



NILGOSC

AVC WITH PRUDENTIAL

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

1 APRIL 2019 - 31 MARCH 2020



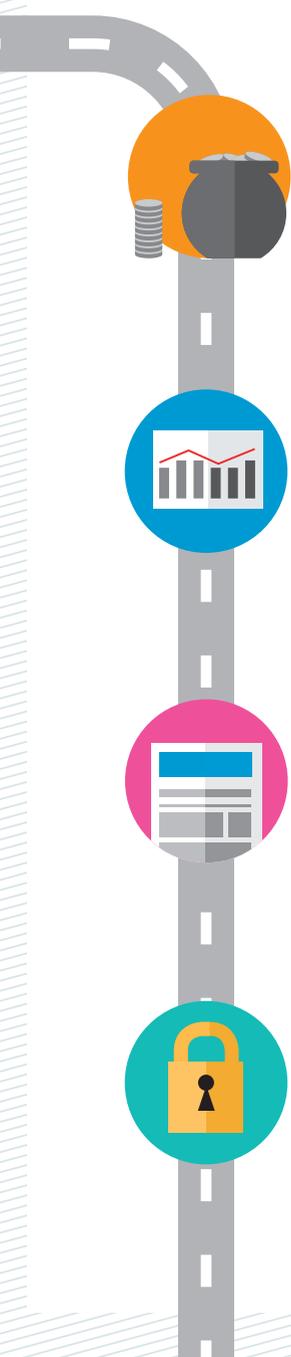
WELCOME TO THE ANNUAL REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs) WITH PRUDENTIAL

In consultation with its investment adviser, 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.

CONTENTS



PRUDENTIAL'S FINANCIAL STRENGTH 4

VIEWS ON THE INVESTMENT OPTIONS 5 - 11

Performance and Fees

LIFESTYLE OPTIONS 12 - 15

Global Equity Encashment Target Lifestyle

Previous Lifestyle Option

Legacy Lifestyle Options

RECENT DEVELOPMENTS AND OTHER INFORMATION 16 - 21

Changes to funds

M&G Prudential Demerger

ENVIRONMENTAL, SOCIAL AND GOVERNANCE 22

USING YOUR AVC 23 - 24

SCAM AWARENESS 25

ADVICE AND GUIDANCE 26

FURTHER INFORMATION 27 - 28

ANNEX A: SUMMARY OF PERFORMANCE AND CHARGES 30 - 35

ANNEX B: LONGER TERM FUND PERFORMANCE 36 - 37

CONTACT DETAILS 38

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 2020. 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 seven months, but this process can take longer if it is a complicated case.



VIEWS ON THE INVESTMENT OPTIONS

The Prudential AVC arrangement currently has 12 funds available to new members, in addition to one lifestyle option. There are also a number of legacy funds that are closed to new members, but existing members can continue to invest in.

The fund range consists of equity, multi-asset, bond, cash, with-profits, religious and ethical funds and includes both actively and passively managed funds. Our investment adviser believes that the existing fund range should satisfy the needs of the majority of 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 within NILGOSC's AVC Scheme, is set out below:

GROWTH FUNDS	
Prudential Dynamic Growth III Fund	<ul style="list-style-type: none">• 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

BlackRock Aquila World (Ex-UK) Equity Index	<ul style="list-style-type: none"> • The funds are managed by BlackRock, who Aon regard as having a very strong culture of risk management combined with high quality systems and performance. Their passive investment process is considered pragmatic and well-structured aiming to limit tracking error, but also add value when index changes occur.
BlackRock Aquila UK Equity Index	<ul style="list-style-type: none"> • BlackRock's investment team is experienced and dedicated to passive management, and overall, Aon continue to have a high regard for their index-tracking capabilities. • These funds offer members access to all equity regions on a passively managed basis.
BlackRock Aquila Emerging Markets Equity	<ul style="list-style-type: none"> • The BlackRock Aquila World (Ex-UK) Equity Index 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.
Prudential Discretionary Fund	<ul style="list-style-type: none"> • 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. • The Fund invests around 65% in equities, with a UK bias (37% at the end of March 2020) and 7.5% in property, therefore provides reasonable growth opportunities. However, it is benchmark driven resulting in a relatively even split between US, European and Asian (excluding Japan) equities which also impacts return potential.



