

# overview



**Your Pension.  
Your Future.**

## In this issue...

- 2 WELCOME FROM THE CHAIRMAN OF THE TRUSTEE; SCHEME NEWS: OUR NEW WEBSITE; COMING UP IN 2014.
- 3 LOOKING AT THE... DEFINED BENEFIT SECTION; ACTUARIAL VALUATION OF THE SCHEME.
- 4&5 LOOKING AT THE... DEFINED CONTRIBUTION SECTION.
- 5 TRUSTEE ADVISERS; Q&A WITH KAREN ROBINSON.
- 6&7 GETTING TO KNOW THE TRUSTEE.
- 8 ANNUAL AND LIFETIME ALLOWANCES; TAX CODES FOR PENSIONS IN PAYMENT; HERE TO HELP.

[www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk)



**PRUDENTIAL**

Staff Pension Scheme

Hello and welcome to the latest edition of 'Pension Overview' – the magazine for the Prudential Staff Pension Scheme. Inside you will find the latest news from the Scheme and what we hope are items of interest from the wider world of pensions; but first a note from our Chairman.



As Chairman of the Board of Prudential Staff Pensions Limited, the Trustee of The Prudential Staff Pension Scheme, I would like to welcome you to the 2013 edition of 'Pension Overview'. In this edition you will find an update of the Scheme finances, latest Scheme news and an opportunity to learn more about the various Committees, their members and their duties.

In November we re-launched the Scheme website and I hope that you have visited it; we await your comments and feedback.

The Scheme's financial year runs from 6 April to 5 April and, as at 5 April 2013, the Defined Benefit (DB) Section assets had risen to £6.7 billion, mainly due to positive growth over the year. More information on the DB Section finances can be found on page 3.

During the year the Defined Contribution (DC) Section continued to grow, with 454 members joining the Scheme and the assets increasing to £134.4 million. Additional information regarding the DC Section finances can be found on pages 4 and 5.

The only change to the Board was the addition of Karen Robinson as a Company Appointed Trustee Director, replacing Lucy Williams, who resigned on 31 December 2012. I would like to thank Lucy for her contribution to the Board and welcome Karen. On page 5 you will find a short Q&A with Karen so she can introduce herself in her own words.

Pages 6 and 7 contain information on the Trustee Board and various Committees that support the Trustee in the smooth running of the Scheme. I hope that you will find this information of interest.

Since the last edition of 'Pension Overview' it has been a busy time for all of us involved in administering and managing the Scheme. I would like to extend my thanks to the Scheme's administrators, the Pensions Management team, the Scheme's advisers and my fellow Trustee Directors for their continued hard work and support.

**Michael Abrahams** CBE DL

*Chairman of the Trustee of  
The Prudential Staff Pension Scheme*

# Scheme News

## Our new website

On the 7 November 2013 the Scheme's website was re-launched. You should have received your invitation to visit the new site and we hope you have taken the time to do so. The website has been developed following the feedback we received from the 2012 online survey and the follow up focus groups held in various locations throughout January 2013. A big thank you to everyone who took the time to participate.

What was clear from the feedback is that our members want clear, concise information that is readily accessible. The re-launch of the website is an integral part of that journey. The website gives you immediate access to your Scheme literature, a series of topical Online Learning Modules, up-to-date information on Scheme and market events via the news feed, access to the secure member area where you can be more hands on in the management of your pension and much more. Access is available 24 hours a day, seven days a week.

Why not give it a try... [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

## Coming up in 2014

### Member Nominated Trustee Directors (MNTDs)

Two of our MNTDs, Deborah Webb and James Bolton, will complete their terms in office on 8 April 2014 and 8 October 2014 respectively and, as a result, we will be seeking nominations from the active membership during February and August 2014.

Both Trustee Directors are expected to stand for re-election and the process that will be followed is set out below:

- During February and August we will send out a notice seeking nominations from active members of the Scheme. You will also receive a leaflet that details the roles and responsibilities of Trustee Directors; a Nomination Form which needs to be signed by three supporters who are active members of the Scheme; and a Candidate Statement;
- If two or more completed Nomination Forms are received by the closing date then a ballot will be held by the Electoral Reform Services. If only one nomination is received then that person will be appointed.

