

# UK All-Employee Share Plan Trends

Gabbi Stopp  
19 November 2015

# ProShare - our purpose

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- ProShare was established in 1992 by the Government, a group of FTSE 100 companies and the London Stock Exchange to promote wider share ownership.
- Today we focus on promoting employee share ownership, as the voice of the industry in the UK.
- We are a member-led organisation and we support our members through a range of activities.
- Follow us on Twitter @ifsProShare @GabbiStopp and join our LinkedIn group to keep up to date on share plans news



# Current membership

nationalgrid



Sainsbury's



AVIVA



YOUR M&S



DIAGEO



LLOYDS BANKING GROUP



# How we support our members...

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- ‘Flagship’ events: annual conference in October, annual awards dinner in December
- Seminars, workshops & webinars delivered throughout the year
- Focus Groups meet periodically throughout the year & inform lobbying priorities
- Ongoing dialogue with HM Treasury and HM Revenue & Customs
- Our Advisory Panel meets on a quarterly basis
- SAYE & SIP Survey released every July
- Monthly newsletter issued to members and contacts
- LinkedIn group with 732 members, Twitter feeds @ifsproshare & @GabbiStopp

# Agenda

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- Latest trends in UK all-employee plans from our annual survey:
  - SAYE ‘Save As You Earn’ or ‘Sharesave’
  - SIP ‘Share Incentive Plans’
- Conclusions
- Context & Outlook
- The future...?

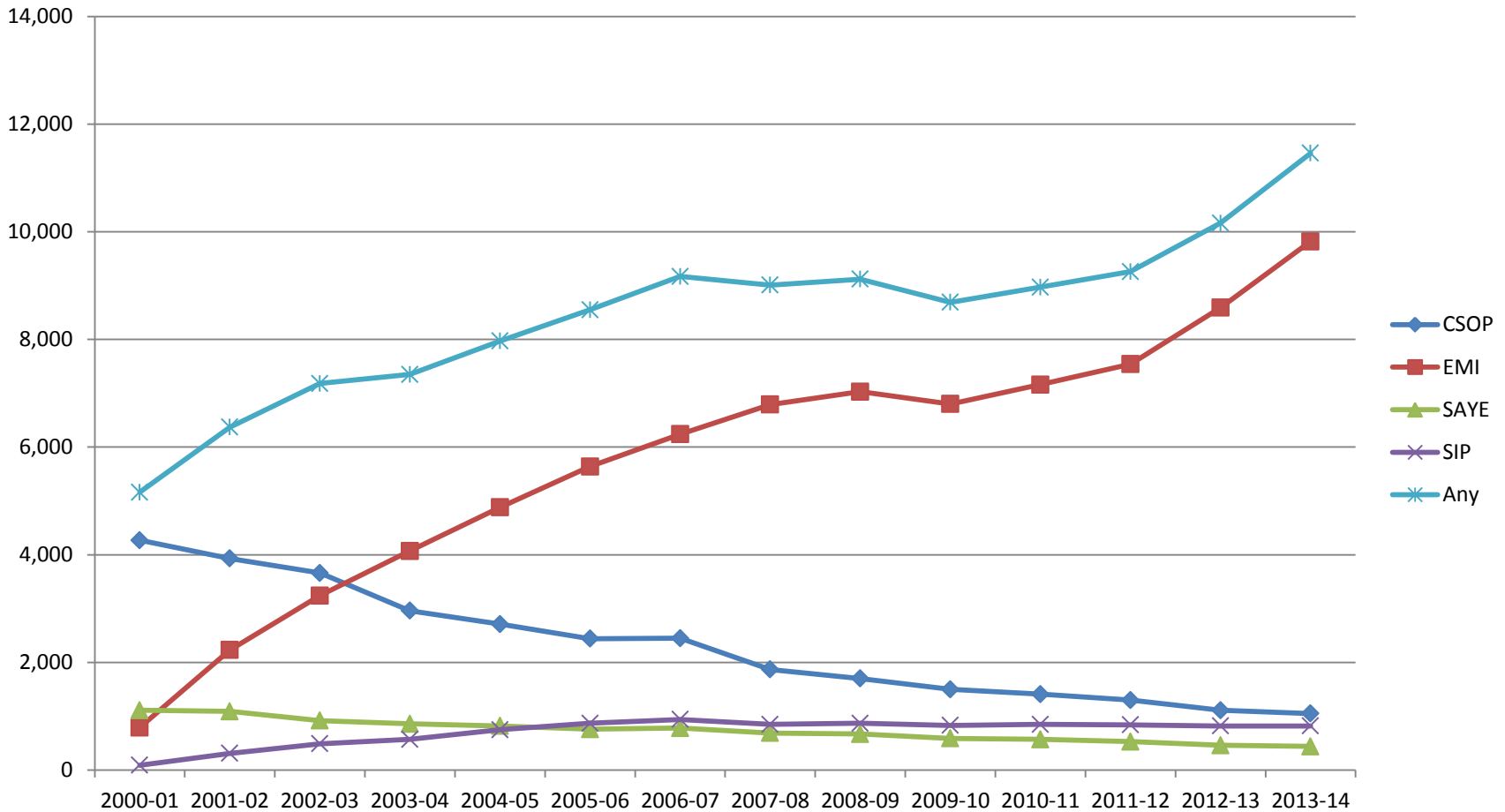
# Our Annual SAYE & SIP Survey

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- Survey coverage
- HMRC statistics from 2013-14:
  - 440\* companies operate SAYE (our survey covers 457)
  - 820 operate SIP (our survey covers 441)
  - 130 companies operate both SAYE and SIP
  - HMRC statistics (for 2014-15) due June 2016
- Why conduct the survey?
  - To help members to benchmark; and understand key trends
  - To highlight the impact of these plans
  - To share best practice & support continuous improvement

\*This figure is produced from scheme returns; not all of which have been received due to HMRC website issues.

# Companies with UK tax-advantaged share schemes



HMRC statistics published September 2015

# Headline EMI participation rates

Tax year	No. companies granting EMI options	No. of employees receiving EMI options (rounded to nearest thousand)	No. of companies where employees exercised EMI options	No. of employees exercising EMI options (rounded to nearest thousand)
2007-08	2,850	26,000	1,170	9,000
2008-09	2,570	22,000	810	5,000
2009-10	2,200	17,000	880	5,000
2010-11	2,280	17,000	1,070	6,000
2011-12	2,400	18,000	1,060	5,000
2012-13	2,540	18,000	1,020	4,000
<b>2013-14</b>	<b>2,950</b>	<b>20,000</b>	<b>1,120</b>	<b>5,000</b>

# Headline CSOP participation rates

Tax year	No. companies where CSOP options granted	No. of ees receiving CSOP options (rounded to nearest thousand)	No. companies where ees exercised CSOP options	No. ees exercised CSOP options (rounded to nearest thousand)
2007-08	440	65,000	--	--
2008-09	380	40,000	--	--
2009-10	370	35,000	420	20,000
2010-11	370	40,000	460	25,000
2011-12	310	25,000	430	45,000
2012-13	290	25,000	420	45,000
<b>2013-14</b>	<b>280</b>	<b>25,000</b>	<b>450</b>	<b>35,000</b>

HMRC statistics published September 2015

# Headline SAYE participation

Tax year	No. companies granting SAYE options	No. ees receiving SAYE option grant (rounded to nearest thousand)	No. cos where SAYE options exercised	No. ees exercising SAYE options (rounded to nearest thousand)
2007-08	340	500,000	410	280,000
2008-09	320	640,000	310	220,000
2009-10	280	480,000	310	170,000
2010-11	340	420,000	300	130,000
2011-12	270	380,000	330	160,000
2012-13	260	420,000	320	210,000
<b>2013-14</b>	<b>270</b>	<b>450,000</b>	<b>310</b>	<b>170,000</b>

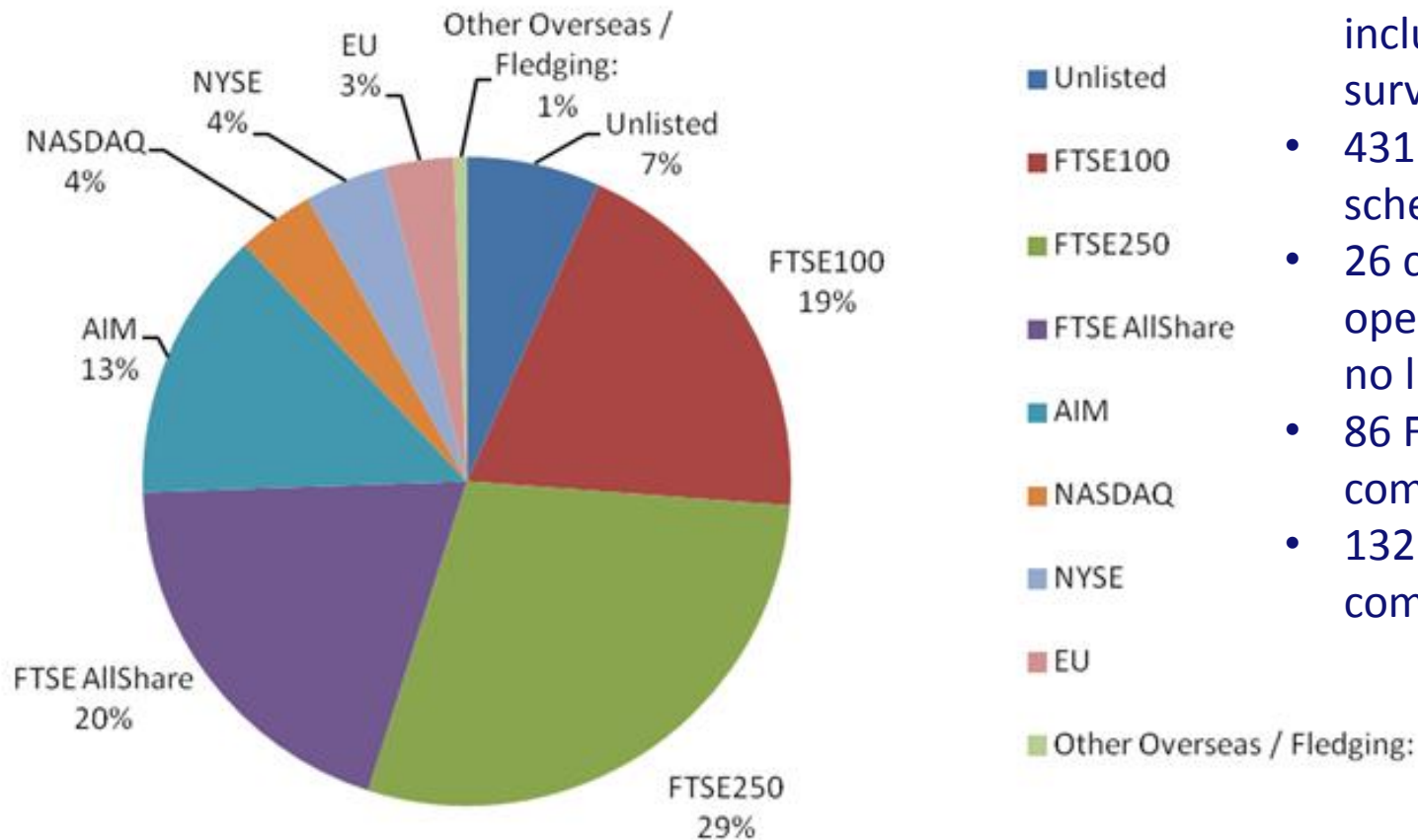
# Headline SIP participation rates

Tax year	Type of shares	No. companies where ees received SIP shs	No. plans appropriating shares	No. ees awarded/purchased SIP shares (rounded to nearest thousand)
2011-12	Free	510	180	380,000
	Partnership		410	4,030,000
	Matching		270	2,620,000
	Dividend		230	820,000
2012-13	Free	490	160	180,000
	Partnership		400	4,170,000
	Matching		260	2,700,000
	Dividend		210	840,000
2013-14	Free	500	160	590,000
	Partnership		420	4,190,000
	Matching		290	2,800,000
	Dividend		230	790,000

HMRC statistics – care re method of collation.

**Key trends  
in  
Save As You Earn Plans**

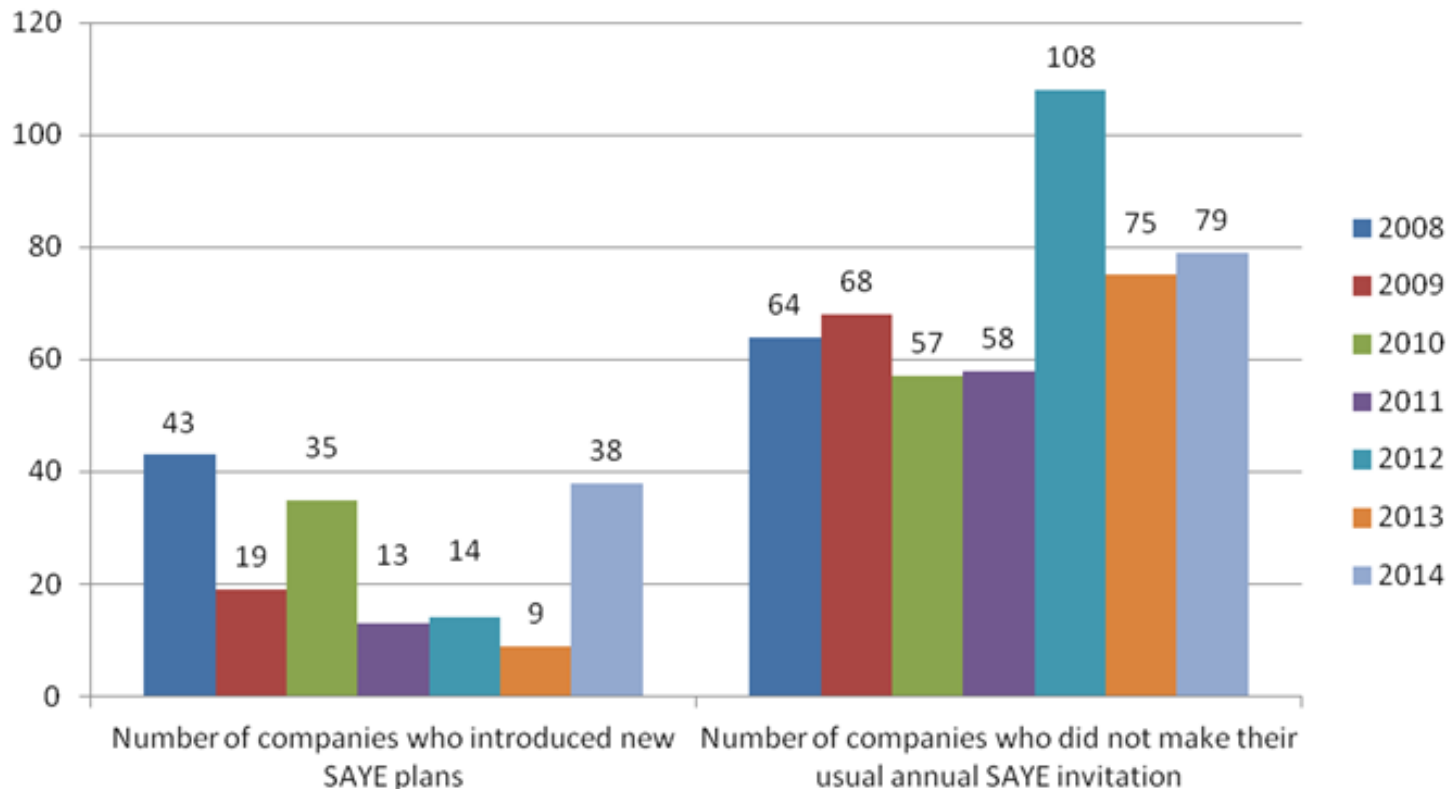
# Types of company by listing



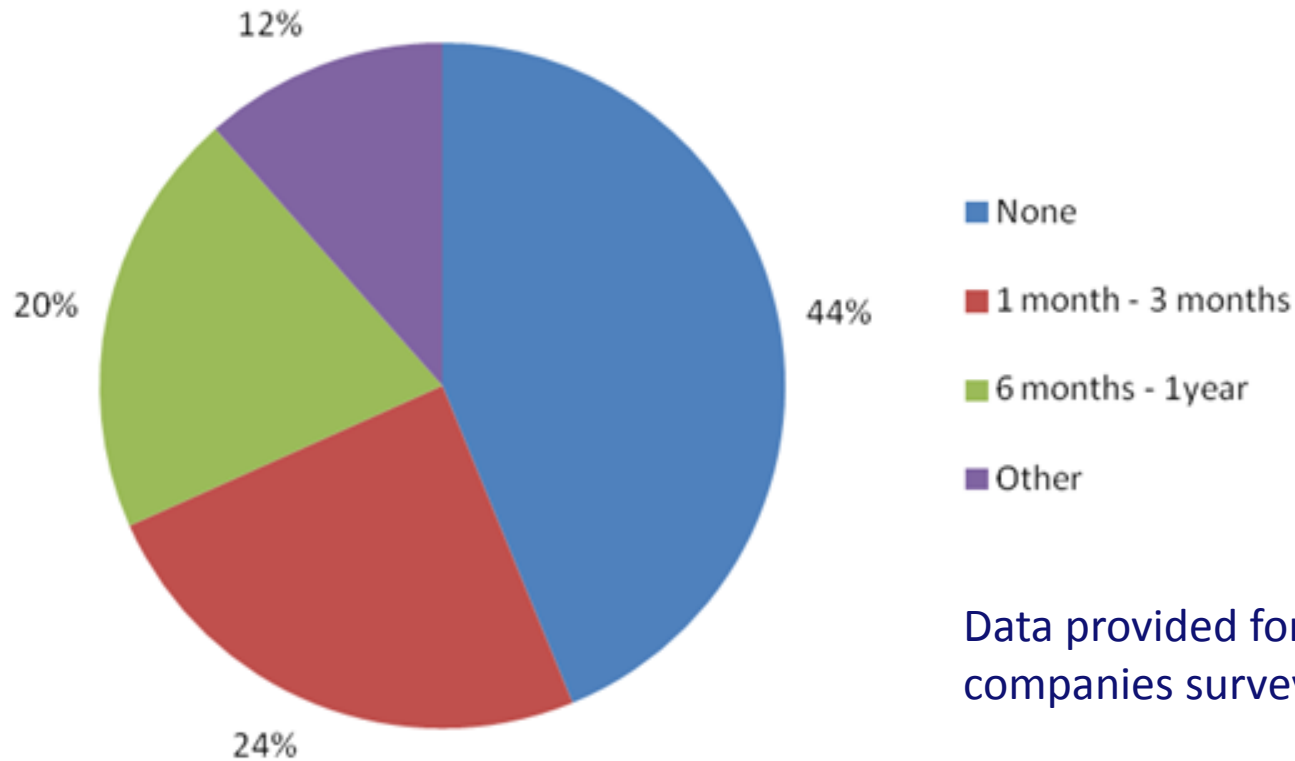
- 457 companies included in SAYE survey
- 431 had live schemes
- 26 companies had open accounts but no live options
- 86 FTSE 100 companies
- 132 FTSE 250 companies

# New plans & invitations

- 315 new grants made
- 69 companies made amendments in 2014 (2013=40, 2012=18)
- Amendments include: changes to eligibility period, discount changed, removal of 5 yr option

