

<b>Agenda item:</b>	<b>7</b>
<b>Report title:</b>	<b>Report of the Aviva Group Personal Pension Plan Management Committee 2017</b>
<b>Report by:</b>	<b>Dale Langford</b> , Governance Manager, Office of the Chair and Chief Executive, <a href="mailto:dale.langford@gmc-uk.org">dale.langford@gmc-uk.org</a> , 0161 240 8346
<b>Considered by:</b>	<b>Aviva Group Personal Pension Plan Management Committee</b>
<b>Action:</b>	<b>To note</b>

## **Executive summary**

This report summarises the work of the Aviva Group Personal Pension Plan Management Committee undertaken during 2017. This includes the regular monitoring of investment performance and administration, considering the impact of legislative changes, work to develop alternative Default Investment Options for the Aviva Group Personal Pension Plan in response to legislative changes, and the issuing of communications to members.

## **Recommendation**

The Executive Board is asked to note the report of the Aviva Group Personal Pension Plan Management Committee 2017.

## Background

- 1 The Aviva Group Personal Pension Plan Management Committee is an advisory forum which monitors and reviews the operation of the GMC Group Personal Pension Plan. This is the Committee's third annual report to the Executive Board and the Committee's Statement of Purpose is at Annex A.
- 2 The Committee met three times during 2017 on 12 May, 1 August and 10 October. At each meeting the Committee received advice from the GMC's pension advisers, Aon Hewitt.
- 3 The Committee comprises four employer nominated members and four Plan member nominated members, and is chaired by the Director of Resources and Quality Assurance. Ian Curran was elected as a Plan member nominated member in April 2016, following one Committee member's resignation from the GMC. Ian has since left the GMC, and following Janet Gray standing down from the Committee, an exercise to find replacements is now required.
- 4 Subject to the proposed changes to the GMC Staff Superannuation Scheme going ahead, the Committee may need to hold an additional meeting in January or February 2018 and further work will be needed to address the composition of the Committee from April 2018.

## Monitoring the investment performance and administration of the Aviva Group Personal Pension Plan

- 5 The Committee receives yearly updates on Aviva's investment performance and administration, including advice from Aon Hewitt on its assessment of Aviva's performance. Investment performance has been within expectations and no concerns have been raised by Plan members regarding the administration service. An established monthly procedure is also in place to meet the GMC's auto enrolment requirements.
- 6 At its meeting on 1 August 2017, the Committee considered the annual report of Aviva's Independent Governance Committee, the majority of Aviva's scheme members were receiving value for money, and that the GMC's pension plan was among those where Aviva was considered to be delivering good value for money.
- 7 At its meeting on 12 May 2017, the Committee noted that the automatic re-enrolment exercise required by legislation, scheduled for 1 November 2016 was completed successfully. This involved re-enrolling Plan members who had previously opted-out of the Plan or ceased membership of the Plan.

## Keeping up to date with legislative change

- 8 The Committee has received updates at each meeting from Aon Hewitt on legislative changes affecting DC pension schemes. At its meeting on 1 August 2017, the Committee heard that the money purchase annual allowance (MPAA) was being reduced from £10,000 to £4,000, and following a delay with the General Election was being implemented and backdated to 6 April 2017. Any members affected by the changes to the MPAA would be informed by the pension provider.
- 9 Also at its meeting on 1 August 2017, the Committee noted that a new Pension Advice Allowance would enable members to withdraw funds from their pension pots to pay for advice – with a £500 allowance for individual use, no more than once per tax year and up to a maximum of three occasions during their lifetime across all of an individual's pension arrangements.

## New investment options for Plan members

- 10 The Plan's current Default Investment Option (DIO) is based on the assumption that members will use at least 75% of their pension pot to purchase an annuity. However, under changes announced in the 2014 and 2015 budgets, DC pension scheme members now have greater flexibility in how they access their benefits at retirement, with members having three broad options (which can be mixed and matched):
  - a Withdraw money in cash at retirement, up to 100% of the value of the pension pot.
  - b Leave money invested within the pension plan and draw this down over time.
  - c Purchase an annuity to provide a guaranteed income.
- 11 At its meeting on 1 August 2017, the Committee noted that the Executive Board had approved the proposal regarding the change to the DIO, and the change had also been approved by Aviva's Independent Governance Committee.
- 12 At its meeting on 1 August 2017, the Committee also noted that the proposed reforms to the GMC's pensions arrangements would result in a doubling of the membership of the existing GMC Group Personal Pension Plan. The Committee has noted that Aon Hewitt would approach Aviva with details of the likely increase in contributions that would result from the proposed reforms with a view to securing a reduced management charge. Aon Hewitt would assess Aviva's proposed charge against the wider market to determine whether the proposed charge was competitive. This assessment would fulfil the requirement to review the competitiveness of the management charge every three to five years.
- 13 At its meeting on 10 October 2017, the Committee considered the timetable for implementation of the DIO and the draft content for an announcement to staff. The

Committee asked that the announcement make clear that the change to the default investment option was not related to other changes to pensions and that members of the GMC Staff Superannuation Scheme also be kept informed about the changes.

### **Communications to Plan Members**

- 14** The Committee noted its Communication Plan for 2017 at its meeting on 12 May 2017 along with a revised version updated with changes arising from the transition to the new DIO at its meeting on 1 August 2017.
- 15** It also noted that although members' annual benefit statements were generally clear and easy to follow, they did not currently specify the level of investment return over the year. Aviva would be asked to include this figure in the annual benefit statements for future years.
- 16** At its meeting on 10 October 2017, the Committee agreed that the annual staff newsletter should cover only the changes to the default investment option and the proposed changes arising from the proposals to change the GMC Staff Superannuation Scheme, in order to keep the focus on the key messages.
- 17** The Committee received a presentation at its meeting on 10 October 2017 on training about the options available to members at retirement, following the introduction of significant flexibilities for defined contribution pension members aged 55 and over.