

To consider

Aviva Group Personal Pension Scheme Governance

Issue

1. The governance arrangements for the Aviva Group Personal Pension Scheme, the Defined Contribution arrangement available to new staff joiners from 1 July 2013.

Recommendation

2. Council is asked to agree the statement of purpose and membership of the Aviva Group Personal Pension Scheme Management Committee.

Issue

3. From 1 July 2013 the GMC's pension arrangements for new joiners will be a contract based Defined Contribution (DC) Scheme, to be known as the Aviva Group Personal Pension Scheme.
4. This arrangement differs materially from the existing, Trust based, Defined Benefit (DB) Scheme. The Aviva Group Personal Pension Scheme is not Trust based and does not create liabilities for the GMC beyond the simple obligation to make payments to the provider on behalf of each scheme member.
5. The Pensions Regulator believes that contract-based pension schemes, like other types of schemes, benefit from periodic review. Doing this through a formal group is increasingly the norm. The Pensions Regulator quotes research suggesting that around 50% of contract schemes had a governance group in 2008. According to the Towers Watson DC Governance Survey 2012, 86% of contract based schemes now have a formal governance group.
6. The Pensions Regulator lists several benefits of voluntary engagement:
 - a. Enhancing the quality of the scheme.
 - b. Facilitating early action on potential problems and issues.
 - c. Improving member understanding and confidence in the scheme.
 - d. Reviewing investment performance and service standards.
 - e. Providing a focal point for member feedback and engagement.
7. There is a strong case for a formal management committee reflecting what is increasingly seen as best practice. Establishing such a Committee for the Aviva Group Personal Pension Scheme arrangement would also:
 - a. Facilitate the formal involvement of Scheme members.
 - b. Provide a forum for coordinating pensions related work across Resources functions.
 - c. Formalise reporting and monitoring arrangements.
 - d. Ensure DC pensions issues are escalated appropriately for decision.

Statement of Purpose

8. Management Committees are an increasingly common arrangement, although no one single model prevails. The Pensions Regulator sets out employer engagement activities under three broad headings: Member concerns; Employer Issues and; Monitoring Services.

9. These headings provide a helpful basis for the Committee's proposed statement of purpose. These are set out in Annex A.

Reporting lines and membership

10. Management Committees typically have an advisory and monitoring role, so do not have executive powers. It is therefore suggested that the Management Committee reports to the Performance and Resources Board. This will ensure that there is an appropriate route for any issues that require a decision. It will also ensure that the employer has sight of pensions issues that might have a wider impact, for example on recruitment and retention.

11. To fulfil its purpose the Committee will need to have appropriate employer representatives and suitable external advice. As the Committee is advisory in nature and not required under either pensions law or charity law, legal advice confirms that is not necessary to have a trustee of the GMC present on the Management Committee.

12. It is suggested that the Director of Resources and Quality Assurance, Assistant Directors for Human Resources and Finance, and a non-Resources senior manager join the Management Committee. For the latter, it is proposed to seek a volunteer once the proposed structure is agreed, and that the Chief Operating Officer would make the appointment.

13. Research indicates that around 50% of management committees include staff members and we think this would provide a good opportunity for scheme member engagement, so three scheme member nominees are proposed. Filling these roles will need to be phased in, as staff join the scheme. As an interim measure it is suggested that a Staff Forum Representative is invited to join the Committee until 3 nominees from scheme members are appointed.

14. The Committee will also be supported by external independent professional advice, currently provided by AON Hewitt.

15. Our contract with the scheme provider, Aviva, requires them to attend two Committee meetings per year.

Supporting information

How this issue relates to the *Corporate Strategy and Business Plan*

16. The move towards a DC scheme for new starters is primarily about the management of risks associated with an open DB scheme. Managing these risks and the potential financial consequences relates to strategic aim 7, continuing to use our resources efficiently and effectively

What equality and diversity considerations relate to this issue

17. The main diversity implications of the Aviva Group Personal Pension Scheme relate to investment options and these have been considered as part of provider selection process. These will need to be reviewed on an ongoing basis by the proposed Management Committee. The Committee will also have a remit to ensure that diversity issues relating to the Scheme are considered. These responsibilities are set out in the proposed statement of purpose.

If you have any questions about this paper please contact: Andrew Bratt, Assistant Director – Human Resources, abratt@gmc-uk.org, 0161 923 6215.

Annex A

Aviva Group Personal Pension Scheme Management Committee: Statement of Purpose

Background

1. This annex sets out the draft Statement of Purpose for the Aviva Group Personal Pension Scheme Management Committee. This is an advisory group that reports matters that require decision to the Performance and Resources Board.

Membership

2. The Committee is chaired by the Director of Resources and Quality Assurance. Other members include:

- a. The Assistant Director – Human Resources.
- b. The Assistant Director – Finance.
- c. A non-Resources and Quality Assurance Directorate senior manager (Assistant Director or Head of Section).
- d. Three Scheme member nominated committee members.

3. It is proposed that Scheme member nominated Committee members are elected on three year terms.

4. The Committee will be advised by appropriate professional advisers as required.

Working arrangements

5. The Committee will meet twice a year and provide an annual update to the Performance and Resources Board on its work, which in turn will report annually to Council on the Scheme.

6. Secretariat duties are undertaken by the Governance Team. The Committee Secretary minutes each meeting and aims to circulate the minutes, as cleared by the Chair, to members for comments within two weeks of the meeting. The Committee approves minutes at the next Committee meeting. Minutes record the conclusions of the Committee on the issues considered and will be cascaded to staff as appropriate. Reports and papers considered at meetings of the Committee will not normally be published.

Duties and activities

7. The Committee will be responsible for monitoring and reviewing the operation of the Defined Contribution Pension Scheme including:

Member concerns

8. Monitoring the mechanisms for improving member understanding and engagement, especially in relation to decisions on investment choices and retirement options.

9. Advising on communications to prospective members and active members.

10. Providing a point of contact for members to raise issues regarding the Scheme that they have not been able to resolve with the provider.

11. Ensuring that diversity issues relating to members are considered and responded to (including accessibility).

Employer issues

12. Monitoring and reviewing key data relating to the Scheme including membership numbers, leavers and opt outs.

13. Reviewing the provider's service levels and administration.

14. Advising the employer on any relevant diversity issues including how the Scheme meets diverse needs and avoids unfair discrimination.

Investment performance options

15. Monitoring the investment performance of the options the provider makes available for Scheme members.

16. Monitor and review the fees charged to Scheme members.

17. Ensure that the provider has available a suitable range of investment options in line with member requirements.

18. Commission, as required, any GMC specific investment options or products.