NILGOSC
NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS' SUPERANNUATION COMMITTEE

NILGOSC

AVCs with Prudential

ANNUAL REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

1 April 2023 - 31 March 2024

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

In consultation with its investment advisor, Aon Investments 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.

Contents

Prudential's Financial Strength

Financial strength ratings describe the financial security characteristics of a company and its ability to meet its financial commitments. AKG Financial Analytics Limited (AKG), a specialist in the provision of ratings information and market assistance to the financial services industry currently applies an 'A' rating for Prudential's overall financial strength. 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 makes decisions within 13 months (as at 12 September 2024), but this process can take longer if it is a complicated case.

Views on the Investment Options

At 31 March 2024, the Prudential AVC arrangement had 13 funds available to new members, in addition to one lifestyle option. There are also several 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, faith-based 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.

Members should however note that there is a range of funds available, with varying costs, and members should regularly review whether their AVC investment selection remains relevant to their needs.

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, typically have a higher cost. Some funds also have Further Costs, as defined in the Fund Guide. Further costs will depend on which funds your money is invested in and when any costs are calculated.

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 2024 within NILGOSC's AVC Scheme, is set out below:

Growth Funds	
Prudential Dynamic Growth I Fund	• These funds aim to deliver long-term growth by investing in a diversified range of assets both in the UK and globally. The Dynamic Growth I Fund will invest a maximum of 30% in equities, while the Dynamic Growth III Fund will invest 20-55% in equities. The remaining assets in both Funds are invested in bonds, property and money market securities. Allocations are based on rolling ten-year forecasts.
Prudential Dynamic Growth III Fund	• Both are 'funds of funds', meaning they are made up of a range of predominantly BlackRock passively managed and M&G actively managed funds, which reduces exposure to across asset classes and across world markets with a focus on long-term investment potential. • Although returns for both funds have been negatively impacted by exposure to fixed-interest, performance was broadly in line with the benchmarks over longer term horizons. Aon has no major concerns over the quality of either fund.

<table>
<tr><th colspan="2">Growth Funds</th></tr>
<tr><td>BlackRock Aquila UK Equity Index Fund</td><td rowspan="3">

- These funds are managed by BlackRock, who Aon regards as having a very strong culture of risk management combined with high quality systems, as well as a well-resourced and experienced investment team. Due to its scale and structure, Aon continues to have a high regard for BlackRock's index-tracking capabilities.
- The three available BlackRock funds offer members access to all equity regions on a passively managed basis.
- Net returns on the BlackRock Aquila UK Equity Index Fund kept pace with inflation over all periods reported in Annex B, though they lagged returns on global equity funds as a result of lower exposure to the technology sector in the UK market compared to its developed market peers. Fund performance has fallen behind the benchmark across all timeframes shown in Annex B.
- The BlackRock Aquila Emerging Markets Equity Index Fund delivered a positive return of 4.5% over the year to 31 March 2024 but returns lagged those achieved by other equity funds as a result of market conditions. Emerging markets were the worst performing equity market over this period, both in local and sterling terms. Increases in interest rates by major developed central banks during the first half of the year, and a strong dollar, provided a headwind. The fund has tracked the benchmark over longer timeframes before charges are taken into account.
- The BlackRock Aquila World ex-UK Equity Index Fund delivered net returns of 23.1% over the year, and double-digit returns over 3 and 5 years. It has a significant allocation to US equities (and hence large technology stocks, which have performed very strongly) because of market capitalisation. This allocation continued to contribute to returns over the year to 31 March 2024, as US equities performed strongly over the year, rising 30.3% in local currency terms. The fund has tracked its benchmark closely over the year and produced a positive relative return after charges.

