PRUDENTIAL

Staff Pension Scheme

STATEMENT OF THE SCHEME'S FINANCIAL HEALTH

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

Your 2021 Summary Funding Statement

Your Pension.
Your Future.

Chairman's introduction

I am pleased to present the 2021 Summary Funding Statement, the financial health check for the Defined Benefit (DB) Section of the Prudential Staff Pension Scheme (the Scheme).

With the support of the Scheme Actuary, the Trustee formally reviews the financial position of the DB Section at least every three years. The latest formal review, at 5 April 2020, showed the DB Section to be in very good health.

We have seen significant market volatility over the last 12 months, however the investment strategy we have in place, based on decisions taken in early 2000 to match most of our assets to our liabilities, has protected the Scheme against these market fluctuations. In fact, the Scheme continues to retain a comfortable surplus — when the value of the Scheme's assets is greater than the estimated cost to provide all the benefits built up by members within the Scheme.

In November 2020, we took the decision to purchase an insurance policy with Pacific Life Re. This policy covers the pensions that were already in payment in April 2019. It plays an important role, helping to protect the Scheme against increases in the cost to provide these pensions caused by further improvements to life expectancy.

We continue to closely monitor the funding position on a regular basis. We also keep the Scheme's investment strategy under very close review with a view to achieving its investment targets as efficiently as possible.

Discretionary pension increases

Whilst some elements of the pension built up by members are index-linked, rising if there is an increase in the Consumer Prices Index, some elements are not. It is for M&G Plc (the Company) to decide whether these should increase and if so by how much. The Company must consider a number of factors before granting discretionary pension increases.

I am pleased to confirm that the Company decided to grant increases to those pension elements that are subject to this discretion with effect from 1 April 2021.

Information about you

It is vital that the information we hold about you, and your Dependants is accurate. We use this information to calculate the cost of providing the benefits payable, and subsequently assess the financial health of the Scheme. You can view some of this information online in the secure area of the Scheme website **www.prudentialstaffps.co.uk**.

Simply look for the '**MyPension**' button on any of the pages on the website. Keeping your data safe is of paramount importance. Therefore, to access 'MyPension' you will need your username and password. If you have not registered in the past you can request the relevant information from the DB Section Administrator, who's contact details are on page 6.

In the meantime, I encourage you to visit our website **www.prudentialstaffps.co.uk** for regular updates and topical pension related news.

Stay safe and well.

Keith Bedell-Pearce

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

Your 2021 Summary Funding Statement

As a member of the DB Section of The Prudential Staff Pension Scheme, you will be aware of the valuable benefits that membership of the Scheme provides. So knowing how the Scheme is doing financially, and whether your benefits are secure, will be important to you.

Your Summary Funding Statement helps to keep you up to date and understand more about the funding of the Scheme. This year, we provide you with an update on the financial position of the DB Section, as well as answers to some of the questions you may have about its financial health. This Statement is provided for information only.

The latest funding review

Formal funding reviews of the Scheme are carried out every three years. The most recent funding review took place at 5 April 2020.

In the years in between the formal funding review, the Scheme Actuary carries out an annual funding update for the Trustee to assess how the assets and liabilities have changed since the last funding review. Since the 5 April 2020 review, the Scheme Actuary has completed an annual update at 5 April 2021.

The funding results as at 5 April 2021 as well as the results of the review as at 5 April 2020 are shown in this Summary Funding Statement.

The Scheme's funding targets

The responsibility for agreeing the current funding position and future contributions to the Scheme rests jointly with the Trustee and Company. They assess the financial health of the Scheme with reference to two funding targets — the Ongoing Target and the Scheme Solvency Target. The principles underlying the funding targets are set out in a Statement of Funding Principles, which has been agreed by the Trustee and Company and which is available to members on request.

Your 2021 Summary Funding Statement continued...

