Guide to the Pensionable Salary Cap

For active members of the Defined Benefit Section of the Prudential Staff Pension Scheme (PSPS DB) who joined it on or after 1 January 1991 and whose full-time equivalent basic pay is greater than the Earnings Cap (£166,200 for 2019/20)

September 2019

Introduction

M&G plc is making some important changes to its pension arrangements, effective 30 September 2019. As a result, you may wish to consider the options available to you. This Guide sets out a reminder of the changes and explains some of the options you have as an active member of PSPS DB.

It is important that you read this Guide and use the other resources being provided to understand how your pension from PSPS DB may be impacted by the changes and what options you have. We have tried to make this Guide as straightforward as possible. Where we have had to use a technical term, it is highlighted in bold the first time it appears in this Guide and its meaning is explained in the Glossary at the end.

Important note

The information contained in this Guide is intended to help you understand the changes that are being made to PSPS DB and the options available to you. While we have tried to ensure the accuracy of this Guide the content may not be relevant in every circumstance. The benefits under PSPS DB are complex and may vary depending on your circumstances; this Guide provides a summary only, and your specific benefits may be different. All benefits are payable in accordance with the Trust Deed and Rules, the legal document covering PSPS DB, the contractual changes that will be a condition of future salary increases for PSPS DB members after 30 September 2019 and applicable legislation. In the event of any discrepancy between the information provided in this Guide and the Trust Deed and Rules or the contractual changes, the latter two will prevail.

This Guide reflects our understanding at the time it is published. Nothing in this Guide restricts the ability of the Company to make changes to its pension, life assurance and ill-health arrangements in the future.

Whilst this Guide has been provided to help you understand your options in relation to your pension in PSPS DB it is up to you to decide whether and if so when to make any changes. The Company takes no responsibility for your decision.

This Guide does not provide you with financial advice and should not be taken as doing so. You should take Independent Financial Advice if you need financial advice on any issues raised in this Guide.

There are a number of illustrative examples in this Guide. These examples are based upon example members with very specific circumstances and assumptions. These circumstances and assumptions will differ from your circumstances and therefore these examples should not be used to infer that a specific action should be taken at any point in time.

Contents

Overview 4

Who is this Guide for? 4

Reminder of the changes 5

Summary of key decisions and options 6

Decision-making support 8

Changes to PSPS DB in detail 9

Your decisions and options in detail 13

Your options 13

Decision 1 – do you want to remain as an active member of PSPS DB? 13

Decision 2 – do you want to take any action to increase your retirement income? 16

Your decision 19

Deciding whether to remain as an active member of PSPS DB or opt out 21

Deciding whether you want to increase your retirement benefits 27

Appendices 28

Appendix 1: Summary of benefits under different options 28

Appendix 2: Overview of PSPS DB 35

Appendix 3: Overview of PSPS DC 39

Appendix 4: Tax considerations 42

Appendix 5: Glossary of terms used 43

Who is this Guide for?

This Guide has been produced for **active members** who joined PSPS DB on or after 1 January 1991 whose **full-time equivalent** basic pay is greater than, and are therefore affected by, the **Earnings Cap** (£166,200 for 2019/20). The purpose of this Guide is to help you understand the changes being made by M&G plc (the **Company**) to PSPS DB and the options that are available to you. The main decisions you need to consider are:

- whether and, if so, when it might be better for you to opt out of PSPS DB and join **PSPS DC** rather than continue as an active member of PSPS DB, and
- whether you should take any other action to increase your income on retirement.

Reminder of the changes

Following a period of consultation last year, the Company is making changes to its pension arrangements:

PSPS DB

PSPS DB is a **defined benefit** (DB) arrangement. This means that your benefits are calculated using a formula. You do not have your own individual **pension pot**. Instead, the assets (built up from Company contributions and investment returns) are collectively invested by the **Trustee** who uses them to provide benefits for all the members.

As a member of PSPS DB, your pension builds up at a fixed rate (1/60th for most members) of your **Final Pensionable Earnings** for each year of **Pensionable Service**. For most members, Final Pensionable Earnings are their basic **salary** in their last year as an active member. However, the salary which determines your PSPS DB pension is currently restricted to the Earnings Cap (which normally increases each year in line with the **Retail Prices Index** (RPI)). Following the changes, the maximum salary used to calculate your Final Pensionable Earnings will be capped at the amount of your full-time equivalent basic salary as at 30 September 2019. This will set your **Pensionable Pay Limit**.

Example

The Pensionable Pay Limit is the value of your Pensionable Pay at 30 September 2019, before the Earnings Cap is applied. For example, if you were subject to the Earnings Cap and you had basic pay of £170,000 at 30 September 2019, your Pensionable Pay Limit would be £170,000.

The salary used to calculate your PSPS DB pension will continue to be restricted to the Earnings Cap and will rise in line with increases in the Earnings Cap but only until it reaches your Pensionable Pay Limit. After reaching your Pensionable Pay Limit, your Final Pensionable Earnings will stop increasing. If the Earnings Cap never exceeds your Pensionable Pay Limit, your PSPS DB pension will never be affected by the changes. **Please see the examples on page 10 and refer to the charts on pages 11 and 12** for further information.

If you currently receive a cash supplement, this will be paid on the difference between the Earnings Cap and your Pensionable Pay Limit, until the Earnings Cap exceeds this figure.

PSPS DC

PSPS DC is a **defined contribution** (DC) arrangement. This means that members build up their own individual pension pot from employer and employee contributions and investment returns, which they use to provide their retirement benefits. There is no guarantee of the amount of retirement benefits that will be provided.

From 1 April 2019, the minimum contribution the Company makes for active PSPS DC members, even if the member doesn't make any personal contributions, increased from 6% of **Pensionable Pay** to 8% of Pensionable Pay. In addition, the Company matches every 1% of Pensionable Pay the member contributes up to a maximum Company contribution of 13%. Please note that the Company has the right to change these contribution levels. In PSPS DC, Pensionable Pay is not subject to the Earnings Cap or your Pensionable Pay Limit, so contributions would be based on full Pensionable Pay.

A PSPS DB member who joins PSPS DC on or after 1 April 2019 will be 'defaulted' to a personal contribution of 1% of Pensionable Pay which will, in turn, attract a Company contribution of 9%. However, it will then be possible to increase or reduce the rate of personal contributions at any time.

Cash alternatives to PSPS DC

If your pension is within 90% of the **Lifetime Allowance**, you would currently be able to opt-out of PSPS DC and receive a discretionary cash allowance, currently of 13% of your salary.

If this would not apply to you, but contributions at the maximum matching level (18% of your salary) would exceed your **Annual Allowance**, then there is also a discretionary facility to cap your contributions at your Annual Allowance, with the balance of the 13% maximum employer contribution paid as a cash supplement.

These cash alternatives would be subject to tax and National Insurance in the same way as salary. **More details are provided in Appendix 4 on page 42**.

Summary of key decisions and options

PSPS DB is remaining open (so you will continue to build up further pension for each year of service you complete as an active member). Although the changes are effective on 30 September 2019, you will be unaffected by the changes for as long as the Earnings Cap remains below your Pensionable Pay Limit. Once the Earnings Cap exceeds your Pensionable Pay Limit, your Final Pensionable Earnings will stop increasing. At this point in particular you may wish to consider whether or not you should continue as an active member of PSPS DB.

You may also want to consider whether you wish to take any action to increase your retirement income and you can do this at any point.

Decision 1 – Should I continue as an active member of PSPS DB?

As an active member of PSPS DB, you have the following options.

Option A – Stay in PSPS DB

- Your pension benefits will continue to relate to your number of years of service while an active member (up to the maximum amount of Pensionable Service, which is usually 40 years).
- If the Earnings Cap is lower than your Pensionable Pay Limit (calculated on 30 September 2019), the (increasing) Earnings Cap will continue to be used to calculate your Final Pensionable Earnings and the changes will not affect your PSPS DB benefits. If the Earnings Cap exceeds your Pensionable Pay Limit (calculated on 30 September 2019) in the future, no further increases in pay or the Earnings Cap will be accounted for when calculating your PSPS DB pension – your Final Pensionable Earnings will not increase beyond the Pensionable Pay Limit.
- You can pay **Additional Voluntary Contributions (AVCs)** into PSPS DB on a DC basis to increase your retirement income.

Please go to page 13 for further information.

Option B – Opt out of PSPS DB

You can opt out of PSPS DB at any time. If you opt out you would not build up any further years of Pensionable Service in PSPS DB and you would either become a **deferred member** or, if you are above **minimum pension age** (currently age 55 for most members), and decide to start taking your benefits, a **pensioner**. For future service, you could join PSPS DC and receive contributions from the Company.

If you opted out and became a deferred member:

- the pension you have already built up in PSPS DB would receive some inflation protection
- the way ill-health pension and dependants' pensions on death are calculated would change
- you would have the option of transferring your accrued PSPS DB pension to another arrangement, subject to certain conditions
- you could join PSPS DC, receive Company contributions and also choose to pay personal contributions that currently would be matched up to 5% of your Pensionable Pay.

For details of cash alternatives to PSPS DC see **Appendix 4**.

Please go to page 14 for more information.

If you opted out and became a pensioner:

- if you were to retire before age 60, your pension would normally be reduced to take account of the fact that it would be paid for a longer period
- the way dependants' pensions on death are calculated would change
- you could join PSPS DC, receive Company contributions and also choose to pay personal contributions that currently would be matched up to 5% of your Pensionable Pay
- cash alternatives would also be available.

Please go to page 15 for more information.

The above options are not time-limited so you could, for example, remain in PSPS DB as an active member for a number of years and then opt out and join PSPS DC. In addition to joining PSPS DC or taking flexible retirement, you could opt out and make alternative pension arrangements or opt out and make no further pension provision.

Decision 2 – should you take any action to increase your retirement income?

Whether you remain in PSPS DB or opt out and join PSPS DC, your income in retirement may be lower than it would have been without the changes to PSPS DB. You may therefore wish to consider how to increase your retirement income. The following are some options you may want to consider (but please note the Company is not recommending any of these options and cannot advise you on them).

Option X – increase your retirement savings

- If you continue as an active member of PSPS DB you could start paying Additional Voluntary Contributions (AVCs) or increase the amount of AVCs you are currently paying.
- If you opt out of PSPS DB and join PSPS DC, any contributions you make are matched by the Company (up to a maximum of 5%).
- These may not be tax efficient (see **Appendix 4**) in which case you may wish to consider other forms of saving (eg ISAs).

Please go to page 16 for more information.

Option Y – retire later than planned

- If you continue as an active member of PSPS DB, retiring later than you had planned would mean that your pension would be higher because (a) you would have completed more years of Pensionable Service (unless you have reached the maximum amount of Pensionable Service – usually 40 years); (b) your Final Pensionable Earnings will continue to increase should you not yet have reached your Pensionable Pay Limit; and (c) if you are retiring before your **Normal Retirement Date** the reduction applied to your pension for retiring early is smaller the closer you are to Normal Retirement Date.
- If you opt out of PSPS DB and join PSPS DC, retiring later than you had planned would mean more contributions would be paid into PSPS DC which would increase the size of your pension pot (although please note that your pension pot can reduce as a result of changes in the value of investments). If you were to use part or all of your pension pot to buy an annuity at a later date the annuity provider would take into account the fact that it would be paid for a shorter period which may mean you get a higher pension. In addition, delaying taking your deferred pension from PSPS DB would increase the amount of pension you receive from that arrangement to take account of the fact that it would be paid for a shorter period.
- Retiring later may however increase the chances of your pension exceeding the Lifetime Allowance.

Please go to page 16 for more information.

Option Z – consider what retirement income you might have from other sources

In addition to retirement savings in PSPS, you should consider what other sources of retirement income you might have, for example: any other pensions you have; your **State Pension**; and other savings such as ISAs.

Please go to page 18 for more information.

You could also consider combining the above options for example starting to pay/increasing your contributions and retiring later than planned.

Decision-making support

To help you understand and compare the options available to you, we have put in place a package of measures. These include:

- a series of pension seminars at different locations to help you understand the options and to get answers to your questions
- a microsite at **https://www.mandgprupensionproposals.co.uk** containing links to the resources outlined. The password for the site can be found in the introductory letter which accompanies this Guide
- a pensions modeller which allows you to compare potential benefits of remaining an active member of PSPS DB with those of opting out and joining PSPS DC. It will also allow you to explore the impact of other options, for example, different retirement dates or making additional retirement savings. To access the modeller, you should visit the microsite at the location given above.

We are also facilitating subsidised one-to-one sessions with a financial adviser from Informed Pensions. If you book one of these sessions, the adviser will work through the modeller with you to help you understand the options available and make an informed decision.

Changes to PSPS DB in detail

Following the changes, if you remain an active member in PSPS DB, your PSPS DB pension will continue to be based on your Pensionable Service in PSPS DB and your Final Pensionable Earnings. However, the changes mean that:

1. your full-time equivalent basic salary on 30 September 2019 will be used to determine your Pensionable Pay Limit
2. your Final Pensionable Earnings will be the lower of the Earnings Cap and your Pensionable Pay Limit.

