

Member's Booklet

Flexible Retirement Income Account –
Flexible Lifetime Annuity

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› Introduction

Important Note about the Emergency Budget

As announced in the Emergency Budget on 22nd June 2010, the Government is reviewing the limits for personal tax relief on pension contributions and the requirement to use pension savings to buy an annuity by age 75. An interim increase to age 77 came into effect from 22nd June 2010 with further changes coming into effect from April 2011. There is currently no change to the requirement to take any pension commencement lump sum (tax-free cash sum) before age 75. Some of the information set out in this Member's Booklet may as a result be subject to change once the full detail of the new proposals is known. You should refer to your financial adviser if you think you are impacted by these proposals.

It should be noted that the Prudential Flexible Retirement Income Account does not currently allow for annuity purchase to be deferred beyond age 75 and the latest date on which an FLA can be bought currently remains the day before an individual's 75th birthday.

A. Scheme details and legal relationships

1. The Prudential Flexible Retirement Income Account

You have joined a personal pension scheme called **The Prudential Flexible Retirement Income Account (the Scheme)**. The Scheme is primarily designed to:

- › receive transfer-in payments from your previous pension arrangements; and
- › provide retirement benefits either in the form of income payments under the **FIDP** or **annuity** payments under the **FLA** (see section B of this Introduction).

The **Scheme** is registered with HM Revenue & Customs (**HMRC**) in accordance with Chapter 2 of Part 4 of the Finance Act 2004. This means that various tax advantages are available in respect of investments under the **Scheme** and benefits paid out of the **Scheme**.

The **Scheme** was set up by The Prudential Assurance Company Limited by a Trust Deed which adopted **Rules**. The **Scheme** is run in accordance with the terms set out in its Trust Deed and **Rules**. The terms set out in these documents reflect legislative, regulatory and **HMRC** requirements for personal pension schemes. The terms set out in these documents also determine the extent to which certain options permitted by legislation, regulation or **HMRC** are available under the **Scheme**. We will send you a copy of the Trust Deed and **Rules** on request.

As well as the detailed terms and conditions of the **FLA**, this **Member's Booklet** also reflects some of the terms set out in the Trust Deed and **Rules**. Where this **Member's Booklet** reflects the terms set out in the Trust Deed and **Rules**, every effort has been made to ensure that this **Member's Booklet** reflects those terms as accurately as possible. However, in the event of any conflict between such information in this

Member's Booklet and the Trust Deed and **Rules**, the Trust Deed and **Rules** (being the governing documentation) will in most circumstances override this **Member's Booklet**. An example of a circumstance when the **Rules** may not be overriding is when the Government makes changes (either overriding legislation which we must implement or optional changes which we can make available if we so choose) which do not have to be reflected in the **Rules** in order for them to be operative: in this case, we may reflect the up to date position in the **Member's Booklet** before we change the **Rules**.

Prudential Corporate Pensions Trustee Limited is the **Trustee** of the **Scheme**. The Prudential Assurance Company Limited is the **Scheme Administrator** of the **Scheme**, responsible for the day to day administration. The address for both the **Trustee** and the **Scheme Administrator** is under the heading "Further Information" at the end of this Introduction.

2. The Policy and legal relationships

There is a single **Policy** held by the **Trustee** for the purposes of making investments in **funds** and for paying benefits; as such you do not have your own individual policy.

Because the **Scheme** has been set up under a trust, the members of the **Scheme** have a direct legal relationship with the **Trustee** under the **Rules** of the **Scheme**. The **Trustee** has a direct legal relationship with us under the terms and conditions of the **Policy**. These terms and conditions are reflected in the various **Member's Booklets** issued to members.

Although the **Trustee** is, technically speaking, the policyholder, the terms and conditions are published in the **Member's Booklets** which are sent to the members. This is because you and the other members have a beneficial interest and therefore need to be aware of the full details of the terms and conditions. Also, many of the options and obligations under the terms and conditions affect you or require you personally to make a choice or take some action. This particular version of the **Member's Booklet** specifically explains the terms and conditions of the **Policy** in relation to the **FLA**.

Payments to the **Scheme** are accepted under the terms and conditions of the **Policy** as reflected in the **Member's Booklet** and are used to provide certain benefits to you and the other members.

All payments to the **Scheme** will be paid to us.

The benefits payable under the terms and conditions of the **Policy** as reflected in the **Member's Booklets** shall correspond with the liabilities of the **Trustee** under the **Scheme** in so far as these liabilities are or are intended to be secured through the **Policy**. Any options or provisions in the **Member's Booklets** will be exercised in such a manner and to the extent permitted by the **Rules** and in the form and at the time permitted by the **Rules**. These requirements are reflected in this **Member's Booklet**, so that you should not need to refer to the **Rules**.

It is important to understand the difference between the membership documents (being the **Member's Booklet** with the **Appendices** and **Membership Certificates**) and the rest of the documents we may give you. The purpose of the membership documents is to set out full details of how the **Scheme** and your **Plan(s)** works. We have made every effort to make sure they are readable; but because they explain the **Policy** terms and conditions, and contain much information about the legal requirements, they are still very long and detailed.

The purpose of the other documents is to explain the main features without getting involved in fine detail, so they are much more straightforward. However, you must read and understand the membership documents to get the full picture. If there is anything you do not understand, you can ask us for help.

3. Interpretation

Where the words "**Prudential**", "we", "us" and "our" are used, they refer to The Prudential Assurance Company Limited. In many cases we will be acting in our capacity as the **Scheme Administrator**. Where the words "you", "your" and "yours" are used, they refer to the member of the **Scheme** named in each **Membership Certificate** (issued when a **Plan** is set up).

References to forms and procedures of government departments are those which apply as at December 2010.

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 **Member's Booklet** is based on **Prudential's** understanding of legislation as at December 2010.

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

B. Principal options under the Scheme

1. Pension options

The main pension options available under the **Scheme** are:

- The "Flexible Income Drawdown Plan" (**FIDP**); and/or
- The "Flexible Lifetime Annuity" (**FLA**).

Under the **FIDP**, income payments are made to the member by realising investments or selling **units** held under the member's arrangement(s). The **FIDP** can be used until the member reaches age 75*, at which point an **annuity** – either an **FLA** or another type of **annuity** – will normally be purchased with either **Prudential** or another **annuity** provider of your choice.

The **FLA** is an **annuity** contract under which **units** remain invested in the **funds** of the member's choice. The **FLA** then provides pension payments by selling **units**, unless it is converted to a **Fixed Guaranteed Income**.

When you join the **Scheme** you decide which of these two options is to apply to your benefits.

This Member's Booklet applies to individuals who have selected the FLA option.

The main part of this **Member's Booklet** describes the general provisions of the **Scheme** and the **Policy** as they relate to the **FLA**. The detailed operation of the **FLA** is set out in **Appendix 1** at the end of this **Member's Booklet**. **Appendix 1** also describes the options available when you purchase an **FLA** and the provisions applying when an **FLA** is converted to a **Fixed Guaranteed Income** and/or a **With-Profits Income**.

* **Note:** Please see the Important Note about the Emergency Budget on page 4.

2. Investment options

The investment options available under the **Scheme** which are relevant to the **FLA** are the **Prudential unit-linked funds**, the **With-Profits Fund** and the **externally-linked funds** available under the **Policy**.

Appendix 2 describes the operation of the **funds**. This **Appendix** is issued to all members and it applies to **funds** used for investment under the **FLA**.

C. Five important points

There are five particular points we would like to draw to your attention before you read further:

1. Notices and instructions to be in writing

There are a number of references to notices and instructions you must give us. These must be in writing. We will give you pre-printed forms to use for some of them. You can obtain any forms directly from us by contacting Prudential at the address or Telephone Helpline number shown overleaf.

2. Amount raised on selling units

You will also find a number of references to the "amount raised" when a **unit** is sold. This is explained in **Appendix 2**. Section 6.3 of **Appendix 2** includes details of the circumstances in which the amount raised may be reduced when **units** of the **With-Profits Fund** are sold.

3. Delays in buying and selling units

In some circumstances, there may be a delay in buying and/or selling **units** for switching between **funds**, for making certain payments or for switching to a **Fixed Guaranteed Income**. This is explained in **Appendix 2**.

4. Incorrect or incomplete information

Your **Plan** is set up by an application and declaration made to us by you and any other information which your application authorises us to obtain. If any of the information is later found to be incorrect or incomplete, we have the right to alter any terms and conditions which, in our opinion, would not have been agreed if we had known the full facts. If such alteration is necessary, we will notify you and provide full details of the changes. We will not refund any charges already made in respect of the altered terms and conditions and we reserve the right to apply a charge for making the change(s).

5. Date we treat items, payments and communications as being received

(a) General

A number of sections in this **Member's Booklet** refer to the effective dates used for transactions, notices and requests once we have all of the information and other items (including payments) we need from you, 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.

(b) Allocation of payments

When applying payments to **Plans** under section 2.4:

- If the payment and all necessary forms and information are received by us before 12 noon on a **working day**, we treat them as received on that **working day**;
- If the payment and all necessary forms and information are received by us after 12 noon or on a non-**working day**, we treat them as received on the next **working day**.

(c) Switch requests, pension instalments, death benefit claims and other instructions

Subject to (d) below, 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**.

(d) Emailed or faxed switch requests

The effective date of a request by email 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 email or fax are **fund** switch requests. We do not accept instructions by email or fax for any other transactions – for example to sell **units** to provide pension instalments.

(e) 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 ways described in (b), (c) and (d) above.

D. Further information

If you need any further information, you can obtain it by writing to either:

- The Prudential Assurance Company Limited (as **Scheme Administrator**), or
- Prudential Corporate Pensions Trustee Limited (as **Trustee**) at:

**Prudential,
Flexible Retirement Income
Servicing Team,
Stirling FK9 4UE**

or by telephoning Prudential on:

0845 075 7576

Calls may be monitored or recorded for quality and security purposes.

› 1. Meaning of words

There are a number of words and expressions used throughout this Member's Booklet that have specific meanings. These are shown in bold type and are:

"Administration office". Prudential's office at Stirling, FK9 4UE. If we change our administration office we will notify you. If you wish to write to The Prudential Assurance Company Limited (the **Scheme Administrator**) or Prudential Corporate Pensions Trustee Limited (the **Trustee**), please write to this address.

"Anniversary Date". The anniversary each year of the **start date** of each **FLA**.

"Annual management charge". This is the charge that we make for managing a **fund**. The charge may vary from **fund to fund**. The current annual management charges for all of the **funds** currently available under the **Policy** are published in our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361).

"Annuity". A pension contract that is purchased from an insurance company, normally by using the proceeds of cashing in a pension arrangement. The proceeds are paid to the insurance company, in exchange for which pension payments are made to an annuitant (for example, you or your **dependant**). The **FLA** is an annuity. Where, however, an **FIDP** or a **Pension Reserve Plan** is converted to an **FLA**, the **FIDP** or the **Pension Reserve Plan** is not actually cashed in. The existing **units** under the **FIDP** or **Pension Reserve Plan** are instead reallocated under the **FLA**.

"Appendix and Appendices".

There are two Appendices that apply to your **Plan**, both of which are included at the end of this **Member's Booklet**.

"Appendix 1". This **Appendix** forms part of the terms and conditions contained in this **Member's Booklet** and can be found at the back of the **Member's Booklet**. It explains how the **FLA** works, the options available under it and the conversion of the **FLA** to a fixed income **annuity** basis.

"Appendix 2". This **Appendix** forms part of the terms and conditions contained in this **Member's Booklet** and can be found at the back of the **Member's Booklet**. It contains details of how the **funds** are operated and priced and switching between **funds**.

Our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361) provides further information on investment strategies, **fund** charges and investment restrictions;

"Civil partner". A registered same-sex civil partner.

"Current Maximum Income".

The maximum level of pension you can take at the current time, determined on a monthly basis after the purchase of your **FLA**.

"Dependant". If your **FLA** is set up on a joint life basis (see sections 1.1.2 and 2.3 of **Appendix 1**), you select a dependant, known as the **Nominated Dependant**, to receive a pension in the event that you die before them. To qualify as a dependant, the person must be one of the following:

- › your spouse or **civil partner** at the **start date** of the **FLA**;

- › your child under the age of 23, or over 23 if in our opinion that individual is dependent on you because of physical or mental impairment; or
- › any person who, in our opinion, is financially dependent or interdependent on you; or
- › any other person who is, in our opinion, dependent on you due to physical or mental impairment.

Note: Your child can sometimes be deemed as a dependant after age 23 in other limited circumstances but this is subject to certain complex conditions. Further information is available on request.

"External companies and externally-linked funds".

External companies are companies or other bodies that are either:

- (a) managers of collective investment schemes (such as unit trusts and **OEICs**) operating outside the **Prudential group**; or
- (b) life assurance companies outside the **Prudential group**.

Prudential (or other companies within the **Prudential group**) has entered into agreements with certain external companies so that **funds** that invest in externally managed collective investment schemes and **funds** with investment performance linked to funds of external life assurance companies may be offered under the **Policy**.

As set out in section 3 of **Appendix 2**, we can introduce new externally-linked funds or remove existing ones. We may also introduce new externally-linked funds that are linked to or invest in other types of underlying asset.

"FIDP". A Flexible Income Drawdown Plan, which is one of the options available under the **Scheme** and **Policy** as described in Section B of the Introduction to this **Member's Booklet**. An FIDP may be set up either by making a single payment or a transfer-in to the **Scheme** at the time you want to start drawing income or by converting a **Pension Reserve Plan** that you already have under the **Scheme**. If you take out an FIDP, we issue you the version of the **Member's Booklet** that has an **Income Drawdown Appendix**.

"Fixed Guaranteed Income". A guaranteed income provided in accordance with and subject to sections 3 and 4 of **Appendix 1**.

"FLA". A Flexible Lifetime Annuity, which is one of the options available under the **Scheme** and **Policy** as described in Section B of the Introduction to this **Member's Booklet**. An FLA may be set up either by making a transfer-in to the **Scheme** at the time you want to start your pension or by converting an **FIDP** or **Pension Reserve Plan** that you already have under the **Scheme**. An FLA is the **annuity** established for you under the terms of **Appendix 1**. The FLA is credited with **units** in accordance with **Appendix 1**.

"FRIA". This is the Flexible Retirement Income Account. It is the generic name that we give to the pension contracts available under the **Scheme**, i.e. the **FLA**, the **FIDP** and the **Pension Reserve Plan**. FRIA is also the formal name of the **Scheme**.

"FSCS". The Financial Services Compensation Scheme.

"Fund". This means one of the fund options we make available for investing

payments under the **Policy**. The fund options consist of the **Prudential unit-linked funds**, the **With-Profits Fund** and a number of **externally-linked funds**. The funds available under the **Policy** are set out in our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361) and are subject to change from time to time (see section 3 of **Appendix 2**).

