MEMBER'S EXPLANATORY BOOKLET

Personal Pension Plan

PRUDENTIAL

CONTENTS

INTRODUCTION

This booklet is designed to answer your basic questions about The Prudential Personal Pension Scheme (the **Plan**), how it works and the benefits it provides. We have tried to keep it as straightforward as possible, but if you have any questions or you would like more information about any aspect of the **Plan** please contact our Customer Services at:

Prudential,
Stirling,
FK9 4UE.

Tel 0845 710 0000

Telephone calls may be monitored or recorded in order to improve our service to you.

This booklet is a summary of the **Plan** and does not cover all the detailed rules. These are set out in the Rules and Scheme Provisions. You can obtain copies of these documents by contacting our Customer Services.

There are a number of special terms used in this booklet. To keep things straightforward they are all shown in bold and explained in Section 18.

Where the words:

- "we", "us" and "our" are used, they refer to The Prudential Assurance Company Limited (the Provider and Plan Administrator).
- "you" and "your" are used, they refer to you, as a **member** of the **Plan**.

1. JOINING THE PLAN

WHO CAN JOIN?

You can join the **Plan** if you:

(a) i. have relevant UK earnings (broadly, earnings from employment, or income earned directly from a trade or profession) chargeable to income tax for the relevant **tax year**; or

ii. are **resident in the UK** at some time in the relevant **tax year**; or

iii. are a Crown Servant or your spouse or **civil partner** is a Crown Servant; and

(b) are aged 18 or over, but have not passed your 75th birthday.

MEMBERSHIP OF THE PLAN AND OTHER PENSION SCHEMES

You can be a **member** of the **Plan** at the same time as being a member of another pension scheme.

You need to be aware however that payments to all **Registered Pension Schemes** count towards the **Annual Allowance**. Also the value of your benefits under all **Registered Pension Schemes** is tested against your available **Personal Lifetime Allowance** when the benefits are paid (or at age 75, if later).

2. PAYMENTS

TYPES OF PAYMENT

You can pay into the **Plan** in the following ways:

- Single payment – can be made at any time.
- Regular payments – monthly only (except for customers who joined the **Plan** before 1 September 1999 and make payments quarterly, who may continue to do so).
- If you are employed, **NICO** can make payments if you contract-out of the **State Second Pension**. **Protected rights payments** are normally paid once a year by **NICO**, some time after the end of the **tax year** to which they relate (see 'Contracting-out').

- Transfer values from other pension schemes and policies (see 'Transfers').
- If you are employed, your **employer** may also wish to pay into the **Plan**. However, most employers must now provide access to a **Stakeholder Pension Scheme**. If your **employer** does not, then for an **employer** to pay into the **Plan** or to arrange for your payments to the **Plan** to be deducted from payroll, your **employer** must pay, monthly, at least 3% of your **basic salary** into the **Plan**.

HOW MUCH CAN YOU PAY INTO THE PLAN? – MINIMUM AMOUNTS

Having joined the **Plan** you, and where appropriate your **employer**, may pay into the **Plan**. The minimum amounts that must be paid are set out below. They are shown as gross (before the deduction of any tax relief).

Frequency of payment	Your minimum gross payment if only you pay into the **Plan**	Your **employer's** minimum gross payment if only your **employer** pays into the **Plan**	You and your **employer's** total minimum gross payments if you both pay into the **Plan**
Monthly	£50	£30	£35 (of which at least £10 must be from your **employer**)
Single	£3,000	£1,000	£1,650 (of which at least £150 must be from your **employer**)

It is important for you to regularly review your membership of the **Plan**. This may mean that you will want to change the amount you pay into the **Plan**. You can increase ('**top-up**') the amount you pay into the **Plan** at any time, but there are minimum amounts that the payment must increase by. These are set out opposite.

Frequency of payment	Your minimum gross **top-up** if only you pay into the **Plan**	Your **employer's** minimum gross **top-up** if only your **employer** pays into the **Plan**	You and your **employer's** total minimum gross **top-up** if you both pay into the **Plan**
Monthly	£25	£10	£25 (of which at least £10 must be from your **employer**)
Single	£1,500	£150	£1,650 (of which at least £150 must be from your **employer**)

Please note that the minimum **top-up** amounts do not apply to the **Plan's** automatic payment increase option (see 'Automatic Payment Increases' for more information).

The above amounts are the current position and may be changed at any time.

HOW MUCH CAN YOU PAY INTO THE PLAN? – MAXIMUM AMOUNTS

There is no maximum amount that can be paid into the **Plan** although we may not accept any payments into the **Plan** that are not eligible for tax relief (see 'Tax').

There is an **Annual Allowance Charge** payable by you if the **Annual Allowance** is exceeded. There is also a limit on the tax relief that you can receive on your personal payments (see 'Tax').

DIFFERENT WAYS OF PAYING INTO THE PLAN

There are a number of ways in which you can arrange to make payments into the **Plan**.

REGULAR PAYMENTS

Regular payments are usually paid by direct debit. Other methods may be available on request.

If you are employed you can arrange for your payments to be deducted from your **employer's** payroll and forwarded direct to us.

Please ask our Customer Services for details if you would like to do this.

SINGLE PAYMENTS

You can pay single one-off payments to the **Plan** at any time by cheque. Other methods may be available on request.

If you are employed your **employer** can make single one-off payments to the **Plan** for you. These can also be deducted from your **employer's** payroll and forwarded direct to us.

AUTOMATIC PAYMENT INCREASES

An optional feature of the **Plan** helps you to offset the effects of inflation by automatically increasing the amount you (and/or your **employer**) pay, by 5% a year. You can add this feature when you join the **Plan**, or at any time afterwards with our agreement.

You can of course cancel the automatic increase at any time.

STOPPING PAYMENTS

If regular payments to the **Plan** stop, then, currently, as long as a total of £300 has been paid you will be given a 'paid up' benefit. Any single payment will secure a 'paid up' benefit.

3. CONTRACTING-OUT

WHAT IS CONTRACTING-OUT?

If you have contracted-out of the **State Second Pension** through the **Plan**, **NICO** pays part of your National Insurance contributions, including an element of tax relief, direct to us. This is invested to build up a fund which will be used to provide you with a pension in place of the pension you would otherwise have built up in the **State Second Pension** if you had remained contracted-in.

WHAT IS THE STATE SECOND PENSION?

The State Pension Scheme is in two parts:

- the Basic State Pension, generally known as the 'old age pension'; and
- the **State Second Pension**.

