Pru
part of M&G plc

Member's Explanatory Booklet

The Prudential Personal Pension Scheme

Contents

Introduction		3
1.	The Prudential Personal Pension Scheme	3
2.	Membership of the Scheme	4
3.	Payments	4
4.	Investments under the Scheme	6
5.	Using payments to buy units	13
6.	Selling units for benefits or a transfer-out	14
7.	Benefits payable to you	14
8.	Benefits payable on your death	16
9.	Beneficiary unable to look after own affairs	17
10.	Transfers	17
11.	Tax relief and annual allowance	18
12.	Taxation of investment funds and benefits	21
13.	Divorce and dissolution	21
14.	Charges	22
15.	Changes to limits and charges	24
16.	Notices, instructions and requests from you to us	24
17.	Notices to you from us	24
18.	Complaints	25
19.	Amendment or termination of the Scheme	25
20.	Amendment of your plan and/or the terms and conditions set out in this Booklet	26
21.	Other information	26
22.	Meaning of certain words, expressions and abbreviations	29
Appendix		32

Introduction

This Booklet is designed to give you important information about the **Scheme**. It contains details about the terms and conditions on which we operate the **Scheme**. 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 **Scheme** contact our Customer Services at:

Prudential
Lancing
BN15 8GB

Telephone: 0345 640 2000

Telephone calls may be monitored or recorded for security, quality purposes, staff training and/or dispute resolution.

Certain words, expressions and abbreviations used in this Booklet are shown in bold print. The meanings of these words, expressions and abbreviations are given in section 22.

Where the words:

- "**Prudential**", "we", "us" and "our" are used, they refer to The Prudential Assurance Company Limited (the Provider and Scheme Administrator of the **Scheme**).
- "you" and "your" are used, they refer to you, as a member of the **Scheme** named in the **member's benefit certificate**.

1. The Prudential Personal Pension Scheme

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

Prudential is the Provider of the **Scheme**. The Provider is responsible for setting up the **Scheme**. The **Scheme** has been set up by a Deed Poll which adopted the **Rules**. The **Scheme** is operated in accordance with the terms set out in these documents. You are entitled to read the Deed Poll and **Rules** (together with any documents amending or supplementing these documents) and we will send you a copy of these on request.

Because the **Scheme** has been set up by a Deed Poll, you as a member, have a direct legal relationship with us.

The **Rules** reflect the requirements of UK legislation and a number of regulatory bodies. If requirements change, we will change the **Rules**.

This Booklet reflects some of the terms set out in the **Rules**. Where this Booklet reflects the terms set out in the **Rules**, every effort has been made to ensure that this Booklet reflects those terms as accurately as possible. However, in the event of any conflict between such information, the **Rules** (being the governing document) will in most circumstances override this Booklet. An example of a circumstance when the **Rules** may not be overriding is when the Government makes changes (either overriding legislation which we must implement or optional changes which we can make available if we so choose) which do not have to be reflected in the **Rules** in order for them to be operative. In such cases, we may reflect the up-to-date position in this Booklet before we change the **Rules**.

Any reference to an Act of Parliament includes any new legislation by which it is replaced or changed. It also includes any regulations or orders made under the Act or under the replacement Act.

Prudential is also the Scheme Administrator of the **Scheme**. The Scheme Administrator is responsible for the day-to-day administration of the **Scheme** and your **plan**.

The benefits of all the members of the **Scheme** are provided under a single policy – known as the **Scheme Provisions** – held by **Prudential** as Scheme Administrator; so you do not have an individual policy. As some of the terms of the **Scheme Provisions** affect you, many of them are summarised in this Booklet and in the rest of the **plan** documentation issued to you.

When you become a member of the **Scheme**, you are allocated a membership number. We will send you a **member's benefit certificate** so that you can be confident of your membership and you can check that your **plan** has been set up in line with your expectations.

If you require any further information contact our Customer Services (our contact details are set out in the Introduction).

2. Membership of the Scheme

2.1 Eligibility for the Scheme

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

(a) (i) have relevant UK earnings (as defined by **HMRC** – broadly, earnings from employment, or income earned direct from a trade or profession) chargeable to income tax for the 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 the spouse or civil partner of a Crown Servant; and

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

2.2 Membership of this Scheme and other pension schemes

You can be a member of this **Scheme** at the same time as being a member of one or more other pension schemes.

You need to be aware, however, that contributions 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 you take your benefits. If you have not taken your benefits by age 75, your benefits will be tested against your available **personal lifetime allowance** at age 75.

2.3 Applications

You will be required to complete an application form (and whatever other forms we need) before you join the **Scheme**. We will accept your application, provided you are eligible and the application complies with all regulatory requirements. If these conditions are not met, we are not under any obligation to accept your application, and we can return any money sent to us in respect of your application.

2.4 Living abroad

You must inform us when you leave the UK or cease to be subject to UK tax. If you move abroad, you may be able to continue payments to the **Scheme**.

3. Payments

3.1 Types of payment

The following payments can be made to your **plan**:

(a) payments by you or on your behalf. In general, payments made on your behalf by a third party are treated as payments by you;

(b) transfer payments in respect of you from other pension schemes and policies;

(c) payments by your **employer**, if you are employed.

All payments to the **Scheme** will be made to us.

Payments by you or on your behalf or by your **employer** may be a series of regular payments or specified single payments. Regular payments may be for a specified amount or may in some circumstances be a percentage of your earnings (see section 3.6).

If you began making regular payments to your **plan** before 1 October 2000 and your regular payments satisfy certain conditions, your **plan** may qualify for a loyalty bonus. You should contact us for further details.

3.2 Minimum payments

When you join the **Scheme**, you and/or your **employer** (as appropriate) may pay into your **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	The minimum gross payment if only you pay into your **plan**	The minimum gross payment if only your **employer** pays into your **plan**	The minimum gross payment if both you and your **employer** pay into your **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 **Scheme**. This may mean that you will want to change the amount you pay into your **plan**. You can increase the amount you pay into your **plan** at any time, but there are minimum amounts that the payment must increase by. These are set out below.

Frequency of payment	The minimum gross increment if you pay into your **plan**	The minimum gross increment if your **employer** pays into your **plan**
Monthly	£20	£10
Single	£150	£150

You should note that the minimum increment amounts do not apply to the automatic indexation option (see section 3.5).

The above minimum amounts are the current position and may be changed at any time (see section 15).

3.3 Maximum payments

There is currently no maximum amount that can be made to the **Scheme**, although we may not accept any payments into the **Scheme** that are not eligible for tax relief (see section 11).

There is, however, an **annual allowance charge** payable by you to **HMRC** if the **annual allowance** is exceeded. There is also a limit on the tax relief that you can receive on your personal payments (see section 11).

3.4 Payment method and frequency

(a) Regular payments

Regular payments are payable monthly. If you joined the **Scheme** before 1 September 1999 and you make payments quarterly, you may continue to do so.

Regular payments are usually paid by direct debit mandate.

If you join the **Scheme** through a grouped membership set up by your **employer**, your **employer** may deduct your regular payments from your salary via payroll and send them direct to us.

(b) Single payments

Single payments can be paid at any time.

Single payments are usually paid by cheque.

If you join the **Scheme** through a grouped membership set up by your **employer**, your **employer** may deduct your single payment from your salary via payroll and send it direct to us.

3.5 Automatic indexation of regular payments

(a) Automatic indexation is a facility that enables regular payments to be increased automatically by 5% each year.

(b) You can ask for automatic indexation to be added or removed at any time.

(c) Where both you and your **employer** make regular payments, either party can opt separately for automatic indexation; that is to say, both your payments and your **employer's** payments may be subject to automatic indexation, or just your payments, or just your **employer's** payments.

(d) If automatic indexation is selected, it must apply to all regular payments payable by the relevant party. Likewise, any removal of the facility would need to apply to all regular payments payable by the relevant party.

3.6 Grouped membership

(a) If you join the **Scheme** through a grouped membership set up by your **employer**, then your regular payments may be described as a percentage of earnings. In such a case, when you join the **Scheme**, your payments will be based on a definition of earnings already agreed with us by your **employer** for your grouped membership.

(b) The definition of earnings may be based on basic earnings or may include fluctuating amounts such as bonuses and overtime.

(c) If applicable, you can obtain details of the definition of earnings selected for your grouped membership from your **employer**.

(d) If you cease to be employed by an **employer** and decide to continue making regular payments, you will not normally be able to continue to link regular payments to earnings.

3.7 Stopping and restarting regular payments

(a) You can stop making regular payments at any time.

(b) Your **employer** can also stop making regular payments, subject to your contract of employment.

(c) If regular payments to your **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.

(d) Where regular payments have stopped, you and/or your **employer** (as appropriate) will normally be able to restart regular payments at a later date. We will give you further details at the appropriate time.

4. Investments under the Scheme

4.1 General

4.1.1 Regular payments

(a) Subject to (b) below, all regular payments made to your **plan** will be invested in the With-Profits Fund.

(b) Regular payments cannot be invested in the With-Profits Fund within five years of the **selected retirement date**. We will not accept any instruction to invest in the With-Profits Fund which would result in money being allocated to the With-Profits Fund within five years of the **selected retirement date**.

Regular payments which are part of a series of payments started five or more years before the **selected retirement date**, and for which the instruction to invest in the With-Profits Fund was likewise received five or more years before the **selected retirement date**, can, however, be invested in the With-Profits Fund. This includes any increases to these regular payments made within five years of the **selected retirement date**.

4.1.2 Single payments

(a) Subject to (b) below, all single payments made to your **plan** will be invested in the With-Profits Fund.

(b) Single payments cannot be invested in the With-Profits Fund within five years of the **selected retirement date**. Single payments made within five years of the **selected retirement date** will be invested in the **Prudential Cash Pension Fund**.

Single payments can, however, be invested in the With-Profits Fund within five years of the **selected retirement date**, if regular payments are currently being invested in the With-Profits Fund or a single payment has been previously invested in the With-Profits Fund and all have the same **selected retirement date**.

4.1.3 Switching between funds

(a) You can switch existing monies held under your **plan** into the **unit-linked funds** at any time.

