

PENSION

OVERVIEW

For Active and Deferred members of the Defined Benefit (DB) Section of the Prudential Staff Pension Scheme

December 2021



PRUDENTIAL

Staff Pension Scheme

CHAIRMAN'S **WELCOME**

ABOUT THE SCHEME

**A NEW LOOK FOR
OUR SCHEME**

THE SCHEME'S
FINANCES

Defined Benefit Section

*Your Pension.
Your Future.*

Chairman's welcome



I'm pleased to welcome you to this year's edition of 'Pension Overview'.

If you're reading the paper-based version, you will see that this is now presented in a more condensed format. This change reflects our desire to reduce the amount of paper we use in our communications. A more detailed version is still available online. To access this, go to our Scheme website and click or tap on the 'Digital Overview' button.

As a Trustee Board we've continued to operate effectively, using virtual meetings and other digital means to communicate with each other. This has proved to be so successful that I'm in no doubt that video calls will play a prominent part in how the Trustee Board and its Committees operate going forward.

I would like to share some news about the Trustee Directors themselves. We undertook a Member Nominated Director (MND) selection process this year. This involved the Pensioner members of the DB Section, as the term of office for John Paino, our Pensioner MND, was due to end in July 2021. I can confirm John was selected to serve a further four-year term. We will be holding a further MND selection process in early 2022 as Stephen Cunningham's term of office is due to end. This time the process will involve the Active members of both the DB and DC Sections. Gillian Starkie, one of our Company Appointed Trustee Directors, resigned from the Trustee Board earlier this year. The

Company has subsequently appointed Darren Tish who joined the Trustee Board on 25 November.

I would like to thank all the Trustee Directors, including Gillian, for the time and effort they put into managing our Scheme. I'd also like to thank the Pensions Team, our Scheme Advisers and our Administrators for their continued hard work and support.

I hope you find this year's edition of 'Pension Overview' useful and informative. I encourage you to also take a look at our website, and most importantly ensure you've registered to access 'MyPension' — your secure Member Portal provided by the DB Section Administrator. You can find more details on how to register on page 9.

A handwritten signature in black ink, appearing to read 'Keith Bedell-Pearce'.

Keith Bedell-Pearce CBE
Chairman of the Trustee of the
Prudential Staff Pension Scheme

About the Scheme

The Trustee Board

The Board of Prudential Staff Pensions Limited (the Trustee) is made up of ten Trustee Directors, six of whom are appointed by the Company and four who are nominated by the members.

The current Trustee Board members are:

Company appointed Trustee Directors

Keith Bedell-Pearce CBE (Chairman)	David Green Simon Iversen Andrew Swan	Darren Tish Jo Waldron
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Darren Tish joined the Trustee Board in November 2021. He was appointed by the Company to replace Gillian Starkie, who resigned from the Board on 30 September 2021.

Member Nominated Trustee Directors

Wolfgang Bauer (To serve until 30 April 2023)	John Paino (To serve until 16 July 2025)
Stephen Cunningham (To serve until 17 April 2022)	William Rutherford (To serve until 11 April 2024)

The Trustee delegates some of its day-to-day responsibilities for managing the Scheme to various Committees. Each Committee is made up of a subset of Trustee Directors. It is also supported by several professional advisers. More information can be found in 'Digital Overview' on the Scheme website.

A new look for our Scheme

Following the demerger in 2019, we've been working with both the Company and our Communication Adviser on a full rebrand for our Scheme to tie in with M&G plc branding. This includes adopting the M&G plc brand colours.

Starting in January 2022, you'll see our new brand reflected in the communications we issue. We're starting with our Scheme website and the associated documents held in its 'Documents' section. We've taken the opportunity to review how our Scheme website is structured and have also made changes to the navigation as well.

The secure online portal provided by our DB Section Administrator, which gives you access to 'MyPension', is also being updated. If you're still to register on 'MyPension', we strongly encourage you to do so. You can find more details of how to do this on page 9.



Reporting the death of a member

Sadly, each year a number of our members pass away. We know this is a difficult time for those they leave behind.

Therefore, we want to make it as easy as possible for someone to notify us if a member has died.

The easiest way to let us know if a member dies is via our Scheme website www.prudentialstaffps.co.uk where we have added a simple online form that confirms all the information we require.

Alternatively, if it's easier to speak to someone, our DB Section Administrator is available Monday to Friday (9am to 5pm) on **+44 (0) 1245 673 515**.

Who can receive a Spouse's pension?

Under our Scheme Rules to qualify to receive a Spouse's pension a person must, at the date the member dies, be either:

- Legally married to the member (this includes opposite sex spouses and same sex spouses); or
- Be in a registered Civil Partnership with the member under the Civil Partnership Act 2004.

If you were an Active member of the DB Section on or after the 1 July 2005, other pensions may be payable to those who would not qualify to receive a Spouse's Pension. For information about these benefits please refer to the Member Booklet, which you can view or download from the 'Documents' section of the Scheme website www.prudentialstaffps.co.uk

The Scheme's finances

Summary of the Scheme's Annual Report and Financial Statements

Each year the Trustee produces the Scheme's Annual Report and Financial Statements, which are audited by KPMG. You can view or download the latest version from the 'Documents' section of our website.

