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Exclusive flexible benefits research
Employers widen choice for staff

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1) HIS CHILDHOOD DREAM WAS TO BE AN ANTIQUES DEALER
2) HE HAS A BLACK BELT IN KARATE THAT HE IS TOO SHY TO BRAG ABOUT
3) HE'D REALLY LIKE CORPORATE EYECARE BENEFITS

Corporate eyecare is an important employee benefit, as well as a legal responsibility. So it shouldn't surprise you that in a recent survey, the majority of employees considered it a valuable addition to their benefits package.

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To find out more, call 0115 933 0800, email uk.corporateeyecare@specsavers.com or visit us at specsavers.co.uk/corporate

Specsavers®

Source: Research carried out among 270 companies Jan 2011.

IN THIS ISSUE

Supplement: Flexible benefits research 2014

LEADER

Tax breaks still drive benefits behaviour

If benefits did not offer employers better tax breaks than paying staff cash, then the employee benefits industry would be a lot smaller and most people reading this magazine would be doing different jobs.

Tax breaks drive behaviour in our world. That is why we are running a special report on tax-efficient benefits in this issue. Although there is plenty of information out there about these benefits, trying to draw them together takes some legwork (or fingerwork on online search engines). Hopefully, our guides will give you the pointers you need (see pages 34-40).

As we go to press, the Budget was announced by Chancellor George Osbourne. He outlined details on how tax and limits on taking pensions wealth as retirement will change to be far more flexible. This will lead to a radical change in pre- and at-retirement planning (see page 5).

We are also waiting for details of a proposed £500 tax break on the cost of getting staff on sickness absence back to work quickly. This too could be a game-changer for workplace health.

The other area of benefits that has been heavily influenced by tax and national insurance (NI) breaks is flexible benefits. This month we publish our 18th annual flexible benefits research. It is clear that the vast majority of employers that offer a formal flex plan now structure it through salary sacrifice. This is hardly surprising, given the fact that making the most of tax and NI breaks is the key reason for offering flex. Read the *Employee Benefits/Towers Watson Flexible Benefits Research 2014* report with this issue for the how, what and why employers offer flex.

> **"The vast majority of employers that offer a formal flex plan now structure it through salary sacrifice"**

One of the most intriguing aspects of the research was finding out which flexible benefits are growing the fastest (see page 14). Growing perks such as emergency eldercare are still offered by small numbers of employers, but indicate new trends in benefits provision.

We are seeing interesting new shoots of innovation elsewhere, too. Our annual Employee Benefits Awards judging took place in March (see the full list of finalists on page 8) and, as always, we saw intriguing innovations all over the place.

We would like to extend huge congratulations to all the finalists. The standard was extremely high and many perfectly decent schemes did not make it through the rigorous process of looking for excellence.

Debi O'Donovan, *Editor*
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THE MONTH IN NUMBERS

73%
of respondents in EMEA actively communicate with staff about their compensation and benefits, according to Aon Hewitt research.
bit.ly/1kLPmJs

20,000
BT staff will get a payout as a five-year sharesave scheme matures.
bit.ly/NOHAfC

£203 million
The amount John Lewis employees will share in a bonus payout.
bit.ly/1fd4ZBD

24
The number of countries in which Telefonica will eventually offer its global recognition programme.
bit.ly/1kSRl6a

15%
of respondents said their main reason for providing a DC pension plan is to ensure staff save for an adequate retirement, according to research by Towers Watson.
bit.ly/NmHXSO

£27.8 million
The amount nearly 143,000 Asda employees will share as part of an annual bonus scheme.
bit.ly/1fO2SbO

10%
of Bayer's 9,000 active pension plan members have raised their contributions since it rebranded its pension communications.
bit.ly/1kMu1Qf

130 million
The number of days lost due to sickness absence in the UK in 2013, according to the Office for National Statistics.
bit.ly/1evKCPK

SHARES

Investment limit increase puts share schemes in the spotlight

Jennifer Paterson

Employees that chose to take part in their employers' five-year sharesave schemes in 2008, at the start of the financial crisis, are now reaping the benefits as markets continue to improve.

In 2008, international markets, including the London Stock Exchange, suffered their biggest falls since 11 September 2001.

When BSkyB launched its five-year sharesave scheme in 2008, the option price was £3.72. When the scheme matured in January 2014, the share price stood at 888.75p. About 1,500 employees are set to receive a payout.

Elsewhere, 20,000 BT staff will receive an average payout of £8,400 when a five-year sharesave scheme matures in 2014, and more than 1,000 Whitbread employees will share £6 million following the maturity of three- and five-year sharesave schemes.

This year is an ideal time for employers to promote share plans. From 6 April 2014, the investment limits for sharesave schemes and share incentive plans (Sips) will rise for the first time in 20 years.

Malcolm Hurlston, chairman of the Employee Share Ownership (Esop) Centre, said: "Organisations are looking at whether it's a good idea to go up to the new limit in one go or take it more slowly.

BSkyB staff are set to receive a payout

"There is great enthusiasm from employers and employees. In terms of the numbers on the payout, it's going to be game-changing."

Research published by share scheme provider Equiniti in March, which surveyed its employer clients that provide sharesave and Sips, found employers are already reorganising their 2014 share plan launches around the new legislation.

Among Equiniti's employer clients that provide sharesave, six are delaying this year's launch until after 6 April to use the new limit. Also, 14 employers that provide a Sip have confirmed their dates to move to the new £150 per month limit for partnership shares.

Jennifer Rudman, manager, employee share plans product development at Equiniti, said: "We're discussing with [employer] clients when it is better for them to make the change in relation to their payroll systems, the cut-offs and the notifications."

Share scheme maturities

- 20,000 BT staff will receive an average payout of £8,400 when a five-year sharesave scheme matures in 2014.
- More than 1,000 Whitbread staff will share £6 million following the maturity of its three- and five-year sharesave schemes.
- BSkyB's sharesave schemes have also matured, with about 1,500 employees set to receive a payout.

Employers' response to new savings limits

Among employers that provide sharesave schemes:

89% currently allow the maximum monthly savings limit of £250.

54% intend to increase the monthly savings limit.

78% do not intend to change the usual launch date of their scheme because of the higher limit.

Among respondents that offer Sips:

26% do not need to change their scheme rules to take account of the limit increase.

88% intend to increase the savings limits employees can make for partnership shares.

Source: Survey carried out by Equiniti among 66 employers (40 that provide sharesave plans and 26 that provide Sips)

There has also been a flurry of rumoured initial public offerings (IPOs) in 2014. A number of employers, such as Pets at Home and Poundland, have confirmed they are considering an IPO this year.

Merlin Entertainments, which became publicly listed on the London Stock Exchange in November 2013, launched its first three-year sharesave scheme in February, and 3,000 staff joined up.

Esop's Hurlston added: "When we had our [Global Employee Equity Forum] in Davos [in February 2014], I asked everybody there: 'Are you feeling more confident now than at this time last year?' All of the people present, mainly from the UK, said they were more confident."

@ For a longer version of this story: bit.ly/1lOjfpr

PENSIONS

Budget radically reforms DC pensions

Jennifer Paterson

In the Budget 2014, Chancellor George Osborne (pictured) announced greater flexibility in the way employees retiring with defined contribution (DC) pensions can take their savings.

In the future, DC scheme members will be able to take their pension wealth as a lump sum, drawdown, or an annuity.

A range of changes came in to effect from 27 March.

These include: an increase in the maximum lump sum that can be taken from £18,000 to £30,000; an increase in the number of small pension pots from which 100% lump sums can be taken to three; and an increase in the amount a member can drawdown each year from 120% to 150% of an equivalent annuity (that is, the amount an annuity would have paid out in that year).

In addition, in order to be allowed to drawdown from a pension, DC

members will have to be earning at least £12,000 a year, down from the current £20,000 a year limit.

The government has proposed, from April 2015, that people will still be able to take a tax-free lump sum of up to 25% of the value of the pensions pot (as per current rules), however, any cash taken over the 25% tax-free limit will be taxed at the person's marginal tax rate and no longer at 55%.

The government has also proposed that, from April 2015, pension members will no longer be required to purchase an annuity.

Andrew Roberts, partner at Barnett Waddingham, said: "There's been confusion about increasing the capped rate while, at the same time, introducing flexible drawdown for everyone.

"This is because the rules are being relaxed temporarily until 6 April 2015 when the uncapped drawdown rules are introduced. Until then, from 27 March 2014, maximum drawdown rates will increase to 150% of annuity rates and flexible drawdown will be available for those with secure pension income of £12,000.

"This interim step seems a little bit unnecessary. Other than placating pensioners a year earlier, it seems to add extra complication for little gain.

"Pension providers will have to update documentation that they know will have a limited shelf life and issue revised drawdown certificates, and advisers may have to revisit drawdown advice for one year only."

Joanne Segars, chief executive of the National Association of Pension Funds, added: "The idea that savers can take their pension as a lump sum, albeit subject to tax, may be an incentive to save. However, this choice brings with it a significant burden of responsibility for individuals to understand the choices they are making.

"It is concerning there appears to be little robust modelling to reassure us the government has understood the risk that a number of people will run through their pension pots too quickly. We fear these reforms will leave a large swathe of people vulnerable to poverty in old age."

The age at which DC members can do this will increase from 55 to 57 in 2028.

@ See all the Budget measures impacting benefits at: bit.ly/1eudSLa

PEOPLE MOVES

Sparks joins Southern

Southern Water has appointed Janine Sparks head of reward and performance. She was previously senior reward manager at British Airways.

Sparks was 'Employee Benefits Professional of the Year' in the 2013 Employee Benefits Awards.

Carphone calls Hinds

Jeremy Hinds has joined Carphone Warehouse as group reward and corporate HR director.

He was previously international reward and engagement director at The Body Shop. Other previous roles include head of people systems and reward at Pret A Manger, HR operations manager at SJ Berwin, group payroll manager at Esporta, payroll and benefits manager at The London Clinic and business systems manager (HR/pay) at Sema Group.

Valjy moves to Coca-Cola

Coca-Cola Enterprises has appointed Mohammed Valjy benefits director, Europe, Eurasia and Africa.

He has spent eight years at Thomson Reuters, most recently as international benefits manager.

HSBC banks on Jordan

HSBC has appointed Ana Jordan performance and reward manager for global private banking.

Her previous roles in the industry include European compensation and payroll manager at Legg Mason, compensation and benefits manager at Ogilvy and Mather, a range of payroll roles at Pinnacle PSG, and HR and payroll administrator at Royal London Hospital.

Docherty at Royal Mail

Royal Mail has appointed Damian Docherty industrial relations reward director.

He was previously European reward director at Ricoh Europe. Other roles have included senior reward manager at Lloyds Banking Group, head of employee relations and reward at the University and Colleges Employers Association, and Europe, Middle East and Africa head of compensation at Goldman Sachs.

Faulkner steps up

Grant Thornton has promoted Sophie Faulkner to reward and policy manager. Since joining Grant Thornton in 2008, she has held a range of roles, including senior benefits administrator, benefits supervisor, and senior reward and policy executive.

She was previously principal pensions assistant at Northamptonshire County Council and pensions assistant at the London Pension Fund Authority.

RSPB appoints Ross

RSPB has appointed Jo Ross interim pay and reward project manager.

She was previously HR quality manager at Bromford Group, which won the 2012 Employee Benefits Award for 'Most effective benefits communications strategy for employers with fewer than 5,000 UK staff'.

The latest information on tax and legal issues affecting employee benefits, including measures set out in Chancellor George Osborne's Budget on 19 March and the government's new tax-free childcare scheme

TAX

Childcare voucher schemes to be phased out

Jennifer Paterson

The employer-supported childcare voucher scheme will be closed to new entrants from autumn 2015, when the government's new tax-free childcare scheme takes effect.

On 18 March, the government announced it will raise the costs cap to £2,000, from £1,200. It also confirmed the scheme will be rolled out to all eligible families with children under 12 within the first year of its operation, rather than gradually rolling it out over a seven-year period.

The existing childcare voucher scheme will remain open until the new scheme takes effect. Once the new system comes into force, employees that had taken up childcare vouchers prior to this date can remain in existing schemes, so long as they do not change employers.

Mark Groom, tax partner at Deloitte, said: "The new proposals are not only more generous, they are also much fairer for providing tax relief for childcare to a much bigger parent population.

"From autumn 2015, the new scheme will be administered by parents opening an online account through the government website."

The government has said the new scheme will

benefit childcare providers, which will be able to receive each child's payment from a single account under tax-free childcare, rather than keep track of multiple payments relating to a single child from different bank and voucher accounts.

Carole Edmond, managing director of Bright Horizons, added: "Any change brings uncertainty and we all need to be reassured that the new scheme will offer a seamless transition from the current one. Payment transactions need to happen efficiently because delays can have serious repercussions for the many small providers in our marketplace."

@ Read a longer version of this story at: bit.ly/1diyUOC

BUDGET 2014 ROUND-UP

Key announcements impacting benefits

- 2014 to 2015: more flexibility to be allowed for employees retiring with DC pensions. bit.ly/1dqjmTs
- From 27 March: maximum lump sum taken from a pension pot increased to £30,000 from £18,000. bit.ly/1dqjmTs
- From 27 March: tax-free amount that can be taken out of small individual pension pots as a cash lump sum increased to £10,000, from £2,000. bit.ly/1dqjmTs
- From 27 March: amount members can drawdown each year increased from 120% to 150% of an equivalent annuity. bit.ly/1dqjmTs
- From April 2015: proposed that staff no longer have to purchase an annuity. bit.ly/1mhrmOO
- From April 2015: proposed that any cash lump sum taken over the 25% tax-free amount will be taxed at the person's marginal tax rate and not at 55%. bit.ly/1dqjmTs
- From April 2015: government to guarantee free face-to-face advice for all employees that retire in DC pension schemes. bit.ly/1ddsGzG
- From April 2015: personal allowance increased to £10,500 a year. bit.ly/1gAwjtZ
- Ongoing: government to consult on four tax simplifications. bit.ly/1hHO8eF
- Ongoing: transfer ban to be introduced to prevent staff transferring out of public sector defined benefit pensions. bit.ly/1gHfphF

ADVICE FROM THE EXPERTS

Damian Stancombe is head of employee benefits at Barnett Waddingham

Will DC members have too much flexibility?

While the revelations of the Budget have undoubtedly increased flexibility around pensions saving, my concern is that while this may widely be viewed as a positive thing for scheme members, it leaves employers questioning the role of the workplace defined contribution (DC) pension arrangements for employees.

Chancellor George Osborne's announcement has effectively turned DC arrangements into later life savings vehicles rather than a retirement vehicle. Employees are no longer required to use all or part of their pension pot to secure an annuity income until death. Instead, the government has, in my opinion, wrongly put full trust in the British public by giving them the unlimited drawdown option to raid their pot from age 55.

The reality could be that many members will use their savings to fund aspirational purchases that they previously wouldn't have been able to buy, while many more could use the money to pay off debt.

My fear is that this is giving too much responsibility to the employee. Annuities in the traditional sense have been broken for a long time now, but we needed innovation in this space not a total rewrite of the rules. With savings depleted, individuals could remain a burden on an employer's payroll, as they find themselves unable to retire unless they are happy with what the state provides.

I can see two things developing quite quickly: a retrenching of employer DC contributions to a minimum, and collective defined contribution and defined ambition options being real alternative considerations.

