

# NILGOSC

## AVC with Prudential

### ANNUAL REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

1 April 2020 - 31 March 2021



# WELCOME TO THE ANNUAL REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs) WITH PRUDENTIAL

In consultation with its investment advisor, Aon Solutions UK Limited (Aon), NILGOSC has completed its annual review of the Scheme's AVC arrangement with the Prudential Assurance Company Ltd (Prudential). The outcome of the review is summarised in this report and details the following information:

- Prudential's financial strength
- Views on the investment options with Prudential
- Recent developments and other useful information
- A performance report for all funds offered by Prudential (Annexes A and B)

Overall, there are no material concerns with the existing AVC arrangements and Prudential continues to be regarded as an appropriate provider. The performance of each fund is measured by comparing returns to a relevant stock market index or average for the relevant sector where no index is available. This index is referred to as 'the benchmark' throughout this report. If you are unsure of the funds in which you are invested, then please refer to your last Prudential Statement or you could also log onto the Prudential portal. The website can be accessed at:

[www.pru.co.uk/existing-customers/products/personal-pension](http://www.pru.co.uk/existing-customers/products/personal-pension).



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# Prudential's Financial Strength

Financial strength ratings describe the financial security characteristics of a company and its ability to meet its financial commitments. Prudential holds an 'A' financial strength rating from the credit rating agency, Standard and Poors, which is described as 'exhibiting strong financial security characteristics'.



AKG Consultants and Actuaries Ltd (AKG), a specialist in the provision of ratings information and market assistance to the financial services industry applied an 'A' rating for Prudential's overall financial strength as at January 2021. Defined as 'Superior' in terms of assessment of capital base, parental strength and typical fund performance achievements, an 'A' rating is the highest available.

Prudential AVC members are protected by the Financial Services Compensation Scheme (FSCS) for 100% of the value of their investment should Prudential default. In the case that a pension provider collapses, a claim would need to be made with the FSCS. In eight out of ten pension claims, the FSCS make decisions within twelve months (as at 4 May 2021), but this process can take longer if it is a complicated case.

# Views on the Investment Options

At 31 March 2021, the Prudential AVC arrangement had 12 funds available to new members, in addition to one lifestyle option. The UK Property Fund was closed to new investment in 2019 and when it was fully closed in June 2021, Prudential transferred members assets to the Dynamic Growth I Fund and made this fund available to all members, meaning that there are now 13 funds available to new members again. There are also a number of legacy funds that are closed to new members, but if you are already invested, you may still be able to make additional payments if you wish.

The fund range consists of equity, multi-asset, bond, cash, with-profits, religious and ethical funds and includes both actively and passively managed funds. NILGOSC's investment advisor, Aon, believes that the existing fund range should satisfy the needs of most members.

## Performance and Fees

Aon has summarised the performance data and fees of all the available funds within NILGOSC's AVC Scheme in Annex A. For each fund there is an Annual Management Charge (AMC) applied by Prudential. This charge is calculated as a percentage of the value of units and varies according to the fund(s) selected. For example, if you paid £1,000 into a fund with an AMC of 0.75%, the annual charge would be £7.50. Funds which are higher risk, i.e. those seeking returns above the benchmark, have a higher cost.

Longer-term performance of funds within the current range is provided in Annex B.

More information, as well as Aon's view of each investment option available at 31 March 2021 within NILGOSC's AVC Scheme, is set out on the next page:

## Growth Funds

### **BlackRock Aquila UK Equity Index Fund**

### **BlackRock Aquila Emerging Markets Equity Fund**

### **BlackRock Aquila World (ex-UK) Equity Index Fund**

### **Prudential Dynamic Growth III Fund**

- The funds are managed by BlackRock, who Aon regards as having a very strong culture of risk management combined with high quality systems and performance. BlackRock's investment team is experienced and dedicated to passive management, and overall, Aon continues to have a high regard for their index-tracking capabilities.
- These funds offer members access to all equity regions on a passively managed basis.
- The BlackRock Aquila World (ex-UK) Equity Index Fund is a developed market capitalised overseas equity fund investing in line with Aon's preference for the best possible access to investment opportunities within the restrictions of the Prudential fund range.
- A globally diversified fund that invests between 20% and 55% in equities, with the remaining assets in bonds, property and money market securities. The allocation is based on rolling ten-year forecasts.
- Most of the investments are through passively managed BlackRock funds reducing exposure to manager risk.