This means that:

- If you are offered and accept a salary increase, it will only be awarded on the basis that it will not be used to calculate Final Pensionable Earnings.
- If the Earnings Cap is lower than your Pensionable Pay Limit, there will be no changes to the way in which your PSPS DB benefits are calculated. Your Final Pensionable Earnings continue to be restricted to the (increasing) Earnings Cap until it reaches your Pensionable Pay Limit.
- If and when the Earnings Cap exceeds your Pensionable Pay Limit, no further increases in the Earnings Cap will be taken into account when calculating your PSPS DB pension.
- Your pension benefits under PSPS DB, including any pension for ill-health early retirement and any pensions paid to your dependants on your death will be restricted to the Earnings Cap and subject to your Pensionable Pay Limit.
- The lump sum payable if you die whilst a Company employee will be calculated using Final Pensionable Earnings but in this instance calculated using your actual basic salary (ie ignoring the Earnings Cap and your Pensionable Pay Limit).

Cash Supplement

You may currently receive a cash supplement based on a percentage of the difference between the Earnings Cap and your unrestricted Pensionable Pay. From 1 October 2019, because we are limiting your maximum Pensionable Pay to your 30 September 2019 full-time equivalent basic salary – the Pensionable Pay Limit – then, as the Earnings Cap increases, the difference in that amount and your Pensionable Pay Limit decreases. Over time your cash supplement will reduce.

Example

This example shows how this would work for a member who has Pensionable Pay of £170,000 at 30 September 2019 (with the member's last salary increase being on 1 April 2019) and assuming they receive a cash supplement of 12% of the Pensionable Pay Limit less the Earnings Cap, from 1 October 2019.

Period	Pensionable Pay Limit	Earnings Cap	Cash Supplement
1/4/19 – 31/3/20	£170,000	£166,200	£456
1/4/20 – 31/3/21		£169,200	£96
1/4/21 – 31/3/22		£174,000	£0
1/4/22 – 31/3/23		£178,800	£0

Final Pensionable Earnings

Broadly speaking, Final Pensionable Earnings is calculated as the highest of:

- basic salary in the last 12 months
- highest basic salary for a single tax year in the last five tax years and
- highest average basic salary for three consecutive tax years in the last ten tax years.

Because, in general, the minimum period used to calculate Final Pensionable Earnings is 12 months, in effect your Final Pensionable Earnings will not reach the Pensionable Pay Limit until 12 months after the date on which the Earnings Cap exceeded your Pensionable Pay Limit. So, if the 6 April 2020 increase to the Earnings Cap is such that the 2020/21 Earnings Cap is higher than your Pensionable Pay Limit, your Final Pensionable Earnings will reach your Pensionable Pay Limit on 5 April 2021.

Example:

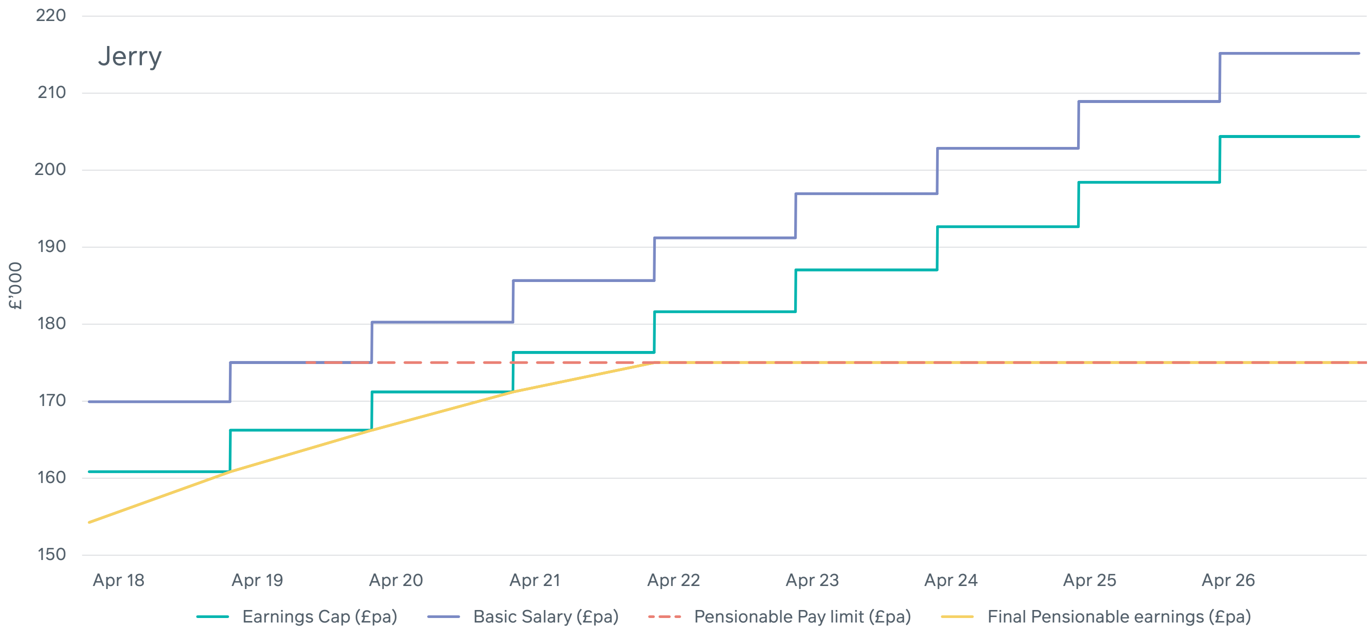
The following example illustrates the impact the changes will have on Final Pensionable Earnings for three PSPS DB members who are subject to the Earnings Cap.

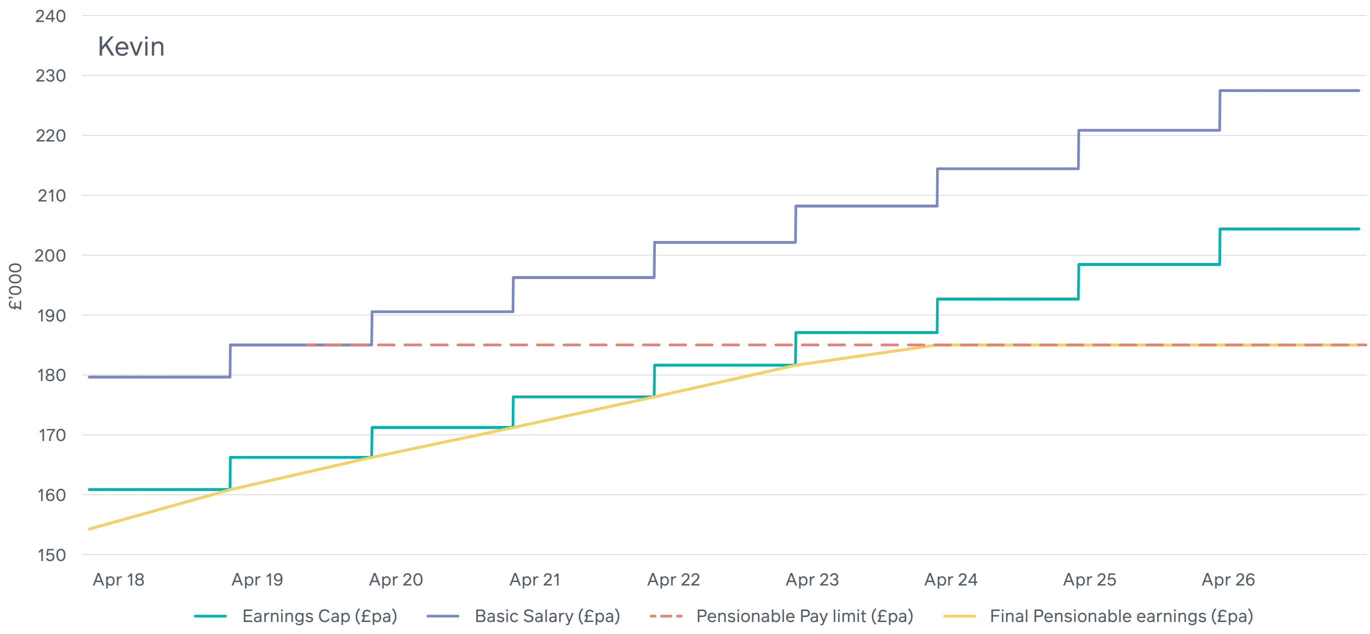
Please note that the example assumes that increases to both basic salary and the Earnings Cap occur on 6 April each year, that each member receives a salary increase of 3% per annum and that the Earnings Cap increases by 3% per annum.

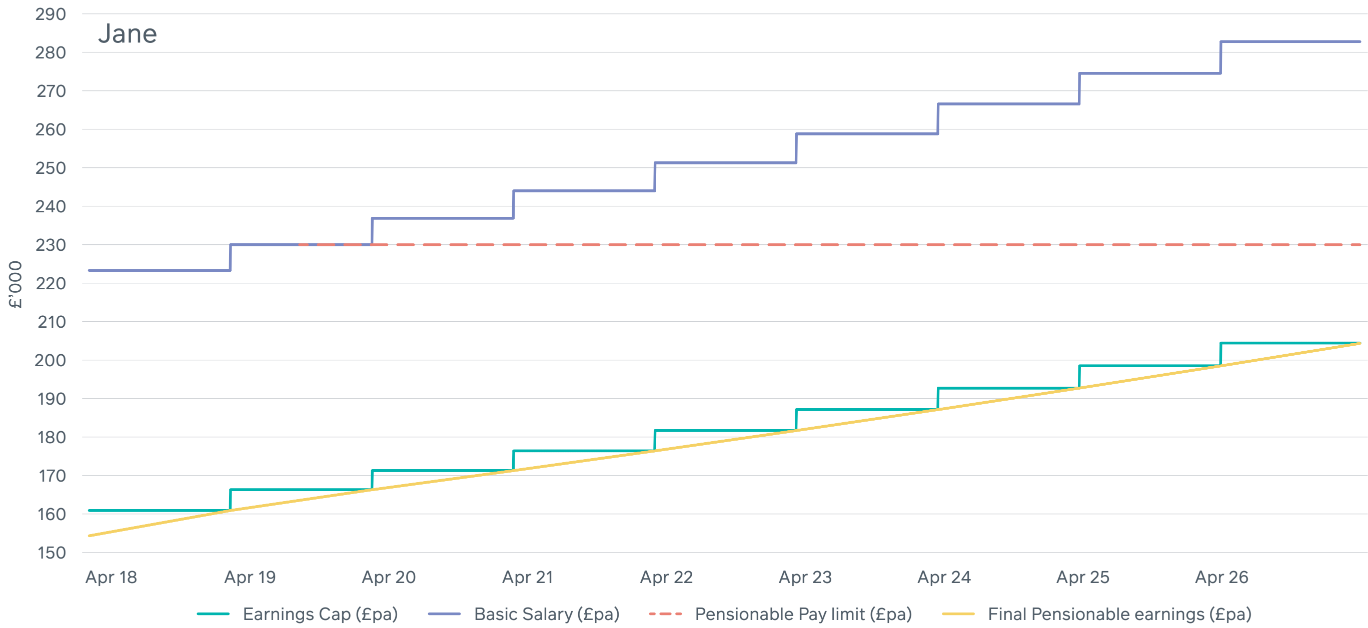
For all three members Normal Retirement Date is in April 2027.

	Jerry	Kevin	Jane
Full-time equivalent basic salary at 30 September 2019	£175,000	£185,000	£230,000
Pensionable Pay Limit	£175,000	£185,000	£230,000
Earnings Cap from 1 April 2019	£166,200	£166,200	£166,200
Salary at Normal Retirement Date	£215,228	£227,526	£282,871
Earnings Cap at Normal Retirement Date	£204,405	£204,405	£204,405
Final Pensionable Earnings at Normal Retirement Date	£175,000	£185,000	£204,405

Below are three graphs illustrating the impact which the changes will have on each of Jerry, Kevin and Jane's Final Pensionable Earnings.







For all three members, the Pensionable Pay Limit is set at 30 September 2019.

Although the Pensionable Pay Limit is set at 30 September 2019, there isn't any impact on Jerry's Final Pensionable Earnings initially, since the Earnings Cap remains lower than the Pensionable Pay Limit. It is not until the Earnings Cap increase in April 2021 that the Earnings Cap exceeds the Pensionable Pay Limit. However, Jerry's Final Pensionable Earnings won't reach the Pensionable Pay Limit until April 2022, a full year after the Earnings Cap increase which took him over the Pensionable Pay Limit.

For Kevin, the Earnings Cap does not exceed the Pensionable Pay Limit until the increase in April 2023. His Final Pensionable Earnings won't reach the Pensionable Pay Limit until April 2024, a full year after the Earnings Cap increase which took him over the Pensionable Pay Limit.

Jane is due to retire at her Normal Retirement Date in April 2027 and the chart shows that the Earnings Cap does not exceed her Pensionable Pay Limit before this date. Jane's pension will therefore not be affected by the changes if she retires at her Normal Retirement Date.

Your decisions and options in detail

As a result of the changes you may wish to consider whether to continue as an active member of PSPS DB and whether to take any other action to increase your retirement income. These two key decisions and some of the available options are explained in more detail below.

Your options

Decision 1 – do you want to remain as an active member of PSPS DB?

If you take no action you will continue to build up additional years and months of Pensionable Service in PSPS DB subject to the maximum amount of permitted Pensionable Service (usually 40 years). Further, your Final Pensionable Earnings will continue to increase in line with increases to the Earnings Cap (if any) until you reach your Pensionable Pay Limit. If at any time the Earnings Cap exceeds your Pensionable Pay Limit, your Final Pensionable Earnings will stop increasing. For those members whose Pensionable Pay Limit is exceeded by the Earnings Cap before they stop being an active member in PSPS DB, their PSPS DB pension will be lower than if no changes had been made. For some, it may be beneficial to opt out of PSPS DB and join PSPS DC. The options you may wish to consider are:

Option A – Remain in PSPS DB

How your pension will be worked out

Your pension will be calculated using your Pensionable Service and Final Pensionable Earnings, as follows:

- You will continue building up additional years and months of Pensionable Service (subject to the maximum amount of permitted Pensionable Service).
- Your full-time equivalent basic salary on 30 September 2019 will be used to determine your Pensionable Pay Limit.
- Your Final Pensionable Earnings will be set as the lower of the Earnings Cap and your Pensionable Pay Limit.

