AVC Governance. Simplified

The efficient and economic way for trustees to manage AVC schemes

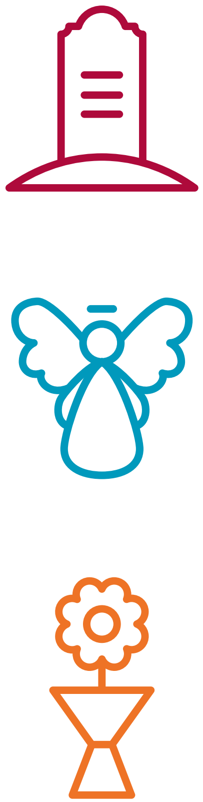
Aspire
Punter Southall

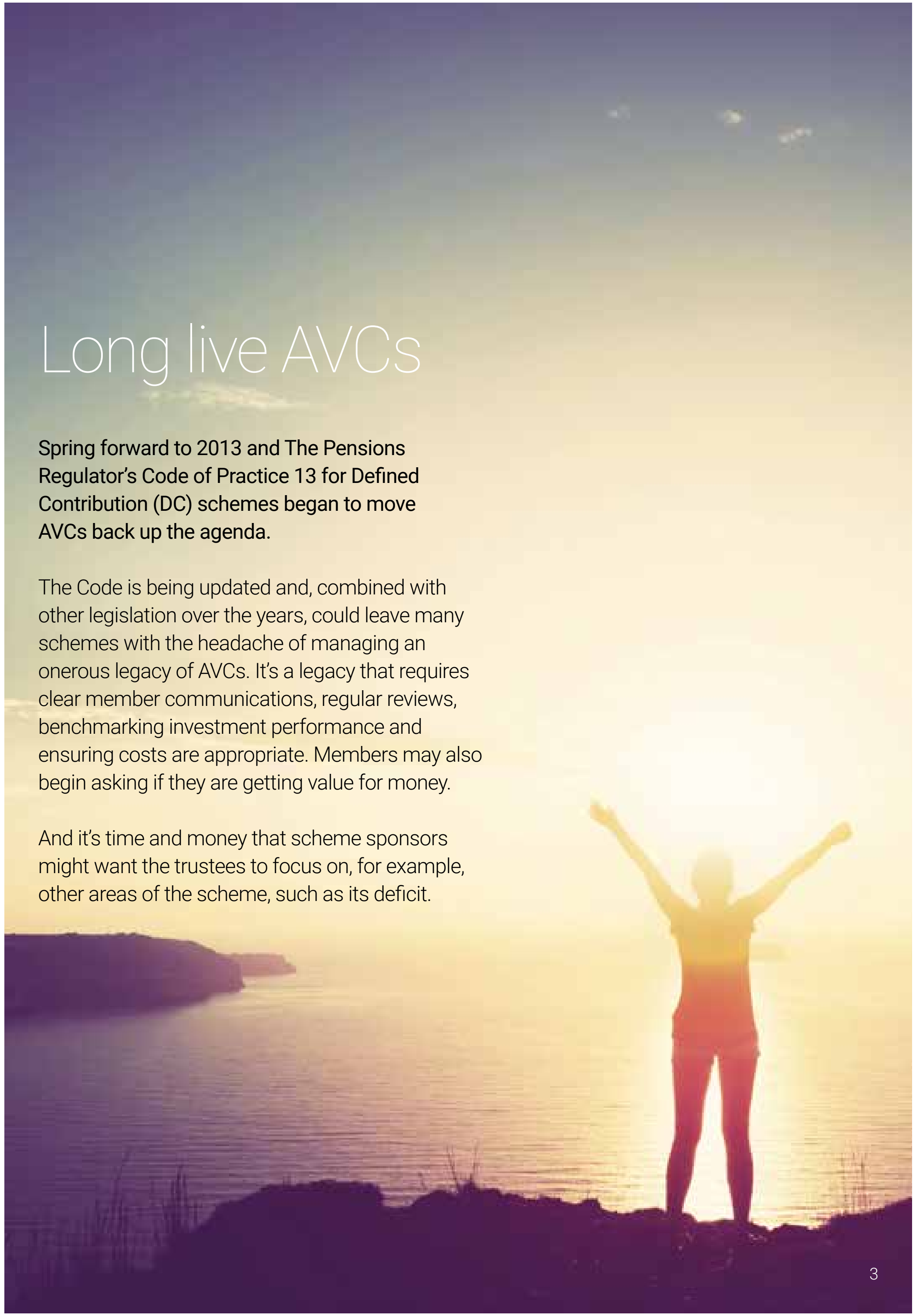
AVCs are dead

The new pension legislation introduced in 2015 brought more freedom to employees when choosing how to use their pension funds.

