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Subject:

Categories:

Dear sir/madam

I am responding to this consultation on behalf of the Department for Education in connection with the Teachers' Pension Scheme (TPS) and the associated Teachers' Additional Voluntary Contribution (TAVC) Scheme which Prudential operates on the Department's behalf.

I wish to respond to two specific questions raised in the consultation, namely questions 6 & 7 in relation to Chapter 2, i.e.:

- (6) Do you agree that the scope of this measure should be annuities in the name of the annuity holder and held outside an occupational pension scheme, and
- (7) Are there any other types of products to which it would be appropriate for the government to extend these reforms.

The Department's answer to question 6 is no as this would prevent the TAVC scheme from offering this new flexibility to its members who have already purchased an annuity, on the grounds the TAVC scheme is both an occupational scheme and one whereby annuities are not in the name of the individual investor but rather in the name of the Secretary of State for Education; in effect under a global annuity covering all members with an annuity. It follows, therefore, that the Department's response to question 7 is that occupational AVC schemes, like the TAVC scheme, should be able to offer members who have already purchased a TAVC annuity access to the proposed secondary annuity arrangements.

The Department is of the view that the risks specified in paragraph 2.26 of the consultation document, around reassigning income, do not apply in the case of the TAVC scheme. Furthermore, even if they did, any such risks could be managed effectively and would be far outweighed by the benefits and fairness issues associated with giving members of the TAVC scheme who have already purchased an annuity access to the option to exchange that for a lump sum payment/alternative pension product via the secondary annuity market. Within that, we fully acknowledge the conclusions set out by the Chancellor in his foreword to the consultation document and consider that allowing those who already have an annuity this option places them, as far as is possible, on a par with those who have not yet done so and who have access to the full range of flexibilities available since 1 April 2015.

Please let me know if I can provide any further details to help you consider this response.

Regards

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