## Growth Funds

<b>Prudential Discretionary Fund</b>	<ul style="list-style-type: none"> <li>• A more traditional multi-asset fund utilising a fund of funds structure investing in equities, property, bonds and cash, but with a small element of listed alternative assets.</li> <li>• The Fund provides reasonable growth opportunities due to investing around 67% in equities and 7% in property, despite the UK equity bias (42% at 31 March 2021). However, it is benchmark driven, resulting in a relatively even split between US, European and Asian (excluding Japan) equities which also impacts return potential.</li> <li>• Aon believes that lower cost options with better diversification are available and recommends that members consider other options and divesting from this fund.</li> </ul>
<b>HSBC Islamic Global Equity Index Fund</b>	<ul style="list-style-type: none"> <li>• A diversified global equity fund which conforms to Islamic investment principles as set by HSBC's Shariah Committee, thus providing an option for any members restricted by their religious faith.</li> <li>• The Fund continues to be the most prominent in the market, and Aon remains confident in HSBC's investment management capabilities in this area.</li> </ul>
<b>LGIM Ethical Global Equity Index Fund</b>	<ul style="list-style-type: none"> <li>• A passively managed global equity fund tracked against the FTSE4Good Global Equity Index and managed by Legal &amp; General Investment Management (LGIM).</li> <li>• Provides access to a fund investing in companies demonstrating good environmental, social and governance policies from around the world.</li> <li>• Aon considers the LGIM fund to be the best responsible investment fund available through the Prudential fund range.</li> </ul>

## Growth Funds

### **Prudential With-Profits Fund**

- A diversified and actively managed portfolio of UK and overseas shares, bonds, property and cash, with around 74% in growth assets, but a UK bias (40% at the end of March 2021) within its equity holding which drags performance relative to other equity markets.
- The gross return on the underlying fund during 2020 was 2% which is a decrease from 11.7% delivered in the previous year. UK equities were slower to rebound from the losses suffered by markets during Q1 2021 due to the high exposure to energy and financial sectors which were still in negative territory at the end of the year having suffered more than most during the pandemic. Property was also hard hit during 2020 with falling capital values causing losses as the coronavirus intensified pressure on the already struggling retail sector, and the office sector also made a loss as the outlook post pandemic looked tough.
- A With-Profits fund seeks to smooth out the volatility of investment markets by declaring annual bonuses. The regular bonus rate added from 15 March 2021 was 1% which reduced from 1.25% in 2020 (subject to a guaranteed minimum of 4.75% on contributions paid in scheme years ending before 15 March 1997 and 2.5% on contributions paid in scheme years ending between 15 March 1997 and 31 December 2003.)
- In addition to annual bonuses, profits are distributed by a final (or terminal) bonus, which makes up the difference between guaranteed benefits and the overall smoothed value of the AVC plan. Final bonus rates continue to be paid upon death or at retirement but have decreased effective from 15 March 2021 for most members to reflect the lower return during 2020.



## Growth Funds

	<p>However, the final bonus may vary and is not guaranteed.</p> <ul style="list-style-type: none"> <li>• AKG rated the financial strength and future performance prospects of the Prudential With-Profits Fund as 'Excellent', as at December 2020 and Aon views it as a very strong with-profits fund and has no major concerns.</li> <li>• Older policies contain valuable guarantees, so newer members without these guarantees should consider whether their investment remains appropriate for their needs.</li> </ul>
<b>Prudential UK Property Fund</b>	<ul style="list-style-type: none"> <li>• The Prudential UK Property Fund invested in direct UK property assets offering an alternative source of growth to equities.</li> <li>• Effective from 3 June 2019, any request for withdrawals from the Fund was deferred by up to six months other than for retirement, death, critical illness or pension sharing on divorce. In addition, from 1 September 2019, regular contributions were re-directed to the Prudential Cash Fund.</li> <li>• The Prudential UK Property Fund was closed on 22 June 2021. Members' assets were transferred to the Prudential Dynamic Growth I Fund on 1 June 2021.</li> </ul>



## Protection Funds

<b>Prudential Index-Linked Passive Fund</b>	<ul style="list-style-type: none"> <li>• The Fund invests in index-linked gilts with over five years to maturity which a member could use in the approach to retirement to lower the risk of their portfolio, but these assets can be volatile and therefore may not be lower risk than some of the growth funds.</li> <li>• However, the Fund can provide some inflation protection and help protect the purchasing power for a member intending to purchase an inflation linked annuity.</li> </ul>
<b>BlackRock Aquila Over 15 Years UK Gilt Index Fund</b>	<ul style="list-style-type: none"> <li>• This Fund invests in long dated conventional gilts which could be used in the approach to retirement by a member intending to purchase a level annuity to help protect the purchasing power.</li> <li>• It may also be possible for members to use the Fund to lower the risk of their portfolio, but the underlying assets can be volatile and therefore some of the growth funds are lower risk.</li> <li>• Prudential intends to close this fund in the future, but the timing has been delayed due to market events and there is no date currently scheduled. Aon has recommended replacing the Fund with the Prudential Long-Term Gilt Passive Fund when it is closed.</li> </ul>
<b>BlackRock Aquila All Stocks Corporate Bond Index Fund</b>	<ul style="list-style-type: none"> <li>• Invests in investment-grade corporate bonds which members could use in the approach to retirement to lower the risk of their portfolio.</li> <li>• Prudential intends to close this fund in the future, but no date is currently scheduled. Aon has recommended replacing the Fund with the Prudential All Stocks Corporate Bond Fund when it is closed.</li> </ul>