Currently all three MNTDs appointed by the active membership are members of the DB Section. We would therefore encourage DC Section active members to consider standing.

# Looking at the... Defined Benefit Section



## FACTS & FIGURES

Each year the Trustee produces the Scheme's Annual Report & Accounts. A summary of the financial highlights and membership movements for the 12 months to 5 April 2013 for the DB Section of the Scheme is shown below. You can view a copy of the full Report & Accounts in the 'Documents' section of our website [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

Defined Benefit Section	
Net assets at 6 April 2012	£6,231.1m
Contributions received (including Company contributions and additional member contributions)	£22.5m
Benefits and payments payable (including pensions, related benefits and administration expenses)	(£225.9m)
Net return on investments	£652.0m
Net assets at 5 April 2013	£6,679.7m

The membership of the Defined Benefit Section at 5 April 2013 comprised:

Employee members	888
Members with deferred benefits	18,608
Pensioners and beneficiaries	18,913

## INVESTMENTS

The investment policy for the DB Section of the Scheme is determined by the Trustee in consultation with the Company and Towers Watson Limited, the appointed investment consultant. The investment objective set by the Trustee is to achieve the best overall investment return consistent with the security of the Scheme assets. Based upon the advice of the Scheme Actuary regarding the relative values of the Scheme's assets and liabilities, the Trustee has agreed a long term return target. The current DB Section benchmark asset allocation at 5 April 2013 is set out in the next table.

Asset Class	
UK Equities	2.0%
Companies Financing Fund	0.7%
Property	3.0%
Liability matching assets*	94.3%
<b>Total</b>	<b>100.0%</b>

\* Liability matching assets include fixed interest and index-linked Gilts, Corporate Bonds, Cash and swaps.

Allowing for income, capital gains and movement in market values, the return on the assets for the 12 months to 5 April 2013 was 10.9%. This was 0.1% below the benchmark return.

All asset portfolios achieved a positive absolute return. The most notable outperformance came from the active matched Corporate Bonds managed by M&G. The largest detractor from the overall performance was the M&G UK Equities portfolio, which underperformed its benchmark by 9.4%

The returns that have been achieved, together with the benchmark returns, over a period of one, three and five years are shown below:

Period to 5 April 2013	1 year	3 years	5 years
DB Section return (% p.a.)	10.9	11.8	9.9
Benchmark return (% p.a.)	11.0	12.4	10.5

Details of all the investment managers are shown in the 'Investment report' section of the full Report & Accounts available on the website [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

## Actuarial Valuation of the Scheme

The Scheme Actuary will be carrying out a full valuation of the Scheme as at 5 April 2014. The valuation is a lengthy process, which involves the sponsoring Employers, the Trustee, the Scheme Actuary, the Scheme's legal adviser and the DB Section investment consultant. We should be in a position to publish the results during the summer of 2015.

# Looking at the...

## Defined Contribution Section

### INVESTMENT OPTIONS

Choosing the right investment fund(s) is a very important decision. The Trustee's long term aim is to provide members with access to sufficient investment options to enable them to invest in funds of appropriate levels of liquidity and risk that can generate income and capital growth. The hope being that these funds, together with new contributions from members and the Employer Credits, can provide enough money at retirement for members to secure an income and, if required, a cash lump sum.

Members can choose their own investment strategy from funds that invest in the following asset classes such as: UK Equities, Overseas Equities, Emerging Market Equities, Diversified assets, Bonds, Property, Cash and With-Profits.

