

Technical Guide

Premier Personal and Stakeholder Pensions – PENB6591

Contents

1. Introduction	4
2. Eligibility and membership	6
3. Contributions	7
4. Contracting-out	10
5. Investment options	11
6. How the investment funds are operated and priced	18
7. Annual management charges	24
8. Unit allocation	26
9. Member's pension and lump sum benefits	26
10. Transfers-out	30
11. Death benefits	30
12. Taxation	32
13. Amendments to the Plan and/or to the terms and conditions set out in this Technical Guide	33
14. Changes to limits and charges	34
15. Yearly statements	34
16. Divorce and dissolution	35
17. Assignment, forfeiture and bankruptcy	35
18. Governing law	36
19. Complaints	36
20. Other information	37
21. Meanings of special words and expressions	38
Waiver Cover Appendix	41

➤ 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 Stakeholder Pension;
- Premier Group Stakeholder Pension;
- Premier Group Personal Pension; and
- Premier Personal Pension – increases to regular contributions and "non-advised" single contributions only.

The term Premier Pension is used in this Technical Guide to refer to terms affecting all of these contracts. Where a term does not apply to all the contracts, the ones affected will be named.

Our Technical Guide Supplement (PENB6592) gives additional information on the Premier Group Personal Pension and the Premier Group Stakeholder Pension. There is also a separate Premier Transfer Plan Technical Guide (PENB6590).

1.2 The Member's Plan and the Schemes

1.2.1 General

On acceptance of the member's application, we set up a Plan for the member as follows:

- Premier Personal Pensions and Premier Group Personal Pensions are set up under the Prudential (SAL) Personal Pension Scheme.

Where, however, a member of the Prudential (M&G) Personal Pension Scheme takes out a Premier Personal Pension, the Plan will be set up under the Prudential (M&G) Personal Pension Scheme.

- Premier Stakeholder Pensions and Premier Group Stakeholder Pensions are set up under the Prudential (SAL) Stakeholder Scheme.

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

The Prudential (SAL) Personal Pension Scheme and the Prudential (M&G) Personal Pension Scheme have been set up under trust documentation which adopted Rules. Prudential is the Trustee of these Schemes. 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 these Schemes.

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. Every effort has been made to ensure that the descriptions in this Technical Guide are consistent with the Rules. However, in the event of any conflict between information in this Technical Guide and the Rules, the Rules will override this Technical Guide.

1.2.2 Premier Personal Pension

This Technical Guide only covers increases to regular contributions and "non-advised" single contributions paid by or in respect of Premier Personal Pension members.

Sections 3.5, 3.6 and 4.1 explain that Premier Personal Pension members can pay "advised" single contributions, transfer payments or contract-out under a Pru Flexible Retirement Plan.

Note: "non-advised" single contributions are single contributions that have not been arranged on the advice of a financial adviser.

"advised" single contributions are single contributions that have been arranged on the advice of a financial adviser.

1.2.3 Premier Group Stakeholder Pension and Premier Group Personal Pension

With effect from 27th September 2002, no new groups can be set up under the Premier Group Stakeholder Pension and Premier Group Personal Pension unless we agree otherwise. New members may, however, continue to be accepted to Premier Group Stakeholder Pensions and Premier Group Personal Pensions set up before that date.

1.2.4 Members of the Prudential (SAL) and Prudential (M&G) Personal Pension Schemes

Members of the Prudential (SAL) Personal Pension Scheme or the Prudential (M&G) Personal Pension Scheme who wish to invest "non-advised" single contributions must do so via the Premier Personal Pension. Members of the Prudential (SAL) Personal Pension Scheme or the Prudential (M&G) Personal Pension Scheme who wish to invest "advised" single contributions must do so via the Pru FRP Personal Pension Plan. This is because their existing Prudential personal pension plans are not open for single contributions.

1.3 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 application 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).

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

1.4.1 General

A number of sections in this Technical Guide refer to the effective dates used for transactions, notices and requests once we have all of the information and other items (including payments) that we need from the 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 1.4.2, we normally treat any notice, request, information or items as being received on the **working day** that we receive it at our office. If the day we receive these items is not a **working day**, we will treat them as having been received on the next **working day**.

1.4.2 E-mailed or faxed switch requests.

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

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

Note: The only transaction 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.

1.4.3 Effective date where multiple items are required

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

1.5 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.

1.6 Payments from the Schemes

All payments from the relevant Scheme will be made from our administration office. Payments are made by cheque unless we agree to a different payment method in any particular case. Where a different payment method is agreed, additional banking and/or administrative charges may be payable by the 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.

› 2. Eligibility and membership

2.1 Eligibility

2.1.1 General

Subject to section 2.1.2, contributions can be accepted to a Premier Pension by or in respect of any individual who:

- (a) is aged 16 or over, but under age 75; and
- (b) either
 - › has relevant UK earnings (as defined by HMRC – broadly, earnings from employment, or income earned direct from a trade or profession) chargeable to income tax for the **tax year** in which the contribution is paid; or
 - › is resident or ordinarily resident in the UK at some time in the **tax year** in which the contribution is paid; or
 - › was resident in the UK at some point during the five **tax years** preceding the **tax year** in which the contribution is paid. In this case, the individual must have been a UK resident when he or she started the Premier Pension; or
 - › is a Crown Servant or the spouse or **civil partner** of a Crown Servant.

2.1.2 Premier Personal Pension

This Technical Guide only covers increases to regular contributions and "non-advised" single contributions paid by or in respect of Premier Personal Pension members.

2.1.3 Concurrent membership

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

The member needs to be aware, however, that contributions to all **registered pension schemes** count towards the **annual allowance**. Also the value of the member's 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 Certificate of Membership. 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 Premier Pension.

› 3. Contributions

See the Technical Guide Supplement (PENB6592) for further details on Premier Group Personal Pension and Premier Group Stakeholder Pension

3.1 General

3.1.1 Contribution types

Regular contributions must be paid monthly or yearly. In addition, provided that we are continuing to accept new business under Premier Pensions, regular contributions can be increased and single contributions can be paid.

Transfer values can also be accepted from other **registered pension schemes** (provided that we are continuing to offer Premier Transfers). See our Premier Transfer Plan Technical Guide (PENB6590) for details.

See also section 3.1.4 which explains that the Premier Personal Pension and Premier Transfer Plan are partially closed to new payments.

3.1.2 Employer contributions

Employers can contribute to their employees' Premier Pensions, but do not have to. Employers may also arrange for the payment of members' contributions.

If the employer and the member are paying regular contributions to the same Plan, the regular contributions must be on the same basis, i.e. both contributions must be level amounts or both on an indexed basis. Indexed contributions are available for Premier Personal Pension and Premier Stakeholder Pension, but not for Premier Group Personal Pension or Premier Group Stakeholder Pension.

3.1.3 Certificate of membership

The payment details are confirmed in Certificates of Membership and other information we send to the member.