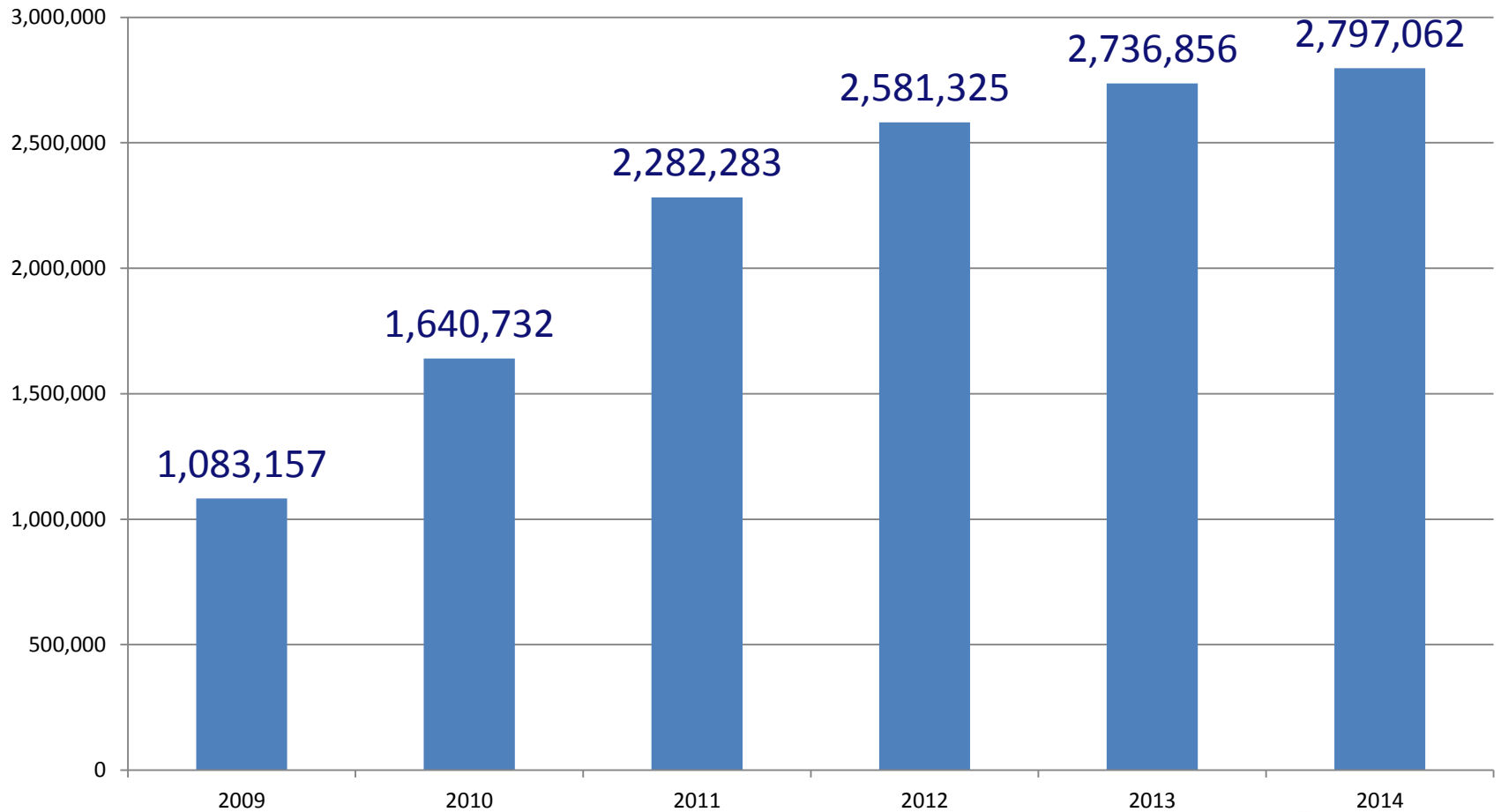


# Eligibility periods

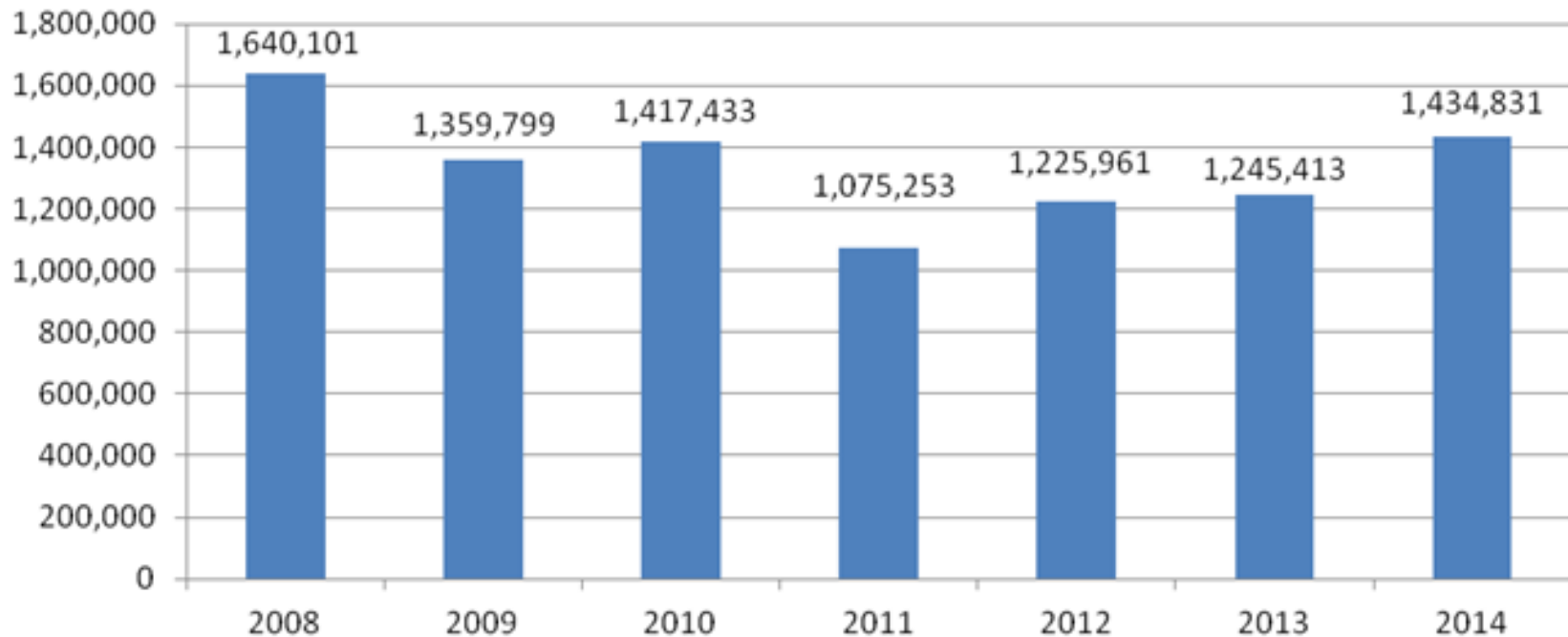


Data provided for 347 out of 357 companies surveyed

# Number of employees eligible for SAYE



# Number of SAYE accounts



In 2012, the number of SAYE accounts increased by 150,000 to just over 1.2 million. This figure continues to rise, to approximately 1.4 million in 2014.

# Average monthly savings – new 2014 grants



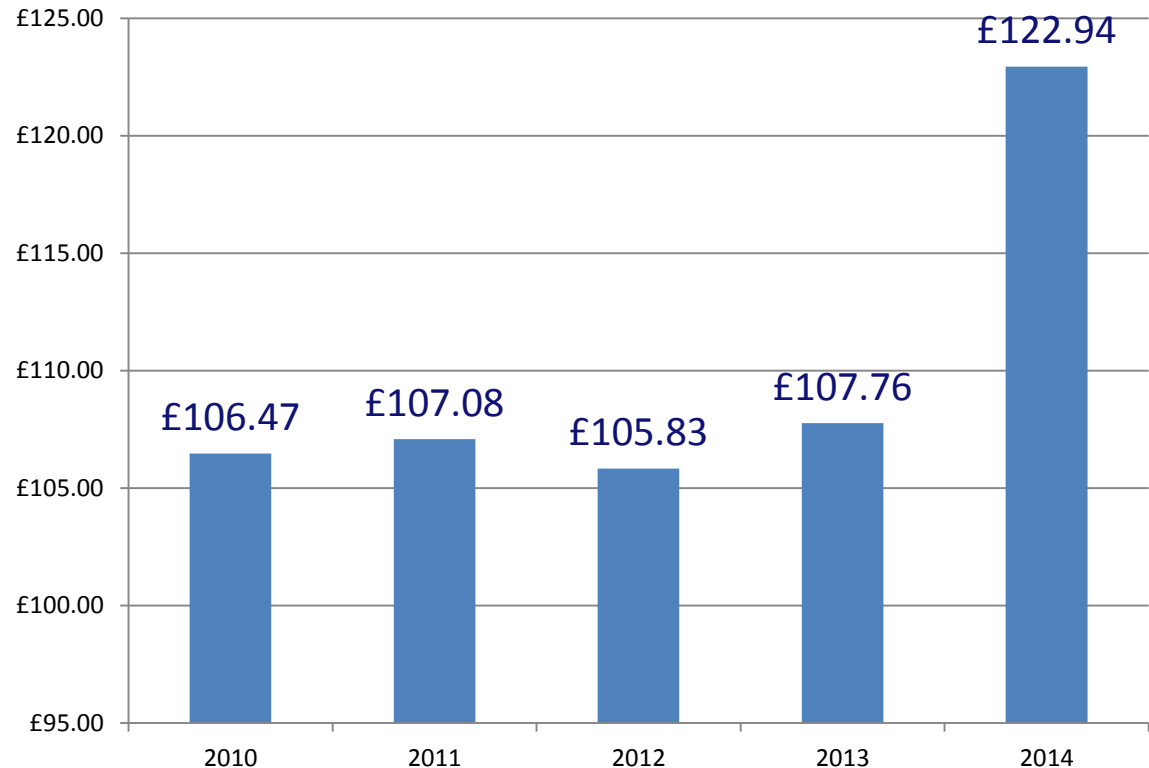
The weighted average monthly savings amount for new grants in 2014 was £107.46, increasing from £86.00 in 2013.

11.85% of participants saved £250 across all grants.

3.15% of participants saved £500 across all grants.

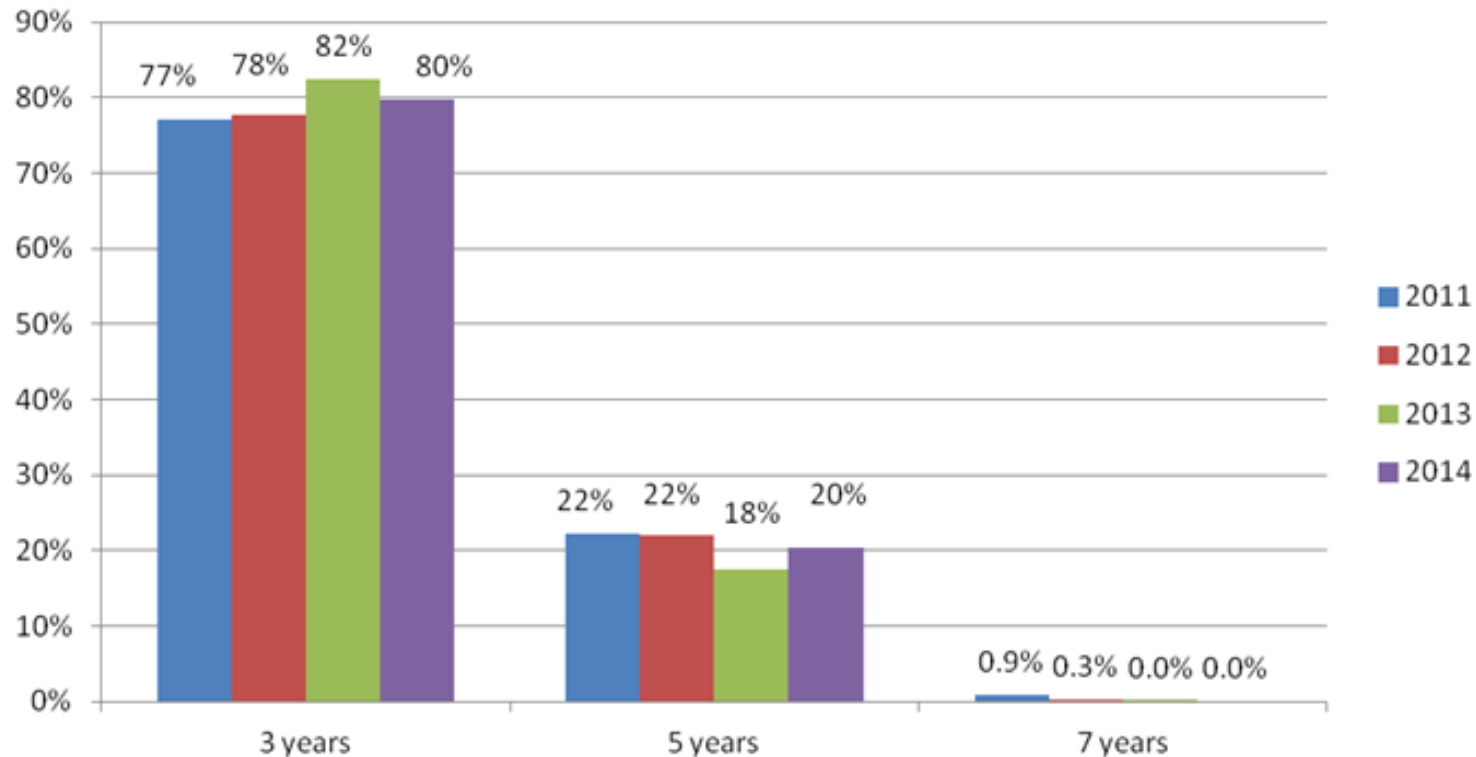
# Average monthly savings – all grants

- The weighted average monthly contribution per employee across all contracts in 2014 is £122.94.
- This is significantly higher than in previous years, due in part to the increase in the maximum from £250 to £500 per month.



- Despite slightly fewer employees saving the maximum across all grants (20.7% from 21.9%), the overall average contribution per employee has risen.

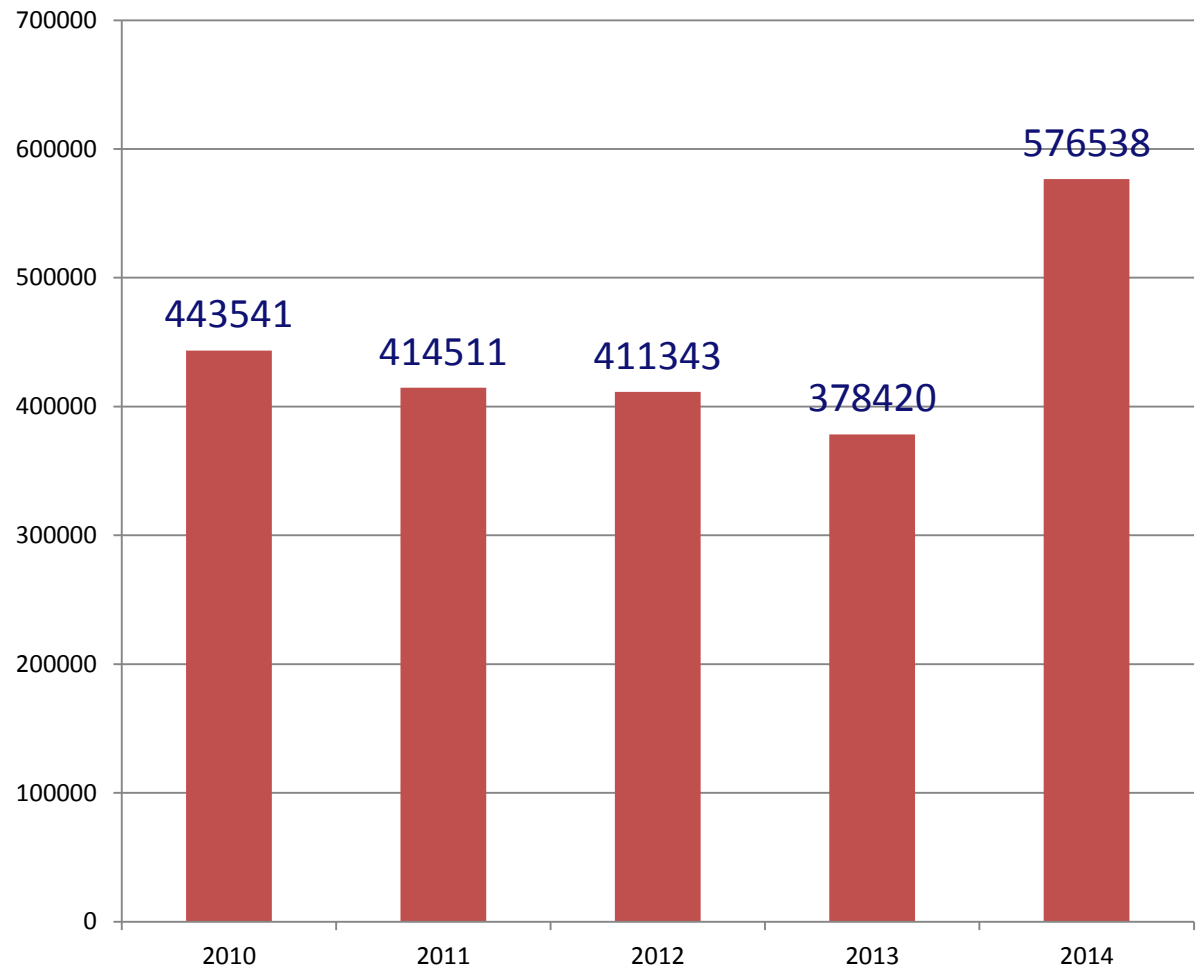
# 2014 take-up rates by savings term



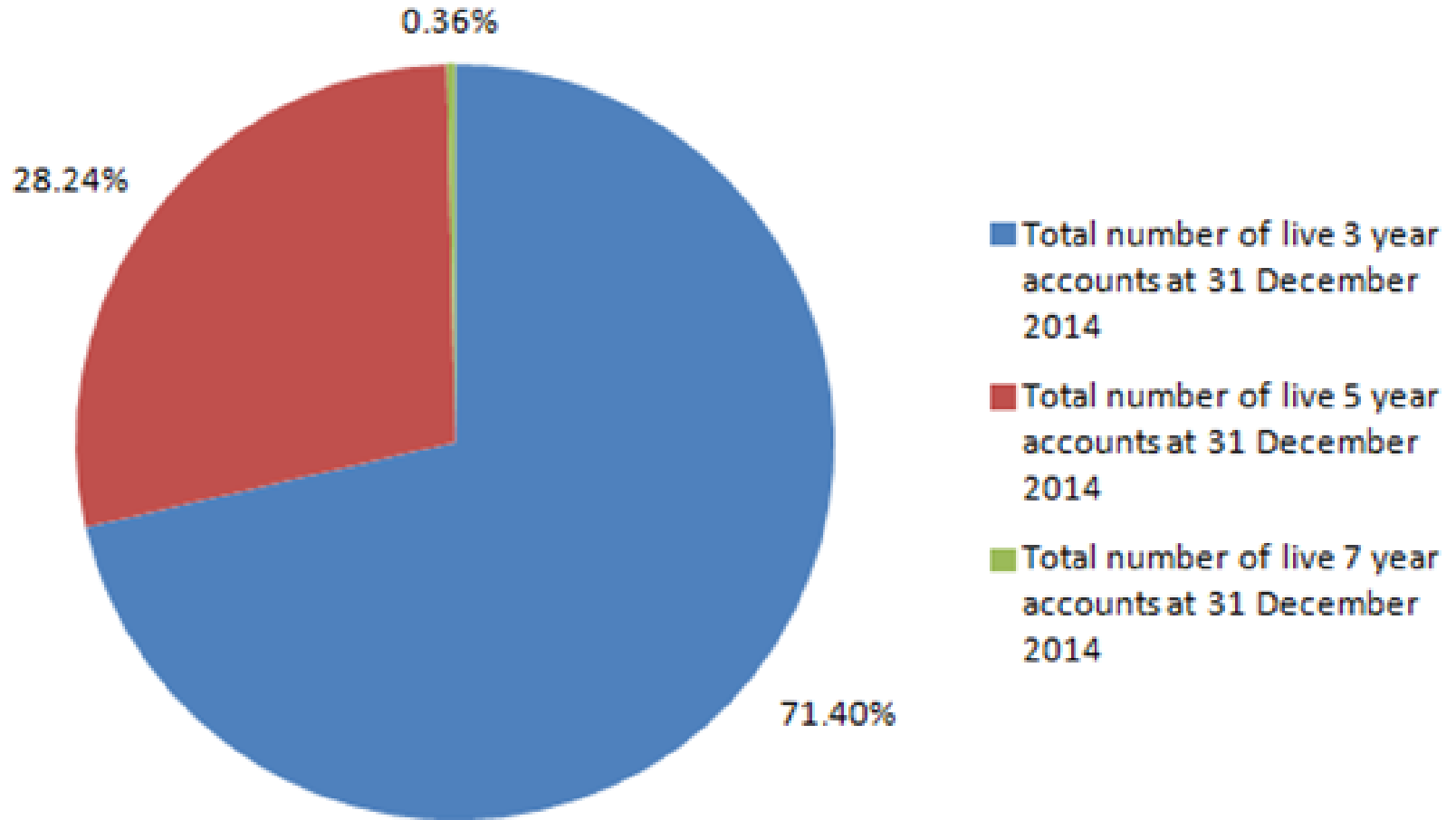
2,481,068 employees were eligible to participate in SAYE in 2014  
This figure is up by almost 200,000 on 2013's figure of 2,288,312

# 2014 SAYE take-up rates overall

- The total number of employees who took up 3 or 5 year contracts in 2014 was 576,538.
- The weighted average take up rate for 2014 was 32.76%.

