

Key Features of the Prudential OmniPension (Series 2)

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If you would like a Braille, large print or audio version of this Key Features, please contact us at:

Prudential
Stirling
FK9 4UE

› About this booklet

- › This Key Features document gives the member the main points of the Prudential OmniPension (Series 2). The member should also read the accompanying document "Your With-Profits Plan – a guide to how we manage the Fund", "Technical Guide" and "Prudential Fund Guide".

› The Financial Services Authority

The Financial Services Authority is the independent financial services regulator. It requires us, Prudential, to give you this important information to help you to decide whether our Prudential OmniPension (Series 2) is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

› Its aims

- › To build up a fund, in a tax efficient way, to provide the employee/director with regular income when they take their benefits.
- › To give the employee/director the choice when they take their benefits of:
 - either taking the whole fund as taxable income
 - or taking part of their fund as a tax-free cash sum and the balance as a smaller taxable income.
- › To enable the employer to provide extra life cover for the employees/directors should they die before they take their benefits.

› Your commitment

- › To make regular monthly or yearly payments, or to make at least one single payment at the start of the plan.
- › To let the employee's/director's pension fund grow until they take their benefits.
- › To regularly review the employee's/director's payments if they want their pension to meet their income requirements when they take their benefits.
- › If the employer has purchased life cover, the employee/director must tell us of any change in their health from the time they sign the application form through to the start of their plan, as this could affect their cover.

› Risks

- › What the employee/director might get back is not guaranteed and will depend on our investment performance and annuity rates when they take their benefits.
- › When the employee/director is ready to take their benefits, they may be lower than illustrated because:
 - investment growth may be lower than illustrated
 - annuity rates when the employee/director takes their benefits may be lower than illustrated
 - the cost of buying the employee's/director's benefits may be higher
 - the employee/director may start taking their benefits earlier than their normal retirement date
 - our charges may be higher than illustrated
 - tax rules may change without notice
 - the employee/director may stop paying into their plan or take a payment break
 - the employee/director, or the employer, may transfer the plan to another company.
- › The plan may invest in a range of investment types, including stocks and shares, which carry different levels of risk.
- › If the employee/director invests in our With-Profits Fund and they take money out of that fund, we may reduce the fund value by applying a Market Value Reduction (further details can be found in "Market Value Reduction" on page 7).
 - › We take most of our charges in the early years of this plan. This means that if the employee/director makes a claim during this time they may lose money or get back less than they invested.
 - › If the employee/director, or the employer, stops their payments, they may not meet any target benefits within their illustration and they may lose their life cover.
 - › If the employer provides extra life cover we will not pay out if the employee/director has failed to disclose any information or if a claim arises from a cause not covered by the plan.
 - › The Government provides a benefit called Pension Credit. If the employee/director has little or no other retirement provision, the retirement benefits they receive from this plan could reduce the benefits they receive from the Pension Credit. The exact effect will depend on the rules in place when the employee/director takes their benefits. For further information about Pension Credit please seek advice from a financial adviser.
 - › For investments in the With-Profits Fund, the value of this plan depends on a number of factors, including:
 - The return on investments in our underlying With-Profits Fund
 - The way we distribute any profit on the Fund. The company's bonus policy aims to give each policyholder a return which reflects the earnings on the underlying investments, whilst smoothing the peaks and troughs of investment performance
 - Expenses incurred by the Fund and charges applied to the employee's/director's plan by us
 - Profits and/or losses from non-profit plans which are also part of the With-Profits Fund
 - The cost of meeting any guarantees including, for example, those under certain Annuity plans which guarantee an income for life
 - Factors beyond our control, such as tax, the effect of inflation and levels of mortality.
 - › Inflation could reduce the purchasing power of their income in the future.
 - › The value of an investment may fluctuate and is therefore not guaranteed. You may not get back the full amount of your investment.
 - › Some of our funds invest in property and land. This can be difficult to sell – so they may not be able to sell/cash in this investment when they want to. We may have to delay acting on their instructions to sell their investment. They should look upon their investment in such funds as being long term. There are large costs when we buy and sell property. The allowance for these costs amongst other factors can lead to short-term falls in the price of units in funds invested in property and/or land. The value of property and land is generally a matter of a Valuer's opinion rather than fact.
 - › Under certain circumstances, in the interest of other investors, we reserve the right to defer any early encashment or switch between funds – this may be for a period of up to 6 months for unit-linked funds that mainly invest in property and land, and up to 1 month for all other funds. This is in exceptional circumstances and if this applies to you, we will let you know.