Apart from the Prudential With-Profits Fund, all the funds are 'white labelled'. This means that the underlying fund managers and the allocation to their funds are decided by the Trustee. The Fund Factsheets provide details of the underlying fund managers and the most recent versions are available in the 'Documents' section of our website [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

There are also three Lifestyle Profiles available which allow members the opportunity to target long-term growth through investment in Equity and Diversified Growth funds, but with automatic switching into Bonds and a Cash fund as members approach their selected retirement age. The aim of a Lifestyle Profile is to lock in any growth and reduce exposure to capital risk and changes in annuity prices at retirement. The Lifestyle Profiles use both passive and active funds. A passive fund is one that aims to track its benchmark whereas an active fund manager will look to outperform the benchmark.

### INVESTMENT PERFORMANCE

The Fund Factsheets that are produced for each of the investment funds provide you with performance and general information. The table below details the performance of each fund within the DC Section of the Scheme for the year to 31 March 2013.

PERFORMANCE OF DC FUNDS	Return for 12 months to 31 March 2013 (% p.a.)		Return for 3 years 31 March 2013 (% p.a.)	
	DC Section	Benchmark	DC Section	Benchmark
PSPS Cash - active	0.4	0.4	0.5	0.4
PSPS Index-Linked Gilts - active	12.8	11.7	14.8	13.0
PSPS Index-Linked Gilts - passive	11.8	11.7	13.2	13.0
PSPS Fixed Interest Bonds - active	5.2	5.3	8.8	8.2
PSPS Corporate Bonds - active	14.1	13.7	11.2	10.6
PSPS Property - active	0.4	1.0	4.8	5.2
PSPS UK Equity - passive	16.5	16.8	8.8	8.8
PSPS Overseas Equity - passive	17.6	17.2	7.1	6.9
PSPS Emerging Markets Equity - active	3.7	7.3	n/a	n/a
PSPS Diversified Growth - active	10.6	8.3	n/a	n/a
PSPS UK Equity - active	19.4	16.8	13.3	8.8
PSPS Global Equity - active	18.8	17.1	10.1	8.2

**Notes:** The performance numbers provided are for 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.

Over the 12 month period, all of the funds available produced positive absolute returns due primarily to the continued recovery within global markets.

## FACTS & FIGURES

The membership of the DC Section of the Scheme at 5 April 2013 comprised:

Employee members	3,106
Deferred members who have kept their Personal Account in the Scheme	1,737

The DC Section of the Scheme continues to grow, with active membership levels passing 3,000 and fund values of £134 million. A breakdown of these figures is shown on the right. They have been taken from the Scheme's Annual Report

& Accounts for the year to 5 April 2013 which is available to view in the 'Documents' section of the Scheme website [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

Defined Contribution Section	
Net assets at 6 April 2012	£100.6m
Contributions received (including Company contributions and additional member contributions)	£22.3m
Benefits and payments payable	(£3.8m)
Net return on investments	£15.3m
Net assets at 5 April 2013	£134.4m

## 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 & Accounts, but a number of them are listed below:

Role	Provider
Actuarial advisers	Towers Watson Limited
Scheme administrators	Aon Hewitt Limited (DB Section) / The Prudential Assurance Company Limited (DC Section)
Auditor	KPMG LLP
Communications advisers	Concert Consulting (UK) Limited
Legal advisers	Mayer Brown International LLP
Investment consultants	Towers Watson Limited (DB Section) / Hymans Robertson LLP (DC Section)



## A Q&A with Karen Robinson, Company Appointed Trustee Director

### What is your 'day job' and where do you work?

I'm currently the Head of Human Resources (HR) for PGDS, which is an internal business unit within the Prudential Group. PGDS provide IT infrastructure services to all the UK-based and US-based business units in the Prudential Group. I work in Waterhouse Square (also known as Holborn Bars) in London.

### What do you enjoy about the role of Trustee Director?

I've been warmly welcomed into the team and I'm enjoying working alongside my fellow Trustee Directors who are very knowledgeable and experienced. It's also satisfying to be able to give something back to the Scheme.

### What challenges does this role present?

Initially, as a new Trustee Director, there is a lot to learn! I am not a pensions expert and need to improve my knowledge

and understanding of the Scheme in addition to my duties and obligations of the Trustee. Thankfully, there is plenty of help and training available to support me with this learning curve. I think another challenge for a new Trustee Director is to bear in mind the different types of members and beneficiaries of the Scheme and to make sure that all perspectives are considered.