3.1.4 Premier Personal Pension

Premier Personal Pension members can increase their regular contributions (see sections 3.3 and 3.8.4). Alternatively, Premier Personal Pension members can pay increases to regular contributions to a Pru FRP Personal Pension Plan.

Premier Personal Pension members can pay "non-advised" single contributions to their Plans (see sections 3.5 and 3.8.4). Premier Personal Pension members who wish to invest "advised" single contributions can do so via the Pru FRP Personal Pension Plan.

Note: We reserve the right to refuse a "non-advised" single contribution. If we refuse a "non-advised" single contribution, we will give the member details of the reason(s) for refusing the payment at the appropriate time.

From 31st January 2006 transfer payments for Premier Personal Pension members can no longer be accepted under the Premier Transfer Plan (see section 3.6). Premier Personal Pension members who wish to invest transfer payments can do so via the Pru FRP Personal Pension Plan.

Payments to the Pru FRP Personal Pension Plan are subject to the minimum payment amounts for that contract. See our Pru Flexible Retirement Plan - Personal Pension Option Technical Guide (IPPB6369) for details.

3.2 Regular contributions

Any regular contributions are expressed as a specified amount. The member decides on the contribution basis and confirms this in the application sent to us to set up the Plan. Any employer contribution (agreed with the employer) will also be confirmed in the application or other form we agree.

The member's regular contributions are paid "net" of basic rate tax (see section 12.1). If the basic tax rate changes, the "net" amount payable by the member will change likewise. Employer contributions must always be the full "gross" amount that the employer has agreed to pay (see section 12.1).

If regular contributions are payable by Direct Debit Instruction, the amounts collected stay the same unless:

- › the member and/or the employer (as appropriate) instruct us (in a form acceptable to us) to collect a different amount;
- › automatic indexation applies (see section 3.4); or
- › the basic rate of tax changes with a corresponding change to the "net" amount of any regular contributions payable by the member.

There are legal requirements on monitoring the payment of regular contributions to all pension plans where the payment comes from or via an employer – to help ensure greater protection of pension savings. As such, we will ask for details of the reasons for any missing expected regular contributions where these come from or via an employer.

The expected contribution amounts against which we monitor are the amounts shown in the application form, subject to any changes made under sections 3.3 and 3.4.

3.3 Changes to regular contribution rates

Regular contributions can, on written request to us, provided that we have not closed the relevant type of Premier Pensions to new contributions, be increased at any time.

It is also possible to reduce or to stop paying regular contributions on either a temporary or permanent basis. Employer and member contributions can be reduced or stopped independently of each other, provided that there is no infringement of the contract of employment or employment law.

There is no charge for increasing, reducing or stopping contributions.

Where regular contributions are reduced, we reserve the right to refuse contributions below the minimum amount set out in section 3.8.

3.4 Automatic indexation

Automatic indexation is available under Premier Stakeholder Pensions and Premier Personal Pensions only. It is not available under Premier Group Stakeholder Pensions or Premier Group Personal Pensions.

Regular contributions can increase automatically each year. The member decides the rate of increase. This can be any fixed rate between 5% and 15% each year (whole percentages only) or in line with the **National Average Earnings Index** (subject to a maximum increase of 15%). The rate chosen will be confirmed in the information that the member receives with the Notice of the Right to Cancel the Plan. Automatic indexation will normally start on the "indexation date" – the anniversary of the first payment date. However, if we agree, the member can pick a different yearly date.

Where the selected rate of increase is the **National Average Earnings Index**, the rate used will be the yearly **National Average Earnings Index** figure for the 12 month period ending four months before the indexation date (subject to a maximum of 15%).

The regular contributions payable (except any which will then have been paid for less than six months) will then be increased on the indexation date each year.

If automatic indexation is chosen, any employer's contribution must have the same indexation rate as the member's contribution and increase on the same indexation date as applies for the member's contribution.

The member can change the indexation rate by giving us at least six months' notice. Any change to the rate would apply to both the member contributions and any employer contributions.

If, in any year, the member decides not to index contributions, no further indexation increases will normally take place. However, with our agreement, automatic indexation may be restarted. Although no charge is currently made on restarting, we do reserve the right to introduce a charge (see section 14 for further details).

We reserve the right to apply different terms to an automatic increase, but these terms will be no less favourable than those applying at that time to new members.

Automatic indexation can be added or removed at any time by written request.

3.5 Single contributions

Single contributions are one-off payments that are not part of an agreed series of regular contributions.

Single contributions can be paid at any time. Normally, any single contributions must be paid by cheque. Any other payment method must be agreed in advance with us.

Like regular contributions, the member pays any single contributions "net" of basic rate tax relief (see section 12.1).

As set out in section 3.1.4, Premier Personal Pension members can pay "non-advised" single contributions to their Plans (see section 3.8.4). Any "advised" single contributions can be invested in a Pru FRP Personal Pension Plan, if the minimum contribution amounts for that contract are met. See our Pru Flexible Retirement Plan – Personal Pension Option Technical Guide (IPPB6369) for details.

3.6 Transfer payments

Transfer payments can be accepted under the Premier Transfer Plan from other **registered pension schemes**. The Premier Transfer Plan can accept:

- › transfer payments in respect of a member of a Premier Stakeholder Pension; and
- › individual transfer payments in respect of a member of a Premier Group Stakeholder Pension or Premier Group Personal Pension.

See our Premier Transfer Plan Technical Guide (PENB6590) for details.

With effect from 31st January 2006, transfer payments for Premier Personal Pension members and for other individuals who want to set up a transfer plan on an individual personal pension basis, can no longer be accepted under the Premier Transfer Plan. Transfer payments on an individual personal pension basis can, however, be accepted under 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.

3.7 Payment methods

Normally, regular contributions are payable by Direct Debit Instruction and single contributions by cheque. Any other payment method must be agreed in advance with us.

If both the member and the employer are making regular contributions, the total payment will normally be collected through one single Direct Debit Instruction operated by the employer.

3.8 Minimum contributions

3.8.1 General

The following current minimum contributions apply to the aggregate contributions (the total from the member and the employer, if any). These minimum contribution amounts are the "gross" amounts, before basic rate tax relief is deducted from any member contribution (see section 12.1).

3.8.2 Premier Stakeholder Pension

Each regular and single contribution is subject to a minimum of £20.

3.8.3 Premier Group Stakeholder Pension and Premier Group Personal Pension

See our Technical Guide Supplement (PENB6592) for details.

3.8.4 Premier Personal Pension

Premier Personal Pension members can (subject to section 3.3) increase their regular contributions. The minimum increase is £10 for a monthly contribution and £100 for a yearly contribution.

Premier Personal Pension members can pay "non-advised" single contributions. Each single contribution is subject to a minimum of £1,000.