## Protection Funds

### **Prudential Cash Fund**

- This Fund is low risk and caters for members intending to use all or part of their investment for cash.
- The Fund primarily invests in reverse repurchase agreements which provide collateral. Short term cash loans are made in exchange for hold over some collateral, which is effectively bought and then sold back at a higher price to the borrower.
- It does not guarantee that the unit price will not fall and although the Fund can be used to reduce the risk of a members' portfolio and manage volatility, long-term investment will potentially act as a drag on performance due to the low return prospects.
- Prudential Cash Fund has produced a negative return over the five-year period due to the impact of the charges but is broadly providing capital protection. Over the last year the low interest rate has resulted in a larger loss in absolute terms on a net basis, but the level of inflation has also dropped and therefore any investment has lost similar value in real terms compared to the prior year. At the same time the fund has achieved its objective to outperform the benchmark over three years.

The in-house Prudential funds are managed by M&G which is part of M&G plc. Aon continues to regard M&G as a suitable manager of multi-asset, passive and money market funds and therefore has no major concerns about most funds managed by M&G that are available to members. However, Aon does not recommend M&G as an equity manager, and also had serious concerns regarding the management of the UK Property Fund which was closed by Prudential in June 2021.

Specific information on each of the funds available can be accessed on the Prudential website at [www.pru.co.uk/rz/localgov/northern-ireland/get\\_started](http://www.pru.co.uk/rz/localgov/northern-ireland/get_started).

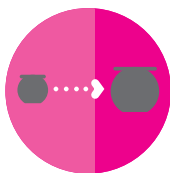
# Lifestyle Options

'Lifestyling' aims to provide long-term growth with automatic transitioning of members' investment into specific funds in the approach to retirement, in order to 'lock-in' accumulated investment growth. Doing so, may help protect against changes in the cost of turning an AVC fund into income and a lump sum benefit.

## Global Equity Encashment Target Lifestyle

In June 2019, a new lifestyle option, called the Global Equity Encashment Target Lifestyle, was introduced. All previous lifestyle options are now closed and are no longer available to new members.

The Global Equity Encashment Target Lifestyle option consists of two phases:



**Growth Phase:** During which, the intention is to grow the size of a member's AVC pot by investing in funds which aim to grow at a faster rate than inflation.

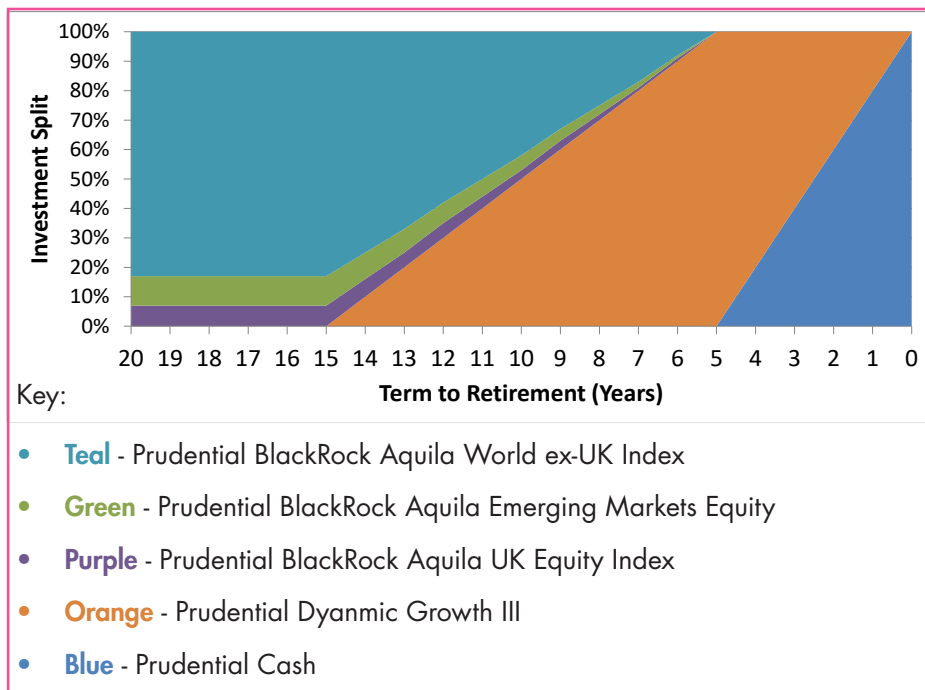


**Defensive Phase:** Investments are gradually switched into funds that could help reduce the risk of short-term falls in the value of pension savings for members approaching retirement. The switches happen automatically throughout the 15 years leading up to the member's selected retirement date.

The transition between the growth phase and defensive phase provides added diversification and therefore reduces investment risk as members approach retirement.

The Global Equity Encashment Target Lifestyle initially invests: 10% in the BlackRock Aquila Emerging Markets Equity Fund; 7.5% in the BlackRock Aquila UK Equity Index Fund; and 82.5% in the BlackRock Aquila World (ex-UK) Equity Index Fund. The profile automatically commences switching 15 years prior to a member's selected retirement date into the Prudential Dynamic Growth III Fund and finally five years out, starts to switch into the Prudential Cash Fund.