GROWTH FUNDS

HSBC Islamic Global Equity Index Fund

- 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.
- The Fund continues to be the most prominent in the market, and Aon remain confident in HSBC's investment management capabilities in this area.

LGIM Ethical Global Equity Index Fund

- A passively managed global equity fund tracked against the FTSE4Good Global Equity 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.
- Effective from 22 July 2019, this Fund replaced the Prudential Ethical Fund, removing the concentration and manager risk previously encountered.
- Aon consider LGIM to have an experienced and capable passive management team which takes a pragmatic approach to index tracking. The manager has the scale and structure to track a wide range of equity indices and it has continued to deliver positive tracking differences across most of its fund range. Aon 'Buy' rates the passive equity strategies.



GROWTH FUNDS

Prudential With-Profits Fund

- A diversified and actively managed portfolio of UK and overseas shares, bonds, property and cash, with around 70% in growth assets, but a UK bias (36% at the end of March 2020) within its equity holding which drags performance relative to other equity markets.
- The gross return on the underlying fund during 2019 was 11.5%, primarily due to significant equity returns though, which is an increase from -2.8% delivered in the previous year.
- A With-Profits fund seeks to smooth out the volatility of investment markets by declaring annual bonuses. Consistent with 2019, Prudential declared a bonus rate of 1.25% for 2020 added from 15 March 2020 (subject to a guaranteed minimum of 4.75% on contributions paid in scheme years ending before 15 March 1997, and 2.5% guaranteed 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 are being increased effective from 1 April 2020 for most members due to a sale of excess assets which has seen the underlying value of the investments increase by 1.25%. However, the final bonus may vary and is not guaranteed.
- AKG rated the financial strength and future performance prospects of the Prudential With-Profits Fund as 'Excellent', as at December 2019.
- Aon views it as a very strong with-profits fund and has no major concerns.
- Older policies contain valuable guarantees, so newer members without these guarantees should consider whether their investment remains appropriate for their needs.

PROTECTION FUNDS

Prudential Index-Linked Passive Fund

- 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.
- However, the Fund can provide some inflation protection and help protect the purchasing power for a member intending to purchase an inflation linked annuity.

BlackRock Aquila Over 15 Years UK Gilt Index Fund

- 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.
- It may also be possible for a member 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.
- Prudential intend to close this fund and closure is currently expected to take place during 2021. Aon have recommended replacing the Fund with the Prudential Long-Term Gilt Passive Fund.



PROTECTION FUNDS

BlackRock Aquila All Stocks Corporate Bond Index Fund

- Invests in investment-grade corporate bonds which a member could use in the approach to retirement to lower the risk of their portfolio.
- Prudential intend to close this fund and closure is currently expected to take place during 2021. Aon have recommended replacing the Fund with the Prudential All Stocks Corporate Bond Fund.

Prudential Cash Fund

- This Fund is low risk and caters for members intending to use all or part of their investment for cash.
- A reduced annual management charge of 0.55% was implemented from 31 May 2017. Although members benefit from a reduced charge, an explicit charge is still levied.
- 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 the portfolio and manage volatility, long-term investment will potentially act as a drag on performance due to the low return prospects.

PROTECTION FUNDS

Prudential Cash Fund (Continued)

- Based on levels of return that the Prudential Cash Fund has generated over recent years, even with a lower management charge, a negative net performance has been experienced. In addition, the cash fund itself can produce negative performance.
- Returns remain low and while this investment continues to provide capital protection, returns are below inflation and therefore any investment is losing value in real terms.

The inhouse Prudential funds are managed by M&G which is now part of M&G plc (following the demerger from Prudential plc in October 2019). Aon continues to regard M&G as a suitable manager of multi-asset, ethical, 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 has serious concerns regarding the management of the UK Property Fund.

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 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 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.

