



PRUDENTIAL

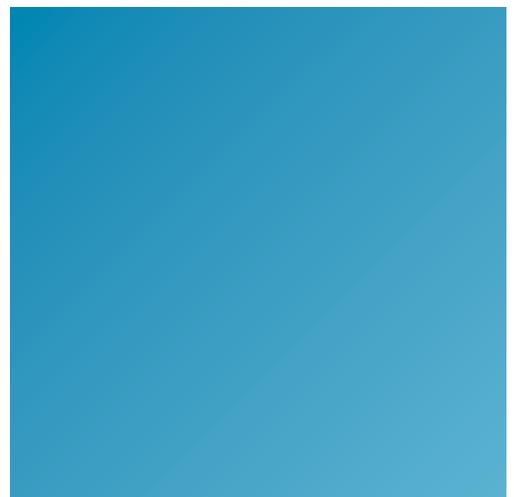
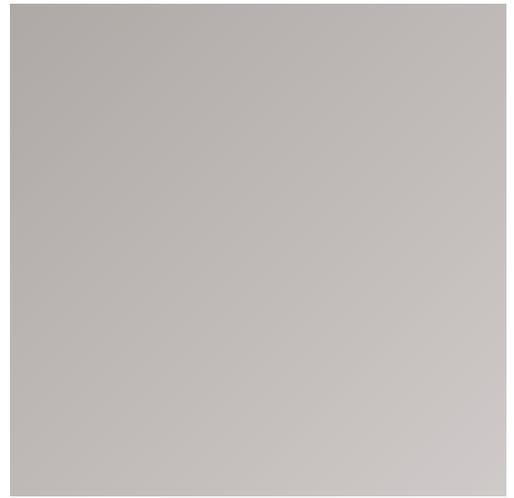
Staff Pension Scheme

STATEMENT OF THE SCHEME'S FINANCIAL HEALTH

For the **Defined Benefit Section** of the
Prudential Staff Pension Scheme.

Your 2018 Summary Funding Statement

*Your Pension.
Your Future.*



Chairman's introduction

I am pleased to present the 2018 Summary Funding Statement, the financial health check for the Defined Benefit (DB) Section of the Prudential Staff Pension Scheme (the Scheme).

With the support of the Scheme Actuary, the Trustee formally reviews the financial position of the DB Section at least every three years. The latest formal review, as at 5 April 2017, has now been concluded and shows the DB Section continues to be in very good health. In fact, when compared to the previous update we shared with you, which was as at 5 April 2016, the funding level of the Scheme has remained broadly the same. This is especially good news as we have seen both significant volatility within investment markets along with the continued increase in the cost to provide the benefits built up by members within the DB Section.

A significant contributory factor to the stability in the funding levels that we see in the DB Section is the decision we took in early 2000, to de-risk. In other words to match our assets to our liabilities. The Scheme is now 90% matched and we have a small amount invested in Return Seeking Investments, in order to achieve a slightly higher return.

We have also undertaken a further check on the DB Section's financial health as at 5 April 2018. The results of this update are also included within the Summary Funding Statement and shows the stability of funding continues.

I would like to take this opportunity to update you on a couple of other matters which will be of interest to you as members of the DB Section.

Company demerger

You will have no doubt seen reports that Prudential plc intends to demerge its UK and European business. We have had preliminary discussions with the Company regarding its intentions and it has reiterated its commitment to support all its UK pension schemes. The de-risking work we undertook in the early 2000s and the current funding levels of the Scheme put us in a very strong financial position. The Company has committed to keep the Trustee fully updated as the demerger progresses and the Trustee will be working with its professional advisers to ensure that there remains a strong covenant post demerger. As more information becomes available we will share this with you via the news articles area of the Scheme website.

New DB Section website www.prudentialstaff.co.uk

It is important that we keep you well informed with regard to both your benefits within the DB Section and also the wider issues that affect the Scheme. In this digital age, the most appropriate means to do this is via the Scheme website. This website has recently undergone a full review to both ensure the content is up to date and relevant as well as making it as accessible as possible. We have therefore relaunched the DB Section of the website with a new more modern look and feel. It is also fully responsive, meaning it is as easy to view on a mobile telephone or tablet as it is on a desktop computer or laptop. If you have not yet visited the new website, may I suggest you take a couple of minutes to have a look. In

addition to information specific to the DB Section, we also regularly post news articles relating to more general pension issues. I hope you like the website and would welcome any comments on how it can continue to evolve and further improve. There is also a secure area where you can see the information that we hold about you and the details of your benefits within the DB Section. You will be provided with login details shortly if you have not already received these.

A new name for the DB Section Administrator

The DB Section Administrator, Punter Southall Administration Limited (PSAL), recently merged with another specialist pension company, Xafinity. As a result of this merger our Administrator has been renamed XPS Administration. Whilst everything else remains as before, some of their contact details, for example their email address, has changed. You can find their address, telephone number and email address on page 6 of this booklet.

