

Important information



Key Features of the Group Additional Voluntary Contributions Plan



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

Prudential
Stirling
FK9 4UE



› About this booklet

- › This booklet is the Key Features for the Group AVC Plan.
- › If you are thinking about whether our Group AVC Plan may be right for you, this booklet will help you make that decision.
- › Please read it, and keep it in a safe place. Please also read A Guide to Fund Options.
- › If you still have questions about our Group AVC Plan after reading this booklet, please call us on 0845 605 1185. If you have a financial adviser, please contact them in the first instance.

The Financial Services Authority

The Financial Services Authority is the independent financial services regulator. It requires us, Prudential, to give you this important information to help you decide whether our Group AVC Plan is right for you. You should read this information carefully so that you understand what you are buying and then keep it safely for future reference.



› About our Group AVC Plan

It is a savings arrangement designed for you to build up a pot of money to provide an additional pension for your retirement and is subject to the rules of your company pension scheme.



› Its aim

- › To help you save for your retirement in a tax-efficient way.

› Your commitment

- › To make at least one payment into your plan.
- › To allow the money in your plan to grow until you take your retirement benefits.



› Risks

Risk factor	Where you can find more information
› The value of the investments that make up your plan can go down as well as up. The value can even fall below the amount you invested.	We explain this in "Where do you invest my contributions?" on page 8.
› There are different risks for different funds.	We explain this in "Where do you invest my contributions?" on page 8. You can also find information about each fund in "A Guide to Fund Options".
› If money is taken out of the With-Profits Fund at any time other than your normal retirement date or on your death, the amount payable may be reduced to reflect the value of the underlying assets at that time. This is known as a Market Value Reduction (MVR).	We explain this in "What is a Market Value Reduction?" on page 12.
› Tax rules may change in the future.	We explain this in "What are the tax advantages of investing in a Group AVC Plan?" on page 10.
› Inflation will reduce what you can buy in the future.	



➤ Questions and answers

Your Group AVC Plan

How much can I pay into my Group AVC Plan?

Depending on your main scheme rules, you may be allowed to pay up to 100% of your salary towards your AVC pot. You should clarify the maximum contributions you can make with your main scheme administrators.

However, there are limits on the tax relief you receive. For more information about tax relief, please read "What are the tax advantages of investing in a Group AVC Plan?" on page 10.

The government's Pension Credit guarantees a minimum income if you're on a low income. If you have little or no other retirement provision, the income you receive when you take the benefits from this plan could reduce the amount you receive as a Pension Credit.

Where do you invest my contributions?

You choose which funds you would like to invest your money in, from a fund range that we offer. We use your money to buy units in these funds.

Different funds offer different types of investment. For example, some only invest in property, others invest in a wide range of assets, and others invest directly in the stockmarket. Each fund has its own level of potential growth and risk. Usually funds with more potential for growth carry more risk.

The performance of the funds isn't guaranteed. The value of your units can go down as well as up. If it goes down, you could have less money in your plan than you paid in.

For information about the funds you can choose from, please read "A Guide to Fund Options" and "Your With-Profits plan – a guide to how we manage the Fund".



Can I switch my money between funds?

You can switch your money between funds at any time. We currently don't charge you for this. If this changes in the future we will let your pension scheme trustees know.

We may apply a Market Value Reduction if you switch money out of our With-Profits Fund. For more information about this, please read "What is a Market Value Reduction?" on page 12.

Can I take money out of my plan?

You can't withdraw money from your plan. It can only be used to provide you with pension or death benefits.

Can I transfer my plan?

Depending on the main scheme rules you may be able to transfer your plan to another pension arrangement at any time before you start to take your pension benefits. We won't charge you for this.

We may apply a Market Value Reduction if you transfer money out of our With-Profits Fund. For more information about this, please read "What's a Market Value Reduction?" on page 12.

Transferring funds between pension providers is an important decision, so we recommend that you speak to a financial adviser first.

Can I transfer money from another pension plan into this one?

Should you wish to transfer any funds into the AVC scheme you should approach your pension scheme administrator in the first instance.



What are the tax advantages of investing in a Group AVC Plan?

Tax Relief

You will normally receive tax relief on your own contributions. You'll get this tax relief on up to 100% of your earnings.

The government limits the amount that can be contributed every year before incurring tax penalties. This is called your Annual Allowance. It also limits the total amount you can receive in pension benefits over your lifetime before incurring tax penalties. This is called your Lifetime Allowance.

