

Important information



Key Features of the Flexible Lifetime Annuity



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

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Or call us on **0845 075 75 76**
(Monday – Friday 9am-5pm)

› About this booklet

- › This booklet sets out the Key Features for our Flexible Lifetime Annuity.
- › If you're considering whether our Flexible Lifetime Annuity is right for you, this booklet will help you make that decision. Please read it carefully and keep it in a safe place.
- › If you still have questions about our Flexible Lifetime Annuity after reading this booklet, please speak to your financial adviser in the first instance or contact us using the details on page three.

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 Flexible Lifetime Annuity is right for you. You should read this booklet carefully with your Flexible Lifetime Annuity quotation so that you understand what you're buying, and then keep it safe for future reference.

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

Please also read these booklets:

- › "Your With-Profits Plan – a guide to how we manage the Fund"
- › "Investment Guide: Flexible Lifetime Annuity and Flexible Income Drawdown Plan"

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 for the rest of your life.*

You don't have to buy your annuity from the same company you have your pension with. You can buy it from another company; this is known as the "Open Market Option" (OMO).

* There may be some circumstances where a pension annuity is not paid for life. For example to a child or where the income payable under a widow/widower's annuity stops on remarriage. Some annuity providers also offer a temporary annuity which pays a regular income for a set period, rather than for life.

› About our Flexible Lifetime Annuity

Our Flexible Lifetime Annuity is a pension annuity that pays you a regular income for life. It lets you choose how much income you take, within limits.

It also gives you control over your investments, giving you a range of investment strategies that you can change at any time.

Plus, it gives you the opportunity to provide for your dependants and beneficiaries when you die.

Is the Flexible Lifetime Annuity for me?

Our Flexible Lifetime Annuity could be for you if you're looking for flexibility over the amount of income you get and you're prepared to accept that your future income could go down as well as up.

How much money do I need to buy a Flexible Lifetime Annuity?

If you buy a Flexible Lifetime Annuity with money from our pension funds or with money invested with a different pension provider, either as a transfer or an OMO, the minimum investment is £35,000 after you've taken your tax-free cash.

If you're transferring money from our Flexible Income Drawdown Plan, the minimum investment is £25,000.

There's no maximum investment.

For more information please see, "What can I buy a Flexible Lifetime Annuity with?" on page 27.

› Its aims

Aims	For more information
<p>› To pay you a regular income which we believe is sustainable for the rest of your life.</p>	<p>See "How do I decide what income to take?" on page 19</p>
<p>› To give your income the potential to go up. We do this by linking it to the performance of the funds you choose.</p>	<p>See sections: "What are the three Lifetime Investment Strategies?" on page 12 "What's the Self-Managed Investment Strategy?" on page 12</p>
<p>› To let you choose an investment strategy that suits your needs and let you make changes in the future.</p>	<p>See sections: "What are the three Lifetime Investment Strategies?" on page 12 "What's the Self-Managed Investment Strategy?" on page 12</p>

Aims	For more information
<ul style="list-style-type: none"> ➤ To allow you to take additional lump sums whenever you like provided you don't exceed your maximum annual income limit 	<p>See sections:</p> <p>"How do I decide what income to take?" on page 19</p> <p>"Can I change my income?" on page 20</p>
<ul style="list-style-type: none"> ➤ To let you choose the amount of income you get, within set limits, and change it at any time. 	<p>See sections:</p> <p>"How do I decide what income to take?" on page 19</p> <p>"Can I change my income?" on page 20</p>
<ul style="list-style-type: none"> ➤ To give you two options to provide an income for your dependants or beneficiaries after you die. 	<p>See "Can my Flexible Lifetime Annuity pay an income to someone else after I die?" on page 24</p>

