Willis Towers Watson

Benefits Profile Report

Sample country

2020

Benefits Profile

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Statutory/Mandatory Programs

Overview

Statutory Programs

Definition: Statutory programs are set up and operated by the government with all employers required to comply typically through payroll deductions.

All employees participate in the social security system (National Insurance - NI) from age 16, provided they meet the earnings threshold. The system provides a comprehensive range of social protection, predominantly through flat-rate benefits available. Some benefits are subject to means-testing. In a move to reduce the welfare budget, social benefit payments are frozen until 2020.

NI benefits, contribution rates and ceilings are amended as of April 6 each year, for the fiscal and tax year running from April 6 to April 5. National Insurance Contributions (NICs) and benefits are based on a variety of earnings limits as follows:

NI earnings limits for 2019/20

	Lower Earnings Limit (LEL)	Primary Threshold (PT)	Upper Earnings Limit (UEL)
Weekly	118	166	962
Monthly	512	719	4,167
Annual	6,136	8,632	50,000

Employees with earnings equal to or exceeding the LEL but below the PT are covered for benefits but neither they nor their employers are subject to NICs.

Employees pay a lower rate of NICs on earnings above the UEL.

Mandatory Programs

Definition: Mandatory programs are required to be implemented by companies. They are not managed by the government but typically by providers selected by the company.

Employers must auto-enroll employees into a retirement plan providing at least a minimum level of benefit accrual and satisfying certain other conditions. Plan options include a company-sponsored retirement plan or personal pension plan. Alternatively, to meet their obligation, employers may use the National Employment Savings Trust (NEST), a centralized DC plan established by the government. Different approaches may be used for different employee groups.

Retirement Benefits - Statutory

Overview

All employees between the age of 16 and SPA with weekly earned income at or above the LEL ($ 118) are covered.

A new single-tier pension, the New State Pension (NSP) replaced the Basic State Pension (BSP) and the Additional State Pension for claimants who reach SPA from April 2016. Benefits are unchanged for individuals who reached SPA before this date, who receive the flat-rate BSP and earnings-related pension based on the State Second Pension (S2P) and its antecedent, the State Earnings Related Pension Scheme (SERPS). Employer plans were able to contract out of S2P/SERPS but this option ended in April 2016.

As the BSP and related S2P/SERP pensions apply to individuals who reached SPA before April 2016, those plans and related measures such as Pension Credits are not further addressed in detail in this report.

Reforms

No major reforms recently.

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Benefit Eligibility	**Normal Retirement** SPA is currently increasing from age 65 to age 66 by 2020 for both men and women but the increase is in phases and will eventually rise to age 67 by 2028 and to age 68 between 2044 and 2046. **New State Pension (NSP)** Eligibility for a full pension normally requires that the claimant has at least 35 qualifying years over their working life, from age 16 to SPA including any period credited due to responsibilities for caring for parents or children. A qualifying year is defined as the fiscal year in which the individual has made, or been credited with, NICs on earnings of at least 52 times the weekly LEL. An individual must have at least 10 qualifying years to be entitled to a pension. NICs/NI credits prior to April 6, 2016 are used to calculate a 'starting amount' for the NSP based on the higher of the amount payable under the BSP and S2P/SERP system and the amount payable if the NSP had been in place since the start of their working life. The starting amount is reduced if the claimant had been contracted out of S2P/SERP. If the starting amount is less than the full NSP, qualifying years after April 5, 2016 may be credited until the individual reaches the full NSP amount or SPA - whichever comes first. Each qualifying year after April 6, 2016 adds $ 4.82 a week (i.e., $ 168.60 divided by 35 qualifying years) to the claimant's NSP. If the starting amount is more than the full NSP, the difference between the starting amount and full NSP is a so-called 'protected payment', paid on top of the NSP and indexed annually for inflation. **Early Retirement** There are no provisions for early retirement. **Late Retirement** The NSP, BSP and Additional State Pension (S2P/SERP) can be deferred without limit.
Covered Earnings	The NSP is a flat-rate benefit, unrelated to earnings.
Benefit Formula	**Normal Retirement** The benefit is a flat-rate state pension of $ 8,767.20 per annum ($ 168.60 per week). Only in very limited circumstances may claimants be able to inherit an extra payment on top of their NSP if widowed, unless they remarry or form a new civil partnership before reaching SPA. **Late Retirement** The pension is increased by 1% for every nine weeks of deferment after SPA (just under 5.8% for every full year of deferment).
Payment Form	Pensions are usually paid on a weekly basis. Payment of the earnings-related pensions are increased in line with the Consumer Prices Index (CPI) on an annual basis. The NSP (and prior BSP) are adjusted annually (in April) by the highest of the following three factors: • Average percentage increase in wages nationally; • Change in CPI; or • 2.5%.

