

Switching your client's workplace pension scheme **could help them save**



Pensions | Workplace pensions



THIS IS FOR FINANCIAL ADVISER USE ONLY AND SHOULDN'T BE RELIED UPON BY ANY OTHER PERSON.

A good time to review your client's workplace pension scheme

Automatic enrolment (AE) costs are one of the biggest costs for employers, but many don't know they can potentially save by reviewing their workplace pension scheme.

Now could be a good time to review your client's scheme to understand if they're paying unnecessary fees, if they'll benefit from a salary exchange arrangement or if they could benefit from improved service and support during these turbulent times.

Why should I consider switching my client's workplace pension scheme?

Reviewing your client's workplace pension scheme gives you the opportunity to get closer to their needs. This can help you understand if they'll benefit from switching, and whether there are any ongoing financial services you can offer them.

It's an opportunity for you to:



Create profitable revenue streams



Generate new corporate and wealth clients

And help your existing group and corporate clients:



Save money



Receive improved service levels and support



Improve, or benefit from, better long-term outcomes for scheme members

A workplace pension scheme switch

Let's look at a hypothetical example. Here's an example that shows why switching your client's existing Group Personal Pension (GPP) scheme to Royal London could help them save money.

The employer's existing scheme:



had **50** scheme members



first staged **1 January 2015**.



with an average salary of **£34,000**



an Annual Management Charge (AMC) of **0.75%**



3% employer and **5%** employee pension contributions



had total assets of **£1.4 million**



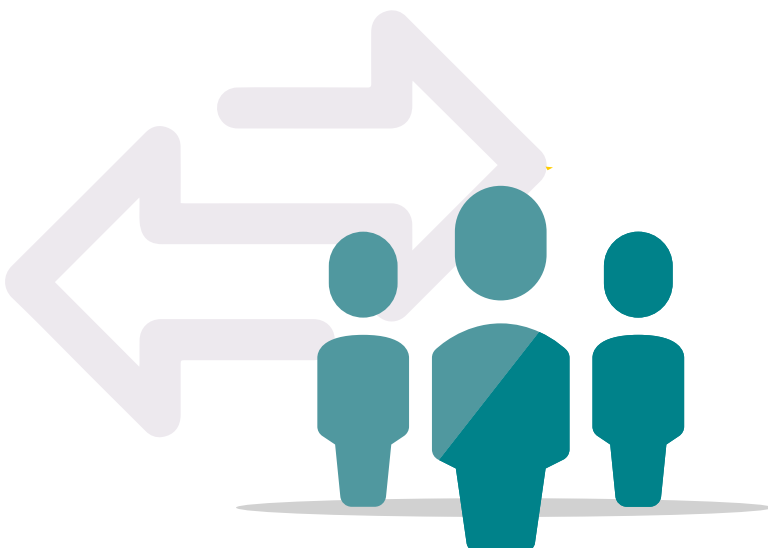
was set up in **2010** prior to auto enrolment



their scheme members received a yearly pension statement, and didn't engage with their pension in any other way



didn't have a salary exchange arrangement

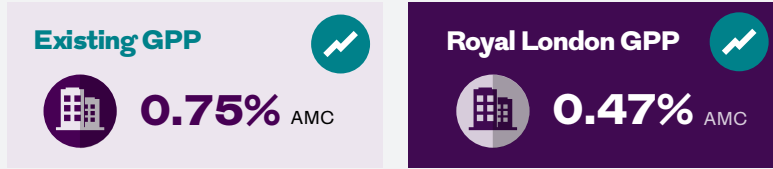


The adviser helped their client make the switch by:



Step 1 Reviewing their scheme's price

Having reviewed their client's existing scheme they identified the scheme currently had an AMC of 0.75%, the maximum AMC that can be applied to automatic enrolment schemes. This was improved by switching to Royal London.



Scheme member AMC reduced by **0.28%**



Adviser fee **£500**

Added benefits from Royal London:

Financial wellbeing

There's greater focus on supporting employees with their wellbeing, including helping them build financial resilience and giving them access to financial guidance.

Through our financial wellbeing service, we're helping employers to support their employees by providing easy access to tools and materials to do just that. All at no extra cost.

ProfitShare

As we're a mutual, we believe all eligible customers should share in our success.

So when we do well, we aim to boost their retirement savings by adding a share of our profits to their plan. We call this ProfitShare.

As this scheme switch was completed in 2020, scheme members were eligible for a ProfitShare award.



Scheme members will be **0.43%** better off over 2023.



Our ProfitShare award for April 2023 was **0.15%**.

Our AMC change was **0.28%** lower than the existing scheme charge.

That's a difference of **0.43%**.

There's no guarantee that we'll be able to award ProfitShare every year. But once we've awarded ProfitShare, we'll never ask for it back.



Step 2 Setting up salary exchange

Considerable savings were made by setting the new scheme up on a salary exchange arrangement where employees agree to exchange part of their gross salary for a pension contribution.

Salary exchange works in the same way as other salary-related benefit schemes, such as company car, cycle to work and childcare voucher schemes.

Both employers and their employees save by paying less National Insurance (NI) contributions.

In this example, the employer saved **£11,730** in the first year alone. They then used their savings to meet other business costs and pay for their adviser services.



Employer NI savings **£11,730**



Adviser fee **£6,000**



Number of scheme members **50**



Total salary exchanged by employees (5%) **£85k**



Average salary **£34k**



Employer NIC rate (2023/24) **13.8%**



Total yearly salary payment before exchange **£1.7m**



Employer's yearly saving **£11,730**

Scheme members were then given the option to invest their savings as a higher contribution in their pension scheme or increase their take home pay.

