

Technical Guide

CPTB0004 – Company Pension Transfer Plan

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1. Introduction, interpretation and glossary

1.1 Introduction

Words and expressions shown in italics are explained in section 1.3.

The Company Pension Transfer Plan allows the trustees of the *previous scheme* to transfer the *planholder's* benefits to *Prudential*.

The Company Pension Transfer Plan provides tax efficient investment funds. There is a wide range of funds and investment options.

The Company Pension Transfer Plan is a type of contract commonly known as a Section 32, or buy-out, plan. Before 6 April 2006, buy-out plans were set up under section 591(g) of the Income and Corporation Taxes Act 1988. They are now, however, classified as *registered pension schemes* within the terms of Chapter 2 of Part 4 of the Finance Act 2004.

The Company Pension Transfer Plan accepts transfers from employers' occupational pension schemes, including benefits resulting from contracting-out of the State schemes: *protected rights*, *GMP* and *post 1997 COSR benefits*.

Some of the rules that apply on when and how benefits can be taken from employers' occupational schemes continue to apply on transfer to Section 32 plans. However, the Company Pension Transfer Plan offers scope for individual investment choice and flexibility, with benefits provided in an individual "money purchase" plan.

Note: The Finance Act 2011 removes the legal requirement for pension savings to be converted to an annuity. It should be noted, however, that the terms and conditions of the Company Pension Transfer Plan require the *planholder* to use the value of his or her *Plan* to buy an annuity on or before his or her 75th birthday. If a *planholder* wishes to defer annuity purchase beyond age 75 or take income drawdown instead of buying an annuity, he or she must transfer to another *registered pension scheme* which allows that facility.

1.2 Interpretation

References to forms and procedures of government departments are those which apply as at November 2011.

Any reference to an Act of Parliament includes any new legislation by which it is replaced or changed. It also includes any regulations or orders made under an Act or under any replacement Act.

Information in this Technical Guide is based on *Prudential's* understanding of legislation as at November 2011.

Legislation, particularly relating to taxation, may be subject to change in the future.

1.3 Glossary

There are a number of words and expressions used throughout this Technical Guide that have specific meanings. These are shown in italics and are:

Band 1 funds: This expression is used in the Lifestyle Appendix and is relevant only where Lifestyle Option B or C applies to the *Plan*. Band 1 funds are funds selected by the *previous scheme* trustees as the funds to which a proportion of units held under the *Plan* are switched during Stage 2 of Lifestyle Option B or Lifestyle Option C.

Band 2 funds: This expression is used in the Lifestyle Appendix and is relevant only where Lifestyle Option B or C applies to the *Plan*. Band 2 funds selected by the *previous scheme* trustees as the funds to which a proportion of units held under the *Plan* are switched during Stage 3 of Lifestyle Option B or Lifestyle Option C.

Chosen funds: This expression is used in the Lifestyle Appendix. These are the funds selected by the *previous scheme* trustees or the *planholder* (as appropriate) as the funds for investment under the *Plan* during Stage 1 of the Lifestyle Option, and are the funds in which the *Plan* is invested immediately before automatic switching starts under Stage 2 of a Lifestyle Option.

Civil partner: A registered same-sex civil partner.

Dependant: Someone financially dependent or interdependent on the *planholder*. A spouse, *civil partner* or children under the age of 23 automatically qualify as dependants.

External fund managers: These are managers of collective investment schemes (such as unit trusts and *OEICs*) operating outside the *Prudential group*. *Prudential* (or other companies within the *Prudential group*) has entered into agreements with certain external fund managers so that funds that invest in externally-managed collective investment schemes can be offered under the Company Pension Transfer Plan.

External life assurance companies: These are life assurance companies outside the *Prudential group*. *Prudential* (or other companies within the *Prudential group*) has entered into agreements with certain external life assurance companies so that funds with investment performance linked to funds of these companies may be offered under the Company Pension Transfer Plan.

Externally-linked funds: These are:

- the funds with investment performance linked to funds of *external life assurance companies*; and
- the funds that invest in externally-managed collective investment schemes of *external fund managers*.

The externally-linked funds are *investment-linked funds*.

GMP: The Guaranteed Minimum Pension, the minimum pension benefit that must be provided for contracted-out service in a salary-related scheme before 6 April 1997. See sections 4.2 and 4.3 for more information.

HMRC: HM Revenue & Customs.

Illustration: We provide an "Illustration for a Prudential Company Pension Transfer Plan" for each *planholder* when we send the *planholder's* Transfer Certificate (see section 2). The Illustration is a document that sets out an estimate of what the *planholder* might get back from his or her *Plan* at *NRD*. The amounts shown in an Illustration are not guaranteed and are based on standard assumptions.

Investment-linked fund: A fund whose performance is linked to:

- the value of the underlying assets of that fund; or
- the performance of an underlying fund in which that fund invests, or to which that fund is linked.

Each investment-linked fund is divided into units. The investment-linked funds are the *Prudential investment-linked funds* and the *externally-linked funds*. For the avoidance of doubt, the *With-Profits Fund* and the *With-Profits (GMP) Fund* are not investment-linked funds.

Lifetime allowance charge: This is a tax charge that applies if, when benefits are taken from the *Plan*, the value of those benefits exceeds the *planholder's* available personal lifetime allowance. If the excess is used to provide a pension it will be taxed at 25%; if it is taken as a lump sum it will be taxed at 55%. When testing the benefits against the *planholder's personal lifetime allowance*, the value of benefits previously taken from the *Plan* or from any other *registered pension scheme*, will be taken into account.

Monthly transaction date: This is the date on which our management charges under section 6 are collected each calendar month. Subject to section 11, the monthly transaction date will fall on the same day of the month as the *relevant date*. The first monthly transaction date falls in the first calendar month next following the *relevant date*, and subsequent ones then fall monthly thereafter.

NRD: Normal retirement date: this is a birthday usually in the range 60-75 matching the normal retirement date that applied for the *previous scheme*.

OEIC: An open-ended investment company.

Pension credit: If the *planholder* is divorced (or his or her civil partnership has been dissolved) and he or she was awarded a pension credit of part of the ex-spouse's or *ex-civil partner's* benefit under a pension scheme, the transfer payment paid to the *Plan* may include this pension credit and the *planholder* will then have pension credit rights under the *Plan*. Similarly, on divorce or dissolution the *planholder's* ex-spouse or *ex-civil partner* may be awarded a pension credit in respect of the *planholder's* benefits under the *Plan* and the ex-spouse or *ex-civil partner* will then have pension credit rights under the *Plan*.

Personal lifetime allowance:

This will normally be the *standard lifetime allowance*. However, a higher or lower amount may apply in certain circumstances. For example, the personal lifetime allowance may be a higher amount where the *planholder* has *transitional protection* in relation to his or her benefits. Conversely, the personal lifetime allowance may be a lower amount where the *planholder* had a *protected early pension age* at 6 April 2006.

Whenever benefits come into payment, the value of those benefits is tested against the *planholder's* available personal lifetime allowance (or at age 75, if later). Before paying any benefits we will need evidence of any percentage of the *standard lifetime allowance* that has already been used in providing benefits. If, at that time, the personal lifetime allowance is different from the *standard lifetime allowance*, we will also need evidence of the actual personal lifetime allowance. If the *planholder's* personal lifetime allowance is exceeded, the excess benefits will be subject to a *lifetime allowance charge*. It is the *planholder's* responsibility to keep a record of the percentage of his or her personal lifetime allowance that has been used in providing benefits.

Plan: The Company Pension Transfer Plan set up with *Prudential* for the *planholder* as a result of the transfer from the *previous scheme*.

Planholder: The *planholder* is the individual named in the Transfer Certificate (issued when the *Plan* is set up) and is primary beneficiary of the contract set up with *Prudential* as a result of the transfer from the *previous scheme*. The primary beneficiary was a member of the *previous scheme*.

Post 1997 COSR benefits: benefits resulting from contracting-out of the State Earnings Related Scheme (SERPS) or the State Second Pension (S2P) using a contracted-out salary related scheme after 5 April 1997. See section 4.2 for more information.

Previous scheme: The previous employer's occupational pension scheme, being a *registered pension scheme* within the terms of Chapter 2 of Part 4 of the Finance Act 2004 and the scheme from which the transfer to the *Plan* was paid.

Protected early pension age:

Certain individuals are permitted to start benefits under a *registered pension scheme* before age 55. A protected early pension age applies if an individual:

- has an unqualified right to take benefits prior to age 55; or
- was entitled on 6 April 2006 to an early pension age because his or her occupation was recognised by *HMRC* as one for which an early pension age was acceptable.

Protected rights: Benefits resulting from contracting-out of the State Earnings Related Scheme (SERPS) or the State Second Pension (S2P) using a contracted-out money purchase scheme, a personal pension or a stakeholder scheme. See section 4.1 for more information.

Prudential: The Prudential Assurance Company Limited. Where the words "we", "us" and "our" are used, they refer to Prudential.

Prudential Cash Fund: The investment-linked cash fund from the Prudential fund range offered under the Company Pension Transfer Plan (including any successor fund).

Prudential group: Prudential plc and its subsidiaries as defined in the Companies Act 2006.

Prudential investment-linked fund(s):

These are *investment-linked funds* that are managed by companies within the *Prudential group*. The Prudential investment-linked funds include any relevant M&G funds.

Prudential Retirement Protection Fund:

The investment-linked retirement protection fund from the Prudential fund range offered under the Company Pension Transfer Plan (including any successor fund).

Prudential With-Profits Fund: This is the With-Profits Fund operated by *Prudential* as a whole. The Prudential With-Profits Fund is divided into parts, or sub-funds. A subfund may be divided into units. We may combine or divide the sub-funds or units of a sub-fund at any time. Only one type of unit applies to each sub-fund.

The *With-Profits Fund* and the *With-Profits (GMP) Fund* are pension sub-funds (or part of sub-funds) of the Prudential With-Profits Fund.

The *With-Profits Fund* and the *With-Profits (GMP) Fund* are invested within, and subject to the profit-sharing rules of the Prudential With-Profits Fund. The profits of the Prudential With-Profits Fund are shared between eligible policyholders and our shareholders.

The proportions in which distributed profits are divided between policyholders and shareholders are regulated by our Articles of Association which can be changed in accordance with company law. Units in the *With-Profits Fund* and the *With-Profits (GMP) Fund* participate in the profits of the relevant sub-fund in the manner described in *Prudential's Principles and Practices of Financial Management* which may be changed from time to time in accordance with company law and regulatory requirements.

Registered pension scheme:

A pension scheme or pension arrangement (including buy-out plans such as this *Plan*) that is registered or treated as being registered with HMRC. This gives the pension scheme or arrangement various tax advantages in respect of payments, investments and benefits.

Relevant date: The later of the date when we get the transfer payment and the date when we have all the information we need to meet our legal and contractual obligations.

Reserved Contribution: That part of the transfer payment which relates to the value of any *GMP* included in the transfer payment and which must be invested in the *With-Profits (GMP) Fund*. See sections 3.2 and 4.3.

Standard lifetime allowance: There is a limit on the total value of the benefits that can be taken from all *registered pension schemes* (including this *Plan*) of which an individual has been, or is currently, a member. This limit is called the standard lifetime allowance. If the standard lifetime allowance is exceeded, the excess benefits may be subject to a *lifetime allowance charge*.

The standard lifetime allowance for the tax year 2011/2012 has been set at £1.80 million. The standard lifetime allowance for the tax year 2012/2013 and each subsequent tax year has been set by the Government at £1.50 million. The Government may, in future, increase the amount of the standard lifetime allowance from time to time.

Transitional protection: Transitional protection allows an individual to protect pension savings built up before a particular date.

If the *planholder* had built up pension savings before 6 April 2006 when the *standard lifetime allowance* was first introduced, he or she could have applied for primary and/or enhanced protection to protect him or her from the *lifetime allowance charge*. The *planholder* would have had to apply to HMRC for this protection by 5 April 2009.

