

Technical Guide

Pru Flexible Retirement Plan – Income Drawdown Option

(IPPB6373)

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1. Introduction

This Technical Guide contains the detailed terms and conditions of the Pru Flexible Retirement Plan's Income Drawdown Option. It also gives general information about personal pensions and membership of the Prudential (SAL) and Prudential (M&G) Personal Pension Schemes.

1.1 Definitions and interpretation

The words and expressions shown in **bold italics** are explained in section 24 of this **Technical Guide**.

References to 'Prudential', 'we', 'us' or 'our' in this **Technical Guide** mean The Prudential Assurance Company Limited.

Any reference to any statute includes any re-enactment or modification of it or any regulations made under it.

A **Pru FRP Income Drawdown Plan** taken out and owned by the **member** is called an **income drawdown plan**. A **Pru FRP Personal Pension Plan** taken out and owned by the **member** is called a **PP plan**.

1.2 The Pru Flexible Retirement Plan and its options

The **Pru Flexible Retirement Plan** provides a tax efficient route for saving for retirement and for providing retirement income. There is a range of options, giving flexibility to meet changing needs.

The **Pru Flexible Retirement Plan** offers:

- a "personal pension" option (called the **Pru FRP Personal Pension Plan**) which is a pre-retirement savings vehicle, able to accept

payments from individuals, employers, contracting-out moneys and transfers-in from other pension plans. The **Pru FRP Personal Pension Plan** offers a variety of investment options including the **With-Profits Fund**, the **PruFund Funds** and a range of **unit-linked funds** managed by companies both within and outside the **Prudential Group**.

- an "income drawdown" option (called the **Pru FRP Income Drawdown Plan**) which is an **unsecured pension arrangement** allowing an individual to take an income from the **Pru FRP Income Drawdown Plan** until his or her 75th birthday while investing in the **funds** of his or her choice and deferring the purchase of an **annuity**. The **Pru FRP Income Drawdown Plan** is available, subject to various conditions, to individuals who have a **Pru FRP Personal Pension Plan**. The **Pru FRP Income Drawdown Plan** is also available to individuals wishing either to pay a single contribution or transfer from other pension plans at retirement or from other **unsecured pension arrangements** before age 75.

- a "SIPP" (self-invested personal pension) option, which allows an individual to choose and manage his or her own investments under the **Scheme**. By means of a private "Self-Invested Fund" (called a **SIF**) under the **Pru Flexible Retirement Plan**, investment is permitted in a range of own-choice investments. The SIPP option has two levels: the "full SIPP" option and the "FundSIPP" option. The full SIPP option allows investment in a wide range of investments including stocks, shares, unit trusts and commercial land and property

and the full range of funds on the Cofunds platform. The FundSIPP option limits investments to a maximum of 20 funds from the Cofunds platform plus the **bank account**. A lower level of **SIF** charges applies to the FundSIPP option than to the full SIPP option. The SIPP option is available under both the **Pru FRP Personal Pension Plan** and the **Pru FRP Income Drawdown Plan**.

This **Technical Guide** sets out the terms and conditions of the **Pru FRP Income Drawdown Plan**.

The terms and conditions of the **Pru FRP Personal Pension Plan** are set out in the **Pru FRP PP Technical Guide** (IPPB6369).

The terms and conditions of the **Pru Flexible Retirement Plan** SIPP option are set out in the **SIPP Supplement** (IPPB6370).

Individuals who have also taken out a **Pru FRP Personal Pension Plan** or made investments under the SIPP option should also read the Technical Guides relevant to those options.

1.3 The Schemes

The Prudential (SAL) Personal Pension Scheme and the Prudential (M&G) Personal Pension Scheme are known as the **Schemes**.

The **Schemes** are **registered pension schemes**, within the meaning of Chapter 2 of Part 4 of the Finance Act 2004. This means that there is valuable tax relief on contributions and investments and certain tax advantages on some of the benefits that can be provided.

Prudential is Trustee and Administrator of the **Schemes**.

The **Schemes** are governed by Rules. Members and advisers can obtain a copy of the Rules of the relevant **Scheme** on request.

This **Technical Guide** gives information about the **Schemes**. Every effort has been made to ensure that the descriptions in this **Technical Guide** are consistent with the Rules of the **Scheme**. However, in the event of any conflict between information in this **Technical Guide** and the Rules, the Rules will override this **Technical Guide**.

Individuals who invest in a **Pru FRP Income Drawdown Plan** normally become members of the Prudential (SAL) Personal Pension Scheme.

Where, however, an existing member of the Prudential (M&G) Personal Pension Scheme invests a single contribution in a **Pru FRP Income Drawdown Plan** (see section 3.3) or converts a **PP plan** which is under that **Scheme** to an **income drawdown plan** (see section 3.4), his or her **income drawdown plan** will be held under the Prudential (M&G) Personal Pension Scheme.

All transfer payments made into a **Pru FRP Income Drawdown Plan** are, nevertheless, held under the Prudential (SAL) Personal Pension Scheme, so any individual who makes a transfer-in will become a member of that **Scheme**. This includes an existing member of the Prudential (M&G) Personal Pension Scheme who makes a transfer-in (including a transfer from a Prudential pension plan that is not a **Pru FRP Personal Pension Plan**).

1.4 Incorrect or incomplete information

The contract, or contracts, with us are set up by an application and declaration made to us by or on behalf of the applicant and any other information

which the application authorises us to obtain. If any of the information is later found to be incorrect or incomplete, we have the right to alter the terms and conditions of any **income drawdown plan** which would not have been agreed if we had known the full facts. If such alteration is necessary, we will notify the **member** and provide full details of the change(s). We will not refund any charges already made in respect of the altered provisions and we reserve the right to apply a charge for making the change(s).

1.5 Date we treat items, payments and communications as being received

1.5.1 General

A number of sections in this **Technical Guide** refer to the effective dates used for transactions, notices and requests once we have all of the information and other items (including payments) that we need from the **member** and others, to enable us to carry out the transaction or act upon the notice or request. The effective dates depend on the day and time we receive these, and the means of communication.

Subject to section 1.5.2, we normally treat any notice, request, information or items as being received on the **working day** that we receive it at our office. If the day we receive these items is not a **working day** we will treat them as having been received on the next **working day**.

1.5.2 E-mailed or faxed switch requests

The effective date of a request by e-mail or fax which involves switching **units** between **funds** and which is received by us by 5.00 p.m. (London time) on a **working day**, is normally the next **working day** following the date of receipt.

The effective date where such a request is received by us either after 5.00 p.m. (London time) on a **working day** or on a day that is not a **working day**, is normally the second **working day** following the date of receipt.

Note: The only transaction for which we will accept instructions by e-mail or fax are **fund** switch requests. We do not accept instructions by e-mail or fax for any other transactions – for example to sell **units** to provide benefits or a transfer-out.

1.5.3 Effective date where multiple items are required

In some cases we may need more than one item or piece of information to carry out a transaction. In this case, the effective date will be determined by reference to the date on which we have everything we need, or the next **working day** following that date, in the way described above.

1.6 Advice issues

Both income drawdown and transferring benefits are complex areas. As such, we do not accept an application for a **Pru FRP Income Drawdown Plan** unless it has been arranged through and advice given by a financial adviser. Our acceptance of an application for a **Pru FRP Income Drawdown Plan** or of a transfer-in does not in any way imply that we endorse either income drawdown or the transfer-in as being appropriate or in the **member's** best interests. **Prudential** does not give financial advice, nor are we responsible for advice given by third parties.

The taxation of benefits is a very complex area, and again, individuals are strongly advised to seek advice to ensure that the arrangements meet their financial needs and that all taxation issues are fully understood. **Prudential** will not pay for nor reimburse the **member** or any other person for the costs of any such advice.

1.7 Key dates under an income drawdown plan

Key Dates Summary	
Start date	This is the date on which we set up an <i>income drawdown plan</i> and allocate the payment to the <i>income drawdown plan to units</i> . In the case where a <i>PP plan</i> is being converted to an <i>income drawdown plan</i> it is the date on which the value of <i>units</i> under the <i>PP plan</i> is reallocated to the <i>income drawdown plan</i> . See sections 3 and 8. Any pension commencement lump sum (tax-free cash) under section 9.3 is usually payable immediately after the <i>start date</i> .
Income payment date	This is the date selected by the <i>member</i> when we make regular <i>income payments</i> (if any). See section 9.7.
Monthly transaction date	<p>This is the date on which <i>units</i> may be deducted from the <i>income drawdown plan</i>:</p> <ul style="list-style-type: none"> ➤ to collect any Establishment Charges under section 7.3; and ➤ to collect the <i>basic Annual Management Charge</i> under section 6.2.2 if this is an explicit charge. <p>It is also the date on which we make <i>unit</i> adjustments by either selling or allocating <i>units</i> to meet the <i>actual Annual Management Charge</i> payable under sections 6.3 to 6.9.</p>
Guarantee charge date	The <i>guarantee charge date</i> is relevant if a <i>PruFund Protected Fund</i> has been selected for the investment of some or all of the <i>income drawdown plan</i> . It is the date on which <i>units</i> may be deducted from the <i>income drawdown plan</i> to collect the <i>guarantee charge</i> under section 5.7.11.
Anniversary date	The <i>anniversary date</i> is relevant if the Income Drawdown Lifestyle Option has been selected for the investment of the <i>income drawdown plan</i> . It is the anniversary of the <i>start date</i> and the date on which we carry out the automatic switches to rebalance investments under the <i>income drawdown plan</i> under section 4.3.3(c).
GAD review date	This is the effective date of the five yearly <i>maximum income limit</i> review. We carry out the actual calculations as at a date nominated by us under section 10.2.3.
GAD anniversary date	This is the anniversary of the previous <i>GAD review date</i> . It is the start of a new <i>unsecured pension year</i> . <i>Income payments</i> may be taken up to the <i>maximum income limit</i> in each separate <i>unsecured pension year</i> .
Final conversion date	This the final date on which <i>units</i> under an <i>income drawdown plan</i> must normally be sold and used to purchase an <i>annuity</i> for the <i>member</i> .

Note: If the *income payment date*, *monthly transaction date*, *guarantee charge date* or any other event under an *income drawdown plan* would fall on the 29th, 30th or 31st day of any month, we may substitute the 28th day of that month for that day.

2. Eligibility and membership

2.1 Eligibility

Subject to satisfying the minimum plan period set out in section 3.5, individuals:

- › who have passed their 50th birthday (55th birthday from 6th April 2010) or their **protected early pension age** (if applicable);
- › who have not yet reached their 74th birthday; and
- › whose proposed payment(s), being one or more of the types described in section 3, meets the minimum payment amounts set out in sections 3.2 and 3.3 or whose **PP plan(s)** meets the minimum plan value set out in section 3.4,

are eligible to apply for a **Pru FRP Income Drawdown Plan**.

2.2 Applications

All individuals who wish to take out a **Pru FRP Income Drawdown Plan** must complete an **application form**.

Our decision as to whether we have all of the items, information and completed forms that we require is final.

2.3 Certificate of membership

Once the **income drawdown plan** has been set up, the **member** will receive a Certificate of Membership. The Certificate, and any later letters about changes to the Certificate, confirm individual membership details.

3. Payments to the Pru FRP Income Drawdown Plan

3.1 General

The **Pru FRP Income Drawdown Plan** can accept the following types of payment:

- › Transfer values from other **registered pension schemes** or overseas pension schemes of which the individual has been a member, including amounts representing **protected rights** and **pension credit rights** (see section 3.2). The transfer value may be from a pension arrangement under which benefits have not yet started to be paid or it may represent the balance of an individual's fund under an **unsecured pension arrangement**.
- › Single payments made by the **member** or the **employer** (see section 3.3). Such payments are applied in the first instance to a **Pru FRP Personal Pension Plan** as described in section 3.3.1.
- › A payment representing the value of one or more **arrangements** under a **Pru FRP Personal Pension Plan** including amounts representing **protected rights** and **pension credit rights** (see section 3.4).

The payment details are confirmed in Certificates of Membership and other information we send to the **member**.

3.2 Transfers from other pension arrangements

3.2.1 General

This section applies to transfers-in from:

- › pension arrangements administered outside the **Prudential Group**; and
- › other pension arrangements administered by **Prudential**, excluding transfers from a **Pru FRP Personal Pension Plan** but including transfers from other pension plans (for example "Prudential Premier Pension Plans") that are held under the **Scheme**.

Transfer payments may be in respect of benefits that have not yet started to be paid and/or benefits from **unsecured pension arrangements** (including **dependants' unsecured pension arrangements**).

Transfers-in from **alternatively secured pension arrangements** or from **dependants' unsecured pension arrangements** that originated in **alternatively secured pension arrangements** cannot be made into a **Pru FRP Income Drawdown Plan**.

All transfers must be permissible within the rules of the transferring pension scheme or pension arrangement and must be carried out in line with **HMRC** requirements. In some cases, certain requirements must be complied with before we can accept the transfer payment. Further details are available from us on request.

3.2.2 Minimum initial transfer-in

(a) Transfers-in from all pension arrangements other than unsecured pension arrangements

Where an individual is investing in the **Pru Flexible Retirement Plan** for the first time and is using some or all of the transfer payment(s) to set up a **Pru FRP Income Drawdown Plan**, the minimum initial amount transferred into the **Pru Flexible Retirement Plan** from all other pension arrangements at the same time must not be less than £50,000. This minimum amount can be met using multiple transfers-in (see section 3.2.4).

The total amount may be applied to an **income drawdown plan** or it may be split between an **income drawdown plan(s)** and a **PP plan(s)**. Of this £50,000 minimum payment, the minimum amount that must be applied to an **income drawdown plan** is £10,000.

(b) Transfers-in from unsecured pension arrangements

Where an individual is investing in the **Pru Flexible Retirement Plan** for the first time, the minimum initial amount that must be transferred into a **Pru FRP Income Drawdown Plan** from any **unsecured pension arrangement** is £37,500.

3.2.3 Minimum subsequent transfer-in

The minimum additional amount transferred into a **Pru FRP Income Drawdown Plan** from other pension arrangements at any time after the first **member's income drawdown plan** has been set up is:

- › £7,500, in the case where the transfer payment is from an **unsecured pension arrangement**; and.
- › £10,000, in all other cases.

3.2.4 Multiple transfers-in (including terms of holding account)

(a) Minimum aggregate value

Where a number of transfers-in are being made at the same time and some or all of these are to be used for the purposes of taking **income payments**, the minimum amounts set out in sections 3.2.2 and 3.2.3 apply to the aggregate value of the transfer payments. Any of these transfers-in that are to be invested in a **PP plan(s)** must separately satisfy the minimum transfer payment amount set out in the **Pru FRP PP Technical Guide**.

(b) Treatment of multiple transfers-in: holding account

- (i) This section 3.2.4(b) does not apply to:
- › multiple transfers-in which are received by us on the same date with all necessary information, authorities and instructions;
 - › multiple transfers-in from **unsecured pension arrangements**;
 - › multiple transfers-in which are not in cash form (i.e. "in specie" transfers into the **SIF**); or

- › a single transfer-in which is in cash form, but which is part of a multiple transfer-in where all of the other transfers-in are either from **unsecured pension arrangements** and/or not in cash form.

Multiple transfers-in which are received by us on the same date, with all necessary information and authorities, are applied immediately to the appropriate **income drawdown plan(s)** (see section 3.6.1). Likewise, a single transfer-in which is in cash form and which is part of a multiple transfer-in as described above, is applied immediately to an **income drawdown plan** as described in section 3.6.1.

The treatment of multiple transfers-in from **unsecured pension arrangements** is set out in section 3.2.4(c). The treatment of "in specie" transfers-in is set out in the **SIPP Supplement**.

- (ii) This section 3.2.4(b) applies where a number of transfers-in are being made to the **Pru Flexible Retirement Plan** under the same **application form** and either:
- › all transfers-in are to be allocated to an **income drawdown plan(s)**; or
 - › some amounts are to be allocated to an **income drawdown plan** and others are to be allocated to a **PP plan(s)**.

Where any amounts are to be invested in a **PP plan** this section will apply to the amounts to be invested in the **PP plan** as well as to the **income drawdown plan**.

- (iii) Where the multiple transfers-in satisfy the requirements of section 3.2.4(b)(ii) and are unlikely to be received by us on the same date together with all necessary information, authorities and instructions, each transfer-in will be invested in the **holding account** until the final transfer payment has been received (together with all necessary information, authorities and instructions). Where transfers-in are held in the **holding account**, the start of income drawdown benefits (including any pension commencement lump sum) will be delayed until the **income drawdown plan** has been set up.
- (iv) On the date that we receive the final transfer payment (or treat it as being received under section 1.5) together with all necessary information, authorities and instructions, we will apply the total transfer payments to an **income drawdown plan(s)** in accordance with section 3.6.1(c).

Any amount representing **non-protected rights benefits** that is not to be used for income drawdown will be applied to one or more **PP plans** as determined by us.

The total amount (if any) representing **protected rights benefits** must normally be applied either to an **income drawdown plan** or one or more **PP plans**;

unless we agree otherwise, it cannot be split between an **income drawdown plan** and a **PP plan**.

The individual amounts cannot, unless we agree otherwise under section 3.2.4(b)(vii), be allocated on different dates.

- (v) Transfers-in held in the **holding account** earn daily interest at the higher of 0.75% below HSBC's base rate and 0%.
- (vi) Transfers-in held in the **holding account** do not count towards the Fund Size Discount under section 6.6. Periods during which transfers-in are held in the **holding account** do not count towards the Loyalty Discount under section 6.7.
- (vii) We will allow individual transfers-in to be applied to separate **income drawdown plans** (and, if applicable, **PP plans**) if any of the transfers-in have not been received within 12 weeks of the first transfer payment. We will contact the **member** for further instructions when the first transfer-in to be received has been held in the **holding account** for 12 weeks.
- (viii) If the **member** dies while any transfers-in are held in the **holding account**, death benefits will be paid in the form and according to the requirements described in the **Pru FRP PP Technical Guide**. The value of the death benefits will be based on the value of the transfers-in plus interest under section 3.2.4(b)(v).

(c) Multiple transfers-in from unsecured pension arrangements

Each transfer-in from an **unsecured pension arrangement** must be invested directly into an **income drawdown plan** as soon as we receive it (or treat it as having been received under section 1.5) with all necessary information, authorities and instructions. As such, there is no consolidation facility and each separate transfer-in from an **unsecured pension arrangement** must be invested in a separate **income drawdown plan**.

3.3 Single contributions

3.3.1 Treatment of single contributions

A single contribution paid for the purposes of taking immediate income drawdown benefits is initially invested under a **PP plan**, which is then converted to an **income drawdown plan**.

The following applies to single contributions:

- (a) Any single contribution paid by the **member** is, before being allocated to the **PP plan**, increased by an amount representing basic rate tax relief, as described in the **Pru FRP PP Technical Guide**.
- (b) The single contribution is applied to the **PP plan** on the **relevant date**. It is invested in the **Prudential Cash Fund** under the **PP plan** for one **working day** (subject to any delays under section 5.8) before the **PP plan** is converted to an **income drawdown plan**. The **start date** of the **income drawdown plan** is the date that we allocate the **units** under the **income drawdown plan**.

- (c) At the point of conversion to the **income drawdown plan**, the **units** in the **Prudential Cash Fund** are sold under the **PP plan**. **Units** are then purchased on the **start date** (subject to any delay under section 5.8) under the **income drawdown plan** in line with the **member's** investment instructions in the **application form**.
- (d) The single contribution is allocated to the **PP plan** on a nil commission basis (see the **Pru FRP PP Technical Guide**). Any commission agreed with the **member's** adviser will apply only to the allocation of the payment once it has been converted to an **income drawdown plan**, when the **member** can select either the Initial Charge or the Establishment Charge structure under section 7.
- (e) Before making a single contribution, the **member** must be eligible to make payments to a **Pru FRP Personal Pension Plan** within the terms set out in the **Pru FRP PP Technical Guide**.
- (f) Single contributions are subject to **HMRC's** limits on pension contributions to **registered pension schemes** as set out in the **Pru FRP PP Technical Guide**.

3.3.2 Minimum single contribution

(a) General

The minimum amounts set out in this section 3.3.2 are "gross" amounts, before basic rate tax relief is deducted from any **member** contribution (see the **Pru FRP PP Technical Guide**).

(b) Minimum initial single contribution

Where an individual is investing in a **Pru Flexible Retirement Plan** for the first time and is using some or all of the single contribution to set up a **Pru FRP Income Drawdown Plan**, the minimum initial single contribution for income drawdown purposes must not be less than £50,000.

Where the **member** already has one or more **PP plans** and is investing in the **Pru Flexible Retirement Plan** for the first time, the minimum initial single contribution to an **income drawdown plan** is the greater of:

- the amount required to meet the minimum plan value set out in section 3.4.1; and
- £10,000.

(c) Minimum subsequent single contribution

The minimum subsequent single contribution paid for the purposes of taking immediate income drawdown benefits is £10,000. This minimum applies once an **income drawdown plan** has been set up in respect of any type of payment under this section 3.

3.4 Existing Pru FRP Personal Pension Planholders

3.4.1 Minimum plan value required before converting a PP plan to an income drawdown plan

In order to be eligible to convert one or more arrangements under an existing **Pru FRP Personal Pension Plan** to a **Pru FRP Income Drawdown Plan**, the total value of **units** under the **member's PP plans** together with the value of any investments in the **SIF** under those **PP plans**, must not be less than £50,000 at the date the first **income drawdown plan** is set up.

In determining whether the value of the **PP plan(s)** meets this requirement, where there are **units** of the **With-Profits Fund** under the **PP plan(s)**, we take account of any final bonus and/or any Market Value Reduction that would apply if all those **With-Profits Fund units** were sold.

This minimum plan value refers to the total value held under the **member's PP plans**, before any pension commencement lump sum is paid under section 9.3 of this **Technical Guide**.

3.4.2 Minimum plan value to be converted to an income drawdown plan

The minimum value which must be applied from a **PP plan** to an **income drawdown plan** at any one time is £10,000.

The value remaining under all of the **member's PP plan(s)** (where not all **PP plans** are being used to buy benefits and/or converted to **Pru FRP Income Drawdown Plans**) must not be less than £1,000.

As set out in the **Pru FRP PP Technical Guide**, whole **arrangements** under a **PP plan** must be used for benefits. It is not possible to convert just part of an **arrangement** under a **PP plan** to an **income drawdown plan**.

Individual **arrangements** under a **PP plan** may be converted to **Pru FRP Income Drawdown Plans** at different times in order to phase the start of income drawdown. The same minimum amounts set out above apply to the conversion of individual **arrangements**. The **member** must specifically request each conversion as and when it is required.

3.4.3 Converting a PP plan to an income drawdown plan

(a) A **PP plan** (or one or more **arrangements** under a **PP plan**) is converted to an **income drawdown plan** by applying the value of the relevant **units** under the **PP plan** to an **income drawdown plan**.

Units are allocated at the **start date** (subject to any delay under section 5.8) under the **income drawdown plan** in line with the **member's** investment instructions in the **application form** (see also section 8).

(b) This section 3.4.3(b) applies in all cases where the **member** has requested to carry forward any investment in the **With-Profits Fund** and/or a **PruFund Fund** from the **PP plan** into the **income drawdown plan**.

Any **units** of the **With-Profits Fund** and/or a **PruFund Fund** held under the relevant **PP plan arrangements** will be sold as part of the conversion process and new **units** will be bought under the **income drawdown plan**.

A Market Value Reduction may apply under the terms and conditions of the **Pru FRP PP Technical Guide** (as reflected in section 5.6.3 of this **Technical Guide**) where **units** of the **With-Profits Fund** are sold.

Where **units** of a **PruFund Fund** held under the relevant **PP plan arrangements** are sold as part of the conversion process, the new **units** will be bought in the relevant **PruFund Account** under the **income drawdown plan**.

Special provisions and choices apply where any part of the **PP plan** was invested at the time of conversion in a **PruFund Protected Fund**. Certain terms and conditions in respect of such investments may be carried forward into an **income drawdown plan** (see section 5.7.12).

(c) Special provisions apply where any part of an outstanding Establishment Charge under the existing **PP plan** remains payable (see section 7.3.4).

(d) If a **PP plan** set up to receive **protected rights payments** is converted to an **income drawdown plan**, and the **member** wishes to continue to use the **Scheme** to contract-out of the State Second Pension on an ongoing basis, then he or she will need to apply for a replacement **protected rights PP plan** to receive ongoing **protected rights payments**.

(e) If the **member** has additional life cover under a **PP plan** and wishes to maintain this cover following conversion to an **income drawdown plan**, then he or she will need to retain at least £1,000 under the relevant **PP plan** and maintain regular contributions to that **PP plan** (subject to the terms and conditions set out in the **Pru FRP PP Technical Guide**). Additional life cover is not available through an **income drawdown plan**.

3.5 Minimum plan period

The period between the **start date** and the **final conversion date** of an **income drawdown plan** must not be less than five complete years where:

- the **member** has selected at the **start date** to invest in the **With-Profits Fund** or an Income Drawdown Lifestyle Option profile (except where section 4.2.2(d) applies); and/or
- the **member** has selected at the **start date** to invest in a **PruFund Protected Fund** (except where section 5.7.12 applies and Option 2 under that section has been selected); and/or
- the Establishment Charge structure under section 7.3 has been selected for the **income drawdown plan**.

Otherwise the minimum period between the **start date** and the **final conversion date** must not be less than one full year.

3.6 Plans and arrangements

3.6.1 Allocation of payments to income drawdown plans

(a) A single **income drawdown plan** is normally set up as a result of converting one or more existing **PP plans** (or one or more **arrangements** under an existing **PP plan**) to an **income drawdown plan** on the same **working day**.

Where, however, two or more **PP plans** are being converted at the same time and both/all are invested in a **PruFund Protected Fund**, a separate **income drawdown plan** will be set up in respect of each such **PP plan** in the event that Option 2 under section 5.7.12 is selected for the continued investment in that **fund**.

- (b) Subject to sections 3.6.1(c) and (d), a separate **income drawdown plan** is set up in respect of each separate transfer-in, whenever invested. Each transfer-in from an **unsecured pension arrangement** must always be held in a separate **income drawdown plan**.
- (c) In the case of multiple transfers-in as described in section 3.2.4(b), the aggregate transfer payments will, subject to section 3.6.1(d) (and subject to the restrictions in section 3.2.4(b)(iv)) be invested under a single **income drawdown plan** or as few as is practicably possible. For multiple transfers-in under section 3.2.4(b), there will normally only be more than one **income drawdown plan** for **non-protected rights benefits** if we agree under section 3.2.4(b)(vii) to invest some transfers-in before others have been received.
- (d) Any **protected rights** included in a transfer-in will be held in a single **income drawdown plan**, separate from any other amounts included in the transfer payment.
- (e) A single **income drawdown plan** is made as a result of making a single contribution to a **PP plan**, which is then immediately converted to an **income drawdown plan**.
- (f) Except where specified otherwise in this **Technical Guide**, the terms and conditions and the options available apply separately to each **income drawdown plan**.
- (g) Separate **income drawdown plans** cannot be consolidated into a single plan after the **start date**, neither under the **Scheme** nor through a transfer-out to another **unsecured pension arrangement**.

- (h) Once an **income drawdown plan** has been set up, no further payments can be made to that **income drawdown plan**. Any further payment made under section 3.2, 3.3 or 3.4 will be allocated to a new **income drawdown plan** in accordance with this section 3.6.1.

3.6.2 Arrangements

Apart from **income drawdown plans** set up for **protected rights benefits**, each separate **income drawdown plan** is split into 10,000 **arrangements**. This enables the **member** to phase **annuity** purchase if he or she so wishes (see section 11.2.1).

Each **income drawdown plan** representing **protected rights benefits** consists of one single **arrangement**. **Annuity** purchase of **protected rights benefits** cannot be phased.

4. Investment options

4.1 Fund range and investment strategies

- (a) A range of **funds** is available under the **Pru FRP Income Drawdown Plan** (subject to our powers to close, merge, wind-up and withdraw **funds** under section 5.3.4). Some **funds** are managed by companies within the **Prudential Group** whilst others are managed by **external companies**. Further information about the **funds** is set out in our **funds** literature.

Investment in the **Prudential With-Profits Fund** under the **Pru FPR Income Drawdown Plan** is available through the **With-Profits Fund** and the **PruFund Funds**. These are sometimes known as "unitised with-profits" funds. In particular it should be noted that different **unit**

prices may apply to different classes of "unitised with-profits" policies. Investments in the **With-Profits Fund** participate in profits through the addition of bonuses to the relevant pension plan. Some of these bonuses are added through increases in the **unit price**, whilst others may be added when **units** are sold (see section 5.6). Investments in the **PruFund Funds** (and the associated **PruFund Accounts**) participate in profits exclusively through increases in the **unit price** (see section 5.7).

A SIPP option is also available, subject to certain terms and conditions, under which the **member** can invest in a range of "own choice" investments through a private fund called the **SIF**. Full details of the operation of the **SIF** and of how the SIPP option affects the terms and conditions of the **Pru FRP Income Drawdown Plan** are set out in the **SIPP Supplement**.

- (b) Various investment strategies are available:
- (i) The **member's** own individual choice from the variety of investment **funds** available.
 - (ii) A choice of three different Income Drawdown Lifestyle Option profiles. The Income Drawdown Lifestyle Option involves automatic switches between pre-selected **funds** as described in section 4.3.
 - (iii) The Portfolio Option, which offers a number of pre-selected Investment Portfolios to suit a range of investment objectives. The operation of the Portfolio Option is described in section 4.4.

- (c) A different **fund** selection and/or different strategy can be selected for each separate **income drawdown plan**.
- (d) Where the **member** selects more than one **fund**, the investment split must be specified in whole percentages.
- (e) The **member** must confirm the chosen investment strategy and/or **funds** in an **application form** or in any other form acceptable to us. The initial investment selection will be detailed in the documentation we send to the **member** to confirm that his or her **income drawdown plan** has been set up.
- (f) Investment in more than one **PruFund Protected Fund** at the same time under an **income drawdown plan** is not allowed.
- (g) The **PruFund Accounts** and **Cash Feeder Fund** cannot be selected as **fund** options: their purpose is to facilitate investment in the **PruFund Funds** and the **95% Safeguard Fund**.

