

THE IMPORTANCE OF A SUITABLE GROUP PENSION VIA SALARY SACRIFICE



Background

We were engaged by a client with around 800 employees with the objective of reviewing the suitability of their default fund.

How we made a difference

Following a thorough review of the client's current situation, what began as a focused exercise looking at the default fund developed into a much wider review of the benefits as the process highlighted two key concerns for us:

- Contribution levels were significantly lower than the industry average
- Employee engagement with the scheme was low

The client had been working solely with the pension scheme provider. This resulted in a lack of challenge and proactivity which ultimately impacted member outcomes. We identified the need for independent employee communications expertise and objective oversight.

Implementing solutions

- We introduced a new target-dated default fund solution to replace the previous 'non-lifestyled', low-risk fund. A negative affirmation process was used to convert the previous default investments to a range of target-dated funds, and we provided support to the client in designing and delivering the employee communications.

- We recommended the introduction of salary exchange using the 'Save More And Reduce Tax' (SMART) process. While the client had been aware of the potential benefits of salary exchange they had believed signed addendums to employment contracts would be required in order to implement it; they feared take up would be low and the administrative burden too great. We were able to show how SMART could introduce salary exchange without changing contracts and with our support, a compliant two-tier SMART process was introduced.
- We introduced an employer-funded workplace pension advice solution for all employees. This prompted greater interest in the scheme and resulted in increases in engagement and in the value of employee contributions. Increased employee contributions not only improved members retirement funding positions, but also resulted in a reduction in the client's PAYE costs of over £100,000 per year, due to retaining their National Insurance (NI) contribution saving.

Conclusion

Our knowledge and expertise allowed us to go further than simply recommending an alternative default fund. Using open dialogue with our client and a detailed awareness of good governance and communications we significantly improved the solution in place. The leadership team agreed that the introduction of SMART access to expert support has exceeded their expectations. Having demonstrated the value we could add in a one-off exercise, we were contracted to provide ongoing governance and communications support, and ad-hoc regulated advice to members as required.

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