

Key Features of the Prudential Premier Personal Pension Rebate Only Plan



› The Financial Services Authority

The Financial Services Authority is the independent financial services regulator. Prudential is required to give you this information to help you to decide whether our Prudential Premier Personal Pension Rebate Only Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

You should also read the accompanying document 'Your With-Profits Plan – a guide to how we manage the Fund'.

› Its aims

- › To build up a fund, in a tax-efficient way, to provide you with a regular income when you take your benefits instead of the benefits you would have been entitled to under the State Second Pension (S2P).
- › To give you the choice when you take your benefits of:
 - either taking the whole fund as taxable income
 - or taking part of your fund as a tax-free cash sum and the balance as a smaller taxable income.

› Your commitment

- › You give up the right to benefit from S2P for the period that you are contracted out and therefore your S2P will reduce.
- › To let your pension fund grow until you start taking your benefits.

› Risks

- › The plan may not give you a higher pension than you would have received if you had stayed in S2P.
- › What you might get back is not guaranteed and will depend on our investment performance and interest rates when you take your benefits.
- › When you are ready to take your benefits they may be lower than illustrated because:
 - you may rejoin the S2P
 - investment growth may be lower than illustrated
 - interest rates when you take your benefits may be lower than illustrated
 - the cost of buying your retirement benefits may be higher
 - you may start taking your benefits earlier than your selected retirement date
 - our charges may be higher than illustrated
 - tax rules may change in future without notice
 - you may transfer your plan to another company
- › Your plan may invest in a range of investment types, including stocks and shares, which carry differing levels of risk.
- › The state provides a benefit called Pension Credit. If you have little or no other retirement provision, the pension you receive from this plan could reduce the benefit you receive from any Pension Credit. The exact effect will depend on the rules in place when you retire. For further information about Pension Credit please see your financial adviser.
- › Your circumstances may change and the government may no longer make payments into this plan. For example, you may join an employer's pension plan, which is contracted out, or you may become self-employed.
- › The value of your investment may go down as well as up and the fund value at retirement may be less than the payments made.
- › Some of our funds invest in property and land. This can be difficult to sell – so you may not be able to sell/cash in this investment when you want to. We may have to delay acting on your instructions to sell your investment. You should look upon your investment in such funds as being long term. There are large costs when we buy and sell property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in such funds. The value of property and land is generally a matter of a Valuer's opinion rather than fact. Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds – this may be for a period of up to 6 months in the case of units held in such funds.
- › This may be for a period up to one month for investments in any funds and up to 6 months in the case of units held in property and land.
- › For investments in the With-Profits Fund, the value of this Plan depends on a number of factors, including:
 - The return on investments in our underlying With-Profits Fund.
 - The way we distribute any profit on the fund. The company's bonus policy aims to give each policyholder a return which reflects the earnings on the underlying investments, whilst smoothing the peaks and troughs of investment performance.
 - Expenses incurred by the fund and charges applied to your plan by us.
 - Profits and/or losses from non-profit plans which are also part of the With-Profits Fund.
 - The cost of meeting any guarantees including, for example, those under certain annuity plans which guarantee an income for life.
 - Factors beyond our control, such as tax, the effect of inflation and levels of mortality.

› Questions and Answers

What is the Prudential Premier Personal Pension Rebate Only Plan?

It is a plan that allows you to contract out of the S2P.

Is this a stakeholder pension ?

No, stakeholder pensions are generally available and could meet your needs as well as this plan.

How flexible is it?

You can contract out of the S2P for whichever tax years you choose.

You can contract back into the S2P for whichever tax years you choose.

What might I get when I take my benefits?

There is no guaranteed amount and the final fund value will depend on:

- how much has been paid in
- how long the fund has had to grow
- our investment performance
- our charges
- any Market Value Reduction that we may apply to the value of your fund invested in the With-Profits Fund.

Your pension will depend on your age, sex and the interest rates at the time you convert your fund into a pension. To do this you'll need to buy another plan called an annuity. The options are explained in "What choices will I have when I take my benefits?".

What choices will I have when I take my benefits?

