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Focused

 Mattioli
Woods plc

Employee Benefits

GENDER IDENTITY

something you
need to consider...

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Welcome

Hello, and welcome to the May 2019 edition of **Focused Employee Benefits**, the newsletter created exclusively for you, our clients.

The employee benefits arena today is made up of many themes, from auto enrolment to retention and health and wellbeing. Recognising the diverse nature of your needs, we have included a range of content from our team of specialist employee benefit consultants across the company, which we hope you find of interest.

Remember, if you have any queries or questions on anything within this newsletter, please contact your consultant.

Alternatively, you can email info@mattioliwoods.com or telephone 0116 240 8700.

We are always keen to engage with your needs and objectives, so would appreciate any feedback you have on this newsletter, which you can send to marketing@mattioliwoods.com.



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About Mattioli Woods

Mattioli Woods is here to help and support our clients meet their aims and ambitions. Whether you are an internationally head-quartered business opening offices in the UK or a developed company with offices across multiple sites, we help you create the right benefits package for your employees.

Our services include:

- flexible benefits – our portals allow for all sizes of business, covering employee engagement, total reward statements and employee discounts
- pensions and workplace savings – pensions and group SPPs
- employee health and wellbeing – financial education, executive financial counselling, healthcare and risk benefits
- specialist services – covering mergers and acquisitions and international

Automatic enrolment: now what?



Since October 2012, more than 10.06 million employees have been enrolled in automatic enrolment (AE), while more than 1.46 million employers have met their AE duties.¹ So what's next, asks Employee Benefits Director Saira Chambers...

The Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations (2010) have seen pension schemes become accessible to millions of employees who had not previously had the opportunity to join a good quality employers workplace savings scheme.

For this alone, you could say it has been a success. April 2019, meanwhile, saw the final part of the phasing in of contribution increases under the regulation. So, what now?

Next steps?

The Department of Work and Pensions (DWP) has continued to evaluate the impact of automatic enrolment and published a review in December 2017 that looked back over the first five years of the legislation. The report makes several recommendations aimed at building on the successes achieved to date.

These include:

- encouraging younger people to save for their future by lowering the age of automatic enrolment from 22 to 18
- considering the case for further increasing minimum contribution levels – they rose for the first time in April 2018, with the increase in April 2019 meaning contribution levels have reached a 'steady' state
- supporting part-time and low paid workers by calculating pension contributions from the first pound of earnings, rather than from the current lower earnings limit (£6,316 for the 2019/20 tax year)
- considering the use of technology to increase engagement amongst employees and to help develop the UK's savings culture

- looking into ways of increasing pensions savings for the self-employed

While the report recognises there are cost implications to many of these recommendations, ultimately, the aim is to improve the retirement outcomes for savers.

Integral benefit

At Mattioli Woods, our own experience of working with clients and their employees tells us most employees value their employer pension contributions and see it as an important benefit, even at the minimum statutory levels.

Therefore, when employers voluntarily pay contributions above the minimum requirements it not only helps employees save for their retirement but can also help in an effective recruitment and retention strategy. However, it is critical a robust employee communication and engagement programme delivers a consistent and informative message about the value of this benefit.

The 2017 DWP report indicates the changes are scheduled to take effect from the mid-2020s, subject to discussions with stakeholders during 2018 and 2019. Additionally, the DWP has commissioned a further report, reviewing the impact of the 2018 and 2019 contribution changes – this is due to be released later this year. According to the DWP, this quantitative research has been undertaken to inform its "wider ongoing evaluation of automatic enrolment."²

Whatever your views, you can be sure we haven't reached the end of the journey. The pension landscape will continue to develop, with regulation encouraging employers to help their employees plug the savings gap with good quality workplace savings.

