

PRUDENTIAL

Staff Pension Scheme

Defined Benefit Section



Leaving Service Guide

In this Guide you will find information about what happens if you become a Deferred member of Defined Benefit Section of Prudential Staff Pension Scheme.

OCTOBER 2019



Contents

Introduction	1	Death benefits	6
Your options at a glance	1	Transferring your benefits	7
Leaving Service	2	Further information	7
Benefits on leaving Service or opting out	3	Glossary	8
Deferred pension revaluation	4	Appendix I	
Payment of your deferred pension	5	Appendix II	



Introduction

The purpose of this Guide is to help you understand what happens if you leave the employment of the Company or opt out of the Defined Benefit (DB) Section of Prudential Staff Pension Scheme (the Scheme).

Your options at a glance

If you leave Service (stop being employed by the Company) or choose to stop accruing benefits within the DB Section (opt out) you will be treated as a Deferred member. The benefits you have built up within the DB Section will remain (these are known as deferred benefits) but you will not build up any further benefits.

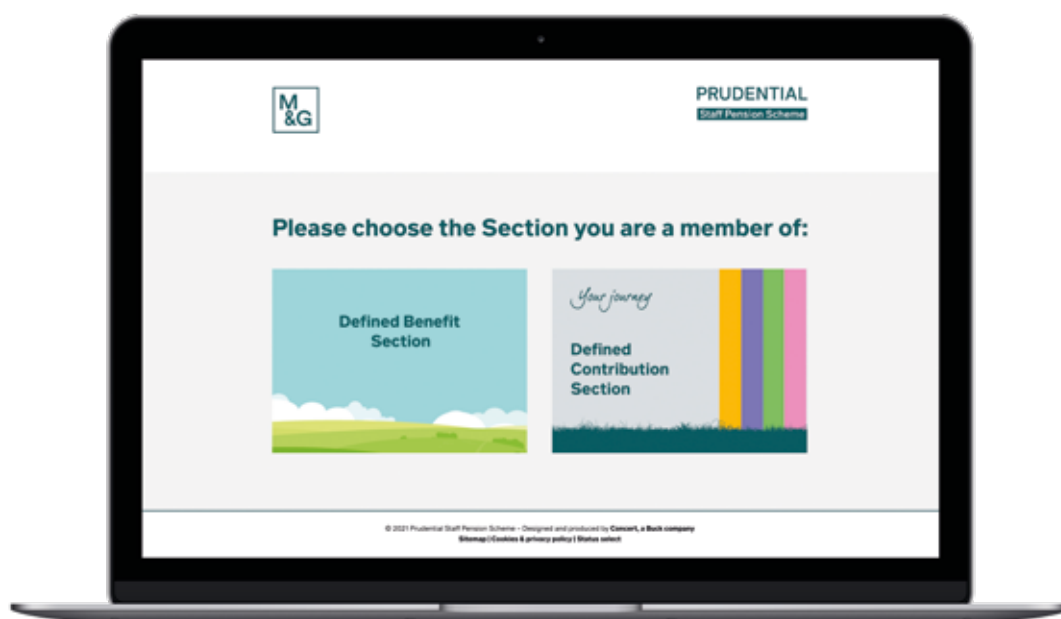
The pension you have built up will increase in deferment to reduce the effects of inflation. This increase to your benefits is called revaluation and is covered later in this Guide. You will have two options:

To receive a pension from the DB Section (you must be at least aged 55 for this option to be available immediately). You may also be able to exchange (or commute) some of your benefits at retirement for a one-off lump sum which is normally tax-free; or

To transfer your benefits to another registered pension scheme.

Benefits from the DB Section will still be payable to your beneficiaries and Dependants on your death, however the benefits payable will be different to those which would be payable if you die whilst still an Active member of the DB Section. Further information can be found on page 6.

You can also find further information by visiting the Scheme website www.prudentialstaffps.co.uk. Please select The Defined Benefit Section and then Deferred Member (see below).



Leaving Service

Below you will find a high-level process map showing what happens if you leave the Service of the Company.

You will see that no action is required by yourself. The Company will automatically inform the DB Section Administrator that you have left Service.

- 1** HR advises the DB Section Administrator that you have left Service.
- 2** The DB Section Administrator calculates your accrued benefits within the DB Section.
- 3** The DB Section Administrator sends details of the accrued benefits to you.

Please note it may take several weeks from the date you leave Service before you receive details of your deferred benefits.

