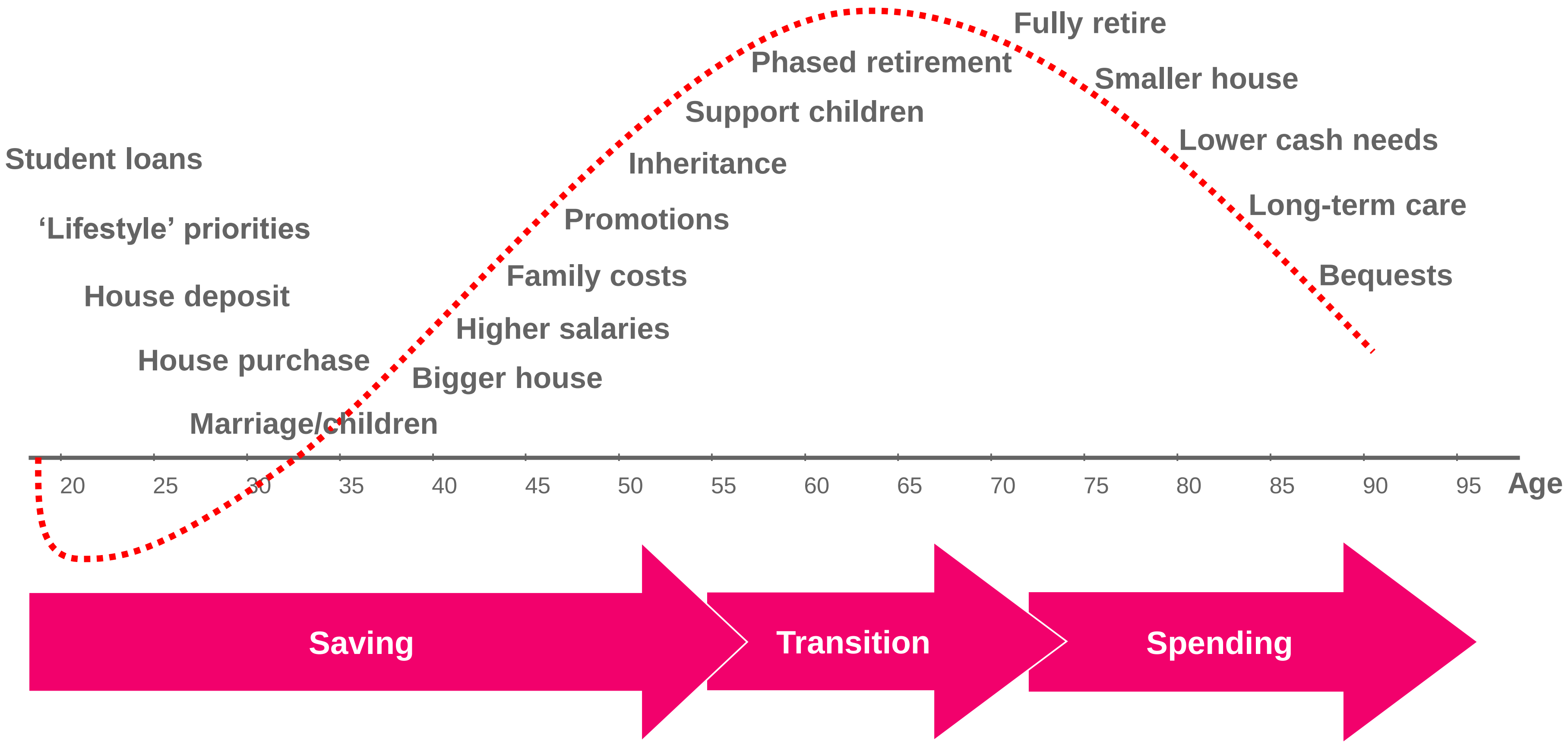
HYMANS ROBERTSON

Reward strategies post Freedom and Choice

Association of Consulting Actuaries

- Paul Waters
- June 2016

Savings and engagement challenge



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Core savings components

Purpose	Retirement income	House deposit Capital repayment Medium term savings	Short- medium term savings	Short- medium term savings
Benefits	Tax and NI efficient Employer contribution	Government uplift Employer contribution potential?	Employer contribution	Employer contribution (?)
Lump sum efficiency	Low	High	Moderate to high	High
Employee engagement	Typically low	Potentially high	Typically high	Typically low

Who is LISA?