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<tr><td>BlackRock Aquila Emerging Markets Equity Fund</td></tr>
<tr><td>BlackRock Aquila World (ex-UK) Equity Index Fund</td></tr>
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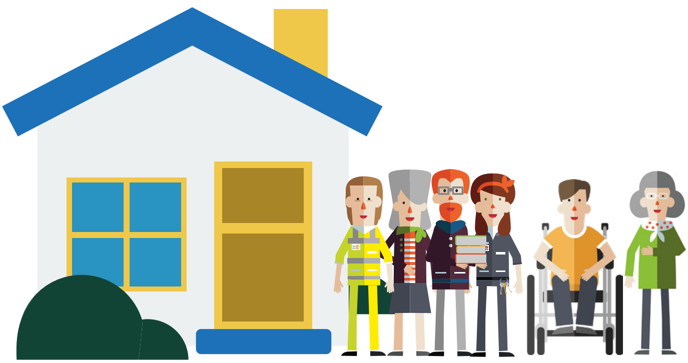
Growth Funds	
Prudential Discretionary Fund	• This fund provides a multi-asset approach to investment, holding a mix of UK and overseas company shares, bonds, property and cash, but with a small element of listed alternative assets, primarily through other M&G funds or direct holdings. It is actively managed against an internal benchmark asset allocation set by the M&G Treasury & Investment Office. • The Discretionary Fund is a 'fund of funds' where both active stock selection within the underlying sector funds, and asset allocation decisions are used to add value. Derivative instruments (for example futures or options, which are generally an arrangement between different parties to buy or sell a standard quantity of a specified asset on a future date at a price agreed today) may be used for efficient portfolio management. • This fund aims to outperform its benchmark by 1.15% – 1.40% p.a. before charges, on a rolling 3-year basis. Unfortunately, it has failed to achieve this objective over the periods shown in Annex B, although Aon considers returns to have been reasonable considering its underlying asset allocations and market conditions over these periods. • Aon's review raised no concerns over the quality of the Discretionary Fund.



Growth Funds	
HSBC Islamic Global Equity Index Fund	• A passively managed diversified global equity fund which meets Islamic investment principles as interpreted and laid down by the HSBC Global Asset Management Shariah Committee, thus providing an option for any members restricted by their religious faith. The fund is seen as the 'industry standard' for Shariah compliant equity funds and will not invest in derivatives. • The fund delivered significant positive returns, although returns fell short of benchmark over the year. • The Fund continues to be the most prominent in the market, and HSBC has the largest Islamic Finance team of any international bank. Aon has no concerns over HSBC's investment management capabilities in this area.
LGIM Ethical Global Equity Index Fund	• A passively managed global equity fund tracked against the FTSE4Good Developed Index and managed by Legal & General Investment Management (LGIM). • Provides access to a fund investing in companies demonstrating good environmental, social and governance policies from around the world. • Returns are strong across all timeframes shown in Annex B but behind benchmark. • Aon considers LGIM's Environmental, Social and Governance credentials to be 'leading' relative to peers. It also considers LGIM to have an experienced and capable passive management team who take a pragmatic approach to index-tracking within strict tolerances, and as a result of the manager's scale and structure, Aon continues to highly rate LGIM.

Growth Funds	
Prudential With-Profits Fund	• A diversified and actively managed portfolio of UK and overseas shares, bonds, property and cash, with a significant portion (c. 54%) of the fund invested in growth assets (i.e. equities and property) which are expected to produce attractive long-term returns. • The gross return on the underlying fund for the 2023 calendar year was 4.3% which is an increase from -1.5% return in the previous year, reflecting an improvement in the underlying investments. • A With-Profits fund seeks to smooth out the volatility of investment markets by declaring annual bonuses. The annual bonus rate is declared in March each year, along with the underlying returns on the fund over the previous calendar year. The regular bonus rate added in March 2024 was 2.5% which was an increase from the 1.5% bonus declared last year, and higher than it has been for many years (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).

Growth Funds

	• 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, however, the final bonus may vary and is not guaranteed. Further information on bonuses is available at www.mandg.com/pru/adviser/en-gb/funds/with-profits/bonus-declaration. • AKG rated the financial strength and future performance prospects of the Prudential With-Profits Fund as 'Excellent,' as at December 2023 and Aon views it as a strong with-profits fund and has no concerns, other than the general lack of transparency which applies to all with-profits funds, although this has improved in recent years. • Older policies contain valuable guarantees. Newer members without these guarantees should consider whether their investment remains appropriate for their needs.

Protection Funds	
BlackRock Aquila Over 15 Years UK Gilt Index Fund	• Invests in long-dated conventional gilts, which could typically be used in the approach to retirement by a member either: intending to purchase a level annuity to help protect purchasing power; or to lower the risk of their portfolio. However, as encountered again in the year to 31 March 2024, the underlying assets can be volatile, and capital remains at risk. • The fund continued to suffer losses, returning a loss of -9.5% over the year. Performance was behind market returns by -4.9%, which is an exceptionally high tracking difference. This tracking difference is due to the Prudential Series 3 unit-linked fund having a 2-day dealing lag compared to the underlying BlackRock fund. When figures are adjusted for this dealing lag the fund is tracking the index as expected. Prudential confirmed that it has robust processes in place to check how its pension funds track their respective underlying funds but acknowledge it can cause confusion when the unadjusted figures are shown. On this basis, Aon is content that the fund will achieve returns in line with the benchmark index before charges over the longer term. Aon rates BlackRock highly as a passive manager, and considers its passive fixed interest investment process to be pragmatic and well structured. • However, if you have chosen to invest in this fund based on a reduced appetite for investment risk, you may be concerned about the volatility exhibited and the losses incurred in recent years. You should review your investment choices and ensure that the funds selected remain suitable for your needs.