It is vitally important that the DB Section Administrator have your correct address both at the time you leave Service and whilst you are a Deferred member.

Please visit MyPension, the secure area of the website to confirm the address held for you is correct. You can update the address online if it is incorrect or out of date.



To visit MyPension go to the Scheme website www.prudentialstaffps.co.uk and click on the MyPension button.



MyPension

Opting out

If you wish to opt out and stop building up further pension benefits in the DB Section you should contact your local HR representative.

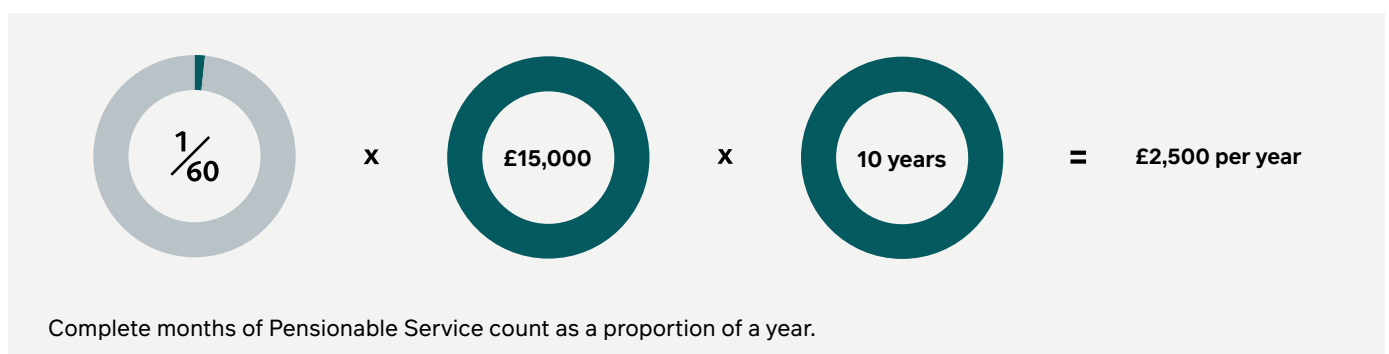
-  The DB Section Administrator
-  The Company

Benefits on leaving Service or opting out

If you leave Service (or opt out of the DB Section) without transferring your benefits to another registered pension scheme, your pension will remain in the DB Section until you reach your Normal Retirement Date and you will be treated as a Deferred member.

Your pension benefit is calculated in a similar way to the pension you would have received had you remained in Service until your Normal Retirement Date, however your Pensionable Service will be the period from the date you joined the DB Section to the date you left Service. Final Pensionable Earnings will be calculated at your date of leaving Service.

The example shows the pension payable to a member who joined at the age of 22 (after 1986) and leaves after completing 10 years' Pensionable Service with Final Pensionable Earnings of £15,000.



However, if you joined the DB Section before April 1986, the calculation of your pension may be more complex than in the above example — please contact the DB Section Administrator for details of how your pension is calculated. Benefits provided by the DB Section are subject to HM Revenue & Customs (HMRC) limits.

Your Final Pensionable Earnings will normally be the greater of:

- Your basic salary earned in the 12 months immediately before leaving Service, ignoring any additions such as bonuses or overtime;
- Your highest annual salary in any one tax year in the last five years before leaving Service; or
- Your average annual salary over the best three consecutive tax years in the last 10 years before you leave Service.

Please refer to Appendix I of this Guide for an example which shows the calculation of Final Pensionable Earnings.

There are certain categories of membership where a different calculation of Final Pensionable Earnings may apply. Confirmation of your actual Final Pensionable Earnings will be included in the information you are provided shortly after you leave Service (or opt out).

Transfers in

Any previously transferred benefits into the DB Section will be included in the calculation of your deferred pension. Details of this will be included in the information you are provided shortly after you leave Service (or opt out). Please note, if you transferred in benefits on a money purchase basis these will be treated in a similar way to in-house Additional Voluntary Contributions (AVCs).

Additional Voluntary Contributions (AVCs)

As a member of the DB Section there are two arrangements which can receive any AVCs you decide to pay. If you leave Service (or opt out) you will not be able to make any further AVC payments to the DB Section.

In-house AVC arrangement

If you paid AVCs to the in-house AVC arrangement information regarding these will be included within the statement you receive in respect of your main DB Section benefits.

Commercial AVC arrangement

If you paid AVCs to the commercial AVC arrangement you will receive a separate statement on leaving Service. This may be provided at the same time as the statement you receive relating to your main DB Section benefits or sent separately.

