

Members' Policy

Former Members of
The Prudential Contracted-out
Money Purchase Masterplan

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Introduction

This document, called the Policy, is issued by **Prudential**. It should be read in conjunction with the **benefit certificate** you have been given.

The Prudential Contracted-out Money Purchase Masterplan ("the **plan**") of which you were previously a member is being wound-up. The retirement **account** that was held under the **plan** for you was transferred to this Policy and has been invested to provide benefits for and in respect of you.

Your **account** will continue to be invested on the same basis as it was under the **plan**. You can, however, change your fund choice if you wish by making a selection under section 2.

You should note that you cannot pay any premiums under the Policy or make any further investment under it.

In the Policy, the words

- "**Prudential**", "we", "us" and "our" refer to The Prudential Assurance Company Limited.
- The words "you" and "your" refer to you as the person named in the **benefit certificate**.

Note also that some words and phrases are shown in bold print (for example "**account**"). This indicates that the word or phrase has a special meaning as set out in section 1.

There are some important points we would particularly like to draw to your attention before you read further:

- (a) There are a number of references in the Policy to notices, instructions or information you must give us. These would normally be in writing (but see also section 12.3 and 12.4). We will give you forms to use for some of them.

- (b) There are a number of references to the "amount raised" when a **unit** is sold. This is explained in sections 8 and 9. Section 9.8 also includes details of the circumstances when the amount raised may be reduced when **units** of the **With-Profits Fund** are sold.

- (c) All payments out of the Policy must comply with the relevant legislation and the requirements of **HMRC** and other relevant regulatory bodies.

Please read the Policy carefully. If there is anything you do not understand, you can ask us for help. If you have any enquiries about it, or wish to contact us for any reason, you can do so by:

By writing to us at

**Prudential
Dept MPP
Lancing
BN15 8GB**

Telephoning us on **0345 300 2634**

Emailing us at **mpp.servicecentre@prudential.co.uk**

You should always quote your National Insurance Number.

Telephone calls may be monitored or recorded by us for security, quality purposes, staff training and/or dispute resolution.

Our contact details may change from time to time – you should refer to your latest yearly statement for current contact details.

1 Meaning of words

1.1 Specific meanings

As well as the words in quotation marks mentioned previously, other words and phrases in the Policy have specific meanings. Where any of these words are used they are shown in bold print. The meanings of these words and phrases are as follows:

“account”. This is the account we administer in respect of you under the Policy. **Units** allocated under the Policy are credited to your account.

“appendix”. The section headed Appendix at the back of this Policy that contains further terms, together with any additional documents which supplement or amend that section.

“benefit certificate”. This is the certificate or other document you have been given which contains details of your benefits held under this Policy, and other information about you.

“cash fund”. This is the **M&G fund** which bears that name or any successor fund having the same or similar investment objectives.

“dealing cycle”. This is the timeframe within which **Prudential**, an **external fund manager** or an **external life assurance company** will carry out a valuation of a fund, buy or sell **units** of the **fund**, and then (if applicable) make the proceeds of a sale ready for reinvestment in another **fund** and/or for payment of benefits. Different companies have different dealing cycles, largely due to the different times at which they carry out their **fund** valuations. The dealing cycle – or the combination of two dealing cycles, in the case of a switch between **funds** – affects the time-scales for buying and selling **units** for whatever purpose.

“dependant”. This means:

- (a) your spouse, civil partner and/or children under the age of 23, or
- (b) any person who was, in our opinion, financially dependent or interdependent on you, or
- (c) a person who was, in our opinion, dependent on you due to physical or mental impairment.

on the date you choose to realise your **account** to provide benefits, or on the date of your death.

“external fund managers”. These are managers of collective investment schemes (such as unit trusts and “OEICs”) operating outside the **M&G plc group**. **Prudential** (or other companies within the **M&G plc group**) has entered into agreements with certain external fund managers so that **funds** that invest in externally-managed collective investment schemes can be offered under the Policy.

“external life assurance companies”. These are life assurance companies outside the **M&G plc group**. **Prudential** (or other companies within the **M&G plc group**) has entered into agreements with certain external life assurance companies so that **funds** with investment performance linked to **funds** of these companies may be offered under the Policy.

“externally-linked funds”. These are

- (a) the **funds** with investment performance linked to **funds** of **external life assurance companies**, and
- (b) the **funds** that invest in externally-managed collective investment schemes of external fund managers.

The externally-linked funds are **unit-linked funds**.

“fund”. This means one of the investment funds we make available under the Policy. The funds currently include the **unit-linked funds** (see section 8) and the **With-Profits Fund** (see section 9); but they may change from time to time (see sections 10.3 and 10.4). You can find further details about the funds available in your fund guide.

“fund management charge”. This is the charge **Prudential** makes for managing your **account**. The charge may vary according to the **funds** selected for your **account**. You can find further details about the fund management charge in your fund guide.

“HMRC”. Her Majesty’s Revenue & Customs.

“insurance company”. This is an insurance company as defined in the Finance Act 2004.

“lifetime allowance charge”. This is a tax charge that applies if, when you take your benefits from the Policy, the value of those benefits exceeds your available **personal lifetime allowance**. If the excess is used to provide a pension it will be taxed at 25%. If the excess is taken as a lump sum it will be taxed at 55%. These are current rates which may change.

When testing the benefits against your **personal lifetime allowance**, the value of benefits previously taken from any **registered pension scheme** will be taken into **account**.

We cannot be held liable if we pay a benefit from the Policy that results in a lifetime allowance charge.

“M&G funds”. These are the **unit-linked funds** that are managed within the **M&G plc group**.

“M&G plc group”. M&G plc and its subsidiaries as defined in the Companies Act 1985.

“market value reduction”. If money invested in the **With-Profits Fund** is taken out at any time, except in those circumstances described in section 9.9, the amount payable may be reduced. This is known as a market value reduction. A market value reduction may apply if the value of the assets underlying that part of your **account** invested in the **With-Profits Fund** is less than the value of the same part of your **account** including bonuses, at the time it is realised. It is designed to protect investors who are not taking their money out and to maintain the security of the **With-Profits Fund**, and its application means that you get a return based on the earnings of the **With-Profits Fund** over the period your **account** has been invested.

“normal retirement date”. Your normal retirement date is shown on your **benefit certificate**. This is the date you expect to realise your **account** to provide your benefits under section 4. It is the same date you expected to take your benefits under the **plan**.

“personal lifetime allowance”. This will normally be the **standard lifetime allowance**. However, a higher amount may apply in certain circumstances. For example, the personal lifetime allowance may be a higher amount where you have **transitional protection** in relation to your benefits.

Whenever your benefits come into payment, the value of those benefits is tested against your available personal lifetime allowance. Before paying any benefits, we will also need evidence of any percentage of the **standard lifetime allowance** that has already been used in providing benefits. If, at that time, your personal lifetime allowance is different to the **standard lifetime allowance**, we will also need evidence of your actual personal lifetime allowance.

If your personal lifetime allowance is exceeded the excess benefits will be subject to a **lifetime allowance** charge.

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

“plan”. The **Prudential** Contracted-out Money Purchase Masterplan of which you were previously a member. The amount held in your retirement **account** under the **plan** which related to your benefit entitlement was transferred, without deduction, and applied under this Policy to form your **account**.

“protected lump sum”. This is right to take more than 25% of your benefits as a pension commencement lump sum under Paragraphs 31 to 34 of Schedule 36 to the Finance Act 2004. You may have a protected lump sum if you were a member of the **plan** on 6 April 2006 and you meet the conditions in Paragraphs 31 to 33 of Schedule 36 to the Finance Act 2004.

“Prudential”. The Prudential Assurance Company Limited which is a member of the **M&G plc group**.

“qualifying recognised overseas pension scheme”. An overseas pension scheme that meets certain **HMRC** requirements.

“reasonable notice”. This means that we must tell you before we make a change and we must give you a reasonable amount of time, given all the circumstances, to take any action or make any decisions which are needed, or which you may wish to take, on account of the proposed change. When giving reasonable notice, we will take account of all the circumstances of the change: for example, the length of notice that we can give may be influenced by legislative or regulatory requirements.

“registered medical practitioner”. This is a fully registered medical person within the meaning of the Medical Act 1983 or someone with the equivalent overseas qualifications.

“registered pension scheme”. This is a pension scheme registered in accordance with section 153 of the Finance Act 2004 or deemed registered in accordance with paragraph 1 of Schedule 36 to the Finance Act 2004. Although your contract with **Prudential**, as evidenced by this Policy, is not a pension scheme as such, **HMRC** nevertheless treats the arrangement as a registered pension scheme.

“standard lifetime allowance”. There is a limit on the total value of the benefits that can be taken from all **registered pension schemes** of which you have been, or are currently, a member. 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 tax year 2020/21 is £1,073,100.

Under current legislation (which may change), the standard lifetime allowance will increase each tax year in line with the Consumer Prices Index. The Government will confirm in regulations the amount of the new standard lifetime allowance before the start of each tax year.

