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Workplace pensions

Facts and opportunities

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By the end of this session, you will be able to:

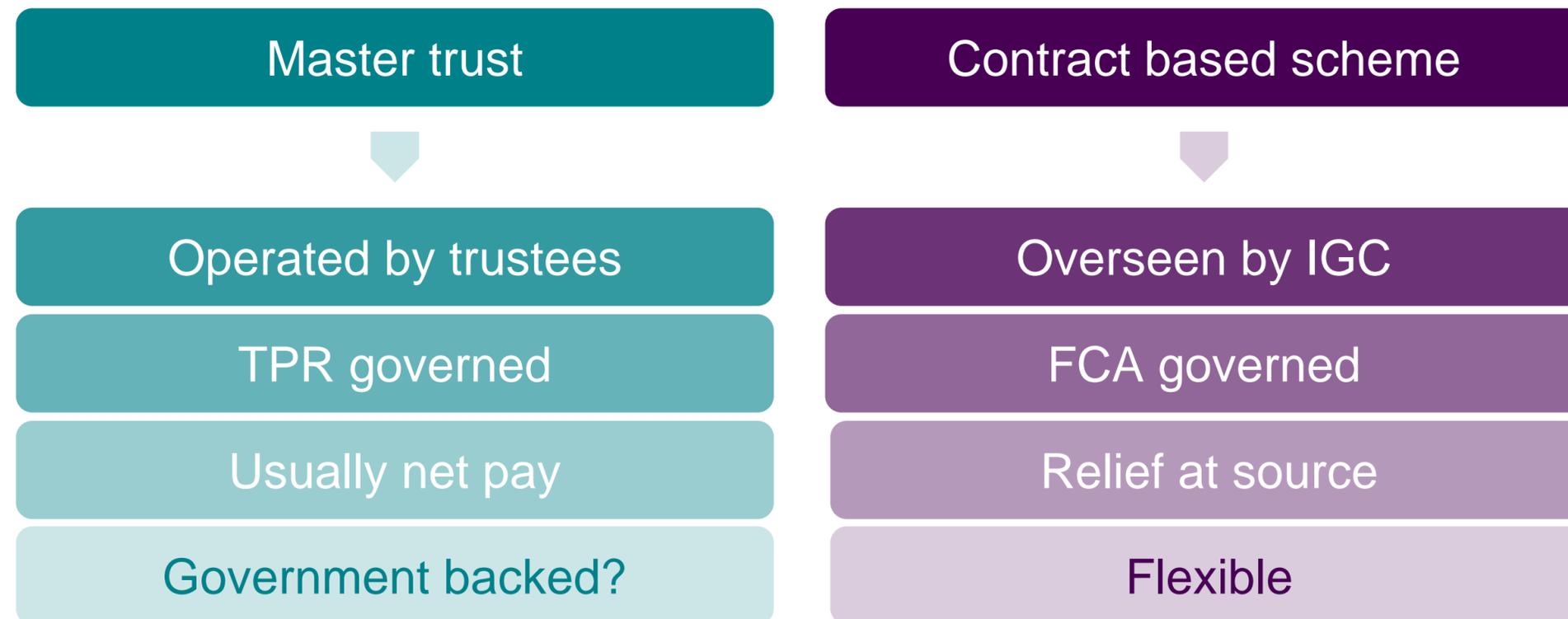
- Identify the features of different workplace pension arrangements
- Demonstrate the benefit of salary exchange in workplace pensions
- Identify ways to add value to workplace pension schemes