› 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 minimum and maximum income range to start with?" on page 18
› 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 Flexible Lifetime Annuity to one of your other pension annuities?" on page 27
› To choose the income you start with within limits	See "How do I decide what income to take?" on page 19
› To take any tax-free cash that you're entitled to (and want) when you buy your annuity.	See "Can I take any of my pension fund as tax-free cash?" on page 17
› To choose the benefit options you want for your dependants when you buy your annuity.	See "Can my Flexible Lifetime Annuity pay an income to someone else after I die?" on page 24
› To take at least the minimum income	See "How do I decide what income to take?" on page 19

› Risks

Risks	For more information
<p>› Your income can go down as well as up and could fall below the income you start with.</p>	<p>See sections: "How will my income be affected by reviews?" on page 22 "What affects the value of my annuity investment?" on page 14</p>
<p>› If you use our With-Profits Fund, we may apply a "Market Value Reduction" if you switch out of this fund.</p>	<p>See "Can I change my Investment Strategy in the future?" on page 13 For further information please refer to the Member's Booklet.</p>
<p>› Any changes in the income we pay you may not be enough to offset the effect of inflation.</p>	<p>See "How will my income be affected by reviews?" on page 22</p>
<p>› If you cancel your application for a Flexible Lifetime Annuity and investment rates have fallen, you may get back less than you started with.</p>	<p>See "What if I change my mind?" on page 30</p>

Risks	For more information
<ul style="list-style-type: none"> ➤ When you die, your income will stop unless you choose the ringfenced investments option and/or the joint-life option. 	<p>See "Can my Flexible Lifetime Annuity pay an income to someone else after I die?" on page 24</p>
<ul style="list-style-type: none"> ➤ Tax rules may change in the future, without notice. 	<p>See "Important information" on page 35</p>
<ul style="list-style-type: none"> ➤ For switch requests from certain funds there may be a one month delay in processing the switch and we would not expect delays to be longer than six months for funds which hold investments in buildings or land. 	<p>See "What's the Self-Managed Investment Strategy?" on page 12, or</p> <p>See booklet, "Member's Booklet" – the General Funds Appendix</p>

› Questions and Answers

Your Flexible Lifetime Annuity

How will my annuity investment be invested?

Your annuity investment buys units in funds you and your adviser choose, to suit the balance between risk and potential reward that's right for you.

If you choose one of our Lifetime Investment Strategies then we buy units on your behalf in each fund based on your age and the value of your investment. If you choose the Self-Managed Investment Strategy we buy the units based on the proportion of your money you want invested in each fund.

What does the performance of my annuity investment depend on?

The performance will depend mainly on:

- › The investment performance of the funds in your selected Investment Strategy
- › Charges we take – see "What are the charges?" on page 28
- › Amount of income taken

How will I know how my annuity is doing?

We'll send you a statement each year showing details of your income and what your annuity investment is worth.

Each month we check to see if your level of income is sustainable. If your income is no longer sustainable we'll write to you and remind you of the options available.

How do I choose my Investment Strategy?

You can choose one of our three ready-made Lifetime Investment Strategies or use the Self-Managed Investment Strategy. If you choose one of our strategies, we'll invest your money for you.

You can use only one strategy at a time. However, you can change strategies in the future. See "Can I change my Investment Strategy in the future?" on page 13 for more information.

What are the three Lifetime Investment Strategies?

We've three Lifetime Investment Strategies for you to choose from – Cautious, Standard and Adventurous. Each strategy offers a different balance of potential investment return and risk, which is set by the mix of investment funds held.

Depending on your age and which of the three strategies you choose at the start of your annuity, we'll split your annuity investment between specific investments from our range.

We keep a close watch on the future value of your annuity investment. Between the time your Flexible Lifetime Annuity starts and the time you reach 90, we'll gradually switch your annuity investment into the lowest risk investments for your chosen strategy. This means at 90, you can get a guaranteed income, a with-profits income, or a combination of the two. See "What happens when I turn 90?" on page 27.

We've classified these strategies ourselves, they don't apply across the fund management sector. Our investment approach may change in the future.