@ To read more advice from tax and legal experts, go to: bit.ly/RYrvb6

Here are the finalists for the 2014 Employee Benefits Awards

Best staff travel policy
- Bovis Homes (entered by Zenith) – BRICS (Bovis Regulated Independent Car Scheme)
- Capital One
- Leicester City Council (entered by Tusker) – Salary Sacrifice Green Car Scheme
- The Rugby Football Union (entered by Alphabet GB) – AlphaCity CarSharing

Best healthcare and wellbeing benefits – small employer
- Aspen Healthcare – Your Rewards
- Chaucer Syndicates – Health and Wellness
- Goodman Masson
- London Overground Rail Operations – Health and Wellbeing Strategic Action Plan
- Manchester City Football Club – City Health and Wellbeing
- MEC (entered by Aon Hewitt)

Best healthcare and wellbeing benefits – large employer (sponsored by Westfield Health)
- BMW Group UK – BMW Wellbeing
- Cafcass (entered by Medicash)
- City and Guilds – Group Wellbeing Programme
- University of Sheffield – Juice. Everyday Health and Wellbeing
- Zurich – Zurich Wellbeing

Best pensions auto-enrolment strategy – small employer (sponsored by Scottish Widows)
- Hutchison 3G – Automatic Enrolment
- Pentland Brands (entered by Standard Life) – Pentland Personal Pension Scheme
- TalkTalk Group (entered by Capita Employee Benefits) – Creating One TalkTalk
- Telent (entered by Standard Life) – Telent 2010 Plan
- Victim Support (entered by Foster Denovo)
- Warburtons – Warburtons Pension and Life Assurance Plan – DC Section

Best pensions auto-enrolment strategy – large employer (sponsored by Scottish Widows)
- Arriva (entered by Standard Life) – Arriva workplace pension plan
- E.On (entered by Benefex) – My Choice E.On Pension Plan – with the theme 'Don't Gamble with your Retirement'
- GeoPost (entered by Lorica Employee Benefits) – GeoPost AE
- LV= – My LV= Pension Plan
- McDonald's Restaurants
- Wolseley UK – Wolseley UK offering Auto Enrolment to DC Plan

Best pensions communications – small employer
- Bacardi (entered by Hymans Robertson) – Bacardi-Martini UK Pension Scheme, Defined Contribution Section
- Hutchison 3G
- Samsung (entered by Thomsons Online Benefits) – Highlights
- Simplyhealth – Pensions Auto Enrolment Communications
- Telent (entered by Standard Life) – Telent 2010 Plan
- The University of Reading – Pensions+/ Benefits+

Best pensions communications – large employer
- E.On (entered by Benefex) – My Choice – Who wants to be comfortably retired?
- JP Morgan (entered by Towers Watson) – JP Morgan UK Pension Plan
- KFC (entered by Lorica Employee Benefits) – KFC: My so good rewards – pensions
- LV= (entered by AHC) – My LV= Pension Plan
- Royal Bank of Scotland Group (entered by Hymans Robertson) – 'Picture yourself tomorrow' for the RBSelect pensions election window for members of the Retirement Savings Plan
- Tesco

Best DC pensions default investments
- Jobs and Business Glasgow (entered by Barclays Corporate and Employer Solutions)
- Mills and Reeve (entered by Thomsons Online Benefits) – My£reward
- Telent (entered by Standard Life) – Telent 2010 Plan

Best financial education strategy (sponsored by Wealth at Work)
- AT&T (entered by Aon Hewitt) – AT&T Pension Scheme
- Kodak (entered by Aon Hewitt) – Kodak Pension Plan
- Live Nation Entertainment (entered by Thomsons Online Benefits) – Live Benefits
- Martindale Pharma (entered by Secondsight)
- McCarthy and Stone (entered by Hargreaves Lansdown) – McCarthy and Stone Pension and Investment Plan
- University of Lincoln

Most motivational benefits (sponsored by Edenred)
- Asda Stores – Asda Stars Recognition Scheme
- Danone (entered by P&MM) – DNA Employee Recognition Scheme
- Equiniti Group – One Equiniti Icon Awards
- MEC (entered by Aon Hewitt)
- The University of Reading – Celebrating Success
- UKTV
- Unify (entered by Edenred) – Unify's OpenScape Office Global Reward Scheme

Best flexible benefits plan
- Asos.com (entered by KPMG) – Asosextras
- Hyde Housing (entered by Lorica Employee Benefits) – Hyde Housing iFlex
- Marks and Spencer (entered by Benefex) – Choices and Perks
- Orange Business Services (entered by Mercer Marsh Benefits) – World of Benefits
- Samsung (entered by Thomsons Online Benefits) – Highlights Flexible Benefits
- Santander (entered by Grass Roots) – You choose... your benefits
- Withers Worldwide (entered by Willis Employee Benefits) – With...your benefit in mind

Best voluntary benefits
- Asda Stores – Everyone Benefits Site
- Aspen Healthcare – Your Rewards
- Axa UK – My Benefits@Axa
- Nottingham City Council (entered by P&MM Employee Benefits) – Works Perks
- Southco Manufacturing (entered by BHSF) – MySouthcoBenefits

Best employee share scheme
- Asda – Asda Share Schemes
- Marks and Spencer (entered by Equiniti) – Sharesave 2013
- Partnership Assurance
- Tesco
- Whitbread – Whitbread Sharesave Scheme

Best international or expatriate benefits
- Cisco (entered by Thomsons Online Benefits) – iBenefits@Cisco
- Hilton Worldwide (entered by Mercer Marsh Benefits) – EMF (Expatriate Mobility Framework)
- Lloyd's Register – Global Mobility Transformation
- National Grid – Appreciate

Best benefits communications – small employer
- Asos (entered by Benefex) – Reward Awareness Season
- Baker Hughes (entered by Hymans Robertson) – BakerHughes myBenefits
- Danone (entered by Thomsons Online Benefits) – My Rewards
- De Montfort University (entered by P&MM Employee Benefits) – DMU Rewards
- MEC (entered by Aon Hewitt)
- MetLife (entered by Towers Watson) – My Choices

Best benefits communication – large employer (sponsored by Cigna)
- E.On – (entered by Benefex) – My Choice – You're in the Driving Seat
- HSBC (entered by Aon Hewitt) – My Choice
- Marston's
- RWE Npower (entered by Edenred)

Best work-life balance strategy
- Hastings Direct
- Live Nation Entertainment (entered by Thomsons Online Benefits) – Live Benefits
- Northern Trust (entered by My Family Care)

Best total reward strategy (sponsored by Aon Hewitt)
- Nestlé (entered by Mercer)
- Sainsbury's Supermarkets
- Thales (entered by Thomsons Online Benefits) – Simply Flexible
- Withers Worldwide (entered by Willis Employee Benefits) – With...your benefit in mind

Best total reward statements
- Asda Stores – The Asda Total Package Website Incorporating Online Payslips
- John Lewis Partnership (entered by Edenred) – JLP TRS
- Mondelèz International – Simply Rewards – Total Reward Statements (paper)
- Siemens (entered by Mercer Marsh Benefits) – My choice
- Tesco – Tesco Benefit Reports
- Unilever – Global Total Reward System
- Virgin Holidays – Total Reward Statements

Best alignment of benefits to business strategy
- DFS
- GeoPost (entered by Lorica Employee Benefits) – GeoPost Benefits
- Marks and Spencer (entered by Benefex) – Choices and Perks
- Thales (entered by Thomsons Online Benefits) – Simply Flexible

Most engaging benefits package (sponsored by Personal Group)
- Danone (entered by Thomsons Online Benefits) – MyRewards
- East Coast Mainline Company – Shine
- Goodman Masson – The Benefits Boutique and The Experience

Employee Benefits Professional of the Year (sponsored by Lorica Employee Benefits)
Shortlist will be announced soon

Benefits Team of the Year
Shortlist will be announced soon

Find all the information and enter at www.employeebenefitsawards.co.uk

Final preparations are under way for the 2014 Employee Benefits Summit, which takes place at the Barceló Asia Gardens Hotel and Spa in Alicante, Spain, from 14 to 16 May

employee benefits SUMMIT
14-16 MAY 2014
ASIA GARDENS HOTEL & SPA • Alicante, Spain

Experts speakers to share insights

The 2014 Employee Benefits Summit will feature a selection of expert speakers who will cover a wide variety of reward topics. These include:

Wendy Cartwright, former HR director of the Olympic Delivery Authority, will lead a session entitled 'Are organisations finally championing health and wellbeing in their business?'

Sarah Purnell, head of UK reward and benefits at Tesco, will discuss how reward can be used to retain talent in a session entitled 'The outlook for reward and benefits as the economy improves'.

Martin Flavell, HR director at Finmeccanica UK, will speak about 'Defined contribution pension default investments: meeting the needs of members'.

Keith Baker, compensation and benefits manager at Martindale Pharma, will share his experience of 'Communicating a revamped pension and benefits package to employees'.

Karen FitzGerald, head of global mobility at the Royal Bank of Scotland, will look at developing multi-generational workforces in today's globalised economy in a session entitled 'Rethinking approaches to global mobility'.

Bob Hughes, director of the Engage for Success Foundation, will close the Summit with a session entitled 'The workplace of the future'.

Still time to apply for a free place at Summit

Benefits and reward directors from large organisations are invited to apply for a free place at the annual Employee Benefits Summit in May.

The Summit brings together 50 senior benefits and reward directors to network and discuss the future of the industry with consultants, suppliers and leading industry commentators.

The event, now in its ninth year, will give delegates a chance to explore the future of the benefits market, and will also help to facilitate relationships between key employers and providers.

Delegates will attend a packed schedule of high-level conference sessions arranged by Employee Benefits, plus a series of interactive workshops hosted by the event's sponsors. There will also be plenty of time for networking and idea-sharing.

Thought-leadership workshops are key element

A key element of the annual Employee Benefits Summit is the small, thought-leadership workshops that are run by leading industry consultants and suppliers.

The sessions facilitate professional networking, exchanging of expertise and the chance to learn new techniques and strategies for delegates to take back to their organisations.

Delegates will be divided into different groups for each workshop to maximise networking opportunities.

Discussions will cover a wide range of reward and benefits topics.

The event is sponsored by Aon Hewitt, Barclays, Capita, Lorica Employee Benefits and Tusker.

For more details and to register your interest in attending, visit www.employeebenefitssummit.co.uk

@ email us at **eb.editorial@centaur.co.uk** with your views

LOVEWELL'S LOGIC

Debbie Lovewell-Tuck discusses the need for greater transparency in pension costs

Do suppliers provide value for money?

Do you feel you are getting value for money from your benefits suppliers and consultants? More specifically, from your pension suppliers? If your experiences are anything like those of delegates at last month's National Association of Pension Funds Investment Conference in Edinburgh, the answer is likely to be no.

When polled ahead of a panel debate on the topic, nearly three-quarters of delegates said they did not believe pension funds were getting value for money from consultants, providers and active asset managers. In the debate that followed, it was argued that too high a percentage of the cost of running a pension scheme comprised investment fees and stock selection, rather than crucial issues such as strategy.

This followed the government tabling an amendment to the Pensions Bill to require pension providers to disclose all transaction costs in workplace defined contribution (DC) schemes. The move is intended to help employers see how much they are paying for asset management services to get the best value for pension scheme members, who will also benefit from more transparency.

Greater transparency around costs is crucial to boosting pensions value for both employers and scheme members. As things stand, there is so little information available around what costs include, that mandatory transparency could go a long way to creating greater value and boosting retirement outcomes.

But how long such a significant shift will take to happen remains to be seen.

Follow Debbie Lovewell on Twitter: @DebbieLovewell

LINKEDIN DISCUSSION BOARD

In her weekly blog on 7 March, Debi O'Donovan (pictured), editor of *Employee Benefits*, asked why the benefits industry is getting back to basics. She wrote: "...although the new world order is different, with new technologies available, new benefits emerging and new communication media on offer, it is important to remember that, before trying to find out what everyone else is doing, employers should first work out what they need for their organisations."

@ 100% agree. As I said to Clare [Bettelley, associate editor of *Employee Benefits*] recently, we always talk to our employees, and gather their thoughts and ideas before implementing any new benefits or making enhancements to their existing benefits.
We never assume for one minute that because we think it is a great benefit, so will they.
Sharon Tebb, compensation and benefits manager, Withers

100 club column

Mirka Slater looks at coping with expansion

employee benefits 100 Club
In association with LORICA Employee Benefits

Global growth drives data need

Expedia has, in a relatively short time, grown from a small offshoot of Microsoft, with a startup of only a few people in Europe, the Middle East and Africa (EMEA), to having 5,500 staff across 23 countries.

Because of this rapid growth, many countries in EMEA had not been reviewed properly for some time and I was not sure how accurate my data was any more and whether we were lagging behind the competition looking at our overall reward strategy.

As we have to plan ahead with a benefits offering that looks professional, is exciting and engaging to employees, and strategically aligns with our business, my plan for the region is to think bigger and better.

My first step is to automate and streamline to ensure we get rid of manual tasks and go paperless as much as we can. After we have managed to get to a level where we can process and manage our benefits more quickly and accurately, we can look for the additional 'nice to haves' that give us a competitive edge.

My problem was that to get to this first step, we needed to find out where we were today in much greater detail across all Expedia organisations in the region before we could start planning any other efficiencies.

We decided to mass-audit all our benefits in the countries that had not been reviewed properly recently. We wanted to know whether, across the 23 countries, we had any 'black holes' (that were non-compliant or if we were lagging behind competitively).

Expedia decided to partner with a global advisory firm, and together we set up the framework for the audit. After the audit, we held an EMEA benefits summit, which involved going through these findings and prioritising what work needed to be done.

It was a great starting line for all parties in the reward area. Key stakeholders were informed and booked to attend two full-day sessions at our London office. People from overseas and within the region came together to talk through the audit and set a goal for going forward.

It was a great success and other teams got a better understanding of what work is needed and what resources are required. This made it easier to set out expectations for the business with regard to renewed or new benefits.

The audit was well worth the time and money spent on it because we needed a solid set of data to work from and a clear priority list for the year ahead. This will now help us to aim for the bigger and better solution we are looking for.

Mirka Slater is Europe, Middle East and Africa (EMEA) benefits manager at Expedia

The 100 Club comprises industry leading lights who have contributed to Employee Benefits

From the **frontline**

Duncan Brown talks about the value of good communication

Reward communication: are you listening?

I have just received the invoice after a visit to a hospital consultant. The £156.50 bill, my private medical insurance provider informed me, would be split, with me paying £150 and them £6.50. Wow, that higher excess got slipped in quietly.

Reward communication is hard: trying to get highly technical, mathematical and financial information across to busy staff that show little interest most of the time. Until things go wrong. And things do seem to be going wrong.

We are about to publish two of our regular studies at Aon Hewitt: the annual review *Global Trends in Employee Engagement*, which covers more than five million employees, and our annual *EMEA Benefits Communications Survey*, which includes 294 employers in 18 countries.

Last year's findings were not good. While engagement levels globally were up 2% to 60% in line with the slowly recovering economy, the average level in the UK was flat at just 47%, so less than half of our staff are engaged at work.

The communications survey highlighted cultural and national variations, with the UAE's employers spending the most per head, the French being the most reliant on paper communications, the Spanish on face-to-face, and so on. But just 16% of the employers polled rated their benefits communications effective and just 28% issue total reward statements.

These two sets of findings are not unrelated. While career opportunities and having a future with an employer are the number one driver of engagement in every region of the world, the financial package has become a more important determinant in cost-of-living-pressured Europe. And there is a strong correlation between the perceived quality and openness of employee communications and overall engagement levels.

Also, there is a gap of almost 30% in positive perceptions of pay and benefits between those employers with the highest levels of employee engagement and the European average.

Some 88% of the organisations surveyed communicate with their staff about reward once a year and one-third regard this as part of their engagement and talent management strategies. This hardly suggests a wholehearted commitment to openness. Some studies, such as the Equality and Human Rights Commission's *Research Report 2: Equal Pay Reviews Survey 2008*, suggest UK employers may have become less open on reward communications, fostering ignorance and maybe perceptions of unfairness.

"This hardly suggests a wholehearted commitment to openness"

The good news is that 86% of respondents in our benefits study were planning to invest in improving their compensation and benefits communication, so it will be interesting to see how far the dials have moved.