“transitional protection”. This allows an individual to protect pension savings from the **lifetime allowance charge** as follows:

- If you have pension savings built up before 6th April 2006 when the **standard lifetime allowance** was first introduced, you may have “primary protection” and/or “enhanced protection”. You needed to apply to **HMRC** for these protections by 5th April 2009.
- If you have pension savings built up before 6th April 2012 when the **standard lifetime allowance** was reduced from £1.8 million to £1.5 million, you may have “fixed protection”. You needed to apply to **HMRC** for this protection by 5th April 2012.
- If you have pension savings built up before 6th April 2014 when the **standard lifetime allowance** was reduced from £1.5 million to £1.25 million, you may have “fixed protection 2014”. You needed to apply to **HMRC** for this protection by 5th April 2014.

- If you have pension savings built up before 6th April 2014 when the **standard lifetime allowance** was reduced from £1.5 million to £1.25 million, you may have “individual protection 2014”. You needed to apply to **HMRC** for this protection by 5th April 2017.

If you have pension savings built up before 6th April 2016 when the **standard lifetime allowance** was reduced from £1.25 million to £1 million, you may apply for “fixed protection 2016” or “individual protection 2016”. You need to apply to **HMRC** for these protections. You are able to apply on-line by visiting its website at [gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance](https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance)

You should seek financial advice regarding these protections if they could be relevant to you.

We will not be responsible or liable if you have failed to apply for any transitional protection or you lose your transitional protection

“unit”. This has a different meaning within different types of **fund**. In particular:

- (a) The value of each **unit-linked fund** is divided into equal parts, and each part is called a unit.
- (b) A **unit** of the **With-Profits Fund** is a record of a payment made into that fund plus certain of the bonuses added to the payment (see section 9.6).

“unit-linked funds”. The **M&G funds** and the **externally-linked funds**, which are described in section 8.

“unit price”. **Units** are bought and sold at the **unit price**.

- (a) For **units** of **unit-linked funds**, the **unit price** which applies on any particular day will be the price which is calculated by reference to the valuation (or adjusted valuation) made on that day (see section 8).
- (b) For **units** of the **With-Profits Fund**, the **unit price** which applies on any particular day is the price which we have calculated in respect of that day by reference to the anticipated rate of bonus interest (see section 9.6). Where **units** of the **With-Profits Fund** are sold, a **market value reduction** may be made under section 9.8.

“unit price date”. This is the date on which the **unit price** used in relation to buying and selling **units** as part of any particular transaction is set. The unit price date which applies is determined by reference to the date on which we receive all of the information necessary to carry out the transaction. The unit price date used may vary between the different **funds** due to the different dealing cycles of the participating fund managers and life assurance companies.

“With-Profits Fund”. The fund described in section 9.

“working day”. This is any day that **Prudential** is open for business. It does not include Saturdays and Sundays, Bank Holidays and any other public holidays. Furthermore, it does not include any dates (for example around public holidays) that we, or any other organisation which performs any administrative functions on our behalf, are not open for business.

1.2 Legislation

Any reference to legislation includes any new legislation by which it is replaced or changed.

2 Switching between funds

2.1 Instruction

(a) You may instruct us to sell some or all of the **units** held under your **account** and to use the amount raised to buy **units** of a different **fund** or **funds**. We call this “switching”.

(b) To be valid, your instruction must comply with the requirements set out in sections 12.3 and 12.4.

2.2 Date

Unless there is a delay (see section 2.6), we will carry out a valid instruction to switch within the number of **working days** specified in the appendix (or on such later **working day** as you may specify in your instruction). If we receive the instruction on a day which is not a **working day** we will treat it as being received on the next **working day**.

2.3 Treatment of amount raised on switch (general)

(a) We will apply the amount raised in accordance with your instructions, so as to buy the appropriate **units**.

(b) We may make a **market value reduction** from the amount raised in respect of the sale of **units** of the **With-Profits Fund** (see section 9.8).

2.4 Unit price date(s) and dealing cycles under the unit-linked funds

(a) When we receive an instruction to switch we will buy and sell the relevant **units** on the relevant **unit price date(s)**, unless a delay applies as described in section 2.6.

(b) The sale of existing **units** and the buying of new ones cannot normally take place on the same day.

For example, the new **units** may be bought on a date and using the relevant **unit price(s)** some days later than the date the original **units** were sold. This is because there is a lead-time involved in making **unit prices** available and the new **units** cannot be bought until the value realised by the sale of the existing **units** is known. Where **external fund managers** or **external life assurance companies** are involved, transmission of data to and from these companies may extend the lead-time. The prices of **units** can, as always, go up or down during that time: this is a risk that is borne by you. No interest will be added to the value realised from the sale of **units** for the interim period between selling and buying.

(c) The exact **unit price dates** and the time lapse between the selling and buying of **units** will depend on the **unit-linked funds** involved and the dealing cycles of the fund managers and life assurance companies involved.

(d) If we receive the instruction on a day which is not a **working day** we will treat it as being received on the next **working day**.

2.5 Partial switch from With-Profits Fund

When selling some but not all **units** of the **With-Profits Fund** held under your **account**, we will debit the required amount in the way described in section 9.10

2.6 Delays in switching

(a) We may delay buying and selling **units** for switching between funds in the circumstances described in sections 7.2 and 7.3.

- (b) In the event that there is a delay in switching **units**, the buying and selling will take place at the end of the period of delay, using the relevant **unit price(s)** then applicable.
- (c) Where the delay in switching is due to a delay between selling the assets and receiving the proceeds, the selling of the existing **units** will take place at the start of the period of delay using the relevant **unit price(s)** on that date. The buying of the new **units** will take place at the end of the period of delay, using the relevant **unit price(s)** then applicable. No interest will be added to the value realised from the sale of **units** for the interim period between selling and buying.
- (d) There may be occasions when a switch has already started to be processed and the existing **units** have been sold before it becomes known that there will be a delay in buying the new **units**. In such a case the buying of the new **units** will take place at the end of the period of delay using the relevant **unit price(s)** then applicable. No interest will be added to the value realised from the sale of **units** for the interim period between selling and buying.
- (e) If at the end of any period of delay we consider that it would not be fair or reasonable to sell and/buy **units** at that time, we will advise you in writing of the further delay and tell you our reasons.

3 The Lifestyle Option

3.1 General

- (a) The Lifestyle Option is an investment option that uses a combination of the **unit-linked funds** available under the Policy. It:
 - (i) links investment under your **account** in early years to **unit-linked funds** which aim to provide growth ahead of inflation, but which carry a relatively high degree of volatility risk; and then
 - (ii) gradually changes the investment under your **account** to **unit-linked funds** that provide greater stability and a better match for how you intend to take your benefits as you approach your normal retirement date (or another date selected under section 3.6).

The Lifestyle Option changes investments under the Policy automatically, without the need for you to request switches (but see section 3.3 below regarding the instructions we require when you first select the Lifestyle Option).

Details of the **unit-linked funds** used in the Lifestyle Option, and the time period over which we change the investment mix under 3.1(a)(ii) can be found in your fund guide.

- (b) The **With-Profits Fund** is not available as part of the Lifestyle Option.

3.2 Lifestyle Profiles

- (a) The Lifestyle Option uses a combination of **unit-linked funds** known as a “lifestyle profile”. There are several standard lifestyle profiles designed by us, although they may incorporate certain **externally-linked funds**.
- (b) Other “bespoke” lifestyle profiles (designed by a financial adviser on a basis agreed with us) may be available.
- (c) Certain **unit-linked funds** may not be used under the Lifestyle Option. Conversely, there may be certain **unit-linked funds** that are accessible only via a lifestyle profile.

3.3 Selection and coverage of Lifestyle Option

Your choices may be subject to certain conditions, as set out below.

- (a) You can select the Lifestyle Option at any time. Unless we agree otherwise, you can only select one lifestyle profile at any time.
- (b) You can cancel or override the Lifestyle Option at any time (see section 3.8 below).
- (c) Unless we agree otherwise and subject to sections 3.3(d), (e) and (f) below, if you choose the Lifestyle Option, it must apply to your entire **account**. This means that all **units** held under your **account** will be included in the automatic switching when this is carried out.

- (d) When you select the Lifestyle Option, we will require you to specify whether any existing **units** held under your **account** at that date are to be switched immediately to the **unit-linked funds** specified by the relevant lifestyle profile. Unless you request a switch of existing **units** when you select a lifestyle profile under this section 3.3(d), your existing investments will remain credited in the fund(s) to which they were allocated before you chose the lifestyle profile. Existing investments which are not immediately switched at the time the Lifestyle Option is selected will, however, be included in the next automatic switch carried out under the Lifestyle Option.
- (e) If, at the time you select the Lifestyle Option, there are any **units** of the **With-Profits Fund** held under your **account**, you can choose to retain these **units** in your **account**. In such a case, the **units** of the **With-Profits Fund** will be kept separate and will not be included in the automatic switches under the Lifestyle Option.
- (f) If you request that **units** of the **With-Profits Fund** be switched to **units** of **unit-linked funds** under the Lifestyle Option, we may require you to sign a declaration to confirm that you understand and accept that a **market value reduction** may be made under section 9.8.

