General Medical Services Superannuation Plan – A Brief Guide

The GMS scheme has a reputation for being difficult and hard to understand. The main reason for that is that it is neither fish nor fowl – you had a bunch of self-employed people in a pension agreement that to all intents and purposes looks and feels like an occupational pension scheme. The scheme is further complicated by the fact that some of the rules that apply are PPP type rules and some of the other rules that apply are occupational scheme type rules.

The pension scheme provides, retirement, death in service & limited ill health benefits

The scheme is a defined contribution scheme, which means a member's pension benefits are based on the accumulated value of contributions & investment gains or losses at retirement. There is an exposure to investment risk. There is no promise of a guaranteed pension as under a defined benefit scheme, which involves no investment risk.

The member pays a mandatory contribution rate of 5% capitation fees under his/her GMS number. The health board also contributes 10% of the member's capitation fees each year to his/her retirement account. The health board contribution is not taken into account for the purposes of the member making further pension contributions (it is viewed as an employer contribution), under the earnings CAP.

What is it?

It is a pension scheme set up under Section 773 of the Taxes Consolidation Act 1997. While the plan is not subject to the Pensions Act or any of the associated regulations, it is the policy of the trustees to broadly follow the provisions of the Pensions Act where practical. A doctor will be included in the plan if they are in receipt of capitation fees from the GMS. Each doctor gets paid a fixed capitation payment per medical card holder associated with them. That is why they are called capitation fees.

How does it work?

The HSE contributes 10% of capitation fees to the scheme while the GP contributes 5% of the capitation fees. The contributions are invested and grow until the normal retirement age of the scheme, at which time in theory the doctor will access their benefits.

Where are the contributions invested?

The contributions are invested in what is sometimes called the 'Main GMS Fund'. Every year a return is declared into each member's account, being a percentage of the average amount standing to the member's credit though the year. The return is calculated by reference to the gains and losses on investments over a period of four years. So, in effect, a level of smoothing is applied to the fund. From the age of 55, there is also the option to invest in a bond or a cash fund, or choose a lifestyling fund.

Are transfers allowed?

No – a transfer to or from another pension arrangement is not allowed.

What is the normal retirement age of the scheme?

The normal retirement age on the scheme is 65. A member can retire early at any age between 50 and 65 providing the member is no longer receiving capitation fees. They can also continue and receive capitation fees after age 65 and defer receiving benefits until the date of late retirement.

Is the ARF option available on the fund?

Yes it is. The ARF option is a new development that has been allowed by the scheme since the beginning of last year. It is not a special version of the ARF option, nor does it have different rules. It's the ARF option we are all familiar with: 25% of fund as lump sum with balance to AMRF/AMF/annuity/taxable cash depending on individual circumstances.

What other options does a doctor have on accessing benefits?

The other option is to take 25% of the main scheme fund as a lump sum with the balance of the main scheme fund to be used to purchase an income either from the GMS scheme itself or by an annuity purchased from a life company. They can use any AVC funds built up to increase their lump sum from the GMS scheme to the maximum available lump allowed under Revenue rules.

GMS SCHEME RETIREMENT EXAMPLE	
GMS Scheme	€350,000
AVC	€100,000
Age 65 with >20 years' service Net GMS Final Remuneration	€125,000

ARF OPTION	
Total Fund	€450,000
Lump Sum	€112,500
AMRF	€63,500
ARF	€274,000

TRADITIONAL OPTION	
Total Fund	€450,000
Lump Sum from GMS Scheme*	€87,500
Balance to Purchase an Income**	€262,500
Max Lump Sum Entitlement	€187,500
Can use AVC fund of €100,000 to top up lump sum from GMS scheme of €87,500 to maximum approvable lump sum under Revenue rules of €187,500	

**25% of GMS scheme fund of €350,000*

*** Balance of GMS scheme must be used to purchase an income*

Can you do your AVCs external to the Pension scheme?

Yes you can. Additional Voluntary Contributions (subject to the relevant age related limits based on net GMS remuneration) can be paid to the scheme or alternatively you can make your AVC contributions in to a PRSA AVC.

In recent years, many doctors have started making their AVC contributions into PRSA AVCs to diversify their funds away from the GMS scheme. It also gives you more control as you can pick the PRSA AVC provider and allows better portability in that it is very easy to move from one PRSA AVC to another. A PRSA AVC will also provide you a greater range of investment options.

Summary

If you are a GP and a member of the GMS scheme it is important you are aware of the rules of the scheme. We see three major ways we can add value in advising you on your pension benefits.

1. We can help educate you on how the scheme works.

2. We can provide advice and guidance on making an AVC and arrange a PRSA AVC where required which gives you:

    a) Premium is invested immediately (AVC payments into GMS scheme do not get credited with investment growth in the first year).

    b) Greater fund choice (only 3 funds available within GMS scheme)

    b) Clarity on the charges (2% entry charge on AVC payments in to GMS scheme plus admin and annual management charge

    c) Option to switch funds at any point (restrictions apply on fund switches within the GMS after age 55)

3. We can advise you on your retirement options, from maximising their tax free lump sum to the drawdown of benefits and advantages and disadvantages of the options available.