3.9 Maximum contributions, limit on tax relief and annual allowance

3.9.1 Maximum contributions

We impose no maximum amount on the contributions that can be made to Premier Pensions.

There is, however, an **annual allowance charge** payable to **HMRC** by the member if the total contributions paid by the member and the employer exceed the **annual allowance** (see section 3.9.3). There is also a limit on the tax relief that the member can receive on his or her personal contributions (see section 3.9.2).

Note: This Technical Guide assumes that the member's selected pension input period (the period over which the total contribution paid by the member and the employer is measured for the purposes of the **annual allowance**) is the same as the **tax year**. There are complex rules which apply if the pension input period is different from the **tax year**.

3.9.2 Limit on tax relief

The member will normally receive tax relief on his or her personal contributions to a Premier Pension and to any other **registered pension scheme** each **tax year** up to the greater of 100% of earnings (as defined by **HMRC** – broadly, earnings from employment or income earned direct from a trade or profession) and £3,600.

Contributions in excess of this limit will not get tax relief.

It is the member's responsibility to monitor whether his or her contributions to the Premier Pension are eligible for tax relief. If we are subsequently informed by **HMRC** that the member has received tax relief on contributions in excess of this limit, we will repay the appropriate amount of tax relief to **HMRC**.

We cannot be held liable if the member suffers any loss due to our acceptance of a contribution that does not qualify for tax relief.

Section 12.1 contains more information on the tax treatment of contributions and the extent of tax relief.

3.9.3 Annual allowance

The **annual allowance** for the **tax years** 2010/2011 to 2015/2016 has been set by the Government at £255,000.

The following contributions do not count towards the **annual allowance**:

- (a) contributions made by the member in excess of 100% of earnings (as defined by **HMRC** – broadly, earnings from employment or income earned direct from a trade or profession) and £3,600, if greater;
- (b) **protected rights** payments; and
- (c) contributions made in the **tax year** in which the member takes all of his or her benefits.

It is the member's responsibility to keep a record of the contributions made by or in respect of him or her to the Premier Pension and to any other **registered pension scheme** so that he or she knows if the **annual allowance** is exceeded.

We cannot be held liable if our acceptance of a contribution results in the member becoming liable to an **annual allowance charge**.

› 4. Contracting-out

4.1 General

Benefits under the Premier Pension may be in addition to those provided by the State. Alternatively, individual employees can use the Premier Pension to contract-out of the State Second Pension (S2P). The S2P provides benefits for employed people only – self-employed, taxed under schedule D, are not eligible for the S2P, so cannot contract-out of the S2P.

With effect from mid-2006, the Premier Personal Pension can no longer be used to start contracting-out. Premier Personal Pension members who started contracting-out under a Premier Personal Pension may continue to do so, but any Premier Personal Pension member who now wishes to start contracting-out through Prudential must do so via the Pru Flexible Retirement Plan. See our Pru Flexible Retirement Plan - Personal Pension Option Technical Guide (IPPB6369) for details.

By contracting-out, the member could end up with more or less than if he or she had stayed in the S2P. This is a very complex area and the member is strongly recommended to seek financial advice before contracting-out. We will not pay for, nor reimburse the member or any other person for, the costs of any such advice.

4.2 Protected rights payments

If a member uses the Premier Pension to contract-out, there will be no S2P pension payable in respect of that period. However, part of the employee's and the employer's National Insurance contributions will be paid by the State direct to us. This portion – known as **protected rights** payments – is based on Band Earnings (earnings used to calculate employees' National Insurance contributions).

The **protected rights** payments are "age-related": higher for older employees than for younger employees.

Benefits bought by **protected rights** payments are known as **protected rights** to which special rules apply both on taking benefits (see section 9.4.7(c)) or on earlier death (see sections 11.2.3 and 11.4.2).

4.3 Transfers-in of contracted-out benefits

Contracted-out benefits (i.e. **protected rights** pensions and guaranteed minimum pensions) from other **registered pension schemes** can normally be transferred to a Premier Transfer Plan. See our Premier Transfer Plan Technical Guide (PENB6590) for details.

On transfer to a Premier Transfer Plan, any guaranteed minimum pensions and all benefits accrued after 5th April 1997 in a contracted-out salary-related scheme become **protected rights**.

Note: As set out in section 3.6, transfer payments on an individual personal pension basis can no longer be accepted under the Premier Transfer Plan. Any transfer payments, including any contracted-out benefits, can, however, be accepted under 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.

› 5. Investment options

5.1 Investment strategies and fund choice

A range of funds is available under Premier Pensions (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**.

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 to the Premier Stakeholder Pension or the Premier Group Stakeholder Pension. References to the With-Profits Fund are relevant only to the Premier Personal Pension or the Premier Group Personal Pension.

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 or Premier Group Stakeholder Pension, the adviser confirms an investment strategy for the 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 Premier Stakeholder Pension, the contributions 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 membership of the Premier Pension. 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 contributions paid within three years of the **SRA** cannot be invested in the With-Profits Fund. Likewise, switches and redirections 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, switch or redirect 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**.

Regular contributions which are part of a series of contributions started three or more years before the **SRA**, and for which the instruction to invest in the With-Profits Fund was likewise received three or more years before the **SRA**, can, however, be invested in the With-Profits Fund. This includes increases made within three years of the **SRA**, as a result of automatic indexation under section 3.4.

- › For Premier Stakeholder Pensions and Premier Group Stakeholder Pensions, 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 Pensions or Premier Group Stakeholder Pensions 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 including during a contribution holiday.
- The LIO applies to both regular and single contributions within the Plan.

- 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.
- Contribution holidays do not impact on the operation of the LIO. Automatic switches will continue if they have already started or will start at the scheduled time, even if this is during the contribution holiday.
- Contributions paid during the switching period for the LIO will be allocated to the funds from which **units** are being switched; the new **units** are then taken into account in the automatic switching process at the next monthly switching date under section 5.2.4. If automatic switching starts immediately after the Plan has been set up, contributions will be invested initially in the fund(s) which would have been used if the Plan had been set up before the start of the current switching period.
- 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, all contributions are initially invested

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, all contributions are initially invested 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**).

(c) Opportunity Strategy

For Plan terms (from the start of the Plan to the SRA) of eight years or more, all contributions are initially invested 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).

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*

* These funds are managed by Prudential.

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*

* These funds are managed by Prudential.

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.

5.2.3 Fund switches under the LIO

We will notify the member when automatic switches 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 1.5, 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 Pensions and Premier Group Stakeholder Pensions 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 including during a contribution holiday.
- The PPO applies to both regular and single contributions within the Plan.
- 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.
- Contribution holidays do not impact on the operation of the PPO. Automatic switches will continue if they have already started or will start at the scheduled time, even if this is during the contribution holiday.
- Contributions paid during the switching period for the PPO will be allocated to the funds from which **units** are being switched; the new **units** are then taken into account in

the automatic switching process at the next monthly switching date under section 5.3.2. If automatic switching starts immediately after the Plan has been set up, contributions will be invested initially in the fund(s) which would have been used if the Plan had been set up before the start of the current automatic switching period.