Workplace pension schemes

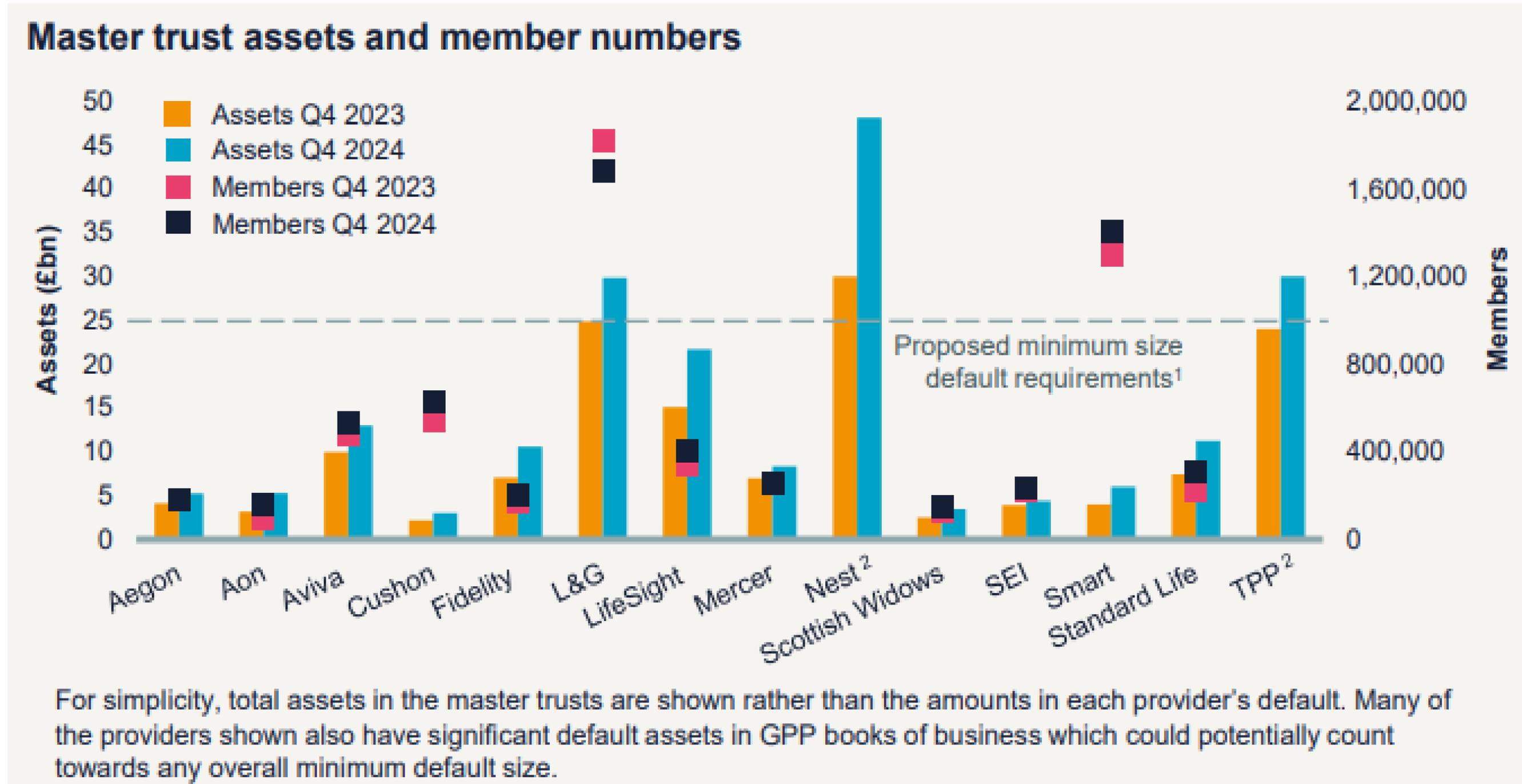


Scheme structures

Defined contribution



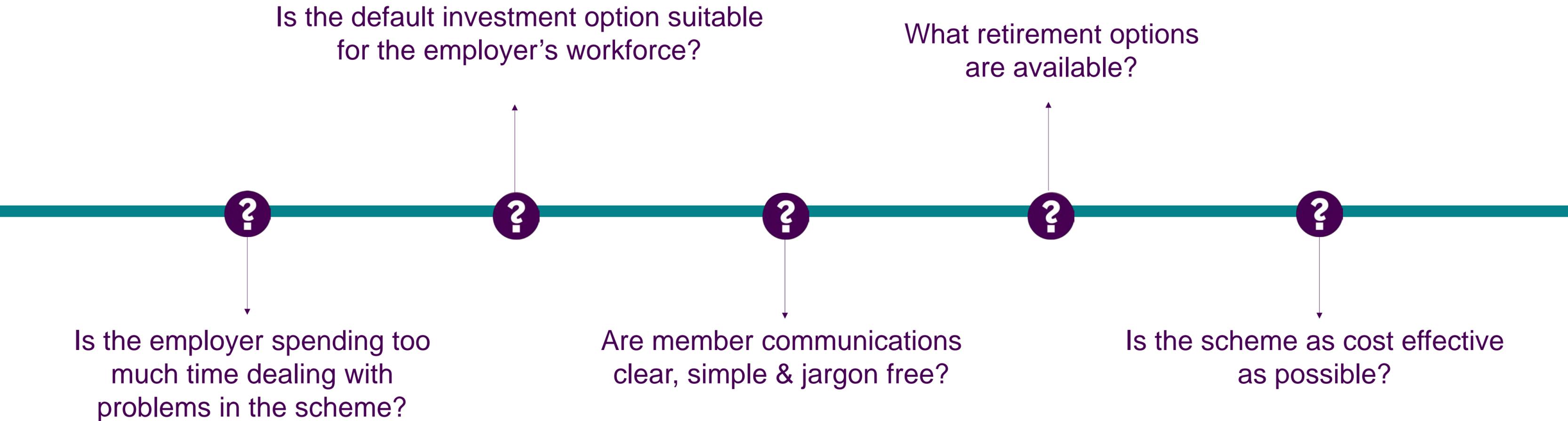
Consolidation of master trusts



Source: LCP "Master Trusts Unpacked" – February 2025.

Key considerations

Defined contribution



Could you add value in this market with the right support?

Research findings





Source: Royal London Employer research Study (2023) Ret4. How often do you formally review your workplace pension scheme provider? Unweighted base: 2023: Decision-makers (386)

HR's top priorities

Position	Priority	Percentage	Index
1	Retention	36%	▲ 2 places
2	Employee wellbeing	29%	▲ 5 places
3	Recruitment	28%	▼ 1 place
4	Performance and productivity	26%	▲ 6 places
5	Employee engagement and experience	25%	▼ 3 places
6	Culture	23%	■ no change

Source: workbuzz – The state of employee engagement 2023 – October 2023

Provider withdrawal functionality

	Partial withdrawals from age 55	Flexi-access drawdown	UFPLS	Partial UFPLS	Drip-feed drawdown (DFD)	Can DFD facilitate protected LTAs
Now Pensions	No	No	No	No	No	No
Nest	Yes	No	Yes	Yes	No	No
Aviva MT & GPP	Yes	Yes	Yes	Yes	No	No
L&G	Yes	Yes	Yes	Yes	No	No
People's Pension	Yes	Yes	Yes	Yes	No	No
Scot Wids	Yes	Yes	Yes	Yes	Yes	No
Royal London	Yes	Yes	Yes	Yes	Yes	Yes
Aegon	Yes	Yes	Yes	Yes	Yes	Yes
Mercer	Yes	Yes	Yes	Yes	Yes	Yes
Standard	Yes	Yes	Yes	Yes	Yes	Yes

Source: Corporate Adviser - Workplace pensions into retirement report. October 2024

Royal London workplace pension research

Employees



34%

Never checked their pension forecast

57%

Don't know where their pension is invested

60%

Say they're not saving enough for retirement or don't know if they are

27%

Say they know they are saving what they need for retirement

Source: Royal London Workplace pension survey – August 2024

Drewberry Insurance results



How much do I need to save for retirement?

