

Trustee Webchat - Q&A

On the 23 March 2021 the Trustees of the FIL UK Pension Plan conducted a webchat. During previous webchats, members have asked if we could have all of the content of the webchat converted into a Q&A document and made available.

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Introduction

Pete Horrell: Afternoon all. I'm delighted to welcome you to our first Trustee webchat of 2021 and my first webchat as Chair of the Trustee Board! I'm joined today by Stephan von Bismarck, a Company Nominated Trustee and member of the Investment Sub Committee and Laura Faircloth and Suzanne O'Connell who are members of the Communication Sub Committee. On this occasion, we're pleased to extend the chat to all Fidelity staff, rather than just FIL Plan members and we're ready and waiting for your questions. Remember, whilst we're very happy to answer all general queries about the Plan and how it works, we won't be able to give you advice on your own personal circumstances. Let's get going!

Contributions

Q: Please explain AVCs

A: Suzanne: AVCs, or Additional Voluntary Contributions, are those contributions that you choose to make to your pension plan. These can be added, changed or cancelled through Workday.

Q: I saw in a previous chat that the % contribution from FIL varies depending on years of service. Is this correct or is it a flat % rate regardless of years of service?

A: Suzanne: Employer contributions for those who joined after 1 July 2010 are not impacted by years of service. For employees with a continuous service date prior to 1 July 2010, years of service may increase the % of contribution from FIL.

Q: On AVCs - do Fidelity match the amount of AVCs?

A: Suzanne: For members who joined after July 2010, Fidelity will match AVCs of up to 3% of base salary.

Q: One option that is really fantastic is to have the ability to sacrifice a part of your bonus into the pension scheme. That's proven to be a very effective way to use up carry-forward allowances - so thank you for offering that option to the plan members.

A: Pete: thanks for the feedback, great to hear.

Q: Can you clarify why there is a delay in the deduction of pension from monthly salary and the subsequent investment into the pension plan please?

A: Laura: Thank you for your question. We monitor the contribution timelines closely with WI to ensure that salary investments are made in good time. I appreciate that there have been delays in the past, but we have seen process enhancements improve this position and as a result a good track record to date.

Q: Hi there, please can you explain why the scheme does not operate salary sacrifice, allowing tax and NI savings to both FIL and employees? Is this something that you would consider?

A: Suzanne: Salary sacrifice is a topic which comes up frequently and Fidelity and the Trustees have discussed various options.

Q: Pensions are really hard to understand; how much will I need, how much can I afford save? How can the trustees help me plan better for retirement and how do I know if I'm on track?

A: Laura: The ultimate question, right!? Firstly, I would say we do have a lot of content available online and would recommend taking some time to work through these, such as myPlan and the Retirement Savings Guidelines. On PlanViewer also, you can refer to the Tools and Calculators section which can help you answer a lot of these questions. I also suggest keeping a check on your retirement aspirations as they may change over time. As part of the Communications Sub-committee we will continue to help through our communications also.

Q: Unfortunately my wife and I divorced last year - what is the best way to go about 'splitting' some of my pension into a separate pension account, I am presuming that is possible given some comments from my Solicitor?

A: We do have a dedicated Divorce Team who deals with these instructions, but I would strongly recommend working with your solicitor on what options are best for you. If you require further information on the process for splitting out your Pension, I recommend contacting our Pensions Service Centre to provide you with more detail on the process.

Communications

Q: Following the recent survey have you made any decisions to alter the communications with members? Is the trend for shorter but more frequent communications?

A: Laura: Thank you to all who took part in our survey. It has given the trustees valuable insight to what our member needs are. We are currently reviewing these responses inline with our 2021 communication plans. I would say though that we have lots of great content that we want to share with you but recognise that there are also different means in how we can communicate this. So we would look to respond in a variety of ways depending on the subject matter.

Q: PlanViewer seems to be undergoing lots of change. What is the end game here and will the improvements continue?