- 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 1.5, 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 the **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 integral 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 at our discretion 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 1.4.

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.

5.5 Redirections requested by the member

- (a) The member can ask for changes to be made to the investment selection for future contributions (redirection). All such requests must be made in writing, in a form specified by us, unless we agree otherwise.
- (b) Redirection may normally be carried out at any time. However:
- redirection into the With-Profits Fund cannot be made within three years of the **SRA**. If we receive a request to redirect 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 future contributions into the **Prudential Cash Fund**; and
 - delays may occur if we have invoked our powers to delay buying **units** under section 6.8.
- (c) Redirection will take place with effect from the contribution due date when **units** are next allocated.
- (d) Redirections under this section 5.5 are currently free, although we do reserve the right to introduce a charge (see section 14 for further details).

› 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 Pensions.

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 fund(s) 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 the 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.

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

- there are any **units** of the affected fund held under his or her Plan; or
- the Plan is invested in the affected investment option; or

- the affected fund or investment option is a principal feature of Premier Pensions.

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 and redirect future payments 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 utilised 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 other companies within the **Prudential group** (for example, unit trusts or **OIECs** operated 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 (including any underlying fund). If, however, more money is being paid out of the fund (or underlying fund), the sale price of assets will normally be used in valuing the fund (or underlying fund).

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

We, or the relevant company from within the **Prudential group**, also have complete discretion to choose to base the value of a 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 values of the **external Fund Managers'** underlying funds 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) may also be 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 from 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 care, but on some occasions mistakes may occur. If this happens, the **unit price** will normally be corrected once the mistake has been detected.

If, however, the mistake is due to an error outside our control and we are unable to obtain compensation for the mistake (for example, an error in pricing the fund underlying an **externally-linked fund** due to factors outside the **external 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 a fund under which the **unit price** should not fall by more than 5% from one **quarterly pricing date** to the next.

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**), at our absolute discretion.

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**.

This does not apply, however, to regular contributions (if any) paid after the first **quarterly pricing date** to apply to the Plan. Provided such regular contributions are allocated to **units** before or on a **quarterly pricing date**, they will be switched into the **95% Safeguard Fund** at that **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 Pensions 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 held 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 Pensions: **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 11, 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 1.4).

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 individual plans 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 Plans

For Premier Group Personal Pensions and Premier Group Stakeholder Pensions, the Annual Management Charge is set at group level based on the investment strategy confirmed by the adviser for the group membership. See the Premier Group Personal Pension and Premier Group Stakeholder Pension Technical Guide Supplement (PENB6592).

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 Pension Plans and Premier Group Stakeholder Pension Plans to 1%. As a result of the maximum charge, some funds may not be available for Premier Stakeholder Pension Plans and Premier Group Stakeholder Pension 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 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 directly, 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 Pension 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 contribution paid results in a number of **units** being allocated to the Plan. We divide each contribution by the **unit price(s)** for the **relevant date**.

If a contribution 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 contribution 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.

Where a regular contribution is being made by Direct Debit Instruction, we will buy **units** in anticipation of receipt of that contribution. If the payment by Direct Debit Instruction is subsequently not received, we sell the **units** that had been bought in advance.

› 9. Member's pension and lump sum benefits

9.1 Selected Retirement Age (SRA)

Note: See also the Technical Guide Supplement (PENB6592) for Premier Group Personal Pension and Premier Group Stakeholder Pension.

The member specifies the **SRA** in the member application form.

The **SRA** must be a birthday and must normally be in the range 55-75 (which is the normal range allowed under **HMRC** regulations).

Until 5th April 2006, **HMRC** regulations allowed earlier **SRA**s for certain occupations. From 6th April 2006, **HMRC** will no longer agree special early retirement ages for these occupations, although individuals who already have these special retirement ages in place before that date will normally be allowed to keep them (see also section 9.5). 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 **SRA**s 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 Pension is set up as a series of arrangements, allowing members to take benefits gradually, rather than all at the same time.

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

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.

Contributions are spread evenly over the arrangements. The Plan is normally split into 10,000 identical arrangements covering all contributions except any resulting from contracting-out. Single separate arrangements apply for contracting-out benefits (see section 4) and for additional life cover (see section 11.3).

If a Premier Pension is added to an older personal pension or group personal pension, a lower number of arrangements may apply.

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

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 one month before the **pension date** chosen under section 9.4.2. If any more contributions are paid to these arrangements to be cashed in before the **pension date**, they will be invested in the **Prudential Cash Fund** (if the switch to the **Prudential Cash Fund** has already taken place).

These additional contributions will also be allowed for in pension quotes.

(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 1.4), we sell the **units** in the **Prudential Cash Fund** and the total amount raised is used to pay the benefits and/or purchase the **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 the member wishes to invest in, or to continue to invest 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**. Any further contributions paid will be invested in that 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).

Where the member has transitional protection in accordance with section 9.5, a larger lump sum may be available.

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 1% of the **standard lifetime allowance**;
- the member has reached the age of 60 but has not reached the age of 75;
- 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 be aged less than 75 and 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**.

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

This **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).

(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 10, 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).

9.5 Transitional protection

Transitional protection allows a member to protect certain rights acquired before 6th April 2006 and may be relevant where:

- (a) at 5th April 2006 the value of the member's pension funds under all **registered pension schemes** exceeded the **standard lifetime allowance** (or his or her funds were of such a value that the **standard lifetime allowance** could be exceeded at a later date);
- (b) the member was awarded a **pension credit** with an effective date of before 6th April 2006;
- (c) the member has transferred benefits to the Plan 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 his or her fund; or
- (d) on 5th April 2006 the member was entitled under the Plan to a pension from an age less than 50, because his or her occupation was recognised by **HMRC** on that date as one for which a lower pension age was acceptable.

Where (a) or (b) applies, the member would have had to register with **HMRC** by 5th April 2009 to benefit from the transitional protection.

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 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** and the benefits paid.

› 10. Transfers-out

10.1 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.

10.2 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** 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 1.4.

Where 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.

› 11. Death benefits

11.1 General

If the member dies before taking benefits under section 9 or a transfer-out under section 10, the value of the Plan is paid as a lump sum and/or pension as described in section 11.2.

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).

11.2 Death benefits from value of units

11.2.1 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.

11.2.2 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 11.4.1. Alternatively, the money can be used to provide **dependants'** pensions, if required.

11.2.3 Protected rights benefits

If, at the date of the member's death, there is a spouse or **civil partner**, **protected rights** benefits 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 11.4.2.

11.2.4 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 11.2.2 and 11.2.3. 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 1% of the **standard lifetime allowance**; and
- payment is made before the member would have reached age 75.

