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Key Features of the Income Choice Annuity

PRUDENTIAL 



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If you would like a Braille, large print or audio version of this Key Features, please contact us at:

Prudential, Annuities Contact Centre, Stirling, FK9 4UE

Or call our Annuities Contact Centre on 0808 234 5100 Monday to Friday, 8.30 am to 6pm. Calls may be monitored or recorded for quality and security purposes.

› About this booklet

- › This booklet sets out the Key Features of our Income Choice Annuity.
- › If you're considering whether our Income Choice Annuity is right for you, this booklet will help you make that decision.
- › If you've already taken out an Income Choice Annuity, this booklet is part of the legal contract for your pension annuity.
- › Please read it carefully and keep it in a safe place.
- › If you still have questions about our Income Choice Annuity after reading this booklet, please call us on the number on your quotation. If you have a financial adviser, please contact them in the first instance.

The government has announced that with effect from 6 April 2012 the rules on the type of pension annuity you can purchase with Protected Rights funds will no longer apply and you can choose the options that suit your personal circumstances.

You can find a definition of a Protected Rights Pension, and how it could currently affect your income, in "What if I'm buying my Income Choice Annuity with money from a Protected Rights Pension?" on page 28.

The Financial Services Authority

The Financial Services Authority is the independent financial services regulator. Prudential is required to give you this important information to help you to decide whether our Income Choice Annuity is right for you. You should read this booklet carefully with your Income Choice Annuity quotation so that you understand what you're buying, and then keep it safe for future reference.

Please also read the booklet called "Your With-Profits Plan – a guide to how we manage the Fund".

These documents will make up part of the legal contract for your pension annuity.

› About our Income Choice Annuity

Our Income Choice Annuity is a pension annuity that pays you a regular income for life. It gives you the chance to choose the income that suits you from within an income range.

It also gives your income the opportunity to grow, by linking it to the performance of our With-Profits Fund.

Plus it gives you a "Secure Level" – an amount we guarantee to pay you, no matter how our With-Profits Fund performs.

How much money do I need to buy an Income Choice Annuity?

To buy an Income Choice Annuity, the minimum amount of money you need in your pension fund after taking any tax-free cash is £10,000.

Is the Income Choice Annuity for me?

Our Income Choice Annuity could be for you if you accept that your income will change each year and that your income could go down as well as up.

What's a pension annuity?

A pension annuity is a contract between you and an annuity provider. In return for some or all of your pension fund, the annuity provider agrees to pay you an income usually for the rest of your life.

You don't have to buy your annuity from the same company you've got your pension with. You can shop around and depending on the type of annuity and options you choose, you may be able to get a higher income elsewhere.

› Its aims

Aims	For more information
› To pay you a regular income for the rest of your life.	See "How do I decide what starting income to take?" on page 14
› To give your income the potential to go up. We do this by linking it to the performance of our With-Profits Fund.	See "Why is my income linked to Prudential's With-Profits Fund?" on page 11
› To guarantee that your income will never fall below a certain amount. We call this amount your Secure Level.	See "What's the lowest income I could get?" on page 19
› To give you choice about how much income you get when your annuity starts. We'll give you an income range and you can choose an income from within it.	See "How do you set my income range to start with?" on page 13
› To give you the flexibility to change your income as your needs change.	See "Can I change my income?" on page 18
› To give you two options to provide an income for your dependants or beneficiaries after you die.	See "Can my Income Choice Annuity provide an income for someone else after I die?" on page 21

› Your commitment

Commitment	For more information
› To give us some or all of your pension fund in return for a regular income for the rest of your life.	See "How do you set my income range to start with?" on page 13
› To get that regular income from us. You can't transfer/switch your annuity to another provider or cash it in.	See "Can I, or my dependant, switch my Income Choice Annuity to one of your other pension annuities?" on page 24
› To choose the income you start with.	See "How much will my Income Choice Annuity pay me to start with?" on page 13
› To take any tax-free cash that you're entitled to (and want) when you buy your annuity. You can't take it later.	See "Can I take any of my pension fund as tax-free cash?" on page 20
› Not to use your annuity as security for any form of borrowing.	See "Using your annuity as security for borrowing" on page 35
› To choose the options you want to include in your annuity when you buy it. You can't choose or change these options later.	See sections: "When do you pay my income?" on page 20 "Can my Income Choice Annuity provide an income for someone else after I die?" on page 21 "Can I take any of my pension fund as tax-free cash?" on page 20

› Risks

Risks	For more information
› Your income can go down as well as up and could fall below the income you start with. However, we'll never pay you less than your Secure Level.	See "How will my income change?" on page 16
› If you take a higher income, your income will have less potential to go up. There's also a higher chance it'll go down.	See "How do I decide what starting income to take?" on page 14
› If our expectations about the life expectancy of people with Income Choice Annuities change, your income may be affected.	See "How will my income change?" on page 16
› Any changes in the income we pay you may not be enough to offset the effect of inflation.	See "How will my income change?" on page 16
› Tax rules may change in the future, without notice.	See the "Information" box on page 37

› Questions and answers

What's Prudential's With-Profits Fund?