A: Laura: PlanViewer will continue to go through a series of enhancements as we adapt to member needs and provide fixes as required. The next enhancement planned is to be able to provide members with suitable nudges to help you manage your plan.

Q: I'm a bit disappointed in the PlanViewer app, are there plans to make it better?

A: Laura: I'm sorry that you have been disappointed with the PlanViewer app experience so far. I know that the teams are working to implement continuous improvements on this (see my answer above on this). If you do have any specific feedback that you would like to share you can provide your feedback to our trustee mailbox.

Q: Is there a plan to fully integrate PlanViewer into the Fidelity app please?

A: Laura: The Fidelity PlanViewer app is a mobile-optimised version of PlanViewer. Via the app you can view your contributions, investment return and access the tools and calculators. Some of the actions are not fully mobile-optimised, but you can go through the app into PlanViewer to be able to do things such as change your beneficiaries. As I mentioned above, if you have suggestions for improvement, do let us know.

Investment options

Q: First of all a big thank-you to the Trustees for all their work on our behalf and for taking the time today to answer our questions. Would you be able to provide an overview of the process you go through for selecting what investment choices are made available through the Plan?

A: Stephan: Thank you for the thank you - trying hard. The Investment Sub-Committee (ISC) meets on a quarterly basis and there we are considering member requests for changes to the range. There is no hard and fast process here, but we are considering the diversity of the existing offering, what addition my bring to the table and how they might affect the overall cost of running the scheme. Cost is of course also taken into account. Last not least our external consultant WTW are supporting us in this exercise. The ISC then present their finding to the Board for approval.

Q: How do you chose which funds should form part of the default pension?

A: Stephan: There are at least 3 dimensions which are being considered here. The first is the market exposure dimension ("beta") which we are assessing by using long-term capital markets models with risk/outcome modelling. The second is the exposure to active management in line with our "belief statements" and the third would be other exposures such a sustainability.

Q: Why do we only have a limited selection of funds to invest in our WI pension? Why can't we have the full selection from the retail business?

A: Stephan: I am afraid that this is simple question of cost. Expanding the range is going to increase the cost of running the scheme and we need to be mindful of the overall benefit resulting and whether that is then justified.

Q: Is there any plans to widen the fund choice available in our pension. We have a lot of 3rd party funds on the WI platform for clients but are unable to access them in our own employee plan - is there a reason for this

A: Stephan: Yes, we are considering adding further funds, but at the same time we would like the keep the range manageable also because costs go up as we expand the range. For those who would require access to a wider range of funds we would suggest considering using a SIPP solution as the Pension Plan will not be able to offer a very wide range.

Q: Why is it that WI business has a standard default that's got cheaper funds that have performed better than the funds within our own pension scheme default?

A: Stephan: The FIL default option is structured to be in line with what we would refer to as our "belief statements" and one those includes our belief in active management. This results in our default option having a higher portion of actively managed funds than the WI default and that may result in higher cost. Performance is clearly a variable component over time, but for the range as a whole we still consider our belief to be supported by results.

Q: What is the plan doing about incorporating ESG self-select options?

A: Pete: Sustainable investing is a key focus for us as a Trustee Board. Our focus is making sure all the investment solutions in place for members move to a more sustainable model and any decisions with regards to fund reviews will take this into consideration. 73% of our members are in the default fund, which we review to ensure delivering and, of course, will be mapping the right transition on sustainability (also, of course, as Fidelity transitions its fund ranges). We have four sustainable funds in the pension for those making self-select options and per my earlier answer there is an option to use a SIPP - the pension fund will never be able to offer the same breadth as the PI business and SIPP for those who want that option.

Q: Why is the FIL Life plan not using the most recent version of FutureWise (into which ESG is being integrated)?