4.2 Investment limits

4.2.1 Maximum number of funds

- (a) Each separate **income drawdown plan** can be invested in a maximum of 20 **funds** at any one time.
- (b) Each **PruFund Fund** counts as two **funds** (because of the **PruFund Account** used in conjunction with the **PruFund Fund** – see section 5.7).
- (c) The **95% Safeguard Fund** counts as two **funds** (because of the **Cash Feeder Fund** used in conjunction with the **95% Safeguard Fund** – see section 5.5.4).

- (d) If the **member** has invested in the **SIF** then this **fund** also counts towards the maximum of 20 **funds**.

4.2.2 Minimum investment term for investments in the With-Profits Fund or Income Drawdown Lifestyle Option

- (a) Unless section 4.2.2(d) applies, payments made to an **income drawdown plan** within five years of the **final conversion date** cannot be invested in the **With-Profits Fund** or the Income Drawdown Lifestyle Option.
- (b) Switches into the **With-Profits Fund** or to an Income Drawdown Lifestyle Option profile under section 4.5 cannot be made within five years of the **final conversion date** unless section 4.2.2(d) applies. When determining whether a switch complies with this requirement, we use the date when the switch is actually made under section 4.5.3, taking into account any waiting period under section 5.7.6 and/or delay under section 5.8 which applies to the **units** to be sold.
- (c) Subject to section 4.2.2(d), if we receive an instruction to invest in or switch into the **With-Profits Fund** or an Income Drawdown Lifestyle Option profile which would result in money being allocated in the **With-Profits Fund** within five years of the **final conversion date**, we will redirect the money to the **Prudential Cash Fund**.
- (d) Payments and switches may be made into the **With-Profits Fund** and the Income Drawdown Lifestyle Option within five years of the **final conversion date** only in the circumstances set out below:

- (i) A payment made through converting one or more **arrangements** under a **PP plan** to an **income drawdown plan** (see section 3.4), may be invested at the **start date** in the **With-Profits Fund** or an Income Drawdown Lifestyle Option profile within five years of the **final conversion date** in the circumstance where:
 - immediately before the point of conversion (including any switch to the **Prudential Cash Fund** under the **PP plan**), the relevant **arrangements** under the **PP plan** were invested either partly or fully in the **With-Profits Fund**;
 - the **member** selects in the **application form** to invest the relevant **income drawdown plan** in the **With-Profits Fund** either directly or through an Income Drawdown Lifestyle Option profile; and
 - the level of investment in the **With-Profits Fund** at the **start date** of the **income drawdown plan**, either directly or through the Income Drawdown Lifestyle Option profile, does not exceed the value of **With-Profits Fund units** held under the relevant **PP plan arrangements** immediately prior to conversion, including any final bonus and/or Market Value Reduction applied to those **units** as part of the conversion process.

(ii) A switch under section 4.5 may be made into an Income Drawdown Lifestyle Option profile within five years of the **final conversion date** so long as:

- › one of the **funds** from which **units** are being switched is the **With-Profits Fund**; and
- › following the switch, the level of investment in the **With-Profits Fund** does not exceed the value of the **units** that were held in the **With-Profits Fund** immediately prior to the switch, including any final bonus and/or Market Value Reduction applied to those **units** as part of the switch.

(iii) Automatic switches may be made into the **With-Profits Fund** within five years of the **final conversion date** where the switch is made as part of the normal operation of an Income Drawdown Lifestyle Option profile under section 4.3.

4.2.3 Minimum investment term for investments in a PruFund Protected Fund

The provisions in this section 4.2.3 are subject to section 5.7.1 which explains the availability of the **PruFund Protected Growth Fund**.

- (a) Unless section 4.2.3(d) applies, payments made to an **income drawdown plan** within five years of the **final conversion date** cannot be invested in a **PruFund Protected Fund**.
- (b) Switches into a **PruFund Protected Fund** cannot be made within five years of the **final conversion date**. When determining whether a switch

complies with this requirement, we use the date when the switch is actually made under section 4.5.3, taking into account any waiting period under section 5.7.6 and/or delay under section 5.8 which applies to the **units** to be sold.

(c) Subject to section 4.2.3(d), if we receive an instruction to invest in or switch which would result in money being allocated in a **PruFund Protected Fund** within five years of the **final conversion date**, we will redirect the money to the corresponding non-protected **PruFund Fund** in the same **PruFund pair**. For example, if the instruction is for investment in the **PruFund Protected Cautious Fund** we will redirect the money to the **PruFund Cautious Fund**.

(d) Payments may be made into a **PruFund Protected Fund** within five years of the **final conversion date** only in the circumstance set out below:

- › the **income drawdown plan** has been set up through converting one or more **arrangements** under a **PP plan** (see sections 3.4 and 5.7.12) and
- › immediately before point of conversion (including any switch to the **Prudential Cash Fund** under the **PP plan**), the relevant **arrangements** under the **PP plan** were invested either partly or fully in that same **PruFund Protected Fund** (and/or the corresponding **PruFund Protected Account**, where relevant); and;

- › the **member** has chosen Option 2 under section 5.7.12 for the continuation of the investment in the same **PruFund Protected Fund**.

4.2.4 Minimum investment in any fund

Where the **member** is selecting individual **funds**, the minimum investment in a **fund** is, initially, 1% of any sum to be invested.

When allocating contributions to **units** and switching between **funds** we can make any adjustments (for example, we can change the proportions allocated to each **fund**) necessary to ensure that there will never be any negative holdings in any individual **fund** under an **income drawdown plan**.

Note: This does not apply to the **SIF**. The minimum investment in the **SIF** is set out in the **SIPP Supplement**.

4.3 Income Drawdown Lifestyle Option

4.3.1 General

The Income Drawdown Lifestyle Option enables the **member** to have a pre-set investment strategy for an **income drawdown plan**. It involves automatic investment switches, gradually moving investments into less volatile **funds** as the **final conversion date** approaches. Three Income Drawdown Lifestyle Option profiles are available (subject to our power to change the Income Drawdown Lifestyle Option under section 4.3.4). Each individual profile is designed to provide a varying degree of risk in the run-up to **annuity** purchase at the **final conversion date**.

First some general points about the Income Drawdown Lifestyle Option:

- › The Income Drawdown Lifestyle Option can (subject to section 4.2.2) be selected when an **income drawdown plan** is first set up or at any time.
 - › The Income Drawdown Lifestyle Option can be cancelled and can be resumed at any time before the **final conversion date**.
 - › An Income Drawdown Lifestyle Option profile cannot start before the 50th birthday (55th birthday from 6th April 2010). In the case where the **start date** relates to a **protected early pension age**, the Income Drawdown Lifestyle Option cannot be selected until the **member** reaches his or her 50th birthday (55th birthday from 6th April 2010). The **income drawdown plan** must be invested in **funds** under either the "individual choice" or the Portfolio Option investment strategy until the **member** reaches that age.
 - › An Income Drawdown Lifestyle Option profile cannot be selected after the **member** reaches his or her 70th birthday, unless section 4.2.2(d) applies.
 - › If the **member** has more than one **income drawdown plan**, the Income Drawdown Lifestyle Option does not have to apply to all of the **member's income drawdown plans**. In other words, the **member** may select an Income Drawdown Lifestyle Option profile for one **income drawdown plan** and a different investment strategy under section 4.1(b) for another **income drawdown plan**.
 - › If the **member** selects an Income Drawdown Lifestyle Option profile for an **income drawdown plan**, it must apply to that entire **income drawdown plan**: it is not possible to invest an **income drawdown plan** partly in the Income Drawdown Lifestyle Option and partly in other **funds**. For example, it is not possible for investments to be made in other **funds** (such as the **With-Profits Fund** or the **PruFund Funds**) alongside an Income Drawdown Lifestyle Option profile. Similarly, the same Income Drawdown Lifestyle Option profile must apply to the entire **income drawdown plan**: it is not possible to split an **income drawdown plan** between two Income Drawdown Lifestyle Option profiles.
 - › If the **member** requests to switch to an Income Drawdown Lifestyle Option profile from other **funds** which include a **PruFund Fund(s)**, section 4.5.3 (e) applies.
 - › If the **member** requests a switch out of the Income Drawdown Lifestyle Option under section 4.5, the Income Drawdown Lifestyle Option will be cancelled.
- 4.3.2 Income Drawdown Lifestyle Option investment strategy**
Full details of the three Income Drawdown Lifestyle Option profiles are set out in the Lifestyle Appendix at the end of this **Technical Guide**.
- 4.3.3 Fund switches under the Income Drawdown Lifestyle Option**
- (a) Under each **Income Drawdown Lifestyle Option** profile, the proportion of **units** held in each of the three designated **funds** depends on the age that the **member** has attained.
 - (b) Subject to section 4.3.3(c), when the **member** selects an Income Drawdown Lifestyle Option profile at the **start date**, the payment to the relevant **income drawdown plan** is invested in line with the proportions specified for the age that the **member** has attained on the **start date**.

Likewise, where the **member** chooses to switch into an Income Drawdown Lifestyle Option after the **start date**, the existing **units** are switched, as at the **working day** we receive the **member's** request (or treat it as received under section 1.5), to the **funds** specified under the Income Drawdown Lifestyle Option profile, in the proportions specified for the age that the **member** has attained on the switch date.
 - (c) The allocation of **units** between the **funds** is "rebalanced" each year on the **anniversary date** of each **income drawdown plan**. "Rebalancing" involves automatic switches between **funds** so that **units** are held in line with the proportions specified in the chosen Income Drawdown Lifestyle Option profile for the **member's** attained age at that **anniversary date**. Where the **member** has more than one **income drawdown plan** invested under the Income Drawdown Lifestyle Option, the automatic switches are carried out separately in relation to each such **income drawdown plan** on the **anniversary date** of each plan.

Where **units** in the **With-Profits Fund** are sold as part of the annual "rebalancing" exercise, the value realised will take account of any final bonus (see section 5.6.2) but will not be subject to a Market Value Reduction under section 5.6.3.

(d) Automatic switches under this section are currently free, although we do reserve the right to introduce a charge (see section 17 for further details).

(e) Section 6.8 describes the effect of switching on the **basic Annual Management Charge**.

(f) We send the **member** a switch statement when the automatic switches have been completed.

4.3.4 Changes to the Income Drawdown Lifestyle Option

Investment in the Income Drawdown Lifestyle Option is subject to our powers to close, merge, wind-up and withdraw **funds** and investment options under section 5.3.4. We can also change the terms of the Income Drawdown Lifestyle Option at any time, subject to giving the **member** reasonable advance notice in writing, if his or her **income drawdown plan(s)** is invested in the Income Drawdown Lifestyle Option at that time.

4.4 The Portfolio Option

The Portfolio Option provides a choice of Investment Portfolios with pre-defined investment strategies to suit a range of different investment objectives.

Only one Investment Portfolio can be selected at any one time under each **income drawdown plan**.

Further details of each Investment Portfolio can be found in our **funds** literature which is available on request.

Payments are invested in pre-set percentages in pre-determined **funds** specified under the chosen Investment Portfolio. The percentages specified for each Investment Portfolio apply only when the relevant Investment Portfolio is first selected by the **member**. The proportions invested in each **fund** are not reviewed or rebalanced.

Investment in an Investment Portfolio is subject to our powers to close, merge, wind-up and withdraw **funds** and investment options under section 5.3.4.

We can also withdraw or add an Investment Portfolio at any time or change a **fund** or **funds** used under an Investment Portfolio.

The Portfolio Option is also available under the **Pru FRP Personal Pension Plan**, but the Investment Portfolios may not be the same as those available under the **Pru FRP Income Drawdown Plan**. In the case where an Investment Portfolio has been selected under a **PP plan** and that **PP plan** is converted to an **income drawdown plan**, the selection of Investment Portfolios under the **income drawdown plan** will be limited to those generally available at the time of conversion under the **Pru FRP Income Drawdown Plan**.

4.5 Fund switches requested by the member

4.5.1 General

This section 4.5 applies where the **member** wishes to:

- switch between **funds** under the "individual choice" investment strategy described in section 4.1(b)(i);
- switch to or from the Income Drawdown Lifestyle Option;
- switch between different Income Drawdown Lifestyle Option profiles;
- switch to or from one of the Investment Portfolios under the Portfolio Option described in section 4.4; or
- switch between any of the Investment Portfolios under the Portfolio Option described in section 4.4.

It does not apply to automatic switches made under the Income Drawdown Lifestyle Option: these are covered in section 4.3.

Fund switches under this section 4.5 are currently free although we do reserve the right to introduce a charge (see section 17 for further details). See also section 4.5.3(d) which explains how multiple **fund** switches are treated as regards switch charges.

We send the **member** a switch statement when the switches have been completed.

Section 6.8 describes the effect of switching on the **basic Annual Management Charge** including the effect of switching between **funds** with implicit and explicit **basic Annual Management Charges**.

Section 9.9.2 describes the effect of switching on the way we deduct **units** to make regular **income payments**.

In some instances we may not be able to carry out a request to switch to or from a **PruFund Fund** (see section 4.5.5).

In this section 4.5, the **funds** from which **units** are to be switched are called "outgoing" **funds** and the **funds** in which the proceeds are to be reinvested are called "destination" **funds**.

4.5.2 Switch requests

The **member** can ask for changes to be made to existing investments by making a **fund** switch request. All **fund** switch requests must be made in writing, in a form specified by us, unless we agree otherwise.

All **fund** switch requests must be expressed as integral percentages of **units**.

Switch requests may be expressed in terms of either:

- (a) the target percentages to be achieved in all **funds** in which **units** are to be held under the **income drawdown plan** following the switch; or
- (b) the percentages of **units** to be switched from the current selection of **funds** and the way in which the proceeds should be reinvested.

When switching between a number of different **funds** under the same switch request (see section 4.5.3(d)), the destination **funds** must not include any **funds** that are already specified as outgoing **funds**.

Rounding adjustments in **unit** values could have a minor effect on the overall values actually switched.

Once a switch instruction has been received by us, the **member** cannot withdraw it unless we agree. We may at our discretion permit the **member** to revoke a switch instruction if we have invoked our powers to delay buying and selling **units** under section 5.8. We will not, however, agree to cancel a switch during the 28 day waiting period when switching **units** from a **PruFund Fund**.

4.5.3 Timing of switches and unit prices

(a) General

Switching may normally be carried out at any time. However:

- (i) Switches into the **With-Profits Fund** and any **PruFund Protected Fund** cannot normally be made within five years of the **final conversion date**. See sections 4.2.2 and 4.2.3 for more information.
- (ii) Switches into the **PruFund Protected Growth Fund** can only be made on the **guarantee**

date as permitted under section 5.7.8(f). See also sections 4.5.5(e) and 5.7.1(c).

- (iii) With effect from 1st January 2010, switches cannot be made into a **PruFund Protected Fund** where **units** have been switched out of any **PruFund Protected Fund** under that **income drawdown plan** in the previous 12 months, except in the circumstances described in section 4.5.5 (d).
- (iv) Switches into an Income Drawdown Lifestyle Option profile are not allowed within five years of the **final conversion date** unless section 4.2.2(d)(ii) applies.
- (v) Delays may occur if we have invoked our powers to delay buying and selling **units** in section 5.8.
- (vi) A 28 day waiting period applies to switches from the **PruFund Funds** as set out in section 5.7.6(b), except in the circumstances described in section 5.7.6(e).

(b) Same day immediate switches

In the following instances we normally sell the existing **units** and buy the new **units** as at the same date, using the **unit prices** for the **working day** we treat the request as having been received by us under section 1.5:

- › switches between **unit-linked funds**;
- › switches between **unit-linked funds** and the **With-Profits Fund**;
- › switches between **PruFund Funds** from the same **PruFund pair** – for example, between the **PruFund Protected Cautious Fund** and the **PruFund Cautious Fund**;

- › switches from a **unit-linked fund** or the **With-Profits Fund** to a **PruFund Account**;
- › switches from the **PruFund Protected Growth Fund** (and, if applicable, the corresponding **PruFund Protected Account**) to any other **fund** on the **guarantee date** or within the 28 days following that date; or
- › switches from the **PruFund Protected Cautious Fund** to any other **fund** on the **guarantee date**.

Switches cannot be made out of and back into the same **fund** on the same **working day**.

Switches to/from **unit-linked funds** include switches to/from the **95% Safeguard Fund** and, if applicable, the **Cash Feeder Fund**.

See also section 4.5.3(e) which explains that in some circumstances a switch from a **unit-linked fund** will be delayed for one **working day**.

A delay may also apply if we have invoked our powers in section 5.8.

(c) Switches from a PruFund Fund to which the 28 day waiting period applies

This section 4.5.3(c) applies when switching from a **PruFund Fund** to:

- › a **unit-linked fund** (including the **Cash Feeder Fund** for the **95% Safeguard Fund**); and/or
- › a **PruFund Fund** from a different **PruFund pair** – for example, a switch from the **PruFund Growth Fund** to the **PruFund Cautious Fund**; and/or
- › the **With-Profits Fund**; and/or
- › the **SIF**.

Any switch as described above (or that part of the switch) will take place at the end of the 28 day waiting period as described in section 5.7.6, subject to any further delays under section 5.8, using the **unit prices** then applicable.

Where, however, a request to switch from a **PruFund Protected Fund** (including where applicable the corresponding **PruFund Protected Account**), is treated as received by us on the **guarantee date** (or a request to switch from the **PruFund Protected Growth Fund**, is treated as received by us within the 28 days following that date), the switch is carried out as a same day immediate switch in accordance with section 4.5.3(b).

See also section 4.5.5(i) which explains how switching from a **PruFund Fund** works where there are also **units** of the corresponding **PruFund Account** under the **income drawdown plan**.

(d) Multiple fund switches

(i) This section 4.5.3(d) explains how we carry out switches where the switch request involves switches involving more than two **funds** i.e. there is either more than one outgoing **fund** and/or more than one destination **fund**. Such switches are called "multiple **fund** switches".

It should be noted in particular that where switching between different types of **fund**, multiple **fund** switches may be carried out in stages and on different dates. (see section 4.5.3(d)(iv)).

(ii) Where the **member's** switch request is expressed in terms of target percentages of the **income drawdown plan** to be invested in all selected **funds** following the switch (see section 4.5.2(a)), we calculate the percentage of **units** to be sold from each existing **fund** in which **units** are currently held and the way in which the proceeds should be applied to buy **units** in the destination **funds**, in order to achieve the desired result. Where the **member's** switch request is expressed in terms of the percentage of **units** from the current selection of **funds** and the way in which the proceeds should be reinvested, we follow the percentages requested by the **member**.

Where a switch request involves switching from two or more **funds** including a **PruFund Fund**, the percentages achieved in the destination **funds** will vary from the requested result. This will happen where some **units** are switched immediately and some at a later date as described in section 4.5.3 (d)(iv). The percentages achieved will be as close as reasonably possible to the **member's** request.

(iii) If all of the requested switches in a multiple **fund** switch are same day immediate switches as described in section 4.5.3(b), they are processed as one single switch as described in that section.

(iv) Subject to section 4.5.3(e), multiple **fund** switch requests that combine both same day immediate switches and switches to which the 28 day waiting period applies, are carried out in the following sequence:

- Firstly: If the request involves switching from one **PruFund Fund** to another **PruFund Fund** from the same **PruFund pair**, we first of all carry out this part of the switch in accordance with section 4.5.3(b). We switch the maximum amount possible between these **funds**.
- Secondly: We then carry out any remaining part of the request which qualifies as a same day immediate switch under section 4.5.3(b) (i.e. switches from the **unit-linked funds**, the **With-Profits Fund** and/or the **95% Safeguard Fund** and/or the **Cash Feeder Fund**). The proceeds of selling the **units** of those other **funds** is allocated proportionately between the destination **funds** in accordance with section 4.5.3(b), having first allowed for any **PruFund pair** switches already carried out.
- Thirdly: Any amount remaining to be switched from a **PruFund Fund** to any other type of **fund** (including a **PruFund** from a different **PruFund pair**) is set aside and converted to a percentage of the remaining aggregated value of the **units** of that **PruFund Fund** and the

corresponding **PruFund Account** (if appropriate). This calculation is carried out as at the date we treat the request as received in accordance with section 1.5, which is also the start of the 28 day waiting period described in section 5.7.6.

The relevant percentage is then applied to the aggregated value of **units** of the relevant **PruFund Fund** and the corresponding **PruFund Account** (if appropriate) at the end of the 28 day waiting period. **Units** to the value of the recalculated amount are then sold at the **unit price** at the end of the 28 day waiting period in accordance with either section 4.5.5(i) or section 5.7.8(g) as appropriate. The proceeds are then allocated proportionately between the requested **funds** in accordance with section 4.5.3(c) at the **unit prices** then applicable.

Note: There is an initial step prior to the sequence described below when a switch to a **PruFund Protected Fund** is made from another **PruFund Protected Fund** alongside a **fund** switch to which the 28 day waiting period does not apply – see section 4.5.3(e).

- (v) See also section 4.5.5(i) which explains the effect on a multiple **fund** switch involving a switch from a **PruFund Fund** in the case where we are unable to carry out the **PruFund Fund** switch in the way requested, because there are insufficient **units** in that **fund**.

(vi) Only one switch fee will normally apply (where relevant) in the case of multiple **fund** switches. Where, however, we are able to carry out only part of a multiple **fund** switch and have to ask the **member** to provide replacement instructions in respect of a failed switch from a **PruFund Fund** as described in section 4.5.5(k), the replacement switch instructions will be treated as a separate **fund** switch request.

(e) Switching between PruFund Protected Funds

This section 4.5.3(e) applies to a multiple **fund** switch request where:

- there are two or more outgoing **funds** including a **PruFund Protected Fund** and another **fund(s)** which would otherwise be a same day immediate switch under section 4.5.3(b); and
- the destination **fund(s)** is or includes a **PruFund Protected Fund** from another **PruFund pair**.

In this case:

- (i) Firstly: We switch the **units** from the outgoing **PruFund Protected Fund** (including where applicable the corresponding **PruFund Account**) to **units** of the non-protected **PruFund Fund** from the same **PruFund pair**. We carry out this switch as a same day immediate switch in accordance with section 4.5.3(b).

Note: We do not carry out any other same day immediate switches at this stage.

(ii) Secondly: Where there are already **units** in that non-protected **PruFund Fund** (and/or the corresponding **PruFund Account**), we reapportion the percentages specified in the **member's** switch-out request taking account of:

- the total **units** now held in the non-protected **PruFund Fund** (including where applicable the corresponding **PruFund Account**); and
- any "net" switches between **PruFund Funds** from different **PruFund pairs** as described in section 4.5.5(j).

The new percentages will be designed to achieve a result that is as close as reasonably possible to the result specified the **member's** switch request.

(iii) Thirdly: On the next **working day**, the **fund** switch request is then processed in accordance with section 4.5.3, using where appropriate the new percentages as described in (ii) above.

It should be noted that as a result of the above process, that part of the switch request which is a same day immediate switch is carried out, and the 28 day waiting period that applies to any switch from a **PruFund Fund** starts, one **working day** later than usually applies.

(f) Switching from multiple funds including a PruFund Fund to an Income Drawdown Lifestyle Option profile

Where the *member* has asked to switch into an Income Drawdown Lifestyle Option profile and the switch involves *units* of more than one *fund* including a *PruFund Fund*, the switch of all *units* (including the *units* of *funds* that are not a *PruFund Fund*) is carried out at the end of the 28 day waiting period described in section 5.7.6 at the *unit prices* then applicable.

4.5.4 Switches to and from the With-Profits Fund

Switches into the *With-Profits Fund* cannot normally be made within five years of the *final conversion date*. See sections 4.2.2 and 4.5.3 for further information.

We may make a deduction (Market Value Reduction) from the value realised from the sale of *units* of the *With-Profits Fund* (see section 5.6.3). This includes sales of *units* of the *With-Profits Fund* where switching between different Income Drawdown Lifestyle Option profiles or between an Income Drawdown Lifestyle Option profile and a *fund(s)* of the *member's* own choice (and vice versa).

4.5.5 Switches to and from the PruFund Funds

(a) Switches into a *PruFund Protected Fund* cannot be made within five years of the *final conversion date*. See sections 4.2.3 and 4.5.3 for further information.

(b) Switches into a *PruFund Protected Fund* are not allowed (except where switching on the *guarantee date* of an investment in the *PruFund*

Protected Growth Fund under section 5.7.8(e)) whilst any *units* of that same *PruFund Protected Fund* and/or the corresponding *PruFund Account*) are held under that *income drawdown plan*.

(c) Switches into a *PruFund Protected Fund* are not allowed whilst any *units* of another *PruFund Protected Fund* (and/or its corresponding *PruFund Account*) are held under that *income drawdown plan*. If a switch request would cause *units* of more than one *PruFund Protected Fund* and/or the corresponding *PruFund Account* to be held under an *income drawdown plan*, section 4.5.5(k) will apply.

(d) With effect from 1st January 2010, switches into a *PruFund Protected Fund* are not allowed where all *units* have been switched out of any *PruFund Protected Fund* under that *income drawdown plan* in the previous 12 months. This restriction does not apply:

- where the *units* were switched out at the *guarantee date*; or
- where the switch request was treated as received by us on or before 31st December 2009; or
- where the *PruFund Protected Fund* from which the switch is being made was closed to new payments at the time of the switch.

(e) Except when rolling over part or all of an existing investment in the *PruFund Protected Growth Fund* on the *guarantee date* (see section 5.7.8(e)), switch requests into the *PruFund Protected Growth Fund* treated as received on or after 31st December 2009 will not be allowed.

(f) During the 28 days prior to the *guarantee date* of an investment in the *PruFund Protected Cautious Fund*, switches cannot be requested from that *fund* into any *fund* apart from the *PruFund Cautious Fund*.

(g) Switch requests from the *PruFund Accounts* are not allowed, except to the extent described in section 5.7.8(g).

(h) A maximum of one switch request involving a *PruFund Fund* is allowed in each period starting on a *quarter date* and ending on the day before the next *quarter date*. Section 1.5 explains when we treat a switch request as received for this purpose.

This maximum does not include switches:

- between *PruFund Funds* from the same *PruFund pair*;
- to or from the *PruFund Protected Growth Fund* (including, where applicable, the *PruFund Protected Growth Account*) on the *guarantee date*;
- from the *PruFund Protected Growth Fund* (including, where applicable, the *PruFund Protected Growth Account*) in the 28 days following the *guarantee date*;
- from the *PruFund Protected Cautious Fund* on the *guarantee date*; or
- from a *PruFund Fund* to the *Prudential Cash Fund* for the purpose of purchasing an *annuity* under section 11.

Switches to a *PruFund Fund* may also be refused or restricted under sections 4.5.5(k) and/or 5.7.13.

- (i) This section 4.5.5(i) does not apply when switching from the **PruFund Protected Growth Fund** in the 28 days following the **guarantee date** (see section 5.7.8(g)).

Where a switch is requested from a **PruFund Fund** under section 4.5 and there are also **units** of the corresponding **PruFund Account** under the **income drawdown plan**:

- (i) When calculating the amount to be switched out of the **PruFund Fund**, we apply the requested percentage value (see section 4.5.2) to the aggregate value held in both the relevant **PruFund Fund** and the corresponding **PruFund Account**. We carry out the switch, however, by selling only **units** of the appropriate **PruFund Fund**.
- (ii) At the end of the 28 day waiting period under section 5.7.6(b) we reapply the percentage to the then number of **units** held under the **income drawdown plan** in the relevant **PruFund Fund**. We sell the **units** at the **unit price** at that time. The value actually sold will be limited to the value of the **units** of the relevant **PruFund Fund**.
- (iii) If, at the time we receive a switch request, there are insufficient **units** held under the **income drawdown plan** in the relevant **PruFund Fund** to meet the requested percentage value of **units** (as applied to both the **PruFund Fund** and the corresponding

PruFund Account as described in (i) above) section 4.5.5(k) will apply.

- (j) When switching between **PruFund Funds** from different **PruFund pairs** when there are already **units** of those **funds** held under the **income drawdown plan**, we will switch the net amount required to achieve a result that is as close as reasonably possible to the result specified in the **member's** switch request.
- (k) In any circumstance where we are unable to carry out a switch to or from a **PruFund Fund** under this **Technical Guide**, except where we state that we will redirect the money to the non-protected version of a **PruFund Protected Fund** (see section 4.2.3):
- › We will not carry out any part of the switch to or from the relevant **PruFund Fund**.
 - › Where the **member** has requested switches to or from one or more other **funds** as part of the same switch request which can be implemented, we will carry out that part of the switch request in accordance with section 4.5.3.
 - › We will write to the **member** as soon as reasonably possible following receipt of the switch request to request alternative instructions for the switch to or from the **PruFund Fund**. Any switch from a **PruFund Fund** will not be carried out and the 28 day waiting period will not start until we have received the **member's** alternative instructions.

4.5.6 Switches to and from the 95% Safeguard Fund

- (a) Where a switch to the **95% Safeguard Fund** is requested, **units** are initially allocated in the **Cash Feeder Fund**. At the next **quarterly pricing date** all **units** allocated to the **Cash Feeder Fund** at least seven **working days** before that date are automatically switched into the **95% Safeguard Fund**. Any **units** allocated less than seven **working days** before the next **quarterly pricing date** will remain allocated in the **Cash Feeder Fund** until the next but one **quarterly pricing date**.
- (b) A request to switch out all **units** held under the **income drawdown plan** in the **95% Safeguard Fund** will be deemed to include any **units** held at the time of the switch in the **Cash Feeder Fund**.
- (c) Where a switch is requested from the **95% Safeguard Fund** and there are also **units** of the **Cash Feeder Fund** held under the **income drawdown plan**:
- › the percentage value (see section 4.5.2(b)) to be switched out of the **95% Safeguard Fund** is applied to the aggregate value held under the **income drawdown plan** in both the **95% Safeguard Fund** and the **Cash Feeder Fund**;
 - › except where the request is to sell all **units** of the **95% Safeguard Fund**, the relevant amount will be sold from the **Cash Feeder Fund**. If the full amount cannot be met from the **Cash Feeder Fund**, the balance will be met by selling **units** of the **95% Safeguard Fund**.
- (d) Switches to and from the **95% Safeguard Fund** are subject to the delays in buying and selling **units** as described in section 5.8.