For more information about the Lifetime Investment Strategies, please read our "Investment Guide: Flexible Lifetime Annuity and Flexible Income Drawdown Plan", which is included in your quotation pack.

What's the Self-Managed Investment Strategy?

With this strategy you and/or your financial adviser decide where to invest using one, or more, of the funds we currently offer.

This range of funds, which includes those used by our three Lifetime Investment Strategies, lets you spread your investment risk between:

- ▶ Different fund management houses and investment styles
- ▶ A variety of UK and international investment markets

Please see:

- › Investment Guide: "Flexible Lifetime Annuity and Flexible Income Drawdown Plan"

If your strategy uses our With-Profits Fund, please also see:

- › "Your With-Profits Plan – a guide to how we manage the Fund"

These are included in your quotation pack.

Can I change my Investment Strategy in the future?

You can change your investment choice at any time. You can switch:

- › From one strategy to another
- › A minimum of £2,500, between funds in the Self-Managed Investment Strategy – you can invest in up to 19 funds at any time from the range available
- › From a unit-linked income to a guaranteed income or a with-profits income

If you switch to a guaranteed income you can't switch that money back again, and you'll lose some income flexibility.

The automatic switches we do as part of the Lifetime Investment Strategy are all free of charge.

If you want to switch investment strategies, or switch between funds in the Self-Managed Investment Strategy, you can make up to six free switches in a policy year.

After that we reserve the right to charge. Currently this is £25 per additional switch. We may charge for any switches in the future. If this charge is applied or the amount changes in the future we'll let you know.

If you switch from our With-Profits Fund, we may apply a Market Value Reduction.

For further information please refer to the Member's Booklet.

What's a Market Value Reduction (MVR)?

If you take money out of the With-Profits Fund, we may make an adjustment to your fund value, if the value of the underlying assets is less than the value of your fund including all bonuses. This adjustment is known as a Market Value Reduction (MVR). It's designed to protect investors who are not taking their money out of the Fund. However, the amount you get back from your with-profits investment will not be less than the value of the underlying investments relating to your share of the Fund. We apply the MVR to your fund value including regular and additional bonuses. We reserve the right to change our current practice on Market Value Reductions at any time, without prior notice, and this would apply to existing plans and any new plans or top-ups. Examples of reasons for a change would include significant changes in the investment market or because the number of people moving out of the fund increases substantially.

An MVR does not always apply, but when it does we'll reduce the value of the amount you switch:

- › Automatic switches within the Lifetime Investment Strategy – these switches will not be affected.
- › Optional switches – these switches could be affected.

For more details please see the booklet called "Your With-Profits Plan – a guide to how we manage the Fund".

What affects the value of my annuity investment?

The future value of your annuity investment depends on:

- › How much income you choose to take
- › Investment performance
- › Lifetime bonuses – see "What's a lifetime bonus?" on page 15
- › The charges we take – see "What are the charges?" on page 28

What's a lifetime bonus?

Lifetime bonuses are added to your plan every month. They're paid for by the remaining funds of other Flexible Lifetime Annuity policyholders who have died. This is known as "mortality cross subsidy" and helps to ensure that all policyholders get an income for life regardless of how long they live.

When you die, any funds that remain in your Flexible Lifetime Annuity that are not being used to provide benefits to your dependants, will be used to pay lifetime bonuses to other Flexible Lifetime Annuity policyholders.

How do you add lifetime bonuses?

We add the mortality cross subsidy in the form of extra units as a monthly Lifetime Bonus. We also show this on your yearly statement.

The older you get, we pay a higher percentage of your fund to you as a monthly Lifetime Bonus. We keep paying them until you reach 90, or until you choose to switch to a fixed guaranteed income before turning 90.

Lifetime bonuses are only added to your "lifetime investments". Lifetime investments are the portion of your annuity investment that you haven't ringfenced. See "What's ringfencing?" on page 17.