The **State Second Pension** (also known as S2P) replaced the State Earnings-Related Pension Scheme (SERPS) in April 2002 as the second tier of the State Pension Scheme. It provides an additional income on top of the Basic State Pension, and is paid for by some of your **employer's**, and some of your own, National Insurance contributions.

BENEFITS

The benefits emerging from the **Plan**, in respect of you having been contracted-out of the **State Second Pension**, are called **protected rights benefits**. The amount of **protected rights pension** your **protected rights benefits** under the **Plan** will provide you with depends, principally, on the investment return in the With-Profits Fund in which the payments are invested and on our annuity rates at the time you take benefits. Being contracted-out means that you could end up with more or less than if you had remained contracted-in.

CONTRACTING BACK IN

If you have used the **Plan** to contract-out you have the opportunity to review your decision every year. It is possible to contract back into the **State Second Pension** at any time from the start of a **tax year**. We will write to you if we believe you need to review your decision with regard to contracting-out and let you know the things you need to consider to help you decide.

It is impossible to be certain whether you would be better off remaining contracted-out or contracting back into the **State Second Pension**. Remember this is not a one-off decision – you have the opportunity to choose each year.

4. INVESTMENT

If your selected retirement date is at least five years ahead you have the choice of investing in the With-Profits Fund and/or unit linked funds, and you can also include our Cash Pension Fund if you wish. If your selected retirement date is less than five years ahead you cannot select the With-Profits Fund.

WHAT IS A UNIT LINKED INVESTMENT?

A unit linked investment is a form of pooled investment where you purchase units, with each unit representing a share of the underlying assets. The price of each unit depends on the value of the investments in the unit linked fund. We work out the value of your plan based on the total number of units you have in each unit linked fund. If the unit prices rise or fall, so will the value of your plan, which means the value is not guaranteed.

WHICH UNIT LINKED FUNDS ARE AVAILABLE?

The full range of funds available under the **Plan** are set out in our Fund Options Brochure and in the Key Features document, and are subject to change at any time. They may include funds of our own and funds managed by external investment managers.

WHAT IS A WITH-PROFITS INVESTMENT?

With-Profits is designed to help smooth the investment performance over the time you hold your policy.

HOW DOES IT WORK?

When a customer takes out one of our With-Profits policies, his or her payments are paid into our With-Profits Fund. In this Fund, the payments are pooled with those of other policyholders, and invested in a range of assets, including UK equities, overseas equities, property and fixed interest stocks. The investment return on these assets is accumulated in the With-Profits Fund.

Part of the profits arising in the With-Profits Fund, which include the investment return on the assets, are distributed to policyholders by way of bonuses. Regular bonuses are added to policies throughout the year, and once added are guaranteed to be paid in the event of certain specific future events. Final bonuses (also known as terminal bonuses) might also be added when benefits become payable.

In setting our bonuses, our objectives are:

- To give each With-Profits policyholder a return on the payments paid, which reflects the earnings of the underlying investments, whilst smoothing out the peaks and troughs of investment performance.
- To ensure that With-Profits policyholders receive a fair share of the distributed profits, by way of bonus additions to their funds.

We operate the With-Profits Fund so that customers receive the benefit of the higher returns that can be expected from investment in equities and property, together with the security offered by smoothed returns and the underlying investment guarantees.

WHAT ARE THE BONUSES?

The value of the pension fund is increased through bonuses, which are paid to you as your share of the profits of the fund. There are two types of bonus:

- Regular, which are added throughout the year.
- Final, which we may pay when you take benefits.

Put simply, regular bonuses are determined primarily by targeting them at a prudent proportion of the long-term expected future investment return on the underlying assets. Final bonuses are set by reference to the earnings of the underlying investments over the term of your plan and are set so that in normal investment conditions pay-out values change only gradually over time i.e. we provide smoothed benefits. Future rates of regular bonus cannot be guaranteed and final bonus can be reduced or removed retrospectively.

HOW DO WE DECIDE THE BONUSES?

For an insurance company, bonuses on With-Profits policies are set by the company's board of directors, on the advice of the appointed actuary.

In January 2005 we established a With-Profits committee consisting of three members, all independent of us, bringing with them a wealth of experience. They provide an independent assessment of the way in which we manage our With-Profits business, in particular how we balance the rights and interests of policyholders and shareholders in relation to our With-Profits funds, and that we comply with our published Principles and Practices of Financial Management.

Claim values are set by reference to what are known as 'asset shares'. Asset shares are calculated for typical policies becoming claims by accumulating the payments paid, less allowance for expenses and charges, at the actual rates of return earned on the assets of the Fund over the lifetime of the policy, making appropriate allowance for miscellaneous profits and losses. These asset shares provide a target level for claim values. The target claim values are then smoothed so that the claim values actually paid generally change only gradually over time. Our intention is that any smoothing profits or losses should balance out over time, so that the With-Profits Fund neither gains nor loses as a result of our smoothing policy.

The effect of this smoothing is that a With-Profits plan, year on year, will not give the same return as a direct stockmarket investment. In years of high market returns, With-Profits returns would be expected to be lower, as we would reserve some of the high returns in order to smooth returns upwards in years of poor market returns. The opposite would apply in years of poor market returns.

Final bonuses are declared each year for the plans becoming claims in order to produce the smoothed claim values described above.

Regular bonuses are declared each year in order to gradually increase the guaranteed benefits under a policy. If guaranteed benefits were increased too much, we would need to adopt a more cautious investment strategy for the underlying assets, which would be expected to reduce the overall return that we could offer. The proportion of future return that is declared as regular bonus is therefore set so as to leave sufficient final bonus in the final claim value to permit continuation of our equity-orientated investment strategy.

WHAT ARE THE GUARANTEES?

If you keep your plan going until your selected retirement date, or if you die, we guarantee to pay a minimum value. This minimum value increases the longer you hold the policy, because we take into account the regular bonuses you have received. However, if you choose to move out of the With-Profits Fund before reaching your selected retirement date the guarantee won't apply.

WHAT IF I DECIDE TO MOVE OUT OF WITH-PROFITS?

If you switch out of the With-Profits Fund into another fund, take your benefits early, or transfer the value of your plan to another company, we may make an adjustment so that you get a fair share of the total fund value. The adjustment is known as a Market Value Reduction (MVR), which is explained below.