5. How the investment funds are operated and priced

5.1 General

We and the **external companies** we appoint look after a number of **funds**. We use these **funds** to calculate benefits under pension plans we issue, including the **member's income drawdown plan(s)**.

Each **fund** can be divided into parts, or sub-funds. Each part/sub-fund will be divided into **units**, which may be of different types. Each **unit** of the same type in the same part/sub-fund will have the same value.

We will calculate the benefits payable from each **income drawdown plan** by allocating **units** to that plan from the **fund(s)** selected. Although we may use the **funds** to meet our obligations under an **income drawdown plan**, the **member** has no legal or beneficial right either to any of the **units** or to any part of the **funds** (see also section 5.2).

We, or the **external companies**, invest each **fund** in the way set out in published descriptions of that **fund**. Our **funds** literature (which is available on request) gives more information on the investment **funds** and the **external companies**. We or the **external companies** may invest each **fund** in any assets we or they consider suitable. The investment objectives of the **funds** can be changed at any time. We will give the **member** reasonable notice in advance, taking into account all the circumstances of the change, if we make a material change to the investment objectives of a **fund** and there are **units** of that **fund** then held under the **income drawdown plan(s)**.

The **holding account** is neither a **fund** nor an investment option that can be selected by the **member**. Certain details are, however, set out in this section.

The **Cash Feeder Fund** and the **PruFund Accounts** are **funds**, but they cannot be selected as investment options. They are used only in conjunction with the operation of the **95% Safeguard Fund** and the **PruFund Funds** (see sections 5.5.4 and 5.7).

The operation of the **SIF** is not explained in this section, but is fully described in the **SIPP Supplement**.

5.2 Ownership of assets

5.2.1 Prudential unit-linked funds and the Prudential With-Profits Fund

We, or another company within the **Prudential Group**, own all the assets of the **Prudential unit-linked funds** and the **Prudential With-Profits Fund** (which includes the **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts**) in our own right and not as trustee for policyholders. But when we make decisions relating to the investment and valuation of assets, we will always act in good faith in attempting to protect the interests of all affected policyholders and shareholders. We aim to strike a fair balance between the interests of:

- (a) our policyholders and our shareholders;
- (b) different classes of policyholder; and
- (c) individual policyholders.

5.2.2 Externally-linked funds

All the assets of the underlying funds of **external companies** are owned by them. Any policies issued by them to enable us to offer **externally-linked funds** are owned by us. Any contracts

involving **external companies** are with us. There is no contractual relationship between the **external companies** and the **member**.

5.2.3 Holding account

Money held in the **holding account** is legally owned by **Prudential** as Trustee of the **Scheme**. **Prudential** therefore holds this money as Trustee for **members** whose transfer payments are held in the **holding account**.

We can at any time change the terms and conditions of the **holding account** (including the bank providing the **holding account**) under section 16. We will give the **member** reasonable notice under that section, taking into account all the circumstances of the change, if any amounts attributable to the **member** are then held in the **holding account**.

5.3 Changes to funds

5.3.1 Changes to units

We can change the way we record **units** and change the number of **units** issued in the case of any particular **fund** (for example, we may combine or divide the existing **units**) and make corresponding changes to the **unit price**, but we will not do so in any way that disadvantages the **member**. If we make such a change, we will notify the **member** at an appropriate time, taking into account all the circumstances of the change.

5.3.2 New funds

We can at any time introduce new **funds**. Any new **funds** may be subject to different terms. We do not give notice when we introduce new **funds**. Information about the current **funds** is available in our **funds** literature.

5.3.3 Other types of new funds

We may also introduce new **fund** options that are linked to or invest in assets other than collective investment schemes and life assurance company funds. Such **fund** options:

- (a) may include **funds** that are open only to a specified member or members; and/or
- (b) may be different from **unit-linked funds**, the **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts** in the way that they are constituted, managed and priced.

5.3.4 Closing, merging, winding-up and withdrawing funds or investment options

We can also:

- (a) close any one or more of the **funds** to future moneys (including switches under sections 4.3.3 and 4.5);
- (b) merge or wind-up any one or more of the **funds**;
- (c) withdraw the option to invest in any one or more of the **funds**;
- (d) withdraw or close to future moneys (including switches under section 4.5) investment options such as the Income Drawdown Lifestyle Option (section 4.3) and the Portfolio Option (see section 4.4).

In the particular case of the **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts**, in addition to (a), (b) and (c) above, we may close part of the **fund** or sub-fund to future moneys.

For the avoidance of any doubt, our powers in this section 5.3.4 can be exercised separately in relation to each **PruFund Fund** in a **PruFund pair**.

5.3.5 Notice to members and replacement fund

We will exercise our power to close, merge, wind-up or withdraw a **fund** or an investment option only for important legal or commercial reasons. We will act fairly and reasonably in the way that we do so, having regard to our duty to protect the interests of the **member** and other policyholders. If we exercise this power, we will give the **member** reasonable notice in advance taking into account all of the circumstances if at that time:

- there are any **units** of the affected **fund** held under his or her **income drawdown plan(s)**; or
- the **income drawdown plan(s)** is invested in the affected investment option; or
- the affected **fund** or investment option is a principal feature of the **Pru FRP Income Drawdown Plan**.

We will seek the **member's** instructions for any amounts that need to be disinvested from the relevant **fund**. If we do not receive instructions within the time-scale specified in the notice, we will switch the **units** in the relevant **fund** either:

- (a) to **units** of the **fund** that has the most similar investment objectives to the closed, merged, wound-up or withdrawn **fund**; or failing that
- (b) to the **Prudential Cash Fund**.

Where the **fund** to be closed, wound-up, merged or withdrawn is used under an Income Drawdown Lifestyle Option profile or under an Investment Portfolio under the Portfolio Option, we reserve the right not to give any notice if we are providing a replacement **fund** and this replacement **fund** has broadly similar investment objectives to the closed, wound-up, merged or withdrawn **fund**.

5.4 Restriction on Prudential's liability

Prudential's liability under any **fund** that we make available under an **income drawdown** plan cannot exceed the value of the assets underpinning that **fund**, whether these assets are actual assets, an interest in another fund (whether managed by a company within the **Prudential Group** or by an **external company**) or an interest in a reinsurance policy effected by us to reinsure our liability under a **fund**.

In particular, for an **externally-linked fund** (including the **SIF**) or a **fund** that invests solely in funds operated by another company within the **Prudential Group** (for example, unit trusts or **OEICs** operated by another company within the **Prudential Group**), our liability is limited to the amount we can claim from the relevant company. So, for example, if the **external company** or the other company within the **Prudential Group** were to become insolvent, we could only pay the amount, if any, which we could collect under the insolvency in respect of the **units** allocated to the **income drawdown plan**.

Likewise, in the case of the **holding account** (see section 3.2.4(b)), if the bank providing the **holding account** were to become insolvent, we could only pay the amount that we could collect under the insolvency in respect of any amounts which were then deposited in the **holding account**.

In addition, we are not liable for any losses caused by the acts and omissions of an **external company** in respect of its own fund and/or the **externally-linked fund**.

5.5 The unit-linked funds

Note: Sections 5.5.1 to 5.5.3 describe the operation of **unit-linked funds** apart from the **95% Safeguard Fund**. **Unit prices** for the **95% Safeguard Fund** are described in section 5.5.4.

5.5.1 Valuation of fund assets

Unit-linked funds are valued on each **working day**. Assets may be valued in different ways and the decision of the relevant company, whether us, or another company within the **Prudential Group** or an **external company**, on all valuation issues is final.

The value of each **Prudential unit-linked fund** is determined by us or another company within the **Prudential Group**. Each **externally-linked fund** is linked to an underlying fund operated by the relevant **external company**. Each **external company** values its own funds and then provides us with a unit price or prices (rounded in accordance with its own practices), which we use in valuing the corresponding **externally-linked fund**.

5.5.2 Fund values and unit prices

(a) Prudential unit-linked funds

The value of a **Prudential unit-linked fund** is based on the value of the assets relating to it or, where the **fund** is invested solely in funds operated by other companies within the **Prudential Group** (for example, unit trusts or **OEICs** operated by another company within the **Prudential Group**), on the unit price supplied to us by the other company. Certain adjustments are then made to that value (see section 5.5.2(c)).

In some cases, there will be a range of values that can be placed on assets and therefore on the value of a **fund**. A number of factors will be relevant.

The main factor when deciding how to value an asset, is whether the total amount being paid into a **fund** (including any underlying fund) is more or less than the total amount being paid out. If more money is being paid in, we or the relevant company from within the **Prudential Group**, may need to buy assets. In such a case, the purchase price of assets will normally be used in valuing the **fund** (or underlying fund). If, however, more money is being paid out of the **fund**, the sale price of assets will normally be used in valuing the **fund** (or underlying fund).

The decision regarding whether to value a **fund** using the purchase price or sale price of assets is normally taken at monthly intervals, but may be made at such other intervals as we, or the relevant company from within the **Prudential Group**, shall determine.

We, or the relevant company from within the **Prudential Group**, also have complete discretion to choose to base the value of a **fund** on asset values that lie between the purchase and sale prices.

(b) Externally-linked funds

As stated in section 5.5.1, the **external companies** value their own underlying funds.

We base the value of each **externally-linked fund** on the unit price or prices supplied to us by the relevant **external company**. Where the **external company** provides unit prices based on both sale and purchase valuations of their underlying fund, we have discretion to choose the unit price on which to base the value of our **externally-linked fund** (including a unit price that lies between the values supplied

by the **external company**). The main factor we consider is whether more **units** are being credited to the **fund** than cancelled from it, as described in relation to **Prudential unit-linked funds** in section 5.5.2(a). Otherwise, the value of the **externally-linked fund** is based upon the single unit price supplied by the **external company**.

Where the **external company** provides a single unit price, the value of the **external company's** underlying fund may be based on the sale or purchase price of assets. The basis used by the relevant **external company** may be decided at daily intervals or such other intervals as determined by that company. Because of the potentially daily switches between sale and purchase valuation bases, there may be day-to-day fluctuations in the **unit price**, even though the market appears to be relatively stable.

(c) Adjustments to the fund value

When valuing **unit-linked funds** (and/or the funds underlying the **externally-linked funds**), certain adjustments may be made to the **fund** value:

- to take account of the expenses of buying and/or selling assets;
- if the **unit-linked fund** is linked to a unit trust or an **OEIC**, to take account of the expenses related with maintaining and operating that unit trust or **OEIC**;
- to take account of the expenses of maintaining and operating that **unit-linked fund** (for example, custodian fees or property management costs);
- to take account of the value of accrued investment income that has not yet been reinvested;

- › to take account of changes in the value of underlying assets or units since their values were supplied to us; and/or
- › to take account of a charge called a "dilution levy". This type of charge covers the cost of either buying assets (where more people are investing than disinvesting) or selling assets (where more people are disinvesting than investing). A dilution levy is not designed to make a profit, but to cover expenses.

In the case of the **unit-linked funds**, the **basic Annual Management Charge** (see section 6.2) is also deducted before we calculate the **unit price**.

(d) General

Other methods of valuation may be used. In choosing any other method we (or another company within the **Prudential Group**) or the **external company**, will act in a fair and reasonable manner.

Asset valuations and **unit price** calculations are carried out with care, but on some occasions mistakes may occur. If this happens, the **unit price** will normally be corrected once the mistake has been detected. If, however, the mistake is due to an error outside our control and we are unable to obtain compensation for the mistake (for example, an error in pricing the fund underlying an **externally-linked fund** due to factors outside the **external company's** control), we reserve the right not to correct the mistake retrospectively.

5.5.3 Calculation of unit prices

(a) Unit prices – general

Each **unit-linked fund** is divided into **units**.

The **unit price** is the value of the **unit-linked fund**:

- › determined and adjusted as described in section 5.5.2; and
- › divided by the number of **units** in issue (subject to any rounding).

If, for any reason, the value of a **unit-linked fund** cannot be obtained by valuing the assets, the **unit price** may be calculated by making an adjustment to the previous day's **unit price**. This adjustment will reflect the way in which the values of the underlying assets may have changed.

(b) Rounding of unit prices

When calculating **unit prices** for **unit-linked funds** we round our calculations to the nearer one tenth of a penny.

(c) Single pricing

Irrespective of the basis of the **fund** valuation and/or rounding methods, the same **unit price** will be used for both buying and selling **units** on any day.

5.5.4 The 95% Safeguard Fund

The choice of **unit-linked funds** under the **Pru FRP Income Drawdown Plan** can also include the **95% Safeguard Fund**, which is a **fund** under which the **unit price** should not fall by more than 5% from one **quarterly pricing date** to the next.

The **95% Safeguard Fund** is valued quarterly by us (or another company within the **Prudential Group**) on each

quarterly pricing date. Between **quarterly pricing dates**, **unit prices** will be calculated by us (or another company within the **Prudential Group**) at our absolute discretion.

All amounts to be invested in the **95% Safeguard Fund** are initially allocated to **units** in the **Cash Feeder Fund**. At the next **quarterly pricing date** all **units** allocated to the **Cash Feeder Fund** at least seven days before are automatically switched into the **95% Safeguard Fund**. Any **units** allocated less than seven days before any **quarterly pricing date** will remain allocated in the **Cash Feeder Fund** until the next but one **quarterly pricing date**.

5.6 The With-Profits Fund

5.6.1 General

The **With-Profits Fund** forms part of a sub-fund of the **Prudential With-Profits Fund**. The assets of the **With-Profits Fund** are not separately identifiable from the other assets of the relevant sub-fund of the **Prudential With-Profits Fund**.

The **With-Profits Fund** applicable to the **Pru Flexible Retirement Plan** may be also used under other **Prudential** pension policies. Some **Prudential** pension policies have access to a different part of the sub-fund of the **Prudential With-Profits Fund**.

The **unit price** and **units** of the **With-Profits Fund** are independent of the unit prices and units under other parts of the **Prudential With-Profits Fund**. See also section 4.1(a).

The price of **units** in the **With-Profits Fund** will not fall, but see section 5.6.3 on the Market Value Reduction which can reduce the value in some circumstances.

For further details of our **With-Profits Fund**, please refer to our **With-Profits Fund** literature which is available on request.

5.6.2 Bonuses

We may add regular bonuses through increases in the **unit price**. The price of **With-Profits Fund units** allocated to the **income drawdown plan** will therefore increase as regular bonuses are added.

We may add a final bonus to the value realised when a **unit** of the **With-Profits Fund** is sold.

Bonuses are determined by our Board based on the actual and expected returns of the assets backing the with-profits business in our long-term fund.

The rate of future bonuses cannot be guaranteed.

5.6.3 Market Value Reduction

(a) A Market Value Reduction may reduce the value of **With-Profits Fund units** in circumstances where the value of the underlying assets is less than the value of the **units** in the **With-Profits Fund** (including any final bonus).

Subject to section 5.6.3(b), the Market Value Reduction, if any, is applied when **units** of the **With-Profits Fund** are sold in any of the following circumstances:

- › when an **income drawdown plan** is fully or partially surrendered (for example, on the purchase of an **annuity** before or after the **final conversion date** or on transfer to another pension arrangement);

- › when **units** are switched into another **fund** under section 4.5. This includes switches out of a Income Drawdown Lifestyle Option profile to a different investment strategy or to a different Income Drawdown Lifestyle Option profile, but excludes any switches under the normal operation of the Income Drawdown Lifestyle Option under section 4.3.3; and/or

- › when **units** of the **With-Profits Fund** are sold under a **PP plan** for the purposes of converting one or more **arrangements** under that plan to an **income drawdown plan** (see section 3.4.3). In this case the Market Value Reduction is deducted from the value of the **units** under the **PP plan** (in accordance with the **Pru FRP PP Technical Guide**) before the value is applied to the **income drawdown plan**.

The intention of the Market Value Reduction is to provide a fair value for the **With-Profits Fund units** being sold, while protecting the interests of other policyholders who continue their policies until maturity. In this way, we will have regard to the need to protect both the interests of continuing members and policyholders and the solvency of our long-term fund.

(b) The Market Value Reduction is not applied when **units** of the **With-Profits Fund** are sold:

- › to purchase an **annuity** at **final conversion date** (whether in respect of the **member** or a **dependant** who is taking **income payments** under section 12.7);

- › to purchase an **annuity** within the month leading up to the **final conversion date** (whether in respect of the **member** or a **dependant** who is taking **income payments** under section 12.7);

- › to provide death benefits under section 12 on the **member's** death before the **final conversion date**;

- › to provide death benefits on the **dependant's** death before the **final conversion date**, where we are paying **dependant's income payments** under section 12.7;

- › to make regular or ad-hoc **income payments** within the **maximum income limit** determined under section 10;

- › to make switches under the normal operation of a Income Drawdown Lifestyle Option profile under section 4.3.3; and

- › to pay the agreed commission payable to the **member's** adviser or to collect our charges.

5.6.4 Partial encashments of units of the With-Profits Fund

(a) Different rates of final bonus may apply to different investments in the **With-Profits Fund**, depending on when the investment was made. As such we have specific rules for the selection of **units** for sale, when selling some but not all **units** of the **With-Profits Fund**.

(b) When selling some but not all **units** of the **With-Profits Fund** under an **income drawdown plan** we select the **units** to be sold in accordance with either Basis (1) or Basis (2) set out below.

Basis (1): We sell those **units** which have been held for the shortest time, using the **unit price** for those **units**.

Basis (2): We calculate and use a **unit price** based on the total value of **With-Profits Fund units** held under the **income drawdown plan**, including the rate(s) of final bonus (if any) applicable to each separately made investment. We then sell a proportion of **units** from each separately made investment in the **With-Profits Fund** under the **income drawdown plan**.

We may alternatively use a combination of Basis (1) and Basis (2) (for example, we may in the first instance sell all of the **units** allocated in the current calendar year, and then sell **units** allocated in earlier years on a proportionate basis), or we may use another basis selected by us. In selecting the basis to use, we will act in a fair and reasonable manner.

(c) Unless we generally decide otherwise under section 5.6.4(b), we will use Basis (2) when selling some but not all **units** of the **With-Profits Fund** under an **income drawdown plan**:

- to provide **income payments** under section 9.9 or a pension commencement lump sum under section 9.3.2;
- to collect any Establishment Charges or Surrender Charges under section 7.3;
- to purchase an **annuity** under section 11.2.1 with some but not all **arrangements** under the **income drawdown plan**; or
- to implement a pension sharing order under section 19.

(d) When selling some but not all **units** of the **With-Profits Fund** under an **income drawdown plan** for any other purpose (for example, to collect any adjustments necessary to meet the **actual Annual Management Charge** under section 6.4), we select the basis to be used in accordance with section 5.6.4(b).

When rebating **units** to meet the **actual Annual Management Charge** under section 6.5, we will apply similar principles: for example, we may allocate **units** to the existing **units** bought in the current calendar year at the current **unit price** or we may allocate a proportion of **units** to each separately made investment at a specially calculated **unit price**.

5.7 The PruFund Funds

5.7.1 General

(a) PruFund types

There are two types of **PruFund Fund**; **PruFund Protected Funds** and non-protected **PruFund Funds**. Each of the **PruFund Protected Funds** offers a guarantee in exchange for payment of a **guarantee charge** as described in sections 5.7.7, 5.7.8 and 5.7.11.

(b) PruFund pairs

The **PruFund Protected Fund** and the non-protected **PruFund Fund** which were launched at the same time and which share the same descriptive name form a **PruFund pair**. For example, the **PruFund Protected Cautious Fund** and the **PruFund Cautious Fund** form a **PruFund pair**.

Each **fund** within a **PruFund pair** can be withdrawn under section 5.3.4 independently of the other **fund** in that **PruFund pair**.

(c) Availability of PruFund Funds

A number of **PruFund Funds** are currently relevant to the **Pru FRP Income Drawdown Plan**. These are as follows:

- The **PruFund Growth Fund**;
- The **PruFund Protected Growth Fund**;
- The **PruFund Cautious Fund**; and
- The **PruFund Protected Cautious Fund**.

As reflected in sections 4.1(f) and 4.5.5(c), **units** may not be held in more than one **PruFund Protected Fund** at the same time under an **income drawdown plan**.

The **PruFund Protected Growth Fund** is only available:

- (i) as the initial investment under any **income drawdown plan** where:
 - the **application form** is treated as received by us on or before 31st December 2009 and where the **start date** is on or before 26th February 2010; or
 - the **income drawdown plan** was set up through converting a **PP plan** (see section 3.4.3) which was at the time of conversion wholly or partly invested in the **PruFund Protected Growth Fund** (see section 5.7.12).
- (ii) for switches-in under section 4.5 where the switch request is treated as received by us (see section 1.5) on or before 31st December 2009.

(iii) for switches-in on the **guarantee date** of an existing investment in the **PruFund Protected Growth Fund** under section 5.7.8(f).

Section 5.7.8 and other references to the **PruFund Protected Growth Fund** (and the **PruFund Protected Growth Account**) apply only to **income drawdown plans** which can be invested in that **PruFund Fund**.

(d) PruFund Accounts

Each **PruFund Fund** has a corresponding **PruFund Account**. Amounts to be invested in a **PruFund Fund** are initially invested in the corresponding **PruFund Account** (see section 5.7.3). The **PruFund Accounts** which share the same descriptive name form a **PruFund Account pair**.

5.7.2 The PruFund Funds, the PruFund Accounts and the Prudential With-Profits Fund

The **PruFund Funds** and the **PruFund Accounts** form part of a sub-fund of the **Prudential With-Profits Fund**. The assets of the **PruFund Funds** and **PruFund Accounts** are not separately identifiable from the other assets of the relevant sub-fund of the **Prudential With-Profits Fund**.

The **PruFund Funds** within the same **PruFund pair** have the same **unit price**. The **PruFund Accounts** within the same **PruFund Account pair** also have the same **unit price**.

The **unit prices** for the **PruFund Accounts** are, however, independent from the **unit prices** for the corresponding **PruFund Funds**.

The **unit prices** of separate **PruFund pairs** and **PruFund Account pairs** are also independent from each other.

5.7.3 Operation of the PruFund Accounts

(a) If the **member** requests for:

- a payment under section 3 to be invested in a **PruFund Fund**; or
- a switch to be made under section 4.5 or 5.7.8(f) to a **PruFund Fund** (except where **units** are switched between two **PruFund Funds** within the same **PruFund pair**),

we first of all allocate the appropriate amount to the relevant **PruFund Account**.

Where the **start date** for the payment is a **quarter date**, or where a switch is carried out on a **quarter date**, the amount will nevertheless be allocated to the relevant **PruFund Account** and will (subject to section 5.7.3(b)) normally remain in that **PruFund Account** until it is switched to the relevant **PruFund Fund** at the next **quarter date** in accordance with section 5.7.3(c). However, the money will not remain in the **PruFund Account** until the next **quarter date** if there are already **units** held under the **income drawdown plan** in the relevant **PruFund Account**: in that instance, the total amount in the **PruFund Account** will be switched into the destination **PruFund Fund** at that **quarter date**.

(b) At any time before the next **quarter date** following the date that **units** are allocated under section 5.7.3(a), we can sell the **units** in the **PruFund Account** (subject to a 28 day waiting period where applicable under section 5.7.6):

- to meet charges under section 5.7.5 and/or section 6;
- to switch out under section 5.7.8(g);

- to pay any pension commencement lump sum and/or **income payments** under section 9;
- to purchase an **annuity** under section 11;
- to pay death benefits under section 12; or
- to pay a transfer-out under section 13.

(c) On each **quarter date**, any **units** remaining in the **PruFund Account** under the **income drawdown plan** are sold and the amount realised is used to buy **units** in the relevant **PruFund Fund**.

(d) The purpose of the **PruFund Accounts** is to channel investment into the **PruFund Funds**. As such:

- (i) The **member** cannot request a switch to a **PruFund Account**.
- (ii) Except to the extent described in section 5.7.8(g):
 - the **member** cannot request a switch from a **PruFund Account**; and
 - the investment must have been used to buy **units** in the **PruFund Fund** before the **member** can make any requests to switch **units** of a **PruFund Fund** under section 4.5.

5.7.4. Unit prices – the PruFund Accounts

The **unit prices** of **units** of the **PruFund Accounts** on any **working day** are determined by us.

On each **quarter date**, our Board of Directors sets an **expected growth rate** for each **PruFund Account pair**, and the **unit prices** are increased in line with

that **expected growth rate** until and including the next **quarter date**. The **expected growth rate** is determined in accordance with section 5.7.5(a) and relates to the **expected growth rate** of the corresponding **PruFund pair**.

If the smoothing process has been suspended (see section 5.7.5(d)), the **unit prices** within the **PruFund Accounts** will continue to grow at the relevant **expected growth rate**. This **expected growth rate** will continue to be set on each **quarter date** and will apply to the **PruFund Accounts** during the period of suspension.

5.7.5 Unit prices – the PruFund Funds and the smoothing process

(a) Expected growth rate

On each **quarter date**, our Board of Directors sets and publishes an **expected growth rate** for each **PruFund pair**. Subject to any other adjustment in line with this **Technical Guide**, the **unit prices** within the **PruFund Funds** will increase in line with the then current **expected growth rate** on every day from and including the day after the **quarter date** on which the **expected growth rate** is set until and including the next **quarter date**.

(b) Calculation of unit price at each quarter date

Unless the smoothing process has been suspended (see section 5.7.5(d)), the calculation of **unit prices** at each **quarter date** will be as follows:

- (i) At each **quarter date**, after application of the relevant **expected growth rate**, we compare the **net asset value per unit** of each **PruFund pair** to the **unit price** of those **funds** on that

day. If the **net asset value per unit** is within 5% of the **unit price**, the **unit price** will not change. However, subject to section 5.7.5(c):

- If the **net asset value per unit** is 5% (or more) above the **unit price**, the **unit price** will be increased on the **quarter date** by half the difference. If the **net asset value per unit** is more than 10% above the **unit price** then this adjustment will be repeatedly applied until the **net asset value per unit** is less than 5% above the **unit price**.

- If the **net asset value per unit** is 5% (or more) below the **unit price**, the unit price will be reduced on the **quarter date** by half the difference. If the **net asset value per unit** is more than 10% below the **unit price** then this adjustment will be repeatedly applied until the **net asset value per unit** is less than 5% below the **unit price**.

- (ii) The **unit price** on the day after the **quarter date** will increase in line with the new **expected growth rate** as described in section 5.7.5(a).

(c) Adjustments of unit price on or between quarter dates

- (i) If the **unit price** is adjusted in line with this section 5.7.5(c), no adjustment that would otherwise apply on that day in line with section 5.7.5(b)(i) will apply.
- (ii) Each **working day**, we calculate the average **net asset value per unit** for the **PruFund pair** over

the five **working days** ending with the **working day** on which we are carrying out the calculation ("the average **net asset value per unit**"). We also calculate the **net asset value per unit** and the **unit price** applicable on that particular day.

- If the then current **net asset value per unit** and the average **net asset value per unit** are both 10% (or more) above the then current **unit price**, the **unit price** will be increased such that the **unit price** is then 2.5% below the **net asset value per unit**.

- If the then current **net asset value per unit** and the average net asset value per unit are both 10% (or more) below the then current **unit price**, the **unit price** will be reduced such that the **unit price** is then 2.5% above the **net asset value per unit**.

(d) Suspension of the smoothing process

We may suspend the smoothing process in relation to a **PruFund pair** if, in our opinion, there is a significant difference between the total amounts being paid into and out of that **PruFund pair** by all policyholders who have investments in the **PruFund Funds** in that **PruFund pair** (including other **Pru Flexible Retirement Plan** policyholders and holders of any other type of pension policy which has access to those **funds**).

We can suspend the smoothing process if the difference between the total amounts being paid into and out of the **PruFund Funds** in the relevant **PruFund pair**:

- › when calculated by reference to any 30 day period and then multiplied by 12 (to "annualise" the amount), is more than 25% of the **unit price fund value**; or
- › when calculated by reference to any full year, is more than 10% of the **unit price fund value**.

The calculation of total payments into the **PruFund pair** includes both new payments and switches into those **funds**. The calculation of total payments out of the **PruFund pair** includes switches out of those **funds** and payments such as surrenders, withdrawals, transfers-out and other benefits from plans and policies but excludes:

- › income payments (such as **income payments** payable under sections 9 and 12.7 of this **Technical Guide**);
- › death benefits under plans and policies that are earmarked to named individuals (such as death benefits payable under section 12 of this **Technical Guide**);
- › payments at plan/policy "maturity dates", including any switches to the **Prudential Cash Fund** that take place under the terms and conditions of plans/policies in the month leading up to the maturity date; and
- › switches out under programmed switching facilities (such as the Income Drawdown Lifestyle Option described in section 4.3 of this **Technical Guide**).

The calculation of total payments into and out of the **PruFund pair** includes payments during the relevant period under all plans and policies, including other **Pru Flexible Retirement**

Plans and any other types of policy that have access to those **funds**. In the context of an **income drawdown plan**, the **final conversion date** equates to the maturity date.

We can also suspend the smoothing process to protect the **Prudential With-Profits Fund** (or a sub-fund) or if we feel this is necessary to ensure that other policyholders are treated fairly in accordance with our regulatory duties.

On that day and on each day during which the smoothing process is suspended the **unit price** of the relevant **PruFund Funds** will be the value of those **funds** (as determined by us) divided by the number of **units** in issue. We will review the position at least once every 30 days, and will reinstate the smoothing process when we consider it appropriate. The smoothing process will normally remain suspended for a minimum of 30 days.

