PRUDENTIAL
Staff Pension Scheme
Defined Benefit Section

Guide to the Defined Benefit Section's Additional Voluntary Contributions (AVC) arrangements

In this guide you will find information regarding the Additional Voluntary Contribution arrangements available to members of the Defined Benefit Section of Prudential Staff Pension Scheme.

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Introduction

This guide will help you understand how you can build up additional benefits in the Defined Benefit (DB) Section of Prudential Staff Pension Scheme (the Scheme) by paying Additional Voluntary Contributions (AVCs). The benefits derived from AVCs are in addition to the normal pension that you build up under the DB Section, while in Service with the Company.

Your options at a glance

While a member of the DB Section, you can choose between the two AVC options available to you:

The in-house AVC arrangement

Under this arrangement AVCs are paid into the DB Section's main assets, which are managed by the Trustee. See page 3 for more information.

The commercial AVC arrangement

Under this arrangement you can choose how to invest your AVCs in a variety of different investment funds. Your accumulated AVCs are held separately from the Scheme's main assets and managed by the providers of those funds, rather than by the Trustee. See page 4 for more information.

Under both of these arrangements, the AVCs that you make may grow with investment returns. Consequently when you come to retire, the accumulated value of your AVCs can be used to buy an additional pension to supplement your normal pension from the DB Section. Alternatively, you may choose to use the value of your accumulated AVCs as part of your tax-free lump sum when you retire. Further information can be found on page 8.

On the next page of this Booklet you will find details of how to start paying AVCs or change the amount you pay if you're already paying them.

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Paying AVCs

Below we show the various steps involved in commencing the payment of AVCs. The first step is to complete an AVC Application Form which can be downloaded from the Scheme website **prudentialstaffps.co.uk**.

1. You complete our AVC Application Form.
2. You send the completed AVC Application Form to the DB Section Administrator.
3. The DB Section Administrator checks your application to make sure it can be implemented.
4. A copy of the completed AVC Application Form is sent to HR.
5. HR arranges for deduction of AVCs from your salary.
6. HR notify the DB Section Administrator of total AVC deductions each month. The DB Section Administrator updates your record.

- The DB Section Administrator
- The Company
- You

How to change the level of contributions you are making

If you're an employee already contributing to the Scheme, you can increase, reduce or stop paying AVCs at any time. The process is similar to the six steps on the left, however you will need to complete a Changing your Additional Voluntary Contributions Form, which you can also download from the Scheme website **prudentialstaffps.co.uk**.

Limits and taxation

Contributions to approved pension arrangements, including AVCs, are normally free from income tax. However, there is a limit on the amount of pension savings that you can build up that may qualify for tax relief in any tax year. For further details regarding limits that may impact your pension saving, please refer to page 11.

Please note, you can only pay AVCs to the Scheme whilst you are an Active member. **The maximum contributions you can pay to both AVC arrangements is 100% of your taxable earnings. Although, currently under the Scheme's Trust Deed and Rules, certain members are not permitted to pay more than 15% of their earnings (up to a certain limit) in any tax year to the in-house AVC arrangement. Contributions above any limit that applies would need to be paid to the commercial arrangement.**

The in-house AVC arrangement

Under the in-house AVC arrangement, your AVCs may increase or decrease with investment returns, referred to as bonuses. The bonuses are determined by the Trustee, after taking advice from the Scheme Actuary. There are two types of bonus that are applied:

- An annual bonus is awarded at the end of every tax year. This can vary from year to year. For AVCs paid during the year, a proportionate amount of the annual bonus is applied at the end of the tax year. It is the Trustee's current policy that, once added, the annual bonuses cannot be taken away.
- A potential final bonus is added at the time you retire. This will depend on investment performance over the period for which you have been making AVCs.

Please note that past levels of bonuses are not necessarily a guide to future bonuses as future bonuses will depend on investment performance, which cannot be predicted.

How bonuses are determined under the in-house AVC arrangement

The bonuses are set by the Trustee after taking advice from the Scheme Actuary. The Trustee has a wide discretion on how the bonuses are determined, and current policy is to have regard to investment markets.

In recent years the annual bonus has been similar to short-term investment returns on cash. The final bonuses on the other hand are currently set by having regard to returns on a notional portfolio consisting of a mix of equities and bonds.

The notional portfolio does not correspond to the Scheme's actual investment strategy, which targets much less equity than the notional portfolio. A notional portfolio is currently used to set final bonuses with the aim that, over the long-term, members making AVCs to the in-house AVC arrangement can benefit from the higher returns that are expected, but not guaranteed, to come from equity investments.

