

Key Features of the Prudential Premier Personal Pension Plan

› Contents

About this booklet		
The Financial Services Authority		
Its aim		
Your commitment		
Risks		
Questions and Answers		
Your Premier Personal Pension Plan		
Is this a stakeholder pension?	4	Other information 10
How flexible is it?	4	How to contact us 10
What might I get when I take my benefits?	4	How to make a complaint 10
Can I contract out of the State Second Pension (S2P)?	4	Your client category 10
What choices will I have when I take my benefits?	4	Conflict of interest 11
How much can be paid into my plan each year?	4	Terms and Conditions 11
What about tax?	5	Divorce and dissolution of a civil partnership legislation 11
How much can I pay?	6	Law 11
What is the Lifetime Allowance?	6	Compensation 11
Where are the payments invested?	6	FSA Registration 11
Market Value Reduction (MVR)	6	Important 11
What are the charges and how will they affect investment growth?	6	
What other benefits can I choose?	7	
What happens if I die before I take my benefits?	7	
Can I transfer my plan?	7	
Can I change my mind?	8	
How will I know how my plan is doing?	8	
What happens if I move overseas?	8	
How we will communicate with you	9	

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Prudential
Stirling
FK9 4UE

› About this booklet

The Financial Services Authority

The Financial Services Authority is the independent financial services regulator. Prudential is required to give you this information to help you to decide whether our Prudential Premier Personal Pension Plan is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference. This Key Features document gives you the main points of the Prudential Premier Personal Pension Plan. You should also read the accompanying document "Your With-Profits Plan – a guide manage the Fund".

› Its aim

- › To build up a fund, in a tax-efficient way, to provide you with a regular income when you take your benefits.
- › To give you the choice when you take benefits of:
 - either taking the whole fund as taxable income
 - or taking part of your fund as a tax-free cash sum and the balance as a smaller taxable income.
- › If you purchase waiver benefit, to make your pension payments for you if you are off work for a long time due to illness or injury.

› Your commitment

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

For individuals who were members of the Prudential (SAL) or Prudential (M&G) Personal Pension Scheme prior to 6 April 2001.

› Risks

- › What you might get back is not guaranteed and may be lower than illustrated because:
 - investment growth may be lower than illustrated
 - interest rates when you take your benefits may be lower than illustrated
 - the cost of buying your retirement benefits may be higher
 - you may start taking your benefits earlier than your selected retirement date
 - our charges may be higher than illustrated
 - tax rules may change in future without notice
 - you may stop paying into your plan or take a payment break
 - you may transfer your plan to another company
- › Your plan may invest in a range of investment types, including stocks and shares, which carry differing levels of risk.
- › If your plan invests in our With-Profits fund and you take money out of that fund, we may reduce the value by applying a Market Value Reduction. For further details please see "Market Value Reduction" section.
- › The state provides a benefit called Pension Credit. If you have little or no other retirement provision, the pension you receive from this plan could reduce the benefit you receive from any Pension Credit. The exact effect will depend on the rules in place when you retire. For further information about Pension Credit please see your financial adviser.
- › If you stop your payments, you may not meet any target benefits within your illustration and you will lose any waiver benefits. For further details please see "What other benefits can I choose?".
- › If you have purchased waiver benefit, we will not pay out if you have failed to disclose any information or if a claim arises from a cause not covered by the plan.
- › The value of an investment may go down as well as up and the fund value in future may be less than the payments you have made.
- › You should look upon your investment in property as being long term. There are large costs when we buy and sell property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in the Property Fund. The value of property is generally a matter of a valuer's opinion rather than fact.
- › Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds
 - this may be for a period of up to 6 months for unit-linked funds that mainly invest in property and land, and up to 1 month for all other funds. This is in exceptional circumstances and if this applies to you, we will let you know.
- › For investments in the With-Profits Fund, the value of this plan depends on a number of factors, including:
 - The return on investments in our underlying With-Profits Fund.
 - The way we distribute any profit on the fund. The company's bonus policy aims to give each policyholder a return which reflects the earnings on the underlying investments, whilst smoothing the peaks and troughs of investment performance.
 - Expenses incurred by the fund and charges applied to your plan by us.
 - Profits and/or losses from non-profit plans which are also part of the With-Profits Fund.
 - The cost of meeting any guarantees including, for example, those under certain annuity plans which guarantee an income for life.
 - Factors beyond our control, such as tax, the effect of inflation and levels of mortality.

› Questions and Answers

Your Premier Personal Pension Plan

Is this a stakeholder pension?

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

How flexible is it?

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

You and your employer, if any, can make regular payments into the plan.

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

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

What might I get when I take my benefits?

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

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

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

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

Not through this contract.

What choices will I have when I take my benefits?

On joining the plan you tell us the age at which you wish to take your benefits and this is shown on your illustration. The government currently allows people to start taking their benefits from the age of 55, even if you are still working. You may be able to start taking your benefits earlier if you are in ill health. Under the terms of this contract you are currently required to take your benefits by age 75.

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

You can choose from different pension options, for example a pension that increases each year or one that will provide an income for your spouse, civil partner or other dependants when you die. These options cost more, so your initial pension would be lower.

You do not need to retire to start taking your benefit.

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

How much can be paid into my plan each year?

There is no limit on the amount you can contribute annually to your pension plan. However, there is a limit on the tax relief you can receive.

You can arrange for your payments to be collected from your bank or you can ask your employer to deduct the payments from payroll and pay them directly to Prudential. Please note that there is no limit on the number of pension schemes you can join. We recommend that you seek financial advice before joining multiple schemes, you may be charged for this advice.

What about tax?

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

If you pay contributions which are not entitled to tax relief, any tax relief given in excess of the amount due will be reclaimed directly by HMRC from you.

Employees do not have to pay tax or National Insurance on payments from employers.

The funds into which pension payments are invested are largely tax free.

Any cash sum selected when you take benefits is normally tax-free and all pensions will be taxable as earned income. For further details see "What choices will I have when I take my benefits?".

If you die before you take your benefits, there is normally no inheritance tax payable on the value of your plan.

Tax rules may change in future without notice.

How much can I pay?

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

However, any unused allowance (up to £50,000 per year) from pension input periods ending in the previous 3 tax years, may be carried forward to increase your Annual Allowance for the current year (provided you have used the current annual allowance first and you were a member of a registered pension plan).

Your Annual Allowance includes:

- ▶ any contributions you, your employer or anyone else makes to all your money purchase pension plans
- ▶ any increase (except statutory increases relating to early leavers) in the value of benefits under salary related pension schemes, also known as Final Salary, Defined Benefit or Career Average schemes.

Together, these are known as your "Pension Inputs".

Your "Pension Input Period"

A Pension Input Period is the period of time over which you measure the pension savings made for or by you against the Annual Allowance. Your pension inputs are assessed against the Annual Allowance for the tax year in which the "Pension Input Period" ends. If you think you are affected by the Annual Allowance you may wish to contact a Financial Adviser, for which you may be charged.

For information on your Pension Input Period, or to nominate a different Pension Input Period please contact Prudential.

What is the Lifetime Allowance?

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

If the value across all your pension funds exceeds the Lifetime Allowance at the time you take your benefits, a tax penalty will be payable on the excess amount. The Lifetime Allowance for the next two tax years is:

Tax year	Lifetime Allowance
2011/2012	£1.8m
2012/2013	£1.5m

The government has introduced protection, which you will need to apply for by 5 April 2012, if you expect the value of all your pension funds to be in excess of £1.5 million when they are taken. If you are affected by this limit you may wish to contact a Financial Adviser, for which you may be charged.

Where are the payments invested?

We will invest all the payments to your plan in up to six funds from a wide range of investment options available to you. Options include the With-Profits and unit-linked Prudential funds, and funds from managers outside the Prudential group.

Investment switches are currently free although a Market Value Reduction may be applied on switches out of the With-Profits Fund. If this changes in the future we will let you know. The investment strategy can be altered by switching existing investments into different funds, or by allocating new payments to another fund(s). However, different fund management charges will apply to your new choices of investment fund in some instances.

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

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

A with-profits investment is one that aims to smooth the return on your money over the time you have the plan. So, you should see steadier performance year on year, rather than watching the value of your plan fully reflect the rise and fall in stockmarkets. Your payments are pooled with those of other Prudential with-profits investors to form a fund. We invest this fund in a wide range of investments including company shares, property, government bonds and deposits. You can get further information from our "Your With-Profits Plan – a guide to how we manage the Fund" document.

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

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

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

Market Value Reduction (MVR)

If you take money out of the With-Profits Fund, we may adjust the value of your fund if the value of the underlying assets is less than the value of your plan including all bonuses. This adjustment is known as Market Value Reduction (MVR). It is designed to protect investors who are not taking their money out and its application means that you get a return based on the earnings of the With-Profits Fund over the period your payments have been invested.

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

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

Our current practice on applying an MVR

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

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

What are the charges and how will they affect investment growth?

- ▶ For Unit-Linked Funds, we deduct an Annual Management Charge from the funds. This charge is already deducted when we work out the full value of your policy. The amount of charge we deduct depends on the funds you choose to invest in and the amount of your original investment. For more information please see "A Guide to Fund Options".

- ▶ For With-Profits Funds, there are various costs involved with setting up and managing your policy. A charge is deducted from the With-Profits Fund each year to cover these costs. The charge is not explicit so you will not see it being taken from your policy. It is deducted from the underlying With-Profits Fund and is already taken into account when we calculate bonus rates for our With-Profits Fund.

The charge is currently 1% a year. Further information on the operation of the With-Profits Funds is contained in "Your With-Profits Plan – a guide to how we manage the Fund".

- ▶ There is a charge to pay for all the guarantees the With-Profits Fund supports. We guarantee to not take away regular bonuses already added when a payment is made because of death and at your selected retirement date and to only apply a Market Value Reduction in certain circumstances.

This charge will be taken by making a small deduction each year when deciding Regular and Final Bonuses, so you will not see it on any yearly statement. The total deduction over the lifetime of the plan is not currently more than 2% of any payment made from the fund. Our charges may vary in the future and may be higher than they are now. Further details can be found in the Technical Guide.

The actual effect on the investment growth on your selected pension funds is shown on the "What are the deductions?" section of your personal illustration.

The annual management charges for all the funds may vary in future and may be higher than they are now.

What other benefits can I choose?

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

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

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

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

What happens if I die before I take my benefits?

We will pay the value of your fund.

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

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

If the value of all death benefits is greater than the lifetime allowance then there will be a special tax charge.

Can I transfer my plan?

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

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

Can I change my mind?

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

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

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

**Customer Services Department,
Prudential,
Stirling,
FK9 4UE**

Your right to cancel is 30 days.

How will I know how my plan is doing?

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

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

What happens if I move overseas?

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

How we will communicate with you

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

› Other information

How to contact us

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

If you don't have a financial adviser, you can call our Customer Service Centre on **0845 640 3000**. The opening hours are 8am-6pm Monday to Friday. Calls may be monitored or recorded for quality and security purposes.

You can also contact us by:

Post: Prudential Customer Services
Stirling
FK9 4UE

Or via our website: www.pru.co.uk

How to make a complaint

If your complaint is advice related please contact your financial adviser. If we do anything that you're unhappy about, we'll always try to put it right if we can.

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

Please send your complaint to:

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

Copies of our complaint handling procedures are available from this address. If you'd rather phone, you can call us on 0800 640 3000. To make sure we have an accurate record of what you tell us, we may monitor or record your call.

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

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

Telephone: 08000 234 567

**The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB**

Telephone: 020 7630 2200

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

Telephone: 0845 601 2923.

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

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

Your client category

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

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

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

Conflict of interest

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

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

Terms and Conditions

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

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

Divorce and dissolution of a civil partnership legislation

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

Law

In legal disputes the Law of Scotland will apply.

Compensation

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

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

Telephone: 0207 741 4100

www.fscs.org.uk

FSA Registration

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

You can contact the FSA at:

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

Telephone: 020 7066 1000

Important

This is based on our understanding, as at June 2011, of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.



www.pru.co.uk

"Prudential" is a trading name of The Prudential Assurance Company Limited, which is registered in England and Wales. This name is also used by other companies within the Prudential Group, which between them provide a range of financial products including life assurance, pensions, savings and investment products. Registered Office at Laurence Pountney Hill, London EC4R 0HH. Registered number 15454.