

HEALTH WEALTH CAREER

FINTECH AND THE WORKPLACE

TODAY'S WORKPLACE

22 FEBRUARY 2018

Shri Rengasamy

Innovation Leader, UK DC & Individual Wealth



WHAT IS GOING ON? RETIREMENT SYSTEM CHALLENGES



INCREASING LIFE EXPECTANCIES AND LOWER BIRTH RATES



INADEQUATE SAVINGS RATES

- Contributions to DC plans **significantly lower than 10%-15%** target (Only 4% in the UK according to the office for national statistics)
- Saving rates are not aligned with individuals' expectations



LOW LEVELS OF FINANCIAL LITERACY

- Globally, the majority of citizens are **not able to correctly answer simple financial literacy questions**
- Increasingly important given trend towards self-directed nature of pensions



INDIVIDUAL RESPONSIBILITY TO MANAGE PENSION

- Defined contribution plans account for over 50% of global pension assets
- Individuals are required to **be their own investment manager, actuary and insurer**



LONG TERM LOW GROWTH ENVIRONMENT

- Forward looking investment returns **below historic averages**
- Returns misaligned with projections and individual expectations

WHAT IS GOING ON? WHAT ARE EMPLOYEES FACING?

SALARY GROWTH **2%PA**
SINCE 2008¹

REAL WAGES **BELOW**
2008 LEVEL²



A DECADE OF
LOW SALARY
GROWTH



'SANDWICH
GENERATION'
AGEING PARENTS &
YOUNG-ADULT
CHILDREN
AT HOME



£44,000
AVERAGE NEW
STUDENT DEBT⁶



£7,092
AVE. UNSECURED
HOUSEHOLD
DEBT⁷

AVE.
APR **21.6%**³

5-YEAR RENT **+11.4%**⁴

LONDON
HOUSE PRICE **+7%PA**
(5% ENGLAND, 2.5% GB)⁵

FIRST TIME BUYER
9X SALARY



HOUSING CRISIS
FASTER GROWTH IN
COST OF LIVING



GROWING
ECONOMIC
UNCERTAINTY



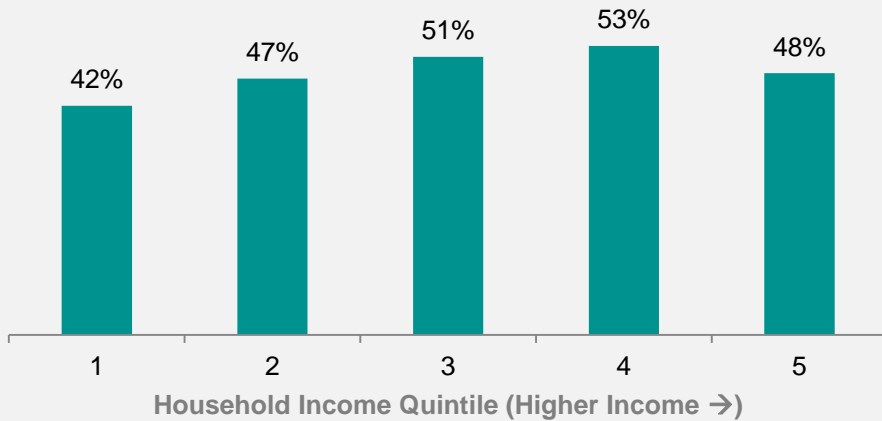
FINANCIAL PRESSURES

WHAT'S GOING ON? WHO DOES IT AFFECT?

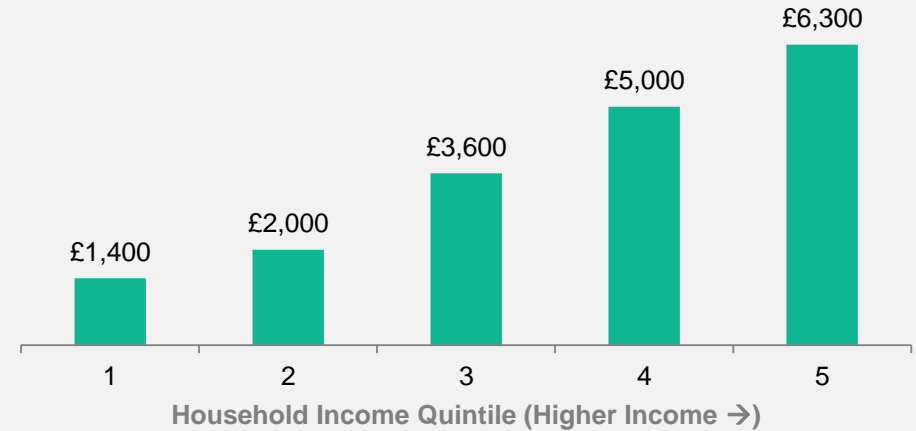
High earners borrow...

