

<b>Essex Pension Fund Board</b>	<b>EPB/11/12</b>
<b>date: 7 March 2012</b>	

**Review of Additional Voluntary Contributions (AVCs) arrangements**

Report by the Pensions Services Manager

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**1. Purpose of the Report**

- 1.1 To update the Board on the progress of a review of AVC arrangements.

**2. Recommendations**

- 2.1 To note the progress that has been made to date and that this review will be completed as part of the 2012/13 business plan.

### **3. Background**

- 3.1 The Fund has a legal duty to offer members access to an AVC facility and to ensure that this facility remains suitable for member investment. A review of the AVC arrangements was agreed as part of the Fund's 2011/12 business plan.
- 3.2 At present, the Fund has two separate AVC arrangements with Equitable Life and Standard Life. There are currently 84 members with AVCs invested with Equitable Life and 629 members with AVCs invested with Standard Life.
- 3.3 Members can no longer choose to invest with Equitable Life because the arrangement will not accept new member instructions and, therefore, members can only currently choose to invest AVCs with Standard Life.
- 3.4 Although the product and investment choices offered by Standard Life are sound there is very little in terms of support to Fund officers or available literature for members. Details of the investment choices are available on the Standard Life website only. Officers have become aware that there appeared to be AVC providers in the market offering a more comprehensive service in terms of fund officer support and member literature than Standard Life are able to provide.

### **4. Review of AVC provision**

- 4.1 The Fund's Actuary was asked to undertake a review of our AVC provision, to:
  - assess the suitability of the current providers,
  - identify whether a suitable additional/alternative provider exists,
  - provide guidance on whether it would be appropriate to appoint an additional provider to give members more choice in relation to their AVC investments, and
  - provide guidance on AVC fund choices that should be made available for members.
- 4.2 The Actuary does not consider Equitable Life to be suitable pension provider (even though it is 'closed'). He has recommended further investigations to determine if it would be possible, or in member's best interests, to transfer their AVC savings from Equitable Life to an alternative provider, or alternatively a communications exercise with those members to provide them with information on their options.
- 4.3 The Actuary believes that Standard Life is a suitable AVC provider for the Fund albeit he recommends discussions with them to improve their service and a review of the AVC Fund choice for members.

- 4.4 The Actuary sees merit in introducing a new AVC provider to be available to existing scheme members (in addition to Standard Life).

## **5. Selecting a New AVC Provider**

- 5.1 The Actuary sought to identify a suitable additional AVC provider for the Fund from amongst those most commonly used by Local Government Pension Scheme Funds, being Aviva, Bank of Ireland, Clerical Medical, Prudential, Scottish Widows, Standard Life and Zurich.
- 5.2 The Actuary concluded that, of the six other providers, only Prudential and Scottish Widows offer products he believes may be suitable for AVC provision under the Fund alongside Standard Life. Of these two providers, Prudential have the greater level of experience within Local Government Pension Schemes and can provide an extensive range of services within their standard package.

## **6. Next Steps**

- 6.1 Officers will now:
- Give detailed consideration to the Actuary's report
  - Determine the new alternative AVC provider to be appointed
  - Bring a report to the June meeting of the Board for noting

## **7. Link to Essex Pension Fund objectives**

- 7.1 This review of AVC providers links in with the following Fund objectives;
- Evolve and look for new opportunities that may be beneficial for our stakeholders, ensuring efficiency at all times
  - Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based

## **8. Risk Implications**

- 8.1 The Fund has a legal duty to ensure that the AVC facility remains suitable for member investment. Without undertaking a regular review of AVC provision and making necessary changes identified as part of that review the fund would risk both reputational damage and the security of members' AVC savings.

## **9. Communication Implications**

- 9.1 Any changes to the AVC provision would need to be communicated to both existing and potential AVC contributors.
- 9.2 The fund would write to existing AVC contributors about any changes and would inform other stakeholders by various channels such as 'Prime' and 'Scheme Employer' newsletters and the Fund's website.

## **10. Finance and Resources Implications**

- 10.1 There will be some initial staff resources needed to implement any new arrangements and communicate the changes to stakeholders.
- 10.2 No other financial implications are anticipated.

## **11. Background Papers**

- Barnet Waddingham Review of AVC Providers report