"HMRC". HM Revenue & Customs.

"Holding account". A cash deposit account which is held under the **Scheme** but which is not part of the **FLA**. The holding account is used for the consolidation of multiple transfers-in under section 2.5, before the payments are allocated to the **FLA**.

"Income Drawdown Appendix". This is an **Appendix** which describes how income payments are made from an **FIDP** together with associated terms and conditions. The **Member's Booklet** issued to you will include an **Income Drawdown Appendix** only if you have taken out an **FIDP** (and/or **Pension Reserve Plan**).

"Income payment date". This is the date on which we pay regular pension instalments as detailed in **Appendix 1**. The income payment date will fall on the same day of the month as the **start date**. The frequency of income payment dates depends on the frequency that you select for pension instalments (see section 1.3.2 of **Appendix 1**). If you chose to have pension instalments paid in advance, the first income payment date will fall on the **start date**. If you chose to have pension instalments paid in arrears, the first income payment date will fall on the relevant date in the next month/quarter/half-year/year according to the frequency you have selected.

"Initial Maximum Income".

The maximum level of pension you can take when you first purchase your **FLA**.

"Lifetime Allowance Charge".

If, when you take benefits from the **Scheme**, the value of your benefits when added to the value of benefits previously taken from the **Scheme** or from any other **Registered Pension Scheme** exceeds your **Personal Lifetime Allowance**, a tax charge will apply to the excess. This charge is called the Lifetime Allowance Charge. If the excess is used to provide a pension it will be taxed at 25%. If the excess is taken as a lump sum it will be taxed at 55%.

"Lifetime Bonus". A bonus earned in accordance with section 1.2.2 of **Appendix 1**.

"Lifetime Investments". These comprise **units** which are used to provide an income for life and earn **Lifetime Bonuses** in accordance with the provisions of **Appendix 1**.

"Lifetime Investment Strategy".

One of the pre-determined investment strategies proposed by us for the purposes of the **FLA**. Further details of how the different investment strategies operate are given in our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361).

"Member's Booklet". This Booklet coded INVM6909, which sets out the terms and conditions of the **FLA** available under the **FRIA**. We have two different versions of the **FRIA Member's Booklet** as follows:

- **Member's Booklet** coded INVM6891 which is designed for individuals who have invested in an **FIDP** and/or **Pension Reserve Plan**;

- Member's Booklet coded INVM6909 which is designed for individuals who have invested in an **FLA**.

Each Member's Booklet sets out the terms and conditions for that contract. If you think we have sent you the wrong version of the Member's Booklet, please contact us.

The terms and conditions set out in each Member's Booklet and its **Appendices** apply separately to each **Plan** that you take out.

"Membership Certificate". We issue you with a Membership Certificate (see section 2.7).

"Monthly transaction date". This date will normally fall on the same day of the month as the **start date**. If the monthly transaction date would fall on the 29th, 30th or 31st day of any month, we may substitute the 28th day of that month for that day for some transactions. The first monthly transaction date falls in the first calendar month following the **start date**, and subsequent ones then fall monthly thereafter.

"Nominated Dependant". This is a **dependant** whom you have chosen as the second life where you purchase a joint life **annuity** under **Appendix 1**. To be eligible for selection as a Nominated Dependant, the individual must fall within the definition of **dependant** at the **start date**. To be eligible to receive the pension as detailed in **Appendix 1**, the Nominated Dependant must also fall within the definition of **dependant** at the date of your death, except in the case where the Nominated Dependant is your spouse or **civil partner** at the **start date**. If your Nominated Dependant is under age 23 the duration of any **annuity** payable to such person will be limited in accordance with the **Rules**.

"OEIC". An open-ended investment company. Some of the **funds** available under the **Policy** invest in OEICs.

"Pension credit and pension credit rights". Pension credits and pension credit rights may arise in two situations, as follows:

- (a) An individual who has become divorced or whose civil partnership has been dissolved may be awarded a pension credit in respect of his or her ex-spouse's or ex-**civil partner's** benefits under a **Registered Pension Scheme**. Such pension credits can be transferred to the **Scheme**; and
- (b) If on divorce or dissolution the member's ex-spouse or ex-**civil partner** is awarded a pension credit in respect of the member's benefits under the **Scheme**, the ex-spouse or ex-**civil partner** may become a member of the **Scheme** in order to benefit from the pension credit.

In either of these two situations, moneys representing the relevant pension credits are invested under a **Plan** for the individual and he or she will then have pension credit rights under the **Scheme**.

"Pension Reserve Plan". One of the options available under the **Scheme** and **Policy**. A Pension Reserve Plan may be set up either by making a single payment or a transfer-in to the **Scheme** and is designed to be a pre-retirement pension investment vehicle. It is often used in conjunction with an **FIDP**, in order to phase the start of income drawdown benefits. If you take out a Pension Reserve Plan, we issue you the version of the **Member's Booklet** that includes the terms and conditions of the Pension Reserve Plan and the **FIDP**.

"Pension Sharing Order". This means any order or provision mentioned in section 28(1) of the Welfare Reform and Pensions Act 1999 or Article 26 of the Welfare Reform and Pensions (Northern Ireland) Order 1999.

"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 member has transitional protection in relation to his or her benefits or where a **pension credit** has been awarded against his or her benefits. Conversely, the Personal Lifetime Allowance may be less than the **Standard Lifetime Allowance** where the member had a **protected early pension age** at 6 April 2006.

"Plan". Either an **FLA**, an **FIDP** or a **Pension Reserve Plan**.

"Plan Number". This is a number allocated to an **FIDP** or **Pension Reserve Plan** when it is set up or to an **FLA** when it is purchased. In some documents that we issue, this number may be referred to as a "policy number" or "membership number".

"Plan Year". The first Plan Year starts on the **start date** and ends on the day before the first anniversary of the **start date**. Subsequent Plan Years start on each anniversary of the **start date** and end on the day before the next anniversary.

"Policy". This is the Policy held by the **Trustee**. The Policy contains terms providing for the receipt and investment of payments into the Policy, and for the payment of sums to cover the **Scheme Administrator's** liability to pay benefits. There may be more than one Policy held by the **Trustee** at any time.

"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
- his or her pension has been accrued in respect of earnings from one of the **HMRC** "Prescribed Occupations", and certain conditions are met when benefits come into payment.

"Prudential". The Prudential Assurance Company Limited.

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

"Prudential unit-linked funds".

These are **unit-linked funds** that are managed within the **Prudential group**. The **Prudential** unit-linked funds may include M&G Funds.

"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 sub-fund 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** relevant to the **FRIA** is a sub-fund (or part of a sub-fund) of the Prudential With-Profits Fund.

The **With-Profits Fund** is 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** 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 regulatory requirements.

"Registered Pension Scheme".

A pension scheme that is registered with **HMRC**. This gives the scheme various tax advantages in respect of payments, investments and benefits.

"Ringfenced Investments".

These comprise **units** which are used to provide income for you from outset and death benefits in accordance with the provisions of **Appendix 1**.

"Rules". The legal document which, together with the trust documentation for the **Scheme**, sets out the way in which the **Scheme** is operated by the **Trustee** and the **Scheme Administrator** for the benefit of individuals who have been accepted to membership of the **Scheme**.

The Rules may be amended or replaced from time to time, in accordance with the provisions set out in the trust documentation. We will not normally notify you if we amend or replace the

Rules, unless the change results in a corresponding change to this **Member's Booklet** (see section 8.13).

"Scheme". The Prudential Flexible Retirement Income Account (**FRIA**).

"Scheme Administrator". The Prudential Assurance Company Limited.

"Self-Managed Investment Strategy".

An investment strategy which is selected by you for the purposes of the **FLA** on advice from your financial adviser. Further details of how the different investment strategies operate are given in our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan". (ANNB6361).

"Standard Lifetime Allowance".

There is a limit on the value of the total benefits that can be taken from all **Registered Pension Schemes** 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**. See section 3.6 of this **Member's Booklet** for information about the lifetime allowance check.

The Standard Lifetime Allowance for each of the tax years 2010/2011 to 2015/2016 has been set at £1.80 million.

Note: As announced in the Emergency Budget on 22nd June 2010, the Government intends to review limits on personal tax relief. The Standard Lifetime Allowance already announced for tax years from 2012/2013 onward is likely to be changed.

"Start date". The date confirmed as such in the **Membership Certificate** or in any other document issued by us to confirm the terms of an **FLA**. It is normally the date we have, at Prudential, a fully completed application form providing all the information we (at our absolute discretion) need to meet contractual and legal requirements – together with a fully completed cheque or other instruction regarding the payment required in order to set up the **FLA**. If we are not open for business on the day determined in the way described above, the start date will be the next **working day** following that day.

In the case where the **FLA** is set up through converting a **Pension Reserve Plan**, the start date is the date when we have received all items and information we need to carry out the conversion (or the date we treat these as being received under section C of the Introduction to the **Member's Booklet**).

In the case where a transfer-in is held in the **holding account** under section 2.5, the start date will be set when the money is moved from the **holding account** and used to set up the **FLA**.

"Transitional protection". Protection of rights acquired under pension schemes before 6th April 2006. Transitional protection normally relates to the protection of rights to:

- benefits where value exceeds or could exceed the **Standard Lifetime Allowance**;
- pension commencement lump sums that exceed 25% of the value of benefits;
- a **protected early pension age**;
- a **pension credit** awarded before 6th April 2006.

"Trigger Date". The anniversary of the **start date** following your 89th birthday. In the case of an **FLA** being paid to a **Nominated Dependant** under a joint life annuity, the Trigger Date is the anniversary of the **start date** following the **Nominated Dependant's** 89th birthday.

"Trustee". Prudential Corporate Pensions Trustee Limited.

"Unit". This has a different meaning within different types of **fund**. In particular:

- (a) The value of each **unit-linked fund** is divided into equal parts, and each part is a unit.
- (b) A unit of the **With-Profits Fund** is a record of a payment made into the **fund** plus any regular bonuses added to the payment (see section 6.2 of **Appendix 2**).

Units are not property capable of ownership. They are our method of recording the amounts and dates of payments and they enable us to calculate the value of your benefits.

"Unit-linked funds". These are the **Prudential unit-linked funds** and the **externally-linked funds**. For the avoidance of doubt, the **With-Profits Fund** is not a unit-linked fund.

"Unit price". **Units** are credited and cancelled at the unit price.

For **units of unit-linked funds**, the unit price which applies on any particular day will be the price which is calculated by reference to the valuation (or adjusted valuation) made on that day (see **Appendix 2**). The unit price which then applies to any particular transaction is determined by the date and time we receive all of the information necessary to carry out the transaction and may vary between the different **funds**. This is explained in **Appendix 2**.

For **units of the With-Profits Fund**, the unit price which applies on any particular day is the price which we have calculated in respect of that day by reference to the declared rate of regular bonus (see section 6.2 of **Appendix 2**). Where **units of the With-Profits Fund** are cancelled, a reduction may be made under section 6.3 of **Appendix 2**.

"With-Profits Fund". This is a sub-fund of the **Prudential With-Profits Fund** relevant to the **Policy** – see section 6 of the **Member's Booklet** and section 6 of **Appendix 2**.

"With-Profits Income". A guaranteed income provided through continued investment in the **With-Profits Fund** in accordance with and subject to sections 3 and 4 of **Appendix 1**.

"Working day". This is any day that we are open for business. It does not include Saturdays, Sundays, bank holidays and any other public holidays. Furthermore, it does not include any dates (for example around public holidays) that we, or any other organisation which performs any administrative functions on our behalf, are not open for business.

"Yearly fund charge". This is the **annual management charge** in relation to a **fund** plus certain other expenses as described in section 7.1. The Yearly fund charge is used in certain calculations; for example we use it when we provide illustrations of benefits to you, to show the effect of charges on your benefits.

› 2. Payments

2.1 Types of payments

Transfer payments from other pension schemes allowed under the **Rules** can be made to the **Scheme** in order to set up an **FLA**. If you have a **Pension Reserve Plan**, the value of **units** under that **Plan(s)** can also be used to purchase an **FLA**.

2.2 Acceptance of payments

Payments to the **Scheme** are subject to our requirements which we may change from time to time. Details of the requirements current at any time are available from us. See also section 7.6.

We may accept your payment(s) once you have completed whatever application forms we require, but there is no obligation on us to accept, and we can return any money sent with an application.

2.3 Required information

We cannot accept payments until we receive all the information and completed forms we require.

2.4 Buying units with payments

(a) General

Payments are split between the **funds** in the way you require, as set out in your **Membership Certificate**.

(b) Date of allocation of units

We buy the **units** on the **start date**. A later date may be used however, if there is a delay under **Appendix 2**.

Where, however, the **FLA** is set up through converting a **Pension Reserve Plan**, we do not buy **units**: the **units** that are already held under the existing **Plan** are reattributed under an **FLA** on the **start date**.

(c) Allocation rate

The percentage amount of the payment that is used to buy **units** depends on the allocation rate agreed for your **Plan**.

The allocation rate is shown on the Illustration of Benefits. The allocation rate applies to that part of the payment which will remain invested once any pension commencement lump sum has been deducted under section 3.5.

Where the **FLA** is purchased with a transfer payment from another pension scheme, the allocation rate will be 99% less the percentage rate of commission that you have agreed will be paid to your financial adviser. Where the **FLA** has been set up by using the **units** under a **Pension Reserve Plan**, the allocation rate will be 100% less the percentage rate of any commission that you have agreed will be paid to your financial adviser.

Where the allocation rate is less than 100%, the amount by which the payment is effectively reduced is known as an initial charge.

2.5 Multiple transfers-in: holding account

(a) General

Transfers-in will initially be held in the **holding account** where a number of transfers-in are being made to the **Scheme** under the same application form and the transfers-in are to be allocated to the **FLA** (or to a combination of the **FLA** and the **FIDP** and/or **Pension Reserve Plan**) but are received (or are likely to be received) by us on different dates.

(b) Application of multiple transfers-in to holding account

Where the multiple transfers-in fall within section 2.5(a) and have not been or are unlikely to be received by us on the same date together with all necessary information, authorities and instructions, each transfer-in will be invested in the **holding account** until the final transfer payment has been received (together with all necessary information, authorities and instructions). Where transfers-in are held in the **holding account**, the start of payments under the **FLA** (including any pension commencement lump sum) will be delayed until the **FLA** has been set up.

(c) Application of amounts in holding account to an FLA

On the date that we receive the final transfer payment (or treat it as being received under section C5 of the Introduction to this **Member's Booklet**) together with all necessary information, authorities and instructions, we will apply the total transfer payments to the **FLA** in accordance with section 2.4(b).