(b) (i) Subject to (ii) below, you can switch existing monies held under your **plan** into the With-Profits Fund at any time.

(ii) You cannot switch existing monies held under your **plan** into the With-Profits Fund within five years of the **selected retirement date**. If we receive an instruction to switch into the With-Profits Fund which would result in money being allocated to the With-Profits Fund within five years of the **selected retirement date**, we will redirect the money into the **Prudential Cash Pension Fund**.

4.1.4 Members who joined the Scheme before 1 June 2013

(a) Regular payments

(i) If you were making regular payments to **unit-linked funds** before 1 June 2013, you can continue to have these regular payments invested in **unit-linked funds** on or after 1 June 2013. This includes any increases to these regular payments made on or after 1 June 2013.

(ii) If you were not making regular payments to **unit-linked funds** before 1 June 2013, you will not be able to start making regular payments to **unit-linked funds** on or after 1 June 2013.

(iii) If you start making regular payments on or after 1 June 2013, these regular payments will be invested in accordance with section 4.1.1.

(iv) You can ask us to change your investment instructions for regular payments.

You cannot redirect regular payments to **unit-linked funds** unless you are already making regular payments to **unit-linked funds**.

You cannot redirect regular payments to the With-Profits Fund within five years of the **selected retirement date**.

Redirections are currently free, although we do reserve the right to introduce a charge (see section 15).

(b) Single payments

(i) Single payments made on or after 1 June 2013 can be invested in **unit-linked funds** providing you have at some time before 1 June 2013 had investments in **unit-linked funds**.

(ii) If you make single payments on or after 1 June 2013 and you have not at any time before 1 June 2013 had any investments in **unit-linked funds**, these single payments will be invested in accordance with section 4.1.2.

(c) Switching between funds

You can switch existing monies held under your **plan** in accordance with section 4.1.3.

4.2 The With-Profits Fund

4.2.1 General

The With-Profits Fund was established by us. Investment in the With-Profits Fund under the **Scheme** is available through the medium of units, to which bonuses are allocated as described in section 4.2.6. This is sometimes known as "unitised with-profits".

The With-Profits Fund is a sub-fund of the Prudential With-Profits Fund, which is an investment fund into which payments made to a number of different types of policy are paid.

4.2.2 Unit prices

When units of the With-Profits Fund were first issued, they were given an initial unit price. Since then, the unit price has increased through the addition of bonus interest, as explained in section 4.2.6. It may increase further in this way, but it will never decrease.

When calculating unit prices for the With-Profits Fund, we normally round our calculations to the nearer one tenth of a penny.

4.2.3 With-Profits Fund profits

Some of the investment return made on the assets of the With-Profits Fund is needed to pay expenses. We may also retain some as a reserve against future liabilities. The rest of the investment return and some other sources of profit are available to be split between our shareholders and all our different classes of "with-profits" policyholder. Our Articles of Association (which are made and can be amended in line with company law) regulate the amount which can be given to shareholders. If units of the With-Profits Fund are held under your **plan**, those units will receive bonus interest allocated as part of any distribution to "with-profits" policyholders.

4.2.4 Dividing With-Profits Fund profits

We decide from time to time how much of the investment return from the assets of the With-Profits Fund and some other sources of profit are to be distributed, and how the policyholders' share should be fairly divided between the different classes of "with-profits" policyholder. You will receive your share (after smoothing of the amounts available) through the addition of bonuses to any units of

the With-Profits Fund allocated to your **plan** as described in sections 4.2.6 and 4.2.7. In making these decisions, we aim to act in a fair and reasonable manner, taking into account the factors described in section 4.2.3.

In setting bonuses, we have three main aims:

(i) to provide returns which reflect the investment performance of the underlying assets;

(ii) to smooth the ups and downs of investment markets; and

(iii) to try to treat all "with-profits" policyholders fairly.

4.2.5 With-Profits Fund literature

Further details of the With-Profits Fund can be found in our With-Profits Fund literature which is available from us on request.

4.2.6 Bonuses before sale of units

We will credit units of the With-Profits Fund with a share of the investment return of the assets of the With-Profits Fund by increasing the unit price from time to time through the addition of bonus interest.

4.2.7 Bonuses on sale of units

We may add a final bonus (sometimes called terminal bonus) to the value realised when a unit of the With-Profits Fund is sold.

4.2.8 The value realised on sale of units and deductions from that value

When a unit of the With-Profits Fund is sold, the value realised will normally be the total of the unit price plus any final bonus. In some circumstances, we may make a deduction (called a market value reduction) from that total. Section 4.2.9 sets out the circumstances when we will never make a deduction. Otherwise, we can make a deduction taking into account both the investment return of the assets of the With-Profits Fund during the period the unit has been allocated and the bonuses given to the unit. We will have regard to our duty to protect both the interests of other policyholders and the solvency of the Prudential With-Profits Fund.

4.2.9 Circumstances where no deduction is made

We will not make a deduction where units of the With-Profits Fund are sold:

(a) after your death;

(b) at the **selected retirement date**; or

(c) for payment of our charges, where relevant.

4.3 The unit-linked funds

4.3.1 Prudential unit-linked funds

Prudential unit-linked funds are established by us but may be linked to similar funds established by other companies within **M&G plc**. The **Prudential unit-linked funds** available and the company to which they are linked may change from time to time.

4.3.2 Externally-linked funds

Externally-linked funds are established by us (or another company within **M&G plc**) but are either:

(a) invested in units or shares of externally-managed collective schemes by means of agreements between the relevant **external company** and us (or another company within **M&G plc**); or

(b) linked to funds of **external companies** which are life assurance companies. These links are made available by means of agreements between the relevant **external company** and us (or another company within **M&G plc**).

The **externally-linked funds** are **unit-linked funds**.

You do not have any contract with the **external company**.

4.3.3 Fund values

Unit-linked funds are valued on each **working day**.

The value of a **unit-linked fund** is based on the value of the assets relating to it. Assets may be valued in different ways and the decision of the relevant company, whether us (or another company within **M&G plc**) or an **external company**, on all valuation issues is final.

The value of each **Prudential unit-linked fund** is determined by us or another company within **M&G plc**.

Each **externally-linked fund** is linked to an underlying fund operated by the relevant **external company**. Each **external company** values its own funds and then provides us with a unit price or prices (rounded in accordance with its own practices), which we use in valuing the corresponding **externally-linked fund**.

4.3.4 Unit prices

(a) Calculation of unit prices

Each **unit-linked fund** is divided into units.

The unit price is the value of the **unit-linked fund** divided by the number of units in issue (subject to any rounding).

If, for any reason, the value of a **unit-linked fund** cannot be obtained by valuing the assets, the unit price may be calculated by making an adjustment to the previous day's unit price. This adjustment will reflect the way in which the values of the underlying assets may have changed.

When calculating unit prices for **unit-linked funds**, we round our calculations to the nearer one tenth of a penny.

(b) Single pricing

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

(c) Dilution levy

In some circumstances, a charge called a "dilution levy" may be applied to a **unit-linked fund**. This type of charge covers the cost of either buying assets (where more people are investing than disinvesting) or selling assets (where more people are disinvesting than investing). If such a charge applies, it will normally be collected via the unit pricing process. A dilution levy is not designed to make a profit, but to cover expenses.

4.3.5 Fund Guide

More information on the **unit-linked funds** is included in the Fund Guide which is available from us on request.

4.4 The Lifestyle Option

(a) The Lifestyle Option is an investment option that uses a combination of the **unit-linked funds** available under the **Scheme**. It:

- links investment under your **plan** in early years to **unit-linked funds** which aim to provide growth ahead of inflation – to provide a "real return"; and then
- gradually changes the investment under your **plan** to **unit-linked funds** which reflect the type of benefit that you intend to take at your **selected retirement date**.

(b) The Lifestyle Option uses a combination of **unit-linked funds** known as a "profile". You can choose from a number of profiles designed by us. Details of the profiles are set out in the Fund Guide which is available from us on request.

(c) The With-Profits Fund is not available as part of the Lifestyle Option. Any units of the With-Profits Fund held under your **plan** will be kept separate and will not be included in the automatic switches under the Lifestyle Option. Any regular payments made to your **plan** after the date the Lifestyle Option is selected will continue to be allocated to the With-Profits Fund.

(d) The Lifestyle Option applies to all monies invested in **unit-linked funds** under your **plan**. Once automatic switching starts, all investments in **unit-linked funds** under your **plan** will be included in the automatic switching process.

If you joined the **Scheme** before 1 June 2013, the Lifestyle Option applies to any future payments made to your **plan** which are invested in **unit-linked funds**. These payments will be automatically split between the pre-selected **unit-linked funds** at the relevant stage of the profile.

(e) We sell the amount needing to be switched at the unit price applicable at that time. The value realised is used to buy new units in line with the relevant profile at the unit price applicable at that time.

(f) There may on occasions be a delay in selling and/or buying units in the circumstances described in section 4.9. If a delay under section 4.9 applies at the time we expect to carry out automatic switches under the Lifestyle Option, we will process the switches at the end of the period of delay (unless in our opinion this would not be fair and reasonable), using the relevant unit prices then applicable.

(g) You can cancel the Lifestyle Option by requesting us to remove it. If this happens, all automatic switching will cease. Unless you request a switch of existing units when you cancel the Lifestyle Option, your existing savings will remain invested in the **unit-linked funds** to which they were allocated under the Lifestyle Option.

If you joined the **Scheme** before 1 June 2013, we will stop allocating future payments to the Lifestyle Option. If you cancel the Lifestyle Option, you need to give us new investment instructions for future payments.

(h) We can change the terms of the Lifestyle Option. We will give you (if you have selected the Lifestyle Option) at least one month's notice of any intention to change the terms of the Lifestyle Option. We will act fairly and reasonably in the way that we do so.

Section 4.7 explains that we can decide that certain **unit-linked funds** will no longer be available.

(i) Automatic switches under the Lifestyle Option are currently free, although we do reserve the right to introduce a charge (see section 15).

(j) More information on the Lifestyle Option is included in the Fund Guide which is available from us on request.

4.5 Switching between funds

You can instruct us to sell some or all of the units held under your **plan**, and to use the value realised to buy units in a different fund or funds. We call this "switching".