3.4 Automatic switches

- (a) The Lifestyle Option works by making automatic switches for a set period up to your **normal retirement date** (or another date selected under section 3.6). **Units** already allocated to your **account** are automatically switched in pre-set proportions into the pre-selected **unit-linked funds** at monthly intervals.
- (b) We choose the days on which the automatic switch is made. Switching will normally take place over the same dates each month, except where the usual dates are not **working days**.
- (c) On the day selected by us, we sell either:
- (i) all the **units** then held under your **account** under the Lifestyle Option; or
 - (ii) the amount needing to be switched.

The value realised is used to buy new **units** in line with the relevant lifestyle profile.

- (d) The selling of existing **units** and the buying of new ones cannot normally take place on the same day.

For example, the new **units** may be bought on a date and using the relevant **unit price(s)** some days later than the date the original **units** were sold. This is because there is a lead-time involved in making **unit prices** available and the new **units** cannot be bought until the value realised by the sale of the existing **units** is known. Where **external fund managers** or **external life assurance companies** are involved, transmission of data to and from these companies may extend the lead-time. The prices of **units** can, as always, go up or down during that time: this is a risk that is borne by you. No interest will be added to the value realised from the sale of **units** for the interim period between selling and buying.

- (e) The exact **unit price dates** and the time lapse between the selling and the date that the new **units** are bought will depend on the **unit-linked funds** involved and the **dealing cycles** of the fund managers and life assurance companies involved.
- (f) The proportions are not monitored or realigned in the period between the dates on which the automatic switches take place.

3.5 Delay in selling and buying units

Section 3.4(d) explains that there will normally be a time lapse between selling and buying **units** under the Lifestyle Option. In addition to this time lapse, there may on occasions be a delay in selling and/or **units** in the circumstances described in sections 8.5 and 8.6. If a delay applies at the time we expect to carry out automatic switches under the Lifestyle Option, our general policy is to process the switches at the end of the period of delay using the relevant **unit price(s)** then applicable.

If at the end of any period of delay we consider that it would not be fair or reasonable for policyholders as a whole to sell and/buy **units** at that time, we will advise you in writing of the further delay and tell you our reasons.

3.6 Change to expected retirement date – effect on Lifestyle Option

- (a) If you intend to take your benefits on a specified date other than your **normal retirement date**, you can at any time before actual retirement choose that your lifestyle profile be changed to reflect the new likely retirement date. Upon receipt of your instruction to make the change we will adjust the pre-set switches to the relevant lifestyle profile, so that they are scheduled around the new expected retirement date.
- (b) A change to your expected retirement date may require an immediate adjustment to the way your **account** is then split between the **unit-linked funds**. Except where a delay under section 8.5 or 8.6 applies, we will make any required switches at the next date(s) on which automatic switching is due to take place.

3.7 Switching to a different lifestyle profile

- (a) You can request a change from one lifestyle profile to another of the available lifestyle profiles at any time. Upon receipt of your instruction to make the change we will set up or adjust the pre-set switches according to the new lifestyle profile.
- (b) A change to a different lifestyle profile may require an immediate adjustment to the way your **account** is then split between the **unit-linked funds**. Except where a delay under section 8.5 or 8.6 applies, we will make any required switches at the next date(s) on which automatic switching is due to take place.

3.8 Cancelling or overriding the Lifestyle Option

- (a) You can at any time cancel the Lifestyle Option by requesting that we remove it. If this happens, all automatic switching will cease. Unless you request a switch of existing units when you cancel the Lifestyle Option, your existing investments will remain credited in the **funds** to which they were allocated under the Lifestyle Option.
- (b) You can temporarily override the Lifestyle Option by requesting a switch under section 2. The Lifestyle Option will then be overridden until the next date on which automatic switching is due to take place. At that time the lifestyle profile will be reinstated.

3.9 Changes to Lifestyle Option

- (a) We can change **funds** that form part of the Lifestyle Option and/or the time period over which we change the investment mix leading up to your **normal retirement date** (or another date you have selected under section 3.6) as described in 3.1(a)(ii). We will give you (if you have selected the Lifestyle Option) at least one month's notice of any intention to make such a change. We will act fairly and reasonably in the way that we do so, having regard to our duty to protect your interests and those of other policyholders.
- (b) Section 10.3 explains that we can decide that certain **funds** will no longer be available. We will, where reasonably possible, give you (if you have selected the Lifestyle Option) at least one month's notice of any proposed **fund** changes that may be relevant.

3.10 The Lifestyle Option and your personal circumstances

Further information about the Lifestyle Option can be found in your fund guide. We are unable to accept any responsibility for the appropriateness of any of the **fund** selections and pre-set switches under the Lifestyle Option to your particular circumstances. It is important, therefore, that you regularly review your **fund** options and that you notify us of any changes to your proposed **normal retirement date**.

4 Your benefits

4.1 Benefit payment date

Benefits under the Policy will normally come into payment on your **normal retirement date**. If you wish to take benefits at a date other than your **normal retirement date**, you should note that:

- (a) HMRC requires you to choose a date no earlier than your 55th birthday. However you can take your benefits before age 55 in the circumstances described in section 4.3 and 4.4.
- (b) You must normally take your benefits by age 75

- (c) You must notify us of the date on which your benefits under the Policy are to start. If we have less than 28 days' notice of that date, together with the information we need to pay the benefits due from the Policy, we may not be able to pay the benefits on time.
- (d) If the date on which your benefits under the Policy are to start is not your **normal retirement date**, then we can delay selling **units** in certain circumstances (see section 4.6).
- (e) If we have agreed to administer phased retirement under the Policy (i.e. we allow you to take only part of your benefits), and only part of your **account** is to be used to provide those benefits, the provisions of the Policy will continue to apply to any amount remaining in your **account**.

You do not have to retire from work to take your benefits.

4.2 Benefit options

Following receipt of your notice under section 4.1 we will send you a benefit quotation which will show some of the different benefit options available under the Policy, and will include any restrictions necessary to comply with **HMRC** or other legal requirements if appropriate.

HMRC allow flexibility in the way your benefits can be taken. They allow three options which may be used in combination. Not all these options are available under the Policy:

- Take a pension in the form of an annuity – an investment that guarantees to pay a secure income for the rest of your life regardless of how long you live, together if you wish with a normally tax free lump sum.
- Take a single or series of (partly) taxable lump sums direct from your **account**.
- Take flexi-access drawdown – a form of pension drawdown which will allow you to take unlimited amounts of income from your **account**.

Flexi-access drawdown is not available under the Policy. If you wish to use this option, you will need to transfer all or part of your **account** to an alternative **registered pension scheme** that does offer this facility. This is a very complex

area and you are strongly recommended to seek financial advice when considering this option. We will not pay for, nor reimburse you or any other person for, the costs of any such advice.

Benefit options under the policy

(a) Pension and pension commencement lump sum

(i) Pension

You may choose that all or some of your **account** is used to buy a pension either from us or from another **insurance company**. You will be able to choose various options when your pension is being bought.

For example, you may wish your pension to increase in payment or you might want a **dependant** to receive a pension on your death. We will provide details of the options available at the appropriate time. The choices made will affect the amount of pension you receive.

Pensions are taxed in the same way as earnings and payment will normally be made to a bank or building society account after tax has been deducted.

(ii) Pension commencement lump sum

When applying for a pension under section 4.2(a)

(i) you may also choose to receive a pension commencement lump sum. Under current **HMRC** rules, the lump sum is tax free and normally:

- must not be more than 25% (or a higher percentage if you have a **protected lump sum**) of the value of the benefits to be taken;
- must not, when added to all pension commencement lump sums taken by you from all **registered pension schemes** exceed 25% (or a higher percentage if you have a **protected lump sum**) of the **standard lifetime allowance** applicable at the time the lump sum is paid;
- may only be paid if all or part of your **personal lifetime allowance** is available; and
- must be paid within 12 months after the date on which entitlement to payment of it arose.

The size of the lump sum may also depend on whether you have **transitional protection**.

If you have a **protected lump sum** and the remaining value of your **account** is not more than £10,000, you may be able to take a pension commencement lump sum along with a taxable trivial lump sum of up to £10,000, rather than a pension.

(b) Commutation lump sum(s)

It will normally be possible to take your whole **account** as one or more commutation lump sums if all or part of your **personal lifetime allowance** is available.

Part (normally 25%) of any commutation lump sum is tax free. The remainder is taxable (at your highest marginal rate of income tax) and this will be deducted before payment is made.

You must notify us which of the benefit options you have selected and return to us any completed forms we require in order to pay the chosen benefits.

In particular, if a pension is chosen under the Policy or another policy issued by us, or under a contract or policy issued by an **insurance company** other than **Prudential**, we must have the information listed below:

- (i) how much of the amount raised is to be taken as a pension commencement lump sum;
- (ii) the options chosen for any pension which is to be bought from us; and
- (iii) if you choose that any pension is to be bought from another **insurance company**, all the details we request about that **insurance company**.

The value of your benefits will be tested against your **personal lifetime allowance** and we will deduct any **lifetime allowance charge**.

4.3 Early payment of benefits on grounds of ill-health

You may take your benefits earlier than age 55 if:

- we are satisfied that you are and will continue to be incapable of carrying out your occupation because of a physical or mental impairment; and

- we have received written evidence from a **registered medical practitioner** confirming that you will continue to be incapable of carrying out your occupation because of a physical or mental impairment.