The individual amounts cannot, unless we agree otherwise under section 2.5(d), be allocated on different dates.

(d) 12 week limit

If all of the transfers-in have not been received within 12 weeks of the first transfer payment, we will allow the transfers-in received thus far to be applied to separate **FLAs** (and if applicable **FIDPs** and/or **Pension reserve Plans**). We will contact you for further instructions when the first transfer-in to be received has been held in the **holding account** for 12 weeks.

(e) Interest rate

Transfers-in held in the **holding account** earn daily interest at the higher of 0.75% below HSBC's base rate and 0%.

(f) Death benefits

If you die while any transfers-in are held in the **holding account**, death benefits will be paid in the form and according to the requirements described in section 4.2. The value of the death benefits will be based on the value of the transfers-in plus interest under section 2.5(e).

(g) Changes to the holding account

We can withdraw and/or change the **holding account** facility. See section 3.6 of **Appendix 2**.

2.6 Payment and investment restrictions

Payments and instructions for investment are subject to the limits and restrictions in section 7.6.

2.7 Membership Certificates

We give you a **Membership Certificate**. The **Membership Certificate** issued will contain the following information:

- (a) Details of any payments made.
- (b) How payments are split between the **funds**.
- (c) The **Plan Number**.

2.8 Eligibility to join the Scheme

- (a) Membership of the **Scheme** is subject to acceptance by us. You must be aged 55 or over, but have not passed your 75th birthday. You may also be eligible to join the **Scheme** earlier than age 55 if you have passed a **protected early pension age**.
- (b) The **Scheme** is primarily designed to accept transfer payments from your previous pension arrangements. We operate minimum payment requirements (see section 7.6) that will change from time to time as set out in section 7.7.
- (c) A person can become a member if as a result of a divorce or dissolution of a civil partnership, he or she is awarded **pension credit rights** under the **Scheme** in respect of his or her ex-spouse's/ex-civil partner's benefits under the **Scheme**. A person can also transfer **pension credit rights** from another pension scheme to this **Scheme**.
- (d) We cannot accept any payments by or in respect of you after you attain age 75.

2.9 Payments made after benefits have been taken

Once an **FLA** has been set up and **units** have been cancelled in order to provide you with benefits in accordance with section 3, no further payments under section 2.1 can be accepted to that **FLA**.

If you wish to make additional transfers-in or use existing **Pension Reserve Plans**, for the purposes of buying an **FLA**, these amounts, if accepted by us, will be used to set up a new **FLA(s)**. The new **FLA(s)** and will be subject to our then current minimum payment requirements and the terms and conditions which then apply to new **FLAs**.

› 3. Retirement benefits

Note: In the Emergency Budget on 22nd June 2010, the Government announced a review of the requirement to use pension savings to buy an **annuity** by age 75. An interim increase to age 77 came into effect from 22nd June 2010 with further changes coming into effect from April 2011. There is currently no change to the requirement to take any pension commencement lump sum (tax-free cash sum) before age 75. It should be noted that the latest date on which an **FLA** can be bought currently remains the day before an individual's 75th birthday.

3.1 General

Retirement benefits start under the **Scheme** on your pension date. Where benefits are bought under an **FLA**, your pension date will fall on the **start date**. This date cannot be backdated and must comply with **HMRC** requirements (see section 3.2).

If you select immediate payment of a lump sum (see section 3.5(b)) from the **FLA** the **units** to the value of that lump sum will be sold on that date.

The remaining **units** credited to the **FLA** will then be used for the purposes of that **annuity**. The **units** will be sold from time to time to provide your pension instalments in accordance with **Appendix 1**.

Note: No retirement benefits can be paid from amounts held in the **holding account**.

3.2 Pension date

The pension date under section 3.1 must not be earlier than your 55th birthday (unless, if you have a **protected early pension age**). The latest possible pension date is the last **working day** before your 75th birthday. We must have received all of our requirements to set up the **FLA** on or before that latest possible date.

3.3 Benefit information

In your application form or other instruction, you must inform us of:

- (a) the extent to which you wish to take part of your benefits as a lump sum benefit under section 3.5 (within **HMRC** limits, as explained in section 3.5 and the **Rules**);
- (b) the options you have chosen for the **FLA** and the further information we require in order to set up your **FLA**. See section 1.1.2 of **Appendix 1**.

3.4 Delay in cancellation or payment

We may delay selling **units** under section 3.1 in the circumstances described in section 8 of **Appendix 2**. If we delay selling **units** in this way, we will also have to delay making payments. We will not, however, delay paying any lump sum payable under section 3.5(b) on the **start date**, or the agreed level of regular pension instalments (see section 1.3.2(a) of **Appendix 1**).

We may also delay making payments where we have all of the information to sell the **units** but insufficient information to pay or apply the amount raised; in this case section 8.1 will apply.

3.5 Choice of benefits

- (a) Pension
 - You will be able to choose various options when your **FLA** is being bought. For example, you may wish to set a target percentage amount for increases in payment. We will give

you details of the options available. The choices you make will affect the amount of pension you receive.

- (b) Pension commencement lump sum (tax-free cash sum)

As mentioned in section 3.1, when applying for an **FLA** under section 3.5 (a) you may also choose to receive a pension commencement lump sum (sometimes called a tax-free cash sum). The lump sum:

- › must not be more than 25% of the value of the benefits to be taken;
- › must not, when added to all pension commencement lump sums taken by you from all **Registered Pension Schemes**, exceed 25% of your available **Standard Lifetime Allowance** applicable at the time the lump sum is paid;
- › may only be paid if all or part of your **Personal Lifetime Allowance** is available.

Where you have **transitional protection** a larger lump sum may be available.

3.6 Lifetime Allowance check

At the time when an **FLA** is set up, we are required by legislation to ensure that the value of the benefits does not exceed the **Standard Lifetime Allowance**. If, in the application form, you have indicated that the value of your total benefits from all **Registered Pension Schemes** is close to or exceeds the **Standard Lifetime Allowance**, we will need to request evidence of:

- › your actual **Personal Lifetime Allowance** (if greater than the **Standard Lifetime Allowance**);

› 4. Death benefits

› 5. Transfers-out

- › any percentage of the **Standard Lifetime Allowance** that has already been used in providing benefits;
- › the amount of any pension commencement lump sum already taken from **Registered Pension Schemes**; and
- › details of other **Registered Pension Schemes** (including schemes administered within the **Prudential group**) under which you have benefits.

When testing the benefits against your **Personal Lifetime Allowance**, the value of benefits previously taken from the **Scheme** or from any other **Registered Pension Scheme**, will be taken into account. If your **Personal Lifetime Allowance** is exceeded the excess benefits will be subject to a **Lifetime Allowance Charge**. It is your responsibility to keep a record of the percentage of the **Standard Lifetime Allowance** that has been used in providing benefits.

The evidence described above may need to be updated by you, if at the time when an **FLA** is set up:

- › any benefits are taken from other **Registered Pension Schemes** either in the period between the date on which you completed the application form and the **start date** or while any transfers-in are held in the **holding account**; or
- › the addition of interest to the transfers-in under section 2.5(e) requires you to update the lifetime allowance certification that you provided on the application form.

4.1 Death after provision of benefits

If you die after purchasing your pension under the **FLA**, any death benefits provided under your **FLA** will be payable in accordance with section 2 of **Appendix 1**.

4.2 Death before provision of benefits while any amounts are held in the holding account

If you die while any transfers-in are held in the **holding account** as described in section 2.5, death benefits will be payable in the form which applies on death before provision of benefits, in accordance with the **Rules**. Unless you have specified otherwise, the benefit will normally be paid as a lump sum. The value of the death benefits will be based on the value of the transfers-in plus any interest under section 2.5(e).

The **Scheme** documents require the **Trustee** to choose who will receive any lump sum benefit payable on death before retirement benefits are taken. As the **Trustee** has discretion to choose the beneficiary, the lump sum death benefit will normally be free of Inheritance Tax.

Lump sum death benefits payable on death before provision of retirement benefits count towards your **Personal Lifetime Allowance**. Any **Lifetime Allowance Charge** must be paid by the recipient(s).

A tax charge of at least 55% of the payment will be taken from the payment, if the lump sum death benefit cannot be paid within two years of the date that we are first notified of your death.

We cannot allow transfers-out under the **FLA**. This is because the **FLA** is an **annuity** contract.

› 6. Investment options

6.1 Fund range

A range of **funds** is available under the **Policy** (subject to our powers to close, merge, wind-up and withdraw **funds** under **Appendix 2**). Some **funds** are managed within the **Prudential group** whilst others are managed by **external companies**. Further information about the **funds** is set out in our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361).

Investment is available in the **With-Profits Fund**. This is sometimes known as a "unitised with-profits" **fund**. In particular, it should be noted that different **unit prices** may apply to different classes of "unitised with-profits" policies. Investments in the **With-Profits Fund** participate in profits through the addition of bonuses to the relevant pension plan. Some of these bonuses are added through increases in the **unit price**, whilst others may be added when **units** are sold.

Full details of the operation of the **funds** are given in **Appendix 2** at the end of this **Member's Booklet**.

6.2 Investment strategies

Two distinct investment strategies are available:

- (a) Your own individual choice from the variety of investment **funds** available. This is called the **Self-Managed Investment Strategy**; and
- (b) A choice of three different "**Lifetime Investment Strategy**" profiles. The **Lifetime Investment Strategy** involves automatic switches between pre-selected **funds** as described in section 11 of **Appendix 2**.

6.3 Selection of funds and strategies

A different **fund** selection and/or different strategy can be selected for each separate **Plan**.

The investment restrictions set out in section 7.6 apply to your selection.

You must confirm the chosen investment strategy and/or **funds** in an application form or in any other form acceptable to us. The initial investment selection will be detailed in the documentation we send you to confirm that your **FLA** has been set up.

Certain provisions apply if your **FLA** is still invested under the **Self-Managed Investment Strategy** by the time you reach age 85. See section 11 of **Appendix 2**.

› 7. Charges and limits

7.1 Fund charges and switching charges

7.1.1 General

There are separate **annual management charges** that apply to each **fund**. Details of the **annual management charges** for the **funds** are set out in our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361). The published **annual management charges** take account of the standard level of "trail" commission of 0.25% p.a. payable to your adviser. "Trail" commission is regular commission based on the value of **units** held under your **FLA**. It is paid to your adviser for the duration of your **FLA**. (Where you have agreed for your adviser to be paid a different level of "trail" commission above or below the 0.25% p.a. mentioned above, we make adjustments to the number of **units** held under your **FLA** as described in section 7.1.3.

In addition to the **annual management charge**, other expenses are also deducted when valuing the **unit-linked funds** (see section 5.2(c) of **Appendix 2**). As the **funds** available under the **Scheme** and the **Policy** are primarily linked to unit trusts and **OEICs**, the relevant expenses are those associated with managing these types of investment. We separately identify and estimate these expenses and add them to the **annual management charge** to arrive at what we call the **yearly fund charge** for the **fund**. These expenses are detailed in our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361). We use the **yearly fund charge** when we

provide illustrations of benefits to you. You should note that the element of the **yearly fund charge** that relates to unit trust and **OEIC** expenses is merely an estimate for illustration purposes, not the actual amount deducted.

The **yearly fund charge(s)** (taking into account any adjustments to be made under section 7.1.3 initially applying to your **FLA** is confirmed in the key features illustration issued to you when you first take out your **FLA**. However, the charge may change if subsequently you change your **fund** selection or if we change the **annual management charge** and/or the allowance we make for unit trust and **OEIC** expenses (see below).

We can change the **annual management charge(s)** and/or the allowance(s) we make for unit trust and **OEIC** expenses when calculating the **yearly fund charge(s)**. The provisions that govern our ability to change charges are set out in section 7.7. You should note that we do not give notice when:

- › we change the allowance(s) that we make for unit trust and **OEIC** expenses when calculating the **yearly fund charge(s)**. This is because the allowance is an estimate for illustrative purposes; and/or
- › the actual amounts deducted in respect of these expenses are changed. This is because these deductions are part of the **fund** valuation and **unit** pricing process.

Note: The **annual management charge** and **yearly fund charge** do not apply to any amounts whilst they are held in the **holding account** under section 2.5.

7.1.2 Deduction of annual management charge

Each time a **unit-linked fund** is valued, we take the **annual management charge**. This charge is calculated as a percentage of the value of **units** and varies according to the **fund(s)** selected.

For **unit-linked funds**, the **annual management charge** is reflected in the **unit price**. On each valuation date we calculate the **annual management charge** as a percentage of the value of the **fund** before that charge is taken, then multiply the percentage by the number of days since the **fund** was last valued and divide by 365. The **annual management charge** is then deducted along with the additional unit trust and **OEIC** expenses which form part of the **yearly fund charge** as part of the **unit** pricing process as described in section 5.2(c) of **Appendix 2**.

For the **With-Profits Fund**, the daily price bonus takes account of the **annual management charge**. (The additional expenses for **unit-linked funds** that comprise the **yearly fund charge** are not relevant to the **With-Profits Fund**).

7.1.3 Adjustment to units where non-standard "trail" commission has been agreed

If you have agreed that your adviser will receive "trail" commission which is different from 0.25% p.a. of the value of your **FLA**, the difference will be allowed for by an appropriate adjustment to the number of units allocated to the **FLA**. This adjustment will take place monthly and the process will depend on whether the commission rate is more or less than 0.25% p.a. as follows:

- If the commission rate is greater than 0.25% p.a., the appropriate number of **units** will be cancelled to cover the difference.
- If the commission rate is less than 0.25% p.a., the appropriate number of **units** will be credited to cover the difference.

The adjustment described above takes place on the **monthly transaction date** based on the value of **units** under the **FLA** and the **unit price(s)** at that date.

7.1.4 Switching charges

If the **FLA** is invested under a **Lifetime Investment Strategy** profile, there is currently no charge for programmed investment switches.

If the **FLA** is invested under the **Self-Managed Investment Strategy**, the first six switches in each **Plan Year** are free of charge. Thereafter, any subsequent switches in the same **Plan year** will be subject to a charge of £25 per switch.

If you request to switch from a **Lifetime Investment Strategy** profile to another **Lifetime Investment Strategy** or from a **Lifetime Investment Strategy** profile to a **Self-Managed Investment Strategy**, this will count as a switch under a **Self-Managed Strategy**.

Switches to and from a number of **funds** in a single transaction, on the same day, usually count as one switch. Some complex switches may count as

more than one switch. If, exceptionally, we cannot carry out a complex switch request as a single transaction on the same day, we will let you know how many switches are involved and the total switching charge.

A switching charge may be introduced under the **Lifetime Investment Strategy** and/or the switching charge under the **Self-Managed Investment Strategy** may be changed under section 7.7.

