

Key Features of the Prudential Premier Stakeholder Pension Plan

› About this booklet

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 Premier Stakeholder Pension 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. Please read this alongside your illustration and Guide to Fund Options.

› Its aims

- › To build up a fund, in a tax-efficient way, to provide you with a regular income when you take your benefits.
- › 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.
- › If you choose waiver benefit, to make your pension payments for you if you are off work for a long time due to illness or injury.

› Your commitment

- › To make regular monthly or yearly payments. Or to make at least one single payment at the start of the plan.
- › To let your pension fund grow until you start taking your benefits.
- › To regularly review your payments if you want your pension to meet your income requirements when you take your benefits.
- › If you have purchased waiver benefit, you must tell us of any change in your health from the time you sign the application form through to the start of your plan, as this could affect your cover.

› Risks

- › What you might get back is not guaranteed and will depend on many factors such as our investment performance and annuity rates when you take your benefits.
- › If you cancel your plan within 30 days of receiving your cancellation notice, you may get less than you paid in if the value of your fund has fallen. For further details please see "Can I change my mind?".
- › When you are ready to take your benefits they may be lower than illustrated because:
 - investment growth may be lower than illustrated
 - annuity rates when you take your benefits may be lower than illustrated
 - the cost of buying your 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 the future without notice
 - you may stop paying into your plan or take a payment break
 - 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 government provides a benefit known as 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 Pension Credit. The exact effect will depend on the rules in place when you take your benefits. For further information about Pension Credit please see your financial adviser.
- › If you stop your payments, you may not meet any target benefits within your illustration and you will lose any waiver benefits. For further details please see "What other benefits can I choose?".
- › If you have purchased waiver benefit, we will not pay out if you have failed to disclose any information or if a claim arises from a cause not covered by the plan.
- › The value of an investment may go down as well as up and the fund value at retirement may be less than the payments you have 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 for unit-linked funds that mainly invest in property and land, and up to 1 month for all other funds. This is in exceptional circumstances and if this applies to you, we will let you know.

› Questions and Answers

What is the Prudential Premier Stakeholder Pension Plan?

It is a tax-efficient way to save for retirement.

It meets the minimum standards set by the government on payment levels, costs, and terms and conditions.

How flexible is it?

You can change your payments at any time, subject to minimum amounts that we may set from time to time.

You and your employer, if any, can make regular payments or one-off lump sum payments into the plan.

You can stop paying or take a payment break and restart later if your circumstances change. Please note that this will reduce your future benefits and may have an impact on your waiver benefits.

You can arrange for your payments to be automatically increased each year.

What might I get when I take my benefits?

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

- › how much has been paid in
- › how long the fund has had to grow
- › our investment performance
- › our charges

Your pension will depend on factors such as 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?".

Can I contract out of the State Second Pension (S2P)?

It may be possible to contract out of the S2P under the Prudential Premier Stakeholder Pension Rebate Only Plan. You can get further information by asking your financial adviser for the Key Features document of the Rebate Only Plan.

When can 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.

What choices will I have when I take my benefits?

On retirement your fund is normally 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 convert all of your plan into a pension or you can normally take up to 25% of the fund as a tax-free lump sum and the rest will buy a smaller taxable pension.

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.

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

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?

There is no limit on the amount you can contribute annually to your pension plan. However, there will be a tax charge on contributions made by you or on your behalf that exceed an annual allowance set by the government.

You can arrange for your payments to be collected from your bank or you can ask your employer to deduct the payments from payroll and pay them directly to Prudential.

Can I have more than one pension scheme?

There is no limit on the number of pension schemes you can join. We recommend that you seek financial advice before joining multiple schemes.

What are the tax advantages of investing in a Prudential Premier Stakeholder Pension Plan?

Tax Relief

You'll normally receive tax relief on your contributions. For every £100 you pay into your plan, HM Revenue & Customs (HMRC) will pay in another £25. You'll get this tax relief on up to the higher of £3,600 or 100% of your earnings. If you are a higher rate taxpayer you will be able to claim back the extra tax you pay through your tax return.

The government limits the amount that can be contributed every year before suffering tax penalties. This is called your Annual Allowance. It also limits the total amount you can receive in pension benefits over your lifetime before suffering tax penalties. This is called your Lifetime Allowance.