MARKET VALUE REDUCTION

If you take money out of the With-Profits Fund, we may make an adjustment to your fund value if the value of the underlying assets is less than the value of your plan including all bonuses. This adjustment is known as a Market Value Reduction (MVR). It is designed to protect investors who are not taking their money out and to protect the solvency of the Fund. Its application means that you get a fair share of the With-Profits Fund in which your payments are invested. We apply the MVR to your plan value including regular and final bonuses. We do not apply an MVR at your selected retirement date or on any claims due to death.

Our current practice of applying an MVR is as follows:

- We may apply an MVR, to full or partial withdrawals as a result of transfers, switches or taking your benefits early, on all investments that have been running for less than five years.
- For investments that have been running for longer periods, we would consider the application of an MVR on any particular withdrawal where that withdrawal results in the total amount paid out, including any other payments in the previous 12 months, exceeding £25,000. We would only apply the MVR to the withdrawal amount in excess of £25,000 in these circumstances.

- As plans approach the selected retirement date, the size of any MVR that would apply is gradually reduced.

We reserve the right to change this practice in the light of a significant move in the investment market or in the event of a significant increase in the level of withdrawals taken by our policyholders.

Any change we make to our practice would be applied without prior notice and would apply to existing plans as well as to any new plans or **top-ups**.

PRUDENTIAL CASH PENSION FUND

This Fund is backed by interest-bearing highly secure short term money market investments, with the aim of providing the best short term rate of return with security of capital. This Fund does not receive bonuses.

SWITCHING BETWEEN FUNDS

You can switch your existing funds from one to another and/or choose to redirect future payments to a different fund or funds.

Switches are free of charge, but we may make a deduction from the value realised from the sale of units of the With-Profits Fund (see 'Market Value Reduction' above).

Any **protected rights payments** are treated separately from any other payments made to the **Plan** for switching purposes.

LIFESTYLING OPTIONS

As an alternative to choosing a single fund, or a range of funds, you can choose one of three Lifestyle Options. These are investment strategies that aim to provide long-term growth, but automatically switch your investments from funds with higher risk profiles into those with a lower risk as your selected retirement date approaches. The rate of movement into lower risk funds varies with each strategy. More information is included in the Fund Brochure, which is available on request.

Automatic switches are free of charge.

UNIT PRICES – THE WITH-PROFITS FUND

The price of the units is calculated daily and reflects the rates of regular bonuses declared. Once this is added it cannot be taken away and the price of the units cannot go down (but see 'Market Value Reduction' above).

UNIT PRICES – UNIT LINKED FUNDS

The unit linked funds are usually valued daily, but may, at the discretion of the relevant company, be valued at longer intervals.

The value of a unit linked fund is broadly based on the value of the assets relating to it. The assets may be valued in different ways, the final decision for which rests with the respective company.

5. TAX

OBTAINING TAX RELIEF

Your payments to the **Plan** will be paid net of basic rate income tax in any of the following circumstances:

- You are taxed as an employee (including a director).
- You are taxed as self-employed, a partner or a sole trader.
- You do not pay income tax.

We will reclaim basic rate income tax and apply it to your plan. You will be able to obtain any relief from higher rate income tax by notifying **HMRC** through your tax return.

If your **employer** pays into the **Plan** for you, these payments will be paid gross and normally be treated as an allowable expense, with any tax relief being obtained by your **employer** against income or corporation tax, as appropriate.

TAX ADVANTAGES

If you are a **member** of the **Plan** you will benefit from considerable tax advantages:

- Your personal payments to the **Plan** qualify for income tax relief, including at least some relief at the highest rate you pay (but see 'Limit on Tax Relief' below).
- Payments to the **Plan** are invested in a fund on which no UK tax is paid on investment income and capital gains. However, where tax has been deducted at source it may not, for some investments, be possible for it to be reclaimed.
- Payments made by your **employer** normally qualify for corporation tax relief as a business expense.
- You are able to take a pension commencement lump sum when you take your benefits from the **Plan**, which is currently tax-free.
- The return of your fund on death before any benefits have been taken can normally be paid free of inheritance tax.

YOUR PENSION

Your fund, less any pension commencement lump sum, can be used to buy a pension (also known as an annuity). This will provide you with a regular income for the rest of your life and will be taxed as 'earned income'.

LIMIT ON TAX RELIEF

You will normally receive tax relief on your personal payments to the **Plan** and to any other **Registered Pension Scheme** each **tax year** up to the higher of 100% of earnings (broadly, earnings from employment, or income earned directly from a trade or profession) and £3,600. Payments in excess of this limit will not get tax relief and may not be accepted into the **Plan**. Also if the **Annual Allowance** is exceeded you will be liable to an **Annual Allowance Charge**.

It is your responsibility to monitor whether your payments to the **Plan** are eligible for tax relief.

We cannot be held liable if you suffer any loss due to our acceptance of a payment that results in an **Annual Allowance Charge**.

The information in this Section 5 is based on our understanding, as at April 2006, of current taxation, legislation and **HMRC** practice, all of which are liable to change which cannot be anticipated. The impact of taxation (and any tax relief) depends on individual circumstances.

6. PENSION BENEFITS

WHEN CAN PLAN BENEFITS BE TAKEN?

When you join the **Plan**, you select a date ('selected retirement date') that you expect to take benefits from the **Plan**. You can start your benefits on that date, but there is no compulsion to do so.

You do not have to retire from work to take benefits from the **Plan**.

Your selected retirement date enables us to provide you with relevant illustrations of benefits and to remind you to claim your pension when that date approaches.

If you choose to start your benefits on a date other than your selected retirement date an MVR may apply (see 'Market Value Reduction').

Both your selected retirement date and the date you actually choose for the start of your benefits must comply with **HMRC** requirements. Broadly this means that you can start to take your benefits at any time between the ages of 50 (55 from 6 April 2010) and 75. You may be able to start to take your benefits before age 50 (55 from 6 April 2010) if you were a **member** of the **Plan** on 5 April 2006 and you were in an occupation recognised by **HMRC** as one for which a lower pension age was acceptable.

Safeguarded rights benefits cannot be taken before age 60.

There is no compulsion to start all of your **non-protected rights benefits** at the same time. **Non-protected rights benefits** can be phased in and this can be organised at the time you want to start your pension. Please ask us if you wish to consider phasing the start of your **non-protected rights benefits**. **Protected rights benefits** and **safeguarded rights benefits** cannot be phased in.

If you become permanently incapable of carrying on your normal occupation you may be able to take your benefits before age 50 (55 from 6 April 2010). You will need to provide us with written evidence from a registered medical practitioner confirming that you have become incapable of carrying on your occupation and are unlikely to return to it.