### What are your hobbies and interests?

I enjoy spending time with my family, going to the theatre, the cinema and art galleries. I live in South London with my partner and our two children, aged 13 and 17.

For the full Q&A with Karen please visit the 'News' section of our website [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

# Getting to know the Trustee

## THE TRUSTEE

The Trustee of the Prudential Staff Pension Scheme is a corporate Trustee, Prudential Staff Pensions Limited, which has 10 Trustee Directors ("the Board"), six of whom are appointed by Prudential Plc. ("the Company") and four are elected by Scheme members.

Member Nominated Trustee Directors are appointed for a four year term of office and can seek re-election at the expiration of their term of office.

The Chairman of the Board and the longest serving Trustee Director is Michael Abrahams CBE DL, who was appointed in May 1991. A former Director and Deputy Chairman of Prudential Plc. and current Director of Ferrexpo Plc, over the years he has held a number of directorships for different companies and organisations.

The other Company Appointed Trustee Directors are David Green, Senior Legal Adviser at Prudential Plc, appointed to the Board in July 2003; David Shaffer, Director of Corporate Finance at Pru UK & Europe, appointed in February 2011; Andrew Swan, Director of Fixed Income at M&G Limited, appointed April 2012; and Karen Robinson, Head of HR PGDS, appointed June 2013.

The Company also appoints a Trustee Director from the pensioner population who serves for a four year term of office. Roger Seingier, a former documentation specialist at Pru UK & Europe before his retirement, was re-appointed in April 2010. Roger's appointment is due to be reviewed by the Company in April 2014.

The four Member Nominated Trustee Directors are James Bolton, a Retirement Education Consultant at Pru UK & Europe; Deborah Webb, Head of Insight at Pru UK & Europe; David Higgins, Senior Legal Adviser at Prudential Plc; and Bernard Dawkins, former Pensions Manager for the Scheme prior to his retirement. James and Deborah were elected to the Board in 2010. David was re-elected in 2011 and Bernard was re-elected in 2012 by our pensioner members.

James and Deborah's terms of office are due to expire in 2014 and the Board will shortly be seeking nominations for these posts from our active members.



Michael Abrahams



David Green



David Shaffer



Andrew Swan



Karen Robinson



Roger Seingier



James Bolton



Deborah Webb



David Higgins



Bernard Dawkins

Currently all Trustee Directors are either an active, pensioner or deferred member of the Scheme.

The Board meets at least four times a year, holding additional meetings where necessary. To assist with the management of the Scheme, the Board has appointed a number of advisers, some of whom are detailed on page 5. The Board has also formally constituted five Committees and also uses Working Parties who either report directly to the Board or to a Committee. Working Parties tend to be established for a particular project and disbanded once that project has been completed.

## THE COMMITTEES

All the Committees, except for the Internal Disputes Resolution Procedure Committee and Audit Committee, meet at least once a quarter, normally before the Board meeting. Additional meetings are held where necessary. The Audit Committee meets twice a year and the Internal Disputes Resolution Procedure Committee meets when necessary.

## AUDIT COMMITTEE

The members of the Audit Committee are David Green (Chairman), David Higgins, Roger Seingier and David Shaffer. The Chairman of the Board also attends these meetings.

The key responsibilities of the Audit Committee are:

- Ensuring that the Scheme's Annual Report & Accounts are prepared and finalised within the regulatory timescales;
- Working with the external auditors to plan, scope, discuss and consider the auditor's findings and recommendations in connection with the annual audit of the Scheme;
- To maintain the Scheme's Risk Register, review the Scheme's framework and the effectiveness of the Scheme's internal controls;
- To review and seek assurance on the effectiveness of the Scheme's compliance framework and to review the Scheme's policies for ensuring compliance with relevant regulations, industry codes and legal requirements;
- To make recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditors;
- To review the annual communication of the Scheme's financial statements to members; and
- Ensuring that contributions are paid in accordance with the Schedule of Contributions and Payment Schedule.