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Under 40s can save until 50

Flexibility - for first home or retirement

Higher charges than pension

Pensions more cost efficient for employers

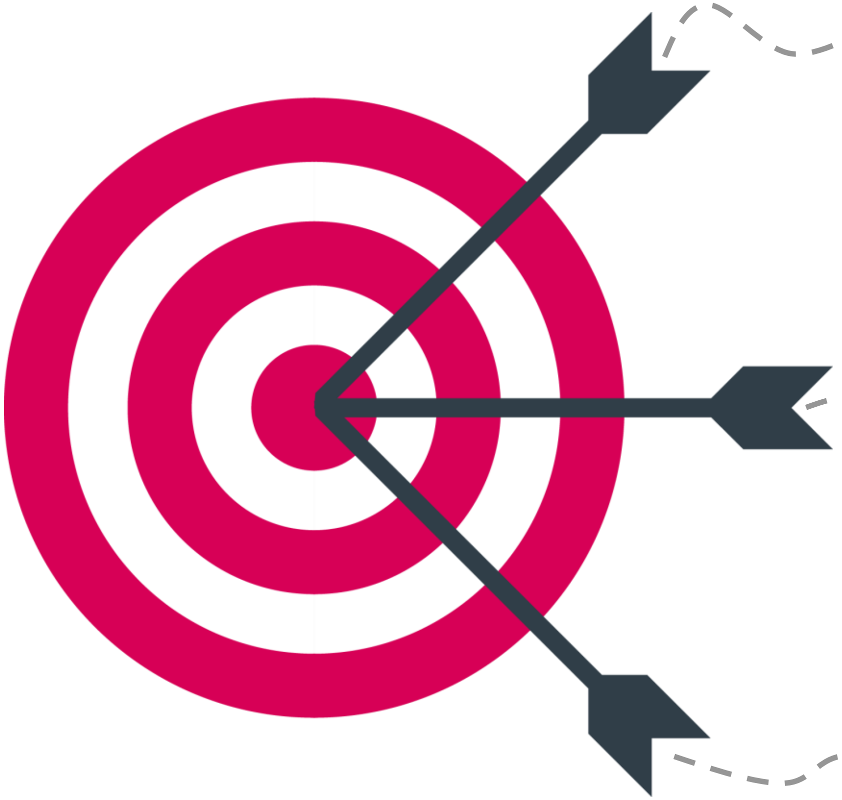
Contribute from net pay, tax free to withdraw