We review our lifetime bonuses from time to time and may change them:

- If we think people are likely to live longer than we anticipated. This could mean the bonuses may go down. This is because we need to pay more people longer than we previously expected.
- Equally, if we think people's lives will be shorter than we anticipated, we may increase the bonuses and your income will go up.

How do I benefit from investment performance?

Your annuity investment buys units in your chosen funds. How much your annuity investment is worth in the future will depend on the number and value of the units you hold.

If you're investing in our With-Profits Fund, we'll use bonuses to pay you your share of profits from the Fund.

Typically we'll pay two bonuses each year – a regular and an additional bonus:

- ▶ Regular bonus – we add a proportion of the announced regular bonus to your unit price everyday, so the price of your units cannot go down.
- ▶ Additional bonus – when we cash in units, for example to pay income, commission or charges, we may add an additional bonus – additional bonuses are not guaranteed

Units in the other investment funds

- ▶ The price of these units can go up or down at any time

If I have more than one Investment fund, which ones will you take my income from?

We normally cash-in units on a proportional basis across all the funds you're invested in. For example, if your annuity investment is held at 40% in one fund and 60% in another, we'll take 40% of your selected income from the first fund and 60% from the other. However, with the Self-Managed Investment Strategy you can ask us to take higher or lower proportions from specific funds if you prefer.

If you've any ringfenced investments we cash-in these first, and when there are none left we start to cash-in your lifetime investments.

What's Ringfencing?

› Ringfencing is basically guaranteeing payment of income for a set time. You can allocate up to 80% of your investment fund for up to a ten year period. So if you die before the years are up your beneficiaries will continue to get income from your annuity for the remainder of the time left. For example, if you die in year six we'll pay your beneficiaries for another four years. This is based on 80% of investments being ringfenced.

If your investments run out before the end of the period there'll be no income for your beneficiaries.

For more information on paying an income to someone else after you die see page 24.

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.

You can normally take up to 25% of the value of your pension fund. This may need to be taken by age 75, depending 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.

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

You need to take your tax-free cash when you buy your annuity,

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.

How much will my Flexible Lifetime Annuity pay me to start with?

When your annuity starts, you can choose:

- › A fixed income between a minimum and maximum amount
- › A specific amount of income plus a percentage increase each year
- › Income as a percentage between 50% – 100% of the maximum income level.

We show you your minimum and maximum income levels on your quotation.

How do you set my minimum and maximum income range to start with?

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

- › The amount of money you have to buy your Flexible Lifetime Annuity
- › Your age
- › Your chosen investment strategy
- › The options you chose – for example whether you chose for an income to be paid to a dependant after you die
- › Lifetime bonuses
- › HM Revenue & Customs rules – the maximum amount allowed is currently up to 20% higher than we offer on our conventional annuity and the minimum can't be less than 50% of what our conventional annuity would give you. We expect the sustainable income levels that we calculate for you to be within this range but it may be necessary to limit your income to remain within these rules.

How do I decide what income to take?

When you choose your income from your income range, you need to consider how much income you think you'll need now and in the future.

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

You have three options to choose from

1) Income as a percentage

You can take any percentage between 50% – 100% of the maximum income level.

2) Income as an amount

You can take any amount between the minimum and maximum income levels we set.

3) Income as an amount that increases

You choose a specific income plus a percentage increase each year between 0.01% and 8.5%

Please see the information in the table on pages 22 and 23 to see how your choice could affect your future income. If you'd like more information on deciding what income to take please speak to your financial adviser.

What will my income be?

Your quotation shows:

- How much income you can take within minimum and maximum limits when your Flexible Lifetime Annuity starts
- Examples of how your income may change after each three-yearly review. For more information see, "How will my income be affected by reviews?" on page 22

You must take at least the minimum income every year. If you take less than the minimum during any year we'll pay you the difference at the end of the year.

