

Report for: Pensions Committee and Board 19 September 2019

Title: Equitable Life Additional Voluntary Contribution (AVC) Scheme

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
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Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non Key decision

1. Describe the issue under consideration

- 1.1. The purpose of the paper is to provide information to members of the Pensions Committee and Board regarding the recent proposals regarding the historic Equitable Life AVC investments that a small number of members of the Haringey Fund hold.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. The Committee and Board note the contents of this report, and any other verbal updates provided by officers, the fund actuary, investment consultant or the fund's Independent Advisor in the meeting.
- 3.2. The Committee and Board agree the approach set out in Confidential Appendix 1.

4. Reason for Decision

- 4.1. The Council as the Administering Authority for Haringey Pension Fund is required by law to offer AVC schemes to its members. The Equitable Life AVCs which remain are historic, but there is a current proposal by Equitable Life to transfer all remaining policies to a new provider.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. The Equitable Life AVCs are historic and following the scandal in the late 1990s and 2000s many of Haringey's Equitable Life members transferred their policies to other providers. A small number remain: the Fund has 28 members with deferred AVC investments in Equitable Life Funds, (and 1 active member who has a life insurance policy). The total funds invested on behalf of these members is £206k as at 1 April 2019: £85k in with-profits funds (21 members), and £121k in unit linked funds (16 members). Some members have investments in both unit linked and with-profits funds. The with-profits type investments were the source of the Equitable Life scandal, where investors were promised certain minimum levels of returns, and these were reneged on due to them proving to be unaffordable for Equitable Life.
- 6.2. Fund members wishing to take out new AVC policies now are able to do so with one of the Fund's two other AVC providers: Prudential and Clerical and Medical.
- 6.3. Equitable Life have recently proposed to wind up its business, and transfer almost all its policies to a different organisation: Utmost Life and Pensions (Utmost). This will affect all Haringey members with both with-profits and unit linked funds. Utmost is an approved AVC provider under the Finance Act 2004. As part of this transfer, there are specific proposals for those members who hold with-profits policies:
- Policy values will be uplifted by 60-70% (as opposed to the current 35%)
 - Investment guarantees would be removed
 - Existing with-profits policies would be transferred into unit linked funds
 - No future members would be allowed to move into the with-profits funds
- 6.4. The proposal will only go ahead if a majority of policyholders and eligible members vote in favour of the proposal, at an extraordinary general meeting which will take place on 1 November 2019. In addition to this, the High Court will need to give approval for the proposal for it to go ahead. The Council as the Administering Authority for Haringey Pension Fund is classed as a policyholder and member and will vote on behalf of its 21 members who hold with profits funds.
- 6.5. The Council understands that the voting works on a proportional basis based on the value of funds under management at 1 April 2019. So the Council's vote represents the £85k invested on behalf of Haringey members as a proportion of total Equitable Life funds.
- 6.6. The Council is additionally able to split its vote, and vote both 'for' and 'against' the proposals to reflect the potentially differing views of its members who hold with profits funds. The Council will write to its 21 members asking if they wish to express a preference, and if they do the Council will reflect this in its voting.

- 6.7. The Council will therefore need to determine, a) how to vote should members not express a preference, and b) if the proposal does go ahead, which default funds its members will transfer into, should they not declare a preference to the Council. The report of Hymans Robertson at Confidential Appendix 1 has been procured to this end.

7. Contribution to Strategic Outcomes

- 7.1. Not applicable

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 8.1. Finance comments are contained throughout the content of this report. The AVC policies referred to do not form a part of the investments of Haringey pension fund, but the Council has a legal duty to maintain AVC schemes for its members, and the Equitable Life schemes were historically used. Expert advice has been procured to review the Equitable Life proposal in order to inform the Pensions Committee and Board's decision making on this matter.

Legal Services Comments

- 8.2. The Assistant Director of Governance has been consulted on the content of this report. Active members have the option to pay additional voluntary contributions. The arrangements with regards AVCs must be a scheme established under an agreement between the appropriate administering authority and a body approved for the purposes under the Finance Act 2004 ("AVC provider"), registered in accordance with that Act and administered in accordance with the Pensions Act 2004. As set out in this report the Equitable Life AVCs are historical and if approved the transfer will be to an entity that is an AVC provider.

Equalities

- 8.3. None applicable.

9. Use of Appendices

- 9.1. Confidential appendix 1: Review of Equitable Life Proposal Hymans Robertson

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.