Max £4000 p.a. - £1 for every £4 from Govt

Earlier access but penalty if drawn before 60

Less employer oversight and governance

LISA: Target driven savings

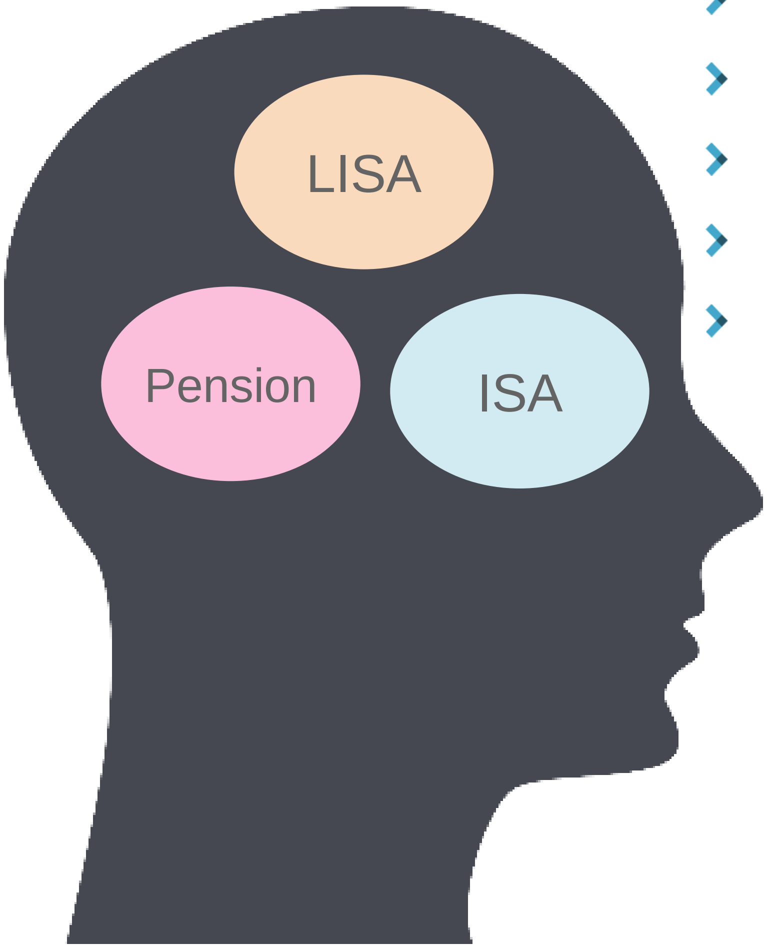


Saving for a house deposit

Repayment of mortgage capital (at 60)

Supporting retirement from age 60

With choice comes complexity



- Which savings route should I take?
- What is my investment strategy?
- Will I lose free employer money if I take a LISA out?
- Do I understand the impact of early withdrawals?
- Who can help me make these decisions?
- Can it help maximise lifetime savings?

Most efficient route for long term savings – under 40?

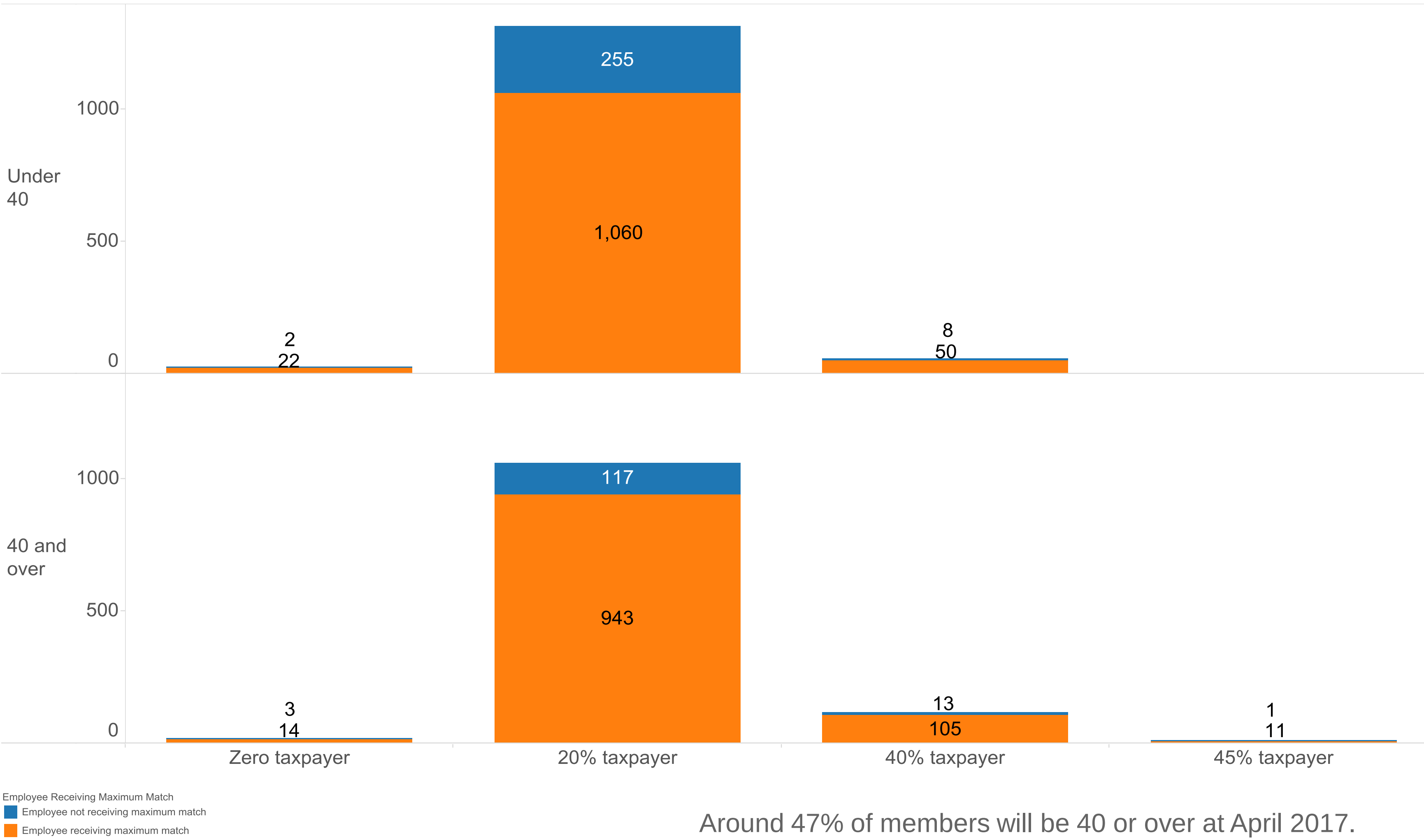
Pension Matching → LISA → Pension to limits → ISA

