

Pension Overview

For Active members of the Defined Contribution
Section of the Prudential Staff Pension Scheme

JANUARY 2019



PRUDENTIAL
Staff Pension Scheme



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The Defined Contribution Section

www.prudentialstaffps.co.uk

Your journey

Chairman's welcome



Welcome again to 'Pension Overview' – the magazine for members of the Defined Contribution (DC) Section of our pension scheme.

This year we have launched a new interactive version of this magazine – 'Digital Overview' – it can be found on the Scheme website. With more detail and extra articles, it fits nicely with our commitment to give you a digital option where possible.

The DC Section has continued to grow over the 12 months to 5 April 2018. Membership has increased by 700 to 7,894 members and the total value of members' Personal Accounts has increased by £45 million to £387 million.

The total value of the assets held by the Scheme as a whole decreased over the same period, by £415 million to

£7,692 million. However, this reduction, which is in relation to the DB Section, is offset by a similar reduction in the cost of providing the benefits built up by the members of that Section. A copy of the full Report and Financial Statements for the year ended 5 April 2018 can be found in the 'Document library' section of the Scheme website.

The individual investment funds available to DC Section members continue to perform well. The Trustee sets benchmark return targets for each fund and at 31 March 2018 most funds had either met or exceeded these targets. Details of the returns for each fund, and its respective benchmarks, can be found on page 3.

Last year I highlighted that there were two vacancies on the Trustee Board. Simon Iversen joined the Board with effect from 1 March 2018 to fill the vacancy for a Company Appointed Trustee Director. A ballot of the Active membership of the Scheme resulted in Stephen Cunningham joining the Board on 18 April 2018.

David Higgins resigned as a Trustee Director on 4 July 2018. I would like to thank David for his contribution to the Trustee Board. The Company appointed Annabel Gillard as David's replacement

and she formally joined the Board on 5 July 2018.

Several Trustee Directors, myself included, have given interviews over the past few years for publication on the Scheme website. Interviews with Annabel, Simon and Stephen will be published over the coming months.

Undoubtedly you will have seen reports that Prudential plc intends to demerge its UK and European business. We have had preliminary discussions with the Company regarding its intentions and it has reiterated its commitment to support all its UK pension schemes. The Company has committed to keep the Trustee fully updated as the demerger progresses.

The successful management of a scheme as complex as ours requires dedication and hard work. To that end I would like to extend my thanks to the Pensions Team, the Scheme's Administrators, the Scheme's advisers and my fellow Trustee Directors for their continued support.

Michael Abrahams CBE DL
Chairman of the Trustee of the Prudential Staff Pension Scheme

The Trustee Board

The Board of Prudential Staff Pensions Limited (the Trustee) is made up of ten Trustee Directors, six of whom are appointed by the Company and four who are elected by the members.

Michael Abrahams CBE DL

Company Appointed Chairman

Annabel Gillard*

Company Appointed Trustee Director

David Green

Company Appointed Trustee Director

Simon Iversen*

Company Appointed Trustee Director

David Martin

Company Appointed Trustee Director

Andrew Swan

Company Appointed Trustee Director

Stephen Cunningham*

Member Nominated Trustee Director
(to serve until 17 April 2022)

John Paino

Member Nominated Trustee Director
(to serve until 16 July 2020)

William Rutherford

Member Nominated Trustee Director
(to serve until 11 April 2020)

Neville Swift

Member Nominated Trustee Director
(to serve until 8 April 2019)

**Appointed during the year*

Summary of the Scheme's Annual Report & Financial Statements

Each year the Trustee produces the Scheme's Annual Report & Financial Statements.

Below, you can see a summary of the financial highlights and membership for the 12 months to 5 April 2018 for the Scheme, as well as the financial highlights for the DC Section separately. You can view the full Report & Financial Statements in the 'Document library' section of the Scheme's website.

