

Value for Members assessment

The West Sussex Local Government Pension Fund undertook a review of its arrangements for additional voluntary contributions (AVCs) in 2020 resulting in a move to Legal & General as the new AVC provider for members in the West Sussex Local Government Pension Scheme from March 2021.






The Pension Fund has now asked its advisers to undertake an assessment of the value of the AVC arrangement for members, looking at charges, quality and suitability. The assessment follows the approach advocated as good practice by the Pensions Regulator. This note provides a summary of the findings. Overall our advisers have concluded that the AVC arrangements give good Value for members.

We would encourage all members with AVCs, or considering paying into an AVC, to think about how they are going to use your AVCs at retirement and whether their AVCs are invested in the most appropriate fund for them. Members may wish to consider taking independent advice on their own circumstances and the options available.

Findings

Good value is not simply about low charges, but also the quality and suitability of the AVC arrangements. **Overall, the AVC arrangements are considered to give good Value for Members** and there are no pressing actions needed to improve Value for Members.

The analysis of the services for the AVC arrangements are summarised below:

Service	Rating	Comment
Costs and charges	 Excellent	Members saw a reduction in charges, typically in the region of 0.30% p.a. when AVCs were moved from Standard Life to L&G.
Investment	 Good	The lifestyle option was designed for LGPS AVCs and the self-select fund range covers the main asset classes. Several ESG and climate change aware funds are available as self-select options and feature in the growth and consolidation phases of the lifestyle option.
Administration	 Average	While the new arrangements have only been in place for one year, L&G's administration has generally been satisfactory, while feedback has been positive.
Communication	 Good	Unlike the previous AVC arrangements, L&G have provided investment guides specific to the Fund's AVC arrangements and members can manage their AVCs on-line.
Governance	 Good	An annual "health check" of the AVC arrangements is in keeping with TPR guidance.

These areas are inter-related and so the results of the assessment are considered in aggregate.

The charges deducted from members' funds pay for the investment, administration and communication services provided by Legal & General.

Legal & General break their charges down between:

- An 0.30% p.a. annual management charge covering administration and communication; plus
- A fund management charge covering investment management which varies from fund to fund.

The AVC funds' transaction costs are also borne by members and are implicit in the AVC funds' unit prices.






The charges for the default LGPS AVC Cash Lifestyle option vary over time between 0.48% p.a. to 0.43% p.a.

Further information

Legal & General have produced a fund guide which can be found at www.legalandgeneral.com/westsussexavc.

Neither the Fund nor Legal & General can give you financial advice. If you are unsure about what course of action is right for you, we suggest that you seek independent financial advice. You can find a local independent financial adviser (IFA) at: www.unbiased.co.uk. Please beware of pension scams and only use an adviser regulated by the Financial Conduct Authority. You can find out about the new rules which give you more "freedom and choice" at retirement at: www.pensionwise.gov.uk.

The table below provides more information about the VfM rating.

VfM rating	Definition
 Excellent	The Scheme offers excellent value for members, providing services within a top 20% quality/cost range compared with typical options for similar schemes.
 Good	The Scheme offers good value for members, providing services at better quality/cost compared with typical options for similar schemes.
 Average	The Scheme offers average value for members, providing similar services at similar quality/cost compared with typical options for similar schemes.
 Below average	The Scheme offers below average value for members, providing similar services at higher cost or more limited services for similar cost compared with typical options for similar schemes.
 Poor	The Scheme offers poor value for members providing services, within the bottom 20% quality/cost range compared with typical options for similar schemes.