Examples	Tom	Sarah
Full-time equivalent basic salary on 30 September 2019 (last increased on 1 April 2019)	£180,000	£250,000
Pensionable Pay Limit	£180,000	£250,000
2019/20 Earnings cap (for the period: 6 April 2019 to 5 April 2020)	£166,200	£166,200
Normal Retirement Date (NRD)	5 April 2027	5 April 2027
Pensionable Service at NRD	30 years	30 years
Earnings Cap at 5 April 2027	£197,559	£197,559
Final Pensionable Earnings at NRD	£180,000	£197,559
Pension at NRD	$\frac{30}{60}$ x £180,000 = £90,000	$\frac{30}{60}$ x £197,559 =£98,780

Example assumes salary and inflationary increases to the Earnings Cap of 2.5% a year

In the examples, Tom reaches his Pensionable Pay Limit before his Normal Retirement Date, following the 6 April 2023 increase in the Earnings Cap. His PSPS DB pension is therefore calculated using the Pensionable Pay Limit. However, since Sarah's salary on 30 September 2019 is significantly higher than the Earnings Cap, she does not reach her Pensionable Pay Limit before retirement. Her Final Pensionable Earnings continues to increase in line with the Earnings Cap until her retirement.

Death benefits

If you were to die as an active member of PSPS DB, the benefits payable are summarised on **page 37** and described in detail on **page 32**.

Ill-health benefits

If you have to leave Service with the Company due to ill health, the benefits payable would be as described on **page 38** but your pension would be as described both on **pages 34** and **38**.

Other benefits/options

You can pay Additional Voluntary Contributions (AVCs) on a defined contribution basis to supplement your benefits. Details can be found on **page 35**.

Option B – Opt out of PSPS DB and join PSPS DC

You can opt out of PSPS DB at any time. If you opt out, you stop building up benefits in PSPS DB with effect from your opt out date. If you then leave your benefits in PSPS DB without bringing them into payment, you would become a deferred member. For most members, if you were 55 or older, you would be able to start taking your benefits under the flexible retirement provisions in which case you would become a pensioner. These two different scenarios are explained below.

Please note that if you opt out of PSPS DB, you would not be able to rejoin.

Option B1 – Become a deferred member of PSPS DB and join PSPS DC

How your PSPS DB deferred pension would be worked out

Your deferred pension would be calculated using the Pensionable Service you have completed up to the date you opt out and your Final Pensionable Earnings at that date (subject to the Earnings Cap and the Pensionable Pay Limit). It would remain in PSPS DB until you retire or elect to transfer your benefits to another pension arrangement. During the period of deferment, it would be revalued to reduce the impact of inflation. Under current legislation different parts of your deferred pension would be revalued at different rates as follows:

- If you joined PSPS DB before 6 April 1997 (or transferred in any service from before that date), any **Guaranteed Minimum Pension (GMP)** would increase broadly in line with increases in National Average Earnings.
- Any pension in excess of GMP would increase broadly in line with the **Consumer Prices Index (CPI)** subject to a cap of 5% pa relating to Pensionable Service before 6 April 2009 and 2.5% pa relating to Pensionable Service on or after that date.

Benefits from PSPS DC

If you then joined PSPS DC, the Company would make contributions on your behalf and you would choose whether to contribute yourself. Please note that in PSPS DC, Pensionable Pay is not subject to the Earnings Cap or your Pensionable Pay Limit, so contributions would be based on full Pensionable Pay. Please also note that the current policy is to default members to 1% contributions, but you can then elect to reduce or increase your contribution level. A summary of the benefits from PSPS DC can be found in **Appendix 3** of this Guide and full details can be found in the PSPS DC member guide at **www.prudentialstaffps.co.uk**

Details of possible cash alternatives can be found in Appendix 4.

Death benefits

The benefits payable from PSPS DB to your Spouse, Civil Partner, Dependant(s) and any Eligible Children would be as described on **page 37** for deferred members.

The benefits are different to those payable on the death of an active member. If you join PSPS DC, benefits would also be payable from that arrangement. For details see **page 40**.

Ill-health benefits

If you were unable to work due to ill health, you could request that your deferred pension from PSPS DB be paid early subject to providing the Trustee with satisfactory medical evidence. The pension would be based on the Pensionable Service you completed up to the date you opted out and your Final Pensionable Earnings at that date, subject to the Earnings Cap and your Pensionable Pay Limit, and it would be reduced to reflect that it would be paid early.

Provided you are actively at work when you join the PSPS DC Scheme, you would automatically participate in the long-term ill-health plan that pays a benefit of 50% of salary for up to five years, or to **State Pension Age** if sooner.

Transferring benefits out of PSPS DB

As a deferred member, you would have the option to transfer your benefits out of PSPS DB to another pension arrangement of your choice. You would be able to exercise this option at any time subject to certain conditions. The transfer value would take the form of a capital sum, known as the cash equivalent transfer value (CETV). This represents the Scheme Actuary's assessment of the fair value of your benefits in PSPS DB. If you wanted to transfer your benefits to a defined contribution arrangement, you would need to obtain independent financial advice and provide evidence to the Trustee that you had done so before the transfer could go ahead.

For more information about transferring deferred benefits out of PSPS DB see the guide to transferring your benefits which is available from **www.prudentialstaffps.co.uk**

Option B2 – Take flexible retirement from PSPS DB and join PSPS DC

For most members, if you are 55 or older you may be able to take your retirement benefits from PSPS DB and join PSPS DC. This is called flexible retirement and may be possible if you meet the following conditions:

- the Company agrees that you may do so
- you sign a new contract of employment which may not include special terms that previously applied.

How your PSPS DB pension would be worked out

Your pension would be calculated using Pensionable Service completed up to the date of your flexible retirement and your Final Pensionable Earnings at that date (subject to the Earnings Cap and your Pensionable Pay Limit).

If you had not reached Normal Retirement Date, the pension would be reduced to take account of the fact that it would be paid for a longer period. You would have the same options available as if you were retiring and leaving the Company. **For details see Appendix 2 of this Guid**e.

Benefits from PSPS DC

If you then joined PSPS DC, the Company would make contributions on your behalf and you would then choose whether to contribute. Please note that in PSPS DC (or any successor scheme), Pensionable Pay is not subject to the Earnings Cap or your Pensionable Pay Limit, so contributions would be based on full Pensionable Pay. Please note that the current policy is to default members to 1% contributions, but you can then elect to reduce or increase your contribution level. A summary of PSPS DC benefits can be found in **Appendix 3** of this Guide and full details can be found in the member guide at **www.prudentialstaffps.co.uk**

Details of possible cash alternatives can be found in Appendix 4.

Death benefits

As an active PSPS DC member, as long as you were employed by the Company and did not explicitly opt out of these benefits, you would still be covered for the lump sum of four times your Pensionable Pay plus a refund of your PSPS DC pension pot, less any PSPS DB lump sum benefit. **See page 40 for further details**.

As you would be a pensioner member of PSPS DB, death benefits under PSPS DB would be calculated as described in **Appendix 2**. **See page 37 for further details.**

Ill-health benefits

Provided you are actively at work when you join the PSPS DC Scheme, you would automatically participate in the long-term ill-health plan that pays a benefit of 50% of salary for up to five years, or to State Pension Age if sooner.

Combining options

The above options are not time-limited so you could, for example, remain in PSPS DB as an active member for a period of time and then opt out or take flexible retirement and join PSPS DC (or any successor scheme) when you feel that it makes sense for you to do so. In addition to joining PSPS DC or taking flexible retirement, you could opt out and make alternative pension arrangements or opt out and make no further pension provision.

Decision 2 – do you want to take any action to increase your retirement income?

Whether you decide to continue as an active member of PSPS DB or opt out and join PSPS DC, your retirement income may be lower than it would have been without the changes to PSPS DB. You may therefore wish to consider the following options:

Option X – Increase your retirement savings

Whether you remain in PSPS DB or join PSPS DC, you would have the option to pay additional member contributions to build up additional benefits.

However, because you are paid a salary in excess of the Earnings Cap, this is likely to mean that you are already breaching your Annual Allowance in PSPS DB. It is also likely that if you were to join PSPS DC you would need to use the facility, explained in **Appendix 4**, to cap your contributions at your Annual Allowance and receive the balance of the maximum employer contributions in cash.

This means that it may not be tax-efficient for you to make additional provision for your retirement through PSPS DB or PSPS DC. You may however wish to consider other forms of saving that could be used to support you in retirement. This could include, for example, utilising unused ISA allowances for yourself or your spouse or partner, or other forms of private investment.

Option Y – Retire later than planned

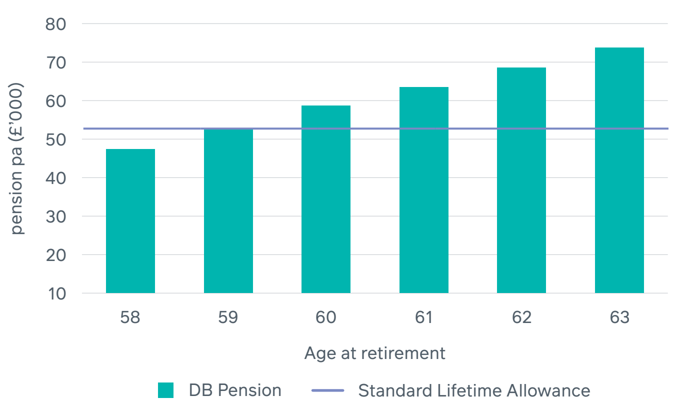
If you already have a retirement date in mind, the changes to PSPS DB may mean that your pension at your planned retirement date will be lower than you were expecting. You may be able to make up some or all of the difference by retiring at a later date.

Whether you remain in PSPS DB or join PSPS DC, you should also consider whether retiring later would mean that your pension would exceed the Lifetime Allowance or exceed it by more than if you had retired earlier.

Y1 – If you continue as an active member of PSPS DB
As long as you don't reach the cap on Pensionable Service (usually 40 years), working for longer would increase your Pensionable Service and therefore the pension you receive from PSPS DB.

If you were planning to retire before your Normal Retirement Date, your pension would be reduced to reflect the fact that it would be paid for a longer period. The further you are from Normal Retirement Date the greater the reduction. Delaying your retirement for a few years would mean a higher pension as a result of more years of Pensionable Service (assuming you have not yet reached 40 years of service), increased Final Pensionable Earnings (assuming that you not yet reached your Pensionable Pay Limit) and a lower (or no) reduction for early retirement. We have provided an illustrative example below, assuming an early retirement reduction of 2.5% pa to the member's pension for retiring before the age of 60. In this example, we have assumed that the Earnings Cap has not reached the Pensionable Pay Limit at the chosen retirement date.

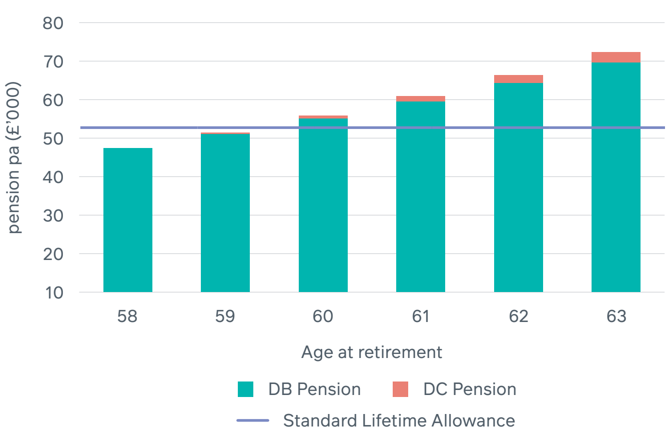
Retiring later as an active member of PSPS DB



The graph above demonstrates the additional pension an active member of PSPS DB may earn by postponing their retirement beyond their Normal Retirement Date.

Y2 – If you opt out of PSPS DB and join PSPS DC
If you retire later than planned, contributions would be paid into PSPS DC for a longer period of time which could increase the size of your pension pot at retirement (though note that your pension pot could go up or down depending on investment performance). If you were to use part or all of your pension pot to buy an annuity, the annuity provider would take into account the fact that it would be paid for a shorter period which may lead to a higher pension. In addition, by retiring later your pension from PSPS DB would also be higher because more years of revaluation would be added and your pension would be paid for a shorter period so any early retirement reduction (as explained for Y1) would be smaller. We have provided an illustrative example below, assuming an early retirement factor of 2.5% pa to the member's pension for retiring before the age of 60.

Retiring later as a deferred member of PSPS DB who joined PSPS DC



The example above assumes that the member opts out of PSPS DB once they reach age 58 and instead of taking a pension they defer retirement to a later age and join PSPS DC. The DB portion of the pension increases because it is revalued to Normal Retirement Date and receives lower early retirement reductions prior to Normal Retirement Date and late retirement uplifts after Normal Retirement Date, whereas the contributions and investments made into PSPS DC will be used to secure an additional pension on retirement.

This pension increases the later you retire because of the additional DC contributions that are paid by you and on your behalf each year, and because a pension purchased later tends to result in a higher annual income because it is paid for a shorter period.

