

PRUDENTIAL

Staff Pension Scheme

Defined Benefit Section



Statement of the Scheme's financial health

For members of the Defined Benefit Section of the Prudential Staff Pension Scheme

Your 2024 Summary Funding Statement

Chairman's introduction



Every three years, with the support of the Scheme Actuary, we undertake a detailed review of the financial health of the DB Section, referred

to as an Actuarial Valuation. In the intervening years the Actuary provides further funding updates. We share the results of these reviews with you in the form of our annual Summary Funding Statement. Last year was a Valuation year, so the Summary Funding Statement on the next few pages provides you with a formal report on the findings of the 2023 Valuation as well as a further funding update for this year.

The continued volatility in the economic climate has the potential to affect the DB Section's financial health. However, I am pleased to confirm that the approach to investments taken by the Trustee over the past couple of decades has continued to protect the DB Section against this market volatility. Both the 2023 Valuation and the 2024 funding update showed the DB Section's assets continued to have a greater value than the estimated cost of providing all the benefits built up by the DB Section members (our liabilities).

Within the Summary Funding Statement, you will see these assessments of the DB Section's financial health are undertaken on two different bases: the Ongoing Target and the Scheme Solvency Target. One assumes, as is now the case, that the Company (M&G plc) can continue to financially support the DB Section, if required. The second looks at what the effect would be on our assessment of the DB Section's financial health if this was no longer the case. You should not conclude that the inclusion of this alternate scenario indicates any degree of likelihood that the Company will no longer be able to support the DB Section.

Discretionary increases to pensions in payment

While some elements of the pension built up by members rise if there is an increase in the Consumer Prices Index (CPI) up to an annual limit, some elements do not.

It is for the Company to decide whether these elements that are not linked to the CPI should increase, and if so by how much, and whether any additional increases should be applied to any pension which is linked to the CPI. 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 2024. The actual increase awarded was 5% in relation to pension built up before 6 April 1997 (excluding any Guaranteed Minimum Pensions). Pensions built up after 5 April 1997 also received increases on 1 April 2024 in line with statutory requirements. I am sure this was a very welcome increase in income to those pensioners that received this.

Viewing news and documents online

We are always trying to improve how we communicate with you, and we have recently made some changes to the news section of the website. We have integrated the annual Overview Newsletter into the website replacing the news section.

From now on Overview will be updated throughout the year with general pensions news and specific updates from the Scheme. To make the most of this development I would strongly encourage you, if you have not done so already, to register for digital communications. This means you will receive periodic emails, around three or four a year, signposting what new articles have been added. In addition, for more important updates, such as this Summary Funding Statement, you will receive an email as soon as the information is available to read online. We have included instructions as to how you can sign up to receive digital communications on page 12.

To take a look at what is currently published in Overview simply go to our Scheme website and select 'Overview' from the options in the main navigation bar.

Information about you

It is vital that the information we hold about you and your dependants is accurate. We use these details to calculate the cost of providing your pension benefits, 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, **prudentialstaffps.co.uk**. Simply look for the 'MyPension – your secure member area' button on the DB Section homepage.

Keeping your data safe is of paramount importance. Therefore, to access 'MyPension' you will need your username and password. If you have not registered, you can request the necessary information from the DB Section Administrator, whose contact details are on page 14.

In the meantime, I encourage you to visit our website for regular updates and topical pension-related news.

Best wishes.



Keith Bedell-Pearce CBE

Chairman of the Trustee of the
Prudential Staff Pension Scheme



Your 2024 Summary Funding Statement

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

Your Summary Funding Statement helps you to keep 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. The Statement is provided for information only. Further details are set out below.

The latest funding review

Formal funding reviews of the Scheme are carried out every three years. The most recent funding review took place as at 5 April 2023.

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 2023 review, the Scheme Actuary has completed an annual update at 5 April 2024.

The funding results as at 5 April 2024 as well as the results of the formal review as at 5 April 2023 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. These targets are explained on subsequent pages. 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.

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 2022, 5 April 2023 and 5 April 2024.