¹ www.tpr.gov.uk/-/media/thepensionsregulator/files/import/pdf/automatic-enrolment-declaration-of-compliance-monthly-report.ashx

² www.gov.uk/government/publications/automatic-enrolment-qualitative-research-with-new-employers

**Remuneration and
retention: is money
the only way to
achieve both?**



It's a timeless question, the answer to which would have changed over time as people's needs, wants and desires have done the same. So, in 2019, what does Employee Benefits Consultant Adrian Firth think?

In my opinion, achieving remuneration and reward is about so much more than just salary – and this has never been more the case than it is now.

Why? Well, to answer this, it may be worth taking a breath – with an ever-growing range of employee benefits and constant changes in legislation, we should look at not only where we've come from, but also what where we're heading towards.

Time moves on

For example, I recently wrote an article looking at what our economy was like just over 30 years ago. In 1988, it was the first year higher-rate tax was 40% on earnings over £19,300, abolishing the previous 60% rate over £41,200. The Bank of England base rate, meanwhile, ended the year at 12.87% – I shudder to think what my mortgage would cost if this were the case now!

In the employee benefits world, a pension scheme was the main (and pretty much the only) benefit offered by large employers, while the most complex and 'new' benefit was private medical insurance, but only for select 'C Suite' roles.

In the present day, we have grown to encompass a wide range of benefits, moving on from pensions being king. For example, we have medical benefits such as the widespread use of private medical insurance and cash plans as well as life and critical illness insurance now being prevalent. We also have diverse benefits such as the 'office environment' – oh yes, having somewhere 'cool' and modern to work can be a real benefit!

Looking ahead

However, there are more interesting benefits on the horizon, and we need to be forward thinking. Why are we paid monthly, for example? Being paid on the day you complete your work is now becoming a reality. Also, instead of buying expensive medical insurance for a young employee who is healthy, why not help them by repaying their student debt? These are all things rapidly becoming the new norm and are benefits employers could be quick to adopt to differentiate themselves from their rivals.

Meanwhile, despite all our advances, most employees in the UK still live for the payslip. However, even once we have them, not many of us actually read them, do we? We just look at the bottom line. Therefore, one of the main concepts we must get across to employees is this: your remuneration for your job is not just the money you put in your pocket – it encompasses a range of additional benefits that may not be replicated in another workplace. Therefore, you may be worse off moving to another job!

The largest spend in nearly all organisations is the wage bill –

but how many of our staff understand pay and benefits? And how many employers properly explain it?

Stuck in the past

The problem is that, as we introduce more and more benefits, the complexity of them increases, so it's hard for employees to pick the right balance. Just think about all the phrases, acronyms and jargon we've created – GPP, EAP, HCP, PMI, BIK – and there are dozens more. Sure, while the key to a successful remuneration policy is fair pay, so is the targeting of benefits – but they need to be benefits employees can see, understand and appreciate.

There really is a generational difference in employee benefits and time and time again we see the 'baby boomer' generation selecting and paying for benefits that 20-year-olds are expected to value, when in reality, they want something quite different to the 'norm'.

Made to measure

Therefore, it's important to ensure the reward package is tailored to individual's needs and wants, so giving choice is essential. Think about it – we now have (possibly) five generations working together under one roof, more parents in the workforce, more diversity and increased flexibility and mobility, yet, most employee benefits packages were built for baby boomers by baby boomers in the 20th century when economic and social conditions were very different.

This disconnect has a very real business impact – while your baby boomers might be happy with the way things are, you are actively disengaging the rest of your employee base. By 2025, 75% of the working population will be made up of millennials – this poses significant challenges.

Meanwhile, technology is making the world move faster which, in turn, is making competition harder. Companies need to continually innovate, and product lifecycles are shorter and shorter... employee benefits are no different – what's right one year might be totally wrong the following year. So, we need to stay flexible – balancing pay, benefits and engagement.

Of course, millennials are certainly not as discreet as their predecessors and are more than happy to share their views on anything and everything. So, if they aren't happy with their benefits and reward offering, you can be sure it's not going to be a secret for long – and that's not going to help with attracting and retaining the best people to work for your business, is it?