If the *planholder* has built up pension savings before 6 April 2012 when the *standard lifetime allowance* is being reduced, he or she can apply for fixed protection to protect him or her from the *lifetime allowance charge*. This protection is available to individuals who expect their pension savings to be more than £1.50 million when they come to take their benefits. The *planholder* will be able to apply to HMRC for this protection until 5 April 2012. The *planholder* will not be able to apply for fixed protection if he or she already has primary and/or enhanced protection. Anyone with existing primary and/or enhanced protection will not be affected by the reduction in the *standard lifetime allowance*. If a *planholder* has fixed protection there are restrictions on what he or she is able to do with his or her benefits. If the *planholder* would like

further information on fixed protection, he or she can contact us. This is a very complex area and the *planholder* is strongly recommended to seek financial advice when considering applying for fixed protection. We will not pay for, nor reimburse the *planholder* or any other person for, the costs of any such advice.

With-Profits Fund: This is a pension sub-fund of the *Prudential With-Profits Fund* relevant to the Company Pension Transfer Plan (see section 5.8).

With-Profits (GMP) Fund: This is a sub-fund of the *Prudential With-Profits Fund* relevant to the Company Pension Transfer Plan. If any part of the transfer payment has to provide a *GMP*, then some or all of the transfer payment will be designated as a *Reserved Contribution* which must be invested in the *With-Profits (GMP) Fund*. A higher management charge applies to investments in this fund than to investments in the *With-Profits Fund* because of the need to provide an additional guarantee (see sections 3.2 and 4.3).

Working day: Any day that *Prudential* (or any other relevant company within the *Prudential group*) is open for business. This excludes

- Saturdays,
- Sundays,
- bank holidays,
- any other public holiday and days that we, or any other organisation that performs any administrative or investment function on our behalf is not open for business (for example, around public holidays).

2. General

2.1 Transfer Certificate and Benefit Statements

We send the *planholder* a Transfer Certificate to confirm details of the individual contract set up for him or her with *Prudential* as a result of an application and payment from the trustees of the *previous scheme*.

The Transfer Certificate, and any later letters about changes to the Transfer Certificate, confirm the *planholder's* individual details.

The *planholder* will also receive yearly benefit statements to help assess the progress of his or her *Plan*.

2.2 Incorrect or incomplete information

The contract, or contracts, with us are set up by means of an application and declaration from the *previous scheme* trustees made to us, and any other information which the application or other material authorises us to get. If any of the information is later found to be incorrect or incomplete, we have the right to alter any terms of the *Plan* which, in our opinion, would not have been agreed if we had known the full facts. We will write to the *planholder* about any such change to the *Plan*.

2.3 Planholder's contractual rights

Although the application for the Company Pension Transfer Plan is made by the *previous scheme* trustees, the Company Pension Transfer Plan is an individual contract made for the benefit of the *planholder*. The *planholder* deals directly with *Prudential* and has direct contractual rights with *Prudential*. This Technical Guide, the Appendix covering the Lifestyle Options and the Transfer Certificate set out the terms and conditions of the *planholder's Plan*.

2.4 Date we treat items, payments and communications as being received

2.4.1 General

A number of sections in this Technical Guide refer to the effective dates used for transactions, notices and requests once we have all of the information and other items (including payments) that we need from the *planholder* and others, to enable us to carry out the transaction or act upon the notice or request.

The effective dates depend on the day and time we receive these, and the means of communication.

Subject to section 2.4.2, we normally treat any notice, request, information or items as being received on the *working day* that we receive it at our office. If the day we receive these items is not a *working day*, we will treat them as having been received on the next *working day*.

2.4.2 E-mailed or faxed switch requests

The effective date of a request by e-mail or fax which involves switching units between funds and which is received by us by 5.00 p.m. (London time) on a *working day*, is normally the next *working day* following the date of receipt.

The effective date where such a request is received by us either after 5.00 p.m. (London time) on a *working day* or on a day that is not a *working day*, is normally the second *working day* following the date of receipt.

Note: The only transactions for which we will accept instructions by e-mail or fax are fund switch requests. We do not accept instructions by e-mail or fax for any other transactions – for example, to sell units to provide benefits or a transfer-out.

2.4.3 Effective date where multiple items are required

In some cases, we may need more than one item or piece of information to carry out a transaction. In this case, the effective date will be determined by reference to the date on which we have everything we need, or the next *working day* following that date, in the way described above.

2.5 Payments from the Plan

All payments from the *Plan* will be made from our administration office. Payments are made by cheque unless we agree to a different payment method in any particular case. Where a different payment method is agreed, additional banking and/or administrative charges may be payable by the *planholder* or the recipient. Before making payment, we may need to carry out a number of checks to ensure that we are paying to the correct person.

2.6 Our contact details

Further information can be obtained by either:

- › writing to *Prudential* at:
Prudential
Stirling
FK9 4UE
or
- › telephoning *Prudential* on 0845 272 0404. Calls may be monitored or recorded for quality and security purposes.

3. Transfer details

3.1 Payment methods

Transfer payments must normally be by direct credit transfer or cheque. Any other payment method must be agreed in advance with us (and may be subject to a separate charge to cover our expenses).

3.2 Minimum requirements

There is no minimum transfer payment amount. However, unless we specifically agree otherwise, there must be at least 10 years to the *planholder's NRD* when we get the transfer payment with all supporting documentation. If we do agree to reduce the period, we will not reduce the 10 year minimum period to below three years if a *Reserved Contribution* applies (see section 5.3).

Where a *GMP* is included in a transfer, the *GMP* must be guaranteed on taking pension benefits or on earlier death. There is therefore a requirement to have the value of the *GMP* invested in the *With-Profits (GMP) Fund*. The compulsory *GMP* investment will be shown as a *Reserved Contribution* in the Transfer Certificate.

If the *Reserved Contribution* invested in the *With-Profits (GMP) Fund* is not sufficient to meet the *GMP* guarantee, we will use the value of other units held under the *Plan* to provide the *GMP* before any other benefits are provided. See section 4.3 for further important information about the terms of the *GMP* guarantee.

3.3 Subsequent transfer payments

Any later transfer payment for the *planholder* (after the *Plan* has been set up) may not attract the same investment terms as applied to the initial transfer payment. Before we accept any later transfer payment, we will notify the *planholder* separately of the terms that will apply to it (unless we have agreed such terms in advance).

4. Contracted-out benefits

4.1 Protected Rights Pensions

If any part of the transfer payment represents *protected rights*, there are legal restrictions on when and how these amounts can be used (the same restrictions that will have applied before the transfer). Pension bought with any amounts representing *protected rights* must:

- be bought using unisex annuity rates. This means that, for the same purchase price, the pension will be the same for males and females who are the same age.
- generally continue at half rate for a spouse or *civil partner* – but, if the *planholder* is not married or not in a civil partnership when the *protected rights* pension is to start, this is not necessary.

Protected rights pensions can, but do not have to increase in payment.

Note: The distinction between *protected rights* and benefits which are not *protected rights* is to be abolished with effect from 6 April 2012. As such, these special requirements will no longer apply to pensions set up from that date.

4.2 Guaranteed Minimum Pension and Post-5 April 1997 Contracted-out Service

4.2.1 Revaluation of GMP from date of leaving service

Where a transfer to the *Plan* includes the value of a *GMP*, the *Plan* must guarantee to meet the legal requirements on *GMPs*. The revalued *GMP* must be available on taking benefits at age 65 (men) or 60 (women), and the spouse's or *civil partner's* *GMP* must be available on the *planholder's* death (see also section 4.3).

The amount of the *GMP*, including revaluation to the date of leaving the *previous scheme* but before the addition of any future revaluation will be confirmed by the *previous scheme* and shown on the *planholder's* Transfer Certificate as "Guaranteed Minimum Pension".

The revaluation basis will have been chosen by the *previous scheme* trustees and will normally be on the "fixed rate revaluation" basis described below. The *previous scheme* trustees may, however, have selected the "limited revaluation basis" described below if the *planholder* left service before 6 April 1997. The Transfer Certificate will confirm and/or reflect the revaluation basis that applies to the *planholder's Plan*.

Under legislation, trustees are also able to select "full revaluation". *GMPs* with full revaluation cannot however be transferred to the Company Pension Transfer Plan.

The three different revaluation bases are set out below for information.

Fixed Rate Revaluation:

This rate depends on the date of leaving contracted-out service under the scheme as set out in the table below. The date of leaving contracted-out service will usually be the same as the date when scheme membership finished.

Date of leaving contracted-out service	Revaluation rate
Before 6 April 1988	8.5%
Between 6 April 1988 and 5 April 1993	7.5%
Between 6 April 1993 and 5 April 1997	7.0%
Between 6 April 1997 and 5 April 2002	6.25%
Between 6 April 2002 and 5 April 2007	4.5%
Between 6 April 2007 and 5 April 2012	4.0%

Limited Revaluation:

Each year's increase is the lower of Full Revaluation (see below) and 5%. The State Scheme compensates for the difference between Limited Revaluation and Full Revaluation by adding the necessary amounts to the *planholder's* State pension. Limited Revaluation was withdrawn for leavers from 6 April 1997. Schemes must now choose between Full Revaluation or Fixed Rate Revaluation. However, Limited Revaluation can still apply if the individual left contracted-out service before 6 April 1997.

Full Revaluation:

Increases in line with "Section 148 Orders" (s.148 of the Social Security Administration Act 1992), previously known as "Section 21 Orders" – which are roughly equivalent to increases in national average earnings, based on indices published by the Government's Office for National Statistics.

Note: Full Revaluation is not available under the Prudential Company Transfer Plan. The revaluation rate of any *GMP* liability to be transferred to the Prudential Company Pension Transfer Plan must be either Fixed Rate or Limited, so that the maximum liability in respect of *GMP* can be identified.

4.2.2 Deferral of GMP after age 65 (men) or 60 (women)

If benefits are deferred after age 65 (men) or 60 (women):

- the *GMP* will be further revalued by one seventh of one per cent (simple) for each week of deferment after age 65 (men) or 60 (women) to take account of the late payment; and
- the starting amount of the *GMP* will take account of any increases in payment that would have been added if the benefits had started at age 65 (men) or 60 (women) (see section 4.2.3 for details of increases in payment).

4.2.3 GMPs and post 1997 COSR benefits in payment

Any *GMP* or *post 1997 COSR benefits* must be set up to include a spouse's or *civil partner's* pension. The basis of the spouse's or *civil partner's* pension is set by legislation.

Any *GMP* and any *post 1997 COSR benefits* must increase in payment each year as follows:

Benefit	Increases required
GMP accrued before 6 April 1988	None
GMP accrued from 6 April 1988 to 5 April 1997	Lesser of increases in prices and 3% p.a.
Post 1997 COSR benefit accrued from 6 April 1997 to 5 April 2005	Lesser of increases in prices and 5% p.a.
Post 1997 COSR benefit accrued from 6 April 2005	Lesser of increases in prices and 2.5% p.a.

4.3 Important information about the GMP guarantee

As mentioned in section 3.2, where a transfer to the *Plan* includes the value of a *GMP*, we must meet certain legal requirements. In particular we must guarantee to pay a minimum pension at least equal to:

- the revalued *GMP* on taking benefits at age 65 (men) or age 60 (women), or
- the spouse's or *civil partner's* *GMP* on the *planholder's* death.

The terms of this guarantee are as follows:

- (a) This guarantee only applies to the revalued *GMP* (see section 4.2) on or after age 65 (men) and age 60 (women), or on the *planholder's* death. Where payment of the *GMP* is deferred to start after age 65 (men) or 60 (women), the guarantee covers the amount of *GMP* described in section 4.2.2, taking account of late payment revaluation and any increases that would have been made to the pension

in payment if it had started at age 65 (men) or 60 (women).