4.4 Lump sum on grounds of serious ill-health

The value of your benefits may be paid as a serious ill-health lump sum where:

- we have received written evidence from a **registered medical practitioner** confirming that you are expected to live for less than one year, and
- you have all or part of your **personal lifetime allowance** available at the time the lump sum is paid;

Payment of a serious ill-health lump sum extinguishes your entitlement to any further benefits under the Policy.

Any lump sum paid on the grounds of serious ill-health will be tested against your **personal lifetime allowance**. If no **lifetime allowance charge** arises, the lump sum will normally be paid tax-free.

4.5 Paying benefits

- (a) Unless section 4.6 applies, we will sell the relevant **units** notified to us held under your **account** after the date you satisfy our requirements and then use the amount raised to provide the benefits you have notified to us. We will pay any lump sum due within the number of **working days** specified in the **appendix**.
- (b) If we receive the completed forms or information we need on a day which is not a **working day** we will treat them as being received on the next **working day**.
- (c) You should note that:
 - (i) benefits from the Policy cannot be paid to you before the date on which the Policy provisions say they can start;
 - (ii) if you die after your benefits were due to start but we receive notification of your death before **units** under your **account** have been sold, section 5.2 will apply instead of this section; and

(iii) the amounts of the benefits paid from the Policy will depend on the actual amounts raised from your **account**

(iv) we can make a **market value reduction** from any **units** of the **With-Profits Fund** sold at any time other than that described in section 9.8.

(d) When selling some but not all of the **units** of the **With-Profits Fund** held under your **account**, we will debit the required amount in the way described in section 9.10.

4.6 Delay in payment

(a) We may delay the sale of **units** in the situations and on the terms described in section 7. However, subject to 4.6 (b) below, we will only do this if the sale is more than 28 days before or after your **normal retirement date**.

(b) A delay may apply in selling **units** of the **unit-linked funds** in the circumstances described in section 7.1(b). We will not delay selling **units** any longer than is reasonably necessary.

(c) We will notify you in advance, where it is reasonably possible to do so, if there is to be any delay.

5 Death benefits

5.1 Information

Before any death benefits can be paid under section 5, we will require your death certificate or other similarly reliable proof of your death (we can decide what is reliable) and any completed forms and information we may need.

5.2 Death before payment of benefits

(a) General

If you die before your **account** has been used to provide benefits, the whole value of your **account** will normally be payable by us as a lump sum under trust (see section 5.5). If the whole value of your **account** is not used to pay a lump sum, the balance will be used to provide a pension for your spouse/civil partner or other **dependants**.

Any lump sum death benefit that is not paid within the two years starting with

- (i) the day on which we first knew of your death, and
- (ii) the day on which we could have first reasonably have been expected to have known of your death will normally be taxable. This is currently at the recipient's highest marginal rate of income tax but this may be changed by HMRC.

Any lump sum death benefit counts towards your **personal lifetime allowance** (when paid) and any **lifetime allowance charge** must be paid by the recipient(s). Any pension provided for your spouse/civil partner or for a **dependant** will not count towards your **personal lifetime allowance**.

(b) Realising your **account** and paying death benefits

- (i) We will sell all the **units** held under your **account** after our requirements under section 5.1 have been satisfied. Except in the circumstances described in (iii) or (iv) below, we will then pay any lump sum required, within the number of **working days** specified in the **appendix**.
- (ii) If we receive the death certificate, completed forms and information we need on a day which is not a **working day** we will treat them as being received on the next **working day**.

(iii) A delay may apply in selling **units** of **unit-linked funds** for providing death benefits in the circumstances described in section 7.1(b). We will not delay selling **units** any longer than is reasonably necessary. There will be no delay in selling **units** of the **With-Profits Fund**.

(iv) If you die after becoming entitled to benefits under section 4 but (because we have not received all the instructions and information we need) the benefits due under section 4 have not been paid, we will instead use the amount raised to provide benefits as described in this section. We will then pay any cash benefit within 10 **working days**.

5.3 Commutation lump sum death benefit

We may pay a commutation lump sum death benefit instead of a spouse's/civil partner's or other **dependant's** pension or pensions payable under section 5.2. Such a

lump sum can only be paid if the value of the spouse's/civil partner's or other **dependant's** pension does not exceed £30,000 (or such other amount as may be specified by **HMRC**).

5.4 Death after payment of benefits

Section 5.4 applies only where you bought a pension from us under the Policy, you die after that pension has started, and it was bought on terms which require the payment of further benefits in certain circumstances.

We will pay any benefits due after our requirements under section 5.1 have been satisfied.

5.5 Death benefits payable under trust

We will pay any lump sum death benefit arising under this Policy to or for the benefit of any one or more of the following in such proportions as we decide:

- (i) any person nominated to us by you
- (ii) your surviving spouse or civil partner and any children and remoter issue of any of them
- (iii) your parents and grandparents
- (iv) your **dependants**
- (v) your, or your surviving spouse's or civil partner's brothers and sisters (including half-brothers and half-sisters) and their spouses and any children or remoter issue of any of them
- (vi) your, or your surviving spouse's or civil partner's aunts and uncles (including half-aunts and half-uncles) and their spouses and any children or remoter issue of any of them
- (vii) any person entitled under your will to any interest in your estate
- (viii) any other person, or
- (ix) your estate.

In this section 5.5

- (a) a relationship acquired by legal adoption is as valid as a blood relationship.
- (b) "person" means an individual or a body of persons whether or not incorporated. So this could include a charity.

6 Transfers

6.1 Notice of transfer

You can at any time give us written notice to realise your **account** and to have the amount raised transferred out of the Policy to another **registered pension scheme** or to a **qualifying recognised overseas pension scheme**.

6.2 Information

Before a transfer payment can be made you must provide us with all the completed forms and information we tell you we need. Certain transfers may be subject to agreement by **HMRC** or other regulatory bodies. We will tell you what additional requirements apply in those cases.

Before going ahead with a transfer you may wish to consider taking financial advice. We will not pay for, nor reimburse you or any other person for, the costs of any such advice.

In particular, you should be aware that if you were a member of the **plan** on 5 April 2006 and your benefits are transferred out, it may affect the amount of your pension commencement lump sum in the future.

6.3 Transfer requirements

The transfer must comply with the requirements of **HMRC** and any relevant legislation (including, where relevant, section 19(4) of the Pension Schemes Act 1993). We cannot carry out the transfer until we comply with any other requirements that the administrator of the receiving scheme may insist upon at the time.

6.4 Realising your account and paying the transfer

If a transfer payment is to be made to one or more receiving schemes the following will apply:

- (a) Subject to section 6.6, we will sell the **units** you notify to us from your **account** after our requirements under section 6.2 have been satisfied and pay out the amount raised within the number of **working days** specified in the **appendix**.
- (b) If we agree to a partial transfer and your **account** holds any **units** of the **With-Profits Fund**, and only part of that holding is to be used to provide the transfer, we will debit the required amount in the way described in section 9.10.

- (c) If we receive the completed forms or information we need on a day which is not a **working day** we will treat them as being received on the next **working day**.
- (d) If the receiving arrangement is not insured by us, we will send the payment direct to the **insurance company** if it is an insured arrangement, or otherwise to the trustees, administrators or managers of that arrangement.
- (e) If the receiving arrangement is insured by us, and its trustees, administrators or managers agree, we will credit the payment to it.
- (f) Where we agree to a partial transfer, the provisions of the Policy will continue to apply to any **units** remaining in your **account**.
- (g) Where all of the **units** held under your **account** are sold, then following payment of the transfer no further benefits will be payable under the Policy.

6.5 Deductions

We can also make a **market value reduction** from any **units** of the **With-Profits Fund** that are sold to provide the transfer payment (see section 9.8).

6.6 Delay of transfer payment

We may delay the sale of **units** in the situations and on the terms described in section 7, but in this case those sections must be read in the context of a delay in the transfer payment. We will notify you, in advance where it is reasonably possible to do so, if there is to be any delay.

We will not delay the sale of **units** any longer than is reasonably necessary.

7 Delay in making payments

7.1 Delay in payment (general)

- (a) A sale of assets relating to a **fund** may have an adverse effect on their value, particularly in circumstances where they are not readily saleable within a short period of time. For these reasons, in order to protect your interests, and the interests of other policyholders, we may delay carrying out an instruction to sell **units**.

- (b) There may be a delay in selling **units** of any **fund** if that **fund** has not been valued due to exceptional circumstances, or where due to market or other conditions beyond our control (including system failures), it is not possible to trade.
- (c) We may, furthermore, impose a delay in selling **units** of an externally-linked fund if an **external fund manager** or **external life assurance company** so requires in relation to its own corresponding fund. An **external fund manager** or **external life assurance company** may impose such a delay if it believes that there is sufficient or good reason to do so, having regard to the interests of all or any of its customers or policyholders.
- (d) We will not delay selling **units** for any longer than is reasonably necessary. In the case of an **externally-linked fund**, the period of delay will end within two **working days** following the day the **external fund manager** or **external life assurance company** tells us that it is in a position to resume transacting in its own **funds**.
- (e) Additionally, for some types of assets or in certain markets, there may be a delay between selling the assets and receiving the proceeds. In such a circumstance this results in a delay in making the value realised available. Again, we will not delay in these circumstances longer than is reasonably necessary.
- (f) Please note that we can change the terms described in this section 7.1 in respect of any new **funds** we may make available (see section 10.4).

