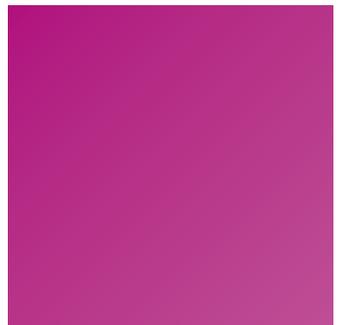
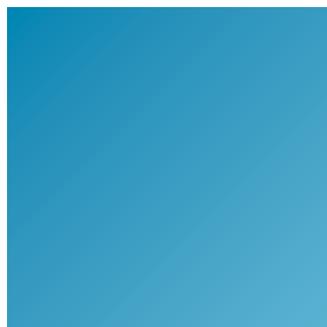


RETIREMENT GUIDE



In this Guide you will find information about your retirement and receiving your pension from the **Defined Benefit Section** of the Prudential Staff Pension Scheme.



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Introduction

The purpose of this Guide is to help you understand what happens as you approach retirement from the Defined Benefit (DB) Section of the Prudential Staff Pension Scheme (the Scheme).



Your options at a glance

When you come to take your pension from the DB Section, you have a number of options. These are covered in more detail later in this Guide, however, in summary these are:

When you choose to retire

Although you have a fixed Normal Retirement Date, you may have the option to take your pension from any age on or after your 55th birthday. You must however start taking your pension before you reach age 75.

Exchange some of your pension for other benefits

You can exchange some of your pension for alternative benefits. These may take the form of:

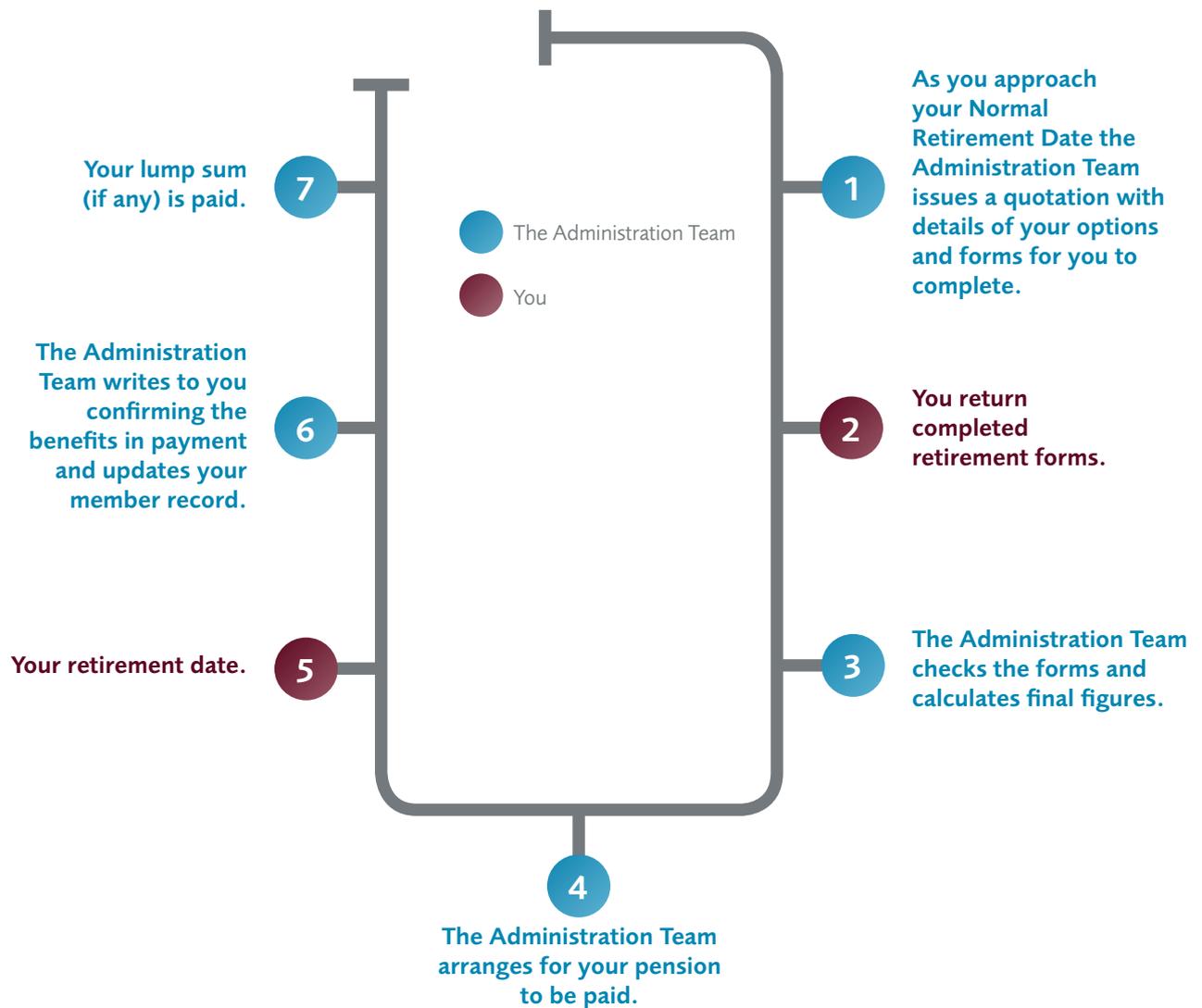
- A lump sum at retirement;
- Additional pension for your Dependants following your death; or
- If you start receiving your pension before your State Pension Age, an additional temporary pension is payable. It does stop when your State Pension is anticipated to become payable (the date this additional pension stops is decided on the day you retire and will not change, even if your State Pension Age subsequently changes).