A: Pete: In assessing member needs and appropriate investment approach, the pension uses FIL FutureWise which was designed with more active content. (The fund's investment objective is to achieve long-term capital growth which is why we invest members in the Global Asset Fund when they are more than 28 years from retirement. We will then gradually switch investments in to the DGF. At 25 years from retirement, you will be wholly invested in the DGF until you begin to approach retirement.) The Investment Services Committee is undertaking a review of investments and we will also be considering the right ways to transition sustainability ensuring we're doing this in the right way to meet member needs.

Q: Why don't we use FutureWise for our FIL Pension given it's our house offering?

A: Stephan: There were originally two reasons for FIL FutureWise to deviate from (WI) FutureWise. Firstly, we wanted to have a higher allocation to risky assets for younger members (which has worked out well over the recent past). Secondly, we wanted to have higher active content which on the one hand comes at the price of a slightly higher cost, but that should be offset by returns from active management.

Q: Why aren't all of the funds which make up the FutureWise strategy available to select if you are making your own investment strategy?

A: Stephan: Good one - as I do not have the answer available right now. I have actually noticed this as well and raised the same question. We will include the answer in the WebChat transcript that we will make available in a couple of weeks' time.

Update: For the bond funds which are part of the dynamic strategies (Fidelity UK Aggregate Bond Fund in the case of FIL FutureWise and Fidelity Pre Retirement Bond Pensions Fund in the case of Annuity Targeted Lifestyle Strategy) the Trustees have decided that these should only be available within the dynamic strategies rather than also to self-select investors. The reason is that dynamic strategies may change over time and it may then be required to make changes to the investment objectives of those bond funds (e.g. change their duration target). If self-select investors would be invested in those bond funds at the same time this would effectively no longer be possible as such changes would only be justifiable in the context of the respective dynamic strategies.

Q: Has the board considered on-boarding Fidelity's range of index trading funds as part of the available fund list? I can see these potentially being a slightly cheaper alternative to the existing Blackrock range.

A: Stephan: Yes, we are considering a number of options on an on-going basis. Cost reduction is definitely always on the agenda. The pricing of the WI platform may not necessarily reflect the pricing of funds elsewhere and here we currently have the best deal offered to us via the platform.

Q: Is the board considering adding liquid alternatives and absolute return like options in the future?

A: Stephan: Definitely - considering all options available to us. In many cases liquidity is a stumbling block and here some requirements are set by regulators. But we are looking at what can be done.

Q: Hi team - thanks for taking the time to run the chat. One strange omission from our fund choices is a Fidelity world index tracker - there's a Fidelity UK index tracker, and a selection of BlackRock choices covering US, APAC etc., but nothing from our portfolio that covers the world. The Fidelity Index World Fund would seem to be a great option - any reason this isn't available?

A: Stephan: No, there is no specific reason why a particular fund option is not included in the range. We would always consider this as a trade off as we would like to keep the overall size of the range limited (cf. above: cost!). For a global index fund I would think that the existing funds offer the ingredients to build something akin to a global fund quite easily - if you really want the concentrated exposure to US tech that comes with that approach.

Q: Does the board have a view on property and other illiquid assets and whether these have a place in the available fund list?

A: Stephan: Illiquid assets/funds in many cases are not permissible from a regulatory framework perspective. These are however under review and we are keeping an eye on what is possible and how we might be able to respond to those changes.

Q: Will we have access to private market investments in the future e.g. via Moonfare? If not, what's stopping us? Thanks.

A: Stephan: Please refer to a couple of similar questions above. We would certainly like to expand the range in that direction, but there is currently limitation from a regulatory perspective. This is however constantly under review.

Q: Can you please advise whether you will be extending the offering to include more third party funds and Investment trusts?

A: Pete: We use third party funds to enhance the Fidelity range where we need to. The default fund (given the percentage of our members who are invested through this) is a key priority area for us. We have BlackRock passive options. We review through Investment Sub-committee and regular review - which leads to review of fund range, as required. However, given the pension fund's oversight, regulation and purpose it won't provide the range and choices on third party funds, or indeed Investment Trusts that are offered through the SIPP. (Per previous answers, for those that want to pursue that we do have option to use partial drawdown.)

