



Hardy & Hiscoke

Staff Benefit
Specialists

Agenda

- Introduction
- What are Staff Benefits?
- Why have Staff Benefits / What value do they have?
- How to implement Staff Benefits
- Note; A copy of these slides will be posted on our web site, www.hardyandhiscoke.co.nz

Who Are Hardy & Hiscoke?

- Al Hardy & Keith Hiscoke have combined financial services background spanning a total of almost 60 years.
- Keith's expertise is in the areas of employer-supported Superannuation and Staff Benefit planning.
- Al's previous experience includes pre & post retirement/investment planning for members of large employer groups.

Who Are Hardy & Hiscoke?

- Christchurch based
- Not tied to any provider or product
- National coverage via local Advisers throughout New Zealand

What Are Staff Benefits?

A staff benefit is “anything” that can “add value” to an employee’s package and/or the employer, e.g.

- Access to Retirement Savings/Superannuation Schemes
- Group Insurance (Life or Permanent & Total Disablement (TPD), Income Continuance and Health)
- Health Checks

What Are Staff Benefits? cont.

- Holiday Homes for use by Selected Staff
- Motor Vehicles
- Fire and General Insurance
- Shopping Discount Cards
- Staff Reward Vouchers
- Club Memberships
- Plus anything else that staff may feel adds value to their package

Staff Benefits Association (SBA)

- There isn't one
- There is the IFA, for Insurance
- There is ASFONZ, for Superannuation
- There is the Health Funds Ass. of NZ, for Health Insurance
- The closest group to an SBA would be the HRINZ
- Ideally each situation should be viewed objectively by an independent group

Why have Employer-supported Staff Benefits?

- To add value to an Employee's package in either;
 - Monetary Terms
 - Improved Features
 - Giving access to something not normally available
 - Conveying to Staff that their Employer cares
 - Providing the Employer with some benefit, (although often intangible)

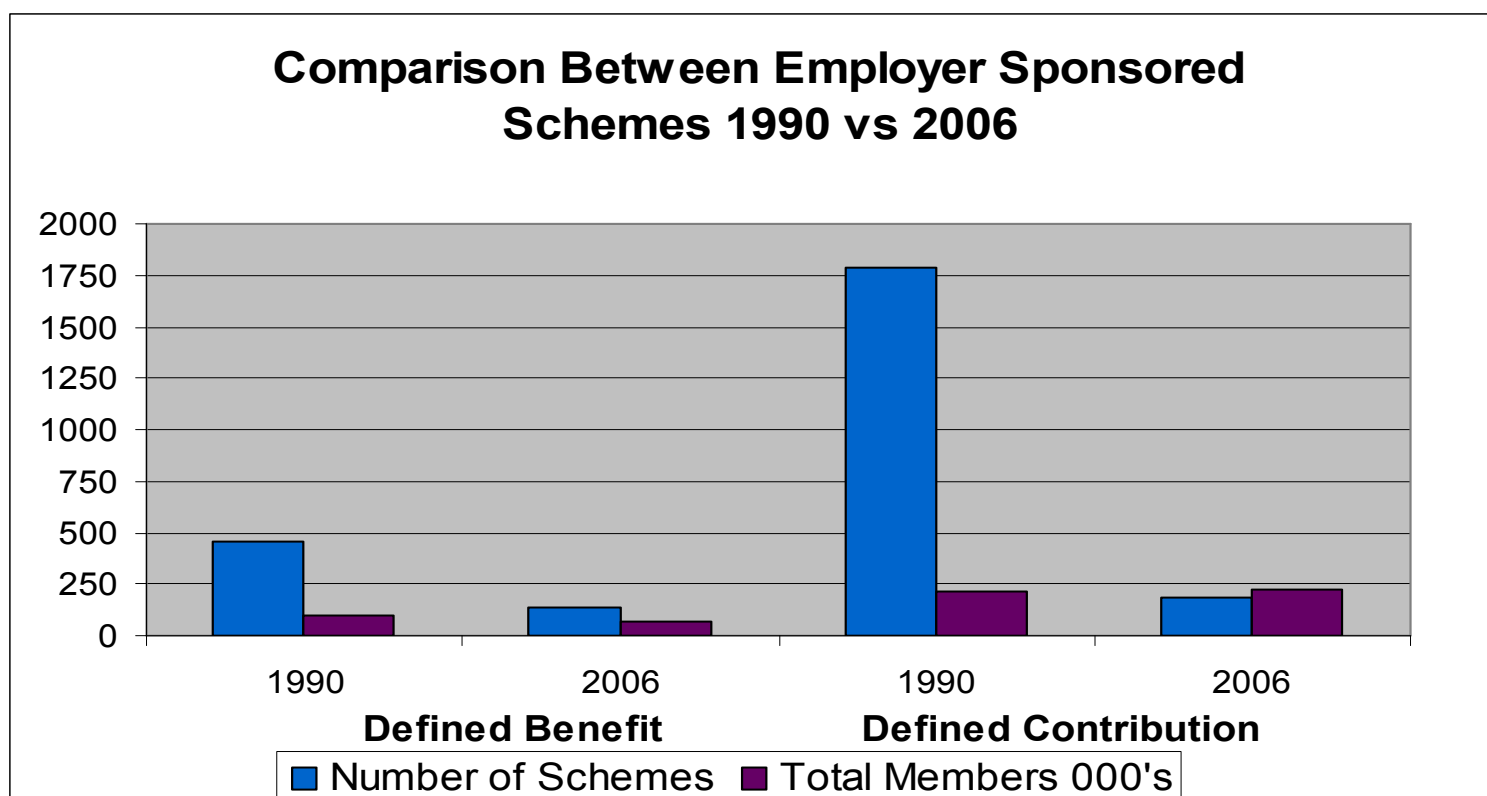
Why “not” have Staff Benefits?