For more information on the two AVC arrangements available to members of the DB Section please refer to the Guide to 'The Defined Benefit Section's Additional Voluntary Contributions (AVC) Arrangements' which is available from the Scheme website www.prudentialstaffps.co.uk.

Part-time Service and temporary absence

If you have a period (or periods) of part-time Service and/or prolonged periods of unpaid leave (including maternity, paternity, adoption, parental or other leave) these may impact the calculation of your Pensionable Service. For more information please visit the Scheme website www.prudentialstaffps.co.uk.

Charges

There is currently no charge by the Trustee for exercising any of your rights to your benefits if you leave the DB Section before your Normal Retirement Date, for example, if you take flexible retirement or transfer your benefits to another registered pension scheme.

Deferred pension revaluation

Your Deferred pension will be revalued until you take it, to reduce the impact of inflation.

Your pension is made up of several elements, and each of these elements may revalue at a different rate. When you joined and left the Scheme will also impact how your pension revalues in deferment. If you joined the Scheme after 31 December 1990 your pension will revalue in accordance with the details below. If you joined the Scheme prior to 1 January 1991 please refer to Appendix II of this Guide for details of how your pension revalues in deferment.

Revaluation of Guaranteed Minimum Pension (GMP)

If you left the Scheme on or after 6 April 1997 your GMP will increase annually in line with Section 148 Orders. Section 148 Orders are based on the increase in the National Average Earnings Index each year. The same increases to your GMP will apply if you left the Scheme before 6 April 1997, except that the increases will be capped at 5% for each complete tax year between the date you left the Scheme and age 60 (for females) or age 65 (for males). The increases to GMP apply at GMP Pension Age.

Revaluation of pension in excess of GMP

Your deferred pension in excess of any accrued GMP will increase in line with the Occupational Pensions (Revaluation) Order (known as Section 52a orders). These orders currently increase in line with CPI inflation subject to a cap of 5% p.a. on pension accrued before 6 April 2009 and a cap of 2.5% p.a. on pension accrued after 5 April 2009.

Further information regarding how your pension increases in deferment will be provided on your deferred benefit statement, issued to you shortly after you leave Service (or opt out).

Payment of your deferred pension

Your deferred pension will normally become payable at your Normal Retirement Date. For most members your Normal Retirement Date is age 60. You will have been told if you have a different Normal Retirement Date.

At retirement you may have the option of exchanging some of your benefits for a lump sum (normally tax-free), additional Spouse's, Civil Partner's or Dependant's pension or a temporary additional pension until your expected State Pension Age. Further information on these options can be found on the Scheme website www.prudentialstaffps.co.uk.

If you wish to defer the commencement of your pension to a date later than your Normal Retirement Date you will need the permission of the Trustee. If you defer the commencement of your pension, your pension will be increased by a factor decided by the Trustee as advised by the Scheme Actuary to make up for the late payment of your pension.

Taking your benefits before your Normal Retirement Date

With the Trustee's consent, your pension may be paid early:

- If you are aged 55 or more; or
- On the grounds of ill-health subject to appropriate medical evidence.

If you take your pension before your Normal Retirement Date a reduction may be applied for early payment.

For further information on the options available to you at retirement and how your pension will increase once in payment please visit the Scheme website www.prudentialstaffps.co.uk. You may also wish to read the 'Retirement Guide' which is available from the Documents section on the Scheme website.

Death benefits

If you die whilst you are a Deferred member of the DB Section the following benefits are payable to your beneficiaries and/or Dependants from the Scheme:

A lump sum

A lump sum equal to five times your deferred pension had it come into payment on the date of your death (reduced for early payment) together with a refund of the value of any AVCs you may have paid.

A Spouse's or Civil Partner's pension

A pension, payable for life, equal to 50% of your deferred pension, including any increases (known as revaluation) granted from your date of leaving up to the date of your death. In the event of the death of your Spouse or Civil Partner, the pension that was payable to your Spouse or Civil Partner will be paid to any Eligible Child(ren), up to a maximum of three.

If you have Pensionable Service between 6 April 1978 and 5 April 1997 your Spouse's or Civil Partner's pension may include a Spouse's GMP. For more information please refer to the Glossary in this Guide.

Dependant's pension

If you were an Active member on or after 1 July 2005 and you die without leaving a Spouse or Civil Partner, a pension may be payable to one or more of your Dependant(s), in such proportions as the Trustee decides. The total amount of the pension will be equal to that which would have been paid to a Spouse or Civil Partner.