Our next formal communication with you will be 'Overview', our annual magazine, which you should receive early next year. 2018 marks the Scheme's 100 year anniversary so 'Overview' will be a special edition celebrating this fact and looking back over the history of the Scheme. It will also include the usual mix of updates and Scheme news.



Michael Abrahams CBE DL
Chairman

www.prudentialstaffps.co.uk

Your 2018 Summary Funding Statement

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

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

The latest funding review

Formal funding reviews of the Scheme are carried out every three years. The most recent funding review took place as at 5 April 2017.

In the years in between the formal funding review, the Scheme Actuary carries out an annual funding update for the Trustee to assess how the assets and liabilities have changed since the last funding review. Since the 5 April 2017 review, the Scheme Actuary has completed an annual update at 5 April 2018.

The funding results as at 5 April 2018 and the formal review as at 5 April 2017 are shown in this Summary Funding Statement. Your previous Summary Funding Statement showed the results of the 5 April 2016 annual update and these results are shown again for comparison.

The Scheme's funding targets

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

Results based on the Ongoing Target

The assumptions that the Trustee currently uses for the Ongoing Target include a realistic allowance for anticipated investment returns on a strategy made up mainly of bonds and reflect current thinking about inflation and mortality, and the Company's current policy for awarding discretionary pension increases. The table below shows how the assets of the DB Section compared to the Ongoing Target at 5 April 2016, 5 April 2017 and 5 April 2018.

	5 April 2016	5 April 2017	5 April 2018
Assets	£7,061m	£7,766m	£7,306m*
Amount needed to provide benefits	£6,866m	£7,276m	£6,831m
Surplus	£195m	£490m	£475m
Funding level	103%	107%	107%

* Based on draft Scheme Accounts.

The improvement in the funding level over the year to 5 April 2017 was mainly as a result of changes to the assumptions around future mortality rates as part of the 5 April 2017 review, reflecting the experience of the Scheme's Pensioners and wider population.

The funding level over the year to 5 April 2018 remained broadly stable with both the Ongoing Target and the Scheme's assets (which are closely matched to the liabilities) reducing as a result of an increase in bond yields.

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

Results based on the Scheme Solvency Target

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

The table below shows how the assets of the Scheme's DB Section compared to the Scheme Solvency Target as at 5 April 2016, 5 April 2017 and 5 April 2018.

	5 April 2016	5 April 2017	5 April 2018
Assets	£7,061m	£7,766m	£7,306m*
Amount needed to provide benefits	£6,881m	£7,362m	£6,933m
Surplus	£180m	£404m	£373m
Funding level	103%	105%	105%

*Based on draft Scheme Accounts.

The Scheme Solvency Target funding level improved over the year to 5 April 2017. Similar to the Ongoing Target, this improvement was mainly due to the changes in the mortality assumptions adopted for the 5 April 2017 review.

The Scheme Solvency Target funding level has remained broadly stable over the year to 5 April 2018.

Full details of both funding targets as well as the approach agreed for setting the assumptions for the 5 April 2017 funding review and the 5 April 2018 annual update are set out in a formal statement required by law known as the Statement of Funding Principles, which is available on request.

Future contributions for the Company

The results of the 5 April 2017 funding review showed that, at that date, the Scheme expected to have sufficient assets to provide existing benefits under both the Ongoing and Scheme Solvency Targets. Based on the position as at 5 April 2017 there was therefore no requirement for the Company to make contributions to the Scheme above the minimum required under the Scheme Rules.

The next formal funding review is due to be carried out at 5 April 2020. As part of that process, the Trustee and the

Company will again look at how the Scheme should be funded in the future and decide whether any changes are required to the approach adopted for the 2017 review or to the rate of contributions payable.

This assessment could, depending on the approach adopted, show a different position to that based on the principles and assumptions used in 2017.

Your next Summary Funding Statement will report on the outcome of the annual update as at 5 April 2019.



Your questions answered

How is my pension paid for?

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

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

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

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

What would happen if the Scheme started to wind up?

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

Based on the Actuary's statutory estimate of solvency, which estimated the cost in the market of settling the liabilities through the purchase of annuities, the funding level of the Scheme was 99.8% as at 5 April 2017.

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

Further information and guidance is available on the Pension Protection Fund's website at

www.pensionprotectionfund.org.uk.

Or you can write to the Pension Protection Fund at:

Knollys House
17 Addiscombe Road
Croydon
Surrey
CR0 6SR

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

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

Where can I get more information?

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

The Annual Actuarial Report

This shows the results of the Scheme Actuary's update on the Scheme's financial position as at 5 April 2018.

The Schedule of Contributions

This shows how much money is being paid into the Scheme.

The report on the Actuarial Review

This shows the results of the Scheme Actuary's health-check on the Scheme's financial position as at 5 April 2017.

The following documents are available to download from the 'Documents' section of the Scheme website.

The Statement of Investment Principles

This sets out how the Trustee invests the money paid into the Scheme.