- (b) A portion of the transfer payment must be invested in the *With-Profits (GMP) Fund* (see sections 5.3 and 5.8), and cannot be switched out of that fund. The amount so invested is called a *Reserved Contribution* – see also sections 3.2 and 5.3. We calculate the *Reserved Contribution* in a way that is fair and reasonable both to the *planholder* and to us, assuming a prudent rate of return on the investment in the *With-Profits (GMP) Fund* and taking into account relevant factors such as the age and sex of the *planholder*.
- (c) We do not guarantee that the units of the *With-Profits (GMP) Fund* attributable to the *Reserved Contribution* will provide enough money to pay for the *GMPs*. We guarantee only that the value of all the units held under the *Plan* will provide enough to pay for the *GMPs*. Accordingly, as described in section 3.2, if the proceeds of investing the *Reserved Contribution* are not sufficient to buy the *GMPs*, we will use the value of other units held under the *Plan* for this purpose before any other benefits can be provided. If the value of all units held under the *Plan* is still not sufficient to buy the *GMPs* at the date specified under (a) above, *Prudential* will make up the difference.
- (d) The guarantee only applies to a *GMP* and any spouse's or *civil partner's* *GMP* purchased from *Prudential* or another company within the *Prudential group* under the terms of the *Plan*.
The *planholder's* benefits cannot be purchased with another provider under the open market option (see section 8.7) unless that provider guarantees to pay the *GMP* at the pension date mentioned in (a) above. Similarly, the value of a *Plan* which includes *GMP* cannot be transferred to a pension arrangement with another provider (see section 10)

unless the *GMP* is to be converted to *protected rights** under the receiving arrangement or the new provider guarantees to pay the *GMP* at the pension date mentioned in (a) above. If benefits are transferred to and/or bought with another provider, *Prudential* will not add any additional amount to the *Plan* value if there is a shortfall. We will not pass to other providers amounts in excess of the *Reserved Contribution*.

* **Note:** *Protected rights* are to be abolished with effect from 6 April 2012. After that date, the value of a *Plan* which includes *GMP* cannot be transferred to a pension arrangement with another provider unless either:

- the new provider guarantees to pay the *GMP* at the pension date mentioned in (a) above; or
- the amount transferred would be enough to provide a *GMP* (i.e. there is no shortfall) and the *planholder* consents in writing to the loss of his or her *GMP* rights.

- (e) As explained in section 8.4.3, the *planholder* can only take benefits (whether pension or lump sum) before age 65 (men) or 60 (women) if the value of all units held under the *Plan* is sufficient to buy a pension that starts at that time at an amount not less than the revalued *GMP*, i.e. the *GMP* that would be payable at age 65 (men) or 60 (women). If necessary the *planholder* must wait until that age before taking any benefits, and must then use the value of all units held under the *Plan* to the extent necessary to provide the *GMP* benefits. If, at that time (and not before) the amount then available from all units held under the *Plan* is insufficient to purchase those *GMP* benefits, an additional sum will be added by *Prudential*, sufficient to allow the purchase of those *GMP* benefits from *Prudential* (or, if appropriate, another company within the *Prudential group*).

5. Investment options

5.1 Fund range

The Company Pension Transfer Plan offers access, through one provider, to a variety of fund managers including companies within the *Prudential group*, *external life assurance companies* and/or *external fund managers*.

Each fund is invested in the way set out in published descriptions of that fund. Our funds literature (which is available on request) gives more information on the investment funds and fund managers. Within the limits described in our funds literature, we or the *external life assurance companies* and/or *external fund managers* may invest each fund in any assets we or they consider suitable. The investment objectives of the funds can, however, be changed at any time. We will give the *planholder* reasonable notice in advance, taking into account all the circumstances of the change, if we make a material change to the investment objectives of a fund and there are units of that fund then held under the *Plan*.

Under the Prudential Company Pension Transfer Plan, both *investment-linked funds* and a unitised *With-Profits Fund* are available (subject to our powers to close, merge, wind-up and withdraw funds under section 5.6).

Each fund can be divided into parts, or sub-funds. Each part/sub fund will be divided into units, which may be of different types. Each unit of the same type in the same part/sub fund will have the same value.

We will calculate the benefits payable from the *Plan* by allocating units to the *Plan* from the fund(s) selected. Although we use the funds to meet our obligations under the *Plan*, the *planholder* has no legal or beneficial right either to any of the units or to any part of the funds.

5.2 Initial investment

The *previous scheme* trustees will indicate in the application form the fund(s) to which the transfer payment will be initially allocated. The *planholder's* transfer payment can initially be in invested a maximum of 6 funds, or 5 if a *Reserved Contribution* applies (see section 5.3). This maximum of 6, or 5 as appropriate, includes the funds to receive automatic switches at the start of, and during the operation of a Lifestyle Option (described in the Lifestyle Appendix to this Technical Guide).

We will include details of the initial fund selection (allowing for any adjustment we make in terms of section 5.3) in the documentation we send to the *planholder* about the *Plan*.

5.3 Reserved Contribution

Where a *GMP* is included in a transfer to the *Plan*, a portion of the transfer payment must be invested in the *With-Profits (GMP) Fund* – shown as the *Reserved Contribution* in the *planholder's* Transfer Certificate.

If necessary, we will alter the selection to meet this minimum *Reserved Contribution* by reducing the percentage to be applied to other fund(s) and will confirm this to the *planholder*. Where a *Reserved Contribution* applies, and we have agreed to waive the 10 year minimum requirement described in section 3.2, the transfer payment must be received at least three years before *NRD*.

The *Reserved Contribution* cannot be switched out of the *With-Profits (GMP) Fund*. See also section 4.3 for important information about the *GMP* guarantee.

5.4 Investment changes: switching between funds

Once the *Plan* is set up, the *planholder* can change the investment strategy by switching between the funds available under the *Plan*. The *planholder* can then choose up to a maximum of 20 funds, or 19 if there is a *Reserved Contribution*.

Where a Lifestyle Option (described in the Lifestyle Appendix to this Technical Guide) has been selected, fund selection is limited to a maximum of 6 funds, or 5 if there is a *Reserved Contribution*. This restriction on the number of funds applies to the entire term of a Lifestyle Option including the period between selecting the Lifestyle Option and the date that automatic switching actually starts.

Switching between funds may normally be carried out at any time. However:

- › switches into the *With-Profits Fund* are not allowed within three years leading up to the *NRD*, and, if requested, would instead be invested in the *Prudential Cash Fund*;
- › any *Reserved Contribution* (see section 5.3) cannot be switched out of the *With-Profits (GMP) Fund*; and
- › if, having selected a Lifestyle Option, the *planholder* invests in more than 6 funds (or 5 funds, where a *Reserved Contribution* applies), we will not be able to carry out automatic switches under the Lifestyle Option. At the time an automatic switch fails for this reason, we contact the *planholder* for further instructions.

Investment switches are currently free (including automatic switches using a Lifestyle Option) although we do reserve the right to apply a charge – see section 14.

We will, subject to any delay under section 5.9, start to carry out the switch between funds on the day we treat the *planholder's* request to switch as received (see section 2.4).

We either:

- (a) sell the existing units and buy the new units as at the same date, using the unit prices then available in respect of the relevant funds; or
- (b) sell the existing units and buy the new units on different dates.

Where method (b) applies, the new units will be bought on a date and using the relevant unit price(s) some days later than the date the original units were sold. This is because there is a lead-time involved in the calculation of unit prices, and where *external life assurance companies* and/or *external fund managers* are involved, transmission of data to and from these parties may extend the lead-time.

The prices of units can, as always, go up or down during that time: this risk is borne by the *planholder*. No interest will be added to the value realised from the sale of units for the interim period between sale and purchase.

Note: At the date of issue of this Technical Guide, all switches are carried out in accordance with (a), but we reserve the right to use method (b) in future if we are able to do so (for example, if our computer systems permit this where the funds involved have differing dealing cycles).

We may make a deduction from the value realised from the sale of units of the *With-Profits Fund* and/or *With-Profits (GMP) Fund* (see section 5.8.3).

We will confirm any investment changes (except any automatic switches) to the *planholder* when we have implemented the change.

If the Annual Management Charge (see section 6) is different for the fund to which any switch (automatic or individually selected) is made, the charge will be altered to reflect the level of charge applying to the receiving fund (see section 6.4).

Rounding adjustments in unit values could have a minor effect on overall values.

5.5 Lifestyle Option

A Lifestyle Option is an investment strategy for the whole term of the *Plan* – a strategy that includes automatic investment switches.

Details of Lifestyle Options are set out in the Lifestyle Appendix at the end of this Technical Guide.

5.6 Changes to funds

5.6.1. Changes to units

We can change the way we record units and change the number of units issued in the case of any particular fund (for example, we may combine or divide the existing units) and make corresponding changes to the unit price, but we will not do so in any way that disadvantages the *planholder*. If we make such a change, we will notify the *planholder* at an appropriate time, taking into account all the circumstances of the change.

5.6.2 New funds

We can at any time introduce new funds. Any new funds may be subject to different terms. We do not give notice when we introduce new funds. Information about the current funds is available in our funds literature.

5.6.3 Closing, merging, winding-up and withdrawing funds or investment options

We can also:

- › close any one or more of the funds to future moneys (including switches-in under section 5.4);
- › merge or wind-up any one or more of the funds;
- › withdraw the option to invest in any one or more of the funds;
- › withdraw or close to future moneys (including switches under section 5.4) investment options such as the Lifestyle Option.

In the particular case of the *With-Profits Fund* and/or *With-Profits (GMP) Fund*, in addition to the first three bullets above, we may close part of the fund or sub-fund to future moneys.

5.6.4 Notice to planholders and replacement fund

We will exercise our power to close, merge, wind-up or withdraw a fund or an investment option only for important legal or commercial reasons (for example, if a fund becomes too small for it to be cost-effective to operate it). We will act fairly and reasonably in the way that we do so, having regard to our duty to protect the interests of the *planholder* and other policyholders. If we exercise this power, we will give as much notice as we can taking into account all of the circumstances if at that time:

- › there are any units of the affected fund held under his or her *Plan*;
- or
- › the *Plan* is invested in the affected investment option; or
- › the affected fund or investment option is one of the principal features of the Company Pension Transfer Plan.

We will seek the *planholder's* instructions for any amounts that need to be disinvested from the relevant fund. If we do not receive instructions within the time scale specified in the notice, we will either switch the *planholder's* fund to units of the fund that has the most similar investment objectives to the closed, merged, wound-up or withdrawn fund, or failing that, to the *Prudential Cash Fund*.

Where the fund to be closed, wound-up, merged or withdrawn is used under the Lifestyle Option, we reserve the right not to give any notice if we are providing a replacement fund and this replacement fund has broadly similar investment objectives to the closed, wound-up, merged or withdrawn fund.

5.7 Investment-linked funds

5.7.1 Valuation of fund assets

The value of each *Prudential Investment-linked fund* is determined by us or another company within the *Prudential group*. The assets of the *Prudential investment-linked funds* are valued at least once a month.

Each *externally-linked fund* is linked to an underlying fund operated by the *external life assurance company* or *external fund manager*. Each *external life assurance company* or *external fund manager* values its own funds and then provides us with a unit price or prices (rounded in accordance with its own practices), which we use in valuing the corresponding *externally-linked fund*.

Assets may be valued in different ways. On all valuation issues, the decision of the company or fund manager operating the *fund* or underlying fund is final.

5.7.2 Fund values and unit prices

(a) Prudential investment-linked funds

The value of a *Prudential investment-linked fund* is based on either:

- the value of the assets relating to it; or
- a unit price supplied to us by another company from within the *Prudential group*, where the fund is invested solely in funds operated by another company within the *Prudential group* (for example, unit trusts or *OEICs*).

Certain adjustments are then made to that value (see section 5.7.2(c)).

In some cases, there will be a range of values that can be placed on assets and therefore on the value of a fund. A number of factors will be relevant. The main factor when deciding how to value an asset is whether the total amount being paid into a fund (including any underlying fund) is more or less than the total amount being paid out. If more money is being paid in, we or the relevant company from within the *Prudential group*, may need to buy more assets. In such a case, the purchase price of assets will normally be used in valuing the fund. If, however, more money is being paid out of the fund (or underlying fund), the sale price of assets will normally be used in valuing the fund (or underlying fund).