## INTERNAL DISPUTES RESOLUTION COMMITTEE

The Members of the Committee are David Green (Chairman), David Higgins and Roger Seingier. The key responsibility of the Internal Disputes Resolution Committee is to consider and decide on any Stage 2 disputes received by the Trustee under the Internal Disputes Resolution Procedure.

## ASSET AND LIABILITY COMMITTEE

The members of the Asset and Liability Committee are Michael Abrahams (Chairman), James Bolton, David Higgins, David Shaffer and Andrew Swan. Lisa Young-Harry, the Group Head of Pensions and Benefits, also attends these meetings on behalf of the Company.

The key responsibilities of the Asset and Liability Committee are:

- Reviewing and recommending to the Board the funding strategy and investment policy for the DB Section of the Scheme;
- Monitoring the investment performance of the DB Section's Investment Managers;
- Monitoring the DB Section's funding position;
- Appointing and removing the actuarial advisers, investment consultants, investment managers, custodians and performance measurers and overseeing any changes to their agreements;
- Maintaining and recommending to the Board changes required to the DB Section's Statement of Investment Principles;
- Working with the Scheme Actuary and the Company to recommend to the Board the Statement of Funding Principles, Recovery Plan (if required) and Schedule of Contributions in connection with the Scheme's valuations;
- Reviewing the DB Section's factor calculation principles and approving any changes to factors being used to calculate members' benefits;
- Reviewing and agreeing the recommendation from the Scheme Actuary regarding the bonus rate and conversion factors to be applied to the DB Section's in-house AVC arrangement;
- Reviewing communications in connection with the DB Section's in-house AVC arrangement, the Summary Funding Statement and any other communications in relation to the DB Section's investment and funding.

In order to assist the Asset and Liability Committee, the following Working Parties have been established:

The Valuation Working Party whose members are David Higgins (Chairman), Bernard Dawkins, David Green and David Shaffer. The Working Party gives detailed

consideration to the assumptions to be used for the valuation of the DB Section of the Scheme and reports back to the Committee.

The Factor Working Party whose members are David Higgins (Chairman), Bernard Dawkins, David Green and David Shaffer. The Working Party considers the factors to be used to calculate members' benefits from the DB Section of the Scheme and the Scheme Actuary's recommendations in connection with the DB Section in-house AVC arrangement and reports back to the Committee.

## DB ADMINISTRATION COMMITTEE

The members of the DB Administration Committee are Deborah Webb (Chairman), Bernard Dawkins, Karen Robinson and Roger Seingier.

The key responsibilities of the DB Administration Committee are:

- To monitor the service standards and to review the overall operation of the DB Section's third party administrator;
- To ensure that DB Section members receive or have access to detailed, clear, accurate, compliant information regarding their benefits from the Scheme;
- Monitoring the performance and fees of the administrator;
- Maintaining the administration strategy for the DB Section of the Scheme;
- Maintaining the communications strategy for the DB Section of the Scheme.

## DC SECTION COMMITTEE

The members of the DC Section Committee are David Green (Chairman), David Higgins, Andrew Swan and Deborah Webb. Lisa Young-Harry, the Group Head of Pensions and Benefits, also attends these meetings on behalf of the Company.

The key responsibilities of the DC Section Committee are:

- Monitoring the performance of the investment funds available to DC Section members;
- Reviewing the investment funds available to members to ensure that they meet members' needs and making any necessary changes to the fund range;
- Maintaining and recommending to the Board changes required to the DC Section's Statement of Investment Principles;

- Monitoring the service standards and reviewing the overall operation of the DC Section's third party administrator;
- Ensuring that DC Section members receive or have access to detailed, clear, accurate, compliant information regarding their benefits from the Scheme;
- Maintaining the administration strategy for the DC Section of the Scheme;
- Developing the communications strategy for the DC Section of the Scheme.

