

The Changing World of Workplace Saving

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5 November 2009

Westminster & City Conference
WORKPLACE SAVINGS – Next Generation Solutions





Shinkansen Series 0 at Fukuyama, April 2002

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announcement!**

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LONG TERM SAVINGS



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Where are we

- DC is not meeting needs of all employees
- DC pensions don't have sufficient 'pull power' for employees
- Employees are more resigned to working longer and are looking for more flexible working patterns and access to savings
- This is especially true of younger workers who are often in debt
- But there is high take-up of Sharesave/Share Incentive Plan
- Employers want something for the whole of their workforce
- Auto-enrolment will cause them to review cost and value to the business of pensions

We are in the long term savings market!

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The journey

The journey I want to take you on this morning can be summed up as:

- More choice and more freedom
- Public policy that incentivises saving
- Innovation in workplace saving



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Where employers want to be

- Differentiate me from Personal Accounts **and** my competitors in the skills market
- Give me solutions for the whole workforce
- Give me a 'maturing shares' solution
- Give me a 'leavers' solution
- Give me more choice
- Give **my employees** more choice
- Promote the value of my employee benefits
- Educate my employees to make better decisions

**Solutions
not
Products**



Employers want to provide medium and long-term savings benefits

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We must improve self-reliance

Will Personal Accounts and Auto-enrolment do it?

- Will increase uptake of pensions
- Won't necessarily improve financial planning

Auto-enrolment should have a real positive outcome. But we don't want 'decision free' pensions to become entirely 'engagement free' pensions.

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A long term strategy – please!

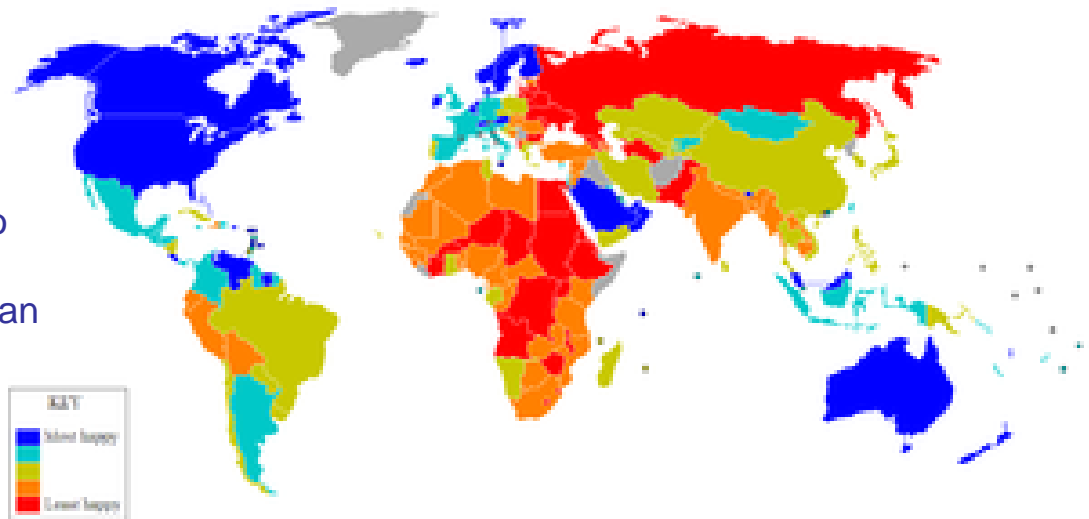
- Incentivise **self reliance** and **saving**
- Allow more **freedom** and more **choice**
- Improve financial planning and decision making for **life** not just around pensions
- Rebuild confidence in **pensions** and **long term savings**



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Instead of talking about work and retirement we should promote:

- Self reliance and freedom through savings ... and throw in a bit of happiness too
- Higher economic freedom said to correlate strongly with higher self-reported happiness