Some schemes might not have a salary exchange arrangement if there was a short timescale to meet staging dates or if it was set up with a one-off adviser consultation and hasn't been reviewed since.

It could also be that the potential savings offered by salary exchange have grown in recent years as Auto Enrolment (AE) contributions rates have risen from the initial **2%**, split equally between employer and employee, to the current **8%**, now split **3%** employer and **5%** employee.



Step 3 Member transfers

The adviser used our adviser-led direct offer process to transfer over the existing £1.4 million scheme assets into the new scheme and charged each scheme member £100.



Total adviser fees **£5,000** charged to scheme members

Total fees and savings



Step 1 **£500** charged to employer



Step 2 **£6,000** charged to employer



Step 3 **£5,000** charged to scheme members

£11,500



Total employer savings **£11,730**



Total adviser fees charged to employer **£6,500**



£5,230 remaining in first year



Step 4 Additional services

With the potential savings on offer to the employer by moving their scheme to Royal London, there's a number of ways they could use these savings to further support the benefits package available to their employees.

They include:

Employer



Annual Scheme Governance reviews

This checks their scheme is performing as expected and **everything's on track.**



Support with cyclical duties

Between us we can make sure your client's meeting their employer duties and **avoiding unnecessary penalties.**



Wealth management services

Higher earners or those nearing retirement can benefit from **personalised services.** You can identify these people with our scheme governance report.



Business protection

This can help businesses **recover quickly and minimise the impact** should a key person suffer a critical illness or die.

Scheme members



Individual scheme member pension savings transfers

Supports **pension savings transfers** from other plans, where it's in the scheme members best interest.



Yearly employee review clinics

Scheme members can benefit from individual advice tailored to **their retirement goals.**



Regular employee presentations

These can help increase awareness of the employer's scheme, increase employee **engagement and perceived value.**

Potential topics include financial wellbeing, retirement planning and investment updates.



Financial wellbeing tools

Helps employers **build financial resilience within the workplace** and identify areas of concern or worries amongst their workforce which may be affecting performance. Also helps employers offer a more comprehensive employee benefits package.

Depending on the service you can choose to charge the employer or, if applicable, the scheme member:

- an initial adviser charge
- an hourly rate
- ongoing charges
- a fixed fee
- a percentage of fund

Our scheme switch support

We offer a range of tools and services designed to make moving to and running a pension scheme with us as simple as possible.

Here's some of the ways we could support the adviser and employer in the above scenario:



For advisers



Salary exchange

We'll provide a suite of **employer and employee facing engagement materials**, which the adviser could use to explain the benefits of salary exchange in a jargon-free and simple way. Our leaflets include easy to understand examples that illustrate the potential savings.

The adviser could also use our **salary exchange calculator** to produce detailed statements showing total savings for the employer as well as pension contributions and take-home pay at employee level.



Transferring pension savings

In this example the adviser chose to do an **adviser-led direct offer**, they will take care of compliance and managing the process, and we'd support them by providing individual member illustrations and requesting the transfers from each provider.

We know that transferring pension savings can be a complicated and time-consuming task, so we offer a variety of options to help you.

As well as an adviser-led direct offer, you can also choose:

- Our **Royal London direct offer**.
A non-advised transfer led by us and supported by you
- A **full-advised transfer service**, provided by you and supported by us

And if you don't want to be involved, we also support **execution only transfers**.



For employers



Our people

On day one, we'll appoint a **dedicated implementation manager** who'll project manage the set up of your client's scheme. They'll also show them how to use our online service so they know how to manage their scheme on a day to day basis. Our employer **online service** is geared towards helping employers run their scheme efficiently, keep on top of employer duties and reduce the amount of time spent on admin tasks.

Our employer online service is fully automated, so it's easy for employers to manage tasks, update employee details, keep track of what's coming up on the scheme, make contributions, add new entrants and tell us about any employees who are leaving the scheme.

Once your client is ready to run their scheme themselves, we'll introduce them to their **scheme owner**. They'll be on hand to help keep your client's scheme on track and to answer any questions they may have throughout the lifetime of their scheme.



Engaging employees

To help employers **engage their employees** we'll provide a suite of engaging digital and paper based communications to use with their employees, so they know their pension provider is changing.

Once members are added to the scheme, we'll contact them to confirm their plan details before issuing a full welcome pack. This includes a **comprehensive guide** to their new pension plan and details how it and **ProfitShare** works, it sets out their retirement options and how to access and view their plan online or through our mobile app.

And because we know that members who engage with their pension and understand their plan tend to benefit from better long-term retirement outcomes, we'll aim to keep that engagement going. We'll maintain regular contact with scheme members through our mobile app, employee hub, emails, campaigns and yearly statements.

Our **mobile app** makes it really easy for employees to keep in touch with their savings whenever they like. There's practical functionality like telling us about nominating a beneficiary and transferring other pension savings across to their new Royal London plan, as well access to our free **financial wellbeing service** which offers guidance and support on a variety of topics alongside access to tools and materials.



Financial wellbeing

They can use the financial wellbeing service as often as they like, so if their **financial circumstances change or they want guidance** at any point, they can log in to access relevant information or understand when to speak to an adviser.



Why Royal London?

We're committed to working in partnership with you because we believe this helps to deliver the best customer outcomes and experiences.

We aim to offer great service and support to you and your clients when switching pension schemes and throughout the lifetime of their plans. We're proud to have been rated 5* for pension services at the Financial Adviser Service Awards for 14 years running – something that's unmatched amongst our main competitors.



Find out more

For more information on how we can support you switching your client's pension scheme, speak to your usual Royal London contact.



Royal London
royallondon.com

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