Our With-Profits Fund is a fund that pools people's money together and invests it in a wide range of assets.

For more details about our With-Profits Fund, how it works and how we share the profits, please read "Your With-Profits Plan – a guide to how we manage the Fund". This is included in your quotation pack.

Why is my income linked to Prudential's With-Profits Fund?

We link your income to our With-Profits Fund to give it the chance to grow over time. At least once a year, we look at how the With-Profits Fund has performed. If it's done well, we may be able to use the profits to help increase your income.

We don't share all of the profits each year. In good years, we hold back some of the profits to use in years when the Fund doesn't perform well.

What's the Smoothed Return?

The Smoothed Return is your share of the overall profits from our With-Profits Fund. We announce the Smoothed Return each year.

The Smoothed Return we announce for your annuity assumes you're eligible to receive a full year's share of the profits our Fund achieves.

How do you work out my Smoothed Return?

The Smoothed Return we announce for your annuity depends on several things including the:

- › effective date of your annuity
- › return from our With-Profits Fund
- › adjustments for smoothing
- › charges we take

For more detail of how the Smoothed Return changes your income, please read "How will my income change" on page 16.

To see what charges may apply to your annuity please see "What are the charges?" on page 27.

What is the effective date?

Your effective date is shown on your Statement of Benefits which we will send you when we set up your annuity.

The effective date is usually the same as the start date of your annuity. However if we don't receive everything we need to set up your annuity until after the date your annuity starts then your effective date may be different. For example, if you are transferring funds to us from another provider or combining two or more pension funds and we don't receive them on or before your start date, then your effective date will be when we receive the last of your money.

If this happens we'll backdate your income payments from the effective date to your start date. However we'll only backdate for a maximum period of one year.

Your policy anniversary is based on your annuity start date. If you have an effective date later than your annuity start date, your Smoothed Return at your first policy anniversary will reflect only the period we had all of your money, rather than the full year (this is sometimes called proportioned). This means your income could reduce although we'll never pay you less than your Secure Level – see "What's the lowest income I could get?" on page 19.

What's smoothing?

"Smoothing" returns gives the potential for long-term growth without the fluctuation in your income that comes with a direct investment in the stockmarket. The level of your Smoothed Return mainly depends on the performance of our Fund and the effective date of your annuity. So we can't guarantee the level of the Smoothed Return or that your income will increase. In some years your income could even go down. But holding back returns in good years to use in worse years helps to smooth the peaks and troughs in our Fund's performance.

We can change the Smoothed Return at any time but it won't affect you until on, or after, your next policy anniversary dependent on the payment frequency you've chosen. See "How will my income change?" on page 16.

For more information on smoothing, please read "Your With-Profits Plan – a guide to how we manage the Fund".

How much will my Income Choice Annuity pay me to start with?

When your annuity starts, you can choose your income – from an income range that we give you. We show your income range on your quotation.

How do you set my income range to start with?

We set your income range based on several things, including:

- › the amount of money you have to buy your pension annuity
- › your age
- › your postcode – people living in areas where life expectancy is lower than average may receive higher income than people living in areas where life expectancy is higher than average
- › the options you chose – for example, whether you chose for an income to be paid to a dependant after you die

The bottom of your range is currently based on a Required Smoothed Return of 1% a year.

The top of your range is currently based on a Required Smoothed Return of 6% a year.

The Required Smoothed Return range of 1 – 6% may change in the future if we change our view of the outlook for investments. This would affect the income range offered to you in the future. We explain how your income is affected by its Required Smoothed Return in "Can I change my income?" on page 18.

If you buy some or all of your Income Choice Annuity with money from a Protected Rights Pension, your income range will be affected. You can find a definition of a Protected Rights Pension, and how it could affect your income, in "What if I'm buying my Income Choice Annuity with money from a Protected Rights Pension?" on page 28.

What's a Required Smoothed Return?

A Required Smoothed Return is the level of Smoothed Return your annuity will need from our With-Profits Fund to maintain your income level.