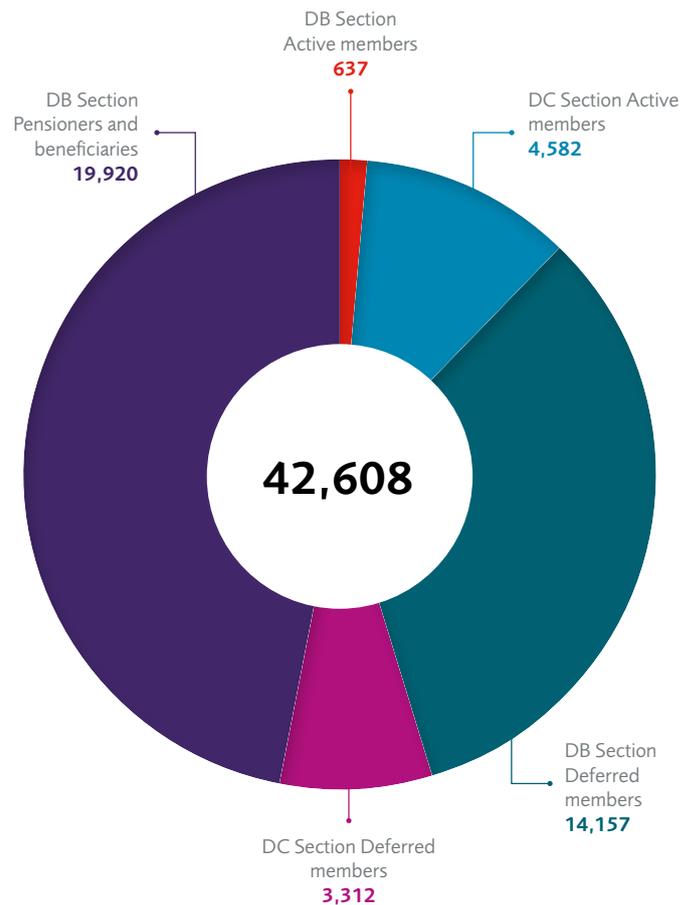
FULL SCHEME FINANCIAL HIGHLIGHTS

Net assets at 6 April 2017	£8,107.0m
Income (including Company and additional member contributions, transfer-ins and other income including insurance policy income)	£59.0m
Benefits and payments payable (including pensions, related benefits and administration expenses)	(£433.6m)
Net return on investments	(£40.1m)
Net assets at 5 April 2018	£7,692.3m

Figures in brackets are negative

MEMBERSHIP

The total membership of the Scheme at 5 April 2018 was 42,608 of which 7,894 are members of the DC Section:



FINANCIAL HIGHLIGHTS OF THE DC SECTION

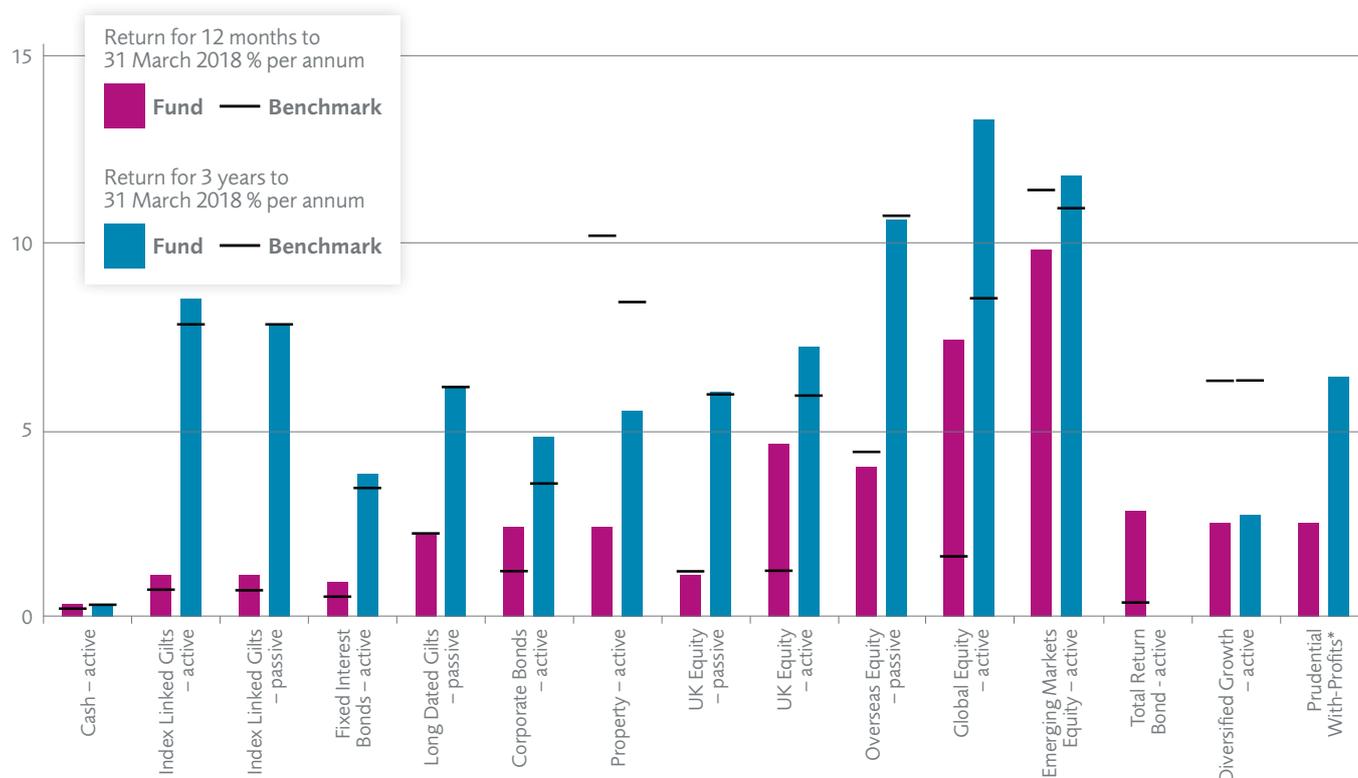
A summary of the DC Section's financial highlights for the 12 months to 5 April 2018 is shown below.

Net assets at 6 April 2017	£341.5m
Contributions received (including Company and member contributions)	£45.0m
Transfers received	£2.8m
Other income (including insurance policy income)	£0.6m
Benefit and payments payable (including payments to and on account of leavers and administration expenses)	(£20.2m)
Net return on investments	£17.2m
Transfers between Sections	(£0.1m)
Net assets at 5 April 2018	£386.8m

Figures in brackets are negative

Performance of the DC investment funds

Fund Factsheets are produced for each of the investment funds, providing you with performance and general information. These are updated quarterly and are available from the 'Document library' on the Scheme website.



Notes

The performance numbers relate to the 'white labelled' parent funds, in which the members' underlying fund options are invested. Performance figures are shown gross of fees and may differ slightly from the actual returns achieved by members due to a one-day delay in unit pricing and the deduction of management fees. The Total Return Bond – active fund was launched in April 2016; performance data is therefore unavailable for the three year period.

* Unitised returns for the Prudential With-Profits fund are for the periods to 5 April 2018 and assume that the contribution was invested, without any allowance made for any explicit charges, one or three years ago and realised to secure benefits at Selected Retirement Age.

Each of the funds available to DC Section members is a composite made up of one or more underlying funds. The Trustee monitors the performance of each of these underlying funds. The Trustee, working with the DC Section Investment Consultant, adjusts the allocations for these underlying funds either as a result of performance or to achieve a better balance of investment styles and associated investment risk. The following changes were made in July 2017:

UK Equity – active fund	The Trustee removed the M&G Pooled Pension UK Recovery Fund and replaced it with the Baillie Gifford UK Equity Fund.
Global Equity – active fund	The allocation for the MFS Global Equity Fund was reduced from 45% to 37.5% and an allocation was added to the Kleinwort Benson ACWI Fund of 7.5%.
Diversified Growth – active fund	Both the existing funds were removed and replaced with the Schroders Dynamic Multi Asset Fund and the Invesco Global Targeted Returns Strategy, both funds receiving an allocation of 50%.
Emerging Markets Equity – active fund	The RBC Emerging Markets Fund was added, receiving 50% of the allocation.