...and they borrow more

Percentage with non-mortgage debt

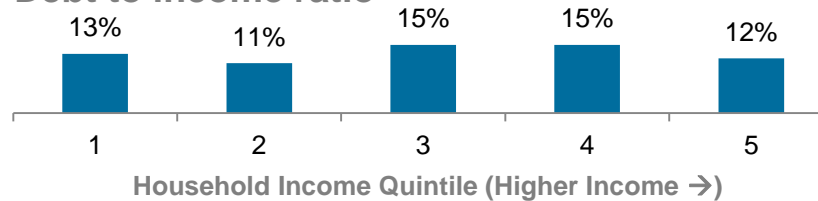


Median value of non-mortgage debt



It is in our nature to always want a little bit more.

Debt to income ratio



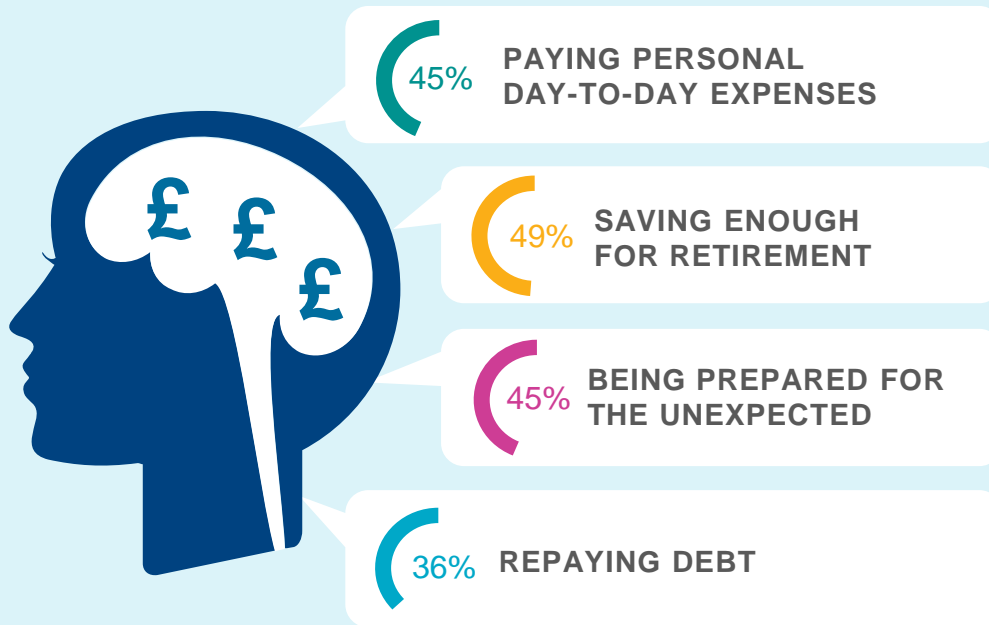
Financial wellness is “income agnostic”



Poor financial wellness, and use of debt, occurs at all levels of income.

WHAT MIGHT EMPLOYEES BE EXPERIENCING?

What are employees worrying about?¹



The Realities...



33%

ARE "JUST MANAGING" FINANCIALLY²



68%

DON'T EVER EXPECT TO RETIRE OR EXPECT TO KEEP WORKING IN LATER LIFE.³



17 MILLION

UK WORKERS HAVE LESS THAN £100 IN EMERGENCY SAVINGS⁴



26%

RELY ON CREDIT CARDS TO GET BY⁵

SOURCES: 1 MERCER, 2015; 2 OFFICE FOR NATIONAL STATISTICS, 2016; 3 HEALTHY, WEALTHY AND WORK-WISE: THE NEW IMPERATIVES FOR FINANCIAL SECURITY – MERCER, 2018; 4 MONEY ADVICE SERVICE, 2016; 5 PWC, 2016

WHY SHOULD EMPLOYERS CARE?