The decision regarding whether to value a fund using the purchase price or sale price of assets is normally taken at monthly intervals, but may be made at such other intervals as we, or the relevant company from within the *Prudential group*,

shall determine. A change from a purchase valuation basis to a sale valuation basis or vice versa can have a significant effect on the unit price even though the market may appear to be relatively stable. In particular, a change from a purchase valuation basis to a sale valuation basis will reduce the unit price.

We, or the relevant company from within the *Prudential group*, also have discretion to choose to base the value of the fund on asset values that lie between the purchase and sale prices.

(b) Externally-linked funds

As stated in section 5.7.1, the *external life assurance companies* and *external fund managers* value their own underlying funds. We base the value of each *externally-linked fund* on the unit price or prices supplied to us by the relevant *external life assurance company* or *external fund manager*. Where the *external life assurance company* or *external fund manager* provides unit prices based on both sale and purchase valuations of their underlying fund, we have discretion to choose the unit price on which to base the value of our *externally linked fund* (including a unit price that lies between the values supplied by the *external life assurance company* or *external fund manager*). The main factor we consider is whether more units are being credited to the fund than cancelled from it, as described in relation to *Prudential investment-linked funds* in section 5.7.2(a). Otherwise, the value of the *externally-linked fund* is based upon the single unit price supplied by the *external life assurance company* or *external fund manager*.

Where the *external life assurance company* or *external fund manager* provides a single unit price, the value of its underlying fund may be based on the sale or purchase price of assets. The basis used by the relevant *external life assurance company* or *external fund manager* may be decided at daily intervals or such other intervals as determined by it. Because of the potentially daily switches between sale and purchase valuation bases, there may be day-to-day fluctuations in the unit price, even though the market appears to be relatively stable.

(c) Adjustments to the fund value

When valuing *investment-linked funds* (and/or the funds underlying those funds), certain adjustments may be made to the fund value:

- to take account of the expenses of buying and/or selling assets;
- if the *investment-linked fund* is linked to a unit trust or an *OEIC*, to take account of the expenses of maintaining and operating that unit trust or *OEIC*;
- to take account of the expenses of maintaining and operating that *investment-linked fund* (for example, custodian fees or property management costs);
- to take account of the value of accrued investment income that has not yet been reinvested;
- to take account of changes in the value of underlying assets or units since their values were supplied to us; and/or

- to take account of a charge called a "dilution levy". This type of charge covers the cost of either buying assets (where more people are investing than disinvesting) or selling assets (where more people are disinvesting than investing). A dilution levy is not designed to make a profit, but to cover expenses.

(d) General

Other methods of valuing funds may be used. In choosing any other method we (or another company within the *Prudential group*) or the *external life assurance company* or *external fund manager* will act in a fair and reasonable manner.

Asset valuations and unit price calculations are carried out with extreme care, but on some occasions mistakes may occur. If this happens, the unit price will normally be corrected once the mistake has been detected. If, however, the mistake is due to an error outside our control and we are unable to obtain compensation for the mistake (for example, an error in pricing the fund underlying an *externally-linked fund* due to factors outside the *external life assurance company* or *external fund manager's* control), we reserve the right not to correct the mistake retrospectively.

5.7.3 Calculation of unit prices

(a) Unit prices – general

Unit prices for the *investment-linked funds* are determined on each *working day*.

The unit price is the value of the *investment-linked fund*:

- determined and adjusted as described in section 5.7.2, and
- divided by the number of units in issue (subject to any rounding).

If, for any reason, the fund's value cannot be obtained by valuing the assets, the unit price may be calculated by making an adjustment to the previous day's unit price. This adjustment will reflect the way in which the values of the underlying assets may have changed.

(b) Rounding of unit prices

When calculating unit prices for *Prudential investment-linked funds* we:

- round our calculations up by one tenth of a penny or less, if we decide to value the relevant fund on the basis of the purchase price of assets; and
- round our calculations down by one tenth of a penny or less if we decide to value the relevant fund on the basis of the sale price of assets.

Unit prices for *externally-linked funds* will be rounded in accordance with the methods used by the relevant *external life assurance company* or *external fund manager*.

(c) Single pricing

The same unit price will be used for both buying and selling units on any day.

5.7.4 Unit prices used for transactions

(a) Unit prices for investment and for sale of units for benefits or transfer-out

Different unit price dates may apply to purchases and sales of units in different funds. This is because we and the various *external life assurance companies* and *external fund managers* have different timings for unit pricing processes and dealing cycles. For example, depending on the funds involved, units may be bought/sold on the same *working day* that a request to sell units is treated as received, or they may be bought/sold one or more *working days* later. In determining the unit price(s) to be used for any particular transaction, we will always take into account our duty to treat customers fairly and use the next unit price available according to the dealing cycle(s) relevant to the fund(s) involved in the transaction (subject to any delays under section 5.9).

(b) Unit prices for switches between funds

Unit prices for switching are described in section 5.4.

(c) Current unit prices

Current unit prices can be found on our website at www.pru.co.uk

5.8 With-Profits Fund and With-Profits (GMP) Fund

5.8.1 General

The *With-Profits Fund* and the *With-Profits (GMP) Fund* available under the Company Pension Transfer Plan form parts of a sub-fund of the *Prudential With-Profits Fund*. The assets of the *With-Profits Fund* and *With-Profits (GMP) Fund* are not separately identifiable from the other assets of the relevant sub-fund of the *Prudential With-Profits Fund*.

Units of the *With-Profits (GMP) Fund* (see section 5.3) attract a different charge (see section 6) from those in the *With-Profits Fund*. In all other respects, investments in the *With-Profits (GMP) Fund* are subject to the same terms and conditions that apply to investments in the *With-Profits Fund* under the Company Pension Transfer Plan.

The price of units in the *With-Profits Fund* and the *With-Profits (GMP) Fund* will not fall (but see section 5.8.3 on the Market Value Reduction).

For further details of the *Prudential With-Profits Fund*, please ask for our detailed With-Profits Fund literature.

5.8.2 Bonuses

We may add regular bonus through increases in the unit price. The price of units allocated to the *Plan* in the *With-Profits Fund* and *With-Profits (GMP) Fund* will therefore increase as regular bonuses are added. We may add a final bonus to the value realised when a unit of the *With-Profits Fund* or *With-Profits (GMP) Fund* is sold.

Bonuses are determined by our Board based on the returns generated by the assets backing the With-Profits business in our long term fund.

The rate of future bonuses cannot be guaranteed.

5.8.3 Market Value Reduction

If money is taken out of the *With-Profits Fund* or *With-Profits (GMP) Fund*, we may make an adjustment to the unit value if the value of the underlying assets is less than the value of the With-Profits investment in the *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 the return provided is based on the earnings of the *With-Profits Fund/With-Profits (GMP) Fund* over the period the relevant payments have been invested.

We apply the MVR to the value of units of the *With-Profits Fund* and *With-Profits (GMP) Fund* held including regular and final bonuses. If investment returns have been very poor, the withdrawal value could be less than the amount invested in the *Plan*.

An MVR, if any, is applied when units of the *With-Profits Fund* and/or *With-Profits (GMP) Fund* are sold in any of the following circumstances:

- when the *Plan* is surrendered (for example, on early retirement or on transfer to another pension arrangement); and/or
- when units are switched into another fund under section 5.4.

We do not apply an MVR at *NRD*, within the month leading up to the *NRD*, or on earlier death.

The intention of the Market Value Reduction is to provide a fair value for units of the *With-Profits Fund* (or *With-Profits (GMP) Fund*) being sold, while protecting the interests of other policyholders who continue their policies until maturity. In this way, we will have regard to the need to protect both the interests of continuing members and policyholders and the solvency of our long-term fund.

5.9 Delays in buying, selling or switching units

Note: This section 5.9 applies to all transactions involving buying, selling or switching units, including the investment of new money or the making of payments (for example, death benefits and transfers-out).

5.9.1 Reasons for delaying transactions

There may be a delay in buying, selling or switching units in any fund. This will only happen in special circumstances which we will tell the *planholder* about at the time. There may be circumstances outside our control which prevent us from effecting these transactions immediately, and equally we may need to effect a delay where we believe that otherwise the remaining policyholders would suffer an unfair reduction in the value of their policy, or would suffer some other form of unfair treatment. Examples include:

- where we are unable to realise sufficient investments to satisfy demand, or where to do so would mean we have to sell at prices significantly below the value reflected in the then current unit price;
- where we are unable to sell units in an *externally-linked fund* due to restrictions imposed by the *external life assurance company* or *external fund manager*;
- where the need to make payments quickly could only be satisfied by selling a disproportionate amount of one type of asset, leaving too low a proportion of what is left invested in assets of that type.

This is not meant to be an exhaustive list, nor do we mean to limit delays to problems specifically of this type.

For the avoidance of any doubt, we will not use assets or cash from other *Prudential group* funds, including any shareholder funds, to finance the sale of units. Such sales will instead be delayed until they can be carried out on terms which are fair to all policyholders invested in the fund.

5.9.2 Delay periods

Other than in very exceptional circumstances, we would not expect delays to be longer than:

- (a) six months in the case of units in funds:
 - (i) which hold investments in buildings or land; or
 - (ii) the value of whose investments is dependent on, or linked to the value of, buildings or land; or
- (b) one month in the case of in units other funds.

However, while we will not delay transactions for longer than reasonably required, we cannot guarantee that we will never delay transactions beyond the time-scales set out in (a) and (b) above.

5.9.3 Notification to planholder

We will notify the *planholder* if a transaction requested by him or her is affected by a delay under this section 5.9. Our notice will set out any options open to the *planholder*. If appropriate, we will seek the *planholder's* alternative instructions for the transaction when we notify him or her of the delay.

5.9.4 Processing transactions affected by delays

The alternative instruction sought under section 5.9.3 will relate only to the funds to which the delay relates.

Where the transaction involves units of more than one fund and some units are affected by a delay and others are not, we will carry out any part of the transaction which is unaffected by the delay in accordance with the usual terms and conditions set out in this Technical Guide.

Where there is a delay in buying units in any fund, we will treat the request to invest in that fund as a request to invest temporarily in the *Prudential Cash Fund*. In that way, we will be able to carry out the entire transaction. We then switch the value of the units temporarily allocated in the *Prudential Cash Fund* to the requested fund when the delay has ended, unless we receive alternative instructions.

Where there is a delay in selling units, we will take no action on the affected units until the delay has ended.

5.9.5 Unit prices

The unit prices for the deferred transaction will be those applying at the end of the period of deferment, unless, again, we believe that in the particular circumstances that would not be fair to policyholders in general.

5.9.6 Impact of delay on value of units

As the percentage of units to be sold is determined at the start of the delay or waiting period when we receive the request to sell units, the value actually sold at the end of the period may vary from the amount that the *planholder* expected and/or requested.

5.10 Ownership of assets

5.10.1 Prudential investment-linked funds and the Prudential With-Profits Fund

We, or another company within the *Prudential group*, own all the assets of the *Prudential investment-linked funds* and the *Prudential With-Profits Fund* (which includes the *With-Profits Fund* and the *With-Profits (GMP) Fund*) in our own right and not as trustee for policyholders. But when we make decisions relating to the investment and valuation of assets, we will always act in good faith in attempting to protect the interests of all affected policyholders and shareholders. We aim to strike a fair balance between the interests of:

- (a) our policyholders and our shareholders;
- (b) different classes of policyholder; and
- (c) individual policyholders.

5.10.2 Externally-linked funds

All the assets of the underlying funds of *external life assurance companies* and *external fund managers* are owned by them. Any policies issued by them to enable us to offer *externally-linked funds* are owned by us. Any contracts involving *external life assurance companies* or *external fund managers* are with us. There is no contractual relationship between the *external life assurance companies* or *external fund managers* and the *planholder*.