If the Dependant's pension is paid to an Eligible Child who subsequently dies, the Dependant's pension will continue to be paid to other Eligible Children, if any. However, if the Dependant's pension is paid to a person who is not an Eligible Child who subsequently dies, the Dependant's pension will stop.

Eligible Child's pension

If you die leaving Eligible Children, up to a maximum of three children, they will receive a pension from the DB Section. The amount payable is generally equal to 1/6th of the deferred pension you were entitled to at the date of your death. The pension will be payable in respect of your Eligible Child(ren) while they are under age 18. If they remain in full-time education or vocational training, the pension may continue at the Trustee's discretion but not normally beyond the age of 23.

Death benefits after opting out of the DB Section

If after opting out you die while in Service then a lump sum of four times your Final Pensionable Earnings at the date of your death, plus any AVCs you have paid, will become payable if you have not joined the DC Section. For members who join the DC Section, a separate benefit is payable under the DC Section. Any Spouse's, Civil Partner's or Eligible Child's pension payable will be the same as those in respect of a death of a Deferred member.

If you opt out of the DB Section and then subsequently leave Service before you commence receiving your pension from the DB Section, you will become a Deferred member of the DB Section and the benefits payable to your Spouse, Civil Partner, Eligible Child(ren) or other Dependant(s) will be as described earlier in this section of this Guide.

Transferring your benefits

If you are transferring overseas, then you will generally have the option to take a transfer value from the DB Section before your Normal Retirement Date, provided that the receiving arrangement is a registered pension scheme or a Qualifying Recognised Overseas Pension Scheme (QROPS).

For further information regarding transferring your benefits out of the DB Section please refer to the 'Transferring your benefits out of the Scheme Guide' which can be downloaded from the Scheme website www.prudentialstaffps.co.uk.



Further information

For further information on leaving Service (or opting out) or any other matters relating to the DB Section.

Writing to: **Prudential Staff Pension Scheme**
XPS Administration
Priory Place
New London Road
Chelmsford
CM2 0PP

Emailing: **psspsdb@xpsgroup.com**

Telephone: **01245 673515** (UK callers)
(44) 1245 673515 (Overseas callers)

Website: **www.prudentialstaffps.co.uk**

Small Print

M&G plc or companies whose ultimate parent company is M&G plc. For the avoidance of doubt, this can include the Principal Employer and/or any associated company/employer that offers you membership of the Scheme through your contract of employment. If you joined the Scheme prior to October 2019, the Company was known as Prudential plc but on 21 October 2019, the Company became known as M&G plc.

All benefits are payable in accordance with the Trust Deed and Rules, the legal document governing the Scheme. In the event of any discrepancy between any information provided to you and the Trust Deed and Rules, the Trust Deed and Rules will prevail.

Glossary

Additional Voluntary Contributions (AVCs)

These are any personal contributions that you choose to pay to the DB Section.

Annual Allowance

This is the maximum amount of pension savings that you can make which will qualify for tax relief in any tax year.

Automatic Enrolment

The requirement to enrol most employees and workers in the UK into a pension scheme provided by an employer.

Civil Partner

This is the person you have entered into a registered Civil Partnership with under the Civil Partnership Act 2004.

Company

M&G plc or companies whose ultimate parent company is M&G plc. For the avoidance of doubt, this can include the Principal Employer and/or any associated company/employer that offers you membership of the Scheme through your contract of employment. If you joined the Scheme prior to October 2019, the Company was known as Prudential plc but on 21 October 2019, the Company became known as M&G plc.

Consumer Price Index (CPI)

The official index used by the Government as its measure of inflation. The Government previously used the Retail Price Index as its official index for measuring inflation.

DB Section

Defined Benefit (DB) Section of Prudential Staff Pension Scheme (the Scheme).

DB Section benefits

The benefits payable to you as a result of your membership of the DB Section (and/or those payable to your Spouse/Civil Partner or other Dependant(s) following your death) but excluding any benefits payable in respect of AVCs.

DC Section

Defined Contribution (DC) Section of Prudential Staff Pension Scheme (the Scheme).

Dependant

Your Spouse or Civil Partner/same sex spouse or any other person who, in the opinion of the Trustee, is financially dependant upon you at the date you take your pension or die.

Eligible Child

In most cases, this means your own or adopted child under age 18 or older if still in full-time education/vocational training and the Trustee so decides (though not normally beyond age 23).