Follow Duncan on Twitter: @duncanbhr

THE TOP TWEETS AT EMPLOYEE BENEFITS CONNECT

@d_ashricky – Reflective mood after EB Connect. Met up with some good networking contacts today and made some more great contacts. #EBConnect

@paragoUK – Excellent event yesterday! Some very interesting speakers and topics! Thanks for having me

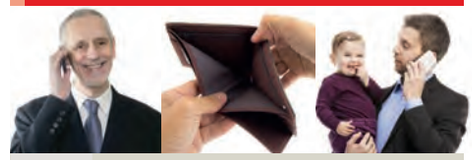
@PeoplesPension – Big thanks to the @EB_Connect team and everyone who attended #EBConnect yesterday

@hymansrobertson – Had a great day at #EBConnect! Thanks to everyone who came to our stand for a chat and well done again to our lucky prize winners!

@Sodexo_UK – @EB_Connect It was a great success! Thanks for coming to our stand and discovering our #reward portal and #incentives #EmployeeEngagement

@Dev_Reward – #EBConnect Annette from @AonHewittUK is exactly right, we need to think like consumer marketeers for benefits

TOP 13 MOST VISITED STORIES ON THE WEB*



1	Tax and legislation changes taking effect in April *bit.ly/1fZRTMC*
2	The impact of an ageing workforce on a benefits strategy *bit.ly/1dnR4Zy*
3	Google opens on-site wellness centre in Ireland *bit.ly/1mfxHu9*
4	All employers need to know about car salary sacrifice schemes *bit.ly/1hBvlCd*
5	Employers must support staff with mental health issues *bit.ly/1phA4wm*
6	Employee Benefits Connect 2014 speaker slides available *bit.ly/1lOlRUk*
7	HMRC loses NI contributions case *bit.ly/1hwrxQl*
8	Shared parental leave receives royal assent *bit.ly/1gFjBL6*
9	Goodman Masson trademarks staff engagement *bit.ly/1izlnSp*
10	Tribunal rules post-natal depression dismissal not discriminatory *bit.ly/PLXpt2*
11	Government names five employers that failed to pay minimum wage *bit.ly/1lL5Y1j*
12	British Sugar increases benefits take-up *bit.ly/1jQzOf7*
13	Coca-Cola signs up to staff engagement initiative *bit.ly/1fWhDKp*

*Ranked by the number of page impressions from 14 February-17 March 2014

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Vision of transparency hits a sweet spot in reward

Nick Court, reward and benefits manager at British Sugar, went from forklift truck driver to roles in employee relations and payroll before landing his current job, in which he wants to achieve maximum visibility

Nick Court, reward and benefits manager at British Sugar, found his way into the reward profession via employee relations.

After spending three years as a forklift truck driver with Tesco, where he was also a trade union representative, an opportunity arose to move into the retail giant's employee relations and payroll functions.

"I came in on a bit of a curve; I worked my way up from the ground," says Court. "I looked after employee relations before moving into payroll for the UK. I was asked if I would be interested in doing the reward manager's role in 2008. I initially said no, but changed my mind at the 11th hour."

Court worked at Tesco until May 2013, and during his time there he oversaw pay negotiations, the implementation of new contracts for warehouse operatives, and played a role in negotiations with trade unions and the development of reward and benefits schemes.

Court then moved to British Sugar as reward and benefits manager. "I was looking for the next move," he says. "I have always worked in retail, so manufacturing was a challenge for me. I was used to large multinational organisations and I was comfortable with the scale of the operation.

> "We want to be transparent, so employees know what we are doing"

"The challenge of looking after benefits I have not worked on before was a big change. It was an opportunity not to be missed."

Court is responsible for British Sugar's car fleets and developing benefits strategies. His role also involves working with parent organisation Associated British Foods (ABF) to ensure its reward and benefits strategy is right for British Sugar employees.

Court's most recent achievement was the successful launch of British Sugar's online benefits portal, which boosted employee take-up of benefits to 53%.

Court takes a creative approach to benefits at British Sugar by ensuring he is visible throughout the organisation, so employees not only know their benefits, but also know their reward manager.

"I don't want to know what everyone else in the industry is doing; it's great to know that, but I want to know what is right for us," he says. "I take a creative view of the role. I want to be visible: employees have a reward function, but don't know who the reward manager is. Myself and British Sugar don't want that; we want to be transparent, so employees know what we are doing, what we are about and who we are."

Team balance

When recruiting new staff into the HR, reward and benefits department at British Sugar, one of Court's priorities is to look at getting the team balance right. "What I bring to the team is different to what someone else brings," he says. "It's about how you get that mix. I look at how they are going to sit in the organisation, where their energy comes from and what drives them to be passionate about their job."

Court sees part of his role as reward and benefits manager as continuing to develop the benefits already in place. "The most important reason I came into this organisation was to really drive efficiency in the reward area and to make it more visible as a function," he says. "The online portal was a real launch-pad and now we can look at how we develop the benefits here. The future is around growing what we already have." **Robert Crawford**

Q&A

What has been the biggest focus in your new role?
Launching the online benefits portal: that's the biggest thing. I have come into the role and picked up the annual pay review, but worked on launching the benefits portal and increased take-up of benefits.

What one tip would you give someone looking to get into your current role?
Have a real mix, be passionate about people and energetic about the specialism. But also look at how you will sit in the organisation and what your values are.

What would you like your next career move to be?
Ask me in 18 months; there is so much to focus on now. British Sugar is a great organisation, and so is ABF. There are so many opportunities, I see myself staying in the ABF group.

CURRICULUM VITAE

May 2013-present reward and benefits manager, British Sugar

October 2012-May 2013 personnel manager, Tesco

August 2008-January 2013 reward manager, Tesco

January 2004-August 2008 UK payroll operations manager, Tesco

January 2001-January 2004 employee relations manager, Tesco

January 2000-January 2001 payroll manager, Tesco

GROWTH SPURT

There has been a surge of interest in some of the newer perks in flexible benefits schemes, says **Debbie Lovewell-Tuck**

Emergency eldercare, car salary sacrifice schemes and gadget insurance look set to be the fastest-growing benefits in flexible benefits plans, according to the *Employee Benefits/Towers Watson Flexible Benefits Research 2014*, which received 346 responses from readers of *Employee Benefits* and users of *www.employeebenefits.co.uk* in January 2014.

Emergency eldercare is set to grow by 142%. Some 9% of survey respondents currently offer this as a benefit, with a further 10% indicating they are planning to add it.

Meanwhile, car salary sacrifice schemes look set to see 122% growth and gadget insurance 100%, if all respondents that indicated they are planning to add these benefits to flex actually do so.

To put this into context, Paul Brown, head of flexible benefits consulting at Towers Watson, says: "These are generally benefits that are not widely provided now, so even seeing a 100% rise in the number of [employers] offering these benefits still won't see them provided by more than one in four [organisations].

Emergency eldercare and gadget insurance are both relatively new benefits to be included in flex plans, which could explain why these are among the fastest-growing additions to flex rather than more established benefits that are already offered by many employers.

IF YOU READ NOTHING ELSE, READ THIS. . .

- **Emergency childcare, gadget insurance and salary sacrifice car schemes look set to be the fastest-growing additions to flexible benefits schemes.**
- **But a current lack of providers means it may be tricky for employers to offer these benefits, due to lack of choice and little opportunity for price comparison.**
- **These benefits markets appear set to grow further.**

10 FASTEST-GROWING BENEFITS IN FLEXIBLE BENEFITS PLANS

	% growth
Emergency eldercare	142%
Cars (salary sacrifice)	122%
Gadget insurance	100%
Cars (low-emission)	92%
Corporate individual savings account (Isa)	69%
Computers for home/tablets	62%
Mobile phones	52%
Company cars	48%
Financial advice/counselling	34%
Dining card	30%

Sample: Respondents that offer staff a flexible benefits plan, are currently designing a plan or are considering doing so (179 respondents)

Their popularity is also likely to be driven by employee demand.

"Some benefits have a targeted appeal to a particular segment of the plan, which might be a good balance with other less popular benefits for that segment," says Brown. "The trick is for employers to have an appropriate range of benefits to appeal to all their population."

More challenging

However, as such benefits, particularly emergency eldercare, are still relatively new to the market, employers may find these more challenging to introduce than some more established benefits. The currently limited pool of emergency eldercare providers, for example, means employers have little opportunity to shop around on factors such as price.

Dipa Mistry-Kandola, a senior consultant at Lorica Employee Benefits, says: "The issue is that there are not many providers in the market. Eldercare is asked for when we do staff focus groups and surveys, but it's a challenging benefit for employers to put in because there aren't many providers for them to compare.

"Also, not many of them have a proven track record yet, so while it's something they definitely want, the providers aren't ready."

But Mistry-Kandola says she expects this market to develop in much the same way as the childcare voucher market did. "In 12 to 18 months, we will see more of those schemes in place but for now, employers are struggling to find a solution that fits them because they have to go with the two providers that are there."

Newer benefits, particularly gadget insurance, may see further growth as employers' concerns about providers' longevity and service levels are eased. "Employers don't want to offer something unless there is a robust provider in place," says Mistry-Kandola.

Once new benefits have been added to flex, employers should bear in mind it can take time to establish a reasonable level of take-up and staff engagement with these. "Some staff have existing insurance and take up the benefit at a later point," says Brown. "Other employees will wait until they hear recommendations from their colleagues before selecting new benefits."

A year from now, it will be interesting to see just how employers' plans to introduce these benefits to flex has panned out EB

@ Read the full research findings at:
bit.ly/1jXefQb

Co-operating to bring benefits to a wider UK workforce

Debbie Tankard, national sales and marketing manager at Co-operative Flexible Benefits, explores the accessibility of benefits to employees and why staff should be encouraged to take advantage of the schemes available to them

Co-operative flexible benefits
Delivered by The Midcounties Co-operative

The most important aspect of any successful business is its employees, and businesses that have a more engaged and enthusiastic workforce are often those which have initiatives and benefits in place to support their staff both at work and at home.

Introducing a selection of benefits can help boost morale among staff, which can in turn lead to reduced employee turnover. This results in an additional benefit for the business as it reduces recruitment and training costs, and generates an experienced team to work alongside and help develop newcomers joining the business.

A regularly voiced concern from some business owners is they feel their operation is too small to warrant having a benefits package in place, but whether the company is a family-run delivery firm with a few employees or a multinational conglomerate with offices across the globe, the same benefits are available to them regardless of their size.

There are a number of different benefits that employers can offer to their employees to help them both save money and feel happier in their jobs, such as childcare vouchers, family-care advice and legal services. However, what can often hinder take up of the benefits available is lack of awareness among staff that they are in place, what they mean and the cost-savings they generate.

We recognised that, with an increasingly online workforce, the most efficient way to communicate a benefits package and its advantages to employees would be through an online portal, which can be regularly updated. And this is where our new Benefits Plus system comes in.

Delivered by Co-operative Flexible Benefits, part of The Midcounties Cooperative, the online software solution enables management teams to share the benefits they offer with their staff, alongside internal news announcements and team updates, details of pension schemes, and simple facilities to record holiday bookings and sickness logs.

The portal can be specially designed to reflect a business's branding so it is instantly recognisable and relatable to staff, an important aspect to encourage use and to give an identity to the service. The software has been built in such a way that it can be accessed on any type of computer, tablet or mobile device, meaning users can log-in whether they are in the office, on a train or at home with their family, to find out more about the savings they are making.

One benefit that many employees often choose to introduce for their employees is Payroll Giving. This flexible scheme allows anyone who pays UK income tax to give both one-off and regular donations on a tax-free basis to charities and good causes of their choice.

What makes our Co-operative Payroll Giving service a unique addition to a benefits package is that it is free to use for the employer, employee and also the charity. We ensure that the nominated charity receives the entire donation by "ring-fencing" the money, so it is not used as working capital and is passed to the charity within seven days of receipt.

This free service forms part of The Midcounties Co-operative's core values and social responsibility commitment to support its local communities, and by absorbing all administrative costs associated with the scheme, we ensure the charities receive the maximum benefit of the donations made.

Payroll giving is an important fundraising tool for charities as it generates a regular and reliable income for their activity, and with the tax relief provided through these schemes, it encourages people to make donations when they may otherwise have been reluctant to. By establishing a relationship with employers, charities may also find this results in additional charitable support, perhaps in the form of volunteering hours or wider fundraising initiatives and sponsorship events.

One essential employee benefit that generates emotive debate is childcare vouchers, and particularly discussion around the government's proposed £750-million Tax-Free Childcare investment. Co-operative Flexible Benefits, a leading childcare voucher provider, is an avid supporter of the proposition, but has strongly recommended changes to the current voucher system to make affordable childcare immediately accessible for working parents, rather than in the government's 2015 timeframe.

The high cost of childcare is a significant financial challenge for many parents, often preventing women from returning to work. The Tax-Free Childcare scheme will give all parents equal opportunities and a greater chance to achieve their career aspirations while ensuring their young children receive quality childcare.

Working parents benefit the local economy and allow children to enjoy a broader social environment from a young age, which can only lead to the sustainable development of our local communities. It is essential that affordable childcare is delivered to working parents in an efficient and simple manner, and soon.

Co-operative Flexible Benefits is proposing amendments to the current childcare vouchers system so that the salary in-put limit is increased, the scheme becomes available to self-employed parents and it is a mandatory requirement for employers to offer the benefit, so affordable childcare is available to working parents sooner than 2015.

Our childcare vouchers can be used at any one of the Co-operative Childcare's 51 nurseries located nationwide, where an emphasis is placed on learning through play in a stimulating environment, as well as at any other Ofsted-registered provision. By using our childcare vouchers to pay or part-pay their nursery fees at "our" nurseries, parents will automatically qualify for further discounts on their childcare costs.

> **"With an increasingly online workforce, the most efficient way to communicate a benefits package and its advantages to employees is through an online portal"**

As a co-operative, providing support and cost-saving solutions to businesses and their employees is a fundamental part of our core values, and as a large proportion of our profits are ploughed back into our businesses, including Cooperative Flexible Benefits, we are constantly looking to innovate and improve the range of benefits we offer and the delivery tools used to communicate them.

It is important businesses know that, regardless of their size, employee base or the industry they operate in, the benefits packages are simple to introduce, and can go a long way to improving employee retention, morale and engagement.

For more information on the schemes that Co-operative Flexible Benefits offer Call 0800 458 7929. Visit flexiblebenefits.coop and use the live chat facility E-mail info@flexiblebenefits.coop

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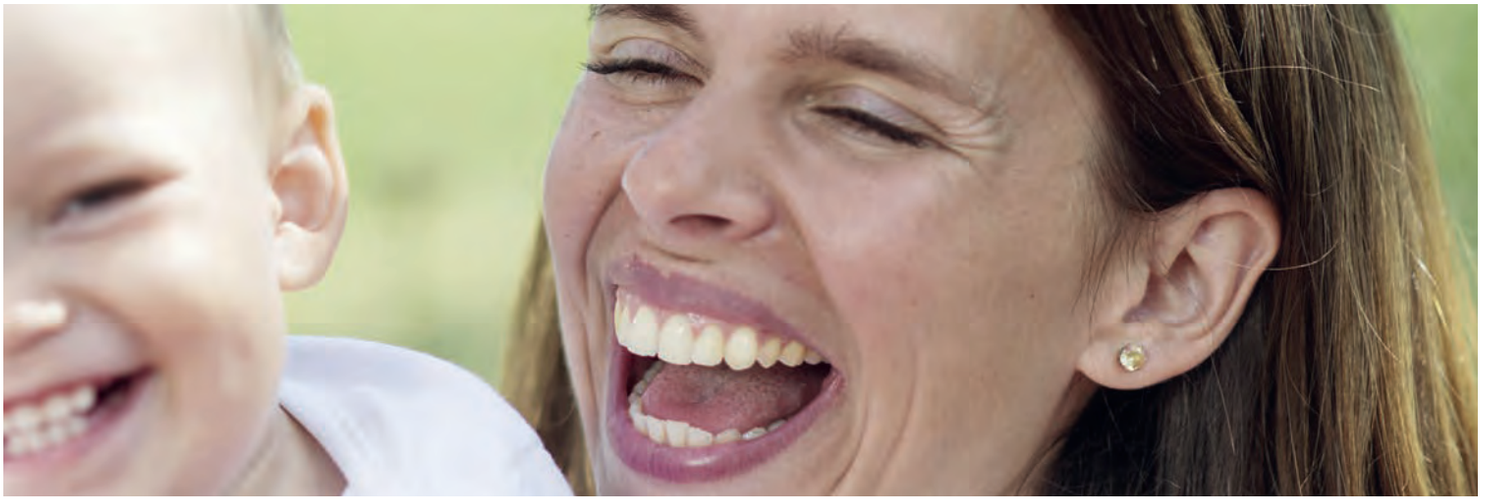


HAPPY FAMILIES

With the school summer holidays looming, working parents will appreciate any family-friendly benefits their employer can offer, says **Clare Betteley**

The school summer holidays can be a stressful time for working parents as they try to juggle work and family life. But employers can offer support to help them cope, at relatively little cost.