You can ask for changes to be made to existing investments by making a fund switch request. All fund switch requests must be made in writing, in a form specified by us, unless we agree otherwise.

Fund switches are currently free, although we do reserve the right to introduce a charge (see section 15).

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

- switches into the With-Profits Fund cannot be made within five years of your **selected retirement date** (see section 4.1.3); and
- delays may occur if we have invoked our powers to delay buying and selling units under section 4.9.

When we receive an instruction to switch, we will sell and buy the relevant units using the unit prices then applicable.

When switching between funds, we may make a deduction from the value realised from the sale of any units of the With-Profits Fund (see section 4.2.8).

4.6 Further costs incurred by the With-Profits Fund and the unit-linked funds

In addition to our charges, there may be further costs incurred by the With-Profits Fund and the **unit-linked funds**, which can vary over time. Where further costs are applicable, they are paid for by the relevant fund and will impact on the overall performance of that fund. More information on further costs is included in the Fund Guide which is available from us on request.

4.7 Units, ownership of assets, and changes to funds

4.7.1 Units

Units are not property capable of ownership. They are our method of recording the amounts and dates of payments and they enable us to calculate the value of your benefits.

4.7.2 Ownership of assets

(a) The With-Profits Fund and Prudential unit-linked funds

We, or another company within **M&G plc**, own all the assets of the With-Profits Fund and the **Prudential unit-linked funds** in our own right and not as trustee for policyholders. But when we make decisions relating to the investment and valuation of assets, we will always act in good faith in attempting to protect the interests of all affected policyholders and shareholders. We aim to strike a fair balance between the interests of:

(i) our policyholders and our shareholders;

(ii) different classes of policyholder; and

(iii) individual policyholders.

(b) Externally-linked funds

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

4.7.3 Changes to funds

(a) Changes to units

We can change the way we record units and change the number of units issued in the case of any particular fund (for example, we may combine or divide the existing units) and make corresponding changes to the unit price, but we will not do so in any way that disadvantages you. If we make such a change, we will notify you at an appropriate time, taking into account all the circumstances of the change.

(b) Changes to investment objectives

The investment objectives of any one or more of the **Prudential unit-linked funds** can be changed at any time. We will give you **reasonable notice**, if we make a material change to the investment objectives of a fund and there are units of that fund then held under your **plan**. The investment objectives are outlined in the Fund Guide.

(c) New funds

We can, at any time, introduce new funds or new fund options. Any new funds or new fund options may be subject to different terms.

We do not give you notice when we introduce new funds or new fund options. Information about the current funds is available in the Fund Guide which is available from us on request.

(d) Closing, merging, winding-up, changing and withdrawing funds or investment options

We can also:

(i) close any one or more of the funds to future investments (including switches under sections 4.4 and 4.5);

(ii) merge or wind-up any one or more of the funds;

(iii) change the **default fund**;

(iv) withdraw the option to invest in any one or more of the funds;

(v) withdraw or close to future investments (including switches under section 4.5) investment options such as the Lifestyle Option.

(e) Notice to you and replacement fund

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

- there are any units of the affected fund held under your **plan**; or
- your **plan** is invested in the affected investment option; or
- the affected fund or investment option is one of the principal features of the **Scheme**.

A fund would, for example, be considered a principal feature if it was the only fund of its type available under the **Scheme**.

We will seek your instructions for any amounts that need to be disinvested from the relevant fund. If we do not receive instructions within the timescale specified in the notice, we will switch the units in the relevant fund and redirect future payments (if appropriate) either:

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

(ii) to the **Prudential Cash Pension Fund**.

If we change the **default fund**, we will at the end of the notice period (unless you instruct us otherwise) switch units and redirect future payments (if appropriate) to the new **default fund**.

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

4.8 Restriction on Prudential's liability

Prudential's liability under any fund that it makes available under your **plan** cannot exceed the value of the units allocated to your **plan** as derived from the assets underpinning that fund, whether these assets be real assets, an interest in another fund or an interest in a reinsurance policy effected by **Prudential** to reinsure its liability under a fund.

In particular, for an **externally-linked fund** or a fund that is provided by, or invests solely in funds operated by, another company within **M&G plc** (a "Group Fund"), **Prudential's** liability under your **plan** is limited to the value of the units of that **externally-linked fund** or Group Fund that are allocated to your **plan**, as derived from the assets underpinning that **externally-linked fund** or Group Fund. So, for example, if the **external company**, or the other company within **M&G plc** providing or operating the Group Fund, was to become insolvent and as a result the value of the units of the **externally-linked fund** or Group Fund allocated to your **plan** was significantly reduced, **Prudential** could only pay out under your **plan** up to the reduced value of those units.

In addition, we are not liable for any losses caused by the acts and omissions of an **external company** in respect of its own fund and/or the **externally-linked fund**.

4.9 Delays in buying, selling or switching units

4.9.1 Reasons for delaying transactions

There may be a delay in buying, selling or switching units in any fund. This will only happen in special circumstances which we will tell you about at the time. There may be circumstances outside our control which prevent us from effecting these transactions immediately, and equally we may need to effect a delay where we believe that otherwise the remaining policyholders would suffer an unfair reduction in the value of their policy, or would suffer some other form of unfair treatment. Examples include:

- where we are unable to realise sufficient investments to satisfy demand, or where to do so would mean we have to sell at prices significantly below the value reflected in the then current unit price;
- where we are unable to sell units in an **externally-linked fund** due to restrictions imposed by the **external company**;
- where the need to make payments quickly could only be satisfied by selling a disproportionate amount of one type of asset, leaving too low a proportion of what is left invested in assets of that type.

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

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

4.9.2 Delay periods

Other than in very exceptional circumstances, we would not expect delays to be longer than:

(a) six months in the case of units in funds:

  (i) which hold investments in buildings or land; or

  (ii) the value of whose investments is dependent on, or linked to the value of, buildings or land; or

(b) one month in the case of units in other funds.

However, while we will not delay transactions for longer than reasonably required, we cannot guarantee that we will never delay transactions beyond the timescales set out in (a) and (b) above.

4.9.3 Notice

We will notify you if a transaction requested by you is affected by a delay under this section 4.9. Our notice will set out any options open to you. If appropriate, we will seek your alternative instructions for the transaction when we notify you of the delay.

4.9.4 Processing transactions affected by delays

The alternative instructions sought under section 4.9.3 will relate only to the funds to which the delay relates. Where the transaction involves units of more than one fund and some units are affected by a delay and others are not, we will carry out any part of the transaction which is unaffected by the delay in accordance with the terms and conditions set out in this Booklet.

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

4.9.5 Unit prices

The unit prices for the deferred transaction will be those applying at the end of the period of deferment, unless, again, we believe that in the particular circumstances that would not be fair to policyholders in general.

4.10 Current unit prices

Current unit prices for the **unit-linked funds** can be found on our website at pru.co.uk. Unit prices for the With-Profits Fund can be obtained from us on request.

5. Using payments to buy units

5.1 General

(a) When buying units, payments made under section 3.1 are allocated to the funds in the way instructed by you.

(b) The allocation between the funds that you have selected is set out in the **member's benefit certificate** issued to you.

(c) If you do not make a choice, payments are used to buy units in the **default fund**.

5.2 Unit prices

(a) Subject to section 5.2(b), we buy units once we receive the relevant payment together with all of the information and/or forms we require. If we have all the items we require:

- on or before 12 noon (London time) on a **working day**, we use the unit price(s) for that **working day**;
- after 12 noon (London time) on a **working day**, we use the unit price(s) for the next **working day**; or
- on a day that is not a **working day**, we use the unit price(s) for the next **working day**.

The unit price(s) for a later date may be used if there is a delay under section 4.9, or if we do not have all of the information and/or forms we need to buy units when we receive the payment as explained in section 5.3.

(b) Where a payment is being made by direct debit mandate, we will buy units in anticipation of receipt of that payment. If we later discover that the direct debit mandate has failed, we will make an appropriate adjustment to your unit holding by selling the units that had been bought.

(c) Irrespective of the means that are used to send the information and/or forms, our decision on whether we have received all of the information and/or forms we need is final.

5.3 Missing information

If we do not have all the information and/or forms we need when we receive a payment, we either:

- hold the money in a separate account outside the **Scheme**. In such a case, the units will be bought once we receive all the items we require, using the relevant unit price(s) in accordance with section 5.2; or
- return the money to the person who paid it.

No interest is paid on money held or returned in either of these circumstances.

6. Selling units for benefits or a transfer-out

6.1 Information and authority

Before we sell units to provide benefits under section 7, death benefits under section 8 or a transfer-out under section 10.2, we must be provided with all the items, information and authority we require. Our decision is final as to whether we have all the items, information and authority we require.

6.2 Selling units to provide retirement benefits

Subject to sections 4.9 and 6.1, we will sell the relevant units at the unit price then applicable, in order to provide your benefits from the date you select under section 7.1.

We select the date on which units are to be sold, with the intention that the sale of units is timed to coincide with the date on which the value is needed to pay and/or buy the benefits. We will make every effort to ensure that the benefits start on your chosen start date, but we reserve the right to delay the start if we receive your acceptance and information so close to your chosen start date that it is not practicable to put the benefits into effect.

6.3 Selling units to provide death benefits

Subject to sections 4.9 and 6.1, we will sell the units at the unit price applicable at the date of your death.

The value realised will be added to any other amount realised from selling units which took place before death but which has not by then been applied to provide benefits.

6.4 Selling units to provide a transfer-out

Subject to sections 4.9 and 6.1, we will sell the relevant units at the unit price then applicable. If the day on which all of our requirements have been met is not a **working day** or if the time at which they are met is after 12 noon (London time) on a **working day**, the unit price(s) for the next **working day** will be used.

6.5 Market value reduction

If any units of the With-Profits Fund are sold before you die or before or after the **selected retirement date**, we may make a deduction from the value realised (see section 4.2.8).

6.6 Amount of benefits or a transfer-out

The value realised from selling units will be used to provide benefits under sections 7 and 8, or a transfer-out under section 10.2. The value realised is based on the number of units to be sold and the relevant unit price(s) then applicable.