Each of these options is explained in more detail in this Guide, along with other information which you may find useful or of interest.

Although you have a fixed Normal Retirement Date, you may have the option to take your pension from any age on or after your 55th birthday.

Retiring

Below you will find a high-level process map showing what happens as you approach your Normal Retirement Date. The process is similar if you choose to start receiving your pension from another date, however the process will need to be initiated by you requesting retirement figures.



You can request a retirement quotation at any time from the Administration Team. Their contact details are at the back of this Guide. It may take a couple of weeks for your figures to be sent to you.

Alternatively, you can obtain the same information instantly via MyPension, the secure area of the Scheme website www.prudentialstaffps.co.uk.



It is vitally important that the Administration Team have your correct address. You can check the address held for you by visiting MyPension, where, if it is out of date or incorrect, you may be able to update your address online (Active members will be required to update their address via HR).

Limits and taxation

There is a limit on the total value of the pension savings you build up during your working life - the Lifetime Allowance. This limit is currently set at £1.03 million (this limit will increase with the Consumer Prices Index (CPI) for each complete tax year. You may be subject to an additional tax charge if the value of all your pension benefits exceeds the Lifetime Allowance. Further information can be found by visiting www.pensionsadvisoryservice.org.uk or www.hmrc.gov.uk.

You will need to provide details of all your retirement savings before your pension (and lump sum if applicable) can be paid.

Further information on limits and taxation can be found in the Member Booklet which you can download from the Scheme website www.prudentialstaffps.co.uk.

Retirement benefits

You will generally receive a pension at your Normal Retirement Date from the DB Section equal to 1/60th of your Final Pensionable Earnings for each year of Pensionable Service. Some members may accrue a different amount of pension, particularly those who joined the Company before April 1986. For most members your Normal Retirement Date is your 60th birthday. You will have been told if you have a different Normal Retirement Date. Your pension will be paid monthly for the rest of your life. At retirement, you will also have the option to exchange up to 25% of your pension for a one-off lump sum, which is normally tax-free.

Example: The example below shows the pension payable to a member retiring at their Normal Retirement Date with Final Pensionable Earnings of £20,000 and Pensionable Service of 15 years.



Complete months of Pensionable Service count as a proportion of a year.

However, if you joined the DB Section before April 1986, the calculation of your pension may be more complex than in the above example - please contact the Administration Team for details of how your pension is calculated. Benefits provided by the DB Section are subject to HM Revenue & Customs (HMRC) limits.