Although the childcare voucher scheme will be closed to new entrants from autumn 2015, childcare vouchers are currently the most popular family-friendly benefit that employers offer staff. *Employee Benefits/Towers Watson Flexible Benefits Research 2014*, published in April 2014, shows 86% of employers offer childcare vouchers, which remain the most popular perk offered through flexible benefits.

Staff can take childcare vouchers up to the value of £2,916 each year and receive tax and national insurance breaks if they take them through a salary sacrifice arrangement.

Vouchers can be used for children up to the age of 15, or 16 if they are disabled, to fund a range of childcare services, including day nursery, nursery school and playgroup places, childminders and au pairs. Vouchers can also be used to fund holiday schemes and out-of-school club places.

Andy Philpott, director at Edenred, says: "A lot of people don't associate childcare vouchers with summer camps for older children. There is still the perception that they are for traditional childcare activities."

Summer activities

Just after Easter each year, Edenred works with employers to promote to working parents the fact that childcare vouchers can be used for summer activities.

Ben Black, managing director at benefits provider My Family Care, says playscheme places are music to most working parents' ears, particularly if provided by their employer. Bank of America and the Metropolitan Police Service are two employers that offer workplace playschemes through My Family Care.

Employers with no budget to offer their own childcare scheme can provide working parents with information about schemes operating near their workplace or closer to their home.

Anne Longfield, chief executive of children's charity 4Children, says: "Information and advice is very useful. There might be all sorts of things out there, but parents don't know what, so employers can provide some information about where they can go to get help."

Discount vouchers and retail cards for, say, theme parks and restaurants, can also help to ease working parents' summer spending.

But whatever benefits employers choose to offer their staff, they must not discriminate against staff without children.

Louise Wesley, director of operations at childcare voucher and daycare provider Busy Bees, says: "A flexible-working arrangement was always deemed to be for staff with dependants, but it's better that employers offer it to the rest of the workforce, too."

Employers can tailor the communications that underpin their benefits to engage with different groups of staff, including working parents. Philpott says this can include messages such as: "We know [childcare] is tough, so take advantage of these benefits."

Employers should also try to make it easy for time-strapped parents to access benefits and information, says Philpott. "Employers should look at the benefits provided out there, look at the systems and services on offer and try to get everything under one roof." EB

IF YOU READ NOTHING ELSE, READ THIS. . .

- **Childcare vouchers are a popular family-friendly benefit for staff.**
- **Flexible working and discount vouchers can be equally valuable.**
- **Employers should ensure they do not discriminate against staff without children.**

@ **Read also *What makes an organisation a family-friendly employer?* at:** bit.ly/1n6ZR6G

Thinkstock

This month's big question:

How will auto-enrolment 'capacity crunch' affect employers?

As a larger employer, we went through auto-enrolment in 2013, with the support of our adviser, Barnett Waddingham.

With many small and medium-sized employers going through the same process, organisations should get the expert support they need.

Employers should carefully plan well in advance. It made a huge impact on the success of our project. This included assessing the financial impact of different options, so we could come up with the best possible package for our staff that we could afford.

Despite the possibility of services reducing from providers, we do not think the 'capacity crunch' will really affect us because our staging date was quite early in the process.

This meant we were able to get things up and running before the 'crunch' hit. It could be an issue for us in future if we wanted to make any changes to our pension arrangements, but, at this stage, we are not anticipating a problem.

The key to avoiding the capacity crunch was setting up a cross-organisational project team early on, comprising finance, HR and communications, to lead the process, and investing extra resource in our payroll team.

While it was great having expert external support, our own organisational knowledge was vital in deciding on approaches and particularly in getting the communications messages right, both in tone and method of delivery.

Every employer will need expert advice on legal compliance, especially when sending communications. Experts are invaluable in helping give staff a package that would give them the best likely result.

Diane Lightfoot is director of communications and fundraising at United Response.

As the number of employers searching for a pension scheme for employees rises, discussion on how the pensions industry is responding is becoming increasingly animated.

I have seen it reported that pension providers have some concerns about their ability to meet demand and service existing clients. Punch the term 'capacity crunch' in connection with 'pensions' into an online search engine and you'll probably find, as I did, 11,000 suggested links.

But this heavy traffic hitting the auto-enrolment highway is no surprise. The pensions industry has been planning for it, new roads have been built to carry the traffic, and the signposts indicate that new products will be available. These look set to provide a different type of fully automated self-service model to meet the needs of the hundreds of thousands of low-complexity small and micro employers.

What impact, then, on large employers that have already staged? To date, we have seen no indication of any dip in service to pension providers' existing clients. Many of these will have automatically enrolled almost two years ago and will need to revisit the process around three years after their original staging date.

With so many new employers developing their workplace pensions offering, it would be sensible to assume that all providers may need a bit more notice ahead of any discussions about updates or changes to existing provision.

The roads are getting busier, but if employers allow time for their journey and plan the route in advance, they should avoid getting caught up in the traffic.

Charles Counsell is executive director for auto-enrolment at The Pensions Regulator

During the first 14 months of auto-enrolment, more than 3,000 of the UK's largest employers reached their staging date. But in the first six months of 2014, nearly 30,000 will do so, leading to concerns about a 'capacity crunch'.

Research conducted by financial research organisation Defaqto on behalf of Now: Pensions, published in January, suggests 55% of consultants and advisers are concerned about their ability to service organisations that are due to stage between April and June 2014.

The industry estimates pension providers can write 2,100 new pension plans each month and although there are more than 70 master trust arrangements for employers to choose from, there is still a big shortfall in capacity.

All employers that have already staged acknowledge that the process was far more difficult than they had expected. Towers Watson's *Benefits health check survey*, published in February, concluded that 16% of staged employers are already planning to switch their DC pension provider. It could be said they plan to do so because their provider is not meeting their administration needs.

These employers may need to review the new technical solutions launched for dealing with auto-enrolment compliance.

Some sections of the pensions and payroll industry were slow to develop robust systems, but as new systems offering end-to-end solutions are rolled out, larger organisations may be tempted to assess how their current set-up compares. Many new systems offer potential savings in HR time and cost in areas such as communications and cleansing data.

Nigel Bolton is head of pensions at law firm Irwin Mitchell

Do you agree with these views? Join the discussion by searching for the **EmployeeBenefits** group on LinkedIn

EXPAT PMI IN FIGURES

Jennifer Paterson looks at private medical insurance stats around the world

78%

of expatriates, or their family members, have accessed medical care while on expatriate assignment

Source: *Expatriates trends survey 2013*, published by Cigna and the National Foreign Trade Council in December 2013

***33%** of respondents offer PMI to expatriate staff, making it the most common expatriate healthcare benefit*

***27%** of respondents offer PMI for employees' dependants*

Source: *Employee Benefits Healthcare Research 2013*, published in July 2013

PROVIDERS

AVIVA increased its international PMI scheme's annual limit to £5 million in February 2014.

INTERGLOBAL has increased its international PMI scheme's overall plan limits, with rises ranging from just under 50% to 135%.

14% of employees working abroad thought their travel insurance policy would provide sufficient health cover for an overseas assignment

Source: Research published by Expacare in October 2013

IMPORTANT FACTS ABOUT INTERNATIONAL PRIVATE MEDICAL INSURANCE (IPMI)

- It gives expatriates the reassurance of knowing that they, and their families, can access quality medical care when ill or injured while on assignment.
- It is more extensive than traditional UK PMI, providing cover for primary care and secondary/hospital care, and treatment of ongoing medical conditions.

Source: Axa PPP Healthcare

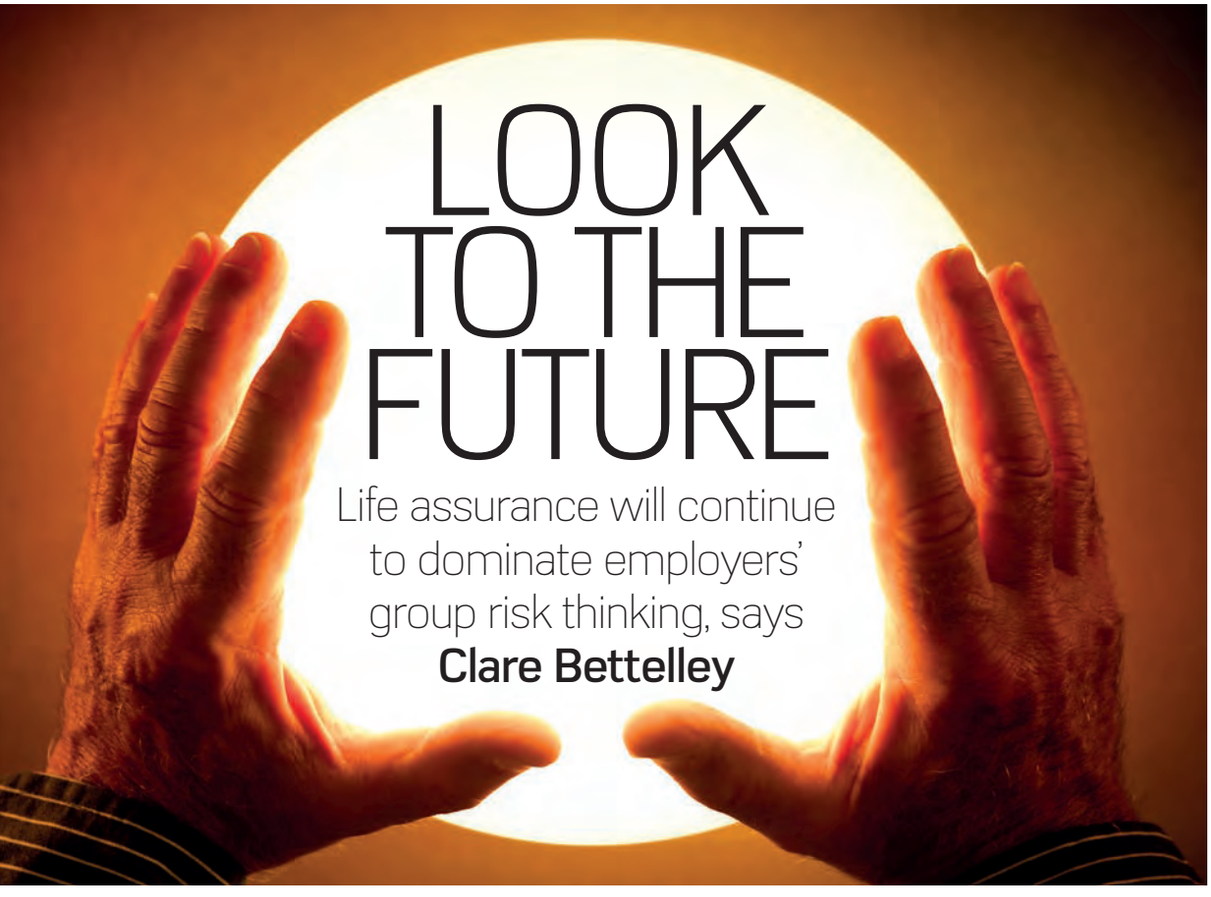
TYPICAL INTERNATIONAL PMI TREATMENT COSTS IN DUBAI

- Adenotonsillectomy to remove adenoids and tonsils US$4,360 (£2,612)
- Angiography-plasty with two stents to repair blocked heart arteries US$19,074 (£11,426)
- Laparoscopic hysterectomy US$14,986 (£8,977)
- Total knee replacement US$24,253 (£14,528)

TYPICAL INTERNATIONAL PMI TREATMENT COSTS IN SINGAPORE

- Tonsillectomy and/or adenoidectomy US$12,000 (£7,188)
- Heart attack with angioplasty US$25,000 (£14,975)
- Hysterectomy US$24,000 (£14,376)
- Total knee replacement US$30,000 (£17,971)

Source: InterGlobal



LOOK TO THE FUTURE

Life assurance will continue to dominate employers' group risk thinking, says **Clare Bettelley**

Life assurance has dominated employers' group risk focus since pensions auto-enrolment was introduced in October 2012. This is because organisations could face higher life assurance costs as their pension scheme membership grows.

Alan Thacker, a consultant at benefits adviser Buck Consultants, says: "Many employers link life assurance cover level to their pension scheme. Auto-enrolment is increasing pension scheme membership, which is indirectly increasing employers' group risk costs."

Some employers have taken a tough stance on potential hikes in life assurance premiums by reducing, or even removing, life cover for any staff they auto-enrol into a pension plan set up specifically for the new legislation.

John Russell Smith, client director at Lorica Consulting, expects this trend to continue as more employers treat their pension plans and life assurance policies as standalone benefits.

"We have seen most employers divorce life assurance membership from pension scheme membership," he says. "I don't necessarily think the two things go hand in hand these days."

Limited cover terms are nothing new in the group risk market as employers try to control their spend. For example, some employers have capped the group income protection (GIP) cover they offer their employees to, typically, between two and five years, rather than offering a benefit that pays out until retirement.

This is not surprising given the hardening of GIP premiums, which Thacker says has been fuelled by a rise in claims for illnesses such as stress, as employees have struggled to manage increased workloads during the recession.

Russell Smith expects this limited cover trend to continue. "I recommend limited terms for employers without GIP," he says.

He says employers should first ascertain their employees' average tenure with the business. Organisations should then be encouraged to outline how far they feel obligated to support staff on long-term sick leave.

This is a pressing issue for employers given the difficulty Thacker says they are having in accessing the government's Employment and Support Allowance (ESA) benefit, which is designed to support staff on long-term sick leave.

"It is getting hard for employees to qualify for those benefits, and even when they get it, they have to reapply after 12 months," he says.

Older workers

Employers also need to consider how, and whether, they plan to support older workers, and how group risk benefits can help them do this. "This is the biggest thing that's been impacting the market on the group risk side," says Thacker. "The removal of the default retirement age, and the fact that pensions provision is, in a defined contribution environment, forcing many employees to continue working beyond 65, will result in a lot of upward pressure on [benefits] costs."

This is because older workers are more likely to encounter health issues and mortality, pushing up group risk premiums, says Thacker.

But Russell Smith rejects the assumption that older workers are more prone to ill health. "Employees are simply living longer because they are healthier and mortality is improving," he says. "Many insurers are happy to cover employees until they are 75."

John Ritchie, chief executive at insurer Ellipse, says insurers should work to simplify their administration and enhance their technology-based processes. He expects, over time, to see group risk providers offer employers greater access to technology-based benefits for a wider range of employees, but at a lower level of employer-funded cover.

Ritchie also says the Health and Work Service the government plans to introduce this autumn to help staff return to work from sickness absence will have little impact. "It will be absolutely useless," he says. "It's a fig leaf. I predict 95% of employees won't use it." EB

IF YOU READ NOTHING ELSE, READ THIS...

