



AVC Review

January 2022

Introduction

This report has been prepared for the East Sussex Pension Committee to assist with the management and governance of the East Sussex Pension Fund's (ESPF or the Fund) Additional Voluntary Contribution (AVC) arrangements with the Prudential.

There were 1,086 East Sussex Fund members with Prudential AVC's, based on the statement of accounts as at 31 May 2021 totalling £21.9m of assets. Annual contributions by members into the AVC funds amounted to £2.1m in 2020/21.

The AVC arrangement currently consists of 10 self-selected funds which are open for new investment, these are mostly actively managed funds with two passively managed funds. In addition, members have access to two lifestyle options (a) that is designed for a member planning to take all their AVCs as cash on retirement or (b) retirement options where only 25% of the fund is aimed at cash on retirement. The lifestyle invests in a range of predominantly growth seeking assets (equities, property etc.) when more than 10 years from retirement and gradually de-risks into consolidation assets (bonds and cash) over the 10 years to selected retirement date.

The Committee is required to consider the on-going suitability of the funds made available for members to choose, taking into account the performance of both the provider and investment fund in question.

This report will cover the following areas:

- Member demographics
- Investments
- Business
- Service
- Communications
- Commentary on alternate providers
- Summary and recommendations

To help compile this paper the Fund has been provided information from Prudential and has sought commentary from the Barnett Waddington DC research team, who regularly review leading DC providers across the key areas – business, administration, investment and communications.

Executive Summary

Responsibility

The Pension Committee has an ongoing governance responsibility to ensure that:

- The fund options made available remain appropriate
- The AVC provider offers a good quality service that meets the needs of members and the Committee
- The charges paid by members are competitive and offer good value to money

Key findings

Overall, there are no aspects of Prudential of major concern, however the following should be noted:

- 1.** Prudential's administration service performance had deteriorated in 2021, The Fund communicated with Prudential in April 2021 to understand the issues and how this would be resolved, and awareness was raised to Board and Committee in June 2021. Prudential implemented a Critical Service Recovery Plan in July 2021. The service issues have been predominately as a result of an upgrade to the Prudential's administration platform which has caused issues across a number of areas and has resulted in a backlog of work items. Prudential has taken this issue seriously, and service has improved. The Fund will continue to monitor Prudential carefully to ensure that service continues at expected standards and any outstanding services issues are resolved.
- 2.** Prudential are one of the largest AVC providers in the UK and have significant experience in administering AVC arrangements for local authorities. Prudential is financially strong and compares well across the industry with a Standard and Poor's rating of A+.
- 3.** The default investment fund for ESPF members under the AVC arrangements is the Prudential With-Profits Fund. This fund aims to provide competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. This fund is broadly one of the better performing with-profits funds available. Whilst Prudential's charges for the unit-linked funds are reasonably high relative to DC scheme pricing, they are more consistent with AVC arrangements. Irrespective of whether more competitive charges are available in the wider market, the access to an equivalent With-Profits Fund are less likely to be available under a new arrangement, as the majority of with-profits funds in the market are closed to new business. As a result, any change in supplier would impact the majority of AVC investors in their ability to access an equivalent investment option and could cause added complexity, removal of stability in their AVC's and increased exposure to market risk.

Recommendations

The Pension Committee should

1. Consider the service provision and options available to members
2. Agree to a regular review of the AVC arrangements

East Sussex Pension Fund Membership of AVC's

Membership Demographics

Status by age group as at 30 June 21

	25-29	30-34	34-39	40-44	45-49	50-54	55-59	60-64	65+	Total No. of members
Active	3	9	23	46	121	232	315	208	73	1,030
Deferred	0	2	4	9	21	92	98	50	19	295
Totals	3	11	27	55	142	324	413	258	92	1,325