How do I decide what starting income to take?

When you choose your income from your income range, you need to consider how you might want it to change in the future. Please see the information in the table on page 15 to see how your choice could affect your future income.

Your choice of income is an important decision because it affects your income's potential for growth over the long-term.

If you'd like more information on deciding what income to take, please call us on the number on your quotation or speak to your financial adviser.

Choosing a high income

- › This means it has less potential to go up in the future
- › There's also a greater risk that it could go down
- › If the Smoothed Return we announce from our With-Profits Fund for your annuity is lower than your Required Smoothed Return (the return you need to maintain your income), your income will go down the following year

We explain why in "How will my income change?" on page 16

Choosing a low income

- › This means you give your income more potential to go up in the future
- › There's also less chance it'll fall
- › If the Smoothed Return we announce from our With-Profits Fund for your annuity is higher than your Required Smoothed Return, your income will go up the following year

We explain why in "How will my income change?" on page 16

How will my income change?

Your income may go up or down each year depending on several factors. These include:

- › your income's Required Smoothed Return (the level of Smoothed Return your annuity will need from our With-Profits Fund to maintain your income level)
- › the Smoothed Return we announce for your annuity
- › whether our expectation about the life expectancy of people with Income Choice Annuities changes. This is allowed for in the Smoothed Return. For more information see "Life expectancy and your income" on page 17

- › whether we're paying the Secure Level. For more information see "What's the lowest income I could get?" on page 19.

When you choose your income, we tell you what its Required Smoothed Return is. We show your income's Required Smoothed Return in your quotation and on your statement.

On your policy anniversary, we look at what the Smoothed Return for your annuity was for that year. This will then affect your income for the following year. The Smoothed Return announced can be positive or negative. It can also be proportioned, but only at the first policy anniversary. Please see "What is the effective date?" on page 12 for more detail.

The following table gives an example of what would happen to your income for the following year. This is based on you having an income that needed a Required Smoothed Return of 4%.

Actual Smoothed Return announced	Effect on your income
2%	Goes down by about 2%
4%	Stays the same
6%	Goes up by about 2%

But even if your income goes down we'll never pay you less than your Secure Level.

If there is a major fall in stock market values after you buy your annuity or a prolonged period of stock market volatility, this will increase the risk that your income may fall in future years. This risk is greater

the higher the starting income you select. It's worth noting that even if our With-Profits Fund performance is strong, it could take a number of years for your income to rise again. However your income will never fall below your Secure Level.

We review your income every year and show your income for the next year on your annual statement. We start to pay you your new income, on or after, your next policy anniversary dependent on the payment frequency you've chosen.

Please see page 20 "When do you pay my income?" for more information.

Life expectancy and your income

When people who have a pension annuity die, their remaining investments are used to help pay the income of those who are still alive.

This means that we need to estimate how long we think people will live. This estimation helps us to decide how much income we can pay. Each year we review our life expectancy estimation:

- › if we think people are likely to live longer than we anticipated, we may reduce the Smoothed Return we announce. This could mean that your income goes down. This is because we need to pay more people for longer than we previously expected.
- › equally, if we think people's lives will be shorter than we anticipated, we may increase the Smoothed Return and your income may go up.

Can I change my income?

You don't always have to take the income we show on your annual statement. After two years, you can choose a new income from within a range – in the same way you did when your annuity first started.

When you're looking to change your income you'll need to consider the same factors you did when you chose your starting income. Your income range will be restricted if we're paying you your Secure Level. Please see "How do I decide what income to take?" on page 14 and "What's the lowest income I could get?" on page 19 before making any decision.

The Required Smoothed Return range of 1 – 6% may also have changed since you took out your annuity. You should always check your yearly statement to see if it's changed and what impact this has had on your income range before changing.

If you decide not to change your income, we'll give you the chance to change it the following year, and every policy anniversary until you want to. If you do change your income, you can't change it again for two years.

Over time, your income range will narrow as you get older. This is because there's less time for the Required Smoothed Return to take effect.

The income range we offer you on your yearly statement is based on the postcode we held at the time of issue. If you move house or we have an incorrect postcode relating to your address, and you wish to proceed with the option to change your income, we will need to recalculate your income range. The income range quoted is not guaranteed.

We may ask you for medical information before we can agree to a change in your income. If we do, we'll let you know. If medical examinations or reports are needed you'll need to pay for these.

If you don't contact us, the income we show on your yearly statement for the following year will start automatically.