The Scheme's financial highlights (both DB and DC Sections)

£8,122.9m	+	£56.6m	-	£18.5m	-	£369.9m	=	£7,791.1m
Net assets at 6 April 2020		Income*		Net return on investments		Benefit payable and other payments [#]		Net assets at 5 April 2021

*Including Company and additional member contributions, transfer-ins and other income including insurance policy income.

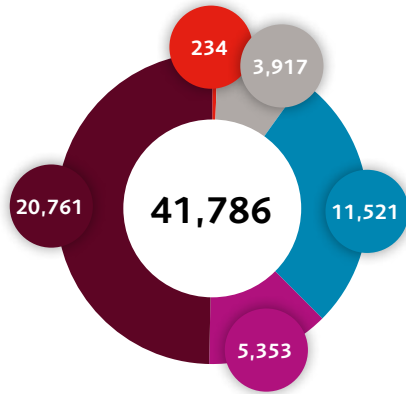
[#] Including pensions, related benefits and administration expenses.

“ You can view or download a copy of the full audited Annual Report and Financial Statements from the 'Documents' section of our website. ”



The Scheme's finances continued...

Membership



- DB Section Active members
- DC Section Active members
- DB Section Deferred members
- DC Section Deferred members
- DB Section Pensioners and beneficiaries

The total membership of the Scheme at 5 April 2021 was 41,786 of which 32,516 are members of the DB Section.

The DB Section's financial highlights

£7,714m		£8.4m		£166.9m		£348.5m		£7,207m
Net assets at 6 April 2020	+	Income*	-	Net return on investments	-	Benefit payable and other payments [#]	=	Net assets at 5 April 2021

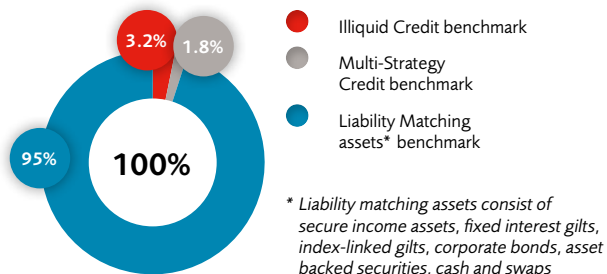
*Including Company and additional member contributions along with £0.7 million in respect of transfers from the DC Section.

[#]Including pensions, related benefits and administration expenses.

The DB Section investments

DB Section asset allocation benchmarks

In light of the advice from the Scheme Actuary about the relative values of the DB Section's assets and liabilities, the Trustee is applying a return target for the assets of the Scheme. As at the date of this report, the benchmark asset allocation of the Scheme was as set out below:



The Trustee made several changes to the DB Section investment portfolio during the 12-months to 31 March 2021. These changes included:

- The holdings in the Putnam and M&G multi-strategy credit mandates were reduced in order to decrease the overall level of risk in the portfolio.
- The proceeds from these sales were used to invest in two M&G asset backed securities funds with the aim of improving the overall level of cashflow matching within the Scheme.
- As part of the Trustee strategy to manage longevity risk, the Scheme entered into a £3.5bn longevity hedge contract with Pacific Life Re using a Guernsey-based captive insurer, Scaffell Insurance IC Limited.

These changes reflect the Trustee's intention to improve the level of cashflow match between the assets and liabilities of the Scheme.

The DB Section's investment performance

Allowing for income, capital gains and movements in market values, the return on the Scheme's DB Section assets for the 12 months to 31 March 2021 was -1.2%, which was 0.5% above the benchmark return.

Period to 31 March 2021	1 year	3 years	5 years
DB Section return (% per annum)	-1.2	4.0	5.4
Benchmark return (% per annum)	-1.7	3.9	5.1



DB Section investment policy

The DB Section investment policy is determined by the Trustee in consultation with the Company and Willis Towers Watson, the Scheme's Investment Consultant and Actuarial Advisers.

Corporate governance issues and the exercise of rights attaching to investments, including voting, are delegated to the investment managers as an integral part of the investment management function; voting rights will be exercised whenever practicable with the objective of preserving and enhancing shareholder value.

The extent to which social, environmental and ethical considerations are taken into account in investment decisions is left to the discretion of the investment managers subject to these considerations not having a prejudicial financial impact on the securities held.

All the Scheme's investment managers are regulated by the Financial Conduct Authority (FCA) and have authority for the implementation of investment policy consistent with their respective mandates. The Scheme's investments are invested in accordance with section 40 of the Pensions Act 1995.

The investment managers are remunerated on the basis of a fee determined by the value of the funds under management. These fees are payable quarterly.

You'll find more information on the Trustee's investment policy within the DB Section's 'Statement of Investment Principles', available from the 'Documents' section of the Scheme website www.prudentialstaffps.co.uk.

Pension scams — don't become their next victim!

Pension scams are still on the rise, it's more important than ever to be aware of scammers trying to con you.

To help you spot the signs and protect yourself from a scam, the Financial Conduct Authority (FCA) and The Pensions Regulator (TPR) suggest following four simple steps.

