Technical Guide

Premier Transfer Plan
Premier Group Transfer Plan
PENB6590

PRUDENTIAL

Premier Transfer Plan
Incorporating options for Stakeholder/
Group Personal Pension/Group Stakeholder

Premier Group Transfer Plan
Incorporating options for Group Personal Pension/
Group Stakeholder

Contents

1. Introduction

1.1 General

The words and expressions shown in red are explained in section 21 of this Technical Guide. References to "Prudential", "we", "our" or "us" in this Technical Guide mean The Prudential Assurance Company Limited.

This Technical Guide gives detailed information on Prudential's Premier Transfer Plan and Premier Group Transfer Plan.

The Premier Transfer Plan and the Premier Group Transfer Plan have personal pension and stakeholder pension options.

The expression Premier Transfer is used in this Technical Guide when describing terms and conditions which affect both Premier Transfer Plans and Premier Group Transfer Plans, whether set up on a personal pension or stakeholder pension basis.

Premier Transfers are normally only available through financial advisers.

1.2 The Premier Transfer Plan

The Premier Transfer Plan can accept:

- transfer payments paid by an individual on a stakeholder pension basis;
- transfer payments paid on an individual basis by existing members of a Premier Group Stakeholder Pension or a Premier Group Personal Pension.

Before 31st January 2006, the Premier Transfer Plan was able to accept personal pension transfer payments from individuals who were not members of a Premier Group Personal Pension Plan. The terms and conditions in this Technical Guide may in some cases be issued to such individuals. With effect from 31st January 2006, the Premier Transfer Plan cannot accept such transfer payments. Transfer payments to an "individual" personal pension can, however, be made to the Pru Flexible Retirement Plan. See our Pru Flexible Retirement Plan – Personal Pension Option Technical Guide (IPPB6369) and/or the Pru Flexible Retirement Plan – Income Drawdown Option Technical Guide (IPPB6373) for details.

Before 31st January 2006, the Premier Transfer Plan was also able to accept transfer payments on a section 32 basis. Details of that withdrawn option and the terms and conditions that apply to Plans set up on the section 32 basis are set out in earlier versions of this Technical Guide.

1.3 The Premier Group Transfer Plan

The Premier Group Transfer Plan was closed to new business with effect from 27th September 2002.

Before 27th September 2002, the Premier Group Transfer Plan was able to accept:

- "bulk" transfer payments in respect of a number of members of the same Premier Group Stakeholder Pension;
- "bulk" transfer payments in respect of a number of members of the same Premier Group Personal Pension.

1.4 The member's Plan and the Schemes

On acceptance of a transfer payment, we set up a Plan for the member as follows:

- Where the transfer is/was accepted under the stakeholder pension option, the member's Plan is/was set up under the Prudential (SAL) Stakeholder Scheme.
- Where the transfer is/was accepted under the personal pension option, the member's Plan is/was set up under the Prudential (SAL) Personal Pension Scheme.

These Schemes are registered pension schemes. This means that there is valuable tax relief on investments and certain tax advantages on some of the benefits that can be provided.

The Prudential (SAL) Personal Pension Scheme has been set up under trust documentation which adopted Rules. Prudential is the Trustee of the Scheme. The Trustee is the policyholder. Although the Trustee is the policyholder this Technical Guide is sent to the member. This is because the member has a beneficial interest and therefore needs to be aware of the full details of the terms and conditions set out in this Technical Guide. Also many of the options and obligations set out in this Technical Guide affect the member or require him or her personally to make a choice or take some action. Prudential is also the Scheme Administrator of the Scheme.

The Prudential (SAL) Stakeholder Scheme has been set up by a Board Resolution which adopted Rules. Prudential is the Scheme Administrator of the Scheme. The member is the policyholder.

The Schemes operate in accordance with the terms set out in the trust documentation/Board Resolution and Rules. Members and advisers can obtain a copy of the trust documentation/Board Resolution and Rules of the relevant Scheme on request.

This Technical Guide reflects some of the terms set out in the trust documentation/Board Resolution and Rules. Where this is the case, every effort has been made to ensure that this Technical Guide reflects those terms as accurately as possible. However, in the event of any conflict between such information, the trust documentation/Board Resolution and Rules (being the governing documentation) will in most circumstances override this Technical Guide. 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 such cases, we may reflect the up to date position in the Technical Guide before we change the Rules.

Note: The Finance Act 2011 removes the legal requirement for pension savings to be converted to an annuity. It should be noted, however, that the terms and conditions of Premier Transfers require the member to use the value of his or her Plan(s) to buy an annuity on or before his or her 75th birthday. If the member wishes to defer buying an annuity beyond that date, he or she will need to transfer to a registered pension scheme that offers that facility.

1.5 Incorrect or incomplete information

The contract, or contracts, with us are set up by an application and declaration made to us by or on behalf of the applicant and any other information which the applications or other material authorises us to obtain. If any of the information is later found to be incorrect or incomplete, we have the right to alter the provisions of any Plan which would not have been agreed if we had known the full facts. If such alteration is necessary, we will notify the member and provide full details of the change(s). We will not refund any charges already made in respect of the altered provisions and we reserve the right to apply a charge for making the change(s).

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

1.6.1 General

A number of sections in this Technical Guide refer to the effective dates used for transactions, notices and requests once we have all of the information and other items (including payments) that we need from the member and others, to enable us to carry out the transaction or act upon the notice or request. The effective dates depend on the day and time we receive these, and the means of communication.

Subject to section 1.6.2, we normally treat any notice, request, information or items as being received on the working day that we receive it at our office. If the day we receive these items is not a working day, we will treat them as having been received on the next working day.

1.6.2 E-mailed or faxed switch requests

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

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

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

1.6.3 Effective date where multiple items are required

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

1.7 Monthly transaction dates and other events

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

1.8 Payments from the Schemes

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

1.9 Our contact details

Further information can be obtained by either:

- writing to Prudential at:

  Prudential
  Stirling
  FK9 4UE

or

- telephoning Prudential on 0845 640 3000. Calls may be monitored or recorded for quality and security purposes.

2. Eligibility and membership

2.1 Eligibility

2.1.1 Premier Transfer Plan

The Premier Transfer Plan can accept transfer payments in respect of an individual from other pension schemes under which the member has benefits.

As set out in section 1.2, the Premier Transfer Plan can accept:

- an individual transfer payment on a stakeholder pension basis in respect of an existing member of a Premier Group Stakeholder Pension;
- an individual transfer payment on a personal pension basis in respect of an existing member of a Premier Group Personal Pension;
- an individual transfer payment on a stakeholder pension basis in respect of an individual who is not already a member.

The Premier Transfer Plan is no longer available on a personal pension basis to individuals who are not already members.

2.1.2 Premier Group Transfer Plan

As set out in section 1.3, the Premier Group Transfer Plan is no longer open to new business. It was previously available for "bulk" transfer payments in respect of a number of members of either a Premier Group Stakeholder Pension or Premier Group Personal Pension.

2.1.3 Pension credit rights

Subject to section 2.1.1, if an individual has been awarded any pension credit rights in respect of an ex-spouse's or ex-civil partner's pension rights, these pension credits may be transferred to a Premier Transfer Plan.

2.1.4 Concurrent membership

An individual can have a Premier Transfer at the same time as being a member of one or more other pension schemes.

The member needs to be aware, however, that the value of his or her benefits under all registered pension schemes is tested against his or her available personal lifetime allowance when the benefits are paid (or at age 75, if later).

2.2 Membership

The member will receive a Transfer Certificate. The Certificate, and any later letters about changes to the Certificate, confirm individual membership details. The member will also get yearly benefit statements to help assess the progress of his or her Plan.

Our acceptance of a transfer payment does not in any way imply that it is appropriate or in the member's best interests.

3. Transfer details

3.1 Payment methods

Normally, transfer payments are made by cheque. Any other payment method (for example, electronic transfer) must be agreed in advance with us (and may be subject to a separate charge to cover our expenses).

3.2 Minimum payments

3.2.1 Premier Transfer Plan

As mentioned in section 1.2, the Premier Transfer Plan applies to "individual" transfers.

Where the transfer payment is in respect of an existing member of a Premier Group Personal Pension and is to be applied on a personal pension basis, the minimum transfer payment is £1,000.

There is no minimum where the transfer payment is to be applied on a stakeholder basis, whether in respect of an existing member of a Premier Group Stakeholder Pension or as a new individual stakeholder pension member.