When the smoothing process is reinstated the **unit price** will start at the previous day's **unit price**. The terms of sections 5.7.5(a), (b) and (c) will then apply, including a daily increase in the **unit price** at the **expected growth rate** set by our Board of Directors.

5.7.6 The 28 day waiting period

(a) General

When selling **units** of a **PruFund Fund** (or a **PruFund Account** – see section 5.7.3(b)), a 28 day waiting period may apply (depending on the circumstances) as set out in this section 5.7.6. The purpose of the waiting period is to protect the **Prudential With-Profits Fund**.

(b) Switching from PruFund Funds

Subject to any delays under section 5.8 and subject to sections 4.5.3(e) and 5.7.6(e), a request to switch under section 4.5 from the **PruFund Funds** to any **fund(s)** apart from the other **PruFund Fund** within the same **PruFund pair**, is carried out on the 28th day following the **working day** on which we treat the switch request as having been received under section 1.5. If the 28th day is not a **working day**, the switch will be carried out on the next **working day** following that day.

The impact of the 28 day waiting period on switching from two or more **funds** including a **PruFund Fund** into an Income Drawdown Lifestyle Option profile is explained in section 4.5.3(f).

Note: **Units** cannot be switched out of a **PruFund Account** except in the circumstances described in section 5.7.8(g).

(c) Selling units to buy an annuity or make a transfer-out

When selling **units** to buy an **annuity** under section 11 or to make a transfer-out under section 13, then, except in the circumstances described in section 5.7.6(e), we reserve the right to delay selling **units** of the **PruFund Funds** (and the **PruFund Accounts**) for 28 days following the **working day** on which we treat the request to sell **units** as having been received under section 1.5. We will inform the **member** if such a waiting period applies to the requested sale of **units**.

If a waiting period of 28 days applies and the 28th day is not a **working day**, the **units** will be sold on the next **working day** following that day.

A further delay may apply under section 5.8.

(d) Unit price

Following a waiting period under this section 5.7.6 (and subject to any delays under section 5.8), the **unit price** used will be the one applying at the end of the waiting period, or, if applicable, the next **working day** thereafter. As the percentage of **units** to be sold is determined at the start of the waiting period when we receive the request to sell **units**, the value actually sold at the end of the waiting period may vary from the amount that the **member** expected and/or requested.

Where the transaction is a switch involving more than one **fund**, the sale of **units** in **funds** other than **PruFund Funds** will not be affected by the waiting period, except where switching into an Income Drawdown Lifestyle Option profile (see section 4.5.3(f)).

(e) Circumstances when the 28 day waiting period will not apply

The 28 day waiting period will not apply when selling **units** of any **PruFund Fund** (and, where applicable, the corresponding **PruFund Account**):

- (i) in the month leading up to the **final conversion date**;
- (ii) to pay death benefits under section 12.6 or 12.7.9;
- (iii) to pay any pension commencement lump sum under section 9.3;
- (iv) to make **income payments** under section 9.9;
- (v) to switch between **PruFund Funds** in the same **PruFund pair**.

In addition, the 28 day waiting period will not apply when selling **units** of a **PruFund Protected Fund** (and/or, where applicable, the corresponding **PruFund Protected Account**) for any purpose, including switching between **funds**:

- › on the **guarantee date** of an investment in the **PruFund Protected Cautious Fund** (see section 5.7.7(d)).
- › on the **guarantee date** or within the 28 days following that date of an investment in the **PruFund Protected Growth Fund** (see section 5.7.8 (g)).

5.7.7 The PruFund Protected Cautious Fund – guarantee

Note: The terms and conditions of the guarantee under the **PruFund Protected Cautious Fund** are set out in this section 5.7.7 and sections 5.7.9 to 5.7.12.

(a) General

The **PruFund Protected Cautious Fund's** guarantee provides that the value of an investment in that **fund** will not be less than the **guaranteed value** at the **guarantee date**. We make a charge for this guarantee by deducting a **guarantee charge** as described in section 5.7.11.

Once an amount has been invested in the **PruFund Protected Cautious Fund** (and/or the corresponding **PruFund Account**) under an **income drawdown plan**, no switches are permitted into that **fund** under that **income drawdown plan** until all amounts have been subsequently switched out of that **fund**. Switches into the **PruFund Protected Cautious Fund** are also subject to the terms set out in sections 4.5.3 and 4.5.5.

(b) Operation of the guarantee

The **guarantee start date and guarantee date** are determined in the way described in section 5.7.9.

The **guaranteed value** is calculated and applied in the way described in section 5.7.10.

(c) Member's options and default switch to the PruFund Cautious Fund on the guarantee date

At least three months before the **guarantee date** we write to the **member** to notify him or her of the options available at the **guarantee date**.

The **member** can choose to switch the value of the **units** (including any **units** added through the operation of the guarantee under section 5.7.10(c)) to the **fund** or **funds** of his or her choice on the **guarantee date**.

If we do not receive instructions from the **member** before the **guarantee date**, we will switch the value of all **units** then held in the **PruFund Protected Cautious Fund** (including any **units** added through the operation of the guarantee under section 5.7.10(c)) to the **PruFund Cautious Fund** on the **guarantee date**.

The 28 day waiting period under section 5.7.6 does not apply to the sale of **units** at the **guarantee date** under this section 5.7.7(c).

(d) Switches from the PruFund Protected Cautious Fund in the 28 days before the guarantee date

As stated in section 4.5.5(f), in the 28 days leading up to the **guarantee date**, switches cannot be requested from the **PruFund Protected**

Cautious Fund into any **fund** apart from the **PruFund Cautious Fund**. This is because the 28 day waiting period which would apply to a switch to any other **fund** would be overridden on the **guarantee date** by the operation of section 5.7.7(c).

5.7.8 The PruFund Protected Growth Fund – rolling guarantee

Note: The terms and conditions of the rolling guarantee under the **PruFund Protected Growth Fund** are set out in this section 5.7.8 and sections 5.7.9 to 5.7.12.

See section 5.7.1 (c) for information about the availability of the **PruFund Protected Growth Fund**.

(a) General

The **PruFund Protected Growth Fund** offers a rolling guarantee. The rolling guarantee provides that the value of an investment in the **PruFund Protected Growth Fund** will not be less than the **guaranteed value** at the **guarantee date**. In addition it allows for the investment to be rolled over at the **guarantee date** to a new **guarantee date** (see sections 5.7.8(b) and (e)). We make a charge for this guarantee by deducting the **guarantee charge** as described in section 5.7.11.

Once an amount has been invested in the **PruFund Protected Growth Fund** (and/or the corresponding **PruFund Account**) under an **income drawdown plan**, no switches other than switches at the **guarantee date** as described in section 5.7.8(f) are permitted into that **fund** under that **income drawdown plan**.

(b) Guarantee start date and guarantee date

The **guarantee start date** and the **guarantee date** are initially determined in the way described in section 5.7.9.

If an investment is rolled over under section 5.7.8(e):

- › the current **guarantee date** will become the new **guarantee start date**; and
- › the new **guarantee date** will be the fifth anniversary of the new **guarantee start date**, unless the term then remaining to the **final conversion date** is five years or more but less than ten years, in which case the new **guarantee date** will normally be the **final conversion date** unless the fifth anniversary of the **guarantee start date** is selected by the **member**.

When selecting a **guarantee date**, it should be noted that where the term to the **final conversion date** is five years or more but less than 10 years, there will not be any option to roll over the investment at the **guarantee date** under section 5.7.8(e) if the fifth anniversary is selected rather than the **final conversion date**.

(c) Guaranteed value

The **guaranteed value** is calculated and applied in the way described in section 5.7.10.

In addition, the **guaranteed value** also applies to the sale of **units** in the **PruFund Protected Growth Fund** in the 28 days following the **guarantee date** (subject to any adjustments to the **guaranteed value** as described in section 5.7.8(e)).

(d) Options available at the guarantee date

At least three months before the **guarantee date** we write to the **member** to notify him or her of the options available and the new **guarantee charge** that may be payable if the investment is rolled over under section 5.7.8(e).

If we do not receive instructions from the **member** before the **guarantee date**, the following will apply:

- › where the **guarantee date** is the **final conversion date**, section 11.5.2 will apply;
- › where the term to the **final conversion date** is less than five years, we will switch the investment to the **PruFund Growth Fund**;
- › otherwise, the investment will be rolled over in the **PruFund Protected Growth Fund** in accordance with section 5.7.8(e) and a new **guarantee start date** and a new **guarantee date** will be determined in accordance with section 5.7.8(b).

(e) Rolling over the investment to the next guarantee date

At the **guarantee date**, so long as the term to the **final conversion date** is not less than five years, the **member** has the option to roll over some or all of the investment in the **PruFund Protected Growth Fund**. In this case, a new **guarantee start date** and a new **guarantee date** will be determined in accordance with section 5.7.8(b).

A new **guarantee charge** under section 5.7.11 will apply, but the percentage rate used in calculating

the new **guarantee charge** will not be higher than the rate used when we calculated the charge stated in our notification under section 5.7.8(d).

A new **guaranteed value** is also determined in accordance with section 5.7.10(b) taking into account:

- › any amount that is then switched out of the **PruFund Protected Growth Fund** to another **fund**;
- › any amount that is then switched into the **PruFund Protected Growth Fund** from another **fund** by virtue of section 5.7.8(f);
- › any amount that is added under section 5.7.10(c); and/or
- › any amount that is then used to make an **income payment(s)** under section 9, buy an **annuity** under section 11, or make a transfer-out under section 13.

(f) Switching in additional amounts on the guarantee date

The amount invested in the **PruFund Protected Growth Fund** under the relevant **income drawdown plan** can, (so long as that **fund** has not subsequently been closed to switches-in at the **guarantee date** or wound-up under section 5.3.4), be increased on the **guarantee date** by making a switch from other **fund(s)** under section 4.5. Any amount switched will, in the first instance, be invested in the **PruFund Protected Growth Account** in accordance with section 5.7.3(a), unless the switch is to be made from the **PruFund Growth Fund**.

The **member** must, unless we agree otherwise in any particular instance, give us at least 28 days' notice of any intention to switch

additional amounts into the **PruFund Protected Growth Fund** at the **guarantee date**.

Note: If switching in from a **PruFund Fund** from a different **PruFund pair**, the switch-in relating to that **fund** will take place, not on the **guarantee date** of the investment in the **PruFund Protected Growth Fund**, but at the end of the 28 day waiting period under section 5.7.6. Any other part of the switch-in (for example, from a **unit-linked fund**), will be carried out at the **guarantee date**.

(g) Selling units within 28 days following the guarantee date

Note: This section 5.7.8(g) does not apply where the **guarantee date** is the **final conversion date**, due to the requirement for all **units** to be sold on or before the **final conversion date** to provide an **annuity**.

The **member** can, in the 28 days following the **guarantee date**, opt to sell some or all of the **units** in the **PruFund Protected Growth Fund** under the relevant **income drawdown plan** (including any **units** in the **PruFund Protected Growth Account**, if the **member** opted to make a switch at the **guarantee date** under section 5.7.8(f)). During this 28 day period the 28 day waiting period in section 5.7.6 will not apply. **Units** are sold in accordance with this section 5.7.8(g), section 5.10 and subject to section 1.5.

The maximum amount payable will be either:

- (i) the value of the **units** of the **PruFund Protected Growth Fund** then held under the relevant **income drawdown plan** (including any **units** in the

PruFund Protected Growth Account, if the **member** opted to make a switch at the **guarantee date** under section 5.7.8(f)) as at the date those **units** are sold under this section 5.7.8(g); or

- (ii) if higher, and only if **units** have been added to that **income drawdown plan** by virtue of section 5.7.10(b), the **guaranteed value** as at the **guarantee date** (calculated as described in section 5.7.10(b), but adjusted to take account of any other sales of **units** on or after the **guarantee date** for any of the reasons set out in section 5.7.10(b)(iv)) plus the value of any remaining **units** in the **PruFund Protected Growth Fund** then held under the relevant **income drawdown plan** (including any **units** in the **PruFund Protected Growth Account**, if the **member** opted to make a switch at the **guarantee date** under section 5.7.8(f)) as at the date those **units** are sold under this section 5.7.8(g).

When calculating the actual amount payable, the maximum amount determined above will be adjusted to take account of the proportion of **units** of the **PruFund Protected Growth Fund** (and the **PruFund Protected Growth Account** if appropriate) that is then to be disinvested.

When selling **units** of the **PruFund Protected Growth Fund** and the **PruFund Protected Growth Account** in the 28 days following the **guarantee date** in order to make a switch to another **fund(s)** under section 4.5, we first of all sell **units** in

the **PruFund Protected Growth Fund**. Once all such **units** have been sold, we then sell **units** of the **PruFund Protected Growth Account**. When selling **units** during this period for any other purpose we sell **units** from the **PruFund Protected Growth Fund** and the **PruFund Protected Growth Account** on a proportionate basis.

A request to sell **units** within the 28 days after the **guarantee date** will override any pending requests to sell **units** which would otherwise be subject to the 28 day waiting period.

5.7.9 Setting the guarantee start date and the guarantee date

Note: This section applies to both the guarantee under the **PruFund Protected Cautious Fund** and the rolling guarantee under the **PruFund Protected Growth Fund**.

When **units** of a **PruFund Protected Account** (and/or **units** of a **PruFund Protected Fund** in the case of a switch of **units** from the non-protected **PruFund Fund** in the same **PruFund pair**) are first allocated to an **income drawdown plan**, both a **guarantee start date** and a **guarantee date** are set.

The **guarantee start date** is the date on which those **units** as described above are first allocated to the **income drawdown plan**.

The **guarantee date** normally depends on the term from the **guarantee start date** to the **final conversion date** as follows:

- (i) If the term from the **guarantee start date** to the **final conversion date** is five years or more but less than 10 years, the **guarantee date** will (subject to section 5.7.12) normally

be the **final conversion date** unless the fifth anniversary of the **guarantee start date** is selected by the **member** in the **application form** or other investment instruction.

- (ii) If the term from the **guarantee start date** to the **final conversion date** is 10 years or more, the **guarantee date** will (subject to section 5.7.12) be the fifth anniversary of the **guarantee start date**.

In the case where the **units** are allocated in two stages under a switch (see sections 4.5.3(d), 4.5.3 (e) and 5.7.8(f)), the **guarantee start date** and the **guarantee date** for all of those **units** will be set by reference to the date on which the first set of **units** is allocated under the switch.

In the case where the **income drawdown plan** has been set up through converting a **PP plan**, the **guarantee start date** and the **guarantee date** are determined in the way described in section 5.7.12.

Additional provisions apply to the rolling guarantee – see section 5.7.8(b).

5.7.10 Application and calculation of the guaranteed value

Note: This section 5.7.10 applies to both the guarantee under the **PruFund Protected Cautious Fund** and the rolling guarantee under the **PruFund Protected Growth Fund**.

(a) General

A separate **guaranteed value** applies in relation to each **income drawdown plan**.

The **guaranteed value** applies:

- on the **guarantee date**; and/or
- on the **member's** death if this occurs within the period of one month and one day before the **guarantee date** (see section 12.5(b)).

The **guaranteed value** applies at other times under the rolling guarantee – see section 5.7.8(c).

(b) Calculation of guaranteed value

The **guaranteed value** is calculated as follows:

- (i) Subject to section 5.7.12, the initial **guaranteed value** is set on the **guarantee start date**. Where the **income drawdown plan** has been set up through converting a **PP plan**, the initial **guaranteed value** is determined in the way described in section 5.7.12.
- (ii) Where the Initial Charge structure has been selected under section 7.2, the initial **guaranteed value** under (i) above is equal to the amount allocated to **units** in the relevant **PruFund Protected Account** (and/or the **PruFund Protected Fund** where switching direct from the other **PruFund Fund** in the same **PruFund pair**).
- (iii) Where the Establishment Charge structure has been selected under section 7.3.1 (and/or where an outstanding Establishment Charge applies under section 7.3.4 following the conversion of a **PP plan** to an **income drawdown plan**), an adjustment is made when calculating the initial **guaranteed value** to take account of the remaining Establishment Charges to be deducted under section 7.3. This adjustment is designed to ensure that the initial **guaranteed value** is as close as possible to the initial **guaranteed value** that would have applied if the Initial Charge structure had been selected.

(iv) Where **units** of a **PruFund Protected Account** and/or **PruFund Protected Fund** are allocated in two stages under a switch (see sections 4.5.3(d), 4.5.3(e) and 5.7.8(f)), the **guaranteed value** determined under (i), (ii) and (iii) above in relation to the first set of **units** is increased when the second set is allocated. The amount by which the **guaranteed value** is increased is determined by reference to (i), (ii) and (iii) above, and may take account of any further adjustment required under (iii).

(v) The **guaranteed value** determined under (i), (ii), (iii) and (iv) above and under section 5.7.12 is reduced each time **units** of the **PruFund Protected Account** and/or the **PruFund Protected Fund** are sold in part or in full in the following circumstances:

- to make an **income payment(s)** under section 9;
- to pay any pension commencement lump sum under section 9;
- to make a transfer-out under section 13;
- to switch to another **fund(s)** under section 4.5; and/or
- to meet any part of the **actual Annual Management Charge** that is attributable to any **fund**-related commission payable to the financial adviser as described in section 6.3.

The **guaranteed value** is reduced proportionately using the same proportion that the value of the sold **units** (including any **units** sold to meet any Surrender Charge under section 7.3.3) bears to the value of the sum of those sold **units** plus any **units** then remaining in the relevant

PruFund Protected Account and/or the relevant **PruFund Protected Fund** after sale.

(c) Applying the guarantee at the guarantee date

At the **guarantee date** we:

- (i) determine the value of the **units** in the relevant **PruFund Protected Fund** under the **income drawdown plan**. In determining the value of those **units** we deduct any charges that are then due in respect of the **fund** and the **income drawdown plan**, but we do not take account of any amounts that are due to be switched out of the **fund** or about to be paid out of the **income drawdown plan** under sections 9, 11, 12 or 13. The **unit price** used will be that applying after any adjustments under the smoothing process (see sections 5.7.5(c) and (d));
- (ii) calculate the **guaranteed value** on the **guarantee date** in accordance with section 5.7.10(b); and
- (iii) compare the value of (i) with the value of (ii).

If the value of (i) is less than the value of (ii), we allocate additional **units** of that **PruFund Protected Fund** to the **income drawdown plan** so that the value is equal to the **guaranteed value** calculated as in (ii) above. If the value of (i) is equal to or greater than the value of (ii) no **units** are added to the **income drawdown plan**.

If **units** are added to the **income drawdown plan** under this section, we will write to the **member** to tell him or her how many **units** we have added.

5.7.11 The guarantee charge

Note: This section 5.7.11 applies to both the guarantee under the **PruFund Protected Cautious Fund** and the rolling guarantee under the **PruFund Protected Growth Fund**.

A separate **guarantee charge** applies in respect of any **units** of a **PruFund Protected Fund** and a **PruFund Protected Account** held under each **income drawdown plan**. This charge is designed to pay for the guarantee provided under those **funds** as described in sections 5.7.7 and 5.7.8.

The **guarantee charge** is a percentage of the value of **units** held in the relevant **PruFund Protected Fund** and **PruFund Protected Account**: it is not a percentage of the **guaranteed value**.

The percentage is set on the **guarantee start date** and does not change until the **guarantee date**.

The **guarantee charge** is payable monthly in arrears on the **guarantee charge date**. The charge is applied by selling **units** in the relevant **PruFund Protected Fund** and **PruFund Protected Account**. The value deducted is a proportion of the annual **guarantee charge** based on the number of days since the previous **guarantee charge date**.

The **final guarantee charge** will normally be taken on the **guarantee date**. However:

- where the last **guarantee charge date** does not coincide with the **guarantee date** the final guarantee charge will be taken in the month preceding the **guarantee date**; and/or

➤ where a switch is made to the **Prudential Cash Fund** under section 11 prior to purchasing an **annuity**, the final **guarantee charge** will be taken immediately prior to making that switch.

Different **guarantee charges** may apply to separate **income drawdown plans** depending on the **guarantee start date**.

Details of the amount of the charge are available from us on request.

In the case where the **income drawdown plan** has been set up through converting a **PP plan**, the **guarantee charge date** and the **guarantee charge** are determined in the way described in section 5.7.12.

5.7.12 Additional provisions where the income drawdown plan was set up through converting a PP plan

Where the **member** is setting up an **income drawdown plan** through converting a **PP plan** (see section 3.4.3) and the **PP plan** is invested either partly or fully in a **PruFund Protected Fund** (and/or a **PruFund Protected Account**), the following two options are available.

Option 1

So long as the **member** has not reached his or her 70th birthday, he or she may invest the payment from the **PP plan** in a **PruFund Protected Fund** as though it were a new payment to an **income drawdown plan**.

Investment in the **PruFund Protected Growth Fund** is allowed under this Option only where:

➤ the **application form** for the conversion is treated as received by us no later than 31st December 2009, and the **start date** of the **income drawdown plan** is no later than 26th February 2010; or

➤ the effective date of the conversion coincides with the guarantee date of an existing investment in the **PruFund Protected Growth Fund** under the **PP plan**.

All of the provisions of sections 5.7.1 to 5.7.11 will apply to the payment as though it were a new investment including the requirement for the payment to be initially applied to the relevant **PruFund Protected Account**. Where, however, the effective date of the conversion coincides with a guarantee date under the **PP plan**, the percentage rate used in calculating the new **guarantee charge** for the **income drawdown plan** will not be higher than the rate used when we calculated the charge stated in our **PP plan** guarantee date notification to the **member**.

The guarantee charges deducted under the **PP plan** will not be refunded.

Option 2

The **member** can carry over certain terms in relation to an existing investment in a **PruFund Protected Fund** (including the **PruFund Protected Growth Fund**) into the new **income drawdown plan** with effect from the start date. The terms apply where the member wishes to invest in the same **PruFund Protected Fund** under the **income drawdown plan** as applied under the **PP plan**. In this case:

(i) A separate **income drawdown plan** will be set up in respect of each separate **PP plan** with investments in the relevant **PruFund Protected Fund**, that is converted (or each **PP plan arrangement** where only part of a **PP plan** is being converted).

(ii) The level of investment to be applied to the relevant **PruFund Protected Account** at the **start date** of the **income drawdown plan** before any pension commencement lump sum is taken must be the same (subject to any rounding as described below) as the amount that was held in the **PruFund Protected Fund** (and the corresponding **PruFund Protected Account**, if any) under the relevant **PP plan arrangements** immediately before conversion.

(iii) Where any amounts are to remain under the **PP plan** after conversion, the aggregate value of the investment in the relevant **PruFund Protected Fund** and the corresponding **PruFund Protected Account** under both the **income drawdown plan(s)** and the **PP plan** must (subject to any rounding as described below) be the same as the amount that was held in that **PruFund Protected Fund** (and the corresponding **PruFund Protected Account**, if any) under the relevant **PP plan** arrangements immediately before conversion.

(iv) The **units** of the relevant **PruFund Protected Fund** (and any **units** of the corresponding **PruFund Protected Account**) held under the **PP plan** (or the relevant **PP plan** arrangements) will be sold and reinvested in the corresponding **PruFund Protected Account** as at the **start date**, subject to any rounding as described below. Where units are held in both the **PruFund Protected Fund** and the corresponding **PruFund Protected Account**, an equal proportion will be sold from each of these **funds**.

When calculating the actual amount to be used to buy **units** in the relevant **PruFund Protected Account** under the **income drawdown plan(s)**, we express the amount realised by selling **units** held under the relevant **PP plan arrangements** in the relevant **PruFund Protected Fund** (and any **units** of the corresponding **PruFund Protected Account**) as an integral percentage of the total value of those **PP plan arrangements**. We round that percentage down to the next whole percentage. We adjust the percentages to be applied to any other **funds** accordingly, with the intention of remaining as close as reasonably possible to the **member's** investment instructions.

(v) The **guaranteed value** that applied under the **PP plan** immediately before conversion will apply under the **income drawdown plan**, subject to:

- an adjustment to take account of the allocation rate if the Initial Charge structure under section 7.2 has been selected for the new **income drawdown plan**;
- an adjustment as described in section 5.7.10(b)(iii) if the Establishment Charge structure under section 7.3 has been selected for the new **income drawdown plan**.

If only part of a **PP plan** is being converted to an **income drawdown plan**, the **guaranteed value** that applied under the **PP plan** will be apportioned between the remaining part of the **PP plan** and the new **income drawdown plan**.

Any rounding down (see (iv) above) of the percentage of the **PP plan** proceeds to be applied to the relevant **PruFund Protected Account** under the **income drawdown plan** does not affect the **guaranteed value**.

(vi) The **guarantee date**, the **guarantee charge** and the **guarantee charge date** that applied in the **PP plan** will apply to the **income drawdown plan**.

5.7.13 Power to refuse or restrict investment in the PruFund Funds

In addition to our power to delay investment in the **PruFund Funds** under section 5.8, we reserve the right to restrict or refuse a request to invest in a **PruFund Fund**. An example of when we might invoke this power is if we consider that switches were being made between a **PruFund Fund** and other **funds** with the intention of avoiding smoothing adjustments (see section 5.7.5) whilst still benefiting from the **expected growth rate**.

5.8 Delays in buying, selling or switching units

5.8.1 Reasons for delaying transactions

There may be a delay in buying, selling or switching **units** in any **fund**. This will only happen in special circumstances which we will tell the **member** about at the time. There may be circumstances outside our control which prevent us from effecting these transactions immediately, and equally we may need to effect a delay where we believe that otherwise the remaining policyholders would suffer an unfair reduction in the value of their policy, or would suffer some other form of unfair treatment. Examples include:

- where we are unable to realise sufficient investments to satisfy demand, or where to do so would mean we have to sell at prices significantly below the value reflected in the then current **unit price**;
- where we are unable to sell **units** in an **externally-linked fund** due to restrictions imposed by the **external company**;
- where the need to make payments quickly could only be satisfied by selling a disproportionate amount of one type of asset, leaving too low a proportion of what is left invested in assets of that type.

This is not meant to be an exhaustive list, nor do we mean to limit delays to problems specifically of this type.

For the avoidance of any doubt, we will not use assets or cash from other **Prudential Group** funds, including any shareholder funds, to finance the sale of **units**. Such sales will instead be delayed until they can be carried out on terms which are fair to all policyholders invested in the **fund**.

5.8.2 Delay periods

Other than in very exceptional circumstances, we would not expect delays to be longer than:

- (a) six months in the case of **units** in **funds**:
 - (i) which hold investments in buildings or land; or
 - (ii) the value of whose investments is dependent on, or linked to the value of, buildings or land; or

(b) one month in the case of in **units** other **funds**.

However, while we will not delay transactions for longer than reasonably required, we cannot guarantee that we will never delay transactions beyond the time-scales set out in (a) and (b) above.

5.8.3 Notification to member

We will notify the **member** if a transaction requested by him or her is affected by a delay under this section 5.8. Our notice will set out any options open to the **member**. If appropriate, we will seek the **member's** alternative instructions for the transaction when we notify him or her of the delay.

5.8.4 Processing transactions affected by delays

The alternative instruction sought under section 5.8.3 will relate only to the **funds** to which the delay relates.

Where the transaction involves **units** of more than one **fund** and some **units** are affected by a delay and others are not, we will carry out any part of the transaction which is unaffected by the delay in accordance with the usual terms and conditions set out in this **Technical Guide**.

Where there is a delay in buying **units** in any **fund**, we will treat the request to invest in that **fund** as a request to invest temporarily in the **Prudential Cash Fund**. In that way, we will be able to carry out the entire transaction. We then switch the value of the **units** temporarily allocated in the **Prudential Cash Fund** to the requested **fund** when the delay has ended, unless we receive alternative instructions.

Where there is a delay in selling **units**, we will take no action on the affected **units** until the delay has ended.

5.8.5 Unit prices

The **unit prices** for the deferred transaction will be those applying at the end of the period of deferment, unless, again, we believe that in the particular circumstances that would not be fair to policyholders in general.

5.8.6 Impact of delay on PruFund Fund waiting period

In the case of the **PruFund Funds** (and where applicable the **PruFund Accounts**) an initial waiting period of 28 days may apply to the sale of **units** depending on the type of transaction (see section 5.7.6). This period will be extended at the end of the waiting period, if we have invoked our powers to delay buying, selling or switching **units** under this section 5.8.

5.8.7 Impact of delay on value of units

As the percentage of **units** to be sold is determined at the start of the delay or waiting period when we receive the request to sell **units**, the value actually sold at the end of the period may vary from the amount that the **member** expected and/or requested.

5.9 Current unit prices

Current **unit prices** for **unit-linked funds**, the **PruFund Funds** and the **PruFund Accounts** can be found on our website at www.pru.co.uk.

Unit prices for the **With-Profits Fund** can be obtained from us on request.

5.10 Unit prices used for transactions

Except for death benefits under section 12, the **unit price(s)** used for transactions are normally the **unit prices** for the **working day** that we treat the instruction or the request to carry out the relevant transaction as having been

received by us (see section 1.5). Special provisions apply where the transaction involves selling **PruFund Fund units** to make a switch, to purchase an **annuity** or make a transfer-out (see sections 4.5.5, 11 and 13).

A waiting period and/or a delay in buying or selling **units** may however occur in the circumstances described in sections 5.7.6, 5.8, 11.5.3 and 13.2(f), in which case later **unit price** dates will normally apply.

See the relevant sections of this **Technical Guide** for information on how and when we carry out each different type of transaction.

6. Annual Management Charges

6.1 General

There are separate Annual Management Charges that apply to each **income drawdown plan**.

The Annual Management Charge is calculated as a percentage of the values of **units**, varying according to the selected **fund(s)** and sub-funds.

Annual Management Charges, the Fund Size Discount (see section 6.6) and the Loyalty Discount (see section 6.7) do not apply to amounts held in the **SIF**. Periods of investment in the **SIF** do, however, contribute towards the Loyalty Discount (see section 6.7). Details of the separate charges applicable to the **SIF** are explained in the **SIPP Supplement**.