Status by membership duration as at 30 June 21

	30+ Yrs	20-30 Yrs	10-20 Yrs	5-10 Yrs	4-5 Yrs	3-4 Yrs	2-3 Yrs	1-2 yrs	<1 Yr	Total No. of members
Active	0	289	109	255	120	88	35	50	84	1,030
Deferred	1	184	43	45	12	8	0	2	0	295
Totals	1	473	152	300	132	96	35	52	84	1,325

Status by years to retirement as at 30 June 21

	Past retirement date	<1 Yr	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	5-10 Yrs	10-20 yrs	20+ Yrs	Total No. of members
Active	7	52	52	57	71	73	319	320	79	1,030
Deferred	1	10	13	9	10	19	107	112	14	295
Totals	8	62	65	66	81	92	426	432	93	1,325

Member pot sizes

- Approximately 80% of the membership have pot sizes of less than £40k and around 40% have pot sizes of less than £10k.
- A small number of members have AVC pots of over £100k.
- The average member pot size is £13,440.

Age profile of membership

- Shows the maturity of membership.
- The oldest member is 74.
- The average age of the membership is 56.

Years to retirement

- 60% of the membership have less than 10 years until retirement based on the policy end date with Prudential.
- However, 7% of members have over 20 years until retirement so the Committee's on-going governance requirement for the AVC is expected to continue over a long time horizon.

Investment's

Funds available for investment

Investment Fund Name	Asset Class, Active or Passive	Prudential's risk rating
Prudential UK Equity Passive Fund	Equities, Passive	High
Prudential Overseas Equity Passive Fund	Equities, Passive	Medium to higher risk
Prudential Positive Impact Fund	Equities, Active	Medium to higher risk
Prudential Discretionary Fund	Multi-Asset, Active	Medium
Prudential Dynamic Growth IV Fund	Multi-Asset, Active	Medium
Prudential Long-Term Gilt Passive Fund	Government Bond, Active	Medium
Prudential Dynamic Growth I Fund	Multi-Asset, Active	Lower to medium risk
Prudential Dynamic Growth II Fund	Multi-Asset, Active	Lower to medium risk
Prudential With-Profits Fund (<i>Default option</i>)	Multi-Asset, Active	Lower to medium risk
Prudential Cash Fund	Deposits, Active	Minimal risk

AVC investors can invest in multiple funds.

Environmental, Social and Governance (ESG)

There is one ESG offering in the arrangement – the Prudential Positive Impact Fund. The fund gains its positive impact exposure through the M&G Positive Impact Fund. The fund is a concentrated portfolio of global stocks, investing in companies that make a positive social and/or environmental impact alongside a financial return. The fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on areas including climate action, pollution reduction, circular economy, health and wellbeing, education and innovation, and working conditions. The objective is to support and influence their contribution to the world's major social and environmental challenges. The fund manager has discretion to invest in companies with limited exposure to fossil fuels but which are driving or significantly participating in the transition to a more sustainable economy. There are 67 members invested in this fund which equates to 5% of member exposure to the investment options. This fund was added to the options available in February 2020.

Closed Funds

The following funds have been closed, however members who have selected these prior to closure can retain their holding.

Investment Fund Name	Asset Class, Active or Passive	Prudential's risk rating
Prudential Deposit Fund	N/A, Active	Minimal Risk
Prudential Fixed Interest Fund	Government Bond, Active	Lower to medium risk
Prudential Global Equity Fund	Equities, Active	Medium to higher risk
Prudential Index-Linked Fund	Government Bond, Active	Medium to higher risk
Prudential International Equity Fund	Equities, Active	Medium to higher risk
Prudential UK Equity Fund	Equities, Active	High

The UK Property S1 and S3 funds were closed in July 2021, due to a large number of withdrawal requests. Members investing in these funds since 03/06/2019 were redirected into the Cash Fund (unless members selected an alternative fund). Prudential wrote to all members who were invested in the property funds with details of the closure, the fund they proposed moving their investment to and next steps.

