

Agenda item:	9
Report title:	Annual report of GMC Group Personal Pension Plan Management Board
Report by:	Samuel Delaney-Curtis , Corporate Governance Manager, Corporate Directorate, samuel.delaney-curtis@gmc-uk.org , 0161 923 6741
Action:	To note

Executive summary

This report summarises the work of the GMC Group Personal Pension Plan Management Board undertaken during 2019. 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.

Recommendation

The Executive Board is asked to note the 2019 report for GMC Group Personal Pension Plan Management Board.

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 provided by Aviva to GMC staff on a 'defined contribution' (DC) basis. This arrangement differs materially from the Trust based, Defined Benefit (DB) Scheme governance arrangements. As a Group Personal Pension Scheme is not Trust based it does not create liabilities for the GMC in the same way a defined benefit scheme does.
- 2 The Board met three times during 2019, 14 February, 13 June and 10 October. At each meeting the Board receives 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. Changes in membership during 2019 included the appointment of two employee-nominated Board members - Aidan Kielty and Nathan Fountain-Tucker.
- 4 A new employer-nominated Board member is in the process of being appointed and is expected to be in post by the end of 2019.
- 5 Elections for two employee-nominated posts are expected to begin at the end of 2019

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 Aviva has continued to offer a competitive annual management charge of 0.33% for the default options.
- 8 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, under 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.
- 9 It was originally intended that the new DIO would be implemented from 30 November 2017. However, Aviva later notified the Committee that the proposed change to the new DIO required a change to terms and conditions and had therefore delayed the implementation, resulting in delaying the switch to the new DIO until early 2019.

- 10** Aviva agreed to notify plan members and invite them to transfer to the new default investment option. Aviva committed that scheme members' accounts would be adjusted so that they would not be at a financial disadvantage as a result of the delayed transfer.
- 11** A deadline of 3 December 2018 was set and members were reminded about the transfer option which was taken up by 61% of scheme members. The members who did not respond were moved to the new scheme after a 90 day consultation.
- 12** As at 31 August 2019 the number of active members of the DC scheme was 1327. At 10 September 2019 the total value of scheme members' assets under management was £20,779,163.74.
- 13** At the Board's meeting on 10 October 2019, it was noted that Aon reported that with Aviva's management of all of the investment funds as they have been performing in line with benchmarks.
- 14** Aviva will be working through a user analysis of the 'microsite' and will advise the Board in 2020 if it is worth continuing. The 'MyAviva' app is the preferred avenue of communication as it offers more functions and a detailed breakdown of the user's pension in real time.
- 15** In light of feedback from the Board, Aviva will be changing their reporting structure to make it more relevant and will show more insight rather than providing 'data rich' documents
- 16** In response to staff feedback an ethical investment fund option has been developed.
- 17** Aon provided an independent review of the governance of the scheme and scored it 77/100 which places the scheme in the 'high' category.

Communications and Member Engagement

- 18** Member engagement between GMC staff and Aviva continues to remain low, while this is typical for pension savings in general the Board wants to encourage members to understand their pensions. A communications schedule has been agreed by the board which will include further seminars, newsletters and drop in sessions.
- 19** The Board will be fully engaged in this and are planning a range of events to raise awareness of the benefits of the GMC's pension scheme in the final quarter of 2019 and throughout 2020.

Risk Register

- 20** The Board monitors the Risk Register at each meeting 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

- 21** The Board receives updates at each meeting from Aon on legislative changes effecting DC pension schemes.