CHOICE OF BENEFITS

PENSION

You may choose that all or some of the money is used to buy a pension either from us or from another insurance company.

You will also be able to choose various options when your pension is being bought. For example you may wish your pension to increase in payment or you might want a dependant to receive a pension on your death. We will give you details of the options available at the appropriate time. The choices you make will affect the amount of pension you receive.

If you have not taken all your benefits under the **Plan** by age 75, we may use the money to buy a pension for you. We will choose the insurance company and the form of pension.

You may want to draw an income for a period of time before your pension is bought. This practice is known as "income withdrawal" and the payments are called "unsecured pension". The **Plan** does not offer this facility so you will need to take a transfer-out to a scheme that offers this facility. This is a very complex area and you are strongly recommended to seek financial advice when considering this option.

Under UK legislation your **protected rights pension** must:

- be calculated using rates that take no account of sex; and
- include a pension payable on your death to your surviving spouse or **civil partner**, if such a person exists when your **protected rights pension** is bought. The pension payable to your surviving spouse or **civil partner** will be at least half of your own pension.

PENSION COMMENCEMENT LUMP SUM

When applying for a pension you may also choose to receive a pension commencement lump sum. The lump sum

- must not be more than 25% of the value of the benefits to be taken; and
- must not, when added to all pension commencement lump sums taken by you from all **Registered Pension Schemes**, exceed 25% of the **Standard Lifetime Allowance** applicable at the time the lump sum is paid; and
- may only be paid if all or part of your **Personal Lifetime Allowance** is available; and
- must be paid before your 75th birthday.

Where you have transitional protection (see 'Transitional Protection'), a larger lump sum may be available.

Safeguarded rights cannot be used to provide a pension commencement lump sum.

COMMUTATION LUMP SUM

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

- the value of your benefits from all **Registered Pension Schemes** does not exceed 1% of the **Standard Lifetime Allowance**; and
- you have reached the age of 60 but you have not reached the age of 75; and
- you have all or part of your **Personal Lifetime Allowance** available; and
- no commutation lump sum has been paid to you from any **Registered Pension Scheme** more than 12 months before this payment.

SERIOUS ILL-HEALTH LUMP SUM

The value of your benefits may be paid as a serious ill-health lump sum where we have received written evidence from a registered medical practitioner that you are expected to live for less than one year. You must be aged less than 75 and have all or part of your **Personal Lifetime Allowance** available.

If you have **protected rights** under the **Plan** and you are 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 your **protected rights benefits** to buy a pension for any widow, widower or surviving **civil partner**.

DELAYING PLAN BENEFITS

On reaching your selected retirement date, if your payments have been invested in the With-Profits Fund you can switch the value of your plan (including any final bonus) into the Cash Pension Fund or into any of the unit linked funds. You can then continue paying into the **Plan** until you take your benefits.

If you decide not to exercise this option, your fund will remain invested in the With-Profits Fund, with any final bonus added to the fund for the period of the initial term. Any further final bonus will be added when you subsequently take your benefits.

If you remain in the With-Profits Fund, an MVR may apply. In determining the MVR, your selected retirement date would be increased by five years or to the day before age 75 if you are over 70. This would be repeated at the end of each five-year period before age 75. You may, of course, choose to take your benefits at any time in between, when the options at the selected retirement date will continue to be available.

7. DEATH BENEFITS

GENERAL

If you die before all of your benefits have been taken we will pay out the value of your fund in the ways described in this Section 7.

All lump sum death benefits count towards your **Personal Lifetime Allowance** and any **Lifetime Allowance Charge** must be paid by the recipient(s).

When **non-protected rights** and **protected rights** are in the same arrangement, the benefits will be paid in accordance with the rules for **protected rights**.

NON-PROTECTED RIGHTS LUMP SUM DEATH BENEFIT

(a) If you die before all your benefits have been taken we will pay out the value of your **non-protected rights benefits** as a lump sum death benefit.

(b) We choose who will receive the lump sum death benefit. We have discretion to choose rather than you because if you control the benefit it may be liable to inheritance tax. As we have the choice such a payment will usually be free of inheritance tax.

(c) We can choose from a range of people, including your widow or widower or surviving **civil partner**, dependants, relations, any person named in your Will or your estate. We can choose more than one recipient.

(d) You can give us details of whom you would like to receive the lump sum death benefit by using the Nomination of Beneficiaries Form. We will take your wishes into account, but because recipients are selected by us under our discretionary powers, we do not have to follow your nomination.

PROTECTED RIGHTS DEATH BENEFITS

(a) If you have **protected rights** under the **Plan** and you die before a **protected rights pension** is provided, we will take reasonable steps to find out whether you are survived by a widow, widower or **civil partner**.

If we find that you are survived by a widow, widower or **civil partner**, we must use your **protected rights** to provide a pension for the widow, widower or **civil partner**. The pension will be bought from us unless your widow, widower or **civil partner** chooses another insurance company.

If we find that you are not survived by a widow, widower or **civil partner**, we will pay the money as a lump sum death benefit in accordance with any direction given by you on the Nomination of Beneficiaries Form. If you have not given us written instructions the money will be paid as a lump sum to your estate.

(b) We may pay a commutation lump sum death benefit instead of the pension payable in (a) above if:

- the value of the pension does not exceed 1% of the **Standard Lifetime Allowance**; and
- payment is made before you would have reached age 75.

LIFE COVER (SEE 'APPENDIX')

You may have taken out life cover under the **Plan**. If you die whilst cover is in force the amount insured for you will normally be paid as a lump sum death benefit.

TIME LIMIT

We will normally pay any lump sum death benefit within two years of your death. If we are unable to do this, there will be a 55% tax charge taken from the payment.

8. BENEFICIARY UNABLE TO LOOK AFTER OWN AFFAIRS

If we believe that any beneficiary under the **Plan** is unable to look after his or her own affairs we may arrange that any benefit due, instead of being paid to the beneficiary, will be paid to another person who will look after the money for the beneficiary or will use it for the benefit of the beneficiary, until the beneficiary is able to look after his or her own affairs.

9. TAXATION OF 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 in respect of your **non-protected rights** will normally be free of inheritance tax.
- Lump sum death benefits in respect of your **protected rights** may be subject to inheritance tax.
- A commutation lump sum death benefit will be taxable as income.

All benefits (excluding any dependant's pension) count towards your **Personal Lifetime Allowance** and a **Lifetime Allowance Charge** may be payable.