Guaranteed Minimum Pension (GMP)

From 6 April 1978 until 5 April 2016 (inclusive), the DB Section was contracted out of the State Second Pension Scheme (S2P), formerly known as the State Earnings Related Pension Scheme (SERPS). If you were an Active member of the DB Section during this period you will have built up a Guaranteed Minimum Pension (GMP) for the period you were contracted out of SERPS before 6 April 1997. This will be included in the pension detailed above. Please refer to the Scheme website www.prudentialstaffps.co.uk or the Glossary section at the back of this Guide for further information on GMPs.

Early retirement from Service – on request

You may normally retire before your Normal Retirement Date if you meet all of the following conditions:

- You are aged 55 or more;
- You have completed at least two years' Pensionable Service; and
- The Company gives its approval.

Your pension will be reduced by factors decided by the Trustee, as advised by the Scheme Actuary to take account of the fact that you are being paid early and therefore for a longer period of time.

If you have Pensionable Service between 6 April 1978 and 5 April 1997 the pension you receive from the DB Section in respect of this period must be at least equal to your GMP. If your early retirement pension is not expected to be at least equal to your expected GMP at GMP Pension Age your early retirement options may need to be restricted.

Early retirement through ill-health

If you have to leave Service with the Company at any age due to ill-health, you may be granted an immediate early retirement pension. Two categories of ill-health pension are available – the level which applies will 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) - The calculation of the pension under this category will be based on your potential Pensionable Service to your Normal Retirement Date and your Final Pensionable Earnings at the date you retire. The amount payable will not be reduced to take account of early payment.

Serious Incapacity Pension (meaning you cannot undertake your current job or a similar job) - The calculation of the pension under this category will be based on your completed Pensionable Service and your Final Pensionable Earnings at the date you retire. The amount payable will not be reduced to take account of early payment.

Your Service must have stopped for an ill-health pension to be payable.

If you are in ill-health and do not expect to live for longer than a year, you may be able to take the entire value of your pension from the DB Section as a lump sum, subject to meeting certain conditions and tax limits.

If you are in receipt of a pension due to ill-health, you should tell the Trustee if your health or working circumstances change. The Trustee may review and (if appropriate to do so) reduce, increase or suspend that pension.

Late retirement

If you stay in Service with the Company after your Normal Retirement Date you can continue to build up pension benefits until you complete the maximum period of Pensionable Service (which is 40 years for most members). If you continue working with the Company after completing the maximum period of Pensionable Service and you do not take flexible retirement, your benefits are increased by a factor decided by the Trustee as advised by the Scheme Actuary to make up for the late payment of your pension. Should you die while employed after your Normal Retirement Date, benefits will be paid to your Spouse, Civil Partner, Dependant(s) or children as described for death of an Active member in the Member Booklet, but by reference only to completed Pensionable Service.

Flexible retirement

The Company is aware that situations and needs change and wants to support all employees. Therefore, under the flexible retirement option, you no longer need to stop working before taking your pension from the DB Section. Certain conditions apply, namely:

- You are aged at least 55;
- You have completed at least two years' Pensionable Service;
- You have agreement from the Company; and
- You sign a new contract of employment which may not include any special terms that previously applied.

You have the same options available to you under flexible retirement as you do if you were retiring at your Normal Retirement Date.

You may continue to build up pension benefits after taking flexible retirement, but these will be as a member of the Defined Contribution (DC) Section of the Scheme. The basis upon which future pension benefits are earned differs greatly between the DB Section and DC Section. In the DC Section the Company will pay 6% of Pensionable Pay known as Employer Credits. These are held in a Personal Account on your behalf and are

invested to purchase units in your chosen fund(s). The final value of these units will be used to provide benefits. Membership of the DC Section is non-contributory, but you may make personal contributions. If you decide to make personal contributions the Company will pay Matching Employer Credits up to a further 6% of Pensionable Pay.

In the event of your death in Service you will be treated under the DB Section as having died after retirement, as described for the death of a Pensioner member in the Member Booklet for the DB Section. In addition, a lump sum may be payable from the DC Section.

For more information about what benefits will be payable on your death if you become an Active member of the DC Section, please refer to the Member Booklet for the DC Section which is available on the Scheme website www.prudentialstaffps.co.uk.