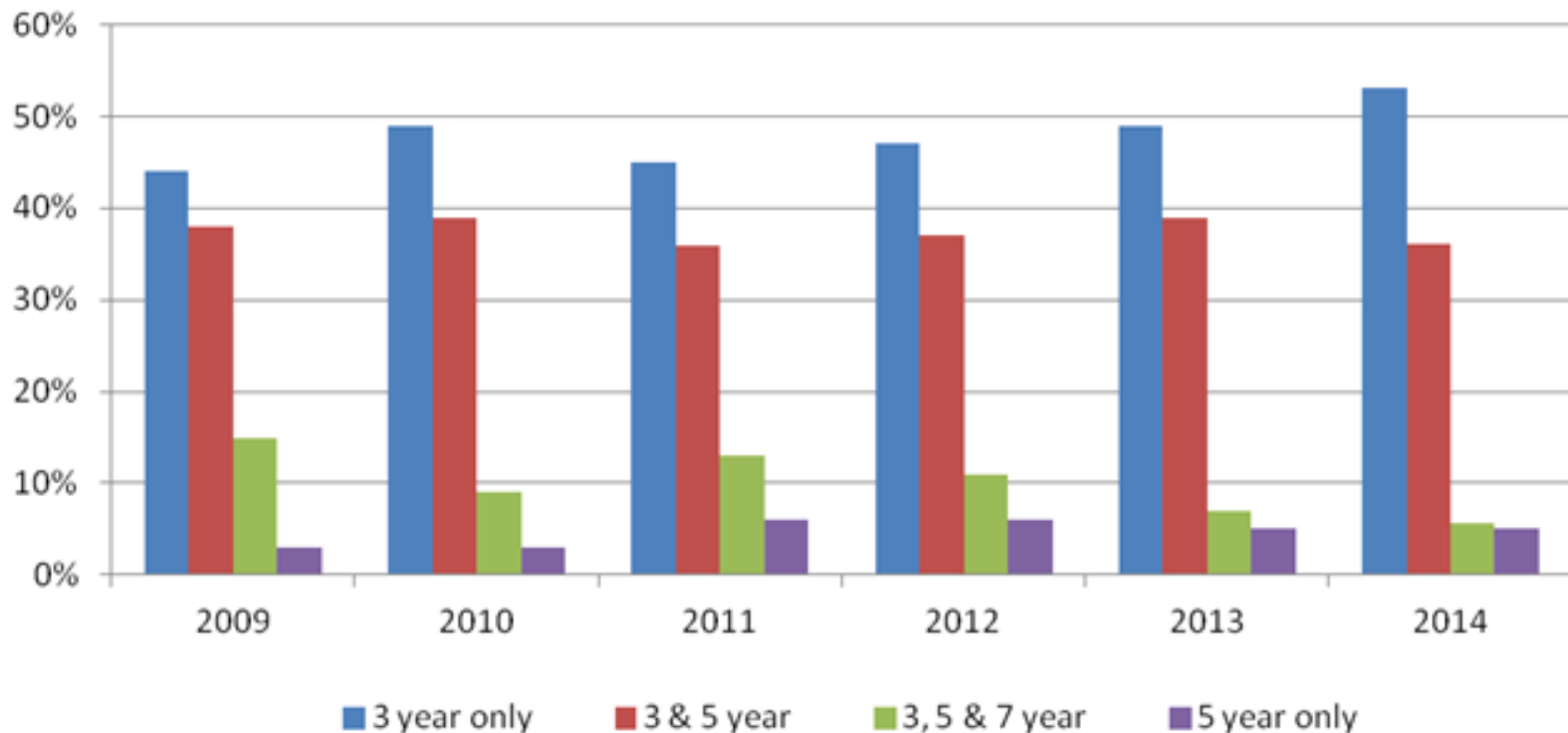


# Most popular savings term...

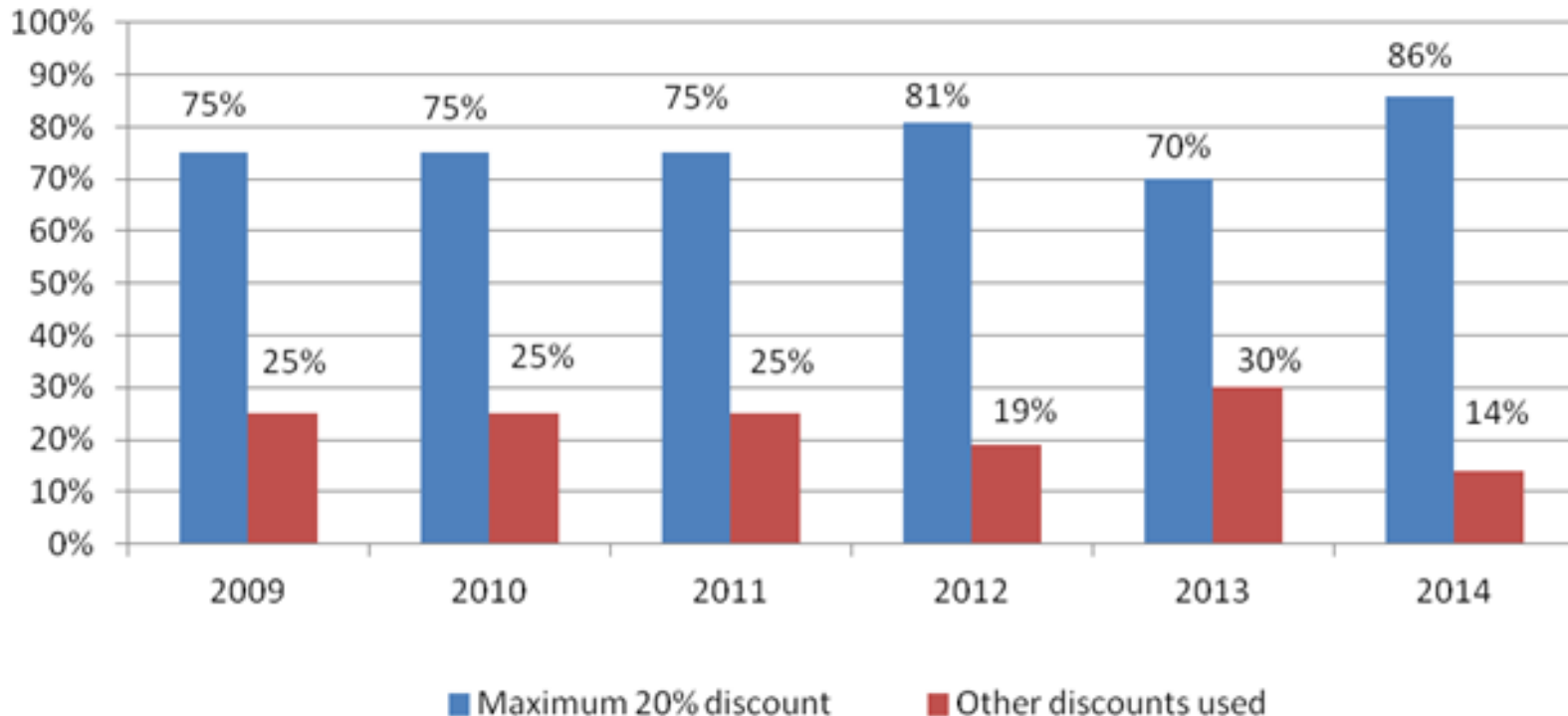


# Savings terms offered by companies

Periods Offered by all Companies across all Live Accounts



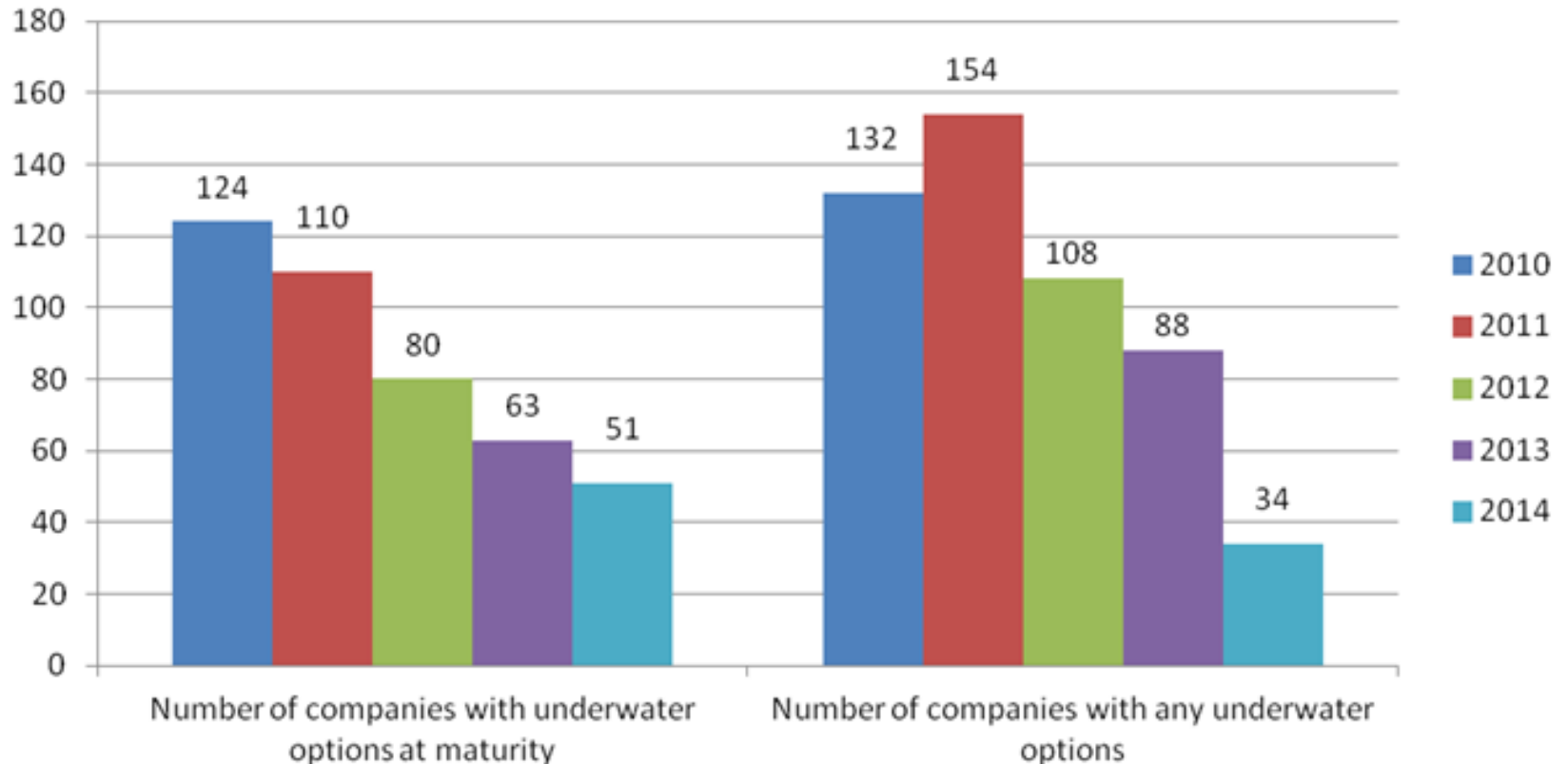
# Option price discounts offered



From the 50% of companies that offered discounts other than the 20% maximum: 18 companies offered a discount of 15%; 13 offered 10%; 2 offered 5%.

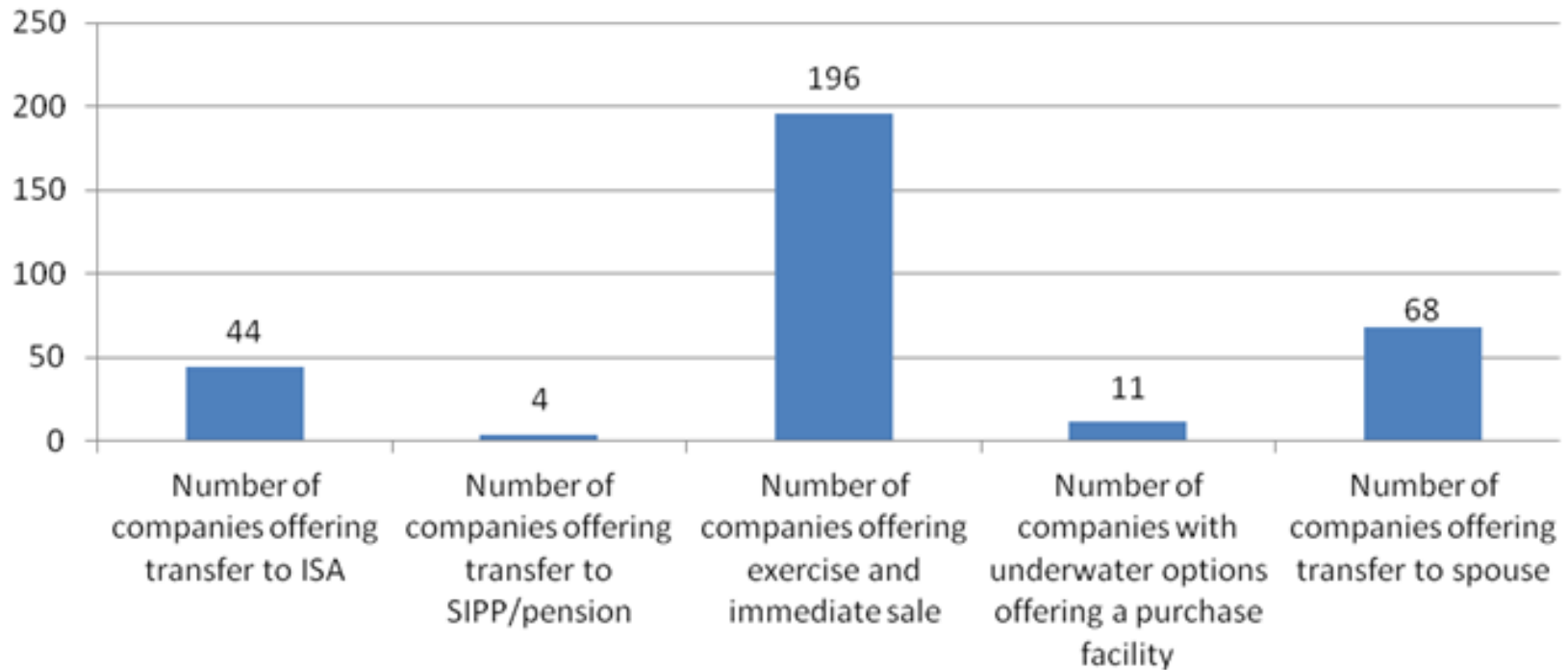
6 companies reduced their discount in 2014; 4 companies eliminated it altogether.

# 'Underwater' maturities



51 companies had options maturing underwater in 2014; in 2013 63 companies were in this situation; in 2012, 80 companies.

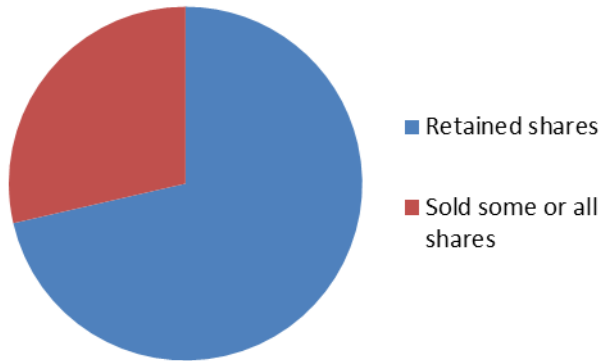
# Choices at maturity



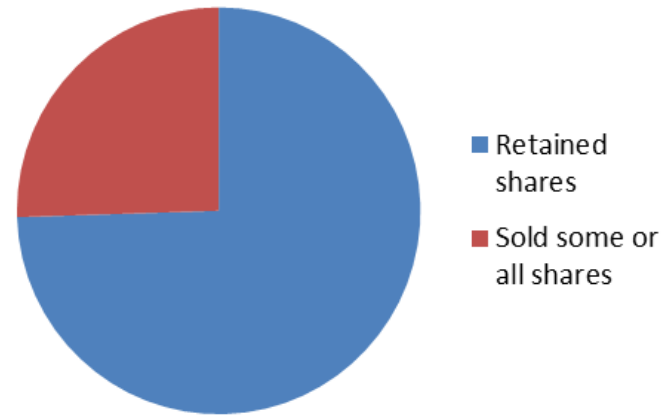
In 2014, 317 companies had a maturity; in 2013 this was 342 companies, in 2012 290 companies, in 2011, 332 companies.