Final Pensionable Earnings

In summary, for the purposes of the DB Section, Final Pensionable Earnings is calculated as the higher of either:

1. The basic salary you earned in the 12 months immediately before you leave service. Ignoring any additional amounts, such as bonuses or overtime.
2. Your highest annual salary in any one tax year, in the last five years before you leave Service. Ignoring any additional amounts, such as bonuses or overtime.
3. Your average annual salary over the best three consecutive tax years in the last 10 years. Ignoring any additional amounts, such as bonuses or overtime.

The earliest tax year which will count in points 2 and 3 above is that commencing 6 April 2000.

If you were an Active member on 30 September 2019, your Final Pensionable Earnings will be capped at the rate applicable at this date.

There are two areas where this cap will be applied differently.

- If an Active member's Pensionable Earnings is less than £35,000 per annum, their Final Pensionable Earnings will continue to recognise increases to their salary on and after 30 September 2019, until such time that their Final Pensionable Earnings reaches £35,000 per annum (or, if part-time, their full-time equivalent).
- If an Active member is already earning above the Scheme Earnings Cap, their benefits are limited by the Scheme Earnings Cap until the Scheme Earnings Cap overtakes their Final Pensionable Earnings at 30 September 2019.

If you participate in the Company's Pension Plus arrangement, for this purpose, you are treated as if you do not participate in this arrangement.

There are occasions when your Final Pensionable Earnings might be calculated differently. If you have any questions or need any further information please contact the DB Section Administrator in the first instance.

Please see Appendix II for an example of a Final Pensionable Earnings calculation.

Guaranteed Minimum Pension (GMP)

If you were an Active member of the DB Section between 6 April 1978 and 5 April 1997 (inclusive), you will have accrued a GMP within the Scheme. This is the minimum pension the Scheme must pay to you as a result of you contracting out of either the State Earnings Related Pension Scheme (SERPS) or the Second State Pension (S2P).

- **Contracting out** — In return for you and the Company paying a reduced level of National Insurance contributions, you stopped building up your second tier State Pension entitlement. The Scheme committed to pay this amount to you as part of your overall Scheme entitlement.
- **State Earnings Related Pension Scheme (SERPS)** — From 6 April 1978 to 5 April 2002 this was the second tier of State Pension. In addition to your Basic State Pension the State would pay an additional pension based on your earnings during any period you were not contracted out.
- **Second State Pension (S2P)** — In 2002 the Government replaced SERPS with S2P. The principles were broadly the same in that S2P was a second tier of State Pension provision based on your earnings during any period you were not contracted out.

With effect from 5 April 2016, the Government abolished the two-tier State Pension provision in favour of a single-tier flat-rate State Pension.

GMP Pension Age

This is currently 60 for women and 65 for men.

Lifetime Allowance

The Lifetime Allowance is a limit on the amount of pension benefits that you can accumulate during your working life which will qualify for tax relief.

Money Purchase Annual Allowance

If you elect to take your benefits from any other registered pension arrangement using the new pension flexibilities available, for example in the form of a Uncrystallised Funds Pension Lump Sum (UFPLS) you will trigger, for the tax year you draw your benefits (and for future years), a Money Purchase Annual Allowance. This means your tax efficient contributions to any defined contribution scheme will be more restricted (usually to £4,000). More detail can be found on the Scheme's website.

Normal Retirement Date

The date at which you are expected to retire. For most members your Normal Retirement Date is aged 60 although it is aged 65 for some male members. You will have been told if your Normal Retirement Date is not aged 60. Your Normal Retirement Date is sometimes referred to as your Normal Pension Date.

Pension Input Period

This is the period over which pension contributions are measured to work out whether you have exceeded the Annual Allowance. The Pension Input Period is the same as the tax year: 6 April to 5 April.

Pensionable Pay (in respect of the DC Section)

This means your basic salary.

Pensionable Service

In general, this means the permanent Service (in years and complete months) you completed with the Company as an Active member of the DB Section.

Pensions Plus

The Company operates a salary sacrifice arrangement called Pensions Plus, for more information please see the Company's document Your Guide to Pensions Plus. You can download a copy from the Company Documents section of the Scheme website: www.prudentialstaffps.co.uk.

Qualifying Recognised Overseas Pension Scheme (QROPS)

This is an overseas pension scheme that meets certain requirements and which HM Revenue & Customs recognises as eligible to receive transfers from registered pension schemes in the UK.