In February 2018 the following change was made:

Global Equity – active fund	The 30% allocation to the M&G Global Leaders Fund was transferred to the Kleinwort Benson ACWI Fund, increasing its allocation from 7.5% to 37.5%.
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LIFESTYLE PROFILES

As an alternative to choosing individual funds, you can invest your Personal Account using one of the three 'Lifestyle Profiles' available to DC Section members. A Lifestyle Profile is a ready-made investment strategy that uses some of the individual funds shown on page 3. Initially the Lifestyle Profile invests in funds targeted to provide investment growth; however as you near your Selected Retirement Age (SRA), your investment funds switch to less volatile, but potentially lower returning, funds. You can find more information about each of the Lifestyle Profiles on the Scheme website. Just go to the 'Document library' section and download the 'Lifestyle Profiles Guide'.

Remember, if you are invested using one of the Lifestyle Profiles it is vital that you have correctly recorded your SRA. Your SRA is used to trigger the automatic

investment switches. You should regularly consider whether the date you have selected is still appropriate for your future plans.

Our video 'Your investment choices' can be viewed on our website.

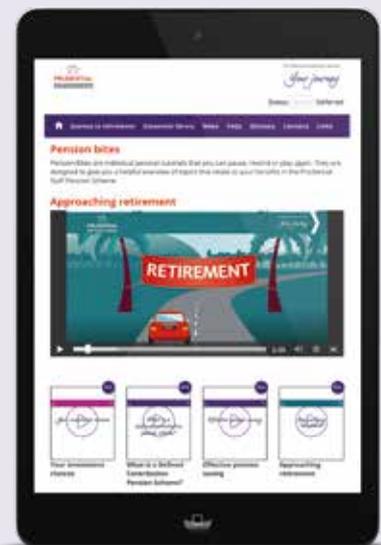


Understanding your options at retirement

Even if retirement seems a long way off, getting to grips with what your retirement options are, and mean to you, could not be more important.

The 'Retirement Options Modeller' (in the 'Interactive tools' section of the Scheme website), is designed to help you understand the choices available to you.

The results will be personalised to you. Simply input the value of your Personal Account and move the interactive sliders to create real-life scenarios.

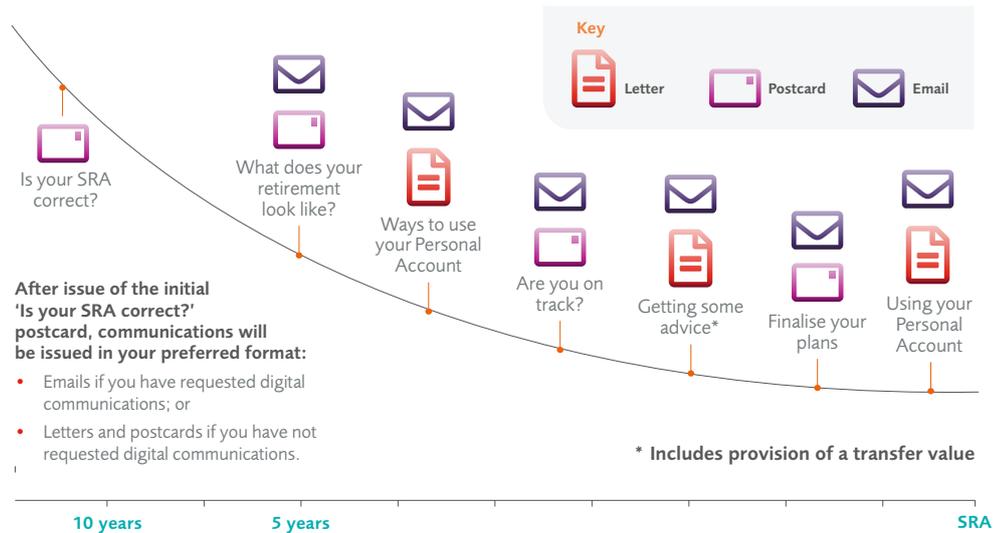


Our video 'Approaching retirement' can be viewed on our website.

