EQUITY
INCENTIVES
LIMITED

Case study: BOE Investment Management Limited

BOE Investment Management Limited

BOE Investment Management Limited (BOE) is an IMRO regulated professional investment management practice which acts for pension funds, charities, financial institutions and private clients. The company is ultimately owned by an overseas listed company and itself has a wholly owned UK subsidiary.

Recognising that its main strengths were its long term investment performance record, and that its key assets were its people, BOE was keen to introduce a reward package with particular emphasis on long term retention of staff who were skilled professionals with a high level of financial knowledge.

Objectives

- Retain existing employees
- Reward employees in line with the performance of FMC
- Recruit key senior management
- Differentiate between senior staff and other employees
- Achieve these objectives as tax efficiently as possible

Special Issues

Issue	Solution
• Fluctuations in exchange rate between Pound Sterling and the overseas currency • BOE share price is affected by performance of other group companies so BOE employees should not benefit from (or be penalised by) performance of other companies	• Use shares in BOE UK rather than ultimate holding company
• Control of BOE should remain with overseas parent company	• Use non-voting shares in share plans
• Employees should not be offered shares until they have shown some commitment to the company	• Set qualifying period for share plan participants
• Some form of financial commitment is required, but should be balanced with a “sweetener”	• New Inland Revenue approved Share Incentive Plan (SIP) permits employees to buy shares out of pre-tax salary

Principal Steps

- Establishment of Sharesave Plan which must be available to all employees. The Plan allows employees to save between £5 and £250 per month. At the end of 3 years, the employee may choose to use the savings to exercise share options, or he may choose to retain the savings free of income tax. Share options are granted at up to a 20% discount to market value.
- Establishment of SIP which must be available to all employees. SIP allows employees to buy up to £1,500 worth of shares per annum out of pre-tax salary. The company may also choose to match each share purchased with up to 2 free shares, called Matching Shares, as an additional sweetener. Finally, the company may gift up to £3,000 worth of Free Shares per annum to each employee. Free and Matching Shares will be forfeited if the employee leaves the company.
- Establishment of Executive Share Option Scheme. Although this Plan is unapproved and therefore less tax efficient than the Sharesave or the ESOP, it permits a higher level of reward and is therefore more appropriate for senior staff.
- Establishment of internal market. Two Employee Benefit Trusts hold shares on behalf of the employees and can also be used in the future for employees to sell shares if they leave the company, or if they simply want to cash in their shares. The Trusts allow shares to be recycled for future allocations under the share plans.

Who are we?

Equity Incentives has substantial experience in all aspects of employee benefits, including equity incentives. The Managing Director, Graeme Nuttall, is a member of the HM Treasury advisory group which helps the Inland Revenue introduce new share schemes including EMI and SIP. Through membership of the **Global reward plan group** we implement international share schemes.

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