For more information about flexible retirement please contact the Administration Team. It is also recommended that you seek independent financial advice if you need help on making this very important decision. If you do not have a financial adviser details of those near to you can be found at www.unbiased.co.uk.



Choices at retirement

You can choose to exchange some of your benefits for alternative benefits payable from the Scheme. These options are shown below:

A tax-free lump sum

You may exchange (or commute) up to 25% of the value of your benefits for a one-off lump sum. Under current legislation, the lump sum is normally tax-free.

Taking a tax-free lump sum will lead to a reduction in your annual pension calculated by applying a rate specified by the Trustee (based on advice it receives from the Scheme Actuary). The actual amount of cash you can receive for each £1 of pension given up will depend on the rates in force at the time.

Your tax-free lump sum may be restricted to ensure the pension you receive is not less than any GMP you have built up within the DB Section.

Extra pension for Dependants

Under the Scheme's Trust Deed and Rules your Spouse or Civil Partner is automatically entitled to a pension on your death. Before you retire you may also choose to ask the Trustee to give up part of your pension to provide additional benefits (payable on your death) for your Spouse, Civil Partner or a Dependant(s).

The State Spreading Option

If you take your pension from the Scheme before reaching your State Pension Age, your retirement income will not include any State Pension. This is because the State Pension is only payable from State Pension Age.

However, in certain circumstances the Trustee gives you the option of electing to receive a total retirement income which will broadly be the same both before and after the age expected to be your State Pension Age. This is called the State Spreading Option and works as follows:

- You surrender, for the remainder of your lifetime, part of your DB Section pension in exchange for a temporary additional pension payable from the Scheme from your date of retirement until you reach your expected State Pension Age; and
- At your expected State Pension Age, this temporary additional pension will stop and your State Pension will start to be paid by the Government. Details of this option will be provided shortly before retirement or on request from the Administration Team.

For the purposes of taking the State Spreading Option, your State Pension Age is the age from which your State Pension is due to be paid, on the day you retire. If the Government increases your actual State Pension Age after you take the State Spreading Option, the temporary increase will still only apply until the date you expected to be your State Pension Age on the day you retired (not until your actual increased State Pension Age).

Transfer your benefits to another arrangement

You may have the option to transfer your benefits from the DB Section to another registered pension scheme. For further information please refer to the Transferring your benefits out of the Scheme Guide which is available from the Scheme website www.prudentialstaffps.co.uk.

Pension Wise

Pension Wise is a Government service that offers free impartial guidance to help you understand your options in relation to your defined contribution pension savings. You can obtain pension guidance online, by telephone or face-to-face. Pension Wise may be contacted using the details below.

Telephone: **0800 138 3944** (to book a free appointment)

Website: www.pensionwise.gov.uk.

Payment of your pension

Your pension from the DB Section will be paid monthly, in advance, on the first working day of each month. The first instalment will be paid directly into your chosen bank account and may be more than one month's pension.

Remember, pensions are treated as earned income, and are taxed in the same way as your current earnings under the PAYE system.

Pension increases

Once your pension is in payment it will be increased each year as follows:

- **Benefits earned for Pensionable Service on or after 6 April 2005 -**
increased in line with the rise in the Consumer Prices Index (CPI) for the year in question, up to a maximum of 2.5%. Increases normally take effect from 1 April each year and are based on the CPI increase measured as at the previous 30 September. In addition the Company may choose to award discretionary increases.
- **Benefits earned for Pensionable Service on or after 6 April 1997 and before 6 April 2005 -**
increased by the rise in the CPI for the year in question, up to a maximum of 5%. Increases normally take effect from 1 April each year and are based on the CPI increase measured as at the previous 30 September. In addition the Company may choose to award discretionary increases.
- **Benefits earned for Pensionable Service before 6 April 1997 -**
will only attract increases on the GMP part of your pension. Your GMP earned prior to 6 April 1988 may receive increases from the State if you reached State Pension Age before 6 April 2016 (in which case these will be paid with your State Pension). The GMP element earned from 6 April 1988, which is paid by the Scheme, will be increased by the rise in the CPI for the year in question up to a maximum of 3% per annum. Any pension in excess of the GMP may be increased at the Company's discretion.