- Reasons from Employers for not providing a Benefit are:
 - They cannot afford it
 - It will take up too much Staff time
 - Staff won't appreciate it
- Reasons Staff don't want a benefit is:
 - They don't see the value
 - Would rather have cash

Superannuation/Retirement Planning

- Since 1987 the no. of Registered Super Schemes has dropped, due to no incentives.

Comparison of Employer-supported Super Schemes. 1990 - 2006

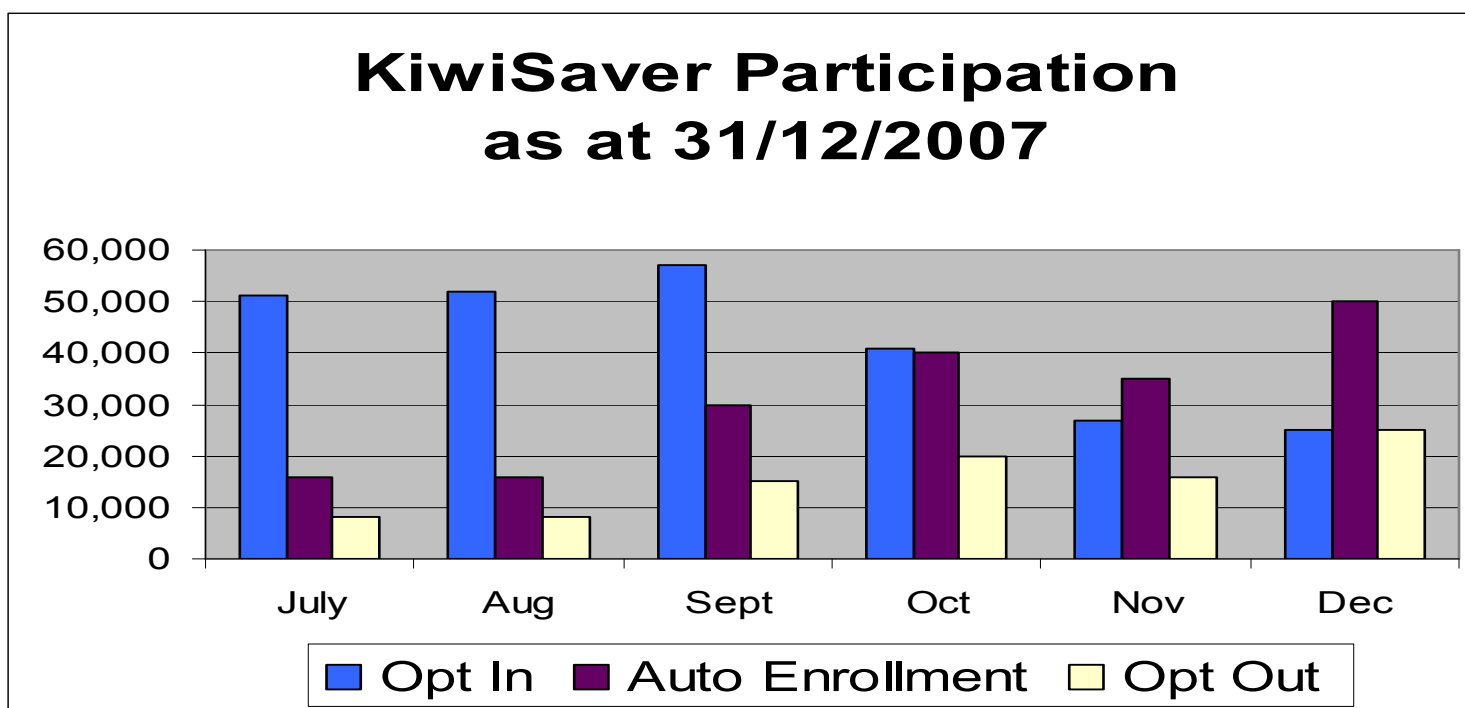


Source; Government Actuary's report to Government

Superannuation/Retirement Planning

- Since 1987 the no. of Registered Super Schemes has dropped, due to no incentives.
- Many Employers adopted a “Total Rem” Package.
- Up until now, Employers that have retained schemes have been able to offer something different.
- Under current legislation, there is still a place for a standard Registered Super Scheme, (e.g. staff retention)
- KiwiSaver is changing the look of Superannuation

KiwiSaver Participation



Totals: 254,327 had opted in, 187,990 were auto enrolled, 93,995* will have opted out, giving a total membership of 348,322. *Assumes a trend of 50% of auto-enrolled members opting out continues until 31/12/2007.

Source; Feb. 2008 IRD evaluation services report to IRD. To view full report go to;

http://img.scoop.co.nz/media/pdfs/0803/KS_sixmonthly_evaluation_report_Feb_2008_FINAL_PDF.pdf

