A guide to flexible and voluntary benefits
1. Introduction

Employees have different lifestyles and needs. As they move through their working lives, these are likely to change. Flexible and voluntary benefits can help an employee create a personal package of benefits to suit their needs, instead of the ‘one size fits all’ approach of traditional employee benefits.

The range of benefits, the degree of flexibility and level of funding, reflect your organisation’s culture and reward agenda. For example, if you want to promote employee health and wellbeing you can structure the scheme to make it more attractive for employees to select health-related benefits rather than, say, leisure pursuits.

We believe that empowering employees to make benefit choices can help improve their engagement.

You can control your costs by sharing them with your employees. Additionally, flexible and voluntary benefits can provide options which make it possible to maximise tax efficiencies.

Flexible benefit schemes allow employees to vary or ‘flex’ the benefits provided. With voluntary benefits, the employee can choose whether or not to buy the benefit being offered.

This guide aims to explain the way these benefits work and how flexible and voluntary products can help you and your employees.

This guide uses technical terms. We’ve shown these in bold. You can find the definitions of these words in the glossary on page 14. Please ask us if you have any questions about these. Each policy will have unique terms. To find out what we’ll cover and how claims are assessed, please refer to the relevant technical guide (please refer to section 4 and 5).
2. Which group protection products?

**Group Life Assurance**

Pays a lump sum to the insured person’s dependants following their death. Can be set up to:

1. Insure the life of an employee, either as a flexible or voluntary benefit.
2. Insure the life of an employee’s partner as a voluntary benefit.

**Dependants’ Pensions**

Following the death of an insured employee, can provide a regular monthly income to their dependants. Can be insured as a flexible benefit.

**Group Income Protection**

Pays a regular monthly income when an insured employee is unable to work due to long-term illness or injury. We’ll work with you and the insured employee where appropriate, by providing support and rehabilitation to help them return to work. Can be insured as a flexible benefit.

**Group Critical Illness Cover**

Pays a lump sum benefit to an insured employee if they are diagnosed with one of the specified conditions at the end of a survival period. Can be insured as a flexible or voluntary benefit. There’s also the option for the insured employee to cover their partner under voluntary benefit.

You (or trustees) will always be the policyholder and must decide:

- which products to include in a flexible or voluntary benefit scheme,
- for flexible benefits, the minimum level of each benefit to provide (we call this the core benefit), and
- the options an employee has for making changes to their benefits.
3. What are the advantages?

**Choice**

- Employees choose how much they want of each benefit, within the rules of the scheme.
- Over time, employees may want and need different benefits. Flexible and voluntary benefits are designed to allow the reward package to evolve and remain relevant to the employee.

**Range**

You can offer a wide range of benefits to appeal to the diverse needs of your employees.

**Engagement**

As employees get involved with choosing elements of their benefits, they'll have a greater awareness of what's being provided.

**Costs**

- National Insurance (NI) savings (for your employee and you) if salary sacrifice is used for registered death in service benefits.
- Helps you control costs because:
  - the amount you spend can effectively be ‘ring fenced’; and
  - you can focus spending, on the benefits your employees want.
Flexible and voluntary benefits

4. Flexible benefits

Flexible benefits make it possible for your employees to vary their benefits to suit their personal requirements. They can change the mix of benefits they receive, or adjust their salary by taking fewer or more benefits. You may fund all or part of the benefits.

It’s important to stress, there is no standard approach to flexible benefits. Flexible benefits can normally be split into core and non-core.

Core benefits
Core benefits are normally mandatory and paid for by you. We may apply a condition for a minimum level, this can be reflected by the core benefit.

Core benefit premiums can be calculated using a scheme specific unit rate applying to all employees, adjusted month by month as the membership changes.

Non-core benefits
Non-core benefits are offered to employees either as additional benefits or as a top-up to core benefits. Scheme rules govern when and by how much an employee can make changes to each benefit – a process referred to as 'flexing'. Changes can usually be made at:

• the annual renewal date (also called the annual enrolment date); or
• a lifestyle event.

Non-core or flexible benefit premiums are typically calculated with scheme-specific age-related rates. As with the core benefit premiums, they’re adjusted monthly.

There can be a number of options when setting up a flexible benefits scheme and how the benefits are paid for. One option is for the core to be paid for by you with a further fixed amount, allocated for the employee to spend across a number of other product options.

For an explanation of ‘Lifestyle Events,’ please see page 8.

