

General
Medical
Council

Executive Board meeting - 17 December 18

MEETING
17 December 2018 10:30

PUBLISHED
11 December 2018

Agenda item:	12
Report title:	GMC Group Personal Pension Plan Management Board – 2018 report
Report by:	Dale Langford , Corporate Governance Manager, Corporate Directorate, dale.langford@gmc-uk.org , 0161 240 8346
Considered by:	GMC Group Personal Pension Plan Management Board
Action:	To note

Executive summary

This report summarises the work of the GMC Group Personal Pension Plan Management Board undertaken during 2018. 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 GMC Group Personal Pension Plan in response to legislative changes, work to develop an ethical investment fund option, member engagement and the issuing of communications to members.

The Executive Board will be asked to note the report of the GMC Group Personal Pension Plan Management Board 2018.

Recommendation

The Board is asked to note the report.

Background

- 1 The GMC Group Personal Pension Plan Management Board is an advisory forum which monitors and reviews the operation of the GMC Group Personal Pension Plan. This is the Board's fourth annual report to the Executive Board (or its predecessor). At its meeting on 1 October 2018, the Executive Board agreed to change the name of the Aviva Group Personal Pension Plan Management Committee to the GMC Group Personal Pension Plan Management Board, to reflect the correct name of the Plan rather than the current provider, and to update the Board's Statement of Purpose, as attached at Annex A.
- 2 The Board met three times during 2018, on 26 April, 18 July and 10 October. At each meeting the Board received advice from the GMC's pension advisers, Aon.
- 3 The Board comprises four employer nominated members and four Plan member nominated members, and is chaired by the Director of Resources and Quality Assurance. Changes in membership during 2018 included Frances Conway stepping down as an employer-nominated member and a campaign to recruit two new Plan member-nominated board members to replace members who stepped down in 2017.
- 4 New member details: Aidan Kielty and Nathan Tucker have been recently nominated by staff to join the Board.

Enhancement to the GMC Group Personal Pension Plan

- 5 Following a decision by Council to make changes to the GMC Pension provision, the terms of the GMC Group Personal Pension Plan were enhanced. The enhancements were implemented from 1 April 2018 following a comprehensive member engagement programme.

Monitoring the investment performance and administration of the GMC Group Personal Pension Plan

- 6 The Board receives regular updates on Aviva's investment performance and administration, including advice from Aon 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.
- 7 A review by Aon into whether Aviva's offer remained competitive had resulted in Aviva being able to offer a reduction in annual management charges from 0.38% to 0.33%, which was subject to the proposed closure to accrual to the GMC Staff Superannuation Scheme going ahead, and has now been completed. Aon's review of the charge fulfilled a requirement to review the competitiveness of the management charge every three to five years. The Board noted at its meeting on 18 July 2018 that Aviva had initially not correctly implemented the lower annual management charge,

but following notification by the GMC, had quickly corrected the error and backdated the lower rate to ensure that members were not financially disadvantaged.

- 8** Between April and July 2018, primarily as a result of the changes to the defined benefit scheme, 563 new members joined the Plan, bringing the total membership by 31 August 2018 to 1238. As at 31 August 2018 the total value of scheme members' assets under management was £11,478,788.65.
- 9** At the Board's meeting on 18 July 2018, it was noted that Aon was content with Aviva's management of almost all of the investment funds as they have been performing in line with benchmarks. Aon had reservations about the performance of one diversified assets fund, which would be kept under review, although the outlook for long-term returns for it remained positive. The Board noted that 45 members had a total of £16,105 invested in that fund and Aviva reported that the fund was not designed to provide a return, but to provide stability for Plan members on the approach to retirement.
- 10** At its meeting on 10 October 2018, the Board received Aon's Annual Investment Review on the performance of the default investment option of the Plan. The Board noted that performance was currently broadly in line with global market performance and significantly ahead of inflation. Following the underperformance of one diversified assets fund earlier in the year, it had recovered significantly in quarters 2 and 3 and would continue to be monitored.
- 11** At its meeting on 10 October 2018, the Board also 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.

New investment options for Plan members

- 12** The Plan's Default Investment Option (DIO) has previously been designed on the assumption that members would use at least 75% of their pension pot to purchase an annuity. However, following changes announced in the 2014 and 2015 budgets, defined contribution 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.