- **Life assurance is expected to continue to dominate employers' group risk focus as they auto-enrol their workforces.**
- **In a new trend, organisations are separating their pension provision and life assurance cover.**
- **An ageing workforce does not necessarily mean higher group risk benefit costs.**

@ Read also *Group risk report 2013* at: bit.ly/1cMHsNz

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POSITIVES ATTRACT

A strong employee value proposition can be a major weapon in winning the war for talent, says **Tynan Barton**

Jacko

A war for talent is looming, so employers must prepare an irresistible employee value proposition (EVP) to dazzle the top talent they are fighting to secure.

A number of recent surveys suggest that the war for talent is about to start. For example, the *2014 Employment Trends Survey*, published by recruitment consultancy Michael Page in January 2014, found that almost half (48%) of small- and medium-sized enterprises (SMEs) will increase their headcount this year.

This suggests that the war for talent will extend from large employers all the way down to their smaller peers, increasing the urgency with which employers must consider the shape and effectiveness of their EVP.

An EVP comprises the benefits and rewards that employers offer employees in addition to, and often as part of, their employment contract. A comprehensive EVP will help to attract, retain and motivate staff.

Discretionary effort

An enticing EVP that attracts top talent considers employees' needs and motivates them to put in discretionary effort by offering them a range of financial, experiential, personal and employee-specific rewards.

Wolf-Bertram von Bismarck, talent practice leader for Europe, the Middle East and Africa (EMEA) at Aon Hewitt, says these benefits can range from health and wellness benefits to retirement savings support and paid time off, as well as perks that enhance an employee's workplace experience.

"So, the work environment, the leadership culture, the work-life balance and development opportunities and career development could be considered," he says. "There are a lot of things that can be rewarding."

To date, employers have typically created their total reward proposition without regard for the needs of their workforce or business, let alone prospective recruits, but this is now changing, with enlightened employers creating more tailored reward offerings.

> "I do think there is a strong argument that employer brand is the total reward of the future"
>
> Stuart Hyland, Hay Group

Viewpoint

Gary Moss is chairman of Brand Vista

We work with many blue-chip organisations, and the alignment of internal and external values is always an issue for them. A number of employers invariably ask why value alignment matters and, if yes, why?

Our response is simple: of course it matters. This is because the 'insides' of organisations inevitably leak out. By this, we mean that an organisation's internal values always manifest themselves externally, which is why employers must practise what they preach internally, as well as within their market.

Employers might get away with misalignment for a while, but if they don't align their values, they will spring leaks, with the consequence of damage to their brand and employee reputation.

Aligning internal values with external values is a no-brainer. Employers that get it right will see their business thrive.

Research by Harvard and Gallup, conducted across 200 employers in 2011, found that aligned organisations deliver twice the market share, 38% less absenteeism and 18% more productivity.

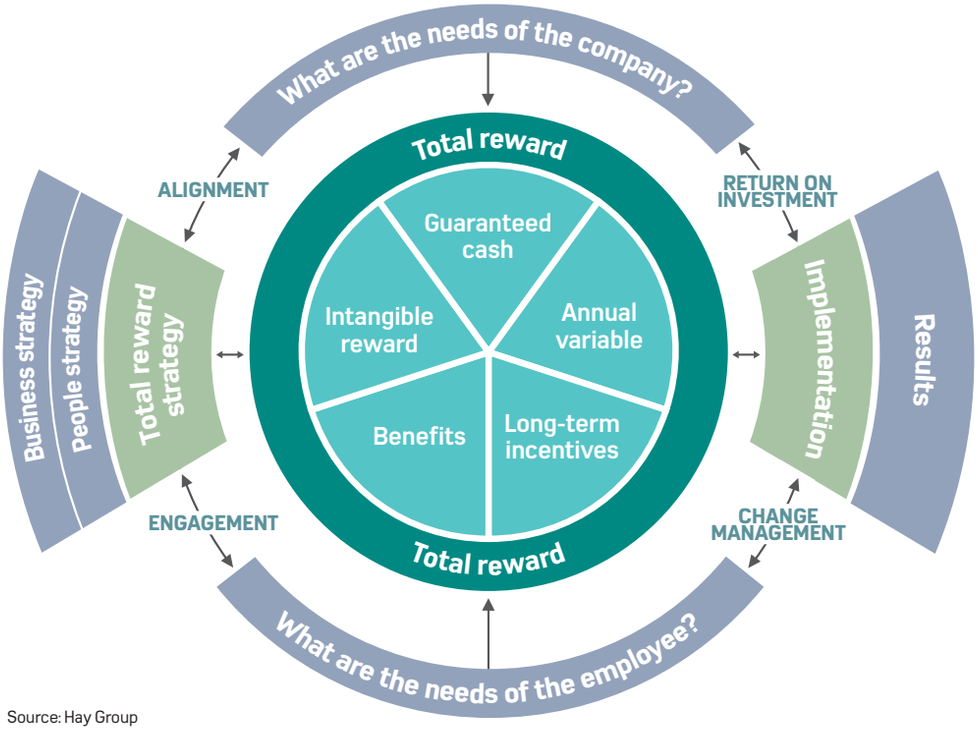
The key to getting it right is based on one simple belief: that everyone is a brand builder, from marketing and operations to HR and finance. There are no exceptions.

We can no longer say one thing to our customers while rewarding and recognising different things internally. This has an impact on the business, as consumers desert the brand and employees increasingly want to work for those that align with their own values.

Alton Towers, part of Merlin Entertainments, which successfully floated last year, was bottom of both its customer and employee satisfaction leagues six years ago. It aligned its values, and now it is at the top of both leagues.

Internal and external values therefore have to be aligned, because success in one leads to success in the other.

TOTAL REWARD FRAMEWORK MODEL



Source: Hay Group

Stuart Hyland, business leader, UK reward solutions consulting at Hay Group, says: "I think there is a natural extension to that, which looks at external perceptions as well. I think employer brand is taking total reward one step further and [involves employers] thinking about the external implications of decisions that are made, and the shape of the package."

This growing focus on the market perception of organisations is resulting in a rising number of employers using their corporate brand and values to underpin their EVP strategy in a bid to attract top talent.

Some employers, such as law firm Withers, are creating EVPs bursting with corporate social responsibility (CSR)-based benefits to appeal to the more ethically- and morally-minded younger generations entering the workplace. This approach also helps employers to engage and retain talent after they join.

Francis Goss, sales and marketing director, employee solutions, at Grass Roots, says: "Where an employer wants to get across green credentials, it may offer a range of benefits to help illustrate that, and some of the brands it aligns with will also help to illustrate that."

CASE STUDY **CAPITAL ONE**

Joined-up thinking wins credit

Capital One has built an employee value proposition (EVP) that aims to support the organisation as a great place to work and engage and retain employees.

The EVP focuses on benefits in the context of total reward. It covers the standard benefits offered by the organisation, such as private medical insurance, pensions and bikes for work, and also ensures that staff are given details about their working environment, development opportunities, and health and wellbeing initiatives.

Jill Cunnison, head of benefits and HR operations at Capital One, says: "We try to look at benefits in their broadest sense. Core benefits do feature, but we try to talk about benefits in the round and connect all those offers together. That's at the heart of the employee value proposition.

"We try to connect all of those things together for our staff in different ways. It's unusual for us to talk about one pure benefit."

The credit card organisation has a strategy to add value, wherever it can, to support employees, which could involve negotiating benefits schemes with outside providers. For example, when it was looking at its health and wellbeing strategy and how it could maximise its offer in a cost-efficient way, Capital One brought a personal trainer into its on-site gym to offer employees classes and personal training sessions.

"That's a really nice part of the benefits, but it's more about us making the connections than spending money," says Cunnison. "It's much richer than those standard elements.

"When you make those connections, you then look at the broader footprint of benefits as a whole, and it helps people feel good about working for us and also in terms of attracting people into our organisation."

Capital One ensures its employees are aware of all aspects of its EVP through regular communications, including an HR fair held each December to coincide with its flexible benefits enrolment window. All relevant parties take part in the fair, including third-party providers and the recruitment, development and communication teams.

"It really is around the [employee] proposition and that goes down really well," says Cunnison. "We talk about standard benefits, but we connect everything together."

Environmentally-friendly benefits, such as bikes for work, are a case in point. For example, Grass Roots offers its own staff a financial incentive to car share, use public transport or walk to work.

Similarly, a family-friendly employer may offer its staff access to flexible working, childcare vouchers, and retail and discount cards, either on an employer-funded basis or through a voluntary benefits scheme.

Corporate values

Employees are far more likely to trust, and go the extra workplace mile for, employers that offer an EVP that supports their corporate branding and values.

Hay Group's Hyland says corporate branding will help shape the future of total reward. "I do think there is a strong argument that employer brand is the total reward of the future," he says.

"I worry for employers that still have narrow perceptions of total reward and are struggling with that concept. With the economy starting to recover, they could get left behind their more forward-thinking competitors."

But for now, employers should focus on how they present their EVP. Grass Roots' Goss says: "When putting together a strong proposition, as in 'why should [talent] work for this employer?', we find that the richness of the employee proposition around the benefits piece is absolutely used to attract talent, and the way in which it is presented is important as well."

Goss says an EVP is not just about an employer having, say, a flexible benefits platform, but about it presenting the platform in a relevant way for individual employees.

He says employers now hold so much data on their staff, for example their marital status, their age, the number of children, that they can utilise that information to intelligently market the benefits to individuals rather than just doing a broad-brush approach.

For example, if 99% of a workforce do not need childcare vouchers, the employer does not need to send out blanket information about its childcare scheme..

A comprehensive and well-presented EVP will be talked about by employees, thereby creating an army of corporate brand ambassadors worth their weight in recruitment gold. So employers that want to win the impending war for talent should get cracking with their strategy right away EB

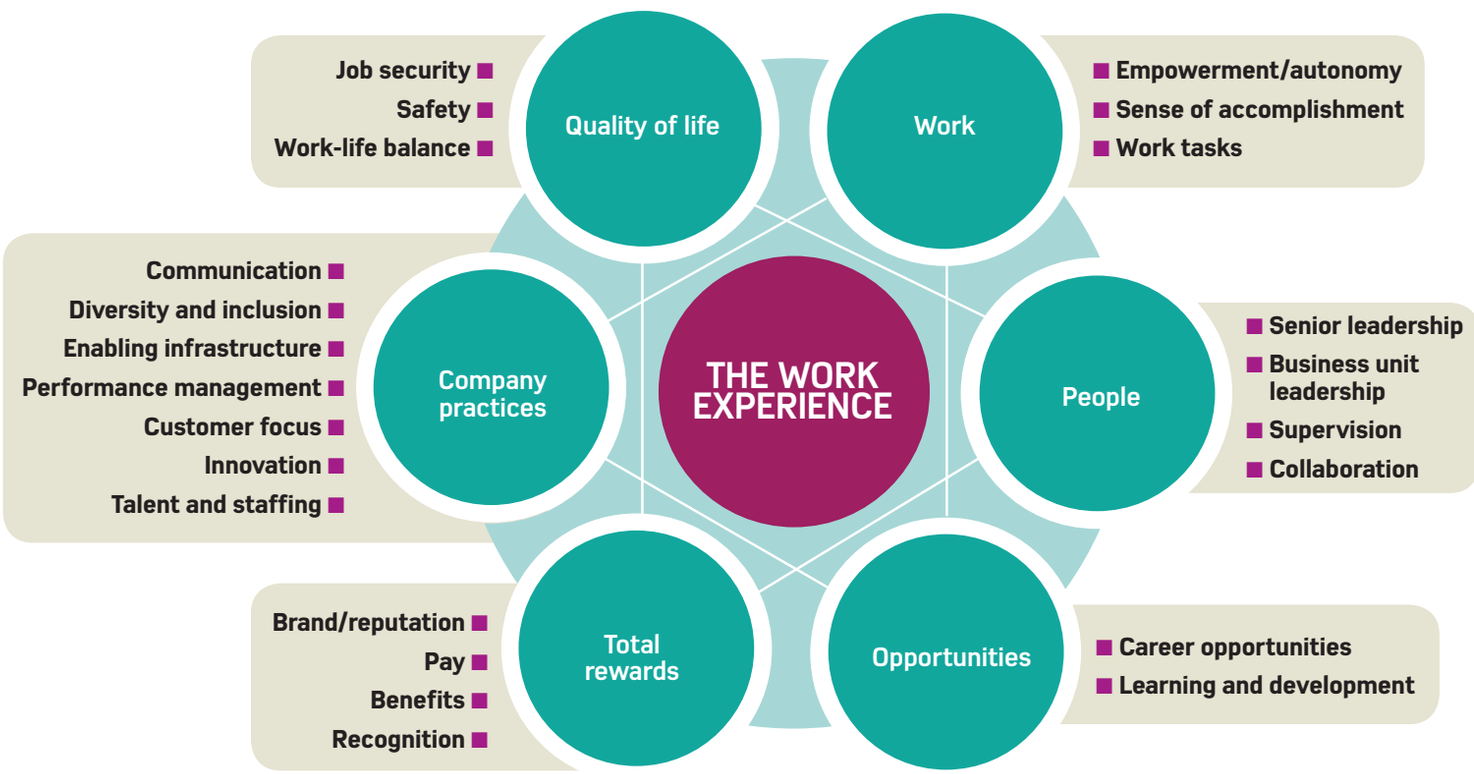
IF YOU READ NOTHING ELSE, READ THIS. . .

- **An EVP comprises the benefits and rewards that employers offer employees in addition to, and often as part of, their employment contract.**
- **An employer's brand is key in attracting, retaining and motivating talent.**
- **Benefits should be engaging and relevant.**

Tynan Barton is features editor at *Employee Benefits*

@ Read also *How consumer attitudes are affecting benefits strategies* at bit.ly/1cPWaDh

AON HEWITT'S ENGAGEMENT MODEL: ENGAGEMENT DRIVERS



Source: *2013 Trends in Global Employee Engagement*, Aon Hewitt, May 2013

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HEALTHY VARIETY

Diversified growth funds can deliver reasonable returns while reducing risk, says **Jennifer Paterson**

Diversified growth funds, a type of investment fund that uses a broad range of asset classes, are becoming more common in defined contribution (DC) pension schemes.

A diversified growth fund is managed actively, so the range of asset classes changes over time, with the aim of delivering a reasonable rate of return but with less risk than a single asset fund.

Simon Chinnery, head of DC at JP Morgan Asset Management, says: "It is a multi-asset strategy which, depending on its benchmark, is designed to try to achieve growth with a limited amount of volatility."

The word 'diversified' is key to such funds, because they are invested in a range of equities, bonds and alternative asset classes. Michael Allen, chief investment officer at Momentum Global Investment Management, says an investor will want good returns that are comparable to equity markets, and varied investments can achieve this by balancing out the ups and downs of the market.

Big evolution

Diversified growth funds have traditionally been used in defined benefit (DB) pension schemes, but are now becoming more common in DC plans. Nick Robert-Nicoud, head of institutional business at Momentum Global Investment Management, says: "It's been a big evolution. We have seen these funds replace the old balanced funds and multi-asset funds. We've seen a huge uptake in investment across the DB side; now we're also seeing it in DC."

According to the report *Investing in diversified growth and multi-asset funds*, published by Clear Path Analysis in October 2013, diversified growth fund managers' assets in the UK and Ireland rose by £20 billion in 12 months to reach £50 billion in 2012.

Stephen Bowles, head of DC at Schroders, says he has seen increased use of these funds, particularly in trust-based pensions and plans that are advised by benefits consultants. "Most schemes have looked at diversified growth funds and a few have been implementing them as part, if not all, of their default fund," he says.

"The reason we think these funds are appropriate in DC and for default funds is that, generally, DC members need to grow their contributions. They aren't keen on taking excessive levels of risk and prefer certainty.

"The theory makes sense: let's diversify, let's try to capture a lot of the upside from equities, let's try to eliminate the erratic nature of the way equities deliver that return by diversifying into a range of other asset classes, such as property, commodities or infrastructure."

But diversified growth funds do have some downsides. They typically cost more than other funds because they are managed actively, and a long-term investor may be better off riding the ups and downs of equities.