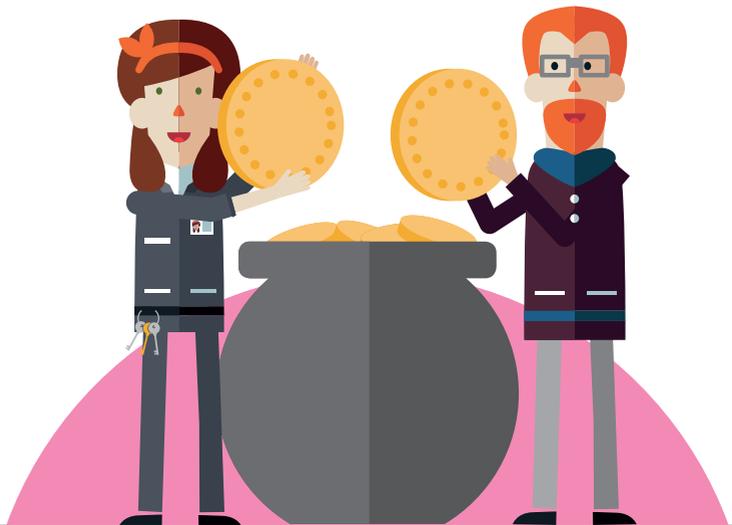


Defensive Phase: Investments are gradually switched into funds that could help reduce the risk of short-term falls in the value of pension savings for members approaching retirement. The switches happen automatically throughout the 15 years leading up to the member's selected retirement date.

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 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.



PREVIOUS LIFESTYLE OPTION

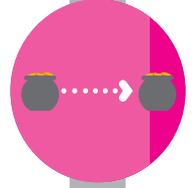
The only lifestyle option that was open to new members between July 2014 and August 2019 was a bespoke lifestyle fund known as the “Current Lifestyle Fund”. It initially invested 90% in the BlackRock Aquila (50:50) Global Equity Index Fund and 10% in the BlackRock Aquila Emerging Markets Equity Fund. The profile automatically commenced switching 15 years prior to a member’s selected retirement date into the BlackRock Aquila Market Advantage Fund and finally, five years prior to retirement, started to switch into the Prudential Deposit Fund.

As noted in a letter to members in this fund on 1 July 2019, upon the fund closure, assets were automatically transferred to the Global Equity Encashment Target Lifestyle option, unless members elected otherwise.

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” (described overleaf):



OLD LIFESTYLE OPTION

This option invested in the BlackRock Aquila (50:50) Global Equity Index Fund and commenced switching five 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 Brexit if inflation and interest rates rise further.



RECENT DEVELOPMENTS AND OTHER INFORMATION

M&GPRUDENTIAL 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 the sale of £12 billion of UK annuities to Rothersey Life 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 is being appealed.
- Prudential plc: An international insurance group focused on high growth opportunities in Asia, USA and Africa.



WITH-PROFITS FUND CHARGES

Prudential has reviewed charges within the With-Profits Fund. One of the features of the With-Profits Fund is that any member who invests in it has a guarantee that a Market Value Reduction will not be applied to the value of their plan in certain circumstances, for example, on their death or if they take their benefits at normal pension age.

Following a review of the cost of providing guarantees, Prudential applied some changes to the charge applied. The regular expense charge that covers the cost of administration and investment management is limited to 1% each year, and an additional cost of smoothing and guarantees is deducted from the policies asset share.

The total charge over the lifetime of the policy for applications received prior to 15 March 2019 is no more than 2% of the asset share, but for all applications received by Prudential since 15 March 2019, the guarantee charge applied over the lifetime of the member's plan has increased to no more than 4%. The above charges may vary if, for example, the long-term mix or type of assets held within the With-Profits Fund is changed.

The cost of providing the guarantee has increased due to the low interest rate environment. The regulations for With-Profits funds state that new applicants should have no adverse effect on existing investors, therefore this change enables Prudential to charge a fair amount to each investor group. There are also additional expenses incurred in the daily running of the Fund which vary according to activity and as at April 2020 were 0.18%.

PRUDENTIAL ETHICAL FUND CLOSURE

NILGOSC removed the Prudential Ethical fund from the range of available AVC funds as it was concentrated within the UK market and therefore was not benefitting from the diversification that a global equity fund would provide. The fund closed on 22 July 2019 and, unless members elected otherwise, their investment and future contributions switched to the LGIM Ethical Global Equity Index fund. The LGIM Ethical Global Equity Index fund provides members with access to an ethical global equity fund without the concentration risk of the previous offering. The fund aims to track the sterling total returns of the FTSE4Good Global Equity Index. The LGIM Ethical Global Equity Index fund has an annual management charge of 0.85%, which is higher than the 0.65% charge for the previous UK ethical fund, however this should be considered in the context of better diversification within the global fund.



