

Key Features of the Teachers' Additional Voluntary Contributions (AVC) Scheme

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If you would like a Braille, large print or audio version of this Key Features, please contact us at:

Prudential, Stirling FK9 4UE

› About this booklet

- › This booklet is the Key Features for the Teachers' AVC Scheme.
- › If you're thinking about whether the Teachers' AVC Scheme may be right for you, this booklet will help you make that decision.
- › Please read it and keep it in a safe place. Please also read "A Guide to Fund Options" and "Your With-Profits Plan – a guide to how we manage the Fund".
- › If you still have questions about the Teachers' AVC Scheme after reading this booklet, please call us on 0845 070 0007. If you have a financial adviser, please contact them in the first instance.

The Financial Services Authority

The Financial Services Authority is the independent financial services regulator. It requires us, Prudential, to give you this important information to help you decide whether the Teachers' AVC Scheme is right for you. You should read this information carefully so that you understand what you're buying and then keep it safely for future reference.

› About the Teachers' AVC Scheme

It is a savings arrangement designed to help you to build up a pot of money to provide an additional pension and/or lump sum for your retirement and is subject to the rules of the Teachers' AVC Scheme.

› Its aim

- › To help you save for your retirement in a tax-efficient way.

› Your commitment

- › To make payments into your plan by regular and lump sum payments.
- › To allow the money in your plan to grow until you take your retirement benefits.

› Risks

Risk factor	Where you can find more information
› The value of the investments that make up your plan can go down as well as up. The value can even fall below the amount you invested.	We explain this in "Where do you invest my contributions?" on page 8
› There are different risks for different funds.	You can find information about each fund in "A Guide to Fund Options".
› If money is taken out of the With-Profits Fund at any time other than your normal retirement date or on your death, the amount payable may be reduced to reflect the value of the underlying assets at that time. This is known as a Market Value Reduction (MVR).	We explain this in "What's a Market Value Reduction?" on page 12.
› Tax rules may change in the future.	We explain this in "What are the tax advantages of investing in the Teachers' AVC Scheme?" on page 10.
› Inflation will reduce what you can buy in the future.	

› Questions and Answers

Your Teachers' AVC Scheme

How much can I pay into the AVC Scheme?

There is no limit to the amount that you can pay into your AVC Scheme.

Your total contributions to this AVC facility, the main Teachers' Pension Scheme, Additional Pension Benefit, and any other pension arrangement is subject to maximum tax relief on your contributions of up to 100% of your salary.

For more information about tax relief, please read "What are the tax advantages of investing in the Teachers' AVC Scheme?" on page 10.

Your employer will take your payments directly from your salary and send them to us.

The government's Pension Credit guarantees a minimum income if you're on a low income. If you have little or no other retirement provision, the income you receive when you take the benefits from this scheme could reduce the amount you receive as a Pension Credit.

Where do you invest my contributions?

You choose which funds you would like to invest your money in, from the fund range available.

Different funds offer different types of investment. For example, some only invest in property, others invest directly in the stock market, and others invest in a wide range of assets. Each fund has its own level of potential growth and risk. Usually, funds with more potential for growth carry more risk.

The performance of the funds isn't guaranteed. The value of your investment can go down as well as up. If it goes down, you could have less money in your plan than you paid in.

For information about the Funds you can choose from, please read "A Guide to Fund Options" and "Your With-Profits plan – a guide to how we manage the Fund".

Can I switch my money between funds?

You can switch your money between funds at any time. We currently don't charge you for this. If this changes in the future we'll let your pension scheme trustees know.

We may apply a Market Value Reduction if you switch money out of our With-Profits Fund. For more information about this, please read "What's a Market Value Reduction?" on page 12.

Can I take money out of my plan?

You can't withdraw money from your plan. It can only be used to provide you with retirement or death benefits. For more information about this, please read "How do I turn the value of my AVC pot into an income?" on page 15.

Can I transfer my plan?

For England and Wales, you can transfer your AVC plan to another pension arrangement at any time before you start to take your pension benefits from your AVC plan.