Usually you'll be able to choose a new income from a range we give you, although there may be circumstances where we need to remove or postpone your choice. We'd do this to maintain the financial strength of the With-Profits Fund for the benefit of all our customers. This could happen because of adverse market conditions, for example; a significant fall in market values (either sudden or over a period of years), a poor investment outlook or in periods when market prices fluctuate widely.

What's the lowest income I could get?

We guarantee that the amount we pay you will never fall below a certain amount. We call this amount your "Secure Level".

Your Secure Level is the same as the lowest income available to you when your annuity starts – you can find this on your quotation.

When would you pay me my Secure Level?

We pay you your Secure Level when the Smoothed Return has been less than the Required Smoothed Return and as a result your income has fallen below your Secure Level. An example of this is shown in the graph below.



Do I pay tax on my income?

You pay tax on your annuity income payments in the same way as you pay tax on earned income.

Can I take any of my pension fund as tax-free cash?

You may be able to take some of the money from your pension fund as tax-free cash.

If you're coming to us from another pension scheme provider, they may pay you any tax-free cash before they send us your pension fund.

You can normally take up to 25% of the value of your pension fund. This may need to be taken by age 75 and is dependent on scheme rules or the contract terms of your pension scheme.

If you're eligible, and decide to take tax-free cash, the amount you take will be shown on your quotation.

You need to take your tax-free cash at the same time as you buy your annuity.

When do you pay my income?

You choose whether we pay you monthly, quarterly, half yearly or yearly.

Once you choose how you want your income paid, you can't change your mind later.

You also choose whether we pay you in advance or in arrears. If you choose in advance, we'll pay you at the beginning

of each period. If you choose in arrears, we will pay you the following month, quarter, half year or year, depending on the date your annuity started.

If we pay you in arrears, you can choose to have a final payment made to your estate after you die. This final payment will cover the time between your last income payment and the date you died. We call this option "Final Proportion". If you choose this option, your starting income will be lower.

You need to choose the Final Proportion option when you take out your annuity. You can't add it later.

We'll pay your income straight into a bank or building society account in your own name. This account must be a personal account or personal joint account.

We can't pay your income into a business account.

We can't pay you until we're sure you've met all our requirements, which will be listed in your quotation pack.

Can my Income Choice Annuity provide an income for someone else after I die?

Your Income Choice Annuity can provide an income for your dependant or beneficiaries after you die. There are two ways it can do this:

1. Joint-Life option
2. Payment Guaranteed Period

You can only choose these options when you buy your annuity. You can't take them later.

If you don't choose either of these options, payments will stop when you die. If we make any payments after your death, your estate will need to return them.

If you've chosen a Joint-Life option and/or a Payment Guarantee Period, we may still ask for any overpayments to be returned.

If you buy some or all of your Income Choice Annuity with money from a Protected Rights Pension, your options

for providing an income for someone else after you die are slightly different. You'll find more information in "What if I'm buying my Income Choice Annuity with money from a Protected Rights Pension?" on page 28.

1) Joint-Life option

A Joint-Life option usually provides your dependant with an income for the rest of their life if you die before them. You decide whether your dependant has the same or a lower income than you.

You can choose a pension annuity that will be paid to your spouse, civil partner or dependant if you die before them. HMRC will require us to check that the person is still financially dependent on you when you die. If circumstances have

changed and the person is no longer financially dependent on you, then the dependant's pension will not be payable. You can't take a Joint-Life option for one of your children, unless they're over 18 and depend on you because they have a physical or mental impairment.

Normally, you can only provide a Joint-Life income after you die for a person who was your dependant when your annuity started. Some pension schemes allow you to provide a Joint-Life income to the person who's your spouse or civil partner at the time of your death. We'll tell you on your quotation if you're able to do this.

How does choosing a Joint-Life option affect my income?

Choosing a Joint-Life option will reduce the income we pay you because we may have

to pay the income for longer. The more income you provide for your dependant after your death, the lower your own income will be.

Exceptions

There are some circumstances in which we won't pay your dependant a Joint-Life income after you die:

- › you ask us at outset to stop your spouse or civil partner's income if they remarry or enter a new civil partnership
- › if your dependant dies before you, we can't pay a Joint-Life income to a new dependant, even if you remarry
- › your dependant is no longer financially dependent on you, for any reason, on the date of your death

2) Payment Guarantee Period

This is a way to:

- › pay someone an income after you die, for a certain period rather than for life
- › pay someone, who's not a dependant, an income after you die

You can normally choose a Payment Guarantee Period of up to ten years from when your annuity starts. If you die within the Payment Guarantee Period you choose, we'll normally continue to pay your income to your spouse, civil partner, estate or someone named in your Will until the end of the Guarantee Period.