Your retirement glide-path

The Trustee is launching a number of initiatives specifically designed to help support you at the key staging points that lead up to your retirement. If you're using one of the Lifestyle Profiles to manage your investments and are within 10 years of your SRA, you will start to receive a series of personalised reminders, checklists, useful contacts and pointers. The Trustee will also be making a number of online tools and informative videos available to help you:

- Plan and prepare for retirement;
- Define your retirement expectations;
- Get the financial advice you need;
- Monitor your progression towards obtaining your retirement goals;
- Understand your retirement options; and
- Make the right choices for you when the time comes.



As part of this process or 'retirement glide-path' you will shortly have access to:

- A couple of short animated website videos designed to help you understand the cost of retirement and how to get the right financial advice;
- An interactive website Modeller that will be specific to your circumstances and can help you determine the cost of what your actual retirement will look like;
- A series of communications that are issued at the appropriate time to help you track where you are on the glide-path; and
- A booklet entitled 'Are you on course?'.

Statistically, we are living longer – which means many of us could spend 30 years, or more, in retirement. It is important that your pension savings are aligned to your goals for your 'longest holiday'. Even if you are more than 10 years from your SRA you can start preparing now – why not take a look at the 'Are you on course?' booklet which will shortly be available in the 'Document library' section of the Scheme website.

Trustee advisers

The Trustee appoints professional advisers to assist with the running of the Scheme. A full list is available in the Scheme's Annual Report & Financial Statements, but a number of them are listed below:

Role	Provider
Actuarial adviser	Willis Towers Watson Limited
DC Section administrator	The Prudential Assurance Company Limited – MPP Service Centre
Auditor	KPMG LLP
Communications adviser	Concert Consulting (UK) Limited
Legal adviser	Mayer Brown International LLP
DC Section adviser and investment consultant	Hymans Robertson LLP

Ensuring your Dependants receive their benefits on time

A worry for us all is what happens to our loved-ones if we are no longer there to provide for them. If you should die whilst still an Active member of the DC Section, the Scheme will pay:

- A lump sum equal to four times your Pensionable Pay, plus the value of the part of your Personal Account which relates to your personal contributions (including contributions paid using Pensions Plus); and
- A benefit for your Spouse, Civil Partner / same sex spouse or Dependant(s).

HOW DOES THE TRUSTEE DECIDE WHO SHOULD RECEIVE THE BENEFITS?

The Trustee will refer to the Scheme rules when deciding who should receive these benefits, and sometimes it may not be immediately clear who you want the payments to be made to.

HERE'S WHERE YOU CAN HELP

By completing an Expression of Wish Form you are telling the Trustee who you want to receive these benefits. Nominating an individual (or individuals) means they are automatically eligible to receive benefits from the Scheme. This may mean your loved-ones are not required to provide evidence to the Trustee of their financial relationship with you.

If you should die without completing a Form, further documentation maybe required. This can significantly delay the payment of any benefits.

HOW DO YOU UPDATE YOUR EXPRESSION OF WISH DETAILS?

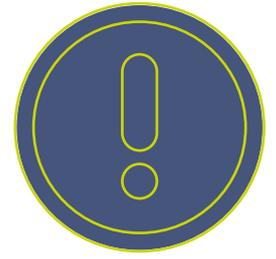
This is very easy. Simply go to the Scheme website and download an Expression of Wish Form from the 'Document library'. All you then need to do is complete the Form and return it to the DC Section Administrator (see contact details in the 'Here to help' section on page 7).

It is worth providing a new Form every few years, to ensure that the Trustee knows your current wishes. You should also consider completing a Form if your circumstances change. For example following:

- Your Marriage, Divorce or the dissolution of a civil partnership;
- The person(s) you have chosen has died;
- If your children have grown up, and are no longer financially dependent on you; or
- The birth of a child.