PROPERTY FUND CLOSURE

The Prudential UK Property Fund invests in direct UK property assets. There is no property fund within the Prudential range offering exposure to global property. Despite an improvement in return over the last quarter, the Prudential UK Property Fund underperformed its benchmark over the year ended 31 March 2020, as well as making a loss in absolute terms. Property markets were flat over the year as steady income return was offset by a fall in capital values. The coronavirus outbreak intensified pressure on the already struggling retail sector, delivering a total return of -9.7% over the period. The Fund has been increasingly exposed to the sector due to ongoing disposal of retail assets, instigated by the difficulties the sector is experiencing. The Fund has been defensively positioned for a while and has a very low cash holding, due to having to pay out cash to investors awaiting withdrawals. This has led to the disposal of assets which incurs costs and may not have yielded the best return on the investment.

Effective from 3 June 2019 any requests for withdrawal from the Fund have been 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 have been re-directed to the Prudential Cash Fund, but will be transferred into the Property Fund once it reopens.

Due to serious concerns about future performance prospects and sustainability, the Prudential UK Property Fund was removed from the core fund range and not replaced, as Prudential does not offer an alternative property fund. Aon downgraded the Prudential UK Property Fund to 'Sell' which is essentially a recommendation to stop future contributions and transfer assets to an alternative fund.

Individual AVC Fund selection is a member decision and in February 2020, NILGOSC wrote to affected members highlighting Aon's concerns and recommended members review their fund selection. NILGOSC continues to strongly recommend that any remaining members invested in the UK Property Fund withdraw their investments as soon as possible.

PRUDENTIAL DEPOSIT FUND NO LONGER AVAILABLE AS PART OF LIFESTYLE OPTION

The Prudential Deposit Fund is not a straightforward cash deposit fund. It invests in the underlying assets held within the Prudential With-Profits Fund, with a variable rate of interest declared each month based on the Bank of England base rate. Prudential can alter the basis of its interest rate declarations at any time, but once added, interest cannot be taken away. Capital held in the Deposit Fund will not decrease.

Regulations for With-Profits funds state that new applicants should have no adverse effect on existing investors. However, the charging structure on the Deposit Fund, which is backed by assets held in the With-Profits Fund, was creating an adverse effect on With-Profits policyholders. To look after the best interests of all customers, Prudential decided to close the Deposit Fund to new investors, effective 31 May 2017.

The Prudential Deposit Fund has no explicit charge applied to it and aims to return bank base rates, which it has done consistently. Over recent years this level of net return has made the Fund a good option for cash investors. Any existing members that currently invest in the Deposit Fund can continue to make ongoing contributions, as well as increasing future contributions. If members extract all of their existing investment from the Deposit Fund, they will not be able to switch back into it. Lifestyle options that included the Deposit Fund continued to be available to new and existing members until 26 August 2019.

PRUDENTIAL FUND RATIONALISATION

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 have already closed with assets and contributions redirected to alternative funds. The closed funds are listed in the table overleaf together with the corresponding annual management charge (AMC), as well as suggested alternative funds selected by NILGOSC:

Closed Fund	AMC (%)	Alternative Fund	AMC (%)
BlackRock Aquila (50:50) Global Equity Index	0.65	BlackRock Aquila World ex-UK Index	0.65
BlackRock Aquila Market Advantage	0.85	Dynamic Growth III	0.62
BlackRock Aquila (60:40) Global Equity Index	0.65	BlackRock Aquila World ex-UK Index	0.65
Aberdeen Life Multi-Asset	0.75	Prudential Discretionary	0.65
M&G Recovery	0.65	BlackRock Aquila UK Equity Index	0.65

Two funds are expected to close in 2021. NILGOSC have selected broadly similar alternative funds for the assets and contributions to be redirected to:

Fund (to be closed 2021)	AMC (%)	Alternative Fund	AMC (%)
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

One of the fund closures affected the recently established Global Equity Encashment Target Lifestyle Option. This Lifestyle invested in the BlackRock Aquila Market Advantage fund in the approach to retirement, but when that was closed on 20 February 2020, it was replaced with the Dynamic Growth III Fund, which is also suitable for managing volatility during the approach to retirement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Environmental, Social and Corporate Governance (ESG) considerations are embedded in many of the underlying investment processes used to build portfolios by the investment managers. They are signatories to the United Nations Principles for Responsible Investment (UNPRI), meaning they voluntarily agree to incorporate ESG issues into their investment analysis and processes.

ESG factors can have a material impact on long-term investment outcomes. The manager's goal is to achieve the best possible risk-adjusted returns, considering all factors that influence investment performance. Consequently, ESG issues are incorporated into investment decisions wherever they have a meaningful impact on risk or return.

This approach to ESG analysis applies across all asset classes and sectors. While it is essential to consider ESG issues in investment analysis, investment decisions are not based solely on their ESG properties. Rather, investment decisions are made after considering all factors that influence an investment's risk or return.



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 retire and draw your AVC fund at a later date than your main Scheme benefits, 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.



Members 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.

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 or

on the Financial Conduct Authority website at:

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/rz/localgov/avcs/#fundguide.

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 advisers 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.

Pension Wise offers free and impartial Government guidance once you reach the age of 50, to help you understand your defined contribution pension options (e.g. AVCs). You can find out more at www.pensionwise.gov.uk or by calling 0800 138 3944 to book a phone or face-to-face appointment.

The Money Advice Service offers free and impartial money advice, including pensions and retirement information, as well as help with finding an independent financial adviser. You can find out more at www.moneyadviceservice.org.uk or call for free on 0800 138 7777.

The Financial Conduct Authority (FCA) is the regulatory body for independent financial advisers (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 advisers, 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: 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. The website has been updated recently as a single site for all Local Government Pension Schemes and is now more user friendly and mobile optimised.

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 above. 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:

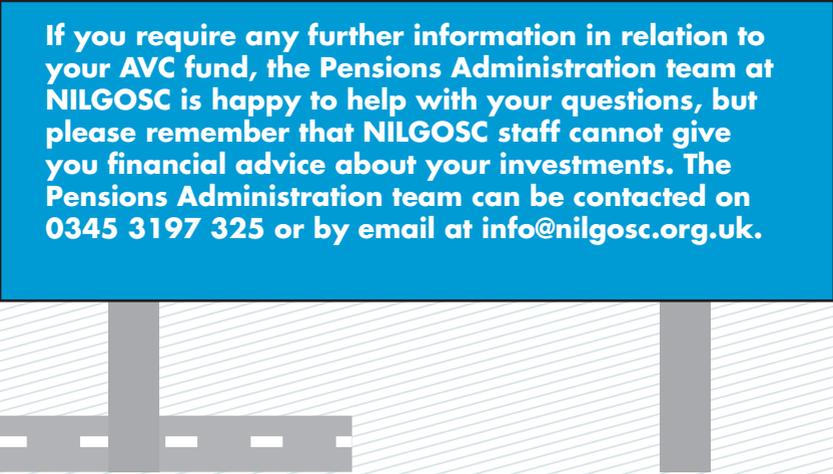
- View the current value of your pension fund
- Illustrate the pension you could get when you retire
- Access information on fund prices and fund factsheets
- See transactions on your account
- Review or change your investment choices at any time
- Model different pension contributions and how different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

The website can be accessed at 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.

ANNEX A: SUMMARY OF PERFORMANCE AND CHARGES

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 2020 and the performance relative to each fund's benchmark for the same period. Aon's view of each fund is also provided.