Option Z – Consider what retirement income you might have from other sources

In addition to your pension from PSPS DB, you may have retirement income from other sources. You should consider what else you have and whether you can take action to increase these savings. Examples might include:

- Other pensions, for example from previous employers' pension arrangements. If you have lost touch with them, you can track them down at **www.gov.uk/find-pension-contact-details**. The administrators of your other pension arrangements should be able to give you an estimate of how much your pension might be and any options for increasing the amount you receive (eg retiring later).
- Your State Pension. You can get a forecast of how much you might get from **www.gov.uk/check-state-pension**. If you are on track to get less than the full amount (£168.60 per week for 2019/20), you may be able to pay extra National Insurance Contributions to increase it. For more information, visit **www.gov.uk/voluntary-national-insurance-contributions**

You should consider carefully which of the options we've described you wish to take because the decisions you make could have a significant impact on the level and form of benefits you will receive in retirement. While you can choose to opt out of PSPS DB at any time, once you have opted out you cannot reverse your decision and rejoin PSPS DB.

The key considerations for many people will be:

- at what point will the Earnings Cap exceed their Pensionable Pay Limit?
- whether staying in PSPS DB as an active member will give them a higher or lower retirement income than opting out (and either having a deferred pension or taking flexible retirement) and becoming an active member of PSPS DC, and if so how long to stay before they do this
- whether they need to take any action to increase the amount of income they will receive in retirement
- how all of the above interact with tax limits on pension saving.

The Company has put in place a number of resources to help you understand your options.

Please see page 8 for further information.

When the Earnings Cap exceeds your Pensionable Pay Limit will depend on a number of factors

The following questions may help you understand the interaction between the Earnings Cap and your Pensionable Pay Limit.

Is your full-time equivalent basic salary just above the Earnings Cap?

If it is, then your Pensionable Pay Limit will also be just above the Earnings Cap and it is more likely that the increasing Earnings Cap will exceed your Pensionable Pay Limit before you stop being an active member in PSPS DB. If your full-time equivalent basic salary is much higher than the Earnings Cap, then your Pensionable Pay Limit will also be correspondingly higher, and you are less likely to be impacted by these changes.

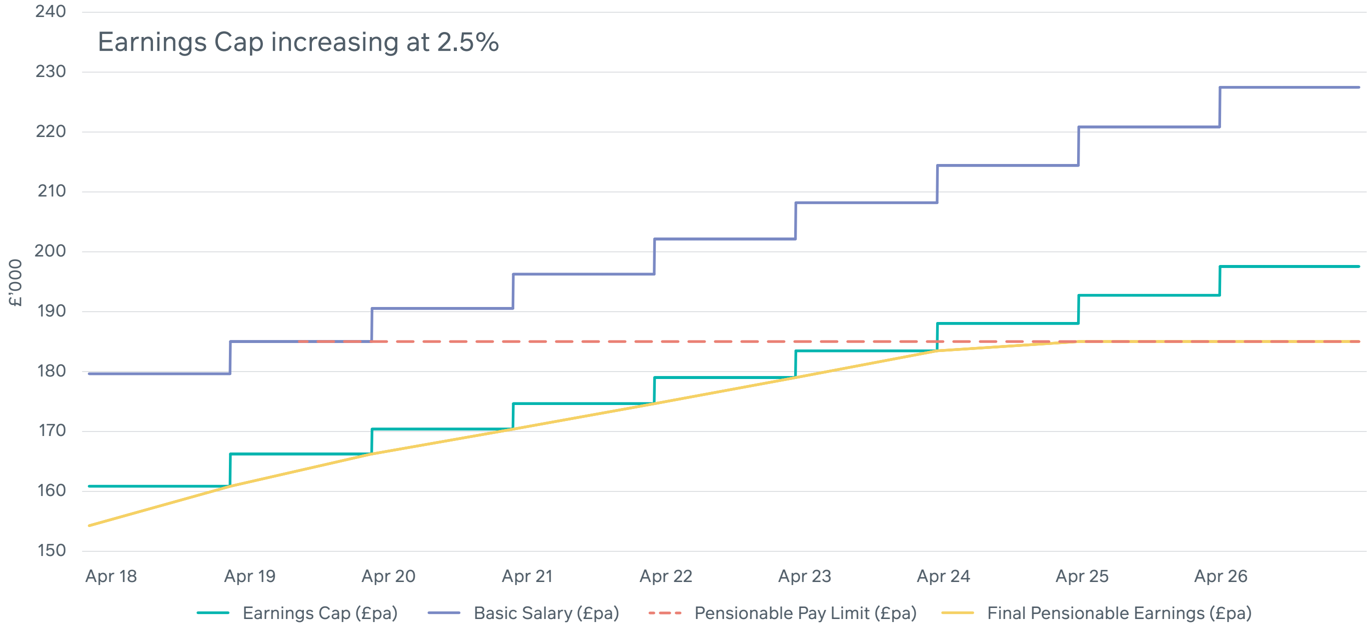
Please refer back to the Kevin, Jerry and Jane example from pages 10, 11 and 12 for an illustration of this.

How do you expect the Earnings Cap to increase in the future?

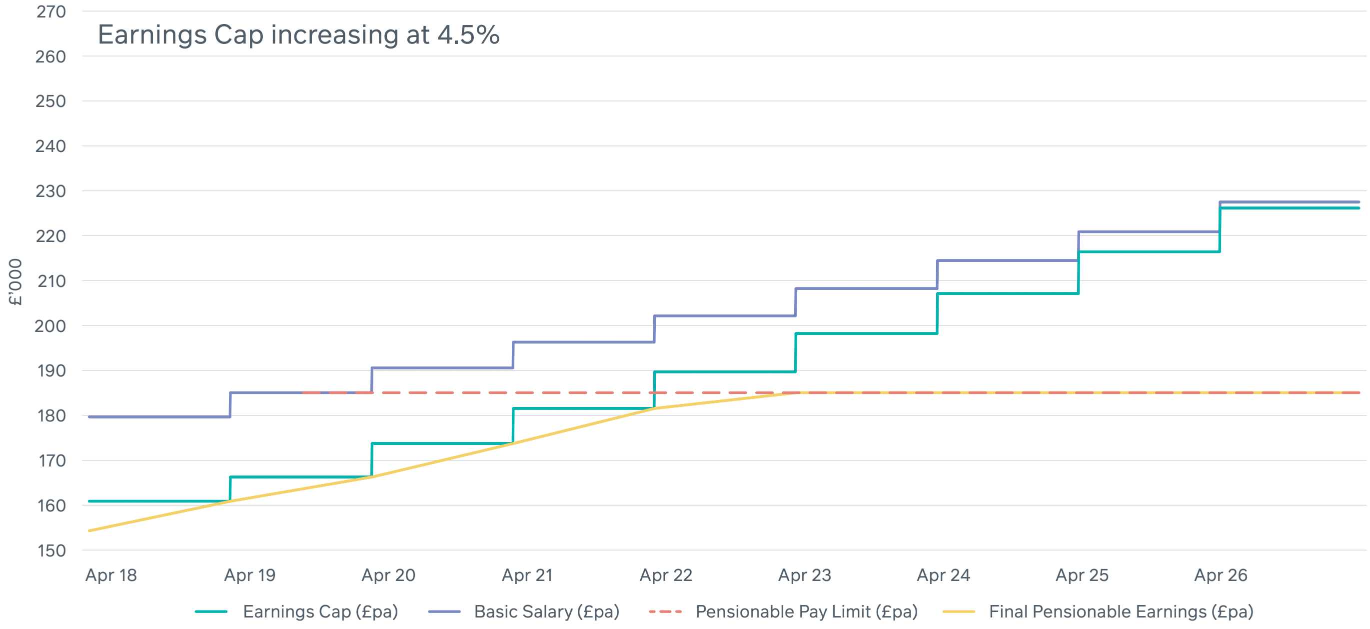
The Earnings Cap increases each year broadly in line with the Retail Prices Index (RPI). If the Earnings Cap increases in the future at a faster rate than expected because retail price inflation is higher than expected, then it is more likely that the Earnings Cap will exceed your Pensionable Pay Limit before you stop being an active member in PSPS DB.

The following charts illustrate how the rate at which the Earnings Cap increases will impact the point at which the Pensionable Pay Limit is met. Please note that the following examples assume that increases to both basic salary and the Earnings Cap occur in April each year.

Both charts show a PSPS DB member who is currently earning £185,000 per year. The member received a salary increase in April 2019 of 3%. Their salary before the increase in April 2019 was £179,612 per year. They receive no further salary increases before 30 September 2019 and therefore their Pensionable Pay Limit is set at £185,000. We have assumed their salary receives future increases of 3% pa.



The chart above assumes that the Earnings Cap will increase each year by 2.5%. In this case, the Earnings Cap does not exceed the Pensionable Pay Limit for this member until the increase in April 2024 and Final Pensionable Earnings reaches the Pensionable Pay Limit a year later, in April 2025.



The chart above assumes that the Earnings Cap will increase each year by 4.5%. In this case, the Earnings Cap exceeds the Pensionable Pay Limit two years earlier than the previous example (ie after the increase in April 2022) and Final Pensionable Earnings will also reach the Pensionable Pay Limit two years earlier (ie in April 2023). This illustrates that higher increases in the Earnings Cap will result in the Pensionable Pay Limit being met earlier if all other factors remain unchanged.

Deciding whether to remain as an active member of PSPS DB or opt out and join PSPS DC

If the Earnings Cap does exceed your Pensionable Pay Limit at some point in the future, you should consider whether staying in PSPS DB as an active member will give you a higher or lower retirement income than opting out (and either having a deferred pension or taking flexible retirement) and becoming an active member of PSPS DC. The following questions may help you understand some of the things you might want to consider when deciding which option to take and when. You may have other questions or key factors to consider which will depend on your circumstances.

Have your Final Pensionable Earnings reached their maximum value?

For most members, Final Pensionable Earnings will equal their last 12 months' basic salary. As a result, your Final Pensionable Earnings will not reach the Pensionable Pay Limit until 12 months after the date on which the Earnings Cap exceeds your Pensionable Pay Limit. So, if the April 2020 increase to the Earnings Cap is such that the 2020/21 Earnings Cap is higher than your Pensionable Pay Limit, your Final Pensionable Earnings will reach your Pensionable Pay Limit in April 2021.

What pay increases do you think you are likely to receive in the future?

If your salary increases significantly in the future, the salary used to calculate your benefits from PSPS DB could be much lower than your actual salary. If you then chose to opt out of PSPS DB and join PSPS DC, contributions to that arrangement would be based on your full basic salary. So a significant salary increase would be a trigger to review whether it might be in your interests to opt out of PSPS DB and join PSPS DC.

What rate do you expect inflation to increase at in the future?

If you opt out of PSPS DB and have a deferred pension in that arrangement, your deferred pension would increase between the date that you opt out and the date you take it, broadly in line with the CPI up to a cap. For pension in excess of any Guaranteed Minimum Pension relating to service before 6 April 2009, the cap is 5% a year and for pension relating to service from 6 April 2009 onwards it is 2.5% a year. Therefore higher inflation means larger increases to your deferred PSPS DB pension especially if a significant proportion of your pension relates to service before 6 April 2009. **See Example 1 on page 23.**

How much Pensionable Service have you already built up in PSPS DB?

The more Pensionable Service you have completed in PSPS DB, the more likely it becomes that the inflation protection you will receive on your deferred pension if you opted out, plus the benefits you will build up in PSPS DC, will be more valuable than the extra years of pension accrual that you would earn as an active member. If you are approaching the maximum Pensionable Service, which is usually 40 years, you should consider opting out of PSPS DB as soon as that limit is reached. **See Example 2 on page 24.**

What will be the impact on any cash supplement you are receiving?

If you are currently receiving a cash supplement on your salary in excess of the Earnings Cap, from 30 September this will be based on the difference between the Earnings Cap and your Pensionable Pay Limit. It would be expected to decrease over time as the Earnings Cap increases. If you opt-out and join PSPS DC, this supplement would stop, and you would currently receive up to 13% of your full basic salary as contributions to PSPS DC, or in cash, or part contributions and part cash, depending on your tax status. **See Appendix 4 for more information.**

How important is financial protection if you are unable to work due to ill health?

PSPS DB provides valuable benefits for active members who are unable to continue to work due to ill health. For the most serious cases, this can mean an unreduced pension based on all the Pensionable Service you could have completed up to Normal Retirement Date. If you opt out of PSPS DB, your ill-health benefits are likely to be lower. The impact would depend on the severity of your ill health and how many years you have to go until Normal Retirement Date. **See Example 3 on page 25.**

How important is financial protection for your dependants if you die whilst working for the Company?