We'll pay your income by cashing in some of your investment units. How much we cash-in will depend on:

- How much income we're due to pay you at the time
- The value of units at the time

You can also take additional one off payments as well. These additional payments together with the regular income you are taking can't go above your yearly maximum amount.

Can I change my income?

You can change the income you take at any time, up to the age of 90. We set your minimum and maximum income levels at a review every three years. After a review, these limits and your income could go up or down. But your income will remain stable between reviews, so you can normally plan ahead in three-year cycles.

See "How will my income be affected by reviews?" on page 22.

When do you pay my income?

When we set up your Flexible Lifetime Annuity you can choose how often you want to be paid. You can take:

- › Regular monthly, quarterly, half-yearly or yearly payments
- › In advance or in arrears
- › One-off amounts as often as you need during the year (if you take less than the maximum income)

If you take less than the maximum income, you can take the difference up to the maximum as extra income at any time during the year, if you wish.

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

Please note that your annuity income stops when you die and no proportionate payment will be made for the period between when your last payment was made and the date of your death.

We'll pay your income straight into a bank or building society account in your own name. This account must only be a personal account or personal joint account. We can't pay your income into a business account. We won't make payments by cheque.

We can't pay you until we're sure you've met all our requirements, which will be listed in your quotation pack. If we don't get everything we need from you until after the date that your first payment was due, we'll normally make a backdated payment.

How will my income be affected by reviews?

The aim of the Flexible Lifetime Annuity is always to offer you the highest income that your annuity investment could sustain over your lifetime. We set a maximum and minimum income limit when you start your annuity. Then, at least every three years we review these limits to see if they need to go up or down.

Three-yearly reviews and income choices

Your choice of income	What happens between the three-yearly reviews?	What happens at the three-yearly reviews?
Income as percentage	Between each review your chosen income percentage will stay the same each year, unless you decide to change it.	We'll automatically change your existing income (up or down) in line with the new income limits we set for you. Your income percentage will not change.
Income as an amount	At the start, we'll pay you your chosen amount of income. Between each review your chosen income will stay the same each year, unless you decide to change it.	We'll continue to pay you this amount of income unless it falls above, or below, your new maximum or minimum income levels. If this happens, we'll cap or increase your income.

Three-yearly reviews and income choices – continued

Your choice of income	What happens between the three-yearly reviews?	How will your income change?
Income as an amount that increases	At the start, we'll pay you the income you've selected. Between reviews your income will go up each year by the percentage increase you chose at the start.	Your income will continue to increase by your chosen amount as long as this is still within the maximum income allowable. Where your income exceeds the maximum we'll cap your income at the maximum level and set the rate of escalation to zero until your next income review. If your chosen level of income falls below the minimum income we'll pay you the minimum level of income plus the yearly level of increase you have selected.

How do you ensure you can pay me an income for life?

We check your annuity every month. If we see that the maximum income level you could sustain for the rest of your life is less than 65% of the maximum when your annuity started we'll let you know.

If it then falls below 50% of the maximum when your annuity started, we'll automatically switch your income to a fixed guaranteed or with-profits income. You won't be able to vary this income or switch back to a non-guaranteed income. We do this to make sure whatever happens, your income won't fall below a certain level. We'll give you full details of your options if this happens and how your income will be affected.

Can my Flexible Lifetime Annuity pay an income to someone else after I die?

Your Flexible Lifetime Annuity can provide an income to your dependant or beneficiaries after you die. There are two ways it can do this:

1. Joint-Life option
2. Ringfenced investments option

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

If the Flexible Lifetime Annuity is being purchased with the proceeds of a pension or income drawdown plan following the death of the planholder i.e. as a dependants annuity then you cannot have the Joint-Life or Ringfenced options. HMRC rules say that a dependant's annuity plan must stop when the dependant dies.

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 we may still ask for any overpayment to be returned.

