

EXPLANATORY MEMORANDUM TO
THE TEACHERS' SUPERANNUATION (ADDITIONAL VOLUNTARY
CONTRIBUTIONS) (AMENDMENT) REGULATIONS 2015

2015 No. 594

1. This explanatory memorandum has been prepared by The Department for Education and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument updates and amends The Teachers' Superannuation (Additional Voluntary Contributions) Regulations 1994 (SI: 1994/2924). It includes provisions to allow access to the teachers' additional voluntary contribution (TAVC) arrangements for members of the reformed Teachers' Pension Scheme (TPS) and also to enable members to utilise the additional flexibilities for defined contribution pension schemes provided for in the proposed pensions legislation and the Taxation of Pensions Act 2014.

3. Matters of special interest to the Joint Committee on Statutory Instruments or the Select Committee on Statutory Instruments

3.1 None

4. Legislative Context

4.1 The purpose of this instrument is to amend the 1994 regulations to enable members of the reformed TPS, introduced as a result of the Public Service Pensions Act 2013 and the Teachers' Pension Scheme Regulations 2014, to participate in the TAVC arrangements. The amendments also provide members of the TAVC arrangements with the range of choices over how they access their TAVC savings provided for in the proposed pensions legislation and the Taxation of Pensions Act 2014. The changes will ensure that the regulations are clear, unambiguous and enable all TPS member types to enjoy the full range of choices now available to pension savers in defined contribution pension schemes.

5. Territorial Extent and Application

5.1 This instrument applies to England and Wales.

6. European Convention on Human Rights

As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

7.1 The TAVC arrangements allow members of the TPS to make additional pension savings in a defined contribution pension scheme that sits alongside but is separate from the TPS. It is open to any member who is currently participating in the TPS to choose to participate in the TAVC scheme, and they have flexibility over how much to pay in and when to do so.

7.2 At any time after attaining 55 years of age, members can choose to use their TAVC pension savings to purchase an annuity either from Prudential (the current TAVC scheme provider) or another annuity provider. The member can also choose to take up to 25% of their savings as a tax free lump sum and also to provide an annuity for their dependents.

7.3 This instrument ensures that all members of the reformed TPS have access to the TAVC arrangements and includes further provisions to ensure that members have more freedom over how they access their TAVC pension savings, in line with the freedoms the Government has introduced for all defined contribution pension schemes. This includes the option to: take lump sum payments direct from TAVC savings; choose a different type of annuity; take a regular income via a flexible drawdown product; or choose a combination of the options available.

7.4 The instrument also provides for other changes covered in the proposed pensions legislation and the Taxation of Pensions Act 2014. These include allowing members to access some or all of their TAVC savings whilst remaining in employment (once the member has reached normal minimum pension age), and providing for members to receive a 'small pot' lump sum where their TAVC savings total less than £10,000.

8. Consultation outcome

8.1 The Department ran a consultation on regulations to provide for a reformed TPS including a commitment to amend the TAVC regulations to allow for the participation of 2015 scheme members. The consultation ran from 7 May 2013 to 28 June 2013 and received 38 written responses. These included responses from teachers and headteachers, teacher unions, schools, colleges and other education establishments, employer representative groups and faith organisations.

8.2 The consultation was run in 2013 as part of the wider scheme reforms to show the full extent of changes needed in order to ensure the reformed scheme would work effectively in conjunction with the existing scheme. The results were discussed with employer and member representatives and it was agreed that changes to the 1997 Regulations would be made following completion of the main scheme regulations which happened in 2014.

8.3 A significant number of respondents used this opportunity to question the need for reform of the TPS in general. Where respondents expressed views in respect of the consultation questions, the majority of responses were broadly supportive of the proposals.

8.4 A number of respondents offered suggestions in relation to some policy areas, for example, the proposed structure for member contribution rates. The Department has considered these remarks in full and drawn on them in developing the reformed scheme.

8.5 Respondents were generally agreeable with the proposals to amend the existing TAVC Regulations to fully fit with the wider reforms. The full consultation response can be accessed at <https://www.gov.uk/government/collections/teachers-pension-scheme>

8.6 The changes resulting from the proposed pensions legislation and the Taxation of Pensions Act 2014 were the subject of a consultation run by HM Treasury, 'Freedom and Choice in Pensions'. Over 250 responses were received most of which were supportive of the changes. Full details of the consultation and the Government's response can be found at;
<https://www.gov.uk/government/consultations/freedom-and-choice-in-pensions>

9. Guidance

9.1 The overall policy and process for managing TAVCs will not change as a result of this instrument, however there will be additions in respect of the new options and flexibilities provided by the Pension Schemes Bill and the Taxation of Pensions Act 2014. Details of the new TAVC regulations and the impact these may have on members and employers will be included on Prudential's website. This website will support other communications with members and employers, e.g. newsletters that will highlight the new provisions. The website can be accessed at <http://www.pru.co.uk/rz/teachers/england-wales/>

10. Impact

10.1 The impact on business, charities or voluntary bodies is nil.

10.2 The impact on the public sector minimal.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 The amendments to the 1994 regulations SI will ensure that all members of the Teachers' Pension Scheme have access to the additional voluntary contribution provisions and the new flexibilities the Government has provided for defined contribution pension savers.

13. Contact

Jeffrey Rogerson at the Department for Education (Tel: 01325 735682 (01325 640735 from 2 March 2015) or email: Jeffrey.Rogerson@education.gsi.gov.uk) can answer any queries regarding the instrument.