

Local Government Pensions Committee  
Secretary, Terry Edwards

## **LGPC BULLETIN NO. 48 – DECEMBER 2007**

### **PRUDENTIAL AVCs**

1. This Bulletin has been issued to provide administering authorities with information on the administration of Prudential AVCs following the announcement on 28<sup>th</sup> November 2007 that various administration functions, including AVC administration, has been outsourced to Capita Group Plc.
2. Those administering authorities that use the Prudential as an AVC provider should already have been contacted direct by the Prudential. However, for those who may be considering the Prudential as a possible future AVC provider the attached Question and Answer sheet provided by the Prudential may be helpful.

Terry Edwards

Head of Pensions

December 2007

## **Question and Answer sheet**

### **Why have you decided this is best way to make savings?**

A: For our customers and advisors, excellent service is paramount. Capita's impressive track record of customer service and IT support in the life sector means we can deliver the highest levels of customer service, not only over the next few months but also over the long term.

Our relationship with Capita means that we now know with certainty how much it will cost to operate our Mature Life and Pensions back-book, as the contract is on a cost per policy basis. This means that the operating cost risk is borne by Capita, not by Prudential.

Capita has a great deal of experience in Life and Pension processing and already manages these services for a number of other companies.

Capita can also be more flexible in matching work with the right level of people and resources, since they operate on behalf of many different organisations and so can take advantage of economies of scale.

### **What parts of the business is Prudential outsourcing?**

A: It is proposed that the majority of Mumbai and UK-based people who work in customer service, customer operations, IT and those people that support them - around 3,000 people - will transfer to Capita,

### **Why was Capita chosen? What was the assessment process?**

A: We ran a rigorous process that assessed a number of external outsourcers as well as an internal option and Capita provided the best solution for both the business and our customers

### **What is Capita's experience of Life & Pensions administration?**

A: Capita Life & Pensions Services provides core administrative support to a number of UK and overseas life and pensions companies, including MetLife, the Children's Mutual, Lincoln Financial Group, Zurich Financial Services, Resolution and Co-operative Financial Services. It already has two outsourcing contracts with Prudential. It currently administers about 15 million policies and is the UK market leader in outsourced customer service and administration for the life and pensions industry.

### **What is the term of agreement?**

A: Our contract with Capita is for an initial term of 15 years with an option to extend.

**How does this outsource impact the administrative services Prudential provides?**

A: There will be no visible impact to the service that the Prudential currently provides; the contact telephone numbers will be the same, the postal and email addresses will be the same, as will the hours of opening and service levels. There will be no visible difference to customers from this announcement.

The tender to which the bids responded placed great importance on maintaining the excellent levels of customer service of which we are justifiably proud. A robust contract has been agreed, which provides for continual improvement of service levels and we are establishing a contract management team to manage these arrangements with Capita.

**Will Capita be permitted to sub-sub-contract any of these services?**

A: Not without the consent of Prudential, who would want to ensure that the sub-contracting does not have a negative impact on the services.

**Will there be any changes to the account/relationship manager of our account?**

A: There will be no visible impact to the account management / relationship management of your account as a result of this deal.

**Will this impact the product range sold/ the products we sell on behalf of Prudential?**

A: No.

**Does this mean Prudential isn't committed to the UK market?**

A: No – in the UK this is an administrative partnership; the business remains Prudential. In India, it is proposed that part of Prudential's operations would be sold to Capita but again we have put measures in place to ensure standards of customer service remain at the same high level. In particular it is planned that all staff in the relevant functions will be taken on by Capita.

**Distribution sheet**

Pension managers of administering authorities  
Pension managers (outsourced) and administering authority client managers  
Officer advisory group  
Local Government Pensions Committee  
Trade unions  
CLG  
COSLA  
SPPA  
Regional Directors  
Private clients

**Website**

Visit the LGE's website at: [www.lge.gov.uk](http://www.lge.gov.uk)

**Copyright**

Copyright remains with Local Government Employers (LGE). This Bulletin may be reproduced without the prior permission of LGE provided it is not used for commercial gain, the source is acknowledged and, if regulations are reproduced, the Crown Copyright Policy Guidance issued by HMSO is adhered to.

**Disclaimer**

The information contained in this Bulletin has been prepared by the LGPC Secretariat, a part of LGE. It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by LGE for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this Bulletin. Whilst every attempt is made to ensure the accuracy of the Bulletin, it would be helpful if readers could bring to the attention of the Secretariat any perceived errors or omissions. Please write to:

LGPC  
Local Government Employers  
Local Government House  
Smith Square  
London, SW1P 3HZ

or email: [terry.edwards@lge.gov.uk](mailto:terry.edwards@lge.gov.uk)  
tel 020 7187 7346  
fax 020 7187 7367