

# Pensions Committee

14 September 2016

<b>Report Title</b>	Additional voluntary contributions – update	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Simon Taylor	Head of Client and Funding Management
	Tel	01902 554276
	Email	Simon.taylor2@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Rachel Brothwood	Director of Pensions
	Tel	01902 551715
	Email	Rachel.brothwood@wolverhampton.gov.uk

---

## Recommendations for noting:

The Committee is asked to note:

1. The review of the ongoing review and potential changes to the Fund's AVC arrangements.

## **1. Purpose**

- 1.1 To provide Committee with an update on the review of the Fund's additional voluntary contributions (AVCs) arrangements. The review is expected to conclude with recommended changes for consideration by Committee at the next meeting.

## **2. Background**

- 2.1 At the June Committee meeting, the Fund outlined its proposal to undertake an independent review of its AVC arrangements both with Prudential and Equitable Life.

- 2.2 The review forms part of the Fund governance and oversight of the AVC arrangements, in addition to routine monitoring undertaken by Fund officers and focuses in more detail on:-

- fund investment options
- investment performance
- provider administration performance and "value for money"
- provider financial strength and market presence

- 2.3 In May 2016, a consultation was launched on changes to Local Government Pension Scheme (LGPS) Regulations which included changes to the regulations to enable members to access the benefits of Freedom and Choice directly from the Fund AVC arrangements.

## **4. Review progress to date**

- 4.1 The Fund commissioned Hymans Robertson to carry out the independent AVC review and we are in receipt of their initial draft report which makes certain recommendations in light of the changing legislation (including the introduction and potential changes around accessing Freedom and Choice), Fund member profile and investment choices and changes in the AVC provider market. Following the initial report, further consideration is being given to member options and communications, with a view to consolidating funds and enhancing value for money.

- 4.2 The range of fund options on offer to members and the selection of the default fund is currently under consideration. Included in the review is the consideration of the performance of individual funds, fund charges and review of the variety of funds available to cater for different member risk appetite. Consideration is also being given to the consolidation of Equitable Life arrangements and these funds continue to wind-down.

- 4.3 Through the pricing review Prudential have identified that cost savings could be made by reducing the manual work required to allocate contributions received from employers. Prudential are developing a more automated process for collating data and contributions for Fund employers, creating scope for a price reduction. This is expected to be rolled-out to Funds over 2017/18 and the pricing adjusted to pass on the benefit to members through lower annual management charges.

4.4 Discussion are on-going with Prudential in relation to member communications and exit charges.

## **5. Financial implications**

5.1 The report contains financial information which should be noted.

5.2 Active members of the Local Government Pension Scheme are eligible to contribute a percentage of their pensionable pay to the Fund's in-house additional voluntary contribution arrangement.

5.3 There are management fees applied by AVC providers.

## **6. Legal implications**

6.1 The report contains no direct legal implications.

## **7. Equalities implications**

7.1 The report contains no direct equalities implications.

## **8. Environmental implications**

8.1 The report contains no direct environmental implications.

## **9. Human resources implications**

9.1 The report contains no direct human resources implications.

## **10. Corporate landlord implications**

10.1 The report contains no direct corporate landlord implications.

## **11. Schedule of background papers**

11.1 Committee report 22 June 2016