Example: Normally core benefits are set at a minimum level of cover for a particular product such as life cover. The employee can then incrementally increase their cover under non-core benefits, when eligible.
### Flexible and voluntary benefits

Non-core benefits can be funded in the following ways:

| **Flex pot** | A percentage of salary which the employee may have the option to spend on a range of benefits.  
This may also be referred to as benefit allowance and flex account. |
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Benefit ‘trading’</strong></td>
<td>More of one benefit can be taken by taking less of others, for example, selling holiday entitlement to buy some income protection cover.</td>
</tr>
</tbody>
</table>
| **Salary sacrifice** | Employee gives up or sacrifices part of their salary – in exchange you provide a non-cash benefit. For example, life insurance, pension or childcare vouchers.  
You could use the NI saving to help manage the administration of the arrangement.  
Legislation restricts the benefits that can be provided through salary sacrifice. You may find it helpful to seek tax advice before deciding to provide benefits through salary sacrifice. |
| **Salary deduction** | Dependent on the tax status of the benefit, the employee will pay with a deduction from either their net or gross salary. For example, group life assurance for employees, deductions will be made from their gross salary; for group critical illness cover deductions will be made from their net salary. |
## Legal & General flexible Group Protection benefits

We normally apply the following terms:

<table>
<thead>
<tr>
<th></th>
<th>Group Life Assurance</th>
<th>Dependants’ Pensions</th>
<th>Group Income Protection</th>
<th>Group Critical Illness Cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum membership</td>
<td>100</td>
<td>100 (waived if combined with group life)</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Minimum core benefit</td>
<td>1 x salary or £10,000</td>
<td>15% salary</td>
<td>40% salary</td>
<td>1 x salary or £10,000</td>
</tr>
<tr>
<td>Maximum total benefit</td>
<td>12 x salary (can consider higher limit depending on individual circumstances)</td>
<td>No set maximum</td>
<td>£350,000</td>
<td>The lower of 5 x salary or £500,000</td>
</tr>
</tbody>
</table>

### Benefit increases allowed

<table>
<thead>
<tr>
<th>‘Flex’ step size</th>
<th>1 x salary</th>
<th>% of salary or prospective pension, as agreed</th>
<th>% of salary, as agreed (can consider higher limit)</th>
<th>1 x salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max ‘step’ increase</td>
<td>1 or 2 steps, as agreed</td>
<td>1 step</td>
<td>1 step</td>
<td>No limits on the number of incremental steps</td>
</tr>
</tbody>
</table>

### Notes:

1. Increases in benefit (‘flexing up’) may occur at the annual renewal date or following a Lifestyle Event.
2. Decreases in benefit (‘flexing down’) can take place at any monthly accounting date by any number of steps. The benefit cannot go below the core.
3. On joining the scheme (or on the date flexible benefits are introduced) depending on eligibility, employees select any level of cover between the minimum and maximum, for each benefit.
4. *Our Multiflex Group Income Protection (GIP) product allows both the amount of benefit and the length of payment term to be ‘flexed’. An extension of the payment term counts as one step.*
5. We apply the medical ‘free limit’ to the combined core and non-core benefit.
6. A pre-existing and related condition exclusion applies to critical illness cover.
‘Lifestyle events’ are a defined set of circumstances which could impact the employee’s benefit needs. When a lifestyle event occurs, the employee can change their level of benefit from the next monthly accounting date, rather than wait until the next annual renewal date.

Standard Lifestyle Events are:

• marriage or registering a civil partnership
• birth of a child
• adoption of a child
• death of a dependant
• divorce or dissolution of a registered civil partnership.

We can consider additional lifestyle events if they meet our policy terms.

Following a lifestyle event, changes to benefit levels must usually be completed within two months.

For further details about our flexible benefits, please use our standard technical guide for more information:

- Group Life Assurance and Dependents’ Pensions
- Group Income Protection
- Group Critical Illness Cover
5. Voluntary benefits

Products and services you don’t pay for, can often be offered to your employees as voluntary benefits. You can help promote this facility at the workplace. The cost can normally be more favourable than if your employees purchased it directly. However, cover ends when the employee leaves your employment.

The benefit is delivered through a ‘group’ contract between you and us.
## Legal & General voluntary Group Protection benefits

The following terms usually apply:

<table>
<thead>
<tr>
<th></th>
<th>Life Assurance Employee*</th>
<th>Life Assurance Partner*</th>
<th>Critical Illness Cover Employee**</th>
<th>Critical Illness Cover Partner**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Minimum membership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>new scheme</td>
<td></td>
<td></td>
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<tr>
<td>• 2,500 potential members (stand alone)</td>
<td></td>
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<tr>
<td>• 500 potential members (linked to a standard or flexible benefit Legal &amp; General group protection scheme)</td>
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<tr>
<td><strong>Minimum membership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>existing scheme moving to us</td>
<td></td>
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<tr>
<td>• 100 inforce members</td>
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<tr>
<td><strong>Minimum total</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>annual premium</strong></td>
<td>£250,000</td>
<td>£250,000</td>
<td>The lower of £250,000 or 5 x salary</td>
<td>£150,000</td>
</tr>
<tr>
<td><strong>Maximum individual</strong></td>
<td>£250,000</td>
<td>£250,000</td>
<td></td>
<td></td>
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<tr>
<td>benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Underwriting</strong></td>
<td>Answer our health and lifestyle questions by application form to select and increase cover</td>
<td>Pre-existing and related condition exclusions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>requirements</td>
<td></td>
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<tr>
<td><strong>Unit size</strong></td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>£10,000 or £25,000</td>
<td></td>
</tr>
<tr>
<td><strong>Benefit changes</strong></td>
<td>At any monthly accounting date</td>
<td></td>
<td>At Annual renewal date or Lifestyle event</td>
<td></td>
</tr>
<tr>
<td>allowed</td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Maximum ‘unit’ increase</strong></td>
<td></td>
<td></td>
<td>There's not normally a limit on how many units of cover are increased at any one applicable time</td>
<td></td>
</tr>
</tbody>
</table>

* We'll issue separate policies for employee and for partner life assurance.

** We'll issue a single policy for employee and for partner critical illness cover.
Applications for Life Assurance or Partner Life Assurance

Employees applying for the first time or those selecting higher cover levels, will need to complete an application form, where they’ll need to answer some health-related questions.

If the health-related questions can be answered ‘no,’ the application has been successfully completed. If one or more of the questions is answered ‘yes,’ it may still be possible to provide cover. However, they must provide more health-related information – our preferred way of gathering this is by telephone interview. We’ll then decide whether or not we can provide cover or if additional terms will be applied. The health-related questions are also able to be answered on our online benefits platform. Please contact your account manager for further information on how to access this.

Applications for Critical Illness Cover

We don’t ask for evidence of good health when the application is made. However, new cover:

• is subject to a pre-existing and related condition exclusion, and
• can only take effect on the date the employee first becomes eligible, the annual renewal date or following a lifestyle event.

For an explanation of ‘Lifestyle events,’ please see page 8. For an explanation of pre-existing and related conditions exclusions, please refer to the voluntary critical illness cover technical guide noted below.

See the relevant Technical Guide for more information:

Voluntary Life Assurance Plan
Voluntary Life Assurance Plan for Spouses and Partners
Voluntary Critical Illness Cover
6. What is your role?

When setting up a flexible benefit or voluntary benefit scheme, you have certain duties. With a group protection benefit insured with us, you must be able to:

- communicate benefit options and our terms and conditions to your employees
- apply the eligibility terms set by us
- calculate premiums and pay the correct amount to us each month
- ask your employees to provide us with medical evidence, when necessary
- maintain reliable membership records and send us monthly data (unless a different frequency of supplying this data has been agreed with us)
- make claims and distribute benefits in accordance with the scheme.

To help, you could consider outsourcing certain day-to-day running of the tasks, to a third party.
Flexible and voluntary benefits

7. What will we do?

Depending on the type and size of scheme we can:

• draft explanatory literature for employees
• attend employee roadshows
• provide an Employee Assistance Programme that offers all your employees support and help with everyday issues in their work and personal life
• for flexible and voluntary products we provide you with up-to-date unit rates, rate tables and free limit (we’ll always give you at least three months’ notice of any changes).
Flexible and voluntary benefits

8. Glossary

**Annual renewal date**
The anniversary date of when your policy starts or another yearly date that we’ve agreed with you.

**Dependant**
Individual who in our opinion is (or was) wholly or partly maintained or financially assisted by the member.

**Free limit**
The maximum amount of cover we will provide to a member without the need for medical evidence or details of their hobbies. We’ll tell you the free limit in our quote as a level of benefit or scheme earnings.

**Member**
Employees included in the scheme in accordance with the eligibility terms.

**Membership**
The members covered by the policy.

**Monthly accounting date**
This is the first day of each monthly accounting period. Normally this is the annual renewal date and the same day of every month afterwards.

**Partner**
In relation to the employee, it can be their spouse, registered civil partner or unmarried partner, in general who:

- is financially dependent on the employee, or with whom financial interdependency exists which contributes to the employee’s standard of living;
- is over the age of 16;
- has the same main residence as the employee; and
- is not a foster child or child of the employee.

**Policy**
The legal contract between you and us. You choose how much of the benefits to insure under the policy.

**Scheme**
The arrangement you have set up to pay the benefits promised to your employees.

**Scheme earnings**
The earnings we use to work out a member’s benefit.

**Step**
The amount that a member can add to or subtract from their level of cover, when permitted by the scheme rules.

**Unit rate**
The cost for each £100 of cover, multiplied with the total scheme earnings or total benefit for the policy. We’ll tell you the unit rate in our quote.