The information in this Section 9 is based on our understanding, as at April 2006, of current taxation, legislation and **HMRC** practice, all of which are liable to change which cannot be anticipated.

10. TRANSFERS

TRANSFERS-IN

The **Plan** can accept transfers-in from other pension schemes and policies under which you have benefits. This includes any **pension credit rights**. There are a number of stringent requirements that must be complied with before the transfer can be accepted. Further details are available from us on request.

This is a very complex area and you are strongly recommended to seek financial advice before making any transfers-in. Our acceptance of a transfer-in does not in any way imply that it is appropriate or in your best interests.

TRANSFERS-OUT

At any time before you take benefits, you can end your membership and have the value of your fund transferred-out of the **Plan**. Please note that you will be required to sign certain forms to authorise the transfer-out.

In all cases:

- the money must be transferred to provide you with pension and other related benefits under the receiving scheme; and
- 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.

If you choose to transfer your benefits on a date other than your selected retirement date an MVR may apply (see 'Market Value Reduction').

Transferring is a very complex area and you are strongly recommended to seek financial advice before making any transfers-out.

11. TRANSITIONAL PROTECTION

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

(a) at 5 April 2006 the value of your pension funds under all **Registered Pension Schemes** exceeded the **Standard Lifetime Allowance** (or your funds were of such a value that the **Standard Lifetime Allowance** could be exceeded at a later date);

(b) you were awarded a **pension credit** with an effective date of before 6 April 2006;

(c) you have transferred benefits to the **Scheme** from an occupational pension scheme, under which you were, at 5 April 2006, entitled to a lump sum of more than 25% of your fund; and

(d) on 5 April 2006 you were entitled under the **Plan** to a pension from an age less than 50 because your occupation was recognised by **HMRC** on that date as one for which a lower pension age was acceptable.

Where (a) or (b) applies you will need to register with **HMRC** by 5 April 2009 to benefit from the transitional protection.

Whenever your benefits come into payment, the value of those benefits is tested against your available **Personal Lifetime Allowance**. Before paying any benefits, you must tell us of any percentage of the **Standard Lifetime Allowance** that has already been used in providing benefits. If, at that time, your **Personal Lifetime Allowance** is different to the **Standard Lifetime Allowance**, you must also tell us your actual **Personal Lifetime Allowance**.

If you would like further information on transitional protection, please contact us.

This is a very complex area and you are strongly recommended to seek financial advice when considering registering for transitional protection.

12. PENSION SHARING ON DIVORCE/ DISSOLUTION

Couples who divorce (and since 5 December 2005, **civil partners** whose civil partnership is dissolved) are able to share their pension rights as part of the overall settlement. This is known as 'pension sharing' and applies to most types of occupational and personal pension rights, including the **State Second Pension** and any from additional voluntary contributions.

There are other methods of dealing with pension rights on divorce/ dissolution available to the courts. The most usual ones are:

- offsetting; and
- earmarking.

Offsetting is where pension benefits are set off against other matrimonial assets.

Earmarking is where specific benefits are designated to be payable to an ex-spouse or ex-**civil partner** in certain circumstances, usually after a **member's** death or retirement.

PENSION SHARING

Pension sharing is an approach designed to create a 'clean break' by formally separating a **member's** pension rights between the **member** and the ex-spouse or ex-**civil partner**.

In divorce proceedings or where a civil partnership is dissolved, both partners have to disclose all their financial interests. This includes details about pension rights. In order to create a fair division of assets between the partners, a court may decide that a **Pension Sharing Order** is appropriate. If it does the court will issue an order to the trustees/managers of a pension scheme who must then comply with its terms and allocate part of a **member's** pension rights to the ex-spouse or ex-**civil partner**. The split in pension rights will normally be based on the transfer value of the **member's** benefits in the **Plan** on the date the **Pension Sharing Order** takes effect.

Where pension benefits are being paid, they will usually be split and paid to each partner.

Pension sharing will not necessarily result in a 50:50 split of a **member's** benefits in the **Plan**. A different ratio may apply depending on the division of assets between the partners. A **Pension Sharing Order** can apply to both pension and death benefits (but see 'Pension Sharing Exemptions' below).

The benefits created for an ex-spouse or ex-**civil partner** will belong to him/her and payment of them will no longer depend on the circumstances of the **member** from whom they derive.

PENSION SHARING EXEMPTIONS

Pension sharing will not apply to the following benefits:

- The Basic State Pension (and associated survivor's pensions).
- Lump sum death benefits except for any refunds of payments and any that represent guaranteed pension payments.
- Rights to any contracted-out equivalent pension benefits earned for any period of contracting-out of the State Pension Scheme before 6 April 1975 (but only if these are the only rights in a pension arrangement).
- Any pension or other benefit already in payment to a widow, widower, **civil partner** or other dependant.
- Where an earmarking court order is already in force in respect of any benefits under a pension arrangement.

PENSION SHARING ORDERS – HOW THEY AFFECT YOUR EX-SPOUSE OR EX-CIVIL PARTNER

If a court makes a **Pension Sharing Order**, your ex-spouse or ex-**civil partner** can instruct us where to transfer the assets representing the pension and any death benefits allocated to him/her.

The transfer can be to any **Registered Pension Scheme** or annuity contract of his/her choice.

If your ex-spouse or ex-**civil partner** does not instruct us where to transfer the allocated pension assets, we can transfer them to any **Registered Pension Scheme** or annuity contract.

Your ex-spouse or ex-**civil partner** can ask us to transfer the benefits to another arrangement at any time (see 'Transfers' for more details).

DEATH OF AN EX-SPOUSE OR EX-CIVIL PARTNER

If your ex-spouse or ex-**civil partner** dies at any time, there will normally be no reallocation to you of the benefits allocated to your ex-spouse or ex-**civil partner** under a **Pension Sharing Order**.

If your ex-spouse or ex-**civil partner** dies after a **Pension Sharing Order** has been issued but before the trustees/managers of the pension arrangements have implemented it, the trustees/managers will use the amount that would have been allocated to provide benefits for your ex-spouse or ex-**civil partner** to provide a lump sum and/or pensions for your ex-spouse's or ex-**civil partner's** estate and/or survivors.

COSTS INCURRED BY US

We reserve the right to recover from you or, where a court order specifies, from your ex-spouse or ex-**civil partner**, certain costs incurred in providing information or any activity in connection with an intended divorce/dissolution or complying with a court order concerning benefits under the **Plan**. In some situations it may be necessary for us to recover costs by deducting them from your and/or your ex-spouse's or ex-**civil partner's** benefits.