But DC members will not want the volatility of single-asset funds, says Bowles. "As they get older, their ability to deal with volatility reduces. You could say equities are still the best solution for very young members, but as they get older and their pension pot grows, their capacity to withstand volatility decreases, so diversified growth funds become a much better option."

There is also a longer-term challenge around diversified growth funds, says Chinnery. "No one diversified growth fund is the same as another," he says. "Employers should keep an eye on whatever fund they have put into their plan because, although it may have done what it said on the tin in terms of reducing volatility, often [these funds] have cash or some inflation-plus target as their benchmark.

"That has been relatively easy to achieve in recent years because of market volatility, but I'm not sure they will all make the grade in equity returns over a longer period." EB

IF YOU READ NOTHING ELSE, READ THIS...

- **A diversified growth fund invests in a broad range of asset classes and is managed actively.**
- **Such funds have been traditionally used in defined benefit pension schemes, but are becoming more common in defined contribution plans.**
- **No two diversified growth funds are alike.**

@ **Read also *Back to basics on balanced managed pension funds* at:** bit.ly/1oq4Yzr

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SICKNESS STRATEGY

Robert Crawford looks at the possible impact of the government's Health and Work Service

This autumn, the government plans to introduce its Health and Work Service (HWS), which aims to get employees on sickness absence back to work as soon as possible, avoiding long-term sickness benefits.

The service aims to provide occupational health advice and support for employees, employers and doctors to help staff who have been off sick for four or more weeks.

Tom Gaynor, employee benefits director at Met Life, says: "Employers, intermediaries and insurers have to be open-minded to possible suggestions [from the HWS] that will benefit the employee and the workforce.

"It is a welcome change. Absence is something that is a real cost to employers."

The HWS will also give employers a tax exemption of up to £500 a year per employee for medical treatments recommended by the service or employer-arranged occupational health services. This will be funded by the abolition of the statutory sick pay percentage threshold scheme on 6 April 2014. This could affect whether staff receive an allowance, and promises to slash the amount employers spend on sick pay each year.

IF YOU READ NOTHING ELSE, READ THIS...

- **The Health and Work Service aims to help employees on sickness absence to return to work.**
- **It could prompt providers and employers to create new wellbeing initiatives.**
- **But conflict could arise when an employee goes through the referral process.**

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John Ritchie, chief executive officer at group risk provider Ellipse, says: "This is a welfare cut that has been wrapped in an invisibility cloak. I remain sceptical that this service will make much of a difference to anything."

Martin Anwyl, managing director of health and productivity at Buck Consultants, says more details are needed before the reforms' likely effectiveness can be assessed.

"Details are needed in terms of level of support, response rates, capacity planning and service levels to see the full picture," he says. "A tender driven by price and the ability to deliver the service may lead to a two-tier occupational health provision. This could mean that employers looking for higher service levels will continue to pay for their existing service and lose the benefit of receiving statutory sick pay."

The reforms might cause employers to rethink their group income protection offering. Robin Hyndley, head of accident and health for

CASE STUDY
DELOITTE

Tailored health support

Professional services organisation Deloitte uses a multi-pronged approach to ensure its employees receive appropriate healthcare support.

Its health and wellbeing strategy is divided into three categories to help tackle employee sickness absence: physical wellbeing, mental wellbeing and the working environment.

Stevan Rolls, head of HR at Deloitte, says: "Undoubtedly, the range of benefits we offer will have an impact on absence. We want our employees to remain healthy in the workplace, physically and mentally.

"Our approach is divided into three, which is what we have built around. It's not all about provision, it's also about providing high-quality offices, assessments and having flexible-working policies in place."

As well as offering a range of healthcare benefits, including group income protection, private medical insurance and assessments, Deloitte aims to offer employees support tailored to their needs.

"It's very dependent on an individual's circumstances; it's an almost tailored provision," says Rolls. "We have health champions that are available for staff to talk to and who mentor employees because of their experience. It might not lead to treatment, but it helps to talk to someone confidentially."

Rolls believes the HWS will support Deloitte in helping employees get back to work. "Like any employer, our intention is to try to get staff back to work as quickly and as successfully as possible," he says.

"If the government is able to provide assistance and put a framework around that, it can only be helpful."

Viewpoint

Jenny Gulliford is a researcher at The Work Foundation

The proposed Health and Work Service (HWS), a government initiative focused on supporting employees to return to work after a period of sickness absence, could make an important difference to UK employers.

The voluntary service is open to all employees that have been away on sickness absence for more than four weeks, an estimated one million people a year. So it is no surprise that many employers and employees have been asking how this will affect them.

The main output of the HWS is the creation of a return-to-work plan, in most cases based on a phone assessment by a health professional. The focus of this will be advice and signposting to external services, but it will not provide interventions.

The introduction of the HWS will have a number of implications for employers.

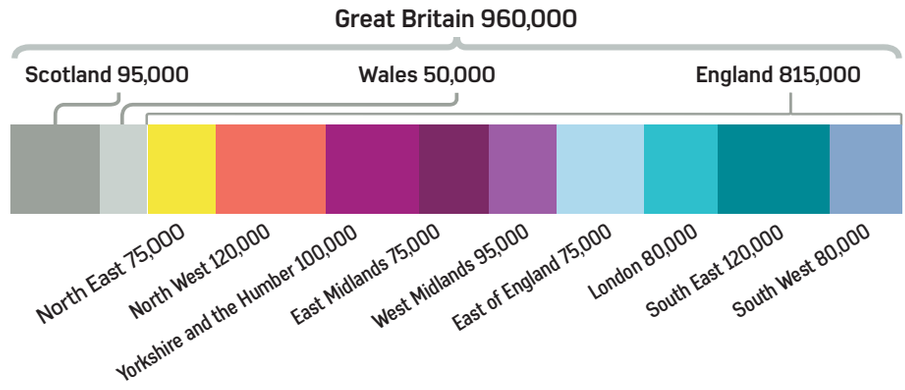
Firstly, employers with existing occupational health services will have access to an additional external set of recommendations to help them implement effective interventions. Some employees will already feel they get appropriate support from their employer, and will not want to use this service. The decision is up to them.

Secondly, as an advice service, the onus will remain on employers to implement the return-to-work plan. Help is available through schemes such as Access to Work, and it has been announced there will be a tax exemption of up to £500 a year per employee for interventions recommended by the HWS or an employer-arranged occupational health service.

Finally, small and medium-sized enterprises (SME) will be able to access advice that may previously have been too expensive. SMEs have always been seen as the primary user of this service. In theory, they should find it highly beneficial.

The HWS is due to be rolled out at the end of 2014.

ESTIMATED ANNUAL LONG-TERM SICKNESS ABSENCES



Source: Department for Work and Pensions

the UK and Ireland at Ace Group, says: "This creates opportunities for developing new wellbeing initiatives and return-to-work funding products. It could be in an employer's interest to move from income protection or comprehensive private medical insurance and stimulate demand for new alternatives."

This could include group personal accident and critical illness cover. But the key factor will be how these and other group health benefits interact with the assessment process and how they could fund treatment, says Hyndley.

Integrate initiatives

The challenge for insurers is how the HWS works with HR functions to link and integrate health and wellbeing initiatives with insurance benefits. Ellipse's Richie says: "The lack of growth in income protection tells you something is wrong with the offer. The HWS will lead to a lot of redesigning."

In recent years, insurance products have had to adapt to give staff access to wellness programmes to help employers manage health risks better. Gaynor says: "There are already solutions in place with robust group income protection plans. If employers can incorporate any elements of wellness to help staff get healthy before long-term absence has become an issue, then group risk benefits will start to represent a strong return on investment."

But research published by Jelf Employee Benefits in March 2014 found that 58% of respondents intend to build referrals to the HWS into their absence management policies.

However, Elliot Hurst, director of health consulting at Axa PPP Healthcare, says conflicts could arise when the service refers an employee. "There could be an issue that would impact the service when a doctor refers an employee to the service and produces a return-to-work plan," he says. "But, at the same time, the employer can refer the absent employee to its own health service. There is no regulatory need for the employer to comply with the HWS recommendations.

"It will be an issue because whoever the supplier of the service is, it is only there on behalf of the government. It won't deliver treatment, only advice. There should be no reason why the HWS cannot produce a plan to refer an employee to get support from the benefits programmes the employer has."

The HWS has attracted criticism. A survey by PMI Health Group, published in January 2014, found 86% of respondents are not confident about the government's health and work assessment and advisory service.

Mike Blake, director of PMI Health Group, says: "It's a big job. To provide a nationwide service and to get the quality [employers] need is a big task. Employers probably think they don't need it that much.

"But if it goes to plan, then, of course, organisations will have this service in addition to what they are doing at the moment."

The HWS could be a good thing for employers needing to save costs, but the challenge for group health benefits is how they work with HR policies to integrate health and wellbeing services to help reduce employee absence and provide early intervention EB

Robert Crawford is a reporter at *Employee Benefits*

@ Read also ***How to address preventable causes of employee absence*** **at:** bit.ly/1ebmohY

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SKIM THE CREAM

Significant savings can be achieved through tax-efficient benefits, which can then be used to help fund other aspects of reward, says **Jennifer Paterson**

Tax-efficient employee benefits offer potential savings for both employers and staff, with some perks free of income tax, employee national insurance (NI), employer NI, or a combination of these.

These savings can be used to fund various extras, such as new benefits, to pay for pensions auto-enrolment or to cover the cost of benefits technology. But employers should not take them for granted.

Sarah Minter, reward consultant at Major Reward, says: "Employers are using the money they save on NI to spend on technology, or will use it to fund a new benefit for employees, perhaps an extra 1% pension contribution or putting in a health cash plan."

For example, Barbon Insurance funded a flexible benefits scheme from the employer NI savings it made through salary sacrifice pension arrangements.

Minter, formerly reward manager at the insurer, adds: "An employer cannot be expected to pay for every single benefit staff want, but if every benefit available is via salary sacrifice, the employer's savings will go up and up."

Salary sacrifice is a contractual agreement whereby an employee gives up part of their gross pay in return for a non-cash benefit from their employer. Pensions salary sacrifice is one of the most common ways to make tax savings.

> "A lot of employers are looking at pensions salary sacrifice because it applies to so many employees"
> Richard Maitland, KPMG

Richard Maitland, director in people services at KPMG, says: "A lot of employers are looking at pensions salary sacrifice because it applies to so many employees, particularly in the light of auto-enrolment. If they don't provide [salary sacrifice] already, that is the best way to start."

Health screening, when provided only once a year, is not classed as a benefit in kind, but tax savings from the perk can be maximised. Minter explains: "If an employer has a health cash plan, they can link those two together.

"[At Barbon], we used to put the health screening through as one benefit, but then employees could reclaim the cost of it through the health cash plan anyway, which makes it doubly tax-efficient."

Graham Farquhar, employment tax partner at EY, thinks mobile phones are one of the best benefits employers can provide tax-efficiently. "If you provide an employer mobile phone, there is no benefit, even though the employee

> If an employee buys a mobile phone and then gets reimbursed, that is tax-efficient"
>
> Graham Farquhar, EY

might use it 100% for private use," he says. "But if an employee buys a mobile phone and then gets reimbursed, that is tax-efficient."

Benefits that typically have lower take-up, such as dental and medical cover for employees' dependants or access to energy-efficient company cars, are still worth making available via salary sacrifice arrangements because they are highly valued by staff.

Maitland adds: "It costs money to set up these schemes, but because of the volume of take-up, it doesn't always drive significant savings. But they are very worth doing, because of the employee engagement."

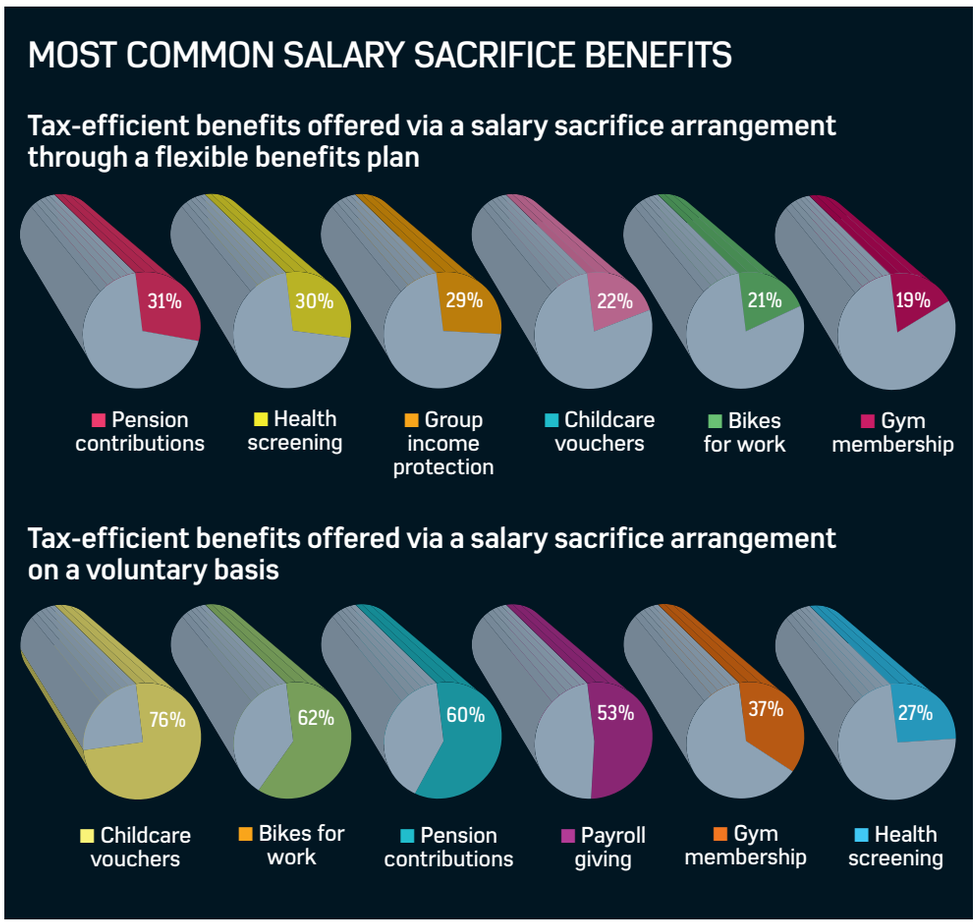
Childcare vouchers are one of the most commonly offered tax-efficient benefits, but the scheme is set to change from autumn 2015. In his 2014 Budget, Chancellor George Osborne confirmed the system will be replaced by a tax-free childcare scheme on up to £2,000 on childcare costs. This will be rolled out to all eligible families with children under the age of 12 in its first year. Unlike vouchers, the scheme will not depend on employers offering it

Staff will be able to continue to use existing childcare voucher schemes, as long as they do not change employers, but the current system will be closed to new entrants.

Schemes withdrawn

David Heaton, tax partner at Baker Tilly, says: "[The new system] will not work with salary sacrifice. I suspect a lot of existing schemes for tax-free childcare will be withdrawn because there won't be enough people in them to justify the expense of running them."

If an employer plans to bring in a salary sacrifice arrangement, whether for its pension scheme or lifestyle benefits, it is important to



Sample: All respondents responsible for compensation and benefits in their own organisation, which offer benefits via salary sacrifice (212)
Source: *Employee Benefits' Benefits Book 2013*

Viewpoint

John Whiting is tax director at the Office for Tax Simplification (OTS)

The Office of Tax Simplification (OTS) was set up to study the tax system and make recommendations to the Chancellor on simplifying rules and procedures. Recently, we have been looking at employee benefits and expenses, and published a major report in January 2014.

This is the product of talking to a lot of employers, advisers, individuals and front-line HM Revenue and Customs (HMRC) staff about what they find difficult or time-consuming.

Our small team of private-sector secondees has, in particular, been looking for areas where the rules have not kept pace with changing work patterns.

Our recommendations included: the payrolling of benefits should be available to employers that want to use it; pay-as-you-earn (PAYE) settlement agreements should be greatly widened in terms of what they can cover with no prior HMRC approval; the introduction of a set amount for trivial benefits, probably £50, below which there would be no tax liability; and the abolition of the £8,500 higher-paid [income tax] threshold.

On travel and subsistence, we recommended looking at a new system that basically exempts any costs covered by employers. In the meantime, travel for the first 24 months of a temporary workplace should qualify in all cases; staff should have just one 'permanent workplace'; and there should be better definitions around home working.

In the long term, we want real progress on bringing PAYE and NI contributions together, and seek a major review so we get to a rule that says 'no benefit = no tax'.

If ministers decide to take [the recommendations] forward, we think our ideas would help to modernise the system and cut out wasteful work. As a target, maybe 40,000 annual P11Ds instead of 4.4 million? Meanwhile, we're looking at accommodation benefits and termination payments. Comments welcome.

CASE STUDY MARTINDALE PHARMA

Winning formula to reinvest savings

Martindale Pharma used the savings it made from adding a salary sacrifice arrangement to its group personal pension scheme to fund the cost of auto-enrolment and to improve its healthcare benefits.

The organisation introduced pensions salary sacrifice in April 2013. Keith Baker, compensation and benefits manager at Martindale Pharma, says: "We wanted to take advantage of the national insurance (NI) savings for employees and the employer. It is a quick win and had an impact on some other areas, such as auto-enrolment and healthcare."

The concept of salary sacrifice was communicated to the employer's 400 staff with the help of benefits adviser Secondsight, which held a series of presentations for small groups of staff, and included personalised calculations in its information packs for employees.

"It gave them specific details on how salary sacrifice would impact their own net pay," says Baker. "Within the presentations, we encouraged them to reinvest that saving to increase their pension contributions with no impact on their net pay and, ultimately, make a difference to their retirement income."

The organisation's initial NI saving was £21,000, much more than it had expected. The savings, which have continued to rise, have been used to fund auto-enrolment. Baker adds: "We were given costs in terms of the pension provider, access to its hub for assessments and all the statutory communication required. We made sure that was covered by some of the cost savings we made.

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"But because it was actually more than we anticipated, we were able to put that into some other areas as well."

These other areas included changing the organisation's private medical insurance scheme from an underwritten plan to a medical-history-disregarded plan at no extra cost, and improving the terms available on its life assurance cover.

"It wasn't just pension members who were benefiting from the savings," says Baker. "It was broadened out across as many employees as we could touch."

provide a full explanation of the arrangements to employees.

Claire Sheridan, head of flexible benefits at Capita Employee Benefits, says: "Part of the general salary sacrifice communications, especially when an employer first introduces the arrangement, is what it is as a concept, why is it being introduced and what the advantage is for employees, not just from a tax and NI perspective."

This is a powerful message to take to the board as well, says Sheridan. "That is one area [organisations] can show in their business case: that they are introducing a scheme that is good for them as an employer and good for the employee. Most employers that come to us are looking to be cost-neutral as a minimum and salary sacrifice is a way of doing that."

Minter sees salary sacrifice arrangements as a full circle of cost-efficiencies. "If an employer introduced a salary sacrifice benefit, then the employee is saving money, but they need to ensure the employee understands the advantages," she says. "Using the benefit then drives higher engagement, which produces better savings for the employer, which gives them more money to spend on more benefits.

> "Using the benefit drives higher engagement, which produces better savings for the employer"
>
> Sarah Minter, Major Reward

"A lot of employers think they can't afford to put in benefits. Actually, if they're using the tax breaks properly and doing it tax-efficiently, then they most definitely can." EB

IF YOU READ NOTHING ELSE, READ THIS...

- **Salary sacrifice arrangements can increase employee engagement with benefits.**
- **Employers can use NI savings from salary sacrifice arrangements to help fund auto-enrolment, introduce new benefits, or cover the cost of benefits technology.**
- **It is important to communicate the value of tax-efficient benefits to employees.**

Jennifer Paterson is senior reporter at *Employee Benefits*

@ Read also *A quick guide to employee benefits tax* at bit.ly/1ggf3y6

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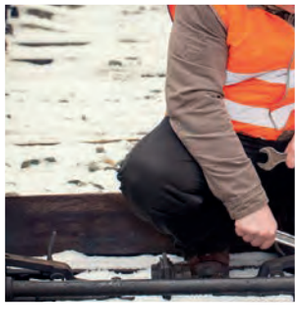


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WHAT IS ON OFFER?

Robert Crawford looks at some of the tax-efficient benefits available to staff

Tax-efficient benefits can save employees money and incentivise them in the absence of pay rises.

Such benefits can be employer-funded or offered through a salary sacrifice arrangement, which is one of the most common ways staff and employers can save on tax and national insurance. However, when offering benefits through salary sacrifice, employers must complete a P11D form.

Here are some of the most popular tax-efficient benefits offered through a salary sacrifice arrangement on a voluntary basis, according to *Employee Benefits' Benefits Research*, published in May 2013 EB

BENEFIT	SAVINGS		
	BENEFIT IN KIND (BIK)	INCOME TAX	NATIONAL INSURANCE
Bikes for work	If staff choose to buy the bike or equipment at the end of the lease period, the fair market value (FMV) payment can be declared as a benefit-in-kind with a P11D.	The typical saving for a standard-rate taxpayer is 32% and for higher-rate taxpayers it is 42%.	On average, employers can save 13.8% of the total value of the salary that employees sacrifice because of the consequent reductions in their national insurance contributions (NICs).
Childcare vouchers	No	Childcare vouchers are exempt from income tax and NICs on up to £55 a week or £243 a month per employee. From autumn 2015, childcare vouchers will be replaced by a tax-free childcare scheme that provides working families with 20% of their childcare costs, up to £2,000 for each child.	
Salary sacrifice company cars	The lower a car's carbon dioxide (CO_2) emissions, the lower the BIK tax bill will be for employees.	The employee is liable to pay tax on a percentage of the P11D value decided by the car's CO_2 emissions.	Employee's NI savings at 2% of the amount of salary sacrificed. Employer's NI saving at 13.8% of the salary sacrificed.
Give as you earn/ payroll giving	For a 20% taxpayer, it would cost £8 to make a £10 donation. For 40% taxpayers, it would only cost £6 to make the same-sized donation. (Information provided by *Tax Briefs Advantage*)		
Group income protection		Employers can receive tax relief on contributions made.	Employers can also save on the 13.8% NIC.
Gym membership	Employees with on-site gyms will not have to pay any tax, BIK or NI because the gym is run by their employer. Employees can save on NIC if gym membership is offered via a salary sacrifice arrangement. If an employee is a Class 1A NI contributor, they save up to 12% when paying for the gym membership, but those in the higher NI contribution band will save only 2%.		
Health screening	As long as employees receive no more than one screening a year, it is not classed as a benefit in kind and has no tax or NI liability.	Employees can save up to 42% tax.	The employer will save on the 13.8% employer NIC, with the cost of the screening recovered via deduction from employees' pay.
Mobile phones	A single mobile phone provided by an employer to an employee is tax-free regardless of private use. If the phone is given (similar to a loan) and payment is taken out of salary, it will not incur tax.		
Pension contributions	There is an annual allowance limit on tax-relieved pension savings, which is capped at £50,000 for 2013/14 but will be reduced to £40,000 in 2014.	Pension scheme members receive tax relief at 20%, 40% or 45% on personal contributions, subject to HM Revenue and Customs (HMRC) limits and tax status.	Employees can save NICs on sacrificing salary or bonus in exchange for their employer paying an equivalent pension contribution.

VIRTUOUS CYCLE

Tax-efficient benefits can be aligned with employers' corporate social responsibility strategies, motivating staff further, says **Jennifer Paterson**

Forward-thinking and conscientious employers are aligning their benefits packages with their corporate social responsibility (CSR) strategy. This might involve partnerships with charities or introducing benefits that help reduce the organisation's carbon footprint.

Tax-efficient benefits, such as payroll-giving or bikes-for-work schemes, are obvious vehicles to fulfil this aim. Employers can use their national insurance (NI) savings, while employees can use their NI and tax savings, for the greater good.

For example, Virgin Media has taken advantage of the popularity of its bikes-for-work scheme to donate to its national charity, Scope.

The media organisation, which has included the bike scheme in its voluntary benefits since 2011, launched a programme in January 2014 that allows a percentage of employees' initial bikes-for-work order to be donated to buy cycling accessories and equipment for Scope.

Kirsty Hayward, reward director at Virgin Media, says: "We wanted our scheme to make a difference to more people than just our staff, so we worked with our charity team and [provider] Evans Cycles to make the donation.

"The funds were used to purchase cycling accessories and equipment, worth more than £3,000. The equipment has been delivered to Scope's special-needs schools in South Wales, Cambridgeshire, West Sussex and Lancashire."

Since 1 October 2013, the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 have required, for the first time, that all UK-quoted organisations report their greenhouse gas emissions in their annual accounts, as well as what actions they plan to take to reduce their carbon footprint.

This could involve any benefits that reduce employees' car journeys to work, including company car policies with an emissions cap of 130g/km, rail or bus season ticket discounts, and bikes-for-work schemes.

> "Some employers will pay allowances to employees who use public transport or bikes for work."
>
> Paul Bartlett, Grass Roots Group

Carbon reduction

Paul Bartlett, head of employee solutions at Grass Roots Group, says: "Some employers will pay allowances to employees who use public transport or bikes for work because it contributes to their carbon reduction targets."

David Heaton, tax partner at Baker Tilly, adds: "Nowadays, when an employer bids for any contracts with large businesses or the public sector, part of the tender process involves its CSR policy, so anything an organisation can add to that helps the tender to go through."

The Cycle to Work Alliance's *The green way to work – sustainable transport* report, published in May 2013, found that users of bikes-for-work schemes are cycling 13.2 million miles a week and 67% of participants would commute by car if they did not cycle.

These commuters are saving 112,210 tonnes of CO_2 in reduced emissions. Bartlett adds: "There are other things they do in green initiatives, but bikes for work are high up the agenda of things employers will highlight."

In a wider charity initiative, Virgin Media has also raised more than £5,000 from the maturity of its sharesave scheme, which it donated to charities Foyer and Scope.

Hayward adds: "The sharesave maturity donations can be made when members exercise their options, where they can donate the pennies and pounds that won't buy a full share to charity. Once all the donations have been collected, we make the donation."

Many employers also use payroll-giving schemes in their CSR strategy. Bartlett says: "The employee might use a payroll-giving scheme and the employer will match those amounts as part of its CSR policy." EB

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IF YOU READ NOTHING ELSE, READ THIS...

- **Employers can align a range of benefits to their CSR strategy, including bikes-for-work and payroll-giving schemes.**
- **Tax-efficient benefits are an obvious choice, because employers can donate the national insurance (NI) savings and employees can donate the NI and tax savings they make.**

Jennifer Paterson is senior reporter at *Employee Benefits*

@ **Read also: *How to green a flexible benefits scheme* at** bit.ly/1hFTRkW

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From a retirement survey conducted*, it was revealed that employers believe only 18% of employees are aware of the various retirement income options available and as few as 13% are aware that they no longer have to purchase an annuity.

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*WEALTH at work Rethink Retirement Survey – December 2012

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WOLSELEY UK AT A GLANCE

Wolseley UK is the UK operating subsidiary of Wolseley, one of the world's largest distributors of building products. It was established in Australia in 1887 as a sheep-shearing machine manufacturer, and later became a car manufacturer.

Today it distributes construction products and materials via a nationwide network of branches under the brands Plumb Center, Parts Center, Pipe Center, Drain Center, Climate Center and William Wilson. It acquired drainage organisation Burdens in November 2012.

Wolseley UK's head office is in Leamington Spa, Warwickshire, but it also has large offices in Ripon and Aberdeen. It has five distribution centres and 800 branches across the UK. It employs 6,200 people, 82% of whom are male. Average length of service is just under 10 years.

BUILDING HARMONY

Wolseley UK is using benefits to boost its reputation as an employer of choice, says **Jennifer Paterson**

Wolseley UK has had a busy 18 months, launching a flexible benefits plan, making changes to its trust-based defined contribution pension scheme and undergoing auto-enrolment staging.

Now the construction and building products distributor, a subsidiary of global organisation Wolseley, is focused on its corporate strategy, including its principles, its staff, and equipping the business to stay ahead of the competition.

Neil McCawley, head of reward, benefits and policy at Wolseley UK, says: "People are one of our biggest assets, so it's around encouraging people to come to us as an employer of choice.

"We are also making sure we retain people, and benefits are a key part of that. If people see other employers are offering something really good, it might not necessarily make them move, but if someone is not happy, they start to look for reasons to leave. We must make sure what we offer will bring in the people we want, and make our staff feel good about being here."

Benefits and reward are a key part of Wolseley's business strategy. Each year, it reviews what it offers to its 6,200 UK staff through a reward steering group, which comprises its UK managing director, its business managing directors, its finance director and its HR director.

McCawley says: "Every year, over three or four meetings, we review the things we're going to do. It is around the benefits we offer and whether we want to make any changes.

"It's a useful opportunity to sit down and spend some quality time talking about what we want to do and what works for the organisation in terms of meeting the business strategy."

Wolseley UK's new flexible benefits scheme, Your Choices, took effect on 1 January 2014. Provided by Benefex, it includes dental insurance, a health cash plan, additional life assurance, life assurance for partners, personal accident insurance and critical illness cover.

Higher engagement

When the enrolment window opened to staff in November 2013, 54% of the workforce accessed the website, which is far higher engagement than McCawley had expected. "When you bear in mind that only about 20% of employees have access to computers while at work, having another 34% access the website outside of work is really positive," he says.

The organisation has also seen 35% of its employees change the default setting for their flex fund, which automatically puts 1% of each employee's salary into the DC pension scheme.

"It's not just about helping our employees

and letting them make their own choices," says McCawley. "It's about making sure they have the money they need to retire on. We're really keen to encourage people to put it into their pension."

Wolseley UK has also changed the structure of its trust-based DC scheme to drive engagement and highlight saving for retirement. It increased contributions, which had been between 1% and 5% for employees and between 1.5% and 7.5% for the employer. Now staff contribute between 1% and 9%, while Wolseley contributes between 2.5% and 12.5%.

"As auto-enrolment contributions start to ratchet up in 2017, employees will potentially need to go to a higher level," says McCawley. "But we appreciate that some employees can't find that additional money, so we would probably keep that range, but change our default in line with the legislation."

Wolseley completed auto-enrolment staging on 1 August 2013, increasing its pension membership from about 75% to 90%. "As a company that is keen to encourage employees to save for retirement, we had already effectively enrolled people in," says McCawley.

"We've ended up with around 90% of staff enrolled in our pension scheme. Of the remaining 10%, some aren't eligible and about half are in our three-month waiting period because they are new employees."

Wolseley UK focused on benefits communications in 2013 to ensure staff understood the impact of auto-enrolment and the concept of the flexible benefits scheme.

"The project last year is a good example of where we think our communications hit the mark," says McCawley. "One of the key things around auto-enrolment was that staff understood what they were being offered."

The organisation posted colourful, straightforward auto-enrolment leaflets to all staff in June and July 2013. "Even if they didn't read the whole thing, they would read enough to get the idea," says McCawley.

A similar theme was used to communicate its flexible benefits scheme, with a Flex Matters brochure posted to all employees, posters at its branches and information booklets for line managers that explained the benefits on offer.

"We followed that up with larger booklets that went out when the website went live," says McCawley. "It covered brief details of all the benefits we offer."

Employee choice

Wolseley UK had been working towards introducing flex for two or three years in a bid to set itself apart from its competitors. "None of our immediate competitors offers flex at the moment," says McCawley. "It was something we could do to give our employees a choice about the benefits they receive, a bit of extra money to buy them with, and we were going to make our DC pension really competitive.