7.2 Initial charge

The initial charge (if any) is part of the allocation rate used to apply the payment to **units** (see section 2.4(c)).

7.3 Statements

The yearly and three-yearly statements described in section 5 of **Appendix 1** are free of charge. In addition, one ad-hoc statement will (if requested) be provided free in each **Plan year**. Any additional statements requested in any **Plan year** may be subject to a charge of £25 for each additional statement; this will be met by selling **units**. We may change this charge as described in section 7.7.

7.4 Other charges

Charges may apply when an **FLA** is converted to a guaranteed income (see section 3.5 of **Appendix 1**) or if a pension is made subject to an earmarking or pension sharing order (see section 8.21 of this **Member's Booklet**).

7.5 Effect shown in illustrations

You have received a personal illustration from us (or if not, it will be sent on request). This will help you understand how our expected charges affect benefits.

7.6 Investment Limits

7.6.1 Minimum investments

The minimum amount of transfer-in payment which can be paid to the **Scheme** in order to set up an **FLA** is £46,667 including any amount to be paid to you as a pension commencement lump sum (see section 3.5). Of this amount, the minimum amount that must be used for providing pension under the **FLA** is £35,000.

The minimum additional transfer-in payment to set up an additional **FLA** is £25,000 including any amount to be paid to you as a pension commencement lump sum. Of this amount, the minimum amount that must be used for providing pension under the **FLA** is £18,750.

Where you are paying multiple transfers-in, which are to be held in the **holding account** under section 2.5, these minimum amounts apply to the aggregate value of the transfers-in.

Where using **units** under an existing **Pension Reserve Plan** to set up an **FLA**, the minimum value that must be used is £25,000. This includes any amount to be paid to you as a pension commencement lump sum. Of this amount, the minimum amount that must be used for providing pension under the **FLA** is £18,750.

The minimum amount that may be initially invested in a particular **fund** under the **Self-Managed Investment Strategy** is £2,500.

If we change the minimum amounts set out above using the provisions in section 7.7, we will not notify you of any change to the minimum amounts in section 7.6.1 unless you request to pay in an additional transfer-in payment or request to switch to a **fund** in which you have not previously invested.

7.6.2 Maximum number of funds

You can invest in a maximum of 19 **funds** at any one time from the range available, subject to the minimum investment amount at outset of the **FLA**. The range of **funds** available is included in our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361).

7.6.3 Switching restrictions

You cannot switch where the value of **units** to be sold from or bought in any **fund** is less than £2,500.

Restrictions apply on switching into the **With-Profits Fund** after your 85th birthday – see section 6.6 of **Appendix 2**.

7.7 Changes to charges and limits

From time to time, we may change the charges and limits in this **Member's Booklet** and the **Appendices**.

Changes to charges and 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 your **FLA**, other **Plans** and/or the **Scheme**. This may happen, for example:

- if any **external company** 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 your **FLA**, other **Plan(s)**, and/or the **Scheme**; 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 **FLA** 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 8.14.

We will give you (or the **Nominated Dependant**, if appropriate) reasonable advance notice in writing, if we make any change to limits or charges described in this **Member's Booklet** and its **Appendices** or if we introduce any new charges.

If you (or the **Nominated Dependant**, if appropriate) are unhappy with any changes, you (or he or she) should contact us in accordance with section 8.16.

› 8. General

8.1 Delay in payments

If **units** are due to be cancelled on a particular day, but we do not have the information or authority we need in order to pay or apply the amount raised in the way required then:

- (a) we will cancel the **units** in any event; and
- (b) we will add interest at a reasonable rate determined by us.

8.2 Taxation

8.2.1 Investment funds

Investments in pension funds in which **Registered Pension Schemes** are invested are 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 scheme is unable to recover the tax credit on the dividend.

8.2.2 Benefits

- › All pensions in payment are taxable as earned income.
- › Pension commencement lump sums (sometimes called tax-free cash sums) are tax-free.
- › All benefits (excluding any spouse's, **civil partner's** or **dependant's** pensions) count towards your **Personal Lifetime Allowance** and a **Lifetime Allowance Charge** may be payable by the recipient(s).

We will deduct the appropriate amount of tax from these payments where appropriate.

Note: any payments that are deemed by **HMRC** to be "unauthorised payments" will be subject to a tax penalty on you and on us (see also section 8.14).

8.3 Information to be provided by you

You must provide us with any information we may from time to time reasonably require to administer your **FLA**.

8.4 Pensions not to be encashed, transferred or mortgaged

The amounts raised when **units** are cancelled can only be used in the ways described in the **Policy** (as reflected in the **Member's Booklet**) and the **Rules**. In particular the following apply:

- (a) The right to receive any benefit under the **Scheme** cannot be transferred to any other person except to the extent necessary to comply with a **Pension Sharing Order**.
- (b) No benefit payable under the **Scheme** can be mortgaged or charged.

- (c) Benefits may be forfeited to the extent permitted by sections 273 to 278 of the Proceeds of Crime Act 2002.

8.5 Production of documents and other evidence

From time to time and before making any payment we may require to see:

- (a) any **Membership Certificate**.
- (b) proof of the identity and right of any applicant for payment.
- (c) proof that a person is still alive, if payment is claimed in respect of any pension payable only while he or she is alive.
- (d) proof that a person has died, if payment is due on his or her death.

8.6 Proof of age and marriage/civil partnership

Before we pay any benefit, we may require evidence of your age and the age of any other person for whom a benefit is payable. If the age previously notified to us proves to have been incorrectly stated, we will adjust the benefits to those that would have applied if the correct age had been given. We will make any further adjustments that are required to collect or repay any overpayments or underpayments made before the mistake was put right.

If you are married or in a civil partnership and a benefit is payable to your spouse/**civil partner**, we may also require evidence of the marriage/registration of the civil partnership.

8.7 Payments by us

All payments we make will be made from our **administration office**. Payment will be by direct transfer into a bank or building society account.

8.8 Payments by you or on your behalf

Payment must be made or sent to whatever account or address we require.

8.9 Notices to us

All notices, instructions and communications to us must be in writing or by such other method as we inform you is appropriate.

All notices, instructions and communications in writing must quote any relevant **Plan Number** and must be sent to our **administration office**. They will take effect when we receive them unless we are not open for business on that day. In that case, they will take effect on the next day we are open for business.

8.10 Notices to you

You must give us an address to which we will send any notices. These notices will be treated as having been received by you two postal days after posting (excluding Sundays and Bank Holidays).

8.11 Failure to comply with the terms in the Member's Booklet

If you fail to comply with any of the terms and conditions described in the **Member's Booklet**, then we can send you a notice telling you what must be done to remedy the breach or, if the breach cannot be put right in any reasonable manner, stating that fact. If the breach is not or cannot be put right as required, we can make appropriate and reasonable changes to the benefits affected.

8.12 Amendment or termination of Scheme

Prudential reserves the right to amend the **Rules** (with retrospective effect if appropriate) or to discontinue the **Scheme** at any time. You will be given reasonable advance notice of any

amendments made to the **Scheme Rules** if your benefits or rights are affected in any way. We will be fair and reasonable when exercising these powers, against the background of the need to comply with legislation and regulatory requirements and to take account of any important commercial considerations.

8.13 Amendments to the FLA and to the terms and conditions in the Member's Booklet and Appendices

(a) You can ask for your **FLA** to be amended. Any such amendment is subject to our agreement.

We will make no alterations to your **FLA** which would prejudice **HMRC's** registration of the **Scheme**.

(b) Note: This section 8.13(b) does not apply to our limits or charges. Our right to change our limits and charges is set out in section 7.7.

(i) Subject to section 8.13(b)(ii), we can make changes to your **FLA** and/or the terms and conditions of the **Policy** and the **FLA** as set out in the **Member's Booklet** and the **Appendices**, providing we give you reasonable notice in advance and obtain your consent.

(ii) We can add to, amend, modify or set aside any of the terms and conditions in this **Member's Booklet** and the **Appendices** without your 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 **Scheme's** registration status with **HMRC**;

- if circumstances have changed in a way which could not have reasonably been predicted at the start of an **FLA**;
- if we have given you 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 an **FLA** in such a way that the balance between you and us remains as it was before the change;
- if we discover that payments to the **FLA** 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 8.14;
- if we do not have a current address for you, which will mean that we cannot contact you to provide the written notification of a proposed amendment that we would otherwise have given in terms of this **Member's Booklet**.

Except where it is impracticable to do so, we will always notify you of any changes that we have made under this section 8.13(b)(ii).

If you, (or your **Nominated Dependant**, if appropriate) are unhappy with any changes, you (or he or she) should contact us in accordance with section 8.16.

(iii) Additional terms and conditions regarding changes to the **funds** are set out in **Appendix 2**.

8.14 Payments to be pension business

The **FLA** is classed as pension business under section 431B of the Income and Corporation Taxes Act 1988 (as amended). Payments to an **FLA** must relate to pension business in the way described in section 431B of the Income and Corporation Taxes Act 1988 (as amended). If we discover that any payments do not meet these requirements, we may modify the terms of the **FLA** in whatever way is necessary to ensure **HMRC** does not tax any of the investment **funds** or does not impose any penalty on us.

8.15 Pension Tracing Registry

A register of occupational and personal pension schemes has been established as part of a pensions tracing registry to help individuals who have lost touch with their previous pension arrangements to trace their pension rights. In response to enquiries from individuals, information contained on the register will be used to determine the most likely location of their benefits.

The Department for Work and Pensions has been appointed to administer this service. Individuals wishing to use this service should apply in writing to:

The Pension Tracing Service
The Pension Service,
Tyneview Park,
Whitley Road,
Newcastle upon Tyne NE98 1BA

Alternatively, individuals can apply by calling **0845 6002 537** or online at <http://www.direct.gov.uk/en/Pensionsandretirementplanning/PlanningForRetirement/AboutToRetire/index.htm>

8.16 Complaints

We want to know about any disputes or complaints as soon as possible. If you (or your **Nominated Dependant**) have any difficulties or complaints you should contact us in the first instance at the address shown in section D of the Introduction to this **Member's Booklet**.

In the unlikely event that we are unable to resolve any difficulties, you (or your **Nominated Dependant**, if 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 you (or your **Nominated Dependant**, if appropriate) have been unable to resolve with us.

› Financial Ombudsman Service (FOS). Their address is:

South Quay Plaza
183 Marsh Wall
London, E14 9SR.
Tel: 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.

› Pensions Advisory Service (TPAS)

Their address is:
11 Belgrave Road
London, SW1V 1RB.
Tel: 0845 601 2923

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

› Pensions Ombudsman (PO).

Their address is:
11 Belgrave Road
London, SW1V 1RB.
Tel: 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 you (or your **Nominated Dependant** if appropriate) to contact in the event of a particular difficulty or complaint.

8.17 Applicable law

The law of England and Wales applies to the **Scheme** and any disputes connected with it.

8.18 Contracts (Rights of Third Parties) Act 1999

Although the **Trustee** is the policyholder, (see section A.2 of the Introduction to this **Member's Booklet**) you and any **dependants** have directly enforceable rights against us in respect of benefits under the Policy to which you or they are or become entitled. Subject to this, nothing in the **Policy**, or in this **Member's Booklet** and its **Appendices** confers, or purports to confer, on any third party any benefits or any right to enforce any term of the **Policy** or the **Member's Booklet** and its **Appendices** pursuant to the Contracts (Rights of Third Parties) Act 1999.

8.19 Long-term business

The provision of **annuities** such as the **FLA** is part of our "long-term business" within the meaning of the Financial Services and Markets Act 2000.

8.20 Compensation schemes

Prudential policyholders are covered by the **FSCS** against the insolvency of The Prudential Assurance Company Limited. You (or your **Nominated Dependant** if applicable) 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: 020 7892 7300

www.fscs.org.uk

Policyholders, including the member (or **Nominated Dependant** if appropriate), are not protected by the **FSCS** against the insolvency of other companies within the **Prudential group** or an **external company** or the bank providing the **holding account**.

This means that the **FSCS** does not provide protection:

- for **Prudential unit-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**; or
- for the **holding account**.

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 company** or the bank providing the **holding account** becomes insolvent and we cannot recover the full value of the **units** or amounts in the **holding account**, **Prudential** will not be liable for the shortfall.

As reflected in section 7.7, if a charge is imposed on us under the **FSCS** (or other investor compensation scheme), we may pay it by imposing on our policyholders whatever additional charges are necessary and reasonable (see section 7.7 for further information).

8.21 Divorce and dissolution

- (a) Current UK legislation requires that pension plans are taken into account in divorce settlements and settlements made on the dissolution of civil partnerships.

The pension plan can be "set off" against other matrimonial and civil partnership assets – the pension plan 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 and civil partnership assets, the Court can instruct that:

- part of a pension plan is "earmarked" for payment to a former spouse or **civil partner** at retirement or on earlier death; or
- the pension is "shared" – with a transfer being made to a plan in the ex-spouse's or ex-civil partner's name.

- (b) There are rules on compliance with Court earmarking and **pension sharing orders**, to ensure that the terms specified in the order are met. In addition, a copy of an earmarking order must be passed on if the pension plan covered by the order is surrendered and transferred to another pension plan.
- (c) We may charge for providing information needed in the discussions leading to earmarking orders and **Pension Sharing Orders**, to comply with implementation of the orders. We will tell you (and/or your representatives) if any such charge is to be applied, before we take any action on a request for information in relation to a divorce/dissolution settlement or when we get an order. Any such charge would normally be payable separately by cheque from one of the parties to the divorce/dissolution.
- (d) After the implementation of a Court earmarking order or **Pension Sharing Order**, the minimum and maximum limits on pension in relation to the member or **dependant** (as appropriate) is reviewed in accordance with section 1.3.1 of **Appendix 1**.
- (e) If your benefits are affected by an earmarking order or **Pension Sharing Order**, you should seek advice from your financial adviser to ensure that the impact on the benefits is properly assessed. **Prudential** will not pay for, nor reimburse you or any other person for the costs of any such advice.

› Appendix 1

The detailed operation of the FLA and conversion to a guaranteed income

This **Appendix** describes the detailed operation of the **FLA**, the options available when you purchase an **FLA** and the terms and conditions that apply when an **FLA** is converted to a guaranteed income.

The special words set out in section 1 of the **Member's Booklet** apply to this **Appendix**.

This Appendix is split into the following parts:

1. Your FLA pension
2. Benefits provided under the FLA on death
3. Converting to a guaranteed income
4. Fixed Guaranteed Income and With-Profits Income
5. Yearly and three-yearly statements

› Appendix 1 continued

1. Your FLA pension

1.1 Setting up your FLA

1.1.1 General

On the **start date**, **units** are attributed to the **FLA** in accordance with sections 1.1.2 and 1.1.3 of **Appendix 1** and will be used to provide you with a pension in accordance with section 1.3 of **Appendix 1**. This will not apply to those **units** (if any) which have already been cancelled to provide you with a tax-free cash sum as described in section 3.5(b) of the **Member's Booklet**.