CHANGE OF CIRCUMSTANCES

If you remarry and get divorced again or enter a new civil partnership which is subsequently dissolved, a court can make a **Pension Sharing Order** in respect of each divorce or dissolution, resulting in a further allocation of your benefits under the **Plan** in favour of another ex-spouse or ex-**civil partner**. This also applies to your ex-spouse or ex-**civil partner** if he/she divorces again or dissolves a subsequent civil partnership.

13. COST OF RUNNING THE PLAN

The whole of your payments, except any that may be for life cover or payment protection, are invested in the **Plan**. Separate records are kept for **protected rights payments**.

For the With-Profits Fund we deduct a charge through the bonus mechanism. This is currently expected to be 1% a year assuming future investment returns in the With-Profits Fund are 7% a year. Charges on With-Profits business depend on the performance of the With-Profits Fund and, in particular, the investment returns achieved and expenses incurred. Over time if returns are higher then we would expect to increase the charge and if investment returns are lower we would expect to reduce the charge.

For any regular payments, including increments, started before 1 January 1999, an initial unit charge will have been applied and will operate in the usual way. This charge will have been described in the documents you received at the time your plan started.

For unit linked funds the charge is explicit. We deduct an Annual Management Charge (AMC), which is collected by the cancellation of units. It is calculated daily on the units held on that day and taken monthly from your plan. The AMC for each fund can be found in the Key Features document.

A policy fee of £1.50 per month, or £8 if paid quarterly, is added to the payment for life cover if this is the only benefit.

CHANGES TO CHARGES

We reserve the right to change these charges and will give at least three months prior notice of any changes in amounts being paid by **members**, except for the charge described for the With-Profits Fund above.

14. KEEPING YOU INFORMED

Each year we will supply you with a statement showing the amount of payments credited to your fund since your last statement. Any **protected rights payments** will be shown separately. It will also show the value of your fund at the date specified in the statement, its transfer value, and the benefit payable on death. The statement will also include an estimate of the yearly pension you might get when you retire shown in today's prices.

Shortly before your selected retirement date we will inform you of the options available to you.

15. KEEPING US INFORMED

You must provide us with any information we may from time to time reasonably require to administer your plan. In particular you must advise us of the following:

- If you stop being **resident in the UK**.
- If you are in an occupation with an approved pension age under 50 and you intend to take benefits at the age appropriate to your occupation, then you must inform us if and when you cease that occupation.
- If you ask for an estimate of the transfer value of your benefits under the **Plan** and the reason for asking is for divorce/dissolution purposes, you should make this clear to us at the time.
- If you get divorced or your civil partnership is dissolved, whether or not a court order is made in respect of your pension benefits you should let us know about the changes in your personal details. You should also consider changing any nomination forms you may have completed.

16. LEGAL STRUCTURE

This Section gives a brief description of how the **Plan** works.

On becoming a **member** of the **Plan** you agreed to be bound by its Rules and Scheme Provisions.

The **Plan** is a **Registered Pension Scheme**. This means that various tax advantages are available in respect of some types of payments made to the **Plan**, investments under the **Plan** and benefits paid out of the **Plan**.

The **Plan** is an "**Appropriate Personal Pension Scheme**" and **members** can use it to contract-out of the **State Second Pension**. The **Plan's** Appropriate Scheme Certificate Number is A7001022K.

The Prudential Assurance Company Limited is the Provider and Plan Administrator.

The **Plan** has been set up by a Deed Poll which adopted the Rules. The **Plan** operates in accordance with the terms set out in these documents.

The **Plan** is an arrangement for the issue of insurance policies and annuity contracts.

The **Plan** is covered by the Financial Services Compensation Scheme for the purpose of providing compensation in the unlikely event of our insolvency. If a charge is imposed on us under the Financial Services Compensation Scheme, we may pay it by imposing on our policyholders whatever additional charges are necessary and reasonable.

On becoming a **member** of the **Plan** you are allocated a membership number. We will send you a certificate for each of your benefits under the **Plan**.

You can change your mind within 30 days from when you get your plan documents. If you decide, for any reason, within this period that you don't want your plan, we'll give you your money back. If you start your plan with a single payment into a unit linked fund, and you cancel your plan within 30 days of receiving your cancellation notice, the value of your fund may have fallen. We will value your fund on the date we receive your cancellation instruction and if the market has fallen you will get less than you paid in.

If you require any further information, then please contact our Customer Services, who will be pleased to help you.

17. COMPLAINTS

We hope you will never need to, but if you ever wish to complain about any aspect of the service you receive from us, please contact your Financial Adviser. If you have dealt directly with us, please contact us at:

Customer Relations Unit,
Prudential,
Stirling,
FK9 4UE.

Tel 0845 710 0000

Copies of our complaint handling procedures are available from this address.

Telephone calls may be monitored or recorded in order to improve our service to you.

If you are not satisfied with our response to your complaint, you may be able to take the complaint to the Financial Ombudsman Service. The Financial Ombudsman Service will not make a charge for dealing with your complaint and your legal rights will not be affected if you subsequently decide not to accept its findings.

There are also two other organisations to which you or your beneficiaries can refer a complaint, either the Pensions Advisory Service (TPAS) or the Pensions Ombudsman.

The Pensions Ombudsman has been appointed by law (section 145(2) of the Pension Schemes Act 1993) to investigate and determine, amongst other things, complaints about maladministration or disputes on points of fact or law in relation to personal pension schemes or occupational pension schemes.

The Pensions Ombudsman can also investigate and determine complaints from personal pension scheme members about the activity of their employer in relation to the personal pension scheme.

The addresses and telephone numbers of these organisations are as follows:

- Financial Ombudsman Service:
  South Quay Plaza,
  183 Marsh Wall,
  London,
  E14 9SR.

  0845 080 1800

- Pensions Advisory Service (TPAS):
  11 Belgrave Road,
  London,
  SW1V 1RB.

  0845 601 2923

- Pensions Ombudsman:
  11 Belgrave Road,
  London,
  SW1V 1RB.

  020 7834 9144

These are free services; using them will not affect your legal rights.

Whilst every effort has been made to ensure the accuracy of the information contained in this booklet, it is intended to give only a broad outline. For a full explanation of the terms and conditions of the **Plan**, the Rules and Scheme Provisions should be consulted. The Rules and Scheme Provisions are subject to amendment from time to time by us and current versions are available on request from our Customer Services.