5.11 Restriction on Prudential's liability

Prudential's liability under any fund that we make available under a *Plan* cannot exceed the value of the assets underpinning that fund. This applies irrespective of whether these assets are actual assets, an interest in another fund (whether managed by a company within the *Prudential group* or by an *external life assurance company* or *external fund manager*) or an interest in a reinsurance policy effected by us to reinsure our liability under a fund.

In particular, for an *externally-linked fund* or a fund that invests solely in funds operated by another company within the *Prudential group* (for example, unit trusts or OEICs operated by another company within the *Prudential group*), our liability is limited to the amount we can claim from the relevant company or fund manager. So, for example, if the *external Fund Manager*, *external life assurance company* or the other company within the *Prudential group*, were to become insolvent, we could only pay the amount, if any, which we could collect under the insolvency in respect of the units allocated to the *Plan*.

In addition, we are not liable for any losses caused by the acts and omissions of an *external life assurance company* or an *external fund manager* in respect of its own fund and/or the *externally-linked fund*.

6. Management Charge

6.1 General

There are separate Annual Management Charges that apply to each fund or part or sub-fund.

The Annual Management Charge is calculated as a percentage of the values of units, varying according to the selected fund(s) and sub-funds.

6.2 Investment-linked funds

For *investment-linked funds*, the entire Annual Management Charge is currently an explicit charge taken by cancellation of units under the *Plan* as explained in section 6.4.

6.3 The With-Profits and With-Profits (GMP) fund

6.3.1 Implicit basic charge

For the *With-Profits Fund* and the *With-Profits (GMP) Fund* there is an implicit basic Annual Management Charge reflected in the price of the units.

The *With-Profits (GMP) Fund*, attracts a higher implicit basic Annual Management Charge than the *With-Profits Fund*.

6.3.2 Actual Annual Management Charge

Depending on the terms agreed for the *Plan*, the actual Annual Management Charge may, however, be different from the implicit basic charge in the *With-Profits Fund/With-Profits (GMP) Fund*.

In this case:

- (a) If the actual agreed Annual Management Charge is greater than the implicit basic charge, the balance of the charge will be met by deducting units from the *Plan*.
- (b) If the actual agreed Annual Management Charge is lower than the implicit basic charge, a rebate will be given by allocating units to the *Plan*.

All such unit allocations or deductions are applied as either an "explicit Annual Management Charge" or an "explicit AMC rebate" in the way described in section 6.4 and are calculated by us taking into account:

- an assumed rate of implicit basic Annual Management Charge in the *With-Profits Fund* and *With-Profits (GMP) Fund*; and
- our duty to treat customers fairly.

6.4 Explicit charges and rebates of units

6.4.1 General

In this section 6.4:

- (a) an expression "explicit Annual Management Charge" is used. That expression means:
 - in the case of any investment in an *investment-linked fund*, the entire Annual Management Charge as described in section 6.2.
 - in the case of any investment in the *With-Profits Fund* or *With-Profits (GMP) Fund*, any deduction of units required to produce the actual Annual Management Charge that applies to that fund under the *Plan*, as described in section 6.3.2(a).

- (b) an expression "explicit AMC rebate" is used. That expression refers to any rebate of units required in relation to an investment in the *With-Profits Fund* or *With-Profits (GMP) Fund* to produce the actual Annual Management Charge that applies to that fund(s) under the *Plan* as described in section 6.3.2(b).

6.4.2 Ongoing deduction of charges/allocation of rebate

Explicit Annual Management Charges are deducted on the *monthly transaction date*, by cancelling units of the relevant fund or funds to the value of one-twelfth of the relevant explicit Annual Management Charge.

Explicit AMC rebates to the *With-Profits Fund* and/or *With-Profits (GMP) Fund* are made on the *monthly transaction date* by allocating units to the value of one-twelfth of the rebate in the relevant fund.

6.4.3 Deduction of explicit Annual Management Charge on sale of units to pay benefits or a transfer-out

Where units are to be sold on a date other than the *monthly transaction date* (to pay benefits or a transfer-out), a proportion of any explicit Annual Management Charge will be deducted to cover the period since the previous *monthly transaction date*. This proportion will reflect the number of expired days since the previous *monthly transaction date*, calculated as: $A \times B \div C$ where:

- A** = the number of days since the last *monthly transaction date*;
- B** = explicit Annual Management Charge $\div 12$;
- C** = the number of days between the previous *monthly transaction date* and the next *monthly transaction date*;

6.4.4 Application of explicit Annual Management Charge or explicit AMC rebate on switching between funds

Where units are to be sold on a date other than the *monthly transaction date*, for the purposes of switching between funds under sections 5.4 and 5.5, we use either method (a) or (b) below to apply and/or change any explicit Annual Management Charge or explicit AMC rebate.

- (a) We apply any explicit Annual Management Charge(s) or any explicit AMC rebate appropriate to the receiving fund(s) from the next *monthly transaction date* as if investment had been in the receiving fund(s) for the whole of the preceding month. It should be noted that where we use this method (a):
 - no explicit Annual Management Charge or explicit AMC rebate is made for that month in respect of the investment in the fund(s) from which the switch was made;

- where switching from the *With-Profits Fund*, no refund is made in respect of the implicit Annual Management Charge already levied in respect of that investment to the date of switching;
 - where switching to the *With-Profits Fund*, the change to the new implicit basic Annual Management Charge will apply from the date of switching and any explicit Annual Management Charge or explicit AMC rebate relevant to that fund under the *Plan* will apply from the next *monthly transaction date*.
- (b) Alternatively, we deduct a proportion of any explicit Annual Management Charge(s), or we make a proportional rebate where an explicit AMC rebate applies, in the same way as described in section 6.4.3, taking into account the period from the previous *monthly transaction date* to the date of switching. Any explicit Annual Management Charge or explicit AMC rebate applicable to the receiving fund(s) the receiving fund(s) will apply from the date the switch takes place

Note: At the date of issue of this Technical Guide, we use method (a) but we reserve the right to use method (b) in future if we are able to do so (for example, if our computer systems permit this).

6.5 Annual Management Charge confirmed in Plan documentation

The Annual Management Charges applying to the *Plan* will be confirmed in the documentation that we send to the *planholder* when the *Plan* is set up.

6.6 Changes to the Annual Management Charge

The Annual Management Charge(s) may change because of a change to the investment fund selection. We will tell the *planholder*, in writing, if the charge is to change as a result of switching between funds (except any automatic switches) under section 5.4. See also section 6.4.4 for details of how the Annual Management Charges are changed on switching.

We also reserve the right to increase Annual Management Charges at any time, as set out in section 13 of this Technical Guide.

7. Unit allocation

Each transfer payment results in a number of units allocated to the *Plan*.

The whole transfer payment to the *Plan* is applied to buy units – there is “100% allocation”.

If a transfer payment is to be invested in more than one fund, we will apply the transfer payment to the selected funds in the selected proportions, having made any necessary adjustment for the investment of any *Reserved Contribution* in the *With-Profits (GMP) Fund* (if applicable) as described in section 5.3.

Due to the varying processes of our different fund managers, different unit price dates may apply to purchases and sales of units in different funds.

The *Reserved Contribution*, if any, will be treated as part of any *With-Profits Fund* selection (see section 5.3) but counts as a separate fund selection towards the maximum number of funds which can be selected under section 5.2.

8. Planholder's pension and lump sum benefits

8.1 Normal Retirement Date (NRD) and actual benefit date

When the *Plan* starts, the *NRD* will be selected by the *previous scheme* trustees. The *NRD* will normally be the *planholder's* birthday that matches the normal retirement age which applied for the *previous scheme*, and will usually be in the age range of 60 to 75.

The *planholder's NRD* may be before age 55 if a special retirement age before age 55 applied for the *previous scheme* and the *previous scheme* trustees have indicated that the special retirement age may continue to apply under the *Plan*.

The *planholder* can ask us to change the *NRD* to an earlier or later date within the 55 to 75 age range. The proposed new *NRD* must be the *planholder's* birthday and at least five years later than the date that we get the request to change the *NRD*.

The *planholder* does not need to retire to take benefits from the *Plan* and does not have to take benefits at the *NRD* (see sections 8.4 and 8.5). In addition, benefits may be taken earlier than age 55 if the *planholder* is in ill-health (see section 8.4). Special requirements apply, however, to *GMPs* (see section 8.4).

8.2 Selling units for benefits

When the *planholder* wants to take pension and lump sum benefits (provided that *HMRC* rules allow benefits to be taken at this time), we will calculate the value of the units to be cashed in for benefits. The units to be used for benefits will (subject to any delays in cancelling units under section 5.9) be valued at the proposed benefit date or at the date the funds are to be transferred (see section 8.7). However, if we do not, at that date, have all the completed documentation needed, in our opinion, to allow benefits to be taken or the transfer to be processed, the (later) date when we have all the completed documentation will be used instead.

Due to the varying processes of our different fund managers, different unit price dates may apply to purchases and sales of units in different funds.

In preparation for taking pension and lump sum benefits, we will switch all units allocated to the *Plan* into the *Prudential Cash Fund*, but no sooner than a month before *NRD*. Where the *planholder* tells us that benefits are required before *NRD*, we will switch all units allocated to the *Plan* into the *Prudential Cash Fund*, but no sooner than a month before the chosen benefit date.

However, we will not apply this switch to the *Prudential Cash Fund* if the *planholder* asks us, in writing, not to make the switch.

Unless the *planholder* requests otherwise, all units remaining in the *Plan* at *NRD* not already in the *Prudential Cash Fund* will in any case be switched to that fund at *NRD*. Again, if the *planholder* is deferring taking benefits, he or she can ask us, in writing, not to make this automatic switch at *NRD*, in respect of any investments in the *investment-linked funds*. Investments in the *With-Profits Fund* or *With-Profits (GMP) Fund* cannot continue after *NRD* and so must either be switched to another fund of the *planholder's* choice, or failing that, to the *Prudential Cash Fund*.

Where units of the *With-Profits Fund* and/or the *With-Profits (GMP) Fund* are to be cashed in before *NRD*, a Market Value Reduction may be applied (see section 5.8.3).

8.3 Planholder's benefits – General

Note: It should be noted that although the Finance Act 2011 removes the legal requirement for pension savings to be converted to an annuity, the terms and conditions of the Company Pension Transfer Plan nevertheless require the *planholder* to use the value of his or her *Plan* to buy an annuity on or before his or her 75th birthday. See also the Note at the end of section 1.1.

Except for any *GMP* (which must be taken in pension form) the *Plan* benefits are taken as a lump sum and/or pension.

Benefits can be taken at *NRD*, or can be taken at any time between ages 55 and 75 (but see sections 8.4 and 8.5).

The *planholder* may choose that all or some of the money is used to buy a pension either from us or from another insurance company (see section 8.7).

If the *planholder* has not taken all benefits under the *Plan* by age 75 we may use the money to buy a pension for him or her. We will choose the insurance company and the form of pension.

The value of the benefits will be tested against the *planholder's* available *personal lifetime allowance* and we will deduct any *lifetime allowance charge*.

8.4 Taking benefits before NRD

8.4.1 General

It is possible to take benefits before *NRD* without penalty, but subject to a Market Value Reduction where units are held in the *With-Profits Fund* and/or *With-Profits (GMP) Fund* (see section 5.8.3) and a proportionate Annual Management Charge (as described in section 6.3). Benefits can normally be taken from age 55.

8.4.2 Ill-health benefits

Benefits may be taken before age 55 if the *planholder* is in ill-health. In this case, the *planholder* needs to provide us with written evidence from a registered medical practitioner confirming that the *planholder* has become incapable of carrying on his or her occupation and is unlikely to return to it. See also section 8.6.3.

8.4.3 GMP

If a *GMP* is to be provided, benefits may only be taken before age 65 (men), 60 (women) if the value of the *Plan* is enough to buy a pension that starts at an amount not less than the revalued *GMP* i.e the *GMP* which would be payable at age 65 (men), 60 (women). See also section 4.3.

8.5 Deferring benefits after NRD

Benefits can be deferred up to a maximum of age 75.