- 13** Detailed analysis was undertaken by Aon on behalf of the Management Board, and a new DIO and two lifestyle options suited to annuity purchase and cash were approved during 2018 by the Management Board, the Executive Board and by Aviva.
- 14** It was originally intended that the new DIO would be implemented from 30 November 2017. However, Aviva later notified the Board that they had not taken into account that the proposed change to the new DIO required a change to terms and conditions and had therefore delayed the implementation. At the Board's meeting on 18 July 2018, a senior representative of Aviva attended to apologise for the continued delay in implementation of the DIO and two other issues that had arisen in the administration of the pension plan funds (the implementation of the lower annual management charge as set out in paragraph 6 and the setting up in the old DIO of 27 members who joined the scheme after the new DIO went live, which has also since been corrected).
- 15** The Board heard that the switch to the new DIO will take until early 2019 to implement, as Aviva is required to carry out a due diligence process and send a letter to each member to change the terms and conditions, which requires a 90 days' notice period to be given.
- 16** At its meeting on 10 October 2018, the Board again heard from the senior representative from Aviva, that the matter was still being discussed within Aviva at Executive level and that the earliest date a transfer of funds could take place was the last week in February 2019, and that could happen if the GMC agreed to go ahead with the formal consultation of members. As Aviva made clear that they were unable to give a definitive answer before the 90 day consultation needed to be launched to meet the timetable for transfer at the end of February 2019, it was agreed that the process could be started. The GMC asked Aviva to say by 17 October 2018 when it expected to be able to communicate its definitive answer.
- 17** Following the meeting on 10 October 2018, Aviva confirmed that any member who has been continuously invested in the Current Strategy since 30 November 2017 or before and elected to move to the DIO Strategy by 17:00 on 3 December 2018, then Aviva would amend the transfer amount of the plan to apply the higher of the investment returns achieved by the Current Strategy or the investment returns achieved by the new DIO for the period 30 November 2017 to 3 December 2018.
- 18** There is an appetite from a small number of staff for an **ethical investment fund** and 25 staff attended seminars on the topic in late June and early July 2018. Aon considered the feedback from the seminars and worked with Aviva to design an ethical investment option, reflecting our employees' preferences, for the Board to approve.
- 19** At its meeting on 10 October 2018, the Board considered and noted the details of the proposed ethical investment fund, with a proposed timescale for implementation by

the end of Quarter 1 of 2019. It was noted that Aviva might introduce an additional charge of 0.15% to 0.25% for the proposed ethical investment fund, as such funds were currently loss making for Aviva. The charge would be on top of the 0.33% charge which currently applies to the Plan. Aon confirmed that even with the additional charge, the ethical investment fund would still be competitive. The ethical investment fund would need to be approved by Aviva, but Aon did not anticipate any issues with securing that approval.

- 20** This ethical investment fund will provide a further investment option for colleagues.

Risk Register

- 21** Since its meeting in April 2018 the Board has started receiving a Risk Register to provide an overview of the risks associated with running the GMC Group Personal Pension Plan and the mitigation measures in place or required. The Risk Register will continue to be developed and regularly monitored by the Board.

Keeping up to date with legislative change

- 22** The Board receives updates at each meeting from Aon on legislative changes affecting DC pension schemes, which has included the established of a single financial guidance body to replace the three existing government sponsored guidance providers, the government's planned pension dashboard expected to be launched in 2019, new income tax rates in Scotland, and the introduction of an employer-arranged pensions advice exemption.

Engagement by members

- 23** The Board receives regular updates on the use of dedicated webpages operated by Aviva for members of the scheme. In the period 1 September 2017 to 28 February 2018 the microsite was visited on 118 occasions by 83 unique visitors. In the period 1 March to 31 May 2018, coinciding with the expansion in membership of the scheme, there were 404 visits by 263 unique visitors. However, between 1 June and 31 August 2018, there were just 68 visits by 47 unique visitors. More than 50% of Plan members are registered with MyAviva, so it is likely that the microsite would be decommissioned in future. Aviva have expressed a willingness to work with the GMC and Aon to find ways to improve engagement with members.

12 – GMC Group Personal Pension Plan Management Board – 2018 report

12 – Annex A

**GMC Group Personal Pension Plan Management Board:
Statement of Purpose**

Background

- 1** This annex sets out the draft Statement of Purpose for the GMC Group Personal Pension Plan Management Board. This is an advisory group that reports matters that require decision to the Executive 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** One further employer-nominated board member.
 - d** Four Plan member-nominated board members.
- 3** Plan member nominated board members are elected on three year terms.
- 4** There will be documented processes for the appointment of employer-nominated board members and for the election of Plan member-nominated board members.
- 5** The Board will be advised by appropriate professional advisers as required.

Working arrangements

- 6** The Board will meet three times a year and provide an annual update to the Executive Board on its work, which in turn will report annually to Council on the Plan.
- 7** Secretariat duties are undertaken by the Governance Team. The Board 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 Board approves minutes at the next Board 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 Board will not normally be published.

Duties and activities

- 8** The Board will be responsible for monitoring and reviewing the operation of the Defined Contribution Pension Plan including:

Member concerns

- 9** Monitoring the mechanisms for improving member understanding and engagement, especially in relation to decisions on investment choices and retirement options.
- 10** Advising on communications to prospective members and active members.
- 11** Providing a point of contact for members to raise issues regarding the Plan that they have not been able to resolve with the provider.
- 12** Ensuring that diversity issues relating to members are considered and responded to (including accessibility).

Legislation and good practice

- 13** Receiving and considering advice and information concerning legislative changes and good modern practice.

Employer issues

- 14** Monitoring and reviewing key data relating to the Plan including membership numbers, leavers and opt outs.
- 15** Reviewing the provider's service levels and administration.
- 16** Advising the employer on any relevant diversity issues including how the Plan meets diverse needs and avoids unfair discrimination.

Investment performance options

- 17** Monitoring the investment performance of the options the provider makes available for Plan members.
- 18** Monitoring and reviewing the fees charged to Plan members.
- 19** Ensuring that the provider has available a suitable range of investment options in line with member requirements, with specific reference to the default fund.
- 20** Commissioning, as required, any GMC specific investment options or products.