

Prudential AVCs: Exit penalty charge announcement

This NewsAlert is aimed at those Funds with Prudential as an appointed AVC provider.

Prudential have this week announced their intention to introduce a new exit penalty charge under their Local Government Group AVC policies with effect from 19 August 2012. The insurer has been writing to Funds holding Prudential Group AVCs to confirm this.

Broadly speaking, subject to a few exemptions, members who start contributing AVCs to their Fund's in-house AVC arrangement with Prudential on or after 19 August 2012 will see an exit penalty charge applied by the insurer if they remove their AVCs from Prudential within 5 years of starting to contribute. This will apply to unit-linked payers as well as with-profits payers. For with-profits members, the exit charge will apply to the value of their fund after deduction of any Market Value Reduction.

The proposed exit penalty charges are:

Withdrawal during Year 1: 15%
Withdrawal during Year 2: 10%
Withdrawal during Year 3: 8%
Withdrawal during Year 4: 6%
Withdrawal during Year 5: 5%

Further details are provided in the Question and Answer document accompanying Prudential's letter.

We are in discussions to clarify some of the details and implications of this announcement and will provide our comments in due course to those Funds affected.

In the meantime, if you have any queries on the content of this NewsAlert, please contact Rob White (0151 242 7310 or rob.white@mercer.com) or alternatively your usual Mercer consultant.

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