No charges apply to any amounts whilst they are held in the **holding account** under section 3.2.4(b), nor do such amounts contribute towards either of the Discounts.

6.2 Basic Annual Management Charges

6.2.1 General

For all *funds*, there is a **basic Annual Management Charge**.

The **basic Annual Management Charge** may be:

- › an "implicit" charge reflected in the price of the *units*;
- › an "explicit" charge taken by deducting *units* from the **income drawdown plan**; or
- › a combination of "implicit" and "explicit" charges.

The **basic Annual Management Charge** for each *fund* is set out in our current *funds* literature, which is available on request.

We may increase the amount of the **basic Annual Management Charge** as described in section 6.9.

Where the assets in one *fund* include *units* in another *fund*, we will ensure that we do not charge the *member* twice.

6.2.2 Implicit and explicit charges

(a) Implicit charge reflected in the unit price

Where the **basic Annual Management Charge** is an implicit charge reflected in the *unit price*, it is deducted from the value of the relevant *fund* before calculating the *unit price* on the day as follows:

- › For *unit-linked funds* (including the **95% Safeguard Fund**), for each day, we deduct from the *fund* 1/365th of the **basic Annual Management Charge** under section 5.5.2(c).

- › For the **With-Profits Fund**, the **basic Annual Management Charge** is taken into account when setting the bonus levels reflected in the *unit prices*.

(b) Explicit charge levied by deduction of units

Where the **basic Annual Management Charge** is an explicit charge as described in section 6.2.1, *unit* deductions to meet that charge are applied on the **monthly transaction date**. We deduct the charge monthly in arrears, selling *units* in the appropriate *fund* under the **income drawdown plan**. The value deducted is a proportion of the **basic Annual Management Charge**, based on the number of days since the previous **monthly transaction date**.

No proportionate charge is made when *units* are sold between **monthly transaction dates** for the period between the previous **monthly transaction date** and the date of sale. See also section 6.8 which explains how this affects the **basic Annual Management Charge** if this changes on switching between *funds*.

The **basic Annual Management Charge** for the **PruFund Funds** and the **PruFund Accounts** is an explicit charge.

6.3 Actual Annual Management Charges

The **actual Annual Management Charge** for an **income drawdown plan** may not be identical to the **basic Annual Management Charge**.

Depending on the terms agreed for the **income drawdown plan**, an adjustment may apply to take account of agreed *fund*-related commission payable to the *member's* financial adviser, any special or particular terms we have agreed with the financial adviser, any Fund Size Discount (see section 6.6) and any Loyalty Discount (see section 6.7). The adjustment is applied as follows:

- (a) If the **actual Annual Management Charge** is greater than the **basic Annual Management Charge**, an explicit additional charge will be levied by deducting *units* from the **income drawdown plan** in order to produce the **actual Annual Management Charge** that applies to the relevant **income drawdown plan** (see section 6.4).
- (b) If the **actual Annual Management Charge** is less than the **basic Annual Management Charge**, a rebate will be given by allocating *units* to the **income drawdown plan** in order to produce the **actual Annual Management Charge** (see section 6.5).

Such *unit* deductions and allocations are applied on the **monthly transaction date**.

We will supply the *member* (on request) with a statement showing the value of *units* deducted or allocated under section 6.4 or 6.5. The percentage value of any adjustment may change during the term of an **income drawdown plan**, to take account of (amongst other things) any Fund Size Discount that is due (see section 6.6), any Loyalty Discount (see section 6.7), any changes in the special terms available and any other changes we may make under section 6.9.

6.4 Explicit additional charge deducted by selling units

6.4.1 General

This section applies in cases where the **actual Annual Management Charge** is greater than the **basic Annual Management Charge** so that an explicit additional charge is due as described in section 6.3(a).

6.4.2 Ongoing deduction of charges

The explicit additional charge is deducted on the **monthly transaction date**, by selling **units** in the appropriate **fund** under the **income drawdown plan** to the value of one-twelfth of the relevant additional charge.

The explicit additional charge is the **actual Annual Management Charge** less the relevant **basic Annual Management Charge**.

For the purposes of calculating the value to be deducted, the value of **units** is determined at the **monthly transaction date**.

6.5 Allocation of units where a rebate of the basic Annual Management Charge applies

6.5.1 General

This section applies to any **income drawdown plan** where the **actual Annual Management Charge** agreed for the relevant **income drawdown plan** is less than the **basic Annual Management Charge**.

6.5.2 Ongoing allocation of rebate

The explicit rebate (if any) of the **basic Annual Management Charge** is credited on the **monthly transaction date**, by allocating **units** in the appropriate **fund** to the value of one-twelfth of the annual rebate.

The annual rebate is the relevant **basic Annual Management Charge** less the **actual Annual Management Charge**.

For the purposes of calculating the value to be rebated, the value of **units** is determined at the **monthly transaction date**.

6.6 Fund Size Discount

The total **actual Annual Management Charge** will, if applicable, take account of a Fund Size Discount. A Fund Size Discount applies when the value of **units** under the **member's income drawdown plan(s)**, exceeds the values set out below at the **monthly transaction date**.

Where the **member** has more than one **income drawdown plan** and/or has one or more in-force **PP plans**, the aggregate value of all **income drawdown plans** and **PP plans**, is taken into account in determining the Fund Size Discount, and the discount so determined applies to all of those **income drawdown plans** and **PP plans**.

Where applying the Fund Size Discount to a **dependant's income drawdown plan** under section 12.7.6, if the **dependant** is also a **member** in his or her own right and has one or more **income drawdown plans** and/or **PP plans** in his or her own name, the aggregate value of all **income drawdown plans** and all **PP plans** under which the **dependant** has benefits, is taken into account in determining the Fund Size Discount, and the discount so determined applies to all of those **income drawdown plans** and **PP plans**.

The percentage discount depends on the total value of all **units** (before any other deductions are made to meet charges and/or additional life cover costs and/or to make any **income payment**), held under the **member's income**

drawdown plan(s) and **PP plan(s)** at each **monthly transaction date**. No account is taken of changes in the value of **units** between each **monthly transaction date**. The value of any **units** in the **With-Profits Fund** excludes any final bonus and any Market Value Reduction.

The monthly discount is 1/12th of the following percentages:

Total Fund Value (gross before charges)	AMC Fund Size Discount
£0 – £24,999.99	0.00%
£25,000 – £49,999.99	0.10%
£50,000 – £99,999.99	0.20%
£100,000 – £249,999.99	0.25%
£250,000+	0.30%

Note: The value of any investments in the **SIF** is not taken into account in determining the Fund Size Discount, and the Fund Size Discount does not apply to any of the charges payable in respect of the **SIF**. Likewise, the value of any amounts held in the **holding account** does not count towards the Fund Size Discount.

6.7 Loyalty Discount

The total **actual Annual Management Charge** will, if applicable, take account of a Loyalty Discount. A Loyalty Discount applies when the elapsed time between the **start date** of an **income drawdown plan** and the **monthly transaction date**, exceeds the values set out below.

Elapsed Time	Discount
0 – 4.99 years	0.00%
5 – 9.99 years	0.05%
10 – 14.99 years	0.10%
15 – 19.99 years	0.20%
20+ years	0.25%

The monthly discount is 1/12th of the following percentages:

Where the **member** has:

- more than one **income drawdown plan**; and/or
- one or more in-force **PP plans**; and/or
- an **income drawdown plan** that has been set up through converting an earlier **PP plan**,

and there has been continuous investment in one or more **Pru Flexible Retirement Plans** under the **Scheme**, the elapsed time is determined by reference to the **income drawdown plan** or **PP plan** with the earliest **start date**. Any time during which any plan was solely invested in the **SIF** will also count towards the elapsed time. Any time during which amounts were held in the **holding account** prior to the plan(s) being set up does not, however, count towards the elapsed time.

The Loyalty Discount in relation to the elapsed time for the **income drawdown plan** (or **PP plan**) with the earliest **start date** will apply to all of the **member's income drawdown plans** (and **PP plans**), irrespective of their **start dates**. Entitlement to a Loyalty Discount ceases where no further **units** are held in respect of any **income drawdown plan** or **PP plan**, for example, following the sale of all **units** to provide benefits, purchase an **annuity** or provide a transfer-out.

Where, following the **member's** death, **income payments** become payable to a **dependant** under section 12.7, the **start date** of the **member's income drawdown plan(s)** (and **PP plan(s)**) will be taken into account in determining the Loyalty Discount under the **dependant's income drawdown plan(s)**. Where that **dependant** is also a **member** in his or her

own right and has one or more **income drawdown plans** and/or **PP plans** in his or her own name, the Loyalty Discount that applies to all plans will, with effect from the **start date** of the **dependant's income drawdown plan**, be based on the earliest **start date** of all plans under which the **dependant** has benefits.

6.8 Change to basic Annual Management Charge following a fund switch

6.8.1 General

This section 6.8 applies where **units** are switched under section 4.3 or 4.5 and the **basic Annual Management Charge** for the receiving **fund(s)** is not the same as the **basic Annual Management Charge** for the **fund(s)** from which **units** are switched.

Note: Any explicit additional charge deducted under section 6.4 or any rebate allocated under section 6.5, will not normally change on switching between **funds**.

6.8.2 Switches between funds with implicit charges

If a switch is made between **funds** which both have implicit **basic Annual Management Charges** (see section (6.2), the **basic Annual Management Charge** will be altered automatically on switching to the receiving **fund**.

6.8.3 Switches between funds with explicit charges

If a switch is made between **funds** which both have explicit **basic Annual Management Charges**, the **basic Annual Management Charge** will be altered to the rate applying in the receiving **fund** at the next **monthly transaction date**. The charge levied on that **monthly transaction date** will be the charge for a full month's investment in the receiving **fund**. No charge will be levied in respect of the period from the

previous **monthly transaction date** to the date of switch in respect of the **fund** from which the investment was switched.

6.8.4 Switches from funds with implicit charges to funds with explicit charges

If a switch is made from a **fund** which has an implicit **basic Annual Management Charge** to a **fund** which has an explicit **basic Annual Management Charge**, the **basic Annual Management Charge** will be altered to the rate applying in the receiving **fund** at the next **monthly transaction date**. The charge levied on that **monthly transaction date** will be the charge for a full month's investment in the receiving **fund**. No refund will be made in respect of the implicit charge already levied for the period from the previous **monthly transaction date** to the date of switch.

6.8.5 Switches from funds with explicit charges to funds with implicit charges

If a switch is made from a **fund** which has an explicit **basic Annual Management Charge** to a **fund** which has an implicit **basic Annual Management Charge**, the **basic Annual Management Charge** will be altered automatically on switching to the receiving **fund**. No charge will be levied in respect of the period from the previous **monthly transaction date** to the date of switch in respect of the **fund** from which the investment was switched.

6.9 Changes to the Annual Management Charges and related discounts

The Annual Management Charges that apply to an **income drawdown plan** may change because of:

- a change to the investment **fund** selection (see section 6.8);
- a change to special terms or due to the application of a Fund Size Discount and/or Loyalty Discount (see sections 6.6 and 6.7).

This means that where a change to the Annual Management Charge is concerned, we may change both:

- › the **basic Annual Management Charge** for a **fund** (see section 6.2); and
- › the **actual Annual Management Charge** applicable to an **income drawdown plan** (see section 6.3).

Each of these may be changed independently of the other.

In addition, we may increase Annual Management Charges under section 17.

We reserve the right to withdraw or change the terms of the Fund Size Discount and the Loyalty Discount under section 17.

We will only make changes to the Annual Management Charges and related Discounts for the reasons described in section 17.

We will write to the **member** if we make any changes to the charges described in this **Technical Guide**. See also section 17 of this **Technical Guide**.

7. Initial, Establishment and Surrender Charges

Note: Initial, Establishment and Surrender Charges also apply where there are investments in the **SIF**. The **SIPP Supplement** explains how such charges are deducted from the **SIF**.

7.1 General

7.1.1 Initial commission

When each **income drawdown plan** is set up, the **member** agrees with his or her financial adviser the level of initial commission that the financial adviser may receive in respect of that **income drawdown plan**.

The level of commission is expressed as a percentage of the payment made to the **income drawdown plan** under section 3.2, 3.3 or 3.4, less:

- › the amount of any pension commencement lump sum to be paid under section 9.3; and
- › in the case where the **income drawdown plan** is to be set up by converting one or more **arrangements** under a **PP plan**, the full amount of any Surrender Charge that would have applied to those **arrangements** if they had been cashed in for a transfer-out.

The commission is then paid to the financial adviser from the **income drawdown plan** through the charging structure that the **member** selects for that **income drawdown plan**.

If no initial commission is payable to the **member's** financial adviser, the **member** does not need to select a charging structure and the allocation rate applicable to the **income drawdown plan** will be 100%.

7.1.2 Choice of charging structures

The **member** can choose between two different charging structures for payment of initial commission:

- › "Initial Charge" structure (unfunded initial commission) as described in section 7.2; or
- › "Establishment Charge" structure (funded initial commission) as described in section 7.3.

The impact of each of these charging structures on the allocation rate used for the **income drawdown plan** is described in sections 7.2, 7.3 and 8.

The **member** can select a different charging structure and different levels of initial commission for each separate **income drawdown plan**.

7.2 Initial Charge structure

If the **member** selects the Initial Charge structure, the allocation rate will be reduced to take account of the level of commission paid to the **member's** financial adviser.

The basic 100% allocation rate is reduced by 1% for each 1% of initial commission taken.

The Initial Charge (if any) that applies to an **income drawdown plan** will be set out in the Illustration issued to the **member** with this **Technical Guide**.

7.3 Establishment Charge structure

7.3.1 General

If the **member** selects the Establishment Charge structure:

- › no adjustment is made to the basic allocation rate of 100%;
- › an Establishment Charge is deducted monthly in arrears over the first 60 months following the **start date** of the **income drawdown plan** as set out in section 7.3.2; and
- › subject to section 7.3.4, a Surrender Charge will apply in the event that **units** under the **income drawdown plan** are sold in the circumstances set out in section 7.3.3(a).

The Establishment Charge (if any) that applies to an **income drawdown plan** will be set out in the Illustration issued to the **member** with this **Technical Guide**.

7.3.2 Deduction of Establishment Charge

(a) Amount of Establishment Charge

The amount of the Establishment Charge depends on the level of initial commission taken.

(b) Deduction from units

The Establishment Charge is deducted from **units** held under the **income drawdown plan**.

Where **units** are held in more than one **fund**, the Establishment Charge is deducted proportionately across such **funds** based on the value of **units** held in each **fund** on the relevant **monthly transaction date**.

When valuing **units** in the **With-Profits Fund** for the purposes of determining the proportion of the charge to be deducted from this **fund**, we will take account of any final bonus and/or Market Value Reduction applicable at that time, but no Market Value Reduction will actually be deducted from the **units** sold to meet ongoing Establishment Charges. **Units** of the **With-Profits Fund** are sold to pay Establishment Charges in the way described in section 5.6.4.

Where there are investments in the **SIF**, the Establishment Charge (or a proportion of the Establishment Charge, as appropriate) will be deducted from the **SIF** bank account as described in the **SIPP Supplement**.

(c) Date of first deduction

The first deduction is made on the first **monthly transaction date** of the **income drawdown plan**.

(d) Date of final deduction

The final deduction is made on the 60th **monthly transaction date** of the **income drawdown plan**.

7.3.3 Surrender Charge

(a) Circumstances when a Surrender Charge applies

Where the Establishment Charge structure has been selected for the **income drawdown plan**, a Surrender Charge will apply in the event that **units** under the **income drawdown plan** are sold before the 60th **monthly transaction date** of the **income drawdown plan**:

- to purchase an **annuity** under section 11;
- to make a transfer-out under section 13; and/or
- to implement a pension sharing order under section 19

No Surrender Charge will apply on the death of the **member**.

(b) Basis of Surrender Charge

The Surrender Charge is based on the level of Establishment Charges outstanding at the time that the **units** are sold for the reasons described in section 7.3.3(a) based on the number of complete months from the **start date** of the **income drawdown plan** to the date that the **units** are sold.

(c) Surrender Charge when all units under an income drawdown plan are cashed in

Where all **units** under an **income drawdown plan** are sold to purchase an **annuity**, to make a transfer-out or to implement a pension sharing order, the Surrender

Charge is equal to the total outstanding Establishment Charges that would have been recovered had the **income drawdown plan** remained in force beyond the 60th **monthly transaction date**.

(d) Surrender Charge when some but not all arrangements under an income drawdown plan are cashed in

Where **units** under one or more (but not all) **arrangements** under an **income drawdown plan** are used to purchase an **annuity**, make a transfer-out or implement a pension sharing order, then the Surrender Charge is equal to the outstanding Establishment Charges that would have been recovered on the **arrangements** being cashed in, had those **arrangements** under the **income drawdown plan** remained in force beyond the 60th **monthly transaction date**. Being a partial encashment of **units**, any **units** of the **With-Profits Fund** which are encashed to pay the Surrender Charge are sold in the way described in section 5.6.4.

The Establishment Charge payable under section 7.3.2 will then be reduced proportionately and will continue to be deducted as set out in section 7.3.2 from the remaining **arrangements** held under the **income drawdown plan**.

(e) Investments in the With-Profits Fund

In addition to the Surrender Charge, a Market Value Reduction may apply to the sale of **units** in the **With-Profits Fund** (see section 5.6.3).

(f) Investments in the SIF

Where investments under the *SIF* are sold in the circumstances described in section 7.3.3(a), the Surrender Charge described in this section (or an appropriate proportion of the Surrender Charge) will apply to the value of the *SIF* as set out in the *SIPP Supplement*.

7.3.4 Establishment and Surrender Charges: conversion of PP plan to income drawdown plan

(a) Where:

- the value of some or all *arrangements* under a *PP plan* have been applied as a payment to an *income drawdown plan* as described in section 3.4;
- the Establishment Charge structure was selected for some or all payments to that *PP plan* (see the *Pru FRP PP Technical Guide* for further details); and
- part or all of the *PP plan* was converted to an *income drawdown plan* before the 60th monthly transaction date of the *PP plan*,

the Surrender Charge normally payable under the terms and conditions in the *Pru FRP PP Technical Guide* is not deducted as part of the conversion process. Instead, the remaining outstanding Establishment Charges (or proportion of those charges, if part only of the *PP plan* was converted to an *income drawdown plan*) will remain due and will be collected under the *income drawdown plan* as described in this section 7.3.4.

(b) Subject to section 7.3.4(c), the outstanding Establishment Charges will be collected by deducting them under the *income drawdown plan* on the *monthly transaction date*, until all such charges have been collected.

(c) If any part of the value applied from the *PP plan* is used to pay a pension commencement lump sum under section 9.3, an appropriate percentage of the Surrender Charge that would have applied under the *PP plan* will be deducted from the *income drawdown plan* when the lump sum is paid. See also sections 8.2.2 and 9.3.3.

If *units* are sold under the *income drawdown plan* in order to purchase an *annuity* or to implement a pension sharing order or to make a transfer-out before all of the remaining *PP plan* Establishment Charges have been deducted, a Surrender Charge will be deducted from the proceeds of the *income drawdown plan*.

In any of these cases, the Surrender Charge is determined in relation to the start date of the *PP plan*.

(d) The Establishment Charges and Surrender Charge in this section 7.3.4 are payable in addition to any Establishment Charges and Surrender Charge that apply to the *income drawdown plan* due to the selection of the Establishment Charge structure for that *income drawdown plan*.

8. Unit allocation

8.1 Allocation rate

8.1.1 General

The allocation rate is the total percentage rate that is applied to the payment made under section 3.2, 3.3 or 3.4, before that payment is used to allocate *units* under the *income drawdown plan*.

8.1.2 Part of payment to which allocation rate is applied

The allocation rate is applied to the payment made to the *income drawdown plan* under section 3.2, 3.3 or 3.4 less:

- the amount of any pension commencement lump sum to be paid under section 9.3; and
- in the case where the *income drawdown plan* is to be set up by converting one or more *arrangements* under a *PP plan*, the full amount of any Surrender Charge that would have applied to those *arrangements* if they had been cashed in to make a transfer-out.

8.1.3 Basic and actual allocation rates

The basic allocation rate that applies to the *Pru FRP Income Drawdown Plan* is 100%. The allocation rate that actually applies to the amount determined under section 8.1.2 may however be a different percentage.

The allocation rate that applies to the amount determined under section 8.1.2 is determined by:

- whether the *member* has selected the Establishment Charge structure or Initial Charge structure for the *income drawdown plan* (see section 7); and
- the rate(s) of initial commission (if any) taken by the financial adviser, if the Initial Charge structure applies.

Different allocation rates may apply to each separate **income drawdown plan**.

The actual allocation rate(s) that apply to each **income drawdown plan** will be set out in the Illustration issued to the **member** with this **Technical Guide**.

8.2 Using payments to buy units

8.2.1 Allocation of payment to units

(a) Each payment to an **income drawdown plan** results in a number of **units** being allocated to that **income drawdown plan**.

Subject to section 8.2.2, we determine the number of **units** to be allocated as follows:

- We multiply the part of the payment determined under section 8.1.2 by the allocation rate.
- We then divide the result by the **unit price(s)** for the **start date**.

If a payment is to be invested in more than one **fund**, we will determine the number of **units** to be allocated in the chosen **funds** by first multiplying the payment (determined under section 8.1.2) by the allocation rate, then applying the proportions for the investment split to the payment and finally dividing each portion by the **unit price** for the corresponding **fund**.

Unit prices are determined as described in sections 5.9 and 5.10.

(b) Any part of the payment which is to be used to pay a pension commencement lump sum under section 9.3 is also allocated to **units** in the way described in section 8.2.1(a), but using an allocation rate of 100%. The **units** are then immediately sold to pay the lump sum as described in section 9.3.

8.2.2 Conversion from PP plan to income drawdown plan

Where the **income drawdown plan** has been set up by converting one or more **arrangements** under a **PP plan**:

- We may use a different method from the one described in section 8.2.1 to allocate some or all of the value of those **arrangements** to the **income drawdown plan**, so long as the result is no less favourable than if we had used the method in section 8.2.1.
- Part of the payment made under section 3.4 may include an element which relates to a Surrender Charge that would have been deducted if the **units** under the **PP plan** had been cashed in to make a transfer-out (see section 7.3.4). This part of the payment is also used to allocate **units** under the **income drawdown plan**. In this case the allocation rate is 100%. The **units** in the chosen **funds** are otherwise allocated to the **income drawdown plan** in accordance with this section 8.2.

9. Benefits payable to the member: lump sum and income payments

9.1 General

Benefits can start once the **income drawdown plan** has been set up and the initial **maximum income limit** has been established under section 10. Where the **income drawdown plan** is set up before the initial **maximum income limit** has been established, the start of benefits will be delayed. No benefits can be paid from amounts held in the **holding account**.

First of all, any pension commencement lump sum is deducted and paid under section 9.3.

Once **units** have been allocated under section 8, the **member** can start to draw **income payments** from the **income drawdown plan**.

The **member** initially selects the form, amount, and frequency of payments, along with the **fund(s)** from which the **income payments** are to be deducted, in the **application form**. If **income payments** are to be made, the first **income payment** must be made within 12 months of the **start date**.

The **member** selects the amount of **income payments** as a "gross" amount, that is, before the deduction of income tax. **Income payments** are then paid to the **member** after deduction of income tax (see section 15) through the PAYE system.

There are currently no charges for making **income payments** from the **unit-linked funds**, the **With-Profits Fund** or the **PruFund Funds** and **PruFund Accounts**, but we do reserve the right to introduce a charge (see section 17). Specific additional charges for making **income payments** apply when investments are held in the **SIF** under an **income drawdown plan** (see the **SIPP Supplement**).

Under current legislation, the **member** can opt to take no **income payments**.

9.2 Lifetime allowance check

At the time when the **income drawdown plan** is set up, we are required by legislation to ensure that the value of the benefits does not exceed the **standard lifetime allowance**.

If, in the **application form**, the **member** indicates that the value of his or her total benefits from all **registered pension schemes** is close to or exceeds the **standard lifetime allowance**, we will need to request evidence of:

- › the *member's* actual **personal lifetime allowance** (if greater than the **standard lifetime allowance**);
- › any percentage of the **standard lifetime allowance** that has already been used in providing benefits;
- › the amount of any pension commencement lump sum already taken from **registered pension schemes**; and
- › details of other **registered pension schemes** (including schemes administered within the **Prudential Group**) under which the *member* has benefits.

When testing the benefits against the *member's personal lifetime allowance*, the value of benefits previously taken from the **Scheme** or from any other **registered pension scheme**, will be taken into account. If the *member's personal lifetime allowance* is exceeded the excess benefits will be subject to a **lifetime allowance charge**.

It is the *member's* responsibility to keep a record of the percentage of the **standard lifetime allowance** that has been used in providing benefits.

The evidence described above may need to be updated by the *member* if, at the time when an **income drawdown plan** is set up:

- › any benefits are taken from other **registered pension schemes** either in the period between the date on which the *member* completed the **application form** and the **start date** or while any transfers-in are held in the **holding account**; or
- › the addition of interest to the transfers-in under section 3.2.4(b)(v) requires the *member* to update the lifetime allowance certification that he or she provided on the **application form**.

9.3 Pension commencement lump sum

9.3.1 General

When the **income drawdown plan** is first set up, the *member* normally has the option to take a pension commencement lump sum (also known as tax-free cash) from the payment made to the **income drawdown plan**.

This option is not, however, available where the **income drawdown plan** is set up as a result of a transfer payment from another **unsecured pension arrangement** under which the *member* has started to take **income payments**. This is because the entitlement to a lump sum arose when the individual first started benefits under the earlier **unsecured pension arrangement**.

9.3.2 Amount of lump sum

Where the **income drawdown plan** is set up through a transfer-in under section 3.2, the lump sum must not be more than 25% of the value of that transfer-in as at the **start date** of the **income drawdown plan** (including any interest which is added to the transfer-in under section 3.2.4(b)(v)).

Where the **income drawdown plan** is set up through a single contribution under section 3.3, the lump sum must not be more than 25% of the value of the **PP plan** in respect of that contribution, as at the **start date**, when the **PP plan** is converted to an **income drawdown plan**.

Where the **income drawdown plan** is set up through converting one or more **arrangements** under a **PP plan**, the lump sum must not be more than 25% of the value of the **arrangements** applied to the **income drawdown plan** on the **start date**, less the full amount of any Surrender Charge that would have applied under the terms and conditions

of the **Pru FRP PP Technical Guide** if all **units** were sold on that date to make a transfer-out. The value of the **PP plan** will take into account any final bonus due on investments in the **With-Profits Fund** and may also be subject to a Market Value Reduction.

Where a pension commencement lump sum is to be taken from a payment that represents both **protected rights benefits** and **non-protected rights benefits**, the proportion taken in respect of the **protected rights benefits** must not exceed the proportion taken in respect of the **non-protected rights benefits**.

In addition, the lump sum:

- › must not, when added to all pension commencement lump sums taken by the *member* from all **registered pension schemes** under which he or she has (or had) benefits, exceed 25% of the available **standard lifetime allowance** applicable at the time entitlement to the lump sum arises;
- › can only be paid when the **income drawdown plan** is first set up;
- › may only be paid if all or part of the *member's personal lifetime allowance* is available; and
- › is only payable when the **income drawdown plan** is first set up and must be paid within 12 months of the **start date** of the **income drawdown plan**.

Where the *member* has **transitional protection** a larger lump sum may be available.

9.3.3 Deduction of lump sum

On the **start date**, the pension commencement lump sum is deducted from the **income drawdown plan** by selling the **units** allocated for that purpose under section 8.2.

Where the **income drawdown plan** is set up through converting one or more **arrangements** under a **PP plan**, a proportion of a Surrender Charge may also be deducted from the **income drawdown plan** as described in section 7.3.4. The Surrender Charge will be in relation to the **units** that are then being sold to pay the lump sum.

Where the payment of benefits is delayed as described in section 9.1, the pension commencement lump sum is nevertheless deducted with effect from the **start date**, based on **unit** values at that date.

The sale of any **units** of a **PruFund Protected Account** to pay a lump sum under this section 9.3 will affect the **guaranteed value** as described in section 5.7.10(b).

9.4 Minimum income payments

Subject to section 10.4, we do not set a minimum amount of **income payment**.

The **member** may therefore choose in any **unsecured pension year** to take no regular **income payments**. In this case he or she would still be permitted to take ad-hoc **income payments**.

9.5 Maximum income payments

The total of all ad-hoc **income payments** and all regular **income payments** must not exceed the **maximum income limit** (see section 10.3) for the **unsecured pension year** in which the payments are made.

9.6 Income payment levels

9.6.1 Regular and ad-hoc income payments

Income payments are normally made as regular amounts. The **member** specifies the level or amounts of regular **income payment** that he or she wishes to take in the **application form**. The **income**

payments are then made by selling **units** as set out in section 9.9. Where there are investments in the **SIF**, part or all of the payment may be made from the **SIF** (see the **SIPP Supplement** for further details).

The **member** may, by notifying us in such a manner as we require, take one or more ad-hoc **income payments** either in addition to, or instead of, regular **income payments**.

9.6.2 Income payments to be specified as monetary or percentage amounts

The **member** must specify all **income payments** as either a monetary amount or a percentage of the **maximum income limit** (specified as an integer percentage).

Where the **member** specifies **income payments** as a monetary amount, the amount paid will remain unchanged (even if the **maximum income limit** is increased or decreased under section 10.3) so long as the specified monetary amount is still within the **maximum income limit**, until the **member** gives us new instructions in writing. If, as a result of a review under section 10, the specified monetary amount is no longer within the **maximum income limit** we will contact the **member** and the **member** must provide new instructions before the effective date of the review. If the **member** fails to give such instructions, we will reduce the **income payments** to the **maximum income limit**.