Protection Funds	
BlackRock Aquila All Stocks Corporate Bond Index Fund	• Invests mainly in investment grade sterling corporate bonds, which members can use when approaching retirement to lower the risk of their portfolio. • This fund has delivered positive returns of 4.8% over the year to 31 March 2024, which is broadly in line with markets before fees. Fund performance has tracked the benchmark over the long-term, despite some divergence over the year. • Aon continues to highly rate BlackRock as a passive manager, noting its investment process is pragmatic and well structured. • However, if you have chosen to invest in this fund based on your appetite for investment risk, you may be concerned about the volatility exhibited in recent years. You should review your investment choices and ensure that the fund selection remains suitable for your needs.
Prudential Index-Linked Passive Fund	• This fund invests in index-linked gilts with over five years to maturity, which could typically be used in the approach to retirement to lower the risk of a member's portfolio. However, as encountered again in the year to 31 March 2024, these assets can be volatile and as a result of market conditions, this fund fell by over 7.5% over the period. • Aon has no major concerns over the quality of this fund, which has tracked its benchmark before charges over periods reported in Annex B. However, Aon does not consider the manager (M&G) to be best in breed for passive management.

Protection Funds	
Prudential Cash Fund	• A low-risk fund, catering to those members intending to use all or part of their investment for cash. • It primarily invests in secured interest-bearing deposits (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. • The fund also invests in unsecured interest-bearing deposits, short-term UK Government bonds and Certificates of Deposit. • 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. • The fund aims to perform in line with its benchmark (the Sterling Overnight Index Average (7-day)) before charges, on a rolling three-year basis. It has achieved this objective over all periods reported in Annex B and as such, Aon has no concerns over the quality of this fund. It has not however outperformed the benchmark after charges. As with all cash funds, returns have not kept pace with inflation and therefore this is unlikely to be a suitable long-term holding unless members have minimal appetite for investment risk or are close to retirement.

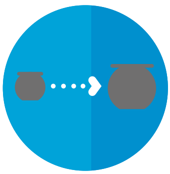
The in-house Prudential funds are managed by M&G, which is part of M&G plc. Aon does not regard M&G to be best in breed for these asset classes, however, based upon M&G's wider investment capabilities regards it to be a suitable manager of the assets members hold in the fund. Aon does not formally rate M&G as a manager, as it believes there are managers with greater scale and more expertise in this area but has no major concerns over quality.

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.

Lifestyle Option – Global Equity Encashment Target Lifestyle

'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.

The lifestyle option available to NILGOSC AVC members is the 'Global Equity Encashment Target Lifestyle.' It consists of two phases:



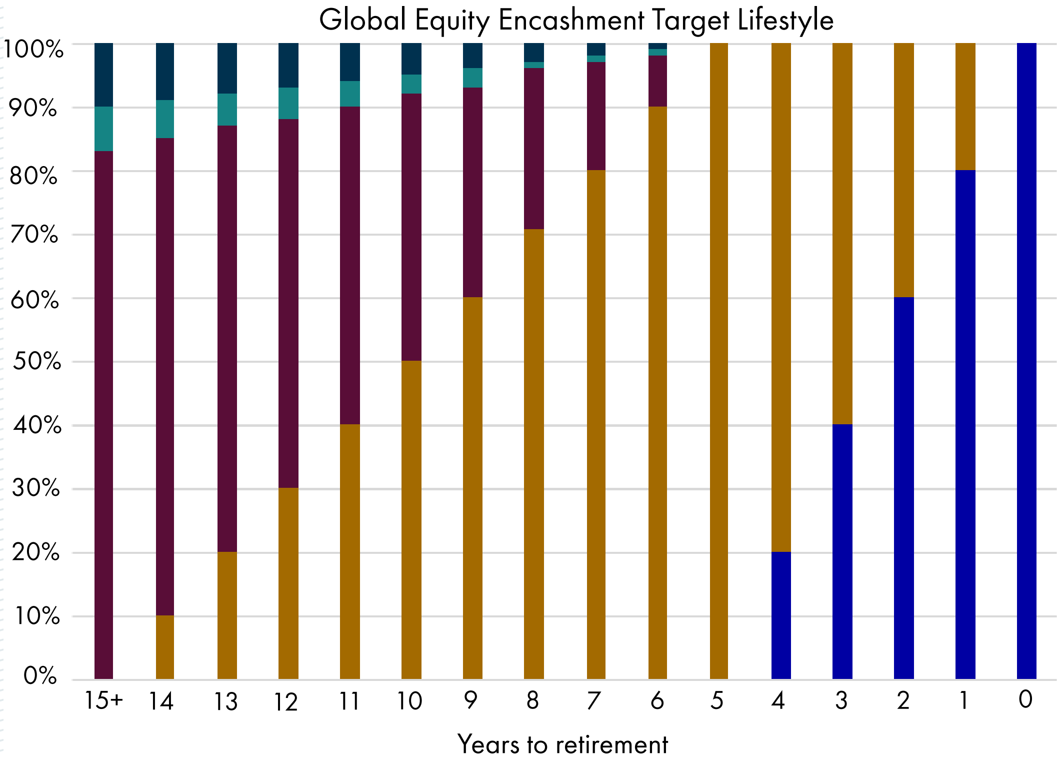
Growth Phase: During which, the intention is to grow the size of a member's AVC pot by investing in funds which aim to grow at a faster rate than inflation.

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: 7% in the BlackRock Aquila UK Equity Index Fund; 10% in the BlackRock Aquila Emerging Markets Equity Fund; and 83% 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:



- **Dark Blue -** BlackRock Aquila Emerging Markets Equity Fund
- **Green -** BlackRock Aquila UK Equity Index Fund
- **Purple -** BlackRock Aquila World (ex-UK) Equity Index Fund
- **Orange -** Prudential Dynamic Growth III Fund
- **Blue -** Prudential Cash Fund

The switches between funds occur 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 has no concerns over the quality or suitability of the underlying funds.

Recent Developments and Other Information

Changes to Prudential UK Equity Fund

Following a review of Prudential UK Equity funds, Prudential announced that from 26 August 2024, it is changing the assets these funds invest in, to potentially generate better returns in the future whilst maintaining the current risk rating. The changes are being implemented in a phased approach starting from 26 August 2024 and completing by 30 November 2024.

The **Prudential UK Equity Fund** (which is closed to new members) is the only fund in the NILGOSC AVC Fund range that will be affected. The asset mix will be changed by making changes to the underlying funds, as set out in the following table:

Current Underlying Funds	Proposed Underlying Funds
M&G BlackRock UK Equity Index Fund	M&G BlackRock UK Equity Index Fund
M&G UK Equity Growth Fund	M&G FTSE 200 Equity Index Fund
M&G UK Equity Dividend Fund	M&G UK Equity Fund
M&G Recovery Fund	M&G Mid Cap Equity Fund
M&G UK Smaller Companies Fund	

The changes will also include:

- Changing the underlying fund objective to allow the use of derivatives for effective portfolio management;
- A transition cost between 0% and 0.55%, for changing components which will be paid through the investment return you receive; and
- A reduction in the Annual Management Charge (AMC) from 0.65% to 0.61%, effective from 16 July 2024.

There will be no change to the fund's risk rating and little change to the investment objectives, other than it may now use derivatives for efficient portfolio management. Aon regards the use of derivatives to be appropriate within the context of funds available to AVC members and believes this is in line with investment regulations.

Aon considers the estimated transaction costs that will be incurred by members as a result of the changes in underlying investments to appear reasonable when UK Stamp Duty is taken into account. Members staying in this fund for the longer term can reasonably be expected to recoup any transaction costs through the lower annual management charges and potentially better investment return achieved, but this will not be the case if you move your investments out of the fund soon after the changes are made.

Based upon the information Prudential has provided, Aon has no major concerns over the proposed changes, though it will result in less of a distinction between the UK Equity Fund and the UK Equity Index Fund. You are not required to take any action as a result of these changes; however, members should regularly review whether their AVC investment selection remains relevant to their needs.

Market volatility and your AVC investment

Recent years have seen market volatility and economic uncertainty due to a range of factors and events, including the ongoing Ukraine crisis, as well as central banks tightening their monetary policy in response to elevated inflationary pressures. This uncertainty and market volatility affects investment values, and may concern members as when investment markets are experiencing volatility, the value of your AVC investment may go up or down, and each AVC investment fund will perform differently depending on the types of assets it invests in. If your AVC plan is invested in only one investment type it will be entirely exposed to the fluctuations of that particular type of investment.