18. MEANING OF WORDS USED

"**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 you to the **Plan** and to any other **Registered Pension Scheme**. This limit is called the Annual Allowance. The Annual Allowance will also take into account the increase in value of any defined benefits that you may have under any other **Registered Pension Scheme**. If the Annual Allowance is exceeded you will be liable to an **Annual Allowance Charge**.

The Annual Allowance for the **tax years** 2006/07 to 2010/11 has already been set by the Government and is shown below:

TAX YEAR	ANNUAL ALLOWANCE
2006/07	£215,000
2007/08	£225,000
2008/09	£235,000
2009/10	£245,000
2010/11	£255,000

The Annual Allowance is expected to increase each subsequent **tax year**.

The following payments do not count towards the Annual Allowance:

(a) payments made by you in excess of 100% of earnings (broadly, earnings from employment, or income earned directly from a trade or profession) and £3,600 if greater;

(b) **protected rights payments**; and

(c) payments made in the **tax year** in which you take all your benefits.

It is your responsibility to keep a record of the payments made by or in respect of you to the **Plan** and to any other **Registered Pension Scheme** so that you know if the Annual Allowance is exceeded.

"**Annual Allowance Charge**". If payments made by or in respect of you to the **Plan** and/or to any other **Registered Pension Scheme** (and the increase in value of any defined benefits) exceed the **Annual Allowance**, you will be liable to a tax charge of 40% on the amount in excess of the **Annual Allowance**. This charge is called the Annual Allowance Charge.

We cannot be held liable if you suffer any loss due to our acceptance of a payment that results in an Annual Allowance Charge.

"**Appropriate Personal Pension Scheme**". A personal pension scheme, which has received an appropriate scheme certificate under the Pension Schemes Act 1993.

"**basic salary**". Your salary net of any additional payments such as bonuses, overtime, company car.

"**civil partner**". A registered same-sex civil partner. Since 5 December 2005, it has been possible for same-sex partners to register as civil partnerships. Certain provisions that previously applied only to spouses are now extended to civil partners.

"**employer**". Your current employer or employers, if you are employed.

"**HMRC**". HM Revenue & Customs.

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

We cannot be held liable if we pay a benefit from the **Plan** that results in a Lifetime Allowance Charge.

"**member**". An individual who has made arrangements under the **Plan** for the provision of benefits.

"**NICO**". The National Insurance Contributions Office (part of **HMRC**).

"**non-protected rights benefits**" and "**non-protected rights**". Broadly speaking, non-protected rights benefits are benefits resulting from your own payments (including tax relief payments), your **employer's** payments and any parts of transfers-in that do not represent contracting-out benefits. These are benefits to which the specific restrictions for **protected rights** and **safeguarded rights** do not apply. Your rights to these benefits are called non-protected rights.

"**pension credit**" and "**pension credit rights**". If you become divorced or your civil partnership is dissolved and you are awarded a pension credit of part of your ex-spouse's or ex-**civil partner's** benefit under a pension scheme, you can transfer this pension credit to the **Plan**. If on divorce or dissolution your ex-spouse or ex-**civil partner** is awarded a pension credit in respect of your benefits under the **Plan**, he or she may become a **member** of the **Plan** in order to benefit from the pension credit. In either case, moneys representing the relevant pension credits are invested under a policy and the individual will then have pension credit rights under the **Plan**.

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

"**Personal Lifetime Allowance**". This will normally be the **Standard Lifetime Allowance**. However, a higher or lower amount may apply in certain circumstances including the following:

(a) if at 5 April 2006 the value of your funds under all **Registered Pension Schemes** exceeded the **Standard Lifetime Allowance** (or your funds were of such a value that the **Standard Lifetime Allowance** could be exceeded at a later date) you may register with **HMRC** for transitional protection and your Personal Lifetime Allowance will then be higher than the **Standard Lifetime Allowance**; or

(b) if on 5 April 2006 you were entitled under the **Plan** to a pension from an age less than 50 because your occupation was recognised by **HMRC** on that date as one for which a lower pension age was acceptable, your Personal Lifetime Allowance will be the **Standard Lifetime Allowance** reduced by 2.5% for each complete year that benefits are taken before age 50 (55 from 6 April 2010); or

(c) if you were awarded a **pension credit** with an effective date of before 6 April 2006, you may register with **HMRC** for transitional protection and your Personal Lifetime Allowance may be higher than the **Standard Lifetime Allowance**.

Whenever your benefits come into payment, the value of those benefits is tested against your available Personal Lifetime Allowance. Before paying any benefits, you must tell us of any percentage of the **Standard Lifetime**

Allowance that has already been used in providing benefits. If, at that time, your Personal Lifetime Allowance is different to the **Standard Lifetime Allowance**, you must also tell us your actual Personal Lifetime Allowance.

If your Personal Lifetime Allowance is exceeded the excess benefits will be subject to a **Lifetime Allowance Charge**.

It is your responsibility to keep a record of the percentage of the **Standard Lifetime Allowance** that has been used in providing benefits.

"**Plan**". The Prudential Personal Pension Scheme.

"**protected rights payments**", "**protected rights benefits**", "**protected rights pension**" and "**protected rights**". If you contract-out of the **State Second Pension** by reference to the **Plan**, then payments are made direct to the **Plan** on your behalf by **NICO**. These payments are called protected rights payments and are invested under the **Plan** to provide benefits in place of the **State Second Pension** benefits that you give up. The benefits that these payments provide are your protected rights benefits. The pension that these payments provide is called your protected rights pension. If a transfer-in includes contracting-out benefits, then those contracting-out benefits (except any **safeguarded rights benefits**) must also be used to provide protected rights benefits. Your rights to these benefits are called protected rights.

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

"**resident in the UK**". Resident and ordinarily resident in the UK for tax purposes.

"**safeguarded rights**" and "**safeguarded rights benefits**". Contracting-out rights under **pension credit rights** are known as safeguarded rights. The benefits that you can draw from safeguarded rights are known as your safeguarded rights benefits.

"**Stakeholder Pension Scheme**". A scheme for the time being registered as a stakeholder pension scheme with the Pensions Regulator under section 2 of the Welfare Reform and Pensions Act 1999.