Each time you make a payment to the **Scheme** or use **units** already credited under a **Pension Reserve Plan** to purchase an **FLA**, a separate **FLA** will be provided for you.

Note: No benefits can be paid from amounts held in the **holding account**.

1.1.2 Selection of FLA annuity basis

When you complete your application form or instruction, you select the basis on which your **FLA** is to be set up. You need to provide us with the following information:

- (a) how the **units** credited to your **FLA** are to be split between **Ringfenced Investments** and **Lifetime Investments** – see section 1.2 of **Appendix 1** for details.
- (b) the investment strategy (and **funds**) under which your **FLA** is to be invested (see section 6.2 of the **Member's Booklet**).

(c) whether you wanted to purchase a single life **annuity** or a joint life **annuity**.

(d) if purchasing a joint life **annuity**:

- (i) the name of your **Nominated Dependant** and any restrictions to be placed on the duration of the **annuity** (where applicable and in accordance with the **Rules**), and
- (ii) the level of pension to be paid following your death and/or your **Nominated Dependant's** death and/or either death.

(e) the amount of annual pension you want to be paid at the outset within the applicable limits. This amount may be expressed either as a specific amount or as a percentage of the maximum limit that applies to your pension under the **FLA** (see section 1.3.1 of **Appendix 1**).

(f) if you have expressed the amount of annual pension as a specific amount, you also need to tell us whether your pension is to remain level or to escalate and the level of escalation you require (within the applicable limits).

1.1.3 Changes to the FLA annuity basis

Once the **FLA** has been set up, you cannot ask for the basis to be changed, except that:

- › **Ringfenced Investments** can be changed to **Lifetime Investments** as described in section 1.2.1(c) of **Appendix 1**;

- › the amount of annual pension and the rate of escalation can be changed as described in section 1.3.4 of **Appendix 1**; and
- › the **fund** selection can also be changed as described in section 7 of **Appendix 2**.

1.1.4 Units under the FLA

- (a) Your **FLA** comprises the **units** allocated under the **FLA** subject to any charges that we may impose. Details of charges are given in your personal illustration. (See also section 7.1 of the **Member's Booklet**).
- (b) The **FLA** is initially invested in the **funds** you request. If setting up your **FLA** involves converting an existing **Pension Reserve Plan** and switching existing **units** between **funds** the switching provisions in section 7 of **Appendix 2** will apply.
- (c) The **units** are allocated at the **start date** and used to provide you with your **FLA** with effect from the **start date**.
- (d) You may switch **units** between the **funds** in accordance with, and subject to, the provisions of **Appendix 2**. A switching charge may apply – see section 7.1.4 of the **Member's Booklet**. Restrictions also apply as set out in section 7.6.3 of the **Member's Booklet**. Particular restrictions apply on switches into the **With-Profits Fund** on or after your 85th birthday – see section 6.6 of **Appendix 2**.

1.2 Ringfenced Investments and Lifetime Investments

1.2.1 Designating Ringfenced Investments and Lifetime Investments

(a) **Units** allocated at the **start date** are designated as either **Ringfenced Investments** and **Lifetime Investments**, in the proportions that you chose.

The maximum value which can be designated as **Ringfenced Investments** at the **start date** is 80% of the value of the **units** held under the **FLA** at the **start date**, after the deduction of any tax-free lump sum under section 3.5(b) of the **Member's Booklet**.

Unless we allow an alternative allocation, the **Ringfenced Investments** and the **Lifetime Investments** will be allocated on a pro-rata basis across the **funds** selected.

The way we select **Ringfenced Investments** and **Lifetime Investments** to provide pension instalments is described in section 1.3.2(c) of **Appendix 1**.

- (b) After the **start date**, you cannot subsequently ask for **Lifetime Investments** to be converted to **Ringfenced Investments**.
- (c) You can ask for **Ringfenced Investments** to be converted to **Lifetime Investments** at any time, but this will reduce or remove the

amount available to pay death benefits under section 2.7 of **Appendix 1**. The instruction to convert will be carried out on the **working day** on which we treat your instruction as received under section C.5 of the Introduction to the **Member's Booklet**.

We will in any case automatically convert any remaining **Ringfenced Investments** to **Lifetime Investments** on the 10th anniversary of the **start date** of your **FLA**.

1.2.2 Lifetime Bonuses

- (a) **Lifetime Investments** may be awarded **Lifetime Bonuses** in accordance with section 1.2.2(b) of **Appendix 1**. Any **Lifetime Bonuses** awarded are used to purchase **units** in the same **funds** and in the same proportions as then applies under the **FLA**, on the fifth **working day** before the **monthly transaction date** (subject to any delays under section 8 of **Appendix 2**). The **units** purchased are designated as additional **Lifetime Investments**.
- (b) **Lifetime Bonuses** reflect the risk that you take of forfeiting **Lifetime Investments** in the event of your death, or the death of your **Nominated Dependant** under a joint life **annuity**. The amount of the bonus takes into account various factors which we deem to be relevant from time to time; these factors currently include (amongst other things) the

value of your **Lifetime Investments**, your age, gender (and the age and gender of your **Nominated Dependant** (if any)) and both current and expected mortality experience. If we are converting your **FLA** to a fixed income by reason of age under section 3.4 of **Appendix 1**, the calculation basis for **Lifetime Bonuses** becomes guaranteed at the **Trigger Date** in respect of any **units** retained in the **With-Profits Fund** and used to provide a **With-Profits Income**.

1.3 Pension instalments

1.3.1 Limits on level of pension instalments

- (a) As at the **start date**, we calculate and notify to you the maximum level of pension available in each **Plan Year**. Our calculations take into account the expected net investment return, expected mortality and the information you have given to us.

The maximum level also depends on whether you select a single life **annuity** or a joint life **annuity** and, if you select a joint life **annuity**, whether you specify that the target level of income is to reduce on your death or on your **Nominated Dependant's** death or on either death.

If you select a joint life **annuity** with a reduction on the first death, the maximum level of pension available to you cannot exceed the maximum level of pension available calculated on your life on a single life basis.

➤ Appendix 1 continued

- (b) The minimum level of pension that must be paid in any **Plan Year** is 50% of the maximum level of pension. We may change this limit under section 7.7 of the **Member's Booklet**.
- (c) The minimum and maximum limits will be reviewed at least every three years thereafter and we will notify you of the revised amounts. We will also recalculate the minimum and maximum limits if your (or your **Nominated Dependant's**) pension becomes subject to an earmarking or **Pension Sharing Order** (see section 8.21 of the **Member's Booklet**).
- (d) If your **FLA** has to be switched to a guaranteed income by reason of age or underperformance in accordance with sections 3.3 or 3.4 of **Appendix 1**, any **units** of the **With-Profits Fund** then held under your **FLA** will be used to pay a guaranteed income in the form of a **With-Profits Income**. In this case your pension instalments will be paid at the maximum level, which we will recalculate and notify to you each year. See also section 4 of **Appendix 1**.

1.3.2 Payment of pension instalments

- (a) Pension instalments are paid to you within the minimum and maximum limits described in section 1.3.1 of **Appendix 1**. You and we agree the level of regular pension instalments which we will pay to you within these limits. We make the payments by selling **units** held under your **FLA** as described in section 1.3.2(c) of **Appendix 1**.

- (b) We will pay your pension instalments to you in monthly, quarterly, half-yearly or annual instalments on the **income payment date**, either in advance or arrears, as you direct. You can also ask us to make an ad hoc pension instalment at any time as long as the total amount paid in the **Plan Year** does not exceed the maximum limit.
- (c) Units are sold to pay pension instalments as follows:
 - (i) We cancel **units** designated as **Ringfenced Investments** first. Once your **Ringfenced Investments** are exhausted or converted to **Lifetime Investments** at the 10th anniversary of the **start date**, we will then cancel **units** designated as **Lifetime Investments**.
 - (ii) In the case of regular pension instalments, **units** are, subject to section 8 of **Appendix 2**, sold at the **unit price(s)** applicable on the fifth **working day** before the relevant **income payment date**.

In the case of ad hoc pension instalments, **units** are sold at the **unit price(s)** on the date we treat your instruction as received under section C.5 of the Introduction to the **Member's Booklet** subject to any delays in selling **units** under section 8 of **Appendix 2**.

- (iii) If you have selected a **Self-Managed Investment Strategy** we sell **units** from the **funds** in the proportions directed by you, subject to the following:
 - If there are any **units** of the **With-Profits Fund** held under your **FLA**, the amount sold in that **fund** must comply with the minimum and maximum amounts set out in section 6.7 of **Appendix 2**. The remainder of the pension instalment is met by selling **units** as directed by you.
 - If you direct us to sell **units** in a particular **fund** and there are not enough **units** of that **fund** held under the **FLA** and allocated to **Ringfenced Investments** or **Lifetime Investments** (as the case may be) to comply with your request, we may cancel **units** proportionately across all **funds** in which there are **units** designated as **Ringfenced Investments** or **Lifetime Investments** as appropriate.
- (iv) If you have selected a **Lifetime Investment Strategy**, **units** will normally be cancelled proportionately across the **funds** in which your **FLA** is then invested.

- (d) If you ask us to pay pension instalments which exceed the maximum limit, payment will either not be made or will be made at a reduced level to comply with the maximum limit.
- (e) If payment of pension instalments at your requested level would be insufficient to meet the minimum level of pension for the current **Plan Year**, we will pay you a one-off pension instalment to bring your total income for the **Plan Year** up to the minimum level. Where regular pension instalments are paid monthly, the one-off payment is made on the last **income payment date** before the end of the **Plan Year**. Where other pension payment frequencies apply, the one-off payment will be made in the last month before the end of the **Plan Year**, on the same day of the month as the **start date**.

1.3.3 Duration of pension instalments

- (a) Pension instalments from your **FLA** will be payable for your life or, if you have chosen a joint life **annuity**, for the joint lives of you and your **Nominated Dependant** (subject to any restrictions on the duration of the **annuity** to a **Nominated Dependant** agreed or imposed in accordance with the **Rules** of the **Scheme** – see section 2.5 of **Appendix 1**). In certain circumstances, as set out in section 3 of **Appendix 1**, some or all, of the **units** credited to your **FLA** will be cancelled and the amount raised will be used to provide you with a **Fixed Guaranteed Income** in accordance with section 4 of **Appendix 1**.

- (b) If you have chosen a joint life **annuity** with a target reduction on your **Nominated Dependant's** death or on first death and your **Nominated Dependant** pre-deceases you, you will still be entitled to pension instalments from your **FLA** but the minimum and maximum limits on pension instalments and the minimum and maximum amounts that can be disinvested from the **With-Profits Fund** will be correspondingly reduced. For further details see section 2 of **Appendix 1**.

- (c) If you die before the 10th anniversary of the **start date**, any **units** that are still allocated to **Ringfenced Investments** at the date of your death will be used to continue payment of a pension for the balance of the 10 years. For further details see section 2.7 of **Appendix 2**.

1.3.4 Changes to pension instalments

- (a) If you have specified your level of annual pension as a percentage of the maximum limit, we will automatically change the amount payable following each three yearly review under section 1.3.1(d) of **Appendix 1**.
- (b) If you have specified your pension as a specific amount of pension, you can ask us at any time:

- to vary the level of your pension instalments and within the minimum and maximum limits; and/or
- to vary the level at which the pension instalments increase each year.

- (c) You can at any time ask us to change the frequency of pension instalments.

- (d) If you have selected a **Self Managed Investment Strategy**, you can at any time change your instructions as to the **funds** from which **units** are to be sold to provide pension instalments. If you switch between **funds** (or from a **Lifetime Investment Strategy** to a **Self Managed Investment Strategy**) under section 7 of **Appendix 2**, we will at that time also seek your new instructions for selling **units** for pension instalments.

We will carry out any changes under (b), (c) or (d) above within 10 **working days** of the date that we treat your instruction as received under section C.5 of the Introduction to the **Member's Booklet**.

When requesting a change under (b) or (d) above, you therefore need to notify us at least 10 **working days** before the **income payment date** from which the change is to take effect.

› Appendix 1 continued

2. Benefits provided under the FLA on death

2.1 General

The benefits payable on death under the **FLA** will depend on:

- › whether you have selected a single life **annuity** or a joint life **annuity**;
- › the extent to which any of the **units** held under your **FLA** are still allocated to **Ringfenced Investments**;
- › if you have chosen a joint life **annuity**, whether you have asked for the pension instalments to reduce on your death or on your **Nominated Dependant's** death or either death.

The following sections set out the benefits payable and other provisions applicable on death and indicates where the benefits or provisions are different depending on which type of **annuity** you have chosen.

Pensions under the **FLA** are "without proportion". This means that in the case of a pension paid in arrears, if you or your **Nominated Dependant** die part-way between two **income payment dates**, we do not make an additional proportionate payment to cover the period between the last **income payment date** and the date of death. The same applies where a **Nominated Dependant** stops being entitled part-way between two **income payment dates**. ("Without proportion" is not relevant to pensions payable in advance).

2.2 Single life annuities

2.2.1 Pension payments stop

If your **FLA** is an single life **annuity**, on your death, the pension instalments that were paid to you under section 1 of **Appendix 1** will stop. The last instalment will be the one paid on the **income payment date** immediately before your death.

2.2.2 Cancellation of Lifetime Investments

All **Lifetime Investments** are cancelled on your death. No death benefit and no further pension instalments are payable in respect of the amount so cancelled.

2.2.3 Use of Ringfenced Investments

If there are any **Ringfenced Investments** remaining under your **FLA** at the date of your death, a death benefit will become payable under section 2.7 of **Appendix 1**.

2.3 Joint life annuities – general

2.3.1 Continuation of pension after first death

If your **FLA** is a joint life **annuity**, pension instalments will continue after the death of the first person until the second person dies or, if you die first, until the **Nominated Dependant** ceases to be entitled to a pension. The **Lifetime Investments** under the **FLA** are used to provide the instalments as set out in section 2.4.1 of **Appendix 1**.

2.3.2 Pension to Nominated Dependant

If you die first, subject to the provisions of this section 2, pension instalments will be paid to your **Nominated Dependant** and sections 1.1.4(d), 1.2.2, 1.3 (excluding section 1.3.3(c)) and section 3 will apply as if references to you were references to your **Nominated Dependant**.

References to **Ringfenced Investments** in the aforementioned sections do not however apply to the **Nominated Dependant**.

To be entitled to receive a pension after your death, a **Nominated Dependant** who is any person other than your spouse or **civil partner** at the **start date**, must still qualify as a **dependant** as at the date of your death.