If you're buying your Income Choice Annuity with money saved in a company pension scheme, the scheme rules may limit the choice you have about the length of the Guarantee Period. The payment of any guaranteed benefits may also be made at the trustees' discretion.

If you buy your annuity with a Protected Rights Pension, you can only choose a Payment Guarantee Period of up to five years. There's more information about this in "What if I'm buying my annuity with money from a Protected Rights Pension?" on page 28.

How does choosing a Payment Guarantee Period affect my income?

Choosing a Payment Guarantee Period reduces your income. The amount we reduce it by depends on your age, gender and the Guarantee Period you choose.

Choosing both options

If you've chosen the Joint-Life option, the Payment Guarantee Period may not be so important. This is because we'll usually pay an income to your dependant after you die. However, you can choose both options if you wish.

If you do choose both options, we can pay the income in two different ways. This would apply if you died within the Payment Guarantee Period. These are:

1. **no overlap** – we start paying your dependant their Joint-Life income at the end of the Payment Guarantee Period.
2. **full overlap** – we start paying the Joint-Life income alongside the income payable for the remainder of the Payment Guarantee Period.

Your beneficiary can't switch the income they get from a Payment Guarantee Period to a Prudential Guaranteed Pension Annuity or choose a different amount of income.

Please ensure you read both Joint-Life and Payment Guarantee Period sections before choosing both options.

Your quotation has more information about the effect these options have on your income.

What's a Prudential Guaranteed Pension Annuity?

Our Guaranteed Pension Annuity normally pays you a regular income for the rest of your life. You can choose whether your income stays the same throughout your life, goes up each year by a fixed amount, or is linked to changes in the Retail Prices Index.

Can I, or my dependant, switch my Income Choice Annuity to one of your other pension annuities?

On any policy anniversary, you can switch to our Guaranteed Pension Annuity as we understand your financial circumstances may have changed.

This may be because you want the security of knowing exactly what income you'll get at the payment frequency you've chosen so that you can easily budget your spending against your income.

We may ask you for medical information before we can agree to a switch to our Guaranteed Pension Annuity. If we do, we'll let you know. If medical examinations or reports are needed you'll need to pay for these.

Our Guaranteed Pension Annuity pays:

- › a level income, or
- › an income that increases each year at a fixed rate, or
- › an income linked to changes in the Retail Prices Index

If you switch, your income will no longer be linked to our With-Profits Fund. Your income could be lower than the Secure Level your Income Choice Annuity gave you.

When you switch to a Guaranteed Pension Annuity, you won't get a Secure Level.

The amount of your Guaranteed Pension Annuity income will depend on the value of your Income Choice Annuity at the time you switch, which we will calculate, and also on the cost of buying a Guaranteed Pension Annuity at that time.

The amount of Guaranteed Pension Annuity income we offer you on your yearly statement is based on the postcode we held at the time of issue. If you move house or we have an incorrect postcode relating to your address, and you wish to proceed with the switch to a Guaranteed Pension Annuity, we will need to recalculate your income. The income quoted is not guaranteed.

We'll tell you what your new income would be if you switched to a Guaranteed Pension Annuity before you make a final decision.

All of the other pension annuity options you chose, such as payment frequency, will remain the same at the time you switch to our Guaranteed Pension Annuity.

You can't switch back to an Income Choice Annuity once you have switched to a Prudential Guaranteed Pension Annuity.

If you've bought some or all of your Income Choice Annuity with money from a Protected Rights Pension, there are limits on when you can change to a Guaranteed Pension Annuity.

What can my dependant do?

Once your dependant's income starts, they can change their income in the same way that you could – on certain dates and within their income range. There's more explanation about how this works in "Can I change my income?" on page 18.

Your dependant can also switch to our Guaranteed Pension Annuity with the income they get from the Joint-Life option once it's started.

Your dependant cannot change any of the options at the time they switch to our Guaranteed Pension Annuity, such as payment frequency.

What can I buy an Income Choice Annuity with?

You can buy an Income Choice Annuity with money from a HM Revenue & Customs (HMRC) Registered Pension Scheme. However there are certain exceptions. We can't accept money:

- ▶ if it's been set aside for a "guaranteed minimum pension" as a result of contracting-out of the State Earnings-Related Pension Scheme (SERPS) through membership of a "defined benefit" or "final salary" occupational scheme before 6 April 1997
- ▶ if your pension scheme requires your annuity pays you either a minimum or a specific annual increase in income
- ▶ if your pension scheme doesn't allow you to have an annuity that's linked to an insurance company's with-profits fund

Your pension provider will be able to tell you if your pension scheme is registered with HMRC and can be used to buy an Income Choice Annuity.