As long as you remain employed by the Company, you would be covered for a lump sum of four times your actual basic salary (ie ignoring the Earnings Cap and the Pensionable Pay Limit). In addition, PSPS DB provides pensions for your Spouse, Civil Partner or Dependant(s) and any Eligible Children. If you are an active member of PSPS DB when you die, these pensions are likely to be higher than if you are a deferred or pensioner member, mainly because they would be based on all the Pensionable Service you could have completed up to Normal Retirement Date. However, if you choose to opt out and join PSPS DC, then you will also receive benefits from PSPS DC if you die whilst working for the Company. The overall level of benefits you receive will depend on, amongst other things, the period to Normal Retirement Date at the point of death. **See Example 4 on page 26.**

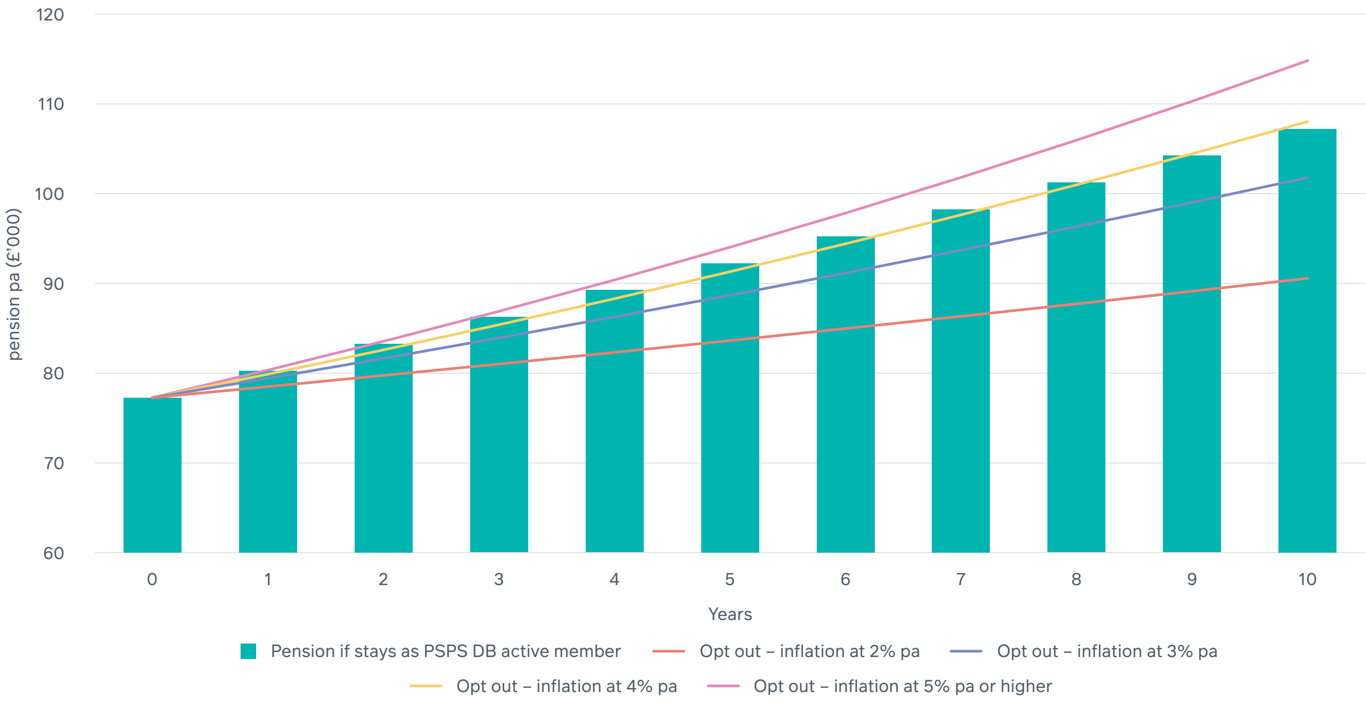
How important is it for you to know what your benefits will be when you retire?

PSPS DB provides you with predictable retirement benefits calculated using a formula set out in the Rules. The risk of providing you with the benefits promised is borne by the Company – so if, for example, investments don't perform as well as expected, the Company makes up the 'gap' by paying money into PSPS DB. PSPS DC is different because the amount of benefit you receive is less predictable. The Company pays in an agreed amount of contributions but the size of your pension pot at retirement depends on other factors like how well investments perform.

How much does tax affect the net value of your PSPS DB benefit?

It is likely that (at least until the Earnings Cap reaches your Pensionable Pay Limit) you are already subject to an Annual Allowance tax charge on some of your pension accrual. Depending on your service in the scheme, any past benefits you have, the timing of your retirement, and whether you have been using **Scheme Pays** to meet past Annual Allowance charges, your pension may also be subject when you retire to a Lifetime Allowance charge. Even after allowing for these additional taxes, it may be that membership of PSPS DB is more valuable to you than opting-out and joining PSPS DC and/or (if applicable) receiving a cash alternative, but the impact of tax is an important consideration. **See Appendix 4 for more information.**

Example 1: Impact of inflation – Pension from staying in versus opting-out after Earnings Cap reaches Pensionable Pay Limit



Whether or not it might be in a member's interests to opt out after reaching their Pensionable Pay Limit will depend on a number of factors, including future price inflation.

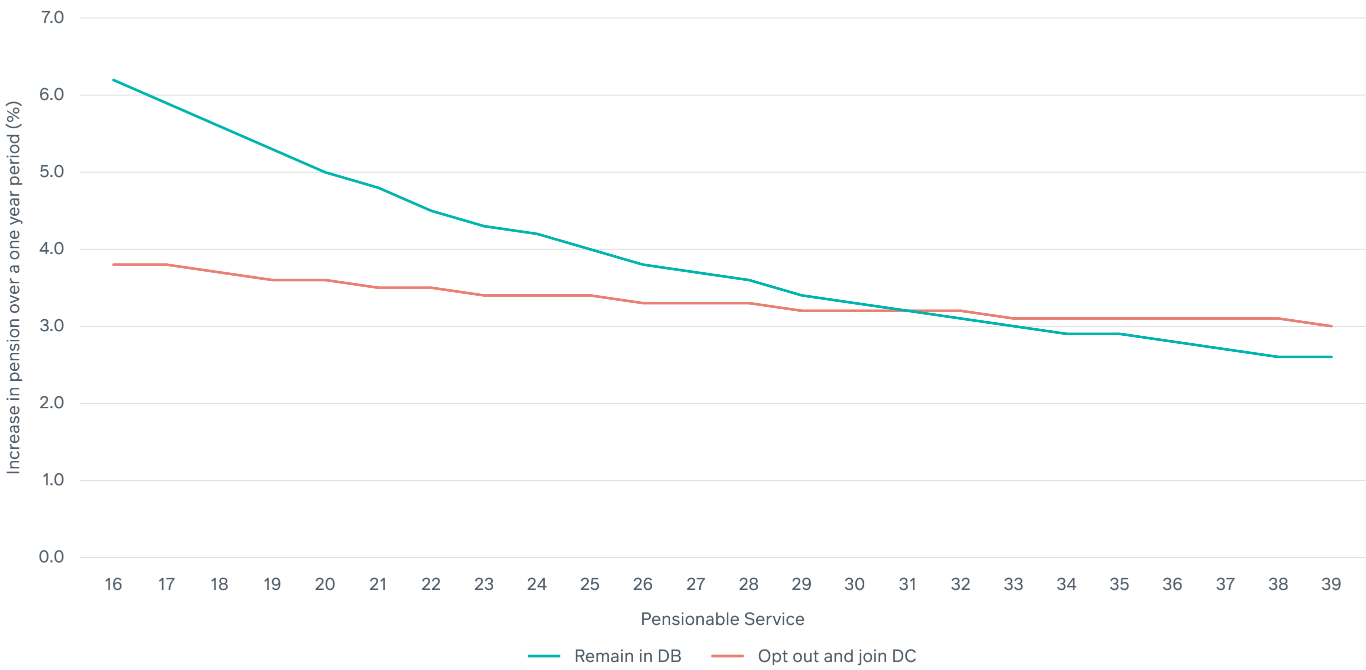
This example compares the DB pension that a member could receive if they were to opt out of PSPS DB with the pension that they could receive if they were to remain in PSPS DB. In this example, the member has completed 26 years of Pensionable Service and their Final Pensionable Earnings became subject to the Pensionable Pay Limit at that point.

Each of the lines show how their pension increases from the point of opting out, but based upon different rates of inflation. You will notice that if inflation is 5% pa or more, their pension cannot increase any further with higher inflation (and in fact for pension accrued after 5 April 2009, it will not increase any further with inflation higher than 2.5% pa). The green bars show the pension that they would build up if they remained in PSPS DB instead of opting out.

In times of low inflation, this member would be better off staying in PSPS DB than opting out (for example the green bars are higher than the orange and purple lines). In times of high inflation, this member could be better off opting out of PSPS DB (for example the pink line is higher than the green bars). However, it is worth noting that for pension accrued after 5 April 2009, the maximum it will increase by is 2.5% pa There could be scenarios where the member would be better off staying in PSPS DB in the short term and opting out at a later date (for example the yellow line is lower than the green bars at first but higher later on).

Price inflation will vary over time and just because it is at a relatively low level now, that does not mean that this will always be the case. However, it is impossible to predict. If price inflation increases in future, then that may make opting-out a more attractive proposition. The example only shows the inflation impact on your DB pension. If you were to opt out, you could also join PSPS DC and build up a DC fund that would be used to purchase additional pension benefits, so that should also be taken into account. Higher inflation would be a trigger to review whether it might be in your interests to opt out of PSPS DB and join PSPS DC.

Example 2: Comparing extra DB Pensionable Service to the revaluation and DC fund growth from opting out after Earnings Cap reaches Pensionable Pay Limit



Another factor that needs to be considered is the number of years of Pensionable Service that have already been completed.

This example illustrates the increase in pension a member might expect over one year if they were to either stay in PSPS DB or opt out of PSPS DB and join PSPS DC depending on their number of years of Pensionable Service. This example assumes that the member joins PSPS DC without making any personal contributions while the Company pays 8%. When they have fewer years of Pensionable Service (the left-hand side of the chart) staying in PSPS DB and accruing another year of service is more valuable than opting out of PSPS DB, receiving one year of inflationary protection and one year of DC contributions. When this member has more Pensionable Service (the right-hand side of the chart) it may be more valuable for them to opt out, receive one year of inflationary protection and one year of DC contributions than to stay in PSPS DB and receive an extra year of service. Whether or not it will be more valuable to opt out will depend on such factors as future price inflation, future salary growth and future investment returns.

The following assumptions have been used in this example:

Earnings Cap has reached the Pensionable Pay Limit

CPI inflation = **2.5% per annum**

Salary increases = **3% per annum**

Investment returns= **3% per annum**

Member contributions into PSPS DC = **0% per annum**

Employer contributions into PSPS DC = **8% per annum**

This example is for illustrative purposes only and should not be used to infer that a specific action should be taken at any point in time. You should use the modeller to investigate your personal circumstances.

Example 3: Ill-health benefits

For the first two years and six months of ill health, the ill-health benefits are broadly similar whether you stay in or opt-out. The main difference to note is that the benefit for DC members after six months would be subject to any terms imposed by our insurers.

The first table in the example below compares the income just after two years and six months of ill health, when a DC member would continue to receive the insured sickness benefit while for a DB member this would lapse, and they would be considered for an ill-health pension. We assume that, in the DC case, the member switched to DC just before they fell ill, and were aged 47.5 when their illness commenced and the current Earnings Cap of £166,200 applied. The DB benefits depend on the amount of DB service the member had, so we show different figures for different ages at joining.

Table 1: Income after two years six months

	Stay in DB			
Age at joining	Total Incapacity	Serious Incapacity	Not Eligible	Opt-out and join DC
22	£110,589 pa	£81,486 pa	–	£96,920 pa
27	£96,038 pa	£66,935 pa	–	£96,920 pa
32	£81,486 pa	£52,384 pa	–	£96,920 pa

The example assumes a salary (and Pensionable Pay Limit) of £180,000 when the ill health commences, with the long-term sickness benefit and Earnings Cap receiving 2.5% pa increases each year.

The second table then compares the position after five years and six months, when the DC member's long-term sickness benefit would stop but they would be eligible (if illness or disability were permanent) to take a pension from the DB scheme which as a deferred member would be reduced for early payment, and also to access their DC pot to provide additional benefits.

Table 2: Income after five years and six months

	Stay in DB		Opt-out and join DC		
Age at joining	Total Incapacity	Serious Incapacity	DB Pension	DC Pension	Total Pension
22	£119,092 pa	£87,752 pa	£54,966 pa	£7,511 pa	£62,507 pa
27	£103,422 pa	£72,082 pa	£44,213 pa	£7,511 pa	£51,723 pa
32	£87,752 pa	£56,412 pa	£33,429 pa	£7,511 pa	£40,940 pa

Note that the circumstances where there would be no eligibility for a pension in either case would be the same – essentially because the incapacity was not considered likely to be permanent, or because the member's health had recovered sufficiently for them to return to work.

Example 4: Death benefits (after Earnings Cap reaches Pensionable Pay Limit)

Members should also consider the impact on death benefits as these will also be affected if a member were to opt out.

In this example, we compare for the same notional member with different numbers of years before Normal Retirement Date what would happen either if they were to die as an active member or if they were to opt out of PSPS DB to join PSPS DC and die the next day. The chart below shows the dependant's pension payable.

The dependant's pension payable in respect of an active member in PSPS DB is based upon the Pensionable Service the member would have accrued if they had stayed in PSPS DB to Normal Retirement Date, so does not depend upon time left to Normal Retirement Date (the purple line). However, the pension payable in respect of a member who has opted out of PSPS DB only relates to the Pensionable Service completed up to opt out date. PSPS DC also provides a lump sum of four times the member's salary which is either provided as a lump sum or used to buy an additional dependant's pension in addition to the basic 4x salary lump sum provided both by PSPS DC and PSPS DB, which is excluded from the comparison below.

What the example illustrates is that, if you were to opt-out close to Normal Retirement Date and join PSPS DC, then the total Spouse's/Civil Partner's pension would typically be higher. However, the further you were from that date, the more likely it is that the reverse would be true.

