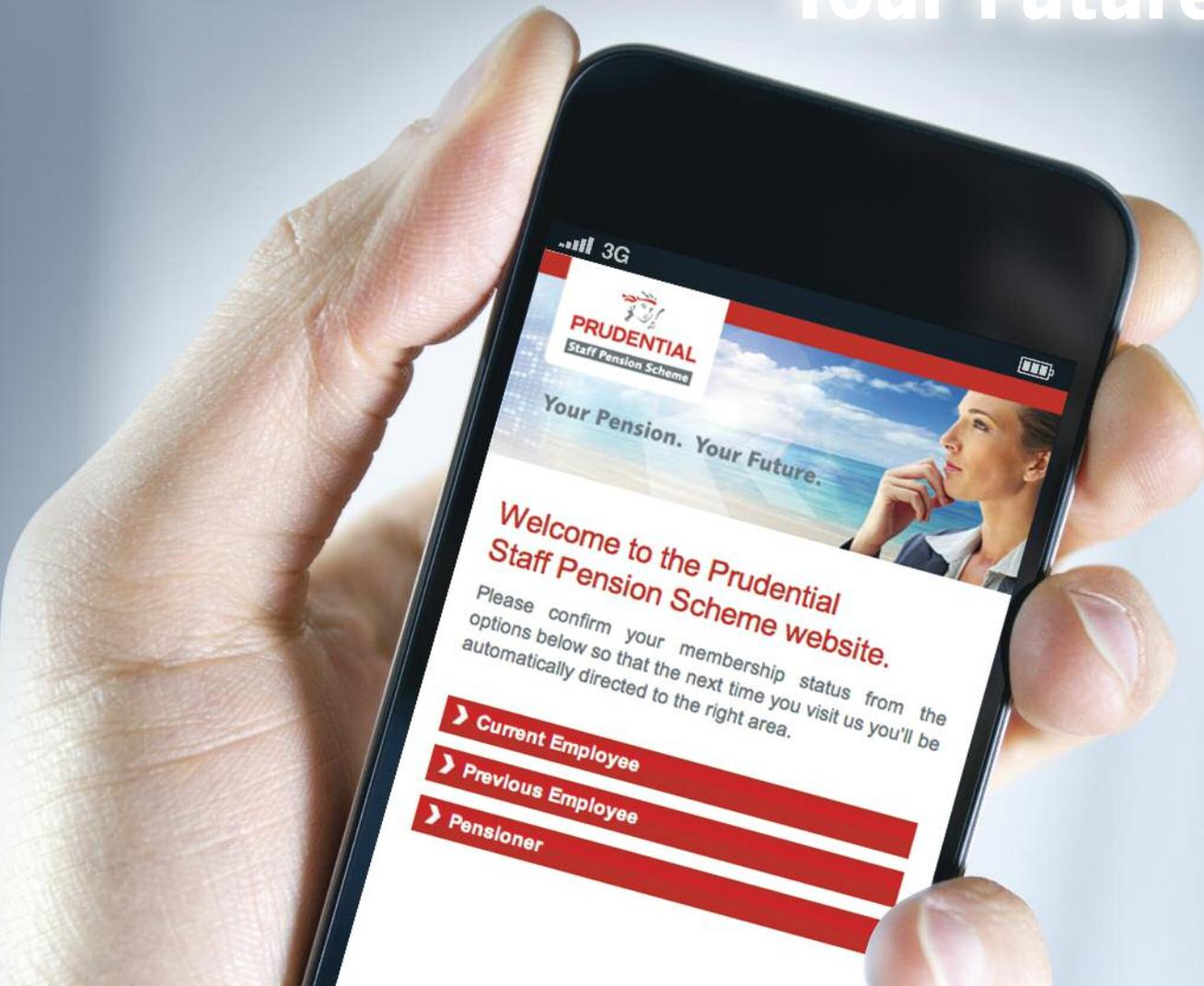


overview

Your Pension.
Your Future.



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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 2014 edition of 'Pension Overview'. In this edition you will find an update on the Scheme finances, the latest Scheme news and the results from the two Member Nominated Trustee Director elections that were held during the year.

The Scheme's financial year runs from 6 April to 5 April and, as at 5 April 2014, the Defined Benefit (DB) Section assets had fallen to £6.2 billion. This decline was in line with the decline in the value of the liabilities and so the financial strength of the fund was not affected. 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 694 members joining the Scheme and the assets increasing to £173.3 million. Additional information regarding the DC Section finances can be found on pages 4 and 5.

There have been some changes to the Board during the year. Lynda Martin was elected as a Member Nominated Trustee Director, replacing James Bolton, whose term of office ended on 7 October 2014. Deborah Webb's term as a Member Nominated Trustee Director ended on 8 April 2014. Deborah stood for re-election and was successfully re-appointed to serve for another 4 years from 9 April 2014.

I would like to thank James for his contribution to the Board and congratulate Deborah on her re-appointment. I would also like to welcome Lynda. If you turn to page 5 you can read Lynda's short Q&A introducing herself.

Roger Seingier, the pensioner Trustee Director appointed by the Company, completed his term of office on 8 April 2014. The Company expects to nominate a replacement in early 2015. I would like to personally thank Roger for his contribution to the Board over the last 8 years.

Information on the Trustee Board and the new Investment Forum can be found on pages 6 and 7. Page 7 also includes general information about pensions that could affect the Scheme and your benefits. I hope that you 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

Member Nominated Trustee Directors (MNTDs)

Four of our Trustee Directors are nominated by members. Once appointed, they serve a four year term and can put themselves forward for re-appointment at the end of that term. Two of our MNTDs, Deborah Webb and James Bolton, completed their terms of office on 8 April and 7 October 2014 respectively. As a result, we requested nominations for both positions from the active membership.