7.2 Delay in payment – unit-linked funds

The following terms apply to a delay in payment involving the sale of **units** of any **unit-linked fund**. Except where (b) below applies, these delay terms do not affect the **cash fund**.

- (a) We can delay the sale of **units** of any **unit-linked fund** for the following period (the delay starting when the payment would normally be due):
 - (i) for up to six months, if the **fund** involved either:
 - holds assets in the form of buildings or land; or
 - holds **units** of another **unit-linked fund** which holds assets in the form of buildings or land; or

(ii) for up to one month, if the **fund** involved does not fall within (i) above.

(b) We may also delay the sale of **units** of **unit-linked funds** in the circumstances described in section 7.1(b) or (c) above. Because such circumstances will be beyond our reasonable control, there will be no maximum delay period. We will not delay the sale of **units** any longer than is reasonably necessary.

(c) Additionally, we can choose not to make the payment in the form of a single payment and instead to spread the sale of **units** of any **unit-linked fund** over a period of up to ten months, the first payment being made at the end of the delay period we choose under (a) above. We will determine the spreading period, but each monthly payment (other than the final payment) will not be less than the higher of:

(i) £50,000; and

(ii) The value realised by the sale of 10% of the total number of **units** of that **fund** (as at the start of the **working day** on which we receive your instruction).

(d) Each payment under section 7.2 will consist of the value realised by the sale of the relevant **units**. The **unit** price(s) we use will be those which apply on the relevant **unit price date(s)**. However, you should note the following:

(i) Where the delay in payment is due to the need to realise:

- assets in the form of buildings or land; or
- other assets which are not readily saleable;

or the circumstances referred to in (b) above apply, we sell the **units** at the end of the delay period.

(ii) Where the delay in payment is due to another cause (for example, a delay between selling the assets and receiving the proceeds), we sell the **units** at the start of the delay period.

(e) If we impose a delay, we will tell you:

(i) which **unit-linked fund** is affected; and

(ii) which **working day(s)** we expect to be able to make the payments on.

7.3 Delay in payment – With-Profits Fund

The following terms may apply to any payment arising from the sale of **units** of the **With-Profits Fund**.

(a) We can delay debiting and payment of the amount raised for up to one month (the delay starting when the payment would normally be due) if the value of the amount raised from the sale of **units** of the **With-Profits Fund**, plus any amount raised on the sale of **units** of the **With-Profits Fund** in the previous 28 days, is more than £200,000.

(b) We will then add interest to the amount raised from:

(i) the **working day** on which we received your instruction; or

(ii) any later date specified in your instruction or subsequently agreed in writing between you and us, up to the date on which we make the payment, at a rate which we decide from time to time.

However you should be aware that we may make a **market value reduction** from the amount raised (see section 9.8).

8 The Unit-linked funds

8.1 Constitution of unit-linked funds

(a) **M&G funds** are established by **Prudential** but may be linked to similar **funds** established by other companies within the **M&G plc group**. The **M&G funds** available, and the company to which they are linked, may change from time to time.

(b) **Externally-linked funds** are established by **Prudential** but are either

(i) linked to funds of **external life assurance companies**. These links are made available by means of agreements between the relevant **external life assurance company** and **Prudential** (or other companies within the **M&G plc group**); or

- (ii) invested in **units** or shares of externally-managed collective schemes by means of agreements between the relevant **external fund manager** and **Prudential** (or other companies within the **M&G plc group**).

This means that although all amounts are invested in the Policy, the investment return will reflect the performance of the corresponding external fund, subject to deduction of charges. The **externally – linked funds** available, and the company to which they are linked, may change from time to time.

- (c) Sections 10.3 and 10.4 describe how **funds** can be closed or withdrawn, and how new **funds** can be added.

8.2 Valuation of fund assets

- (a) The **unit-linked funds** may be valued daily (on each **working day**), but may at the relevant company's discretion, be valued at longer intervals. Assets may be valued in different ways and the decision of the relevant company on all valuation issues is final.
- (b) The value of each **M&G fund** is determined by us at our complete discretion, acting reasonably. We do not value our **externally-linked funds** independently. We base the value of the **externally-linked funds** on the values that the **external fund managers** or the **external life assurance companies** decide upon in respect of their own corresponding funds. They value their own funds at their complete discretion, subject to the requirements of their regulators.

8.3 Fund values and unit prices

- (a) The value of a **unit-linked fund** is based on the value of the assets relating to it; certain adjustments are then made to that value.
- (b) In some cases, there will be a range of values that can be placed on assets and therefore on the value of a **unit-linked 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 **unit-linked fund** (or any underlying **fund**) is more or less than the total amount being paid out. If more money is being paid in, the relevant company will be

buying more assets than it is selling. In such a case, the purchase price of assets will normally be used in valuing the **unit-linked fund**. If, however, more money is being paid out of the **unit-linked fund**, the sale price of assets will normally be used in valuing the **unit-linked fund**.

- (c) The relevant company may, however, at its complete discretion, choose to base the value of its fund on asset values that lie between the purchase and sale prices. It may also make an adjustment to its fund value to take **account** of the expenses of buying and/or selling assets. If such an adjustment is made, the value of the **unit-linked fund** will equate to a fund value based on asset values that lie between the sale and purchase prices.
- (d) 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.
- (e) Other methods of valuation may be used. In choosing any other method the relevant company will act in a fair and reasonable manner.
- (f) Asset valuations and **unit price** calculations are carried out with extreme 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, in our view, a material loss has been suffered. If, however, the mistake is due to an error outside the control of the relevant company, we reserve the right not to correct the mistake retrospectively.

8.4 Calculation of unit prices

- (a) The **unit price** is the value of the **unit-linked fund** divided by the number of **units** in issue (subject to any rounding). The amount raised is based on the number of **units** to be sold and the relevant **unit price(s)** then applicable.
- (b) If for any reason, the **fund's** value 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.

- (c) When calculating **unit prices** for **M&G funds** we:
- (i) round our calculations up by one tenth of a penny or less, if we decide to value the relevant **fund** on the basis of the purchase price of assets; and
 - (ii) round our calculations down by one tenth of a penny or less, if we decide to value the relevant **fund** on the basis of the sale price of assets.

Unit prices for **externally-linked funds** will be rounded in accordance with the methods used by the relevant **external fund manager** or **external life assurance company**.

- (d) 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.

However, in some circumstances, an **external fund manager** or an **external life assurance company** may make 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). The charge may either be applied in the buying and selling of units, or it may be absorbed by the fund itself – this depends on the practice of the individual **external fund manager** or **external life assurance company**.

If an **external fund manager** or an **external life assurance company** makes such a charge, we may at our discretion make a corresponding charge, collected either via buying or selling proceeds by varying the **unit price** or from the relevant **fund** as appropriate. A **dilution levy** is not designed to make a profit, but to cover expenses.

The charge is designed to ensure that, rather than reducing the value of everyone’s investments, these expenses are paid for only by the people whose transactions have caused them. If a **dilution levy** is applied, we will tell you the amount of the levy and the method of deduction in writing.

8.5 Delay in buying units

- (a) There may be a delay in buying **units** if a **fund** has not been valued due to exceptional circumstances, for example if it is not possible to trade on any given day or if our, or an **external fund manager’s** or **external life assurance company’s** systems are not operational.

- (b) In the event that there is a delay in buying **units**, it will take place at the end of the period of delay, using the relevant **unit price(s)** then applicable.

- (c) If at the end of any period of delay we consider that it would not be fair or reasonable to policyholders as a whole to buy **units** at that time, we will advise you in writing of the further delay and tell you our reasons.

8.6 Delay in selling units

- (a) There may be a delay in selling **units** of any **fund** if that **fund** has not been valued due to exceptional circumstances, or where due to market or other conditions beyond our control (including system failures), it is not possible to trade.
- (b) A sale of assets relating to a **fund** may have an adverse effect on their value, particularly in circumstances where they are not readily saleable within a short period of time. For these reasons, in order to protect your interests, and the interests of other policyholders, we may delay carrying out an instruction to sell **units**.
- (c) We may, furthermore, impose a delay in selling **units** of an **externally-linked fund** if an **external fund manager** or **external life assurance company** so requires in relation to its own corresponding fund. An **external fund manager** or an **external life assurance company** may impose such a delay if it believes that there is sufficient or good reason to do so, having regard to the interests of all or any of its customers or policyholders.
- (d) We will not delay selling **units** for any longer than is reasonably necessary. In the case of an **externally-linked fund**, the period of delay will end within **2 working days** following the day the **external fund manager** or **external life assurance company** tells us that it is in a position to resume transacting in its own funds.
- (e) Additionally, for some types of assets or in certain markets, there may be a delay between selling the assets and receiving the proceeds. In such a circumstance this results in a delay in making the value realised available. Again, we will not delay in these circumstances longer than is reasonably necessary.