"**Standard Lifetime Allowance**". The Government has set a limit for each **tax year** on the value of the benefits that can be taken from any **Registered Pension Scheme**. 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 **tax years** 2006/07 to 2010/11 has already been set by the Government and is shown below:

TAX YEAR	STANDARD LIFETIME ALLOWANCE
2006/07	£1.50 million
2007/08	£1.60 million
2008/09	£1.65 million
2009/10	£1.75 million
2010/11	£1.80 million

The Standard Lifetime Allowance is expected to increase each subsequent **tax year**.

"**State Second Pension**". This state scheme (previously known as SERPS) provides a pension in addition to the Basic State Pension, except for the self-employed. The amount of pension is related to the individual's earnings within certain limits.

"**tax year**". A period beginning on 6 April and ending on the next following 5 April.

"**top-up**". An increase to payments.

APPENDIX BENEFITS

LIFE COVER

This is an optional benefit providing life assurance cover, which can be taken out with pension payments or on a stand-alone basis. Only regular payments can be made for life cover, and the selected term must be at least five years and must cease before your 75th birthday. Acceptance of any application is subject to underwriting.

If you die during the selected term for this benefit, a lump sum will be payable. We choose who will receive the lump sum. We have discretion to choose rather than you because if you control the benefit it may be liable to inheritance tax. As we have the choice such a payment will usually be free of inheritance tax.

We can choose from a range of people, including your widow or widower or surviving **civil partner**, dependants, relations, any person named in your Will or your estate. We can choose more than one recipient.

You can give us details of whom you would like to receive the lump sum by using the Nomination of Beneficiaries Form. We will take your wishes into account, but because recipients are selected by us under our discretionary powers, we do not have to follow your nomination.

Please contact our Customer Services for more information or for a Nomination of Beneficiaries Form. In the event of your survival to the end of the term, no benefit will be payable, and no surrender value is payable if payments are discontinued.

Payments for this benefit also qualify for tax relief, including at least some relief at your highest rate(s) of tax. They also count towards the **Annual Allowance**.

The lump sum benefit payable will count towards your **Personal Lifetime Allowance** and any **Lifetime Allowance Charge** must be paid by the recipient(s).

You may increase the amount of the benefit at any time, subject to certain conditions including satisfactory evidence of health.

If you become ineligible to make payments to the **Plan**, you may be able to continue the life cover provided by this benefit under an alternative Prudential plan, without any further medical evidence. The term of the alternative plan must not extend the cessation date of this benefit and the alternative plan must start within two months of the payments ceasing for this benefit. The amount of life cover provided by an alternative plan cannot be greater than that currently held. Please contact our Customer Services for further details.

The benefit will not normally be payable in the event of suicide within one year of the start date of the benefit.

PAYMENT PROTECTION OPTION

Only available to **members** who joined the **Plan** before 6 April 2001.

CONTINUING PAYMENTS WHEN UNABLE TO WORK THROUGH ACCIDENT OR ILLNESS

If you become disabled or ill and unable to work for a long period it may not be possible for you to continue paying into the **Plan**. As a result you could face the possibility of your benefits being much lower than expected, and not being able to continue with your life cover.

In return for a small charge, regular payments (but not any further automatic increases in payments) will be waived during long periods of incapacity (see 'Incapacity' below). This lets you continue saving even though you are unable to follow your own (and are not following any other) occupation because of accident or illness.

This supplement can also be added to any **employer's** payments. Please contact our Customer Services for more information.

AVAILABILITY

This is an optional benefit, which can be included, provided that:

(a) You are under age 59.

(b) Your health record is acceptable to us.

(c) Your occupation is acceptable to us.

(d) The regular payments are payable monthly, and meet the minimum payments applying at the time.

If your regular monthly payments are increased either automatically or from time to time, the payment protection option on the increases is subject to underwriting.

For payments that began to be payable on or after 1 July 1990 we reserve the right to terminate this benefit if at any time you are found to be infected with any Human Immunodeficiency Virus.

BENEFIT

Payments due after six consecutive months of incapacity following notification will be waived (see below).

If (within three months of any period of incapacity ceasing) you suffer further incapacity as a result of the accident or illness that caused the original incapacity, benefit will restart immediately.

In respect of pension payments, this benefit will cease on the earliest of the following dates:

(a) the day before the anniversary that pension payments began, on or immediately following your 60th birthday; or

(b) the date of your death; or

(c) the day before your selected retirement date; or

(d) the date a plan pension starts.

If your regular pension payments increase automatically then increases taking place after the original date of incapacity will not be waived.

In respect of life cover payments, this benefit will cease on the earliest of the following dates:

(a) the day before the anniversary that pension payments began, on or immediately following your 60th birthday; or

(b) the date of your death; or

(c) the termination date of the life cover.

When the payment protection option ceases, the payment you make for pension benefits will not reduce, but the amount allocated to your pension fund will increase. Any additional payments for the payment protection option on life cover payments will cease.

INCAPACITY

This means being totally unable to continue in the occupation you were engaged in as a result of accident or illness (or after two years' incapacity, in any occupation for which you are reasonably fitted) and you are not engaging in any other occupation.

No benefit shall be payable if incapacity is due directly or indirectly to:

War and civil commotion

War, invasion, hostilities (whether war is declared or not), civil war, rebellion, revolution or taking part in a riot or civil commotion.

Self-inflicted injury

Intentional self-inflicted injuries.

Drug abuse

Alcohol or solvent abuse, or the taking of drugs except under the direction of a registered medical practitioner.

Criminal acts

Taking part in a criminal act.

Pregnancy

Pregnancy and childbirth, unless related complications arise which are diagnosed as such by a doctor or consultant who specialises in obstetrics.

HIV/AIDS

Infection with Human Immunodeficiency Virus (HIV) or conditions due to any Acquired Immune Deficiency Syndrome (AIDS).

FOREIGN RESIDENCE AND TRAVEL

There are no restrictions on the benefit, provided that you are not outside the UK, other EU countries, the Channel Islands or the Isle of Man, for more than three consecutive months.

CLAIMS PROCEDURE

Any event which may result in a claim being made under this benefit must be reported to us in writing with suitable medical evidence as soon as reasonably possible, and in any event not later than three months after incapacity arises.

If you are claiming this benefit from outside of the UK, other EU countries, the Channel Islands or the Isle of Man, then before payment of the benefit commences or continues we may require you to undergo a medical examination:

- by a medical practitioner with UK medical qualifications; or
- to be completed inside of the UK, other EU countries, the Channel Islands or the Isle of Man.

If notice is not received with three months of incapacity arising, we reserve the right not to waive payments that are due within three months following receipt of such notification.

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