FUND	AMC (%) ¹	1 Year Return to 31 March 2020 (%) ²	Net Performance Relative to benchmark ³	Aon View
FUNDS OPEN TO NEW INVESTMENT AS AT 31 MARCH 2020				
PASSIVE FUNDS				
Prudential Index-Linked Passive	0.55	3.0	0.6	M&G are a suitable passive manager. (Not Rated)
LGIM Ethical Global Equity Index	0.85	-3.4	0.0	We rate LGIM highly as a passive manager. (Buy Rated)
BlackRock Aquila All Stocks Corporate Bond Index	0.65	1.6	0.1	We rate BlackRock highly as a passive manager. (Buy Rated)
BlackRock Aquila Emerging Markets Equity	0.80	-13.9	0.0	We rate BlackRock highly as a passive manager. (Buy Rated)
BlackRock Aquila Over 15 Years UK Gilt Index	0.65	17.7	0.1	We rate BlackRock highly as a passive manager. (Buy Rated)
BlackRock Aquila UK Equity Index	0.65	-18.6	-0.1	We rate BlackRock highly as a passive manager. (Buy Rated)
HSBC Islamic Global Equity Index	0.80	6.2	-0.3	We maintain our confidence in HSBC's investment management capabilities in this area. (Not Rated)
BlackRock Aquila World ex-UK Index	0.65	-4.6	0.3	We rate BlackRock highly as a passive manager. (Buy Rated)

FUND	AMC (%) ¹	1 Year Return to 31 March 2020 (%) ²	Net Performance Relative to benchmark ³	Aon View
ACTIVE FUNDS				
Prudential Cash	0.55	0.2	-0.3	M&G are a suitable manager of money market funds. A fall in the base rate will make positive net returns unlikely and inflation remains a factor long term. (Not Rated)
Prudential Discretionary	0.65	-11.1	-3.7	M&G are a suitable multi-asset manager but no longer achieving its long-term objective. (Not Rated)
Prudential Dynamic Growth III	0.62	-7.1	-1.4	M&G are a suitable multi-asset manager. (Not Rated)
Prudential With-Profits Cash Accumulation	n/a ⁴	1.25 ⁵	n/a ⁴	Members should understand the type of fund they are investing in and the risks associated. (Not Rated)

FUND	AMC (%) ¹	1 Year Return to 31 March 2020 (%) ²	Net Performance Relative to benchmark ³	Aon View
FUNDS CLOSED TO NEW INVESTMENT AS AT 31 MARCH 2020				
PASSIVE FUNDS				
Prudential Long Term Bond	0.55	11.0	0.4	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. (Not Rated)
Prudential Long Term Gilt Passive	0.55	17.8	0.2	M&G are a suitable passive manager. (Not Rated)
Prudential Long Term Growth Passive	0.55	-13.0	-0.1	M&G are a suitable passive manager. (Not Rated)
Prudential Overseas Equity Passive	0.55	-9.3	-1.3	M&G are a suitable passive manager. (Not Rated)
Prudential UK Equity Passive	0.55	-18.3	0.1	M&G are a suitable passive manager. (Not Rated)
BlackRock Aquila (60:40) Global Equity Index	0.65	-13.9	-0.3	We rate BlackRock highly as a passive manager. Fund closed and assets transferred on 26 March 2020 to BlackRock Aquila World ex-UK Index Fund. (Buy Rated)
BlackRock Aquila (50:50) Global Equity Index	0.65	-12.8	0.0	We rate BlackRock highly as a passive manager. Fund closed and assets transferred on 26 March 2020 to BlackRock Aquila World ex-UK Index Fund. (Buy Rated)

FUND	AMC (%) ¹	1 Year Return to 31 March 2020 (%) ²	Net Performance Relative to benchmark ³	Aon View
ACTIVE FUNDS				
Prudential Deposit	Interest rate declared net of charges	0.8	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. (Not Rated)
Prudential All Stocks Corporate Bond	0.65	3.2	1.8	We continue to rate M&G highly as a UK bond manager and Fund is achieving objective (Buy Rated)
Prudential Fixed Interest	0.65	9.6	-0.3	We continue to rate M&G highly as a UK bond manager. The Fund has produced some outperformance but failed to achieve objective. (Buy rated)
Prudential Global Equity	0.65	-17.5	-2.3	No major issues but we continue to not recommend M&G as an equity manager and fund is not achieving its objective. (Not Rated)
Prudential Index-Linked	0.65	1.7	-0.7	We continue to rate M&G highly as a UK bond manager. Fund has produced some outperformance but failed to achieve objective (Buy Rated)
Prudential International Equity	0.65	-13.3	-6.1	No major issues but we continue to not recommend M&G as an equity manager. Fund has failed to achieve its objective. (Not Rated)