11.3 Additional life cover

Premier Group Personal Pensions and Premier Group Stakeholder Pensions also have an option to include additional life cover. This provides benefits on top of the death benefits already provided by the value of the retirement savings. The terms and conditions for additional life cover are set out in the Technical Guide Supplement (PENB6592) which gives details of the Premier Group Personal Pension and Premier Group Stakeholder Pension.

The additional life cover option was also available under individual Premier Personal Pensions and Premier Stakeholder Pensions before 13th April 2007. With effect from that date, additional life cover cannot be taken out under those Plans. This is due to the Government's decision that tax relief will no longer be available on contributions paid by individuals in respect of additional life cover. The Government's decision will not affect tax relief on any cover already established before that date, but no further increases to existing cover will be available.

11.4 Payment of lump sum death benefits to beneficiaries

11.4.1 Lump sums from benefits other than protected rights

This section 11.4.1 includes lump sum death benefits payable in respect of:

- the member's and any employer's contributions;
- transfers-in (apart from **protected rights**); and
- any additional life cover (except where the member has specified that this benefit should be paid to an assignee or to his or her estate).

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 (M&G) 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 12.3).

11.4.2 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 12.3).

11.4.3 Time limit

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

› 12. Taxation

12.1 Contributions

(a) Subject to section 12.1(b), contributions paid by the member up to the limits set out in section 3.9.2, qualify for income tax relief at the member's highest marginal rate.

The member should note that his or her application for membership constitutes an application for tax relief, and it is an offence to make any false declarations about your circumstances.

The member's personal contributions are made "net" of basic rate tax to us. We claim the basic rate tax from **HMRC**, for investment in the members' Plans. Currently, we allocate these amounts to the Plan as if **HMRC** tax relief payments are received at the same time as the corresponding member contributions. We do, however, reserve the right to defer the investment date of **HMRC** tax relief payments to the actual date of receipt of these payments.

For anyone who does not pay tax, the members' contributions – up to £3,600 in a **tax year** – still get the basic rate tax boost from **HMRC** and **HMRC** does not reclaim the tax from them.

For anyone who pays tax at a rate higher than the basic rate of tax, the additional tax relief must be claimed through personal tax returns.

Contributions (if any) made by an employer to an employee's Plan are paid "gross" to us and normally qualify as a business expense for the employer's tax purposes. These contributions do not result in a taxable benefit-in-kind for employees; although an **annual allowance charge** will be payable if the **annual allowance**

is exceeded. As employer contributions are the full "gross" amount, there is no tax relief element to be invested in the Plan in respect of these contributions.

(b) The Government intends, with effect from 6th April 2011, to restrict tax relief on all pension contributions for individuals with an income of £150,000 or more. Tax relief will be "tapered" for those whose income is £150,000 or more, so that for those earning over £180,000, tax relief will be at the basic rate. Income includes all pension contributions including the value of any **employer** contributions. This will be subject to an income floor such that those with incomes (excluding the value of any **employer** contributions) of less than £130,000 are unaffected. To prevent individuals with income of £130,000 or more from making excessive contributions in the intervening period, **HMRC** has introduced provisions to tax any contributions above the individual's normal level of contribution. Any member who is impacted by these changes should seek financial advice. We will not pay for, nor reimburse the member or any other person for, the costs of any such advice.

12.2 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.

12.3 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** and additional lump sum death benefits payable to the member's estate) 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.
- › Where additional life cover (see section 11.3) has been set up so that any lump sum death benefit arising from this cover is payable to the member's estate, inheritance tax may arise depending on the value of the member's estate.
- › 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 **dependant's** pensions under section 11.2) count towards the member's **personal lifetime allowance** and a **lifetime allowance charge** may be payable by the recipient(s).

› 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 or if a charge is imposed on us under the Financial Services Compensation Scheme (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 Pension 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 Financial Services Compensation Scheme (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 contributions 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 Pension 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 was 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 Pensions are governed by the law of Scotland.

› 19. Complaints

We want to know about any queries or complaints as soon as possible. In the unlikely event that we are unable to resolve any difficulties, the member or **dependant** (as appropriate) can contact the organisations 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: 08000 234 567

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 difficulty or complaint.

› 20. Other information

20.1 Long-term business

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

20.2 Pension business

Premier Pensions 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
5th Floor
Lloyds Chambers
1 Portsoken Street
London E1 8BN
Telephone: 020 7892 7300
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-lined 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 (see section 14 for further information).

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 6002 537

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.

Annual allowance: The Government has set a limit for each **tax year** on the total payments that can be made by or in respect of the member to the Plan and to all other **registered pension schemes**. This limit is called the annual allowance. The annual allowance will also take into account the increase in value of any "final salary" based/defined benefits that the member may have under any other **registered pension schemes**. If the annual allowance is exceeded, the member will be liable to an **annual allowance charge**. The annual allowance is explained in more detail in section 3.9.3.

Note: This Technical Guide assumes that the member's selected pension input period (the period over which the total contribution paid by the member and the employer is measured for the purposes of the annual allowance) is the same as the **tax year**. There are, however, some complex rules that apply where this is not the case. These rules may have an impact on whether an **annual allowance charge** is payable.

Annual allowance charge: This is a tax charge for which the member is liable if the total contributions paid by or in respect of the member to the Plan and to all other **registered pension schemes** (and the increase in value of any "final salary" based/defined benefits) exceed the **annual allowance**. The annual allowance charge is 40% of the amount in excess of the **annual allowance**.

Annuity: A pension contract that is purchased from an insurance company using the proceeds of cashing in a pension arrangement. The proceeds are paid to the insurance company, in exchange for which pension payments are made to the annuitant (the member or the **dependant**).

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 or **civil partner** at the date of the member's death or when the member first becomes entitled to a pension under the Plan;
- › a child under the age of 23, or over 23, if in our opinion, that individual was at the date of the member's death dependent on the member because of physical or mental impairment; or
- › any person who at the member's death is not married to the member or is not the member's **civil partner** or is not the member's child if, in our opinion that person:
 - was financially dependent on the member; or
 - had a financial relationship with the member which was one of mutual dependence; or
 - was dependent on the member due to physical or mental impairment.

Note: The member's child can sometimes be deemed as a dependant after age 23 in other limited circumstances but this is subject to certain complex conditions which may or may not apply in relation to the member.

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 Pensions. 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.

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. If the member has additional life cover as described in section 11.3, the cost of this cover is also deducted on the monthly transaction date. 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.

National Average Earnings Index:

The index made by the figures in the "Actual" column under the heading "Whole Economy" in the Average Earnings Index for all employees in Great Britain, published by the Government Executive Agency known as the Office for National Statistics. If this index is no longer published or if, in our opinion, this index is no longer suitable, we will use another index which we consider suitable, including an index we calculate for this purpose.

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 Pensions 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 a Premier Pension; 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 Pension.