We think these options are great news and welcome the change. However, other pension legislation introduced over the years hasn't always been so kind, particularly to the trustees and employers who are working hard to get the best outcomes for their employees.

One of the big challenges many schemes face today is dealing with additional voluntary contributions (AVCs). Whilst schemes were originally required to offer AVCs, the necessity was removed in 2006. And many trustees stopped offering their AVC option.





Long live AVCs

Spring forward to 2013 and The Pensions Regulator's Code of Practice 13 for Defined Contribution (DC) schemes began to move AVCs back up the agenda.

The Code is being updated and, combined with other legislation over the years, could leave many schemes with the headache of managing an onerous legacy of AVCs. It's a legacy that requires clear member communications, regular reviews, benchmarking investment performance and ensuring costs are appropriate. Members may also begin asking if they are getting value for money.

And it's time and money that scheme sponsors might want the trustees to focus on, for example, other areas of the scheme, such as its deficit.

A brief history of AVCs

1999	Equitable Life collapses.	The cost of offering unsustainable pension guarantees catches up with Equitable Life.
2006	Schemes no longer required to offer AVCs.	Pension Simplification sees the end of AVCs for many schemes.
2013	Code of Practice 13 introduced.	New guidance for pensions legislation sets a benchmark for the governance of Occupational DC schemes.
2015	Greater pension freedom.	The Chancellor introduces major changes to pensions, giving people greater control over how they use their retirement funds.
November 2015 - January 2016	Consultation launched on a new Code of Practice.	It will focus on the trustee board, scheme management skills, administration, investment governance, value for members, and communicating and reporting. It's likely to be introduced in July 2016.
April 2016	Commission ceases for Qualifying Workplace Pension Schemes (QWPS).	The end of commission changes the advice landscape.

It seemed like a good idea at the time

AVCs were originally a welcome addition to pension schemes. They enabled members, and potentially employers, to boost retirement funds. Many also came with a range of guarantees, such as minimum annuity rates and growth rates.

Given the changes to pension legislation over the years, such as pension simplification and the more recent freedoms, AVCs can seem as though they've been left behind. With new regulation, trustees need to plan for the future of their AVC funds.

"For Defined Benefit (DB) schemes where the only DC benefits are the AVCs, recent legislation may lead to disproportionate governance costs - particularly if the value of those AVCs is low."

Alan Morahan
Managing Director, DC Consulting
Punter Southall Aspire

5 things trustees need to consider

1. **Governance**
   As trustees, are you ready for the changes?

2. **Communications**
   Do your members understand what the pension changes mean?

3. **Options**
   Is the scheme ready to deal with new pension freedoms?

4. **Risk**
   Have investments been reviewed to ensure they are appropriate?

5. **Policy**
   Are your scheme's policies and rulings up to date?

So what's the solution?

Straightforward
The solution needs to be simple for all, enabling a clear, effective way to manage AVCs.

Trusted
Pensions are about the future, so the solution must protect the needs of members both today and tomorrow.

Cost effective
To support the trustees and meet the requirements of Code of Practice 13, it needs to give value for money.

Managed risks
Opportunities and risks need to be managed with expertise, skill and the highest standards of governance.

Time saving
Managing the AVC element of a scheme takes valuable time. So any opportunity to enable trustees to focus on other challenges offered by their schemes can be crucial.

"Employers are facing increasing pressure to help their employees plan for retirement. At the same time, many DB AVCs are outdated in terms of both investment strategy and fee structures."

Steve Butler
Chief Executive
Punter Southall Aspire

Welcome to the future

Welcome to PS Aspire's Master Trust - the efficient, effective and economic way to manage AVCs

Our Master Trust is designed for DB schemes with AVCs.

It has its own set of rules and trustees, including highly respected and experienced independent trustees Capita Pension Trustees and Pitmans Trustees.

By enabling multiple employers to join under a single governance structure, we can deliver an effective, efficient and economic solution.

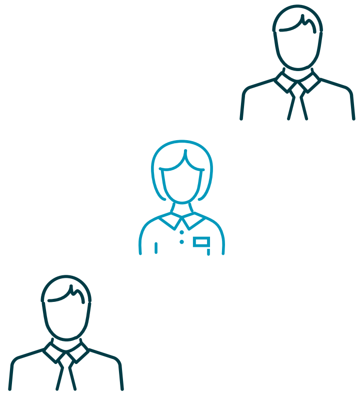
It ensures the members' benefits and guarantees are maintained and protected.

And it has a range of fee structures so trustees can manage their AVC governance costs and find the best option for members.

"We believe Master Trusts have a valuable role to play in building a workplace savings culture and helping members get the retirement they need. Most importantly, though, a master trust can help give confidence in the governance structure."