You can also update your Expression of Wish details online. Simply go to the Scheme website and log in to 'My account' - the Secure Member Area.

Pension Scams – how to spot one



WHAT IS A 'PENSION SCAM'?

A 'Pension Scam' is when someone tries to fraudulently access your pension savings. Victims of 'Pension Scams' potentially lose their pension savings or subsequently find out they are liable to significant additional taxation... or both!

HOW TO SPOT A 'PENSION SCAM'

Typically, a 'Pension Scam' begins when an individual contacts you unexpectedly about:

- Ways that you can invest your pension savings;
- An investment or other business opportunity that you've not spoken to them about previously;
- An investment offer described as 'unique', 'overseas', 'environmentally friendly', 'ethical' or in a 'new' industry;
- An opportunity to access your pension savings before the age of 55; or
- An unexpected offer of a tax rebate in respect of your pension contributions.

Scammers over the last few years have continued to employ more sophisticated methods in an attempt to fraudulently access your pension savings. Methods being used by scammers include:

- Emails;
- Unsolicited or nuisance telephone calls; and
- Copycat websites (a website that looks like another legitimate website).

In several recent incidents, scammers have reportedly even been known to pretend they represent, or are from, recognised governing bodies such as the Pensions Regulator.

Another warning sign to be aware of is being encouraged to complete the transfer of your pension savings quickly. If you have any doubts do not proceed with the transfer!

Make your choice

It is up to you how you receive communications about the Scheme. Currently all members receive Scheme information in a paper-based format. In addition, these communications are available in the 'Document library' section of the Scheme website. Now, you can choose to receive an email or text message letting you know when these communications are available online.

HOW TO CHOOSE DIGITAL COMMUNICATIONS

Simply make sure that you have registered for 'My account' - the Secure Member Area which can be accessed online via the Scheme's website. This allows the Trustee to communicate time-sensitive and private information with you in a real-time, secure way.

If you are yet to register, you will shortly receive a postcard reminding you how to do this. The process is very simple and will only take you a couple of minutes to complete.

If you have already registered, simply go the Scheme website and click on the 'My account' button. If you have forgotten any of your login details then go to the 'Reminders' link and follow the on-screen instructions.

'My account' provides all the information you need to manage your Personal Account. For example, you can:

- See the current value of your Personal Account and which funds you are invested in;
- Change your investment choices;
- View your latest Annual Benefit Statement; and
- Update your personal details, including your Selected Retirement Age.

There are also a number of very useful interactive tools to help you plan and make the most of your Personal Account.

HOW TO CONTINUE TO RECEIVE PAPER-BASED COMMUNICATIONS

To choose this option you will need to write to the DC Section administrator at:

**PSPS DC Service Centre
Prudential
121 Kings Road (Ground Floor C)
Reading
RG1 3ES**

Please state you are opting-out of digital communications.

WHY CHOOSE DIGITAL COMMUNICATIONS?

The Trustee wants you to be able to choose how you receive information about the Scheme but there are three very good reasons why you might want to make more use of digitally based communications:

- To reduce the amount of paper wasted;
- To be able to issue documents and notices to members more quickly; and
- To reduce printing and postage costs.

Useful information

HERE TO HELP

If you have any questions about any of the topics discussed in this edition of 'Pension Overview', or the Scheme in general, please visit the Scheme website.

If you have a question that is personal to you and can't be answered by the website, help is available Monday to Friday (9am to 5pm) from the Administration Team.

Write to:

**PSPS DC Service Centre
Prudential
121 Kings Road (Ground Floor C)
Reading
RG1 3ES**

Helpline:

+44 (0) 345 300 2637

Email:

PSPSDC.SC@prudential.co.uk

Website:

www.prudentialstaffps.co.uk

PENSIONS MANAGER

If you have any questions which cannot be answered by the Administration Team, or you have any other comments, you can contact the Pensions Manager, Marion Steel at the address below.

**Prudential Staff Pension Scheme
3 Sheldon Square
Paddington
London
W2 6PR**

Email: **hrstaffpensions@prudential.co.uk**