› Questions and Answers

Your Prudential OmniPension (Series 2)

What is the Prudential OmniPension (Series 2)?

OmniPension (Series 2) is a company pension plan that is legally owned by the trustees of the Scheme, although operated for the benefit of employees/directors and their dependants.

It provides a tax-efficient way to save for retirement and take out life cover.

Contributions to the plan are normally eligible for tax relief. Investments in approved pension funds are given important tax benefits. They do not pay tax on investment income received or capital gains. Some investments, such as income from UK company shares, may be taxed at source before we receive the profits.

Please note that there is no limit on the number of pension schemes individuals can join. We recommend that they seek financial advice before joining multiple schemes.

Can the employee/director contract out of the state second pension (S2P)?

The employee/director cannot contract out through this scheme.

What can the employee/director expect when they take their benefits?

On joining the plan the employee/director tells us the age at which they wish to take their benefits and this is shown on their illustration. The government currently allows people to start taking their benefits from the age of 55. You may be able to start taking your benefits earlier if you're in ill health. Under the terms of this contract you may be required to take your benefits by age 75 – for further information please contact your scheme administrator.

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

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

The employee's/director's pension will depend on their age and annuity rates at the time they convert their fund into a pension. To do this, the employee/director will need to buy another plan called an annuity.

Normally a maximum of at least 25% of the final fund value can be taken as tax free cash. All pension income will be taxed as earned income.

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

Can I change my mind?

The Trustees have a right to cancel the plan only if it is the first plan of the scheme. Therefore, there will not be an opportunity to cancel once this plan has started.

Where are contributions invested?

The Scheme Trustees usually choose the Funds and Fund Managers. The options range from the With-Profits Fund to specialised investment-linked funds to

a range of managed funds which invest in a spread of some or all of the funds. Please see "Prudential Fund Guide" for further information.

For investments in unit-linked funds, the value of the employee's/director's account is based on the total number of units held in each fund and the value of these units. If the unit prices rise or fall, so will the value of their account. Money in the various funds may be invested in a wide range of shares and other investments.

The Trustees can invest in more than one fund at a time, up to a maximum of six. They can alter the investment strategy by switching existing investments into different funds. The first two switches in any 12 month period are free of charge. Subsequent switches are subject to a charge of, currently, £25. If this changes in the future we will let you know.

If the Trustees agree, individuals can make decisions regarding their own investment, subject to the charges shown above. The Trustees and individuals can also change, without charge, the funds in which future contributions are invested.

Switches out of the With-Profits fund may be subject to a Market Value Reduction.

A With-Profits investment is one that invests in a portfolio of stocks and shares and other investments such as fixed interest and property. Any investment growth in the fund would enable bonuses to be added to investor's plans.

We allocate the employee's/director's share of the profits of the fund by adding bonuses. There are currently two types of bonus:

- **Regular**, which we add throughout each year. We can change the rate of regular bonus at any time without telling the employee/director. It is not guaranteed that a regular bonus will be added each year although once added these bonuses are guaranteed on death and at normal retirement age.
- **Final**, which we may pay when the employee/director takes money out of their plan, although this is not guaranteed.

However, because it is largely dependent on prevailing financial conditions, Final Bonus cannot be guaranteed and can be varied or discontinued at any time.

If any plan benefits are cashed in early, the price of units in the With-Profits Fund may have to be reduced to reflect market conditions at that time. This is known as a Market Value Reduction.

Market Value Reduction (MVR)

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

We apply the MVR to the employees'/ directors' plan's value including regular and final bonuses. Please read "Your With-Profits Plan – a guide to how we manage the Fund" for more information on bonuses. An MVR will reduce the

value of your plan and if investment returns have been very poor, employee/director may get back less than they have invested in your plan.

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

Our current practice on applying a MVR

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

We reserve the right to change our current practice on Market Value Reductions at any time, without prior notice, and this would apply to existing plans and any new plans or top-ups.

