

BEARING FRUIT

When an employee share scheme matures, employers must communicate effectively with members to ensure they understand their options, says **Jennifer Paterson**



Employees' ability to understand, and take advantage of, the opportunities available when a share plan matures will often come down to the way the scheme is communicated.

Sharesave schemes have a fixed maturity date, whether they are three-, five- or seven-year plans, so preparing a communications campaign is relatively easy. Iain Wilson, head of business development at Computershare, says: "Organisations do invest fairly heavily

in communicating the maturity of sharesave because it is a key event."

Sharesave schemes often have a big-splash communications campaign at launch and maturity, but not much happens in between. At maturity, staff have six months to decide whether to: take the savings plus the tax-free bonus; close their account and use all the proceeds to buy shares; or close their account and take the option to buy shares in part.

Traditionally, employers have based communications around what employees can buy with the proceeds from a scheme, but that is no longer the case. David Poole, national director of the Employee Share Ownership Plan (Esop) Centre, says: "We are moving away from using it for a holiday or a car because of inflation and pay freezes. Now staff are thinking in terms of savings, rather than something that is a separate reward."

Launch campaigns

Communication around the maturity of share incentive plans (Sips) is likely to be quite different. Launch campaigns could be similar to sharesave, but Sips do not always have a common finish date for participants, although staff must hold their shares for five years to receive the tax efficiencies. Wilson says: "Imagine it like putting shares into a fixed time capsule. If an employee wants to break the capsule open, there will be a tax penalty, forfeiture of shares penalty or both.

"Now staff are thinking in terms of savings, rather than something that is a separate reward"

David Poole, Esop Centre

IF YOU READ NOTHING ELSE, READ THIS...

- The information employers should communicate to staff at a share scheme's maturity and the methods used will depend on the type of scheme offered.
- Sharesave schemes, which have fixed maturity dates, favour structured communications campaigns.
- Share incentive plans (Sips) suit drip-feed communications because there is no communal maturity date.
- Financial education gives employees an overview of their options.

Because of all the time capsules, employees get a drip feed of mini-maturities."

One way to communicate Sips is through the scheme administrator's web portal. Members can log on using their account number and view their Sip holdings. John Coll, head of employee share ownership at ProShare, says: "The company's internal communications would also have explanations on the various stages of maturity and will direct staff to these web portals. Employers may do a mailing on the anniversary of when shares were issued, but 99% of the time it will be done through the administrator's portal."

Employers can also communicate Sips by creating case studies of real people in the organisation. Wilson says: "In Sips, the amounts are not life-changing amounts, so staff spend time on holidays, that type of thing. With Sips, it is just about regular reminders of the benefits of being in the plan and of maturity."

Regardless of the type of scheme,

maturing, communication is vital to show staff how it affects them. Methods include literature sent to home addresses, emails, text messages, and support on the company intranet or on an administrator's homepage.

Workplace maturity presentations, which were popular before the internet arrived, are now a costly option. Wilson says: "Where employers want to use presentations, we brief an employee [perhaps from the HR department] to manage that so it is not a stranger standing up in front of staff."

Social media

Some providers are also beginning to pilot communications using social media, such as Twitter and Facebook. But Phil Ainsley, head of employee share plans at Equiniti, says: "Social media is great up to a point, but it is quite difficult to control."

Jeanette Makings, director – financial education services at Close Asset Management, adds: "Social media is great as a method of alerting staff, but it is really a signpost to tell them where to go for further information."

Financial education is essential at a share scheme's maturity, says Jonathan Watts-Lay, director of Wealth at Work. "A lot of employers publicise the share scheme at launch, but almost abandon employees when it reaches maturity," he explains. "Education is the best way of [talking staff] through the specifics of a scheme. Staff should have a fairly good idea where the scheme is heading

CASE STUDY

Veolia wants shares to be kept

Veolia Environnement first launched its share incentive plan (VE Sip) for its 16,500 permanent UK staff in 2006, and relaunched it in September 2010.

The firm does not use typical communication methods, particularly when the scheme matures, because there are not key events around a Sip. At launch, it sends out direct-

mail invitation packs to all employees' home addresses, and all promotional literature is available for download online.

Mike Sullivan, the firm's head of employee benefits and pensions, says: "There is not really any advertising about getting to the end of three or five years. The main purpose of the scheme is to encourage employee shareholding. The hope is



that while people remain staff, they will continue to hold their shares."

The scheme was shortlisted for an Employee Benefits Awards 2011 because of its use of 180 share scheme champions to promote the VE Sip to eligible employees.

and whether it will have a profit or not."

This is particularly relevant in the current economic climate, with many schemes underwater. Collison says: "If the scheme is underwater, the share price is less and the employee will not exercise their option, so the communications are around explaining this. What employers will often do then is write to employees, outline the fact that they can take the cash and explain the procedure."

Watts-Lay adds: "The stock market has been falling and that can influence decisions, but staff should understand the implications

of that. In any event, once [a scheme] reaches maturity, there are decisions to make."

If employers have launched a share scheme to encourage staff to become shareholders in the company, they may want to communicate the opportunity to buy more shares while the price is low.

Financial education is also a key tool to explain the tax implications of a maturing scheme. For instance, after five years, Sip members can take their shares, transfer them directly into an approved pension scheme and receive a marginal tax uplift, almost doubling their tax relief. Makings says: "They do not suffer tax on the savings because, on a Sip, these go directly into a trusted scheme, and then they can transfer directly into pensions where they get a marginal tax uplift, so they get tax relief twice on the same savings."

At a Sip's maturity, employees should also be told of the option to transfer shares into an individual savings account (Isa). Collison says: "Employers can point out what the current cash Isa allowance is and perhaps point employees towards tax-free savings."

Poole adds: "Financial health is linked to mental and physical health. That is something employers need to think about: making sure staff know who they can go to for advice, what independent resources are out there, and then providing the extra online training or financial advisers if they can." **EB**

CASE STUDY

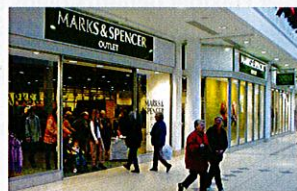
M&S staff get the message

When Marks and Spencer (M&S) communicates the maturity of its sharesave schemes, it simplifies the message to ensure staff make the right decision. The retailer has been offering staff sharesave schemes for 30 years.

Ann Govier, manager of senior remuneration and employee share schemes at M&S, says: "Some people find shares quite scary when it comes to maturity. It is

quite difficult for them to understand the decisions they can take. We put a lot of effort into communications and come up with innovative ideas for options when the scheme is underwater, and make sure employees make the right decision for them."

Employees receive a communications booklet alongside a series of lunch-and-learn sessions with a financial adviser.



Since its 2010 sharesave launch, M&S has 26,000 staff taking part in one or more schemes, saving £3 million a month compared to £2.6 million previously.

These figures helped M&S win 'Most effective all-employee share scheme strategy' at the Employee Benefits Awards 2011.