The government have made some rules around restricting tax relief on those with a total annual income of £130,000 or above. If you think you may be affected by these changes we strongly suggest you seek financial advice.

Annual Allowance

If, in any tax year, the total payments into all your pension plans exceeds the Annual Allowance, an Annual Allowance tax charge of 40% on the excess amount will be payable. The Annual Allowance for the 2010/11 tax year is £255,000.

The government will review the Annual Allowance on an ongoing basis, but have confirmed that it will stay at £255,000 for the five tax years starting from 2011/2012. The annual allowance doesn't apply in the year you take all benefits.

If you are also a member of a salary related company pension scheme, any increases in the value of your pension under that scheme will also count towards the Annual Allowance.

Lifetime Allowance

If the value across all your pension funds exceeds the Lifetime Allowance at the time you take your benefits, a tax penalty will be payable on the excess amount. The Lifetime Allowance for the 2010/11 tax year is £1.8m.

The government will review the Lifetime Allowance on an ongoing basis, but have confirmed that it will stay at £1.8m for the five tax years starting from 2011/2012.

If you think you might be affected by the Lifetime Allowance, you should speak to a financial adviser as soon as possible.



Capital Gains Tax

You don't pay capital gains tax on your pension funds

Income Tax

Any pension income will be taxed as earned income.

This information is based on our understanding of current taxation, legislation and HM Revenue & Customs practice, at May 2010. These tax rules could change in the future without notice.

The impact of taxation and any tax relief depends on your individual circumstances. For more information about tax, please go to HMRC's website: hmrc.gov.uk/rates.

What are the charges?

We make charges for managing your plan and your investments. The amount we charge depends on the funds you invest in. For more information, please read "A Guide to Fund Options".

For most funds we calculate the charge daily and take it monthly from your plan by cancelling units. We calculate the charge for the With-Profits Fund differently.


With-Profits Fund charges

The With-Profits Fund's management charge depends on the performance of the With-Profits Fund, in particular the investment return and our expenses. If, for example, over time investment returns are higher than we would expect to increase the charges and if investment returns are lower we would expect to reduce the charges. We currently expect this charge to be 1% a year, based on the assumption that future investment returns from the With-Profits Fund will be 7% per year. We deduct this charge through the bonus mechanism.

With-Profits guarantee charges

There is a charge to pay for all the guarantees the With-Profits Fund supports. We guarantee not to apply a Market Value Reduction (MVR) in certain circumstances, e.g. when payments are made because of death or at your normal retirement date. Our current practice (which is not guaranteed) may include additional circumstances when an MVR is not applied. Please see "What is a Market Value Reduction?" for more details.

You won't see this charge on your annual statement because we take it by adjusting regular and final bonuses.



The total deduction for guarantee charges over the lifetime of your plan is not currently more than 2% of any payment made from the fund. Our charges may vary in the future and may be higher than they are now. Charges may vary if, for example, the long term mix or type of assets held within the With-Profits Fund is changed.

For more information about bonuses and charges, please read "Your With-Profits Plan – a guide to how we manage the Fund".

Please remember that we'll keep taking our charges, even if you stop your regular payments.

Our charges may vary in the future and may be higher than they are now. Further details can be found by referring to your pension scheme trustees.

What is a Market Value Reduction?

If you take money out of the With-Profits Fund, we may adjust the value of your fund if the value of the underlying assets is less than the value of your plan including all bonuses. This would also apply if the trustees of your plan transferred part, or all, of the scheme. This adjustment is known as a Market Value Reduction (MVR). It is

designed to protect investors who are not taking their money out and its application means that you get a return based on the earnings of the With-Profits Fund over the period your payments have been invested.

We apply the MVR to your plan's value including regular and final bonuses. Please read "Your With-Profits Plan – a guide to how we manage the Fund" for more information on bonuses. An MVR will reduce the amount payable on full or partial withdrawals and if investment returns have been very poor, you may get back less than you have invested in your plan.


We guarantee not to apply an MVR at your normal retirement date or on any claims due to death.

Our current practice on applying a MVR

We may apply a MVR to any full or partial withdrawals as a result of switches or transfers out of the With-Profits Fund.

We do not currently apply an MVR to withdrawals as a result of early or late retirements.

We reserve the right to change our current practice on Market Value Reductions at any time, without prior notice, and this would apply to existing plans and any new plans



or top-ups. Examples of reasons for a change would include significant changes in the investment market or because the number of people moving out of the fund increases substantially.

Can I use the Group AVC Plan to contract out of the State Second Pension?

You can't use this plan to contract out of the State Second Pension.

