



PRUDENTIAL

Staff Pension Scheme

PENSION

OVERVIEW

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

January 2021



**CHAIRMAN'S
WELCOME**

**ABOUT THE
SCHEME**

**THE SCHEME'S
FINANCES**

**MANAGING THE
SCHEME**

The Defined Benefit Section

*Your Pension.
Your Future.*

Chairman's welcome



I'm delighted to welcome you to this year's edition of 'Pension Overview', the first since I took over from Michael Abrahams as Chairman. I would like to start by thanking Michael personally for his excellent stewardship over the last thirty years...his contribution has been truly immense and it's no exaggeration to say that he has been instrumental in creating the Scheme that we have today.

2020 has been a difficult year for us all. Our condolences go out to those of you who may have lost someone during the pandemic.

The first lockdown in March was an immediate concern for the Trustee. The lockdown had the potential to impact the primary practical purpose of our Scheme — that is to pay pensions on time to our members. I'm happy to report that our DB Section Administrator responded to this challenge and we saw little or no impact as they moved many of the team to remote working from home.

Financial markets saw significant losses in some sectors in the early stages of the pandemic and whilst markets in general have recovered from the lows seen in March and April, they're still subject to significant swings in value as the course of the pandemic continues to unfold. This volatility is further exacerbated by the uncertainties of the longer-term impact of the pandemic on the global economy and continuing significant geo-political tensions.

However, the Trustee has for some years pursued a policy of de-risking the Scheme — locking-in above-market gains when our investments performed well by investing in assets that closely match the costs to provide members' benefits. The result is that we currently have more than 90% of the Scheme's assets invested in 'matching assets' so we're very well protected against market fluctuations.

That said, the value of our assets is only half the picture; we must also factor in the cost of providing benefits to members. As a result, we've made one significant change to our investments this year, which further secures the benefits for our members. We've entered into an agreement with Pacific Life Re. This, in effect, insures some of the pensions we currently pay. This reduces a significant financial risk for the Scheme, protecting us against the rising costs associated with having to pay pensions for longer (as a result of the fact that we're all living longer). Currently this agreement covers pensions that were already in payment in April 2019, plus the pensions that would be payable to their Dependents after these members die. You can read more about this on page 2.

As well as Michael's retirement, we've seen further changes to the Trustee Board. Earlier this year, because of a change of role, Annabel Gillard stepped down as a Trustee Director. She was a Company Appointed Trustee Director, and the Company has appointed Jo Waldron to replace her. In addition, Gillian Starkie has also been appointed by the Company to bring the total to six Company Appointed Trustee Directors. Looking forward, John Paino's term of office is due to end this July. As he is our Pensioner Nominated Trustee Director, we'll be writing to Pensioner members in the next couple of months inviting those who wish to be considered for the role to put themselves forward.

All the Trustee Directors, the Pensions Team and our professional advisers work extremely hard. I'd like to extend my personal thanks to them all for both their individual contributions to running our Scheme and their support to me since my appointment as Chairman.

Finally, may I draw your attention to the online version of this magazine, 'Digital Overview'. I know many of you prefer to engage digitally and this format allows us to include extra articles and more detail. It also provides a direct link so you can share your feedback and tell us what you'd like to see in future editions.

Stay safe and well.

A handwritten signature in black ink, reading 'Keith Bedell-Pearce'. The signature is stylized with a long horizontal line extending to the right.

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 Board members are:

Keith Bedell-Pearce CBE	Company appointed Chairman
Wolfgang Bauer	Member nominated (to serve until 30 April 2023)
Stephen Cunningham	Member nominated (to serve until 17 April 2022)
David Green	Company appointed
Simon Iversen	Company appointed
John Paino	Member nominated (to serve until 16 July 2021)
William Rutherford	Member nominated (to serve until 11 April 2024)
Gillian Starkie	Company appointed
Andrew Swan	Company appointed
Jo Waldron	Company appointed

The Scheme's Committees

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 and reports back to the Trustee Board with updates of their meetings, suggestions and recommendations.

Currently there are four Committees:

The Asset and Liability Committee

Monitors the DB Section funding (includes overseeing the DB Section investment management policy).

The Audit and Governance Committee

Reviews and assesses the risks to the Scheme and is responsible for producing the Scheme's annual accounts.

The Disputes Committee

Considers any complaints received by the Trustee.

The DC Section Committee

Responsible for our administration services and the monitoring of investments in respect of the DC Section.

Both the Asset and Liability Committee and the DC Section Committee are assisted by an Investment Committee and other Working Parties.

Insuring our future

In November 2020, the Trustee took an important step forward in ensuring the ongoing security of all our members' benefits.

The Scheme faces several financial risks, which our investment strategy seeks to mitigate. One such risk, often referred to as 'longevity risk', results from the fact that we're living longer. Great news for us as individuals, however longer lives means pensions are being paid for longer which in turn costs more!

The Trustee has taken the decision to purchase an insurance policy with Pacific Life Re to cover the pensions that were already in payment in April 2019. This now forms part of the Scheme's overall investments but crucially, caps the cost of providing these pensions going forward.