However, returns on the notional portfolio can be volatile and negative in some years. Therefore to partly protect you from this volatility the Trustee currently smooths the notional investment return when setting final bonuses. This means that lower bonuses than the notional return might be awarded in years with good returns and higher bonuses might be awarded in years when returns are poor. Even with this smoothing, the value of your accumulated AVCs, after allowing for the final bonus, could reduce from time to time.

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The commercial AVC arrangement

Under the commercial AVC arrangement your AVCs are paid into investment funds chosen by you. The size of any investment returns added to your AVCs will depend on the performance of those funds.

The Trustee provides access to a range of funds across a number of asset classes. Some funds are riskier than others and it is important to remember that investment performance could be negative, resulting in the accumulated value of your AVC fund being less than you paid in. The five main asset classes are described below:

- **Bonds and gilts** — Governments and companies raise capital by borrowing. They issue bonds to the lenders (the investors), which set out the terms of the loan. Bonds issued by the UK Government are known as gilts whereas bonds issued by companies are known as corporate bonds. Both pay interest to the investor either at a fixed or variable rate. Bonds offer potentially greater returns over the medium to long-term than cash funds.

  Fixed interest bond funds help protect against pension conversion risk if you want to buy an annuity with fixed or no increases. Index linked bond funds help protect against pension conversion risk if you wish to buy an annuity with inflation protection.
- **Cash** — Cash funds invest in short-term interest bearing deposits, short-term bonds and other money market instruments. Cash investments typically carry a lower level of risk than the other asset classes. Returns on cash funds may not keep pace with inflation over the longer term.
- **Equities** — An equity is another name for a shareholding in a company. Returns within the fund are dependent upon the dividends paid and the change in the share price. The value of an equity is subject to the price the market is prepared to pay and prices of shares can be volatile, fluctuating in price (sometimes significantly) over short periods. Over the long-term equity investments may offer returns in excess of inflation and the other asset classes.
- **Alternatives** — Alternative investments can include, for example, transferable securities, derivatives and collective investment schemes.

Passive v Active

The management style of each fund is denoted by the active/passive suffix — i.e. a fund suffixed with active adopts an active management style, which aims to outperform its benchmark by deliberately investing in a different range of assets to its benchmark index. A fund suffixed with passive adopts a passive management style, which aims to perform in line with its benchmark by investing in a range of assets that aligns with its benchmark index.

Benchmarks

When evaluating the performance of any investment, it's important to compare it against an appropriate benchmark. There are many indexes that are used to gauge the performance of any given investment. The PSPS Emerging Markets Equity — active fund, for example, has an objective to outperform its benchmark of the MCSI Emerging Market Index.

On the next page is a list of the current funds available along with a brief summary of each fund's objective.

More detail on each fund can be found in the Fund Factsheets which are available in the Defined Contribution (DC) Section of the Scheme's website at **prudentialstaffps.co.uk**.

The Funds

As a member of the DB Section who pays AVCs to the commercial AVC arrangement, you have access to a range of funds. The funds are listed below together with a brief summary of each fund's objective. The table also includes information about the asset class, risk rating and Annual Management Charges (AMC) for each of the available funds as at the date of this Guide.

Fund type	Risk Rating	Fund	Description	AMC
Equities	High Risk	PSPS Global Equity — active	Invests in a diversified portfolio of equities listed in both developed and emerging markets.	0.55%
	High Risk	PSPS Overseas Equity — passive	Tracks the equity market returns from a diversified portfolio of equities (excluding UK listed companies) invested across developed and emerging markets.	0.05%
	High Risk	PSPS UK Equity — active	Invests in a diversified portfolio of UK listed companies.	0.55%
	High Risk	PSPS UK Equity — passive	Tracks the UK equity market return.	0.15%
	High Risk	PSPS Emerging Markets Equity — active	Invests in a diversified portfolio of equities listed in emerging markets.	1.00%
	High Risk	PSPS Sustainable Equity — passive	Tracks the Solactive ESG Global Markets Index. This index aims to provide exposure to developed and emerging equity markets while reflecting significant environmental, social and corporate governance issues.	0.26%
	High Risk	PSPS Impact Equity — active	Invests in a diversified portfolio of equities listed in both developed and emerging markets which aim to generate a positive return alongside a positive societal and environmental impact.	0.79%
	High Risk	PSPS Islamic Global Equity — passive	Tracks the Dow Jones Islamic 100 Titans Index. Invests in a diversified portfolio of equities which meets Islamic investment principles.	0.35%
Diversified	Medium Risk	PSPS Diversified Growth — active	Invests across a wide range of asset classes (equities, property, bonds and other alternative asset classes) offering a balance of risk and expected return.	0.47%
	Medium Risk	PSPS Diversified Liquid Alternatives — active	Invests in a diversified portfolio of alternative assets typically consisting of listed real assets, alternative credit and diversifiers.	0.80%

Fund Factsheets

Fund Factsheets are published each quarter and can be found on the DC Section of the Scheme website **prudentialstaffps.co.uk**. The Fund Factsheets provide more detail regarding the individual funds including key facts and performance as well as more general information.