3.2.2 Premier Group Transfer Plan

As mentioned in section 1.3, the Premier Group Transfer Plan applies to "bulk" transfers, but is no longer open to new business. The Premier Group Transfer Plan had a minimum average transfer payment of £1,000, but it had no minimum transfer payment in respect of each individual member included in the "bulk" transfer.

4. Contracted-out benefits

The Premier Transfer will normally accept contracted-out benefits – benefits resulting from contracting-out of the State Second Pension (S2P) – from other registered pension schemes.

Transfers of contracted-out benefits (i.e. protected rights pensions and guaranteed minimum pensions) from other registered pension schemes into the Premier Transfer will provide benefits in the form of protected rights.

On transfer to a Premier Transfer all benefits accrued after 5th April 1997 in a contracted-out salary-related scheme become protected rights.

There are some special rules on how and when protected rights must be used to provide benefits. These requirements are explained in sections 9 and 10.

Note: With effect from 6th April 2012, contracting-out of the S2P for defined contribution pension schemes is being abolished. The distinction between protected rights and benefits which are not protected rights is to be abolished with effect from that date.

5. Investment options

5.1 Investment strategies and fund choice

A range of funds is available under the Premier Transfer (subject to our powers to close, merge, wind-up and withdraw funds under section 6.3). Some funds are managed by companies within the Prudential group whilst others are linked to funds of external Fund Managers. Among the funds managed by companies within the Prudential group there is a range of investment-linked funds and a unitised With-Profits Fund.

Three investment strategies are available:

- The member's own individual choice from the variety of investment funds available.
- The Lifetime Investment Option (LIO) which involves automatic switches to and from pre-selected funds at pre-selected intervals. The operation of the LIO is described in section 5.2.
- The Pension Protector Option (PPO) which involves automatic switching to the Prudential Fixed Interest Fund and the Prudential Cash Fund in the run-up to the SRA. The operation of the PPO is described in section 5.3.

A Plan cannot normally be invested under more than one of the above investment strategies at any given time; a Plan may, however, be invested partly in the LIO or PPO and partly in the With-Profits Fund (see sections 5.2.1 and 5.3.1).

The With-Profits Fund is not available for Stakeholder Plans. References to the With-Profits Fund are relevant only to personal pension type Premier Transfers.

Further information about the funds is set out in our funds literature which is available on request.

The member, or the member's adviser, must confirm the chosen investment strategy to us in an application form or in any other form acceptable to us.

Where the chosen individual is a member of a Premier Group Personal Pension Plan or Premier Group Stakeholder Plan, the adviser confirms an investment strategy for the whole group. This investment strategy will then apply for all members of the group, unless the member confirms a different investment strategy to us for his or her own Plan.

Where no investment choice is made for a Stakeholder Plan, the transfer value will be invested in the default fund. Information about the default fund is set out in our funds literature which is available on request.

The initial investment selection will be detailed in the documentation we send to each member to confirm details of the Premier Transfer. We will confirm any later investment changes to the member when we process the change (except for any automatic switches under the LIO or PPO).

The following terms apply to fund choice:

- Each member's investments can be in a maximum of six funds, including the funds to receive automatic switches at the start of, and during, the operation of the LIO and PPO (as described in sections 5.2 and 5.3) but excluding the Cash Feeder Fund described in section 6.6.
- New transfer values paid within three years of the SRA cannot be invested in the With-Profits Fund. Likewise, switches into the With-Profits Fund cannot be made within three years of the SRA. When determining whether a switch into the With-Profits Fund complies with this requirement, we use the date when the switch is actually made under section 5.4.3, taking into account any delay under section 6.8 which applies to the units to be sold. If we receive an instruction to invest in or switch into the With-Profits Fund which would result in money being allocated to the With-Profits Fund within three years of the SRA, we will redirect the money into the Prudential Cash Fund.
- For Premier Stakeholder and Premier Group Stakeholder Transfer Plans, investment in certain funds or fund options will not be permitted if such investment would cause the maximum stakeholder charge to be exceeded (see section 7.1.3).

5.2 Lifetime Investment Option (LIO)

5.2.1 General

The LIO enables the member to have an investment strategy with automatic investment switches.

The LIO allows a choice of one of three investment strategies – Cautious, Balanced and Opportunity. Under each strategy, there is a choice of funds for initial investment. If no choice is specified, investment will be in the appropriate Prudential fund reflecting the risk profile of the strategy.

The LIO is not available to Premier Stakeholder or Premier Group Stakeholder if, as a result, the Annual Management Charge would exceed the maximum stakeholder charge (see section 7.1.3).

First some general points about the LIO:

- If selected, the LIO applies to all investments in any investment-linked funds held under the same Plan. It is, however, possible to invest partly in the With-Profits Fund and partly in investment-linked funds, with the LIO applying to the investment-linked portion. Investments in the With-Profits Fund cannot be switched under the LIO. Only one LIO strategy can apply to each Plan.

- Except where a Plan is invested wholly in the With-Profits Fund, the LIO can be included when a Plan is first taken out or added at any time during the Plan term.
- The LIO can be cancelled and can be resumed at any time before the SRA.
- The LIO will be cancelled if the member requests a switch to different funds under section 5.4, once automatic switching under the LIO has started.
- The LIO is designed to be a long-term investment strategy over the lifetime of the Plan.
- Automatic switches under the LIO are currently free, although we do reserve the right to introduce a charge (see section 14 for further details).

5.2.2 Investment Strategies

(a) Cautious Strategy

For Plan terms (from the start of the Plan to the SRA) of 10 years or more, initial investment is in the chosen fund(s) or, if no choice is specified, the Prudential Managed Fund.

Starting 10 years from the SRA, monthly switches are made into the Prudential Fixed Interest Fund, so that five years from the SRA all investments are in the Prudential Fixed Interest Fund. Then five years from the SRA, switches start which result in investments being split between the Prudential Fixed Interest Fund (75%) and the Prudential Cash Fund (25%) when the member reaches the SRA (or 100% to the Prudential Fixed Interest Fund for Plans providing only protected rights).

(b) Balanced Strategy

For Plan terms (from the start of the Plan to the SRA) of 10 years or more, initial investment is in the chosen fund(s) or, if no choice is specified, the Prudential UK Equity Fund.

Starting 10 years from the SRA, monthly switches are made into the appropriate Managed Fund(s), so that five years from the SRA all investments are in Managed Fund(s). Then, starting five years from the SRA, switches are to the 95% Safeguard Fund, so that three years from the SRA all investments are in the 95% Safeguard Fund. Thereafter, switches are made which result in investments being split between the Prudential Fixed Interest Fund (75%) and the Prudential Cash Fund (25%) when the member reaches the SRA (or 100% to the Prudential Fixed Interest Fund for Plans providing only protected rights).

Cautious Strategy

Years to SRA	10+	10–5	5–0
Fund(s)	Chosen fund(s)	Switch to Fixed Interest*	Switch to Fixed Interest* / Cash*
No fund selection specified	Managed*	Switch to Fixed Interest*	Switch to Fixed Interest* / Cash*

Balanced Strategy

Years to SRA	10+	10–5	5–3	3–0
Fund(s)	Chosen fund(s)	Switch to Managed Fund of chosen fund manager(s)	Switch to 95% Safeguard*	Switch to Fixed Interest* / Cash*
No fund selection specified	UK Equity*	Switch to Managed*	Switch to 95% Safeguard*	Switch to Fixed Interest* / Cash*

Opportunity Strategy

Years to SRA	8+	8–3	3–1	1–0
Fund(s)	Chosen fund(s)	Switch to Managed Fund of chosen fund manager(s)	Managed Fund of chosen fund manager(s)	Switch to Fixed Interest* / Cash*
No fund selection specified	UK Equity*	Switch to Managed*	Managed*	Switch to Fixed Interest* / Cash*

* These funds are managed by Prudential.

(c) Opportunity Strategy

For Plan terms (from the start of the Plan to the SRA) of eight years or more, initial investment is in the chosen fund(s) or, if no choice is specified, the Prudential UK Equity Fund.

Starting eight years from the SRA, monthly switches are made into the appropriate Managed Fund(s), so that three years from the SRA all investments are in Managed Fund(s). Investments continue in the Managed Fund(s) for two years. A year from the SRA, switches start so that investments are split between the Prudential Fixed Interest Fund (75%) and the Prudential Cash Fund (25%) when the member reaches the SRA (or 100% to the Prudential Fixed Interest Fund for Plans providing only protected rights).