So, to reiterate, no – remuneration is not just money. It's fair pay linked with engaging benefits that make a real difference to staff's financial wellbeing, designed for different generations. Simple, right?



Workplace pensions: setting a new standard

We all know the importance of a good quality auto enrolment scheme, but how do you take this further to make yours the best of the best? Employee Benefits Operations Manager Lyndsay Maclean gives us an idea...

Historically, a total pension contribution of 8% would be the exception rather than the norm for defined contribution pension arrangements and would have been a great way to attract and retain a talented workforce.

However, with April 2019 seeing the final (planned at the time of writing, anyway) contribution increases under the auto enrolment requirements, how do employers now set themselves apart from the crowd when it comes to workplace savings?

A big question, sure, but you might find you're already doing enough already without realising it...

Employees at the heart

The introduction of auto enrolment meant employers were placed in a position of trust by The Pensions Regulator (TPR) in that they were trusted to provide a workplace savings arrangement that resulted in good outcomes for their employees.

To guide them in this requirement, TPR provided six principles of 'good pension scheme governance', clearly setting out what was required in providing good member outcomes. Regular governance ensures these principles are being met by many employers who take their responsibilities seriously.

The six principles are:

- 1) essential characteristics: schemes are designed to be durable, fair and to deliver good outcomes for members
- 2) establishing governance: a comprehensive scheme governance framework is established at set-up, with clear accountabilities and responsibilities agreed and made transparent
- 3) people: those who are accountable for scheme decisions and activity understand their duties, and are fit and proper to carry them out
- 4) ongoing governance and monitoring: schemes benefit from effective governance and monitoring through their full lifecycle
- 5) administration: schemes are well administered with timely, accurate and comprehensive processes and records
- 6) communication to members: communication to members is designed and delivered to ensure members can make informed decisions about their retirement savings

The Pension Quality Mark

The Pension Quality Mark (PQM) takes the six principles, as prescribed by the regulator, and allows employers to showcase just how valuable the workplace savings arrangement they offer their employees is. With minimum standards and a

robust application process, the PQM isn't an accreditation available to all, rather for those who offer their employees a quality workplace savings arrangement.

The PQM was first established in 2009 and, as of writing, had nearly 190 schemes with more than 650,000 members¹. In January 2019, new standards for accreditation were announced, which will come into effect from May 2019. They consider the significant changes that have happened in the ten years since the PQM was established (including auto enrolment and pension freedoms), ensuring the accreditation remains a relevant measure for the future of workplace savings.

How do I get the PQM?

So, what does it take for a workplace savings arrangement to gain a PQM accreditation? Well, if you can confidently answer 'yes' to most of the below questions, you could be well on your way to getting it yourself...

- Is the workplace savings arrangement you offer a single employer defined contributions scheme?
- Do you provide a scheme with minimum contributions of at least 12%, with a minimum of 6% being met by the employer?
- Can you prove the default investment strategy is fit for purpose – does it suit the risk attitude of scheme members?
- Does the scheme support the diverse retirement income options available following the introduction of pension freedoms – for instance, can the provider support annuities as well as flexi-access drawdown?
- Do you have a pension committee with individuals from different areas of the business, ensuring all levels are represented and their requirements for the workplace savings arrangement are heard?
- Is your workforce engaged in your workplace savings arrangement? Do you communicate with members regularly in a format that takes account of the level of understanding and engagement across your workforce?

Adding another string to your retirement benefits bow via the PQM to attract and retain good quality staff can make all the difference – and it could only be a step away once you've considered the questions above. If you're answering 'no' to some, or, you feel there is room to improve on any of them, it may only take a few small changes – you could then be on your way to getting your workplace pension scheme endorsed with the PQM.

More information on the new PQM standards can be found on the PQM website² – you may even find you can meet the PQM+ standards.

¹ <http://www.pensionqualitymark.org.uk/index>

² http://www.pensionqualitymark.org.uk/documents/95_pqm-standards-january-2019-190123.pdf

Gender identity: something you need to consider...