On joining the plan you tell us the age at which you wish to take your benefits and this is shown on your illustration. You can start taking your pension at any time between the ages of 50 and 75, even if you are still working. The minimum retirement age will change from 50 to 55 on 6 April 2010.

On retirement your fund is used to buy a pension, also known as an annuity. This will pay you a regular income for the rest of your life. There is no minimum guaranteed amount. You can normally convert all of your plan into a pension or you can take up to 25% of the fund as a tax-free cash sum and the rest to pay you a smaller regular income.

You can choose from different pension options, for example a pension that increases each year or one that will provide an income for your spouse, civil partner or other dependants when you die. These options cost more, so your initial pension would be lower. For this type of plan, the pension has to provide an income for your spouse or civil partner if you are married or in a civil partnership when benefits are taken.

You do not need to retire to start taking your benefit. You can normally start taking a pension before age 50 (age 55 from 6 April 2010) if you're in ill health.

You can buy your pension from any authorised pension provider by using the Open Market Option at the time you take your benefits.

How much can be paid into my plan each year?

If you are employed and a member of the S2P you will be eligible to contract out and have the related National Insurance payments paid into this plan.

If you contract out of the S2P, the Government will refund part of your own and your employer's National Insurance payments. We invest these payments into your plan.

What about tax?

For contracted out payments, there are two main advantages:

- Firstly, part of each payment that the government pays into your plan will be increased by the basic income tax rate.
- Secondly, this money grows largely tax free.

The pension that you receive when you take your benefits will be taxable as earned income.

If you die before you take your benefits, there is normally no inheritance tax payable on the value of your plan when it is used to buy a pension for your spouse/civil partner. If, however, you are not married or in a civil partnership at that time there may be inheritance tax if the lump sum payment forms part of your estate.

Tax rules may change in future without notice.

› Questions and Answers – continued

Where are the payments invested?

We will invest all your payments to your plan in up to six funds from a wide range of investment options available to you.

Options include unitised With-Profits and unit-linked Prudential funds and funds from managers outside the Prudential group.

We currently don't charge you for Investment switches. If this changes in the future we will let you know. The investment strategy can be altered by switching existing investments into different funds, or by allocating new payments to another fund(s). However, different fund management charges will apply to your new choices of investment fund in some instances.

Lifestyle switching is also available.

This investment option aims to provide long-term growth with automatic switching into funds with lower risk profiles as retirement approaches.

Payments into unit-linked funds will buy units in the funds you choose. The price of each unit depends on the value of the investments in the fund. We work out the value of your plan based on the total number of units you have in each fund. If the unit prices rise or fall, so will your plan value. Money in the various funds may be invested in a wide range of shares and other investments in the UK and abroad. Please refer to the "Fund Description Leaflet" for further information.

A With-Profits investment is one that aims to smooth the return on your money over the time of the plan. So, you should see a steadier return over the time of the plan rather than watching the value of your plan fully reflect the rise and fall in stockmarkets.

The payments are pooled with those of other Prudential With-Profits investors to form a fund.

We invest this fund in a wide range of investments including company shares, property, government bonds and deposits. You can get further information from "Your With-Profits Plan – a guide to how we manage the Fund" document.

We allocate your share of the profits of the fund by adding bonuses. There are currently two types of bonus:

- regular, which we add throughout each year. We can change the rate of regular bonus at any time without telling you beforehand, although once added these bonuses are guaranteed on death and at selected retirement date,
- final, which we may pay when you take money out of your plan, although this may vary and is not guaranteed.

Your financial adviser will help you select which investments are most suited to you.

The value of an investment may fluctuate and is therefore not guaranteed. You may not get back the full amount of your investment.

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 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 value of your plan 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 selected 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, switches or transfers out of the With-Profits Fund.

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.

What are the charges?

For unit-linked funds we deduct an annual management charge that covers the costs of setting up your plan, managing the investments and paying commission. This charge is taken as a percentage of the fund value and this varies according to the funds chosen.

For With-Profits Funds, there are various costs involved with setting up and managing your policy. A charge is deducted from the With-Profits Fund each year to cover these costs.