7. Benefits payable to you

7.1 Selected retirement date

You can start to take your benefits on the **selected retirement date**, but there is no compulsion to do so. However, if any units of the With-Profits Fund are sold on a date other than your **selected retirement date**, we may make a deduction from the value realised (see section 4.2.8).

The units will be sold to provide benefits in accordance with section 6.

You do not have to retire from work to take benefits from your **plan**.

The **selected retirement date** is a date that you pick as being the most likely time that you will want to start taking benefits. It enables us to provide you with relevant illustrations of benefits and to remind you to claim your benefits when that date approaches.

Both the **selected retirement date** and the date you actually select for the start of your benefits, must normally be between the ages of 55 (57 from 6 April 2028, unless you have a **protected pension age**) and 75. You may be able to start your benefits before age 55 (57 from 6 April 2028, unless you have a **protected pension age**) if you joined the **Scheme** before 6 April 2006 and you were in an occupation recognised by **HMRC** as one for which a lower pension age was acceptable.

You must take your benefits from the **Scheme** on or before your 75th birthday. If you want to take your benefits after your 75th birthday, you will need to transfer to a **registered pension scheme** that offers that option.

If you become permanently incapable of carrying out your normal occupation, you may be able to take your benefits before age 55 (57 from 6 April 2028, unless you have a **protected pension age**). You, at your own expense, will

need to provide us with written evidence from a registered medical practitioner confirming that you have become incapable of carrying out your occupation and are unlikely to return to it.

7.2 Switch to the Prudential Cash Pension Fund

Unless you instruct us otherwise, two months before the **selected retirement date**, we will (subject to section 4.9) switch any units then held under your **plan** in **unit-linked funds** (unless those units are held in **unit-linked funds** under the Lifestyle Option – see section 4.4) to the **Prudential Cash Pension Fund**.

7.3 Delaying benefits

If you decide not to take benefits at the **selected retirement date**, we will automatically reset a new **selected retirement date**. The new **selected retirement date** will depend on whether at that time you have units under your **plan** in the With-Profits Fund or a **unit-linked fund**. We will give you further details at the appropriate time.

If at the original **selected retirement date** you have units under your **plan** in the With-Profits Fund, any final bonus payable will be added to those units at that time. If you continue to have units under your **plan** in the With-Profits Fund, a further final bonus may be payable for the period that you remain invested in the With-Profits Fund.

7.4 Choice of benefits

(a) General

You will be able to choose from the following benefit options:

- pension;
- pension and pension commencement lump sum;
- uncrystallised funds pension lump sum;
- small lump sum.

Flexi-access drawdown is not available under the **Scheme**. If you want flexi-access drawdown, you will need to transfer to a **registered pension scheme** that offers that option.

You might not have to take all of your benefits at the same time. You may be able to phase benefits and this can be organised at the time you want to start taking your benefits. You should contact us if you want to phase benefits.

When considering your options you should seek financial advice. A financial adviser can assess your personal circumstances, talk you through your options and make a recommendation based on this information.

If you are aged 50 or over, you can get free and impartial guidance from Pension Wise which is part of the government-backed MoneyHelper service. Pension Wise has been set up to help people understand their benefit options. You can arrange a phone or face-to-face appointment with a Pension Wise agent by calling 0800 280 8880. You can obtain further information about Pension Wise by visiting its website at moneyhelper.org.uk/pensionwise.

(b) Pension

You may choose that all or some of the money is used to buy a pension.

You will have to choose the insurance company from which to buy the pension. You will be able to choose various options when your pension is being bought. The options will depend on the insurance company you choose to provide your pension. The choices you make will affect the amount of pension you receive. You should shop around and compare what each insurance company can offer.

If you have not taken all your benefits under the **Scheme** 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.

(c) Pension commencement lump sum

When applying for a pension under section 7.4(b), you may also choose to receive part of your benefits as a pension commencement lump sum. The lump sum:

- must not be more than 25% of the value of the benefits to be taken;
- must not, when added to all pension commencement lump sums taken by you from all **registered pension schemes** under which you have (or had) benefits, exceed 25% of the **standard lifetime allowance**;

- may only be paid if all or part of your **personal lifetime allowance** is available; and
- must be paid within the period ending 12 months after the date on which entitlement to the lump sum arose.

The size of your lump sum will also depend on whether you have:

- **transitional protection**;
- transferred benefits from an occupational pension scheme, under which you were, at 5 April 2006, entitled to a lump sum of more than 25% of the value of your benefits;
- a **protected pension age**.

No pension commencement lump sum can be paid under a plan set up in respect of a **disqualifying pension credit**.

(d) Uncrystallised funds pension lump sum

It may be possible for you to take an uncrystallised funds pension lump sum. Such a lump sum can only be paid if you have all or part of your **personal lifetime allowance** available. If the lump sum is paid before your 75th birthday and the lump sum exceeds your available **personal lifetime allowance**, the excess will not be treated as an uncrystallised funds pension lump sum and will be subject to income tax at your highest marginal rate.

You cannot have a pension commencement lump sum in connection with an uncrystallised funds pension lump sum.

No uncrystallised funds pension lump sum can be paid under a plan set up in respect of a **disqualifying pension credit**.

You cannot be paid an uncrystallised funds pension lump sum if immediately before the lump sum is paid:

- you have either "primary protection" and/or "enhanced protection" with protection of lump sum rights of more than £375,000; or
- you have a lifetime allowance enhancement factor and the available portion of your lump sum allowance is less than 25% of the proposed uncrystallised funds pension lump sum.

If an uncrystallised funds pension lump sum is paid to you under the **Scheme** or any other **registered pension scheme**, you will be subject to the MPAA from that date (see section 11.2(e)).

(e) Small lump sum

It may be possible for you to take a small lump sum if:

- the payment does not exceed £10,000 (the Government may change this amount from time to time);
- the payment represents the full value of your **plan** and extinguishes your entitlement to all benefits under the **Scheme**; and
- you have not previously received more than two small lump sums from all non-occupational pension schemes.

(f) 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 have all or part of your **personal lifetime allowance** available. If the lump sum exceeds your available **personal lifetime allowance**, the excess will be subject to income tax at your highest marginal rate.

8. Benefits payable on your death

8.1 General

If you die before taking all your benefits under section 7 or a transfer-out under section 10.2, we will sell the units held under your **plan** and the value realised will normally be used to provide one or more lump sum death benefits. The units will be sold in accordance with section 6.

Before we pay any death benefits, we must receive notification of your death in a form and from a source acceptable to us.

All lump sum death benefits, except any lump sum death benefit that is not paid within the time limit described in section 8.4, count towards your **personal lifetime allowance** and if the lump sum death benefit exceeds your available **personal lifetime allowance**, the excess will be subject to income tax at the recipient's highest marginal rate.

8.2 Lump sum death benefit

(a) The **Rules** require **Prudential** as Scheme Administrator to 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.

(b) 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 beneficiary.

(c) You can give us details of whom you would like to receive the lump sum death benefit by using the Nomination of Beneficiaries Form available from us. 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.

You should ensure that your nominations are updated as your circumstances change.

8.3 Life cover

You may have taken out life cover under the **Scheme**. If you die while life cover is in force, the amount insured for you will normally be paid as a lump sum death benefit. See the Appendix for further details.

8.4 Time limit

Any lump sum death benefit that is not paid within a period of two years beginning with the earlier of:

- the day on which we first knew of your death; and
- the day on which we could first reasonably have been expected to have known of your death,

will be taxable. Where the lump sum death benefit is paid to a beneficiary who is an individual, the payment will be taxed at the beneficiary's highest marginal rate of income tax.

9. Beneficiary unable to look after own affairs

If we believe that any beneficiary under the **Scheme** 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.

10. Transfers

10.1 Transfers-in

The **Scheme** can accept transfers-in from other pension schemes and policies under which you have benefits. This includes any **pension credit rights**. There are certain requirements that must be complied with before the transfer payment can be accepted. Further details are available from us on request. Any such payment will be accepted under your **plan** as a single payment.

We will use the payment to buy units in your **plan** in accordance with section 5.

Our acceptance of a transfer-in does not in any way imply that it is appropriate or in your best interests.

Transfers-in can include contracted-out benefits (guaranteed minimum pensions and post-1997 contracted-out salary related benefits) from other **registered pension schemes**. On transfer, the former contracted-out benefits will be treated the same as any other benefits under the **Scheme**, without special rules. Before we accept such a transfer, however, you must provide us with a signed declaration to confirm that you understand and agree to the loss of your guaranteed rights under the transferring scheme.

When considering your options you should seek financial advice. A financial adviser can assess your personal circumstances, talk you through your options and make a recommendation based on this information.

10.2 Transfers-out

At any time before you take benefits under section 7, you can instruct us to sell the units held under your **plan** and have the value realised transferred out of the **Scheme** to another **registered pension scheme** or to an overseas pension scheme that meets certain **HMRC** requirements. 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 benefits under the receiving scheme;
- we will need to ensure that the receiving scheme is legally able to accept the transfer; and
- the transfer cannot take place until the requirements of both schemes have been satisfied.

The units will be sold in accordance with section 6. We will pay the value realised to the trustees or administrator of the receiving scheme.

If any units of the With-Profits Fund are sold on a date other than your **selected retirement date**, we may make a deduction from the value realised (see section 4.2.8).

When considering your options you should seek financial advice. A financial adviser can assess your personal circumstances, talk you through your options and make a recommendation based on this information.

11. Tax relief and annual allowance

11.1 Tax relief

(a) The personal payments that you make to the **Scheme** are made "net" of basic rate tax. We claim the basic rate tax from **HMRC**, for investment in your **plan**. Currently, we allocate these payments to your **plan** as if **HMRC** tax relief payments are received at the same time as your corresponding personal payments. We do, however, reserve the right to defer the investment date of **HMRC** tax relief payments to the actual date of receipt of these payments.

When your payments to the **Scheme** are made via your **employer's** payroll, your **employer** will deduct only the "net" amount from your salary. The amount is deducted from your pay, after income tax has been deducted.

