Implementation and ongoing delivery of "i-flex" flexible benefits scheme Case Study - T-Systems

T-Systems partnered with Aon Hewitt from the start of the project though scheme design, new benefits broking, communications, data validation, system implementation, post enrolment and ongoing administration, including an employee helpdesk.

The Scheme design process began in July 2011. The objectives identified at the beginning of the project were as follows:

- Support Outsourcing Business Development
- Empower and Engage with employees
- Simplify benefits administration
- Improved the benefits package
- Generate cost savings

These objectives were tackled in the following ways:

Support Outsourcing Business development

Our main objective was to make us easier to do business with to ensure that when we talk to customers we have an employee proposition that is both up to date and easily understood by all parties. We had seen this in our competitors and wanted to replicate it to good effect in our own bids. Using Flex in the transition of employees means that the company can have one core employee package and replicate benefits outside of this by allocating a Flex Allowance, transferring employee can then use this to purchase benefits to the same level as they received previously.

For legacy employees, previously transferred in, this also meant that we were able to break down barriers between different groups with one benefits package to make employees feel part of T-Systems rather than legacy companies.

We used the savings through salary sacrifice to harmonise benefits, such as in the case of gym allowances health screenings and group income protection. Where a longer consultation period would be required, such as in the case of employer pension contributions and the ability to sell PMI entitlement, different eligibility rules were built into the system.

Empower and Engage with employees

The objective was to give employees choice by implement a self-service benefits portal with a user friendly website supported by good communications.

In keeping with other communication campaigns at T-Systems, the look and feel of the scheme clean cut, vibrant and used images of real people. We created a new scheme name and brand “i-flex” that all employees could relate to the chosen name was then combined with other familiar T-Systems branding elements, such as “the digital swarm” of pink boxes and the graduated bands.
In order to ensure that employees maximised the potential of the benefits available to them it was vital that they were aware of i-flex and understood the benefits available and process to follow in order to maximize salary sacrifice savings to pay for the harmonization of benefits. Working with The Aon Hewitt Communications team, T-Systems communicated in the following ways:

- 32 “Town hall” Presentations and teleconferences to managers and employees over a number of days from 24th October - 1st December 2011.
- Roadshows at 4 key sites to allow employees to speak to some of the benefit providers
- Flex guide brochure with personalised letter sent to all home addresses (see appendices)
- Pull up banners at 4 key sites
- Intranet banners
- Email campaign

“The impact of the communications on the organisation has been excellent and is reflected in the results achieved. It has created a real buzz around the project and I have no doubt the level of take-up would not have been so high without Aon Hewitt’s technical expertise and the quality of the material. We have received excellent service and the results exceeded our expectation. It was an absolutely worthwhile investment and has set the standard very high for future HR initiatives.”

Sally-Anne Borrill, Head of Reward at T-Systems

Simplify benefits administration

The objective was to reduce the burden on T-Systems HR team and, most importantly, facilitate the easy addition of more TUPE transferred employees in the future as this is key to the growth of the T-Systems business.

Prior to the implementation of i-flex, benefits at T-Systems were managed internally on various systems and spreadsheets. Each group of employees had a different set of benefits, terms and conditions and legacy processes in place. As the organization grew so did the complexity of administration and the risk of human error. It was very difficult to communicate to employees as a whole about their benefits due to the differences in packages and as such employees did not understand the value of their benefits.

Though the introduction of i-flex, all employee benefits data has been validated and consolidated onto one system. Employees can access the system at any time during the year to view their total benefits package in one place and there will be a communications campaign at annual enrolment each year to raise awareness.

The ongoing administration of benefits will be managed by Aon Hewitt, including the provision of an employee helpdesk. This will free up resource in T-Systems to allow the HR team to focus on reward strategy and the transition of new employees to the company.

As the scheme matures the company will use the system more and more to harmonise benefits over time through the use of flex allowances to replace anomalous benefits both current and future.
Improved the benefits package

A longer term objective was to make the benefits offered more market competitive. As part of the scheme design consultation, Aon Hewitt suggested a variety of options to add new interest to the existing benefits scheme. Some of these were rejected, such as the introduction of tax efficient ipads, as it was felt that the benefit to employees was not significant enough. The following new benefits were introduced:

- Holiday Trading
- Dental Insurance
- GymFlex (including £400 employer subsidy for all)
- Personal Accident Insurance
- Travel Insurance
- Flexbank retail vouchers
- New voluntary benefits scheme with P&MM
- Partner options in Life assurance and Health assessment.

Generate Cost Savings

In order to fund the implementation of the i-flex scheme and cost of harmonising benefits for some groups of employees we implemented pension salary sacrifice at the same time as Flexible Benefits. The employer NI savings generated from this change alone more than paid for the implementation and associated costs and will provide a budget for ongoing benefit improvements and further harmonization.

Innovation

By implementing Flexible Benefits T-Systems are now much more competitive when bidding for new business opportunities as they can demonstrate a streamlined transition process for moving employees from one organisation to another using the i-flex platform to harmonise benefits where possible or ring fence benefits as exceptions.

Achieving objectives

This project represents a big departure for T-Systems which have moved away from a paternalistic and legacy based approach to benefits to one that empowers employees and allows the company to manage the acquisition of new groups of employees into the business in the future.

Although T-Systems use Aon Hewitt’s standard TBS system, we were able to create a website that reinforced the new HR branding used for other new initiatives and further promoted HR at the forefront of our Breakthrough change programme.

This was a very successful project in terms of achieving the objectives set out at the start. It has already been used to support our employee proposition in bids to great effect, existing benefits were harmonised (where possible), benefits administration was simplified into a one stop shop for employees and the admin team alike and employees were empowered to make decisions about their own benefits package.

Improving Benefits Package

The introduction of the i-flex scheme proved popular with employees as demonstrated by the participation rate. Target take up at the start of the project was 60%, actual take-up was a very impressive 81% (887
### Holiday Trading
- Number of participating employee: 103
- % take up: 14%
- Target % take-up: 10%

### Dental
- Number of participating employee: 130
- % take up: 12%
- Target % take-up: 10%

### GymFlex
- Number of participating employee: 97
- % take up: 9%
- Target % take-up: 5%

### Personal Accident
- Number of participating employee: 118
- % take up: 11%
- Target % take-up: 10%

### Partner Life Assurance
- Number of participating employee: 132
- % take up: 12%
- Target % take-up: 10%

### Travel Insurance
- Number of participating employee: 56
- % take up: 5%
- Target % take-up: 5%

### Retail Vouchers
- Number of participating employee: 30
- % take up: 3%
- Target % take-up: 3%

Also, the pension scheme membership increased by 4% and 6% of employees opted to make additional contributions.

## Cost Efficiency
Annual company NI savings generated through the implementation of pensions salary sacrifice are in the region of £360,000. In addition, further savings of £340,000 have been achieved through Aon Hewitt's support of analysis of legacy benefit brokering and commission costs.

We expect to see significant savings in the future via reduced transition costs.