Results based on the Ongoing Target

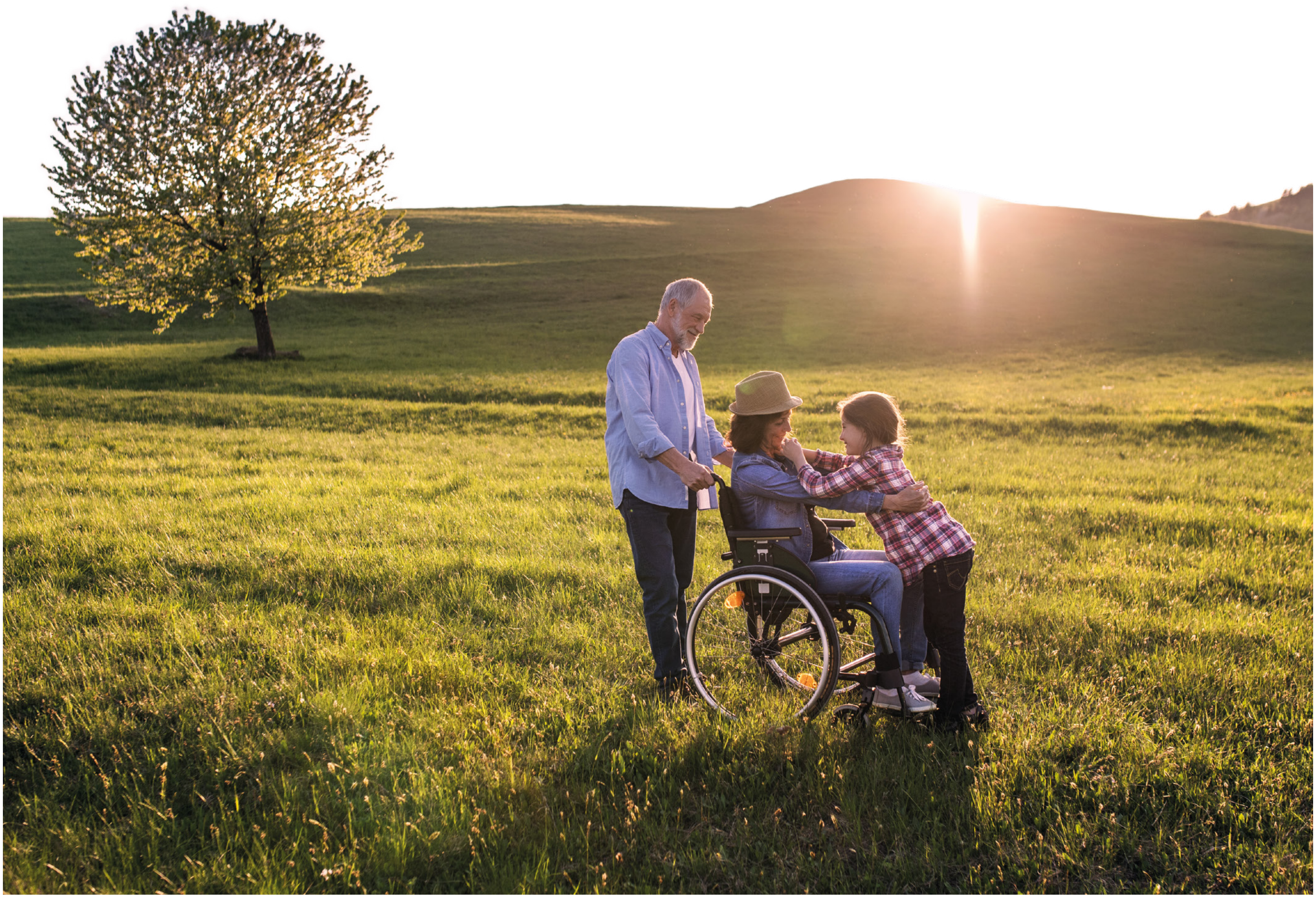
The assumptions that the Trustee currently uses for the Ongoing Target include a realistic allowance for anticipated investment returns on an investment strategy made up mainly of bonds and reflect current thinking about inflation and mortality and the Company's current policy for awarding discretionary pension increases. The table below shows how the assets of the DB Section compared to the Ongoing Target at 5 April 2019, 5 April 2020 and 5 April 2021.

	5 April 2019	5 April 2020	5 April 2021
Assets	£ 7,290m	£7,714m	£7,207m
Amount needed to provide benefits (liabilities)	£6,921m	£7,060m	£6,612m
Surplus	£369m	£654m	£595m
Funding level	**105%**	**109%**	**109%**

The improvement in the funding level over the year to 5 April 2020 was mainly as a result of changes to the assumptions around life expectancies made as part of the 5 April 2020 review, reflecting the experience of the Scheme's pensioners and the wider population.

The funding level over the year to 5 April 2021 has remained broadly stable with both the Ongoing Target and the Scheme's assets (which are closely matched to the liabilities) reducing as a result of an increase in bond yields.

When calculating these figures, it is necessary to make certain assumptions about future events. This means that the amount actually needed to provide the benefits — which, for the purposes of calculating the Ongoing Target, include those benefits currently granted on a discretionary basis, such as any increases to pensions in payment above statutory requirements — could turn out to be quite different from the figures shown above.



Results based on the Scheme Solvency Target

In order to better safeguard members' guaranteed benefits in the unlikely event that the Company were no longer able to support the Scheme, the Trustee uses a funding target called the Scheme Solvency Target. This monitors the funding of the Scheme using slightly different assumptions from those used to determine the Ongoing Target in that they include no allowance for future discretionary pension increases, include a reserve for the projected future administration expenses of providing the Scheme benefits and allow for a more cautious investment policy to be followed by the Trustee.