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 including the following:

(a) if at 5th April 2006 the value of the member's pension funds under all **registered pension schemes** exceeded the **standard lifetime allowance** (or the funds were of such a value that the **standard lifetime allowance** could be exceeded at a later date), and the member has registered with **HMRC** for transitional protection, his or her personal lifetime allowance may be higher than the **standard lifetime allowance**; or

(b) if on 5th April 2006 the member was entitled under the Plan to a pension from an age less than 50 because his or her occupation was recognised by **HMRC** on that date as one for which a

lower pension age was acceptable, the member's personal lifetime allowance will be the **standard lifetime allowance** reduced by 2.5% for each complete year that benefits are taken before age 55; or

(c) if the member was awarded a **pension credit** with an effective date of before 6th April 2006, and the member has registered with **HMRC** for transitional protection, his or her personal lifetime allowance may be higher than the **standard lifetime allowance**.

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 rights: Benefits resulting from:

- › using a Premier Pension to contract-out of the State Second Pension (S2P); or
- › transferring any contracted-out benefits from previous pension schemes or pension arrangements to a Premier Transfer Plan. See section 4 and our Premier Transfer Plan Technical Guide (PENB6590) 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 Pensions (including any successor fund).

Prudential group: Prudential plc and its subsidiaries as defined in the Companies Act 1985.

Prudential investment-linked fund(s):

These are **investment-linked funds** that are managed by companies within the **Prudential group**. The **95% Safeguard Fund** is a Prudential investment-linked fund, but is, as described in section 6.6, valued and priced differently from other Prudential investment-linked funds.

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: For a new contribution or an increase in an existing contribution rate, the date we have a fully completed application form providing all the information we (at our absolute discretion) need to meet our contractual and legal requirements – together with a fully completed cheque or Direct Debiting Instruction covering payment of

the contributions (or such other contribution payment method as we specifically agree as acceptable).

The relevant date for each regular contribution after the first regular contribution will normally be the due date. If, however, some or all of a regular contribution is paid after the due date, the relevant date of the contribution will be decided by us, but will be no later than the date on which we receive the contribution (or the final part of the contribution).

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.

RPI: The general index of retail prices (for all items) published by the Government Executive Agency known as the Office for National Statistics. If this index is no longer published or if, in our opinion, this index is no longer suitable, we will use another index which we consider suitable, not excluding for this purpose an index calculated by us.

95% Safeguard Fund: This is the **investment-linked fund**, as 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: The Government sets a limit for each **tax year** on the value of the benefits that can be taken from any **registered pension schemes**. 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 years** 2010/2011 to 2015/2016 has been set by the Government at £1.80 million.

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

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).

› Waiver Cover Appendix

1. General

1.1 Important note

Waiver Benefit or Comprehensive Waiver Benefit under this Appendix is only available if the member joined the Prudential (SAL) or the Prudential (M&G) Personal Pension Schemes before 6th April 2001.

Such members can add, increase or reduce this cover at any time.

Different Waiver Benefit terms and conditions were available to members who joined either of these Schemes or the Prudential (SAL) Stakeholder Scheme on or after 6th April 2001 and before 17th January 2005. This cover can no longer be added, but members who took out cover on those terms and conditions before 17th January 2005 are able to increase that cover if they increase their regular contributions. The terms and conditions for that cover are set out in the Technical Guide previously issued to them.

Waiver Benefits are not available for individuals who join the Prudential (SAL) Personal Pension Scheme, the Prudential (M&G) Personal Pension Scheme or the Prudential (SAL) Stakeholder Scheme on or after 17th January 2005.

1.2 Introduction

Waiver Benefit and Comprehensive Waiver Benefit are options designed to protect regular contributions (the total from the member and the employer described in section 3 of this Technical Guide), against long-term sickness.

One-off single contributions do not qualify for Waiver Benefit – because Waiver Benefit is an option to protect regular contributions – but there is scope to add the Waiver options where there is to be a pattern of single contributions.

The Long Term Care Double Cover Option (see section 6 of this Appendix) is added free of charge where Waiver Benefit applies.

Where Waiver Benefit or Comprehensive Waiver Benefit are included, the cost is met by the monthly sale of **units** from the Plan. If there are not enough **units** to cover the cost (say when the Plan is set up) the cost is carried forward until it can be met.

The cost of the cover is based on our table of rates for this kind of cover. We may increase the rates from time to time (but we will not change any health loading applied when the cover starts). The actual cost applied will be confirmed as part of the charges shown in each yearly benefit statement.

The member can (subject to section 1.1 of this Appendix) choose the Waiver option when the Premier Pension is set up or he or she can ask to have it added later.

2. Waiver Benefit

2.1 Availability

Waiver Benefit is available (subject to meeting any health requirements we may impose) for regular and single contribution Plans. The member has to be under age 60 on his/her next birthday at the time Waiver Benefit is taken out.

Increases in Waiver Benefit after age 60 are not normally allowed. However, where contributions are indexed, automatic increases on these regular contributions started before that age will be included for Waiver Benefit after age 60 (until the Waiver Cessation Age – see section 2.6 of this Appendix).

When Waiver Benefit is to be added, there must be at least five years to the Waiver Cessation Age.

However, a single contribution that is to attract Waiver/Comprehensive Waiver Benefit (i.e. "a single contribution with waiver", see section 2.3 of this Appendix) may be paid if the member is:

- › aged between 60 and 65; or
- › within five years of Waiver Cessation Age,

provided a single contribution with waiver has been made in the previous 24 months and the first single contribution with waiver was paid before 6th April 2001.

If Waiver Benefit is agreed, it will apply to the total relevant contribution from the member and the employer.

2.2 Waiver Benefit on regular contributions

Under Waiver Benefit, regular contributions which were due to be paid during a period of incapacity (see section 2.7 of this Appendix) excluding the Deferred Period (see section 2.4 of this Appendix) are waived – not collected by us – but still credited to the Plan.

Where indexed contributions apply, the Waiver Benefit, during the claim period, will increase each year in line with the indexation rate chosen (see section 3.4 of this Technical Guide), but subject to a maximum increase of 10% in any year.

Waived contributions are not eligible for tax relief.

2.3 Waiver Benefit on single contributions

Eligibility for Waiver Benefit on single contributions will depend on the pattern of single contributions paid to the member's Plan.

If a waiver claim is made within 12 months of the first single contribution with waiver, this contribution will not, on its own, be eligible for a Waiver Benefit claim. A Waiver Benefit claim can, however, be made provided single contributions with waiver have been paid in at least two out of three years before the start of the Deferred Period of the waiver claim.

The amount of Waiver Benefit is equal to the annualised average of the single contributions with waiver paid in the last three years before the start of the Deferred Period of the waiver claim.

Waived single contributions are credited each year on the anniversary of the last single contribution with waiver paid before the waiver claim. Waived contributions may continue up to and including the due date immediately before the Waiver Cessation Age. There is a final partial payment on the Waiver Cessation Age.