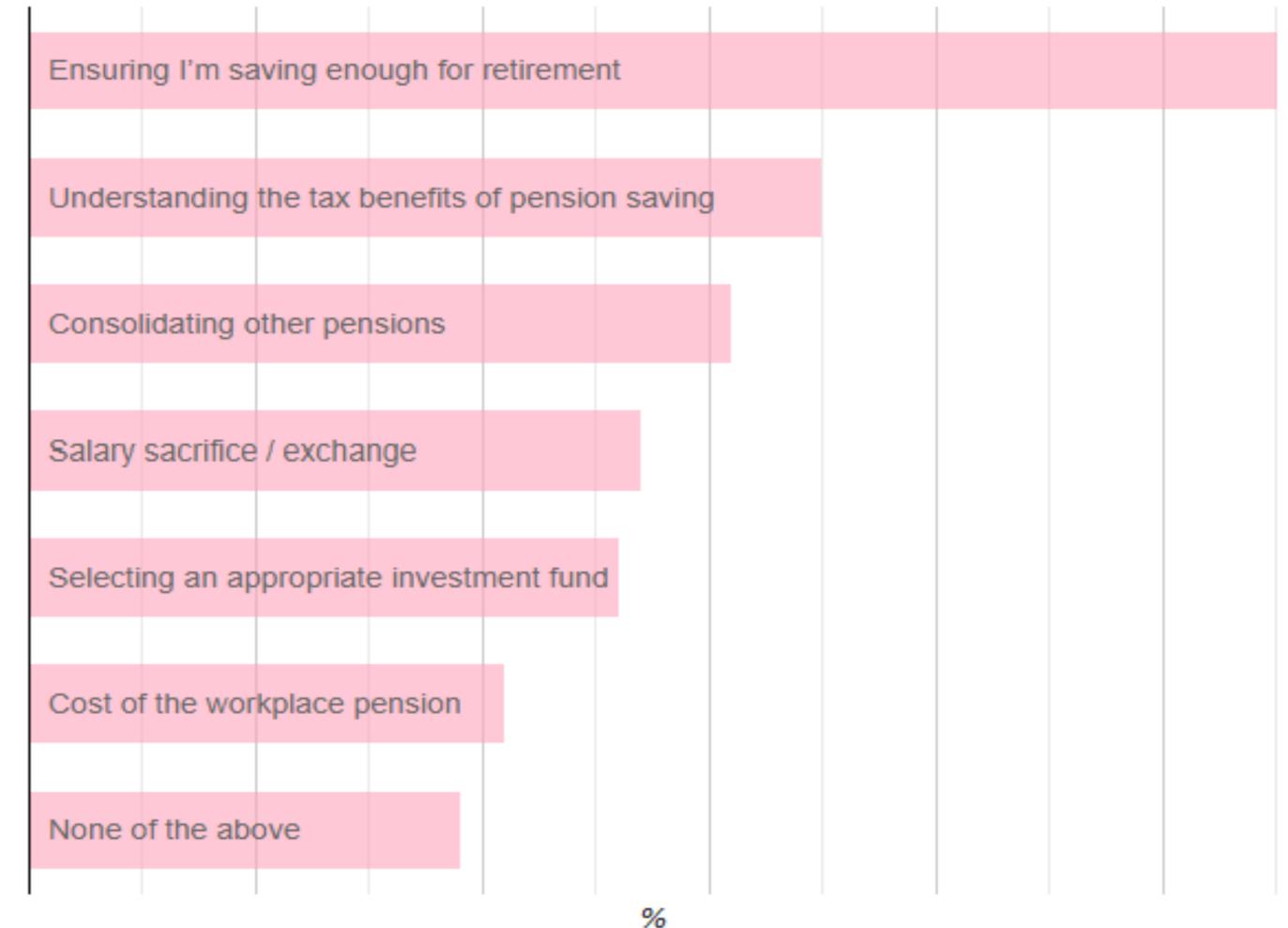


Pension & Lifetime Savings Association – Retirement Living Standards

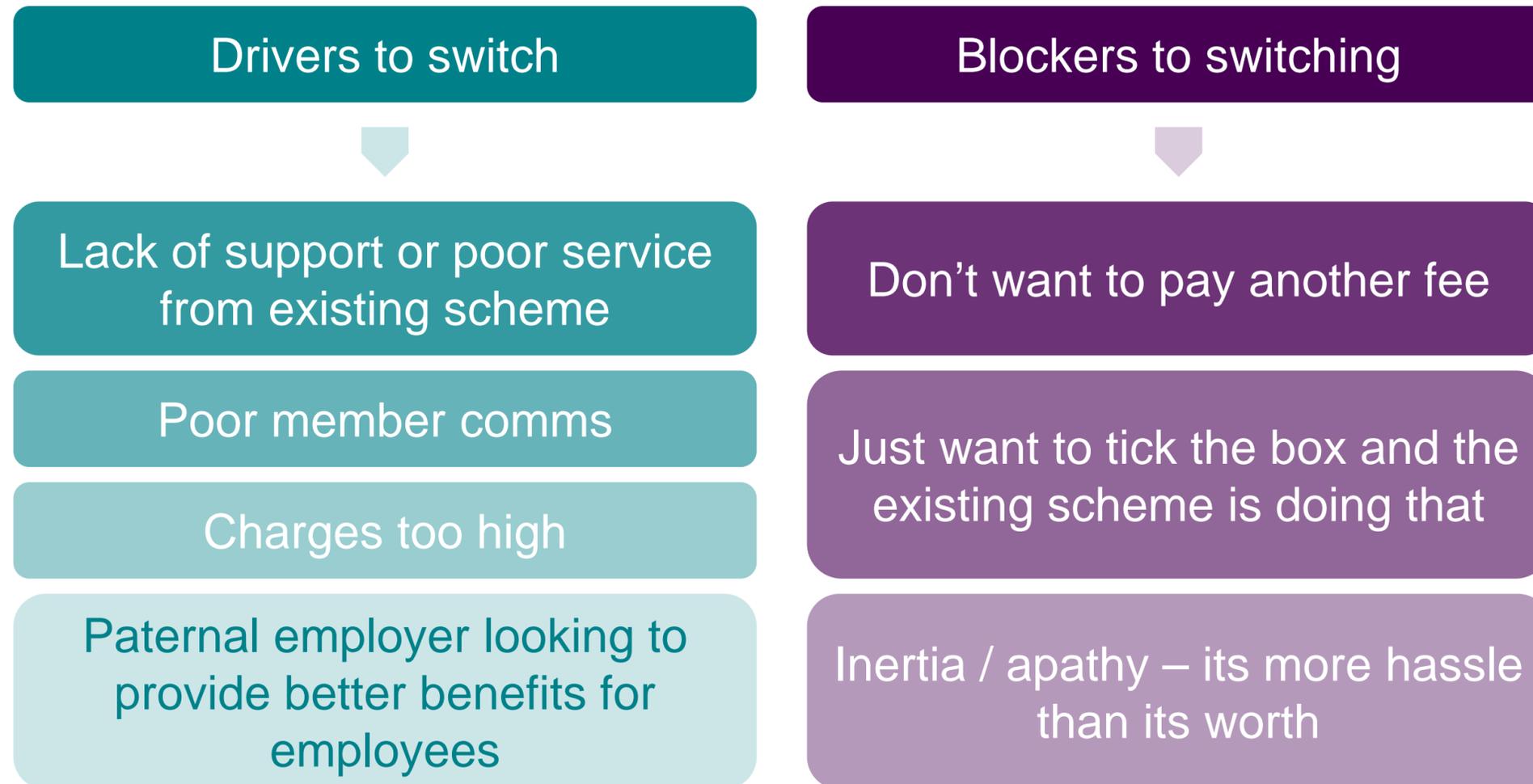


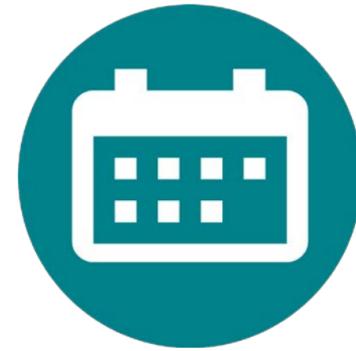
Salary Sacrifice / Salary Exchange

What Employees Want Help To Understand



Source: The 2022 Drewberry workplace pension survey



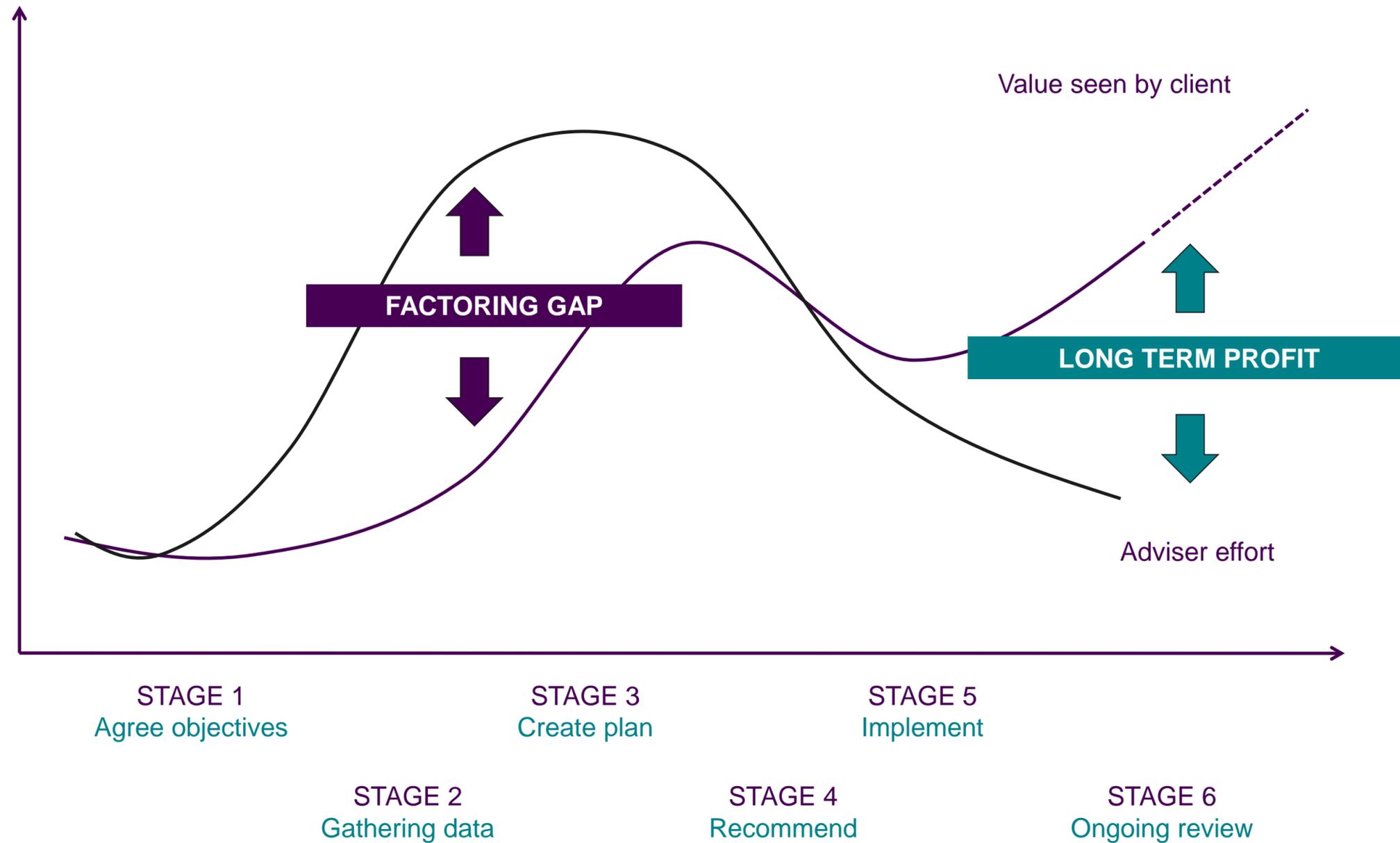


A common timeframe from **initial** contact to scheme **switch** is 6 months or more



But when are you **remunerated**?

Work done vs. Value to the client



Itemised menu of services (vfM)