The Trustee's Report and Accounts

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

You can contact the Pensions Manager by writing to:

The Pensions Manager
Prudential Staff Pension Scheme
3 Sheldon Square
London
W2 6PR

Email:

hrstaffpensions@prudential.co.uk



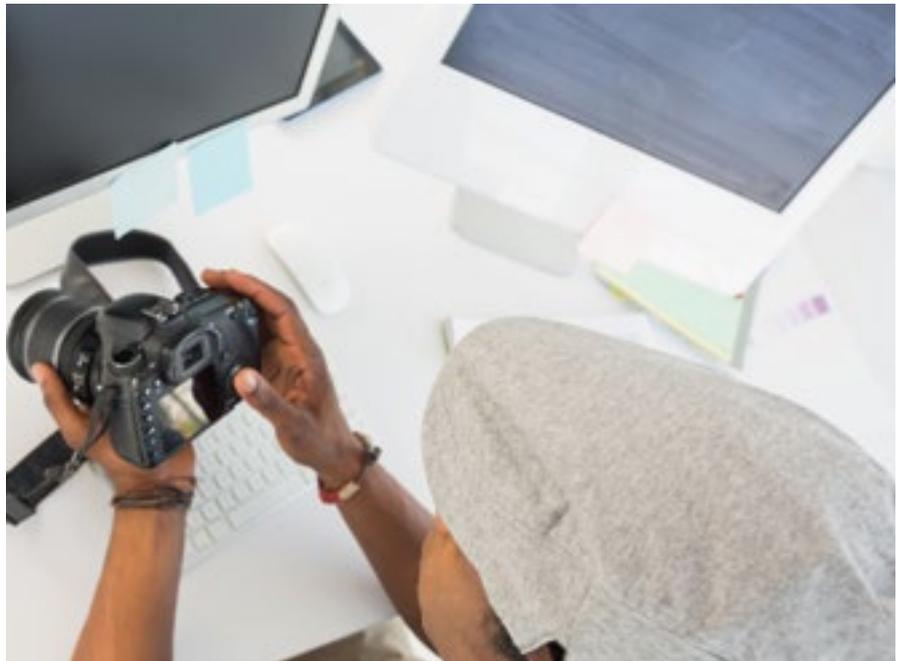
Contacting the DB Section Administrator

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

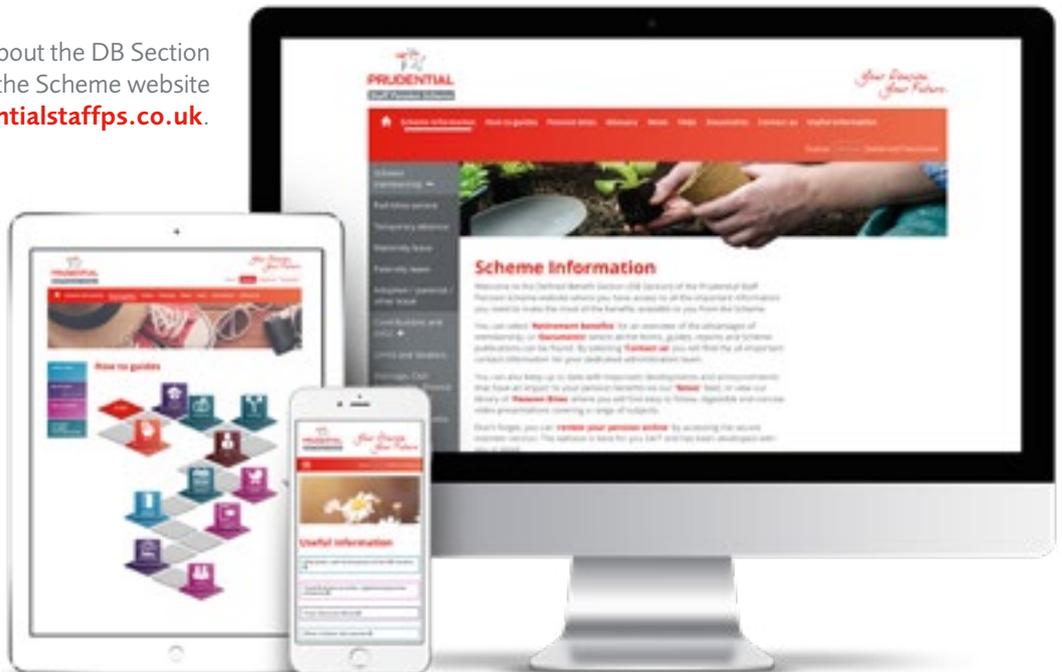
Telephone:
01245 673515 (UK callers)
(44) 1245 673515 (Overseas callers)

Email:
pspsdb@xpsgroup.co.uk

Website:
www.prudentialstaffps.co.uk



For more information about the DB Section please visit the Scheme website
www.prudentialstaffps.co.uk



On the Scheme website you can access 'MyPension' the secure member area. If you have not yet received your login details these will be issued to you shortly.



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