Please note that this example is based on the Company's current policy and that this could change in the future. It does not allow for all death benefits which could be payable. The death benefits payable in different scenarios are complex and this illustration is based only on the death benefits which are usually payable.

Deciding whether you want to take action to increase your retirement benefits

The following questions may help you understand whether you should take action to increase your retirement income. You may have other questions and important factors to consider which will depend on your circumstances.

Do you know how much income you will need in retirement?

Your pension from PSPS DB may be lower than it would have been if no changes were made. You can use the modeller to work out how much pension you might receive under a range of scenarios. You should compare this pension, plus any other retirement income you will have (eg pensions from other employers, State Pension and other savings), with how much you think you will need in retirement. If you don't know how much money you will need, there are various resources on the Money Advice Service's website found at **https://www.moneyadviceservice.org.uk/** which will help you work it out. You might find that, despite the changes to PSPS DB, you will still have sufficient income in retirement. If not, you should consider the questions below.

Is the value of your benefits close to the Lifetime Allowance?

The Lifetime Allowance is the limit on how much pension saving you can make over your lifetime without paying an additional tax charge. For most people it is £1,055,000 for the tax year 2019/20. See **page 42** for more information. If the value of your benefits (from all pension arrangements excluding State Pension) is close to this limit you should consider carefully whether you wish to take action which will further increase their value, as this may result in higher tax charges when you retire.

If you start paying DC contributions or increase the amount you are paying, would you exceed your Annual Allowance?

The Annual Allowance is a limit on the amount of pension savings you can build up in each tax year without paying an additional tax charge. Since your taxable income exceeds £150,000 pa, your Annual Allowance will be set between £40,000 and £10,000 in 2019/20 (see **page 42** for more information).
Any pension saving you make above your Annual Allowance may be effectively taxed twice (once when you make it and again when you take your retirement benefits) so you should consider whether you have sufficient Annual Allowance available before making additional contributions.

Could you retire later than planned?

Delaying the date at which you start taking retirement benefits would increase your pension as explained on **page 16**, but it might mean your pension exceeds the Lifetime Allowance, or exceeds it by a greater amount.

Could you increase your State Pension?

Not everyone qualifies for the full State Pension. You can check whether you do by going to **www.gov.uk/check-state-pension**. If you are on track to receive less than the full amount because of a gap in your National Insurance record, you may be able to pay additional National Insurance Contributions to increase your State pension. For more information go to **www.gov.uk/voluntary-national-insurance-contributions**

Appendix 1:
Summary of benefits under different options

The table below outlines your current benefits from PSPS DB and provides a comparison with the benefits under Options A and B. It is intended to provide a brief overview of the Rules, applicable legislation and contractual changes. If there are any inconsistencies between the two, the Rules, applicable legislation and contractual changes will prevail over the summary below. You can find more details on the benefits from PSPS DB and PSPS DC on the website **www.prudentialstaffps.co.uk**.

			Option B: Opt out of PSPS DB and join PSPS DC	
	Current PSPS DB provision	Option A: Continue in PSPS DB as an active member	Option B1: Become a deferred member of PSPS DB and join PSPS DC	Option B2: Take flexible retirement and become a pensioner of PSPS DB and join PSPS DC
How benefits build up	Through additional years and months of Pensionable Service (up to the cap, which is usually 40 years) and increases in your basic salary and the Earnings Cap.	Through additional years and months of Pensionable Service (up to the cap, which is usually 40 years) and increases in the Earnings Cap up to your Pensionable Pay Limit, which will be based on your basic salary as at 30 September 2019.	**PSPS DB** Your pension would be calculated by reference to your Pensionable Service and Final Pensionable Earnings (subject to both the Earnings Cap and your Pensionable Pay Limit) at the date you opted out of PSPS DB. It would then be increased between your opt out date and the date you take it broadly in line with price inflation (up to a cap). **PSPS DC** You would build up your own individual pension pot from contributions made by you and the Company plus investment returns.	**PSPS DB** Your pension would be calculated by reference to your Pensionable Service and Final Pensionable Earnings (subject to both the Earnings Cap and your Pensionable Pay Limit) at the date you take flexible retirement. **PSPS DC** You would build up your own individual pension pot from contributions made by you and the Company plus investment returns.
Pay that counts towards pension	Basic salary, up to the Earnings Cap.	Basic salary, up to the Earnings Cap (subject to your Pensionable Pay Limit after 30 September 2019).	**PSPS DB** Pension calculated using Final Pensionable Earnings based on basic salary capped at the Earnings Cap (subject to your Pensionable Pay Limit after 30 September 2019) at the date you opt out. **PSPS DC** Contributions are based on full Pensionable Pay.	**PSPS DB** Pension calculated using Final Pensionable Earnings based on basic salary capped at the Earnings Cap (subject to your Pensionable Pay Limit after 30 September 2019) at the date you retire. **PSPS DC** Contributions are based on full Pensionable Pay.

			Option B: Opt out of PSPS DB and join PSPS DC	
	Current PSPS DB provision	Option A: Continue in PSPS DB as an active member	Option B1: Become a deferred member of PSPS DB and join PSPS DC	Option B2: Take flexible retirement and become a pensioner of PSPS DB and join PSPS DC
What the Company pays	The Company meets the full cost of the benefits.	The Company meets the full cost of the benefits.	**PSPS DB** The Company meets the full cost of the benefits. **PSPS DC** The Company currently contributes 8 – 13% of your Pensionable Pay depending on how much you contribute (see table on **page 39**). Currently a bonus of 6.9% of any contributions you pay via **Pensions Plus** would also be paid.	**PSPS DB** The Company meets the full cost of the benefits. **PSPS DC** The Company currently contributes 8 – 13% of your Pensionable Pay depending on how much you contribute (see table on **page 39**). Currently a bonus of 6.9% of any contributions you pay via Pensions Plus would also be paid.
How much you pay	Nothing, but you can choose to make AVCs.	Nothing, but you can choose to make AVCs.	**PSPS DB** Nothing **PSPS DC** You don't have to contribute but any contributions that you do make are currently matched by the Company up to 5%.	**PSPS DB** Nothing **PSPS DC** You don't have to contribute but any contributions that you do make are currently matched by the Company up to 5%.
What benefits you get at retirement	A pension payable for life. You can currently choose to commute up to 25% of the value of your pension for a tax-free cash sum.	A pension payable for life. You can currently choose to commute up to 25% of the value of your pension for a tax-free cash sum.	**PSPS DB** A pension payable for life. You can currently choose to commute up to 25% of the value of your pension for a tax-free cash sum. **PSPS DC** You can currently take up to 25% of your pension pot as a tax-free cash sum. The rest can currently be turned into a pension for life (annuity); taken as a taxed lump sum; or moved to a drawdown arrangement where it can be taken flexibly.	**PSPS DB** A pension payable for life. You can currently choose to commute up to 25% of the value of your pension for a tax-free cash sum. **PSPS DC** You can currently take up to 25% of your pension pot as a tax-free cash sum. The rest can currently be turned into a pension for life (annuity); taken as a taxed lump sum; or moved to a drawdown arrangement where it can be taken flexibly.

	Current PSPS DB provision	Option A: Continue in PSPS DB as an active member	Option B: Opt out of PSPS DB and join PSPS DC	
			Option B1: Become a deferred member of PSPS DB and join PSPS DC	Option B2: Take flexible retirement and become a pensioner of PSPS DB and join PSPS DC
What is the Normal Retirement Date (NRD)?	60	60	**PSPS DB** 60 **PSPS DC** 65, however you can select a target retirement date from age 55 onwards.	**PSPS DB** 60 **PSPS DC** 65, however you can select a target retirement date from age 55 onwards.
What happens if you retire early?	Your pension will be reduced because it will be paid to you for a longer period.	Your pension will be reduced because it will be paid to you for a longer period.	**PSPS DB** Your pension will be reduced because it will be paid to you for a longer period. **PSPS DC** Your pension pot is likely to be lower because fewer contributions will be paid in, and there is less time for the investments to grow (although investments can go down, as well as up).	**PSPS DB** n/a **PSPS DC** Your pension pot is likely to be lower because fewer contributions will be paid in, and there is less time for the investments to grow (although investments can go down, as well as up).
What happens if you retire late?	As long as you have not reached the service cap (usually 40 years) you can build up additional years of Pensionable Service. If you reach the service cap your pension will usually be increased between the date that you reach the cap and your retirement date as it will be paid for a shorter period.	As long as you have not reached the service cap (usually 40) years you can build up additional years of Pensionable Service. If you reach the service cap your pension will usually be increased between the date that you reach the cap and your retirement date as it will be paid for a shorter period.	**PSPS DB** Your pension will be increased as it will be paid to you for a shorter period. **PSPS DC** Your pension pot is likely to be higher because more contributions will be paid in, and there is more time for the investments to grow (although investments can go down, as well as up).	**PSPS DB** n/a **PSPS DC** Your pension pot is likely to be higher because more contributions will be paid in, and there is more time for the investments to grow (although investments can go down, as well as up).

	Current PSPS DB provision	Option A: Continue in PSPS DB as an active member	Option B: Opt out of PSPS DB and join PSPS DC Option B1: Become a deferred member of PSPS DB and join PSPS DC	Option B2: Take flexible retirement and become a pensioner of PSPS DB and join PSPS DC
How would pension increase in retirement?	Your pension is increased each year broadly in line with inflation up to a cap. Any increases made to pension for service up to 6 April 1997 (in excess of any GMP) are made at the Company's discretion.	Your pension is increased each year broadly in line with inflation up to a cap. Any increases made to pension for service up to 6 April 1997 (in excess of any GMP) are made at the Company's discretion.	**PSPS DB** Your pension is increased each year broadly in line with inflation up to a cap. Any increases made to pension for service up to 6 April 1997 (in excess of any GMP) are made at the Company's discretion. **PSPS DC** Depends on the choices you make about how you use your pension pot.	**PSPS DB** Your pension is increased each year broadly in line with inflation up to a cap. Any increases made to pension for service up to 6 April 1997 (in excess of any GMP) are made at the Company's discretion. **PSPS DC** Depends on the choices you make about how you use your pension pot.
How would pension increase in deferment?	n/a	n/a	**PSPS DB** Your pension increases between the date you opt out and when you take it broadly in line with inflation up to a cap. **PSPS DC** If you stop being an active member of PSPS DC the value of your pension pot continues to move in line with investment returns.	**PSPS DB** n/a **PSPS DC** If you stop being an active member of PSPS DC the value of your pension pot continues to move in line with investment returns.
Can you transfer benefits out?	No, you would need to opt out.	No, you would need to opt out.	**PSPS DB** Yes, subject to certain conditions. **PSPS DC** You can make one partial transfer every 12 months as long as your pension pot is £20,000 or more and you transfer at least £10,000 or 10% of your pension pot (note, this is at the Company's discretion).	**PSPS DB** No, you would need to opt out rather than retire. **PSPS DC** You can make one partial transfer every 12 months as long as your pension pot is £20,000 or more and you transfer at least £10,000 or 10% of your pension pot (note, this is at the Company's discretion).

	Current PSPS DB provision	Option A: Continue in PSPS DB as an active member	Option B: Opt out of PSPS DB and join PSPS DC Option B1: Become a deferred member of PSPS DB and join PSPS DC	Option B2: Take flexible retirement and become a pensioner of PSPS DB and join PSPS DC
What if I die whilst working for the Company **(Note: the death benefits under the PSPS rules are complex, this table summarises the usual death benefits, but yours may differ. Also note the Company has a right to change certain death benefits.)**	Lump sums: Four times your Final Pensionable Earnings at date of death, (ignoring the Earnings Cap) plus a refund of AVCs. Pensions: a Dependant's pension of 54% of your prospective pension calculated using Final Pensionable Earnings ignoring the Earnings Cap at date of death and Pensionable Service up to Normal Retirement Date. Or, 25% of Final Pensionable Earnings without reference to the Earnings Cap if this is higher. Pensions for up to three Eligible Children of 18% of your prospective pension calculated using Final Pensionable Earnings ignoring the Earnings Cap at date of death and Pensionable Service up to Normal Retirement Date.	Lump sums: Four times your Final Pensionable Earnings at date of death, (ignoring the Earnings Cap and your Pensionable Pay Limit), plus a refund of AVCs Pensions: a Dependant's pension of 54% of your prospective pension calculated using Final Pensionable Earnings ignoring the Earnings Cap at date of death (subject to your Pensionable Pay Limit after 30 September 2019) and Pensionable Service up to Normal Retirement Date. Or, 25% of unrestricted Final Pensionable Earnings, if higher (subject to your Pensionable Pay Limit after 30 September 2019). Pensions for up to three Eligible Children of 18% of your prospective pension calculated using Final Pensionable Earnings ignoring the Earnings Cap at date of death (subject to your Pensionable Pay Limit after 30 September 2019) and Pensionable Service up to Normal Retirement Date.	**PSPS DB** Lump sums: Five times deferred pension had it come into payment at date of death plus refund of AVCs. Pensions: a Dependant's pension of 50% of your deferred pension revalued to date of death. Pensions for up to three Eligible Children of one-sixth of your deferred pension revalued to date of death. **PSPS DC** Lump sums: Four times your basic salary, plus a refund of your pension pot, less the value of the PSPS DB lump sum as described above. Pensions: An additional four times your salary is provided either as a lump sum or for the provision of death in service pensions.	**PSPS DB** Lump sum: any unpaid balance of first five years' pension payments. Pensions: Dependant's pension of 50% of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement. Pensions for up to three Eligible Children of one-sixth of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement. **PSPS DC** Lump sums: Four times your basic salary, plus a refund of your pension pot, less the value of any DB lump sum as described above.