Rarely does a day go by where gender politics is not featured in the media. With a subject so sensitive, it can be hard to tread carefully. Employee Benefits Consultant Ed Watling is here to help...

I'm sure we are all aware of the significant developments in relation to gender identity.

For example, authorities – and society in general – are making attempts to widen our terms of reference so we are no longer constricted by male/female, binary definitions. Yet, as far back as 2014, The Daily Telegraph reported Facebook was allowing 71 various gender definitions¹. Further, indigenous people in North America and South Asia had multiple gender references many centuries ago. So, while we may feel we are living in more tolerant and enlightened times now – yet some may not – the practice has been around for some time.

So, society is moving on and people who wish to change their birth gender or identify as something other than male/female are becoming more able to do so, but what does this mean in the world of employee benefits?

In my opinion, there are two significant issues. One, how do benefit providers deal with these matters of identity? And two: what can providers do to support the individual if they are looking to transition from one gender to another?

Labelling

Although we may not like it, sometimes an 'official' label is required to process an application form or similar. Yes, despite the developments in gender politics awareness, benefit providers still require a male/female definition, and most will require a gender-specific title (Mr, Mrs, Miss, Ms). A few are being slightly more progressive, however, offering 'Mx' as a non-gender specific title.

Some of these issues may be due to the way IT systems have been developed and since changes may involve considerable investment in software coding, it may take some time for label protocols to catch up with social developments. Having said that, it should be remembered that under the Equality Act 2010, an individual must not be discriminated against because that person is transgender/transsexual (defined here as their gender identity differing from the gender assigned at birth). The point I'm making? A change in gender identity cannot be used to deny an individual access to benefits.

To be protected from discrimination under the act, one does not need to have undergone any specific treatment or surgery to change from their birth sex to their preferred gender. This is because changing one's physiological or other gender attributes is as much a personal process as it may be a medical one. A person can be at any stage in the transition process – from proposing to reassign gender, to undergoing a process to reassign gender, or having completed transition.

Support

When it come to providing support for employees around

gender issues, the level required will be based around the employee's needs and wants, and what level of treatment they feel they require.

At a base level, gender dysphoria is condition where a person experiences discomfort and distress because there is a mismatch between their biological sex and gender identity. It is increasingly understood to have its origins before birth, where foetal development predisposes the baby to a future mismatch between gender identity and sex appearance.

However, in real-life applications, the matter is blurred as not all sufferers will seek gender reidentification. Some trans individuals, for example, will cross-dress occasionally or even on a regular basis, while some may choose to live permanently in the gender role that is most comfortable for them, but without seeking any medical help or treatment. Occasionally, people do not identify comfortably as either men or women but feel they have characteristics of both and live somewhere in between.

Therefore, support required – if at all – could fall into two areas:

- mental health – helping the individual deal with the issues and, if required, the process of transitioning
- physical health – any surgery or hormone treatment required to reassign gender

For both these areas, assistance is available under the NHS, but this is somewhat limited in resource. Private facilities in the UK are even more scarce. Health insurers, meanwhile, are becoming more understanding of the situation, but the lack of available facilities and potential claims expenses (surgery costing more than £20,000 for male to female and £75,000 female to male, plus the added costs of psychological support) means that in most cases, treatment is out of the question.

Some insurers are willing to provide limited coverage under very large corporate schemes, but this is still strictly controlled and generally only for specific pelvic surgery, with follow-up and mental health needs having a specific lifetime limit of, for example, £10,000.

The future

Gender identity and reassignment matters will become more common and accepted in the future and as a result label, process and system conventions will adapt to cope with individual needs.

Support for individuals with gender dysphoria will increase in availability and likely become more common in larger group health insurance plans. However, the relative high cost of surgery and mental health support means coverage under smaller policies is probably going to remain excluded for the foreseeable future.

¹ <https://www.telegraph.co.uk/technology/facebook/10930654/Facebooks-71-gender-options-come-to-UK-users.html>