Lifestyle funds

Prudential Lifestyle Fund Name	Fund within lifestyle
Targeting 100% cash	Dynamic Growth IV & Dynamic Growth II & Cash
Targeting retirement options	Dynamic Growth IV & Dynamic Growth II & Cash

Members have access to two lifestyle options (a) that is designed for a member planning to take all their AVCs as cash on retirement or (b) retirement options where only 25% of the fund is aimed at cash on retirement. The lifestyle invests in a range of predominantly growth seeking assets (equities, property etc.) when more than 10 years from retirement and gradually de-risks into consolidation assets (bonds and cash) over the 10 years to selected retirement date.

Default fund

The Prudential arrangement offers a default investment, where members' contributions will be invested unless they make an active choice otherwise. For this arrangement, the default is the Prudential With-Profits Fund.

The With-Profits Fund aims to offer the prospect of competitive long-term real returns whilst smoothing the peaks and troughs of day-to-day market movements. The Fund is broadly one of the better performing with-profits funds.

The value of with-profits funds are not directly exposed to fluctuations in the value of the underlying assets. Instead, returns are 'smoothed' through the addition of bonuses (regular and final) which aim to provide members with a steady rate of return. The level of bonuses applied, which are not guaranteed, will vary depending on a number of factors and will

make an allowance for the charges associated with running the fund.

Members have the potential to achieve higher returns by transferring from the With-Profits Fund into unit-linked alternatives. However, in doing so, members would then equally expose the fund value they have built up to potential negative returns. By contrast annual bonus rates in the With-Profits Fund once applied, cannot be taken away.

With-profits funds have commonly been used within AVC arrangements, and there are no particular concerns regarding the use of the Prudential With-Profits Fund as the arrangement's default.

Funds Under Management as at 30 June 2021

Prudential Fund	Units	Price	Value (£)	% of total fund	No. of members
With-Profits Cash Accumulation Fund			9,034,258	50.73	777
S3 Discretionary Plan	795,589.15	416.90	3,316,811	18.63	248
Deposit Fund			1,569,708	8.81	121
S3 Overseas Equity Passive Pen	149,487.25	524.80	784,509	4.41	104
S3 Cash Pen	382,554.47	155.70	595,637	3.34	48
Dynamic Growth IV	313,020.27	163.20	510,849	2.87	74
S3 Long-Term Gilt Passive Pen	132,026.30	360.50	475,955	2.67	76
Positive Impact	344,496.24	126.40	435,443	2.45	67
UK Equity Passive	117,735.69	307.10	361,566	2.03	52
Dynamic Growth I	163,989.88	145.80	239,097	1.34	45
With-Profits Cash Accumulation Fund 2			207,342	1.16	61
Dynamic Growth II	103,584.67	152.30	157,759	0.89	46
S3 International Equity Pen	10,796.65	515.50	55,657	0.31	9
S3 Global Equity Pen	8,197.55	396.60	32,511	0.18	5
S3 UK Equity Pen	8,223.29	343.30	28,231	0.16	5
S3 Index-Linked Pen	445.66	470.70	2,098	0.01	1
S3 UK Property Pen	-2.39	315.80	-8	0.00	2
Totals			17,807,424		1,337

Funds Under Management as at 30 June 2021 by age

Prudential Fund by age	25-29 (£)	30-34 (£)	34-39 (£)	40-44 (£)	45-49 (£)	50-54 (£)	55-59 (£)	60-64 (£)	65+ (£)	Total No. of members
With-Profits Cash Accumulation Fund		4,146	35,101	129,335	480,694	1,445,382	3,339,032	2,556,215	1,044,352	777
S3 Discretionary Plan	1,596	10,478	18,950	43,569	189,391	696,204	1,430,608	629,171	296,843	248