Q: Is there a reason there isn't a factsheet for the Fidelity Global Asset Fund (core fund)? For example, if this is a holding and you look at the fund charting tool, plan overview or fund prices & factsheets list - this seems to be the only one without a link to additional data.

A: Stephan: Let me research this question and post an answer in the WebChat transcript which will be available in a couple of weeks' time.

Update: This issue has been fixed.

Tax

Q: Hi, I am approaching the lifetime limit. What actions can/should I take?

A: Suzanne: There are a number of considerations here. At the very least, you should consider reducing your contributions, while having regard to the impact on your employer contributions. Further guidance can be found on the FIL Lemonade portal. <http://fidelity.lemonadereward.com/DIGITAL/PAGES/1percentclub/>

Q: Hi. For someone lucky enough to over at the Lifetime Allowance threshold, are there other options available to contribute to an ISA instead?

A: Pete: If you've opted for cash alternative, there is, of course, the PI discount, i.e. Fidelity are pleased to offer all staff and contractors a service fee discount on their Fidelity ISA, SIPP or Investment Account. A communication was circulated to all staff a couple of weeks ago with all the details but essentially your service fee will be reduced from 0.35% to just 0.25% for any investments held under £250,000 and 0.20% if you hold more than £250,000 with Fidelity.

Q: Thanks to FIL's generosity (and some shrewd investment choices on my part, if I do say so myself!) I am steaming towards my Lifetime Allowance, even though I'm still a few years off yet. Are there any ways of doing something different with my employer contributions?

A: Suzanne: Fidelity currently offers a Pension Cash Allowance for use where either the annual allowance or lifetime allowances would otherwise be breached. Further details can be found on the HR Hub.

SIPP

Q: Could you explain what is a SIPP please?

A: Laura: A SIPP is a self-invested personal pension. Put simply, it's a pension that you manage yourself. SIPPs are designed for people who want to take control of how their pension savings are invested. They're tax-efficient too. You can make contributions with your own money, through a regular savings plan or lump sums. Others can contribute on your behalf, and you can transfer an existing pension to your SIPP.

Q: Do you have an active view on whether it is cheaper for staff to open a Fidelity SIPP? i.e. is the Fidelity scheme well priced enough to compete with the SIPP offering?

A: Pete: As Trustees we review the pricing and value delivered within the plan and on the funds. Fidelity are pleased to offer all staff and contractors a service fee discount on their Fidelity ISA, SIPP or Investment Account. A communication was circulated to all staff a couple of weeks ago with all the details but essentially your service fee will be reduced from 0.35% to just 0.25% for any investments held under £250,000 and 0.20% if you hold more than £250,00 with Fidelity. You can't channel ongoing contributions from FIL directly into a SIPP. Contributions will always be paid into your account within the Plan. However, you can regularly transfer assets from your account within the Plan into your SIPP. Please note that the minimum that can be transferred is £1,000 and you must leave at least £10,000 in the Plan. If this is something you're considering, please call the Pension Service Centre on 0800 368 6868. So, in short, we have value, price and options covered to help those in default, those making own selections and those who want to be managed through a SIPP (with a wider range).

Q: I had never heard that "you can regularly transfer assets from your account within the Plan into your SIPP. Please note that the minimum that can be transferred is £1,000 and you must leave at least £10,000 in the Plan". Where is the policy explaining this?

A: Pete: You'll be able to find in in PlanViewer under the Your Plan Explained document (regarding partial transfers).

Q: Do any of our panellists today use the FIL UK Pension Plan or do you all have SIPPs?

A: Laura: The poll response is that there is a mix of both.

Retiring

Q: What are the steps to begin drawdown from my FIL UK Pension pot in a nutshell?