We can accept transfers if you currently have your pension annuity with another provider. You'll need to contact your current provider to find out if they'll let you transfer your annuity to us.

What if I have more than one pension?

If you wish to combine money from two or more different pensions to buy your Income Choice Annuity we will set up your annuity once we receive all of the purchase money. This money must be received within six months of receiving the money from your first pension. If we have not received all of your purchase money within this time we will only be able to set up an annuity with the money already received. Any money received at a later date can be used to buy another Income Choice Annuity at that time.

Can I get a higher income if I have a medical condition?

You could qualify for a higher income if you, and/or your dependant (if you've chosen the Joint-Life option) suffer from certain medical and/or lifestyle conditions. This option is known as an enhanced annuity.

You may be able to get an enhanced annuity if you suffer a serious illness such as cancer or stroke, or you suffer from one of the following:

- raised cholesterol or blood pressure
- diabetes
- heart conditions
- conditions relating to any other major organ
- effects of major surgery

This list is only a guide. It doesn't detail every condition that we cover.

If you think you may be eligible for an enhanced annuity, please contact us on the number on your quotation or speak to your financial adviser.

We'll then ask you to complete our medical questionnaire, which will help us to decide whether you qualify. In some cases we may ask your doctor to send us a medical report.

Depending on the severity of your condition, your income could increase by between 1% and 29%.

We won't be able to enhance your income if you're diagnosed with an illness after your pension annuity has started.

What are the charges?

We take charges to cover the cost of the administration, marketing, commission and guarantees. For more information on commission and charges for your annuity please see your quotation.

Initial Charge

We take an Initial Charge from your pension fund when you buy your Income Choice Annuity. We take this charge before we set your starting income range.

Yearly Charge

We take a Yearly Charge from the return of our With-Profits Fund before we announce the Smoothed Return for your annuity.

The size of the Yearly Charge depends on a number of different factors including:

- › the achieved investment returns,
- › the expenses that our With-Profits Fund incurs,
- › payments to our shareholders, and
- › the cost of guarantees.

This Yearly Charge is not guaranteed and may change in the future: for example when the Fund's returns are higher, there may be a higher charge and when returns are lower, there may be a lower charge.

In addition, we review the cost of guarantees regularly by assessing any changes in:

- › market conditions such as volatile stock markets,
- › the expected returns for the investments that make up our With-Profits Fund e.g. corporate bonds and equities,
- › the mix of annuities bought, allowing for the proportion of maximum income selected, age and gender of policyholders and the size of the fund they use to buy their Income Choice Annuity.

These reviews could affect the amount of starting incomes offered. However, if this is the case this will be clearly shown as an adjustment on your quote.

Paying your financial adviser

If you're arranging your Income Choice Annuity through a financial adviser, you'll have agreed with them how their advice and/or service will be paid for. Where required we can pay Initial Commission (up-front), Annual Commission (every year) or a combination of the two.

We take the money to pay for the commission from your pension fund before we set your starting income range. This is in addition to the Initial Charge that we take.

If your servicing agreement changes, which should be discussed with your adviser, your Annual Commission can be stopped or transferred by either you or your adviser:

- Any changes made will take effect from your next policy anniversary.
- If you, or your adviser, decide to stop the payments, please let us know and we'll re-calculate your income. We need to do this because we've already taken money from your pension fund to cover future commission payments.
- We can't restart Annual Commission payments once we stop them.

What if I'm buying my Income Choice Annuity with money from a Protected Rights Pension?

If you buy some or all of your annuity with money from a Protected Rights Pension, some of your options will be different to those we've described in this booklet. This is because Government rules restrict the options we can offer.

Your quotation will show you what portion of your income is Protected Rights.

Your income to start with

Government rules state that the Protected Rights portion of your income must never fall below its starting level. As a result, the Protected Rights portion of your income will be calculated separately using a 1% Required Smoothed Return at the start (which is the same as your Secure Level).

What's a Protected Rights Pension?

A Protected Rights Pension is the pension you've built up as a result of your "defined contribution" or "money purchase scheme" contracting-out of the State Second Pension (or the State Earnings-Related Pension Scheme (SERPS)).

Because a "Protected Rights Pension" is intended to give you the same benefits as those you would've got if you hadn't contracted-out, there are certain compulsory requirements that must apply to this portion of your pension fund. This is why this element of your pension is treated differently.