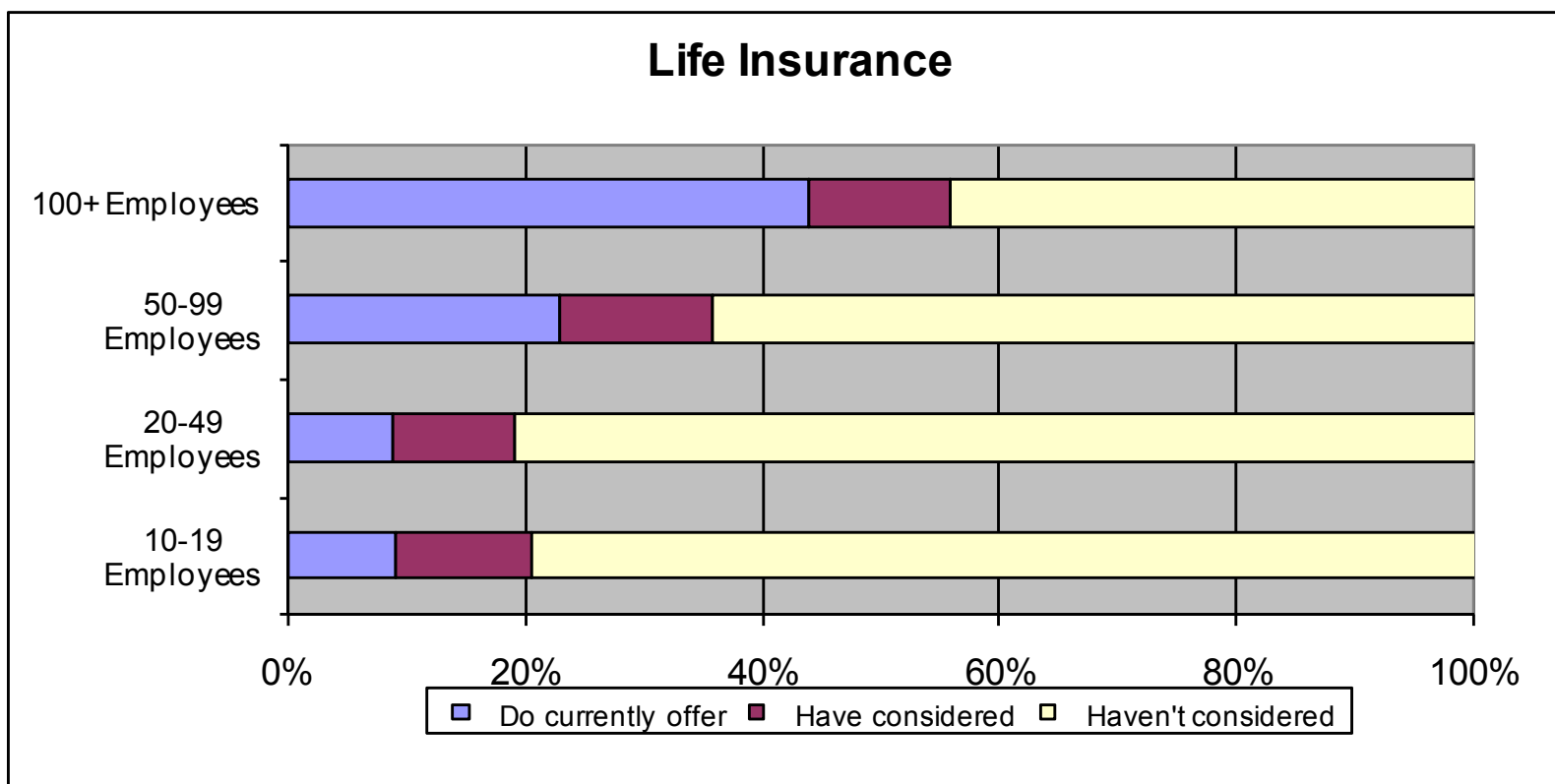
KiwiSaver Comments

- Positives
 - Growing awareness of retirement
 - Tax incentives Employee & Employer
 - Compulsory Employer contribution
- Negatives
 - Confusion re Opt In/Out provision
 - IRD processing delays
 - Compulsory Employer contribution

Group Insurance – Life or TPD

- A benefit that will pay a lump sum to dependants, helping relieve Employer of any moral obligation
- Generally at a lower cost than Personal Insurance
- Can provide cover for all Staff irrespective of health