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Retirement Benefits - Mandatory	
Automatic Enrollment	Since February 1, 2018, at the latest, all employers must automatically enroll eligible employees into a qualifying occupational or employer-sponsored personal pension plan (unless they are already members of a qualifying plan). Alternatively, employers may use the NEST (National Employment Savings Trust) a centralized, DC plan. Auto-enrollment must occur within three months of starting employment (or becoming eligible). Eligible employees are defined as those who are: • Between age 22 and SPA; • Earning in excess of $10,000 (in 2019/20); and • Working or 'ordinarily working' 'Ineligible' employees who do not meet the criteria are generally entitled to opt in voluntarily. Employees have one calendar month after enrollment to opt-out and get a full refund of any contributions. Plan members can also leave the plan at any time after the first month, ceasing active membership. **Contributions** The minimum employer and employee combined contribution rate for qualifying DC plans used to the meet automatic enrollment requirement is 8% of covered pay (5% from employees) as of April 6, 2019. The prior rate was 5% (3% from employees). Contributions are calculated based on earnings between LEL ($ 6,136 per year) to UEL ($ 50,000). Because a plan's definition of pensionable earnings is likely to differ from the definition of earnings for automatic enrollment, there are a number of different tests a plan can choose from in order to confirm that it meets the minimum requirements. Employers may offer employees the option to give up (sacrifice) part of their salary as pension contributions. Such arrangements lower NICs for both employers and employees.

Death Benefits - Statutory	
Overview	Surviving spouses/civil partners and dependent children, if any, may be eligible for a modest, flat-rate survivors' benefit from social security. Jobcentre Plus, an executive agency of the Department for Work and Pensions, administers bereavement benefits connected to the NSP, Basic and Additional State Pensions (S2P/SERPS).
Reforms	From April 6, 2017, a new single Bereavement Support Payment replaced the previous system of bereavement benefits, including Bereavement Payment, Bereavement Allowance and Widowed Parent's Allowance. The new payment is not subject to the benefits limit and does not affect the surviving spouse/civil partner's concurrent entitlement to contribution-based Jobseeker's Allowance or ESA, where appropriate.
Eligibility	**Participation in Plan** All employees covered by social security are covered for survivors' benefits. **Benefit Entitlement** Bereavement Support Payments are payable to the surviving spouse/civil partner if the deceased person paid NICs at least 25 times in any one tax year prior to their death.
Benefit Formula	**Bereavement Support Payment** There are two rates of payment, a standard rate and a higher rate payable to pregnant claimants and those with dependent children. The standard rate consists of a one-off lump sum of $ 2,500, followed by $ 100 per month for 18 months. The higher rate consists of a one-off lump sum of $ 3,500, followed by $ 350 per month for 18 months. Benefits are tax-exempt. **Funeral Expenses Payment** A funeral expenses payment may be paid to claimants that satisfy certain eligibility requirements, such as receipt of certain benefits or tax credits and their relationship with the deceased. The amount paid will vary depending on the circumstances.