If the basic rate of tax changes, the "net" payment that you make to the **Scheme** will change. If the basic rate of tax decreases, your "net" payment will increase. Conversely, if the basic rate of tax increases, your "net" payment will decrease.

(b) Your personal payments up to the limits set out in section 11.1(f) qualify for income tax relief at your highest marginal rate.

If you are liable to tax at a rate higher than the basic rate, you can claim the additional tax relief on your payments to your **plan**. You do this by making a claim in your self-assessment to your tax office. You will need to claim only for the balance of tax relief over and above the basic rate relief already given.

If you are not liable to tax, your personal payments – up to £3,600 in a **tax year** – still get the basic rate tax relief from **HMRC** and **HMRC** does not reclaim the tax.

(c) You should note that your application for membership of the **Scheme** constitutes an application for tax relief, and it is a criminal offence to make any false declarations about your circumstances.

(d) Any transfer payments received from other pension schemes or policies are not eligible payments for tax relief.

(e) **Employer** payments (if any) are all made "gross" – this means that the **employer** pays the full amount that it has agreed to pay. There is no tax relief amount to be invested in your **plan** in respect of these payments.

Employer payments do not result in a taxable benefit-in-kind for you, although an **annual allowance charge** will be payable if the **annual allowance** is exceeded.

(f) You will normally receive tax relief on your personal payments to the **Scheme** and to any other **registered pension scheme** each **tax year** up to the higher of 100% of earnings (as defined by **HMRC** – broadly, earnings from employment, or income earned direct 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 **Scheme**. 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 **Scheme** are eligible for tax relief. If we are subsequently advised by **HMRC** that you have received tax relief on payments in excess of this limit, we will reduce the value of your **plan** by the appropriate amount and repay the excess tax relief to **HMRC** and the excess payment to you.

We cannot be held liable if you suffer any loss due to our acceptance of a payment that does not qualify for tax relief or that results in an **annual allowance charge**.

11.2 Annual allowance and pension input period

(a) Annual allowance

There is an **annual allowance** for each **tax year** on the total contributions that can be made by or in respect of you to the **Scheme** and to all other **registered pension schemes**. If the **annual allowance** is exceeded, you will be liable to an **annual allowance charge**. The **annual allowance** for the **tax year** 2023/2024 onwards is £60,000. The Government may change the amount of the **annual allowance** from time to time.

The **annual allowance** test is carried out by comparing the total contributions made by or in respect of you in any given pension input period (see section 11.2(b)) with the **annual allowance** for the **tax year** in which that pension input period ends. It should be noted that the total payments measured against the **annual allowance** will include any amounts paid which do not qualify for tax relief (see section 11.1(f)).

Note: Certain payments, such as payments for life cover which do not get tax relief and payments after age 75, do not count towards the **annual allowance**. Such payments cannot, however, be made to your **plan**.

The **annual allowance** test will also take into account the increase in value of any defined benefits that you may have under any **registered pension scheme**.

Any unused **annual allowance** for the three **tax years** preceding the current **tax year** will be added to the **annual allowance** for the current **tax year** for determining whether an **annual allowance charge** is applicable for the current **tax year**. The **annual allowance** for the current **tax year** must be used first. Unused **annual allowance** is then used from the earlier **tax years**, starting with any available **annual allowance** from the earliest of the three preceding **tax years**. Unused **annual allowance** is only available for carry forward where it arises during a **tax year** in which you are a member of a **registered pension scheme**, but applies to a **tax year** even if payments for that **tax year** are nil.

When considering your options you should seek financial advice. A financial adviser can assess your personal circumstances, talk you through your options and make a recommendation based on this information.

(b) Pension input period

The total contributions made by or in respect of you over a period of time – known as the pension input period – are measured against the **annual allowance** for the **tax year** in which the pension input period ends.

The first pension input period will start on the date on which we treat the first contribution as having been received and will end on the following 5 April (i.e. the end of the **tax year**). Each subsequent pension input period will start on 6 April and end on the following 5 April (i.e. the pension input period will be the same as the **tax year**).

(c) Situations where the annual allowance test does not apply

There is no **annual allowance** test in the **tax year** in which you die or take benefits on the grounds of severe ill-health. You will satisfy the severe ill-health condition if you become entitled under your **plan** to:

- benefits because you are suffering from ill-health which makes you unlikely to be able to undertake work (in any capacity) at any time in the future; or
- a serious ill-health lump sum (see section 7.4(f)).

(d) Member's responsibility

It is your responsibility to keep a record of the contributions made by or in respect of you to the **Scheme** and to any other **registered pension scheme**,

so that you know if the **annual allowance** is exceeded. We cannot be held liable if our acceptance of a contribution results in you becoming liable to an **annual allowance charge**.

In some circumstances, you may be able to elect for the **Scheme** to pay an **annual allowance charge**, in return for a reduction in benefits under your **plan**. This is known as "Scheme Pays", and further information is available from us on request.

(e) Money purchase annual allowance

There is a reduced **annual allowance** for each **tax year** on the total money purchase contributions that can be made by or in respect of you to the **Scheme** and to all other **registered pension schemes**. This reduced **annual allowance** is called the money purchase annual allowance (MPAA). The MPAA for the **tax year** 2023/2024 onwards is £10,000. The Government may change the amount of the MPAA from time to time.

The MPAA will apply to you if one of the following trigger events takes place under the **Scheme** or any other **registered pension scheme**:

- an uncrystallised funds pension lump sum is paid to you;
- an income payment is made to you from a flexi-access drawdown fund; or
- an annuity is paid to you where the annual rate of payment can be decreased other than in permitted circumstances.

You will be subject to the MPAA from the day the trigger event takes place.

If the MPAA is exceeded:

- you will be liable to an **annual allowance charge** on the total money purchase contributions in excess of the MPAA; and
- your **annual allowance** for the remainder of your pension savings – that is any defined benefits savings – will be reduced by the MPAA. You will be able to carry forward any unused **annual allowance** from the previous three **tax years**.

If the MPAA is not exceeded, your total **annual allowance** – for both money purchase contributions and defined benefits savings – will remain unchanged. You will be able to carry forward any unused **annual allowance** from the previous three **tax years**.

You will not be able to carry forward any unused MPAA from earlier **tax years** to increase the MPAA limit.

If contributions are made both before and after the trigger event in the same pension input period, the contributions made before the trigger event will be subject to the **annual allowance** and those made after the trigger event will be subject to the MPAA.

When considering your options you should seek financial advice. A financial adviser can assess your personal circumstances, talk you through your options and make a recommendation based on this information.

(f) Tapered annual allowance

There is a tapered reduction in the amount of the **annual allowance** if you have:

(i) income (including the value of any pension contributions) for the **tax year** of over £260,000 – known as "adjusted income"; and

(ii) income (excluding pension contributions) for the **tax year** in excess of £200,000 – known as "threshold income".

The taper operates by reducing the **annual allowance** by £1 for every £2 of "adjusted income" above £260,000, subject to a minimum reduced **annual allowance** of £10,000. The Government may change the limits from time to time.

If you are subject to the MPAA (see section 11.2(e)), the tapered reduction will apply to the **annual allowance** for the remainder of your pension savings – that is any defined benefits savings.

Unused **annual allowance** from the previous three **tax years** will be able to be carried forward, but where this **annual allowance** is reduced by the taper, the amount available for carry forward will be based on the unused tapered **annual allowance**.

When considering your options you should seek financial advice. A financial adviser can assess your personal circumstances, talk you through your options and make a recommendation based on this information.

12. Taxation of investment funds and benefits

12.1 Investment funds

Investments in pension funds in which **registered pension schemes** are invested are given important tax benefits. They do not pay tax on investment income received or capital gains. Dividends from UK companies are exempt from tax in the pension scheme. Dividends from many overseas companies will be paid after deduction of an overseas withholding tax that the pension scheme cannot generally recover.

12.2 Benefits

- Pensions are normally taxable as earned income.
- Pension commencement lump sums are tax-free.
- 25% of the uncrystallised funds pension lump sum will normally be tax-free with the remainder taxable as earned income.
- 25% of the small lump sum will be tax-free with the remainder taxable as earned income.
- A serious ill-health lump sum will normally be tax-free.
- Lump sum death benefits will normally be free of inheritance tax.
- Any lump sum death benefit that is not paid within the time limit described in section 8.4, will be taxable. Where the lump sum death benefit is paid to a beneficiary who is an individual, the payment will be taxed at the beneficiary's highest marginal rate of income tax.
- All benefits, except any lump sum death benefit that is not paid within the time limit described in section 8.4, count towards your **personal lifetime allowance** and if the benefit exceeds your available **personal lifetime allowance**, the excess may be subject to income tax at the recipient's highest marginal rate.

13. Divorce and dissolution

Legislation requires that pension plans are taken into account in divorce settlements and settlements made on the dissolution of civil partnerships.

The pension plan can be "set-off" against other matrimonial and civil partnership assets – the pension plan is left intact, but the split is allowed for by adjusting the shares in other assets. Alternatively, particularly where the pension value is disproportionately high in relation to other matrimonial and civil partnership assets, the Court can instruct that:

- part of a pension plan is "earmarked" for payment to a former spouse or civil partner at retirement or on earlier death; or
- the pension is "split" under a pension sharing order – with a transfer being made to a plan in the ex-spouse's or ex-civil partner's name.

There are rules on compliance with Court earmarking and pension sharing orders, to ensure that the terms specified in the order are met. In addition, a copy of an earmarking order must be passed on, if the pension plan covered by the order is surrendered and transferred to another pension plan.

We may charge for providing information needed in the discussions leading to earmarking and pension sharing orders, to comply with implementation of the orders. We will tell you (and/or your representatives) if any such charge is to be applied, before we take any action on a request for information in relation to a divorce/dissolution settlement or when we get an order. Any such charge would normally be payable separately by cheque from one of the parties to the divorce/dissolution.

When considering your options you should seek financial advice. A financial adviser can assess your personal circumstances, talk you through your options and make a recommendation based on this information.

14. Charges

14.1 Effect shown in illustrations

Any personal illustration you may have received from us should help you understand how the charges affect your benefits.