If you are close to retirement, you should review the AVC funds you are invested in to ensure that you are protected from the possibility of big falls in value close to retirement.

If you are further from retirement and therefore a longer-term investor, expectations are that long-term growth should offset the impact of short-term volatility. However, you should ensure that your investments are suitable for your needs and investment risk appetite.

We understand that seeing short-term drops or fluctuations in your AVC investment value may be worrying, however it is important not to panic, and to instead consider volatility in relation to your longer-term intentions for your AVC investments. It is important that you are comfortable with the asset types you are invested in. You should review your investment choices considering market volatility and ensure that they remain suitable for your needs. If you are unsure whether your selected AVC investments suit your needs, you might like to seek advice from a qualified financial advisor. If you do not have a financial advisor, you can find a list of advisors at www.moneyhelper.org.uk/en. Please remember that NILGOSC cannot provide investment advice.

Increase in Normal Minimum Pension Age

The normal minimum pension age will be increased from 55 to 57 from 6 April 2028. This is the earliest age that you can take your pension benefits including your AVC (apart from ill-health). It is expected that there may be some protections for existing members who could previously have taken their pension benefits earlier. At this stage we do not know what protections, if any, will apply to members for the NILGOSC main Scheme.

Changes to Lump Sum Allowances and Lump Sum and Death Benefits Allowances

The Lifetime Allowance (LTA) was abolished from 6 April 2024. From that date two new limits were introduced to control tax relief on lump sums.

- A 'lump sum allowance' – you can usually take 25% of the amount of your pension as a tax-free lump sum. The most you can take tax-free under the lump sum allowance is £268,275 and you will need to add up how much of your allowance you've used in all your pension schemes. If you take more than this limit you will pay tax on the extra amount.

- A 'lump sum and death benefits allowance' – this limit of £1,073,100 applies to all tax-free lump sums from your pensions. It includes lump sums taken when you are alive (and which counted towards the lump sum allowance) plus serious ill-health lump sums and certain death benefits paid to your beneficiaries. If you breach this limit your personal representative will pay tax on the extra amount.

Most people will not exceed these limits unless they are high earners or have significant pension savings. There are transitional arrangements for benefits taken before 6 April 2024 and the new allowances may be higher if you have LTA protection. There is no longer a limit on benefits paid as a regular pension (weekly/monthly etc.) as they are subject to income tax.

Environmental, Social and Governance Considerations

Environmental, Social and Governance (ESG) factors can have a material impact on long-term investment outcomes. The fund 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, M&G, 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 two funds with a specific ESG focus: 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

Deciding how to use your AVC is one of the most important financial decisions you are likely to make, so we recommend you take guidance from Pension Wise to help you decide which option is best for you. More information on Pension Wise is in the Advice and Guidance section.

You can use your NILGOSC AVC fund at retirement in the following different ways. Some options are not available to all members. You can take a combination of the options that are open to you.

1 Tax-free cash

If you take your AVC at the same time as your main Scheme benefits, you can take up to 100% of it as tax-free cash. You can do this if your total lump sums from the LGPS (NI) are not more than:

- 25% of the total value of your LGPS (NI) benefits, including the AVC fund;
- £268,275; and
- £268,275 less any tax-free lump sums you have already taken from pensions.

2 Top-up LGPS (NI) pension

You can use some or all of your AVC fund to buy a top-up pension from the LGPS (NI). The top-up pension you buy will increase in line with inflation. Any dependants who are entitled to a survivor pension when you die will automatically get part of the top-up pension.

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. NILGOSC's Pensions Administration team can provide a personal quotation to members who are interested in this option in the approach to retirement.

3 Annuities

You can use your AVC fund to buy one or more annuities from an insurance company, bank or building society of your choice. An annuity is a regular guaranteed income that is paid to you for life. Your chosen provider will take the AVC plan and pay you a pension in return. The amount of pension you are paid depends on your age, interest rates and whether you choose to include dependant's benefits.

Annuities have different features which may be of interest to you such as a guaranteed minimum payment period, improved terms if you are in poor health and annual increases. When you buy an annuity you can usually take some of your AVC fund as a tax-free lump sum at the same time.

4 AVCs and flexible retirement

If you chose to pay AVCs before 1 February 2003, your AVC contract will end when you flexibly retire. You will have to use all of your AVC plan in one of the ways set out above when you take your flexible retirement benefits. If you chose to pay AVCs on or after 1 February 2003 you can choose to take all or none of your AVC plan when you flexibly retire.