For Scotland & Northern Ireland, you can transfer your AVC plan, along with your main scheme benefits, to another pension arrangement at any time before you start to take your pension benefits. You may also be able to transfer your AVC plan to another pension arrangement independently of your main scheme benefits, but you would need to meet certain criteria and this would need to be before you take your pension benefits.

We won't charge you for this.

We may apply a Market Value Reduction if you transfer money out of our With-Profits Fund. For more information about this, please read "What's a Market Value Reduction?" on page 12.

Transferring funds between pension providers is an important decision, so we recommend that you speak to a financial adviser first.

Can I transfer money from another pension scheme into this one?

Should you wish to transfer any other AVC benefits into the Teachers' AVC you should approach your pension scheme administrator in the first instance.

What are the tax advantages of investing in the Teachers' AVC Scheme?

Tax Relief

AVCs are deducted from your salary before tax and passed to Prudential for investment. This means if you normally pay tax you'll qualify for immediate tax relief on your payments, so for every £100 that goes into your pension pot, it will cost you £80, with the £20 normally paid to the taxman going into your pension instead. If you're a higher rate taxpayer, it'll only cost you £60, with £40 going into your pension instead of to the taxman.

The government limits the amount that can be contributed every year before incurring tax penalties. This is called the 'Annual Allowance'. The level of Annual Allowance is currently £50,000. If you exceed the Annual Allowance, a tax charge of up to 50% of the excess amount will be payable.

However, any unused allowance from 'pension input periods' ending in the previous 3 tax years, may be carried forward to increase your Annual Allowance for the current year (provided you have used the current annual allowance first and you were a member of a registered pension plan).

Your Annual Allowance includes:

- any contributions you, your employer or anyone else makes to all your money purchase pension plans
- any increase in the value of benefits under your main scheme and any other salary related pension schemes, also known as Final Salary, Defined Benefit or Career Average schemes.

The formula used to value your pension to establish how much of the annual allowance you have used has changed. Please speak to your main scheme administrator if you require further information.

Together, these are known as your 'pension inputs'.

Your pension inputs are assessed against the Annual Allowance for the tax year in which the 'pension input period' ends. For information on your pension input period please contact your main scheme administrator.

Lifetime Allowance

If the value across all your pension funds exceeds the Lifetime Allowance at the time you take your benefits, a tax penalty will be payable on the excess amount. The limit for 2011/12 is £1.8 million and with effect from 6 April 2012 will reduce to £1.5 million. The government has introduced protection, which you will need to apply for by 5 April 2012, if you expect the value of all your pension funds to be in excess of £1.5 million when they are taken. If you are affected by this limit you may wish to contact a Financial Adviser, for which you may be charged.

Capital Gains Tax

You don't pay capital gains tax on your pension funds.

Tax-free lump sum

You can usually take up to 25% of your pension fund as a tax-free lump sum when you buy your annuity. Under the terms of the current contract you will need to do this by your 75th birthday. To find out more information, please read "Can I take any of the money invested in my AVC pot as a lump sum?" on page 15.

Income Tax

Any pension income will be taxed as earned income.

This information is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, as at February 2011. These tax rules could change in the future without notice.

The impact of taxation and any tax relief depends on your individual circumstances. For more information about tax, please go to HMRC's website: www.hmrc.gov.uk/rates

What are the charges?

We make charges for managing your plan and your investments. The amount we charge depends on the funds you invest in. For more information, please read "A Guide to Fund Options".

Our charges may vary in the future and may be higher than they are now. Further details can be obtained by referring to the scheme policy conditions which are held by the Trustees.

For most funds we calculate the charge daily and take it monthly from your plan by cancelling units. We calculate the charge for the With-Profits Fund differently.

Please remember that we'll keep taking our charges, even if you stop your payments.

With-Profits Fund charges

The With-Profits Fund's management charge depends on the performance of the With-Profits Fund, in particular the investment return and our expenses. If, for example, over time investment returns are higher than we would expect to increase the charges and if investment returns are lower we would expect to reduce the charges. We currently expect this charge to be 1% a year, based on the assumption that future investment returns from the With-Profits Fund will be 7% per year. We deduct this charge through the bonus mechanism.