14.2 Adviser charge

14.2.1 General

If payments are made to your **plan** as the result of advice provided by M&G Wealth Advice Limited, we will deduct an adviser charge from that payment in accordance with sections 14.2.2 and 14.2.3, before that payment is used to buy units.

14.2.2 Regular payments

We will deduct an adviser charge from all regular payments (including increases made under section 3.2) made within five years of the benefit commencement date or until the **selected retirement date**, if earlier.

Where the regular payment has been set up with automatic indexation under section 3.5, the amounts of automatic increases will be subject to the adviser charge. Where automatic indexation is added at some other time, the amounts of automatic increases will not be subject to the adviser charge.

The adviser charge is expressed as a percentage of each payment. The percentage that applies to the regular payment made to your **plan** is given in the documents you receive at the time the payment is first made.

When calculating the amount to which the percentage is to be applied, we include any basic rate tax relief added to the payment before it is used to buy units.

14.2.3 Single payments

We will deduct an adviser charge from each single payment.

The adviser charge is expressed as a percentage of the single payment. The percentage will depend on the amount of the single payment. The percentage that applies to the single payment made to your **plan** is given in the documents you receive at the time the payment is made.

When calculating the amount to which the percentage is to be applied, we include any basic rate tax relief added to the payment before it is used to buy units. Transfer payments are not, however, eligible payments for tax relief.

14.3 Annual management charge

14.3.1 General

The annual management charge is the charge we make for managing the funds available under the **Scheme**.

There are separate annual management charges on each of the **unit-linked funds**.

Details of the annual management charge relating to the **unit-linked funds** are set out in the Fund Guide.

14.3.2 The With-Profits Fund

There is no explicit annual management charge with the With-Profits Fund. In setting bonuses (and, therefore, unit prices), allowance is made for the costs of operating your **plan** and for payments to shareholders as described in section 4.2. This implicit charge depends on the performance of the With-Profits Fund and, in particular, the investment returns achieved and expenses incurred. Over time, if investment returns are higher then we would expect to increase the charge and if investment returns are lower we would expect to reduce the charge.

14.3.3 The unit-linked funds

The annual management charge is a percentage of the value of the units under your **plan**. The annual management charge is calculated on a daily basis. It is, however, accumulated and we normally deduct it from your **plan** on one day every calendar month by selling units of our choice. We will select the date that units are sold to collect the charge.

Units may, however, in some circumstances be sold to collect the annual management charge on more than one day each month. For example:

- where units are switched between funds, that part of the annual management charge which relates to the units then being sold may be deducted at the time the units are switched; or
- where units are sold to provide benefits or a transfer-out, part or all of the annual management charge may be deducted at the time the units are sold.

14.4 The With-Profits Fund guarantee charge

There is a charge to pay for all the guarantees the With-Profits Fund supports. For example, we guarantee not to apply a market value reduction in certain circumstances (see sections 4.2.8 and 4.2.9). Allowance for this charge is made when setting bonuses (and, therefore, unit prices). The total amount for guarantee charges over each period of investment in the With-Profits Fund will be no more than 2% of your benefits. The first investment period runs from the date your **plan** started to the **selected retirement date**, unless you choose to take your benefits earlier. If on reaching the **selected retirement date** you decide not to take benefits (see section 7.3), a new investment period will start and run to the new **selected retirement date**, unless you choose to take your benefits earlier. A new investment period will start each time you reach the new **selected retirement date** and decide not to take your benefits.

14.5 Compensation schemes

If a charge is imposed on us under the Financial Services Compensation Scheme (or any other investor compensation scheme), we may pay it by imposing on our policyholders whatever additional charges are necessary and reasonable.

14.6 Members who joined the Scheme before 1 July 2018

14.6.1 Adviser charge

(a) Payments made on or after 1 June 2013 as a result of advice provided by M&G Wealth Advice Limited may be subject to an adviser charge as described in section 14.2.

(b) The adviser charge will not apply to regular payments (including any increases made under sections 3.2 and 3.5) started before 1 June 2013.

(c) The adviser charge will apply to regular payments (including any increases made under section 3.2) started on or after 1 June 2013.

(d) If automatic indexation (see section 3.5) is added on or after 1 June 2013 to a regular payment started before 1 June 2013, the amounts of automatic increases will not be subject to the adviser charge.

Where a regular payment has been set up with automatic indexation on or after 1 June 2013, the amounts of automatic increases will be subject to the adviser charge. Where automatic indexation is added at some other time, the amounts of automatic increases will not be subject to the adviser charge.

(e) The adviser charge will apply to any single payment made on or after 1 June 2013.

14.6.2 Product charge

(a) Payments made on or after 1 June 2013 as a result of advice provided by a financial adviser (other than M&G Wealth Advice Limited) or without any financial advice may have been subject to a product charge. This charge will have been described in the documents you received at the time. The product charge did not apply to any payments made before 1 June 2013.

(b) The product charge will not apply to regular payments (including any increases made under section 3.2) started on or after 1 October 2017.

(c) The product charge will not apply to any single payment made on or after 1 October 2017.

(d) The product charge will not apply to increases made under section 3.5 started on or after 1 July 2018.

(e) The product charge was withdrawn on 1 July 2018 from regular payments which were subject to the product charge (including any increases made under sections 3.2 and 3.5).

14.6.3 Initial unit charge

An initial unit charge will apply to regular payments (including any increases made under sections 3.2 and 3.5) started before 1 January 1999. This charge will have been described in the documents you received at the time.

14.6.4 Policy fee

A policy fee applies where you have life cover only under your **plan**.

A policy fee of £1.50 per month, or £8 if paid quarterly, is added to the cost of the life cover in order to determine the total life cover premium payable.

15. Changes to limits and charges

From time to time, we may change the limits and charges in this Booklet. We may also introduce charges for making switches between funds under sections 4.4 and 4.5, and we may introduce or increase charges if a charge is imposed on us under the Financial Services Compensation Scheme as described below and in section 21.8.

Changes to limits may be necessary to take account of inflation or other factors which affect the running of our business.

We will keep any increases to charges or new charges to reasonable amounts, reflecting any increases in our reasonable costs for operating your **plan** and/or the **Scheme**. This may happen, for example:

- if any **external company** or other company that performs any administrative or investment function on our behalf, increases the charges that we pay it; or
- if we experience an increase in the general administrative costs that we incur in operating your **plan** and/or the **Scheme**; or
- if the basis on which any company from within **M&G plc** is taxed changes; or
- if a charge is imposed on us under the Financial Services Compensation Scheme (or any other investor compensation scheme); or
- if we discover that payments to your **plan** do not relate to pension business (see section 21.7).

We will give you **reasonable notice** if we make any change to limits or charges (except for the charges described in sections 14.3.2 and 14.4 for the With-Profits Fund) described in this Booklet or if we introduce any new charges.

If you are unhappy with any changes, you should contact us in accordance with section 18.

16. Notices, instructions and requests from you to us

(a) You can give all notices, instructions and requests to us in writing; in some cases we will give you forms to use. Some of these notices, instructions and requests can also be made by telephone, but in this case we are entitled to ask you to confirm the notice, instruction or request in writing.

(b) Our contact details are set out in the Introduction.

(c) If the day we receive any notice, instruction, request, information or item is not a **working day**, we will treat it as being received on the next **working day**.

Similarly, if we receive any notice, instruction, request, information or item (including cheques) after 12 noon (London time) on a **working day**, we will normally treat it as being received on the next **working day**.

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

(d) You cannot (unless we agree otherwise in any particular case) give notices, instructions and requests by email or fax.

17. Notices to you from us

(a) You must give us an address (and an email address, if that is your preferred communication method) to which we will send any notices.

(b) Unless exceptional circumstances apply, where posted, notices from us will be treated as having been received by you two postal days after posting (excluding Sundays and Bank Holidays). Where emailed, notices from us will be treated as having been received by you within one **working day**, unless we receive an error message to indicate that the email has not been delivered.

(c) You are responsible for ensuring that we have up-to-date home and email addresses for you.

(d) We will not give any notices by telephone and we will not give any notices of a confidential nature or which contain personal data, by email.

18. 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, you should contact your Financial Adviser. If you have dealt direct with us, you should contact us at:

Customer Relations Unit
Prudential
Lancing
BN15 8GB

Telephone: 0345 640 2000

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

Telephone calls may be monitored or recorded for security, quality purposes, staff training and/or dispute resolution.

In the unlikely event that we are unable to resolve any disputes or complaints, you or your beneficiary (as appropriate) can contact the organisations mentioned below. These organisations provide their services free of charge.

- Financial Ombudsman Service (FOS). Its address is:

  Exchange Tower
  London
  E14 9SR

  Telephone: 0800 023 4567

  Website address: financial-ombudsman.org.uk

  The Financial Ombudsman Service investigates disputes or complaints about the sale and marketing of pension plans.

- The Pensions Ombudsman (TPO). Its address is:

  10 South Colonnade
  Canary Wharf
  London
  E14 4PU

  Telephone: 0800 917 4487

  Website address: pensions-ombudsman.org.uk

  The Pensions Ombudsman investigates disputes or complaints about how pension plans are run.

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

19. Amendment or termination of the Scheme

(a) As the Scheme Administrator of the **Scheme**, we reserve the right to amend the **Rules** at any time. You will be given **reasonable notice** of any amendments made to the **Rules** if your benefits or rights are to be affected in any way. We will be fair and reasonable when exercising this right. However, in exercising this right, we will need to balance consideration of what is fair and reasonable, against the need to comply with UK legislation and regulatory requirements.

(b) As the Provider of the **Scheme**, we can decide to:

  (i) wind-up the **Scheme** at any time;

  (ii) stop admitting new members to the **Scheme**, and stop accepting payments from, and in respect of, existing members; or

  (iii) stop admitting new members to the **Scheme**, but continue to accept payments from, and in respect of, existing members.

  Where (i) or (ii) above applies, you will be given **reasonable notice**.

20. Amendment of your plan and/ or the terms and conditions set out in this Booklet

20.1 Amendments requested by you

You can ask us for your **plan** to be amended. Any such amendment is subject to our agreement.

20.2 Amendments by us

Note: This section 20.2 does not apply to our limits or charges. Our right to change our limits and charges is set out in section 15.