FUND	AMC (%) ¹	1 Year Return to 31 March 2020 (%) ²	Net Performance Relative to benchmark ³	Aon View
ACTIVE FUNDS				
M&G Recovery	0.65	-37.3	-18.8	The Fund's investment strategy of investing in out of favour companies can lead to significant divergence from the benchmark which has caused significant underperformance recently and failure to meet its objective long-term. Members should continue to ensure they are comfortable with the investment strategy of the fund and associated volatility. Fund closed and assets transferred on 21 November 2019 to BlackRock Aquila UK Equity Index. (Not rated)
Prudential UK Equity	0.65	-20.5	-2.0	No major issues but we would not recommend M&G as an equity manager. Fund has produced some outperformance but failed to achieve its objective. (Not Rated)
Prudential UK Property	0.65	-1.5	-1.5	We have serious concerns about the performance prospects and sustainability. It was recommended that the Fund was removed from the core fund range as it is not achieving its objective. As at 31 March 2020, the Fund was closed to new investment due to Fund suspension. (Sell Rated)

FUND	AMC (%) ¹	1 Year Return to 31 March 2020 (%) ²	Net Performance Relative to benchmark ³	Aon View
ACTIVE FUNDS				
Aberdeen Life Multi-Asset (ex Property)	0.75	-6.0	1.0	We have some concerns around Aberdeen Standard's multi-asset capabilities due to negative asset flows. Fund closed and assets transferred to Discretionary Fund on 26 March 2020. (Not Rated)
BlackRock Aquila Market Advantage	0.85	-8.2	-8.8	BlackRock is an experienced specialist in active allocation strategies and risk management solutions which we rate highly. Fund closed and assets transferred to Dynamic Growth III Fund on 20 February 2020. (Buy rated)

KEY

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. Not applicable
5. Current Bonus Rate

ANNEX B: LONGER-TERM FUND PERFORMANCE AS AT 31 MARCH 2020

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 2020.

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.)
ACTIVE FUNDS			
Prudential Dynamic Growth III	-7.1	-0.5	3.0
Benchmark	-5.7	-0.1	1.9
Relative Performance	-1.4	-0.4	1.1
Prudential Discretionary	-11.1	-1.6	3.2
Benchmark	-7.4	0.4	3.2
Relative Performance	-3.7	-2.0	0.0
Prudential Cash	0.2	0.0	-0.1
Benchmark	0.5	0.4	0.4
Relative Performance	-0.3	-0.4	-0.5
PASSIVE FUNDS			
BlackRock Aquila UK Equity Index	-18.6	-4.3	0.5
Benchmark	-18.5	-4.2	0.6
Relative Performance	-0.1	-0.1	-0.1
BlackRock Aquila Emerging Markets Equity	-13.9	-2.4	3.0
Benchmark	-13.9	-2.4	2.9
Relative Performance	0.0	0.0	0.1

FUND	1 Year (% P.A.)	3 Years (% P.A.)	5 Years (% P.A.)
BlackRock Aquila World ex UK Index	-4.6	3.1	8.1
Benchmark	-4.9	2.8	7.8
Relative Performance	0.3	0.3	0.3
LGIM Ethical Global Equity Index	-3.4	3.4	7.8
Benchmark	-3.4	3.4	7.8
Relative Performance	0.0	0.0	0.0
Prudential Index-Linked Passive	3.0	3.0	6.4
Benchmark	2.4	2.9	6.2
Relative Performance	0.6	0.1	0.2
BlackRock Aquila Over 15 Years UK Gilt Index	17.7	8.1	8.1
Benchmark	17.6	8.0	8.0
Relative Performance	0.1	0.1	0.1
BlackRock Aquila All Stocks Corporate Bond Index	1.6	2.2	3.3
Benchmark	1.5	2.1	3.2
Relative Performance	0.1	0.1	0.1
HSBC Islamic Global Equity Index	6.2	8.7	11.4
Benchmark	6.5	9.0	11.6
Relative Performance	-0.3	-0.3	-0.2

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