	Current PSPS DB provision	Option A: Continue in PSPS DB as an active member	Option B: Opt out of PSPS DB and join PSPS DC Option B1: Become a deferred member of PSPS DB and join PSPS DC	 Option B2: Take flexible retirement and become a pensioner of PSPS DB and join PSPS DC
What if I die after retirement?	Lump sum: any unpaid balance of first five years' pension payments. Pensions: Dependant's pension of 50% of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement. Pensions for up to three Eligible Children of one-sixth of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement.	Lump sum: any unpaid balance of first five years' pension payments. Pensions: Dependant's pension of 50% of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement. Pensions for up to three Eligible Children of one-sixth of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement.	**PSPS DB** Lump sum: any unpaid balance of first five years' pension payments. Pensions: Dependant's pension of 50% of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement. Pensions for up to three Eligible Children of one sixth of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement. **PSPS DC** Depends on the choices you make about how to use your pension pot at retirement.	**PSPS DB** Lump sum: any unpaid balance of first five years' pension payments. Pensions: Dependant's pension of 50% of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement. Pensions for up to three Eligible Children of one sixth of your pension at retirement (ignoring any reduction for taking cash or other options) plus increases since retirement. **PSPS DC** Depends on the choices you make about how to use your pension pot at retirement.

	Current PSPS DB provision	Option A: Continue in PSPS DB as an active member	Option B: Opt out of PSPS DB and join PSPS DC Option B1: Become a deferred member of PSPS DB and join PSPS DC	Option B2: Take flexible retirement and become a pensioner of PSPS DB and join PSPS DC
What if I'm too ill to work? **(Note: In all cases short-term sickness benefit would apply for the first six months.)**	After six months, long-term sickness benefit of 50% of your salary would apply for a further two years. At the end of the two years (or earlier if it was in your interests), you could apply to take your pension early. The amount payable would depend on the extent of your ill health. **Total incapacity (broadly, being unable to undertake any paid employment):** Pension based on Final Pensionable Earnings at date of retirement restricted to the Earnings Cap and Pensionable Service up to Normal Retirement Date. No reduction for early payment. **Serious incapacity (broadly, being unable to undertake your current job or a similar job):** Pension based on Final Pensionable Earnings at date of retirement restricted to the Earnings Cap and Pensionable Service at date of retirement. No reduction for early payment.	After six months, long-term sickness benefit of 50% of your salary would apply for a further two years. At the end of the two years (or earlier if it was in your interests), you could apply to take your pension early. The amount payable would depend on the extent of your ill health. **Total incapacity (broadly, being unable to undertake any paid employment):** Pension based on Final Pensionable Earnings at date of retirement restricted to the Earnings Cap (subject to your Pensionable Pay Limit after 30 September 2019) and Pensionable Service up to Normal Retirement Date. No reduction for early payment. **Serious incapacity (broadly, being unable to undertake your current job or a similar job):** Pension based on Final Pensionable Earnings restricted to the Earnings Cap (subject to your Pensionable Pay Limit after 30 September 2019) at date of retirement and Pensionable Service at date of retirement. No reduction for early payment.	**Long-term ill-health scheme** Subject to you meeting the necessary criteria, our long-term ill-health scheme would currently pay a benefit of 50% of your salary for up to five years, death or State Pension Age if earlier. If you were still unable to work after five years you would leave our employment and an employer pension contribution based on your prospective service to State Pension Age would also be paid to PSPS DC. (More details can be found in the Guides section at **www.prudentialstaffps.co.uk**) **PSPS DB** You could apply to take your deferred pension early, with no minimum age, if you are unable to undertake your current job or a similar job. It would be reduced for early payment. **PSPS DC** If you were still unable to work after five years (or State Pension Age if earlier) and your condition was permanent you could apply to take benefits early, with no minimum age.	**Long-term ill-health scheme** Subject to you meeting the necessary criteria, our long-term ill-health scheme would currently pay a benefit of 50% of your salary for up to five years, death or State Pension Age if earlier. If you were still unable to work after five years you would leave our employment and an employer pension contribution based on your prospective service to State Pension Age would also be paid to PSPS DC. (More details can be found in the Guides section at **www.prudentialstaffps.co.uk**) **PSPS DB** Your DB flexible retirement pension would be unaffected. **PSPS DC** If you were still unable to work after five years (or State Pension Age if earlier) and your condition was permanent you could apply to take benefits early, with no minimum age.

Appendix 2:
Overview of PSPS DB

PSPS DB provides a range of benefits to help you save for your retirement. It also provides you and your dependants with financial protection while you are working as well as when you have retired. The benefits payable depend on your category of membership. There are three membership categories:

- **Active members** – members who are employed by the Company and continue to build up additional years of Pensionable Service.
- **Deferred members** – members who have either left the Company or opted out of PSPS DB and who have not transferred their benefits out of PSPS DB or started to take their pension.
- **Pensioner members** – members who are receiving a pension from PSPS DB.

A summary of the benefits provided by PSPS DB is set out below. For more details please refer to the member guide which can be found at **https://prudentialstaffps.co.uk/documents**. Please note that this document and the member guide are both summaries and in the event of any conflict with the Trust Deed and Rules and/or any agreement that a salary increase will not be pensionable then the latter two shall prevail.

How your PSPS DB pension builds up

As an active member of PSPS DB, your pension builds up at a fixed rate (1/60th for most members) of your Final Pensionable Earnings for each year served (up to a maximum, which is usually 40 years). Broadly speaking Final Pensionable Earnings are calculated as the highest of:

- final year of basic salary
- highest basic salary for a single tax year in the last five tax years
- highest average basic salary for three consecutive tax years in the last 10 tax years.

However, the salary which determines your Final Pensionable Earnings is restricted to the Earnings Cap (which normally increases each year in line with increases in the RPI).

After 30 September 2019 the salary used to calculate your PSPS DB pension will continue to rise in line with increases in the Earnings Cap but only until it reaches your Pensionable Pay Limit. After reaching the Pensionable Pay Limit, your Final Pensionable Earnings will stop increasing.

Contributions to PSPS DB

The Company meets the full cost of benefits from PSPS DB. You are not required to contribute to PSPS DB but you could choose to pay Additional Voluntary Contributions (AVCs), which are a flexible way of increasing your retirement benefits (although the value of these benefits may go up or down, depending on investment performance). However, because you are paid a salary in excess of the Earnings Cap, this is likely to mean that you are already breaching your Annual Allowance in PSPS DB. This means that it may not be tax-efficient for you to make additional provision for your retirement through PSPS DB.

For more information regarding AVCs, please refer to the 'Guide to the Defined Benefit Section's Additional Voluntary Contribution arrangements' at **https://prudentialstaffps.co.uk/scheme-map/paying-avcs**

You can start, increase, reduce or stop paying AVCs at any time by downloading and completing the relevant form (available from **https://prudentialstaffps.co.uk/documents/forms**)

What you get when you retire

When you retire, for most members, your pension from PSPS DB is calculated using the following formula:

$$\frac{\text{Years and complete months of Pensionable Service}}{60} \times \text{Final Pensionable Earnings}$$

Pensionable Service cannot usually exceed 40 years and the basic salary used to calculate your Final Pensionable Earnings will be limited to the Earnings Cap (subject to your Pensionable Pay Limit which will be based on your basic salary as at 30 September 2019).

Pensions are payable from Normal Retirement Date (age 60) but (subject to meeting certain criteria) you can start taking your benefits from PSPS DB before or after that date:

- Early retirement can be taken from minimum pension age (currently age 55, for most members). Your pension is reduced to reflect the fact that it will be paid for a longer period (unless you are retiring because of ill health and satisfy certain requirements).
- Late retirement can be taken up to age 75. If you continue to work for the Company, you can build up additional years of Pensionable Service until you reach the maximum amount of service, usually 40 years. If, on reaching the maximum, you didn't start taking your pension, it would be increased each year until you started taking it to reflect the fact that it would be paid for a shorter period.

Options at retirement

At retirement you have a number of options (subject to certain conditions) including:

- exchanging up to 25% of your pension for a tax free lump sum
- exchanging part of your pension to provide a higher pension for your dependants when you die
- taking a higher pension before State Pension Age and a lower pension after that date (to give you a more level total retirement income).

How your pension increases in retirement

Once your pension has started being paid to you, it is increased each year broadly in line with inflation up to a cap. Increases to any pension you earned for Pensionable Service before 6 April 1997 (in excess of any Guaranteed Minimum Pension) are made at the discretion of the Company. Different increases apply to different periods of service and some parts of your pension may not increase. For full details, see the member guide at **www.prudentialstaffps.co.uk**

Leaving Service or opting out of PSPS DB

Unless you retire or transfer your benefits to another pension arrangement, your pension would remain in PSPS DB until you start to take it and you would be treated as a deferred member. Your deferred pension is calculated in the same way as described above but using your Pensionable Service and Final Pensionable Earnings at the date you leave service/opt out.

Your deferred pension is revalued until you take it to reduce the impact of inflation. Different elements of your deferred pension revalue at different rates. For full details, see the member guide at **www.prudentialstaffps.co.uk**.

You would also have the option of transferring your pension to another arrangement, subject to certain conditions. You would need to take financial advice before you could transfer to a defined contribution scheme.

Death benefits

The death benefits payable will depend on what category of member you are at the date of your death. Please note that the death benefits under the rules can be complex so the below is a summary of the usual benefits only.

Active member:

If you die as an active member of PSPS DB, the following benefits would be payable:

- A lump sum usually equal to four times your Final Pensionable Earnings (calculated ignoring the Earnings Cap and Pensionable Pay Limit) at the date of your death. In addition, if you have paid AVCs, the value of your AVC fund would be paid as a lump sum.
- A pension for your Spouse, Civil Partner or Dependant(s), payable for life, usually equal to 54% of the pension you would have received at your Normal Retirement Date, broadly based on your Final Pensionable Earnings ignoring the Earnings Cap at the date of your death (subject to your Pensionable Pay Limit after 30 September 2019) and the Pensionable Service you would have completed up to Normal Retirement Date.
- A pension for up to three Eligible Children of 18% of, broadly, the pension you would have received at Normal Retirement Date (calculated as described above).

Deferred member:

If you die as a deferred member of PSPS DB, the following benefits would be payable:

- At the Company's discretion, a lump sum equal to five times your deferred pension had it come into payment on the date of your death (reduced for early payment). In addition, if you have paid AVCs the value of your AVC fund would be paid as a lump sum.
- A pension for your Spouse, Civil Partner, or Dependant(s), payable for life, usually equal to 50% of your deferred pension, including any increases (known as revaluation) granted from your date of leaving up to the date of your death.
- A pension for up to three Eligible Children of one sixth of your deferred pension (calculated as described above).

Pensioner member:

If you die whilst in receipt of a pension from PSPS DB, the following benefits would be payable:

- A lump sum equal to any unpaid balance of your first five years' pension payments (not taking into account any future increases).
- A pension to your Spouse, Civil Partner or Dependant(s), payable for life, usually equal to 50% of the full pension you were entitled to at retirement (ie before exchanging any pension for a tax-free lump sum and excluding any pension from AVCs) plus any increases granted since that time.
- A pension for up to three Eligible Children of one sixth of your pension (calculated as described above).

Making your wishes known

The Trustee decides who should receive any lump sum benefits payable on your death but consideration would be given to anyone that you have nominated as a beneficiary on your Expression of Wish Form. You can download a form from the PSPS DB website at **https://www.prudentialstaffps.co.uk/documents/forms**

Ill-health benefits

If you have to leave Service with the Company at any age due to ill health, you may be able to receive an immediate early retirement pension. Two categories of ill-health pension are available; the level which applies would depend on the view of the Company's medical adviser as to the extent of your ill health.

- Total Incapacity Pension (meaning you cannot undertake any paid employment): A pension calculated using your potential Pensionable Service to your Normal Retirement Date and your Final Pensionable Earnings restricted to the Earnings Cap (subject to your Pensionable Pay Limit after 30 September 2019). The amount payable would not be reduced to take account of early payment.
- Serious Incapacity Pension (meaning you cannot undertake your current job or a similar job): A pension calculated using the Pensionable Service you have completed up to the date you leave service and your Final Pensionable Earnings restricted to the Earnings Cap (subject to your Pensionable Pay Limit after 30 September 2019). The amount payable would not be reduced to take account of early payment.

Note that normally you would be considered for short-term and long-term sickness benefits for six months and two years respectively before leaving service with the Company. However, you could apply for an ill-health pension sooner. If you were to do this, were found eligible and decided to proceed, then your Company service would cease on your ill-health retirement.

As a deferred member of PSPS DB you could apply to take your deferred pension early, from any age, if you are unable to undertake your current job or a similar job. It would be reduced for early payment.

Appendix 3:
Overview of PSPS DC

This section of the Guide gives a summary of the benefits that would apply if you stopped being an active member of PSPS DB and joined PSPS DC. For more details please refer to the member guide which can be found at https://www.prudentialstaffps.co.uk.

Both this document and the member guide are summaries and in the event of any conflict with the PSPS DC Trust Deed and Rules, then the latter shall prevail. The employers also retain the right to make changes to PSPS DC.

How your pension builds up

Members of PSPS DC build up their own individual pension pot made up of contributions and investment returns on those contributions. In PSPS DC, Pensionable Pay is not subject to the Earnings Cap or your Pensionable Pay Limit, so contributions would be based on full Pensionable Pay. At retirement, they can choose how they use their pension pot from a range of options.