EMPLOYEE VALUE PROPOSITION
COMPANY CULTURE ATTRACT TALENT VALUE FOR MONEY
IMPROVE PRODUCTIVITY ENGAGEMENT REQUESTS
HEALTH ROI FINANCIAL APPRECIATION OF
SAVINGS REDUCE BENEFITS PENSION
PRESENTEEISM WELLNESS IMPROVE RETENTION
BENEFIT COSTS FINANCIAL EDUCATION DEBT REDUCE
REDUCE ABSENCE REDUCE STRESS TURNOVER
SATISFACTION EMPLOYEE WELLBEING RETIREMENT ADEQUACY

WHAT ARE OTHERS DOING

- 47% considering implementing a financial wellness programme in 2017¹

WHY?

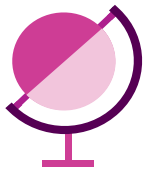
- 86% care about their employees' financial wellbeing
- 50% targeting improved retention
- 49% targeting increased productivity
- 42% want to reduce absences
- 33% want better talent attraction²

SOURCE: 1 THOMSONS, 2016; 2 ADP, 2016

Copyright © 2018 Mercer Limited. All rights reserved.

EMPLOYEE BENEFITS: ADAPTING TO CHANGE

EXTERNAL ENVIRONMENT



ECONOMIC
UNCERTAINTY



TECHNOLOGICAL
ADVANCEMENTS

WORKPLACE & BENEFITS



RE-ALIGNMENT OF
BENEFITS



ERA OF THE
INDIVIDUAL

WAYS WE COMMUNICATE



DATA DRIVING
BEHAVIOURS



PERSONALISATION

- **58% OF EMPLOYEES WOULD LIKE TO REDUCE THE VALUE OF SOME BENEFITS THEY RECEIVE AND INCREASE THE VALUE OF OTHERS¹**
- **85% OF EMPLOYEES ARE INTERESTED IN SECURE, EASY-TO-USE, JARGON-FREE, ONLINE FINANCIAL TOOLS TO HELP MANAGE THEIR FINANCES²**
- **79% OF ADULTS TRUST EMPLOYERS TO GIVE SOUND, INDEPENDENT ADVICE ON PLANNING, SAVING AND INVESTING²**

SOURCE: 1 MERCER, 2015; 2 HEALTHY, WEALTHY AND WORK-WISE: THE NEW IMPERATIVES FOR FINANCIAL SECURITY – MERCER, 2018

Copyright © 2018 Mercer Limited. All rights reserved.

WHAT IS FINANCIAL WELLNESS? FOUR STATES OF BEING



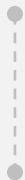
**Control over the
day-to-day**



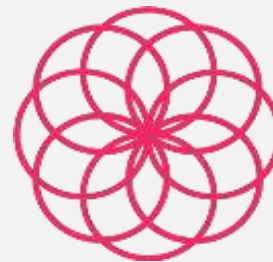
Not overspending.
Debt and expenses
are manageable.



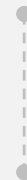
**Capacity to absorb
a financial shock**



Having the capacity
to absorb a financial
shock.



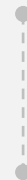
**Freedom to make
choices in life**



Including access to
resources or financial
literacy to improve
their situation.



**On track for the
future**



Having a plan for the
future and saving
towards it.

A FINANCIAL WELLNESS PROGRAM HELPING EMPLOYEES MAKE POSITIVE, LIFE-CHANGING DECISIONS



DATA DRIVEN

Understand the
workforce

.....

Draw insights from workforce data to identify the needs of employees and periodically re-measure.



HOLISTIC

Address key areas
of concern

.....

Represent the full picture and breadth of financial circumstances that your employees may be facing.



PERSONALISED

Meet people
where they are

.....

Employees are also consumers and have come to expect guidance and communications that are specific to them.



