

Flexible Benefits

With competition for labour and rising employee benefit costs, companies that we speak to are often looking to maximise the value from the employee benefits package.

The key to this is targeting the available benefits spend on those areas most valued by employees. Recognising the diversity of the workforce and the government's promotion of more flexible work practices, flexible benefits can provide the solution.

CASE STUDY

Our client's market share of a well developed product had come under threat; new competitors had appeared, reducing profit margins. The company purchased a smaller competitor to introduce an innovative new product to the market, this needed a larger skilled sales force but it was decided that all manufacturing would be sub-contracted to an overseas subsidiary.

The existing business had a defined benefit (DB) pension scheme, and the company wished to consider ceasing future benefit accrual. The new acquisition had a defined contribution (DC) plan and a broader set of other employee benefits.

It was clear that transferring manufacturing overseas would necessitate a limited redundancy programme, but the company wished to incentivise other employees to stay. Secondly the company wished to harmonise benefits across the combined group but avoid adding to costs by selecting the best benefits from each group.

Following a period of consultation with the staff and with the trustees of the DB scheme, it was agreed to cease future DB accrual. A flexible benefits package was introduced offering employees the chance to select from a range of contribution rates to the DC plan and to select different levels of benefits from a wider range than had been previously offered.

As a result, the employees felt that the company remained committed to the future of the UK operation through the launch of a new flexible benefit package and they appreciated the opportunity to amend their benefits once a year to suit their changing circumstances.



Allowing employees to choose a benefits package tailored to their own preferences is a powerful aid to recruitment, retention and motivation. In addition, engaging employees in their choice of benefits engenders a better understanding and appreciation of the benefits available and illustrates the total value of the benefits package.

Increased internet access means that the operation of such schemes can be arranged largely on a "self-serve" basis and can be fully web enabled. This makes it possible for companies of all sizes to consider a more flexible approach to employee benefits than they may have considered before.

Flexible Benefits: Scheme Designs

Flex schemes vary significantly in design. It is important to give careful thought to the employer's objectives before finalising the scheme design and implementation:

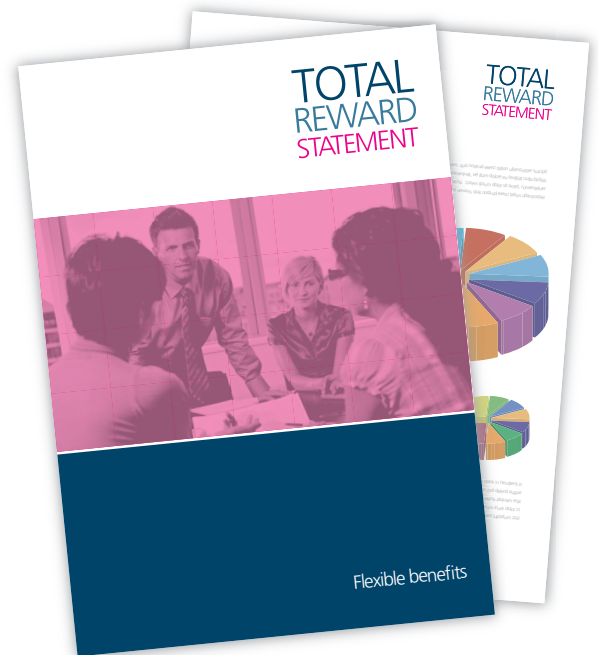
- What range of benefits do you wish to offer?
- Do different groups of employees want different sets of benefits, if so what groups and what benefits?
- Do you have any "special cases" e.g. those transferred in under TUPE; high earners affected by the new taxation rules applying to pensions, overseas employees; part-timers with varying hours?
- What level of "core" benefits does the employer wish to offer; e.g. private medical cover for employees at a basic level, with the opportunity to select higher levels of benefits via flex?
- What are the maximum and minimum benefit levels to be included e.g. holidays?
- What benefits can be exchanged and what benefits can be purchased voluntarily by the employee?
- How complex is the transition from the current set of benefits, possibly with different benefit years?
- Do you want to adopt a phased approach, introducing benefits gradually over a number of years to spread the implementation costs?
- Are you considering any merger or acquisition activity; the need to harmonise different benefit packages is often a driver for flex to be introduced?

Questionnaire

To help determine the benefits that would be most valued by employees, you may consider a staff survey. We would be happy to assist with this; asking employees to send responses to a third party often encourages honesty that might not be forthcoming when employees know their answers are being seen by the employer.

Total Reward Statements

Total Reward Statements (TRS) are helpful in highlighting the value of the benefits being offered by an Employer; an example is shown above. Some HR database systems include TRS functionality. If your system does not include this then you may consider using our online flexible benefit system for this.



For further information

Barnett Waddingham's Employee Benefits Team can assist with all aspects of flex design, implementation and communication. Please call us on 0207 776 2200 to discuss matters further.

www.barnett-waddingham.co.uk

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