How will I know how my plan is doing?

We send you an annual benefit statement, which shows how your plan is doing.

You can also get an up-to-date valuation of your plan by logging into our website at pru-pensions.co.uk. We'll give you your login details with your Welcome Pack.

What if I want to cancel my plan?

You may vary or cease your contributions at any time in the future, but you have no right to cancel your plan.

We will not return any money to you except in the form of a benefit payable in accordance with the rules.

What happens if I leave?

If you leave the Group AVC, your contributions will stop and your AVC account will remain invested (you can restart contributions after a career break when you rejoin the main scheme). Any charges will also continue to be taken until you take your retirement benefits.

Alternatively, you may transfer your AVC account, together with the main scheme benefits, to another Registered Pension Scheme, or where your employer has provided you with a refund of main scheme contributions, your AVC account will be refunded. If you have been a member for more than three months and less than two years, you may receive a refund of that part of your account that relates to your own contributions. This refund is subject to a tax charge, currently 20% on any refund up to £20,000 and 50% on any excess.

We may apply an MVR to any monies taken out of the With-Profits Fund. Please refer to "What is a Market Value Reduction" on page 12.

› Questions and answers

Taking benefits from your plan

When can I start taking my benefits?

The government currently allows people to start taking their benefits from the age of 55, even if they're still working. You may be able to start taking your benefits earlier if you're in ill health.

You must start taking your benefits by your 75th birthday.

How do I turn the value of my pension fund into benefits?

The value of your pension plan includes money you've invested, less charges plus any growth. This value is known as your pension fund. You can use your fund to buy an income known as an annuity. In return for some or all of the money invested in your plan, you'll be paid a regular income for the rest of your life.

You don't have to buy your annuity from the same provider you invested your pension fund with.

There are also other options that may be available to you. For information about all your options, please speak to a financial adviser.

Can I take any of the money invested in my pension plan as a lump sum?


You can usually take up to 25% of your pension fund as a tax free lump sum. This option to take tax-free cash is subject to the provisions of the main pension scheme. You must do this by 75.

These tax rules could change in the future without notice.

How much will my income be?

Your Group AVC Plan doesn't pay you an income. You use your pension fund to buy an annuity, which will pay you an income. The size of your pension fund will depend on many factors such as:

- › the amount that has been paid into the plan
- › how long you have been making payments
- › the performance of the fund(s) you have invested in
- › the age you choose to take benefits
- › the amount of charges you've paid.



The size of your income will depend on factors such as:

- › the size of your pension fund
- › the type of annuity you buy
- › your age when you buy your annuity
- › your sex
- › the annuity rate at the time you take your benefits.

For an example of the income you could receive, please see your illustration.

What happens if I die before I take my benefits?

If you die before you start taking your benefits, we will pay the value of your pension fund as a lump sum to the beneficiaries advised to us by the trustees.

The trustees will take your circumstances and any stated wishes into account before they decide who receives the lump sum, and this could be to your spouse, civil partner, nominated dependant or legal representative.

You can also use your AVCs to fund extra death benefits for your spouse, civil partner or dependants and premiums for this life assurance increase every three years for a given level of cover.

› Other information

How to contact us

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

If you don't have a financial adviser, you can call our UK based dedicated support team on 0845 605 1185. The opening hours are 9am to 6pm Monday to Friday.

You can also contact us by:

Post:

**Prudential
Stirling
FK9 4UE**

Via our website: www.pru.co.uk

How to make a complaint

If your complaint is advice related please contact your financial adviser.

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

To do this we need to know exactly what the problem is. So please write to us with all the details of what has happened. If your complaint is advice related please contact your financial adviser. Please send your complaint to:

**Prudential
Customer Relations Unit
Stirling
FK9 4UE**

Copies of our complaint handling procedures are available from this address.

If you'd rather phone, you can call us on 0845 605 1185. To make sure we have an accurate record of what you tell us, we may monitor or record your call.

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

**The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London E14 9SR**

Telephone: **08000 234 567**

**The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB**

Telephone: **020 7630 2200**



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

Telephone: **0845 601 2923**

The Pensions Advisory Service is an independent, government funded body that gives free advice to members of the public about pensions.

These are free services. Using them won't affect your right to take legal action. We can help you find the appropriate organisation to handle your complaint.

How we'll communicate with you

We will communicate with you in English by post, by phone or by email. We can provide Braille versions of our documents.

Your client category and why it matters

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

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

If you have any questions about your client category, or think your category should be different, please call our Customer Service Team on 0800 000 000.



