

## **PE84. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC's)**

The Committee considered a report by the Chief Finance Officer on the Additional Voluntary Contributions (AVC's) and consideration of the appointment of Prudential as an additional AVC Provider to the Pension Fund.

Additional Voluntary Contributions (AVC's) were introduced as part of the Local Government Pension Scheme since 1987 and provided the opportunity for Pension Fund members to build up benefits on a money purchase basis receiving tax relief on their contributions, which were in turn invested with an external manager (AVC Provider). The Provider generally offered a spread of investment funds ranging from a low risk cash fund to more volatile equity linked funds. On retirement, the accumulated AVC pot converted into an annuity or could be realised as a tax free lump sum.

The current AVC arrangement enabled member investment in three Standard Life Funds. These were Cash, Profits and Managed Funds. Members had the opportunity to spread investment across the Funds and switch between them. The local authority AVC market was specialised and Standard Life and Prudential were considered to be the only two credible providers.

The report highlighted that whilst Standard Life was a well-known institution with a strong financial rating and its approach to marketing AVC arrangements had been low key. Despite this it was considered that Standard Life could be retained as one of the Fund's AVC Providers.

Prudential was recognised as a leading provider in the AVC field. Hymans Robertson, the Fund's Investment Adviser, was therefore requested to comment on the proposed appointment of Prudential as joint AVC Provider to the Falkirk Fund. Feedback was positive and indicated their leading status player in the LGPS AVC market and their long term stability.

The appointment of Prudential was considered to offer Fund members greater AVC investment choice. This was supported by Hymans Robertson. In addition, the appointment would assist in refreshing the AVC facility and provide members a greater retirement saving opportunity.

### **Decision**

**The Committee noted the proposal to appoint Prudential as an additional AVC Provider.**