Death benefits following your retirement

Once you commence receiving your pension you will become a Pensioner member. In the event of your death benefits may be payable from the DB Section. These benefits differ from those that would have been payable if you had died as either an Active or Deferred member.

The benefits payable on your death as a Pensioner member are:

A lump sum

Any unpaid balance of the first five years' pension entitlement (not taking account of any future increases).

If you had taken the State Spreading Option when you retired, this lump sum will be reduced to reflect the additional pension paid as a result of the State Spreading Option.

Spouse's or Civil Partner's pension

A pension, payable for life, equal to 50% of the full pension you were entitled to at retirement (i.e. before exchanging any pension for a tax-free lump sum and excluding any pension from AVCs and the State Spreading Option if elected) plus any increases granted since that time.

In the event of the death of your Spouse or Civil Partner, the pension that was payable to your Spouse or Civil Partner will be paid to any Eligible Children, up to a maximum of three.

If you have Pensionable Service between 6 April 1978 and 5 April 1997 your Spouse's or Civil Partner's pension may include a Spouse's GMP.

If you were receiving your pension on or before 1 July 2005, the pension payable to your Spouse or Civil Partner, will be at least 50% of your pension at your date of death.

Dependant's pension

If you were an Active member on or after 1 July 2005 and you die without leaving a Spouse or Civil Partner, a pension may be payable to one or more of your Dependant(s), in such proportions as the Trustee decides. The total amount of the pension will be equal to that which would have been paid to a Spouse or Civil Partner.

If the Dependant's pension is paid to an Eligible Child who subsequently dies, the Dependant's pension will continue to be paid to the other Eligible Children, if any. However, if the Dependant's pension is paid to a person who is not an Eligible Child who subsequently dies, the Dependant's pension will stop.

Eligible Child's pension

If you die leaving Eligible Children, up to a maximum of three children, they will generally receive a pension from the DB Section equal to 1/6th of the pension you were entitled to at retirement (i.e. before exchanging any pension for a tax-free lump sum and excluding any pension from AVCs and the State Spreading Option if elected) plus any increases granted since that time.

The pension will be payable in respect of your Eligible Child(ren) while they are under age 18. If they remain in full-time education or vocational training, the pension may continue at the Trustee's discretion but not normally beyond the age of 23.

Further information

For further information on retirement and receiving your benefits or any other matters relating to the DB Section.

Write to:

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

Phone:

**01245 673515 (UK callers)
(44) 1245 673515 (Overseas callers)**

Email:

pspsdb@xpsgroup.co.uk

Website:

www.prudentialstaffps.co.uk

Small Print

Company means The Prudential Assurance Company Limited or any associated company / employer that offers you membership of the Scheme through your contract of employment.

All benefits are payable in accordance with the Trust Deed and Rules, the legal document governing the Scheme. In the event of any discrepancy between any information provided to you and the Trust Deed and Rules, the Trust Deed and Rules will prevail.

Glossary

Additional Voluntary Contributions (AVCs)

These are any personal contributions that you choose to pay to the DB Section.

Annual Allowance

This is a limit on the amount of pension savings that you can build up that may qualify for tax relief in any tax year.

Automatic Enrolment

The requirement to enrol most employees and workers in the UK into a pension scheme provided by an employer.

Civil Partner

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

Company

The Prudential Assurance Company Limited or any associated company/employer that offers you membership of the Scheme through your contract of employment.

Consumer Price Index (CPI)

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

DB Section

The Defined Benefit Section of The Prudential Staff Pension Scheme.

DB Section benefits

The benefits payable to you as a result of your membership of the DB Section (and/or those payable to your Spouse/Civil Partner or other Dependant(s) following your death) but excluding any benefits payable in respect of AVCs.

DC Section

The Defined Contribution Section of The Prudential Staff Pension Scheme.

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.

Eligible Child

In most cases, this means your own or adopted child under age 18 or older if still in full-time education/vocational training and the Trustee so decides (though not normally beyond age 23).

Final Pensionable Earnings

In summary, for the purposes of the DB Section, this means the highest of:

1. Your basic salary earned in the 12 months immediately before leaving Service, ignoring any additions such as bonuses or overtime;
2. Your highest annual salary in any one tax year in the last five years before leaving Service; or
3. Your average annual salary over the best three consecutive tax years in the last 10 years before you leave Service.

The earliest tax year which will count in points 2 and 3 above is that commencing 6 April 2000.

If you participate in the Company's Pensions Plus arrangement, for these purposes, you are treated as if you do not participate in that arrangement.

There are occasions when your Final Pensionable Earnings may be calculated differently. If you have any questions about this definition, please contact the Administration Team in the first instance.

Guaranteed Minimum Pension (GMP)

If you were an Active member of the DB Section between 6 April 1978 and 5 April 1997 (inclusive), you will have accrued a GMP within the Scheme. This is the minimum pension the Scheme must pay to you as a result of you contracting out of either the State Earnings Related Pension Scheme (SERPS) or the Second State Pension (S2P).

- **Contracting out** – In return for you and the Company paying a reduced level of National Insurance contributions, you stopped building up your second tier State Pension entitlement. The Scheme committed to pay this amount to you as part of your overall Scheme entitlement.
- **State Earnings Related Pension Scheme (SERPS)** – From 6 April 1978 to 5 April 2002 this was the second tier of State Pension. In addition to your Basic State Pension the State would pay an additional pension based on your earnings during any period you were not contracted out.
- **Second State Pension (S2P)** – In 2002 the Government replaced SERPS with S2P. The principles were broadly the same in that S2P was a second tier of State Pension provision based on your earnings during any period you were not contracted out.

With effect from 5 April 2016, the Government abolished the two-tier State Pension provision in favour of a single-tier flat-rate State Pension.

GMP Pension Age

This is currently 60 for women and 65 for men.

Lifetime Allowance

This is a limit on the amount of pension benefits that you can accumulate in the Scheme and any other registered pension scheme during your working life which will qualify for tax relief.

Money Purchase Annual Allowance

If you elect to take your benefits from any other registered pension arrangement using the new pension flexibilities available, for example in the form of a Uncrystallised Funds Pension Lump Sum (UFPLS) you will trigger, for the tax year you draw your benefits (and for future years), a Money Purchase Annual Allowance. This means your tax efficient contributions to any defined contribution scheme will be more restricted (usually to £4,000). More detail can be found on the Scheme's website.

Normal Retirement Date

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

Pension Input Period

This is the period over which pension contributions are measured to work out whether you have exceeded the Annual Allowance. The Pension Input Period is the same as the tax year: 6 April to 5 April.

Pensionable Pay (in respect of the DC Section)

This means your basic salary.

Pensionable Service

In general, this means the permanent Service (in years and complete months) you completed with the Company as an Active member of the DB Section.

Pensions Plus

The Company operates a salary sacrifice arrangement called Pensions Plus, for more information please see the Company's document Your Guide to Pensions Plus or visit www.pensionsplusatpru.co.uk.

Qualifying Recognised Overseas Pension Scheme (QROPS)

This is an overseas pension scheme that meets certain requirements and which HMRC recognises as eligible to receive transfers from registered pension schemes in the UK.

Registered pension scheme

A pension scheme that is registered with HMRC under the provisions of the Finance Act 2004.

Scheme

The Prudential Staff Pension Scheme.

Scheme Actuary

An appropriately qualified individual who advises the Trustee on actuarial matters relating to the Scheme.

Service

Your employment with the Company.

Spouse

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

Spouse GMP (SGMP)

The minimum pension the Scheme must pay to your Spouse/Civil Partner as a result of you contracting out of either the State Earnings Related Pension Scheme (SERPS) or the Second State Pension (S2P).

Please see the definition in this Glossary for Guaranteed Minimum Pension (GMP) for further information.

State Pension

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

State Pension Age

The age at which your State Pension becomes payable.

Trustee

Prudential Staff Pensions Limited, a limited company, is the Trustee of the Scheme and is responsible for ensuring that the Scheme is administered in accordance with the Trust Deed and Rules. The Trustee holds, manages and invests assets for the benefit of members and their beneficiaries.

Trustee Director

The Company appoints the Trustee Directors and the Trustee Directors collectively form the Trustee Board. Trustee Directors are individuals appointed to the Trustee Board and can be chosen for appointment by either the Company or the members.