"Wolseley is a traditional, family-type business. For us, it was around not scaring employees with radical changes. We introduced the core benefits, but, as time goes on, we plan to drip-feed additional benefits."

The organisation's key aim was to ensure staff had choice and could decide whether to use their 1% flex fund to increase their pension contribution, to buy benefits or take it as cash.

"We have hammered home that pensions are really important, but at the end of the day, if they just want money, we give them that choice," says McCawley. "But we have also tried to help them understand the implications of the decisions they're going to make." EB

BUSINESS OBJECTIVES IMPACTING BENEFITS

- The key business objective for 2014 is a focus on corporate strategy: its principles, its employees, and transforming the business to stay competitive.
- Being an employer of choice, and attracting and retaining employees.

THE BENEFITS

Pension

> Trust-based DC scheme, available to all staff. Employees contribute between 1% and 9%, while Wolseley contributes between 2.5% and 12.5%.
> Flexible benefits fund default of 1% goes into the pension scheme.
> Defined benefit pension was closed to future accrual on 31 December 2013.

Healthcare and group risk

> Employer-paid PMI scheme for management, about 25% of employees.
> Health cash plan as a flexible benefit.
> Group income protection for a small number of senior employees.
> Group income protection available via flexible benefits.
> Critical illness insurance and personal accident insurance for all employees via flexible benefits.
> Dental cover via flexible benefits.

Company cars

> Mixture of role-based company cars, either job-need or a perk.

Other benefits

> Flexible working and part-time working opportunities.
> Childcare vouchers.
> Employee discounts scheme.
> On-site canteens at three largest sites.

CAREER HISTORY

Neil McCawley has been part of the reward team at Wolseley UK since April 2007. He is responsible for all aspects of reward and benefits. Previously, he was reward manager at One Stop Stores, a subsidiary of Tesco.

His career started at Barclays Bank, where he spent 21 years in various roles, starting in branch banking and ending up as an HR project manager working on reward and non-reward projects.

Outside benefits and reward, McCawley has been involved in the National Mentoring Consortium, which presented Wolseley UK with its New Employer of the Year award in 2013.

"I'm mentoring a student from Brunel University," he says. "She doesn't really need help, except for boosting her confidence. It's one of the most rewarding things I've done."

McCawley was listed among the Hot 100 benefits managers by *Employee Benefits* in 2012.

Jennifer Paterson is senior reporter at *Employee Benefits*

@ Read also *Wolseley UK launches flexible benefits* at bit.ly/18ITKC1

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PRODUCT FILE

CORPORATE EYECARE

Employers have legal and healthcare reasons to provide an eyecare benefit for staff, says **Robert Crawford**

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There are healthcare and legal reasons why employers should offer staff an eyecare benefit.

The perk is not only popular with employees, but it helps them to look after their eyesight and other aspects of their health.

A full eye examination can detect serious conditions such as diabetes, hypertension and high cholesterol at an early stage, which can help employers to manage employee wellbeing and sickness absence.

Employers have a duty of care and a legal obligation, under the 1992 Health and Safety (Display Screen Equipment) Regulations, to provide basic eyecare benefits. Any employee using a visual display unit (VDU) can request an employer-funded eye and eyesight test. Employers must also pay for glasses if required for VDU use.

Employers are also advised to consider extending optical benefits to staff that drive on business. Although it is an employee's own responsibility to have their eyes checked, if, because of defective eyesight, they had a fatal car accident while driving on business, their employer could be held liable under the Corporate Manslaughter and Corporate Homicide Act 2007 for failing to offer them an eye test.

There have been a number of product updates and launches in the eyecare market in the past year. For example, National Dental Plan has improved its corporate optical insurance plan by offering additional benefits to employees and their spouse or partner.

Eye examinations

US eyecare provider Vision Service Plan has extended its eyecare offering to the UK. It is working with the Association of Optometrists and the National Eyecare Group to promote awareness of the importance of eye examinations and corrective eyewear as a health benefit.

In a corporate eyecare scheme, an employer may provide eye tests in-house or offer them through a local private or high-street optician.

Vouchers are the most popular way to provide optical benefits. These are often prepaid; one example is Specsavers Corporate Eyecare services, for which employers pay upfront for the vouchers they think they will need, but will receive a refund for any that are not used.

Voucher schemes are usually implemented online via a provider's website, giving instant access to vouchers, which can then be passed on to the employee via an email or text message on enabled smartphones.

Costs vary across schemes. Specsavers' prices start from £17 for its e-voucher, ASE Corporate Eyecare charges £25 for its EyecarePlan Solo and Vision Express charges £15.

But not all schemes require upfront outlay. For example, Boots Optician Corporate Eyecare and Optical Express will issue eye test vouchers costing £10 and £15, respectively. The employer will then be invoiced monthly for vouchers that are used.

@ **Read also *Network Rail launches eyecare scheme* at:** bit.ly/1lWrEuq

The facts

What is corporate eyecare?
Employers have a legal obligation to fund eye tests and prescription glasses for staff that use VDUs. These requirements can be met in several ways, including vouchers, cash reimbursements and by setting up an arrangement with a local optician.

Where can employers get more information?
The Health and Safety Executive publishes *The law on VDUs: An easy guide*, which outlines employers' responsibilities under the Health and Safety (Display Screen Equipment) Regulations.

Who are the main providers?
ASE Corporate Eyecare, Boots, Edenred, Intelligent Corporate Eyecare, Optical Express, Specsavers and Vision Express. In the past year, National Dental Plan has strengthened its corporate eyecare cover and Vision Service Plan launched its corporate eyecare services in the UK.

STATISTICS

11% of respondents offer eyecare vouchers (above statutory minimum) via voluntary benefits plans and 5% offer these via flexible benefits plans, according to *Benefits Research 2013*

1 in 10 UK adults have never had an eye examination (Eyecare Trust)

PRODUCT FILE

PRIVATE MEDICAL INSURANCE

PMI is highly valued by employees and there are ways for employers to control its costs, says **Tynan Barton**

Thinkstock

Private medical insurance (PMI) enables employers to control the cost of staff healthcare provision.

PMI gives employees access to private healthcare treatment, which, in turn, helps employers to manage their health risk profile and reduce employee absence. The insurance is designed to cover individuals for the treatment of unforeseen, curable, short-term medical conditions.

An early form of PMI can be traced back to the late 19th century, when weekly savings clubs were created for workers to save money to gain access to a doctor or other medical support. This evolved into provident associations, which allowed staff to make regular contributions to fund healthcare services.

The arrival of the National Health Service in 1948 saw PMI evolve further to become a more formalised offering. Some smaller associations merged to form organisations such as Bupa, while others stood alone, such as the Western Provident Association, BCWA and the original version of Axa PPP Healthcare, known as Private Patients Plan.

Traditionally, PMI did not cover existing medical conditions, because most insurance contracts do not allow individuals to be insured retrospectively.

Long-term conditions

PMI is also not designed to cover long-term maintenance of medical conditions, or chronic conditions such as rheumatoid arthritis.

However, some corporate PMI plans allow employees to join on a medical history disregarded basis, which allows pre-existing conditions to be covered.

The most common conditions claimed for through PMI include back pain and musculoskeletal conditions, as well as skin disorders and abdominal pain.

The cost of providing PMI varies, depending on factors such as the size of a scheme and the employer's claims experience. Typically, an employer can expect to pay between £200 and £1,500 a year per employee.

Cost control is a key issue for employers, with many seeking cost-efficiencies in their health and wellbeing spend.

Some providers offer a tailored policy to suit a workforce, and many policies are flexible, helping employers to manage costs. For example, some will allow employers to change their cover options, excess levels, and choose reduced out-patient cover.

Aviva's Solutions package is offered for between two and 249 employees, and its Optimum plan is for more than 250 employees. Also, different sections of a workforce can be offered different levels of cover.

Another cost-efficiency is to include six-week options, in which private medical treatment is

The facts

What is PMI?
It is health insurance to cover staff for the treatment of curable short-term medical conditions. Cover can include consultations, diagnostic tests and in-patient and out-patient procedures.

What are the origins of PMI?
Its roots go back to the late 19th century, when weekly savings clubs were set up for workers to save money to gain access to medical treatment. The corporate PMI market saw considerable growth in the 1970s.

Where can employers get more information and advice?
From the Association of British Insurers (*www.abi.org.uk*), the Association of Medical Insurers and Intermediaries (*www.amii.org.uk*) or the British Insurance Brokers' Association (*www.biba.org.uk*).

What are the costs involved?
PMI typically costs an employer between £200 and £1,500 a year per employee. This depends on factors such as employees' ages, the size of the scheme and the employer's claims experience.

What are the legal implications?
Cover is normally a contractual obligation of employment, but it can be withdrawn or altered with due notice and negotiation.

What are the tax issues?
Employer-paid PMI is a benefit in kind, so employees pay tax and national insurance on premiums. Employers can get corporation tax relief on their premiums.

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PRODUCT FILE

STATISTICS

13% **of employees that earn above the UK's average salary of £27,000 a year choose PMI as their most valued benefit, while 8% choose health cash plans.**

(PMI Health Group, March 2013)

available only when the NHS wait is at least six weeks.

There has been a move in the market towards open referral schemes to cut cost. For example, Cisco Systems said in January 2014 that it had cut its healthcare costs by 8.5% since adding open referral to its health insurance.

Under such schemes, PMI providers offer a choice of two or three consultants, rather than an employee choosing their own consultant, or one offered by their doctor.

Bupa, Axa PPP Healthcare and Simplyhealth UK are among the providers that offer open referral, and PruHealth can offer it to employees at the point of claim.

Open referral can benefit employees because the consultant has been approved by the insurer, and there is no risk of a shortfall with staff having to pay some of the treatment costs themselves.

There is now greater awareness among employers to focus on healthcare in its broadest sense: looking at prevention, health and wellbeing, and encouraging staff to take greater responsibility for their own healthy lifestyles, as well as the role PMI can play in this.

Bupa's Business Fit scheme offers three levels of cover. It aims to help tackle mental health and musculoskeletal conditions by offering early intervention to help staff get diagnosis and treatment as soon as possible, and self-referral for mental health issues.

Aviva has developed end-to-end rehabilitation services to help

The facts

What is the annual spend?

Employer spend on PMI in 2012 was £2.2 billion, according to Laing and Buisson's *Health cover UK market report 2013*, published in July 2013.

Which providers have the biggest market share?

The top insurers in market share order, according to Laing and Buisson's *Health cover UK market report 2013*, are Bupa, Axa PPP Healthcare, Aviva, PruHealth and SimplyHealth.

The facts

Which providers have increased their market share the most?

Laing and Buisson's *Health cover UK market report 2013* shows that Axa PPP Healthcare's share has held firm, Aviva has grown share, and SimplyHealth's share has increased.

employers manage their spend on musculoskeletal claims.

PruHealth has combined its PMI scheme and its Vitality wellness programme into a new Lifestyle Health Insurance product, which gives employers a platform to offer PruHealth's products and services, including a free annual Vitality health check to identify problems at an early stage.

Market competition

In August 2013, the Competition Commission published its provisional report on competition in the private healthcare market. It found that a lack of competition in private hospital provision has led to higher PMI premiums.

STATISTICS

2.98 million **the number of employer-paid PMI policies in 2012, an increase of 2%.**

(*Health cover UK market report 2013*, Laing and Buisson, July 2013)

The Commission's Provisional findings on privately-funded healthcare services found that private hospital operators have been earning returns substantially in excess of their costs. Some 80% of private patients pay for their treatment through PMI, often employer-provided.

The Commission said lack of competition in local areas pushes up the price of premiums.

Its proposals, announced in January 2014, include the divestiture of nine private hospitals and the prohibition, or restriction, of clinician incentive schemes provided by private hospitals to clinicians that encourage patient referrals to their facilities or for particular treatments or tests.

@ **Read also *Employee experience of PMI claims* at:** bit.ly/1gurUbL

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Pool tabled

Candid travels to Belgium to research insurance pools, but comes to the conclusion that she is only dipping her toes in the water

When Big Bad Boss asks me to research insurance pools, I am quite depressed. It doesn't get much more boring than that: looking at liability-driven investments, maybe, and perhaps examining mortality rates comes close, but pooling is certainly up there with the dullest.

However, I have to look at these things creatively, and as most of the players are in Belgium, perhaps I can engineer a visit.

Big Bad Boss wouldn't normally go for that, because suppliers must come to us, not us to them. But, given we are having complaints from our own Belgium office about their new benefits plan, I can offer to sort both things out at the same time. This makes Big Bad Boss feel we are being super-efficient and cost-effective. He just loves that.

Not that I particularly like Belgium. We only seem to hear about it on the news when the EU passes some new legislation. Nothing else of note seems to happen there. Still, the streets are clean and it does nice chips. Above all, I do fancy a trip.

Lazy Susan immediately wants to come too, until she realises that 'pools' refer to insurance rather than the kind found in spas. Bless. I can't see that she would be much help, even if I could get another flight signed off.

You might be wondering why a company our size doesn't have pooling in place already. Well, we did have, but every year we are under pressure to reduce costs, and all our plans in the pool were undercut by someone outside it, so the pool became more of a small puddle. I suspect that's where we'll end up again if we reintroduce one now, but these projects come in cycles, and at least it keeps me employed.

I use our Belgium office as a base, and get three pooling providers in to present. The first organisation, let's call it International Pool People, puts on a pretty good show. It even explains the other players in the market and what each has to offer. This seems all very fair and open.

It shows a slide explaining the pooling concept, and how surplus from claims can be offset against losses. This is teaching me to suck eggs, but I am not offended. I'd prefer that to someone showing me a bunch of slides I don't understand.

Mind you, privately, I do struggle to work out where the money comes from in pooling. Insurers would not join a pool if they thought they would lose out, pooling providers would not exist if they didn't make money, and we wouldn't use them if we didn't save money. So where does the money come from? It's just a thought; I wouldn't say it out loud.

The second organisation, which seems to work on exactly the same lines as the first, delivers an almost identical presentation. I wonder if they compared notes beforehand. However, the presenter is not nearly so neutral about his competitors. In fact, he spreads quite a bit of industry gossip about them, and is positively scaremongering about their financial positions.

The third, let's call it SoRich, is a little different in that it owns many of the organisations in the pool. Otherwise, it has the same offering.

This leaves me to think I should set up a pool for insurance pools, so their surpluses can be offset against losses. I could be rich.

> **"I should set up a pool for insurance pools, so their surpluses can be offset against losses. I could be rich"**

After an evening of frites, followed by a waffle and a wander round the comic museum, the next day I am ready to meet the local HR manager about the local plans. They have a few simple options, which I know are perfectly acceptable compared to the market, but I get the usual moan about Belgian taxes.

I am sure they are right. We could offer a full-blown flex scheme and people could save a bit more tax, but I can't get the outlay signed off for such a small office, so that's that. I note the numbers and promise to try again.

Predictably, the MD and the FD both come to bend my ear about the same thing. I'm sure they think I am some nasty HR person trying to put obstacles in their way for fun. Why would I do that? This is why I don't always enjoy site visits as much as you might think.

Back home, I need to put together a proposal for Big Bad Boss. I sift through the pooling documents worriedly. I feel like I have a big exclamation mark over my head, like the Belgian comic strip character TinTin.

I rule out the gossipy firm because I don't fancy working with it, and of the others, we still have one plan insured with the first organisation, so it is selected. Did I need to go to Belgium and meet everyone to reach that conclusion? No, but the key to success is to appear to be thorough.

I know that, despite putting this new focus on the pool, we won't choose any of the insurers in it unless they are competitively priced anyway. In fact, the whole exercise is just something for Big Bad Boss to brag about to the Higher Beings. That just about sums up my whole job.

I go in to tell Big Bad Boss my findings, but then I remember he has gone to the US to talk to a supplier. I don't feel so guilty about Belgium now.

Next time... *Candid is not so PC about PCs*

@ **Read more Confessions at:** bit.ly/RKlOt2

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