The table below shows how the assets of the DB Section compared to the Scheme Solvency Target at 5 April 2019, 5 April 2020 and 5 April 2021.

	5 April 2019	5 April 2020	5 April 2021
Assets	£7,290m	£7,714m	£7,207m
Amount needed to provide benefits (liabilities)	£7,008m	£7,127m	£6,632m
Surplus	£282m	£587m	£575m
Funding level	**104%**	**108%**	**109%**

The Scheme Solvency Target funding level improved over the year to 5 April 2020. Similar to the Ongoing Target, this improvement was mainly due to the changes in the mortality assumptions adopted for the 5 April 2020 review.

The Scheme Solvency Target funding level has remained broadly stable over the year to 5 April 2021.

Full details of both funding targets as well as the approach agreed for setting the assumptions for the 5 April 2020 funding review and the 5 April 2021 annual update are set out in a formal statement required by law known as the 'Statement of Funding Principles', which is available on request.

Future contributions for the Company

The results of the 5 April 2020 funding review showed that, at that date, the Scheme expected to have sufficient assets to provide existing benefits under both the Ongoing and Scheme Solvency Targets. Based on the position at 5 April 2020 there was therefore no requirement for the Company to make contributions to the Scheme above the minimum required under the Scheme Rules.

The next formal funding investigation is due to be carried out at 5 April 2023. As part of that process, the Trustee and the Company will again look at how the Scheme should be funded in the future and decide whether any changes are required to the approach adopted for the 2020 review or to the rate of contributions payable.

This assessment could, depending on the approach adopted, show a different position to that based on the principles and assumptions consistent with those used in 2020.

Your next 'Summary Funding Statement' will report on the outcome of the annual update at 5 April 2022.

Your questions answered

How is my pension paid for?

The Company pays (if required) contributions to the Scheme so that the benefits set out in the Scheme's Trust Deed and Rules can be paid. The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual. This common fund is invested by the Trustee and any proceeds go towards providing members' benefits.

How is the amount of money the Scheme needs worked out?

The Trustee obtains regular updates from the Scheme Actuary on the amount of money needed to provide the benefits built up by members (based on certain assumptions as described by the Statement of Funding Principles). Any contributions to be paid are agreed between the Trustee and Company having considered the results of these updates. The Trustee's objective is to have enough money in the Scheme to pay pensions now and in the future. However, the ability of the Scheme to do this depends upon the Company's continued support. In the event of a shortfall in funding, the Company will usually need to pay in more money to make up the difference along with the future expenses of running the Scheme. There has not been any payment to the Company out of Scheme funds since the date of the last Summary Funding Statement.

In certain circumstances, the Pensions Regulator has powers to intervene in a scheme's funding plan, by changing the future accrual of benefits, setting the level of the funding target, setting the terms of the recovery plan and/or imposing a schedule of contributions. The Pensions Regulator has not used any of these powers in relation to the Scheme.

What would happen if the Scheme started to wind up?

If the Scheme were to start to wind up, the Company would be required to pay enough money into the Scheme to enable members' benefits to be provided by an insurance company. Neither the Trustee nor the Company have any plans to wind up the Scheme. However, by law, we are required to let you know the Scheme's financial position if this were to happen.

Based on the Scheme Actuary's statutory estimate of solvency, which estimated the cost in the market of settling the liabilities through the purchase of annuities, the funding level of the Scheme was 112% at 5 April 2020.

If the Scheme was wound up in the future at a point at which there was a deficit against the relevant solvency measure and the Company could not afford to make good that deficit, you might not get the full amount of the pension you are entitled to, even if the Scheme were fully funded on the Ongoing Target. The statutory estimate of solvency is only an estimate of the terms that might be available from insurance companies. You may also not receive all your benefits from the Scheme if the insurance companies' terms at the point of wind up require more funds than are set aside in the Scheme and the Company is not able to make the extra funds available. If the Company became insolvent, the Pension Protection Fund might be able to take over the Scheme and pay compensation to members, but this compensation is likely to be less than the benefits you are entitled to under the Scheme.

Further information and guidance is available on the Pension Protection Fund's website at **www.ppf.co.uk**. Or you can contact the Pension Protection Fund at **information@ppf.co.uk**.

Where can I get more information?

If you have any other questions about the Scheme's funding, please contact the Pensions Manager. If you want to find out more about the Scheme, you can also ask for copies of the following documents:

The Statement of Investment Principles
This sets out how the Trustee invests the money paid into the Scheme.

The Schedule of Contributions
This shows how much money is being paid into the Scheme.

The report on the Actuarial Review
This shows the results of the Scheme Actuary's health-check on the Scheme's financial position on 5 April 2020.

The Annual Actuarial Report
These show the results of the Scheme Actuary's update on the Scheme's financial position on 5 April 2021.