Note: It should be noted that although the Finance Act 2011 removes the legal requirement for pension savings to be converted to an annuity, the terms and conditions of the Company Pension Transfer Plan nevertheless require the *planholder* to use the value of his or her *Plan* to buy an annuity on or before his or her 75th birthday. See also the Note at the end of section 1.1.

8.6 Planholder's lump sum and pension benefits

8.6.1 Pension commencement lump sum (tax-free cash)

HMRC rules allow part of the *planholder's* benefits to be taken as a pension commencement lump sum (sometimes called "tax-free cash").

The lump sum:

- (1) must not be more than 25% of the value of the benefits to be taken;
- (2) must not, when added to all pension commencement lump sums taken by the *planholder* from all *registered pension schemes*, exceed 25% of the *standard lifetime allowance* applicable at the time the lump sum is paid;
- (3) may only be paid if all or part of the *planholder's personal lifetime allowance* is available; and
- (4) must be paid within 12 months following the date on which entitlement to the lump sum arose. Entitlement to the lump sum arises on the date we have received all of our requirements to pay the benefits and/or set up the pension, as described in section 8.2.

In addition, there must be enough money left to cover any *GMP*.

A larger lump sum will be available if at 5 April 2006, the *planholder* was entitled under the *previous scheme* to a lump sum of more than 25% of the value of his or her benefits.

8.6.2 Commutation lump sum

It may be possible for the *planholder* to receive the entire benefit as a commutation lump sum. Such a lump sum can only be paid if:

- (1) the value of the *planholder's* benefits from all *registered pension schemes* does not exceed £18,000 (the Government may increase this amount from time to time);
- (2) the *planholder* has reached the age of 60;
- (3) the *planholder* has all or part of his or her *personal lifetime allowance* available; and
- (4) no commutation lump sum has been paid to him or her from any *registered pension scheme* more than 12 months before this payment.

8.6.3 Serious ill-health lump sum

The value of the *planholder's* benefits may be paid as a serious ill-health lump sum where we have received written evidence from a registered medical practitioner that the *planholder* is expected to live for less than one year. The *planholder* must be aged less than 75 and have all or part of his or her *personal lifetime allowance* available.

If there are any *GMPs* or *protected rights* under the *Plan* part of the value of the units under the *Plan* will need to be set aside to buy a pension for any surviving spouse or *civil partner* in accordance with section 9.2.

Note: The distinction between *protected rights* and benefits which are not *protected rights* is to be abolished with effect from 6 April 2012. As such, this special requirement to reserve *protected rights* money for spouses or *civil partners* will no longer apply to pensions set up with effect from that date.

8.6.4 Planholder's pension

Any part of the *Plan* value not used to provide a lump sum benefit must be used to provide a pension. This pension can be in the form most suited to the *planholder's* requirements at that time (subject to any contracting out requirements – see section 4).

The pension can be set up to provide regular payments to the *planholder* on any basis allowed by legislation. For example the *planholder* may wish for his or her pension to increase in payment or for a *dependant* to receive a pension on his or her death. The choices made will affect the amount of pension. We will provide full details of available options before the pension is to start.

In particular, any contracted-out benefits must be set up in accordance with the legislative requirements as regards spouse's or *civil partner's* pensions and increases in payment (see section 4). There is, however, no requirement for any pension in excess of contracted-out benefits to increase in payment or include spouse's, *civil partner's* or *dependant's* pensions.

The *planholder* may want to draw an income for a period of time before his or her pension is bought. This practice is known as "income withdrawal". The *Plan* does not offer this facility so the *planholder* would need to take a transfer-out (see sections 8.7 and 10) close to the date that he or she wants to start to draw income, to a *registered pension scheme* that offers this facility. This is a very complex area and customers are strongly recommended to seek financial advice when considering this option.

8.7 Transfer out or open market option

We can provide the benefits or the *planholder* can ask us to transfer the total value of the *Plan* to another pension provider who would then provide both the lump sum benefit and the pension. See section 10 for more information on transfers out.

There is also an "open market option". With the open market option, we pay the pension commencement lump sum to the *planholder* and the balance of the value of units held under the *Plan* is paid to another pension provider who provides the pension. See however, section 4.3(d), which explains that pensions must be bought from *Prudential* or another company in the *Prudential group* if we add extra money to meet the *GMP* guarantee.

The rates for buying pensions change frequently as investment conditions change. So the most appropriate choice cannot be made until a pension is to be bought, but the options available allow the *planholder* to shop around to take advantage of different rates and forms of pensions available in the market.

9. Death benefits

9.1 General

In the event of death before the *planholder* takes all of his or her benefits under section 8 or takes a transfer-out under section 10, the value of the *Plan* will normally be paid as a lump sum. However, the amount paid as a lump sum may have to be restricted, particularly where *protected rights*, *GMP* and *post 1997 COSR benefits* were included in the transfer to the *Plan*.

On receipt of written notification of the death (from a source and in a form acceptable to us), and subject to any delays under section 5.9, we sell all units then held under the *Plan* at the unit price(s) then applicable. Due to the varying processes of our different fund managers, different unit price dates may apply to sales of units in different funds.

The amount payable as a death benefit is the value of units, determined as described above.

Any lump sum death benefit counts towards the *planholder's personal lifetime allowance* and any *lifetime allowance charge* must be paid by the recipient(s).

9.2 Death benefits arising from contracted-out benefits

The death benefits must meet the requirements imposed by legislation.

Protected rights, *GMP* and *post 1997 COSR benefits* may have to be used to provide a pension (payable immediately) to a surviving spouse or *civil partner*. If so, the spouse's or *civil partner's* pension must, if it derives from *GMP* accrued after 5 April 1988 and before 6 April 1997, also increase in payment to meet legal requirements (see section 4).

We may pay a commutation lump sum death benefit instead of a spouse's or *civil partner's* pension if the value of the spouse's or *civil partner's* pension does not exceed £18,000. The Government may increase this amount from time to time.

If there is no surviving spouse or *civil partner*, the benefit will be paid as a lump sum to the *planholder's* legal personal representatives, unless the *planholder* has set up a valid trust as described in section 9.4.

9.3 Lump sum death benefits payable to planholder's legal personal representatives

Lump sum death benefits (including contracting-out benefits that do not have to be paid as pensions) are paid to the *planholder's* legal personal representatives, unless the *planholder* has, before his or her death, set up a valid trust as described in section 9.4, and provided us with necessary details of this trust.

9.4 Death benefits payable under trust

In order to avoid payment of lump sum death benefits to the *planholder's* legal personal representatives, the *planholder* may set up a trust so that benefits are instead paid to trustees of his or her choice.

It is generally considered that lump sum death benefits paid under discretionary trusts will not, so long as the individual is in good health at the time the trust is set up, form part of the individual's estate for Inheritance Tax purposes. The *planholder* should, however, take independent legal and financial advice on the use of trusts to minimise the risk of Inheritance Tax. *Prudential* cannot give any such advice.

If the *planholder* sets up a trust, then he or she must send us a copy of the trust documents, including any documents changing the trustees, to ensure that we pay any lump sum death benefits to the appointed trustees.

Prudential can provide a specimen trust document, but we do not guarantee that it will be appropriate to the *planholder's* circumstances, and cannot be held liable if its purpose fails for whatever reason and Inheritance Tax is therefore payable on the benefits.

Please note that under current legislation, lump sum death benefits arising from contracting-out benefits cannot be paid out under discretionary powers and may therefore form part of the *planholder's* estate for Inheritance Tax purposes.

9.5 Time limit

A tax charge of at least 55% of the payment, will be taken from the payment if the benefit is not paid out within two years of the date that we are first notified of the *planholder's* death.

10. Transfer to another pension arrangement

The *planholder* can ask us to transfer the value of the *Plan* to another *registered pension scheme*.

Such a transfer will only be possible within the framework allowed by legislation and will be subject to the completion of any documentation that we require before processing the payment to the other *registered pension scheme*.

We may apply a Market Value Reduction, as described in section 5.8.3, if there are investments in the *With-Profits Fund* or *With-Profits (GMP) Fund*. In addition, where units are sold on a date that is not the *monthly transaction date*, a proportion of any explicit Annual Management Charge (as detailed in section 6.4.3) will be taken.

We do not permit partial transfers-out.

See also section 4.3(d), which explains that pensions must be bought from *Prudential* or another company within the *Prudential group* if we add extra money to meet the *GMP* guarantee.

11. Monthly transaction dates and other events

If the *monthly transaction date* or any other event under the *Plan*, would fall on the 29th, 30th or 31st day of any month, we may substitute the 28th day of that month for that day.

12. Taxation

12.1 Investment Funds

Investments in pension funds in which *registered pension schemes* are invested, are currently given important tax benefits. They do not pay tax on investment income received or capital gains.

Dividends from many overseas companies will be paid after deduction of an overseas withholding tax that the pension scheme cannot generally recover. Dividends from UK companies are exempt from tax in the pension scheme, but the pension scheme is unable to recover the tax credit on the dividend.

12.2 Pension and death benefits

- › All pensions are taxable as earned income.
 - › Pension commencement lump sums are tax-free.
 - › Tax will be paid on at least part of a commutation lump sum.
 - › A serious ill-health lump sum will be tax-free (so long as it does not exceed the *planholder's* remaining *personal lifetime allowance*).
 - › A commutation lump sum death benefit will be taxable as income.
 - › Unless the *planholder* arranges for a trust to apply (and confirms this to us), any lump sum death benefit is payable to the *planholder's* legal personal representatives, and may be subject to Inheritance Tax, depending on the value of the *planholder's* estate.
- › Lump sum death benefits (except those arising from contracting-out benefits) paid through a trust set up by the *planholder* as described in section 9.4, are normally free of Inheritance Tax. This may, however, depend on the terms and validity of the trust and on the *planholder's* state of health at the time the trust is set up. The *planholder* should take independent legal and financial advice. *Prudential* cannot give such advice or be held liable for the effectiveness of any trust documents for Inheritance Tax purposes.
 - › A tax charge of at least 55% of the payment, applies to any lump sum death benefit that is not paid within two years of the date on which we are first notified of the *planholder's* death. If this applies, the charge will be deducted from the payment.
 - › All benefits (excluding any spouse's or *civil partner's* pensions payable under section 9) count towards the *planholder's* *personal lifetime allowance* and a *lifetime allowance charge* may be payable by the recipient.

13. Amendments to the Plan and/or to the terms and conditions in this Technical Guide

13.1 Amendments requested by planholder

The *planholder* can ask for his or her *Plan* to be amended. Any such amendment is subject to our agreement.

13.2 Amendments by Prudential

Note: This section 13.2 does not apply to our limits or charges. Our right to change our limits and charges is set out in section 14.

- (a) Subject to section 13.2(b), we can make changes to the *Plan* and/or the terms and conditions set out in this Technical Guide providing we give the *planholder* reasonable notice in advance and obtain his or her consent.
- (b) We can add to, amend, modify or set aside any of the terms in this Technical Guide without the *planholder's* consent in the following circumstances:

- if it becomes impossible or unreasonable to follow them because of a change in legislation, regulations or otherwise;
 - if we need to make changes in order to safeguard the *Plan's* registration status with *HMRC*;
 - if circumstances have changed in a way which could not have reasonably been predicted at the start of a *Plan*;
 - if we have given the *planholder* reasonable notice, and if the addition, amendment, modification or setting aside is reasonable;
 - if the basis on which any company from within the *Prudential group* is taxed changes and then we can only change the *Plan* in such a way that, in our opinion, the balance between the *planholder* and us remains as it was before the change;
 - if we discover the payments to the *Plan* do not relate to pension business in the way described in section 431B of the Income and Corporation Taxes Act 1988 (as amended). See also section 19.2;
 - if we do not have a current address for the *planholder*, which will mean that we cannot contact the *planholder* to provide the written notification of a proposed amendment that we would otherwise have given in terms of this Technical Guide.
- Except where it is impracticable to do so, we will always notify the *planholder* of any changes that we have made under this section 13.2(b). If the *planholder* (or *dependant*, if appropriate) is unhappy with any changes, he or she should contact us in accordance with section 18.

