



Pension Fund Committee

29 July 2019

Title	Additional Voluntary Contributions
Report of	Director of Finance
Wards	All
Status	Public – with Exempt Appendix A
Urgent	No
Key	No
Enclosures	<p>Appendix A – Hymans Robertson’s Review of Prudential AVC option.</p> <p>Exempt enclosure - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended. (Information relating to the financial or business affairs of any particular person (including the authority holding that information)).</p>
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Summary

Over 200 members of the Barnet Pension Fund are accumulating additional savings through AVC’s with Prudential. The provider has closed some of its ‘lifestyle’ options and this has required a review of alternatives. In reviewing alternatives and the overall Prudential service, Hymans have concluded that Prudential continue to be a suitable AVC provider.

Officers Recommendations

1. To note Hymans Robertson's conclusion that Prudential continue to be a suitable provider of AVC products and that a bespoke lifestyle option that has been selected for Barnet's scheme members.

1. WHY THIS REPORT IS NEEDED

- 1.1 Members of the Pension Fund have an opportunity to increase their pension provision through additional voluntary contributions. The Council has previously selected Prudential as their main Additional Voluntary Contribution (AVC) provider. As at March 2019, there were 211 scheme members with AVC holdings with Prudential valued at £2.889 million. In the year to March 2019 contributions paid were £0.529 million. Most members use their AVC's to take a tax free lump sum on retirement as an alternative to reducing their LGPS benefits to draw cash.
- 1.2 In addition to Prudential, there is a AVC arrangement with Aviva, which involves 53 members, contributions last year of £7,000 and a closing asset balance of £478,000. It is planned to review this arrangement at a subsequent meeting.
- 1.3 The review of Prudential was prompted by the closure of three lifestyle options by Prudential and a request to identify alternatives for the 11 scheme members affected by the closure. Lifestyle options are where members invest in growth assets (mainly equities) until 10-15 years prior to retirement at which point the funds are gradually shifted into less risky assets to protect the value of the member's fund.
- 1.4 The attached report from Hymans covers the following matters.
 - The current lifestyle options with Prudential utilised by the Fund
 - Hymans view on Prudential's new lifestyle option
 - Details of an alternative, recommended lifestyle option
 - Review of the appropriateness of the current self-select fund range and recommendations for additional funds, if necessary
 - View on Prudential as an AVC provider, compared to other AVC providers available in the market
 - Comment on the approach for communicating the changes to members
- 1.5 Hymans and Prudential have for other local authorities designed a lifestyle options that is targeted at members looking to take cash at retirement (rather than annuities or income drawdown). Prudential have been instructed to utilise this as the new default arrangement.
- 1.6 Hymans rate Prudential highly as a AVC provider and conclude that there is no need to consider alternative providers.

2. REASONS FOR RECOMMENDATIONS

- 2.1 The Committee has a duty to ensure that the Scheme's AVC arrangement remain suitable for scheme members.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Hymans report considers both alternative lifestyle options within Prudential and alternative providers of AVC's.

4. POST DECISION IMPLEMENTATION

4.1 The decision to utilise a bespoke lifestyle option has been communicated to Prudential. Members will be notified of the default selection but will have the opportunity to select alternatives Prudential products.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 Good management of the Pension Fund will minimise the cost of providing benefits thus enabling funds to be directed to Council priorities.

5.2 Resources (Finance and Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 There are no direct resources issues for the council however changes in the financial performance of the pension fund affects the pension fund deficit reflected in the Authority's accounts and the level of contributions payable by the Council and other employers.

5.3 Social Value

5.3.1 The Public Services (Social Value) Act 2012 came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits.

5.3.2 Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

5.3.3 The Act is a tool to help commissioners get more value for money out of procurement. It also encourages commissioners to talk to their local provider market or community to design better services, often finding new and innovative solutions to difficult problems.

5.3.4 There are no specific social value issues arising out of this report, however membership of the Pension Fund ensures the long term financial health of contributing employees on retirement.

5.4 Legal and Constitutional References

5.4.1 The Local Government Pension Scheme Regulations 2013 (regulation 17) requires the Council (as scheme manager) to make additional voluntary contribution arrangements available to scheme members.

5.4.2 There is no direct reference to AVC's in the Committee's term of reference.

5.5 Risk Management

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

5.5.2 Understanding the causes of sources and variabilities of scheme returns informs the management of investment and funding risk.

5.6 Equalities and Diversity

5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements and monitoring of the Pension Fund's managers will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

5.7.1 Not relevant to this report.

5.8 Consultation and Engagement

5.8.1 Not applicable.

5.9 Insight

5.9.1 Not applicable

6. BACKGROUND PAPERS

6.1 None.