The charge is not explicit so you will not see it being taken from your policy. It is deducted from the underlying With-Profits Fund and is already taken into account when we calculate bonus rates for our With-Profits Fund.

The charge will depend on the investment returns achieved and the expenses incurred by the fund (higher investment returns will be associated with a higher charge and lower investment returns will be associated with a lower charge). The charge is currently expected to be approximately 1% a year if the investment return in the With-Profits Fund is 7% a year (gross of tax). Further information on the operation of the With-Profits Funds is contained in "Your With-Profits Plan – a guide to how we manage the Fund" document.

If payments to your plan stop before your selected retirement date, we continue to deduct charges from the plan.

Please refer to your illustration for further information.

Our charges may vary in the future and may be higher than they are now. Further details can be found in the Terms and Conditions.

There is a charge to pay for all the guarantees the With-Profits Fund supports. We guarantee to not take away regular bonuses already added when a payment is made because of death and at your selected retirement age and to only apply a Market Value Reduction in certain circumstances (see section on page 6 for more details).

This charge will be taken by making a small deduction each year when deciding Regular and Final Bonuses, so you will not see it on any yearly statement. The total deduction over the lifetime of the 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. Further details can be found in the Terms and Conditions.

What happens if I die before I Take my benefits?

If you die before your fund is used to buy a pension, it will usually be used to buy a pension for your spouse/civil partner or other dependants. A lump sum is payable if you are single.

What is the lifetime allowance?

The single, overall limit called the "Lifetime Allowance", applies to all types of pensions regardless of how many you have.

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 Lifetime Allowance for the next two tax years is:

Tax year	Lifetime Allowance
2009/2010	£1.75m
2010/2011	£1.8m

The government will review the Lifetime Allowance on an ongoing basis, but have confirmed that it will stay at £1.8m for the five tax years starting from 2011/2012. If you think you might be affected by the Lifetime Allowance, you should speak to a financial adviser as soon as possible.

This information is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, on October 2009. 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: hmrc.gov.uk/rates.

› Questions and Answers – continued

Can I transfer my plan?

You can transfer your plan to another pension provider at any time before you start taking your pension. We do not charge you for taking your money out. However, we may apply a Market Value Reduction to any With-Profits investment (see "Market Value Reduction"). It may not always be in your interest to transfer and you may wish to discuss this with a financial adviser.

Can I change my mind?

You can change your mind within 30 days from when you get your plan documents.

If you do not exercise your right to cancel within the 30 day statutory cancellation period, the contract will become binding.

If you wish to exercise your right to cancel, you should complete and return the Cancellation Notice you will receive or write to us at:

**Prudential,
Stirling FK9 4UE**

How will I know how my plan is doing?

We'll send you a yearly statement to show how your plan is doing.

You can get an up-to-date valuation from our Customer Services Department, by phoning or writing to us at the address given on page 9.

How we will communicate with you

We will communicate with you in English in writing, by phone or e-mail.

› 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 our Customer Service Centre on 0845 640 3000. The opening hours are 8am-6pm Monday to Friday. Calls may be monitored or recorded for quality and security purposes.

You can also contact us by:

Post: **Prudential
Stirling
FK9 4UE**

Via our website: www.pru.co.uk

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 640 3000. 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: 0845 080 1800**

**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.

Terms and Conditions

This Key Features document gives only a summary of the Prudential Premier Personal Pension Rebate Only Plan and should be read with your illustration.

If you would like a copy of the full terms and conditions, please contact us.

Divorce and dissolution of a civil partnership legislation

In line with Government legislation pension funds and pension annuities are classed as assets and may be taken into account in a divorce settlement or dissolution of a civil partnership. If you get divorced or there is a dissolution of a civil partnership and a pension credit is awarded against your benefits they will be reduced. If this happens we will write to you.

Law

In legal disputes the Law of Scotland will apply.

Your client category

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.

› Other information – continued

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.

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 not 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, Lloyds Chambers
Portsocken Street
London
E1 8BN
Telephone: 0207 892 7300
www.fscs.org.uk**

Retirement has more potential with

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www.pru.co.uk