# Retention of shares on exercise

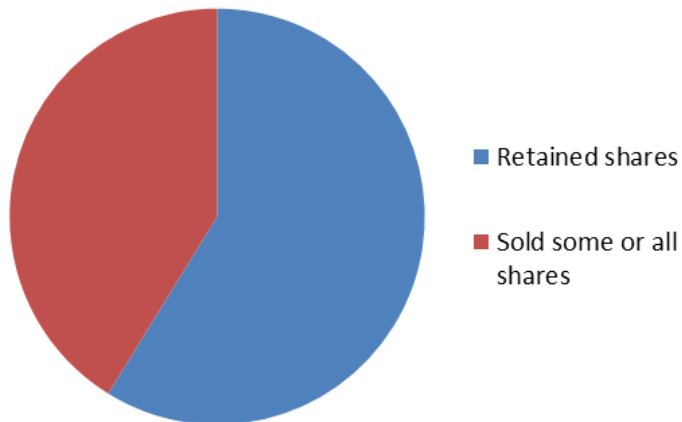
2011



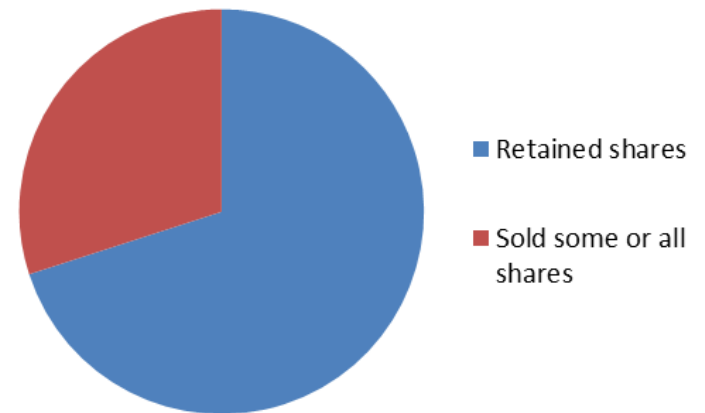
2012



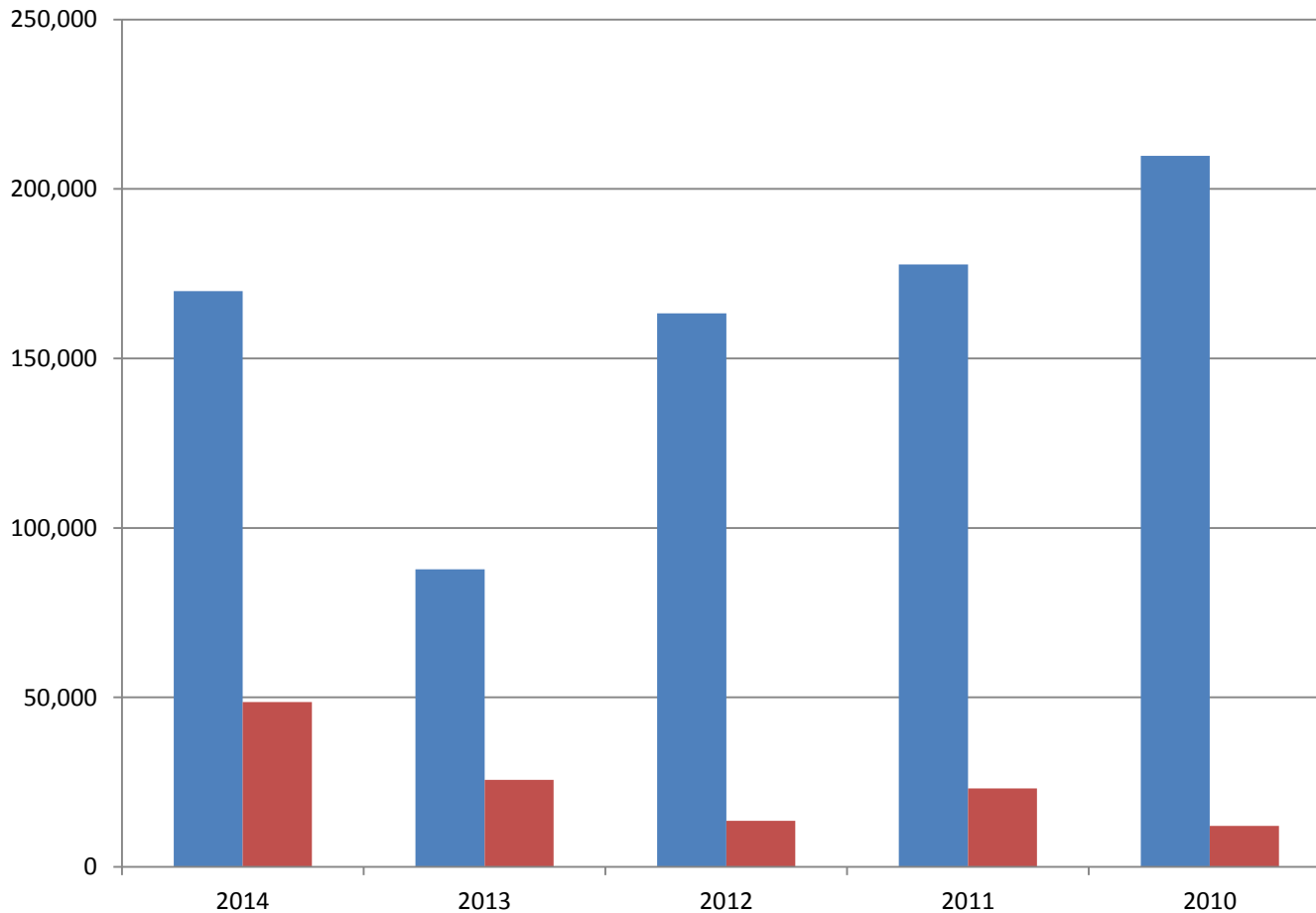
2013



2014



# Account closures & early exercises



The number of savings account closures had trended steadily downwards, until this year.

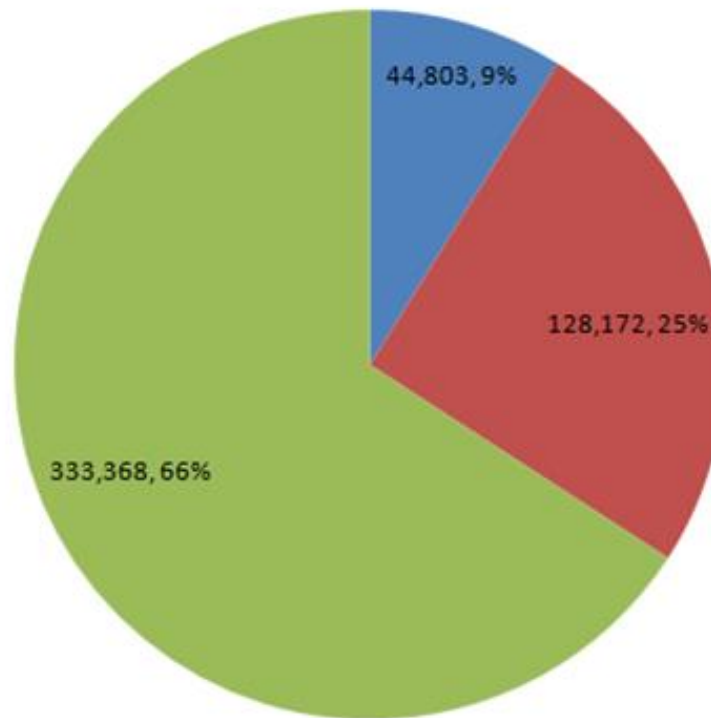
- No. of account closures prior to maturity
- No. of early exercises

# Application routes used

Are companies who still offer paper being too cautious?

Possibly not: in 2014 44,803 employees applied via this route (2013 = 28,330).

However:  
More employees are applying by telephone or text: 2014 = 128,172 (2013 = 106,444).

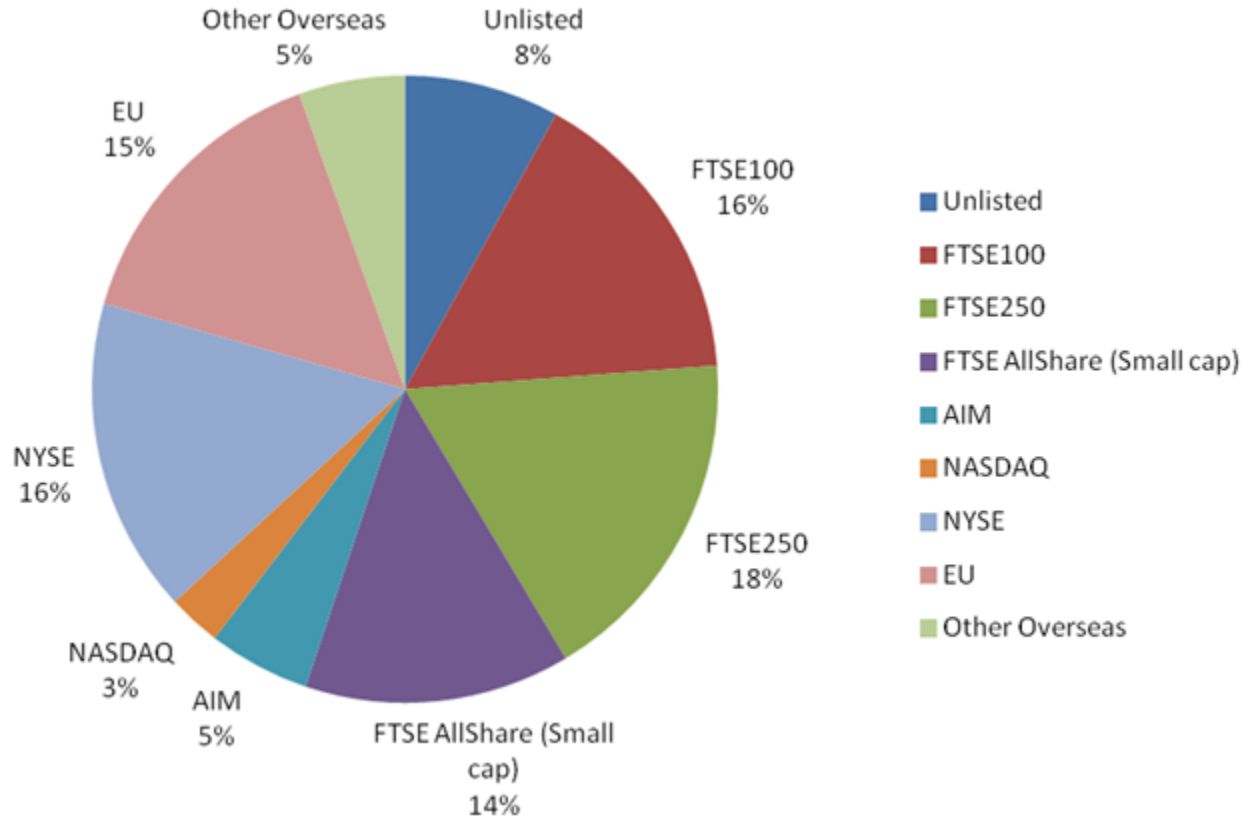


- The number of employees applying by paper application in 2014
- The number of employees applying by telephone (or text) application in 2014
- The number of employees applying online in 2014

The largest increase is in online applications: 2014 = 333,368 (2013 = 197,762).

**Key trends  
in  
Share Incentive Plans**

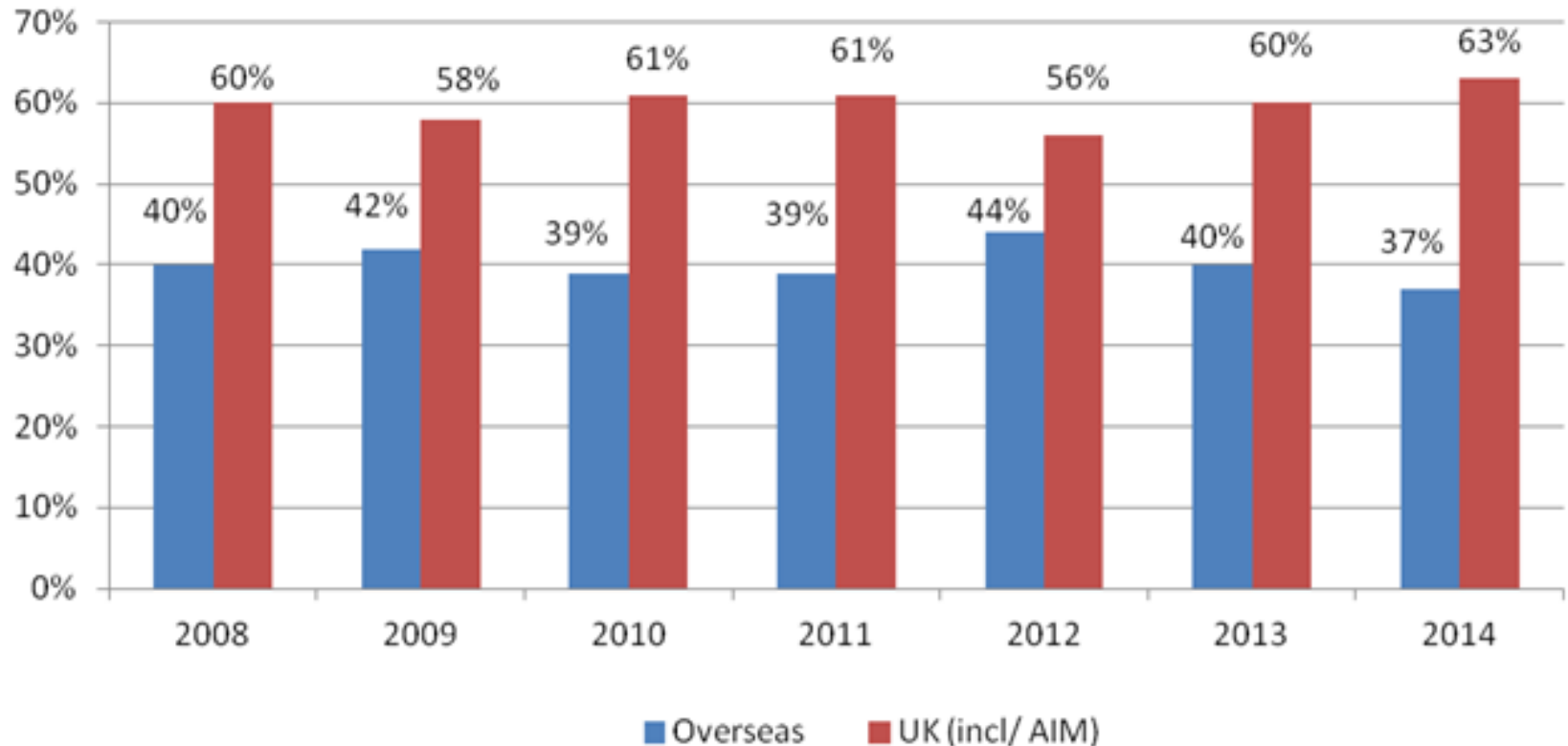
# Types of company by listing



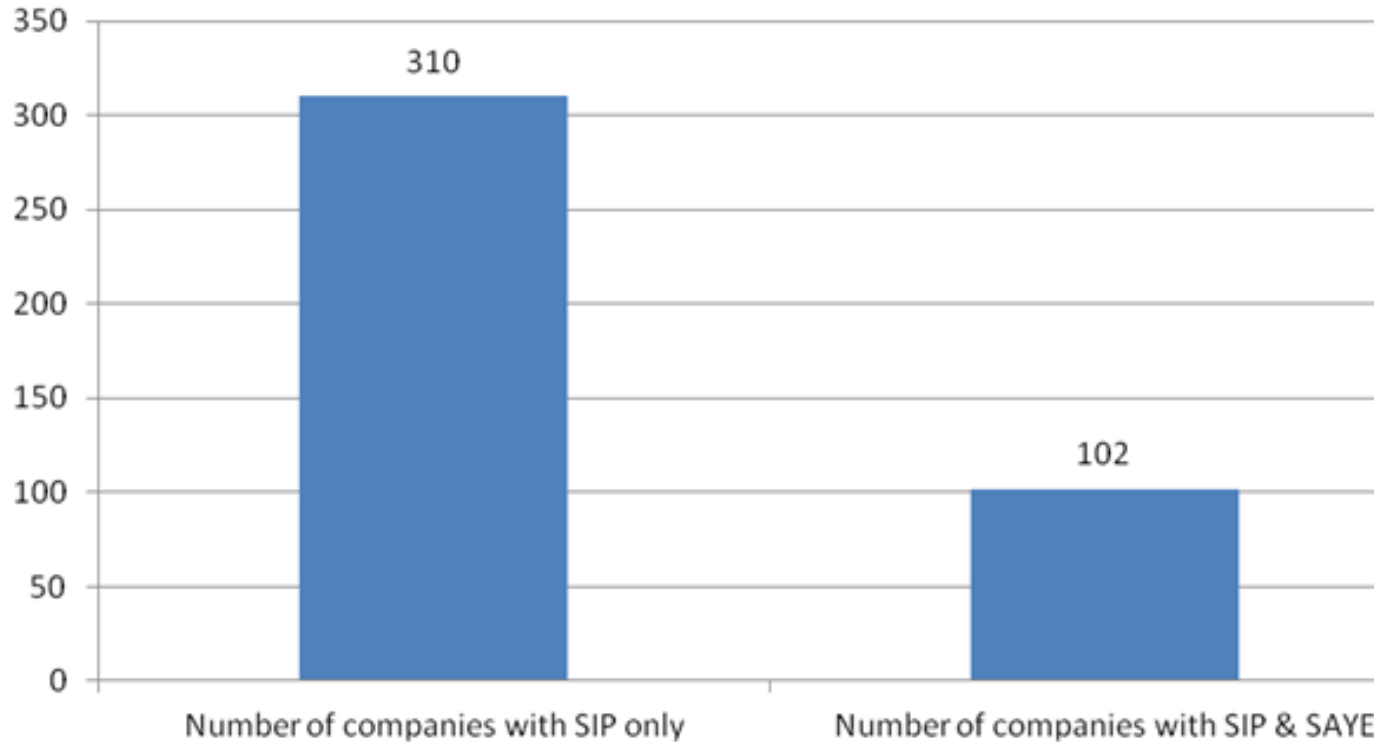
441 companies were included in the 2014 SIP survey.

In comparison to the same chart for companies offering SAYE, smaller and overseas companies (by listing type) show a far greater preference for SIP than SAYE.