Examples of reasons for a change would include significant changes in the investment market or because the number of people moving out of the fund increases substantially.

Can the employee/director pay extra contributions?

Yes. There is no limit on the amount the employee/director can contribute annually to their pension plan. However, there will be a tax charge on the contributions made by the employee/ director, or on their behalf, that exceed an annual allowance set by the government.

Can contributions be stopped?

Depending on the terms of the scheme, contributions can be temporarily or permanently stopped or reduced.

If contributions are stopped altogether the plan will be altered to a paid-up basis. In this case, the fund will remain invested, continuing to benefit from any growth, our charges will continue

to be deducted. Any extra life cover will cease when regular contributions stop. The scheme financial adviser can provide the employee/director with further details of the consequences of stopping contributions to the plan.

Can the employee/director take out money from the plan?

A employee/director cannot take any money from the plan other than when they take their benefits.

The fund can also be transferred (see illustration for possible values) Transferring may not be in best interests and the employee/director should seek financial advice.

If the employee/director is entitled to more than 25% of their fund as a tax-free cash lump sum when they take their benefits, they may lose this additional entitlement when transferring the plan.

What happens if I move abroad?

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

What benefits are paid if the employee/director dies?

We will pay the value of the fund, plus any additional life cover the employee/director may have added to their plan.

The trustees will decide who should get the benefits. They will take into account the employee's circumstances when they die and anyone previously nominated to receive any benefits.

› Questions and Answers – continued

Benefits payable on death are not subject to income tax and are not normally subject to Inheritance Tax.

If the value of all death benefits paid as a lump sum from this and any other scheme is more than the Lifetime Allowance, there will normally be a special tax charge. For further details please read the section on "Lifetime Allowance".

What are the tax advantages of investing in a OmniPension?

Tax Relief

Your employer will deduct member contributions from employees' earnings before calculating Income Tax.

Employer contributions qualify as a business expense for tax purposes and do not result in an additional tax expense for you.

You will normally receive tax relief on any additional contributions up to 100% of your earnings up to a maximum of the Annual Allowance.

Annual Allowance

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

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

Your Annual Allowance includes:

- › any contributions you, your employer or anyone else makes to all your money purchase pension plans
- › any increase in the value of benefits under your main scheme and any other salary related pension schemes, also known as Final Salary, Defined Benefit or Career Average schemes.

Together, these are known as your 'pension inputs'.

Your pension inputs are assessed against the Annual Allowance for the tax year in which the 'pension input period' ends. For information on your pension input period please contact your scheme administrator.

If you are affected by this limit you may wish to contact a Financial Adviser, for which you may be charged.

Lifetime Allowance

If the value across all your pension funds exceeds the Lifetime Allowance at the time you take your benefits, a tax penalty will be payable on the excess amount. The limit for 2011/12 is £1.8 million and with effect from 6 April 2012 will reduce to £1.5 million. The government has introduced protection, which you will need to apply for by 5 April 2012, if you expect the value of all your pension funds to be in excess of £1.5 million when they are taken. If you are affected by this limit you may wish to contact a Financial Adviser, for which you may be charged.

Income Tax

Any pension income will be taxed as earned income.

This information is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, on February 2011. These tax rules could change in the future without notice.

The impact of taxation and any tax relief depends on your individual circumstances. For more information about tax, please go to HMRC's website: www.hmrc.gov.uk/incometax/

What are the charges?

For With-Profits funds, there are various costs involved with setting up and managing the employee's/director's policy. A charge is deducted from the With-Profits Fund each year to cover these costs.

The charge, known as the Annual Management Charge, is not explicit so the employee/director will not see it being taken from their policy. It is deducted from the underlying With-Profits Fund and is already taken into account when we calculate bonus rates for our With-Profits Fund.

The charge is currently 0.875% a year.

Further information on the operation of the With-Profits Fund is contained in "Your With-Profits Plan – a guide to how we manage the fund".

For Unit-Linked funds, we deduct an Annual Management Charge from the Funds. This charge is already deducted when we work out the full value of their policy.

The amount of charge we deduct depends on the funds the trustees/employee/director choose to invest in and the amount of their original investment.

The table opposite shows the Annual Management Charges that apply to each of our funds. The employee's/director's personal illustration shows how charges and expenses could reduce their investment (allowing for investment growth at 5%, 7% and 9% each year).