	5 April 2022	5 April 2023	5 April 2024
Assets	£6,650m	£4,775m	£4,359m
Amount needed to provide benefits (Ongoing Target)	£6,137m	£4,434m	£4,082m
Surplus	£513m	£341m	£277m
Funding level	108%	108%	107%

When bond yields rise, the amount of assets needed to pay future benefits reduces, as does the value of the Scheme's bond holdings. Over both the year to 5 April 2023 and the year to 5 April 2024, there was a significant increase in bond yields. As a consequence, both the Ongoing Target and the Scheme's assets were lower year on year.

Despite this, the funding level was broadly stable over the period, reflecting the Scheme's investment strategy, which is designed to closely match the liabilities. The small fall in the funding level over the year to 5 April 2024 reflects the 1 April 2024 discretionary pension increase which was granted by the Company.

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 any future benefits 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 on the previous page.



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 Scheme's Defined Benefit Section compared to the Scheme Solvency Target at 5 April 2022, 5 April 2023 and 5 April 2024.

	5 April 2022	5 April 2023	5 April 2024
Assets	£6,650m	£4,775m	£4,359m
Amount needed to provide benefits (Scheme Solvency Target)	£6,145m	£4,419m	£4,048m
Surplus	£505m	£356m	£311m
Funding level	108%	108%	108%

Similar to the Ongoing Target, the funding level has been broadly stable, with both the Scheme Solvency Target and the Scheme's assets reducing in value over the years to 5 April 2023 and 5 April 2024 as a result of the increases in bond yields in both years.

Future contributions from the Company

The results of the 5 April 2023 Actuarial Valuation 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 as at 5 April 2023 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 (Actuarial Valuation) is due to be carried out at 5 April 2026. 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 2023 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 2023.

Your next Summary Funding Statement will report on the outcome of the annual funding update as at 5 April 2025.



Your questions answered

How is my pension paid for?

The money held to pay for members' pensions, together with contributions being paid by the Company, 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). The 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 Directors 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 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 113% as at 5 April 2023.

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 **ppf.co.uk**. You can contact the Pension Protection Fund at **information@ppf.co.uk**.

Introducing the new online Overview

We've made changes to improve Overview, the electronic version of your Scheme newsletter. The new Overview will provide you with prompt and convenient access to the latest and most important pieces of news.

You'll see regular articles with support and guidance on managing your pension, keeping your money safe, and any changes to pensions regulations that may affect you.

You can access the new online Overview at prudentialstaffps.co.uk/overview

Why have we made this change?

We're aware that the current economic climate is constantly changing, so the news we send you in the yearly Overview paper newsletter can quickly become out of date. By changing to this online news hub format, we can keep you up to date with changes as and when they happen.

The new format will make it easier for you to search for previous news articles and will show you a list of articles related to the ones you've previously shown an interest in. We can also link you to the relevant supporting information on the website, making it easier to know where to go to find the information you need.

What's happened to the previous news articles which were available in the yearly Overview and Announcements section?

They're all still available in the archive and, if relevant, will show in the list of related articles when you access the new content.

Sign up to receive digital communications today

The new online Overview is our key channel for keeping you up to date with Scheme and pensions news. By signing up to digital communications you'll receive periodic emails containing a round-up of what has been recently added.

If you would like to receive regular digital updates about the news affecting you and your pension, you can sign up to digital communications by logging onto 'MyPension' — your secure member area' button on the DB Section homepage.

Go to prudentialstaffps.co.uk/my-benefits/mypension to see more information about MyPension and details of how to register.



Where can I get more information?

If you have any other questions about the Scheme's funding, please contact the Pensions Manager. You can find contact details in the 'Contacts' section of the Scheme website. 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 Valuation

This shows the results of the Scheme Actuary's health-check on the Scheme's financial position on 5 April 2023.

The Annual Actuarial Report

This shows the results of the Scheme Actuary's funding update on the Scheme's financial position on 5 April 2024.

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 dedicated website **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 on the previous page. 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.

Contacting the DB Section Administrator

You can contact the DB Section Administrator by:

Emailing: **PSPSDB@xpsgroup.co.uk**
Helpline: **01245 673515** (UK callers)
(44) 1245 673515 (Overseas callers)
Scheme website: **prudentialstaffps.co.uk**

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

PRUDENTIAL

Staff Pension Scheme

Defined Benefit Section