# UK & Overseas listed companies

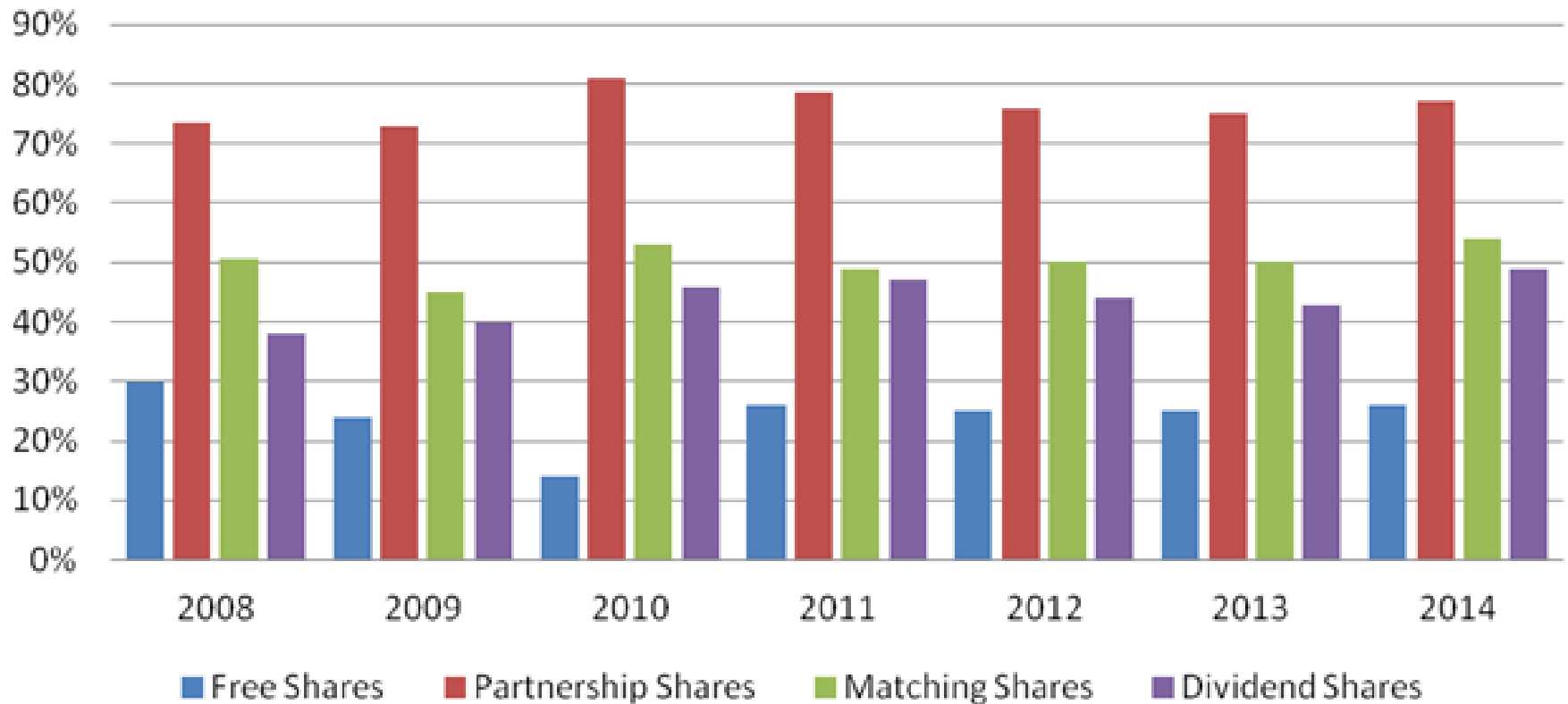


# Incidence of SIP & SAYE

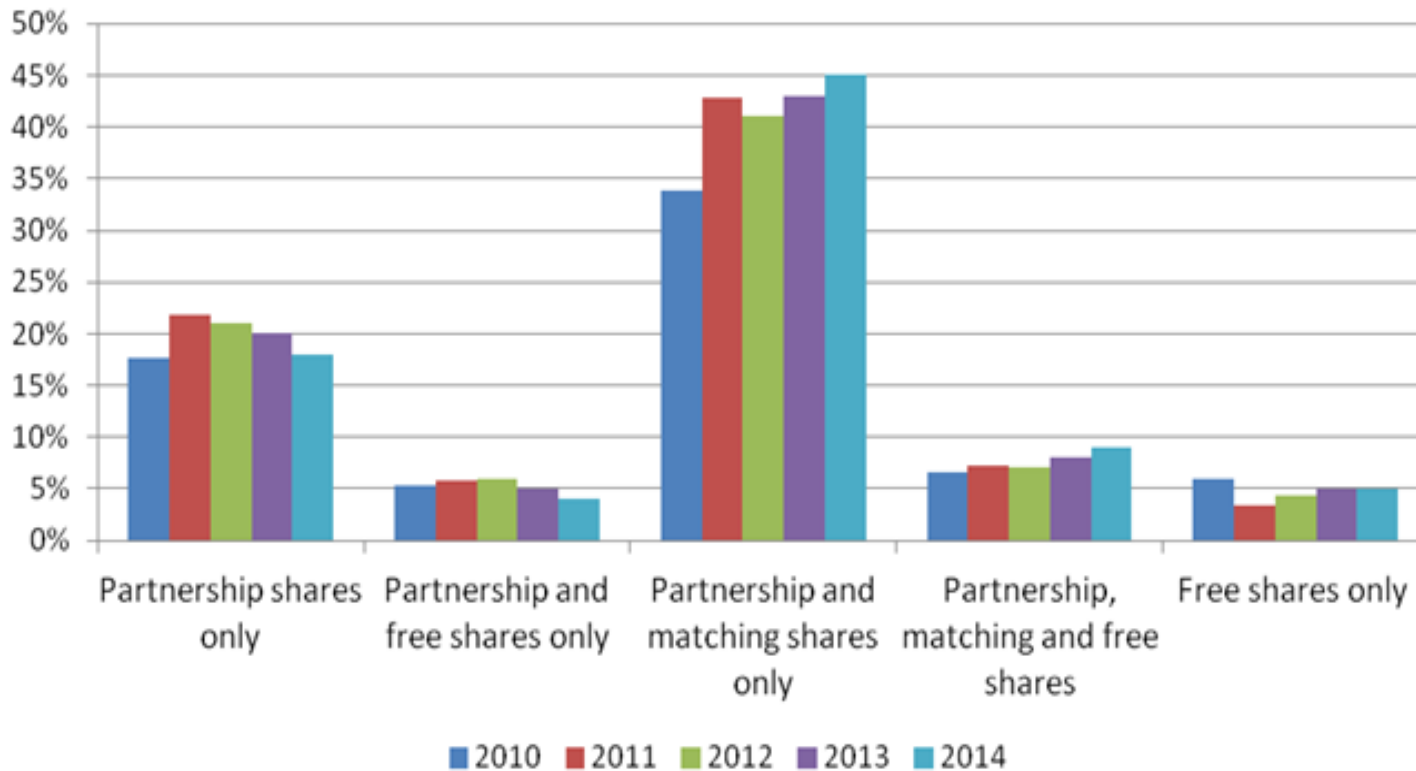


310 companies surveyed (75.2%) offered a SIP only in 2014, compared with 342 (78%) in 2013.

# Types of shares offered under SIP



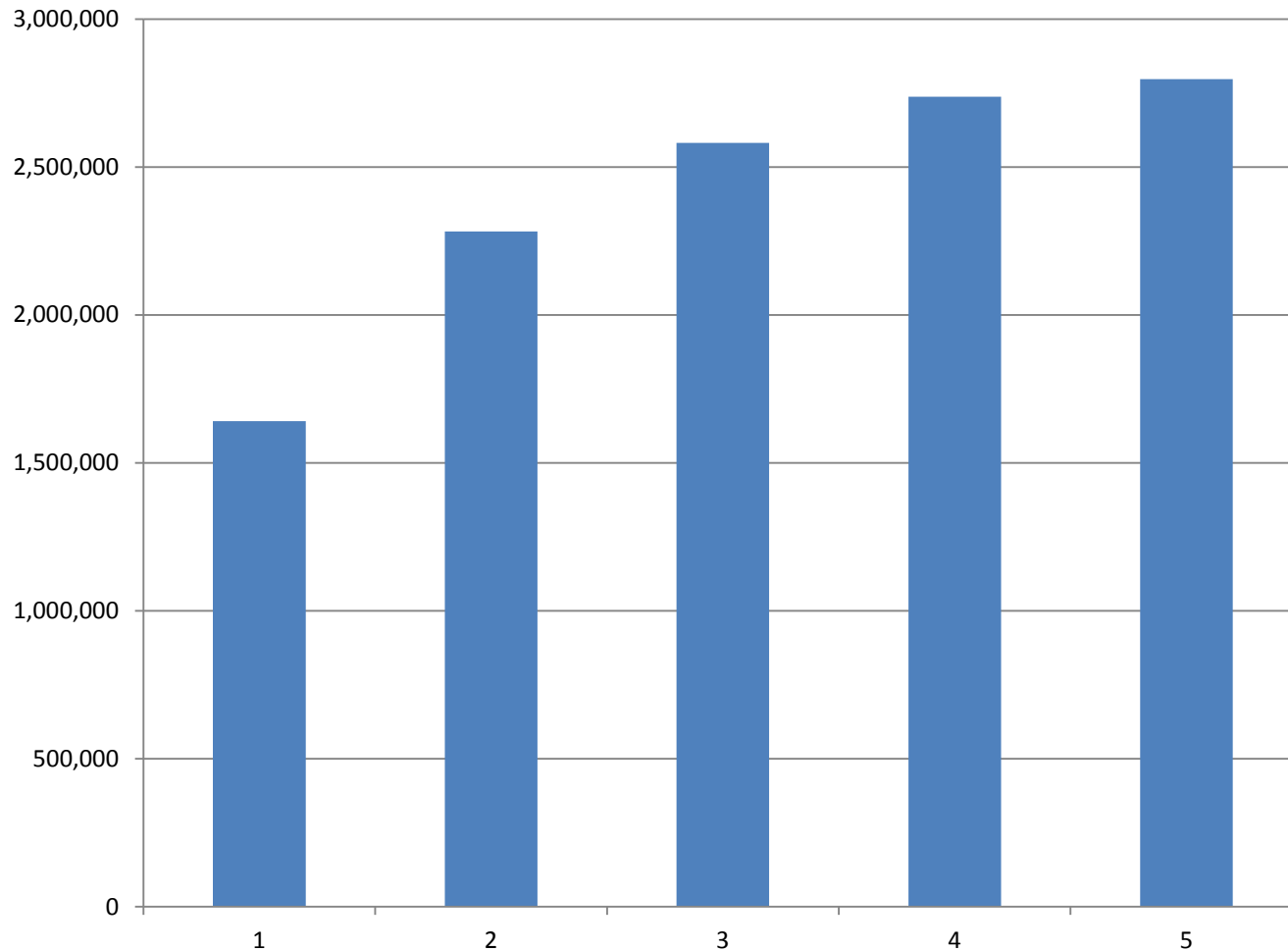
# Most popular combinations offered



Partnership & matching is the most popular offering, followed by Partnership only.

The popularity of partnership, matching and free shares has continued to increase.

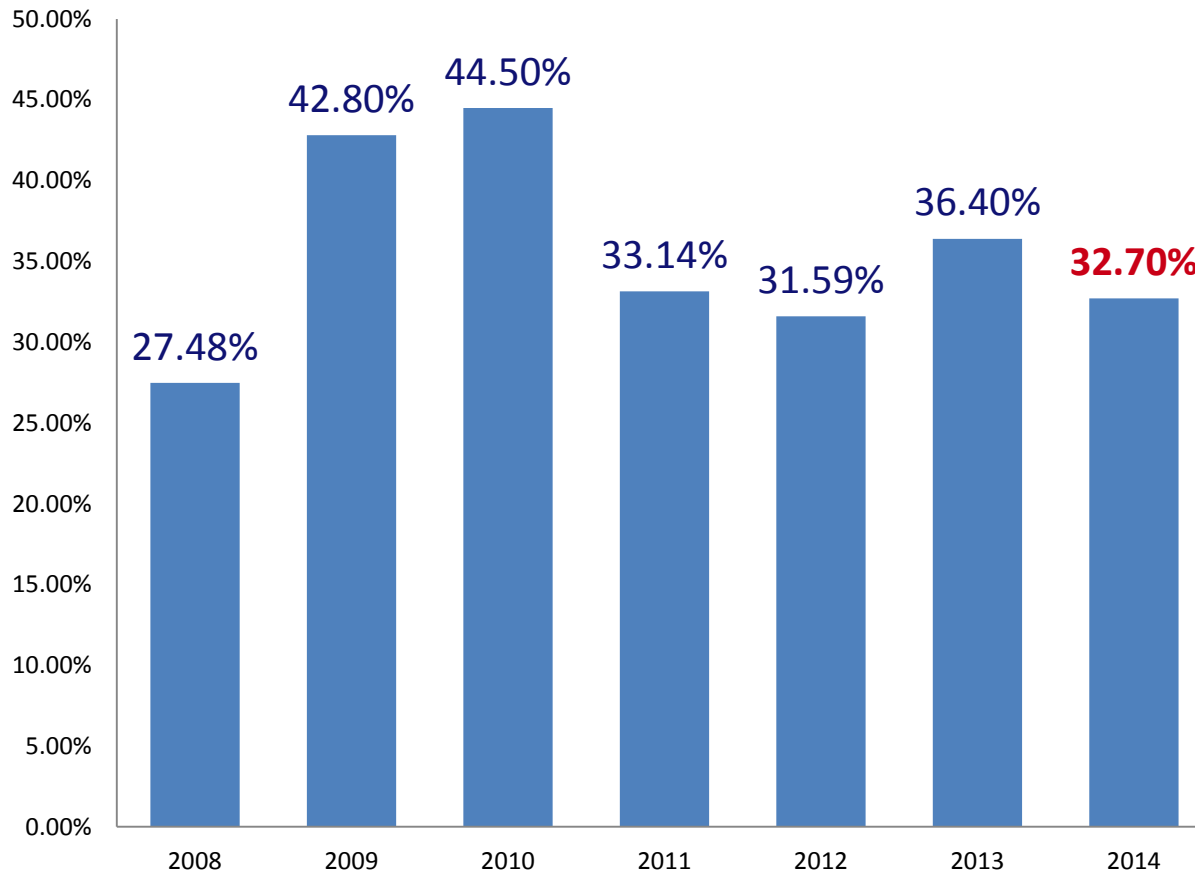
# SIP Eligibility



Based on data reported by largest SIP administrators over the past five years.

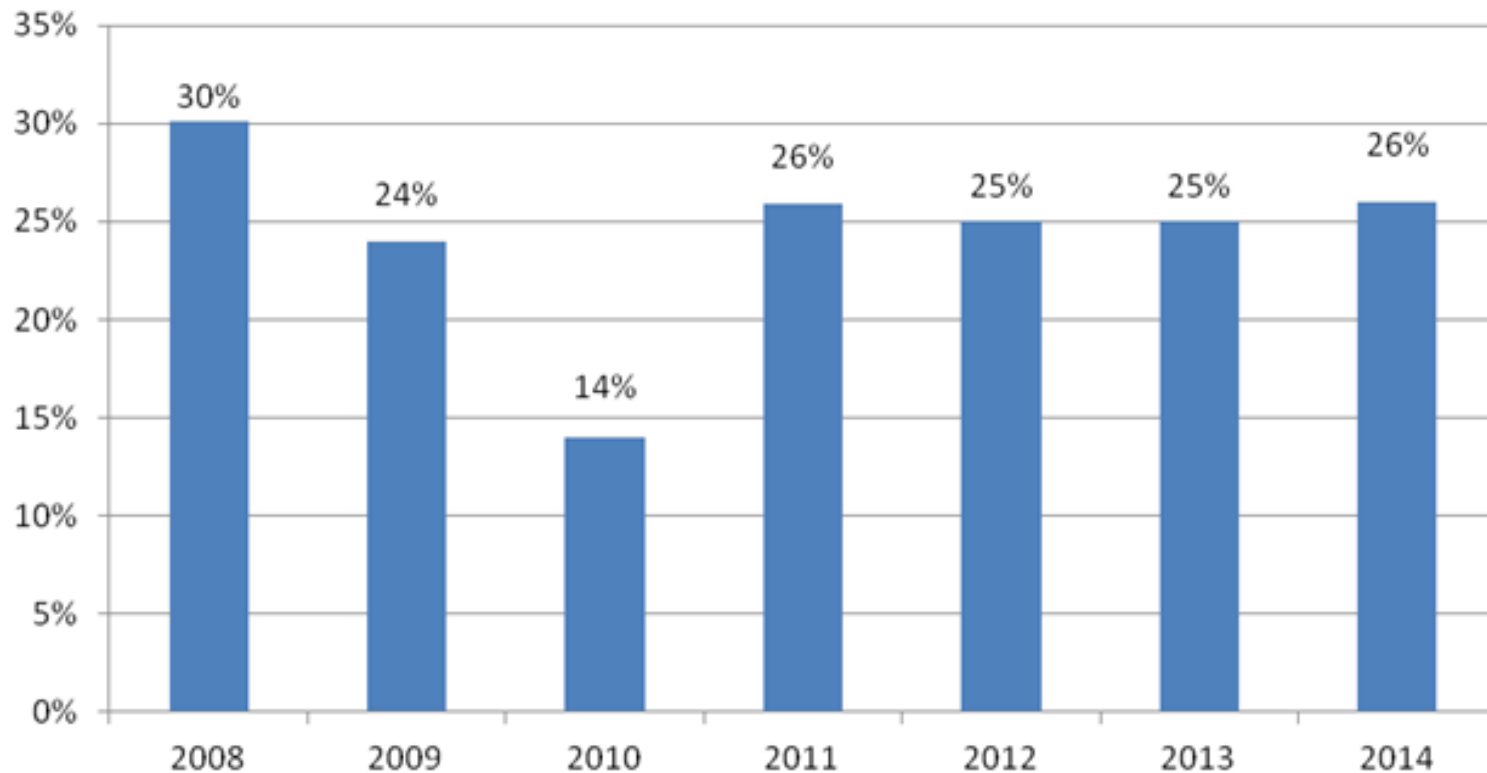
**2014: 2,797,062**  
**2013: 2,736,856**  
**2012: 2,581,325**  
**2011: 2,282,283**  
**2010: 1,640,732**

# Overall take-up



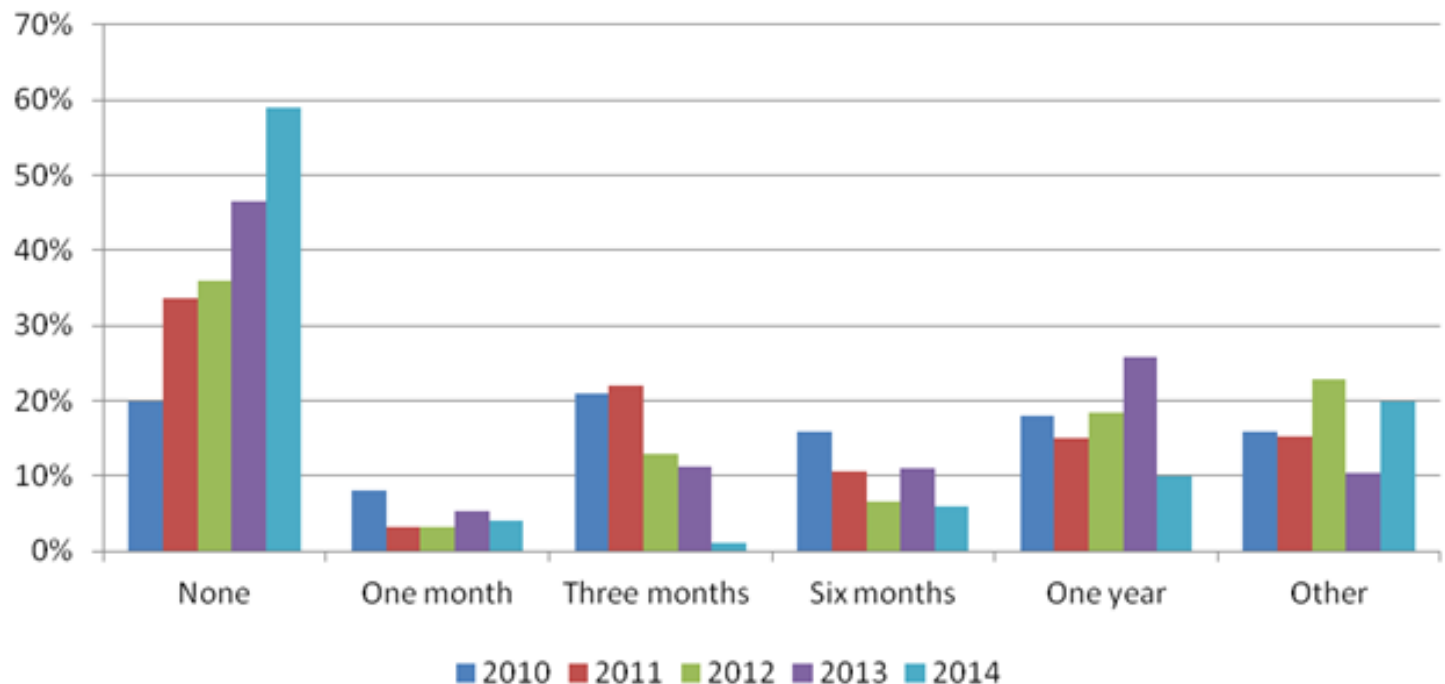
- Administrators reported take-up of any element of SIP.
- This is the weighted average take-up across all companies surveyed.