Best order for most 20% tax payers?

Pension Matching → Pension to limits → LISA → ISA

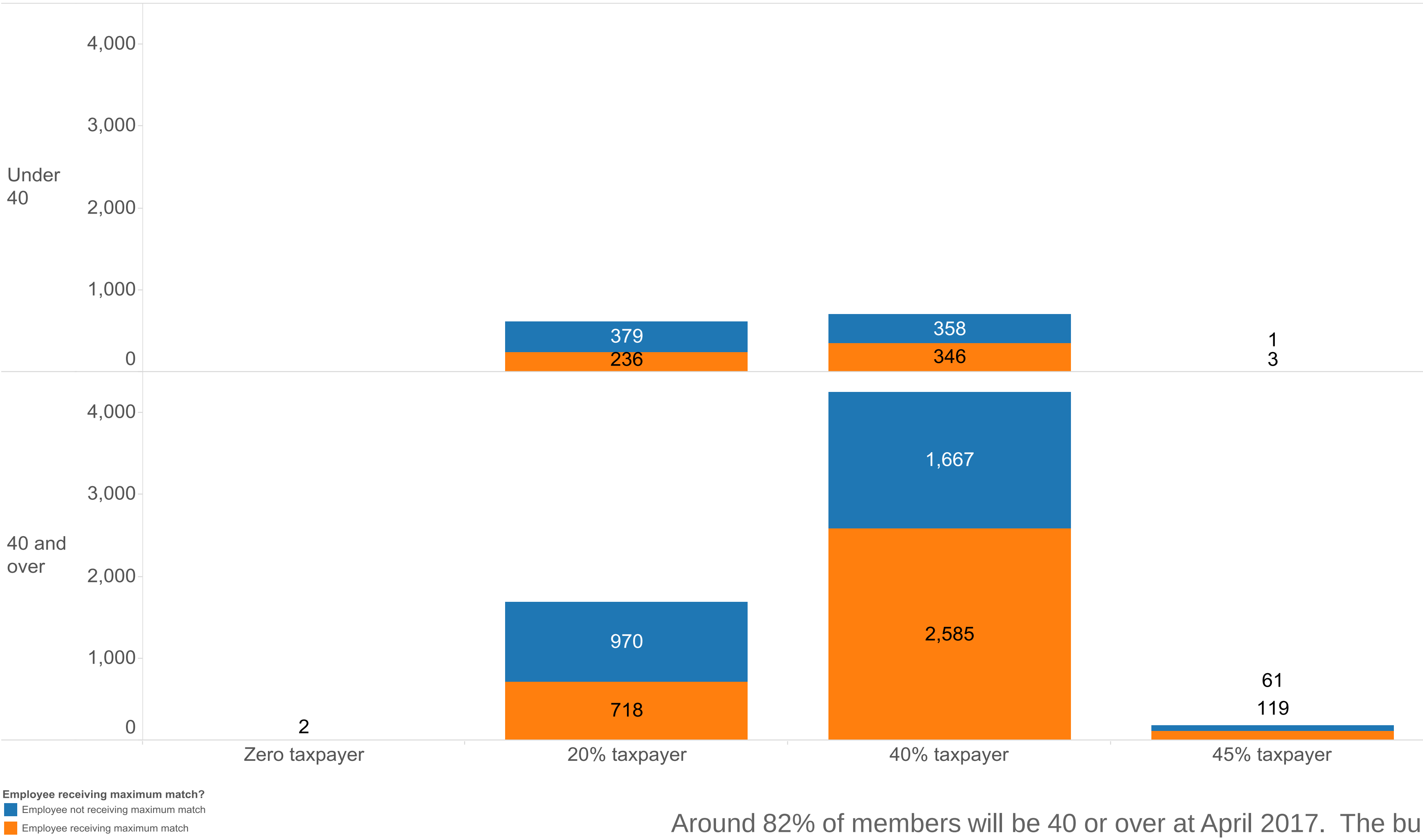
Best order for most 40% tax payers?