(a) Subject to section 20.2(b), we can make changes to your **plan** and/or to the terms and conditions set out in this Booklet, providing we give you **reasonable notice** and obtain your consent.

If, having given you **reasonable notice**, we do not receive any response from you by the date specified in our notice, we will be entitled to infer your consent to the change.

(b) We can add to, amend, modify or set aside any of the terms and conditions set out in this Booklet without your consent in the circumstances set out below.

We can make changes under this section 20.2(b) without giving you **reasonable notice**: for example, where we are required by law to take urgent action, or where the change is either to your advantage or has little or no adverse financial effect on your **plan**. Except where it is impracticable to do so, we will, however, always notify you of any changes made under this section 20.2(b) and such notification may be made after we have made the changes. In determining whether we must give you **reasonable notice** or whether we may simply notify you of a change, we will take into account all of the circumstances of the change and our duty to treat all of our customers fairly.

The circumstances in which we can make changes without your consent are as follows:

(i) if it becomes impossible or unreasonable to follow the relevant terms and conditions because of a change in legislation, regulations or otherwise;

(ii) if circumstances have changed in a way which could not have reasonably been predicted at the start of your **plan**;

(iii) if the addition, amendment, modification or setting aside is reasonable (for example, the change must be justifiable and either be to your advantage or have little or no adverse financial effect on your **plan**; or if the change does have an adverse effect, it must be justifiable in terms of our duty to treat all of our customers fairly; or the change must be due to circumstances entirely outside our control);

(iv) if the basis on which any company from within **M&G plc** is taxed changes, and then we can only change your **plan** in such a way which ensures that the balance between you and us is the same as it was before the change;

(v) if we discover that any payments to your **plan** do not relate to pension business (see section 21.7);

(vi) if we do not have your current address, which will mean that we cannot contact you to provide the written notification of a proposed amendment that we would otherwise have given in terms of this Booklet.

Note: The examples given in (iii) are not meant to be an exhaustive list, nor do we mean to limit the circumstances in which a change might be considered "reasonable" to circumstances specifically of this type.

(c) If you are unhappy with any changes, you should contact us in accordance with section 18.

21. Other information

21.1 Yearly statement

Every year we will send you a statement that will, among other things, set out:

- the payments made during the previous 12 months;
- the value of your **plan** at the start and the end of the relevant 12 month period;
- an illustration of the benefits you might get, given a certain set of circumstances; and
- the amount then available under your **plan** as a death benefit or as a transfer-out.

21.2 Payments from the Scheme by us

All payments from the **Scheme** in respect of benefits or transfers-out will be by cheque (crossed "account payee only") or by direct transfer into a bank or building society account. Before making payment, we may need to carry out a number of checks to ensure that we are paying the correct person.

21.3 Deducting tax

We will deduct tax (where appropriate) from any payments made from the **Scheme** and we will make the deduction at the rate and in the way required by **HMRC**. We will pay the tax deducted to **HMRC**.

21.4 Information to be provided by you to us

You must provide us with any information we may from time to time reasonably require to administer your **plan**. If your **employer** holds the information, you are responsible for obtaining it free of any expense to us. If appropriate, we may obtain information direct from your **employer**.

21.5 Benefits not to be cashed or transferred

(a) Units cannot be sold in exchange for a cash payment from your **plan** unless the payment is to be used:

- for a cash benefit of up to the maximum allowed under the **Rules**;
- to buy a benefit from another insurance company; or
- for a transfer-out under section 10.2.

Where the cash payment from your **plan** is to buy a benefit from another insurance company or for a transfer-out, we will make the payment direct to the new insurance company or receiving scheme.

(b) Benefits payable under your **plan** cannot be transferred or paid to any other person except:

- as described in section 9;
- in accordance with any pension sharing order as described in section 13;
- in accordance with sections 342A to 342C of the Insolvency Act 1986; or
- as permitted by sections 273 to 278 of the Proceeds of Crime Act 2002.

(c) No pension can be exchanged for a cash payment from your **plan** except as described in section 7.4.

21.6 Bankruptcy

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

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

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

21.7 Pension business

All payments made to your **plan** must relate to pension business in the way described in section 58 of the Finance Act 2012. If we discover that any payments do not meet this requirement, we may modify the terms of your **plan** under sections 15 and 20 in whatever way is necessary to ensure **HMRC** does not tax any of the funds or does not impose any other penalty on us. If such modification is necessary, we will notify you and provide full details of the changes.

21.8 Financial Services Compensation Scheme

If we get into financial difficulties which affect our ability to pay your claim, you may be eligible to receive compensation under the Financial Services Compensation Scheme (FSCS).

The FSCS is an independent body set up under the Financial Services and Markets Act 2000 to provide compensation to individuals if their authorised financial services provider gets into financial difficulties and is unable, or likely to be unable, to pay claims against it. This circumstance is widely referred to as being "in default".

It is important for you to be aware that you may not always be able to make a claim under the FSCS, and that there are limitations in the amount of compensation you may receive.

Any compensation available will depend on your eligibility, the type of financial product or service involved, the funds selected and the circumstances of the claim.

You can find out more information on the FSCS and examples of limits in the scope of FSCS cover for your **plan** by visiting our website at pru.co.uk/about/financial-services-compensation-scheme or you can call our Customer Services on 0345 640 2000.

Information is also available from the FSCS. You can contact the FSCS by:

- writing to: Financial Services Compensation Scheme, PO Box 300, Mitcheldean GL17 1DY;
- telephoning: 0800 678 1100;
- visiting its website at: fscs.org.uk.

Very important information

Prudential policyholders, including you, are not protected by the FSCS against the insolvency of other companies within **M&G plc** or an **external company**. This means that the FSCS does not provide protection:

- for **Prudential unit-linked funds** which are invested solely in funds operated by another company within **M&G plc** (for example, unit trusts or OEICs operated by another company within **M&G plc**);
- for **Prudential unit-linked funds** which are provided through another company within **M&G plc**; or
- for **externally-linked funds**.

If another company from within **M&G plc** or an **external company** becomes insolvent and we cannot recover the full value of the units, **Prudential** will not be liable for the shortfall.

As reflected in section 15, if a charge is imposed on us under the FSCS (or any other investor compensation scheme), we may pay it by imposing on our policyholders whatever additional charges are necessary and reasonable.

21.9 Pension Tracing Service

The Pension Tracing Service is a free government service that helps individuals who have lost touch with their previous pension arrangements trace their pension rights. You can contact the Pension Tracing Service by:

- writing to: The Pension Service 9, Mail Handling Site A, Wolverhampton WV98 1LU;
- telephoning: 0800 731 0193;
- visiting its website at: gov.uk/find-pension-contact-details.

21.10 Withdrawal of Scheme registration

The **Scheme** is a **registered pension scheme**. If **HMRC** withdraws the registration of the **Scheme**, we will return all payments made under section 3 (or those paid after the effective date from which registration is withdrawn). In the event that registration is withdrawn as described above, all payments made under section 3 will stop.

21.11 Governing law

Your **plan** will be governed by the laws of England and Wales and any disputes connected with your **plan** will be settled in the Courts of England and Wales. The parties agree irrevocably to submit to the jurisdiction of the Courts of England and Wales.

21.12 Contract of long-term insurance

The benefits arising under your **plan** relate to a "contract of long-term insurance" within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

21.13 Contracts (Rights of Third Parties) Act 1999

You have directly enforceable rights against us in respect of the benefits under the **Scheme Provisions** to which you are or become entitled. Subject to this, nothing in the **Scheme Provisions** confers or purports to confer on any third party any benefits or any right to enforce any term or condition set out in the **Scheme Provisions** pursuant to the Contracts (Rights of Third Parties) Act 1999.

21.14 MoneyHelper

You can get independent and impartial information and guidance on pensions matters from MoneyHelper. MoneyHelper provides its services free of charge. You can contact MoneyHelper by:

- writing to: MoneyHelper Pensions Guidance, Money and Pensions Service, 120 Holborn, London EC1N 2TD;
- telephoning: 0800 011 3797;
- visiting its website at: moneyhelper.org.uk/en/pensions-and-retirement.

22. Meaning of certain words, expressions and abbreviations

Certain words, expressions and abbreviations in this Booklet have specific meanings. Where any of these words, expressions or abbreviations are used they are shown in bold print. The meanings of these words, expressions and abbreviations are as follows:

"**annual allowance**". Under legislation, there is a limit for each **tax year** on the total contributions that can be made by or in respect of you to the **Scheme** and to all other **registered pension schemes**. This limit is called the annual allowance. The annual allowance will also take into account the increase in value of any 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 is explained in more detail in section 11.2.

"**annual allowance charge**". This is a tax charge for which you are liable if the **annual allowance** is exceeded. The annual allowance charge is based on your highest marginal rate of income tax in respect of the amount in excess of the **annual allowance**.

We cannot be held liable if you suffer any loss due to our acceptance of a payment that results in an annual allowance charge.

"**default fund**". This is the fund to which payments will be automatically applied in the event that you do not state your own choice from among the funds available. The default fund will be the With-Profits Fund if you have more than five years until your **selected retirement date**, or the **Prudential Cash Pension Fund** if you have less than five years until your **selected retirement date**.

"**disqualifying pension credit**". This is a **pension credit** that has been received by an individual on divorce/dissolution where his or her ex-spouse's or ex-civil partner's benefits were already in payment at the time the **pension credit** was awarded.

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

"**external companies**" and "**externally-linked funds**". External companies are companies or other entities that are either:

(a) managers of collective investment schemes (such as unit trusts and OEICs) operating outside **M&G plc**; or

(b) life assurance companies outside **M&G plc**.

Prudential (or other companies within **M&G plc**) has entered into agreements with certain external companies, so that funds that invest in externally-managed collective investment schemes and funds with investment performance linked to funds of external life assurance companies, may be offered under the **Scheme**. These funds are called externally-linked funds. The externally-linked funds are **unit-linked funds**.

"**HMRC**". His Majesty's Revenue & Customs.

"**M&G plc**". M&G plc and its subsidiaries as defined in the Companies Act 2006.