Where the **member** specifies **income payments** as a percentage of the **maximum income limit** and the **maximum income limit** is increased or decreased under section 10.3, the percentage will be applied to the revised **maximum income limit**. This will result in a change to the amount of the **income payment** and we will notify the **member** of this new amount. If the **member** then

decides that he or she does not want the amount of the **income payment** to change, he or she must give us new instructions in writing. Otherwise the new amount will apply.

9.7 Income payment dates

Each time an **income drawdown plan** is set up, the **member** selects an **income payment date** for the purposes of regular **income payments** only. Regular **income payments** start on the first **income payment date** following the **start date**, or the next **working day** following that **income payment date**.

9.8 Income payment frequency

Regular **income payments** are payable from the first **income payment date** and at regular intervals thereafter, as selected by the **member**. The **member** can choose from the following payment frequencies:

- › monthly;
- › quarterly;
- › half-yearly; or
- › yearly.

A different payment frequency may be selected for each separate **income drawdown plan**.

9.9 Deducting income payments from the funds

9.9.1 Investment strategy

The **fund(s)** used for making **income payments** depends on whether the **member** has selected the "individual choice" or the Portfolio Option investment strategy (see sections 4.1(b)(i), 4.1(b)(ii) and 4.4)) or the Income Drawdown Lifestyle Option investment strategy (see sections 4.1(b)(ii) and 4.3) for the **income drawdown plan**.

9.9.2 Individual choice or Portfolio Option

Where the **member** has selected the "individual choice" or the Portfolio Option investment strategy, the **member** may (subject to section 9.9.4(b)) either:

- (a) take **income payments** from all **funds** in which he or she has invested under the **income drawdown plan** (including the **SIF**, the **PruFund Accounts** and the **Cash Feeder Fund**) on a proportionate basis; or
- (b) specify a percentage amount from one or more selected **funds**.

Where the **member** has selected one of the above bases for the payment of regular **income payments**, he or she can, if he or she so chooses, select the other basis for any ad-hoc **income payment**.

If the **member** selects basis (b) and subsequently requests (under section 4.5) to switch out of the selected **funds** (either in part or in full), we will seek alternative instructions for **income payments** in the event that the existing instructions are no longer operable. The new instructions will be implemented with effect from the next **income payment date** after the date we receive them, so long as we receive them in reasonable time prior to that **income payment date**. If not, they will be implemented as soon as is practicable. Until we have received and implemented the **member's** new instructions, we will treat the **income drawdown plan** as falling under section 9.10.2(a)(i) and we will deduct **income payments** in the way described in that section.

9.9.3 Income Drawdown Lifestyle Option

Where the **member** has selected the Income Drawdown Lifestyle Option investment strategy for the **income drawdown plan**, both regular and ad-hoc **income payments** will be taken from all **funds** applicable to that Income Drawdown Lifestyle Option profile on a proportionate basis.

9.9.4 Selling units and investments to provide income payments

- (a) Subject to any delays under section 5.8, we sell **units** to provide regular **income payments** on the **income payment date** at the **unit price(s)** for that **working day**. The number of **units** sold from each **fund** is calculated by reference to the value of **units** held in each **fund** under the **income drawdown plan** on the **income payment date**.

Subject to sections 9.9.4(c) to 9.9.4(g) and section 9.10.2, **units** are sold proportionately across all **funds** in which **units** are held under the relevant **income drawdown plan(s)**.

- (b) In the case of ad-hoc **income payments**, **units** are sold, subject to any delays under section 5.8, at the **unit prices** available on the **working day** that we receive all items necessary to process the request (or treat them as having been received under section 1.5).
- (c) Where any part of the **income drawdown plan** is invested in **units** of the **With-Profits Fund**, **units** are sold in the way described in sections 5.6.3(c) and 9.9.5. As set out in section 5.6.3(b), no Market Value Reduction is applied when selling **units** of the **With-Profits Fund** to make **income payments**.

- (d) Where basis (a) under section 9.9.2 has been selected, **units** are, subject to sections 9.9.4(c), 9.9.4(f), 9.9.4(g) and 9.10.2, sold proportionately across all **funds** in which **units** are held under the relevant **income drawdown plan(s)**. This includes any amounts held in the **PruFund Accounts** and the **Cash Feeder Fund**.

- (e) Where basis (b) under section 9.9.2 has been selected, **units** are, subject to sections 9.9.4(c), 9.9.4(f), 9.9.4(g) and 9.10.2 sold in the proportions requested by the **member** in the specified **funds**. In this case:

➤ Where any part of the **income drawdown plan** is invested in a **PruFund Fund** and its corresponding **PruFund Account**, **units** are sold in the first instance from the **PruFund Fund**. If the appropriate amount cannot be met by selling such **units**, we then sell **units** of the **PruFund Account**. As set out in section 5.7.6, the 28 day waiting period does not apply when selling **units** of a **PruFund Fund** or a **PruFund Account** to make **income payments**.

➤ Where any part of the **income drawdown plan** is invested in the **95% Safeguard Fund** and the **Cash Feeder Fund**, **units** are sold in the first instance from the **95% Safeguard Fund**. If the appropriate amount cannot be met by selling such **units**, we then sell **units** of the **Cash Feeder Fund**.

- (f) Where there are investments in the **SIF**, an appropriate proportion of the **income payment** will be deducted from the **SIF** as described in the **SIPP Supplement**.

(g) The provisions in this section 9.9.4 are all subject to the restrictions on the amount of **units** that may be sold from the **With-Profits Fund** or a **PruFund Fund** to provide **income payments**. Where the **member** requests for an **income payment(s)** to be deducted from the **With-Profits Fund** or a **PruFund Fund**, but such payment(s) would exceed the limits set out in section 9.9.5, we will act in accordance with section 9.10.2.

(h) Where the **income drawdown plan** is invested partly or wholly in a **PruFund Protected Pension Fund** (including the corresponding **PruFund Protected Account**), the sale of **units** of that **fund(s)** to make an **income payment** will affect the **guaranteed value** as described in section 5.7.10.

9.9.5 Restrictions on withdrawals from the With-Profits Fund and/or the PruFund Funds for income payments

(a) If any part of an **income drawdown plan** is invested in the **With-Profits Fund** and/or a **PruFund Fund**, the restrictions set out in this section 9.9.5 apply to the level of **income payments** that can be taken under the **income drawdown plan** from these **funds** in any **unsecured pension year**.

This section 9.9.5 does not apply to investments in the **With-Profits Fund** under the Income Drawdown Lifestyle Option, except where a switch is made between different Income Drawdown Lifestyle Option profiles or from an Income Drawdown Lifestyle Option to another **fund** (see section 9.9.5(g)(iii)).

(b) Where the **member** has more than one **income drawdown plan**, the restrictions apply separately in relation to each **income drawdown plan**.

(c) The restrictions apply separately to investments in the **With-Profits Fund** and the **PruFund Fund(s)**.

(d) When determining the value of **With-Profits Fund units** for the purposes of this section, we make an allowance for a final bonus but no account will be taken of any Market Value Reduction that would apply if the **units** were cashed in at that date.

(e) Where an **income drawdown plan** is invested in more than one **PruFund Fund**, the restrictions do not apply separately to each **PruFund Fund**. When calculating the maximum amount that can be taken as **income payments** from **PruFund Fund(s)**, we aggregate the total value of **units** held under the **income drawdown plan** in all **PruFund Funds**. In determining the amount held in the **PruFund Fund(s)** for the purposes of this section, we also include any amounts then invested in the **PruFund Account(s)**.

(f) Subject to section 9.5.5(g), the maximum annual **income payments** that can be taken from the **With-Profits Fund** or from the **PruFund Funds** are calculated by multiplying the **member's maximum income limit** (as determined in accordance with section 10) for that particular **unsecured pension year** by the proportion of the total value of the **income drawdown plan** that is invested in **units** of the **With-Profits Fund** or **PruFund Funds**.

Initially this proportion is the proportion of the total value of the **units** held under the **income drawdown plan** (after payment of any pension commencement lump sum – see section 9.3) that is invested in the **With-Profits Fund** or **PruFund Funds**.

(g) We recalculate the maximum annual **income payments** that can be taken by selling **units** in the **With-Profits Fund** or the **PruFund Fund(s)** as appropriate:

(i) one month and one **working day** prior to each **GAD anniversary date** or on any other date on which we review the **maximum income limit** under section 10;

(ii) when a switch is made to or from the **With-Profits Fund** under section 4.5;

(iii) when a switch is made from an Income Drawdown Lifestyle Option profile to another Income Drawdown Lifestyle Option profile or to another **fund(s)** (irrespective of whether there is any change in **With-Profits Fund units**); or

(iv) when a switch is made to or from a **PruFund Fund** including the corresponding **PruFund Account**, but not including switches where there is no change to the overall value held in **PruFund Funds** and **PruFund Accounts** under the **income drawdown plan**.

We do this by recalculating the proportion of **units** then held in the **With-Profits Fund** or **PruFund Fund(s)**.

The new proportion is then applied to the **member's maximum income limit** in order to determine the maximum amount that can be drawn from the **With-Profits Fund** or **PruFund Fund(s)** until the next **GAD anniversary date** or, if earlier, the date the next calculation is performed.

9.10 Monitoring unit values

9.10.1 Monitoring unit values and giving notice to the member

We monitor the values of **units** of each **fund** (and the **SIF** bank account) in order to highlight any **unit** holdings in a **fund** under the **income drawdown plan** which are about to become exhausted through making **income payments**.

We will give the **member** as much advance notice as we reasonably can in the event that one or more of the **member's unit** holdings (or the **SIF** bank account) is likely to become exhausted. We will seek the **member's** alternative instructions and will notify the **member** of the action we will take if no instruction is received (see section 9.10.2).

The same procedures apply if any part of an **income payment** is to be made from the **With-Profits Fund** and/or **PruFund Fund(s)** and this amount would exceed the limits set out in section 9.9.5.

Special provisions apply if making an **income payment** would cause the balance of the **SIF** bank account to fall below the minimum that we require to become overdrawn (see the **SIPP Supplement** for further details).

9.10.2 Insufficient units

- (a) If:
- (i) there are insufficient **units** under one or more of the **funds** selected by the **member** under section 9.9.2 to provide the **income payment** in the manner selected by the **member**; and/or
 - (ii) the **member** requests for some or all of an **income payment(s)** to be deducted from the **With-Profits Fund** and/or **PruFund Fund(s)**, but such payment(s) would exceed the limits set out in section 9.9.5,

we will contact the **member** to seek alternative instructions for making **income payments**.

If we do not receive alternative instructions within the time-frame specified in our notice:

- in the case of an ad-hoc **income payment**, the payment will not be made; or
- in the case of a regular **income payment**, the **income payment** will be made by selling **units** proportionately from all other **funds** in which sufficient **units** are held under the **income drawdown plan**.

In any case where the limit on withdrawals from the **With-Profits Fund** and/or **PruFund Fund(s)** in section 9.9.5 would be exceeded, the regular **income payment** will be made by selling **units** proportionately from other **funds** under the **income drawdown plan**.

Where there are investments in both the **With-Profits Fund** and a **PruFund Fund(s)** and the limit in section 9.9.5 is exceeded in respect of one of these **funds** but not the other, just the affected **fund** will be excluded when deciding the other **funds** from which **units** will be sold on the proportionate basis described above. Where, however, the exclusion of one of these **funds** but not the other would cause the limits to be exceeded in relation to that other **fund**, then both **funds** will be excluded when deciding the other **funds** from which **units** will be sold.

In either case, no investments in the **SIF** will be taken into account.

- (b) If no **income payment** or a reduced **income payment** would be made to the **member** (for example, because there are no **units** or insufficient **units** under the **income drawdown plan**), we will contact the **member** to discuss the options available.

9.11 Overpayments

In the unlikely event that in any **unsecured pension year** we make a payment to the **member** in excess of the **maximum income limit** under section 10, we will tell him or her as soon as we discover the mistake and he or she must pay the excess back to us. We will then reinvest the excess payment under the **income drawdown plan** in such a way that the **income drawdown plan** is restored to the same position as if the excess payment had not been made. If the **member** fails to return the payment, he or she will incur a tax liability (see section 15) for which **Prudential** cannot be held liable.

9.12 Changes to income payments

The **member** can, by giving us at least two weeks' advance notice in writing prior to the next **income payment date** ask us to:

- › start, stop or change the amount of **income payments** at any time between **GAD review dates**, subject to the **maximum income limit** determined under section 10;
- › change the frequency of **income payments** under section 9.8;
- › change the **fund(s)** from which **income payments** are made under section 9.9; and/or
- › change the **income payment date**.

Any such changes become effective from the next **income payment date**.

In the case of a change to the **income payment date**, we need at least two weeks' advance notice in writing prior to the current **income payment date**.

Changes to the level of **income payment** may also be made by us under section 9.6.2.

9.13 Termination of income payments

Income payments continue to be made to the **member** until the earliest of the following dates:

- › the date on which **units** in all **funds** under the **income drawdown plan** become exhausted (see section 9.10.2);
- › the date from which the **member** requests us to stop;
- › the date on which the **member** purchases an **annuity** under section 11;

- › the date on which the **member** takes a transfer-out under section 13;
- › the date on which we stop **income payments**, having been notified that the **member** has died (see section 12); and
- › the **final conversion date**.

The last regular **income payment** due to the **member** is the one which is paid on the **income payment date** immediately preceding the date determined in accordance with this section 9.13.

Any payments that are made to the **member** after the date of death must be returned to us. They will then form part of the death benefits payable under section 12. See also section 12.8.

9.14 Repayment of benefits if plan is cancelled

If the pension commencement lump sum and/or any **income payment(s)** are paid before the expiry of the **cancellation period**, and the **member** cancels the **income drawdown plan**, he or she must repay us the pension commencement lump sum and/or **income payment(s)**.

10. Maximum income limit reviews

10.1 General

The **member's maximum income limit** is determined when each **income drawdown plan** is first set up, and at least every five years thereafter in accordance with **HMRC** rules.

Where the **member** has more than one **income drawdown plan**, **maximum income limit** reviews are carried out separately for each **income drawdown plan**.

10.2 GAD review dates, GAD anniversary dates, reference periods and unsecured pension years

10.2.1 GAD review date

(a) **GAD review date is normally determined by reference to the start date**

Except where section 10.2.1(b) applies, the first **GAD review date** is normally the **start date** and the **maximum income limit** is determined as at that date. The next **GAD review date** is then (subject to section 10.2.3) normally the fifth anniversary of the **start date** of an **income drawdown plan** and every fifth anniversary thereafter. The anniversary of the **GAD review date** is called the **GAD anniversary date**.

Whilst the **GAD review date** is the effective date for the **maximum income limit** review, the review will actually be carried out on a date nominated by us in accordance with section 10.2.3.

(b) **GAD review date of transfers-in from other unsecured pension arrangements**

Where the **income drawdown plan** has been set up as a result of a transfer from another **unsecured pension arrangement**:

- › the **GAD review date** that applied in the previous **unsecured pension arrangement** will apply and the **GAD anniversary date** for the **income drawdown plan** will fall on the anniversary of that **GAD review date**;

- › the first **GAD review date** under the **income drawdown plan** will fall on the fifth anniversary of the **GAD review date** under the previous **unsecured pension arrangement**; and
- › subsequent **GAD review dates** will fall on every fifth anniversary of that date.

Where, however, the **income drawdown plan** has been set up as a result of a transfer from another **unsecured pension arrangement** and the **maximum income limit** has not been reviewed under the previous **unsecured pension arrangement** since 6th April 2006, we will recalculate the **maximum income limit** and determine the **GAD review date** and **GAD anniversary date** in accordance with section 10.2.1(a).

(c) Reference period and unsecured pension year

The period between each **GAD review date** is known as the **reference period**. Each year within the **reference period** is known as an **unsecured pension year**.

The first **unsecured pension year** in any **reference period** is the period starting on the **GAD review date** and ending the day before the **GAD anniversary date**. Subsequent **unsecured pension years** start on the **GAD anniversary date** and end on the day before the next **GAD anniversary date**.

The **GAD review date** and **GAD anniversary date** are determined in the way set out in sections 10.2.1(a) and/or (b) as appropriate.

10.2.2 Change to GAD review date

The **member** can, by giving us at least two months' advance notice in writing before the start of the next **unsecured pension year**, ask us to change the **GAD review date** and to bring forward the five yearly review of the **maximum income limit**. In this way, the **reference period** will be reset.

If we agree to do this, we recalculate the **maximum income limit** in relation to the new **GAD review date**. Subsequent **GAD review dates** will then fall on every fifth anniversary of that date.

10.2.3 Timing of review

Each review under section 10.2.1 will be carried out close to the **GAD review date** on a date which is nominated by us in accordance with **HMRC** requirements. We currently carry out each review approximately one month prior to the **GAD review date** but we can nominate another date at our discretion.

10.2.4 Duration of maximum income limit

Once determined at the **start date** or **GAD review date** the **maximum income limit** applies for each **unsecured pension year** of the next **reference period**, or if earlier, until such time as the **maximum income limit** is redetermined in accordance with section 10.2.5 or until the **member** asks us to change the **GAD review date** under section 10.2.2.

10.2.5 Other reviews

The **maximum income limit** must be reviewed in the event that:

- (a) the **member** decides to use some but not all of the **arrangements** under the **income drawdown plan** to purchase an **annuity** under section 11; or

- (b) a pension sharing order is awarded against the **income drawdown plan** (see section 19) and a **pension credit** is deducted from the **income drawdown plan**.

The revised **maximum income limit** applies from the start of the next **unsecured pension year** and, where the **member** has more than one **income drawdown plan**, the review applies only to the **income drawdown plan** from which some of the **units** have been sold to purchase an **annuity** or pay a **pension credit**.

Following a review under this section 10.2.5, the **reference period** otherwise remains unchanged.

10.3 Maximum income limit

10.3.1 GAD annuity rates and maximum percentage

The level of **income payments** taken each **unsecured pension year** must not exceed 120% of an **annuity** value calculated using **GAD annuity rates**, or such other percentage that may from time to time apply.

10.3.2 Maximum income limit at the start date

- (a) Subject to section 10.3.2(b), we calculate the **maximum income limit** at the **start date** by applying the relevant **GAD annuity rate** to the total payment to the **income drawdown plan** before the application of the allocation rate under section 8.2.1(a) but after the deduction of any pension commencement lump sum under section 9.3.

(b) In the case where the **income drawdown plan** was set up through converting one or more **arrangements** under a **PP plan**, as described in section 3.4, we also deduct the value of any Surrender Charge that is actually payable under section 7.3.4 (in respect of the pension commencement lump sum) from the payment before we carry out our calculations for this purpose.

10.3.3 Maximum income limit at a GAD review date

When we calculate the **maximum income limit** at a **GAD review date** (or other date under section 10.2.5), we apply the relevant **GAD annuity rate** to the value of **units** (together with the value of any **SIF** investments) then held under the **income drawdown plan**. The **units** are valued in accordance with section 10.3.4.

10.3.4 HMRC valuation

A valuation carried out for the purposes of calculating the **maximum income limit** is known as an **HMRC valuation**.

When valuing **units** for an **HMRC valuation**, we use the **unit prices** available at the date we carry out the calculation. In the case of **With-Profits Fund units** we take account of any final bonus that would apply if the **units** were sold on that date, but do not make any deduction in respect of any Market Value Reduction. In the case of **units** of a **PruFund Protected Fund**, where the **HMRC valuation** is no more than one month and one day prior to the **guarantee date**, we take account of any **units** that we expect to add on the **guarantee date** if the guarantee applies under section 5.7.10(c).

SIF investments are valued in accordance with the details set out in the **SIPP Supplement**. When carrying out an **HMRC valuation**, it is necessary to obtain formal valuations of all **SIF** investments. In some cases, these will be professional valuations from third parties. The cost of such a valuation is charged to the **SIF** bank account as described in the **SIPP Supplement**. The **SIF** (and ultimately the **member**) is liable for the costs of obtaining the **HMRC valuation**, whatever the reason for the **HMRC valuation** and irrespective of whom has requested it.

10.4 Minimum income payment level

Under **HMRC** rules at the date of issue of this **Technical Guide**, there is no requirement to take a minimum payment in any **unsecured pension year**. If this changes, we will:

- › give the **member** as much notice as practicably possible and we will introduce a minimum **income payment** under section 9.4;
- › seek the **member's** instructions as to the making of **income payments**;
- › inform the **member** as to how **income payments** will be made if we do not receive such instructions within a period specified at the time by us.

10.5 Change to income payment level following a review

When we carry out a review of the **maximum income limit** under this section 10, we contact the **member** to notify him or her of the effect, if any, of the new **maximum income limit** on the current level of **income payments**.

The level may change automatically, if the level has been specified as a percentage of the **maximum income limit**. The **member** may, however, need to give new instructions if the level has been specified as an amount and the existing amount exceeds the new **maximum income limit**. See section 9.6.2 for further details.

11. Annuity purchase

11.1 General

The **member** can ask us at any time before the **final conversion date** to sell the **units** under an **income drawdown plan** to purchase an **annuity**. If not all **units** have been used under an **income drawdown plan** to purchase an **annuity** before the **final conversion date** section 11.4 will automatically apply.

11.2 Non-protected rights benefits

11.2.1 Using one or more arrangements for annuity purchase

All **non-protected rights income drawdown plans** can be used to purchase an **annuity** at the same time.

Alternatively:

- › each **non-protected rights income drawdown plan**; and/or
- › each **arrangement** under each **non-protected rights income drawdown plan**,

can be used separately to purchase **annuities** at different times.

When cashing in some but not all **arrangements** under an **income drawdown plan** to purchase an **annuity**:

- › the minimum encashment at any one time is £1,000. Whole **arrangements** must be cashed in and there must be at least £1,000 remaining under the **member's income drawdown plan**; and
- › **units** are sold on a proportionate basis across all **funds** (including the **PruFund Accounts** and the **Cash Feeder Fund**) in which **units** are then held under the **income drawdown plan**.

11.2.2 Form of annuity

The **annuity** can be in the form most suited to the **member's** requirements at that time, subject to the options then available; for example the **annuity** may have a guarantee period during which the pension will continue to be payable notwithstanding the **member's** death within that period and/or it may be set up on a "joint life" basis to include a pension payable to a **dependant** on the **member's** death.

An **annuity** purchased with the proceeds of a **dependant's income drawdown plan** cannot, however, be set up with a guarantee period or as a "joint life" pension payable to another specified person on the **dependant's** death.

Once an **annuity** has been set up, the basis cannot normally be altered.

11.3 Protected rights benefits

Where the **member** has:

- › one or more **protected rights income drawdown plans**; and/or
- › one or more **protected rights PP plans**; and/or

- › one or more other **protected rights** pension plans (for example, a "Prudential Premier Personal Pension Plan")

under the **Scheme**, all such plans must be used at the same time to purchase an **annuity**.

Any **protected rights annuity** must be purchased using unisex annuity rates and must normally continue at half-rate for a spouse or **civil partner** following the **member's** death. However, if the **member** is neither married nor in a civil partnership when the **annuity** is bought, the **protected rights annuity** can be bought on a "single life" basis (i.e. no spouse's or **civil partner's** benefit).

11.4 Compulsory annuity purchase at age 75

At the **final conversion date** all remaining **units** under an **income drawdown plan** must be sold and used to purchase an immediate **annuity**. Alternatively, the **member** can use the value raised to purchase an **annuity** with another insurance company (see section 11.6) or make a transfer-out to an **alternatively secured pension arrangement**.

See also section 11.5.2 which explains what happens at the **final conversion date**.

11.5 Selling units to buy an annuity

11.5.1 Selling units before age 75

- (a) When the **member** tells us to cash in an **income drawdown plan** (or one or more **arrangements** under an **income drawdown plan**) to buy an **annuity**, we switch all **units** allocated to the **income drawdown plan** (or the selected **arrangements**) into the **Prudential Cash Fund** up to one month

before the selected **annuity** date. Any **SIF** investments will be sold in accordance with the **SIPP Supplement**.

- (b) When making the switch to the **Prudential Cash Fund**, we calculate the value of the **income drawdown plan(s)** (or the selected **arrangements**) using the **unit price(s)** for the date that we receive the **member's** instruction to send him or her the appropriate claim forms and retirement packs (or the date that we treat the instruction as being received under section 1.5). A later **unit price** date may apply, however, if there is a waiting period under section 5.7.6, and/or if there are any delays under section 5.8 and section 11.5.3.

Where there is a waiting period under section 5.7.6, and/or there are delays applying section 5.8 and/or section 11.5.3, we will switch the **units** of the **funds** that are not so affected at the date described above. The **units** of the affected **funds** will then be switched to the **Prudential Cash Fund** when the waiting period/delay has ended.

If there are **units** of a **PruFund Protected Fund** under the **income drawdown plan**, the **member** may request for the date under which all **units** are switched to the **Prudential Cash Fund** to buy an **annuity** to be delayed until the **guarantee date**. In this case, the switch of any **units** of another **fund(s)** to the **Prudential Cash Fund** will be delayed to coincide with the sale of the **PruFund Protected Fund units**, using the **unit prices** then applicable.

Where **units** of a **PruFund Protected Fund** are sold on the **guarantee date** they will be valued in accordance with section 5.7.10.

Where **units** of the **PruFund Protected Growth Fund** are sold in the 28 days following the **guarantee date** they will be valued in accordance with section 5.7.8(g).

If the **member** chooses to sell any **units** of a **PruFund Protected Fund** on a date other than the **guarantee date** the guarantee under section 5.7.7 or 5.7.8 as appropriate will be lost in relation to the **units** that are sold.

The sale of any **units** of a **PruFund Protected Fund** (and where applicable the corresponding **PruFund Protected Account**) to buy an **annuity** under this section 11.5 will affect the **guaranteed value** as described in section 5.7.10.

If selling **With-Profits Fund units** before the **final conversion date**, a Market Value Reduction may apply (see section 5.6.3).

(c) If there are **units** of a **PruFund Protected Fund** under the **income drawdown plan**, then before switching the **units** to the **Prudential Cash Fund**:

- If the switch to the **Prudential Cash Fund** takes place in the month leading up to the **guarantee date**, we will treat the switch date as though it were the **guarantee date**. We will then, if applicable, allocate **units** under section 5.7.10.
- We will deduct any **guarantee charge** that would have been payable under section 5.7.11, but which will now not be taken at the next **guarantee charge date** due to the switch to the **Prudential Cash Fund**.

(d) On the date that we have received all of our requirements for setting up an **annuity** (or treat them as having been received under section 1.5), we sell the **units** in the **Prudential Cash Fund** and the total amount raised is used to purchase the **annuity**. A later **unit price** date may apply if any **SIF** investments are to be sold and/or if there is a delay under section 11.5.3.

(e) If we sell **units** under section 11.5.1(d) before the 60th **monthly transaction date**, a Surrender Charge may apply (see section 7.3.3).

11.5.2 Selling units at age 75

(a) Requirement to take all benefits from the income drawdown plan by age 75

- (i) All **income drawdown plans** must be cashed in and used to provide benefits, either by purchasing an **annuity** or by making a transfer-out to another **unsecured pension arrangement** by the **final conversion date** (the **member's** 75th birthday).
- (ii) If the **member** notifies us that he or she wishes us to sell **units** as at the **final conversion date**, we switch all **units** allocated to the **income drawdown plan** into the **Prudential Cash Fund**, up to one month before the **final conversion date**.

Any **SIF** investments will be sold in accordance with the **SIPP Supplement**.

The provisions set out in section 11.5.1 will then apply to this switch except that there will be no waiting period in respect of switches from a **PruFund Fund**.

(iii) If the **member** has not taken all of his or her benefits from an **income drawdown plan(s)** by the **final conversion date**, we will, subject to (iv) and (v) below, sell the **units** (and any investments in the **SIF**) as at the **final conversion date** and use the money to buy an **annuity** for the **member**.

(iv) We may at our discretion leave the **income drawdown plan(s)** intact after the **final conversion date**, if at that time the **member** has given us notice that he or she is in the process of purchasing an **annuity** or arranging a transfer-out to an **alternatively secured pension arrangement(s)**. In this case the **income drawdown plan** will be treated according to **HMRC** requirements. If there are any **units** (or amounts under the **SIF**) remaining under the **income drawdown plan** by the day before the **member's** 76th birthday, we will, subject to (v) below, sell the **units** (and any investments in the **SIF**) and use the money to buy an **annuity** for the **member**.

(v) If we buy an **annuity** under (iii) or (iv) above, we will choose the insurance company and the form of pension. The terms of the **annuity** will depend on whether the **income drawdown plan** represents **non-protected rights** or **protected rights** as set out in sections 11.2 and 11.3.

(b) Action if we have not received instructions from the member within one month after the final conversion date

If we have not received complete and proper instructions from the **member** within one month after the **final conversion date** and we have not exercised our right to purchase an **annuity** under section 11.5.2(a), we will switch all remaining **units** to the **Prudential Cash Fund** using the **unit prices** for the **final conversion date**.

Any amounts previously invested in the **SIF** will be treated in accordance with the **SIPP Supplement**.

11.5.3 Delay in purchasing annuity

The switch to the **Prudential Cash Fund** and the final encashment of **units** to buy an **annuity** may be delayed where an **income payment** is due to be paid under the **income drawdown plan**. In this case, the sale of **units** under the **income drawdown plan(s)** (or the **arrangement(s)**) which is being cashed in, will be delayed until the next **working day** after the **income payment** has been made (subject to any further delay under section 5.8).

11.6 Buying an annuity with Prudential or another insurance company

The **annuity** can be bought from us or it can be bought from another insurance company.

11.7 Lifetime allowance check

A further check against the **member's personal lifetime allowance** is made each time **units** are sold to purchase an **annuity** under an **income drawdown plan** and at the **final conversion date** if there are any **units** still held under the

income drawdown plan at that date.

For this purpose, the **member** will need to update and recertify the information set out in section 9.2. A **lifetime allowance charge** may be payable. If the **member** does not provide up to date information, we may need to assume that all of the **member's personal lifetime allowance** has already been used in providing benefits, and a **lifetime allowance charge** will be deducted from the value of the **units** held under the **income drawdown plan**.