We wrote to all Pensioner members whose pensions have been insured, as well as those Spouses, Civil Partners or Dependants who were receiving a pension in April 2019. A copy of the information provided to them can be found in the 'Documents' section of the Scheme website www.prudentialstaffps.co.uk.

This investment decision doesn't impact how these Pensioner members receive their pensions; they're still paid through the Scheme as before. We've simply removed some of the financial risk associated with people living longer... which helps to secure the benefits for all our members. You do not need to take any action.



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. This covers the Scheme as a whole and includes the financial highlights for both the DB and DC Sections separately. You can view the full Report and Financial Statements in the 'Documents' section of the Scheme website. A summary of key information can be found below.

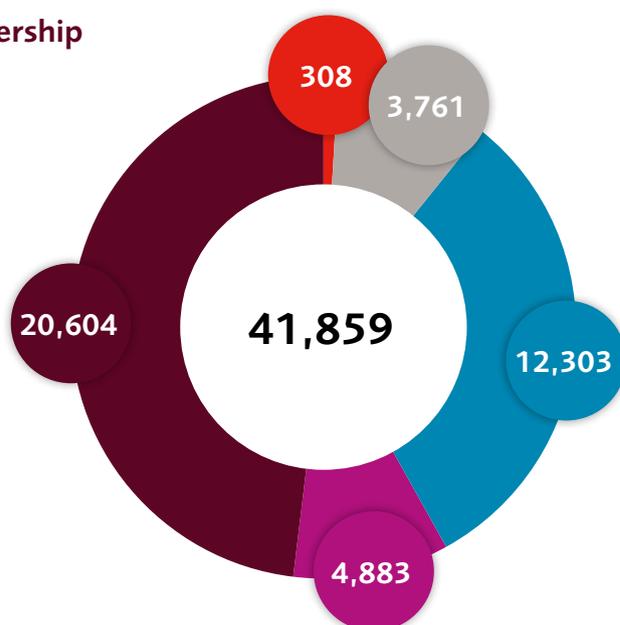
The Scheme's financial highlights (both DB and DC sections)

£7,739.1m		£54.9m		£705.0m		£376.1m		£8,122.9m
Net assets at 6 April 2019	+	Income*	+	Net return on investments	-	Benefits and payments payable [#]	=	Net assets at 5 April 2020

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

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

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 2020 was 41,859 of which 33,215 are members of the DB Section.

The DB Section's financial highlights

£7,289.9m		£8.6m		£752.0m		£336.5m		£7,714.0m
Net assets at 6 April 2019	+	Contributions received*	+	Net return on investments	-	Benefits and payments payable [#]	=	Net assets at 5 April 2020

* Including Company and additional member contributions along with 0.2 million in respect of transfers from the DC Section.

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

The DB Section's investment performance

The investment objective set by the Trustee is to achieve a target level of investment return whilst minimising the amount of risk taken. In doing this, the nature and duration of the Scheme's liabilities are taken into account.

Allowing for income, capital gains and movements in market values, the return on the Scheme's DB Section's assets for the 12 months to 31 March 2020 was 8.5% which was 0.6% below the benchmark return.

Returns for the year were dominated by market events during Q1 2020, when the global Coronavirus pandemic led to significant falls in growth assets, whilst UK government Bonds rose in value. The Scheme's investment strategy, which is heavily biased towards high quality and low risk assets, delivered robust performance during this period resulting in the Scheme funding position remaining stable.

The absolute returns achieved over longer periods, together with the Scheme's benchmark returns, are shown below:

Period to 31 March 2020	1 year	3 years	5 years
DB Section return (% per annum)	8.5	4.9	6.2
Benchmark return (% per annum)	9.1	4.9	6.0

Please note: The investment performance is measured at a different date to the assets being valued for accounting purposes.

The DB Section's asset allocation benchmarks

The asset allocation benchmarks at 5 April 2020 remained the same as those at 5 April 2019.

Asset class	Liability matching assets*	Multi-Strategy Credit	Distressed Debt Opportunities	Equities	Illiquid Credit	Global REITs	Commercial Real Estate Debt
5 April 2020 (% of assets)	92.9	3.8	1.7	0.0	1.0	0.0	0.6
Increase or decrease							
5 April 2019 (% of assets)	88.7	5.7	1.7	1.3	1.0	1.0	0.6

* Liability matching assets consist of Fixed Interest and Index-Linked Gilts, Corporate Bonds, Cash and Swaps and the longevity insurance arrangement with Pacific Life.

The DB Section's investment policy

The investment policy for the DB Section is determined by the Trustee in consultation with the Principal Employer and the Scheme's investment consultant, Willis Towers Watson.

The Trustee believes that good corporate governance enhances share holder value. 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 environmental, social and governance (ESG) 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.

The Trustee expects each investment manager to have ESG processes in place that align with our expectations in this area.

We have reviewed in detail, and will continue to periodically review, the policies operated by each of the investment managers in respect of ESG issues.

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.



