



18 July 2019

Agenda Item: 4

**REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND
EMPLOYEES.**

**LOCAL GOVERNMENT PENSION SCHEME – PRUDENTIAL AVC LIFESTYLE
STRATEGY UPDATE**

Purpose of the Report

1. The purpose of the report is to inform Nottinghamshire Pension Fund Committee of a review that has been undertaken by Barnett Waddingham, the scheme actuary, relating to changes being undertaken by the Prudential, one of the Pension Scheme's Additional Voluntary Contribution (AVC) providers.
2. The report provides a summary and high level background of the current position, the new options, and advice to the fund on the approach to be undertaken by the Fund.

**Information
Background**

3. Earlier in 2018 the Prudential, one of the funds AVC providers, informed the fund of a number of changes to its lifestyle investment strategies which 88 members of the fund have some investments through the AVC provision.
4. As part of its restructure and refinement project, the Prudential has taken the decision to close a number of old lifestyle strategies (lifestyles) that it has been operating. The fund currently has members invested in three of the lifestyles which are closing and a replacement lifestyle will need to be selected from the new options. The impacted legacy lifestyles which members are invested in are known as:
 - Optimiser 6
 - Optimiser 8
 - Optimiser 10
5. Prudential plans to conduct this change later this year, and has requested that the fund makes a decision regarding the lifestyles to which its members invested in the three closing lifestyles to be switched.

6. Prudential have stated that they will not be switching members' With-Profits investments. Members in this fund will see their savings stay where they are to protect bonuses they have already built up. They can move their savings to one of the new lifestyles if they want to, but it will be important for them to consider carefully any change they make.
7. There will be no change for members who have chosen to self-select their own funds and their funds will continue to be managed as they are now. They will be able to continue to switch funds as they do now. There are no additional charges for investment switching and members can switch as often as they want including members who invest in the Prudential Deposit Fund.

The Report

8. As this was a change to the plan's investment strategy, we sought advice from Barnett Waddingham and their recommendation was to adopt the new lifestyle strategies with the strategy that targets cash at retirement as the default. Prudential will therefore switch impacted members into the Prudential Dynamic Growth IV Lifestyle targeting 100% cash. Members can also self-select any of the further three new lifestyle strategies Prudential are introducing or move their investment to any of the individual funds available.
9. Prudential will be responsible for the communication of these changes to members and will also make the wider AVC membership, i.e. those invested in self-select funds rather than lifestyle, aware of the changes.
10. The recommendation by Barnett Waddingham has been communicated to the Prudential and they are currently planning in the communication to the members of the fund who hold an AVC.
11. A copy of the Lifestyle options is attached at Appendix 1
12. The timetable that the Prudential has put in place for the for the changes is as follows:-
 - Changes made to the fund choice and fund guide updated – 8th July 2019
 - Mailing to members – 22 July 2019
 - Actual switch date – 16 September 2019

Statutory and Policy Implications

13. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

14. There are no financial implications to the pension fund as the changes being implemented relate to individual choice of those scheme members that hold an AVC in the investments identified within the report.

RECOMMENDATIONS

It is recommended that the Committee:

- 1) Acknowledge that a review has been undertaken, with recommendations, and that the changes recommended will be communicated to the members affected by the Prudential.
- 2) Acknowledge that appropriate information will be made available by the Prudential for members to make any choices they need to make.

Marjorie Toward
Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Jonathan Clewes, Pension Manager on 0115 9773434 or Jon.Clewes@nottscc.gov.uk

Constitutional Comments (KK 04/07/2019)

The proposals in this report are within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments (KP04/07/2019)

As noted in the report there are no financial implications to the pension fund in the proposed changes to the AVC options available. The cost of the Barnett Waddingham review of £2,000 will be charged to the pension fund.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All