V17 March 2024 , expires: 6 / 4 / 2025

14RT0125/14

- Scheme
- Roles
- Service list
- Costs
- Results
- Report

[Home](#)
[Help](#)

Set VAT to

Set VAT to no

- To calculate the costs of the services you offer, you'll need to:
- select whether the cost is at scheme or employee level
 - select the role of the person who will complete the service
 - confirm how long it will take to complete the service.

This figure is based on 0 employee for any per employee costs

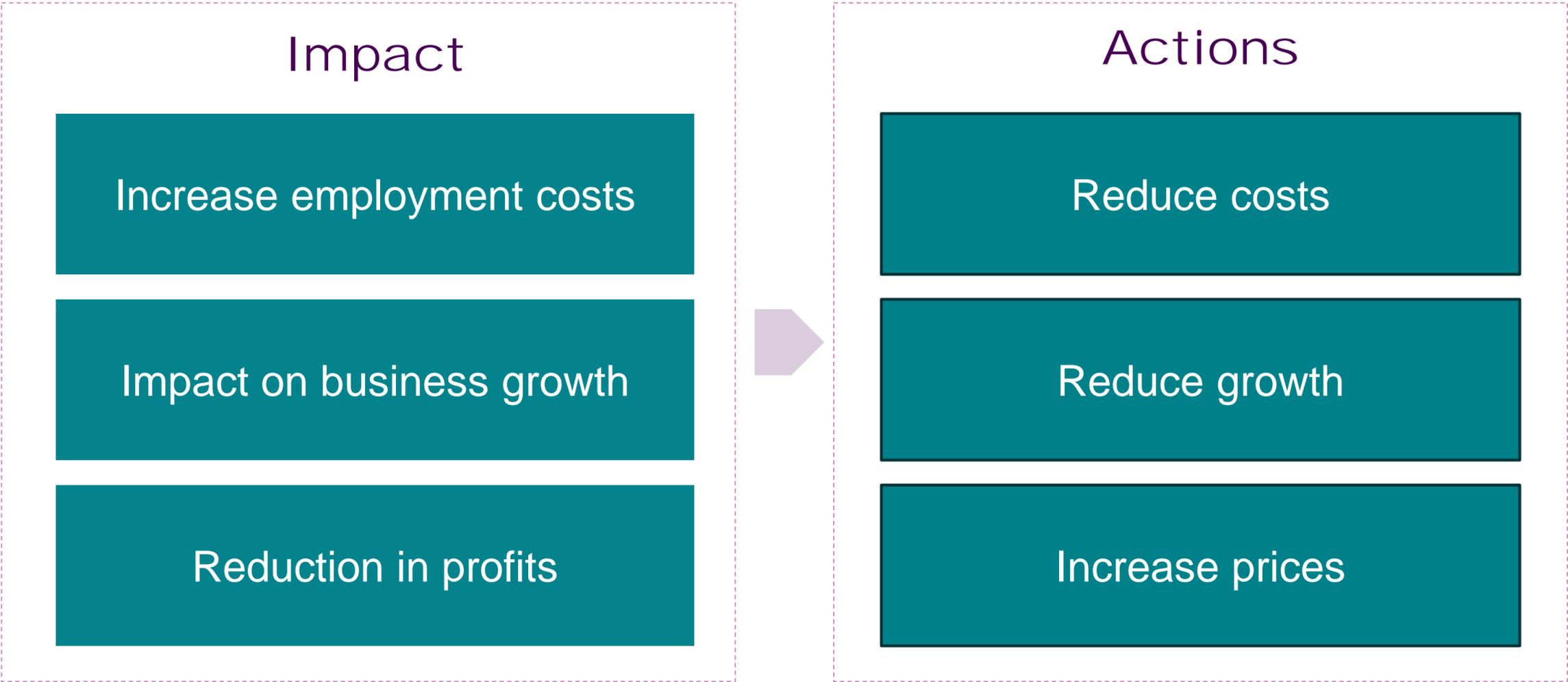