Step 1 — Reject unexpected offers

If you're contacted out of the blue about a pension opportunity, chances are it's a scam. Pension cold calling is illegal, and you should be very wary. An offer of a free pension review, from a firm you've not dealt with before, is possibly a scam.

Step 2 — Don't be rushed or pressured

Take your time to make all the checks you need — even if this means turning down what seems to be an 'amazing deal'.

Step 3 — Get impartial information or advice

You should seriously consider seeking financial advice before changing your pension arrangements.

Step 4 — Check who you are dealing with

Search 'ScamSmart' on the internet and you'll find the page on the FCA website to help you avoid investment and pension scams. This interactive page will take you step by step through how to check an investment or pension opportunity.

You can also call the FCA Consumer Helpline on **0800 111 6768** for more help and support.

If you believe you may have been contacted about a scam you should call Action Fraud on **0300 123 2040**.

If you don't use an FCA authorised firm, you won't be covered by the Financial Ombudsman Service, or the Financial Services Compensation Scheme, if things go wrong.



Keeping your data safe

Keeping the data we hold about you and your fellow members safe is a responsibility we take very seriously.

We regularly review and update our data security policies to ensure that they are as effective as possible. You can view or download our current 'Data Privacy Statement' from the Scheme website. You will find a link at the bottom of each page.

Register for 'MyPension'

'MyPension' gives you secure online access to your Scheme Personal Account. Once registered you can:

- Update your 'Expression of Wish' details;
- View your personal details;
- Update your spouse's contact details;
- Receive updates and prompts;
- Request a retirement quotation; and
- Contact the Administration Team directly.

If you're an **Active** member you can also:

- View your Annual Benefit Statements;

If you're a **Deferred** member you can also:

- Update your contact details;
- View an estimated transfer value (updated quarterly); and
- If you're between age 55 and 59, an estimate of your pension benefits if you had chosen to start receiving them on your last birthday.

To register for 'MyPension' you'll need your 'username' and 'password'. You can request these by calling the DB Section Administrator on

01245 673 515. Alternatively, you can email enquiries@mypension.com.

The importance of your 'Expression of Wish'

It's really important that you have completed, and then regularly update, your 'Expression of Wish'. It'll help the Trustee to decide who should receive any benefits payable from the Scheme if you die. What's more, certain potential recipients, for example partners, can only be considered to receive these benefits if you have nominated them using an 'Expression of Wish'.

The quickest and easiest way to update your 'Expression of Wish' is online, via 'MyPension'. Alternatively, you can download an 'Expression of Wish Form' to complete from the 'Documents' section on our Scheme website.

Guaranteed Minimum Pension (GMP) explained

GMP is a minimum level of pension built up from 6 April 1978 until 5 April 1997 (inclusive) in a pension scheme (like our Scheme) that was contracted out of the additional State Pension.

Whilst a scheme was contracted out, both the scheme's sponsoring employer and the scheme's members paid lower National Insurance contributions to the Government (and built up no additional State Pension), on the condition that the scheme had to provide this minimum level of pension to members. The way GMP is built up and paid is subject to different legal requirements to the other elements of your pension, for example, the annual increases applied to the GMP element of your pension.

Equalisation of GMPs

The State Pension age used to be age 65 for men and age 60 for women, and often retirement from a workplace pension was taken at the same time. A court case in 1990 determined that occupational pension schemes could not have different retirement ages between male and female members even if the State Pension ages were (lawfully) different. However, given the past inequalities, men and women historically built up different amounts in their GMP (which is linked to the State Pension) causing inequalities between the amounts paid to men and women.

A further court case in 2018 (involving Lloyds Banking Group) determined that schemes should not pay people different amounts of pension based on different retirement ages, so schemes must equalise pension amounts in respect of GMP for everyone impacted from 17 May 1990 to 5 April 1997.

What we're doing about it

Currently the DB Section Administrator is carrying out an exercise to reconcile members' GMP values to those held on HM Revenue and Customs records. As this was a period when there were high membership movements, it is a long process. It is important that the Trustee has accurate GMP figures and therefore the GMP equalisation stage cannot commence until this reconciliation has been finalised.

At the same time, the Trustee is working with the Scheme's sponsoring company, its advisers, and administrator to determine how best to address the issue of equalising the GMP element of current Active, Deferred and Pensioner members' benefits. Once these members' GMP benefits have been equalised we will move on to former members.

An update will be provided once the above actions have been agreed.

Please note that not all members of the Scheme will be affected by this, and our Actuarial Advisers have indicated that any changes to pension amounts are generally likely to be small.




Useful information

If you have any questions about any of the topics discussed in this edition of Pension Overview, or the Scheme in general, please visit the Scheme website

www.prudentialstaffps.co.uk

If you have a question that is personal to you and can't be answered by the website, help is available Monday to Friday (9am to 5pm) from the DB Section Administrator.

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 ppspsdb@xpsgroup.com

 **Prudential Staff Pension Scheme**
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If you have any questions that cannot be answered by the DB Section Administrator, or you have any other comments, you can contact the Pensions Team at the address below.

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 hrstaffpensions@prudential.co.uk

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