5.2.3 Fund switches under the LIO

We will notify the member when automatic switches under the LIO are about to begin.

The amount and timing of the fund switching depends on which strategy applies.

5.2.4 Automatic switching under the LIO

If monthly switching is over a five year period (60 months), it starts with 1/60th of the value of the relevant units under the Plan in month one, 1/59th in month two, 1/58th in month three and so on each month. So that, at the end of the five year period, all of the units have been switched.

If monthly switching is over a three year period (36 months), it starts with 1/36th of the value of the relevant units under the Plan in month one, 1/35th in month two and so on each month.

If switching involves the 95% Safeguard Fund (see section 6.6), this will be on a quarterly basis (consistent with the operation of the 95% Safeguard Fund). So, if units are held in a combination of the 95% Safeguard Fund and any other funds, the other funds will switch monthly and the 95% Safeguard Fund will switch quarterly.

Switches under the LIO will, subject to section 1.7, normally be carried out monthly on the same day of the month as the SRA. For example, if the SRA is 17th March 2030, switches will normally take place on the 17th of each month.

Automatic switching will start immediately on the next monthly switching date if the term to the SRA from the selection of the LIO is less than 10 years, for the Cautious and Balanced Strategies, and less than eight years, for the Opportunity Strategy. Switching will then be as described above, with switching to achieve the correct investment split at the end of the switching period.

Automatic switches under the LIO may be delayed if we have invoked our powers to delay buying and selling units under section 6.8.

5.2.5 Choice of fund manager(s) with the LIO

The chosen fund managers will be utilised as far as possible throughout the strategy. If, however, any chosen fund manager does not offer funds corresponding to those described in the chosen LIO strategy, the appropriate fund(s) managed by a company within the Prudential group will be used.

If a mix of fund managers is chosen, the units held in each fund are subject to the specific Fund Management Charge for that fund. The total Annual Management Charge (see section 7) will as such reflect the varying proportions of units in each chosen fund.

When carrying out the automatic switches, we switch a proportionate amount from each of the chosen funds to the new fund(s) under the LIO strategy.

Where Premier Stakeholder and Premier Group Stakeholder Transfer Plans are concerned, the Annual Management Charge cannot, however, exceed the maximum stakeholder charge (see section 7.1.3). This may limit the choice of funds available for investment.

5.2.6 Increase/reduction in the SRA under the LIO

If the member asks us to change the SRA (and we agree), future automatic switches will be related to the new SRA.

5.2.7 Changes to the LIO

Investment in the LIO is subject to our powers to close, merge, wind-up and withdraw funds and investment options under section 6.3.4. We can also change the terms of the LIO at any time, subject to giving the member reasonable advance notice in writing, if his or her Plan is invested in the LIO at that time.

5.3 Pension Protector Option (PPO)

5.3.1 General

The PPO is designed to help protect retirement benefits from falls in market values close to buying a pension. This is achieved by switching units gradually (in the last few years before the SRA) from the selected investment-linked funds into the Prudential Fixed Interest Fund and the Prudential Cash Fund. In total, 75% of the transferred value will be applied to the Prudential Fixed Interest Fund and 25% to the Prudential Cash Fund (or 100% to the Prudential Fixed Interest Fund for Plans providing only protected rights).

First some general points about the PPO:

- If selected, the PPO applies to all investments in any investment-linked funds held under the same Plan. It is, however, possible to invest partly in the With-Profits Fund and partly in investment-linked funds, with the PPO applying to the investment-linked portion. Investments in the With-Profits Fund cannot be switched under the PPO.
- Except where a Plan is invested wholly in the With-Profits Fund, the PPO can be included when a Plan is first taken out or added at any time during the Plan term.
- The PPO can be cancelled and can be resumed at any time before the SRA.
- The PPO will be cancelled if the member requests a switch to different funds under section 5.4, once automatic switching under the PPO has started.
- Automatic switches under the PPO are currently free, although we do reserve the right to introduce a charge (see section 14 for further details).

5.3.2 Automatic switching under the PPO

Switches under the PPO will, subject to section 1.7, normally be carried out monthly on the same day of the month as the SRA. For example, if the SRA is 17th March 2030, switches will normally take place on the 17th of each month.

The switching of units starts five years before the SRA. Where the term to the SRA from the selection of the PPO is less than five years, switching starts immediately on the next monthly switching date.

The fraction of units switched from each investment-linked fund will be 1/60th of the value of units in month one, 1/59th in month two and so on each month. For Plans with less than five years to the SRA, the fraction switched each month is one divided by the number of months (at that date) of the remaining term to the SRA.

Automatic switches under the PPO may be delayed if we have invoked our powers to delay buying and selling units under section 6.8.

5.3.3 Changes to the PPO

Investment in the PPO is subject to our powers to close, merge, wind-up and withdraw funds and investment options under section 6.3.4. We can also change the terms of the PPO at any time, subject to giving the member reasonable advance notice in writing, if his or her Plan is invested in the PPO at that time.

5.4 Fund switches requested by the member

5.4.1 General

This section 5.4 applies where the member wishes to:

(a) switch between funds under the "individual choice" investment strategy described in section 5.1;

(b) switch to or from the Lifetime Investment Option described in section 5.2;

(c) switch to or from the Pension Protector Option described in section 5.3; or

(d) switch between any of the strategies under the Lifetime Investment Option described in section 5.2.

It does not apply to automatic switches made under the Lifetime Investment Option or Pension Protector Option. These are covered in sections 5.2 and 5.3.

Fund switches under this section 5.4 are currently free, although we do reserve the right to introduce a charge (see section 14 for further details).

We send the member a switch statement when the switches have been completed.

If the basic Fund Management Charge (see section 7) is different for the fund to which any switch is made, the basic Fund Management Charge will be altered on switching to reflect the level of charge applying to the receiving fund.

5.4.2 Switch requests

The member can ask for changes to be made to existing investments by making a fund switch request. All fund switch 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.

Switch requests may be expressed in terms of either:

(a) the target percentages to be achieved in all funds in which units are to be held under the Plan following the switch; or

(b) the percentages of units to be switched from the current selection of funds and the way in which the proceeds should be reinvested.

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

Once a switch instruction has been received by us, the member cannot withdraw it unless we agree. We may permit the member to revoke a switch instruction if we have invoked our powers to delay buying and selling units under section 6.8.

5.4.3 Timing of switches and unit prices

(a) Switching may normally be carried out at any time. However:

- switches into the With-Profits Fund cannot be made within three years of the SRA; and
- delays may occur if we have invoked our powers to delay buying and selling units under section 6.8.

(b) 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 under section 1.6.

Switches cannot be made out of and back into the same fund on the same working day.

A delay may apply if we have invoked our powers under section 6.8.

5.4.4 Switches to and from the With-Profits Fund

As stated in section 5.4.3, switches into the With-Profits Fund cannot be made within three years of the SRA. When determining whether a switch into the With-Profits Fund complies with this requirement, we use the date when the switch is actually made under section 5.4.3, taking into account any delay under section 6.8 which applies to the units to be sold.

If we receive an instruction to switch into the With-Profits Fund which would result in money being allocated to the With-Profits Fund within three years of the SRA, we will redirect the money to the Prudential Cash Fund.

We may make a deduction (Market Value Reduction) from the value realised from the sale of units of the With-Profits Fund (see section 6.7.3).

5.4.5 Switches to and from the 95% Safeguard Fund

(a) Where a switch to the 95% Safeguard Fund is requested, units are initially allocated in the Cash Feeder Fund. At the next quarterly pricing date all units allocated to the Cash Feeder Fund at least seven working days before that date are automatically switched into the 95% Safeguard Fund. Any units allocated less than seven working days before the next quarterly pricing date will remain allocated in the Cash Feeder Fund until the next but one quarterly pricing date.

(b) A request to switch out all units held under the Plan in the 95% Safeguard Fund will be deemed to include any units held at the time of the switch in the Cash Feeder Fund.