(f) Please note that we can change the terms described in this section 8.6 in respect of any new **funds** we may make available (see section 10.4).

8.7 Unit price date(s) in event of delay in selling units

- (a) Where there is a delay in selling **units**, it will automatically take place at the end of the period of delay using the relevant **unit price(s)** then applicable.
- (b) Where there is a delay between selling the assets and receiving the proceeds, the selling of **units** will take place at the start of the period of delay using the relevant **unit price(s)** then applicable.
- (c) If at the end of any period of delay we consider that it would not be fair or reasonable to policyholders as a whole to sell **units** at that time, we will advise you in writing of the further delay and tell you our reasons.

9 The With-Profits Fund

9.1 The long-term fund

- (a) The **With-Profits Fund** is part of **Prudential's** long-term fund, which is an investment fund into which the premiums under a number of different types of policy are paid.
- (b) The **With-Profits Fund** was established by **Prudential**. Investment in the **With-Profits Fund** under the Policy is available through the medium of **units**, to which bonuses are allocated as described in section 9.6. This is sometimes known as "unitised with-profits". Within the **With-Profits Fund** there are different classes of "with-profits" policy, some "unitised" and some which receive bonuses as monetary additions. In particular it should be noted that different **unit prices** may apply to different classes of "unitised with-profits" policies.

You will be a with-profits policyholder while there are any **units** of the **With-Profits Fund** held under your **account**.

9.2 Unit Prices

Section 9.1(b) states that different **unit prices** may apply to different classes of "unitised with-profits" policies. When **units** of the **With-Profits Fund** were first issued under the class of policy to which the Policy relates, they were given an initial **unit price**. Since then the **unit price**

has increased through the addition of bonus interest, as explained later. It may increase further in this way, but subject to any changes to **units** (see section 10.1), it will never decrease. When calculating **unit prices** we normally round our calculations to the nearest one tenth of a penny (or if mid-way between two tenths to the higher tenth).

9.3 Long-term fund profits

Some of the investment return made on the assets of the long-term fund is needed to pay certain expenses of the fund and to pay for all the guarantees the **With-Profits Fund** supports. We may also retain some investment return as a reserve against future liabilities.

The rest of the investment return and some other sources of profit or loss are available to be split between our shareholders and all our different classes of with-profits policyholders. Our Articles of Association (which are made and can be amended in line with company law) regulate the amount which can be given to shareholders.

If **units** of the **With-Profits Fund** are credited under the Policy, those **units** will receive bonus interest allocated as part of any distribution to "with-profits" policyholders.

9.4 Dividing long-term fund profits

- (a) We decide from time to time how much of the investment return from the assets of the long-term fund and some other sources of profit or loss are to be split, and how the policyholders' share should be fairly divided between the different classes of with-profits policyholder and between the individual policyholders within each class.

Units of the **With-Profits Fund** which have been credited to the Policy will receive a share of the investment returns on the assets of the long-term fund (after smoothing of the amounts available) through the addition of bonuses, as described in sections 9.6 and 9.7. reasonable manner, taking into account the factors described in section 10.2 (a).

- (b) In setting bonuses we have two main aims:
 - (i) to give each with-profits policyholder a return on the premiums paid reflecting the return on the underlying investments over the time the policyholder has held the policy, smoothing the peaks and troughs of investment performance; and

- (ii) to ensure that with-profits policyholders in each sub-fund receive a fair share of the profits distributed from that sub-fund by way of bonus additions to their policies.

9.4 With-profits literature

We currently publish, and make available to policyholders, a document called “Your With-Profits Plan – a guide to how we manage the Fund, Prudential Unitised With-Profits Plans and Cash Accumulation Plans” which describes our bonus policy and the operation of our with-profits business in greater detail. This document is available on our website or you can ask us to send you a paper copy.

9.6 Bonuses before sale of units

We will credit **units** of the **With-Profits Fund** with a share of the investment return of the assets of the long-term fund by increasing the **unit price** from time to time through the addition of bonus interest.

9.7 Bonuses on sale of units

We may add a final bonus (sometimes called terminal bonus) to the amount realised when a **unit** of the **With-Profits Fund** is sold.

9.8 The amount raised on sale of units and deductions from that amount

When a **unit** of the **With-Profits Fund** is sold, the amount raised will normally be the total of the **unit price** plus any final bonus. In some circumstances we may make a **market value reduction** from that total. The reason for this is that in certain circumstances the bonuses credited to the **unit** may exceed the actual investment returns on the assets of the **With-Profits Fund** during the period the **unit** has been credited. Any **market value reduction** that we make will be for the purpose of reducing or extinguishing any such excess. Section 9.9 sets out the circumstances when we will never make a **market value reduction**.

In deciding whether to make a **market value reduction**, we will have regard to our duty to protect both the interests of other policyholders and the solvency of the **fund**. Similar considerations will apply when we consider whether any **market value reduction** needs to be made from amounts payable to other policyholders.

9.9 Circumstances where no deduction is made

We will not make a **market value reduction** when **units** of the **With-Profits Fund** held under your **account** are sold

- (a) following your death to provide a death benefit under section 5;
- (b) to provide a benefit under section 4
 - (i) where your employer first became a participating employer in the **plan** before 1 January 1995, at any time from the date 28 days before your **normal retirement date**
 - (ii) where your employer first became a participating employer in the **plan** on or after 1 January 1995 at any time during the period starting 28 days before and ending 28 days after your **normal retirement date**; or
- (c) for payment of our charges, where relevant.

9.10 Sale of part of unit holding

- (a) If only some of the **With-Profits Fund units** held under your **account** are to be sold, our normal practice is to sell those which have been held for the longest time.
- (b) We can change the way in which we select **units** to be sold. In that case we may divide the **units** held under your **account** into sets, according to the source and type of payments used to buy those units. We then sell a proportionate number of **units** from each set, starting with those held for the longest time. Alternatively we can use any other similar method to select the **units** which are to be sold.

10 Ownership of assets; changes to availability of fund options

10.1 Units and changes to units

- (a) **Units** are not property capable of ownership. They are our method of recording the amounts and payment date of premiums and they enable us to calculate the value of benefits under this and other policies.
- (b) 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 divide the existing **units**) and make corresponding changes to the **unit price**, but we will not do so in any way that disadvantages you.

10.2 Ownership of assets

(a) We, or another company within the **M&G plc group**, own all the assets of the **M&G funds** and the **With-Profits Fund** in our own right and not as trustee for policyholders. But when we make decisions relating to the investment and valuation of assets, the division of long-term fund profits and the amount of bonuses, charges and other deductions that will apply to with-profits policyholders, 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:

- (i) our policyholders and our shareholders
- (ii) different classes of policyholder, and
- (iii) individual policyholders.

We must in any event take account of our policyholders' reasonable expectations in our actions.

(b) All the assets of the underlying funds of the **externally-linked funds** are owned by the relevant **external fund manager** or **external life assurance company**. Any policies issued by them to enable us to offer **externally-linked funds** are owned by us.

10.3 Changes to or withdrawal of funds

- (a) We can at any time change the investment objectives of any one or more of the **M&G funds**. We will use our best endeavours to give you **reasonable notice** before any such change happens.
- (b) We can at any time close any one or more of the **funds** to new money, subject to the requirement to give you notice under (d) below. If we close a **fund** you will not be able to buy new **units** of it after the date of closure.
- (c) We can at any time merge or wind-up any one or more of the **funds**, subject to the requirement to give you notice under (d) below.

If, at the time we merge a **fund** with another **fund**, you have any **units** of that **fund** held under your **account**, we will (unless you instruct us otherwise under (d) below) treat them as being switched to the new **fund** which has been created by the merger.

If, at the time we wind-up a **fund**, you have any **units** of that **fund** held under your **account**, we will (unless you instruct us otherwise under (d) below) switch them to **units** of the **fund** with the most similar investment objectives to the wound-up **fund**.

If there is not a similar **fund**, we will switch the **units** to the **cash fund** until we receive your instructions under (d) below.

We can switch from one lifestyle profile to another where we reasonably conclude that we are required to do so to comply with the requirements of the Financial Conduct Authority Principles for Business.

- (d) We will always give you at least one month's notice of any of the events described in (b) or (c) happening if there are any **units** of the affected **fund** or **funds** held under your **account**. Otherwise, we will advise you of changes under (b) or (c) at the same time as we send out the yearly statement under section 12.2(a).
- You will be given the opportunity to instruct us regarding any **units** held in the relevant **fund** or **funds** before we carry out the switch described in (c).
- (e) If we change, close, merge or wind-up a **fund**, we will aim to be fair and reasonable in the way that we do so, having regard to our duty to protect the interests of other policyholders.
- (f) Each **external fund manager** and **external life assurance company** also have the power to change or withdraw the availability of our link to its own **fund(s)**. If this happens, we will give you as much notice as is practicable given the circumstances of the change.

10.4 New funds

- (a) We can at any time make available new **M&G funds**, other types of **M&G fund** or new **externally-linked funds**.
- (b) The terms that we may apply in respect of the **funds** depend on various factors, including the types of assets and the markets in which the **funds** are invested. We may need to apply different terms from those described in the Policy for new fund options, whether **M&G funds**, other types of **M&G fund** or **externally-linked funds**.