2.4 Deferred Period

A choice of a 3, 6 or 12 months Deferred Period is available when Waiver/ Comprehensive Waiver Benefit is added to the Premier Plan. The Deferred Period cannot be altered after we have confirmed acceptance of the cover.

2.5 Waiver Claim Period

The Waiver Claim Period is calculated as a whole number of months. Each month is calculated from the day of the month when the Deferred Period starts (for example, the 2nd of each month). The claim period excludes the chosen Deferred Period.

2.6 Waiver Cessation Age

Waiver Benefit cover ends at the Waiver Cessation Age. The choice for the Waiver Cessation Age depends on the **SRA**.

Selected Retirement Age (SRA)	Waiver Cessation Age
Over 65	Chosen from 60 or 65
Between 60 and 65	SRA or 60
Earlier than 60	SRA

The Waiver Cessation Age cannot be altered after we have confirmed acceptance of the cover.

2.7 Incapacity

Incapacity is the total inability, as a result of an illness or injury, to engage in the occupation, for profit or reward, in which he/she was engaged in immediately prior to the start of that illness or injury, and not being able to follow any other occupation for profit or reward. Notification of incapacity must normally be received not later than two months before the end of the selected Deferred Period.

2.8 Exclusions

Contributions will not be waived for any period when a member is living outside the United Kingdom. In addition, no contributions will be waived for any incapacity arising from, or worsened by, infection by any Human Immunodeficiency Virus (HIV), Acquired Immune Deficiency Syndrome (AIDS) or other similar or related condition or syndrome.

No refund of contributions will be made as a result of the operation of these exclusions.

2.9 Linked periods of incapacity

A period of incapacity (resulting in a contribution, or part of a contribution, being waived) can be followed by a further incapacity from the same illness or injury. If this happens, and there are no more than two expected monthly contribution dates between the periods of incapacity, the periods of incapacity are treated as one.

2.10 Waiver Benefit charge

The Waiver Benefit charge for regular contributions is a percentage of the contribution when Waiver Benefit is applied for, and thereafter of the contribution on each anniversary of the date the Plan started. The Waiver Benefit charge increases over the term of the Plan, even if the contribution stays the same, and is dependent on:

- the term of the Plan to the Waiver Cessation Age;
- the member's age at the time each charge is taken;
- the chosen Deferred Period; and
- the member's occupation and state of health when new Waiver Benefit is included.

The Waiver Benefit charge continues for the duration of Waiver Benefit, including the Deferred Period and the claim period. For non-automatic contribution increases (increases which are not a direct result of indexation), account is also taken of the member's occupation and state of health at the time the increase starts.

3. Comprehensive Waiver Benefit

3.1 Availability

Comprehensive Waiver Benefit available under regular and single contribution Plans includes Waiver Benefit (as described in section 2 of this Appendix) and Lump Sum Waiver Benefit. Under Lump Sum Waiver Benefit, if the member is forced to take early retirement benefits before the **SRA** because of incapacity, as set out below, a lump sum will be added to the member's fund before the retirement benefits are paid.

Lump Sum Waiver Benefit cannot be chosen independently of standard Waiver Benefit.

The same restrictions on availability apply as those for standard Waiver Benefit.

3.2 Amount of Comprehensive Waiver Benefit

Lump Sum Waiver Benefit means that, if the member becomes "permanently incapable", the Plan will be credited with the monetary amount of all future waived contributions (after the selected Deferred Period).

For this purpose "permanently incapable" means that the member is, in our opinion, permanently incapable, through infirmity of mind or body, of carrying out his or her own occupation, or any occupation of a similar nature for which he or she is trained or fitted.

The Deferred Period will be the same as that applying for Waiver Benefit – 3, 6 or 12 months.

If a Deferred Period has already been met for standard Waiver Benefit, another Deferred Period will not be necessary before benefits are paid under Lump Sum Waiver Benefit under a continuous or linked period of incapacity.

3.3 Comprehensive Waiver Benefit charge

The percentage charge for Comprehensive Waiver Benefit will combine the charge for both Waiver Benefit and Lump Sum Waiver Benefit allowing for the same factors described for Waiver Benefit increased in recognition of the Lump Sum Waiver Benefit cost.

The Lump Sum Waiver Benefit portion of the charge is, therefore, also calculated at the start of the Comprehensive Waiver Benefit and recalculated at the anniversary of the Plan start date (for Premier Personal Pensions).

4. Applying for Waiver/ Comprehensive Waiver Benefit

4.1 Simplified Acceptance Scheme

Both employed and self-employed members may be eligible for the Simplified Acceptance Scheme, which means only minimal health information is required. Eligibility depends on:

- occupation (some occupations do not qualify);
- being under age 50; and
- total contributions (both regular and single) to all Premier Pensions for the member being £300 or less per month (£3,600 a year if single contributions are included).

4.2 Medical evidence

A medical examination or a medical report provided by the member's doctor is not normally required for Waiver Benefit or Comprehensive Waiver Benefit unless the total regular contribution to Premier Pensions is over certain limits. Details of the limits that currently apply are available from us. These limits may change from time to time.

5. Additional notes on Waiver Benefits

5.1 Duration of waiver charge

The waiver charge is payable up to the Waiver Cessation Age.

5.2 Deferred Period

Contributions can continue during the selected Deferred Period (see section 2.4 of this Appendix) before Waiver/Comprehensive Waiver Benefit is payable, or the member can apply to us for a contribution holiday. The waiver charge and any charge for life cover built into the Plan will continue during the Deferred Period.

5.3 Reducing and missing contributions

Regular contributions can be reduced temporarily or missed with Waiver Benefit remaining at full level during the selected Deferred Period. If contributions do not restart at the previous level within 12 months, the benefit will either stop or reduce accordingly, depending on the contribution then being paid. However, benefits may be restored later subject to any underwriting requirements (including using the Simplified Acceptance Scheme) when contributions are restarted or increased.

5.4 Paid-up Plans

The Waiver Benefit charge stops if the Plan is altered to paid-up, but otherwise the charge continues until the Waiver Cessation Age. Waiver/Comprehensive Waiver Benefit also stops if the Plan is altered to paid-up.

6. Long Term Care Double Cover

This feature is available, free of charge, for Premier Pensions which have Waiver/Comprehensive Waiver Benefit (on the pre-6th April 2001 basis described in this Appendix) although it is entirely separate from the Premier Pension.

The member will get a separate certificate which will confirm that he/she will, subject to the terms and conditions, be able to exercise Long Term Care Double Cover. This will be sent at the same time as the Certificate of Membership for the Premier Pension.

6.1 General

- › Double Cover entitles the member to buy a Long Term Care Bond (Care Cover Option) at ordinary rates, without any further health questions on the basis set out below.
- › This Bond may be one from Prudential International, or another similar contract approved by the Actuary for The Prudential Assurance Company Limited as a reasonable equivalent.
- › The Capital Reserve and Protection Select options (or similar options under the chosen reasonable equivalent bond) on the Long Term Care Bond can be used, but not the Capital Growth option.
- › We will remind the member about the Double Cover shortly before he/she is eligible to exercise the option.