The lifestyle option is illustrated in the chart below:



The switches between funds are carried out automatically. Charges will depend on which funds the members' money is invested in and when the charge is calculated. The funds within the lifestyle option may be subject to change in the future.

Aon continues to consider the Global Equity Encashment Target Lifestyle appropriate for members seeking growth and targeting taking their AVCs as tax free cash at retirement.

## Legacy Lifestyle Options

A small number of NILGOSC AVC members remain invested in historical lifestyle options that are closed to new members. They are known as the “Old Lifestyle option” and “Legacy (Optimiser) Lifestyle Options”.

### Old Lifestyle Option

This option invested in the BlackRock Aquila (50:50) Global Equity Index Fund and commenced switching 5 years prior to retirement, into the Prudential Deposit Fund so that 100% was invested in the latter at the member’s selected retirement date. The higher exposure to equities in the approach to retirement and the associated volatility made this lifestyle option higher risk than necessary, which is one of the reasons it was closed.

### Legacy (Optimiser) Lifestyle Options

Some existing members remain invested in Prudential’s standard lifestyle option known as “Legacy or Optimiser Options”. This encompassed three options, which initially invested in the UK Equity Passive Fund and commenced switching to the Long Term Gilt Passive Fund six, eight and ten years prior to the member’s selected retirement date, so that 100% was invested in the latter at retirement.

The higher exposure to equities in the approach to retirement, plus the concentrated nature of UK-only investment and the associated volatility, made this lifestyle option higher risk than necessary. Additionally, performance of the Prudential Long Term Gilt Passive Fund used in the pre-retirement phase could be significantly impacted by inflation and interest rate rises.



# Recent Developments and other Information

## M&G Prudential demerger

Prudential plc demerged M&GPrudential on 21 October 2019, resulting in two separately listed companies:

- M&GPrudential (now known as M&G plc): An independent UK and Europe savings and investment provider, which includes Prudential Assurance Company Ltd (Prudential), the provider of the UK pension products. M&G plc will no longer be providing annuities and sold £12 billion of UK annuities to Rothesay Life which was expected to complete by the end of 2019. On 16 August 2019 it was announced that the deal has been blocked by the High Court. The High Court decision was appealed, and it was concluded that there were errors in the approach taken to assess whether the transfer should be allowed. A new hearing commenced on 8 November 2021 and concluded on 10 November 2021. Jersey and Guernsey had their own hearings on 26 and 29 November 2021. M&G is still planning to transfer the annuities on 15 December 2021, subject to the High Court's approval.
- Prudential plc: An international insurance group focused on high growth opportunities in Asia, USA and Africa.



## Prudential UK Property Fund closure

Following an announcement by Prudential in March 2021, the Prudential UK Property Fund was closed on 22 June 2021.

The fund was in deferral and suspended to new investment since 3 June 2019. Since then, all regular contributions to the Property fund were diverted to the Prudential Cash Fund, unless members elected to divert contributions elsewhere. The decision was made not to reopen the Prudential UK Property fund, due to significant liquidity pressures and the medium-term performance outlook.

All investments in the Prudential UK Property fund were moved to the Prudential Dynamic Growth I Fund (PDG I). Furthermore, all contributions made since 3 June 2019, which were reallocated to the Prudential Cash Fund, were redirected to PDG I from 22 June 2021.

## Prudential Fund rationalisation

In 2019, Prudential carried out a review of its fund range and decided to rationalise the number of options available, which had an impact on some of the funds that NILGOSC offered through the core fund range and lifestyle option, as well as some of the legacy funds that existing members remain invested in.

Five funds in the NILGOSC fund range have already closed with assets and contributions redirected to alternative funds.



Two further funds in the NILGOSC fund range are expected to close in the future, but no date has been confirmed by Prudential. NILGOSC has selected broadly similar alternative funds for the assets and contributions to be redirected to as outlined in the table below.

<b>Fund</b>	<b>AMC (%) p.a.</b>	<b>Alternative Fund</b>	<b>AMC (%) p.a.</b>
BlackRock Aquila Over 15 Years UK Gilt Index Fund	0.65	Prudential Long-Term Gilt Passive Fund	0.55
BlackRock Aquila All Stocks Corporate Bond Index Fund	0.65	Prudential All Stocks Corporate Bond Fund	0.65

## Composite benchmark update

In November 2021, Prudential reported that they found an error in the benchmark information contained in its fund reporting material for a number of funds including the following funds which are available to NILGOSC members:

- Prudential Discretionary S1 and S3, between December 2018 – February 2021
- Prudential Dynamic Growth I S3, between February 2019 - February 2021
- Prudential Dynamic Growth III S3, between February 2019 - February 2021
- Prudential Global Equity S1 and S3, between January 2019 – February 2021
- Prudential Long-Term Growth Passive S3, between January 2018 – February 2021



The composite benchmark information was out of date for the listed funds and dates, but it didn't impact fund performance.

