

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
29 September 2016

AVC Choice of Fund

Purpose of the Report

1. The purpose of this report is to consider adding an additional fund choice to the range of Additional Voluntary Contribution (AVC) options currently offered to members.

Background

2. An AVC provides an option to members to increase their benefits upon retirements. An AVC runs in tandem with the main LGPS but is separately invested through an insurance company. Prudential is the current in-house AVC provider for Wiltshire Pension Fund.
3. A member has their own personal account and their AVC builds up with their contributions and any return on their investment. Deductions are taken from pay before tax and sent across to the provider making it a tax efficient way to save.
4. A member can choose from a range of investment options depending on their risk profile. The more risky investments generally provide the potential for a higher return.
5. The current range of funds provided to Wiltshire members are as follows:

FUND	INVESTMENT STYLE	RISK RATING
Prudential Deposit Fund	Active	Minimal
Prudential Pre-Retirement	Active/Passive	Lower
Prudential With-Profits Fund (Default)	Active	Lower to Medium
Prudential Property	Active	Medium
Prudential Long Term Growth	Passive	Medium to Higher
Prudential Diversified Growth Fund	Active	Medium to Higher
Prudential UK Equity Passive	Passive	Higher

6. The annual management charge for these funds range from 0.65% to 0.85%. These charges are taken directly from the funds.

Main Consideration for Committee

7. Officers have recently met with Prudential to undertake a governance review of these Funds. In all cases over a 3 year period the funds had either performed in line with or exceeded benchmark.
8. One additional fund was highlighted which may be of interest to members. The Prudential Ethical fund invests in shares of UK companies which demonstrate good environmental, social and governance policies. The fund is actively managed against its benchmark, the FTSE4Good UK Index, which is limited to those companies in the FTSE All-share Index which meet set ethical criteria.

9. The performance objective for this fund is to outperform the benchmark by 1.0% a year on a rolling three year basis.
10. Prudential have allocated a risk rating of medium to high for this Fund, so would complement the existing fund options.
11. The Ethical Fund would also support the ESG policy of Wiltshire Pension Fund where investment managers are expected to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process.

Financial Implications

12. There will be no cost to Wiltshire Pension Fund as the charges are deducted directly from the funds that members contribute to.

Risk Assessment

13. A “key features” document and “A Guide to Fund Options” clearly explains the risk profiles of each AVC fund. Members are made aware that the value of investments that make up their plan can go down as well as up.

Legal Implications

14. None have been identified as arising directly from this report.

Environmental Impact of the Proposals

15. As the proposed AVC Fund seeks to invest in good environmental, social and well governed companies, this would have a positive environmental impact.

Safeguarding Considerations / Public Health Implications / Equalities Impact

16. None have been identified as arising directly from this report.

Proposals

17. The Committee is asked to approve the addition of the Prudential Ethical fund as an option to the range of funds offered to members by Prudential.

MICHAEL HUDSON
Treasurer to the Pension Fund

Report Author: Catherine Dix, Strategic Pensions Manager

Unpublished documents relied upon in the production of this report:

NONE