The government has announced that with effect from 6 April 2012 the rules on the type of pension annuity you can purchase with Protected Rights funds will no longer apply and you can choose the options that suit your personal circumstances.

We'll never pay you less than this amount. This is because the bottom of your income range, and therefore your Secure Level, is calculated using a 1% Required Smoothed Return. We guarantee this income never falls below its starting level.

If you buy some of your Income Choice Annuity with a Protected Rights Pension the top level of your income range will be lower than it would otherwise have been. How much lower depends on how much of your annuity you bought with a Protected Rights Pension.

Income and Secure Levels for Protected Rights and non protected Rights are calculated separately.

If you buy all of your Income Choice Annuity with a Protected Rights Pension, we'll set your income for the first two years. After that time, you'll be given an income range to choose from depending on the Smoothed Return announced for your annuity.

Switching to a Guaranteed Pension Annuity

You may be able to switch to a Guaranteed Pension Annuity. However, you can only switch if the Protected Rights portion of your income will be

at least the same under the Guaranteed Pension Annuity as it was at the start of your Income Choice Annuity. If it would pay you less, you can't switch. There's more information about switching to a Guaranteed Pension Annuity in "Can I, or my dependant, switch my Income Choice Annuity to one of your other pension annuities?" on page 24.

Providing an income for someone else after you die

Legislation states that you must choose certain options if you have a spouse or civil partner when you buy your Income Choice Annuity. For example:

- › you must choose the Joint-Life option for the Protected Rights portion of your income

- › you must agree to provide them with an amount equal to 50% of your Protected Rights income
- › you can only choose a Payment Guarantee Period of up to five years

For more information about providing an income for someone else with an annuity bought using a Protected Rights Pension, please see www.pensionsadvisoryservice.org.uk

You'll find more details about providing an income for someone else after you die in the "What happens to my income if I die?" section on your quotation.

What happens if I die before my annuity start date?

If you choose for your Income Choice Annuity to start at some point in the future and die before the annuity start date, we will return any money that we have already received to where it came from.

What if I change my mind?

You have 30 days from the date we send you your first quotation to cancel your Income Choice Annuity.

If we get money from you for your Income Choice Annuity but you cancel within 30 days of your first quotation, we'll refund the value of your annuity at the date we get your cancellation instruction.

The amount returned to your original provider may be less than the amount of money you used to buy your annuity with.

If we've already paid any money to you, you'll need to repay it before we can return your pension fund. We'll then pay your pension fund to the provider or providers of your pension scheme. If you transferred a pension annuity from another provider, we'll return your money to your previous annuity provider.

After the 30 days are up, you've no right to cancel.

To cancel your Income Choice Annuity, please complete and return the cancellation notice that we send you with your quotation.

If you can't find this cancellation note, you can write to tell us you want to cancel your annuity. Please sign the letter and include your quotation reference number. Please write to:

**Prudential
Annuities Contact Centre
Stirling
FK9 4UE**

› Other information

How to contact us

If you've a financial adviser, please continue to use them as your first point of contact.

Alternatively, you can call us on the telephone number shown on your quotation.

You can also write to us at:

Prudential
Annuities Contact Centre
Stirling
FK9 4UE

How to make a complaint

If we do anything that you're unhappy about, we want to know. We'll always try to put it right if we can.

To resolve your complaint quickly we need to know exactly what the problem is. So it would really help if you could write to us with all the details of what has happened to:

Prudential
Customer Relations Unit
Stirling
FK9 4UE

Please remember to include your annuity/ quotation reference number.

If you'd rather phone, you can call us on the number shown on your quotation. To make sure we have an accurate record of what you tell us, we may monitor or record your call.

We hope that we'll be able to handle your complaint in a way that satisfies you. But if we can't, you can speak to one of the following organisations:

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR
Telephone: 0800 023 4567

The Pensions Advisory Service (TPAS)
or the Pensions Ombudsman
11 Belgrave Road
London SW1V 1RB

TPAS: 0845 601 2923
Pensions Ombudsman: 0207 630 2200

We can help you decide which organisation is the most appropriate for your complaint, or you can ask your financial adviser.

Making a complaint will not affect your right to take legal action.

Your client category

The Financial Services Authority (FSA) is the independent financial services regulator. The FSA asks companies to categorise their clients based on their involvement in, and familiarity with, financial services. This is a way of making sure we send the right type of information to the right people. For example, information for an individual customer should assume less knowledge than information for a financial services company that we work with.