Our charges may vary in the future and may be higher than they are now. Charges may vary if, for example, the long term mix or type of assets held within the With-Profits Fund is changed.

Deductions

Unit Allocation: The percentage of the payment which is used to buy units is shown on the enclosed illustration.

Initial Charge: Units are bought at the offer price and sold at the bid price. The bid price is approximately 95% of the offer price.

Prudential Funds	Annual Management Charge % (including any additional UT/OEIC expenses)
Fixed Interest	1.025%
Pacific Markets	0.975%
Property	0.925%
Managed	0.925%
International	0.925%
Japanese	0.925%
European	0.925%
Equity	0.875%
North American	0.875%
Cash	0.875%
Small Companies	0.875%
95% Safeguard	0.875%

Where the Funds invest in underlying Unit Trusts/OEICs, additional expenses will be incurred. These expenses have been included in the above figures. These expenses may increase (or decrease) from time to time.

Installation Charge: A one-off charge of £60.75* is levied at outset.

Increment Charge: A reduced one-off charge of £46.79* is taken for each increment application received. However, no increment charge is deducted where an increment occurs on the scheme review date. Regular and single payment increments on the same application incur only one charge.

Annual Member Charge: £55.96* per annum if regular contributions are being made for the member. £37.57* per annum if regular contributions are not being made.

Annual Management Charge: This is 0.875% per annum of the value of units held in the investment linked funds. Where the funds invest in underlying unit trusts, additional expenses will be incurred. This charge is accounted for in the unit price. An additional annual charge of 1.8% of the value of units purchased by the first three years' regular contributions is taken on the contract anniversary. The charge is made for a maximum of 25 years. It is taken into account if the fund is transferred while the charge is being levied.

* Note: These charges apply to 2011 and are subject to increases at the rate of inflation in future years.

› Other information

How to contact us

The trustees/employer can call our Customer Service Centre on **0845 640 3000**. The opening hours are 8am to 6pm Monday to Friday. Calls may be monitored or recorded for quality and security purposes.

We can also be contacted by:

**Post: Prudential
Stirling
FK9 4UE**

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

How to make a complaint

If we do anything that the employee/director is unhappy about, we'll always try to put it right if we can.

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

Please send your complaint to:

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

Copies of our complaint handling procedures are available from this address. If you'd rather phone, you can call us on 0845 640 3000. To make sure we have an accurate record of what you tell us, we may monitor or record your call.

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

**The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR
Telephone: 0800 0 234 567**

**The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB
Telephone: 020 7630 2200**

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

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

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

Stopping the plan

If contributions are to be stopped the Trustees should write to us outlining the requirements. Payment of any benefits will be subject to applicable legislation. The amount of any benefit, which is not guaranteed, may be more or less than the total of contributions paid.

Law

The law of Scotland will apply.

How we will communicate with you

We will communicate with the employee/director in English in writing, by phone or e-mail.

Cost of advice

The cost of advice given by the scheme financial adviser will normally depend on the size of the contribution payable and the term of the plan. This cost will be paid for from the deductions.

The scheme's financial adviser will give the Trustees written details about this cost.

Terms and conditions

- › These key features give a summary of the Prudential OmniPension (Series 2). They don't include all the definitions, exclusions, terms and conditions.
- › Terms and Conditions are held in the Technical Guide.
- › The trustees will have details of the full terms and conditions of the plan. If any of the terms and conditions change in the future, the employee/director will be informed of this and how it may affect them.
- › We have made every effort to ensure that the information in this document is correct at the time of printing.

Divorce and dissolution of a civil partnership legislation

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

Your client category

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

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

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

Conflict of interest

We want to make sure that we uphold our reputation for conducting business with integrity. That's why we have drawn up a policy to deal with any conflicts of interest. If you would like to know the full details of our Conflict of Interest Policy, please contact our Customer Service Team on **0800 000 000**.

Compensation

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

**The Financial Services
Compensation Scheme**
7th floor, Lloyds Chambers
Portoken Street
London
E1 8BN
Telephone: 0207 892 7300
www.fscs.org.uk

FSA Registration

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

You can contact the FSA at:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS
Telephone: 0207 741 4100



www.pru.co.uk

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