Steve Jones
Director
Capita Pension Trustees Limited

Benefits



The benefits for trustees	The benefits for members	The benefits for sponsors
• Protects members' benefits and guarantees. • The confidence of ongoing governance. • More time to focus on governance of the main scheme. • Utilises existing people and processes.	• No change to their costs. • The AVCs will be looked after by professional trustees who will focus on the AVCs. • Members will have the flexibility to: - draw their benefits directly from the Master Trust, - transfer elsewhere, or, - transfer back to the original scheme at retirement (with the agreement of the trustees). • Their benefits remain in trust. • Receive communications from our established and proven programme.	• A range of fee structures to suit schemes of all sizes to effectively manage their AVC governance costs. • Members are not moved to individual policies through a buy out. • It is paternal in approach. • Trustee oversight is maintained.

Our process

Whilst we understand every scheme is different, the process we follow is designed to be as straightforward as possible. And it's based on our experience of working with different employers and different pension schemes.

"The opportunity we've created for trustees isn't about handing off an inconvenient problem. It's about enabling trustees to focus on the core scheme, drive efficiency and get better value for money."

Angus Samuels
Chairman
Punter Southall Group

	Months			
Time	1	1	1	1
Activity	Initial meetings and briefings.	Gain full understanding of your scheme and the benefits it is offering to members.	Trustees consider the option of moving their AVC policies to the PS Aspire Master Trust	Check the scheme rules and obtain confirmation from the AVC provider(s) and the trustees' advisers that a transfer of the policies can go ahead.

Months				
2	2	3	3	Ongoing
Agree our plan with you, your pension consultants and your scheme administrators.	Complete and finalise the application process. Trustees write to members to let them know that the change is being made and why.	Document and sign Deed of Assignment and Rule Amendment (if required).	PS Aspire confirms arrangements with the AVC provider and writes to the AVC members	PS Aspire Master Trust monitors the AVC policies at each trustee meeting.

Meet the trustees

Angus Samuels

Chairman
Punter Southall Group

Angus Samuels has over 30 years' experience in the financial services industry, and has been Chairman of the Punter Southall Group since 2003.

He previously held a number of senior positions, both in the UK and South Africa. He was Chief Executive of Sanwa Asset Management Limited and Credit Suisse Asset Management. Angus was also Chief Executive of Sanlam Investment Management Ltd.

Pitmans Trustees Limited

Steve Carrodus is a Director of Pitmans Trustees Limited (PTL) and a Client Director to a portfolio of PTL's clients.

In addition to his role on the board of the PS Aspire Master Trust, Steve is a trustee of another significant Master Trust. He also sits on the independent governance committees of two major insurers, overseeing a number of multi-employer workplace pension schemes.

Capita Pension Trustees Limited

Steve Jones, Capita Pension Trustees Limited part of Capita Asset Services a Division of Capita plc a FTSE 100 Company. Steve is a Director of Capita Pension Trustees Limited (CPTL) and appointed as Chair of the trustee board of the PS Aspire Master Trust.

The team at CPTL, in particular Harus Rai who works closely with Steve, have a long history of acting as trustee to established Master Trusts. Steve is also a Council Member of the Association of Corporate Trustees.

Who we are

We are Punter Southall Aspire. And we're part of the Punter Southall Group, which is proudly independent and entirely employee-owned.

We're a major new workplace pensions and savings business that brings together governance, investment and communications expertise within a technology led business.

Through our regional UK offices, we work with over 800 employers, designing and managing solutions that meet their unique needs.

About the Punter Southall Group

The Punter Southall Group was founded in 1988 by Jonathan Punter and Stuart Southall.

Across the Group, and its associated companies, we provide actuarial advice, pensions consultancy, administration, risk and investment services for pension scheme trustees, employers, private clients, Lloyd's insurers and institutions.

1,200
pension schemes and sponsoring employers receive our advice.

£10bn
of assets under advice.

460,000
scheme members.

1000
staff across the UK.

How we help

We bring together different skills and experience, tailoring them to the needs of you, your scheme and your employees.

Investment

Our investment research division analyses and rates over 18,000 DC investment funds. The insight we have enables us to support your investment objectives.

We don't just help you choose your investments, we also continuously monitor them to ensure they're on track to deliver.

Employee communications

Our online platform educates and inspires employees across a range of financial topics. It helps them understand the importance of saving for their long-term future.

And, using a combination of technology, social media, magazines, brochures and face-to-face training, we can work with you to develop a tailored communication strategy.

Governance

Establishing and governing the ideal workplace pensions and savings for your employees can be complex and time consuming.

That's where we come in.

Our award-winning and innovative services will help you confidently navigate an increasingly regulated environment.

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