# Companies offering SIP Free Shares



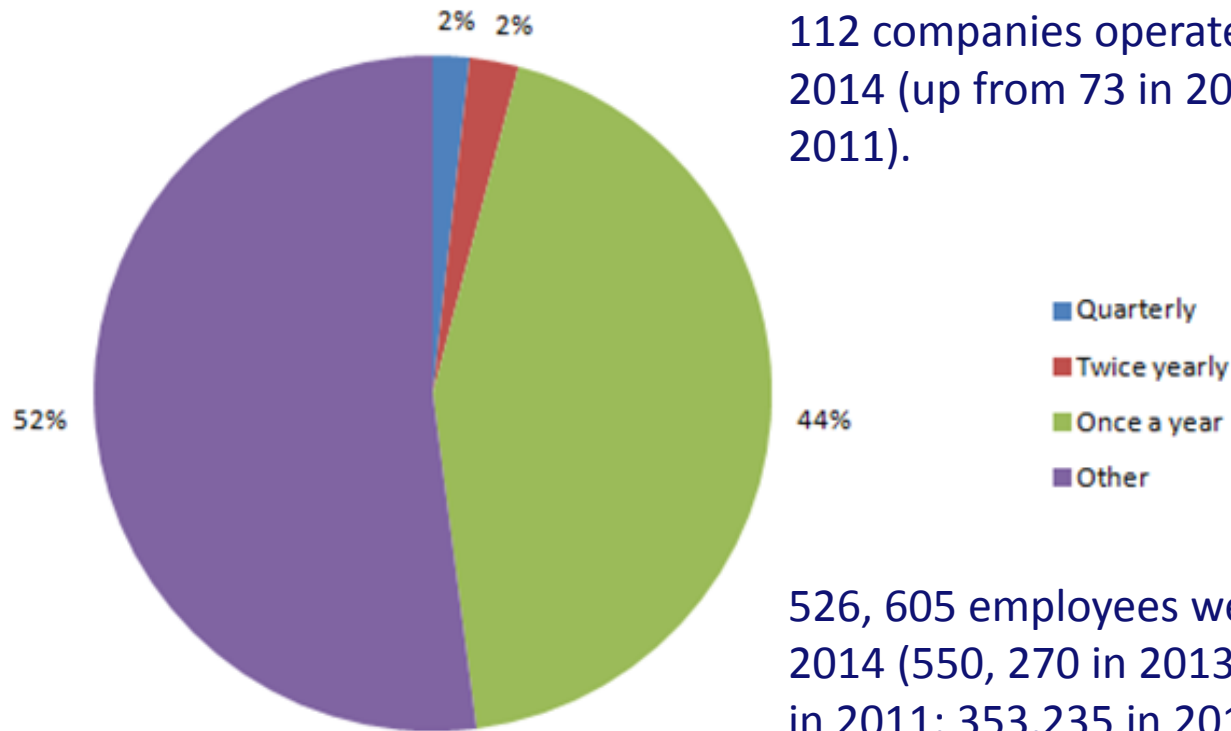
# Eligibility periods for SIP Free Shares

Data provided for 164 companies in 2014; in 2013, for 107 companies; in 2012, 92 companies.



The majority of companies (of those reported) do not operate any eligibility period at all. This has increased every year since 2010.

# Regularity of Free Share awards



112 companies operated Free Share forfeiture in 2014 (up from 73 in 2013; 85 in 2012; 83 in 2011).

526, 605 employees were awarded Free Shares in 2014 (550, 270 in 2013; 137,569 in 2012; 378,497 in 2011; 353,235 in 2010).

542,409 employees were eligible to receive Free Shares in 2014 – which may indicate that a significant number are missing out, perhaps every year: (2013 eligible = 592,010; 2012 = 347,681; 2011 = 548,000; 2010 = 407,000).

# Value of Free Share awards

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- 28 companies made awards as close to the £3,600 limit as possible in 2014 i.e. 24.8% of companies offering Free Shares;
  - *29% in 2013; 32.6% in 2012; 27% in 2011 (under old limit £3,000).*
- The weighted average value of Free Share awards made in 2014 as at 31.12.2014 was £455.45;
  - *£983.01 in 2013; £839.28 in 2012; £536.67 in 2011; £675.98 in 2010.*
- The average award value of all Free Share awards including those made in prior years as at dates of award, was £1,653.29;
  - *£3,261 in 2013; £1,101.73 in 2012; £864.47 in 2011; £1,047.19 in 2010.*

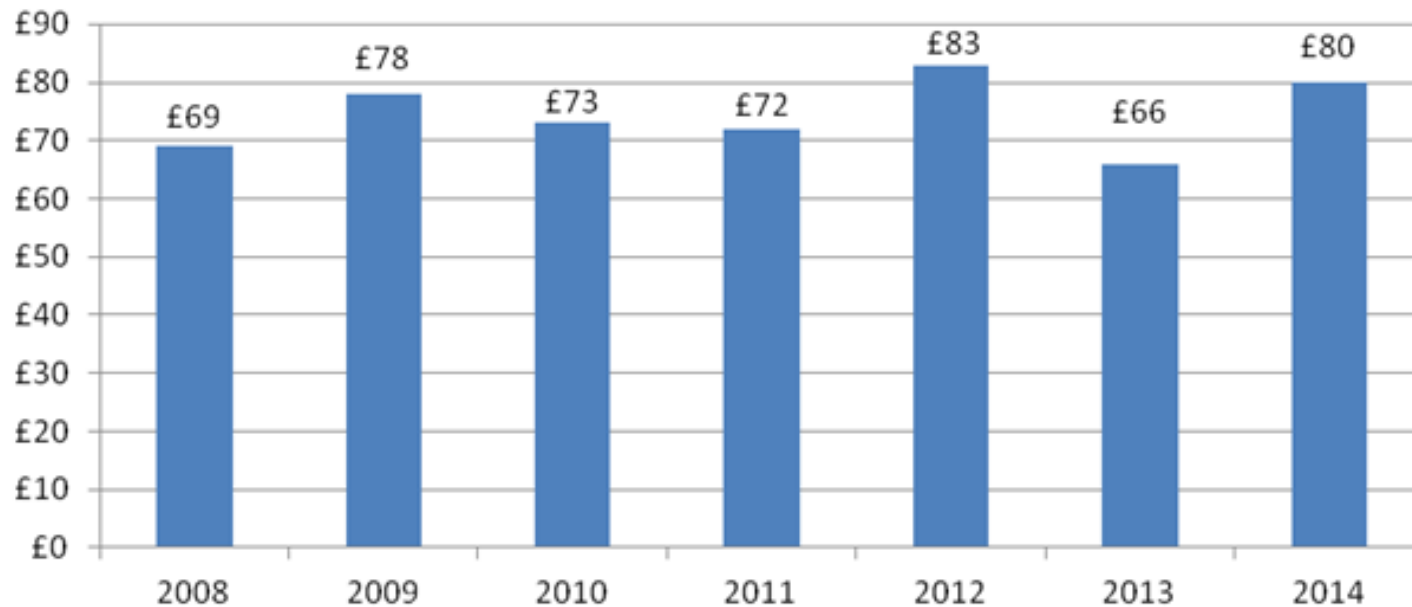
# Partnership shares

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- 77% of companies surveyed offered Partnership Shares in 2014
  - 2013 = 74.7%
  - 2012 = 75.6%
  - 2011 = 79%
  - 2010 = 81%
- 109 companies offered the old maximum £1,500
- 279 companies offered the new maximum £1,800
- 447,546 participants as at end of 2014
- 2,189,448 eligible employees in 2014

# Average monthly investment

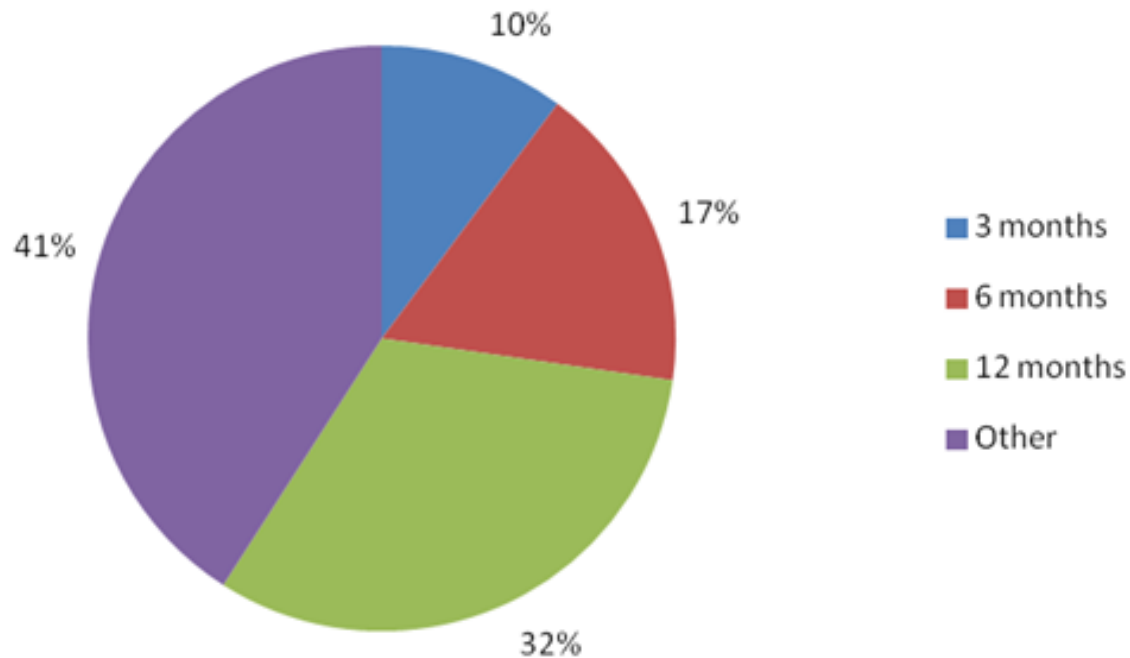
- The weighted average monthly investment has risen to £79.71, from £66.41 in 2013
- 113 of 341 companies allow lump sum contributions (72 of 337 in 2013; 88 of 325 in 2012; 89 of 324 in 2011)



# Accumulation periods

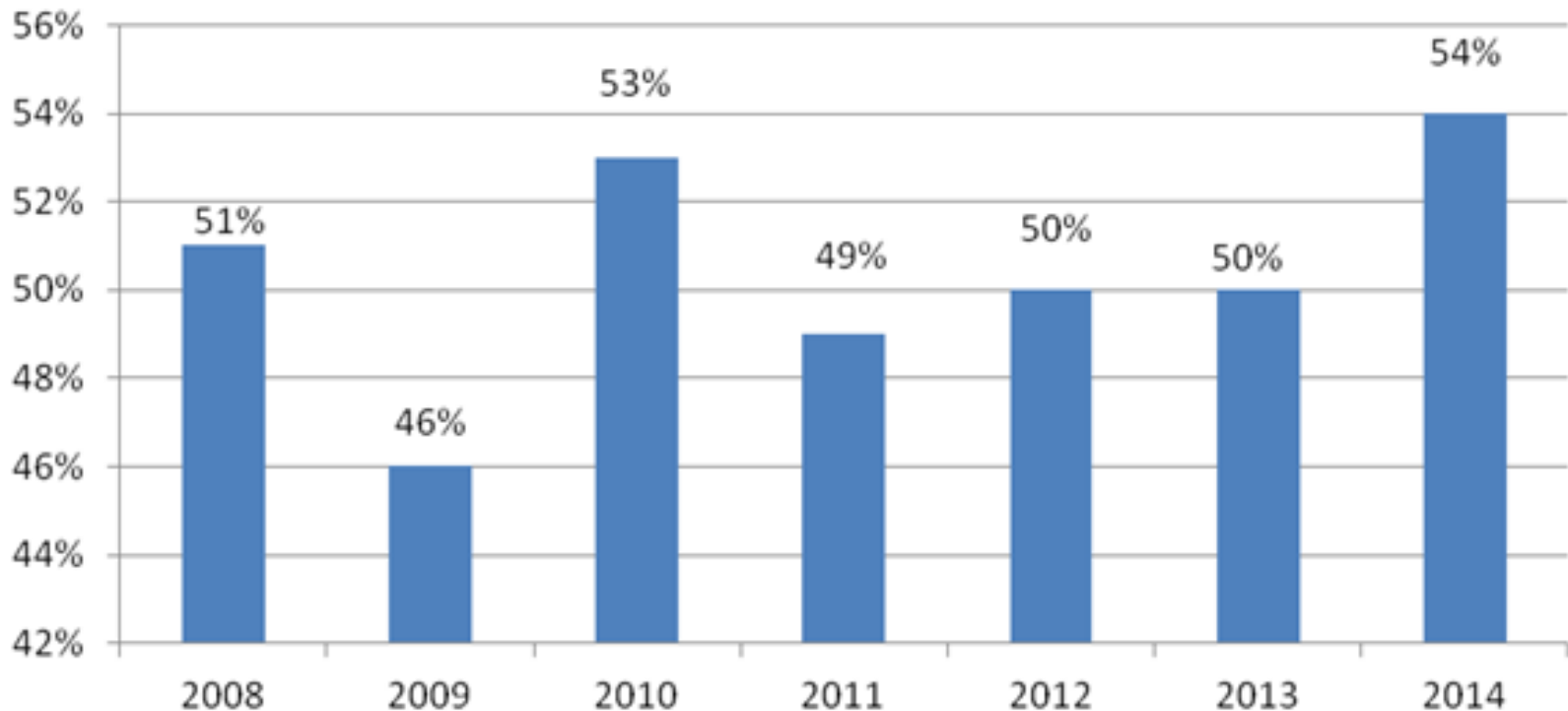
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- 46 companies operated an accumulation period in 2014; down significantly from 83 companies in 2013.



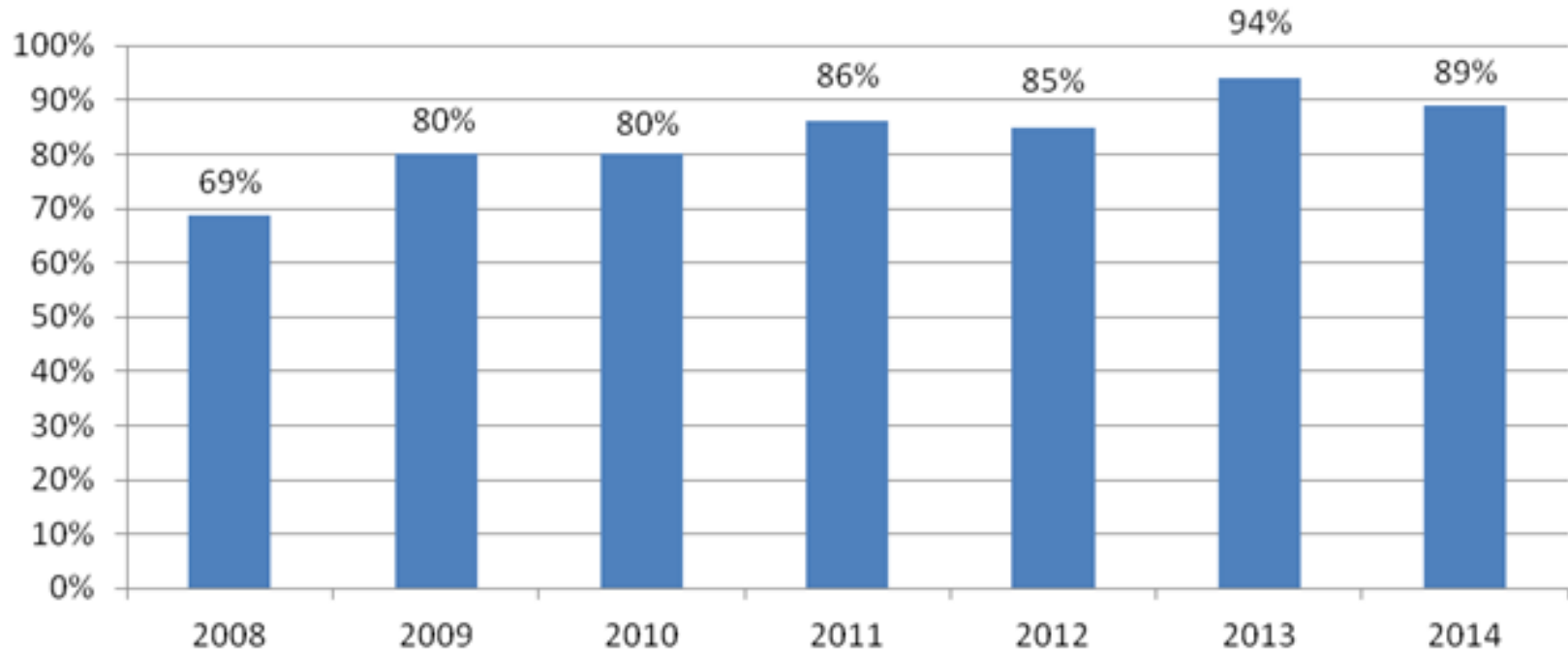
# Companies offering Matching Shares

- The proportion of companies offering Matching Shares has risen to 54% (50% in 2013)



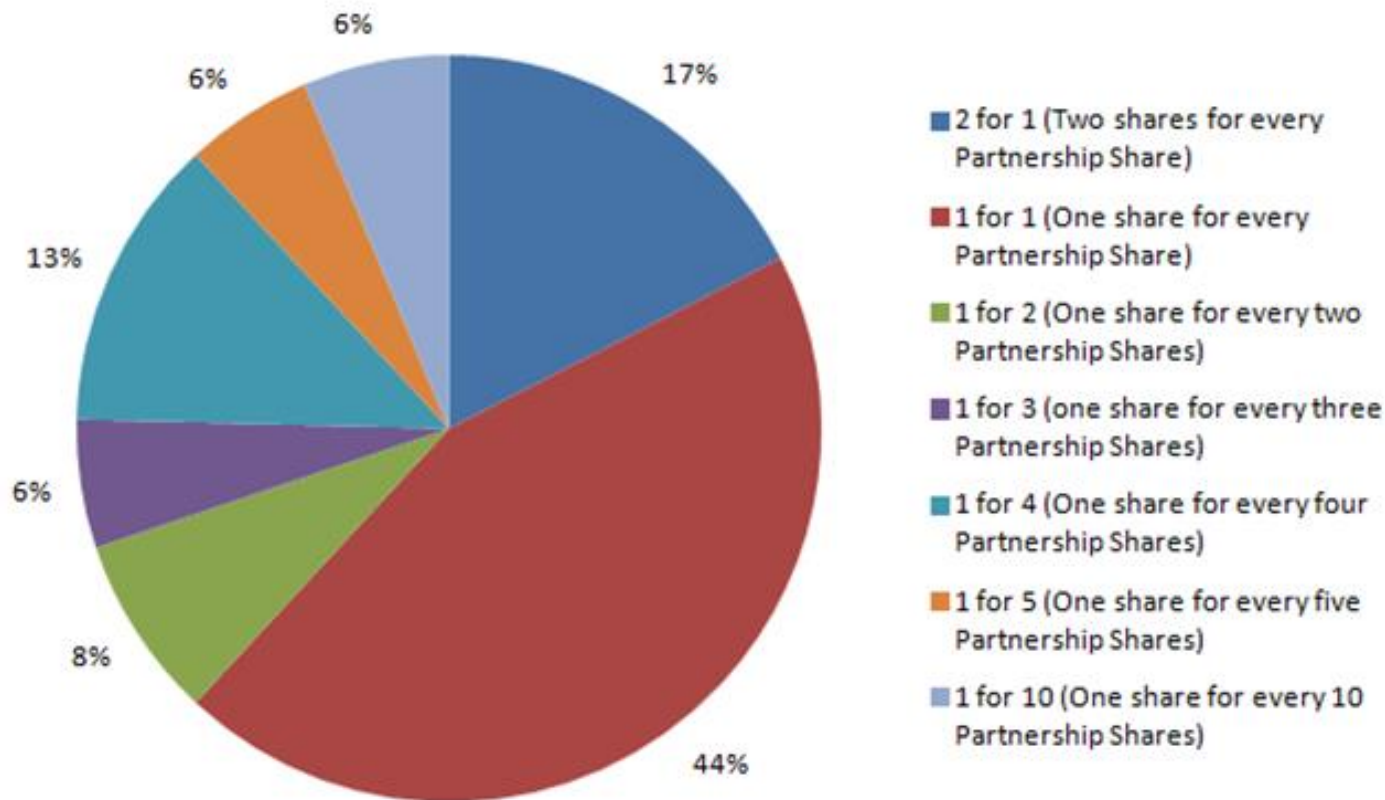
# Forfeiture of Matching Shares

- The proportion of companies operating forfeiture over Matching Shares has decreased slightly to 89% (94% in 2013).