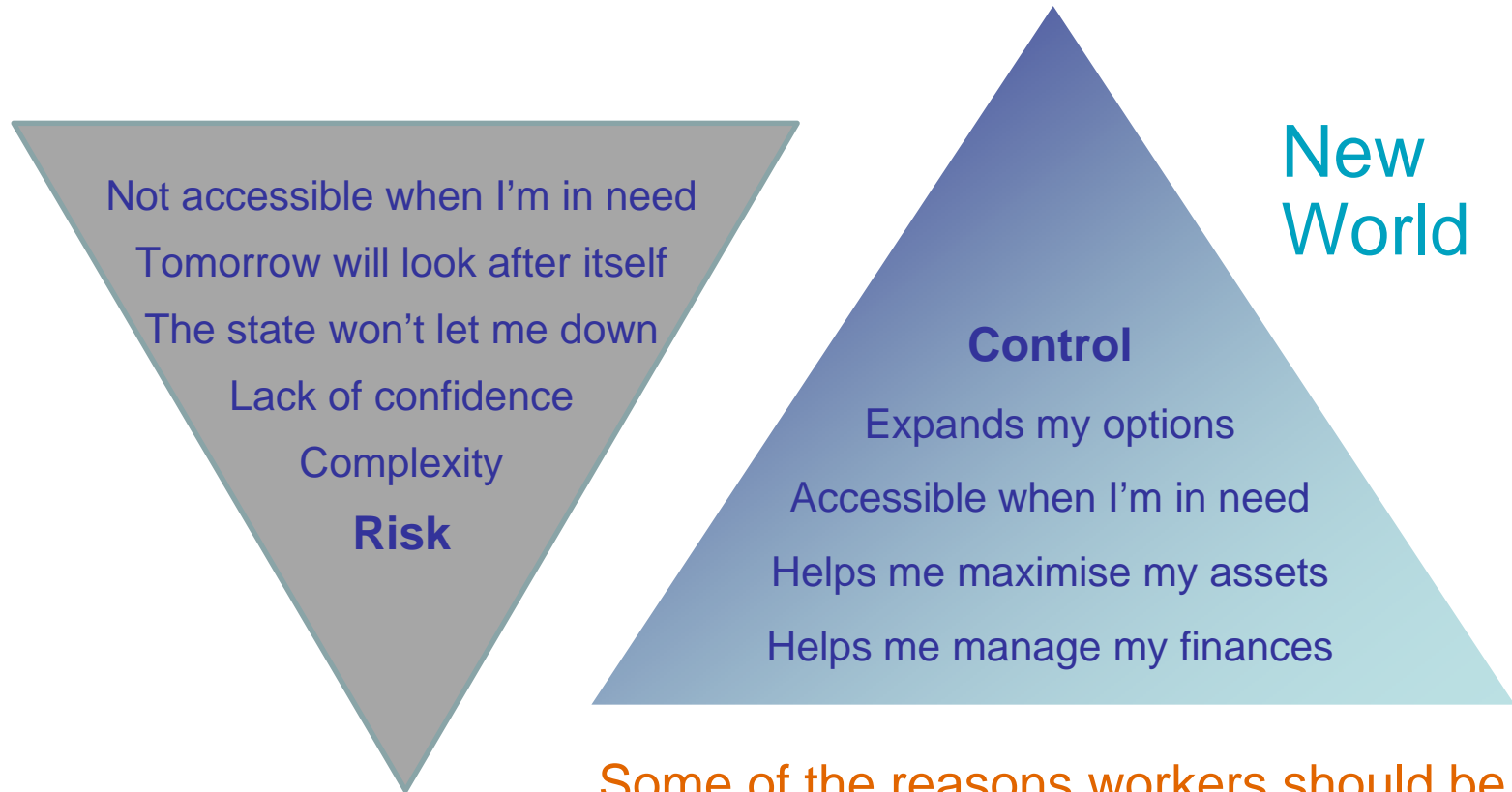


Blue through red represent most to least happy respectively The Satisfaction with Life Index by Adrian G. White, an Analytic Social Psychologist at the University of Leicester 2007

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Old World

Reasons people do not get on the pensions 'train'



Some of the reasons workers should be attracted to expanded workplace savings

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Corporate Platform

Using technology and solutions to transform employee benefits

- Ability to create a 'real time' consolidated view of an individual's wealth
- Transactional capability
- Options include long and short term tax efficient saving vehicles



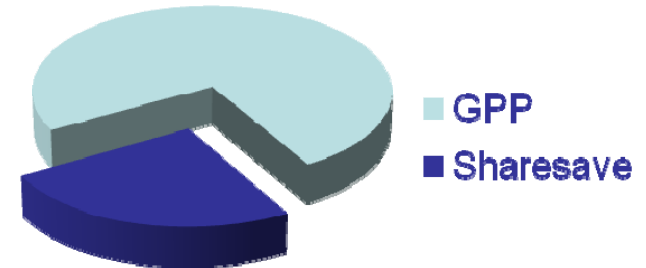
Employers become the facilitators of employee wealth

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From Products to Solutions

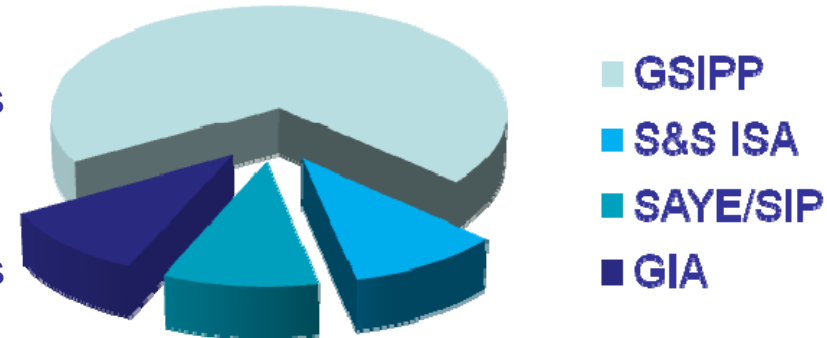
Old World Products

- Contributions to GPP
- Contributions to Sharesave, which would be subsequently withdrawn and incur tax



New World Solutions

- Contributions to GSIPP with greater investment choice and flexibility
- Access to stocks and shares ISA providing tax efficient savings – options to transfer proceeds into GSIPP for tax uplift
- SAYE/SIP options to transfer proceeds across wrappers and benefit from tax efficient savings
- General Investment Account (GIA)
- Access to tools and support
- Consolidated view



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- **Financial** education moving beyond pensions
- Debt management to investment decisions
- Using ideas from Behavioural Finance
- Interactive workshops
- Incorporating educational techniques

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A Partnership

Industry is on track to deliver more choice in the workplace to boost self-reliance and a savings culture

- We need support from policy makers
 - Allow employers to pay their contribution to Personal Accounts into a corporate ISA for younger workers
 - Allow auto-enrolment as soon as possible – why is it shackled to Personal Accounts?
 - Sort out the impact of means testing on low income contributors to pensions
 - Add life insurance to Personal Accounts
 - Encourage ‘levelling up’ and avoid ‘levelling down’

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Pensions and Savings

- Make pensions more attractive
- Simplify pension rules
- Review existing disincentives and don't add to them
- Create a long term strategy for pensions and saving
- Let's lift the **confidence quotient** in savings by:
 - giving DC a good name **and**
 - making employee benefits more relevant to the needs of the whole workforce

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