5 Defer taking your AVC fund

If you left the LGPS (NI) before 1 April 2015, you do not have to take your AVC when you take your main scheme benefits. You can leave your AVC plan invested up to age 75 at the latest. However, you are then restricted to 25% of your AVC plan as tax-free cash subject to HMRC limits.

Transfer out your AVC plan

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 flexi-access 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.

Protect your AVC Investment from Fraudsters

Sadly, the last decade has seen an increase in pension companies being formed to defraud the public of their pension savings, by encouraging them to transfer their pension savings to unsuitable or bogus schemes. Unfortunately, the current cost-of-living crisis has led to an increase in these companies, with many using people's possible financial uncertainty to manipulate them into transferring their savings. NILGOSC has pledged to protect scheme members by following the principles of the Pension Scams Industry Group (PSIG) Code of Good Practice.

What should you look out for?

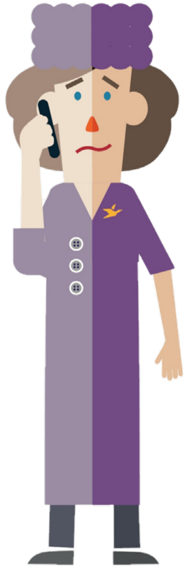
According to the PSIG, victims of pensions scams report receiving cold or unsolicited calls, offers of free pension reviews, offers of upfront cash and promises of high investment returns. These should be viewed as warning signs of a scam. You may even be introduced to these companies by a friend or family member who is also unknowingly being scammed.

You should be very wary of a scheme offering to help you release cash from your pension before you're 55. This is known as pension liberation and is almost certainly a scam which will result in you having to pay a tax bill of 55% plus other charges, and you could lose your entire pension pot.

And...

- Do not click links or open emails from senders you don't already know.
- Do not give out personal details like bank details, address, existing pension or investment details.
- Beware of adverts on social media channels and search engines like Google.

How do you protect yourself?



- **Reject Unexpected Offers -** chances are it is high risk or a scam. If you receive a cold call regarding your pension, the safest thing to do is hang up – the call is illegal and probably a scam. If you have been offered a free pension review, please be very cautious. Professional financial advice on pensions is not free. A free offer from a company you have not dealt with before is probably a scam.
- **Check who you are dealing with -** Is the individual or company offering you advice on transferring your pension qualified to do so? You can confirm this by checking the FCA Register https://register.fca.org.uk/s/ and/or calling the Consumer Helpline on 0800 111 6768 to check the firm is permitted to give pension advice. There are many different areas of registration and its important the advice you receive is specifically on pension transfers.
- **Don't be rushed or pressured into making a decision -** This is another red flag of a possible scam. Take your time and make sure you are happy. This will be time well spent. If you make the wrong decision and transfer your pension to a scam scheme your monies are unlikely to be recovered. Better to make sure you are making the right decision at the outset.
- **Get impartial advice -** You have worked hard to build up your pension savings, so a little extra time spent to make sure any transfer is in your best interest is very worthwhile.

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 Fund Guide for NILGOSC, which is specific to the NILGOSC AVC Scheme. The guide will provide you with full details of the funds available, their objectives, charges, and Prudential's risk rating of these funds to help you select funds most suitable for your needs. The guide is available to review on the Prudential website at www.mandg.com/dam/pru/shared/documents/en/avck0512.pdf.

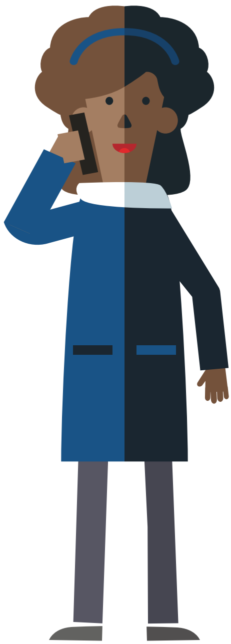
Any investment decision is a personal one, reflecting your financial circumstances, approach to investment and attitude to risk. **Please note that NILGOSC and its professional advisors are not authorised to give you financial advice.** If you are in any doubt about your investment decisions or how to 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, or call for free on 0800 011 3797.

Pension Wise is a government service from MoneyHelper that offers free impartial pensions guidance about your AVC (which is a defined contribution pension) options. You can book an appointment via their website www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise, or by telephone on 0800 138 3944. Since 1 June 2022, members wishing to transfer out an AVC are required to either book a Pension Wise appointment and provide confirmation of receiving guidance from Pension Wise, or formally opt out of this guidance. It is not possible to proceed with the transfer until this step has been taken. 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, 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.