Service	Activity	Cost applies	Role	Design			Implement			Run			Fixed cost	VAT applies	Activity total cost
				Time (hrs)	Role	Time (hrs)	Role	Time (hrs)	Role	Time (hrs)					
Guided process	Support scheme governance process	per scheme	Paraplanner	2									yes	£ 240.00	
	Review salary exchange	per scheme	Paraplanner	1									yes	£ 120.00	
Keeping records	Decide when to complete re-enrolment	per scheme	Adviser	1	Administrator	1							yes	£ 360.00	
	Support re-enrolment	per scheme	Adviser	1	Administrator	3							yes	£ 480.00	
	Support employer in their record keeping duties	per scheme	Administrator	2									yes	£ 120.00	
NEST schemes	All other activities for NEST scheme	per scheme											yes	£ -	
Investment review	Review fund performance on an annual basis	per scheme	Adviser	1	Paraplanner	2							yes	£ 540.00	
	Review design of default	per scheme	Paraplanner	1									yes	£ 120.00	
	Review suitability of default for scheme	per scheme	Paraplanner	1									yes	£ 120.00	
	Review risk profile of scheme	per scheme	Administrator	1									yes	£ 60.00	
Review business protection	Re-factfind	per scheme	Adviser	1.5	Paraplanner	1.5							yes	£ 630.00	

