

Report for: Pensions Committee and Board 21 November 2017

Item number: 8

Title: Additional Voluntary Contributions (AVC) Provider Review

Report authorised by: Clive Heaphy, CFO and S151 Officer

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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 Pensions Committee and Board has requested a review of the Fund's Additional Voluntary Contribution (AVC) Providers, this report brings back a review that was conducted by the Fund's investment consultant: Mercer.

2. Cabinet Member Introduction

- 2.1. Not applicable.

3. Recommendations

- 3.1. That the committee consider the appended report of Mercer and recommendations contained within. Based on this report, that the Committee and Board agree to:
 - Opening up further funds with Prudential that are not focussed on annuity purchase on retirement, i.e. funds that allow members to withdraw some or all of their AVC Fund as cash at retirement.
 - Officers conducting a communication exercise with AVC members to remind them of the options available to them, in particular when they may have the option to transfer funds between providers or products, to options which may prove more beneficial to them.
 - Officers encouraging the appointed AVC providers to conduct communication exercises with Haringey staff to inform them of the AVC options available to them, i.e. via information sessions for staff to attend.

4. Reason for Decision

- 4.1. The fund has a legal duty to provide members with an AVC option, it is best practice to review the AVC providers to ensure that they are providing value for members.
- 4.2. Members of the pension scheme may choose to invest funds with AVC providers in addition to their Local Government Pension. The Fund aims to provide a range of products which will suit different members, based on their individual needs.
- 4.3. Officers of the Fund are not able to give financial advice to members of the fund, but are able to communicate the options available to fund members. Fund members must take their own independent financial advice in order to make decisions about what AVC products will suit their individual situation.

5. Other options considered

- 5.1. None

6. Background information

- 6.1. Haringey has two active AVC providers, Prudential and Clerical and Medical. There is one further provider: Equitable Life, which is closed to new membership. The membership is as detailed below as at 31/3/17. In total there are 135 members, so in total 0.6% of Haringey Pension Fund have AVC arrangements in place.

Provider	Active Members	Members with preserved benefits
Prudential	73	23
Equitable Life	2	32
Clerical and Medical	2	3

- 6.2. The total value of funds held by Haringey Pension Fund members in AVC arrangements is £1.016m as at 31/3/17. This is detailed as a disclosure in the Fund's Annual Report and Accounts.
- 6.3. Additional Voluntary Contributions (AVC's) were introduced in the mid 1980s as an additional means for individuals to save for retirement. It is a requirement (under the Social Security Act of 1986) for every UK pension scheme to have an arrangement in place whereby members can pay additional voluntary contributions to enhance their pension benefits.

7. Contribution to Strategic Outcomes

- 7.1. None.

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

Finance and Procurement

- 8.1. There are no direct financial implications arising from this report: AVC arrangements are between members of the fund and individual AVC providers. AVC funds are not part of Haringey Pension Fund, and are not included on the Fund's balance sheet.
- 8.2. Nevertheless, legally Haringey has a duty to provide an AVC option for members, and we would want to ensure that these options made available are high quality and are able to meet the needs of a range of fund members in differing situations. Hence, the suggestion to open up further options with Prudential to members who may not wish to target an annuity purchase on retirement, is one which is supported.
- 8.3. The performance of the majority of funds has generally been good, and the charges are lower than average, which is pleasing. Officers are proposing to conduct a communication exercise with members to remind them of the options available to them, hence any members invested in lower performing funds will be reminded of any actions they can take to address this.

Legal

- 8.4. Regulation 17 of The Local Government Pension Scheme Regulations 2013 sets out the requirements for dealing with AVCs or shared cost additional voluntary contribution arrangements ("SCAVCs"). Under the Regulation an active member may enter into arrangements to pay AVCs or SCAVCs. The arrangements must be a scheme established under an agreement between the administering authority and a body approved for the purposes under the Finance Act 2004 ("the AVC provider"), registered in accordance with that Act and administered in accordance with the Pensions Act 2004.

Equalities

- 8.5 There are no equalities issues arising from this report

9. Use of Appendices

- 9.1. Confidential Appendix 1 – AVC Provider Review

10. Local Government (Access to Information) Act 1985

- 10.1. Not applicable.