

CYNGOR SIR POWYS COUNTY COUNCIL.

**Pensions and Investment Committee
23rd February 2012**

REPORT BY: Head of Finance

SUBJECT: AVC Arrangements

REPORT FOR: Decision

- 1 Following Coalition Government announcements, publication of the Hutton Report and continuing uncertainties about public sector pension provision, it seems appropriate for the Council to review the provision of Additional Voluntary Contributions (AVC) arrangements.
- 2 As Committee will be aware, since the difficulties experienced by the Council's previous AVC provider, Equitable Life, AVC arrangements have been provided by Standard Life.
- 3 Whilst the administration associated with the arrangement has been satisfactory, Standard Life has done nothing to promote AVCs to members of the Powys County Council Pension Fund. As at 31st March 2011, AVC scheme membership stood at only 2.28% of active members. Moreover, providing access to only one provider lays the Council open to the charge of 'recommending' Standard Life.
- 4 The 'leading' provider of AVCs across the LGPS is Prudential who are currently used by 67 of the 98 LGPS Fund authorities across the United Kingdom including 4 of the other 7 Welsh Funds. In addition, Prudential provide AVCs for both the NHS and Teachers' Pension Schemes.
- 5 Prudential's administration is acknowledged to be of a high standard and already has a working relationship with the Council in its role as AVC provider to the Teachers' Pension Scheme.
- 6 Prudential offers a wide range of investment vehicles available for AVC investors covering all risk profiles. A typical asset class/fund selection for an LGPS authority would include:

Asset Class	Fund
UK Equity	<ul style="list-style-type: none"> • Prudential UK Equity Fund • Prudential Specialist Equity Fund
Global Equity	<ul style="list-style-type: none"> • Prudential Global Leaders Fund
Bonds	<ul style="list-style-type: none"> • Prudential Index-linked Bonds • Prudential Corporate Bonds • Prudential Fixed Interest Bonds
Multi-Asset	<ul style="list-style-type: none"> • Prudential With Profits Fund • Prudential Absolute Return Fund
Property	<ul style="list-style-type: none"> • Prudential Property Fund
Cash	<ul style="list-style-type: none"> • Prudential Deposit Fund • Prudential Cash Fund
Specialist	<ul style="list-style-type: none"> • Prudential Socially Responsible Fund

7 Charges vary between asset classes but are generally around 0.75% of member's fund values. There is no charge to the Council or the Powys County Council Pension Fund

8 Following a meeting with Prudential, attended by the Head of Finance and Pensions Manager and in order to provide scheme members with an alternative to Standard Life and in an attempt to increase take-up, it is recommended that the Council appoints Prudential as a second AVC provider, offering the typical asset classes selection as detailed in paragraph 6.

Recommendation:	Reason for Recommendation:
To appoint Prudential as the second AVC provider to the Powys County Council Pension Fund	As per report
Person(s) To Action Decision:	Pensions Manager

Date By When Decision To Be Actioned:		1 st April 2012	
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	08708 510264	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Tony Thomas
Relevant Local Member(s):	