

Housing Bulletin – April 2018

Improving the Financial Wellbeing of your people

Our mental, physical, social and financial wellbeing make up our overall wellbeing. This briefing focuses on financial wellbeing, and specifically, how financial education can form part of pension consultation and improve the financial wellbeing of your employees.

Why is Financial Wellbeing important?

Schools teach some of the life-skills and knowledge that we need for adult life – from healthy eating to planning a timetable. But few people are taught how to manage money, an essential part of personal wellbeing.

As a result, millions of adults suffer from not understanding their finances. As organisations are built on their people, this can lead to poor financial decisions, stress, and reduced performance at work.

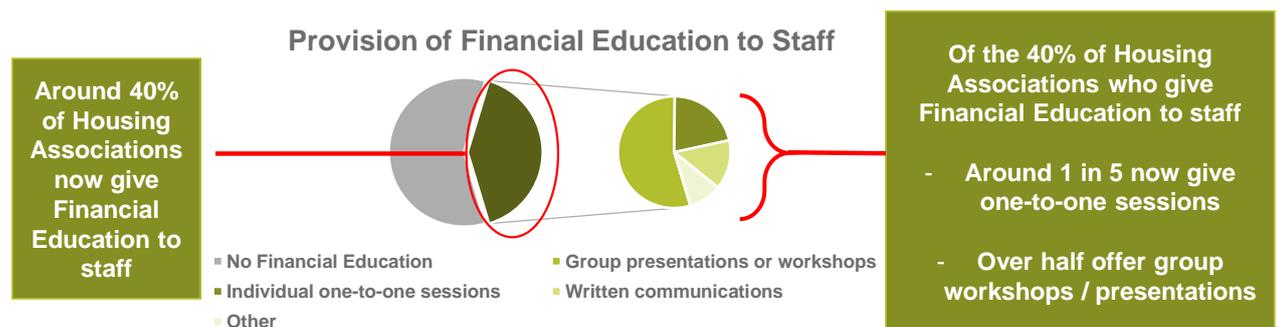
On the other hand, financially educated people means better financial outcomes for your organisation. When your employees are on top of their finances, they'll be on top of their job – happy, focused and working productively. A “win win”!

So what is Financial Education?

Financial Education does what it says on the tin – educating your employees about their finances. Financial education helps your employees understand more about pensions, budgeting, saving and borrowing, so they're clearer about managing their money and their future financial plans.

In particular, pensions is a complicated area which many people do not understand. However, this is usually because this has never been explained to them. They don't know where to start and so shy away from making those all-important decisions. Organisations are increasingly recognising that a little financial education on pensions goes a long way.

The latest First Actuarial Housing Survey concluded that around 40% of Housing Associations now give Financial Education to Staff. Are you offering this to yours?



Pensions Consultation = Financial Education

UK law requires that employers (with over 50 employees) must consult with staff when they propose unfavourable changes to employees' pension schemes. Examples of such unfavourable changes are:

- Increasing member contribution rates;
- Reducing accrual rates (e.g. dropping from a 60th to an 80th scheme);
- Closing defined benefit schemes to accrual and / or new joiners.

One key objective of consultation is to give employees the opportunity to comment on an employer's proposals. But an equally important objective of consultation is helping employees understand these proposals.