- (c) In all matters regarding the inclusion of a new **fund**, whether a **M&G fund**, another type of **M&G fund** or an **externally-linked fund**, our decision is final.
- (d) We will give you at least one month's notice of any of the events described in section 10.4(a) happening.

11 Charges

11.1 Details in the appendix and other material

The charges we make and the way in which they can be increased are explained in the **appendix** and in other documents we may from time to time give you.

11.2 Compensation schemes

If a charge is imposed on us under the Financial Services Compensation Scheme (or any investor compensation scheme), we can pay for it by imposing on our policyholders whatever additional charges are necessary and reasonable. We will notify you if this is ever the case.

11.3 Changes in the law

There may be changes to or clarifications of the law which affect the operation of the Policy. If such a change or clarification results in additional requirements, restrictions or liabilities over which we have no control being imposed on us, we can make any changes to the Policy which are reasonably necessary because of those requirements, restrictions or liabilities. The changes can include new charges to raise the money required to pay for any liability. However, we will use reasonable endeavours to ensure that any new charges are fair, reasonable and equitable, taking into **account** the nature of the changes to or clarifications of the law and their overall effect. We will notify you if this is ever the case

12 General

12.1 Contractual rights

The Policy is an individual contract made for the benefit of you. You deal direct with us and have direct contractual rights with us.

12.2 Yearly statements and other statements

- (a) Each year we will send you a statement showing the value of your **account**.

- (b) Each time you request us to carry out a switch under section 2 we will send you a statement showing the value of the **units** switched. For a switch from the **With-Profits Fund** the statement will show any **market value reduction** under section 9.8.
- (c) We will send you additional statements if you request them.

12.3 Information to be provided by you to us

- (a) You must provide us with any information we may reasonably need from time to time to operate the Policy; or, if we already have the information, you must verify that it is still correct if we require.
- (b) If you have agreed, or we require, that certain information will be provided in a specified format (for example, by email or electronically), you must provide that information in the specified format.

12.4 Notices, instructions and communications from you to us

- (a) All notices, instructions and communications to us about the Policy must be in writing. They should quote your name, your National Insurance Number and any reference number we give you, and must be sent to the address shown on page 1.
- (b) All notices, instructions and communications in writing will normally take effect when we receive them unless we receive them after 3.30 p.m. (London time) on a **working day**, or we receive them on a day which is not a **working day**. In either of these cases, they will take effect on the next **working day**.
- (c) Where our systems enable us to accept certain types of notices, instructions and communications by electronic means, we will notify you of the relevant procedures.

12.5 Notices to you from us

- (a) You must give us an address to which we will send any notices.
- (b) Normally, we will deliver notices by post. Unless exceptional circumstances apply, notices sent by post will be treated as received by you two **working days** after posting.
- (c) You are responsible for ensuring that we have your up to date address.

12.6 Production of evidence

From time to time and before making any payment under the Policy we may require to see:

- (a) proof of the identity and right of any applicant for payment under the Policy;
- (b) proof that a person is still alive, if payment under the Policy is claimed in respect of any pension payable while he or she is alive;
- (c) proof that a person has died, if payment under the Policy is due on his or her death.

12.7 Proof of age and marriage/civil partnership

- (a) Before we pay any benefit under the Policy, we may need proof of your age and the age of any other person for whom a benefit is payable. If the age previously notified to us proves to have been incorrectly stated, we will adjust the benefits to those that would have applied if the correct age had been given. We will make any further adjustments needed to collect or pay any overpayments or underpayments made before the mistake was put right.
- (b) If you are married or have entered into a civil partnership, and a benefit is payable to your spouse or civil partner, we may also require evidence of the marriage or the civil partnership.

12.8 Pension instalments

We will normally pay any pensions under the Policy by monthly instalments. For administrative reasons, such as a small pension amount, or where the processing costs are disproportionately high in relation to the payments, we reserve the right to pay pensions at greater intervals, subject to a maximum interval of one year.

We will give you **reasonable notice** of any proposed change.

12.9 Taxation of benefits and investment funds

(a) Benefits

- All pensions are taxable as earned income.
- Pension commencement lump sums are normally tax-free.
- Tax will be paid on at least part of a commutation lump sum.
- A serious ill-health lump sum will normally be tax-free.
- A tax charge (currently at the recipient's highest marginal rate of income tax but this may be changed by HMRC) of the payment applies to any lump sum death benefit that is not paid within the two years starting with
 - (i) the day on which we first knew of your death, and
 - (ii) the day on which we could have first reasonably have been expected to have known of your death
- All benefits (excluding any **dependant's** pensions) count towards your **personal lifetime allowance** and a **lifetime allowance charge** may be payable by the recipient(s).

(b) 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.

Dividends from many overseas companies will be paid after deduction of an overseas withholding tax that we cannot generally recover.

Dividends from UK companies are exempt from tax but we are unable to recover the tax credit on the dividend.

12.10 Miscellaneous lump sum payments

A miscellaneous lump sum may be paid under the Policy to or in respect of you (whether by commutation of pension or otherwise), in circumstances other than those set out in section 4 or section 5, where the Finance Act 2004 would not make such a payment an Unauthorised Payment. No Unauthorised Payments (as defined in Part 4 of the Finance Act 2004) may be paid under the Policy.

12.11 Payments by us

- (a) All payments will normally be by direct credit, but we may agree instead to make payment by cheque.
- (b) We will make benefit payments under the Policy direct to you, except where:
- (i) we make payment direct to the person entitled to the benefit under the Policy; or
 - (ii) the benefit is being bought from another **insurance company**. In that event we will make the payment to that **insurance company** either direct or, at your request, through a pension consultant acting for you; or
 - (iii) a transfer payment is being made to another **insurance company** (if the scheme is insured) or otherwise to the trustees, administrators or managers of another **registered pension scheme** or to a **qualifying recognised overseas pension scheme**.

12.12 Transfer of ownership

Neither the Policy, nor any benefit payable under it, can be assigned or transferred (except as described in section 12.20).

Benefits under the Policy cannot mortgaged or charged.

12.13 Policy is long-term business

The benefits arising under the Policy are part of our “long-term business” as described in the Financial Services and Markets Act 2000.

12.14 Policy and pensions not to be cashed

The amounts raised from your **account** can only be used in the ways described in the Policy. In particular the conditions set out below apply.

- (a) You cannot cancel the Policy in exchange for a cash payment unless permitted by **HMRC** and in accordance with the requirements of the relevant legislation.
- (b) Normally, no pension can be exchanged for a lump sum except as described in sections 4 and 5.

12.15 Form and amount of Policy benefits

- (a) Unless specifically provided for in the Policy, or where we have otherwise agreed with you, we will not accept an instruction to pay benefits which would require **units** held under your **account** to be sold on more than one date (without prejudice to our rights to delay in the situations and on the terms described in section 7).
- (b) Our liability to pay benefits to you (or to any other person entitled to benefits under the Policy on your death) under the Policy is limited
 - (i) to the amounts raised on selling all **units** held under your **account** (less any charges and other deductions we may be entitled to make); and
 - (ii) where a pension is bought under the Policy, to the amount of that pension.

12.16 Changes to the Policy terms

Note: This section 12.16 does not apply to our right to change our charges. Our right to change our charges is set out in the **appendix**.

We can add to, amend, modify or set aside any of the terms and conditions in the Policy (including the **appendix**) without your consent in the following circumstances:

- if it becomes impossible or unreasonable to follow them because of (i) any changes to taxation, the law or interpretation of the law, decisions, guidance or recommendations of an ombudsman, regulator or similar person or any code of practice with which we intend to comply, or (ii) to correct errors if reasonable to do so.
- if we have given you **reasonable notice**, and if the addition, amendment, modification or setting aside is reasonable

- if the basis which any company within the **M&G plc group** is taxed changes, and then we can only change the Policy in such a way that the balance between you and us is the same as it was before the change
- if we discover the payments to the **plan** did not relate to pension business in the way described in section 58 of the Finance Act 2012 (as amended)
- if we do not have a current address for you, which will mean we cannot contact you to provide the written notification of a proposed amendment that we would otherwise have given in accordance with the terms of the Policy.

Except where it is impracticable to do so, we will always give you **reasonable notice** of any changes that we have made under this section 12.16.

If you (or a **dependant**, if appropriate) are unhappy with any changes, you, he or she should contact us in accordance with section 12.23.

12.17 Failure to comply with the Policy terms and conditions

- If you fail to comply with any of the terms and conditions described in the Policy, then we can send you a notice telling you what must be done to remedy the breach or, if the breach cannot be put right in any reasonable manner, stating that fact.
- If the breach is not or cannot be put right as required, we can make appropriate and reasonable changes to the benefits affected.

12.18 Rights of third parties

You (or any other person entitled to benefits under the Policy) have directly enforceable rights against **Prudential** in respect of the benefits under the Policy to which you (or any other person entitled to benefits under the Policy) are or become entitled.