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. When you apply, you decide how much income you ideally want your dependant to get. It could be the same as yours or less, say a half or two-thirds. The amount you choose is called the "target income". It's not a guaranteed amount. How much we actually pay your dependant could be higher or lower than what we show in your quotation, based on the value of the annuity investment that remains for them after you die.

Your dependant can be your spouse, civil partner, or another adult who is financially dependent (or interdependent) on you, such as an unmarried partner. You can't take a Joint-Life option for one of your children, unless they're an adult 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.

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

Choosing a Joint-Life option will normally 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. If:

- the dependant you name when your annuity starts 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 (including financially interdependent) on you, for any reason, on the date of your death. This only applies if you selected a financial dependant at the outset. If you selected a spouse or civil partner then we'll still pay them regardless of the financial dependency status.

2. Ringfenced investments option

When you buy your Flexible Lifetime Annuity, you can choose to "ringfence" some of your investments. If you die within the first 10 years of your annuity, any ringfenced investments that haven't already been cashed-in to pay your income will be used to pay an income to your spouse, your civil partner, your estate or one or more beneficiaries named in your Will. We'll pay your beneficiaries an income for the remaining years. We'll calculate their income based on:

- the amount of ringfenced investments left
- annuity rates at the time
- years left in the period

You can ringfence up to 80% of your investment for this purpose. The number of years the money will last for will be affected by the percentage you choose.

You can't increase the total percentage of your ringfenced investments after your annuity has started.

Ringfenced investments don't earn Lifetime Bonuses but you can remove their ringfenced status at any time so that they do.

- What if the person getting a ringfenced income also dies within the first 10 years?

We'll pay the ringfenced income that they'd been getting to your estate.

- › What if no ringfenced investments are left when I die?

It'll not be possible for us to pay any ringfenced income. We use any ringfenced investments to pay your income before we use your other investments. This means that if your ringfenced investments run out, your beneficiaries won't get an income from them.

- › How does choosing ringfencing affect my income?

The more you choose to ringfence from your annuity investment, the lower your minimum and maximum income limits will be. This is because we don't pay lifetime bonuses on ringfenced investments.

In the future you can cancel the ringfenced investments option or reduce the amount. But you must choose it at the start – you can't add it later

What if I choose the ringfenced investments option as well as the joint-life option?

If you leave your ringfenced investments to beneficiaries other than your dependant, your dependant's income may be below the Joint-Life target income. At the end of the ten years, your dependant will continue to get an income for the rest of their life but your other beneficiaries won't.

If your dependant is also a named beneficiary, their income may be higher for the remainder of the 10 years than it'll be for the rest of their life after that. This is because they may be getting income from ringfenced as well as income from lifetime investments.

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

- › What if I live longer than 10 years?

At the end of 10 years, we'll convert any ringfenced investments you have left to lifetime investments.

If you then die after this period, no further benefits will be paid unless the Joint-Life option was selected at the start.

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

You or your dependant can choose to switch to a guaranteed income at any time. If you choose to do this the income that you receive will either be fixed for life or will increase at a rate you select. Once you switch to a guaranteed income it is not possible to switch back.

What happens when I turn 90?

From 90, we move your remaining investments to a lower risk option to ensure that you get an income for the rest of your life. The type of income you'll get in the future will depend on the investment strategy you're using at the time you turn 90:

- › Cautious: we'll pay you a guaranteed income
- › Standard: we'll pay you an income which is 50% guaranteed and 50% with-profits
- › Adventurous: we'll pay you a with-profits income
- › Self Managed: you can choose a combination of guaranteed and with-profits income. The maximum with-profits income you can take depends on how much of your annuity was in our With-Profits Fund on your 85th birthday.

What can I buy a Flexible Lifetime Annuity with?

You can buy a Flexible Lifetime 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 and any contracted-out rights earned in such schemes after that date.

- › from a Protected Rights* pension
- › if your pension scheme requires your annuity to pay you either a minimum or a specific annual increase in income

Your pension provider will be able to tell you if your pension scheme is registered with HMRC and can be used to buy a Flexible Lifetime Annuity.