Deposit Fund		437	436	5,608	63,381	189,429	515,400	489,426	305,592	121
S3 Overseas Equity Passive Pen	1,741	2,381	4,670	37,685	140,256	201,638	289,518	97,936	8,683	104
S3 Cash Pen	1,376	197		49	1,245	111,033	166,917	244,174	70,645	48
Dynamic Growth IV			14,227	10,724	106,235	249,545	93,208	36,910		74
S3 Long-Term Gilt Passive Pen	791		1,141	21,280	56,866	105,569	132,486	97,675	60,146	76
Positive Impact	649	993	15,025	21,846	48,808	75,364	120,426	110,134	42,198	67
UK Equity Passive		3,560	5,868	74	50,555	143,452	71,345	52,176	34,536	52
Dynamic Growth I			936	1,527	35,931	62,849	59,681	60,267	17,908	45
With-Profits Cash Accumulation Fund 2	1,202	643	1,454	970	7,082	63,675	81,672	50,144	500	61
Dynamic Growth II				202	39,031	24,090	66,101	28,336		46
S3 International Equity Pen					19,526	16,900	8,037	11,195		9
S3 Global Equity Pen			501			16,401	15,610			5
S3 UK Equity Pen					2,194	13,052		12,985		5
S3 Index-Linked Pen								2,098		1
S3 UK Property Pen							-8			1
Totals	7,355	22,835	98,309	272,870	1,241,198	3,414,582	6,390,033	4,478,840	1,881,403	1,337

Number of investors in each fund as at 30 June 2021 by age

Prudential Fund choice by age (free style only)	25-29	30-34	34-39	40-44	45-49	50-54	55-59	60-64	65+	Total
With-Profits Cash Accumulation Fund		3	5	18	50	108	165	106	48	503
S3 Discretionary Plan	1	3	10	6	22	47	65	40	4	198
Deposit Fund		1		2	7	14	28	30	19	101
S3 Overseas Equity Passive Pen	1	3	2	6	19	15	23	12	1	82

S3 Cash Pen	1	1	2	1	1	6	15	8	3	38
Dynamic Growth IV					3	6	1	2		12
S3 Long-Term Gilt Passive Pen	1		2	5	8	10	18	9	6	59
Positive Impact	1	2	5	5	14	10	14	6	1	58
UK Equity Passive		1	3		7	11	15	7		44
Dynamic Growth I					4	3	5	4		16
With-Profits Cash Accumulation Fund 2	1	1	3	2	8	14	17	11	1	58
Dynamic Growth II						6	4	4		14
S3 International Equity Pen					1	1	1	1		12
S3 Global Equity Pen			1			1	1			3
S3 UK Equity Pen						1				1
S3 Index-Linked Pen										0
S3 UK Property Pen										0
Unique Members	3	9	21	35	109	209	294	198	71	949

Investment performance period to 31 March 2021

The following table gives a summary of the investment performance of the open and closed funds. The figures are presented against the relevant benchmarks and net of fees.

Performance net of AMC Fund Name	Return Quarter	Return 1 year %	Return 3 year % p.a. (annualised)	Return 5 year's % p.a. (annualised)
UK Equity Passive	5.2	26.6	3.3	6.4
Overseas Equity Passive	3.4	41.1	10.9	13.4
Positive Impact	0.5	42.1	n/a	n/a
Discretionary	3.3	28.1	6.5	9.5
Dynamic Growth IV	1.0	27.8	7.2	9.5
Long-Term Gilts Passive	-12.2	-10.3	3.4	4.9
Dynamic Growth I	-1.7	16.3	5.9	7.2

Dynamic Growth II	-0.9	20.1	6.4	8.1
With Profits	unknown	unknown	unknown	unknown
Cash	0	0.1	0.5	0.4
UK Equity Active	5.6	33.9	4.5	7.4
International Equity	5.9	39.9	8.4	12.4
Global Equity	5.8	36.3	6.1	9.1
Index Linked	-6.7	3.1	3.8	6.8
Fixed Interest	-7.3	-4.8	2.9	3.3
Deposit	unknown	unknown	unknown	unknown

At retirement options

Members have the following options for taking their AVCs:

Tax-free cash sum – members may take up to 100% of the AVC benefits as a tax-free cash sum, provided that the total is not more than 25% of the total value of the Fund’s benefits i.e. including Local Government Pension Scheme (LGPS) benefits.