Subject to this, nothing in the Policy confers or purports to confer on any third party any benefits or any right to enforce any term or condition set out in the Policy pursuant to the Contracts (Rights of Third Parties) Act 1999.

12.19 Governing law

The Policy will be governed by the laws of England and Wales and any disputes connected with the Policy will be settled in the Courts of England and Wales. The parties agree irrevocably to submit to the jurisdiction of the Courts of England and Wales.

12.20 Divorce and dissolution

- Legislation requires that pension arrangements are taken into account in divorce settlements and settlements made on the dissolution of civil partnerships.

Pension arrangements can be “set-off” against other matrimonial and civil partnership assets – the pension arrangement 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 arrangement is “earmarked” for payment to a former spouse or civil partner at retirement or on earlier death; or
- the pension is “split” under a pension sharing order – with a transfer being made to an arrangement in the ex-spouse’s or ex-civil partner’s name.

If you are divorced, or a civil partnership has been dissolved, and under a Pension Sharing Order a pension credit in respect of your ex-spouse’s or ex-civil partner’s benefits under a **registered pension scheme** was transferred to the **plan** for you, you will have pension credit rights held under your **account**. If, under a Pension Sharing Order, a pension credit was awarded to you on or after the commencement date of this Policy, it cannot be transferred to and held under your **account**. If on divorce or dissolution your ex-spouse or ex-civil partner is awarded a pension credit in respect of your benefits under the Policy, he or she will have to transfer these pension credit rights to another **registered pension scheme**.

- (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 arrangement covered by the order is surrendered and transferred to another pension arrangement.
- (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 you (and/or your 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) If your benefits are affected by an earmarking or pension sharing order, you should seek advice from a financial adviser to ensure that the impact on the benefits is properly assessed. We will not pay for, nor reimburse you or any other person for, the costs of any such advice.

12.21 Beneficiary unable to look after own affairs

If we believe on the advice of a **registered medical practitioner** that any beneficiary under the Policy is unable to look after his or her own affairs we may arrange that any benefit due, instead of being paid to the beneficiary, will be paid to another person who will look after the money for the beneficiary or will use it for the benefit of the beneficiary, until the beneficiary is able to look after his or her own affairs.

12.22 Compensation schemes

Prudential policyholders are protected by the Financial Services Compensation Scheme (FSCS) against the insolvency of **Prudential**. As such, you or any other person entitled to benefits under the Policy (as appropriate) may be entitled to compensation from the FSCS, if we cannot meet our obligations. This depends on the type of business, the **funds** selected and the circumstances of the claim.

For more information on the FSCS and examples of limits in the scope of FSCS cover, you can visit our website at pru.co.uk/about_us/fscs.

You can also obtain information from:

The Financial Services Compensation Scheme
PO Box 300
Mitcheldean
GL17 1DY

Telephone: **0800 678 1100** or **0207 741 4100**

Website address: fscs.org.uk

Policyholders, including you or any other person entitled to benefits under the Policy (as appropriate), are not protected by the FSCS against the insolvency of other companies within the **M&G plc group**, or a company to which the **externally linked funds** are linked. This means that the FSCS does not provide protection:

- for **unit-linked funds** which are invested solely in funds operated by another company within the **M&G plc group** (for example, **unit** trusts or OEICs operated by another company within the **M&G plc group**)
- for **unit-linked funds** which are provided through another company within the **M&G plc group**
- for **externally-linked funds**

If another company from within the **M&G plc group** or an external company to which the **externally linked funds** are linked, becomes insolvent and we cannot recover the full value of the **units** we will not be liable for the shortfall. **Unit prices** may fluctuate in line with the value of the assets owned by the **unit-linked fund**, but this is normal investment risk.

As reflected in section 11.2, 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.

12.23 Complaints

We want to know about any disputes or complaints as soon as possible. If you or any other person entitled to benefits under the Policy (as appropriate) have any disputes or complaints, you or any other person entitled to benefits under the Policy (as appropriate) should contact us in the first instance at the address shown on the first page.

In the unlikely event that we are unable to resolve any disputes or complaints, you or any other person entitled to benefits under the Policy (as appropriate) can contact the organisations mentioned below.

These organisations provide their services free of charge and can investigate and resolve any disputes or complaints that you or any other person entitled to benefits under the Policy (as appropriate) are unable to resolve with us.

- The Financial Ombudsman Service (FOS).

Its address is:

Exchange Tower
London
E14 9SR

Telephone: **0800 0234567** or **0300 1239123**

Website address: **financial-ombudsman.org.uk**

The Financial Ombudsman Service investigates disputes or complaints about the sale and marketing of pension plans.

- The Pensions Ombudsman (TPO).

Its address is:

10 South Colonnade
Canary Wharf
London
E14 4PU

Telephone: **0800 917 4487**

Website address: **pensions-ombudsman.org.uk**

The Pensions Ombudsman investigates disputes or complaints about how pension plans are run.

We can give guidance as to which is the appropriate organisation for you or any other person entitled to benefits under the Policy (as appropriate) to contact in the event of a particular dispute or complaint.

12.24 Bankruptcy

Legislation has been passed on the effect of bankruptcy on pensions. In broad terms, pensions from **registered pension schemes** will not usually form part of the assets to be taken into **account** in bankruptcy provided the bankruptcy petition is presented to the Court on or after 29th May 2000.

However, where the benefits are in payment, a Court has the discretion 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 be 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.

The value of an investment may fluctuate and is therefore not guaranteed.

Information in the Policy is based on our understanding of legislation as at April 2019. Legislation, particularly relating to taxation, may be subject to change in the future.

Any tax reliefs/tax advantages referred to in the Policy are those currently available and the value of tax reliefs depends on individual circumstances.

12.25 How we use your personal information

For a copy of our latest Data Protection Notice, please visit pru.co.uk/mydata-cp. This details how and why we use your personal information (including any sensitive personal information), who we may share it with and your rights around your personal information. Alternatively, you can request a hard copy to be sent to you by writing to The Data Protection Officer, Customer Service Centre, Lancing BN15 8GB.

Please note that we collect personal information from you that is necessary for us to either provide you with the product or service you've requested or to comply with statutory or contractual requirements. Unfortunately if you don't provide all of the information we require this may mean we are unable to provide our products and services to you.

Appendix

This Appendix is part of the Policy.

It is divided into the following sections:

Part A Our Charges

Part B Investment Restrictions

Part C Normal Timescales

Any words defined in section 1 of the Policy that are used in this Appendix have the same meanings here.

A Our charges

Our charges are explained below.

1. Fund management charge

(a) Unit-linked funds

There are separate **fund management charges** on each of the **unit-linked funds**. Details of the **fund management charges** relating to the **funds** available for selection under the Policy can be found in your **fund** guide.

The **fund management charge** will be deducted by selling **units** held under your **account**.

The **fund management charge** is a percentage of the value of the **units** held under your **account**. The **fund management charge** is calculated on a daily basis. It is, however, accumulated and we will normally deduct it from your **account** on one day every calendar month by selling **units** of our choice.

We will select the date that **units** are sold to collect the charge. **Units** may, however, in some circumstances be sold to collect the **fund management charge** on more than one day each month.

For example:

- where **units** are switched between funds, that part of the **fund management charge** which relates to the **units** then being sold may be deducted at the time the **units** are switched; or
- where **units** are sold to pay a transfer or to buy benefits, part or all of the **fund management charge** may be deducted at the time the **units** are sold.

(b) With-Profits Fund

There is no explicit **fund management charge** made in connection with the **With-Profits Fund**. However, while there is not an explicit charge, section 9.4 of the Policy explains that part of the divisible profits of the long-term fund is given to our shareholders or may be retained to meet certain expenses of the fund including the charge to pay for all the guarantees the **With-Profits Fund** supports.

As stated in section 10.4 of the Policy, different terms (including different charges) may apply to any new funds made available.

2. Dilution levy

The dilution levy is a charge we may sometimes make in relation to **externally-linked funds**. It is described in section 8.4(d) of the Policy.

3. Pension set-up charge

There will be a charge when a pension is bought from us under the Policy. The pension set-up charge is designed to cover all of the costs and expenses when we set the level of income that you will receive from your pension.

4. Increases to and changes to our charges

We may increase any of our charges from time to time, but we will keep any such increases to reasonable amounts, with the intention only of keeping profitability at the level originally anticipated. We will take into account all relevant factors, including the need to respond to matters we cannot control, like changes in taxation and inflation.

We may also make changes to our methods of calculating or making charges, including the replacement of any of our current charges with different charges.

We may increase or make changes to any charge on giving you three months' notice of our intention to do so.

B Investment restrictions

1. Investment restrictions on switches

There is currently no restriction on the amounts that can be switched.

2. Maximum number of funds

You can be invested in a maximum of ten **funds** at any particular time.

C Normal Timescales

Except where stated otherwise in the Policy we will complete the following within the timescales specified below:

1. Switching (section 2.2 of the Policy) or notifying a delay in switching (section 2.6 of the Policy)

Within five **working days** of receipt of a valid instruction.

2. Payment of a lump sum benefit under sections 4 or 5 or a transfer payment under section 6 of the Policy

Within five **working days** of the date you satisfy all our requirements under the relevant section or sections of the Policy.

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