Breakdown of Employer Groups that offer Group Life or TPD Benefits

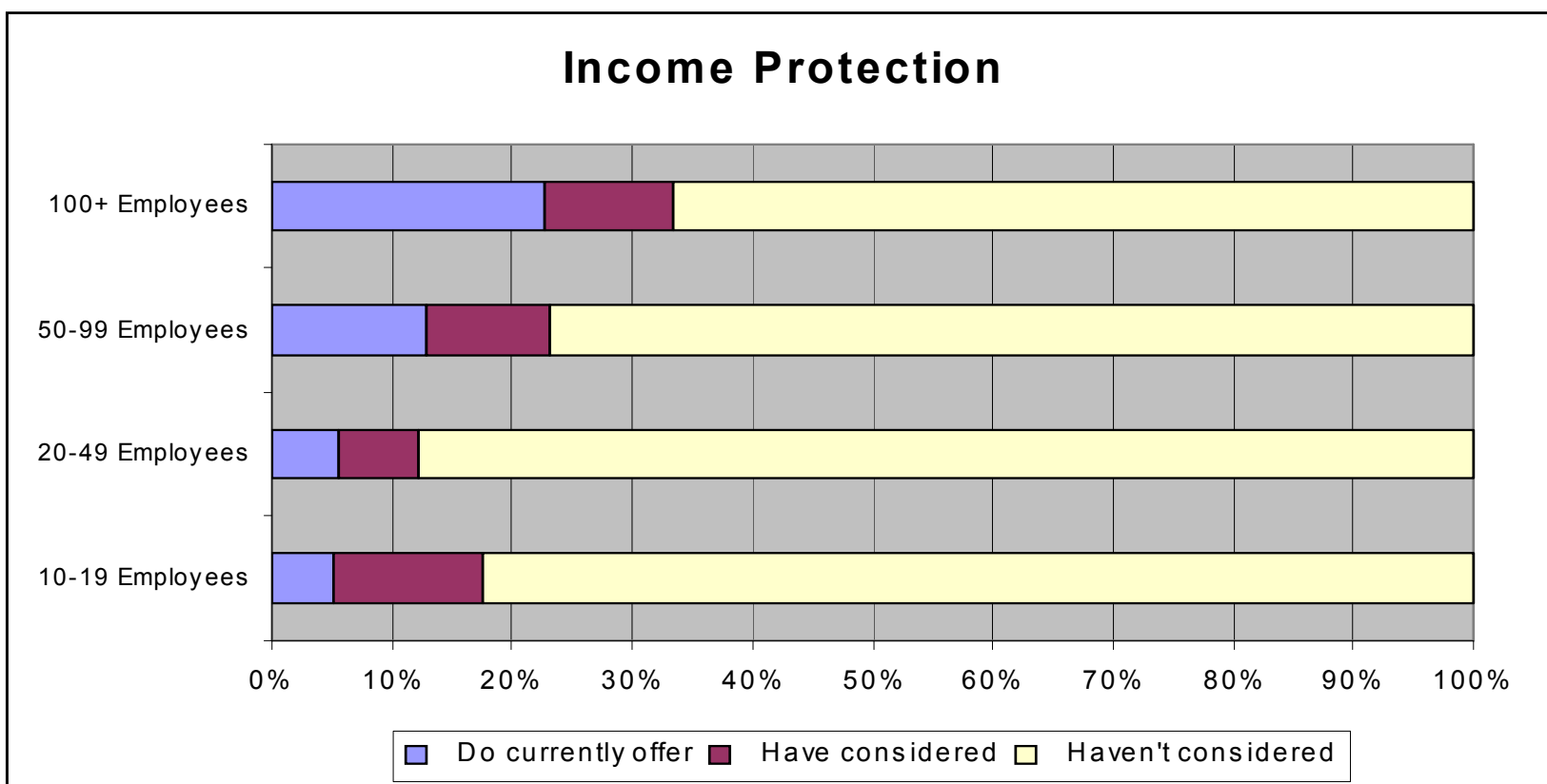


Source; Sovereign Survey

Group Insurance - Income Protection

- Pays a benefit when Staff disabled from either sickness or accident (subject to ACC)
- Effectively underwrites long-term sick leave
- Removes the need for Management to decide when to stop the salary of an Employee with a long-term illness

Breakdown of Employer Groups that offer Income Protection



Source; Sovereign Survey

Group Insurance – Health Insurance

- Insured Staff do not have to spend time on public hospital waiting lists
- Health problems can be fixed as soon as possible
- Generally Staff can be insured for qualifying existing conditions
- Employer benefits from having healthy (happy) staff.
(refer survey results)

Health Insurance Study

- **Avg. Waiting Times for Hospital Treatment**
 - Insured 35 days (including self-imposed delays)
 - Uninsured 113 days
- **Absenteeism Levels (Including time off work to seek treatment)**
 - Insured 14 days
 - Uninsured 48 days

Based on a 2005 Southern Cross Healthcare Study

Health Insurance Data

- Total lives covered in NZ:
 - approx. 1,387,000
- Total Lives covered under Group Schemes:
 - approx. 620,000
- Those receiving a full Employer subsidy:
 - approx. 200,000
- Those receiving a part Employer subsidy:
 - approx. 150,000

Source; Health Funds Association

Health Checks

- A Health Check can be compared to a Warrant of Fitness on your car
 - Something picked up in the early stages can often be treated quickly and simply
 - Some employee groups have this feature as of right, (health and safety)

Holiday Homes

- Can be used as a motivation/reward tool for selected Staff

Vehicles

- Not always the simplest to administer, but an option none the less

Fire and General Insurance