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Supplemental Programs

Retirement Benefits	
Overview	The State Pension is designed to provide only a basic level of retirement income to individuals. Historically, established pension plans usually covered management and salaried employees. Hourly employees were often in the same supplemental pension plan, but with their own benefit structure, sometimes providing lower benefits as compared to other categories of covered staff. Most medium and large employers sponsor their own supplemental benefit plans, providing retirement pensions and associated benefits for some or all of their employees via defined benefit (DB), defined contribution (DC), or hybrid arrangements. Pension plans that meet certain conditions and register with HMRC receive advantageous tax treatment. The requirement for all employers to auto-enroll employees in a retirement arrangement which came into full effect in February 2018 has had little impact on employers that already offered company retirement plans. The country has one of the deepest and largest retirement markets in the world, with total pension assets at the end of 2018 estimated at USD 2.85 trillion, amounting to 101% of GDP, according to the 2019 Global Pension Asset Study by Willis Towers Watson. The primary weakness of the system is that all too often low- and middle-income workers have not had access to employer plans and/or fail to save enough for retirement. Automatic enrollment, with additional governance requirements and curbs on charges, is intended to address this shortcoming.
Legislative Updates	There have been a number of recent pension reforms intended to make the system more equitable and/or efficient. Notable recent changes include: • Trustees of DB and most DC pension plans with 100 or more members will have to update their Statement of Investment Principles (SIP) by October 1, 2019 to disclose their approach to 'financially material considerations' under new measures announced by the Department for Work and Pensions. These considerations will include the current environmental, social and governance issues including, but not limited to, climate change. From October 2020, trustees will have to produce and publish an implementation statement on their SIP. • Revised regulations simplify the process for DC pension plan consolidation, while maintaining protection of plan members' accumulated benefits. The regulations took effect April 6, 2018, and replace previous rules on bulk DC transfers without members' consent that required actuarial certification and a transfer between 'related' plans. The new regulations permit the bulk transfer of DC plan members' accounts without certification. A transitional period through October 1, 2019, will allow for transfers using the existing actuarial certification route. Subsequently, pure DC transfers will not be permitted under the former method but will remain for transfers involving guaranteed or cash balance benefits. • DC plan members, in both occupational and contract-based plans, must be directed to free and impartial guidance at retirement via access to an independent guidance service through website, telephone or in person. From April 6, 2019, the Money and Pensions Service was launched to bring together functions previously carried out by the Money Advice Service, The Pensions Advisory Service and Pension Wise. This service is funded by levies on both the financial services industry and pension schemes. • The High Court handed down a judgment in October 2018, confirming that equalization of member benefits for the gender effects of Guaranteed Minimum Pensions (GMP) is required, and indicating which equalization methods may be appropriate. While the judgment relates specifically to the Lloyds Banking Group plans, it is expected to create a precedent for other retirement plans with GMPs (primarily DB plans that were contracted out of the State pension between May 1990 and April 1997). Equalization may increase certain members' benefits, with wide implications for plan funding, corporate accounting, pension administration, and Pension Protection Fund (PPF) liabilities and levies.