Contributions

If you join PSPS DC, you would be defaulted to a personal contribution of 1% of your basic salary. After joining, you can choose to increase your contributions or stop paying them at any time. If you choose not to contribute, the Company will currently pay in 8% of your basic salary. If you choose to contribute, the Company will make additional contributions. The table below shows the PSPS DC contribution structure from 1 April 2019.

Your contributions	Employer contributions	Total contributions
0%	8%	8%
1%	9%	10%
2%	10%	12%
3%	11%	14%
4%	12%	16%
5%+	13%	18%+

If you decide to contribute to PSPS DC, you can pay in up to 100% of your pay. Under current regulations, you would receive tax relief on any contributions you make up to certain limits. This means that a contribution of £100 would only cost you £55 using a tax rate of 45%.

The Company also operates a salary sacrifice arrangement, Pensions Plus, which may further reduce the impact of paying contributions on your take-home pay. For more information please visit **https://dc.prudentialstaffps.co.uk/**

Investing your contributions

Members of PSPS DC can decide where to invest their pension pot from a range of funds selected by the Trustee. If you don't make a decision, your pension pot is invested in a default fund selected by the Trustee. Selecting the right investment strategy is a very important decision, as it will impact the amount of benefits you receive on retirement. For further information, you should refer to the Investment Guide which can be found in the Document library of the PSPS DC website: **https://dc.prudentialstaffps.co.uk/document-library**

What you get when you retire

You can retire at any time between minimum pension age 55 – currently – and age 75. When you retire you can choose how you use your pension pot. Your options currently include:

- Taking up to 25% of your pension pot as a tax free lump sum (to do this you must use the rest to buy an annuity or move it to another arrangement).
- Using your pension pot to provide a guaranteed income for life (known as an annuity).
- Taking the whole of your pot as a single lump sum (25% would be tax free and the rest would be subject to income tax).
- Moving your pension pot to a drawdown arrangement which you can then access flexibly (ie take income/lump sums as needed).

If you want to take benefits from your pension pot whilst continuing to work for the Company, you can as long as:

- You have reached minimum pension age – currently age 55;
- You have at least £20,000 in your pension pot and you use at least £10,000 or, if greater, 10% of your pension pot; and
- You leave at least £10,000 in your pension pot.

Currently, if you were to do this, a lower Annual Allowance (the Money Purchase Annual Allowance or MPAA) would apply to your DC pension savings. The allowance is currently £4,000 – see **page 42** for more details.

Death benefits

The death benefits payable would depend on what category of member you are at the date of your death. Please note that the death benefits under the rules can be complex, so the below is a summary of the usual benefits only. The Company has discretion to change these death benefits.

Active member

If you die as an active member of PSPS DC the following benefits would usually be payable:

- A lump sum payment of four times your Pensionable Pay (offset by any lump sum benefits payable from PSPS DB);
- A lump sum payment equal to the value of your pension pot; and
- If you have not flexibly retired under PSPS DB and remain a deferred member of PSPS DB (or have transferred-out), a further four times your Pensionable Pay as a lump sum or for the provision of dependants' pensions.

The first and last of these benefits would be subject to any limits or criteria imposed by the scheme's insurers.

Deferred member

If you die as a deferred member of PSPS DC, the value of your pension pot would be paid as a lump sum. Death benefits as a deferred PSPS DB member – see **Appendix 2** – would also be payable.

Death after retirement

The benefits payable on your death would depend upon the choices you make when you retire. For example, if you buy an annuity, you can choose whether payments stop when you die or continue to be paid (in full or in part) to a dependant. Death benefits as a PSPS DB pensioner – see **Appendix 2** – would also be payable.

Making your wishes known

The Trustee decides who should receive any lump sum benefits payable on your death but consideration would be given to anyone that you have nominated as a beneficiary on your Expression of Wish Form. You can download a form from the PSPS DC website at **https://dc.prudentialstaffps.co.uk/document-library/forms**

Ill-health benefits

Provided they are actively at work when they join, PSPS DC members automatically participate in our long-term ill-health plan that pays a benefit of 50% of salary for up to five years, or to State Pension Age, if sooner. Pension contributions are paid in addition. While this benefit is provided by the Company through an insurance policy and not via PSPS DC, a booklet with more details can be found on the PSPS DC website at: **https://dc.prudentialstaffps.co.uk**. Coverage is subject to any terms and conditions imposed by our insurers.

If at the end of the five years you are still unable to work you would leave our employment and an additional lump sum pension contribution would be paid to PSPS DC. Provided your inability to work was permanent (and certain other conditions are satisfied), or you were over age 55, you would be able to use your pension pot to provide an income/lump sum. You would need to provide satisfactory medical evidence that, in the opinion of the Trustee, you had become too ill to work.

Appendix 4:
Tax considerations

Saving into a pension arrangement has a number of tax advantages, however HMRC imposes limits on how much you can save without paying additional tax charges. Please note the below reflects our understanding of the current tax position, but this may be subject to change.

Lifetime Allowance

The Lifetime Allowance is a limit on the total value of the pension savings that you can build up during your working life (across all registered pension arrangements) without incurring tax charges. This limit is set by the Government and is £1.055 million for the 2019/20 tax year (although some people have protections which mean they have a higher Lifetime Allowance). If the value of your pension benefits exceeded the Lifetime Allowance, you may then be subject to an additional tax charge on the excess amount when benefits are paid to you. If the excess benefits are taken as pension, the tax charge is 25% (and the pension is also subject to income tax) but if you take them as a lump sum, the tax charge is 55%.

The value of your pension benefits is, for the purpose of comparing them to the Lifetime Allowance, usually 20 times the annual rate of any DB pension, plus any tax free lump sum, plus the value of any DC benefits.

If your pension savings have reached 90% or more of the Lifetime Allowance the Company will consider, at its discretion, allowing you to opt-out of both your current scheme and PSPS DC and receive a cash supplement, currently 13% of salary, subject to tax and National Insurance.

Full details, including the consequences for life assurance and ill-health benefits, can be obtained by contacting **pension.tax@prudential.co.uk** (or via local HR). You would continue to be re-enrolled in PSPS DC (or any successor scheme nominated by the Company as its auto-enrolment scheme) periodically and would need to opt-out promptly in order to continue to receive a cash supplement.

Annual Allowance

The Annual Allowance is a limit on the amount of pension savings that you can build up over each tax year without incurring tax charges.

The Annual Allowance is currently £40,000 for most people, but this will be reduced if, broadly, your taxable income plus pension saving is over £150,000, or if you have already accessed DC benefits flexibly. If the value of the pension benefits that you accrue in any tax year exceeds your Annual Allowance in that tax year (including any carried forward Annual Allowance from the previous three tax years), the excess is subject to income tax at your highest marginal rate. We believe you are already familiar with how this operates for PSPS DB as, based on your earnings, we believe you will already be affected by this limit.

If you were to join PSPS DC and were adversely affected by the Annual Allowance, the Company will consider, at its discretion, allowing you to cap your contributions at your Annual Allowance. Any excess employer contributions would, at the Company's discretion, be paid as a cash allowance.

The Company writes to our higher earning PSPS DC members in February or March each year with estimates for the coming year of their scope for pension saving within the Annual Allowance. This communication also explains the process for setting or changing a cap on their pension contributions. If you were to opt-out of PSPS DB and join PSPS DC you would be able to set a cap initially and then revisit it each year using this process.

If you need any further information on either the Annual Allowance or the Lifetime Allowance visit **www.hmrc.gov.uk/tax-on-your-private-pension**

Appendix 5:
Glossary of terms used

Active member

A member who is employed by the Company and continues to build up additional years of Pensionable Service.

Additional Voluntary Contributions (AVCs)

These are contributions that you have paid into PSPS DB to secure additional DC benefits.

Annual Allowance

The Annual Allowance is a limit on the amount that can be contributed to all of your pension arrangements each tax year on a tax-effective basis. It is subject to change and currently depends on your total level of income. For more information about the Annual Allowance, visit **https://www.gov.uk/tax-on-your-private-pension/annual-allowance**

Civil Partner

This is the person you have entered into a registered Civil Partnership with under the Civil Partnership Act 2004.

Company

M&G or any associated company/employer that offers you membership of PSPS.

Consumer Prices Index (CPI)

The official index used by the Government as its measure of inflation. The Government previously used the Retail Prices Index as its official index for measuring inflation.

Deferred member

A member who has either left the Company or opted out of PSPS and who has not transferred their benefits out or started to take their pension.

Defined Benefit

A defined benefit (DB) pension arrangement is one where your pension at retirement is calculated based on the number of years you worked and your pensionable earnings. PSPS DB is a DB arrangement.

Defined Contribution

A defined contribution (DC) pension arrangement is one where members and their employers pay set contributions into the scheme. The member builds up a pension pot for providing for their retirement but the amount of that pot is not guaranteed. PSPS DC is a DC arrangement.

Dependant

Your Spouse/Civil Partner or any other person who, in the opinion of the Trustee, is financially dependent upon you at the date you take your pension or die.

Earnings Cap

The Earnings Cap is a limit applied to your salary and Pensionable Bonus (if applicable) if you joined PSPS DB after May 1989. For the tax year 2019/20 it is £166,200.

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

Until 30 September 2019:

Broadly, the greatest of:

- salary in the last year
- highest salary for any one tax year in the last five tax years
- average salary for the best three consecutive tax years in the last 10 tax years.

Since you joined PSPS DB after May 1989, salary (and Pensionable Bonus, if applicable) are restricted to the Earnings Cap.

From 1 October 2019:

Calculated in the same way as above, provided that the Earnings Cap remains below the Pensionable Pay Limit. Your Pensionable Pay Limit is set as at your full-time equivalent basic salary on 30 September 2019. At the point at which the Earnings Cap exceeds the Pensionable Pay Limit, your Final Pensionable Earnings will stop increasing.

This does not apply for calculating death in service lump sum benefits. In this instance, Final Pensionable Earnings will be calculated as per the definition above, ignoring both the Earnings Cap and the Pensionable Pay Limit.

Full-Time Equivalent Basic Salary

Where you work part time, this tells you what your salary would be on a full-time basis. For example, if you work 50% of the hours of a full-time role with a salary of £85,000, your full-time equivalent would be £170,000

Guaranteed Minimum Pension (GMP)

If you were an active member of PSPS DB at any time between 6 April 1978 and 5 April 1997 (inclusive), you will probably have accrued a GMP. This is the minimum pension PSPS DB 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). You may also have transferred a GMP into PSPS DB from a different scheme you were a member of in that time.

Lifetime Allowance

The Lifetime Allowance (LTA) is a limit on the amount of pension benefit that can be built up in all of your pension schemes on a tax-effective basis over your lifetime. Currently the LTA is £1,055,000 but this figure is subject to change. For more information about the LTA, visit **https://www.gov.uk/tax-on-your-private-pension/lifetime-allowance**

Minimum Pension Age

The earliest age at which benefits can be taken from a registered pension scheme. Minimum Pension Age is set by the government and is expected to increase to 57 in 2028.

Normal Retirement Date

The date at which you are expected to retire. For most members your Normal Retirement Date is age 60 although it is age 65 for some male members. You will have been told if your Normal Retirement Date is not age 60. Your Normal Retirement Date is sometimes referred to as your Normal Pension Date.

Pensionable Pay (in respect of benefits in PSPS DC)

This means your basic salary, before any reduction for salary sacrifice, such as Pensions Plus.

Pensionable Pay Limit

This is the value of your full-time equivalent basic salary on 30 September 2019 (before the Earnings Cap is applied). For example, if you had a basic salary of £170,000 at 30 September 2019, your Pensionable Pay Limit would be £170,000. Your Final Pensionable Earnings will increase in line with increases in the Earnings Cap but it will not be increased beyond your Pensionable Pay Limit.

Pensionable Service

This is the amount of time you have been an active member of PSPS DB since your date of joining. It will reflect any periods of part-time service. For example, if you work 50% of full-time hours for a year, you will accrue 0.5 years of service for that year, rather than one year. Pensionable Service cannot exceed 40 years for most members.

Pension Pot

Your individual fund in PSPS DC made up of contributions and investment returns.

Pensioner

A member who is receiving a pension from PSPS DB.

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 or visit **https://dc.prudentialstaffps.co.uk**

PSPS DB

The defined benefit section of the Prudential Staff Pension Scheme.

PSPS DC

The defined contribution section of the Prudential Staff Pension Scheme.

Retail Prices Index (RPI)

This is a measure of inflation published by the Office for National Statistics every month. It measures the change in the cost of a representative sample of retail goods and services.

Salary (in respect of benefits in PSPS DB)

For most members means basic annual salary, before any reduction for salary sacrifice, such as Pensions Plus.

Scheme Pays

This is a process which allows you to pay an Annual Allowance charge from your pension savings. This means that the scheme will pay the annual allowance charge direct to HMRC on your behalf, and the tax charge is taken out of your pension savings

Spouse

This is the person to whom you are legally married. This includes opposite-sex spouses and same-sex spouses.

State Pension

The pension you receive from the State when you reach State Pension Age.

State Pension Age

The earliest age at which you can claim your State Pension. Your State Pension Age depends on when you were born. To find your State Pension Age go to **www.gov.uk/state-pension-age**

Trustee

Prudential Staff Pensions Limited, a limited company, is the Trustee of the Prudential Staff Pension 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 the members and their beneficiaries.

It is governed by a Board of Trustee Directors, some of them Company nominated and some member nominated.

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