Age / tax band profile – Utility c. 3,000 EE's



Around 47% of members will be 40 or over at April 2017.
Around two-thirds of higher-rate taxpayers are in this age group.

Age / tax band profile – Tech Co c. 7,000 EEs



Around 82% of members will be 40 or over at April 2017. The bulk of higher-rate and additional-rate taxpayers are in this age group.

Implications for employers

What's good?

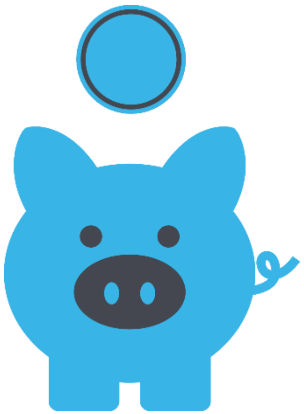
- Provides additional value for some employees
- Provides more flexibility for employees
  - First house purchase and mortgage repayment
  - Early access
- Likely to be more appealing for employees
  - Increased engagement with employer spend?

What's not good?

- Pension is a more cost efficient for employers
- Complexity of efficiency is difficult to communicate
- Costs to employees could be higher
- Employees can access the funding
- Less employer oversight and governance

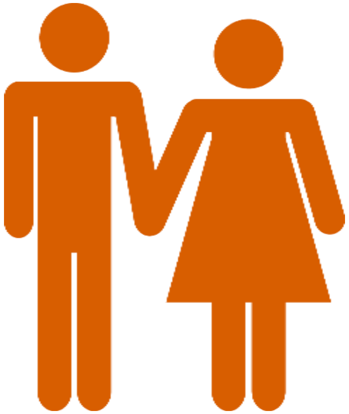
Bringing LISA into the workplace

Pricing



Investment

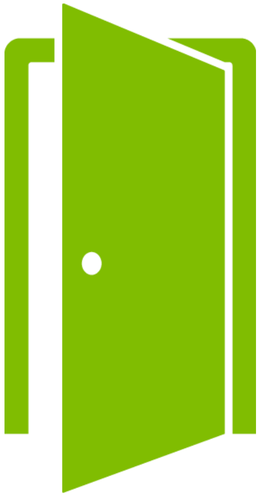
Governance



Employee Engagement

Implications for Reward Strategy

Distraction



Opportunity

Competition

Thank you

Any questions?