



Report of: Interim Section 151 Officer

Meeting of	Date	Agenda Item	Ward(s)
Pension Board	24 March 2020		

Delete as appropriate		Non-exempt	
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SUBJECT: Islington Pension Fund AVC Arrangements

1. Synopsis

- 1.1 This report provides the Board with information on the recent changes in AVC arrangements regarding Equitable Life AVC investments that a small number of members of Islington Pension Fund hold.
- 1.2 The report also provides information on the Council's other AVC partners.

2. Recommendations

- 2.1 To note the transfer of Equitable Life AVC Investments to Utmost.
- 2.2 To note that the Council's Actuary has been commissioned to carry out a review of all our AVC partners to assess the suitability and value for money of their prescribed funds.

3. Background

- 3.1 The Local Government Pension Scheme Regulations requires local authorities to provide an Additional Voluntary Contribution (AVC) scheme to run concurrently with the occupational scheme. This is to allow members to pay additional contributions in order to increase retirement savings and/or to provide additional life insurance. Although this is an individual choice, the administering authority is the policyholder for the group arrangement in place and, therefore, has certain responsibilities.

With the introduction of personal pensions in July 1988 the Council appointed The Equitable Life Assurance Company as AVC provider. Following the financial debacle in the late 1990s around their guaranteed annuity rate on policies they could no longer afford; they subsequently closed to new business but still maintained a small number of AVC Investment from members of Islington Council's Pension Fund.

- 3.2 Islington Council appointed National Provident Institution (NPI) as the Council's new AVC provider in 2001. NPI became part of the Phoenix Group in March 2012 and all AVC Investments from members of Islington Council's Pension Fund were transferred to Phoenix Life with effect from 1st April 2012.
- 3.3 Islington Council appointed Prudential as the Council's new AVC provider in 2004.
- 3.4 Islington Council Group AVC Arrangement with Equitable Life has with effect from the 1st January 2020 transferred to Utmost under a statutory process. The Pensions Office have sent out letters to all 26 members regarding the new arrangement and made them aware of their ability to choose alternative funds or to take out new AVC policies with Islington Pension's Fund principal AVC provider for new business – Prudential.
- 3.5 The Pension Regulator's Codes of Practice state that Defined Contribution schemes, including AVC arrangements for Defined Benefit schemes such as the LGPS, should meet certain aims. They should exercise good governance and effective scheme management and give "value for money". These aims should be regularly evaluated to ensure this continues to be the case.
- 3.6 Islington Council has commissioned Mercer to conduct a review of all 3 of the Pension Fund's AVC providers to assess its continued suitability for our members and to evaluate whether it achieves value for money with specific focus on:
- Diversity of investment products and coverage of risk
 - Investment Fund Performance and governance
 - The administration performance of the provider and governance
 - Administration fees, exit charges for members.
 - Communications

4. Implications

4.1 Financial Implications

4.1.1 The cost of administering the LGPS is chargeable to the Pension Fund.

4.2 Legal Implications

4.2.1 There are no specific legal implications in this report.

4.3 Resident impact assessment

4.3.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.3.2 In respect of this report, a Resident Impact Assessment is not being made because the contents of the report relate to processes that are strictly in accordance with the statutory Local Government Pension Scheme Regulations. The LGPS Regulations are made under the Superannuation Act 1972, and the Council has a statutory duty to comply with the LGPS Regulations.

4.4 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is <https://www.islington.gov.uk/~media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf>

5 Conclusion and reasons for recommendations

5.1 To advise Members of the Pension Fund's current AVC arrangements and the need to evaluate our providers against suitability and value for money in accordance with the Pensions Regulator guidance.

Background papers:

None,

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