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| <p>Non-Executive Report of the:</p> <p><b>Pensions Committee</b></p> <p>Thursday, 24 June 2021</p> |  |
| <p><b>Report of:</b> Corporate Director, Resources</p>   | <p><b>Classification:</b><br/>Open (Unrestricted)</p>                               |
| <p><b>Additional Voluntary Contribution (AVC) Provider Update</b></p>                              |   |

### Reasons for Urgency

The report was not published five clear days in advance of the Pensions Board meeting, 8 June 2021. Therefore, before this report can be considered at this meeting, the Chair would need to be satisfied that it is necessary to consider this report without that consideration being delayed to a later meeting. It is important that there is no delay in member oversight of the review of Additional Voluntary Contribution review, which are already significantly later than good practice permits.

|                               |              |
|-------------------------------|--------------|
| <b>Originating Officer(s)</b> | Miriam Adams |
| <b>Wards affected</b>         | (All Wards); |

### Executive Summary

This report provides an update on the performance of the Fund's AVC providers Utmost and Aviva.

### Recommendations:

The Pensions Committee is recommended to:

1. Note the content of this report;
2. Agree the recommendation to commission an independent review of existing AVC providers Aviva and Utmost; and
3. Agree Fund objectives for Additional Voluntary Contributions (AVC).

## 1. REASONS FOR THE DECISIONS

- 1.1 To ensure necessary periodic monitoring and value for money.

## **2. ALTERNATIVE OPTIONS**

- 2.1 There are no alternative options to be considered.

## **3. DETAILS OF THE REPORT**

- 3.1 Under the Local Government Pension Scheme (LGPS) Regulations, each LGPS Fund is required to provide access to an AVC arrangement where Fund members can elect to pay additional contributions in order to further boost 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.
- 3.2 The Pensions 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 be efficient, effective and give members "value for money". These aims should be regularly evaluated to ensure this continues to be the case.
- 3.3 The market of AVC providers has been declining and contracting as a range of alternative options for tax-efficient and pension savings have emerged. There is limited competition and provision for the LGPS, which requires administrative functions to deal with the large volume of employers, is dominated by the Fund's providers like Prudential, Zurich, Aviva and Utmost (Equitable Life).
- 3.4 An active scheme member may elect to pay AVC into a scheme established between the administering authority and an approved insurer. Tower Hamlets Pension Fund has two AVC providers, Utmost and Aviva.
- 3.5 The Occupational Pension Scheme (Investment) Regulations 2005 require trustees to monitor AVCs in line with a number of criteria, including the security and quality of the arrangements in place.
- 3.6 There is no historic evidence to support officers meeting with both providers or providers attending Board or Committee meetings. 15 members currently participate across the two AVC arrangements.
- 3.7 Officers recommend that the Committee agree to commission a procurement exercise which will review for the current providers Aviva and Utmost. The suggested areas to review are:
- Range of investment vehicles and coverage of risk profiles
  - Performance of investment funds
  - Administration performance, including communication with administration authorities, employing authorities, other financial organisations (eg re the transfer of pension pots), and with Fund members
  - Costs for Fund members in terms of administration fees, exit charges etc.

- Suitability of the Fund's AVC requirements, incorporating an assessment of the value for Fund members, is carried out every three years.
- 3.4 It is not proposed to stop AVC payments to the current legacy providers except this is raised as a concern in the review.
- 3.5 The table below lists suggested Fund objectives for AVC. The Committee is asked to agree these objectives.

| Perspective    | Outcomes  |
|----------------|---|
| Communications | • Promote the Scheme as a valuable benefit.   |
|                | • Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits.                 |
|                | • Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately.   |
| Administration | • Administer the Funds in a cost effective and efficient manner utilising technology.   |
|                | • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. |
|                | • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.  |
|                | • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.   |
|                | • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.  |
| Governance     | • To monitor performance annually.  |
|                | • To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.  |

#### **4. EQUALITIES IMPLICATIONS**

- 4.1 There are no equalities implications associated with this report.

## **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
  - Consultations,
  - Environmental (including air quality),
  - Risk Management,
  - Crime Reduction,
  - Safeguarding.
  - Data Protection / Privacy Impact Assessment.

### **Risk Management**

- 5.2 There are no direct risk management from this report. However, it is good practice to review and monitor performance.

## **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 There are no direct financial implications associated with this report.

## **7. COMMENTS OF LEGAL SERVICES**

- 7.1 The commissioning of a consultant to perform the review is a public services contract and therefore the appointment should be made subject to a competitive tendering process. However, similar previously commissioned reports have cost in the region of £10k - £15k. Under the Council's constitution a contract of this low value only requires the acquisition of one quote to satisfy this duty.
- 7.2 However, it may be considered appropriate to request a quote from more than one firm, provided this can be done relatively quickly to ensure that the price represents best value or call off the services from a pre-tendered framework if available.
- 7.3 The subject matter of this report raises no direct legal implications for the purposes of the Equalities Act 2010.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- NONE

**Appendices**

- NONE

**Local Government Act, 1972 Section 100D (As amended)****List of “Background Papers” used in the preparation of this report**

- NONE

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