With-Profits guarantee charges

There is a charge to pay for all the guarantees the With-Profits Fund supports. We guarantee not to apply a Market Value Reduction (MVR) in certain circumstances, e.g. when payments are made because of death or at your normal retirement date. Our current practice (which is not guaranteed) may include additional

circumstances when an MVR is not applied. Please see "What's a Market Value Reduction?" for more details.

You won't see this charge on your annual statement because we take it by adjusting regular and final bonuses.

The total deduction for guarantee charges over the lifetime of your plan is not currently more than 2% of any payment made from the fund. Our charges may vary in the future and may be higher than they are now. Charges may vary if, for example, the long term mix or type of assets held within the With-Profits Fund is changed.

For more information about bonuses and charges, please read "Your With-Profits Plan – a guide to how we manage the Fund".

What's a Market Value Reduction?

If you take money out of the With-Profits Fund, we may adjust the value of your fund if the value of the underlying assets is less than the value of your plan including all bonuses. This would also apply if the trustees of your plan transferred part, or all, of the scheme. This adjustment is known as a Market Value Reduction (MVR). It is designed to protect investors who are not

taking their money out and its application means that you get a return based on the earnings of the With-Profits Fund over the period your payments have been invested.

We apply the MVR to your plan's value including regular and final bonuses. Please read "Your With-Profits Plan – a Guide to how we manage the fund" for more information on bonuses. An MVR will reduce the amount payable on full or partial withdrawals and if investment returns have been very poor, you may get back less than you have invested in your plan.

We guarantee not to apply an MVR at your normal retirement date or on any claims due to death.

Our current practice on applying an MVR

We may apply a Market Value Reduction to any full or partial withdrawals as a result of switches or transfers out of the With-Profits fund.

We do not currently apply an MVR to withdrawals as a result of early or late retirements.

We reserve the right to change our current practice on Market Value Reductions at any time, without prior notice, and this would apply to existing plans and any new plans or top-ups. Examples of reasons for a change would include significant changes in the investment market or because the number of people moving out of the fund increases substantially.

Can I use the Teachers' AVC Scheme to contract out of the State Second Pension?

You can't use this Scheme to contract out of the State Second Pension.

How will I know how my plan is doing?

We'll send you an annual statement, which shows how your plan is doing.

Alternatively, you can phone our Customer Service Centre on 0845 6000 343 and a member of our team will give you an up-to-date valuation.

What happens if I leave?

If you leave the main Teachers' Pension Scheme your contributions will stop and your AVC plan will remain invested (you can restart contributions after a career break when you rejoin the main scheme).

Any charges will continue to be taken until you take your benefits.

Alternatively, you may transfer your AVC plan, together with the main scheme benefits, to another Registered Pension Scheme, or where your employer has provided you with a refund of main scheme contributions, your AVC account will be refunded. This refund is subject to a tax charge, currently 20% on any refund up to £20,000 and 50% on any excess.

We may apply an MVR to any monies taken out of the With-Profits Fund. Please refer to "What's a Market Value Reduction?" on page 12.

What if I want to cancel my plan?

You cannot cancel your plan, and receive a refund of contributions. However, you can reduce or stop your contributions at any point.

Other options available

You have the option of buying Additional Pension Benefit within your pension scheme and you should contact your main scheme administrator for more details. There may also be other options available to you. For information about all your options, please speak to a financial adviser.

What happens if I move abroad?

Please note Prudential is not able to accept new monies from customers living overseas. If you move abroad and are no longer a resident of the UK this will impact your ability to top up this product.

› Questions and Answers

Taking benefits from your AVC

When can I start taking my benefits?

The government currently allows people to start taking their benefits from the age of 55, even if you are still working. You may be able to start taking your benefits earlier if you're in ill health. Under the terms of this contract you are currently required to take your benefits by age 75.

How do I turn the value of my AVC pot into an income?

The value of your AVC pot includes money you've invested, less charges plus any growth. This value is known as your pension fund. You can use your fund to buy an income known as an annuity. In return for some or all of the money invested in your plan, you'll be paid a regular income for the rest of your life.

You don't have to buy your annuity from the same provider you invested your pension fund with.

If you buy your pension benefits from Prudential, the payment of the benefits is protected by the Secretary of State.

Can I take any of the money invested in my AVC pot as a lump sum?