If you didn't refer to fund reporting material during the given time period, then there's no impact to you.

If you referred to Prudential's fund reporting material, including online fund factsheets between the dates above, you may have used that information to make decisions about your investments.

If you are concerned that you might have been impacted by this issue, please contact Prudential. You can send a secure email to Prudential through [www.pru.co.uk/contact-us](http://www.pru.co.uk/contact-us) or send a letter to Prudential, Lancing BN15 8GB.



## Views on Prudential administration

Prudential outsources its administration to Diligenta under a partnership with Tata Consulting Services (TCS), Diligenta's parent company. TCS is also responsible for the operation of some of Prudential's internal IT infrastructure and has been working with Prudential on its digital transformation, which aims to deliver a better member experience. As part of this transformation, Prudential's IT systems were upgraded in November 2020 and this upgrade, along with the Covid-19 pandemic and staff working from home has led to issues in service levels over the past year.

NILGOSC, like other LGPS funds across the UK, experienced some significant delays in the processing of requests for disinvestment of AVC funds during 2021. Prudential also advised NILGOSC that as a consequence of the servicing delays it has experienced, unfortunately, there is an impact upon the timing of the production of the annual scheme revision information and Prudential's Annual Benefit Statements for AVCs. Prudential has stated that members should receive their Annual Benefit Statements in the last quarter of 2021. NILGOSC engaged directly with Prudential to try to improve the situation for its members and understands that the matter has been reported to both The Pensions Regulator (TPR) and the Financial Conduct Authority (FCA). Following this engagement, Prudential focused on resolving the issues and implemented a recovery plan. There has been significant improvement in overall service levels, with service levels almost back to normal at November 2021.

Whilst the stipulated service timescales were not being met for an extended period during 2021, given that service levels are almost back to normal at November 2021, Aon considers that Diligenta now provides a reasonable level of service.

# Environmental, Social and Governance considerations

Environmental, Social and Governance (ESG) factors can have a material impact on long-term investment outcomes. The managers' goal is to achieve the best possible risk-adjusted returns, whilst considering all factors that influence investment performance. Consequently, ESG considerations are incorporated into investment decisions wherever they have a meaningful impact on risk or return.

ESG is embedded in many of the managers' underlying investment processes and many participate in a range of groups and initiatives to demonstrate their commitment to ESG. Each of NILGOSC's AVC fund managers (Prudential, BlackRock, HSBC and LGIM) are signatories to the United Nations supported Principles for Responsible Investment (PRI), meaning they voluntarily agree to incorporate ESG issues into their investment analysis and processes.

The NILGOSC range of funds includes: the LGIM Ethical Global Equity fund, which tracks an index of companies prioritising strong ESG practices; and the HSBC Islamic Global Equity fund, which makes investment decisions that meet Islamic investment principles set by HSBC's Shariah Committee. The principles include bans on interest, uncertainty and speculation, as well as a promotion of ethical investments. The fund provides an option for members who are restricted by their religious faith as well as those who would like to invest in this way.



# Using Your AVC

You can use your NILGOSC AVC fund at retirement in one of three ways:

- You can use some or all of your AVC plan to buy a top-up pension through the Local Government Pension Scheme Northern Ireland (LGPS (NI)). The amount of top up will depend on your age and whether you are retiring on ill-health grounds. The pension income you receive is taxable and the rate of tax payable will depend on your overall income. The NILGOSC Pensions Administration team can provide a personal quotation to members who are interested in this option in the approach to retirement.
- You can take up to 100% of your AVC fund as tax-free cash, subject to HMRC limits, providing it is drawn at the same time as your main Scheme benefits. If you left the Scheme before 1 April 2015 you may draw your AVC fund at a later date than your main Scheme benefits however you are restricted to 25% of your AVC fund as tax-free cash.
- You can buy an annuity from an insurance company, bank or building society of your choice at the same time as drawing your main Scheme benefits.

You can transfer your AVC fund to another pension scheme or arrangement, even if you are still an active member of the main Scheme. However, you must have stopped making AVC contributions and you cannot already have drawn some AVC benefits from that Fund, for example through flexible retirement.





Different pension providers offer different options in relation to what you can do with your AVC, including the option to buy regular income (an annuity). By transferring out to one or more different pension arrangements you may be able to access options that are not available under the Scheme rules, such as:

- Taking several lump sums at different stages – usually the first 25% of each cash withdrawal from your pot will be tax-free with the rest subject to tax.
- Taking the entire pot as cash in one go – usually the first 25% will be tax-free with the rest subject to tax. However, subject to certain conditions and HMRC limits, if you take your AVC pot at the same time as your main Scheme benefits, it is possible to take all of your LGPS (NI) AVC plan as a single tax-free lump sum.
- Providing a flexible retirement income – this is known as flexiaccess drawdown. You are normally allowed to take a tax-free lump sum of up to 25% and then set aside the rest to provide taxable lump sums as and when, or as regular taxable income.