You're categorised as a "Retail Client". This means you get the highest level of protection by getting the clearest explanation of what you're buying and more detail about the risks. This means the information we send you is clear, balanced and shows any relevant risks to your money. Your category doesn't affect your right to lodge a complaint with the Financial Ombudsman Service.

If you've any questions about your client category, or think your category should be different, please call our Customer Service Team on **0800 000 000** Monday to Friday, 8am to 6pm. Calls may be monitored or recorded for quality and security purposes.

Conflict of interest

We want to make sure that we uphold our reputation for conducting business with integrity. That's why we've drawn up a policy to deal with any conflicts of interest.

If you would like to know the full details of our Conflict of Interest Policy, please contact our Customer Service Team on 0800 000 000.

Financial Services Authority (FSA) Registration

Prudential Assurance Company Limited, Prudential Annuities Limited and Prudential Retirement Income Limited are entered on the Financial Services Authority (FSA) Register. The FSA Register is a public record of all the organisations that the FSA regulates.

Our FSA reference numbers for the companies listed above are 139793,155025 and 110452 respectively.

You can contact the FSA at:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London E14 5HS
Telephone: 0207 066 1000

Additional terms and conditions

The legal contract for your Income Choice Annuity

If you own the Income Choice Annuity – the legal contract is between you and us.

If the Trustees or Administrators of your current scheme own the Income Choice Annuity – the legal contract is between them and us.

The following items make up the legal contract for your annuity:

- › the final quotation
- › this Key Features booklet

- › your application, acceptance forms and any other supporting information you've given us
- › the booklet, "Your With-Profits Plan – a guide to how we manage the Fund"

You may also get a member's booklet or policy document.

Using your annuity as security for borrowing

You must not use this annuity as security for any form of borrowing.

For example: you cannot use this annuity as a guarantee on a secured loan or mortgage.

Transfer of benefits

If the Income Choice Annuity is to be owned by the Trustees of your pension scheme, then providing HM Revenue & Customs (HMRC) legislation and the scheme rules allow, the Trustees may transfer ownership of the annuity either:

- › to you, or
- › to any other named policyholder, or
- › to the Trustees of another registered pension scheme

This is only possible where the benefits are still payable to you, or to others who are entitled to get them.

Proof of entitlement

Before we pay any money to you, or any other person entitled to an income from your annuity, we may ask for proof of entitlement. This may include evidence that you're still alive and proof of identity and age. If we don't have sufficient proof we may refuse, suspend or stop payments.

Divorce and dissolution of civil partnership legislation

Government legislation classes pension funds and pension annuities as assets that may be taken into account in a divorce settlement or dissolution of a civil partnership. If you divorce or your civil partnership is dissolved, and a pension credit is awarded against your annuity, we'll reduce your income. If this happens we'll write to you.

Class of business

Your Income Choice Annuity is classed as: Pension business under Section 431B of the Income and Corporation Taxes Act; and as long-term business within the meaning of the Financial Services and Markets Act 2000.

If these Acts are changed, or are no longer in force in the future, we may make any reasonable changes to the terms of this annuity. We'll let you know of any changes at the time.

Changes to the terms and conditions of your Income Choice Annuity

If we change the terms and conditions of your Income Choice Annuity in the future, we'll write to you.

How we'll communicate with you

We'll communicate with you in English in writing, by phone or email.

Law

The Law of England and Wales applies to your Income Choice Annuity.

Legislation, particularly about tax, is open to differing interpretation as well as to change in law and practice that we cannot anticipate.

Your contract is supplied in English and all communications will be in English.

Compensation

We're covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the Scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

For details on the compensation levels that may apply to annuities (which are classed as long-term insurance business) or for further information on compensation schemes in general please contact:

**The Financial Services
Compensation Scheme**
7th floor, Lloyds Chambers
Portsoken Street
London E1 8BN

Telephone: 0207 741 4100 or
0800 678 1100

The information in this booklet is based on our understanding as at September 2011, of current taxation, legislation and HM Revenue & Customs practice. All of these are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances.

If the details contained in the quotation are subsequently found to be incorrect, then the quotation is invalid and either the quotation or any of the benefits to which it refers, can be cancelled or appropriately changed.

› Notes



www.pru.co.uk

"Prudential" is a trading name of The Prudential Assurance Company Limited, which is registered in England and Wales. This name is also used by other companies within the Prudential Group, which between them provide a range of financial products including life assurance, pensions, savings and investment products. Registered Office at Laurence Pountney Hill, London EC4R 0HH. Registered number 15454. Authorised and regulated by the Financial Services Authority.