Outline your proposition
clearly at the outset

Employer national insurance increase



Royal London employer research post October 2024 budget



Employer NI increase

Increase from
13.8%
to
15%

Threshold reduced from
£9,100
to
£5,000

From
6 April
2025

Salary exchange



Using salary exchange

Case study



Employer

Sam is employed by RL Sockets Ltd



Salary

His pensionable salary is £35,000 per year



Contributions

Sam pays 5% of pensionable salary
His employer pays 3% of pensionable salary



Adviser support

RL Sockets Ltd have approached their adviser to review their pension scheme
They have 100 employees



Salary exchange?

RL Sockets Ltd don't currently use salary exchange

Salary exchange

Sam's position

	Before salary exchange	After salary exchange	The difference
Salary	£35,000	£33,056	Sam's gross salary, tax, National insurance contribution and pension contribution have all decreased
Tax	£4,486	£4,097	
National Insurance	£1,794	£1,639	
Net pension contribution	£1,400	£0	
Sam's take home pay	£27,320	£27,320	

All figures are based on annual tax allowances and NIC thresholds/limits and are for illustration purposes only. Based on rates of income tax and NI for the 2025/26 tax year and a single person's tax allowance of £12,570. References to taxation are based on our understanding of the current law and practice and may be affected by future changes in tax, NI contributions, legislation or by an individual's particular circumstances. These are based on UK income tax rates and bands, excluding Scotland & Wales.

Salary exchange

Employer's position

	Before salary exchange	After salary exchange
Salary	£35,000	£33,056
Employer National Insurance	£4,500	£4,208
Cost of pension contribution	£1,050	£3,140
Total cost to employer	£40,550	£40,404
The difference	<ul style="list-style-type: none"> • RL Sockets Ltd now pay the whole pension contribution • The total cost to the employer has reduced by £146 per year by redirecting only 50% of employer NI savings to Sam's pension 	

All figures are based on annual tax allowances and NIC thresholds/limits and are for illustration purposes only. Based on rates of income tax and NI for the 2025/26 tax year and a single person's tax allowance of £12,570. References to taxation are based on our understanding of the current law and practice and may be affected by future changes in tax, NI contributions, legislation or by an individual's particular circumstances. These are based on UK income tax rates and bands, excluding Scotland & Wales.