This further check each time **units** are sold to purchase an **annuity** is not required, however, in the case of a **dependant's income drawdown plan** or where the **income drawdown plan** was set up through a transfer-in from a previous **unsecured pension arrangement** that started before 6th April 2006.

12. Death benefits and income payments to dependant

12.1 General

If the **member** dies before the **final conversion date**, before purchasing an **annuity** under section 11 or before taking a transfer-out under section 13, all **income payments** to the **member** will cease immediately and the remaining value of the **income drawdown plan** will be used to provide death benefits as provided in this section 12.

Before we calculate the value of the **income drawdown plan(s)**, sell **units** (or **SIF** investments) and pay or set up any death benefits, we must receive notification of the **member's** death in a form and from a source acceptable to us.

If an **income drawdown plan** has been left intact following the **final conversion date** as described in section 11.5.2, and

the **member** then dies before purchasing an **annuity** or making a transfer-out to an **alternatively secured pension arrangement**, the **income drawdown plan** will be used to provide benefits in accordance with **HMRC** rules. The rest of this section 12 will not apply.

12.2 Form of benefits

The value of the **income drawdown plan** will be used either:

- › to pay a lump sum benefit (subject to the payment of tax) to one or more **dependants** or beneficiaries;
- › to make **income payments** to one or more **dependants** through a **dependant's income drawdown plan**; or
- › to buy an **annuity** or **annuities** (or make a transfer-out to an **alternatively secured pension arrangement**) for one or more **dependants**.

The form of benefit is chosen by the **dependant** or beneficiary who is determined in accordance with section 12.3 except that:

- › Where the selected beneficiary is not a **dependant** or where the **member** has no **dependants** at the date of death, the only option available is a lump sum benefit.
- › If a **dependant** has passed the **final conversion date** that would apply to him or her under a **dependant's income drawdown plan** under section 12.7.3, the value cannot be used to set up an **income drawdown plan**, but must instead be paid as a lump sum, or used to buy an **annuity** under section 11 or transferred to an **alternatively secured pension arrangement**.

› Regulatory restrictions may require any **protected rights benefits** under an **income drawdown plan(s)** to be used to provide an **annuity** or a **dependant's income drawdown plan** for a **dependant** (see sections 12.4 and 12.5).

› A **dependant's annuity** cannot be set up with a guarantee period or as a "joint life" pension payable to another specified person on the **dependant's** death.

All death benefits are subject to tax, as set out in section 15.

12.3 Non-protected rights death benefits

(a) Binding nomination

Under the **Scheme** Rules, if any individual nominated by the **member** to receive any **non-protected rights** death benefit is a **restricted dependant**, then that nomination will be treated as binding on **Prudential** as Trustee on the **member's** death.

(b) Trustee's discretion

Alternatively, if the **member** has not nominated a **restricted dependant**, the **Scheme** Rules permit **Prudential** as Trustee to exercise discretion to select one or more beneficiaries from a defined class of persons.

(c) Nomination form

The **member's** nomination can be changed during his or her lifetime.

A special form is available from us for the purpose of specifying **restricted dependants** who should receive any benefits or nominating other **dependants** or beneficiaries whom the **member** would like us to consider when exercising our discretion.

The **member** should ensure that his or her instructions or nominations are kept up to date at all times.

12.4 Protected rights death benefits

If, at the date of the **member's** death, there is a spouse or **civil partner**, the value of any **protected rights income drawdown plan** must be used either to set up a **dependant's income drawdown plan** or to buy an **annuity** or make a transfer to an **alternatively secured pension arrangement**. An alternatively secured pension is only available where the spouse or **civil partner** is aged 75 or over.

If there is no spouse or **civil partner**, the value must be paid as a lump sum as set out in section 12.6.2.

12.5 Value of income drawdown plan

(a) In the event of death before the **final conversion date**, the value of the **income drawdown plan(s)** is calculated. Subject to sections 12.5(b) and (c), we calculate the value of **units** using the **unit price(s)** for the date of the **member's** death (or the next **working day**).

No deduction is made for any Surrender Charge under section 7.3.3, no Market Value Reduction will apply under section 5.6.3 and no 28 day waiting period will apply under section 5.7.6.

(b) If there are **units** of a **PruFund Protected Fund** under the **income drawdown plan**, where the **member** dies within one month and one day leading up to the **guarantee date**, we will treat the date of death as though it were the **guarantee date**. We will then, if applicable, allocate **units** under section 5.7.10(c).

(c) If there are **units** of the **PruFund Protected Growth Fund** under the **income drawdown plan**, where the **member** dies in the 28 day period following the **guarantee date** those **units** will be valued in accordance with section 5.7.8(g), as if the **member** had requested the sale of those **units** during that period.

(d) If there are any **SIF** investments, these are sold in accordance with the **SIPP Supplement** (except where a **dependant's income drawdown plan** is set up, in which case they are valued for the purposes of section 12.7 and then reallocated to the **dependant's income drawdown plan**).

12.6 Lump sum death benefits

12.6.1 Non-protected rights

If any **non-protected rights** benefits are to be paid as a lump sum, then we pay the amount raised under section 12.5 either:

- › to the **restricted dependant** as instructed by the **member** (under section 12.3(a)); or
- › to the other **dependant** or beneficiary selected by **Prudential** as Trustee of the **Scheme**, exercising the discretionary powers given by the **Scheme** Rules (see section 12.3(b)).

12.6.2 Protected rights

Where **protected rights** do not have to be paid as a pension under section 12.4, the value of the relevant **protected rights income drawdown plan** is paid out as a lump sum. We will pay the sum to any person or persons as specified in writing to us by the **member** before his or her death. In the absence of any written directions from the **member**, we must pay the money to his or her estate.

Where the *member* has *protected rights* under both an *income drawdown plan(s)* and a *PP plan(s)* under the *Scheme*, the *protected rights* death benefits under both types of plan must be paid out at the same time and in the same form.

12.6.3 Commutation lump sum death benefit

We may pay a commutation lump sum death benefit instead of setting up a *dependant's* pension or *dependant's income drawdown plan* under sections 12.2 and 12.4.

Such a lump sum can only be paid if:

- › the value *units* then held under the *dependant's income drawdown plan* would not exceed 1% of the *standard lifetime allowance*; and
- › payment is made before the *member* would have reached age 75.

12.7 Dependant's income drawdown plan

12.7.1 General

If the *dependant* has so requested, the value of the *income drawdown plan(s)* as determined under section 12.5 (or that part of the value which has been allocated to him or her by the *member*) will be used to provide *income payments* through a *dependant's income drawdown plan*. In the case of *protected rights benefits*, the designated *dependant* must be the spouse or *civil partner*. The designated *dependant* must not have passed the relevant *final conversion date* that would apply to him or her under an *income drawdown plan* (see section 12.7.3).

12.7.2 Dependant's rights under the income drawdown plan

Subject to sections 12.7.3 to 12.7.10, the terms and conditions in this *Technical Guide* apply to the *dependant's income drawdown plan* as if the *dependant* were the *member* except that no pension commencement lump sum is permitted under section 9.3.

12.7.3 Final conversion date

The *final conversion date* under the *dependant's income drawdown plan* is the date on which the *dependant* must stop taking *income payments* under *HMRC* rules. This is the earlier of the *dependant's* 75th birthday and the *member's* 75th birthday, unless the *dependant* is a child in which case the *final conversion date* is the child's 23rd birthday. Where, however, in our opinion the child was at the date of the *member's* death, dependent on the *member* because of physical or mental impairment, the *final conversion date* is the child's 75th birthday.

In the case where the *dependant's final conversion date* is a 75th birthday, any remaining value under the *dependant's income drawdown plan* must be converted at that date to an *annuity* or transferred to an *alternatively secured pension arrangement* as set out in section 11. Where the *dependant's final conversion date* is the 23rd birthday, this does not apply: no further payments can be made to that *dependant* after that date and section 12.7.8 applies.

12.7.4 Investment under the dependant's income drawdown plan

The investment strategy for the *dependant's income drawdown plan* must be selected in accordance with the options set out in section 4. The *dependant* can only select *funds* which are then open to new investments.

If the *member's income drawdown plan* was invested in a *PruFund Protected Fund*, the *guaranteed value* and guarantee do not continue in the *dependant's income drawdown plan*. If the *dependant* chooses that *fund* (if available), the terms of section 5.7 apply as though the investment was a new investment.

12.7.5 Initial Charges, Establishment Charges, Surrender Charges and allocation rate

The Initial Charge and/or Establishment Charge and Surrender Charge set out in section 7 do not apply to the *dependant's income drawdown plan*. As such the allocation rate used to apply the payment to *units* is 100%.

12.7.6 Annual Management Charges, Fund Size Discount, Loyalty Discount and fund-related commission

The *actual Annual Management Charges* described in section 6 that applied to the *member's income drawdown plan*, applies to a *dependant's income drawdown plan*.

In determining any rebate element of the *actual Annual Management Charge* under the *dependant's income drawdown plan*:

- › The value of all *income drawdown plans* and *PP plans* held in the *dependant's* name will be taken into account in the way described in section 6.6 in determining any Fund Size Discount applicable to the *dependant's income drawdown plan*.

› The **start date** of the **member's income drawdown plan(s)** and, if applicable, **PP plan(s)** will be taken into account in the way described in section 6.7 in determining any Loyalty Discount applicable to the **dependant's income drawdown plan**.

If any **fund**-related commission was payable to the **member's** financial adviser in respect of the **member's income drawdown plan**, this will continue at the same rate in respect of the **dependant's income drawdown plan**.

12.7.7 Income reviews

Dependant's income payments are subject to the **maximum income limit** applicable to the **dependant's** attained age and sex, determined by reference to the **GAD annuity rates**.

The first review is carried out and the initial **maximum income limit** is set as at the date we have all the necessary information to set up the **dependant's income drawdown plan** (or treat it as received under section 1.5). This date then becomes the **start date** of the **dependant's income drawdown plan**, and the **GAD review date**, **unsecured pension year** and **reference period** will be determined in relation to this date. The **dependant's maximum income limit** is otherwise determined in the way described in section 10. The **dependant's maximum income limit** is also subject to the conditions set out in section 10. An **HMRC valuation** must be carried out in order to determine the **maximum income limit**.

12.7.8 Stopping income payments to child dependant

Where **income payments** are made to a child **dependant** whose **final conversion date** is his or her 23rd birthday (see section 12.7.3), **income payments** must stop when the child reaches the **final conversion date**.

At this point **income payments** may, so long as there are still **units** (or **SIF** investments) held under the **dependant's income drawdown plan**, continue to another person(s) who was a **dependant** of the **member** at the date of his or her death. In this case:

- › **income payments** will become payable to the other **dependant(s)** through a **dependant's income drawdown plan** subject to all the terms and conditions in this **Technical Guide**; and
- › the other **dependant(s)** will have the same rights and options that applied to the first **dependant**.

Where more than one **dependant** is receiving **income payments** when **income payments** to a **dependant** must stop, any remaining value may be redistributed by being reallocated to the other **dependant** or **dependants' income drawdown plan(s)**.

Alternatively, any remaining value under the **dependant's income drawdown plan** may be paid as a lump sum under section 12.3 to a **dependant** specified by the **member** or other beneficiary selected by us exercising our discretionary powers.

12.7.9 Death of dependant while drawing income payments

If a **dependant** dies while drawing **income payments**, the remaining value under the **dependant's income drawdown plan** will be used either:

- › to buy an **annuity** or to set up another **dependant's income drawdown plan** for another individual who was a **dependant** of the **member** at the time of his or her death; or
- › to pay a lump sum to a person specified by the **dependant**; or
- › to pay a lump sum to a beneficiary selected by us under our discretionary powers.

12.7.10 Transfers-out

A **dependant** may cash in a **dependant's income drawdown plan** in order to take a transfer-out under section 13.

12.8 Return of any income payments made after the member's death

Any **income payments** that are made to the **member** after the date of his or her death and which are not permitted by **HMRC** must be returned to us. The amount will then become part of the death benefit payable under this section 12.

If any such payment is not returned, we must set up a repayment plan. The repayment plan may provide that either:

- › the non-returned payment(s) is effectively deducted from the value of any lump sum death benefit; or

- › where the **income drawdown plan** is being used to provide a **dependant's income drawdown plan**, the amount is returned by making an ad-hoc **dependant's income payment** which is payable to us.

Where the value of the **income drawdown plan** is being used to buy a **dependant's annuity**, we will agree special repayment terms with that **dependant** at that time.

13. Transfers-out

13.1 General

At any time before the **member** purchases an **annuity** under section 11, he or she can end his or her membership and have the value of all of his or her **income drawdown plan(s)** transferred-out of the **Scheme** to another **registered pension scheme** or a **qualifying recognised overseas pension scheme**.

All of the **member's income drawdown plans** and all **arrangements** must be transferred-out at the same time and to the same pension scheme.

The **member** will be required to sign certain forms to authorise the transfer-out.

In all cases:

- › the money must be transferred either to another **unsecured pension arrangement** to provide **income payments** under the receiving scheme;
- › we will need to ensure that the receiving scheme or insurance company is legally able to accept the transfer; and

- › the transfer cannot take place until the requirements of both schemes and/or insurance companies have been satisfied.

If transferring-out on or after the 75th birthday, the transfer must be made to an **alternatively secured pension arrangement**.

See also section 12.7.10 in relation to transfers-out from **dependant's income drawdown plans**.

13.2 Sale of units for transfer-out

(a) Unless:

- › there is a waiting period under section 5.7.6;
- › there is delay under section 5.8 or section 13.2(f) or (g); or
- › section 13.2(e) applies in relation to sales of **units** in a **PruFund Protected Fund**,

units are sold at the **unit prices** available on the **working day** next following the day we treat a request for a transfer-out together with all necessary authorities and information as having been received by us under section 1.5.

Where selling **units** under some but not all **arrangements** under an **income drawdown plan** to make a transfer-out, **units** are sold proportionately across all **funds** (including the **PruFund Accounts** and the **Cash Feeder Fund**) in which **units** are then held under that **income drawdown plan**.

- (b) The value realised must be paid direct to the receiving scheme or the provider of that scheme or the **annuity** provider.

- (c) If the **member** chooses to transfer-out on a date other than the **final conversion date**, a Market Value Reduction may be applied to any money taken out of the **With-Profits Fund** (see section 5.6.3).

- (d) If the **member** chooses to transfer-out before the 60th **monthly transaction date** of the **income drawdown plan**, a Surrender Charge may apply under section 7.3.3. and/or 7.3.4.

- (e) If there are **units** of a **PruFund Protected Fund** under the **income drawdown plan**, the **member** may request for the date under which all **units** are sold to make a transfer-out to be delayed until the **guarantee date**. In this case, the sale of any **units** of another **fund(s)** will also be delayed until this date, and the **units** sold using the relevant **unit price(s)** at that date.

Where such **units** are sold to pay a transfer-out on the **guarantee date** they will be valued in accordance with section 5.7.10. Where **units** of the **PruFund Protected Growth Fund** are sold in the 28 days following the **guarantee date** they will be valued in accordance with section 5.7.8(g).

If the **member** chooses to sell **units** of a **PruFund Fund** on a date other than the **guarantee date**, the guarantee under section 5.7.7 or 5.7.8, as appropriate, will be lost in relation to the **units** that are sold.

The sale of any **units** of a **PruFund Protected Fund** (and where applicable the corresponding **PruFund Protected Account**) to make a transfer-out under this section 13, will affect the **guaranteed value** as described in section 5.7.10.

- (f) The sale of **units** to make a transfer-out may be delayed where an **income payment** is due to be paid under the **income drawdown plan**. In this case, the sale of **units** under the **income drawdown plan(s)** which is being cashed in will be delayed until the **working day** after the date we make the **income payment**.
- (g) Where there is a waiting period under section 5.7.6, and/or a delay under section 5.8, the sale of all **units** under the **income drawdown plan(s)** which is being cashed in, will be delayed until the **working day** after the waiting period/delay has ended.
- (h) The payment of the transfer-out may also be delayed where investments in the **SIF** are to be sold. See the **SIPP Supplement** for further details.

13.3 Lifetime allowance check

A check against the **member's personal lifetime allowance** is made each time **units** are sold to make a transfer-out of an **income drawdown plan** to a **qualifying recognised overseas pension scheme**. For this purpose, the **member** will need to update and recertify the information set out in section 9.2. A **lifetime allowance charge** may be payable.

14. Payments from the Scheme

All payments from the **Scheme** will be made from our administration office.

Income payments under sections 9 and 12.7 and any pension commencement lump sum under section 9.3 are paid by direct transfer into a bank or building society account of the **member** (or the **dependant** in the case of **dependants' income payments**).

All other payments are made by cheque unless we agree to a different payment method in any particular case. Where a different payment method is agreed, additional banking and/or administrative charges may be payable by the **member** or the recipient.

Before making payment, we may need to carry out a number of checks to ensure that we are paying the correct person.

15. Taxation

15.1 Tax relief on payments to an income drawdown plan

- (a) Where the **member** or employer pays a single contribution as set out in section 3.3, the payment is initially invested in a **PP plan**. The tax relief available in respect of such a payment is described in the **Pru FRP PP Technical Guide**.
- (b) Other payments made under section 3 to set up an **income drawdown plan** represent existing benefits and are not eligible for any tax relief.

15.2 Investment funds

Investments in pension funds in which **registered pension schemes** are invested are given important tax benefits. They do not pay tax on investment income received or capital gains. Some underlying investments, such as dividends from company shares, will be paid out of taxed profits and the tax is currently not reclaimable.

15.3 Benefits

- (a) All **income payments** (whether payable to the **member** or a **dependant**) are taxable as earned income.
- (b) Pension commencement lump sums (payable before **income payments** start – see section 9.3), are tax-free.
- (c) Where a lump sum death benefit is paid to a person designated by the **member** or **dependant**, inheritance tax may be payable, except where that individual is a **restricted dependant**.
- (d) Where a lump sum death benefit is paid following either the **member's** or **dependant's** death under **Prudential's** "discretionary powers" included in the **Scheme** Rules, the payment is usually free of inheritance tax.
- (e) All lump sum death benefits (apart from commutation lump sum death benefits under section 12.6.3) are subject to a tax charge of 35% of the payment. A commutation lump sum death benefit under section 12.6.3 will be taxable as income.

(f) A **lifetime allowance charge** may be payable when benefits are tested against the **member's personal lifetime allowance** at the start of an **income drawdown plan**, when the value of the **income drawdown plan** is transferred-out to a **qualifying registered overseas pension scheme** under section 13, or when an **annuity** is bought under section 11.

16. Amendments to the income drawdown plan

16.1 Amendments requested by the member

The **member** can ask for his or her **income drawdown plan(s)** to be amended. Any such amendment is subject to our agreement.

16.2 Amendments by Prudential

Note: This section 16.2 does not apply to our limits or charges. Our right to change our limits and charges is set out in section 17.

- (a) Subject to section 16.2(b), we can make changes to any **income drawdown plan** providing we give the **member** reasonable notice in advance and obtain his or her consent.
- (b) We can add to, amend, modify or set aside any of the terms in this **Technical Guide** without the **member's** consent in the following circumstances:

- › if it becomes impossible or unreasonable to follow them because of a change in legislation, regulations or otherwise;
- › if circumstances have changed in a way which could not have reasonably been predicted at the start of an **income drawdown plan**;
- › if we have given the **member** reasonable notice, and if the addition, amendment, modification or setting aside is reasonable;
- › if the basis on which any company from within the **Prudential Group** is taxed changes, and then we can only change an **income drawdown plan** in such a way that the balance between the **member** and us has remained as it was before the change;
- › if we discover that payments to the **income drawdown plan** do not relate to pension business in the way described in section 431B of the Income and Corporation Taxes Act 1988 (as amended). See also section 23.2;
- › if we do not have a current address for the **member**, which will mean that we cannot contact the **member** to provide the written notification of a proposed amendment that we would otherwise have given in terms of this **Technical Guide**.

Except where it is impracticable to do so, we will always notify the **member** of any changes that we have made under this section 16.2(b).

If the **member** (or the **dependant**, if appropriate) is unhappy with any changes he or she should contact us in accordance with section 22 of this **Technical Guide**.

- (c) Additional terms and conditions regarding changes to the **holding account** and to **funds** are set out in sections 4.3.4, 4.4, 5.1, 5.2.3, 5.3.1, 5.3.4 and 5.3.5.

17. Changes to limits and charges

From time to time, we may change the limits and charges in this **Technical Guide**. We may also introduce charges for making switches between **funds** under sections 4.3 and 4.5 and/or for making **income payments** under section 9. We may also introduce or increase charges if a charge is imposed on us under the Financial Services Compensation Scheme (or other compensation scheme) as described below and in section 23.3.

Changes to limits may be necessary to take account of inflation or other factors which affect the running of our business.

We will keep any increases to charges or new charges to reasonable amounts, reflecting any increases in our reasonable costs for operating the **income drawdown plan(s)**, the **Pru Flexible Retirement Plan and/or the Scheme(s)**. This may happen, for example:

- if any **external company** or other company that performs any administrative or investment function on our behalf, increase the charges that we pay them; or
- if we experience an increase in the general administrative costs that we incur in operating the **income drawdown plan(s)**, the **Pru Flexible Retirement Plan** and/or the **Scheme(s)**; or
- if the basis on which any company from within the **Prudential Group** is taxed changes; or
- if a charge is imposed on us under the Financial Services Compensation Scheme (or any other investor compensation scheme); or
- if we discover that payments to the **income drawdown plan** do not relate to pension business in the way described in section 431B of the Income and Corporation Taxes Act 1988 (as amended). See also section 23.2.

See also section 6.9 which explains in detail how changes may affect the Annual Management Charges.

We will give the **member** (or the **dependant**, if appropriate) reasonable advance notice in writing, if we make any change to limits or charges described in this **Technical Guide** or if we introduce any new charges. If the **member** (or the **dependant**, if appropriate) is unhappy with any changes he or she should contact us in accordance with section 22 of this **Technical Guide**.

18. Yearly statements

There are legal requirements – the “disclosure regulations” – on the provision of information about pension plans. We meet these requirements and give additional information automatically through yearly benefit statements. This helps the **member** to track the progress of his or her investment.

Yearly benefit statements show the **income payments** made in the last year (or since the start of the **income drawdown plan**), the current value(s) and projected value(s) of the **income drawdown plan(s)**.

19. Divorce and dissolution

- (a) Current UK legislation requires that pension plans are taken into account in divorce settlements and settlements made on the dissolution of civil partnerships.

The pension plan can be “set-off” against other matrimonial and civil partnership assets – the pension plan is left intact, but the split is allowed for by adjusting the shares in other assets.

Alternatively, particularly where the pension value is disproportionately high in relation to other matrimonial and civil partnership assets, the Court can instruct that:

- part of a pension plan is “earmarked” for payment to a former spouse or **civil partner** at retirement or on earlier death; or

- the pension is “shared” – with a transfer being made to a plan in the ex-spouse's or ex-**civil partner's** name.

- (b) There are rules on compliance with Court earmarking and pension sharing orders, to ensure that the terms specified in the order are met. In addition, a copy of an earmarking order must be passed on if the pension plan covered by the order is surrendered and transferred to another pension plan.
- (c) We may charge for providing information needed in the discussions leading to earmarking and pension sharing orders, to comply with implementation of the orders. We will tell the **member** (and/or his or her representatives) if any such charge is to be applied, before we take any action on a request for information in relation to a divorce/dissolution settlement or when we get an order. Any such charge would normally be payable separately by cheque from one of the parties to the divorce/dissolution.
- (d) After the implementation of a Court earmarking or pension sharing order, the **maximum income limit** in relation to the **member** or **dependant** (as appropriate) is reviewed in accordance with section 10.2.5.
- (e) Any **member** whose benefits are affected by an earmarking or pension sharing order should seek advice from his or her financial adviser to ensure that the impact on the benefits is properly assessed. **Prudential** will not pay for nor reimburse the **member** or any other person for the costs of any such advice.

20. Assignment, forfeiture and bankruptcy

20.1 Assignment and forfeiture

The benefits payable under an **income drawdown plan** should not be assigned or forfeited, except that:

- › **annuity** payments which continue during a guaranteed period to an annuitant's estate after his/her death may be assigned in the annuitant's will, or as part of the distribution of the annuitant's estate;
- › pension sharing on divorce or dissolution as described in section 19 is permitted; and
- › benefits may be forfeited to the extent permitted by sections 273 to 278 of the Proceeds of Crime Act 2002.

20.2 Bankruptcy

Parliament has passed legislation on the effect of bankruptcy on pensions. In broad terms, pensions from **registered pension schemes** will not form part of the assets to be taken into account in bankruptcy, if the bankruptcy petition is presented to the Court on or after 29th May 2000 and the benefits are not at that time in payment.

However, where the benefits are in payment (as is the case under an **income drawdown plan**) a Court has the right to order that part or all of a pension in payment to the bankrupt, and/or a lump sum from a pension scheme or arrangement, be included in a bankrupt's estate (and therefore available to the trustee in bankruptcy) for a

specified period, if it finds that the bankrupt's total income is in excess of what the bankrupt and his or her family reasonably need to live on. If such an order is obtained:

- › the trustee in bankruptcy may obtain an "income payment order" against the pension commencement lump sum and/or **income payments** but not any **income payments** in respect of **protected rights benefits**; and
- › the **income drawdown plan** remains in the name of the **member** or the **dependant** (as appropriate) and the "income payment order" can only last for as long as the bankruptcy or other shorter specified period. At the end of that period, **income payments** will revert to the **member** or the **dependant** (as appropriate).

If an "income payment order" is made, we must comply with it and stop paying part or all of the **income payments** to the **member** or **dependant** in accordance with the directions given in the order.

Legislation also limits the scope for pension contributions where the money should, instead, have been available to creditors.

21. Governing law

The **member's income drawdown plan(s)** will be governed by the law of England and Wales and any disputes connected with the **income drawdown plan(s)** will be settled in the courts of England and Wales.

22. Complaints

We want to know about any queries or complaints as soon as possible. In the unlikely event that we are unable to resolve any difficulties, the **member** can contact the Pensions Advisory Service (TPAS). TPAS is an independent voluntary organisation with local advisers who are experts in pension matters. TPAS services are available free to help pension planholders and their **dependants** with any difficulties that they have been unable to resolve with the pension provider (in this case, us). Local TPAS advisers can be contacted through the nearest Citizens Advice Bureau or by writing to TPAS at:

11 Belgrave Road
London
SW1V 1RB
Telephone: 0845 601 2923

Personal Pensions (including income drawdown plans) also fall within the jurisdiction of the Pensions Ombudsman who may investigate and determine any complaints or disputes of fact or law. Although the Pensions Ombudsman's services are also free, he will normally only consider a case after it has been investigated by TPAS, but not satisfactorily resolved. The Pensions Ombudsman can also be contacted at:

11 Belgrave Road
London
SW1V 1RB
Telephone: 020 7834 9144

The Financial Ombudsman Service (FOS) can also investigate and resolve disputes. Their address is:

South Quay Plaza
183 Marsh Wall
London
E14 9SR
Telephone: 0845 0801800

We can give guidance as to which is the appropriate organisation for the **member** or **dependant** to contact in the event of a particular difficulty or complaint.

23. Other information

23.1 Long-term business

The benefits arising under the **income drawdown plan(s)** are part of our "long-term business" within the meaning of the Financial Services and Markets Act 2000.

23.2 Pension business

The **Pru FRP Income Drawdown Plan** is classed as pension business under section 431B of the Income and Corporation Taxes Act 1988 (as amended). Payments made to an **income drawdown plan** must relate to pension business in the way described in section 431B of the Income and Corporation Taxes Act 1988 (as amended). If we discover that any payments do not meet these requirements, we may modify the terms of the **income drawdown plan(s)** under sections 16 and/or 17 in whatever way is necessary to ensure that **HMRC** does not tax any of the investment **funds** or does not impose any penalty on us. If such modification is necessary, we will notify the **member** and provide full details of the changes.

23.3 Compensation schemes

Prudential policyholders are protected by the Financial Services Compensation Scheme (FSCS) against the insolvency of The Prudential Assurance Company. As such, the **member** or the **dependant** (as appropriate) may be entitled to help from the FSCS if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Further information is available from:

The Financial Services Compensation Scheme
7th Floor
Lloyds Chambers
1 Portsoken Street
London
E1 8BN

Telephone: 020 7892 7300

Website address: www.fscs.org.uk

Policyholders including the **member** or **dependant** (as appropriate) are not protected by the FSCS against the insolvency of other companies within the **Prudential Group**, any **external company** or the bank providing the **holding account**.

This means that the FSCS does not provide protection:

- for **Prudential unit-linked funds** which are invested solely in funds operated by other companies within the **Prudential Group** (for example unit trusts or **OEICs** operated within the **Prudential Group**);
- for **externally-linked funds** (including the **SIF**); or
- for the **holding account**.

However, it should be noted that the money policyholders invest into a **fund** is kept separate from the assets of the actual company that manages the **fund**. This is often known as 'ring fencing of assets'. The liabilities of these **funds** are normally limited to the assets owned by the **fund**, so the likelihood of insolvency is very low. **Unit prices** may fluctuate in line with the value of the assets owned by the **fund**, but this is normal investment risk.

If another company from within the **Prudential Group** or an **external company** or the bank providing the **holding account** become insolvent and we cannot recover the full value of the **units**, **SIF** investments or amounts in the **holding account**, **Prudential** will not be liable for the shortfall.

As reflected in section 17, if a charge is imposed on us under the FSCS (or any investor compensation scheme), we may pay it by imposing on our policyholders whatever additional charges are necessary and reasonable (see section 17 for further information).

24. Meanings of special words and expressions

The words and expressions explained below are shown in **bold italics** throughout this **Technical Guide**.

Actual Annual Management Charge: This is the main charge that we make for operating the **income drawdown plan**. It is expressed in terms of the **basic Annual Management Charge** plus or minus a percentage adjustment which takes account of the commission payable to the financial adviser and any discounts available (see section 6.3).