During 2012 the Board established the Supplier Review Working Party which reviewed the existing appointments of the communications advisers, the DC Section advisers and investment consultants, the Scheme's actuarial advisers, the DB Section investments consultants and the Scheme's legal advisers. Several Trustee Directors were members of this Working Party depending upon the adviser under review. The Working Party makes recommendations to the Board in connection with the appointment or re-appointment of advisers. It is expected that this Working Party will be disbanded at the end of 2013.

In 2013 the Board established a Communications Working Party to work with Concert Consulting (UK) Limited, as the newly appointed communications advisers, to redevelop the Scheme's website and its future communications strategy. The Scheme's website was re-launched on 7 November 2013. Deborah Webb (Chair), James Bolton, Karen Robinson and Roger Seingier are members of this Working Party, which reports directly to the Board.

Following the re-launch of the website the role of the Communications Working Party is currently under review.

Any Board member may attend any Committee or Working Party meeting should they so wish, even though they may not be a member of that Committee or Working Party.



# Annual and Lifetime Allowances

From 6 April 2014 the Government will be reducing the Annual Allowance (AA) and the Lifetime Allowance (LTA). The AA is the maximum amount of pension benefits that you can accrue which will qualify for tax relief. This will be reducing from £50,000 to £40,000. The LTA is a limit on the amount of pension benefits that you can accumulate during your working life from the Scheme and any other registered pension scheme. This will be reducing from £1,500,000 to £1,250,000.

The Trustee will be working with the Company and our active members to raise awareness of the possible impact on their Scheme benefits due to changes to the AA and LTA. If you think that you may be affected by the reduction to either of the allowances then it is important that you seek appropriate financial advice. If you do not have a financial adviser details of those near to you can be found at [www.unbiased.co.uk](http://www.unbiased.co.uk).

Further information on AA and LTA can be found in your Member Booklet or on our website [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk).

# Tax codes for pensions in payment

Aon Hewitt receives electronic notification from Her Majesty's Revenue and Customs (HMRC) of changes to pensioners' tax codes. HMRC are likely to write to pensioner members in January and February each year to advise members of the tax code to be applied from the following 6 April. Aon Hewitt will apply this code with effect from your May pension payment. This is because the April payment is paid before 6 April.

If you have a query regarding your tax code, you must contact HMRC directly as HMRC will not discuss or divulge details regarding a member's tax code with Aon Hewitt or the Trustee.

The Tax Office dealing with your Scheme pension is:  
**HM Revenue & Customs**  
Pay As You Earn  
PO Box 1970  
Liverpool  
L75 1WX

Telephone 0300 200 3300

You will need to quote the Scheme's reference 083/AP2 and your National Insurance number.

If HMRC advises a change in a pensioner's tax code after the monthly pension payroll has been run, the code will not be applied until the following month.

## P60 FORM

Please note that your April 2014 payslip is your P60 and we would suggest that you retain this document.



**PRUDENTIAL**  
Staff Pension Scheme

# 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's website [www.prudentialstaffps.co.uk](http://www.prudentialstaffps.co.uk). 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 your dedicated Administration Team. Who you will need to contact depends on which Section of the Scheme you are a member of.

## DEFINED BENEFIT SECTION MEMBERS AND PENSIONERS

Write to:

**The Prudential Staff Pension Scheme**  
Defined Benefit Section  
c/o Aon Hewitt  
The Data Solutions Centre  
Sheffield  
S95 1AS

Helpline:

**0845 600 0427** (UK callers)  
**(44) 1442 205 180** (Overseas callers)

Email: [PSPSDB@aonhewitt.com](mailto:PSPSDB@aonhewitt.com)

## DEFINED CONTRIBUTION SECTION MEMBERS

Write to:

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

Helpline:

**0845 300 2637**

Email: [PSPSDC.SC@prudential.co.uk](mailto:PSPSDC.SC@prudential.co.uk)

## PENSIONS MANAGER

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

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



SmartPhone users can scan here for a direct link to the website using an appropriate QR reader app.