Annual Allowance

If, in any tax year, the total payments into all your pension plans exceeds the Annual Allowance, an Annual Allowance tax charge of 40% on the excess amount will be payable. The Annual Allowance for the next two tax years is:

Tax year	Annual Allowance
2009/2010	£245,000
2010/2011	£255,000

The government will review the Annual Allowance on an ongoing basis, but have confirmed that it will stay at £255,000 for the five tax years starting from 2011/2012. The annual allowance doesn't apply in the year you take all benefits.

If you are also a member of a salary related company pension scheme, any increases in the value of your pension under that scheme will also count towards the Annual Allowance.

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 Lifetime Allowance for the next two tax years is:

Tax year	Lifetime Allowance
2009/2010	£1.75m
2010/2011	£1.80m

The government will review the Lifetime Allowance on an ongoing basis, but have confirmed that it will stay at £1.80m 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.

Capital Gains Tax

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

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, at December 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: www.hmrc.gov.uk/incometax

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 unit-linked Prudential funds and funds from managers outside the Prudential group.

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 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.

The plan will automatically invest in the default fund, the Prudential Managed Fund, if you do not make a fund selection.

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

What are the charges?

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, currently up to a maximum of 1% a year. For example, if your fund is valued at £500 throughout the year, this means that we will deduct up to £5 that year. If your fund is valued at £7,500 throughout the year, we will deduct up to £75 that year.

Our charges may vary in the future and may be higher than they are now. Further details on the charges can be found in the enclosed illustration.

For further information of the charges please see your "Fund Description Leaflet".

What other benefits can I choose?

If you're making regular payments you may be able to buy waiver benefit depending on eligibility. Waiver benefit will maintain the regular payments into your pension fund until your selected retirement date if you are off work due to illness or injury.

If your claim for waiver benefit is valid, we will cover your payments after an initial waiting period chosen by you at the start of the plan.

Waiver benefit cannot be added to your plan after you have joined.

Please note, you will not be eligible for waiver benefit if you joined the Prudential Premier Stakeholder Pension Plan for the first time on or after 17 January 2005.

This benefit will stop if you stop making payments to the plan.

Please ask your financial adviser for further details on waiver benefit.

What happens if I die before I take my benefits?

We will pay the value of your fund as a lump sum.

As trustees, Prudential will decide who should receive the lump sum. We take into account your circumstances when you die and anyone you've previously nominated to receive any lump sum.

Benefits payable on death are not subject to income tax, but if they form part of your estate they may be subject to inheritance tax.

If the value of all death benefits paid as a lump sum from this and any other scheme are more than the Lifetime Allowance, there will normally be a special tax charge.

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. It may not always be in your interest to transfer and you may wish to discuss this with a financial adviser.

If you are entitled to more than 25% of your fund as a tax-free cash lump sum you may lose this additional entitlement when transferring out.

Can I change my mind?

You can change your mind within 30 days from when you get your plan documents. If you decide, for any reason, within this period, that you don't want the plan, we'll give you your money back.

However, if you start the plan with a single payment and cancel within 30 days, you may get back less than you paid in if the value has fallen.

If you do not exercise your right to cancel within the 30-day statutory cancellation period, the contract will become binding. We will not return any money to you except in the form of a benefit payable in accordance with the rules.

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:

Customer Service Centre
Prudential
Stirling
FK9 4UE.

Your right to cancel is 30 days.

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 in the previous question.

› 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 to 6pm, Monday to Friday. Calls may be monitored or recorded for quality and security purposes.

You can also contact us by:

Post: **Prudential Customer Service Centre**
Stirling
FK9 4UE

Or 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 Stakeholder Pension 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.

How we will communicate with you

We will communicate with you in English in writing, by phone or email.

Law

The law and courts of Scotland will decide any dispute.

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.

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.

Compensation

We're covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we cannot 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
Portsoken Street
London
E1 8BN
Telephone: 020 7892 7300
www.fscs.org.uk**

FSA Registration

The Prudential Assurance Company Limited is entered on the 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 North Colonnade
Canary Wharf
London
E14 5HS
Telephone: 020 7066 1000**

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www.pru.co.uk