

EMPLOYEE BENEFITS

Keeping the promise*Seeking expertise for the best solution*

EMPLOYEE BENEFITS HAVE historically been provided by companies as a means of attracting and retaining good calibre staff. However, it is important that employees understand the benefits which have been provided for them, as well as any choice with regards to contribution levels, risk cover, investments and so on that may be available to them.

According to Jennifer Grefen, member of the Employee Benefits Exco at the Financial Intermediaries Association of Southern Africa (FIA), the provision of employee benefits arrangements are an extension of the employers HR promise to its staff. The employer and fund trustees should engage the services of an expert employee benefits financial intermediary or consultant who can advise the employer and staff of the various options available, and the possible consequences of those elections.

"It is important to seek expert assistance from a fully licensed intermediary – who is authorised to provide advice on pensions and/or retail pensions – who will assist in structuring the most appropriate employee benefits solution, whereby the pros and cons of all options can be debated, and explain to staff how these will practically benefit them."

Grefen says that in a defined contribution fund, members' savings work much like a bank account, with the member bearing the investment risk, and thus it has become more essential than ever to ensure that employee benefits are appropriate for members. "Employee benefits can still offer staff 'unique' benefits as part of their overall package, including tax-efficiency and risk benefits based on group rates that

may not be possible for them to find on an individual basis, and also provide a basic benefit without the need to submit medical evidence below an agreed threshold.



Jennifer Grefen

"For the employer, the provision of certain benefits also reduces the extent to which there may be a sense of responsibility for staff members who end up in difficult financial circumstances due to illness or an accident. Having the appropriate disability benefits in place can also mean that a worker who is no longer fully productive due to illness or injury can retire more easily."

She says that smaller companies often choose not to offer employee benefits due to the perceived high cost. "There are different options available to smaller organisations such as umbrella scheme arrangements that can reduce costs or choosing to structure benefits outside of the traditional range. The type of retirement benefit to be offered, as well as the contribution rates agreed, is one of the biggest decisions for employers. "Thereafter, it is a matter of choosing the type and amount of additional risk benefits to be added, such as death and disability."

Grefen says that while companies may want to choose a cheaper option for their employees, money should not always be the main deciding factor. "It is not simply a matter of saving money when choosing what benefits to offer staff. It is also vital to ensure that what money is being spent is spent wisely, by choosing benefits that are appropriate to employees, and will provide them with the means to make meaningful savings towards their retirement while also offering protection in the event of unforeseen circumstances such as death or disability.

"The advantages of an effective employee benefits arrangement can never be underestimated. Money is a deeply emotional substance and appropriate employee benefits provisions are able to make massive differences to employees' lifestyle and standard of living."