There may be tax implications associated with accessing your benefits in the ways described above. The income from a pension is taxable, and the rate of tax you pay depends on the amount of income that you receive from a pension and from other sources. The different options mentioned above have different features, different rates of payment, different charges and different tax implications.

# Scam Awareness



Pension scams can be hard to spot. Scammers can be articulate and financially knowledgeable, with credible-looking websites, testimonials and materials that are hard to distinguish from the real thing.

Scammers usually contact people out of the blue via phone, email or text, or even advertise online. They may also be introduced to you by a friend or family member who is also unknowingly being scammed.

Scammers will make false claims to gain your trust. For example:

- claiming they are authorised by the Financial Conduct Authority (FCA) or that they don't have to be FCA authorised because they aren't providing the advice themselves; or
- claiming to be acting on the behalf of the FCA or a government service.

Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is then often invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or the funds are simply stolen outright.

You can find more information on the Pensions Regulator website at: [www.thepensionsregulator.gov.uk/pension-scams](http://www.thepensionsregulator.gov.uk/pension-scams) or on the Financial Conduct Authority website at: [www.fca.org.uk/scamsmart/how-avoid-pension-scams](http://www.fca.org.uk/scamsmart/how-avoid-pension-scams).

# Advice and Guidance

As with any choice of investment, no one can predict with certainty which fund will offer the best return. When you compare Prudential's funds, you need to decide which investment is most suitable for your needs. Often this will depend upon the level of risk you wish to take and how far you are from retirement.

Prudential has produced a 'Guide to Fund Options' document, specific to the NILGOSC AVC Scheme. This Guide will provide you with full details of the funds available, their objectives, Prudential's risk rating of these funds and charges, to help you select funds most suitable for your needs. This is available on the Prudential website at [www.pru.co.uk/pdf/AVCK0512.pdf](http://www.pru.co.uk/pdf/AVCK0512.pdf).

Any investment decision is a personal one, reflecting your financial circumstances, approach to investment and attitude to risk. **Please note that NILGOSC and its professional advisors are not authorised to give you financial advice.** If you are in any doubt about your investment decisions or how to use your AVCs, then we recommend that you seek guidance and/or independent financial advice to help you decide which option is most suitable for you.

**MoneyHelper** is a Government service that offers free and impartial money advice, including pensions and retirement information, as well as help with finding an independent financial advisor. You can find out more at [www.moneyhelper.org.uk/en/pensions-and-retirement](http://www.moneyhelper.org.uk/en/pensions-and-retirement) or call for free on 0800 011 3797.





**Pension Wise** is a Government service from MoneyHelper that offers free, impartial guidance once you reach the age of 50, to help you understand your defined contribution options (e.g. AVCs). The guidance can be accessed at [www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise](https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise) or by calling 0800 138 3944 to book a phone appointment. Please note, Pension Wise does not provide guidance about taking benefits from a defined benefit scheme such as the LGPS (NI).

**The Financial Conduct Authority (FCA)** is the regulatory body for independent financial advisors (IFAs). The FCA maintains a register of authorised IFAs. Details can be found on the FCA website at [www.fca.org.uk](https://www.fca.org.uk) or by telephoning the FCA on 0800 111 6768.

**Unbiased** is a website listing regulated and independent financial advisors, mortgage brokers, solicitors and accountants. The service checks that all experts listed on the site are regulated by the relevant official bodies, appropriately qualified and independent of product providers. You can find an IFA in your area by typing your postcode into the 'Browse Professionals' search tool on the website [www.unbiased.co.uk](https://www.unbiased.co.uk).



# Further Information

## NILGOSC website

Further information on the AVC Scheme, including the investment performance of funds in the approved AVC fund range, can be found on the Members' section of the NILGOSC website at:

[www.nilgosc.org.uk/additional-voluntary-contribution](http://www.nilgosc.org.uk/additional-voluntary-contribution)

## Prudential website

Prudential has a dedicated website that provides a wealth of information on AVC arrangements, which is accessible at: [www.pru.co.uk/rz/localgov](http://www.pru.co.uk/rz/localgov). Prudential can also be contacted by phone on 0800 032 6674.

All members invested in AVCs are encouraged to read the 'Key Features' document on this website, which provides important information, including the key risks and benefits of investing in the AVC Scheme. This should be read in conjunction with the 'Guide to Fund Options' document referred to on page 24. Factsheets on all the funds available within the NILGOSC AVC Scheme can be found at: [www.pru.co.uk/funds/prudential-corporate-pension-factsheets](http://www.pru.co.uk/funds/prudential-corporate-pension-factsheets).



## PruRetire

Prudential also provides its AVC members with a user-friendly website that gives online access to details of their AVC funds. The website enables you to:

- View the current value of your pension fund
- Illustrate the pension you could get when you retire
- Access information on fund prices and fund factsheets
- See transactions on your account
- Review or change your investment choices at any time
- Model different pension contributions and how different investment returns could impact your benefits
- Change personal details
- Make changes to contribution levels and investment choices

The website can be accessed at [www.pru.co.uk/online](http://www.pru.co.uk/online). First time users need to register on the website and will be provided with log-in details for future access.