1. Tax-free cash sum and increased pension – Up to 25% of the AVC benefits can be taken as a tax-free cash sum and the remainder can be used to provide an increased pension from the Fund.
2. Purchase of a lifetime annuity.
3. Transfer to an alternative registered pension arrangement, e.g. offering flexi-access drawdown.

Business

Financial Strength - durability

Prudential is financially strong and compares well across the industry. Prudential is part of M&G plc.

Agency	Rating	Meaning of rating	Outlook
Standard & Poor’s	A+	A+ signifies strong financial security	Stable

Product commitment

Prudential are an international provider of financial products and services. From a UK perspective, although they are not actively seeking new business in the workplace pension market, they administer a significant number of pension schemes. In particular, they operate a number of AVC arrangements for local authorities participating in LGPS and other public sector schemes, and as such they are a well-known provider in this area of the market. Prudential provides AVC solutions to 74 of 99 Administering authorities in the LGPS.

Brand

Often members will feel more comfortable knowing that their AVCs are invested with a company that they have heard of and know something about. Members can also draw comfort from knowing that the company that looks after their AVCs also does so for millions of others.

Service

Whilst Prudential are one of the more active providers in the AVC market, their administration service has been poor in 2021 largely due to a change of administration platform. The move to a new administration platform will quite frequently bring with it

change and service issues. Prudential appear to have a detailed plan in place to put things right and the administration service performance is improving.

Systems

Prudential changed their underlying administration platform to BaNCS (provided by Diligenta) in late 2020. The BaNCS platform has more robust contribution reconciliation processes. Prudential have previously assisted clients by undertaking manual workarounds for non-matching contribution files and payments, but this is no longer possible. The change has caused challenges for clients' payrolls resulting in contribution processing delays.

The change to the contribution process has had a knock-on effect on other service areas, irrespective of whether contributions are paid or not. Prudential have made a significant increase in staffing levels in the key operational functions such as contribution processing and claims in order to reduce the backlogs of work that have built up.

Quality & Processes

As a result of the system issues, Prudential implemented a Critical Service Recovery Plan in July 2021, covering a number of services and processes:

1. Cash management – Prudential are working with a third party to educate clients' payroll teams in using the new system.
2. Claims – triaging claims that have no cash management (contribution) dependency and paying them; otherwise liaising with trustees where there are cash management issues; there are still delays on some claims (10 to 15 day completion to move to 5 to 10 day SLA in Q4 2021).
3. Complaints – taking the general approach of upholding complaints and ensuring no financial detriment.
4. Servicing and quotes – some developments to relieve pressures on voice contact service (if a quote doesn't get issued, a call is received increasing call volumes).

Helpline

Voice contact service (calls) – the service is stabilising, with c80% of staff now working back in the office in Craigforth following the removal of lockdowns imposed as a result of the Covid-19 pandemic. Call waiting times have fallen to around 10 minutes.

Project management

The production of the annual Statement of Account and Benefits Statements has been severely impacted with the system change and service issues. This is a key area Prudential are focusing on given the regulatory nature of the need for information. Prudential have kept The Pensions Regulator and the Financial Conduct Authority updated with issues. The 2020/21 accounts were completed and sent to the Fund in January 2022.

Account management & Management Information

There is weekly tracking by Prudential across the areas referenced above, with the aim of reaching consistency by the end of August. We understand that as at mid-August Prudential have returned to business as usual processing on claims, with the majority of cases being completed within 10 days. Prudential hope to step back and leave services to the outsourced provider, Diligenta, at the year-end.

There are two named Client Relationship Managers through whom we can raise and escalate and service issues. We have been having regular discussions since service deterioration began in April 21.

Scheme Advisory Board (SAB) and Local Government Pensions Committee (LGPC)

The service issues with Prudential are consistent across the LGPS and were discussed by the National Technical Group at its meeting on 27 September 2021 where it was agreed that the chair of the LGPC would liaise with the chair of SAB (England and Wales) to write to Prudential setting out the concerns with the service on behalf of the scheme. The letter to Prudential also requested that they attend a meeting with LGPS/SAB to discuss these issues further which Prudential have agreed to.