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Legislative Updates (continued)	Another recent change includes the government's published response to its consultation document from November 2018 confirming its plans to introduce collective defined contribution (CDC) retirement plans. A CDC plan is a type of money purchase arrangement, in which a fixed rate of contributions is paid into a collective pension fund. The collective fund is used to pay members' pensions, with the level of benefits dependent mainly on the asset returns achieved, and with no further employer liability for contributions. The government intends to press ahead with legislation as soon as parliamentary time allows (a Pensions Bill, also covering stronger powers for the Pensions Regulator and a Pensions Dashboard, is expected in 2019 but is not fully confirmed).
Prevalence	The prevalence of occupational pension plans is very high among large domestic companies and foreign multinationals (94% of companies surveyed by Willis Towers Watson). As of 2018, total membership of occupational pension plans was 41.1 million of which 15.5 million were active members, 10.2 million were receiving pensions in payment, and 15.8 million were preserved pension entitlements (pensions of former employees who had not yet retired) according to the latest Occupational Pension Schemes Survey (OPSS) data. The survey does not include data on personal (workplace or individual) pensions.) Each year, the Pensions Regulator (TPR) and the PPF jointly publish the 'Purple Book' giving key statistics on private sector DB plans. The latest Purple Book (published December 2018) shows that the prevalence of DB plans which are still open to new members has declined from 43% in 2006 to 12% in 2018. (Percentages quoted are relative to the universe of DB plans, not all occupational plans.) Furthermore, those DB plans closed to all benefit accrual increased from 12% to 41% over 2006 to 2018. Employers have commonly provided enhanced benefits for executives, where possible, within tax-approved plans. Between 1989, when a cap on pensionable earnings was introduced, and 2006, when the tax regime for pensions changed, many companies established unapproved arrangements for executives to provide benefits in respect of earnings above the applicable earnings cap. Since 2006, there is no longer a statutory limit on the benefits that can be provided within a registered plan. However, as only benefits valued within the individual Lifetime Allowance (LTA - $ 1,055,000 for 2019/20) are tax-advantaged, some employers provide benefits above the LTA through a non-registered plan or offer other compensation.

Supervisory Bodies	• **HMRC:** oversees the tax regime for registered (tax-advantaged) plans and non-registered plans.
	• **TPR:** aims to protect the benefits of members of work-based pension plans, to promote good administration, to maximize compliance with the automatic enrollment duties, to reduce the risk of claims on the PPF and to minimize any adverse effect of its actions (in relation to the plan funding regime for DB plans) on sponsors' growth potential. It has substantial powers for helping to meet its aims and the PPF is funded by a levy on DB pension plans.
	• **PPF:** provides compensation to members of eligible DB pension plans, when there is a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension plan to cover the PPF level of compensation.
	• **DWP:** oversees social security benefits and is responsible for much of the legislation that protects the rights of members of pension plans.
	• **Financial Conduct Authority (FCA):** regulates the activities of life insurance companies, pension fund advisers and investment managers.
	• **Pensions Ombudsman**: investigates complaints made by plan members on how their pension plan is managed. It can rule on:
	    • Disputes between plan members and trustees, managers, administrators or their employer in relation to the plan;
	    • Disputes between trustees of the same or different plans; and
	    • Complaints by an employer about the managers or trustees of a plan.

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Benefit Eligibility	Plans normally cover all employees, due in part to the auto-enrollment mandate. **Normal Retirement** Normal retirement age (NRA) is 65 for both men and women. **Early Retirement** Although there are no provisions for early retirement from social security, most plans can pay benefits from age 55 although DB pensions are usually reduced actuarially for early payment and may be paid only with trustee or company consent. DC schemes can also allow funds to be drawn from age 55 without penalty. Schemes also usually have provisions for 'Ill-Health Early Retirement' (IHER). **Late Retirement** There is no statutory upper limit but late retirement normally does not exceed age 75.
Service Definitions	Pensionable service relevant to the accrual of benefits under DB plans is usually counted from the date of entry into membership of the plan.
Covered Earnings	Pensionable earnings are generally defined as base salary, but can include variable remuneration such as bonuses. Some plans apply an upper limit on covered earnings, determined on the same or similar basis as the statutory limit (the earnings cap) that applied before 2006. However, under the 2006 A-Day pension reforms, the cap was phased out in 2011. Plans can still apply a cap based on a notional value of the earnings cap ($ 166,200 for 2019/20) at their discretion (which must be communicated to plan members). Plan benefits can also be restricted by other means such as the lifetime allowance or the annual allowance both of which limit tax efficient saving, or, indeed, a cap that is not linked to a notional value of the former earnings cap. Final covered earnings, used to determine retirement benefits from DB plans, normally correspond to the last year or an average of the last three, or sometimes five, years' earnings. According to the OPSS, 25.8% of active members of DB plans were in career-average pay plans in 2017. Four-fifths of employers surveyed compensate senior executives for where their benefits are restricted by the annual allowance, usually in the form of additional cash compensation.
Benefit Formula	Although the majority of pension plans are DC, a significant proportion of employees have accrued benefits in DB plans. Significantly more workers in the public sector continue to accrue DB rights, as opposed to DC. Some plans have a combination or hybrid structure providing - for example - DC contributions in the early years of employment with a move to DB in later years. In recent years it has become more common for plans to have a DB section that is closed to new members (and often to future accruals for all members) and an open DC section. **Normal Retirement** There is no limit on the benefits that a plan may provide but only contributions and benefits within certain limits are tax-advantaged. There are two main thresholds (LTA and the Annual Allowance (AA)) above which additional tax charges are payable. The LTA applies to the aggregate value of individual member's benefits in all registered plans and corresponds to $ 1,055,000 for 2019/20. The test is normally carried out when benefits come into payment or are transferred to a pension plan outside the country Benefits in excess of the LTA are taxed at 55% if paid as a lump sum and at 25% (plus income tax at the individual's marginal rate) if paid as a pension. The AA is the annual limit ($ 40,000 for 2019/20) on the benefits accrued in DB plans for each individual member, as well as on contributions paid to their DC plans. This is reduced by 50 cents for each one dollar for individuals with taxable income over $ 150,000, tapering to $ 10,000 for individuals with income of at least $ 210,000. Any excess above the AA is taxable at the individual's highest marginal tax rate.