Please note that members who are not registered for the online service, or those who register but opt out of online statements, will continue to receive a paper statement. Otherwise, an email notification will be sent to members when the 2021 statement is available.

Existing members can also contact the Prudential AVC member support team by phone on 0345 6000 343.

If you require any further information in relation to your AVC fund, the Pensions Administration team at NILGOSC is happy to help with your questions, but please remember that NILGOSC staff cannot give you financial advice about your investments. The Pensions Administration team can be contacted on 0345 3197 325 or by email at [info@nilgosc.org.uk](mailto:info@nilgosc.org.uk).

# Annex A

## Summary of Fund Performance and Charges to 31 March 2021

The table below lists all the Prudential funds currently used in the NILGOSC Scheme (including those no longer open to new members) and details the annual management charge (AMC), 1 year investment return to 31 March 2021 and the performance relative to each fund's benchmark for the same period. Aon's view of each fund is also provided. Please note that past performance of any particular fund is no guide to future performance.

Fund	AMC (%) <sup>1</sup>	1 Year Return to 31 March 2021 (%) <sup>2</sup>	Net Performance Relative to benchmark <sup>3</sup>	Aon View
<b>Funds Open To New Members At 31 March 2021</b>				
<b>Passively Managed Funds</b>				
Prudential Index-Linked Passive Fund	0.55	1.8	-0.8	M&G is a suitable passive manager.
LGIM Ethical Global Equity Index Fund	0.85	37.9	-0.1	We rate LGIM highly as a passive manager.
BlackRock Aquila All Stocks Corporate Bond Index Fund	0.65	6.8	-0.2	We rate BlackRock highly as a passive manager.
BlackRock Aquila Emerging Markets Equity Fund	0.80	46.6	0.0	We rate BlackRock highly as a passive manager.

- 1 AMC – Annual Management Charge
- 2 Performance is provided Gross of Fees for Passively managed funds and Net of Fees for Actively managed funds
- 3 The benchmark is the relevant index against which the performance of each fund is measured

Fund	AMC (%) <sup>1</sup>	1 Year Return to 31 March 2021 (%) <sup>2</sup>	Net Performance Relative to benchmark <sup>3</sup>	Aon View
BlackRock Aquila Over 15 Years UK Gilt Index Fund	0.65	-10.3	0.0	We rate BlackRock highly as a passive manager.
BlackRock Aquila UK Equity Index Fund	0.65	27.2	0.5	We rate BlackRock highly as a passive manager.
BlackRock Aquila World (ex-UK) Index Fund	0.65	40.3	0.3	We rate BlackRock highly as a passive manager.
HSBC Islamic Global Equity Index Fund	0.80	37.2	-0.4	Maintain confidence in HSBC's investment management capabilities in this area.
<b>Actively Managed Funds</b>				
Prudential Cash Fund	0.55	-0.5	-0.4	M&G is a suitable manager of money market funds. Negative net returns due to low base rate and inflation remain a factor long term.
Prudential Discretionary Fund	0.65	27.2	3.3 <sup>4</sup>	M&G is a suitable multi-asset manager but no longer achieving its long-term objective.
Prudential Dynamic Growth III Fund	0.62	22.9	5.2 <sup>4</sup>	M&G is a suitable multi-asset manager.
Prudential With-Profits Fund	n/a	1.0 <sup>5</sup>	Not Applicable	Members should understand the type of fund invested in and the risks associated.

4 Benchmark returns currently unavailable therefore sector returns used as comparator

5 Current Bonus rate

Fund	AMC (%) <sup>1</sup>	1 Year Return to 31 March 2020 (%) <sup>2</sup>	Net Performance Relative to benchmark <sup>3</sup>	Aon View
<b>Funds Closed To New Members At 31 March 2021</b>				
<b>Passively Managed Funds</b>				
Prudential Long Term Bond Fund	0.55	0.0	-2.9	We continue to rate M&G highly as a UK bond manager and as a suitable passive manager. The fund is a mix of passive and active management and therefore will be more volatile relative to its benchmark.
Prudential Long Term Gilt Passive Fund	0.55	-10.3	0.0	M&G is a suitable passive manager.
Prudential Long Term Growth Passive Fund	0.55	34.9	-2.6 <sup>4</sup>	M&G is a suitable passive manager but has diverged due to the benchmark return being unavailable.