# Basis for Matching Shares

The most popular matching ratio remains 1 for 1, with almost half of all SIPs offering matching shares on this basis in 2014



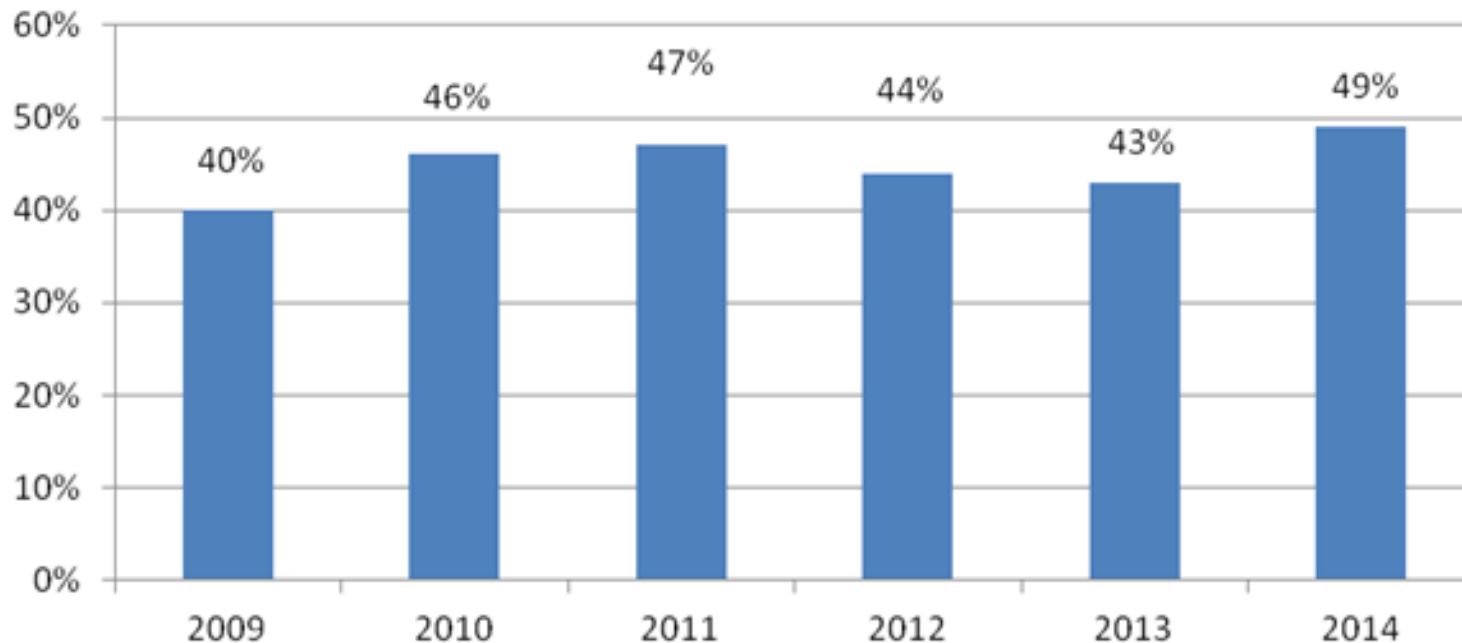
# Breakdown of matching basis by listing type

Matching basis in 2014	FTSE 100	FTSE 250	Other	Total
2 matching shares for 1 partnership share	1	6	15	22
<b>1 for 1</b>	<b>6</b>	<b>14</b>	<b>36</b>	<b>56</b>
1 for 2	0	1	9	10
1 for 3	0	2	5	7
1 for 4	6	1	9	16
1 for 5	1	1	5	7
1 for 10	0	4	4	8
Other	7	4	18	29

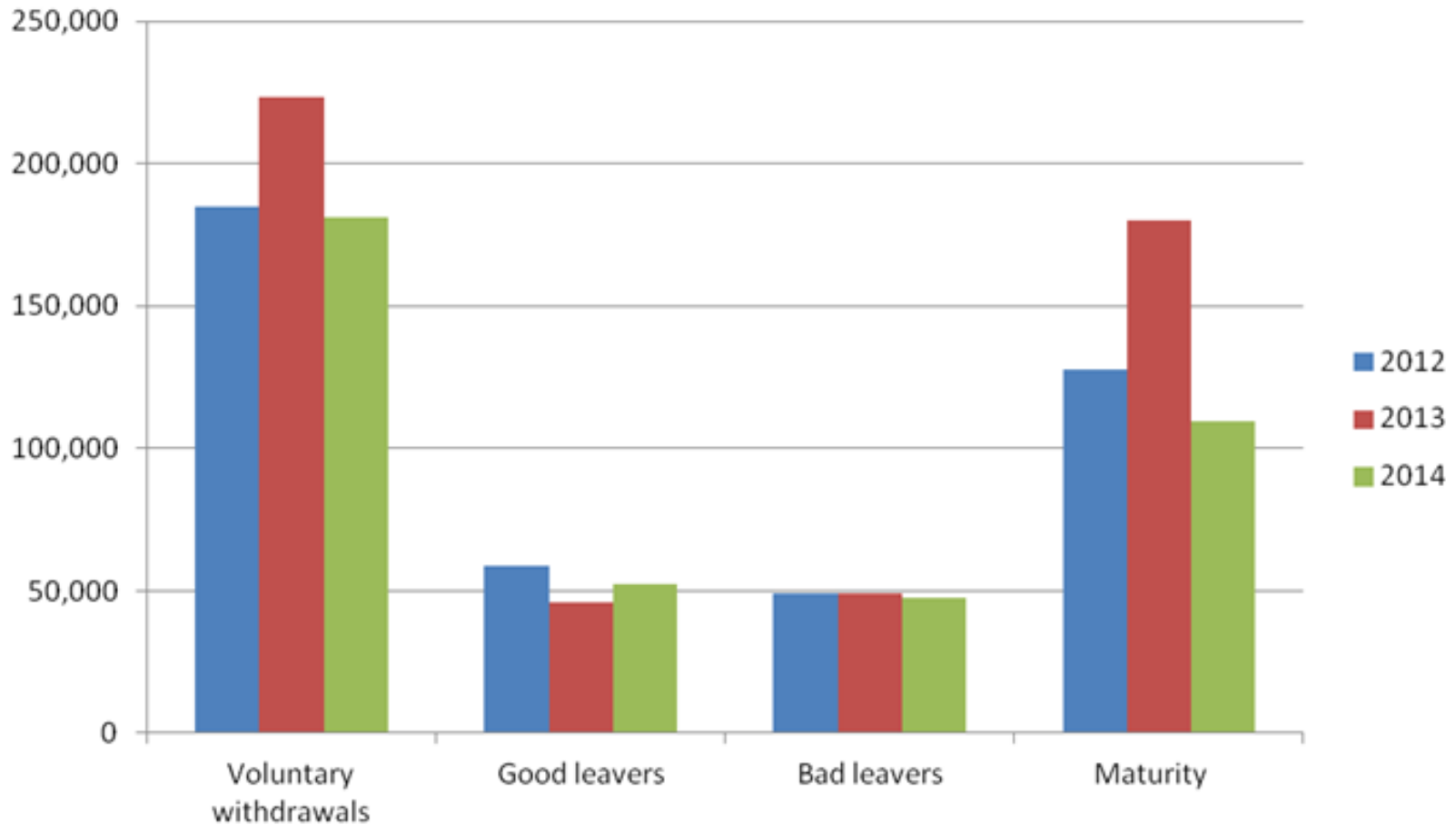
*Not all data provided. Table represents 155 companies, using data from 6 of the 7 administrators.*

# Dividend shares

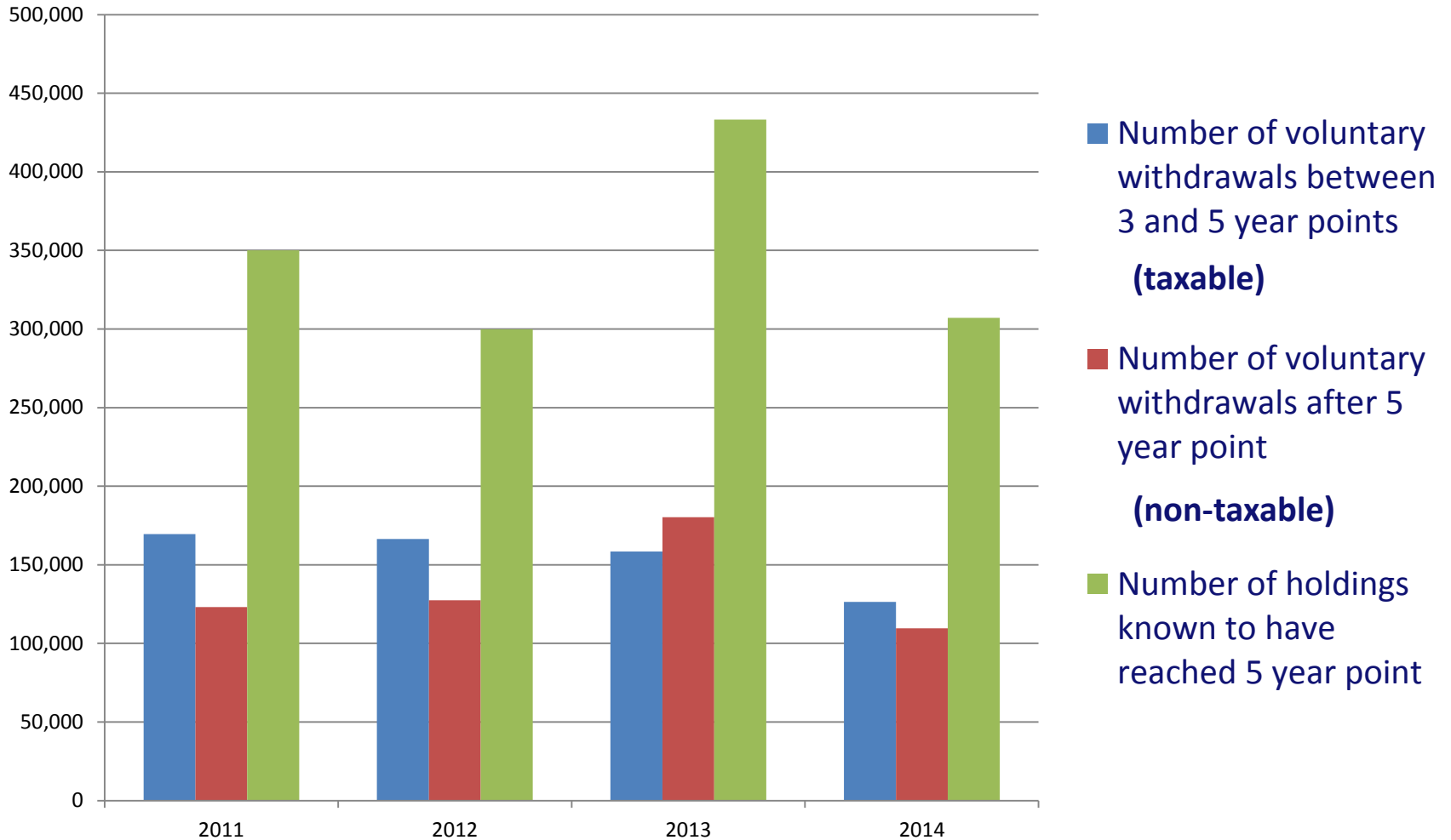
- 144 companies operated compulsory dividend reinvestment in SIP in 2014 (49%) (2013 = 130; 2012 = 127; 2011 = 135).
- 74 companies operated voluntary dividend reinvestment in SIP in 2014 (2013 = 64; 2012 = 60; 2011 = 58).



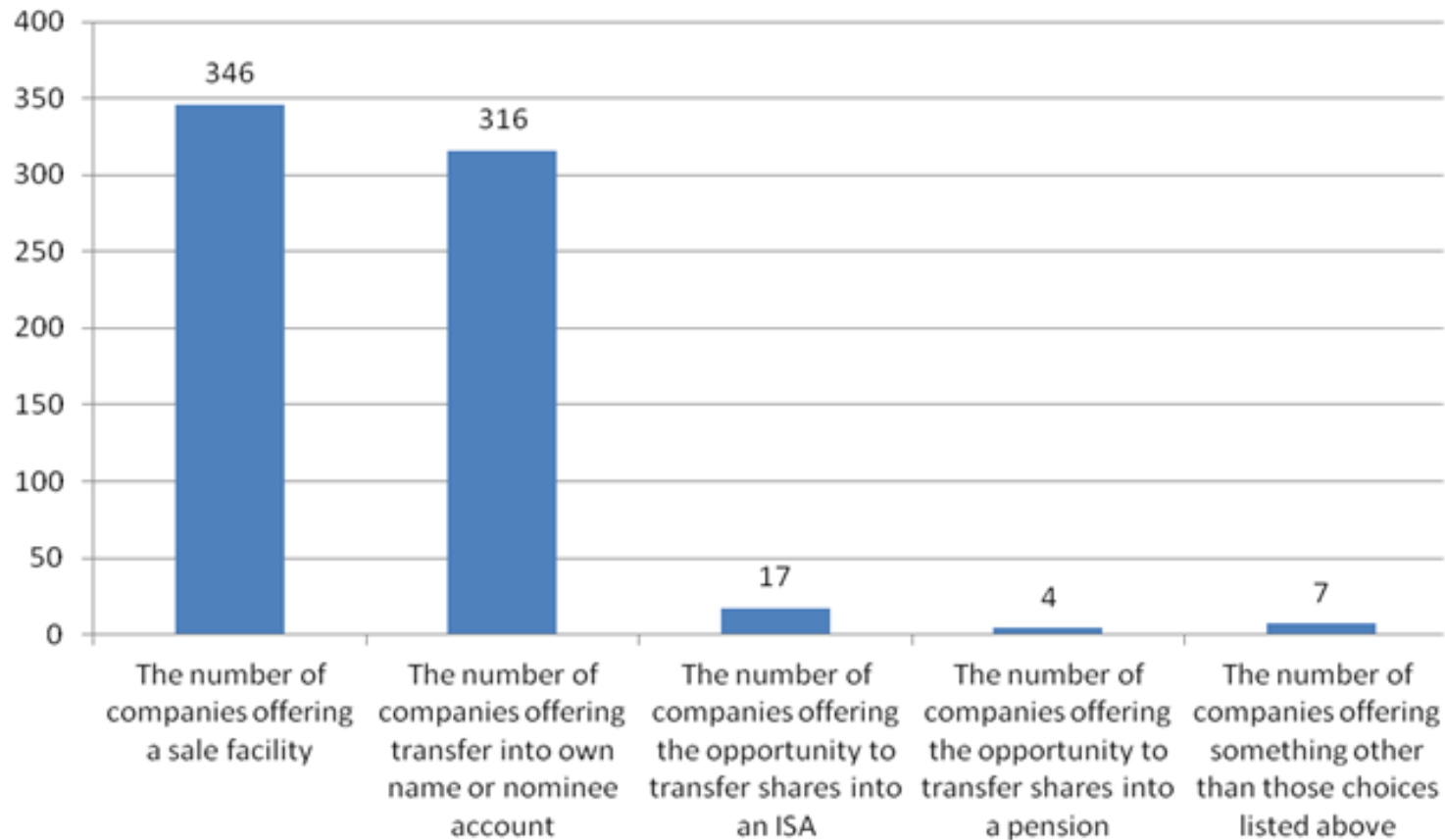
# Withdrawals from SIP



# Timing of withdrawal from SIP

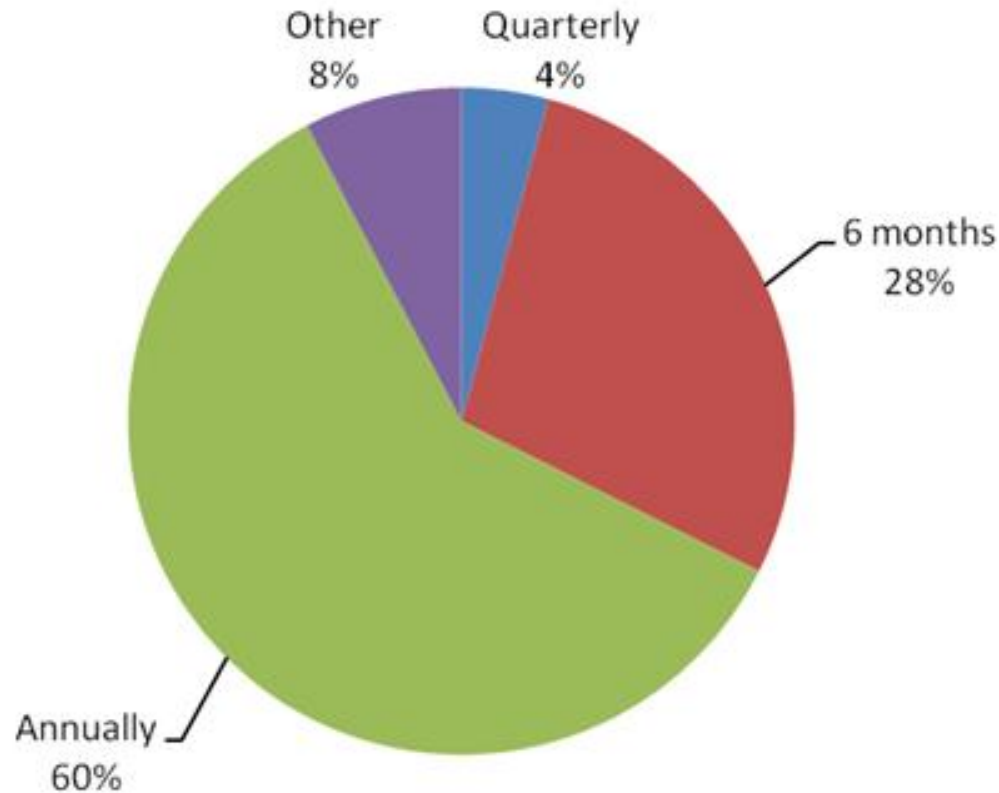


# Choices for participants post-SIP withdrawal



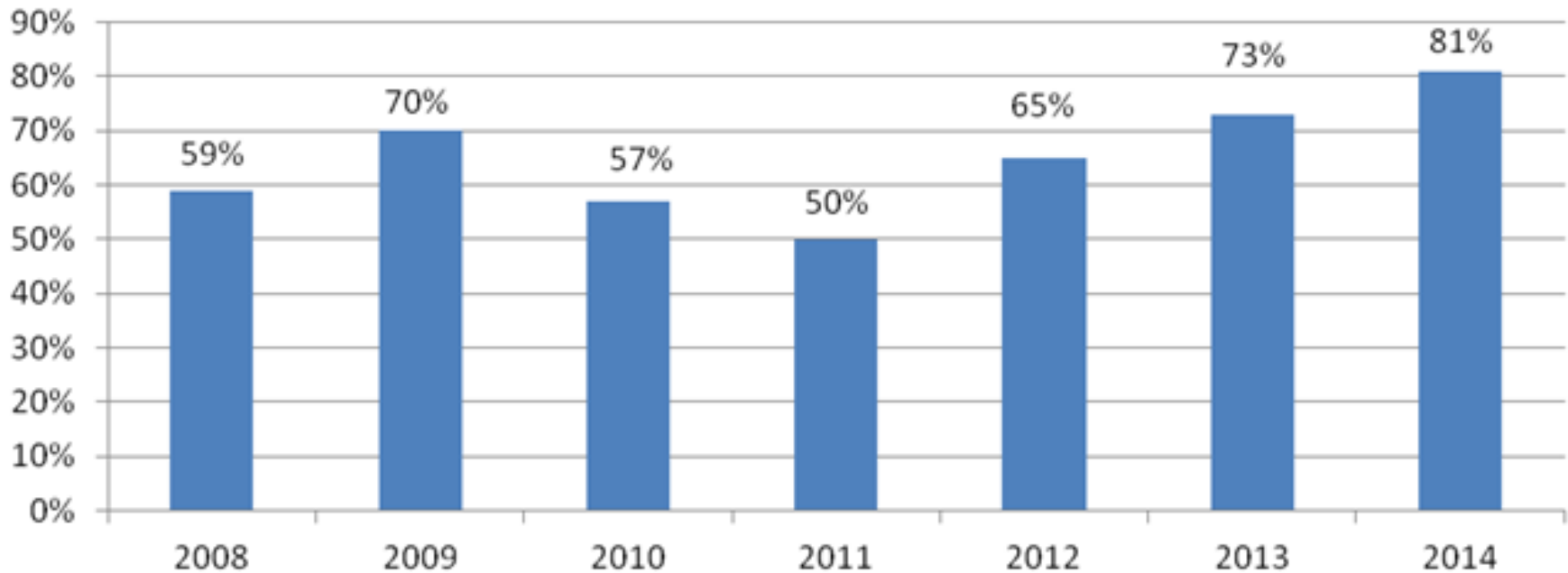
- NB: The above data does not mean that a 'maturity' specific communication is issued to participants.