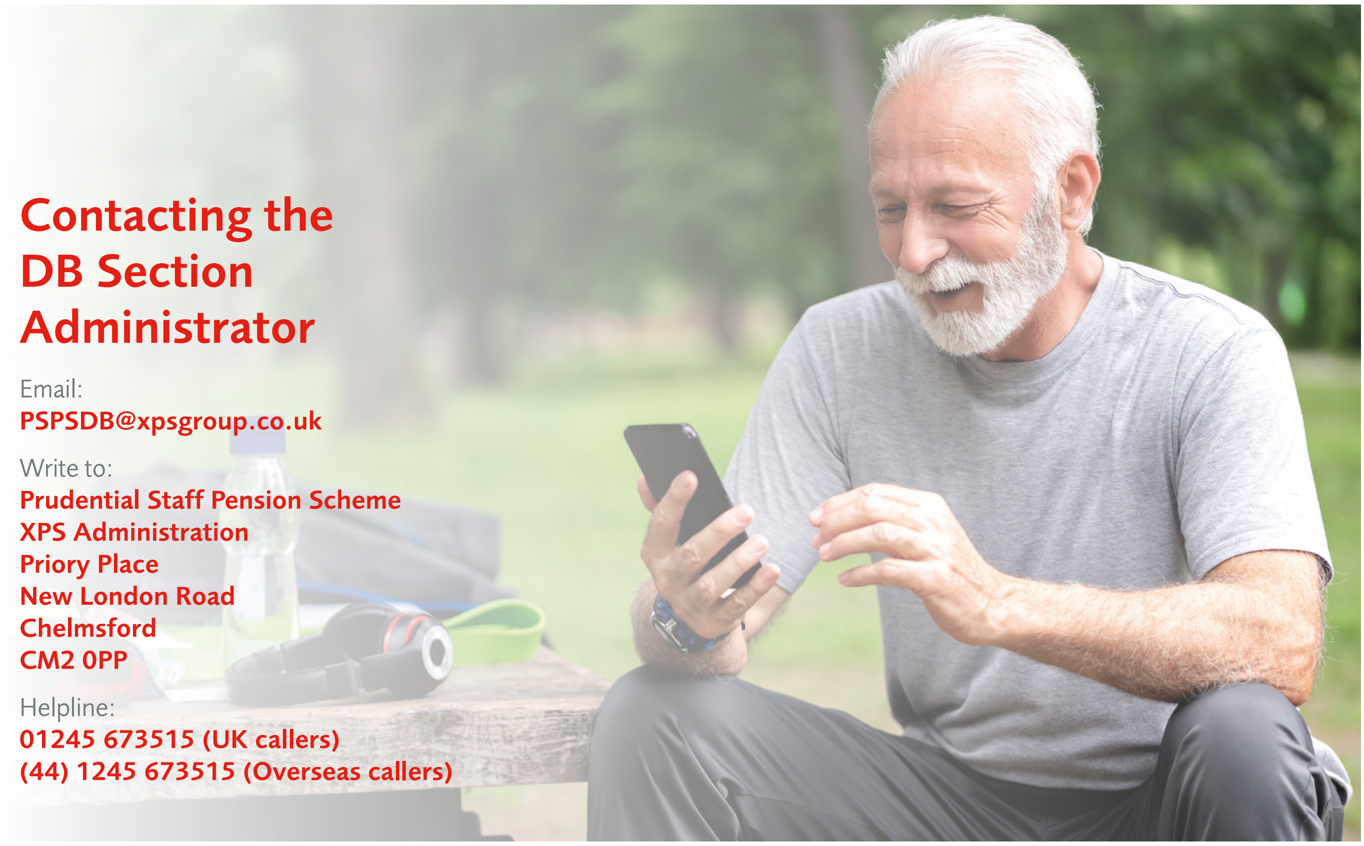
The Trustee's Report and Accounts
This shows the Scheme's income and expenditure in each year ending 5 April.

Don't forget that the Scheme website (**www.prudentialstaffps.co.uk**) contains a lot of useful information about the Scheme and the benefits it provides. The website also holds a number of the documents mentioned above. You can also log into **MyPension**, the secure area on the website to see details of your benefits within the DB Section.

The Trustee hopes that you have found this Statement useful and that it gives you a good picture of the Scheme's funding. As membership of The Prudential Staff Pension Scheme is such a valuable and important benefit, please make sure that you speak to an independent financial adviser if you are thinking of leaving the Scheme (for any reason) before taking any action.

As a result of the merger with M&G plc, we are introducing a new logo and colour palette which will start to appear on the Scheme website, as well as brochures, letters and emails.

Watch out for these changes in the near future.



Contacting the DB Section Administrator

Email:
PSPSDB@xpsgroup.co.uk

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

Helpline:
01245 673515 (UK callers)
(44) 1245 673515 (Overseas callers)

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Concert 2021.