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Fund type	Risk Rating	Fund	Description	AMC
Bonds	Medium Risk	PSPS Corporate Bonds — active	Invests largely in relatively secure long-dated bonds issued by UK companies in sterling.	0.20%
	Medium Risk	PSPS Fixed Interest Bonds — active	Invests largely in gilts (UK Government debt).	0.20%
	Medium Risk	PSPS Long-dated Gilts — passive	Tracks the market return on long-dated gilts.	0.15%
	Medium Risk	PSPS Index-Linked Gilts — active	Invests largely in long-dated index linked gilts.	0.20%
	Medium Risk	PSPS Index-Linked Gilts — passive	Tracks the market return on long-dated index-linked gilts.	0.15%
	Lower Risk/ Medium Risk	PSPS Total Return Bond — active	Invests in a diversified portfolio of largely corporate bonds delivering an absolute return not so dependent on the direction of the long-term bond market.	0.35%
Cash	Lower Risk	PSPS Cash — active	Provides an investment return that is consistent with a high degree of security with short-term liquidity.	0.20%

Investment risk

All of the funds available carry with them a degree of risk. Here we look a little closer at three of the main types of investment risk.

- **Inflation risk** — This is the risk that the return on your chosen fund(s) does not keep pace with or exceed inflation, and thus is not making a real return. If your investments do not generate strong real returns, you will have to contribute more to achieve your required income in retirement. Some asset classes such as equities and property have typically produced strong returns in excess of inflation over long time periods. Cash and bonds offer the prospect of less volatile capital values but have tended not to produce returns significantly in excess of inflation over long periods. Index-linked gilts are a specific type of bond that provide returns directly linked to inflation (albeit the real return could still be negative).
- **Capital risk** — This is the risk that the value of your fund may end up as less than the amount you have paid in. Capital risk is attached to every fund — company shares and property can go down in value, and companies can go bankrupt and be unable to repay the money lent to them by bondholders. You are probably familiar with the phrase "the value of your investments can go down as well as up". Capital risk is something to be particularly aware of when approaching retirement. Some assets, like equities, are very prone to going up and down in value, but if there is a dip in value close to retirement there may not be enough time for them to recover.
- **Pension conversion risk** — This is the risk that the investment(s) you are using are not keeping pace with the cost of purchasing an annuity at retirement for you.

What's my attitude to risk?

You may have heard or read such phrases as risk averse or risk tolerant. We are all different and we will all have our own view on the amount of risk we are willing to take as an investor.

Generally, the younger you are the more short-term capital risk you can afford to take, but the less long-term inflation risk you may wish to take. As you get older, you may wish to consider reducing exposure to investments like equities, and opt for funds with lower capital risk, such as bond funds. These funds may have a greater inflation risk over the long-term (where the cumulative effect of failing to keep pace with inflation can be very damaging), but when close to retirement you may not consider that to be as important as protecting your investments from substantial short-term reductions in value.

Whatever you choose it has to be a decision that you believe is right for you with all things considered. If you are in any doubt then the Trustee recommends that you seek independent financial advice. If you do not have an advisor details of those near to you can be found at **register.fca.org.uk**.

Please take the time to read the following statements as they are very important.

- Past performance is not necessarily a guide to the future performance of any fund(s). The value of your investment can go down as well as up;
- The Trustee reserves the right to review, withdraw or change the fund range that is available at any time subject to certain restrictions. In the event this should happen you will be notified. New funds may also be made available;
- All the current investment options are what is termed as forward priced. This means that the fund price(s) for any transaction — switching between funds or buying and selling units — is not determined until after the processing of the transaction has commenced. It is important you are aware that there may be a time lapse between the date you instruct a transaction and for the relevant unit prices to be available. In any given situation the time lapse will be determined by the fund(s) included within the transaction(s);
- When switching between funds, the sale and purchase of units will not normally take place on the same date. For example, the new units may be bought some three or four days after the sale of the original units. The unit price of each fund can go down as well as up. This is a risk that must be borne by you. In any given situation the time lapse will be determined by the fund(s) included within the transaction(s);
- In addition to the situations already mentioned, the sale and purchase of units in any of the funds may be delayed in certain circumstances. For example, where the interests of all members invested in a particular fund(s) needs to be protected, or where there is a delay in receiving the proceeds from a sale of assets or in circumstances where it is not possible to trade; and
- The Annual Management Charge (AMC) for each of the funds is calculated as a percentage of your fund on a daily basis and deducted monthly. For example, if you select the PSPS Global Equity — active fund, the Annual Management Charge would be 0.55% of the value of your fund. A simple example to illustrate this means that if your fund is valued at £24,000 the Annual Management Charge would be £132, although this would be taken as £11 per month. This figure may be subject to change.

