

## **AVC REPORT**

### **Purpose of the Report**

1. The purpose of this report is to provide an overview of (Additional Voluntary Contribution) AVC activity during 2021/2022.
2. This report also provides an update on the standard and level of service provided by Prudential, the main Pension Fund AVC provider, since the last report on 24 June 2021.

### **Key Considerations for the Committee / Risk Assessment / Financial Implications**

#### **Background**

3. The Committee approved the appointment of Prudential in February 2010 as the Fund's AVC provider from 1 April 2010. The AVC facility allows members to top up their current LGPS pension provision by paying additional contributions into one of several funds Prudential offer which best fits the member's risk profile and time to retirement.
4. Members that had previously paid into closed schemes run by Clerical Medical, Utmost Life and Pensions (formerly Equitable Life Assurance Society) and Phoenix Group (formerly NPI Funds) could either continue paying into these funds or transfer their accumulated benefits into one of the new funds provided by Prudential.
5. The AVC option is taken up by a relatively small proportion of membership. Assuming 3% of members opt to pay AVCs, of around 1,500 retirements that occurred during 2020/2021, approximately 45 of these would have included those with AVC funds.

#### **Prudential Service update**

6. During the last quarter of 2020 and into 2021, there were significant service level issues at Prudential; these were not isolated to Wiltshire Pension Fund or the LGPS. This was brought to the attention of the Pension Fund Committee at its 24 June 2021 meeting, and Prudential has engaged with the LGPS collectively and with the Pensions Regulator directly to address these issues and implement an improvement plan.
7. At the 28 July 2022 Pension Fund Committee meeting, a further update was given and a [Letter from Prudential to the Head of Pensions, LGA](#), was shared with the Committee. It is understood that as at September 2022, service levels for all clients, including Wiltshire Pension Fund, have returned to expected levels for retirements and disinvestment requests and are currently acceptable.

#### **Provision of information for annual accounts**

8. Additional Voluntary Contributions (AVCs) are not included in the Fund's financial statements as they do not form part of the Fund's assets. Disclosure in the Fund Report and Accounts is a summary of AVC holdings by provider and value. Decisions on paying AVCs, levels of contribution, selection of investments and how funds are used at

retirement, are made by the member; no advice can be given by the pension fund or employer. Contracted AVC providers set up personal accounts for members, but contributions, governance and periodic review of AVC arrangements are the responsibility of the Fund.

9. Note 19 (in respect of AVCs) of the 2020/2021 accounts was drafted to state that information was not available due to a system issue affecting all Prudential AVC funds. An up-to-date valuation for 2020/2021 and 2021/2022 is given in Appendix 1. Phoenix Group (formerly NPI Funds) are yet to provide a valuation statement.

#### AVC market and other providers

10. Prudential hold a majority share for AVCs (over 70 LGPS funds) in quite a captive market. Only a very small number of occupational pension arrangements retain activity in this space. Scheme based AVCs have largely been replaced in the private sector by personal pensions which offer the same contribution flexibility and tax efficiency.
11. Since the major review in 2010, the choice of funds was reviewed in 2018 and compared with other LGPS funds. 'With Profits' funds have associated transfer penalties, terminal bonuses, market value adjustments and other conditions that mean assessing value or transferring provider before retirement is complicated. Accounts with legacy providers will continue to be held for some time even when policies are paid up.

#### Regulatory update

12. The [National LGPS Technical Group](#) of the Local Government Pensions Committee discussed AVC provision in general terms at its 17 June 2022 meeting. The outcome of this was an opinion from DHLUC that "[their] lawyer does not think that the [LGPS regulatory] provisions [in regulation 17] would require life assurance benefits to be offered by administering authorities." This was caveated with the usual "interpretation of law is ultimately for the courts". Amendments to the LGPS regulations to clarify this may be a long way off and are complicated further where employers have used salary sacrifice shared cost AVCs.
13. The Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022 (SI 2022/30), known as the '[Nudge to Pensions Guidance Regulations](#)', require that members requesting taking payment of their AVCs, or transferring their AVCs to another scheme, may need to be referred to taking guidance from Pension Wise.
14. The Department for Work and Pensions (DWP) intend for the new legislative framework for the [Pension Dashboards Programme \(PDP\)](#) to come into place from April 2023 (subject to staging proposals applying to pension providers). Earlier consultation responses have stated that in practice, DWP expects AVC information to be made available to the dashboards by the AVC provider. However, scheme managers are still legally accountable for ensuring this happens and should work with their AVC provider(s) accordingly.
15. LGPS Officers are collaborating on these at a national level on behalf of all Funds within the Scheme.

#### **Environmental Impacts of the Proposals**

16. There is no known environmental impact of this report.

## **Safeguarding Considerations/Public Health Implications/Equalities Impact**

17. There are no known implications at this time.

### **Proposals**

18. The Committee is asked to:

- note the update regarding the level of service being provided by Prudential and valuation of AVC accounts.

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Unpublished documents relied upon in the production of this report: NONE

### **Appendices:**

Appendix 1 – AVC valuation as at 31 March 2022

## Appendix 1 – AVC valuation as at 31 March 2022

	Value of Funds @ 31.3.22	Value of Funds @ 31.3.21	Value of Funds @ 31.3.20
<b>Utmost Life and Pensions (formerly Equitable Life Assurance Society)</b>			
- With Profits Fund	500,937.19	596,604.35	656,434.42
- Unit Linked Managed Fund			
- Building Society Fund			
	<b>500,937.19</b>	<b>596,604.35</b>	<b>656,434.42</b>
<b>Clerical Medical Funds</b>			
- With Profits Fund	68,691.52		149,800.97
- Unit Linked Managed Fund	871,418.28		792,558.30
	<b>940,109.80</b>	<b>-</b>	<b>942,359.27</b>
<b>Prudential</b>			
Prudential With-Profits Cash Accumulation Fund	2,129,695.07	1,719,277.21	1,627,502.19
- With Profits Cash Accumulation Fund Series 2	295,330.71	110,770.20	33,848.54
- Deposit Fund	211,417.35	276,349.66	377,478.00
- Cash	135,497.70	196,094.12	79,795.86
- Discretionary	466,023.99	537,752.90	450,722.16
- Diversified Growth Fund			
- Equity Passive	141,598.82	124,720.37	91,427.19
- Global Equity	19,040.28	12,566.48	6,625.60
- UK Equity	27,046.10	5,136.04	2,505.66
- International Equity	12,348.14	3,548.88	17,059.70
- Index Linked	18,772.11	10,908.54	5,606.62
- Long Term Growth Fund	803,081.61	659,437.35	461,513.32
- Pre-Retirement Fund			
- Ethical			
- Property Fund	-	160,836.36	166,821.52
HSBC Islamic Global Equity Index	16,518.51	10,428.64	5,569.19
Prudential Dynamic Growth I	181,311.31	-	-
Prudential Dynamic Growth II	415,235.57	253,267.88	178,527.15
Prudential Dynamic Growth IV	351,074.19	285,816.29	192,669.52
Prudential Fixed Interest	16,440.31	7,658.57	22,319.77
Prudential Long Term Bond	301,104.19	295,454.43	375,087.33
Prudential Long-Term Gilt Passive	4,057.10	2,561.93	1,801.76
Prudential Positive Impact	144,220.69	104,191.50	64,099.70
	<b>5,689,813.75</b>	<b>4,776,777.35</b>	<b>4,160,980.81</b>
<b>Grand Total, all AVC providers</b>	<b>7,130,860.74</b>	<b>5,373,381.70</b>	<b>5,759,774.50</b>