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: https://nilgosc.org.uk/members/boosting-your-pension/avcs/.

Prudential website

Prudential has a dedicated website that provides a wealth of information on AVC arrangements, which is accessible at: www.mandg.com/pru/workplace-pensions/employees/public-sector-avc-schemes/local-gov?utm_source=legacyurls&utm_medium=301&utm_campaign=/localgov.

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 25. Factsheets on all the funds available within the NILGOSC AVC Scheme can be found at: 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
- Amend contribution levels and investment choices

The website can be accessed at:
www.mandg.com/pru/workplace-pensions/employees/public-sector-avc-schemes/local-gov?utm_source=legacyurls&utm_medium=301&utm_campaign=/localgov.
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 their annual 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.

Annex A

Summary of Fund Performance and Charges to 31 March 2024

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 Total Expense Ratio (TER), 1 year investment return to 31 March 2024 (after all charges) 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	TER (%) [1]	1 Year Return to 31 March 2024 (%)[2]	Net Performance Relative to Benchmark [3]	Aon View
Funds Open To New Members At 31 March 2024				
Passively Managed Funds				
Prudential Index-Linked Passive Fund	0.56	-7.5	-0.6	Aon has no major concerns over fund quality, although does not consider M&G best in breed for passive management. Members may be concerned by losses incurred over last two years.
LGIM Ethical Global Equity Index Fund	0.85	21.1	-1.7	Aon rates LGIM highly as a passive fund manager.

1 TER - Total Expense Ratio, which is the total of the Annual Management Charge plus Further Costs. Further costs are stated in the Fund Guide and will depend on which funds your money is invested in and when any costs are calculated.

2 Performance is shown net of all fees.

3 The benchmark is the relevant index against which the performance of each fund is measured. Please refer to the Fund Guide and Fund Factsheets for further details of benchmarks for each fund.

Fund	TER (%) [1]	1 Year Return to 31 March 2024 (%)[2]	Net Performance Relative to Benchmark [3]	Aon View
BlackRock Aquila All Stocks Corporate Bond Index Fund	0.63	4.8	-1.3	Aon rates BlackRock highly as a passive fund manager.
BlackRock Aquila Emerging Markets Equity Fund	0.80	4.5	-1.4	Aon rates BlackRock highly as a passive fund manager.
BlackRock Aquila Over 15 Years UK Gilt Index Fund	0.62	-9.5	-4.9	Aon rates BlackRock highly as a passive fund manager but the fund continues to incur losses. Members who have chosen to invest in this fund on the assumption that it is a lower risk investment than equities may be concerned about the volatility exhibited in recent years.
BlackRock Aquila UK Equity Index Fund	0.62	7.0	-1.4	Aon rates BlackRock highly as a passive fund manager.
BlackRock Aquila World (ex-UK) Equity Index Fund	0.63	23.1	0.4	Aon rates BlackRock highly as a passive fund manager.
HSBC Islamic Global Equity Index Fund	0.80	29.7	-1.2	Aon has no concerns over fund quality due to HSBC's investment management capabilities.

Fund	TER (%) [1]	1 Year Return to 31 March 2024 (%) [2]	Net Performance Relative to Benchmark [3]	Aon View
Actively Managed Funds				
Prudential Cash Fund	0.55	4.5	-0.5	Aon has no major concerns over fund quality due to M&G's investment capabilities. Returns matched inflation over the year but are still significantly behind inflation over the longer term.
Prudential Discretionary Fund	0.67	9.2	-0.5	Aon has no major concerns over fund quality due to M&G's investment capabilities. The fund is not achieving its long-term objective; however, it has kept pace with inflation over 1 and 5 years.
Prudential Dynamic Growth I Fund	0.63	5.9	-0.6	Aon has no major concerns over fund quality due to M&G's investment capabilities and does not view the level of underperformance to be significant.
Prudential Dynamic Growth III Fund	0.63	7.2	-1.5	Aon has no major concerns over fund quality due to M&G's investment capabilities and does not view the level of underperformance to be significant.
Prudential With-Profits Fund	N/A	2.50 [4]	N/A	Aon has no concerns, other than the general lack of transparency which applies to all With-profit funds.