BEHAVIOURAL CHANGE

Drive action

.....

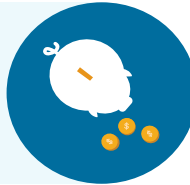
Information alone doesn't drive action - psychology matters. Target an approach to turn intention into action.

WHAT ARE OUR CLIENTS DOING?

ADDRESSING EMPLOYEE
DEBT PROBLEMS



INTRODUCING WORKPLACE
ISAS



USING BEHAVIOURAL
SCIENCE



INCREASING DEMAND FOR
STRATEGIC APPROACH



TAKING A TACTICAL
APPROACH: FOCUSING ON 1
OR 2 POINT SOLUTIONS



GLOBAL APPROACH



REVIEWING PENSION BIAS
IN BENEFITS



REVIEWING WORKPLACE
BENEFITS AGAINST THE
NEEDS OF EMPLOYEES

HOW WILL IT IMPACT BUSINESSES?



HIGHER EMPLOYEE ENGAGEMENT

Employers offering **financial wellness solutions** to their employees have **22% more** employees who are **extremely or very engaged** in the workplace¹



IMPROVE PRODUCTIVITY

Employees **without financial concerns** are on average **2.3% more productive** when at work²



IMPROVE ROI ON BENEFIT SPEND

Spend on benefits that **employees will value**, and communicate effectively to ensure they understand and value the offering³



ATTRACT AND RETAIN TALENT

86% of employees say that if their employer improved benefits or added access to an investment plan, it would have a positive impact on them at work, resulting in **higher job satisfaction and greater commitment to the organisation**⁴



SOURCE: 1 THOMSONS, 2016; 2 BRITAIN'S HEALTHIEST WORKPLACE DATA 2015; 3 THOMSONS 2016; 4 HEALTHY, WEALTHY AND WORK-WISE: THE NEW IMPERATIVES FOR FINANCIAL SECURITY - MERCER, 2018

Copyright © 2018 Mercer Limited. All rights reserved.

FUTURE TRENDS



Financial wellness will become increasingly important in the workplace

- Pension adequacy
- Student debt
- Housing
- Brexit / workforce
- Sandwich generation



The marketplace for employee benefits will continue to evolve

- New companies emerging, some will not make it
- Market consolidation
- Open banking



Employees will demand consumer grade user experience

- Employees expect consumer grade simplicity
- Ad-hoc approaches will fail to deliver demonstrable change
- Strategic, holistic and change oriented approach will deliver the best value

IMPORTANT NOTICES

References to Mercer shall be construed to include Mercer LLC and/or its associated companies.

© 2018 Mercer LLC. All rights reserved.

This contains confidential and proprietary information of Mercer and is intended for the exclusive use of the parties to whom it was provided by Mercer. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without Mercer's prior written permission.

The findings, ratings and/or opinions expressed herein are the intellectual property of Mercer and are subject to change without notice. They are not intended to convey any guarantees as to the future performance of the investment products, asset classes or capital markets discussed. Past performance does not guarantee future results. Mercer's ratings do not constitute individualized investment advice.

Information contained herein has been obtained from a range of third party sources. While the information is believed to be reliable, Mercer has not sought to verify it independently. As such, Mercer makes no representations or warranties as to the accuracy of the information presented and takes no responsibility or liability (including for indirect, consequential or incidental damages), for any error, omission or inaccuracy in the data supplied by any third party.

This does not contain regulated investment advice in respect of actions you should take. No investment decision should be made based on this information without obtaining prior specific, professional advice relating to your own circumstances.

This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities and/or any other financial instruments or products or constitute a solicitation on behalf of any of the investment managers, their affiliates, products or strategies that Mercer may evaluate or recommend.

For the most recent approved ratings of an investment strategy, and a fuller explanation of their meanings, refer to your Mercer representative and/or for MercerInsight subscribers, see www.mercerinsight.com, as appropriate.

For Mercer's conflict of interest disclosures, contact your Mercer representative or see www.mercer.com/conflictsofinterest.



MERCER

MAKE TOMORROW, TODAY

Mercer Limited is authorised and regulated by the
Financial Conduct Authority
Registered in England and Wales No. 984275
Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU