Pru
part of M&G plc

Market Value Reduction

A clear explanation

A Market Value Reduction – or MVR – is a deduction we may make on certain withdrawals or switches from, or between, our With-Profits Funds.

What is a Market Value Reduction?

MVRs are our way of protecting the interests of all of our With-Profits customers. MVRs ensure that every investor gets a fair return based on the earnings of the With-Profits Fund over the period their payments have been invested.

We believe that MVRs should be used to balance the interests of continuing investors with those who want to cash-in their investment.

It's not our practice to apply MVRs which reduce values below an amount fairly reflecting the value of the assets underlying the plan.

We believe our approach is fair and in the interests of all our continuing With-Profits customers.

The amount of any MVR is not fixed – we work it out on each individual withdrawal at the time the withdrawal is made. The amount depends on:

- The value of your plan – including any bonuses that apply.
- The performance of the applicable With-Profits Fund over the time you have invested in it.

We only apply an MVR if the value of the assets underlying your plan is less than the value of your plan including bonuses.

Market Value Reductions are a method used industry wide and each company will have their own MVR practice. Other companies may also refer to MVRs as Market Value Adjustments (MVAs).

For more details please refer to "Your With-Profits plan – a guide to how we manage the Fund". Copies of these guides are also available on our website at **pru.co.uk/ppfm**

When an MVR may apply

We may deduct an MVR if you choose to move out of a With-Profits Fund and the value of the assets underlying your plan is less than the value of your plan including bonuses. The circumstances when an MVR may apply are described in the documentation you receive from us when a plan is taken out. Some examples of when they may apply are if you:

- Switch into another investment fund or between our With-Profits Funds.
- Cash-in or transfer your plan.
- Take early or late retirement.
- Take a full or partial withdrawal from your plan (if allowable).
- Pay Adviser Charges from a With-Profits Fund.
- Take certain regular withdrawals.

Any MVR will be deducted in addition to any charges (for example Early Cash-In Charge) which may apply.

For certain products, we currently apply an exemption when we determine whether any MVR may apply:

- If your investment has been held for five years or more in the same With-Profits Fund, we'd consider the application of an MVR on any particular withdrawal:
  – where the withdrawal results in the total amount paid out, including any other payments (except certain regular withdrawals) in the previous 12 months, exceeding £25,000.

We'd only apply the MVR to the withdrawal amount in excess of £25,000 in these circumstances.

This exemption doesn't apply to the Flexible Retirement Income Account.

This exemption also doesn't apply to individual members of occupational schemes – Money Purchase Pensions (MPPs) and Additional Voluntary Contributions (AVCs), except:

- where they've purchased plans originally issued by Scottish Amicable Life plc (SAL) or Scottish Amicable Life Assurance Society (SALAS), or
- where the product Key Features Document issued to the member states it does apply.

If your investment has been held in the same With-Profits Fund for less than five years, the £25,000 exemption doesn't apply.

We may change our MVR practice at any time without giving prior notice. For example, it may be altered if there's a significant reduction in the value of the investment markets in which our With-Profits Funds invest, or if there's a significant increase in the number of people wanting to cash-in their With-Profits investments.

If we make a change to our current practice, it would apply to all new plans and existing plans in place at the time of the change.

When an MVR isn't applied

We don't deduct MVRs under certain circumstances – please refer to your Product Key Features and/or Policy Documentation for full details of the guarantees applicable to specific plans. Some examples of these circumstances are:

- We guarantee not to apply an MVR on death, for applicable plans.
- For pensions plans, we guarantee not to apply an MVR at the selected/normal retirement date, as specified in your pension plan literature, or at the Anticipated Annuitisation Age for relevant Income Drawdown plans.
- For endowment plans, we guarantee not to apply an MVR at maturity.
- For Onshore and Offshore Bonds taken out before 11 November 2013, we don't apply an MVR to certain regular withdrawals.

Full terms and conditions of Prudential products are available on request from our Administration Office at:

Customer Service Centre
Prudential
Lancing
BN15 8GB

Or call us on: **0800 000 000**
Monday to Friday 8am to 6pm

We might record your call for training and quality purposes.

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