(c) Where a switch is requested from the 95% Safeguard Fund and there are also units of the Cash Feeder Fund held under the Plan:

- the percentage value (see section 5.4.2(b)) to be switched out of the 95% Safeguard Fund is applied to the aggregate value held under the Plan in both the 95% Safeguard Fund and the Cash Feeder Fund;
- except where the request is to sell all units held under the Plan in the 95% Safeguard Fund, the relevant amount will be sold from the Cash Feeder Fund. If the full amount cannot be met from the Cash Feeder Fund, the balance will be met by selling units of the 95% Safeguard Fund.

(d) Switches to and from the 95% Safeguard Fund are subject to the delays in buying and selling units as described in section 6.8.

6. How the investment funds are operated and priced

6.1 General

We and the external Fund Managers we appoint, look after a number of funds. We use these funds to calculate benefits under pension plans we issue, including Premier Transfers.

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 Plan by allocating units to that Plan from the funds selected. Although we may use the funds to meet our obligations under a Plan, the member has no legal or beneficial right either to any of the units or to any part of the funds (see also section 6.2).

We, or the external Fund Managers, invest each fund in the way set out in published descriptions of that fund. Our funds literature (which is available on request) gives more information on the funds and the external Fund Managers. We, or the external Fund Managers, 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 the member 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 his or her Plan.

6.2 Ownership of assets

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

We, or another company within the Prudential group, own all the assets of the Prudential investment-linked funds and the Prudential With-Profits Fund (which includes the With-Profits Fund) 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.

6.2.2 Externally-linked funds

All the assets of the underlying funds of external Fund Managers are owned by them. Any policies issued by them to enable us to offer externally-linked funds are owned by us. Any contracts involving external Fund Managers are with us. There is no contractual relationship between the external Fund Managers and the member.

6.3 Changes to funds

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

6.3.2 New funds

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

6.3.3 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:

(a) may include funds that are open only to a specified member or members; and/or

(b) may be different from investment-linked funds and the With-Profits Fund in the way that they are constituted, managed and priced.

6.3.4 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 sections 5.2, 5.3 and 5.4);

(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 5.4) investment options such as the Lifetime Investment Option (see section 5.2) and the Pension Protector Option (see section 5.3).

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.

6.3.5 Notice to members and replacement fund

We will exercise our power to close, merge, wind-up or withdraw a fund only for important legal or commercial reasons (for example, if a fund becomes too small for it to be cost-effective for us to operate that fund). We will act fairly and reasonably in the way that we do so, having regard to our duty to protect the interests of the member and other policyholders. Before we exercise this power, we will give the member advance notice if at that time:

- there are any units of the affected fund held under his or her Plan; or
- the Plan is invested in the affected investment option; or
- the affected fund or investment option is one of the principal features of Premier Transfers.

The notice period will be reasonable, taking into account all of the circumstances of the change.

We will seek the member's instructions for any amounts that need to be disinvested from the relevant fund. If we do not receive instructions within the time-scale specified in the notice, we will switch the units in the relevant fund either:

(a) to units of the fund that has the most similar investment objectives to the closed, merged, wound-up or withdrawn fund; or failing that

(b) to the Prudential Cash Fund.

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

6.4 Restriction on Prudential's liability

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

In particular, for an externally-linked fund or a fund that invests solely in funds operated by another company within the Prudential group (for example, unit trusts or OEICs operated by another company within the Prudential group), our liability is limited to the amount we can claim from the relevant company. So, for example, if the external Fund Manager or the other company within the Prudential group, were to become insolvent, we could only pay the amount, if any, which we could collect under the insolvency in respect of the units allocated to the Plan. In addition, we are not liable for any losses caused by the acts and omissions of the external Fund Manager in respect of its own fund and/or the externally-linked fund.

6.5 The investment-linked funds

Note: Sections 6.5.1 to 6.5.3 describe the operation of the investment-linked funds apart from the 95% Safeguard Fund. Unit prices for the 95% Safeguard Fund are described in section 6.6.

6.5.1 Valuation of fund assets

Investment-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 within the Prudential group) or an external Fund Manager, on all valuation issues is final.

The value of each Prudential investment-linked fund is determined by us or another company within the Prudential group. Each externally-linked fund is linked to an underlying fund operated by the relevant external Fund Manager. Each external Fund Manager values its own funds and then provides us with a unit price or prices (rounded in accordance with its own practices), which we use in valuing the corresponding externally-linked fund.

6.5.2 Fund values and unit prices

(a) Prudential investment-linked funds

The value of a Prudential investment-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 6.5.2(c)).

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

The decision regarding whether to value a fund using the purchase price or sale price of assets is normally taken at monthly intervals, but may be made at such other intervals as we, or the relevant company from within the Prudential group, shall determine. A change from a purchase valuation basis to a sale valuation basis or vice versa, can have a significant effect on the unit price, even though the market may appear relatively stable. In particular, a change from a purchase valuation basis to a sale valuation basis will reduce the unit price.

We, or the relevant company from within the Prudential group, also have complete 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 6.5.1, the external Fund Managers value their own underlying funds.

We base the value of each externally-linked fund on the unit price or prices supplied to us by the relevant external Fund Manager. Where the external Fund Manager provides unit prices based on both sale and purchase valuations of their underlying fund, we have discretion to choose the unit price on which to base the value of our externally-linked fund (including a unit price that lies between the values supplied by the external Fund Manager). The main factor we consider is whether more units are being credited to the fund than cancelled from it, as described in relation to Prudential investment-linked funds in section 6.5.2(a). Otherwise, the value of the externally-linked fund is based upon the single unit price supplied by the external Fund Manager.

Where the external Fund Manager provides a single unit price, the value of the external Fund Managers' underlying fund may be based on the sale or purchase price of assets. The basis used by the relevant external Fund Manager may be decided at daily intervals or such other intervals as determined by that 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 investment-linked funds (and/or the funds underlying the externally-linked funds), certain adjustments may be made to the fund value:

- to take account of the expenses of buying and/or selling assets;
- if the investment-linked fund is linked to a unit trust or an OEIC, to take account of the expenses of maintaining and operating that unit trust or OEIC;
- to take account of the expenses of maintaining and operating that investment-linked fund (for example, custodian fees or property management costs);
- to take account of the value of accrued investment income that has not yet been reinvested;
- to take account of changes in the value of underlying assets or units since their values were supplied to us; and/or
- to take account of a charge called a "dilution levy". This type of charge covers the cost of either buying assets (where more people are investing than disinvesting) or selling assets (where more people are disinvesting than investing). A dilution levy is not designed to make a profit, but to cover expenses.

In the case of some investment-linked funds, certain of the above expenses, if deducted, will be rebated back to the fund.

In the case of the investment-linked funds, the basic Fund Management Charge (see section 7.2) 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 within the Prudential group) or the external Fund Manager, will act in a fair and reasonable manner.

Asset valuations and unit price calculations are carried out with extreme care, but on some occasions mistakes may occur. If this happens, the unit price will normally be corrected once the mistake has been detected and it is our practice to do so in relation to Prudential investment-linked funds. 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 Fund Manager's control), we reserve the right not to correct the mistake retrospectively.

6.5.3 Calculation of unit prices

(a) Unit prices – general

Each investment-linked fund is divided into units.

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

- determined and adjusted as described in section 6.5.2; and
- divided by the number of units in issue (subject to any rounding).

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

(c) Single pricing

Irrespective of the basis of the fund valuation and/or rounding methods, the same unit price will be used for both buying and selling units on any day.

6.6 The 95% Safeguard Fund

The choice of investment-linked funds under the Plan can also include the 95% Safeguard Fund, which is described in our funds literature.

To facilitate investment in the 95% Safeguard Fund, there is also a Cash Feeder Fund: the Cash Feeder (95% Safeguard) Fund.

The 95% Safeguard Fund is valued quarterly by us (or another company within the Prudential group), on each quarterly pricing date. Between quarterly pricing dates, unit prices will be calculated by us (or another company within the Prudential group).

All amounts to be invested in the 95% Safeguard Fund, are initially allocated to units in the Cash Feeder Fund. At the next quarterly pricing date, all units allocated to the Cash Feeder Fund at least seven days before are automatically switched into the 95% Safeguard Fund. Any units allocated less than seven days before any quarterly pricing date will remain allocated in the Cash Feeder Fund until the next but one quarterly pricing date.

6.7 The With-Profits Fund

6.7.1 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 Premier Transfers 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.

The price of units in the With-Profits Fund will not fall, but see section 6.7.3 on the Market Value Reduction which can reduce the value in some circumstances.

For further details of our With-Profits Fund, see our With-Profits Fund literature which is available on request.

6.7.2 Bonuses

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

6.7.3 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 With-Profits Fund units are sold:

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

A Market Value Reduction is not applied when With-Profits Fund units are sold at the SRA, within the month leading up to the SRA or on earlier death.

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.

6.7.4 Partial encashments of units of the With-Profits Fund

Different rates of final bonus may apply to different investments in the With-Profits Fund, depending on when the investment was made. As such we have specific rules for the selection of units for sale, when selling some but not all units of the With-Profits Fund.

When selling some but not all units of the With-Profits Fund under a Plan, we select the units to be sold in accordance with either Basis (1) or Basis (2) set out below:

Basis (1): We sell those units which have been held for the shortest time, using the unit price for those units.

Basis (2): We calculate and use a unit price based on the total value of With-Profits Fund units held under the Plan, including the rate(s) of final bonus (if any) applicable to each separately made investment. We then sell a proportion of units from each separately made investment in the With-Profits Fund under the Plan.

We may alternatively use a combination of Basis (1) and Basis (2) (for example, we may in the first instance sell all of the units allocated in the current calendar year, and then sell units allocated in earlier years on a proportionate basis), or we may use another basis selected by us. In selecting the basis to use, we will act in a fair and reasonable manner.

6.8 Delays in buying, selling or switching units

6.8.1 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 the member 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 Fund Manager;
- where the need to make payments quickly could only be satisfied by selling a disproportionate amount of one type of asset, leaving too low a proportion of what is left invested in assets of that type.

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

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

6.8.2 Delay periods

We will not delay buying, selling or switching units for any longer than is reasonably necessary. In this respect, we limit the delay to a maximum of:

(a) six months in the case of units in Prudential investment-linked 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 Prudential investment-linked funds and the With-Profits Fund.

6.8.3 Notification to member

We will notify the member if a transaction requested by him or her is affected by a delay under this section 6.8. Our notice will set out any options open to the member. If appropriate, we will seek the member's alternative instructions for the transaction when we notify him or her of the delay.

6.8.4 Processing transactions affected by delays

The alternative instruction sought under section 6.8.3 will relate only to the funds to which the delay relates.

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

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

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

6.8.5 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.

6.8.6 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 the member expected and/or requested.

6.9 Current unit prices

Current unit prices for the investment-linked funds can be found on our website at www.pru.co.uk. Both bid and offer prices are currently shown on the website. Only the bid price, however, is relevant to Premier Transfers: units are both sold and bought at the bid price.

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

6.10 Unit prices used for transactions

Except for death benefits under section 10, the unit prices 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 1.6).

A delay in buying or selling units may, however, occur in the circumstances described in section 6.8, in which case later unit price dates will normally apply.

See the relevant sections of this Technical Guide for information on how and when we carry out each different type of transaction.

7. Annual Management Charges

7.1 General

7.1.1 Annual Management Charges and Fund Management Charges

There are separate Annual Management Charges that apply to each Plan.

The Annual Management Charge for each Plan is based on the basic Fund Management Charge for the selected investment fund(s). According to the terms agreed for the Plan, the Annual Management Charge may be the same as the basic Fund Management Charge or it may be the basic Fund Management Charge plus or minus a specified percentage.

Section 7.2 describes the ways in which we may deduct the basic Fund Management Charge.

Where the Annual Management Charge agreed for a Plan is not the same as the basic Fund Management Charge, we make an adjustment as described in section 7.3.

The Annual Management Charge initially applying to the Plan will be confirmed in the Key Features Illustration. However, the charge may change if the investment fund selection is altered.

7.1.2 Premier Group Transfer Plans

For Premier Group Personal Pension Plans and Premier Group Stakeholder Pension Plans, the Annual Management Charge is set at group level based on the investment strategy confirmed by the adviser for the group membership. If individual members want to invest in other funds, they can do so, subject to an individual Annual Management Charge adjustment, if appropriate.

7.1.3 Premier Stakeholder Plans

Charges for stakeholder plans are subject to a maximum percentage set in legislation. This maximum may be changed from time to time. Currently, the maximum percentage set in legislation in respect of a stakeholder plan is:

(a) for the first 10 years, a daily charge of 1/365th of 1.5% of the value of the units allocated to the plan; and

(b) thereafter, a daily charge of 1/365th of 1% of the value of the units allocated to the plan.

We, however, currently restrict the Annual Management Charge for Premier Stakeholder and Premier Group Stakeholder Transfer Plans to 1%. As a result of the maximum charge, some funds may not be available for Premier Stakeholder and Premier Group Stakeholder Transfer Plans.

7.2 Basic Fund Management Charge

Each time a fund is valued, we take the basic Fund Management Charge. This charge is calculated as a percentage of the value of units and varies according to the fund(s) selected. Details of the basic Fund Management Charges for the investment funds are set out in our current funds literature which is available on request.

For investment-linked funds, the basic Fund Management Charge may be taken in one of three ways as described below. The charge may be reflected in the price of units, or may be taken direct, by selling units, or a combination of these methods may be used.

Basis (i): On each valuation date, we will calculate the charge as a percentage of the value of the fund before the charge is taken, then multiply the percentage by the number of days since the fund was last valued and divide by 365. The charge is then deducted as part of the unit pricing process as described in section 6.5.2(c) and therefore reflected in the unit price for the fund.

Basis (ii): We will sell units allocated to the Premier Transfer to meet the charge, but the value sold for this purpose will not be greater than the charge that would have applied if Basis (i) had been used.

Basis (iii): The charge will be met using a combination (determined by us) of Basis (i) and Basis (ii). The total charge will not, however, be greater than the charge that would have applied if Basis (i) had been used.

If we decide to alter the charging basis for any fund, the total charge taken will not be greater than the published basic Fund Management Charge for the relevant fund.

For the With-Profits Fund, the daily price bonus takes account of the basic Fund Management Charge.

7.3 Adjustment to units where the Annual Management Charge is not the same as the basic Fund Management Charge

If the Annual Management Charge differs from the basic Fund Management Charge (averaged across the fund selection), the difference will be allowed for by an appropriate adjustment to the number of units allocated to the Plan. This adjustment will take place monthly and the process will depend on whether the Annual Management Charge for the Plan is greater or less than the published basic Fund Management Charge.

If the Annual Management Charge is greater than the basic Fund Management Charge, the appropriate number of units will be sold to cover the difference.

If the Annual Management Charge is less than the basic Fund Management Charge, the appropriate number of units will be bought.

The adjustment described above takes place on the monthly transaction date based on the value of units under the Plan and the unit price(s) at that date. Where, however, units are sold on a date other than the monthly transaction date (for example, to pay benefits or make a transfer-out) we take a proportionate unit deduction or make a proportionate rebate of units (as appropriate) on the date that the units are sold to cover the period since the previous monthly transaction date.

8. Unit allocation

Each transfer payment paid to a Plan results in a number of units being allocated to that Plan. We divide each transfer payment by the unit price(s) for the relevant date.

If a transfer payment is to be invested in more than one fund, we will allocate units to the chosen funds by first applying the proportions for the investment split to the total transfer payment and then dividing each portion by the unit price for the corresponding fund.

Unit price dates are determined as described in section 6.10.

Rounding adjustments may have a minor effect on values.

9. Member's pension and lump sum benefits

9.1 Selected Retirement Age (SRA)

The member specifies the SRA in the member application form.

Where the individual is a member of a Premier Group Personal Pension or Premier Group Stakeholder Pension, the SRA will match the SRA for the Premier Group Personal Pension or Premier Group Stakeholder Pension.

The SRA must be a birthday and must normally be in the range 55 – 75.

Until 5th April 2006, HMRC regulations allowed earlier SRAs for certain occupations. Since 6th April 2006, HMRC has no longer agreed special early retirement ages for these occupations, although individuals who already had these special retirement ages in place before that date will normally be allowed to keep them. People in other professions and occupations may not take benefits from their pension arrangements before age 55, except in the circumstances described in section 9.2.

The SRA is a date that the member picks as being the most likely time that he or she will wish to start benefits. It enables us to provide the member with relevant illustrations of benefits and to remind the member to claim his or her pension when that date approaches.

If the member chooses to start benefits on a date other than the SRA, a Market Value Reduction (MVR) (see section 6.7.3) may be applied to any money taken out of the With-Profits Fund.

The member can ask us to change the SRA at any time before he or she starts to draw benefits. If there are any units of the With-Profits Fund under the Plan, there must be at least three complete years between the date of change and the revised SRA. See also section 9.4.3(c) in relation to extending the SRA on reaching the original SRA.

9.2 Taking benefits before the SRA

It is possible to take benefits before the chosen SRA, from age 55 for SRAs in the range 55-75. It is possible to take benefits before age 55 if the member becomes permanently incapable of carrying out his or her normal occupation, or if the member is suffering from serious ill-health. If the member chooses to take benefits before the chosen SRA, a Market Value Reduction may apply in respect of investments in the With-Profits Fund (see section 6.7.3).

9.3 Phased pension benefits

Each Premier Transfer is set up as a series of arrangements, allowing members to take benefits gradually, rather than all at the same time. The transfer payment (apart from any protected rights) is spread evenly over 10,000 identical arrangements. Any protected rights benefits are set up as a single separate arrangement.

Each arrangement can be cashed in at different times, both separately and in blocks, in order to phase annuity purchase. When cashing in arrangements for annuity purchase, the minimum encashment at any one time is £1,000. Whole arrangements must be cashed in. The member must specifically request each encashment as and when it is required. There is no facility for automatic phasing of benefits.

A Market Value Reduction (MVR) may apply where units of the With-Profits Fund are sold (see section 6.7.3).

The initial number of arrangements will be confirmed as part of the Premier Plan reference number shown in the Transfer Certificate.

9.4 Choice of benefits

9.4.1 General

When a member wants to take benefits (see section 9.4.2), we will calculate the value of the selected arrangements to be cashed in for those benefits. The value is used to pay any lump sum benefit under section 9.4.4, 9.4.5 or 9.4.6. Any balance is then used to provide an annuity under section 9.4.7.

9.4.2 Choosing a pension date

The member can choose to take benefits either at the SRA or (subject to HMRC rules) on a date other than the SRA. A pension date can usually be before, at or after the SRA, but not later than the 75th birthday.

The member does not have to retire from work to take benefits from a Plan.

Taking benefits on a date that is not the SRA may result in the application of a Market Value Reduction under section 6.7.3, where investments in the With-Profits Fund are concerned.

9.4.3 Selling units for benefits/annuity purchase and switch to the Prudential Cash Fund

(a) Switch to Prudential Cash Fund before pension date

When the member tells us to cash in arrangements for benefits, we will (subject to any delays under section 6.8) switch all units allocated to the arrangements into the Prudential Cash Fund, but no sooner than a month before the pension date chosen under section 9.4.2.

(b) Selling units to provide benefits and/or purchase an annuity

On the date that we have received all of our requirements for paying the benefits and/or setting up an annuity (or treat them as having been received under section 1.6), we sell the units in the Prudential Cash Fund, and the total amount raised is used to pay the benefits and/or purchase an annuity. A later unit price date may apply if there is a delay under section 6.8.

(c) Changing the SRA and switch to the Prudential Cash Fund

(i) If the member decides not to take benefits at the SRA, he or she can choose a new SRA. If there are investments in the With-Profits Fund, the new SRA must be at least three complete years later, otherwise the new SRA must be at least one complete year later than the original SRA.

(ii) If the member reaches the SRA, but does not take benefits and does not ask us for a new SRA, the following will happen:

- One month after the SRA, using the unit prices for the SRA, we will automatically switch all units to the Prudential Cash Fund. The member can subsequently switch investments from the Prudential Cash Fund to funds of his or her own choice (other than the With-Profits Fund) under section 5.4.
- We will automatically change the SRA to the member's 75th birthday.

9.4.4. Pension commencement lump sum (tax-free cash)

When applying for a pension under section 9.4.7, the member may choose to receive part of his or her benefits as a tax-free pension commencement lump sum (sometimes called tax-free cash). 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 the member from all registered pension schemes under which he or she has (or had) benefits, exceed 25% of the available standard lifetime allowance applicable at the time entitlement to the lump sum arises;
- may only be paid if all or part of the member's personal lifetime allowance is available; and
- must be paid within 12 months following the date on which entitlement to the lump sum arose.

Entitlement to the lump sum arises on the date we have received all of our requirements to pay the benefits and/or set up the annuity, as described in section 9.4.3(b).

A larger lump sum will be available where the member has transferred benefits from an occupational pension scheme, under which he or she was, at 5th April 2006, entitled to a lump sum of more than 25% of the value of his or her benefits.

9.4.5 Commutation lump sum

It may be possible for the member to receive his or her entire benefit as a commutation lump sum. Such a lump sum can only be paid if:

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

9.4.6 Serious ill-health lump sum

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

If there are any protected rights under the Plan and the member is married or in a civil partnership at the time the serious ill-health lump sum is paid, we must keep back 50% of the value of the protected rights to buy a pension for the spouse or civil partner.

Note: The distinction between protected rights and benefits which are not protected rights is to be abolished with effect from 6th April 2012. As such, this special requirement will no longer apply from that date.

9.4.7 Pension

(a) General

The rest of the Plan value (after payment of any pension commencement lump sum) must be used to provide a pension. The pension is usually secured through buying an annuity either with us or another insurance company (see sections 9.4.7(b) and (d)) or it may be provided in the form of income payments (see section 9.4.7(e)).

(b) Pension bought through an annuity with us

The annuity can be in the form most suited to the member's requirements at that time, subject to the options then available.

Once an annuity has been set up, the basis cannot normally be altered.

(c) Protected rights pension – special requirements

Any protected rights pension must be purchased using unisex annuity rates and must normally continue at half-rate for a spouse or civil partner following the member's death. However, if the member is neither married nor in a civil partnership when the pension is bought, the protected rights pension can be bought on a single life basis (i.e. no spouse's or civil partner's benefit).

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

(d) Buying benefits outside Prudential

If the member does not wish to buy an annuity with us, or convert the Plan to an income drawdown plan with us (see section 9.4.7(e)), the total value of the Plan can instead be transferred-out, in accordance with section 12, to another registered pension scheme. The chosen registered pension scheme would then provide the pension commencement lump sum (tax-free cash) and pension.

There is also an "open market option". With the open market option, we pay the pension commencement lump sum and the balance of the Plan value is paid to another pension provider chosen by the member to secure the pension through an annuity.

(e) Income drawdown

The entire value of the relevant arrangement(s), before payment of any pension commencement lump sum (tax-free cash) can be transferred either to a Pru Flexible Retirement Plan or to another registered pension scheme for income drawdown purposes.

This option allows the member to retain control of the retirement fund and may be suitable for those who have substantial retirement funds.

Full details of the requirements and other terms and conditions of the Pru FRP Income Drawdown Plan are set out in the Pru Flexible Retirement Plan – Income Drawdown Option Technical Guide (IPPB6373).

10. Death benefits

10.1 General

If the member dies before taking benefits under section 9 or a transfer-out under section 12, the value of the Plan is paid as a lump sum and/or pension as described in section 10.2. Certain regulatory restrictions on contracted-out benefits may require dependants' pensions to be bought with some or all of the Plan value.

Before we calculate the value of the Plan, sell units and pay or set up any death benefits, we must receive notification of the member's death in a form and from a source acceptable to us.

All lump sum death benefits count towards the member's personal lifetime allowance and any lifetime allowance charge must be paid by the recipient(s).

10.2 Death benefits from value of units

10.2.1 General

In the event of death before the SRA, the value of the Plan is calculated. Subject to any delays under section 6.8, we calculate the value of units using the unit price(s) for the date of the member's death (or the next working day).

No Market Value Reduction will apply under section 6.7.3.

10.2.2 Benefits other than protected rights

The value of any Plan that is not protected rights will normally be payable as a lump sum in accordance with section 10.3.1 Alternatively, the money can be used to provide dependants' pensions, if required.

10.2.3 Protected rights benefits

If, at the date of the member's death, there is a spouse or civil partner, the value of any protected rights must be used to provide a pension (payable immediately). If there is no spouse or civil partner, the value must be paid as a lump sum as set out in section 10.3.2.

Note: The distinction between protected rights and benefits which are not protected rights is to be abolished with effect from 6th April 2012. As such, this special requirement will no longer apply from that date.

10.2.4 Commutation lump sum death benefit

We may pay a commutation lump sum death benefit instead of a dependant's, spouse's or civil partner's pension payable under sections 10.2.2 and 10.2.3.

Such a lump sum can only be paid if the value of the dependant's, spouse's or civil partner's pension does not exceed £18,000. The Government may increase this amount from time to time.

10.3 Payment of lump sum death benefits to beneficiaries

10.3.1 Lump sums from benefits other than protected rights

Any such lump sum death benefits will normally be payable at our discretion to one or more of the beneficiaries specified in the Rules of the Prudential (SAL) Personal Pension Scheme or Prudential (SAL) Stakeholder Scheme. The beneficiary or beneficiaries are selected by Prudential, exercising the discretionary powers given by the Rules of the relevant Scheme. We ask the member to complete Nomination of Beneficiary details to give us guidance on preferred beneficiaries but this nomination is not binding on us.

The member should ensure that his or her nominations are updated as circumstances change.

The exercise of our discretionary powers is important for inheritance tax purposes (see section 11.2).

10.3.2 Lump sums from protected rights

Where protected rights do not have to be paid as a pension, the value of the protected rights is paid out as a lump sum. We will pay the sum to any person or persons as specified in writing to us by the member before his or her death. In the absence of any written directions from the member, we must pay the money to his or her estate. As we are obliged to make payment either in accordance with written directions or to the estate, there is no exercise of discretion (see also section 11.2).

10.3.3 Time limit

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

11. Taxation

11.1 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 pension scheme is unable to recover the tax credit on the dividend.

11.2 Benefits

- All pensions are taxable as earned income.
- Pension commencement lump sums are tax-free.
- Tax will be paid on at least part of a commutation lump sum.
- A serious ill-health lump sum will normally be tax-free.
- Lump sum death benefits (other than lump sum death benefits arising from protected rights) are payable under Prudential's discretionary powers included in the Rules of the relevant Scheme and are normally free of inheritance tax.
- Lump sum death benefits arising from protected rights may be subject to inheritance tax, depending on the value of the member's estate on death.
- A commutation lump sum death benefit will be taxable as income.
- A tax charge of at least 55% of the payment applies to any lump sum death benefit that is not paid within two years of the date that we are first notified of the member's death. The tax charge is deducted from the payment.
- All benefits (excluding any spouse's, civil partner's or dependant's pensions under section 10.2) count towards the member's personal lifetime allowance and a lifetime allowance charge may be payable by the recipient(s).

12. Transfers-out

12.1 General

At any time before the member takes benefits under section 9, he or she can have the value of one or more complete arrangements under his or her Plan(s) transferred-out to another registered pension scheme or an overseas pension scheme that meets certain HMRC requirements.

The member will be required to sign certain forms to authorise the transfer-out.

In all cases:

- the money must be transferred to provide pension and other related benefits under the receiving scheme;
- we will need to ensure that the receiving scheme is legally able to accept the transfer; and
- the transfer cannot take place until the requirements of both schemes have been satisfied.

Transferring is a very complex area and the member is strongly recommended to seek financial advice before making any transfers-out. We will not pay for, nor reimburse the member or any other person for, the costs of any such advice.

12.2 Sale of units for a transfer-out

Unless there is a delay under section 6.8, units are sold at the unit prices available on the working day next following the day we treat a request for a transfer-out together with all necessary authorities and information as having been received by us, as explained in section 1.6.

When selling units under some but not all arrangements under a Plan to make a transfer-out, units are sold proportionately across all funds in which units are then held under that Plan.

The value realised must be paid direct to the receiving scheme or the provider of that scheme. If the member chooses to transfer-out on a date other than the SRA, a Market Value Reduction may be applied to any money taken out of the With-Profits Fund (see section 6.7.3).

Where there is a delay under section 6.8, the sale of all units under the Plan(s) which is being cashed in, will be delayed until the working day after the delay has ended. The unit prices for the deferred transaction will be those applying at the end of the period of deferment, unless we believe that in the particular circumstances that it would not be fair to policyholders in general.

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

13.1 Amendments requested by member

The member can ask us for his or her Plan(s) to be amended. Any such amendment is subject to our agreement.

13.2 Amendments by Prudential

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

(a) Subject to section 13.2(b), we can make changes to any Plan and/or to the terms and conditions set out in this Technical Guide, providing we give the member reasonable notice in advance and obtain his or her consent.

(b) We can add to, amend, modify or set aside any of the terms and conditions set out in this Technical Guide without the member's consent in the following circumstances:

- if it becomes impossible or unreasonable to follow them because of a change in legislation, regulations or otherwise;
- if circumstances have changed in a way which could not have reasonably been predicted at the start of a Plan;
- if we have given the member reasonable notice, and if the addition, amendment, modification or setting aside is reasonable;
- if the basis on which any company from within the Prudential group is taxed changes, and then we can only change the Plan in such a way that the balance between the member and us has remained as it was before the change;
- if we discover the payments to the Plan do not relate to pension business in the way described in section 431B of the Income and Corporation Taxes Act 1988 (as amended). See also section 20.2;
- if we do not have a current address for the member, which will mean that we cannot contact the member to provide the written notification of a proposed amendment that we would otherwise have given in terms of this Technical Guide.

Except where it is impracticable to do so, we will always notify the member of any changes that we have made under this section 13.2(b).

If the member (or dependant, if appropriate) is unhappy with any changes, he or she should contact us in accordance with section 19.

(c) Additional terms and conditions regarding changes to the funds are set out in sections 5.2.7, 5.3.3, 6.1, 6.3.1, 6.3.4 and 6.3.5.

14. Changes to limits and charges

From time to time, we may change the limits and charges in this Technical Guide. We may also introduce charges for making switches between funds under sections 5.2, 5.3 and 5.4, and we may introduce or increase charges if a charge is imposed on us under the Financial Services Compensation Scheme (FSCS) (or any other investor compensation scheme) as described below and in section 20.3.

Changes to limits may be necessary to take account of inflation or other factors which affect the running of our business. We will keep any increases to charges or new charges to reasonable amounts, reflecting any increases in our reasonable costs for operating the Premier Transfer and/or the Scheme(s). This may happen, for example:

- if any external Fund Manager or other company that performs any administrative or investment function on our behalf, increase the charges that we pay them; or
- if we experience an increase in the general administrative costs that we incur in operating the Plan and/or the Scheme(s); 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 FSCS (or any other investor compensation scheme); or
- if we discover that payments to the Plan do not relate to pension business in the way described in section 431B of the Income and Corporation Taxes Act 1988 (as amended). See also section 20.2.

We will give the member (or dependant, if appropriate) reasonable advance notice in writing, if we make any change to limits or charges described in this Technical Guide or if we introduce any new charges. If the member (or dependant, if appropriate) is unhappy with any changes, he or she should contact us in accordance with section 19.

15. Yearly statements

There are legal requirements – the "disclosure regulations" – on the provision of information about pension plans. We meet these requirements and give additional information automatically. This helps the member to track the progress of his or her investment.

We provide yearly benefit statements. These statements show total payments paid in the last year (or, if less, since the start of the Plan), the current value(s) and projected value(s) of the Plan. We send the statements automatically to members, or the adviser can ask for the statements to be issued via him or herself.

16. Divorce and dissolution

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 "split" under a pension sharing order – with a transfer being made to a plan in the ex-spouse's or ex-civil partner's name.

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.

We may charge for providing information needed in the discussions leading to earmarking and pension sharing orders, to comply with implementation of the orders. We will tell the member (and/or his or her 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.

Any member whose benefits are affected by an earmarking or pension sharing order should seek advice from his or her financial adviser to ensure that the impact on the benefits is properly assessed. We will not pay for, nor reimburse the member or any other person for, the costs of any such advice.

17. Assignment, forfeiture and bankruptcy

17.1 Assignment and forfeiture

The benefits under a Premier Transfer should not be assigned or forfeited, except that:

- annuity payments which continue to be paid during a guaranteed period, to an annuitant's estate after his or her death, may be assigned in the annuitant's will, or as part of the distribution of the annuitant's estate;
- pension sharing on divorce or dissolution as described in section 16 is permitted; and
- benefits may be forfeited to the extent permitted by sections 273 to 278 of the Proceeds of Crime Act 2002.

17.2 Bankruptcy

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

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

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

18. Governing law

Premier Transfers are governed by the law of Scotland.

19. Complaints

We want to know about any disputes or complaints as soon as possible. If the member or dependant (as appropriate) has any disputes or complaints, he or she should contact us in the first instance at the address shown in section 1.9.

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

- The Financial Ombudsman Service (FOS). Its address is:
  South Quay Plaza
  183 Marsh Wall
  London
  E14 9SR
  Telephone: 0845 080 1800

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

- The Pensions Advisory Service (TPAS). Its address is:
  11 Belgrave Road
  London
  SW1V 1RB
  Telephone: 0845 601 2923

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

- The Pensions Ombudsman (PO). Its address is:
  11 Belgrave Road
  London
  SW1V 1RB
  Telephone: 020 7630 2200

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

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

20. Other information

20.1 Long-term business

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

20.2 Pension business

Premier Transfers are classed as pension business under section 431B of the Income and Corporation Taxes Act 1988 (as amended). Payments made to any Plan 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 this requirement, we may modify the terms of the Plan under sections 13 and/or 14 in whatever way is necessary to ensure that HMRC does not tax any of the investment funds or does not impose any penalty on us. If such modification is necessary, we will notify the member and provide full details of the changes.

20.3 Compensation schemes

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

Further information is available from:

The Financial Services Compensation Scheme
7th Floor
Lloyds Chambers
1 Portsoken Street
London
E1 8BN
Telephone: 0800 678 1100 or
0207 741 4100
Website address: www.fscs.org.uk

Policyholders, including the member or dependant (as appropriate), are not protected by the FSCS against the insolvency of other companies within the Prudential group or an external Fund Manager.

This means that the FSCS does not provide protection:

- for Prudential investment-linked funds which are 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);
- for externally-linked funds.

However, it should be noted that the money policyholders invest in 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 Fund Manager becomes insolvent and we cannot recover the full value of the units, Prudential will not be liable for the shortfall.

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

20.4 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
Telephone: 0845 600 2537

20.5 Contracts (Rights of Third Parties) Act 1999

The member and any dependant have directly enforceable rights against us in respect of the benefits under this Technical Guide to which they are or become entitled. Subject to this, nothing in this Technical Guide confers or purports to confer on any third party any benefits or any right to enforce any term or condition set out in this Technical Guide pursuant to the Contracts (Rights of Third Parties) Act 1999.

21. Meanings of special words and expressions

The words and expressions explained in this section 21 are shown in red throughout this Technical Guide.

Cash Feeder Fund: This is the Cash Feeder (95% Safeguard) Fund, which is used to facilitate investment in the 95% Safeguard Fund, as described in section 6.6.

Civil partner: A registered same-sex civil partner.

Dependant: This is:

- the member's spouse, civil partner and/or children under the age of 23; or
- any person who was, in our opinion, financially dependent or interdependent on the member at the date of his or her death; or
- a person who was, in our opinion, dependent on the member at the date of his or her death due to physical or mental impairment.

External Fund Managers and externally-linked funds: External Fund Managers 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 Fund Managers 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 Premier Transfers. These funds are called externally-linked funds. The externally-linked funds are investment-linked funds.

As set out in section 6.3, 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.

HMRC: Her Majesty's Revenue & Customs.

Investment-linked fund(s): These pension funds are the Prudential investment-linked funds and the externally-linked funds. For the avoidance of doubt, the With-Profits Fund is not an investment-linked fund. The 95% Safeguard Fund is an investment-linked fund, but is, as described in section 6.6, valued and priced differently from other investment-linked funds.

Lifetime allowance charge: This is a tax charge that applies if, when the member takes benefits from the Plan, the value of those benefits exceeds the member's available personal lifetime allowance. 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%. When testing the benefits against the member's personal lifetime allowance, the value of benefits previously taken from the Plan or from any other registered pension scheme, will be taken into account.

Monthly transaction date: This is the date each calendar month on which any adjustment to units to meet the Annual Management Charge is made under section 7.3. The monthly transaction date will normally fall on the same day of the month as the relevant 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. The first monthly transaction date falls in the first calendar month next following the relevant date, and subsequent ones then fall monthly thereafter.

Occupational pension scheme: An employer-sponsored registered pension scheme (i.e. not a grouped personal pension arrangement).

OEIC: An open-ended investment company. Some of the funds available under Premier Transfers may invest in OEICs.

Pension credits 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 Plan; 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 Plan, the ex-spouse or ex-civil partner may become a member 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 a Premier Transfer.

Pension date: This is the date that the member selects under section 9.4.2 as being the date when he or she actually wants to start benefits under section 9. It may, but does not have to be, the same as the SRA, as explained in section 9.4.

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. Conversely, the personal lifetime allowance may be a lower amount where the member had a protected early pension age at 6th April 2006.

Whenever benefits come into payment, the value of those benefits is tested against the member's available personal lifetime allowance (or at age 75, if later). Before paying any benefits, we will also need evidence of any percentage of the standard lifetime allowance that has already been used in providing benefits. If, at that time, the member's personal lifetime allowance is different from the standard lifetime allowance, we will also need evidence of the actual personal lifetime allowance.

If the member's personal lifetime allowance is exceeded, the excess benefits will be subject to a lifetime allowance charge.

It is the member's responsibility to keep a record of the percentage of the standard lifetime allowance that has been used in providing benefits.

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

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

Protected rights: Benefits resulting from transferring any contracted-out benefits from previous pension schemes or pension arrangements to a Premier Transfer. See section 4 for more information.

Prudential: The Prudential Assurance Company Limited, which is a member of the Prudential group.

Prudential Cash Fund: The investment-linked cash fund from the Prudential fund range offered under Premier Transfers (including any successor fund).

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

Prudential investment-linked fund(s): These are investment-linked funds that are managed by companies within the Prudential group.

Quarterly pricing date(s): These are relevant to the 95% Safeguard Fund (see section 6.6) and are the FTSE 100 index futures expiry days set by the London International Financial Futures Exchange, or its successor market. These dates are expected to be the third Friday in the months of March, June, September and December.

Registered pension scheme: A pension scheme that is registered with HMRC under Chapter 2 of Part 4 of the Finance Act 2004. Registration gives the pension scheme various tax advantages in respect of payments, investments and benefits.

Relevant date: The later of the date we get the cheque for the transfer payment and the date we have all the documentation and details we need, from the member and the paying scheme or administrator, to meet our contractual and legal requirements. We need this information before we can invest the transfer payment.

If we are not open for business on the day determined in the way described above, the relevant date will be the next working day following that day.

95% Safeguard Fund: This is the investment-linked fund described in section 6.6.

SRA: Selected Retirement Age. This is the date selected by the member at the start of a Plan, as the date that he or she expects to start retirement benefits. Its importance is explained in section 9.1.

Standard lifetime allowance: There is a limit on the total value of the 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.

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

Tax year: The period starting on 6th April each year and ending on 5th April in the following year.

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

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

If the member has built up pension savings before 6th April 2012 when the standard lifetime allowance is being reduced, he or she can apply for fixed protection to protect him or her from the lifetime allowance charge. This protection is available to individuals who expect their pension savings to be more than £1.50 million when they come to take their benefits. The member will be able to apply to HMRC for this protection until 5th April 2012. If a member has fixed protection there are restrictions on what he or she is able to do with his or her benefits. If the member would like further information on fixed protection, he or she can contact us. This is a very complex area and the member is strongly recommended to seek financial advice when considering applying for fixed protection. We will not pay for, nor reimburse the member or any other person for, the costs of any such advice.

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

- The value of each investment-linked fund is divided into equal parts, and each part is called a unit.
- A unit of the With-Profits Fund is a record of a payment made into that fund together with any element of regular bonus subsequently added to that payment.

Unit price: Units in the funds are bought and sold at the unit price. The way we calculate the unit prices for each type of fund is described in section 6.5 (for the investment-linked funds) and section 6.7 (for the With-Profits Fund).

Working day: Any day that Prudential is open for business. This excludes:

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

The value of an investment may fluctuate and is therefore not guaranteed. Information in this Technical Guide is based on Prudential's understanding of legislation as at December 2011. Legislation, particularly relating to taxation, may be subject to change in the future. Any tax reliefs referred to are those currently available and the value of tax reliefs depends on individual circumstances. If an investment is in the Prudential With-Profits Fund and Plan benefits are cashed in early, a Market Value Reduction (MVR) may apply.

PRUDENTIAL

www.pru.co.uk

PENB6590 12/2011