You can take up to 25% of the value of your AVC pot as a tax-free lump sum. Any remaining fund can be used to provide you with an income. Under the terms of the current contract you will need to do this by your 75th birthday.

These tax and scheme rules could change in the future without notice.

How much will my income be?

You use your pension fund to buy an annuity, which will pay you an income. The size of your pension fund will depend on many factors such as:

- › the amount that has been paid into the plan
- › how long you have been making payments
- › the performance of the fund(s) you have invested in
- › the age you choose to take benefits
- › the amount of charges you've paid.

The size of your income will depend on many factors such as:

- › the size of your pension fund
- › the type of annuity you buy
- › your age when buy your annuity
- › the annuity rate at the time you take your benefits.

What happens if I die before I take my benefits?

If you die before you start taking your benefits, we'll pay the value of your AVC pot as a lump sum to your spouse, civil partner, nominated dependant or legal representative. These benefits may be liable to Inheritance Tax.

While your AVC account will be paid to your spouse, civil partner, nominated representative or legal representatives, you can also use your AVCs to fund extra death benefits for your spouse or dependants. Premiums for this life assurance increase every three years for a given level of cover.

For more information about inheritance tax rules, please go to HMRC's website: www.hmrc.gov.uk/rates.

› Other information

How to contact us

If you have a financial adviser, please continue to use them as your first point of contact.

If you don't have a financial adviser, you can call The Pension Connection for information about starting AVCs or changing your current contribution levels on 0845 0700 007. For general enquiries you can call us on 0845 6000 343. Calls may be monitored or recorded for quality and security purposes.

You can also contact us by:

**Post: Prudential
Prudential Teachers' AVC
Stirling
FK9 4UE**

**Via our website:
www.pru.co.uk/teachers**

How to make a complaint

If your complaint is advice related please contact your financial adviser.

If we do anything that you're unhappy about, we'll always try to put it right if we can.

To do this we need to know exactly what the problem is. So please write to us with all the details of what has happened. Please send your complaint to:

**Prudential
Customer Relations Unit
Stirling
FK9 4UE**

Copies of our complaint handling procedures are available from this address.

If you'd rather phone, you can call us on 0845 600 0343. To make sure we have an accurate record of what you tell us, we may monitor or record your call.

We hope that we'll be able to handle your complaint in a way that satisfies you. But if we can't, you can speak to one of the following organisations:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR

Telephone: 08000 234 567

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

Telephone: 020 7630 2200

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB

Telephone: 0845 601 2923.

The Pensions Advisory Service is an independent, government funded body that gives free advice to members of the public about pensions.

These are free services. Using them won't affect your right to take legal action. We can help you find the appropriate organisation to handle your complaint.

Your client category and why it matters

The Financial Services Authority (FSA) is the independent financial services regulator. It asks companies to categorise their clients based on their involvement in and familiarity with financial services. This helps to make sure we send the right information to the right people. For example, information for an individual customer should assume less knowledge than information for a financial services company.

You're categorised as a "retail client". This means you get the highest level of protection by getting the clearest explanation of what you're buying and more detail about the risks. This means the information we send you is clear, balanced and indicates any relevant risks. Your category does not affect your right to lodge a complaint with the Financial Ombudsman Service.

If you have any questions about your client category, or think your category should be different, please call our Customer Service Team on **0800 000 000**.

Conflict of interest

We want to make sure that we uphold our reputation for conducting business with integrity. That's why we have drawn up a policy to deal with any conflicts of interest.

If you would like to know the full details of our Conflict of Interest Policy, please contact our Customer Service Team on **0800 000 000**.

Law

The law and courts of England and Wales will decide any dispute.

FSA Registration

Prudential Assurance Company Limited is entered on the Financial Services Authority (FSA) Register, FSA Reference Number 139793. The FSA Register is a public record of all the organisations that the FSA regulates.

You can contact the FSA at:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: 020 7066 1000

Compensation

We're covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we can't meet our obligations. This depends on the type of business and the circumstances of the claim. For more information, please contact:

The Financial Services
Compensation Scheme
7th floor, Lloyd's Chambers
Portoken Street
London
E1 8BN

Telephone: 0207 741 4100

www.fscs.org.uk



www.pru.co.uk

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