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Health and Wellness Benefits	
Overview	According to the latest data from the Office of National Statistics (ONS), government spending accounted for 79% of all health care expenditure in 2017. Out-of-pocket expenditures accounted for 16% while spending on private medical insurance (PMI) was 3%. Non-profits and enterprises accounted for 2% and less than 1%, respectively. Around 10% of the population has PMI coverage in one of two primary forms, indemnity policies covering costs for short-term medical care from private service providers and cash plans which pay lump sums to cover patient costs for hospitalization at an NHS facility or for dental or vision care.
Prevalence	Virtually all multinationals surveyed provide additional PMI. It is usually structured as an add-on to the NHS benefits and enables the member to use private facilities when they require a specialist consultation or inpatient service, thus avoiding the long waiting times associated with the NHS. The vast majority (87%) of surveyed companies provide some form of wellness program for their staff. Many companies have developed targeted programs such as stress management, smoking cessation and back injury prevention. For most employers, the key driver for wellbeing strategies is linked to managing business costs such as those for absence and the impact of low productivity.
Eligibility	**Participation in Plan** The proportion of employees covered is dependent on industry sector. It is very rare for coverage to include retired staff. Existing plans (for retirees) are largely closed to new joiners. Those that remain open usually do so for contractual reasons. **Dependents Eligibility** Plans often extend cover to the employee's family.
Benefit Coverage	Benefits include payment for private consultation with and treatment by specialists as well as private rooms in hospitals. Most plans cover all inpatient, day care and outpatient treatment for acute medical conditions. Chronic conditions are generally not covered. It is common to have a deductible/excess on the policy per person per year and/or outpatient limits, although for large companies the outpatient limits can be overridden. Dental and optical care is covered when emergency treatment is required, and only for specific conditions. Separate dental policies are available, providing cover for routine treatment. The most popular types of wellness programs are Employee Assistance Plans (EAPs) and comprehensive annual medical checkups/health screenings - although this is more prevalent for executives and senior professionals than for other categories of staff. While the provisions of EAPs vary widely, some of the more common benefits include various types of counseling as well as legal and domestic/childcare assistance services.
Funding	Plans are typically arranged with a commercial insurer but the use of health care trusts to fund benefits is becoming increasingly popular, particularly for large employers as PMI premiums are subject to a 12% IPT. Money deposited in the trust is used to meet member medical expenses. Any money remaining in the trust at the end of the contract year is rolled over to the next year. It cannot be withdrawn by the employer. Trusts can be set up as fully-funded, non-discretionary trusts or multi-contribution trusts which are funded by the employers and voluntary contributions by employees for additional benefits such as coverage for dependent family members. Trusts may also be combined with stop-loss insurance policies to insure employer claims liabilities. Insurance can be on a full insurance basis whereby the employer has no further financial liability regardless of claims. The company would not be reimbursed or invoiced for any difference between actual claims and initial expected claims amount, under a full insurance contract. With the increase in IPT costs, there are now a number of alternative funding methods in the market which help to mitigate IPT. Typically these contracts are for plans with 500+ employees, however, depending on the clients spend, smaller plans may be eligible for terms. Wellness programs are usually covered under a stand-alone policy, or alternatively can be integrated in the health care plan (generally less common).