Registered pension scheme

A pension scheme that is registered with HM Revenue & Customs under the provisions of the Finance Act 2004

Scheme

Prudential Staff Pension Scheme.

Scheme Actuary

An appropriately qualified individual who advises the Trustee on actuarial matters relating to the Scheme.

Scheme Earnings Cap

(Members who joined the Scheme on or after 1 June 1989 ONLY)

The maximum salary that can be considered for Pensionable Earnings calculations.

Service

Your employment with the Company.

Spouse

This is the person to whom you are legally married. This includes opposite sex spouses and same sex spouses.

Spouse GMP (SGMP)

The minimum pension the Scheme must pay to your Spouse/Civil Partner as a result of you contracting out of either the State Earnings Related Pension Scheme (SERPS) or the Second State Pension (S2P). Please see the definition in the Glossary for Guaranteed Minimum Pension (GMP) for further information.

State Pension

The pension you may receive from the State when you reach State Pension Age.

State Pension Age

The age at which your State Pension becomes payable.

Trustee

Prudential Staff Pensions Limited, a limited company, is the Trustee of the Scheme and is responsible for ensuring that the Scheme is administered in accordance with the Trust Deed and Rules. The Trustee holds, manages and invests assets for the benefit of members and their beneficiaries.

Trustee Director

An individual, either appointed by the Company or nominated by the Scheme members, who along with other Trustee Directors form the board of the Trustee.

Appendix I — Revaluation of deferred pensions

If you joined the Scheme after 31 December 1990:

After you leave Pensionable Service, your deferred pension will increase during the period up to your Normal Retirement Date, as described on page 5 of this Booklet.

If you joined the Scheme before 1 January 1991 and leave Pensionable Service on or after that date:

After you leave Pensionable Service, your deferred pension will increase, during the period up to your Normal Retirement Date, as described on page 5 of this Booklet. However, in addition, at Normal Retirement Date your pension in excess of your GMP must be at least equal to the following:

Your pension, in excess of your GMP, accrued on or after 1 January 1985 increased by 5% for each complete year from the date you left the Scheme to your Normal Retirement Date.

+

Your pension, in excess of your GMP, accrued before 1 January 1985 with no increase applied.

If you left Pensionable Service before 1 January 1990:

After you leave Pensionable Service, your GMP will increase as described on page 4, and the part of your pension in excess of GMP that was accrued on or after 1 January 1985 will increase by 5% for each complete year from the date you left the Scheme to your Normal Retirement Date. No increases are applied to the part of your pension in excess of GMP that accrued before 1 January 1985.

Appendix II — Calculating Final Pensionable Earnings

Final Pensionable Earnings is calculated as the higher of:

1

Your basic salary earned in the 12 months immediately before leaving Service, ignoring any additions such as bonuses or overtime.

2

Your highest annual salary in any one tax year in the last five years before leaving Service.

3

Your average annual salary over the best three consecutive tax years in the last 10 years before you leave Service.

Using the example below where a member left the Scheme on 17 January 2018, their Final Pensionable Earnings is £37,400 as this is the higher of the three definitions above.

Basic Salary		Annual Salary	
Year	Salary (£)	Tax year	Salary (£)
1 April 2017	38,000	2017/18	29,879
1 April 2016	35,000	2016/17	35,040
1 April 2015		2015/16	34,506
1 April 2014		2014/15	34,006
1 April 2013		2013/14	35,971
1 April 2012		2012/13	33,534
1 April 2011		2011/12	33,499
1 April 2010		2010/11	32,019
1 April 2009		2009/10	43,835
1 April 2008		2008/09	602

Calculation			
			Total (£)
38,000 x	$\frac{292 \text{ days}}{365 \text{ days}}$	30,400	37,400
		+	
35,000 x	$\frac{73 \text{ days}}{365 \text{ days}}$	7,000	
Full tax year earnings of £35,971			35,971
$\frac{33,499 + 32,019 + 43,835}{3}$			36,451

Notes

1. If you joined the DB Section on or after 1 June 1989 your salary (either basic or annual) is subject to a maximum each year (the Scheme Earnings Cap). Further details, including a full list of the Scheme Earnings Caps for the last 10 years, can be found on the Scheme website www.prudentialstaffps.co.uk.
2. For the purpose of the calculation of Final Pensionable Earnings, your basic salary is your contracted salary as at 1 April each year whilst your annual salary is the total basic salary paid to you during a tax year.
3. With effect on and from 30 September 2019 the Final Pensionable Earnings for most Active members will be capped at the rate applicable at this date.