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

What are the charges?

Your quotation takes into account the charges we expect to deduct and shows what the expected cost is to you. Our charges may vary in the future and may be higher than they are now. Further details can be found in the Terms and Conditions.

- › **Initial Charge**
We take an Initial Charge from your pension fund when you buy your Flexible Lifetime Annuity. We take this charge before we set your minimum and maximum income levels.
- › **Yearly Fund Charge**
We take a Yearly Fund Charge from the funds you've invested in.

- › **With-Profits Fund Charge**

For the With-Profits Fund, we take a Charge through the bonuses we give to your annuity. This 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.

- › **Charge for Guarantees (With-Profits Only)**

There's a charge to pay for all the guarantees the With-Profits Fund supports. We guarantee not to take away regular bonuses already added when a payment is made because of death and to only apply a Market Value Reduction in certain circumstances (see page 14 for more details).

This charge will be taken by making a small deduction each year when deciding Regular and Additional Bonuses, so you'll not see it on any yearly statement. The total deduction over the lifetime of the Plan is not currently more than 2% of any payment made from the Fund. Our charges may vary in the future and may be higher than they are now. Charges may vary if, for example, the long-term mix or type of assets held within the With-Profits Fund is changed.

➤ Other investment funds

Each fund has a different charge – a proportion is taken from the value of the fund each working day. For these funds the yearly fund charge comprises of the Annual Management Charge for your selected fund plus any additional expenses the fund incurs by investing in unit trusts or open ended investment companies.

For further details, please refer to the "Investment Guide: Flexible Lifetime Annuity and Flexible Income Drawdown Plan" included with your quotation.

➤ Paying for your financial advice

You'll have agreed with your financial adviser how their advice and service will be paid for. We can pay Initial Commission (up front), Annual Commission (every year) or a combination of both.

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

If you want to stop or restart the annual commission charge you'll need to contact us.

What if I change my mind?

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

If we get money from your previous provider for your Flexible Lifetime 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.

After the 30 days are up, you can't cancel.

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

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

Please write to us using the contact details on page 31.

What happens if I move overseas?

Please note Prudential is not able to accept new monies from customers living overseas. If you move abroad and are no longer a resident of the UK this will impact on your ability to top up this product.

› Other information

How to contact us

Please contact your financial adviser as your first point of contact.

Alternatively, you can call us on
0845 075 75 76

You can also write to us at:

**Flexible Retirement Income
Servicing Team
Prudential
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 or quotation reference number.

If you'd rather phone, you can call us on the number in the "How to contact us" section. 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

Telephone: 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. 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.

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

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: 020 7066 1000

Additional terms and conditions

The legal contract for your Flexible Lifetime Annuity

If you own the annuity – the legal contract is between you and us.

If the Administrators of your current scheme own the 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
- › 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 Flexible Lifetime Annuity is to be owned by the Administrators of your pension scheme, then providing HM Revenue & Customs (HMRC) legislation and the scheme rules allow, the Administrators 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 Flexible Lifetime Annuity is classed as Pension business under Section 431B of the Income and Corporation Taxes Act 1988; 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.

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 Flexible Lifetime 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 0800 678 1100

Important information

The information in this booklet is based on our understanding as at February 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.



www.pru.co.uk

"Prudential" is a trading name of The Prudential Assurance Company Limited, of Prudential Annuities Limited and of Prudential Retirement Income Limited. 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. The Prudential Assurance Company Limited and Prudential Annuities Limited are registered in England and Wales. Registered Office at Laurence Pountney Hill, London, EC4R 0HH. Registered numbers 15454 and 2554213 respectively. Prudential Retirement Income Limited is registered in Scotland. Registered Office at Craigforth, Stirling FK9 4UE. Registered number SCO47842. Authorised and regulated by the Financial Services Authority.