4 Annual Bonus rate declared March 2024

Fund	TER (%)[1]	1 Year Return to 31 March 2024 (%)[2]	Net Performance Relative to Benchmark[3]	Aon View
Funds Closed To New Members At 31 March 2024				
Passively Managed Funds				
Prudential Long Term Bond Fund	0.56	0.1	0.0	Aon does not regard these funds to be 'best of breed' in their asset classes but has no concerns over fund quality due to M&G's investment management capabilities and reported past performance. The passively managed funds tracked their benchmarks reasonably closely before charges.
Prudential Long Term Gilt Passive Fund	0.56	-5.4	-0.4	
Prudential Long Term Growth Index Fund	0.56	10.6	-1.8	
Prudential Overseas Equity Index Fund	0.56	13.0	-1.6	
Prudential UK Equity Index Fund	0.56	7.9	-0.5	

1 TER - Total Expense Ratio, which is the total of the Annual Management Charge plus Further Costs. Further costs are stated in the Fund Guide and will depend on which funds your money is invested in and when any costs are calculated.
2 Performance is shown net of all fees.
3 The benchmark is the relevant index against which the performance of each fund is measured. Please refer to the Fund Guide and Fund Factsheets for further details of benchmarks for each fund.

Fund	TER (%)[1]	1 Year Return to 31 March 2024 (%)[2]	Net Performance Relative to Benchmark[3]	Aon View
Actively Managed Funds				
Prudential Deposit Fund	Interest rate declared net of charges	5.0	0.0	Aon has no major concerns over fund quality, due to M&G's investment management capabilities and reported past performance. However, they do not consider the funds to be 'best in breed' in their asset classes.
Prudential All Stocks Corporate Bond Fund	0.66	4.7	-1.4	
Prudential Fixed Interest Fund	0.66	-0.5	0.1	
Prudential Global Equity Fund	0.67	9.5	-1.1	
Prudential Index-Linked Fund	0.66	-7.6	-0.7	
Prudential International Equity Fund	0.68	14.9	1.6	
Prudential UK Equity Fund	0.66	5.8	-2.6	

Annex B

Longer-Term Fund Performance to 31 March 2024

The table below shows the annualised performance, including benchmark and relative performance, of the unit linked funds open to new members at 31 March 2024. Please note that past performance of any particular fund is no guide to future performance.

Fund	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)
BlackRock Aquila UK Equity Index Fund	7.0	6.8	4.4
Benchmark	8.4	8.0	5.4
Relative Performance	-1.4	-1.2	-1.0
BlackRock Aquila Emerging Markets Equity Fund	4.5	-3.8	2.1
Benchmark	5.9	-2.2	2.9
Relative Performance	-1.4	-1.6	-0.8
BlackRock Aquila World (ex-UK) Equity Index Fund	23.1	10.4	12.4
Benchmark	22.7	11.4	12.9
Relative Performance	0.4	-1.0	-0.5
Prudential Dynamic Growth I Fund	5.9	-0.6	2.0
Benchmark	6.5	0.1	2.1
Relative Performance	-0.6	-0.7	-0.1
Prudential Dynamic Growth III Fund	7.2	1.5	3.6
Benchmark	8.7	2.6	4.0
Relative Performance	-1.5	-1.1	-0.4

Fund	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)
Prudential Discretionary Fund	9.2	3.3	4.5
Benchmark	9.7	5.3	6.0
Relative Performance	-0.5	-2.0	-1.5
HSBC Islamic Global Equity Index Fund	29.7	13.8	16.6
Benchmark	30.9	15.4	17.9
Relative Performance	-1.2	-1.6	-1.3
LGIM Ethical Global Equity Index Fund	21.1	11.9	13.1
Benchmark	22.8	13.3	14.1
Relative Performance	-1.7	-1.4	-1.0
Prudential Index-Linked Passive Fund	-7.5	-12.4	-7.0
Benchmark	-6.9	-12.0	-6.4
Relative Performance	-0.6	-0.4	-0.6
BlackRock Aquila Over 15 Years UK Gilt Index Fund	-9.5	-16.3	-9.2
Benchmark	-4.6	-14.6	-8.1
Relative Performance	-4.9	-1.7	-1.1
BlackRock Aquila All Stocks Corporate Bond Index Fund	4.8	-4.2	-1.0
Benchmark	6.1	-3.3	-0.4
Relative Performance	-1.3	-0.9	-0.6
Prudential Cash Fund	4.5	1.9	1.1
Benchmark	4.9	2.4	1.5
Relative Performance	-0.5	-0.5	-0.4

Note: Performance is provided Net of Fees

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