Security of Assets — Commercial AVC arrangement

The Trustee regularly reviews the security and protection of members' assets in the Scheme. It undertakes various checks before choosing any investment and selects a range of funds. The Trustee has confirmed that all the funds (or the underlying funds) used by the Scheme are regulated funds either domiciled in the UK or by an appropriate overseas regulated authority. The funds themselves invest predominantly in a diversified portfolio of assets regulated by the Financial Conduct Authority (the regulator of the financial services industry in the UK) or the appropriate overseas regulated authorities.

The Trustee has also reviewed the protections afforded by the Financial Services Compensation Scheme in limited circumstances. You can find more information about the Financial Services Compensation Scheme by visiting **fscs.org.uk**. There is also more information about the protections afforded under a workplace pension on the Prudential website **pru.co.uk/about/financial-services-compensation-scheme**.

The Trustee will continue to review the security of members' assets in the Scheme on a regular basis.

How can I use my AVCs at retirement?

At retirement you can choose how to use your AVCs. The options available within the Scheme are shown in the table below:

	In-house AVCs	Commercial AVCs
Purchase additional Scheme pension	✔	✖
Form part of your Pension Commencement Lump Sum	✔	✔
Take an Open Market Option	✔	✔
Take a lump sum (up to 25% tax-free and the remainder taxed)	✔	✔
Transfer to another pension scheme arrangement	✔	✔

Under the in-house AVC arrangement, at retirement you can exchange the accumulated value of your AVCs for an annual pension (known as an internal annuity), using a conversion rate* determined by the Trustee. This pension is then paid from the Scheme alongside your normal pension from the DB Section.

Whether your AVCs are paid to the in-house AVC arrangement or the commercial AVC arrangement you also have the right to "shop around" all the available providers on the open market to choose the annuity rate that suits you best, having regard to your preferences for the type of annuity you want to buy, and the prices of the annuities on offer. This is called the Open Market Option and under this option the pension is paid outside of the Scheme by an external provider. The annuity rates will vary widely between providers and you can choose an annuity to meet your specific requirements. For example, some companies specialise in enhanced annuities (for people with medical conditions who have impaired life expectancy), while others may offer better annuity rates for specific options such as pensions that provide benefits for your Spouse or Civil Partner after your death.

* It is important to remember that the conversion rates in force at the time of your retirement could be higher or lower than rates currently in force. The Trustee's current policy is to review the Scheme's conversion rates annually.

Differences between the Open Market Option and the option of having the pension paid from the Scheme

A key consideration is the form of pension increases. On the open market it is possible to choose between non-increasing pensions and pensions with different levels of inflationary increases (The higher the level of increases that you choose, the lower the initial amount of pension will be). However the Scheme is only able to offer a non-increasing pension from your AVCs. Such a pension would be subject to consideration by the Company for the award of discretionary increases, but there is no guarantee that any such increases would be granted. In recent years, no discretionary pension increase has been applied to pensions that were purchased with AVCs by members retiring on or after 6 April 2012, and it is the Trustee's assumption that the Company's current general policy is to not award discretionary increases to pensions purchased with AVCs on or after 6 April 2012.

Another difference is that the pension offered by the Scheme in respect of your in-house AVCs is a single life pension only (i.e. no Spouse's or Civil Partner's pension would automatically be payable on your death in respect of the Scheme pension purchased with your AVCs). However, the Trustee does currently give members the option of exchanging part of this pension for additional pension for your Spouse, Civil Partner and/or your Dependant(s) on your death.

It is possible that the Trustee may, in certain economic conditions, apply a different (and possibly lower) level of final bonus if you opt for the Open Market Option (or take part of your accumulated AVCs as a tax-free lump sum).

Please also note that regardless of which option you choose:

- It is always worth taking the time to compare annuity rates and obtain independent financial advice. If you do not have a financial adviser, details of those available near to where you live can be found at **register.fca.org.uk**;
- The annuity rates depend on the age at which you retire (the earlier you retire, the more each £1 per annum of pension will cost, because it will be expected to be paid over a longer period); and
- You also have the option of taking the value of your accumulated AVCs as part of your tax-free lump sum at retirement (known as your Pension Commencement Lump Sum). This is the case whether your AVCs are paid to the in-house AVC arrangement or the commercial AVC arrangement.