# Frequency of statements



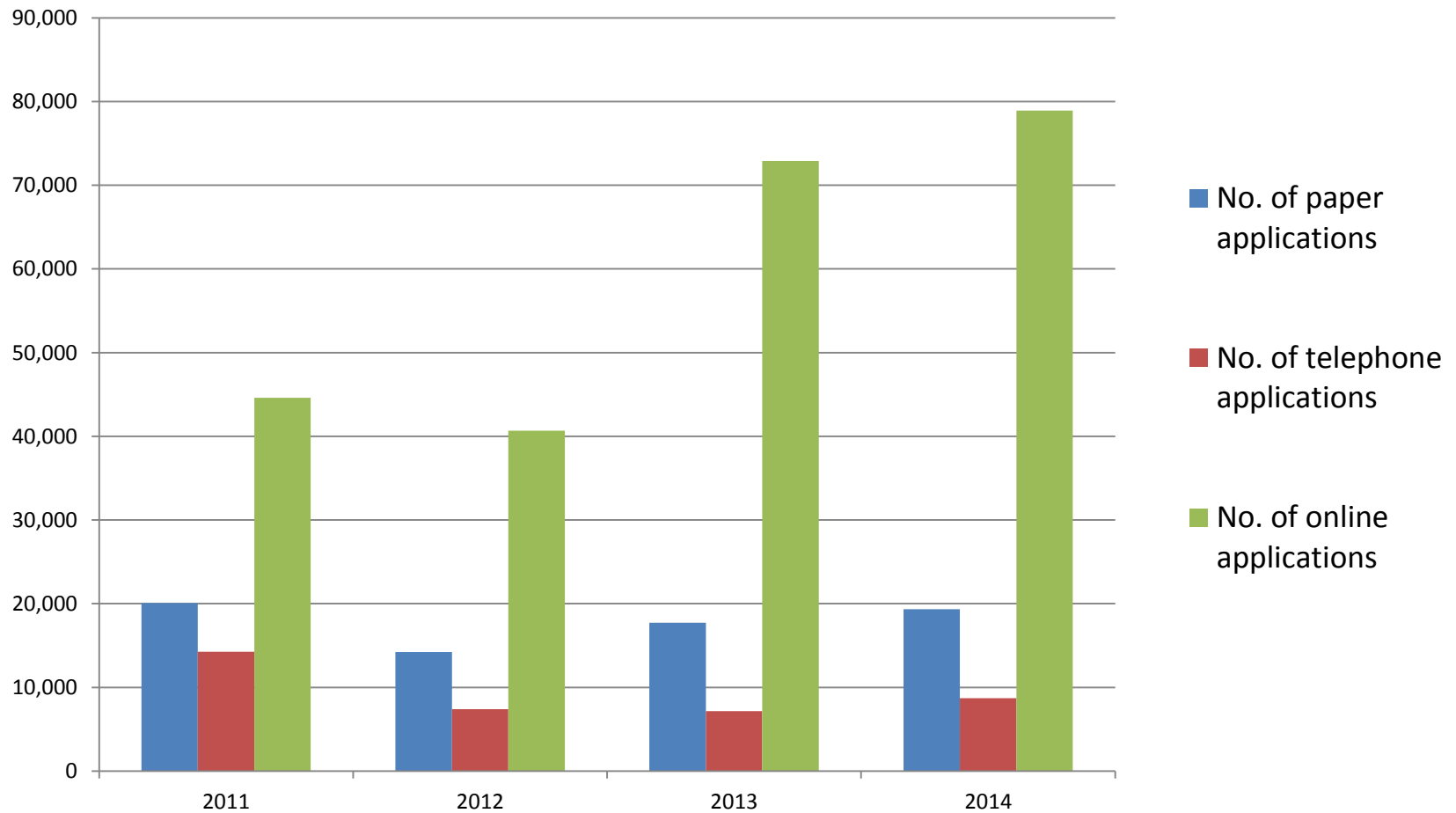
- 60% of companies issue an annual statement (51% in 2013; 49% in 2012)
- A significant proportion, 28%, issue a six-monthly statement (30% in 2013; 37% in 2012)

# SIP application routes: online



- 81% of companies offer online SIP access (including, but not limited to, applications) (2013 = 73%; 2012 = 65%; 2011 = 50%)
- 38.3% of companies still offer a paper application route (2013 = 36.8%; 2012 = 32%; 2011 = 49%)
- 11.6% of companies offer a telephone application route (2013 = 11.5%; 2012 = 9.7%; 2011 = 18%)

# SIP application routes taken



# Extending SIP beyond the UK

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- 10 of the companies surveyed extend SIP to overseas employees (2013 = 14; 2012 = 11).
- 6 companies extend SIP to US employees (2013 = 3; 2012 = 1).
- 8 companies extend SIP to EU employees (2013 = 6; 2012 = 11).
- 13 companies extend SIP to other overseas employees (2013 = 13).

# Survey conclusions

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- SAYE & SIP remain popular and effective means of saving and investing for millions of UK workers;
- Participants are saving and investing more in these plans;
- Participants are leaving their shares in the plans longer;
- And 70% of participants are retaining their shares after exiting these plans, becoming longer-term stakeholders in the companies they work for.

# **SAYE & SIP trends in context**

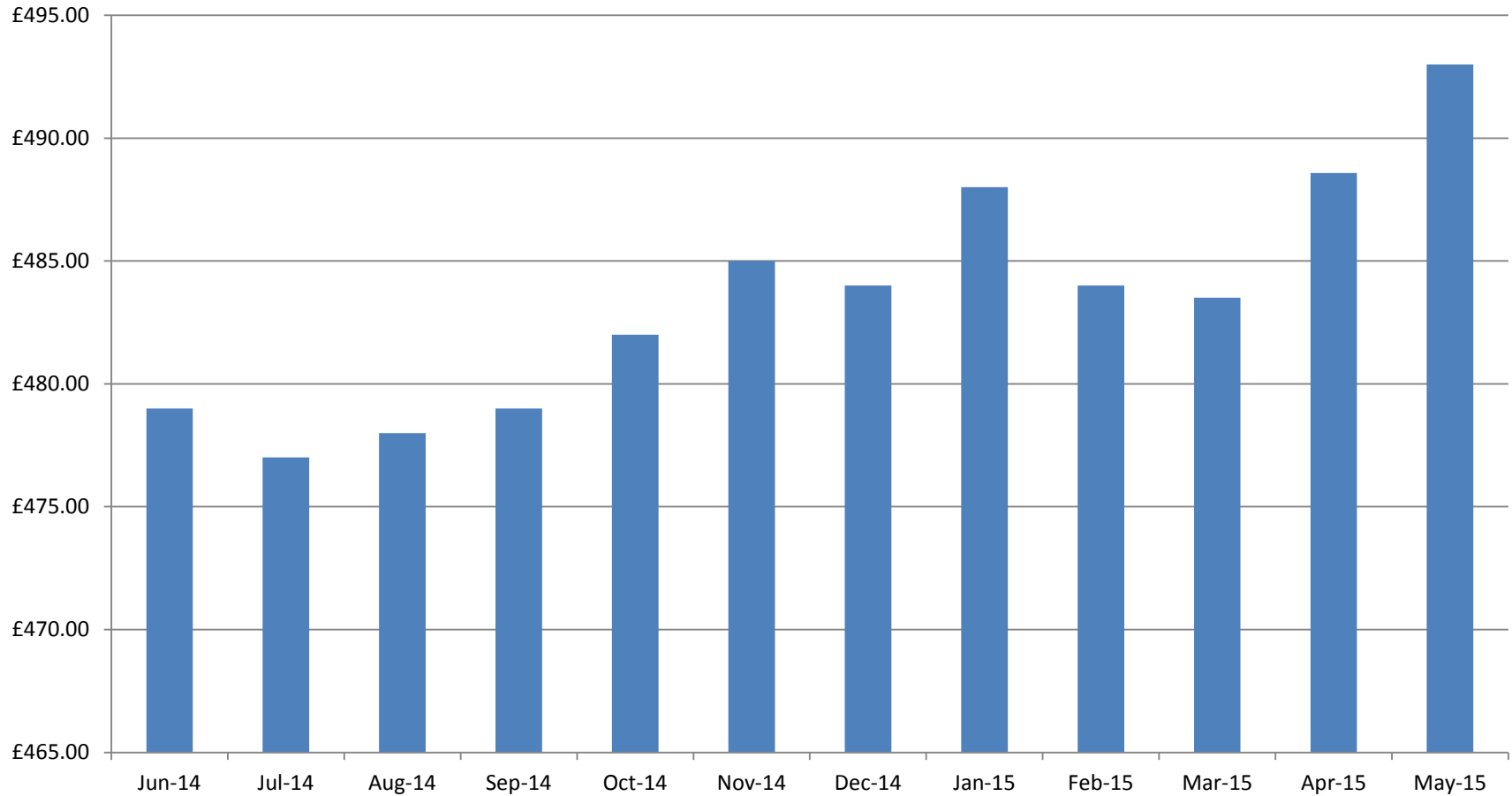
# SAYE & SIP in context – the UK economy

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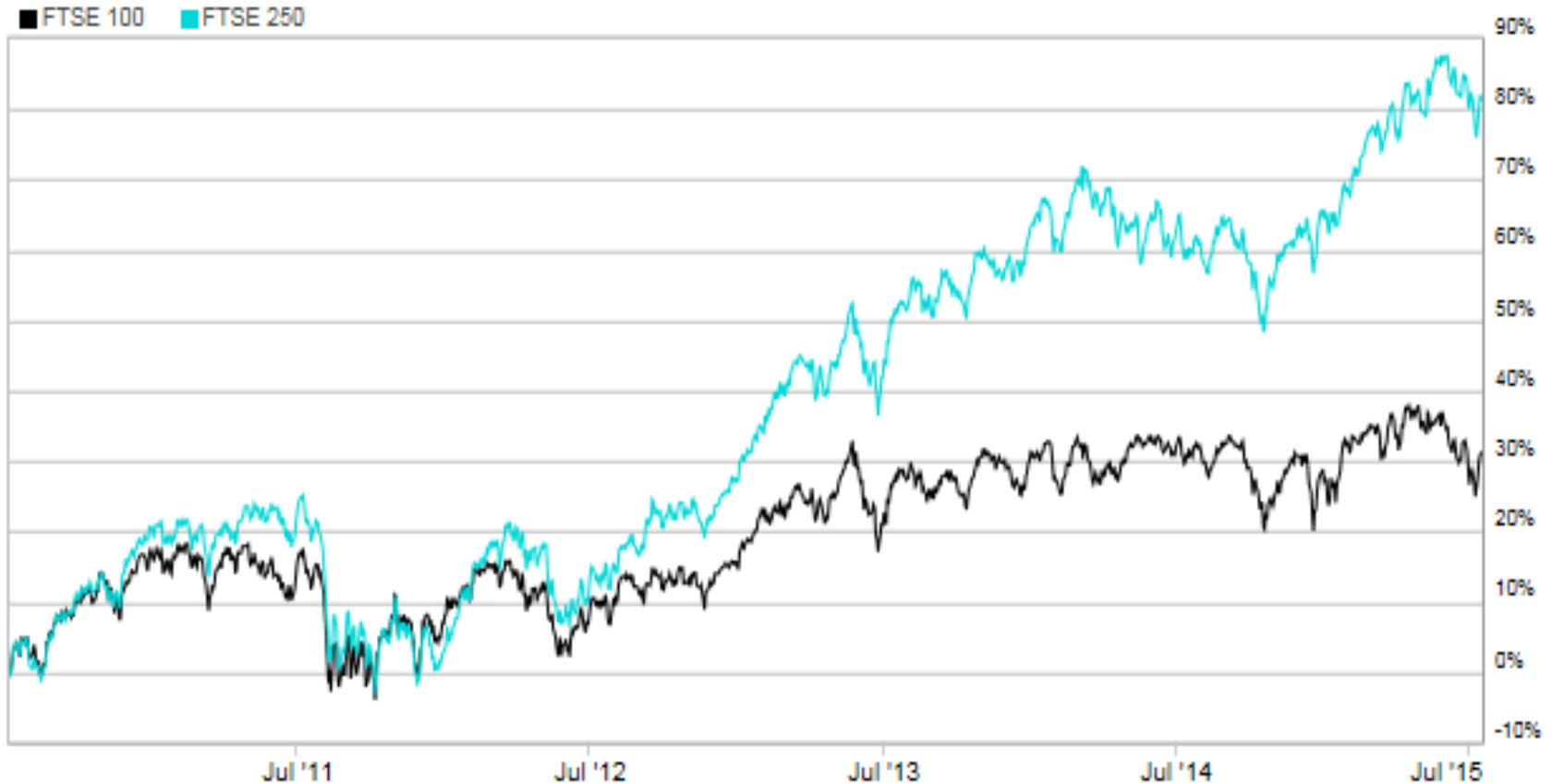
- UK economy grew by 3% in 2014, and by 0.4% in Q1 2015
- UK growth forecast for 2015 as a whole revised downwards by the OBR to 2.4%
- UK wage growth starting to accelerate – pay grew by 3.2% in 3 months to May 2015 (source: ONS)
- Inflation remaining flat at 0.1% in May (CPI)
- Interest rates remain at 0.5%...for now
- Productivity: output per hour still 1% lower on average in Q1 2015 vs. Q1 2008 (source: ONS).

# SAYE & SIP in context – UK average weekly wage

UK average weekly wage



# SAYE & SIP in context – FTSE 100 & 250

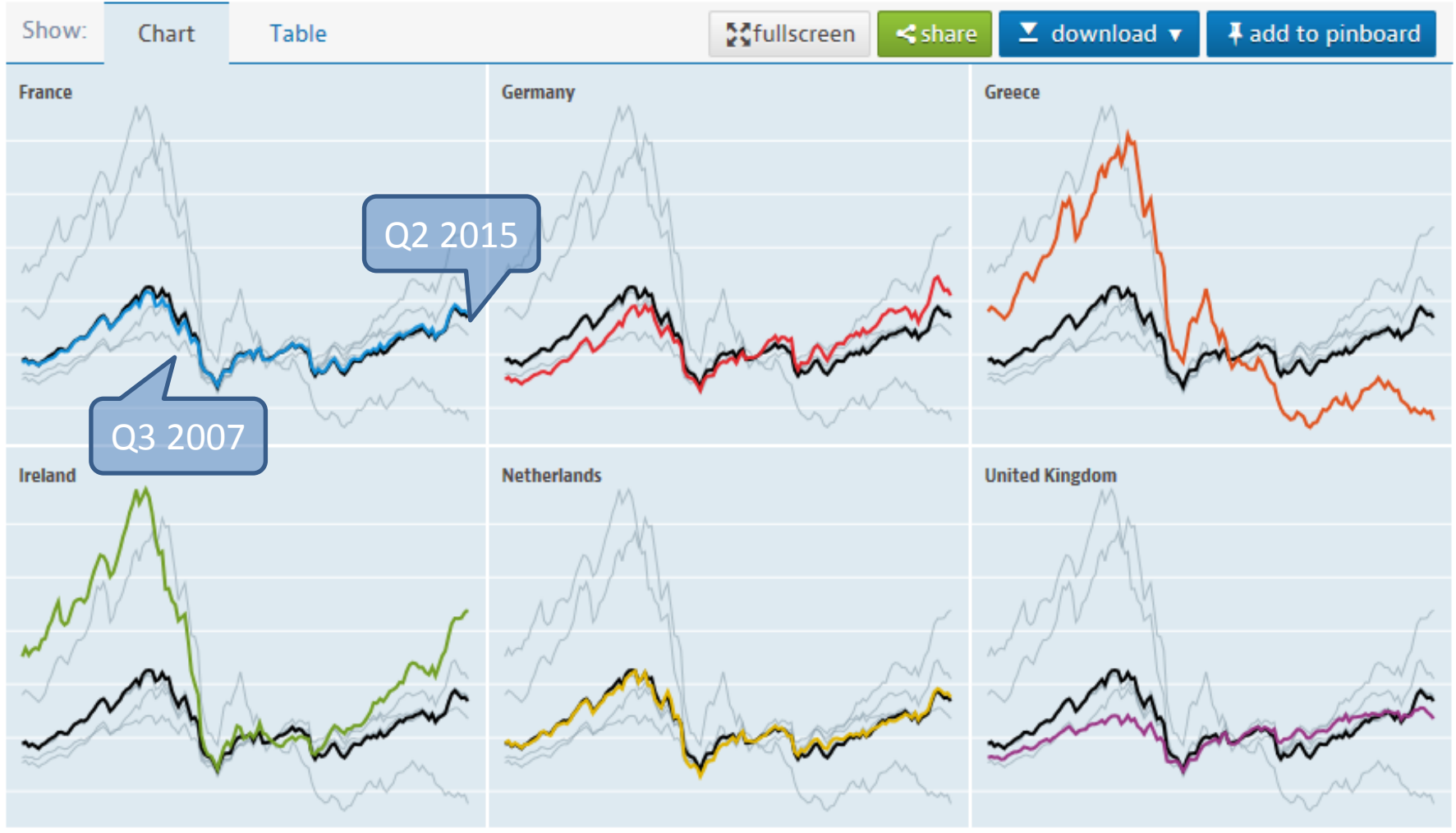


Source: London Stock Exchange 16.07.2015

# OECD comparison of European stock markets

Share prices Total, 2010=100, Mar 2004 – Aug 2015

Source: Finance



# Outlook

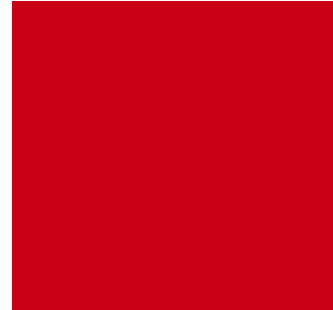
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- What do these economic trends mean for share plans?
  - *Clearly, those in employment have benefited from wage growth through 2014, and many have increased their all-employee share plan contributions*
  - *BoE Governor Mark Carney has hinted at interest rate rises in the not too distant future – this could eventually trigger an upwards revision of SAYE savings contract interest rates*
  - *An eventual move back to positive inflation, towards the Government's 2% target, might have a slight negative impact on contributions to share plans*
- The UK Government's domestic focus on productivity and boosting levels of savings and investments only strengthens the case for share plans – and informs our lobbying activities.

# The future...?

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- Three ways to build on the success of SAYE & SIP:
  - ProShare would like to see indexation of SAYE & SIP contribution limits to the Consumer Prices Index or similar, with an annual limit review akin to ISAs;
  - We'd like greater numbers of UK workers to have access to SAYE & SIP, in particular those working for mutuals and private-equity-owned companies (benefitting at least 1.2 million workers);
  - We'd like to see SIP tax treatment simplified, with the removal of the 5 year 'hurdle' and simply a three year period at the end of which shares become tax-free for employees;
  - We'd like SIP cash residuals to be granted a de minimis tax exemption to facilitate their donation to charity.



*The voice of UK employee share ownership*



[www.ifsproshare.org](http://www.ifsproshare.org)