- (c) Additional terms and conditions regarding changes to the funds are set out in section 5.6.

14. Changes to limits and charges

From time to time, we may change the limits and charges in this Technical Guide.

We may also introduce charges for making switches between funds under section 5.4 and/or under the Lifestyle Appendix. We may also introduce or increase charges if a charge is imposed on us under the Financial Services Compensation Scheme (or other compensation scheme) as described below and in section 19.3.

Changes to limits may be necessary to take account of inflation or other factors which affect the running of our business.

We will keep any increases to charges or new charges to reasonable amounts, reflecting any increases in our reasonable costs for operating the Company Pension Transfer Plan. This may happen, for example:

- if any *external life assurance company* or *external fund manager* or other company that performs any administrative or investment function on our behalf, increase the charges that we pay them; or
- if we experience an increase in the general administrative costs that we incur in operating the Company Pension Transfer Plan; or
- if the basis on which any company from within the *Prudential group* is taxed changes; or
- if a charge is imposed on us under the Financial Services Compensation Scheme (or any other investor compensation scheme); or
- if we discover that payments to the Company Pension Transfer Plan do not relate to pension business in the way described in section 431B of the Income and Corporation Taxes Act 1988 (as amended). See also section 23.2.

We will give the *planholder* (or the *dependant*, if appropriate) reasonable advance notice in writing, if we make any change to limits or charges described in this Technical Guide or if we introduce any new charges. If the *planholder* (or the *dependant*, if appropriate) is unhappy with any changes he or she should contact us in accordance with section 18 of this Technical Guide.

15. Divorce and dissolution

Current UK legislation requires that pension arrangements are taken into account in settlements made on divorce, or on the dissolution of a registered same-sex civil partnership.

A pension arrangement can be "set-off" against other matrimonial or civil partnership assets – the pension arrangement is left intact, but the split is allowed for by adjusting the shares in other assets. Alternatively, particularly where the pension value is disproportionately high in relation to other matrimonial or civil partnership assets, the Court can, but does not have to, instruct that:

- › part of a pension arrangement is "earmarked" for payment to a former spouse or *civil partner* on taking benefits or on earlier death of the owner of the pension, or
- › the pension is "split" – with a transfer being made to a another pension arrangement in the ex-spouse's or *ex-civil partner's* name.

There are rules on compliance with Court earmarking or pension splitting orders, to ensure that the terms specified in the order are met. In addition, if the pension arrangement covered by the order is transferred to another pension arrangement, a copy of the order must be passed on with the transfer.

We may charge for providing information needed to comply with implementation of the orders (including the gathering of information by the parties to the divorce or dissolution before any order is made). We will tell the *planholder* if any such charge is to be applied before we take any action on a request for information in relation to a divorce settlement or when we get an order. Any such charge would be payable separately by cheque from one of the parties to the divorce or dissolution.

Any *planholder* whose benefits are affected by an earmarking or pension splitting order should get advice from a financial adviser to ensure that the impact on the benefits is properly assessed.

We will not pay for, nor reimburse the *planholder* or any other person for, the costs of any such advice.

16. Assignment, forfeiture of benefits and bankruptcy

15.1 Assignment and forfeiture of benefits

The benefits under the *Plan* should not be assigned or forfeited, except that:

- a pension which continues to be paid during a guaranteed minimum period to the *planholder's* estate after his/her death may be assigned in the *planholder's* will, or as part of the distribution of the *planholder's* estate;
- pension sharing on divorce or dissolution as described in section 15 is permitted;
- benefits may be forfeited to the extent permitted by sections 273 to 278 of the Proceeds of Crime Act 2002; and
- the *Plan* can be put into a trust set up by the *planholder*, in order to minimise the risk of Inheritance Tax on lump sum death benefits.

16.2 Bankruptcy

Parliament has passed legislation on the effect of bankruptcy on pensions. In broad terms, pensions from *registered pension schemes* will not form part of the assets to be taken into account in bankruptcy, if the bankruptcy petition is presented to the Court on or after 29 May 2000, and the benefits are not at that time in payment.

However, where the benefits are in payment, a Court has the right to order that part or all of a pension in payment to the bankrupt, and/or a lump sum from a pension scheme or arrangement, be included in a bankrupt's estate (and, therefore, available to the trustee in bankruptcy) for a specified period, if it finds that the bankrupt's total income is in excess of what the bankrupt and his or her family reasonably need to live on.

Legislation also limits the scope for pension investment where the money should, instead, have been available to creditors.

17. Governing Law

The *Plan* will be governed by the law of England and Wales and any disputes connected with it will be settled in the courts of England and Wales.

18. Complaints

We want to know about any queries or complaints as soon as possible.

If the *planholder* or *dependant* (as appropriate) has any difficulties or complaints, he or she should contact us in the first instance at the address shown in section 2.6 of this Technical Guide.

In the unlikely event that we are unable to resolve any difficulties, the *planholder* or *dependant* (as appropriate) can contact the organisations mentioned below. These organisations provide their services free of charge and can investigate and resolve any disputes or complaints that the *planholder* or *dependant* (as appropriate) has been unable to resolve with us.

- The Financial Ombudsman Service (FOS). Its address is:

South Quay Plaza
183 Marsh Wall
London
E14 9SR

Telephone: 0845 080 1800

The Financial Ombudsman Service carries out statutory functions under the Financial Services and Markets Act 2000 and the Consumer Credit Act 2006.

- The Pensions Advisory Service (TPAS). Its address is:

11 Belgrave Road
London
SW1V 1RB

Telephone: 0845 601 2923

The Pensions Advisory Service is a voluntary organisation that is grant-aided by the Department for Work and Pensions.

- The Pensions Ombudsman (PO). Its address is:

11 Belgrave Road
London
SW1V 1RB

Telephone: 020 7834 9144

The Pensions Ombudsman carries out statutory functions under the Pension Schemes Act 1993.

We can give guidance as to which is the appropriate organisation for the *planholder* or *dependant* (as appropriate) to contact in the event of a particular difficulty or complaint.

19. Other information

19.1 Long-term business

The benefits arising under the *Plan* are part of our "long-term business" within the meaning of the Financial Services and Markets Act 2000.

19.2 Pensions business

The *Plan* is classed as pensions business under the Finance Act 2004. The transfer payment paid to *Prudential* must relate to pension business in the way described in Chapter 2 of Part 4 of the Finance Act 2004. If we discover that the transfer payment did not meet these requirements, we may modify the terms of the *Plan* under sections 13 and/or 14 in whatever way is necessary to ensure that *HMRC* do not tax any of the investment funds or do not impose any penalty on us. If such modification is necessary, we will notify the *planholder* and provide full details of the changes.

19.3 Compensation schemes

Prudential policyholders are protected by the Financial Services Compensation Scheme (FSCS) against the insolvency of The Prudential Assurance Company. As such, the *planholder* or *dependant* (as appropriate) may be entitled to compensation from the FSCS if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Further information is available from:

The Financial Services
Compensation Scheme,
7th Floor,
Lloyds Chambers,
1 Portsoken Street,
London,
E1 8BN

Telephone: 0800 678 1100

Website address: www.fscs.org.uk

Policyholders including the *planholder* or *dependant* (as appropriate) are not protected by the FSCS against the insolvency of other companies within the *Prudential group*, any *external life assurance company* or *external fund manager*.

This means that the FSCS does not provide protection:

- › For *Prudential investment-linked funds* which are provided through another company within the *Prudential group*;
- › for *Prudential investment-linked funds* which are invested solely in funds operated by other companies within the *Prudential group* (for example unit trusts or *OEICs* operated within the *Prudential group*);
- › for *externally-linked funds*.

However, it should be noted that the money policyholders invest into a fund is kept separate from the assets of the actual company that manages the fund. This is often known as "ring fencing of assets". The liabilities of these funds are normally limited to the assets owned by the fund, so the likelihood of insolvency is very low. Unit prices may fluctuate in line with the value of the assets owned by the fund, but this is normal investment risk.

If another company from within the *Prudential group* or an *external life assurance company* or an *external fund manager* becomes insolvent and we cannot recover the full value of the units, *Prudential* will not be liable for the shortfall.

As reflected in section 14 if a charge is imposed on us under the FSCS (or any investor compensation scheme), we may pay it by imposing on our policyholders whatever additional charges are necessary and reasonable (see section 14 for further information).

Lifestyle Appendix

This Appendix describes the operation of programmed switching facilities called "Lifestyle Options".

The terms set out in the Glossary in section 1 of the Technical Guide also apply to this Appendix.

This Appendix is divided, as follows:

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1. Lifestyle Option

A "Lifestyle Option" is a facility that provides automatic switching between pre-selected funds at or around a series of pre-selected dates.

2. Pre-selected funds

2.1 The funds

The Lifestyle Options

- › use a combination of available funds except the *With-Profits Fund* and the *With-Profits (GMP) Fund*, but
- › can be used alongside investments in the *With-Profits Fund* and the *With-Profits (GMP) Fund*.

The selected funds and the intervals at which units are switched are explained later in this Appendix and depend upon which Lifestyle Option applies.

There are three different Lifestyle Options.

Lifestyle Option A is a Lifestyle Option which has been designed by *Prudential* and which is available to all *planholders*.

Lifestyle Options B and C are "bespoke" Lifestyle Options designed by the *previous scheme* trustees or their financial adviser exclusively for members of the *previous scheme* whose benefits are being transferred to a Company Pension Transfer Plan.

2.2 Progressive automatic switches

The units held under the *Plan* are automatically switched into pre-set proportions at pre-selected intervals.

The proportions are not monitored or realigned in the period between the dates on which the automatic switching takes place (see part 7 of this Appendix).

3. Selection and operation of a Lifestyle Option

3.1 Availability

Initially, the *previous scheme* trustees can choose one of three Lifestyle Options:

- › Lifestyle Option A,
- › Lifestyle Option B, or
- › Lifestyle Option C.

The *previous scheme* trustees will decide whether or not to include one of these Lifestyle Options in the initial investment selection.

After the *Plan* is set up, the *planholder* can switch into or out of a Lifestyle Option, subject to the following:

- › If the *previous scheme* trustees do not include any Lifestyle Option in the initial investment selection, the *planholder* can select and switch into Lifestyle Option A (but not B or C).
- › If the *previous scheme* trustees choose Lifestyle Option B or Lifestyle Option C, the *planholder* can change to Lifestyle Option A.
- › Lifestyle Option B or Lifestyle Option C is available to the *planholder* only if the *previous scheme* trustees choose that particular Option at outset.
- › For a Lifestyle Option to operate, the number of funds, including those to receive the automatic switches, may not at any time exceed 6, or 5 if a *Reserved Contribution* applies (see section 5.3 of the Technical Guide).

There is no charge for including or adding the Lifestyle Option.

3.2 Coverage of Lifestyle Option

A Lifestyle Option (if chosen) must apply to the whole *Plan*, except that investments in the *With-Profits Fund* and the *With-Profits (GMP) Fund* can be held alongside a Lifestyle Option.

Where investments are held in the *With-Profits Fund* and/or the *With-Profits (GMP) Fund*, these investments will be excluded from the automatic switching under the Lifestyle Option. The value of units in these funds is not taken into account in the pre-set proportions for automatic switching.

Any investments in the *With-Profits Fund* or the *With-Profits (GMP) Fund* are therefore disregarded for the rest of this Appendix.

3.3 Changes to funds used for a Lifestyle Option

If any fund mentioned in this Appendix (or confirmed elsewhere as a fund to be used in the operation of a Lifestyle Option) is no longer available, we will use a substitute fund for the purpose of the application of the Lifestyle Option. If this is necessary, we will confirm the revised details to the *planholder* at least one month before the change.

3.4 Start of automatic switching under a Lifestyle Option

Except where automatic switching starts at the *relevant date*, we will write to remind the *planholder* before starting automatic switching under a Lifestyle Option.