Using salary exchange

Outcomes



Sam has £3,140 per year going into his pension
That's **£340** additional per year, for the same take home pay



RL Sockets Ltd total cost for Sam decreases by **£146** per year



For a **100** member scheme this equates to **£14,600** per year*



Could result in employer **savings** or **extra** employee benefits

* Based on if all employees were on average salary

Using salary exchange

Warnings



Reduction in headline salary

May impact on Death in Service lump sum

May impact on borrowing



Watch out for
minimum
wage



Can't be used
to reduce
eligible
jobholders



Would be a
change of
contract so
please - seek
legal advice

Have you discussed salary exchange
with your employer clients?

Workplace pension opportunities



Opportunities

Why advisers value this market



Advice to business



At retirement advice



Advice to business owners



“Corporate work opens doors”

Opportunities

For paternalistic employers

Salary exchange

Clinics & seminars

Financial planner

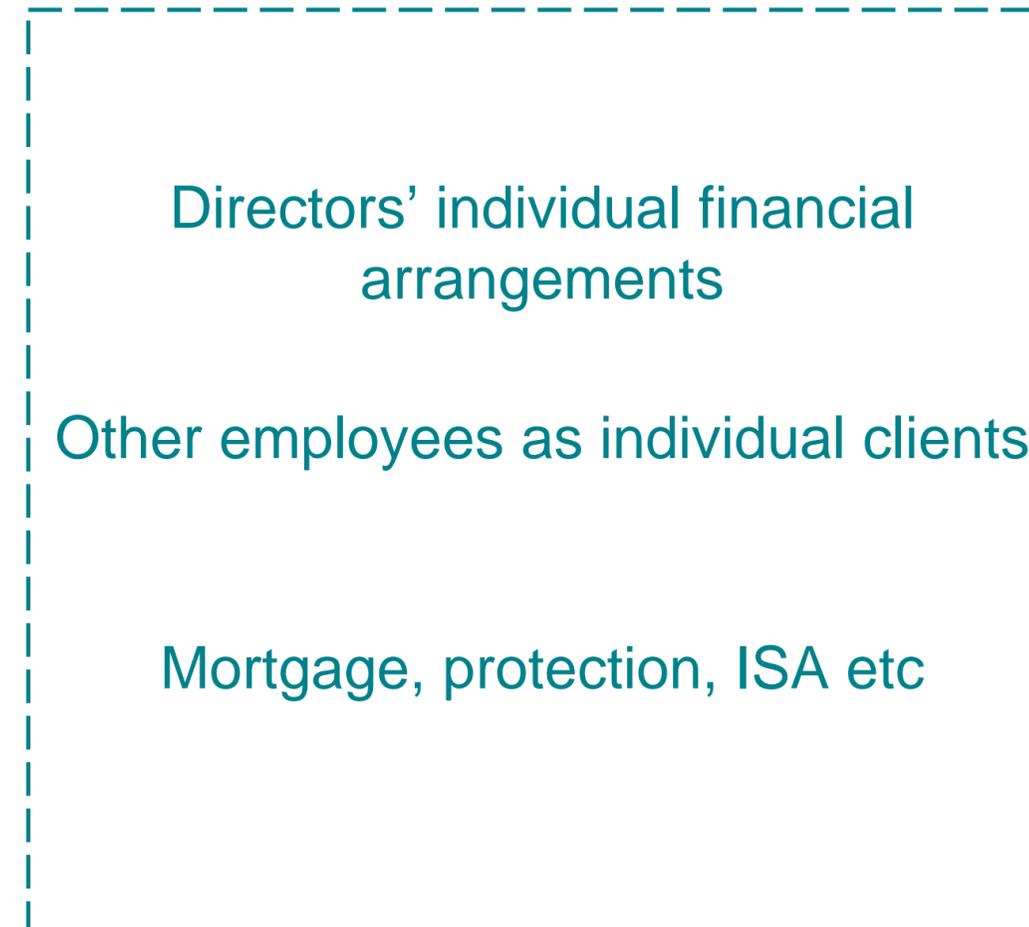
Financial Wellbeing app

Will / Power of attorney

Company



Individuals



Conclusion

Key points

- Significant market
- Employer reviewing schemes

- Future of mass affluent advice
- Corporate business opens doors



By the end of this session, you will be able to:

- Identify the features of different workplace pension arrangements
- Demonstrate the benefit of salary exchange in workplace pensions
- Identify ways to add value to workplace pension schemes



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Important Information

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