You should note that there is no option to change the identity of the **Nominated Dependant**, not even in the event of remarriage or a new civil partnership between the **start date** and the date of your death.

2.3.3 Use of Ringfenced Investments

If there are any **Ringfenced Investments** remaining under your **FLA** at the date of your death, a death benefit will become payable under section 2.7 of **Appendix 1**.

Note: This does not apply on the death of the **Nominated Dependant**, because all **Ringfenced Investments** are cancelled on the earlier of your death or the 10th anniversary of the **start date**.

2.4 Joint life annuities – effect of the first death

2.4.1 Use of Lifetime Investments

(a) Following the death of either you or your **Nominated Dependant** (whichever happens first), we use your **Lifetime Investments** as follows:

- Firstly we use a proportion of the **Lifetime Investments** to pay an income to the survivor: we call this the "survivor proportion".
- Secondly the rest of your **Lifetime Investments** are forfeited and pooled with **Lifetime Investments** of other **FLA** annuitants who have died. We use these forfeited and pooled **Lifetime Investments** to allocate **Lifetime Bonuses** to **FLAs** of other **FLA** annuitants who are still alive. In this way, the forfeited and pooled **Lifetime Investments** are used to help pay the pensions of other **FLA** annuitants.

(b) In order to determine how much of your **Lifetime Investments** should be retained under an **FLA** for the "survivor proportion", and how much should be forfeited on the first death to pay **Lifetime Bonuses** to other **FLA** annuitants, we calculate potential percentage reductions. The percentage reductions:

- are calculated separately in relation to you and your **Nominated Dependant**;
- are initially calculated as at the **start date**;

- are recalculated at each three yearly review date (see section 1.3.1(d) of **Appendix 1**) when we will inform you of the revised percentages that apply on the first person's death;
- take into account mortality rates and any targeted reduction in the level of pension that you have requested to apply following the first death (see section 2.1 of **Appendix 1**); and
- are calculated with due regard to our duty to treat customers fairly.

(c) As at the date of the first death, we apply the relevant percentage reduction to the **Lifetime Investments** held under the **FLA**. The relevant percentage reduction will be the one that we calculated at the previous three yearly review in relation to the person who has died. The **units** remaining after the percentage reduction has been applied are then used to provide pension payments to the survivor as described in section 2.3 of **Appendix 1**.

2.4.2 Further review of pension limits

On the first person's death, the minimum and maximum pension limits set out in section 1.3.1 will be reviewed. The three yearly review process will be reset from the date of the first death and the limits will be reviewed at least every three years from that date (rather than on the triennial anniversary of the **start date** as described in section 1.3.1(d)).

2.5 Joint life annuities – payment of Nominated Dependant's pension

Nominated Dependents' pensions are usually paid at the same intervals as your own and are payable for the rest of the **Nominated Dependant's** life, except that a pension for a child will cease at age 23 unless the child was, in our reasonable opinion, dependent on you due to mental or physical impairment.

2.6 Joint life annuities – effect of the second person dying or ceasing to be entitled

All remaining **units** credited to the **FLA** will be cancelled on the later of your death or the date on which your **Nominated Dependant** dies or ceases to be entitled to a pension (see section 2.5 of **Appendix 1**). No further benefit is payable in respect of any amount so cancelled.

2.7 Use of units allocated to Ringfenced Investments on your death

In the event that you die before the 10th anniversary of the **start date**, any **units** which remain allocated to **Ringfenced Investments** at your death will be sold and the amount raised will be used to set up pension payments on a fixed annuity basis for the balance of the 10 years. Any rate of escalation that applied at your date of death to your own pension instalments under section 1.1 of **Appendix 1** will also apply to the pension payable under this section 2.5. This pension will become part of your estate on death, so you can choose who will receive it through your Will.

› Appendix 1 continued

3. Converting to a guaranteed income

If your **FLA** pension is converted to a **Fixed Guaranteed Income** in accordance with sections 3.1, 3.2, 3.3 or 3.4 below, the provisions of section 4 of **Appendix 1** will apply.

A guaranteed income in the form of a **With-Profits Income** is also available in some circumstances through investing in the **With-Profits Fund** in the circumstances described in sections 3.3 and 3.4 of **Appendix 1**.

3.1 Voluntary Conversion to a Fixed Guaranteed Income

You may choose at any time up to age 90 to convert some or all of the remaining **units** credited to your **FLA** to a **Fixed Guaranteed Income**. You must give us 10 **working days'** notice in writing of your intention to do this.

If you choose to do this, the relevant **units** will be sold (subject to any delays under section 8 of **Appendix 2**) on the 10th **working day** after we treat your instruction as received under section C of the Introduction to the **Member's Booklet**. The amount raised will be applied to provide you with a **Fixed Guaranteed Income** in accordance with, and subject to the restrictions in, section 4 of **Appendix 1**. A Market Value Reduction may be applied if the conversion to **Fixed Guaranteed Income** involves the cancellation of **units** invested in the **With-Profits Fund** (see section 6.3 of **Appendix 2**).

If a **Fixed Guaranteed Income** is provided, the same payment date as the **FLA** must be kept. The first payment made under the **Fixed Guaranteed Income** will depend on the payment frequency chosen.

3.2 Conversion to a guaranteed income under a Lifetime Investment Strategy

If you have selected a **Lifetime Investment Strategy** we will convert all or specified proportions of your **FLA** to a **Fixed Guaranteed Income** and/or **With-Profits Income** at specified intervals in accordance with your chosen **Lifetime Investment Strategy**. We will not apply a Market Value Reduction when cancelling **units** invested in the **With-Profits Fund** in this circumstance (see section 6.3 of **Appendix 2**).

3.3 Mandatory conversion to a guaranteed income due to investment underperformance

3.3.1 Initial Maximum Income

When you purchase your **FLA** in accordance with section 1.1 of **Appendix 1** we will calculate your maximum level of pension in accordance with section 1.3.1(a) of **Appendix 1**. The maximum level of pension at the outset is referred to in **Appendix 1** as the **Initial Maximum Income**. The **Initial Maximum Income** will be adjusted if and when part of the **FLA** is switched to a **Fixed Guaranteed Income** in accordance with sections 3.1 or 3.2 above and/or, in the case of a joint life **annuity**, when the pension from the **FLA** has been set up to reduce on first death and that death has occurred.

3.3.2 Monitoring pension levels

In order to ensure that you receive a pension for life from your **FLA**, we will monitor your maximum level of pension on a monthly basis to determine your **Current Maximum Income**. We will compare the **Current Maximum Income** with the **Initial Maximum Income** each month. If the **Current Maximum Income** falls below approximately 65% of the **Initial Maximum Income**, we will write to you setting out details about your pension level and what will happen, including any options you may have if your **Current Maximum Income** should fall below approximately 50% of the **Initial Maximum Income**. (The percentage limits in this section 3.3 take into account any reduction on first death in the case of a joint life **annuity**).

We will continue to write to you each month in which the **Current Maximum Income** remains below approximately 65% of the **Initial Maximum Income**. If the **Current Maximum Income** falls below 50% of the **Initial Maximum Income** we will write to you to tell you about the action we have taken.

3.3.3 Action if Current Maximum Income falls below 50% of the Initial Maximum Income

The action we take will depend on whether you have chosen a **Self-Managed Investment Strategy** or a **Lifetime Investment Strategy**.

In particular:

➤ If you have chosen a **Self-Managed Investment Strategy**, we will write to you, giving you the option to convert all or part of your **FLA** into a **Fixed Guaranteed Income** or switch to **units** of the **With-Profits Fund** (including retaining any **units** already held at that time in that **fund**). If you choose the latter, the **units** in the **With-Profits Fund** will be used to provide a **With-Profits Income** as described in section 4 of **Appendix 1**.

If we do not receive notification of your selected options within 10 **working days** of the date of our letter, we will use the proceeds of **units** of **unit-linked funds** held under the **FLA** to set up a **Fixed Guaranteed Income** and we will use any **units** of the **With-Profits Fund** to provide a **With-Profits Income** on the basis specified in our letter.

A Market Value Reduction may be applied to the sale of **units** in the **With-Profits Fund** if you request a different proportion from the amount that we have determined as the default basis. See section 6.3 of **Appendix 2** for further information about Market Value Reduction.

➤ If you have selected a **Lifetime Investment Strategy**, we will determine and automatically apply the respective proportions of the **FLA** that are converted to a **Fixed**

Guaranteed Income and/or **With-Profits Income**. The relevant proportions vary according to the type of **Lifetime Investment Strategy** and full details will be set out in the letter that we send you. You do not have the option to select different proportions from the ones which we determine. In general, the more cautious the **Lifetime Investment Strategy**, the higher the proportion that will be converted to a **Fixed Guaranteed Income**. No Market Value Reduction will be applied to any **units** of the **With-Profits Fund** which we have determined shall be converted to a **Fixed Guaranteed Income** in this circumstance.

3.4 Mandatory conversion to a guaranteed income due to age

If your **FLA** has not been converted to a **Fixed Guaranteed Income** or **With-Profits Income** in accordance with sections 3.1, 3.2 or 3.3 above by the **Trigger Date** then the following provisions apply.

We will, at the **Trigger Date** (unless you notify us to the contrary before the **Trigger Date** in accordance with the options previously notified to you):

(a) sell all of those **units** of **unit-linked funds** then credited to your **FLA** and apply the amount raised to provide you with a **Fixed Guaranteed Income** in accordance with, and subject to the restrictions in section 4 of **Appendix 1**; and/or

(b) use any **units** of the **With-Profits Fund** then credited to your **FLA** to provide you with a **With-Profits Income** in accordance with section 4 of **Appendix 1**.

A Market Value Reduction may be applied to the sale of **units** in the **With-Profits Fund** if you request a different proportion from the amount that we have determined as the default basis. See section 6.3 of **Appendix 2** for further information about Market Value Reduction.

3.5 Charge on conversion to a guaranteed income

A charge will apply on converting an **FLA** to a **Fixed Guaranteed Income** or **With-Profits Income** to cover commission payable to your financial adviser.

Where converting an **FLA** to **Fixed Guaranteed Income**, the commission charge is 1% of the amount used to set up the **Fixed Guaranteed Income** and is taken into account when calculating **Fixed Guaranteed Income**.

Where converting the **FLA** to **With-Profits Income**, the 1% charge to cover commission is taken by cancelling **units** of the **With-Profits Fund**. The remaining value of **units** then held under the **Plan** in the **With-Profits Fund** is then used to calculate the pension payable as **With-Profits Income**.

› Appendix 1 continued

4. Fixed Guaranteed Income and With-Profits Income

If your **FLA** (or a part of it) is converted to a **Fixed Guaranteed Income** and/or a **With-Profits Income** in accordance with section 3 of **Appendix 1**, the following provisions shall apply.

4.1 Form of annuity

4.1.1 General

The **Fixed Guaranteed Income** provides a guaranteed income in the form of a guaranteed pension **annuity**. We take into account the options which are to apply and we apply the amount available in the provision of that guaranteed income, using our then current **annuity** rates to determine the amount payable.

A **With-Profits Income** provides guaranteed income through investment in the **With-Profits Fund**, based on the performance of that **fund**. We take account of the options that are to apply and we calculate an income stream using the same method that we use to calculate the minimum and maximum pension instalments under the **FLA** (see section 1.3.1(a)). In this instance however:

- › you are required to take as pension the full amount that we notify to you (see section 1.3.1(d));
- › you cannot switch any amounts out of the **With-Profits Fund**; and
- › you cannot subsequently convert **With-Profits Income** to a **Fixed Guaranteed Income**.

Subject to the following sections, the options which you selected for the **FLA** will apply to the **Fixed Guaranteed Income** or **With-Profits Income**.

4.1.2 Level or increasing pension

You will have the option when converting to a **Fixed Guaranteed Income** to choose a level or increasing pension.

4.1.3 Annuity guarantee

(a) Fixed Guaranteed Income

If any of the **units** being sold for conversion to a **Fixed Guaranteed Income** are at that point allocated to **Ringfenced Investments**, the value of some or all of those **units** can be used to provide a guarantee so that the pension will continue to be paid for a specified period even if you die before that period ends. However, this will be restricted to the period which can be purchased with the value of those **units** (if any).

The period of the guarantee cannot extend beyond the 10th anniversary of the **start date** of the **FLA**.

(b) With-Profits Income

In the case of **With-Profits Income**, there is no **annuity** guarantee. Any **Ringfenced Investments** which applied under the **FLA** will, however, remain allocated under the **With-Profits Income** and will be subject to sections 1.2.1(c), 1.3.2(c)(ii) and 2.7 of **Appendix 1**.

4.1.4 Frequency of pension instalments

Unless you notify us otherwise, the **Fixed Guaranteed Income** or **With-Profits Income** pension instalments will be paid at the same frequency and in the same way as you requested when you first purchased your **FLA** (or in accordance with any later instruction). Some pension frequencies may however only be available if the pension exceeds a certain amount. If the pension is less than the relevant amount, we may change the payment frequency accordingly.

4.1.5 Joint Life options on conversion to a Fixed Guaranteed Income or With-Profits Income

If your **FLA** is a single life **annuity** it cannot be changed to a joint life **annuity** on conversion to a guaranteed income. Similarly, if your **FLA** is a joint life **annuity** it cannot be changed to a single life **annuity** and the guaranteed income must be based on the same lives and have the same reductions on death as those before the conversion is made. If a pension payable to a **Nominated Dependant** is to cease at a certain age under the **FLA** (see section 2.5 of **Appendix 1**), this condition must also apply under the **Fixed Guaranteed Income** or **With-Profits Income**.

4.2 General provisions

4.2.1 Information we require

Before we pay your first instalment of **Fixed Guaranteed Income** or **With-Profits Income** we will need the following information from you:

- (i) the options you have selected for your **Fixed Guaranteed Income** or **With-Profits Income**;
- (ii) any other information we may reasonably require, as indicated in section 8.3 of the **Member's Booklet**.

4.2.2 Payment of pension

Your pension and your **Nominated Dependant's** pension instalments will be paid in accordance with section 8.7 of the **Member's Booklet**.

In the case of **With-Profits Income**, pension instalments will be made by selling **units** in the same way as applies under your **FLA** (see section 1.3.2 of **Appendix 1**), except that:

- you can only take the amount that we notify to you;
- where the conversion is mandatory by reason of investment under-performance (see section 3.3 of **Appendix 1**), the level of pension will be initially set as at the first **income payment date** following conversion and then reviewed each year on the 5th April;
- where the conversion is mandatory by reason of age (see section 3.4 of **Appendix 1**), the level of pension will be initially set as at the last **income payment date** before

your 90th birthday and then reviewed each year on the 5th April; and

- **units** will be deducted from the **With-Profits Fund** only.

4.2.3 What happens on death

(a) General

On death, the benefits payable depend on whether the **Fixed Guaranteed Income** or **With-Profits Income** has been set up on a single life or joint life **annuity** basis and on whether an **annuity** guarantee applies.

In the case of a **Fixed Guaranteed Income**, any death benefits shall be as stated in the illustration letter which will be issued to you prior to the conversion of your **FLA** to a **Fixed Guaranteed Income**.

(b) Single life basis

If a single life basis applies, pension instalments will cease on your death in the way described in section 2.2 of **Appendix 1**.

(c) Joint life basis

If a joint life basis applies, pension instalments will become payable to your **Nominated Dependant** if he or she is still living and eligible at the date of your death, as described in section 2.3.2 of **Appendix 1**, and will continue to be paid until he or she either dies or ceases to be eligible to receive them as described in section 2.5 of **Appendix 1**.

If the pension has been set up to reduce on the first death, this reduction will be applied on the first death, whether this

be you or the **Nominated Dependant**. In the case of a **With-Profits Income**, the "survivor proportion" to be used to provide benefits following the first death is determined in accordance with section 2.4 of **Appendix 1**.

(d) Guarantee period

In the case of a **Fixed Guaranteed Income**, if there is a guarantee period and you die before the end of that guarantee period we will pay the continuing pension to your estate or to such other person as you have chosen in your Will to receive it.

In the case of **With-Profits Income**, if there are any **Ringfenced Investments** remaining at the date of your death, benefits will be payable in accordance with section 2.7 of **Appendix 1**.

(e) Final payment "Without proportion"

The pension payable under the **Fixed Guaranteed Income** or **With-Profits Income** is "without proportion". This means that in the case of a pension paid in arrears, if you or a **Nominated Dependant** dies part-way between two **income payment dates**, we do not make a final proportionate payment to cover the period between the last **income payment date** and the date of death. The same applies where a **Nominated Dependant** stops being entitled part-way between two **income payment dates**. ("Without proportion" is not relevant to pensions payable in advance).

› Appendix 1 continued

5. Yearly and three-yearly statements

Each year we will send you a statement that will explain the following in respect of your **FLA**:

- (a) the total payments (if any) made to the **Scheme** by or in respect of you during the relevant **Plan year**.
- (b) the value of any new **units** which have been credited during the relevant **Plan year**.
- (c) the number and value of **units** held under your **FLA** at the beginning and end of the **Plan year**.
- (d) a detailed account of any switches that have taken place during the **Plan year** between the **funds** you have selected.
- (e) the number of the **units** cancelled during the **Plan year** to provide pension and the level of the pension instalments paid.
- (f) any other changes that have been made during the relevant **Plan year** to the number of **units** held in the **funds** you have selected and the reasons why these changes have taken place.
- (g) the allocation of **units** between **Lifetime Investments** and **Ringfenced Investments**.
- (h) the number of **units** credited through the addition of **Lifetime Bonuses** to **Lifetime Investments** throughout the **Plan year**.
- (i) the maximum and minimum levels of pension that apply during the next **Plan year**.
- (j) details of any charges deducted during the **Plan year** (except for **annual management charges**).
- (k) details of the potential reduction to the level of pension payable following the first death as described in section 2.3 of **Appendix 1** (joint life only).

At three yearly intervals the above statement will also include:

- › the revised maximum limit that applies to your pension instalments (see section 1.3.1(c) of **Appendix 1**); and
- › if you have a joint life **annuity**, the revised "forfeit percentage" reductions that apply to **Lifetime Investments** on the first death (see section 2.4.1 (b) of **Appendix 1**).

› Appendix 2

The detailed operation of the funds and switching between funds

This **Appendix** describes the operation of the **unit-linked funds** and the **With-Profits Fund**. It also describes what happens when you instruct us to change the investment selection under your **FLA** (known as "switching" between **funds**). A programmed switching facility is also available known as the **Lifetime Investment Strategy**.

Certain details about the **holding account** are also set out in this **Appendix**.

The special words and expressions set out in section 1 of the **Member's Booklet** apply to this **Appendix**.

This **Appendix** contains the following sections:

1. General
2. Ownership of assets
3. Changes to funds
4. Restriction on Prudential's liability
5. The unit-linked funds – operation and unit prices
6. The With-Profits Fund
7. Fund switches requested by the member
8. Delays in buying, selling or switching units
9. Current unit prices
10. Unit prices used for transactions
11. Lifetime Investment Strategy

› Appendix 2 continued

1. General

We and the **external companies** we appoint look after a number of **funds**. We use these **funds** to calculate benefits under pension plans we issue, including your **FLA**.

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 each **FLA** by allocating **units** to that **FLA** from the **fund(s)** selected. Although we may use the **funds** to meet our obligations under an **FLA**, you have no legal or beneficial right either to any of the units or to any part of the **funds** (see also section 2 of **Appendix 2**).

We, or the **external companies**, invest each **fund** in the way set out in published descriptions of that **fund**. Our **funds** literature ("Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361), which is available on request) gives more information on the investment **funds** and the **external companies**.

We or the **external companies** may invest each **fund** in any assets we or they consider suitable. The investment objectives of the **funds** can be changed at any time. We will give you 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 **FLA**.

The **holding account** is neither a **fund** nor an investment option that can be selected by you. Certain details are, however, set out in this **Appendix**.

2. Ownership of assets

2.1 Prudential unit-linked funds and the With-Profits Fund

We, or another company within the **Prudential group**, own all the assets of the **Prudential unit-linked funds** and the **With-Profits 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.

2.2 Externally-linked funds

All the assets of the underlying **funds** of **external companies** 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 companies** are with us. There is no contractual relationship between you and the **external companies**.

2.3 Holding account

Money held in the **holding account** is legally owned by the **Trustee** of the **Scheme** (see section A of the Introduction to the **Member's Booklet**). This money is therefore held on trust for **members** whose transfer payments are held in the **holding account**.

Although it is a cash deposit bank account held under the **Scheme**, the **holding account** is not part of an **FLA** or **Plan**.

3. Changes to funds

3.1 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 you. If we make such a change, we will notify you at an appropriate time, taking into account all the circumstances of the change.

3.2 New funds

We can at any time introduce new **funds**. Any new **funds** may be subject to different terms and conditions.

We do not give notice when we introduce new **funds**. Information about the current **funds** is available in our funds literature ("Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361)).

3.3 Other types of new funds

We may also introduce new **fund** options that are linked to or invest in assets other than collective investment schemes and life assurance company funds. Such **fund** options may:

- (a) include **funds** that are open only to a specified policyholder (s)/member(s); and/or
- (b) may be different from **unit-linked funds** and the **With-Profits Fund** in the way that they are constituted, managed and priced.

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

We can also:

- (a) close any one or more of the **funds** to future moneys (including switches under section 7 of **Appendix 2** and/or under a **Lifetime Investment Strategy**);
- (b) merge or wind-up any one or more of the **funds**;
- (c) withdraw the option to invest in any one or more of the **funds**;
- (d) withdraw or close to future moneys (including switches under section 7 of **Appendix 2**) investment options such as the **Lifetime Investment Strategy**.

In the particular case of the **With-Profits Fund**, in addition to (a), (b) and (c) above, we may close part of the **fund** or sub-fund to future moneys.

3.5 Notice to you and replacement fund

We will exercise our power to close, merge, and wind-up or withdraw a **fund** or an investment option only for important legal or commercial reasons. We will act fairly and reasonably in the way that we do so, having regard to our duty to protect your interests and those of other policyholders. If we exercise this power, we will give you reasonable notice in advance taking into account all of the circumstances if at that time:

- there are any **units** of the affected **fund** held under your **FLA**; or
- the **FLA** is invested in the affected investment option; or
- the affected **fund** or investment option is one of the principal features of the **FLA**.

We will seek your 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 switch the **units** in the relevant **fund** to **units** of the **fund** that has the most similar investment objectives to the closed, merged, wound-up or withdrawn **fund**.

Where the **fund** to be closed, wound-up, merged or withdrawn is used under a Lifetime Investment Strategy profile, 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**.

3.6 Withdrawal of or changes to holding account

- (a) We can at any time withdraw the **holding account** facility (see section 2.5 of the **Member's Booklet**). If we do so, the **holding account** will be withdrawn for all new transfers-in received on or after the date of withdrawal, including transfers-in relating to existing members who have previously made use of the **holding account** facility under the terms and conditions set out in this **Member's Booklet** and its **Appendices**.

We will not normally give notice of our intention to withdraw the **holding account** facility. This is because the **holding account** is used when someone first applies to pay transfers-in into an **FLA** and is not normally relevant thereafter.

If any amounts attributable to you are held in the **holding account**, we will give you reasonable notice of the proposed withdrawal of the facility, taking into account all the circumstances and setting out the action we propose to take in relation to your transfers-in including any options available to you.

If a **member** to whom this version of **Member's Booklet** and its **Appendices** has been issued requests to use the **holding account** facility after it has been withdrawn, we will notify him or her of any options then available.

› Appendix 2 continued

(b) We can at any time change the terms and conditions relating to the **holding account** (see section 2.5 of the **Member's Booklet**), including changing the interest rate and the bank providing the **holding account**, using our powers under section 8.13(b) of the **Member's Booklet**. If any amounts attributable to you are held in the **holding account**, we will give you reasonable notice in advance, taking into account all the circumstances of the changes.

4. Restriction on Prudential's liability

Prudential's liability under any **fund** that we make available under an **FLA** cannot exceed the value of the assets underpinning that **fund**, whether these assets are actual assets, an interest in another **fund** (whether managed within the **Prudential group** or by an **external company**) 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. So, for example, if the **external company** or the other company from 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 **FLA**.

Likewise, in the case of the **holding account** (see section 2.4(d) of the **Member's Booklet**), if the bank providing the **holding account** were to become insolvent, we could only pay the amount that we could collect under the insolvency in respect of any amounts which were then deposited in the **holding account**.

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

5. The unit-linked funds – operation and unit prices

5.1 Valuation of fund assets

Unit-linked funds are valued on each **working day**. Assets may be valued in different ways and the decision of the relevant company, whether us, or another company in the **Prudential group**, or an **external company**, on all valuation issues is final.

The value of each **Prudential unit-linked fund** is determined by us or another company in the **Prudential group**. Each **externally-linked fund** is linked to an underlying fund operated by the relevant **external company**. Each **external company** 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**.

5.2 Fund values and unit prices

(a) Prudential unit-linked funds

The value of a **Prudential unit-linked fund** is either based on the value of the assets relating to it, or, where the **fund** is invested 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**), on the unit price supplied to us by the other company. Certain adjustments are then made to that value (see section 5.2(c) of **Appendix 2**).

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** (or underlying 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.

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 5.1 of **Appendix 2**, the **external companies** 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 company**. Where the **external company** 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 company**). 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 unit-linked funds** in section 5.2(a) of **Appendix 2**. Otherwise, the value of the **externally-linked fund** is based upon the single unit price supplied by the **external company**.

Where the **external company** provides a single unit price, the values of the **external company's** underlying funds may be based on the sale or purchase price of assets. The basis used by the relevant **external company** may be decided at daily intervals or such other intervals as determined by that **external company**. 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 **unit-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 **unit-linked fund** is linked to a unit trust or an **OEIC**, to take account of the expenses related with operating that unit trust or **OEIC** (these adjustments are also reflected in the **yearly fund charge** – see section 7.1 of the **Member's Booklet**);
- › to take account of the expenses of maintaining and operating that **unit-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.

In the case of the **unit-linked funds**, the **annual management charge** (see section 7.1 of the **Member's Booklet**) is also deducted before we calculate the **unit price**.

(d) General

Other methods of valuation may be used. In choosing any other method we (or another company in the **Prudential group**) or the **external company**, will act in a fair and reasonable manner.

Asset valuations and **unit price** calculations are carried out with 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 company's control), we reserve the right not to correct the mistake retrospectively.

5.3 Calculation of unit prices

(a) Unit prices – general

Each **unit-linked fund** is divided into **units**.

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

- › determined and adjusted as described in section 5.2 of **Appendix 2**;
- › divided by the number of **units** in issue (subject to any rounding).

› Appendix 2 continued

If for any reason, the value of a **unit-linked fund** 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 **unit-linked funds** we round our calculations to the nearer one tenth of a penny.

(c) Single pricing

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

6. The With-Profits Fund

6.1 General

The **With-Profits Fund** forms part of a sub-fund of the **Prudential With-Profits Fund**. The assets of the **With-Profits Fund** are not separately identifiable from the other assets of the relevant sub-fund of the **Prudential With-Profits Fund**.

The **With-Profits Fund** applicable to the **Policy** may also be used under other **Prudential** pension policies. Some **Prudential** pension policies have access to a different part of the sub-fund of the **Prudential With-Profits Fund**.

The **unit price** and **units** of the **With-Profits Fund** are independent of the unit prices and units under other parts of the **Prudential With-Profits Fund**. See also section 7 of the **Member's Booklet**.

The price of **units** in the **With-Profits Fund** will not fall, but see section 6.3 of **Appendix 2** on the Market Value Reduction which can reduce the value in some circumstances.

For further details of our **With-Profits Fund**, please see our **With-Profits Fund** literature ("Your With-Profits Plan – A guide to how we manage the fund") which is available on request.

6.2 Bonuses

We may add regular bonus through increases in the **unit price**. The price of **With-Profits Fund units** allocated to the **FLA** will therefore increase as regular bonuses are added.

We may add an additional bonus (sometimes called "final" bonus) to the value realised when a **unit** of the **With-Profits Fund** is sold.

Bonuses are determined by our Board based on the actual and expected returns of the assets backing the with-profits business in our long-term **fund**.

The rate of future bonuses cannot be guaranteed.

6.3 Market Value Reduction

A Market Value Reduction may reduce the value of **With-Profits Fund units** in circumstances where the value of the underlying assets is less than the value of the **units** in the **With-Profits Fund** (including any final bonus).

A Market Value Reduction, if any, is applied when **units** of the **With-Profits Fund** are sold in any of the following circumstances:

- › When **With-Profits Fund units** under the **FLA** are sold under section 3 of **Appendix 1** in order to provide a **Fixed Guaranteed Income** (except where this occurs as a programmed conversion to a **Fixed Guaranteed Income** under the **Lifetime Investment Strategy**); and/or
- › When **With-Profits Fund units** are switched into another **fund** under section 7 of **Appendix 2**, including switches between different **Lifetime Investment Strategy** profiles and switches from a **Lifetime Investment Strategy** profile to other **funds** under the **Self-Managed Investment Strategy**).

The intention of the Market Value Reduction is to provide a fair value for the **With-Profits Fund units** 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.

6.4 Circumstances where a Market Value Reduction does not apply

A Market Value Reduction is not applied when **units** of the **With-Profits Fund** are sold:

- (a) immediately after your death for the purpose of providing any death benefits under section 2.7 of **Appendix 1**, or immediately after the first death (either you or your **Nominated Dependant**) under a

joint life annuity to determine the "survivor proportion" under section 2.4.1 of **Appendix 1**;

- (b) in order to pay pension instalments under **Appendix 1**;
- (c) for payment of our charges;
- (d) as part of the programmed switches under a **Lifetime Investment Strategy** or the periodic re-balancing of the proportions held in each relevant **fund** under a **Lifetime Investment Strategy**;
- (e) on the programmed conversion to a **Fixed Guaranteed Income** under a **Lifetime Investment Strategy**.

6.5 Partial encashments of units of the With-Profits Fund

When selling some but not all **units** of the **With-Profits Fund** held under your **FLA**, our normal practice is to sell those **units** which have been held for the shortest time, using the **unit price** for those **units**.

Minimum and maximum amounts apply to the proportion of **With-Profits Fund units** that can be sold to pay pension instalments. See section 6.7 of **Appendix 2**.

6.6 Limit and restrictions on investment in the With-Profits Fund

No more than 50% of the value of **units** under the **FLA** may be invested in the **With-Profits Fund** at the **start date**. Where the **FLA** is to be set up through converting an existing **Pension Reserve Plan**, any investment in the **With-Profits Fund** under the **Pension**

Reserve Plan must comply with this limit before that plan may be converted.

No new investments or switches may be made into the **With-Profits Fund** after you have reached your 85th birthday unless:

- › the **units** are bought as part of a **Lifetime Investment Strategy** in which the **FLA** was invested as at your 85th birthday (or subsequently switched into after that date); or
- › at least 50% of the value of your **FLA** was invested in **units** of the **With-Profits Fund** at your 85th birthday and no amount(s) has subsequently been switched out of that **fund**.

These limits and restrictions may be changed by us from time to time – see section 7.6 of the **Member's Booklet**.

6.7 Limit on sale of units in the With-Profits Fund to pay pension instalments

- (a) If any part of an **FLA** is invested in the **With-Profits Fund** under a **Self-Managed Investment Strategy**, the restrictions set out in this section 6.7 apply to the level of pension met by selling **units** of that **fund**.

The restrictions described below are automatically met when the investment in the **With-Profits Fund** is under a **Lifetime Investment Strategy** because pension instalments are met by selling **units** across all **funds** in which the **FLA** is invested (see section 1.3.2(c)(iv) of **Appendix 1**).

Section 6.7(d) of **Appendix 2** will, however, apply where a switch is made between different **Lifetime Investment Strategy** profiles or from the **Lifetime Investment Strategy** to the **Self-Managed Investment Strategy**.

- (b) When determining the value of **With-Profits Fund units** for the purposes of this section, we make an allowance for a final bonus but no account will be taken of any Market Value Reduction that would apply if the **units** were sold at that date.
- (c) Subject to section 6.7(d) of **Appendix 2**, the maximum amount of pension that can be taken each **Plan year** by selling **units** in the **With-Profits Fund** is calculated by multiplying your maximum level of pension (as determined in accordance with section 1.3.1 of **Appendix 1**) for that particular **Plan year** by the proportion of the total value of the **FLA** that is invested in **units** of the **With-Profits Fund**.

Initially this proportion is the proportion of the total value of the **units** held under the **FLA** (after payment of any pension commencement lump sum under section 3.5 of the **Member's Booklet**) that is invested in the **With-Profits Fund**.

- (d) We recalculate the maximum amount of pension that can be taken each **Plan year** by selling **units** in the **With-Profits Fund**:

➤ Appendix 2 continued

- (i) as at each three yearly review under section 1.3.1 (c) of **Appendix 1** or on any other date on which we review the maximum level of pension under the **FLA**; or
- (ii) when a switch is made to or from the **With-Profits Fund** under section 7 of **Appendix 2**;
- (iii) when a switch is made from one **Lifetime Investment Strategy** profile to a different **Lifetime Investment Strategy** profile or to another **fund(s)** under the **Self-Managed Investment Strategy** (irrespective of whether there is any change in **With-Profits Fund units**).

We do this by recalculating the proportion of **units** then held in the **With-Profits Fund**.

The new proportion is then applied to your maximum level of pension in order to determine the maximum amount that can be drawn from the **With-Profits Fund** until the next three yearly review or, if earlier, the date the next calculation is performed.

- (e) The minimum amount of pension that must be taken each **Plan year** by selling **units** in the **With-Profits Fund** is 50% of the maximum amount calculated in the way described in section 6.7(c) of **Appendix 2**.
- (f) These limits and restrictions may be changed by us from time to time – see section 7.6 of the **Member's Booklet**.

7. Fund switches requested by the member

7.1 General

You can ask for changes ("switches") to be made to the investment selection for your **FLA**. All such requests must be made in writing, in a form specified by us, unless we agree otherwise.

All **fund** switch requests must be expressed as whole number percentages of **units**. **Fund** switches are subject to the switching charges and restrictions set out in sections 7.1.4 and 7.4.3 of the **Member's Booklet**.

Switching may normally be carried out at any time. However, delays may occur if we have invoked our powers to delay buying and selling **units** in section 8 of **Appendix 2**.

Once a switch instruction has been received by us, you cannot withdraw it unless we agree. We may at our discretion allow a switch instruction to be withdrawn if we have invoked our powers to delay buying and selling **units** under section 8 of **Appendix 2**.

Requests to switch to or from the **Lifetime Investment Strategy**, or between different **Lifetime Investment Strategy** profiles are covered under this section. The way programmed switching works under the **Lifetime Investment Strategy** is however described in section 11 of **Appendix 2**.

7.2 Switching between funds

Subject to any delay under section 8 of **Appendix 2**, we normally sell the existing **units** and buy the new **units** as at the same date, using the **unit prices** for the working day we treat the request as having been received by us (see section C of the Introduction to the **Member's Booklet**).

We may make a deduction (Market Value Reduction) from the value realised from the sale of **units** of the **With-Profits Fund** (see section 6.3 of **Appendix 2**).

We will confirm any investment changes (except any programmed switches under a **Lifetime Investment Strategy**) to you when we have implemented the change.

The **annual management charge** and **yearly fund charge** (see section 7.1 of the **Member's Booklet**) will, if appropriate, change on switching, to reflect the level of charge applying in the receiving **fund**.

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

8. Delays in buying, selling or switching units

Note: This section 8.1 applies to transactions involving buying, selling or switching **units**. This includes the investment of new money, the payment of ad hoc pension instalments and increases to regular pension instalments. Delays will not, however, apply to the payment of any lump sum due on the **start date** (see section 3.5(b) of the **Member's Booklet**) or to the ongoing payment of your currently agreed level of regular pension instalments (see section 1.3.2(a) of **Appendix 1**).

8.1 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 you 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 company**;
- 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**.

8.2 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 **units** in 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.

8.3 Notification to you

We will notify you if a transaction requested by you is affected by a delay under this section 8. Our notice will set out the action that we are taking and any options open to you. If appropriate, we will seek your alternative instructions for the transaction when we notify you of the delay.

8.4 Processing transactions affected by delays

Where the transaction involves **units** of more than one **fund** and some **units** are affected by a delay and others are not, we will (unless we notify you otherwise in our notification under section 8.3 of **Appendix 2**) carry out as normal any part of the transaction which is unaffected by the delay in accordance with the usual terms and conditions set out in the **Member's Booklet** including its **Appendices**.

Where there is a delay in buying **units** in any **fund**, we will not sell the **units** to be switched to that **fund** until 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.

Any action we take will be in accordance with any alternative instructions that you provide as described in section 8.3 of **Appendix 2**.

8.5 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.

8.6 Impact of delay on value of units

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

› Appendix 2 continued

9. Current unit prices

Current **unit prices** for **unit-linked funds** can be found on our website at www.pru.co.uk.

Unit prices for the **With-Profits Fund** can be obtained from us on request.

10. Unit prices used for transactions

The **unit price(s)** used for transactions are normally the **unit prices** for the **working day** that we treat the instruction or the request to carry out the relevant transaction as having been received by us (see section C of the Introduction to the **Member's Booklet**).

A delay in buying or selling **units** may however occur in the circumstances described in section 8 of **Appendix 2** in which case later **unit price** dates will normally apply.

See the relevant sections of this **Member's Booklet** and the **Appendices** for information on how and when we carry out each different type of transaction.

11. Lifetime Investment Strategy

11.1 General

The **Lifetime Investment Strategy** enables you to have a pre-set investment strategy for an **FLA**. It involves programmed investment switches, with staged conversions to **Fixed Guaranteed Income** and/or **With-Profits Income** bases.

Three **Lifetime Investment Strategy** profiles are available (subject to our power to change the operation of and profiles for the **Lifetime Investment Strategy** under section 11.3 of **Appendix 2**). Each individual profile is designed to provide a varying degree of risk in the run-up to age 90.

Full details of the three **Lifetime Investment Strategy** profiles including the dates at which the programmed **funds** switches and conversions to **Fixed Guaranteed Income** and/or **With-Profits Income** bases are carried out, are set out in our brochure "Investment Guide – Flexible Lifetime Annuity and Flexible Income Drawdown Plan" (ANNB6361).

First some general points about the **Lifetime Investment Strategy**:

- (a) A **Lifetime Investment Strategy** can be selected when an **FLA** is first set up or at any time on or before your 85th birthday. Except where (c) below applies, you cannot switch to a **Lifetime Investment Strategy** after reaching age 85.
- (b) Subject to (c) below, a **Lifetime Investment Strategy** can be cancelled at any time by switching to a **Self Managed Investment Strategy** or another **Lifetime Investment Strategy**.
- (c) You cannot switch into a **Lifetime Investment Strategy** or between different **Lifetime Investment Strategies** after reaching age 85, unless the switch complies with the limit on investment in the **With-Profits Fund** after age 85 set out in section 6.6 of **Appendix 2**.

(d) If you have more than one **FLA**, the **Lifetime Investment Strategy** does not have to apply to all of your **FLAs**. In other words, you may select a **Lifetime Investment Strategy** profile for one **FLA** and the **Self-Managed Investment Strategy** for another **FLA**.

(e) If you select a **Lifetime Investment Strategy** profile for your **FLA**, it must apply to that entire **FLA**: it is not possible to invest an **FLA** partly in a **Lifetime Investment Strategy** profile and partly in other **funds**. For example, it is not possible for investments to be made in other **funds** (such as the **With-Profits Fund**) alongside a **Lifetime Investment Strategy** profile. Similarly, the same **Lifetime Investment Strategy** profile must apply to the entire **FLA**: it is not possible to split an **FLA** between two **Lifetime Investment Strategy** profiles.

(f) If you request a switch out of the **Lifetime Investment Strategy** under section 7 of **Appendix 2**, the **Lifetime Investment Strategy** will be cancelled.

(g) If we have switched all **units** to a standard **Lifetime Investment Strategy** in accordance with section 6.4 of the **Member's Booklet**, the **Lifetime Investment Strategy** provisions set out in this section will apply.

11.2 Fund switches under the Lifetime Investment Strategy

- (a) Under each **Lifetime Investment Strategy profile**, the proportion of units held in each of the three designated **funds** depends on the age you have attained.
- (b) Subject to section 11.2(c) of **Appendix 2**, when you select a **Lifetime Investment Strategy profile** at the **start date**, the payment to the relevant **FLA** is invested in line with the proportions specified for the age you have attained on the **start date**.
- Likewise, where you choose to switch into an **Lifetime Investment Strategy** after the **start date**, the existing **units** are switched, as at the **working day** we receive your request (or treat it as received under section C of the Introduction to the **Member's Booklet**), to the **funds** specified under the **Lifetime Investment Strategy profile**, in the proportions specified for the age that you have attained on the switch date.
- (c) The allocation of **units** between the **funds** is "rebalanced" each year on the **anniversary date** of each **FLA**. "Rebalancing" involves programmed switches between **funds** so that **units** are held in line with the proportions specified in the chosen **Lifetime Investment Strategy profile** for your attained age at that **anniversary date**. Where you have more than one **FLA** invested under the **Lifetime Investment Strategy**, the programmed switches are carried

out separately in relation to each such **FLA** on the **anniversary date** of each **FLA**.

Where your **FLA** is a joint-life **annuity** and income continues to your **Nominated Dependant** following your death, the allocation of **units** between the **funds** is rebalanced to the proportions appropriate to your survivor's age.

Where **units** in the **With-Profits Fund** are sold as part of the annual "rebalancing" exercise (including any rebalancing in respect of a **Nominated Dependant's** income as described above), the value realised will take account of any final bonus (see section 6.2 of **Appendix 2**) but will not be subject to a Market Value Reduction under section 6.3 of **Appendix 2**.

- (d) Programmed switches under this section are currently free, although we do reserve the right to apply a charge. If we decide to apply a charge, we will tell you in writing. See also section 7.7 of the **Member's Booklet**.
- (e) Section 7.2 of **Appendix 2** describes the effect of switching on the **annual management charge**.
- (f) We send you a switch statement when the programmed switches have been completed.

11.3 Changes to the Lifetime Investment Strategy

Investment in the **Lifetime Investment Strategy** or in the specified funds under the **Lifetime Investment Strategy**

profiles is subject to our powers to close, merge, wind-up and withdraw **funds** and investment options under section 3.4 of **Appendix 2**. We can also change the terms of the **Lifetime Investment Strategy** at any time subject to the terms of section 8.13 of the **Member's Booklet**.

11.4 Switch from Self-Managed Investment Strategy to Lifetime Investment Strategy on or after age 85

If your **FLA** is invested under the **Self-Managed Investment Strategy**, three months prior to your 85th birthday we will write to you to inform you that all **units** held under the **FLA** will be switched to a standard **Lifetime Investment strategy** on your 85th birthday unless you instruct us in writing not to do so. Your instruction must be received by us before your 85th birthday (see section C of the Introduction to this **Member's Booklet** for details of when we treat communications as received).

If you instruct us that your **FLA** is to remain invested under the **Self-Managed Investment Strategy** after your 85th birthday, we will write to you again three months prior to each subsequent birthday to seek your confirmation as to whether the **FLA** is to remain invested in that way. If we do not receive your written confirmation before that birthday, we will switch all **units** held under the **FLA** to a standard **Lifetime Investment Strategy** as at that next birthday (subject to the limits on investments in the **With-Profits Fund** after age 85 set out in section 6.6 of **Appendix 2**).

The value of your investment may go down as well as up, and may in the future be less than the payment(s) made to your Plan. Information in this Member's Booklet is based on Prudential's understanding of legislation as at December 2010. 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 With-Profits Fund and units in that fund are sold, a Market Value Reduction (MVR) may apply.

