online portal and member app wherein employers and employees have real-time access to plan information, as well as assistance and guidance through a DIFC based support team and contact centre.

Zurich Workplace Solutions is regulated by the Dubai Financial Services Authority.

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