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Other Leave	Almost half of surveyed employers provide paid compassionate leave of five days at the median for critical illness of immediate family. Roughly a fifth of surveyed employers offer sabbatical leave (typically unpaid) for up to six months at the median. Additional time off for special occasions, such as a wedding, is sometimes offered as a benefit under the contract of employment (19% of surveyed companies); two days' paid leave at the median. Most companies surveyed by Willis Towers Watson provide paid bereavement leave of between three and five days at the median depending on the family relationship. Note: from April 2020, parents will be entitled to statutory paid bereavement leave of two weeks (per child) in the event of losing a child under age 18 (or a stillborn after 24 weeks of pregnancy).
	Detailed prevalence statistics including of individual design elements, are provided in Willis Towers Watson's Benefits Design Practices Report
Other Benefits	
Meal Benefits	Just under a fifth of employers surveyed by Willis Towers Watson offer meal benefits to their employees. These most often constitute subsidized company cafeterias in the largest locations with a small number providing meal allowances ($ 5-6 per day at the median, depending on the employee category).
Company Cars	Company car benefits are a widespread practice, most commonly offered to all levels of management and client-facing sales staff. The use of cash allowances in lieu of a car (either as the sole policy or as a choice between cash and a vehicle) is common due to favorable tax treatment. Roughly half of companies surveyed offer eligible staff the choice between a cash allowance and a car, while about a third only offer cash allowances. Plans which only offer a company-provided vehicle are generally rare. When cars are offered or chosen, these are typically financed through contract hire arrangements with maintenance. The maximum monthly lease amount (VAT excluded) varies from $ 460 at market median for sales professionals to roughly $ 700 for general management. Annual cash allowances (in lieu of a company car) range between $ 5,700 for sales professionals and $ 10,000 for general managers at median. It's common for employers to offer loans for the purchase of a bicycle and accessories under the Cycle-to-Work scheme or provide commuting benefits (such as loans to purchase rail season tickets), offered by approximately half of companies surveyed. The Cycle-to-Work scheme allows employees to purchase a bike tax-free up to a limit of $ 1,000. The loan is repaid from a reduction in the employees' gross wages (salary sacrifice). Through salary sacrifice, staff can expect to save a minimum of 25%, and both employers and employees can benefit from reduced NICs.
Clubs	Around a third of companies surveyed by Willis Towers Watson support the cost of memberships to professional organizations for all their employees. A typical monthly allowance for this type of membership is $ 20 per employee at the median. A social or sports club membership perquisite is generally less common and is offered by roughly 13% of employers to all levels of staff.
Loans	Not typically provided, other than loans to purchase a bicycle or for commuting costs (as described under Company Cars).
Child Care	Registered day care for children is provided through government-managed schools, private day care facilities and childminders across the country. In 2018, there were an estimated 2.8 million child care places across all registered providers in the country (Department for Education data). Most places were in schools (54%), followed by private day care (37%) and childminders (9%). All children aged three to four in the country are entitled to 570 hours of government-funded early education or child care each year, regardless of income. This is usually taken as 15 hours a week for 38 weeks of the year. This may be increased to 30 hours a week (1,140 hours per year) if certain conditions are met and taxable income is less than $ 100,000 per annum for either parent.