

Pension Fund Committee

16th March 2009

AVC Provider Review



Report of Stuart Crowe, Corporate Director Resources

Purpose of the Report

- 1 The purpose of this report is to ask Members to agree to authorise me to commission a review of the Pension Fund's Additional Voluntary Contribution (AVC) provision.

Background

- 2 Under the regulations governing the Local Government Pension Scheme (LGPS) individuals can pay extra pension contributions in addition to their normal scheme contributions.
- 3 The two current methods of paying extra contributions are as follows:
 - Additional Regular Contributions (ARCs) – where scheme members can buy additional pension by paying a set monthly amount over an agreed period of years.
 - Additional Voluntary Contributions (AVCs) – where scheme members pay an amount of their choosing (up to 50% of pensionable pay) into a fund to be invested by one of our AVC providers.
- 4 AVCs have to be paid into a money purchase scheme established under contract between the administering authority (the County Council) and a registered approved provider – usually an insurance company.
- 5 AVC providers offer a wide range of investment choices to individuals, including deposit-like investments, more speculative global equity funds and with-profits arrangements.
- 6 Up until the early 1990s Equitable Life was the Pension Fund's AVC provider. Following widely publicised problems within Equitable Life, including significant reductions in fund values, the Pension Fund appointed two replacement AVC providers for new AVC contributors to choose from, Prudential and Standard Life. These two providers have been in place since then.

AVC Review

- 7 While there is no specific requirement to conduct a review of AVC providers, best practice suggests that it is appropriate for Pension Funds to periodically review the performance of their AVC providers and compare them with the other providers available in the market place.
- 8 Various factors could be considered as part of an AVC review including:
- Investment performance
 - Financial stability
 - Administration performance
 - Range of funds offered
 - Member services (e.g. on-line fund switching)
- Other issues to be addressed include
- The pros and cons of having more than one provider – is it appropriate to move to a single provider?
 - If more than one provider is selected, what assurances could be obtained that they would co-operate in the provision of services and any required publicity.
- 9 An AVC review is likely to require the support and guidance of one or more investment professionals. This could be from one of our existing advisers or from another suitably qualified professional or organisation.
- 10 Any proposals or recommendations from an AVC Review would be brought to a future meeting of this Committee for discussion and approval.

Recommendation

- 11 Members are asked to authorise me to commission a review of the Pension Fund's Additional Voluntary Contribution (AVC) provision, with a view to presenting the findings to a future Committee meeting.

Contact: Nick Orton Tel: 0191 383 4429