"**member's benefit certificate**". A document issued to you which, among other things, sets out details of the payments made or to be made to your **plan** and the investment options selected.

"**pension credit**" and "**pension credit rights**". If you become divorced or your civil partnership is dissolved and you are awarded a pension credit in respect of your ex-spouse's or ex-civil partner's benefit under a **registered pension scheme**, you can transfer this pension credit to the **Scheme**.

If on divorce or dissolution your ex-spouse or ex-civil partner is awarded a pension credit in respect of your benefits under the **Scheme**, he or she may become a member of the **Scheme** in order to benefit from the pension credit.

In either case, moneys representing the relevant pension credits are invested under a policy for the individual and he or she will then have pension credit rights under the **Scheme**.

"**personal lifetime allowance**". This will normally be the **standard lifetime allowance**. However, a higher or lower amount may apply in certain circumstances. For example, the personal lifetime allowance may be a higher amount where you have **transitional protection** in relation to your benefits. Conversely, the personal lifetime allowance may be a lower amount where you had a **protected pension age** at 6 April 2006.

The value of your benefits is tested against your available personal lifetime allowance when you take your benefits. When testing the benefits against your available personal lifetime allowance, the value of benefits previously taken from the **Scheme** and/or from any other **registered pension scheme** will be taken into account. If you have not taken your benefits by age 75, your benefits will be tested against your available personal lifetime allowance at age 75. Before we pay any benefits, you will need to confirm in writing that the value of those benefits together with the value of benefits previously taken from the **Scheme** and/or from any other **registered pension scheme**, does not exceed your personal lifetime allowance.

If your personal lifetime allowance is exceeded, the excess benefits will be subject to income tax at the recipient's highest marginal rate.

It is your responsibility to keep a record of your available personal lifetime allowance.

We cannot be held liable if we pay a benefit from the **Scheme** in excess of your available personal lifetime allowance that results in an income tax charge.

"**plan**". The personal pension plan that has been set up for you under the **Scheme**.

"**protected pension age**". Certain individuals are permitted to start benefits under a **registered pension scheme** before age 55 (57 from 6 April 2028). A protected pension age applies if an individual:

- has an unqualified right to take benefits prior to age 55 (57 from 6 April 2028); or
- was entitled on 6 April 2006 to an early pension age because his or her occupation was recognised by **HMRC** as one for which an early pension age was acceptable.

"**Prudential**". The Prudential Assurance Company Limited, which is a member of **M&G plc**.

"**Prudential Cash Pension Fund**". A **Prudential unit-linked fund** offered under the **Scheme** (including any successor fund).

"**Prudential unit-linked funds**". These are **unit-linked funds** that are managed by companies within **M&G plc**.

"**reasonable notice**". This means that we must tell you before we make a change and we must give you a reasonable amount of time, given all of the circumstances, to take any action or make any decisions which are needed, or which you may wish to take, on account of the proposed change. When giving reasonable notice, we will take account of all of the circumstances of the change: for example, the length of notice that we can give may be influenced by legislative or regulatory requirements, or by an external entity such as an **external company**.

"**registered pension scheme**". A pension scheme registered in accordance with section 153 of the Finance Act 2004, or deemed registered in accordance with paragraph 1 of Schedule 36 to the Finance Act 2004.

"**Rules**". The Rules of the **Scheme**, as amended from time to time.

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

"**Scheme Provisions**". This is the policy held by **Prudential** as Scheme Administrator. The Scheme Provisions contain terms providing for the receipt and investment of payments and for the payment of benefits. As some of the terms of the Scheme Provisions affect you, many of them are summarised in this Booklet and in the rest of the **plan** documentation issued to you.

"**selected retirement date**". This is the date selected by you at the start of your **plan**, as the date on which you expect to take your benefits from the **Scheme**. If on reaching the selected retirement date you decide not to take benefits, we will automatically reset a new selected retirement date (see section 7.3).

"**standard lifetime allowance**". There is a limit on the total value of the benefits that can be taken from all **registered pension schemes** of which you have been, or are currently, a member. This limit is called the standard lifetime allowance. If the standard lifetime allowance is exceeded, the excess benefits may be subject to income tax at the recipient's highest marginal rate.

The standard lifetime allowance for the **tax year** 2023/2024 is £1,073,100. The Government may change the amount of the standard lifetime allowance from time to time.

"**tax year**". The period starting on 6 April each year and ending on 5 April the following year.

"**transitional protection**". If you have any of the following transitional protections, the **standard lifetime allowance** is replaced by a higher amount:

- If you have pension savings built up before 6 April 2006 when the **standard lifetime allowance** was first introduced, you may have "primary protection" and/or "enhanced protection". You needed to apply to **HMRC** for these protections by 5 April 2009.
- If you have pension savings built up before 6 April 2012 when the **standard lifetime allowance** was reduced from £1.8 million to £1.5 million, you may have "fixed protection". You needed to apply to **HMRC** for this protection by 5 April 2012.
- If you have pension savings built up before 6 April 2014 when the **standard lifetime allowance** was reduced from £1.5 million to £1.25 million, you may have "fixed protection 2014". You needed to apply to **HMRC** for this protection by 5 April 2014.
- If you have pension savings built up before 6 April 2014 when the **standard lifetime allowance** was reduced from £1.5 million to £1.25 million, you may have "individual protection 2014". You needed to apply to **HMRC** for this protection by 5 April 2017.
- If you have pension savings built up before 6 April 2016 when the **standard lifetime allowance** was reduced from £1.25 million to £1 million, you may apply for "fixed protection 2016" or "individual protection 2016". You need to apply to **HMRC** for these protections. You are able to apply online by visiting its website at gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance. You should seek financial advice regarding these protections if they could be relevant to you.

"**unit-linked funds**". The **Prudential unit-linked funds** and the **externally-linked funds**. For the avoidance of doubt, the With-Profits Fund is not a unit-linked fund.

"**working day**". This is any day that **Prudential** is open for business. It does not include:

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

Appendix

1. Life cover

Note: Only available to members whose application for life cover was received by us before 14 December 2006 and we accepted that application before 1 August 2007.

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.

If you die during the selected term for this benefit, a lump sum will be payable. The **Rules** require **Prudential** as Scheme Administrator to 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 beneficiary.

You can give us details of whom you would like to receive the lump sum by using the Nomination of Beneficiaries Form available from us. 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.

You should ensure that your nominations are updated as your circumstances change.

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 of tax. They also count towards the **annual allowance**.

The lump sum counts towards your **personal lifetime allowance** and if the lump sum exceeds your available **personal lifetime allowance**, the excess will be subject to income tax at the recipient's highest marginal rate.

If you become ineligible to make payments to the **Scheme**, 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. Contact our Customer Services for further details.

2. Payment protection option

Note: Only available to members who joined the **Scheme** before 6 April 2001.

2.1 Continuing payments when unable to work through accident or illness

If you become disabled or ill and are unable to work for a long period, it may not be possible for you to continue paying into the **Scheme**. 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 indexation increases) will be waived during long periods of incapacity (see section 2.4 of this Appendix). This allows you to continue saving, even though you are unable to follow your own (and are not following any other) occupation because of accident or illness.

Payment protection cover can also be added to any **employer's** payments. Contact our Customer Services for more information.

2.2 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 increases to your regular monthly payments are made under section 3.2, the payment protection cover on these 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 (HIV).

2.3 Benefit

Payments due after six consecutive months of incapacity following notification will be waived.

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, the 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 you start to take your pension/lump sum benefits.

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 cover 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 payment protection cover on life cover payments will cease.

2.4 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:

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

(b) intentional self-inflicted injuries;

(c) alcohol or solvent abuse, or the taking of drugs except under the direction of a registered medical practitioner;

(d) taking part in a criminal act;

(e) infection with any human immunodeficiency virus (HIV) or conditions due to any acquired immune deficiency syndrome (AIDS).

2.5 Foreign residence and travel

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

2.6 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, the Channel Islands, the Isle of Man or any EU country, 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, the Channel Islands, the Isle of Man or any EU country.

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

3. Contracting-out

3.1 General

Until 6 April 2010, employed members were able to use the **Scheme** to contract out of the State Second Pension (S2P).

With effect from 6 April 2012, contracting out of the S2P for defined contribution pension schemes was abolished. From that date, members are no longer able to use the **Scheme** to contract out of the S2P.

3.2 Contracting-out under the Scheme before 6 April 2012

If you used the **Scheme** to contract out of the S2P, part of the employee's and employer's National Insurance contributions was rebated and paid to **Prudential** for investment under the **Scheme**. The benefits bought with these rebated National Insurance contributions were known as protected rights benefits. Your rights to these benefits and the sums of money invested to provide these benefits were called protected rights. Special rules applied to protected rights benefits.

Contracted-out benefits (i.e. protected rights benefits, guaranteed minimum pensions or post-1997 contracted-out salary related benefits) transferred from other **registered pension schemes**, were also treated as protected rights under the **Scheme**.

3.3 Impact of abolition on protected rights held under the Scheme at 6 April 2012

(a) If you were at 6 April 2012 contracted-out under the **Scheme**, you were with effect from that date contracted back into the S2P. No further rebated National Insurance contributions are payable to **Prudential** for investment after that date. There is no S2P pension payable in respect of the period for which you were contracted-out.

(b) Any amounts previously held as protected rights under the **Scheme** at 6 April 2012 are, from that date, treated in the same way as all other amounts held under the **Scheme**. The special rules that applied to protected rights on taking benefits or on your earlier death no longer apply (although benefits already paid out or bought through an annuity cannot be changed – see section 3.4 of this Appendix).

3.4 Protected rights benefits set up before 6 April 2012

Where you started benefits before 6 April 2012, special rules applied to the benefits paid to you in respect of protected rights. This Booklet does not set out these special rules, but they will continue to apply to any annuity already set up before 6 April 2012. Further details of the special rules are set out in the documentation previously issued to you when the benefit started to be paid or are available from us on request.

Information in this Booklet is based on Prudential's understanding of legislation as at May 2023. Legislation, particularly relating to taxation, may be subject to change in the future. Any tax reliefs referred to are those currently available and the value of tax reliefs depends on individual circumstances.

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