- Group discounted policies have not proven viable for Insurers, however direct on-line access may soon be possible through intranet, giving cheaper rates.

Discount Cards

- Common overseas with larger Staff numbers than will generally be available in NZ. However where there is a will there is a way.
- To be of any value, saving would need to be significant.

Reward Vouchers

- Ideal for recognising service and effort.
- Can create customer goodwill.
- More control on how benefit is used.

Club Membership

- Corporate Packages can be a positive tool if used wisely, by giving Staff access to places and events, e.g.
 - Special Golf Course
 - Corporate Box at Sport Stadium
 - Corporate Membership/Seating at Theatre

However, runs the risk of alienating staff that have no interest in whatever is offered.

Anything else that Staff would like!!!

- We are always open to suggestions and would welcome the opportunity to research any ideas.

How to Implement a Benefit(s)

Note; any or all of the following steps can be out-sourced if Employer doesn't want to commit staff to the process.

- Brain storm, find out what Staff want
- Get indicative costings for the Benefits under consideration
- Get the cost of the desired Benefits into the Budget

How to Implement a Benefit(s) cont.

- Prepare easily understood Info Packs
- Run Educational Seminars
- Manage the initial enrollment
- Implement an administration process
- Establish a review process

Summary

- A Staff Benefit can be anything that adds value to an Employee's Package
- Achieve economies of scale through bulk buying = lower cost & better features
- As the stats. show, Staff benefits will help make your business an, "Employer of Choice"
- Delegate responsibilities by transferring moral responsibility to Insurance companies
- Minimise Staff involvement by outsourcing of services, leaving Staff free to do their job