6.2 Exercise date of Double Cover

- › The member can exercise Double Cover when he/she takes benefits at the SRA. The latest exercise date for Double Cover is the 65th birthday. If the SRA is after the member's 65th birthday, the SRA is deemed to be his/her 65th birthday for the purposes of Double Cover. This means that the exercise date for Double Cover is his/her 65th birthday, with benefit levels, early retirement limits, etc., based on a SRA of 65, even though the Plan may continue to the chosen SRA (see below).
- › If the member takes benefits before the SRA (or if the SRA is later than age 65 and the member takes benefits before age 65) he/she may be eligible for Double Cover (see below).
- › If the member takes benefits from some of the arrangements under the Plan, but not all of them, he/she will be able to exercise Double Cover up to a maximum amount based on the retirement fund taken each time, subject to the terms set out below on "early retirement" and stopping Waiver Benefit.
- › If the member's Waiver Cessation Age is before the SRA, he/she will be able to exercise Double Cover when benefits are taken. However, the maximum cover will be based on a reduced retirement fund as would apply if Waiver Benefit is stopped early.

- The member will have three months after the exercise date to exercise this option, for example, for a **SRA** of age 60, three months after the 60th birthday, and for a **SRA** of age 70, three months after the 65th birthday.

6.3 Benefits and increasing cover

The maximum Long Term Care cover, using Double Cover, will be linked to the pension the member buys with his/her Plan, as described in this section, but subject to the minimum contribution and maximum benefit rules for the Long Term Care Bond at that time.

The initial Long Term Care cover depends on the pension from the retirement fund built up from the contributions which included cover for Waiver/ Comprehensive Waiver Benefit and on whether the benefits are "level" or "indexed". A "level" pension, for this purpose, does not increase in payment, or increases at less than 3% each year. An "indexed" pension increases each year in payment by 3%, or higher, or by the increase in the **RPI**. "Level" Long Term Care cover does not increase in payment. The Benefit Increase Option on the Prudential International Long Term Care Bond is regarded as "indexed cover".

The maximum cover will be based on the member's retirement fund qualifying for the option, including the value of any tax-free cash benefit taken. If the member buys:

- (a) **level pension and level Long Term Care cover**, the maximum cover available will equal the yearly pension the member buys if he/she does not buy the pension from us, provided standard rates apply (not those for "impaired lives") or, if higher, the level pension the member could buy from us, payable monthly in arrears and ceasing on death using standard rates (not those for "impaired lives") available for the member from us at that time, including for this purpose, in either case, the pension equivalent (on the basis described for the pension) of any tax-free pension commencement lump sum taken from the Plan at the same time;
- (b) **indexed pension and indexed Long Term Care cover**, the Long Term Care cover will be subject to an initial maximum of the greater of the first year's pension, and the pension which would be available from us, as in (a) above, but allowing for yearly increases of 3% (or **RPI**, if better);
- (c) **level pension and indexed Long Term Care cover**, the initial maximum Long Term Care cover will be based on the first year's indexed pension available from us on the basis described in (b) above;
- (d) **indexed pension and level Long Term Care cover**, the maximum Long Term Care cover is as described in (b) above.

If the **SRA** is after age 65 and the member exercises Double Cover without taking benefits (at age 65) the maximum cover will be based on the pension the member could buy from us, payable monthly in arrears and stopping on death, using standard rates available from us at that time.

The member may be able to buy Long Term Care cover in addition to the maximum available under Double Cover, but the excess will be subject to the standard terms and health requirements at that time.

6.4 Benefits taken before the SRA

If the member takes benefits under section 9 of this Technical Guide, more than five years before the **SRA**, he/she will not be eligible to exercise Double Cover. If the member takes benefits five years before the **SRA**, he/she will be able to exercise Double Cover, but the maximum will be reduced to 50% of the basis described above. If the member takes benefits within five years of the **SRA**, the maximum cover will be reduced. The reduction will be between 50% and 100% of the basis described above, with the 50% rate applying for five years early, 60% for four years early, and so on.

6.5 Effect of Waiver/

Comprehensive Waiver Benefit claims

If the member makes a Waiver Benefit claim during the five years before the **SRA**, and we credit contributions for at least six months, the maximum Double Cover benefit will be restricted to 50% of the basis described above, ignoring any early retirement provisions which may apply at that time. Only the Protection Select option will then be available and the reduction set out in section 6.6 of this Appendix will be applied, if appropriate.

If the member has a Lump Sum Waiver Benefit claim agreed by us during the five years before the **SRA**, the maximum Double Cover benefit will be 50% of the basis described above using the total retirement fund, ignoring any early retirement provisions which may apply at that time and including the Lump Sum Waiver Benefit addition. Only the Protection Select option will then be available and the reduction set out in section 6.6 of this Appendix will be applied, if appropriate.

If the member makes a Waiver Benefit claim earlier than five years before the **SRA**, and we credit contributions for at least six months in the five years before the **SRA**, or, if the member has a Lump Sum Waiver Benefit claim agreed by us more than five years before the **SRA**, Double Cover is cancelled.

6.6 Stopping Waiver Benefit

If the member stops Waiver/Comprehensive Waiver Benefit, he/she will be able to exercise Double Cover to buy Long Term Care cover, but based on a reduced fund. This reduced fund is

$$(A/B) \times C,$$

where:

A is the sum of the contributions which included Waiver/Comprehensive Waiver Benefit cover (excluding any contributions paid which did not include Waiver/Comprehensive Waiver Benefit);

B is the sum of all contributions paid to the Plan before the Double Cover exercise date; and

C is the total fund available from the Plan at the Double Cover exercise date.

6.7 Effect of changing the SRA

If the member reaches the **SRA**, does not take benefits and does not specify a new **SRA**, the **SRA** confirmed on the Certificate of Membership applies for Double Cover. If the member applies for a later **SRA**, and we accept this, Double Cover will be based on the new **SRA**. If the member retires earlier than the new **SRA**, early retirement provisions apply based on the new **SRA**.

If the **SRA** is reduced, and

- the new **SRA** is at least 10 years away, Double Cover will be based on the new **SRA**;
- the new **SRA** is less than 10 years away, Double Cover will be based on the old **SRA**.

The value of an investment may fluctuate and is therefore not guaranteed. Information in this Technical Guide is based on Prudential's understanding of current legislation as at June 2010. Legislation, particularly relating to taxation, may be subject to change in the future. Any tax reliefs referred to are those currently available and the value of tax reliefs depends on individual circumstances. If an investment is in the With-Profits Fund and Plan benefits are cashed in early a Market Value Reduction (MVR) may apply.



www.pru.co.uk

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