Don't become a victim of a pension scam

Pension scams are still on the rise and in light of the COVID-19 pandemic, 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'RE DEALING WITH

Search 'ScamSmart' and check the FCA's register (see page 7) to make sure anyone offering you advice is authorised. If they are, check they're permitted to give pension advice by calling the FCA Consumer Helpline on **0800 111 6768**.

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.



The 'ScamSmart' website.

Managing the Scheme

An important benefit for Active members is the pension that will be paid to their Spouse or Civil Partner when they are gone. However, we need to know a little more about those that are likely to receive a pension in the future.

Here's where you can help...

We're asking if you can provide a small amount of information about your Spouse or Civil Partner. We're only asking for the information that we require, this is their name, date of birth and the date you were married or entered a Civil Partnership. We'll only use this information in our calculation of the cost to provide pensions both now and in the future. We'll keep this safe and will not share it with anyone else.

You can provide this information in one of two ways:

- If you've registered on '**MyPension**' you can provide the information online. Simply go to the Scheme website, click or tap on the '**MyPension**' button and log in. Once in '**MyPension**' look for the 'Spouse/Civil Partner details' button at the top of the page.
- If you haven't yet registered on '**MyPension**' we would encourage you to do so. But you can also provide the information directly to the DB Section Administrator. You'll find their contact details on the back page.

Thank you in advance for helping us to complete our records, this will ensure we can effectively manage the Scheme both now and for many years to come.

Power of Attorney — plan now for the future

Many members choose to plan for a time when they may want a family member or other representative to deal with their pension on their behalf.

This could be anything from helping deal with correspondence now, to making all their financial or welfare decisions if they were to become mentally incapacitated in the future.

You can nominate a representative by giving them appropriate legal authority, usually in the form of a Lasting Power of Attorney. If you make a Lasting Power of Attorney, you'll need to register it with the Office of the Public Guardian for it to come into effect.

If you've given your Lasting Power of Attorney to someone, please let us know so we can talk to them about your pension affairs. Similarly, if you've been given a Lasting Power of Attorney for one of our members, please get in touch using the details on page 7.

We'll ask you to send us the original Power of Attorney document, which we'll return to you by Special Delivery post.

Alternatively, we can accept a Certified Copy, but only one which has been certified by a solicitor. Please note that we're unable to accept photocopies.

A Power of Attorney can only be made by an individual who still has mental capacity. If you wish to act for a member who has lost their mental capacity, you can apply to the Court of Protection to make one-off, emergency or long-term decisions on their behalf.

You can find more detail on how to complete and register a Power of Attorney on the Government website

www.gov.uk/power-of-attorney.

Alternatively, you can contact the Office of the Public Guardian for more information either by phoning **0300 456 0300** or by email to customerservices@publicguardian.gov.uk.

Let's stay in touch

Staying in touch is really important as it means we can keep you up to date about your Scheme pension.

It's also very important that you let us know if you change address. If we can't contact you, we might not be able to pay your pension on time.

If you're moving overseas, make sure you tell us your new address. You should also consider providing us with a personal email address as providing information to you digitally is often more secure than sending it through the post. The best way to do this is to go to www.prudentialstaffps.co.uk and click on the '**MyPension**' button on the homepage. Here you'll find more details on how to register for digital communications.

You'll need your username and temporary password. As part of the registration process you'll be asked for some personal information to verify your identity. More about this can be found on the Scheme website. If you've any issues either registering on '**MyPension**' or simply logging in, email enquiries@mypension.com and you should receive a response within two working days. You can also call our Administration Team on **01245 673 515**.

Registering on '**MyPension**' means you'll receive updates in a more secure way!



Where to get more help and information

We all need a helping hand from time to time and these organisations can provide useful information and guidance on pension related matters.



This is a single financial guidance body, combining the services previously carried out by three different financial guidance bodies — the Money Advice Service, the Pensions Advisory Service and Pension Wise.

It's intended to streamline the work of these bodies and will focus on providing individuals with:

- Pensions guidance; and
- Day-to-day money and debt management advice.

It's also working with the Financial Conduct Authority (FCA) to ensure consumer protection and develop plans involving the voluntary sector to help improve people's financial capabilities and understanding.

Please visit www.moneyadvice.service.org.uk for more information.



For information about State Pension benefits please visit:

www.gov.uk/browse/working/state-pension.

If you've lost touch with the pension scheme of a previous employer, the Pensions Tracing Service can help you track them down. Find out more at:

www.gov.uk/find-pension-contact-details.

For further tax information, please contact HMRC by calling **0300 200 3300** (or **+44 135 535 9022** if you're calling from outside the UK). This service is available Monday to Friday, 8.30am to 5.00pm or visit www.hmrc.gov.uk.



Need financial advice?

We recommend you only take advice about your pension from an Independent Financial Adviser, regulated by the FCA. To find a financial adviser go to:

register.fca.org.uk.

Contact us

If you've 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've 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 Administration Team.

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If you've any questions that cannot be answered by the Administration Team, or you have any other comments, you can contact the Pensions Team at the address below.

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Your Scheme website.