Pension flexibilities

By transferring your AVCs out of the Scheme to another registered pension scheme, other options could become available to you. These options are commonly referred to as pension flexibilities and became available following changes to legislation in 2015.

Uncrystallised Funds Pension Lump Sums (UFPLS)

You can take 100% of the value of your AVCs as a lump sum before your retirement or at the time of your retirement. 25% is normally tax-free with the remainder taxed as income. You may be able to take your AVCs as an UFPLS without transferring them out of the Scheme.

Flexi-access drawdown

You can transfer your AVCs to an appropriate drawdown policy. This option allows you to have full control over your pension savings. Once you have transferred your AVCs to the drawdown policy, you can take your funds as either a single lump sum or series of lump sums, each made up of a taxable and non-taxable element (normally 25% is tax-free).

To help you better understand your options in relation to your AVCs, you can access free and impartial pension guidance from the Government's Pension Wise service on 0800 138 3944.

This can also be accessed online at **pensionwise.gov.uk**. Through the website you can book an appointment to get guidance face to face or over the phone.

If you take advantage of these options in respect of your AVCs, or any other pension arrangement you may have, your Annual Allowance for the year in which you receive the lump sum (and for future years) will be replaced with a Money Purchase Annual Allowance. Please refer to the Scheme website **prudentialstaffps.co.uk** for more information.

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Limits and taxation

The Scheme is a registered pension scheme for HM Revenue & Customs (HMRC) purposes.

As a registered pension scheme, it enjoys several tax advantages. Consequently, HMRC impose limits on the amount of pension savings you can make each year. It is your responsibility to ensure you monitor and understand how your pension savings may be affected by the allowances imposed by HMRC.

Annual Allowance

The Annual Allowance (AA) is a limit on the amount of pension savings that you can build up that may qualify for tax relief in any one tax year. The period over which this is measured is known as the Pension Input Period (PIP) and runs from 6 April to 5 April.

From 6 April 2023 the AA is £60,000. You can carry forward unused allowances from up to three previous PIPs.

Please note your AA may be reduced if one or more of the following statements are applicable to you:

- Your total taxable income in the relevant PIP plus any pension savings made by you or on your behalf during the PIP exceeds £260,000;
- You have chosen to take benefits from a registered pension scheme as a taxed lump sum; or
- You take income drawdown or a short-term annuity (or an annuity capable of reducing) from a registered pension scheme.

If pension contributions made by you or on your behalf into any registered pension scheme during a PIP exceed the AA you may be liable to an additional tax charge.

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 £10,000). More details can be found on the Scheme's website.

Limits and taxation

Since 2006, pension savings were subject to a Lifetime Allowance (LTA), which placed a limit on the overall value you could build up across all your pensions before having to pay additional tax. From 6 April 2024 the LTA was abolished by the Government, with a new limit — The Lump Sum Allowance (LSA) — introduced to restrict the level of cash an individual can take from their pension savings tax free. From April 2024 the LSA was set at £268,275 (25% of the outgoing LTA).

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Further information

If you make, or have made, AVCs you will get an AVC Statement each year that will show you the accumulated value of your AVCs and that will illustrate the level of benefits that your AVCs may be able to purchase at retirement.

If, after reading this Guide, you have any queries about your AVCs or the DB Section, please contact the DB Section Administrator using the contact details below.

Write to:
Prudential Staff Pension Scheme
XPS Administration
PO Box 562
Middlesbrough
TS1 9JA

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

Email:
pspsdb@xpsgroup.co.uk

Website:
prudentialstaffps.co.uk

Small Print

Company means M&G plc or any associated company / employer that offers you membership of the Scheme through your contract of employment.

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.

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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
Company means M&G plc or any associated company/employer that offers you membership of the Scheme through your contract of employment.

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.

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.

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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.

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 was a limit on the amount of pension benefits that you could accumulate during your working life which would qualify for tax relief. The Lifetime Allowance was abolished from 6 April 2024.

Lump Sum Allowance

The Lump Sum Allowance (LSA) is the maximum tax-free lump sum you can take from your PSPS pension and any other pension savings you have tax-free.

Lump Sum and Death Benefit Allowance

The Lump Sum and Death Benefit Allowance (LSDBA) is the limit on the amount that can be paid as a tax-free cash sum from your PSPS pension and any other pension savings you have, following your death. This figure is currently £1,073,100.

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 £10,000). 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: **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.

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