A: Pete: The Plan allows you to take an annuity or cash at retirement. If you wish to take regular (i.e. monthly) income drawdown, you will need to transfer your account to a SIPP. (We will be considering further enhancements with FIL WI whether and how we can offer in-scheme drawdown in due course).

Q: Pete, with ref. to your answer to the drawdown question, is "in due course" months or years? I'm already over 65...

A: Pete: If I had a date, I would have given it to you, of course. I recognise that the sooner we can deliver things the better, of course, to further expand flexibility in options.

Q: Do Fidelity employees get enhanced annuity rates or the same as everyone else?

A: Laura: We do offer a Retirement Income Option to members. The Trustees would usually expect this option to be a competitive alternative to buying an annuity from an external provider. However it's important to note that this facility is only available for the first £250,000 once tax free cash has been taken, and only for uncrystallised pension benefits.

Scheme governance

Q: How are trustees chosen?

A: Laura: There are 2 types of trustees: Employer Nominated and Member Nominated Trustees. Both of which go through an interview selection process. We are currently recruiting for a Member Nominated trustee so watch this space for upcoming communications on this!

Q: What are the steps to becoming an MNT please?

A: Laura: There are certain eligibility requirements to apply to become an MNT. We have an application process for this, followed by a series of interviews. We are currently recruiting an MNT and will be sending out a communication shortly regarding this process. If however you have any further questions regarding the process, please reach out to me and I'd be happy to talk you through.

Q: Has the company ever given consideration to the appointment of a professional trustee to the scheme?

A: Pete: We're fortunate that we have investment expertise, workplace expertise and willing Company representatives and Member Nominated representatives to cover lots of areas for members. We also have a service provided through WTW ensuring we have expertise and input (as well as other advisers). So, yes, of course, we consider all areas as appropriate; but, not, we don't think there would be a net benefit for members.

Q: Is anything being done to address the gender pension gap between Fidelity's male and female employees? Or at least to explain this and how employees can address this?

A: Pete: Short answer is that we need to continue the work on inclusion and diversity and ensure we deliver on number of women in senior leadership roles. (Obviously, happy to give lots more details on this - but probably that should all fit under my D&I chairing and actions I'm supporting there.)

Q: Other FIL WI clients are known to push WI quite hard (for new features, cost reductions and special exceptions) does the FIL scheme ever do this? I'm concerned that members of the FIL plan aren't getting the best they could because it is challenging/awkward for FIL Trustees to actually push WI for what members want, given that we all work together. How do the trustees manage these conflicting priorities?

A: Pete: Absolutely agree - we engage through our relationship director in FIL WI on capabilities, features, priority on roadmap; once investment review is undertaken, we will be taking this forward in a pricing review etc etc. It's our role to represent members (any conflicts are recorded and managed which is a fundamental responsibility for Trustees; we all have completed TPR training etc of course).

Q: My biggest concern about my pension is how the impact of the pandemic and Government funding of the response around the globe is going to impact on financial markets in general. Appreciate this is a big topic to open on but will there be any changes to the management of pension plans in light of this?

A: Stephan: This is a big topic indeed, but I would say - also based on our most recent interaction with the investment teams - that the long-term outlooks for financial markets have actually not changed materially. We would consider the investment options, and in particular the default investment options, to be well diversified and thus to provide adequate protection from negative market events. But this area will need to be monitored closely going forward and then consider changes if appropriate.

Closing comments

Pete: Many thanks for all your questions over the last 45 minutes. It's been great to hear from so many of you. There are some questions we weren't able to get to, so we'll make sure they're top of the pile for our next webchat. We'll also include them on the web chat summary document, detailing all Q&As covered today and which will be posted on the 'Update from your Trustees' section of PlanViewer, in the next few weeks. As always, we love to hear your feedback, so if you have any additional questions/comments for the Trustees, please do drop us a line at our Trustee mailbox: YourFILUKPensionPlanTrustees@fil.com