Ongoing issues identified by the LGPC in December 2021 include the Regulatory breach due to the non-publication of the financial statements (due seven months after the year-end – since received in January 2022) and Annual benefit statements still not published, although this is not a regulatory breach as these do not have to be published until 31 March 2022.

Communication

As the AVC arrangement is part of the broader benefits of the Fund, the type and frequency of communications from an AVC provider are fairly limited. However, clear communications are essential so that members understand what they can do to put themselves in the best possible position.

Digital engagement

Prudential have a dedicated section of their website for LGPS members. Members can view details of how AVC arrangements work, the tax benefits of contributing and details of investment and retirement options. Prudential also operate income tax and retirement contributions calculators so members can model how their choices will impact them specifically.

Members can also register to access details of their AVC account online via Prudential's secure member site. Once registered, members can view their details online and make certain changes, such as changes to contribution levels, retirement age and updating their personal details.

The East Sussex AVC fund guide can be found <https://www.pru.co.uk/pdf/LAVK10033.pdf>

Bespoke communications

The Fund have reviewed Prudential's annual benefit statement template, and believe the messaging to be clear, relevant and up-to-date.

Overview of alternative providers

Barnett Waddingham have provided an overview of two alternative pension providers who administer an AVC arrangements (Aviva & Fidelity). The AVC provider market is relatively limited, however there are some further AVC providers. Both the alternative pension providers, administer open AVC arrangements and Barnett Waddingham consider to be among the market leaders in the AVC and workplace pensions market.

Proposition Area	Aviva	Fidelity	Comparison against Pru
Business	<p>Aviva (Aviva Life & Pensions UK Limited) has a Standard & Poor's insurer financial strength rating of AA- (stable outlook), signifying very strong financial security characteristics. This rating was upgraded from A+ in July 2019.</p> <p>Aviva has a very strong presence in the workplace pensions market. The NGP platform (ex-Friends Life) is strategic to Aviva due to the large value of business operated on it. From a new business viewpoint, however, Aviva focuses on either its MyMoney or Unisure platform, depending on the profile characteristics of the potential new scheme. We believe however that the functionality of the NGP platform is broadly comparable with those of other providers and Aviva's own alternative platforms.</p>	<p>Fidelity has a strong presence in the workplace pensions market. In our most recent research, Fidelity reported operating some 75+ AVC schemes, representing some £300 million of assets.</p>	<p>Both Aviva and Fidelity are financially strong organisations, similar to Prudential.</p> <p>The key difference is that Aviva and Fidelity are open to new workplace pensions business and are very active in the market. As a result they are continuously investing in their propositions and services.</p>

	<p>Aviva reported operating some 1400+ AVC schemes on the NGP platform, representing some £2.6 billion of assets.</p>		
Administration	<p>None of the administration is outsourced or offshored.</p> <p>In assessing the performance of its administration services, Aviva is moving away from service level agreement (SLA) measures and replacing these with a suite of end-to-end measures with the aim of collectively determining and evidencing how well its service is performing for customers rather than just how quickly tasks are done.</p>	<p>A number of back office activities are carried out from Fidelity's business centres in Gurgaon and Noida, India.</p> <p>In assessing the performance of its administration services, Fidelity uses service level agreement (SLA), customer satisfaction and net promoter score (NPS) measures.</p>	<p>All administration for Aviva is undertaken in the UK, unlike Fidelity and Prudential where some services are carried out in India.</p> <p>Our clients' experiences of Aviva and Fidelity's service performance has generally been good. However, Aviva has experienced issues in previous years when switching between administration platforms.</p>
Investment	<p>Aviva's standard default is My Future. This lifestyle strategy employs strategic asset allocation across a range of passive investment funds, with volatility targeting that reduces in the final 15 years. Alongside the standard 'universal' option that offers broad protection for the various retirement options, Aviva provides variants of My Future that offer more targeted protection to the specific retirement options.</p> <p>Aviva provides access to 100+ investment funds as standard (includes component funds to the lifestyle strategies),</p>	<p>Fidelity's standard default is FutureWise. This lifestyle strategy employs a mix of passive and active management, reducing volatility in the final 18 years, targeting a universal outcome at retirement.</p> <p>Fidelity do not offer any alternative "off-the-shelf" defaults</p> <p>Wider investment options include 150 self-select investment funds</p>	<p>Both providers offer a more sophisticated range of investment options than Prudential. In particular, the provider defaults benefit from a high level of oversight and governance at provider level. Prudential do operate similar lifestyle strategies that could be used as a default. They also have a wide range of self-select funds that could be offered.</p> <p>The wider fund range available from both Aviva and Fidelity is in</p>