Conflict of interest

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

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

Law

The law and courts of England and Wales will decide any dispute.

FSA Registration

Prudential Assurance Company Limited is entered on the Financial Services Authority (FSA) Register, FSA Reference Number 139793. The FSA Register is a public record of all the organisations that the FSA regulates.

You can contact the FSA at:

The Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Telephone: **020 7066 1000**

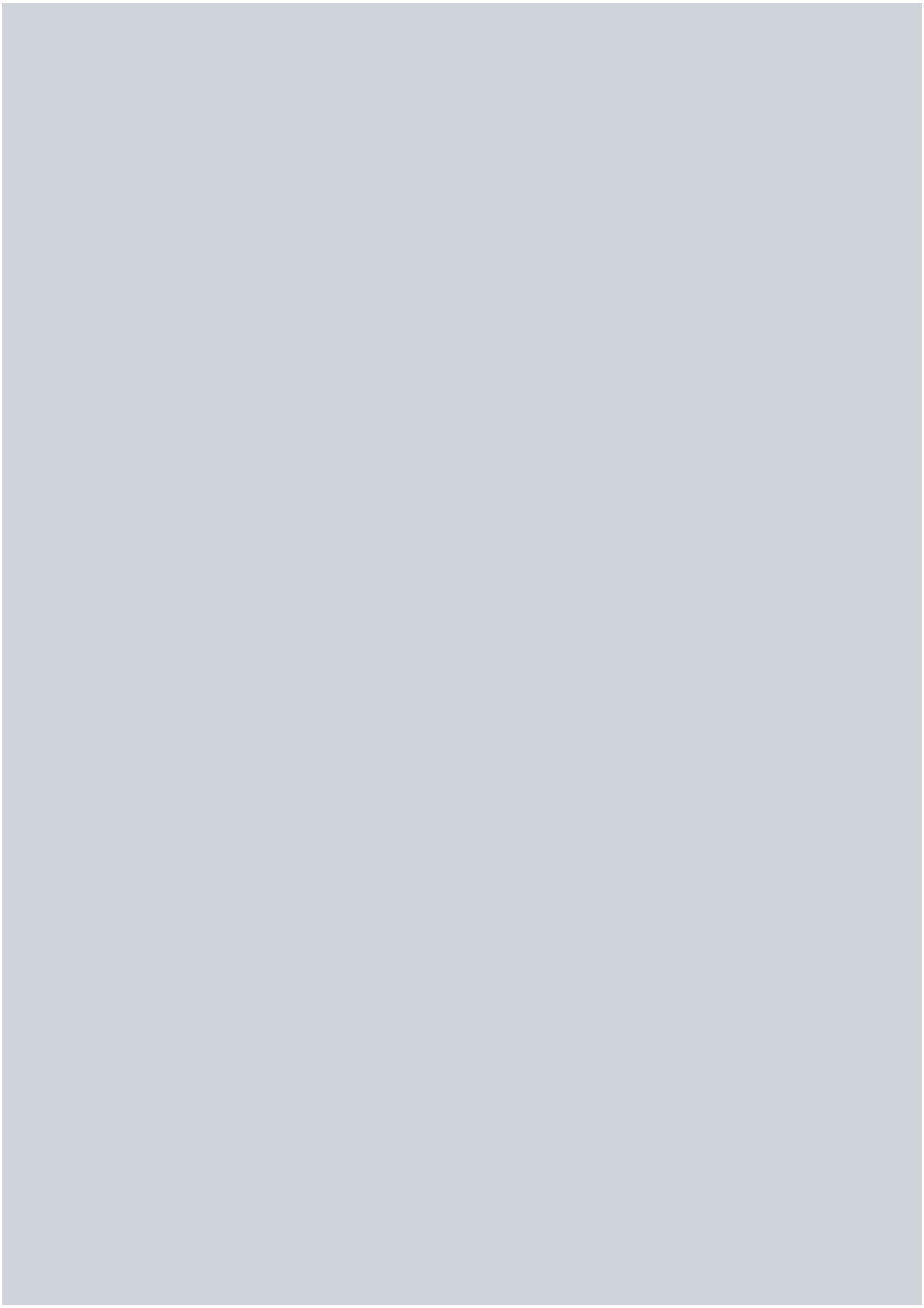
Compensation

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

The Financial Services
Compensation Scheme
5th Floor, Lloyds Chambers
Portsoken Street
London
E1 8BN

Telephone: **0207 892 7300**

www.fscs.org.uk



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www.pru.co.uk

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