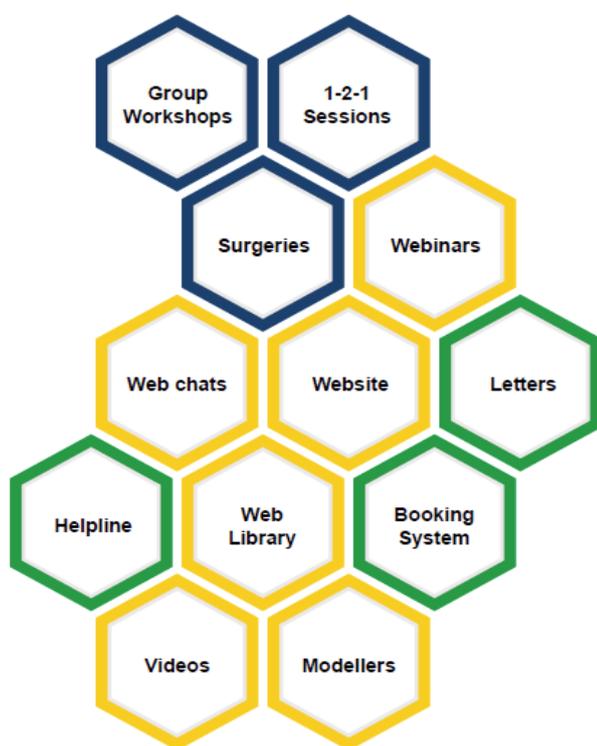
The 30 September 2017 SHPS valuation results are expected to be announced in the coming months. In particular, TPT Retirement Solutions (who manage SHPS) have indicated that they expect future contribution rates to the SHPS defined benefit sections to increase by around 30-50%. In order to keep offering an affordable pension scheme, we expect the majority of organisations to propose one (or more) of the “unfavourable changes” listed above, meaning they will need to consult with their employees.

Pension consultation is an ideal “entry point” for Financial Education. In addition to the specific changes which require consultation, Financial Education can cover:

- How pension “builds up” (the difference between final salary, CARE and DC);
- The generous contributions made by employers to pension schemes in the housing sector;
- Why changes are being made (what has happened with the SHPS valuation);
- How to plan for retirement, including the benefit of paying AVCs.

Time and time again employees feed back how grateful they are to receive financial education on pensions. We strongly recommend that you embrace consultation as an opportunity to financially educate your employees on pensions and retirement matters.

How is Financial Education delivered?



A Financial Education programme can have a mixture of group seminars and webinars, one-to-one sessions, booklets, websites and other paper or digital media.

If you ask us to help you, we will deliver clear, meaningful information so your employees understand how to make better decisions with their money.

The design of a Financial Education programme is entirely up to you, suitable for your needs and budget.

- Face-to-face**
Delivered in person by our consultant
- Online**
Most of which is available 24/7 for employees to use
- Other**
Can be accessed online or in other formats

CASE STUDY: Consultation support for Bromford

Background

Bromford undertook a review of their pension strategy and decided to implement a new design for future benefits, including giving colleagues the choice between DB and DC structures. As part of the overall strategy, they decided to bulk transfer their share of SHPS assets and liabilities to a new scheme, also operated by TPT.

Our involvement

Bromford asked First Actuarial to provide support during consultation with staff, due largely to the size of our housing team and its familiarity of the housing sector and SHPS.

Colleagues had to choose between the different benefit structures on offer. First Actuarial assisted Bromford with communicating information about the new scheme to around 1,200 colleagues, including carrying out more than 40 group presentations and over 250 one-to-ones.

Outcome

The feedback from the sessions run by First Actuarial was fantastic. An employee survey found that from 176 responses the average score to the question: "On a scale from 1-10, how valuable would you rate the session you attended?" was 8.8. The new scheme goes live on 1 April 2018 and we are continuing to work in partnership with Bromford.

"First Actuarial worked in partnership with us throughout the consultation exercise. First Actuarial's team of pension experts communicated the pension changes and provided financial wellbeing to all our colleagues. We received great feedback from colleagues on both the group and individual sessions they ran."

Helena Moore, Director of People, Bromford

Would you like to learn more about Financial Education?

First Actuarial assist more Housing Associations with Financial Education than any other firm. Whilst pensions remain our most popular topic, we are supporting an increasing number of employers with Financial Education on other financial matters, such as saving strategies, managing debt and creating a budget.

A rotating Financial Education programme (e.g. delivering different Financial Education topics to your employees once or twice a year) can form a key part of your HR strategy.

We would love to discuss how we might support you build a Financial Education programme for your people. If you would like to discuss the areas explored in this bulletin, please contact your usual First Actuarial consultant or any of the First Actuarial Housing Team.

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