Annuity: A pension contract that is purchased from an insurance company using the proceeds of cashing in a pension arrangement. The proceeds are paid to the insurance company, in exchange for which pension payments are made to the annuitant (the **member** or the **dependant**).

Alternatively secured pension arrangement: A pension arrangement under which, instead of buying an **annuity**, the individual can withdraw income from his or her pension savings, after passing his or her 75th birthday.

Anniversary date: The anniversary each year of the **start date** of each **income drawdown plan**.

Application form: The form that we require an individual to complete in order to take out a **Pru FRP Income Drawdown Plan** whether by becoming a **new** member of the **Scheme** or whether by converting an existing **PP plan** or transferring the proceeds of another Prudential pension plan to a **Pru FRP Income Drawdown Plan**.

Arrangement: One of the segments into which each **income drawdown plan** is automatically divided, as described in section 3.6.

Where used in the context of a **PP plan**, an arrangement is one of the segments into which each **PP plan** is automatically divided as described in the **Pru FRP PP Technical Guide**.

Basic Annual Management Charge: This is the charge that we make for managing a **fund**. The charge may vary from **fund** to **fund**. The current basic Annual Management Charges for all of

our **funds** are published in our current **funds** literature. The basic Annual Management Charge is sometimes known as the Fund Management Charge.

Cancellation period: A period following the making of a payment under section 3, during which the **member** has the right to change his or her mind and cancel the payment and the **income drawdown plan**.

Cash Feeder Fund: This is the Cash Feeder (95% Safeguard) Fund, which is used to facilitate investment in the **95% Safeguard Fund** as described in section 5.5.4.

Civil partner: A registered same-sex civil partner.

Dependant: This is:

- the **member's** spouse, **civil partner**, and/or children under the age of 23; or
- any person who in our opinion was financially dependent or interdependent on the **member** at the date of his or her death; or
- a person who was, in our opinion, dependent on the **member** at the date of his or her death due to physical or mental impairment.

Expected growth rate: This is the annual rate of increase (which may be zero but will never be negative) applied on a daily basis to increase **unit prices** in the **PruFund Funds** and the **PruFund Accounts** as explained in sections 5.7.4 and 5.7.5. Different expected growth rates apply to each **PruFund pair** and **PruFund Account pair**.

External company(ies) and externally-linked fund(s): External companies are companies or other bodies that are either:

- (a) managers of collective investment schemes (such as unit trusts and **OEICs**) operating outside the **Prudential Group**; or
- (b) life assurance companies outside the **Prudential Group**.

Prudential (or other companies within the **Prudential Group**) has entered into agreements with certain external companies so that **funds** that invest in externally-managed collective investment schemes and **funds** with investment performance linked to funds of external life assurance companies may be offered under the **Pru Flexible Retirement Plan**.

As set out in section 5.3, we can introduce new externally-linked funds or remove existing ones. We may also introduce new externally-linked funds that are linked to or invest in other types of underlying asset.

Final conversion date: This is the **member's** 75th birthday and the last date by which the **member** must use any remaining money under the **income drawdown plan(s)** to purchase an **annuity** under section 11. Where the **income drawdown plan** has been set up for a **dependant** under section 12, the final conversion date is as determined under section 12 in relation to that **dependant**. Where a **dependant's** final conversion date is the 23rd birthday, this is the date on which **income payments** must cease and there is no option to purchase an **annuity** with any remaining money – see section 12.7.8.

In some of our literature the expression "selected retirement age" or "SRA" may be used: where used in the context of an **income drawdown plan**, this is the same as the final conversion date.

FTSE: Financial Times and the London Stock Exchange.

Fund: This means one of the pension funds we make available for investing contributions. The funds consist of the **Prudential unit-linked funds**, the **With-Profits Fund**, the **PruFund Funds** and a number of **externally-linked funds** (including the **SIF**). Whilst the **PruFund Accounts** and the **Cash Feeder Fund** are also funds within the terms of this **Technical Guide**, they cannot be selected as investment choices: their function is to facilitate investment in the **PruFund Funds** and the **95% Safeguard Fund**. The funds available as investment choices under the **Pru FRP Income Drawdown Plan** are set out in our funds literature (available on request) and are subject to change from time to time (see section 5.3).

GAD anniversary date: The anniversary each year of the **GAD review date** and the start of each new **unsecured pension year**.

GAD annuity rates: Annuity rate tables produced by the Government Actuary Department for the purposes of **unsecured pension arrangements**. Separate GAD annuity rates are applicable to males and females. The GAD annuity rates are also age-dependent.

GAD review date: The **start date** of an **income drawdown plan** and every fifth anniversary thereafter, except where:

(a) the **income drawdown plan** has been set up as a result of a transfer from another **unsecured pension arrangement** and the **maximum income limit** was reviewed under the previous **unsecured pension arrangement** on or after 6th April 2006, in which case:

- › the GAD review date that applied in the previous **unsecured pension arrangement** will apply;
- › the first GAD review date under the **income drawdown plan** will fall on the fifth anniversary of the GAD review date under the previous **unsecured pension arrangement**; and
- › subsequent GAD review dates will fall on every fifth anniversary of that date;

or

(b) the **member** has requested and we have agreed to change the GAD review date under section 10.2.2, in which case subsequent review dates will fall on every fifth anniversary of that changed GAD review date.

Guarantee charge: This is the charge that we make in respect of any **units** of a **PruFund Protected Fund** and a **PruFund Protected Account** held under an **income drawdown plan** (see section 5.7.11).

Guarantee charge date: This is the date each calendar month on which we deduct the **guarantee charge**. The guarantee charge date will normally fall on the same day of the month as the **guarantee start date**. If the guarantee charge date would fall on the 29th, 30th or 31st day of any month, we may substitute the 28th day of that month for that day. The first guarantee charge date falls in the first calendar month next following the **guarantee start date**, and subsequent ones then fall monthly thereafter. Where the **income drawdown plan** has been set up through converting a **PP plan** the **guarantee charge date** is determined in line with section 5.7.12(vi) where Option 2 under that section has been selected for the continuation of investments in a **PruFund Protected Fund**.

Guarantee date: This is the date is on which we test the value of any **units** of a **PruFund Protected Fund** that are held under an **income drawdown plan**. If the value is less than the **guaranteed value**, we add **units** under section 5.7.10(c). Where the **income drawdown plan** has been set up through converting a **PP plan**, the guarantee date is determined in line with section 5.7.12(vi) where Option 2 under that section has been selected for the continuation of investments in a **PruFund Protected Fund**.

Guarantee start date: This means:

- › the date on which **units** of a **PruFund Protected Account** (or a **PruFund Protected Fund** in the case of a switch from the other **PruFund Fund** in the same **PruFund pair**) are first allocated to the **income drawdown plan**; or
- › the **guarantee date** on which an existing investment in the **PruFund Protected Growth Fund** is rolled over under section 5.7.8(e)

Where the **income drawdown plan** has been set up through converting a **PP plan** the guarantee start date is determined in line with section 5.7.12(vi) where Option 2 under that section has been selected for the continuation of investments in a **PruFund Protected Fund**.

Guaranteed value: This is the minimum value, determined in accordance with section 5.7.10, that an investment in a **PruFund Protected Fund** is guaranteed to meet on the **guarantee date**.

HMRC: Her Majesty's Revenue & Customs.

HMRC valuation: A valuation carried out in accordance with principles determined by **HMRC**.

Holding account: A cash deposit account which is held under the **Scheme** but which is not part of an **income drawdown plan** or a **PP plan**. The holding account is used for the consolidation of multiple transfers-in under section 3.2.4, before the payments are allocated to an **income drawdown plan(s)** and, if appropriate, **PP plan(s)**.

Income drawdown plan: A **Pru FRP Income Drawdown Plan** set up for the **member**. It can also mean an income drawdown plan set up for a **dependant** under section 12.7. As explained in section 3.6.1, a number of separate income drawdown plans may be set up for the **member** under the **Scheme**.

Income payment: This is a payment made to the **member** or to a **dependant** under section 9 by selling **units** of an **income drawdown plan** (or where there are investments in the **SIF**, by making payments from the **SIF** bank account).

Income payment date: This is the date selected by the **member** for the payment of regular **income payments** under each **income drawdown plan**. The income payment date can be any day of the month except the 29th, 30th or the 31st.

Lifetime allowance charge: This is a tax charge that applies if, when the **member** takes benefits from the **Scheme**, the value of those benefits exceeds the **member's** available **personal lifetime allowance**. If the excess is used to provide a pension (whether through an annuity or **income payments**) it will be taxed at 25%. If the excess is taken as a lump sum it will be taxed at 55%. When testing the benefits against the **member's personal lifetime allowance**, the value of benefits previously taken from the **Scheme** or from any other **registered pension scheme(s)**, will be taken into account.

Maximum income limit: This is the maximum allowable level of **income payments** determined under section 10 in accordance with **HMRC** rules.

Member: The person identified in the Certificate of Membership, who has been accepted by us as a member of the **Scheme** and whose **income drawdown plan(s)** falls under the terms and conditions set out in this **Technical Guide**.

Monthly transaction date: This is the date each calendar month on which:

- any **units** are sold to meet the **basic Annual Management Charge**, if this is an explicit charge (see section 6.2);
- we deduct **units** for any explicit additional charge or allocate **units** for any explicit rebate required under sections 6.4 and 6.5 to meet the **actual Annual Management Charge**; and/ or
- any Establishment Charge is deducted under section 7.3.2.

The monthly transaction date will normally fall on the same day of the month as the **start date**. If the monthly transaction date would fall on the 29th, 30th or 31st day of any month, we may substitute the 28th day of that month for that day. The first monthly transaction date falls in the first calendar month next following the **start date**, and subsequent ones then fall monthly thereafter.

Net asset value per unit: This definition is used in respect of the **PruFund Funds** (see section 5.7.5) and is the **fund** value (as determined by us) divided by the total number of **units** in those **funds** in respect of all policies, (i.e. not just the **member's income drawdown plan(s)**). A separate net asset value per unit is calculated for each **PruFund pair**.

Non-protected rights benefits and **non-protected rights:** Broadly speaking, non-protected rights benefits are benefits resulting from the **member's** own payments (including tax relief payments), employer's payments and any parts of transfers-in that do not represent contracting-out benefits. These are benefits to which the specific restrictions for **protected rights** do not apply. The **member's** rights to these benefits are called non-protected rights.

OEIC: an open-ended investment company. Some of the **funds** available under the **Pru FRP Income Drawdown Plan** invest in OEICs.

Pension credits and pension credit rights: Pension credits and pension credit rights may arise in two situations, as follows:

- (a) an individual who has become divorced or whose civil partnership has been dissolved may be awarded a pension credit in respect of his or her ex-spouse's or ex-**civil partner's** benefits under a **registered pension scheme**. Such pension credits can be transferred to the **Scheme**; and
- (b) if on divorce or dissolution the **member's** ex-spouse or ex-**civil partner** is awarded a pension credit in respect of the **member's** benefits under the **Scheme**, the ex-spouse or ex-**civil partner** may become a member of the **Scheme** in order to benefit from the pension credit.

In either of these two situations, moneys representing the relevant pension credits are invested under an **income drawdown plan** or a **PP plan** for the individual and he or she will then have pension credit rights under the **Scheme**.

Personal lifetime allowance: This will normally be the **standard lifetime allowance**. However, a higher or lower amount may apply in certain circumstances. For example the personal lifetime allowance may be a higher amount where the **member** has **transitional protection** in relation to his or her benefits or where a **pension credit** has been awarded against his or her benefits. Conversely, the personal lifetime allowance may be less than the **standard lifetime allowance** where the **member** had a **protected early pension age** at 6th April 2006.

PP plan: A **Pru FRP Personal Pension Plan** set up for the **member** in order to save for benefits under the "personal pension" option.

Protected early pension age: Certain individuals are permitted to start benefits under a **registered pension scheme** before age 50 (increasing to age 55 from 6th April 2010). A protected early pension age applies if an individual has:

- an unqualified right to take benefits prior to age 50 (increasing to 55 from 6th April 2010); or
- his or her pension has been accrued in respect of earnings from one of the "Prescribed Occupations" agreed by **HMRC** and certain conditions are met when benefits come into payment.

Protected rights benefits and protected rights: Protected rights benefits are benefits resulting from:

- using a **PP plan** under the **Scheme** to contract-out of the State Second Pension (S2P); or

- transferring any contracted-out benefits from previous pension schemes or pension arrangements to an **income drawdown plan**, to a **PP plan** or from a **PP plan** to an **income drawdown plan**.

The **member's** rights to these benefits are called protected rights.

Protected rights payments: Payments made direct to the **Scheme** by **HMRC's** Department for Work and Pensions as a result of the **member** using a **Pru FRP Personal Pension Plan** under the **Scheme** to contract-out of the State Second Pension (S2P).

Prudential: The Prudential Assurance Company Limited.

Prudential Cash Fund: The unit-linked cash fund from the **Prudential** fund range offered under the **Pru Flexible Retirement Plan** (including any successor fund).

Prudential Group: Prudential plc and its subsidiaries as defined in the Companies Act 1985.

Prudential unit-linked fund(s): These are **unit-linked funds** that are managed by companies within the **Prudential Group**. The Prudential unit-linked funds include the M&G funds.

Prudential With-Profits Fund: This is the With-Profits Fund operated by **Prudential** as a whole.

The Prudential With-Profits Fund is divided into parts, or sub-funds. A sub-fund may be divided into **units**. We may combine or divide the sub-funds or **units** of a sub-fund at any time. Only one type of **unit** applies to each sub-fund.

The **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts** are pension sub-funds (or part of sub-funds) of the Prudential With-Profits Fund. The **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts** are invested within, and subject to the profit-sharing rules of the Prudential With-Profits Fund. The profits of the Prudential With-Profits Fund are shared between eligible policyholders and our shareholders. The proportions in which distributed profits are divided between policyholders and shareholders are regulated by our Articles of Association which can be changed in accordance with company law. **Units** in the **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts** participate in the profits of the relevant sub-fund in the manner described in **Prudential's** Principles and Practices of Financial Management which may be changed from time to time in accordance with regulatory requirements.

Although they are all part of the Prudential With-Profits Fund, the **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts** are operated in different ways. See sections 5.6 and 5.7.

Pru Flexible Retirement Plan: A Prudential pension arrangement which offers:

- a "personal pension" option, under which individuals can save for benefits; and
- an "income drawdown" option, under which individuals can draw an income from existing pension savings before purchasing an **annuity**.

A **member** may have one or more separate "plans" under each of these options.

Pru FRP Income Drawdown Plan: The pension arrangement that constitutes the "income drawdown" option under the **Pru Flexible Retirement Plan**.

Pru FRP Personal Pension Plan: The pension arrangement that constitutes the "personal pension" option under the **Pru Flexible Retirement Plan**.

Pru FRP PP Technical Guide: This is the Booklet coded IPPB6369, which sets out the terms and conditions of the **Pru FRP Personal Pension Plan**.

PruFund Account(s): These are pension sub-funds of the **Prudential With-Profits Fund**. They are:

- the **PruFund Growth Account**;
- the **PruFund Protected Growth Account**;
- the **PruFund Cautious Account**; and
- the **PruFund Protected Cautious Account**.

They are used in conjunction with their corresponding **PruFund Funds**. See sections 5.7.1 to 5.7.4 for details about the PruFund Accounts.

PruFund Account pair: This is a pair of **PruFund Accounts** which are linked by description and which correspond to the **PruFund pair** of the same description, as follows:

- the **PruFund Cautious Account** and the **PruFund Protected Cautious Account** constitute a PruFund Account pair; and
- the **PruFund Growth Account** and the **PruFund Protected Growth Account** constitute a PruFund Account pair.

PruFund Cautious Account: This is the **PruFund Account** used to facilitate investment in the **PruFund Cautious Fund**. Its full formal name is the Prudential PruFund Cautious Pension Account.

PruFund Cautious Fund: One of the **PruFund Funds** offered under the **Pru Flexible Retirement Plan** (including any successor fund). The guarantee option described in section 5.7.7 which applies to the **PruFund Protected Cautious Fund**, does not apply to this **fund**. Its full formal name is the Prudential PruFund Cautious Pension Fund.

PruFund Fund(s): These are pension sub-funds of the Prudential With-Profits Fund. They are:

- the **PruFund Growth Fund**;
- the **PruFund Protected Growth Fund**;
- the **PruFund Cautious Fund**; and
- the **PruFund Protected Cautious Fund**.

See section 5.7.1 for details about the availability of each PruFund Fund.

PruFund Growth Account: This is the **PruFund Account** used to facilitate investment in the **PruFund Growth Fund**. Its full formal name is the Prudential PruFund Growth Pension Account.

PruFund Growth Fund: One of the **PruFund Funds** offered under the **Pru Flexible Retirement Plan** (including any successor fund). The rolling guarantee option described in section 5.7.8 which applies to the **PruFund Protected Growth Fund**, does not apply to this **fund**. Its full formal name is the Prudential PruFund Growth Pension Fund.

PruFund pair: This is a pair of **PruFund Funds** which were launched at the same time and which are linked by description, as follows:

- the **PruFund Cautious Fund** and the **PruFund Protected Cautious Fund** constitute a PruFund pair; and
- the **PruFund Growth Fund** and the **PruFund Protected Growth Fund** constitute a PruFund pair.

PruFund Protected Account(s): These are the **PruFund Accounts** which correspond to the **PruFund Protected Funds**. They are the **PruFund Protected Cautious Account** and the **PruFund Protected Growth Account**.

PruFund Protected Cautious Account: This is the **PruFund Account** used to facilitate investment in the **PruFund Protected Cautious Fund**. Its full formal name is the Prudential PruFund Protected Growth Pension Account.

PruFund Protected Cautious Fund: One of the **PruFund Funds** which is relevant to the **Pru Flexible Retirement Plan** (including any successor fund). Its full formal name is the Prudential PruFund Protected Cautious Pension Fund. This **fund** offers the guarantee option described in section 5.7.7.

PruFund Protected Fund(s): These are the **PruFund Funds** which offer guarantee options. They are:

- The **PruFund Protected Cautious Fund**. The guarantee option described in section 5.7.7 applies to this PruFund Protected Fund. The **fund** was opened to new investments from any **income drawdown plan** with effect from 9th November 2009.

➤ The **PruFund Protected Growth Fund**. The rolling guarantee option described in section 5.7.8 applies to this PruFund Protected Fund. The **fund** was closed to new investments from any **income drawdown plan** with effect from 1st January 2010. Switches into the **fund**, however, are permitted after 31st December 2009 when rolling over part or all of an investment in the **fund** on the **guarantee date**.

PruFund Protected Growth Account: This is the **PruFund Account** used to facilitate investment in the **PruFund Protected Growth Fund**. Its full formal name is the Prudential PruFund Protected Growth Pension Account.

PruFund Protected Growth Fund: One of the **PruFund Funds** which is relevant to the **Pru Flexible Retirement Plan** (including any successor fund). Its full formal name is the Prudential PruFund Protected Growth Pension Fund. This **fund** offers the rolling guarantee option described in section 5.7.8, but is no longer open to new investments and switches-in except on the terms described in sections 5.7.1(c) and 5.7.12.

Qualifying recognised overseas pension scheme: An overseas pension scheme that meets certain **HMRC** requirements.

Quarter date(s): These are relevant to the **PruFund Funds** and are 25th February, 25th May, 25th August and 25th November or the following **working day** if the date falls on a day that is not a **working day**. If the **FTSE** is not open for business on the date so determined, the quarter date will instead fall on the next **working day** that the **FTSE** is open for business.

Quarterly pricing date(s): These are relevant to the **95% Safeguard Fund** and are the **FTSE** 100 index futures expiry days set by the London International Financial Futures Exchange, or its successor market. These dates are expected to be the third Friday in the months of March, June, September and December.

Reference period: The period of five years between each **GAD review date** for which a calculation of the **maximum income limit** is valid.

Registered pension scheme: A pension scheme that is registered with **HMRC** under Chapter 2 of Part 4 of the Finance Act 2004. This gives the pension scheme various tax advantages in respect of payments, investments and benefits.

Relevant date: The date we have a fully completed **application form** providing all the information we (at our absolute discretion) need to meet contractual and legal requirements – together with a fully completed cheque or other instruction regarding the payment required in order to set up the **income drawdown plan**

(or the prior **PP plan** under section 3.3.1, in the case of a single contribution under section 3.3). If we are not open for business on the day determined in the way described above, the relevant date will be the next **working day** following that day.

Restricted dependant: This is:

- the **member's** spouse, **civil partner**, and/or children under the age of 23; or
- any person who in our opinion was financially dependent on the **member** at the date of his or her death; or
- a person who was, in our opinion, dependent on the **member** at the date of his or her death due to physical or mental impairment.

A person who was merely interdependent on the **member** does not qualify as a restricted dependant.

95% Safeguard Fund: This is the **unit-linked fund** described in section 5.5.4.

Scheme(s): The Prudential (SAL) Personal Pension Scheme and/or the Prudential (M&G) Personal Pension Scheme, as appropriate (see section 1.3).

SIF: This is the self-invested fund (if any) set up for the **member** under the **SIPP Supplement**.

SIPP Supplement: This is the Booklet coded IPPB6370, which is a supplement

to both this **Technical Guide** and the **Pru FRP PP Technical Guide** and which sets out the terms and conditions of the SIPP option and the **SIF**.

Standard lifetime allowance: The Government has set a limit for each tax year on the value of the benefits that can be taken from any **registered pension scheme**. This limit is called the standard lifetime allowance. If the standard lifetime allowance is exceeded the excess benefits may be subject to a **lifetime allowance charge**.

The standard lifetime allowance for the **tax years** 2009/2010 to 2015/16 has already been set by the Government and is shown below:

Tax years	Standard Lifetime Allowance
2009/2010	£1.75 million
2010/2011 to 2015/2016	£1.80 million

Start date: The date confirmed as such in the Certificate of Membership or in any other document issued by us to confirm the terms of an **income drawdown plan**. The start date is normally the same as the **relevant date** except that:

- › in the case where the **income drawdown plan** is set up through converting one or more **arrangements** under a **PP plan** under section 3.4, the start date is the date on when we have received all items and information we need to carry out the conversion (or the date we treat these as being received under section 1.5), apart from any external valuations required to complete the **HMRC valuation**;

- › in the case where a transfer-in is held in the **holding account** under section 3.2.4(b), the start date will be set when the money is moved from the **holding account** and used to set up the **income drawdown plan(s)**; and

- › in the case of a single contribution under section 3.3, the start date is determined in accordance with section 3.3.1(b).

Technical Guide: This Booklet coded IPPB6373, which sets out the terms and conditions of the **Pru FRP Income Drawdown Plan**.

Transitional protection: Protection of rights acquired under pension schemes before 6th April 2006. Transitional protection normally relates to the protection of rights to:

- › benefits where value exceeds or could exceed the **standard lifetime allowance**;
- › pension commencement lump sums that exceed 25% of the value of benefits;
- › a **protected early pension age**;
- › a **pension credit** awarded before 6th April 2006.

Unit: This has a different meaning within different types of **fund**. In particular:

- › The value of each **unit-linked fund**, each **PruFund Fund** and each **PruFund Account** is divided into equal parts, and each part is called a unit.

- › A unit of the **With-Profits Fund** is a record of a payment made into that **fund** together with any element of regular bonus subsequently added to that payment.

Unit-linked fund(s): These pension funds are the **Prudential unit-linked funds** and the **externally-linked funds**. For the avoidance of doubt, the **With-Profits Fund**, the **PruFund Funds**, the **PruFund Accounts** and the **SIF** are not unit-linked funds. The **95% Safeguard Fund** is a unit-linked fund, but is, as described in section 5.5.4, valued and priced differently from other unit-linked funds.

Unit price: **Units** in the **funds** are bought and sold at the unit price. The way we calculate the unit prices for each type of **fund** is described in section 5.5 (for the **unit-linked funds**), section 5.6 (for the **With-Profits Fund**) and section 5.7 (for the **PruFund Funds** and the **PruFund Accounts**).

Unit price fund value: This is the aggregate number of **units** in the **PruFund Funds** that form a **PruFund pair** (in respect of all policies, not just the **member's income drawdown plan(s)**) multiplied by the relevant **unit price**.

Unsecured pension arrangement: A pension arrangement under which, instead of buying an **annuity**, the individual can opt to withdraw income from the pension savings up to his or her 75th birthday. The **Pru FRP Income Drawdown Plan** is an unsecured pension arrangement.

Unsecured pension year: The first unsecured pension year is the period starting on the **start date** and ending the day before the **GAD anniversary date**. Subsequent unsecured pension years start on the **GAD anniversary date** and end on the day before the next **GAD anniversary date**. Where, however, the **income drawdown plan** has been set up as a result of a transfer from another **unsecured pension arrangement** and the maximum income limit was reviewed under the previous **unsecured pension arrangement** on or after 6th April 2006, the unsecured pension year runs from the date the review was last carried out and not the **start date** and the **GAD anniversary date**.

With-Profits Fund: This is a pension sub-fund of the **Prudential With-Profits Fund** relevant to the **Pru Flexible Retirement Plan** (see section 5.6).

Working day: In relation to setting the **quarter dates** and in relation to the operation of the smoothing process relevant to the **PruFund Funds** under section 5.7.5, working day means any day that the **FTSE** is open for dealings, and where practicable, any day on which it would normally be open but for a temporary closure.

In all other cases, working day means any day that **Prudential** is open for business. This excludes:

- Saturdays;
- Sundays;
- bank holidays; and
- any other public holiday and days that we, or any other organisation that performs any administrative or investment function on our behalf is not open for business (for example, around public holidays).

Appendix

The Income Drawdown Lifestyle Option profiles

There are three Income Drawdown Lifestyle Option profiles from which to choose: Cautious, Balanced and Adventurous. The table below shows the investment proportions at each age from age 50 to age 75 for each of the Income Drawdown Lifestyle Option profiles. The Lifestyle Option is operated and subject to change in the way described in section 4.3 of this Technical Guide.

The percentage amounts shown below are for guidance. The actual proportions will be as close as possible to these percentages, but minor variations may occur due to rounding of amounts to be switched.

Age	Cautious			Balanced			Adventurous		
	M&G Managed Growth Pension Fund	M&G Corporate Bond Pension Fund	With-Profits Pension Fund	M&G Managed Growth Pension Fund	M&G Corporate Bond Pension Fund	With-Profits Pension Fund	M&G Managed Growth Pension Fund	M&G Corporate Bond Pension Fund	With-Profits Pension Fund
50	50.00%	10.00%	40.00%	70.00%	10.00%	20.00%	100.00%	0.00%	0.00%
51	48.00%	13.60%	38.40%	67.20%	11.60%	21.20%	96.00%	0.00%	4.00%
52	46.00%	17.20%	36.80%	64.40%	13.20%	22.40%	92.00%	0.00%	8.00%
53	44.00%	20.80%	35.20%	61.60%	14.80%	23.60%	88.00%	0.00%	12.00%
54	42.00%	24.40%	33.60%	58.80%	16.40%	24.80%	84.00%	0.00%	16.00%
55	40.00%	28.00%	32.00%	56.00%	18.00%	26.00%	80.00%	0.00%	20.00%
56	38.00%	31.60%	30.40%	53.20%	19.60%	27.20%	76.00%	0.00%	24.00%
57	36.00%	35.20%	28.80%	50.40%	21.20%	28.40%	72.00%	0.00%	28.00%
58	34.00%	38.80%	27.20%	47.60%	22.80%	29.60%	68.00%	0.00%	32.00%
59	32.00%	42.40%	25.60%	44.80%	24.40%	30.80%	64.00%	0.00%	36.00%
60	30.00%	46.00%	24.00%	42.00%	26.00%	32.00%	60.00%	0.00%	40.00%
61	28.00%	49.60%	22.40%	39.20%	27.60%	33.20%	56.00%	0.00%	44.00%
62	26.00%	53.20%	20.80%	36.40%	29.20%	34.40%	52.00%	0.00%	48.00%
63	24.00%	56.80%	19.20%	33.60%	30.80%	35.60%	48.00%	0.00%	52.00%
64	22.00%	60.40%	17.60%	30.80%	32.40%	36.80%	44.00%	0.00%	56.00%
65	20.00%	64.00%	16.00%	28.00%	34.00%	38.00%	40.00%	0.00%	60.00%
66	18.00%	67.60%	14.40%	25.20%	35.60%	39.20%	36.00%	0.00%	64.00%
67	16.00%	71.20%	12.80%	22.40%	37.20%	40.40%	32.00%	0.00%	68.00%
68	14.00%	74.80%	11.20%	19.60%	38.80%	41.60%	28.00%	0.00%	72.00%
69	12.00%	78.40%	9.60%	16.80%	40.40%	42.80%	24.00%	0.00%	76.00%
70	10.00%	82.00%	8.00%	14.00%	42.00%	44.00%	20.00%	0.00%	80.00%
71	8.00%	85.60%	6.40%	11.20%	43.60%	45.20%	16.00%	0.00%	84.00%
72	6.00%	89.20%	4.80%	8.40%	45.20%	46.40%	12.00%	0.00%	88.00%
73	4.00%	92.80%	3.20%	5.60%	46.80%	47.60%	8.00%	0.00%	92.00%
74	2.00%	96.40%	1.60%	2.80%	48.40%	48.80%	4.00%	0.00%	96.00%
75	0.00%	100.00%	0.00%	0.00%	50.00%	50.00%	0.00%	0.00%	100.00%

The value of an investment may fluctuate and is therefore not guaranteed. Information in this Technical Guide is based on Prudential's understanding of legislation as at November 2009. Legislation, particularly relating to taxation, may be subject to change in the future. Any tax reliefs referred to are those currently available and the value of tax reliefs depends on individual circumstances. If an investment is in the With-Profits Fund and policy benefits are cashed in early, a Market Value Reduction (MVR) may apply.

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