	<p>sufficient to meet the needs of the large majority of pension savers, including several 'ethical' funds. Aviva also provides an alternative suite of lifestyle strategies, My Future Focus, which aims for enhanced returns and de-risks over a shorter, 10 year period.</p>	<p>our view suitable for the needs of the majority of members.</p>	
Communications	<p>Aviva issues benefit statements annually, online via the member site as standard, although hardcopy is available for members unable to access statements online. We believe the statements are informative, reasonably engaging and give clear calls to action.</p> <p>Aviva's retirement communications strategy begins 15 years before their retirement date, prompting members to consider how they will take their benefits at retirement and to review their investment choice. Subsequent communications are sent every five years, with some differences to build up layers of information for members. Nearer retirement date, a 'wake-up pack' is sent six months out, a follow up pack two months out and a retirement pack at retirement date.</p> <p>Employer member sites host documents specific to the employer, e.g. investment options and charges. Aviva is able to</p>	<p>Fidelity issues benefit statements annually, by post as standard (with an electronic copy being made available on the member portal). We believe the statements are clear and reasonably engaging. Fidelity are planning on introducing video statements later in 2021.</p> <p>The retirement communications strategy begins from age 50, with a further prompt four years before retirement age and within annual benefit statements. Retirement packs are issued 4 – 6 months before retirement age, with a reminder eight weeks out.</p> <p>Fidelity can offer an employer-specific 'microsite' with bespoke content and an app with transactional capability. Fidelity can support 'single sign on'</p>	<p>Aviva and Fidelity invest heavily in developing their range of communications support. Prudential's range of communications is fairly limited compared to most other providers and they do not invest as much into enhancing or improving their proposition in this area.</p> <p>It should be noted that the utilization of provider communications and tools under AVC arrangements will typically be determined by the Trustees and administrators of such arrangements.</p>

support single sign-on, e.g. via an employer's intranet. The app MyAviva provides access to all Aviva policies in one place.

Aviva offers a selection of tools to assist members with building up their pension savings and taking benefits, including an accumulation modeler, Pension Forecaster, and a retirement modeler, My Retirement Planner. Other tools help to forecast potential retirement income needs, e.g. Shape My Future and Retirement Spending Calculator.

through an employer's intranet to the app.

Fidelity provides a retirement planning modeler to assist members with building up their pension savings and taking benefits. Various other tools are provided, e.g. 'how much will you need' budget planner.

Overall Summary

Taking into consideration the key areas outlined in this report, we have no significant concerns regarding Prudential as the provider for the AVC arrangement of the Fund. We note that they have a number of bespoke features available specifically for participants of LGPS and have significant experience of operating AVC arrangements for public sector organisations.

Prudential have suffered some significant service issues over the last year and while we are confident that these issues are being addressed, we would recommend that the Fund continues to monitor Prudential's performance in this area.

Prudential are not active in the workplace pension market and, as a result, there are a few providers who may be able to provide improvements in areas such as communications and range of investments.

Based on the considerations in this paper, Prudential is a suitable provider for the AVC arrangement currently. The Fund should review the offerings of the AVC provider regularly to ensure it continues to be fit for purpose.