1 AMC – Annual Management Charge

2 Performance is provided Gross of Fees for Passively managed funds and Net of Fees for Actively managed funds

3 The benchmark is the relevant index against which the performance of each fund is measured

4 Benchmark returns currently unavailable therefore sector returns used as comparator

Fund	AMC (%) <sup>1</sup>	1 Year Return to 31 March 2020 (%) <sup>2</sup>	Net Performance Relative to benchmark <sup>3</sup>	Aon View
Prudential Overseas Equity Passive Fund	0.55	41.1	3.6	M&G is a suitable passive manager but significantly diverged from the benchmark due to Q2 2020 return.
Prudential UK Equity Passive Fund	0.55	26.6	-0.1	M&G is a suitable passive manager.
<b>Actively Managed Funds</b>				
Prudential Deposit Fund	Interest rate declared net of charges	0.1	0.0	Aims to deliver a return in line with bank base rates which it continues to do. Invests in the With-Profits Fund therefore riskier than a standard deposit fund and has been closed to new members.
Prudential All Stocks Corporate Bond Fund	0.65	8.1	1.1	We continue to rate M&G highly as a UK bond manager and Fund is achieving objective.
Prudential Fixed Interest Fund	0.65	-5.4	0.1	We continue to rate M&G highly as a UK bond manager. Fund has produced some outperformance but failed to achieve objective.

Fund	AMC (%) <sup>1</sup>	1 Year Return to 31 March 2020 (%) <sup>2</sup>	Net Performance Relative to benchmark <sup>3</sup>	Aon View
Prudential Global Equity Fund	0.65	35.5	-2.0 <sup>4</sup>	No major issues but we continue not to recommend M&G as an equity manager and fund is not achieving its objective.
Prudential Index-Linked Fund	0.65	2.4	-0.2	We continue to rate M&G highly as a UK bond manager. Fund has produced some outperformance but failed to achieve objective.
Prudential International Equity Fund	0.65	39.0	1.5	No major issues but we continue not to recommend M&G as an equity manager. Fund has failed to achieve its objective.
Prudential UK Equity Fund	0.65	33.1	6.4	No major issues but we continue not to recommend M&G as an equity manager. Fund has achieved its objective.
Prudential UK Property Fund	0.65	-1.4	-3.9	The Fund is not achieving its objective. We had serious concerns about the performance prospects and sustainability. Prudential closed the Fund on 22 June 2021.



# Annex B

## Longer-Term Fund Performance as at 31 March 2021

The table below shows the annualised performance, including benchmark and relative performance, of the Deposit Fund and unit linked funds open to new members at 31 March 2021. Please note that past performance of any particular fund is no guide to future performance.

*Note: Performance is provided Gross of Fees for passive funds and Net of Fees for active funds.*

Fund	1 Year (% P.A.)	3 Years (% P.A.)	5 Years (% P.A.)
BlackRock Aquila UK Equity Index Fund	27.2	3.3	6.3
Benchmark	26.7	3.2	6.3
Relative Performance	0.5	0.1	0.0
BlackRock Aquila Emerging Markets Equity Fund	46.6	7.4	13.4
Benchmark	46.6	7.4	13.4
Relative Performance	0.0	0.0	0.0
BlackRock Aquila World (ex-UK) Index Fund	40.3	14.6	15.5
Benchmark	40.0	14.2	15.1
Relative Performance	0.3	0.4	0.4
Prudential Dynamic Growth III Fund	22.9	6.2	7.9
Benchmark	17.7 <sup>1</sup>	5.5	5.8
Relative Performance	5.2	0.7	2.1

<sup>1</sup> Benchmark performance unavailable for one-year period therefore ABI Mixed Investment 20-60% Sector performance has been used.

Fund	1 Year (% P.A.)	3 Years (% P.A.)	5 Years (% P.A.)
Prudential Discretionary Fund	27.2	5.8	8.8
Benchmark <sup>2</sup>	23.9 <sup>3</sup>	6.7	8.2
Relative Performance	3.3	-0.9	0.6
HSBC Islamic Global Equity Index Fund	37.2	20.1	18.2
Benchmark	37.6	20.2	18.2
Relative Performance	-0.4	-0.1	0.0
LGIM Ethical Global Equity Index Fund	37.9	14.3	15.1
Benchmark	38.0	14.4	15.1
Relative Performance	-0.1	-0.1	0.0
Prudential Index-Linked Passive Fund	1.8	3.5	6.3
Benchmark	2.6	3.5	6.4
Relative Performance	-0.8	0.0	-0.1
BlackRock Aquila Over 15 Years UK Gilt Index Fund	-10.3	3.4	4.9
Benchmark	-10.3	3.3	4.8
Relative Performance	0.0	0.1	0.1

- 2 Previous benchmark BNY Mellon CAPS Pooled Fund Survey was discontinued from 30 June 2016. The Fund's performance is being compared with a new fixed weight benchmark based on the strategic asset allocation of the fund.
- 3 Benchmark performance unavailable for one-year period therefore 40-85% Shares Sector performance has been used.

Fund	1 Year (% P.A.)	3 Years (% P.A.)	5 Years (% P.A.)
BlackRock Aquila All Stocks Corporate Bond Index Fund	6.8	4.0	4.5
Benchmark	7.0	4.1	4.6
Relative Performance	-0.2	-0.1	-0.1
Prudential Cash Fund	-0.5	-0.1	-0.2
Benchmark	-0.1	0.3	0.3
Relative Performance	-0.4	-0.4	-0.5

# Contact Details



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