Automatic switching under a Lifestyle Option cannot start if the number of funds in which there are investments under the *Plan* (including the funds to which automatic switches are to be made) exceeds the maximum set out in part 3.1 of this Appendix.

4. Lifestyle Option A

Stage 1

Where the term from investing in Lifestyle Option A under the *Plan* to *NRD* is over eight years, the transfer payment will initially be invested in the *chosen fund(s)*.

Automatic switches (Stage 2) will start immediately if the term to the *NRD* is eight years or less.

Stage 2

Eight years from *NRD* (or immediately, if the term to *NRD* at the start of Stage 1 is less than eight years as explained above) Stage 2 of the process starts. Stage 2 involves automatic monthly switches of units into the *Prudential Retirement Protection Fund* over a five year period (or appropriate shorter period if the term to *NRD* is less than eight years). These automatic switches mean that, three years from *NRD*,

- › 75% of units will be in the *Prudential Retirement Protection Fund* and
- › 25% of units will remain in the *chosen funds*.

Switching starts at:

- › 1/60th of 75% of the units in month one
- › 1/59th in month two
- › 1/58th in month three,

and so on, or using the appropriate higher proportion if the initial term is less than eight years.

In this way, at the end of the five year period (or the appropriate shorter switch period) 75% of the units allocated to the *Plan* will have been switched into the *Prudential Retirement Protection Fund* leaving 25% in the *chosen funds*.

The fractions used in the calculation of the number of units to be switched into the *Prudential Retirement Protection Fund* will apply even if the *chosen funds* include the *Prudential Retirement Protection Fund*. Consequently, in such circumstances, more than 75% of units may be invested in the *Prudential Retirement Protection Fund* at three years from *NRD*.

Stage 3

Then three years from *NRD*, Stage 3 of the automatic switching starts. This involves automatic monthly switches of units which remained in the *chosen fund(s)* at the end of Stage 2. These units are gradually switched to the *Prudential Cash Fund*, so that at the end of Stage 3:

- › the value of the units that was switched during stage 2 to the *Prudential Retirement Protection Fund* remains invested in that fund, and
- › the value of all units switched during Stage 3 is now invested the *Prudential Cash Fund*.

This is achieved by switching

- › 1/36th of the units that have so far remained in the *chosen funds*, in month one
- › 1/35th, in month 2
- › 1/34th, in month three,

and so on, (but otherwise as described for Stage 2 of the automatic switching process) into the *Prudential Cash Fund*.

Stage 4

Not more than a month before the *NRD*, all investments will be switched to the *Prudential Cash Fund*, as described in section 8.2 of the Technical Guide.

The table below summarises the process for Lifestyle Option A.

Stage 1	Until eight years before <i>NRD</i>	Investments in <i>chosen fund(s)</i>
Stage 2	From eight years to three years before <i>NRD</i>	Monthly switches to the <i>Prudential Retirement Protection Fund</i> , so that at three years before <i>NRD</i> , <ul style="list-style-type: none"> › 75% of units are in the <i>Prudential Retirement Protection Fund</i>, and › 25% of units in <i>chosen fund(s)</i>
Stage 3	From three years before <i>NRD</i> to <i>NRD</i>	Monthly switches from the "25% portion" in stage 2 to the <i>Prudential Cash Fund</i> , so that at one month before <i>NRD</i> units are held in the <i>Prudential Retirement Protection Fund</i> and the <i>Prudential Cash Fund</i>
Stage 4	Not earlier than a month before <i>NRD</i> , Stage 3 overridden	All units switched to the <i>Prudential Cash Fund</i>

5. Lifestyle Option B

Stage 1

Where the term from investing in Lifestyle Option B under the *Plan* to the *NRD* is over five years, the transfer payment will initially be invested in the *chosen fund(s)*.

Automatic switches (Stage 2) will start immediately if the term to the *NRD* is five years or less.

Stage 2

Five years from *NRD* (or immediately, if the term to *NRD* at the start of Stage 1 is less than five years as explained above) Stage 2 of the process starts. Stage 2 involves automatic monthly switches of units into pre-selected *Band 1 funds*, as agreed with the *previous scheme* trustees, over a 4 year period (or appropriate shorter period if the term to *NRD* is less than five years).

These automatic switches result in a pre-selected investment strategy one year before *NRD*. At the "one year" stage all units will be invested in pre-selected proportions in pre-selected *Band 1 funds*.

Switching starts at:

- 1/48th of the units in month one
- 1/47th in month two
- 1/46th in month three.

and so on, or using the appropriate higher proportion if the initial term is less than five years.

In this way, at one year before *NRD*, the pre-selected percentages of the units allocated to the *Plan* have been switched into the pre-selected *Band 1 funds*.

Details of the *Band 1 funds* and the pre-selected proportions chosen by the *previous scheme* trustees are set out in the *Illustration* sent to the *planholder*.

Stage 3

Then one year from *NRD*, Stage 3 of the automatic switching starts.

This results in a pre-selected investment strategy at two months before *NRD*. At the "two month" stage all units will be invested in pre-selected proportions in pre-selected *Band 2 funds*.

Details of the *Band 2 funds* and the pre-selected proportions chosen by the *previous scheme* trustees are set out in the *Illustration* sent to the *planholder*.

The switching in Stage 3 starts at 1/11th of the units in month one, 1/10th, in month two, 1/9th in month three, and so on, but otherwise as described for Stage 2 of the automatic switching process.

Stage 4

All investments will be switched to the *Prudential Cash Fund*, as described in section 8.2 of the *Technical Guide*.

The table below summarises the process for Lifestyle Option B.

Stage 1	Until five years before <i>NRD</i>	Investments in <i>chosen fund(s)</i>
Stage 2	From five years to one year before <i>NRD</i>	Monthly switches so that, at one year before <i>NRD</i> , all units will be invested in pre-selected proportions in pre-selected <i>Band 1 funds</i> .
Stage 3	From one year to two months (inclusive) before <i>NRD</i>	Monthly switches so that, at two months before <i>NRD</i> , all units will be invested in pre-selected proportions in pre-selected <i>Band 2 funds</i> .
Stage 4	Not earlier than a month before <i>NRD</i>	All units switched to the <i>Prudential Cash Fund</i>

6. Lifestyle Option C

Stage 1

Where the term from investing in Lifestyle Option C under the *Plan* to the *NRD* is over eight years, the transfer payment will initially be invested in the *chosen fund(s)*.

Automatic switches (Stage 2) will start immediately if the term to the *NRD* is eight years or less.

Stage 2

Eight years from *NRD* (or immediately, if the term to *NRD* at the start of Stage 1 is less than eight years as explained above) Stage 2 of the process starts. Stage 2 involves automatic monthly switches of units into pre-selected *Band 1 funds*, as agreed with the *previous scheme* trustees, over a five year period (or appropriate shorter period if the term to *NRD* is less than eight years). These automatic switches result in a pre-selected investment strategy three years before *NRD*. At three years before *NRD* all units will be invested in pre-selected proportions in pre-selected *Band 1 funds*.

Switching starts at:

- 1/60th of the units in month one
- 1/59th in month two
- 1/58th in month three.

and so on, or using the appropriate higher proportion if the initial term is less than eight years.

In this way, at the end of Stage 2, the pre-selected percentages of the units allocated to the *Plan* have been switched into the pre-selected *Band 1 funds*.

Details of the *Band 1 funds* and the pre-selected proportions chosen by the *previous scheme* trustees are set out in the *Illustration* sent to the *planholder*.

Stage 3

Then three years from *NRD*, Stage 3 of the automatic switching starts.

This results in a pre-selected investment strategy at two months before *NRD*. Two months from *NRD*, all units will be invested in pre-selected proportions in pre-selected *Band 2 funds*.

Details of the *Band 2 funds* and the pre-selected proportions chosen by the *previous scheme* trustees are set out in the *Illustration* sent to the *planholder*.

The switching in Stage 3 starts at 1/35th of the units in month one, 1/34th, in month two, 1/33rd in month three, and so on, but otherwise as described for Stage 2 of the automatic switching process.

Stage 4

All investments will be switched to the *Prudential Cash Fund*, as described in section 8.2 of the *Technical Guide*.

The table below summarises the process for Lifestyle Option C.

Stage 1	Until eight years before <i>NRD</i>	Investments in <i>chosen fund(s)</i>
Stage 2	From eight years to three years before <i>NRD</i>	Monthly switches so that, at three years before <i>NRD</i> , all units will be invested in pre-selected proportions in pre-selected <i>Band 1 funds</i> .
Stage 3	From three years to two months (inclusive) before <i>NRD</i>	Monthly switches so that, at two months before <i>NRD</i> , all units will be invested in pre-selected proportions in pre-selected <i>Band 2 funds</i> .
Stage 4	Not earlier than a month before <i>NRD</i>	All units switched to the <i>Prudential Cash Fund</i>

7. Date when automatic switching takes place

The dates for automatic switching are linked to pre-selected dates (normally the *planholder's* birthday), occurring at specified intervals before *NRD*.

Subject to section 11 of the Technical Guide switches under a Lifestyle Option will normally be monthly on the same day of the month as *NRD*. For example, if *NRD* is 17 March 2030, switches will normally take place or start to be carried out on the 17th of each month.

We can change the terms of a Lifestyle Option to change the frequency of automatic switches.

We will give the *planholder* at least one month's notice of any intention to change the frequency of automatic switches.

8. Selling and buying units in an automatic switch

On the day(s) selected by us under part 7 of this Appendix, we will sell the appropriate units in one fund and then buy appropriate units in another fund. The amount raised by selling the existing units is used to buy units as described in section 5.4 of the Technical Guide.

As explained in section 5.4 of the Technical Guide, the sale of existing units and the purchase of new ones may not take place on the same day.

9. Delays in switching

Section 5.9 of the Technical Guide explains that on occasions there may be a delay in selling and/or buying units when switching.

These delays do not apply to automatic switching under a Lifestyle Option. They may however apply if cancelling a Lifestyle Option and switching to other funds, or if switching between different Lifestyle Option profiles.

10. Change to *NRD*

10.1 Rescheduling of automatic switching

If the *planholder* asks us to alter the *NRD* and we agree under section 8.1 of the Technical Guide, we will adjust the fund switches so that they are scheduled around the remaining term to the new *NRD*.

10.2 Delay in rescheduling

The delay in switching terms described in section 5.9 of the Technical Guide may apply to switches carried out as part of a rescheduling.

11. Switching charge

No switching charge is made in the normal operation of a Lifestyle Option, although we reserve the right to apply a charge. – See section 14 of the Technical Guide.

12. Switching in or out of a Lifestyle Option

The *planholder* can, at any time, subject to part 3.1 of this Appendix, switch into or out of or cancel a Lifestyle Option.

The *planholder* can, at any time, switch out of a Lifestyle Option by requesting an investment change as described in section 5.4 of the Technical Guide. Once we have carried out the *planholder's* instructions, all automatic switching will cease. After that, switches may only be made on the terms set out in section 5.4 of the Technical Guide unless we agree to the re-instatement of a Lifestyle Option. Any re-instatement will also be subject to part 3.1 of this Appendix.

The *planholder* can also cancel a Lifestyle Option without making a switch under section 5.4 of the Technical Guide. In this case, if the *planholder* cancels the Lifestyle Option after automatic switching has started, the *Plan* will remain invested in the fund options then applicable, unless and until the *planholder* requests a switch under section 5.4 of the Technical Guide.

13. The Lifestyle Options and the *planholder's* personal circumstances

We cannot take any responsibility for the appropriateness of any of the fund selections and pre-set switches under a Lifestyle Option in relation to the *planholder's* own particular circumstances.

The value of an investment may go down as well as up, and may in the future be less than the payment(s) made to the Plan. Information in this Technical Guide is based on Prudential's understanding of legislation as at November 2011. Legislation, particularly relating to taxation, may be subject to change in the future. Any tax reliefs referred to are those currently available and the value of tax reliefs depends on individual circumstances. If an investment is in the Prudential With-Profits Fund and policy benefits are cashed in early, a Market Value Reduction (MVR) may apply.



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