Deborah decided to put herself forward for another term but James decided to step down. We were pleased to receive a number of other nominations for both positions and, as a result, it is our policy to run elections to choose the new MNTDs. Elections were run during March and September 2014 by the Electoral Reform Services, an independent election services provider.

In both cases, over 4,000 active Scheme members were asked to vote for their preferred candidate, using a 'single transferable vote' electoral system. In the first election, Deborah was the successful candidate and, therefore, started her second term of office on 9 April 2014. In the second election, the successful candidate was Lynda Martin who took her place on the Board from 8 October 2014. Congratulations to Lynda who has worked for Prudential UK and Europe for 17 years (turn to page 5 for her short introductory Q&A).

In both elections, the voting turnout was just over 10% which we believe is low. We are, therefore, committed to finding ways to improve engagement levels for the next election which will take place when David Higgins's term ends on 8 April 2015.

Coming up in 2015

Defined contribution (DC) governance

We are currently working with our advisers to ensure that the DC Section of the Scheme is compliant with the Pension Regulator's 31 DC "quality features".

The Regulator expects all DC schemes to have effective governance and administration processes so that it is more likely they can deliver good outcomes for members when they retire. The quality features represent the standards of governance and administration expected by the Regulator.

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 2014 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.

Defined Benefit Section	
Net assets at 6 April 2013	£6,679.7m
Contributions received (including Company contributions and additional member contributions)	£11.8m
Benefits and payments payable (including pensions, related benefits and administration expenses)	(£233.8m)
Net return on investments	(£292.6m)
Net assets at 5 April 2014	£6,165.1m

The membership of the Defined Benefit Section at 5 April 2014 comprised:

Employee members	840
Members with deferred benefits	17,878
Pensioners and beneficiaries	19,197

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 a target level of investment return whilst minimising the amount of risk taken, consistent with the security of the Scheme assets. In doing this, the nature and duration of the Scheme's liabilities are taken into account.

The current DB Section benchmark asset allocation at 5 April 2014 is set out in the next table.

Asset Class	
UK Equities	2.0%
Companies Financing Fund	0.7%
Property ¹	1.5%
Private Equity	1.0%
Liability matching assets ²	94.8%
Total	100%

¹ The Scheme's Property portfolio is in the process of being sold.

² 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 2014 was -4.4%. This was 0.1% above the benchmark return.

Returns were driven by the negative performance of the M&G liability matching assets, which represented 74% of the Scheme's assets and returned -6.2%, which is in line with the change in the Scheme's liabilities. Most other portfolios achieved a positive return. The most notable outperformance came from the Property Portfolio managed by M&G Real Estate.

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 2014	1 year	3 years	5 years
DB Section return (% p.a.)	-4.4	7.9	10.1
Benchmark return (% p.a.)	-4.5	8.5	10.6

Details of all the investment managers are shown in the 'Investment report' section of the full Report & Accounts available on our website www.prudentialstaffps.co.uk.

Actuarial Valuation of the Scheme

The Scheme Actuary is carrying out a full valuation of the Scheme as at 5 April 2014. The valuation is a lengthy process, which involves the Company, 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. This means that a Summary Funding Statement as at 5 April 2014 will not be issued.

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.

Members can choose their own investment strategy from funds that invest in the following asset classes: 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.

A PSPS Multi-Asset Lifecycle Fund is available which allows 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.

There are also two Lifestyle Funds, one active and one passive, which work in a similar way to the Lifecycle Fund but without access to Diversified Growth funds. A passive fund is one that aims to track its benchmark whereas an active fund manager will look to outperform the benchmark. The aim of these funds is to lock in any growth and reduce exposure to capital risk and changes in annuity prices at retirement.

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 2014.

PERFORMANCE OF DC FUNDS	Return for 12 months to 31 March 2014 (% p.a.)		Return for 3 years 31 March 2014 (% p.a.)	
	DC Section	Benchmark	DC Section	Benchmark
PSPS Cash - active	0.4	0.4	0.5	0.4
PSPS Index-Linked Gilts - active	-4.0	-4.4	10.1	9.0
PSPS Index-Linked Gilts - passive	-4.4	-4.4	8.9	9.0
PSPS Fixed Interest Bonds - active	-1.8	-2.6	6.1	5.5
PSPS Long Dated Gilt - passive ¹	n/a	n/a	n/a	n/a
PSPS Corporate Bonds - active	3.8	1.6	10.3	9.1
PSPS Property - active	8.5	11.1	4.9	5.5
PSPS UK Equity - passive	9.3	8.8	8.9	8.8
PSPS Overseas Equity - passive	6.9	6.5	6.8	6.4
PSPS Emerging Markets Equity - active	-10.0	-10.2	-5.4	-4.1
PSPS Diversified Growth - active	4.0	6.8	4.5	7.9
PSPS UK Equity - active	14.2	8.8	13.2	8.8
PSPS Global Equity - active	11.9	6.8	10.7	7.7
PSPS Prudential With-Profits ²	5.7	n/a	5.5	n/a

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.

¹ The PSPS Long Dated Gilt passive fund was launched on 22 April 2013; performance data is therefore unavailable for the periods shown.

² Unitised returns for the PSPS Prudential With-Profits fund are for the period to 6 April 2014 and assume that the contribution was invested without any allowance made for any explicit charges on 6 April one or three years ago and realised on or after 6 April 2013 to secure benefits at normal retirement age.

A Q&A with Lynda Martin, Member Nominated Trustee Director

In September, Lynda was successfully elected as a Member Nominated Trustee Director (MNTD) of the Prudential Staff Pension Scheme. Lynda started her initial four year term in October, we caught up with her to ask a few questions about her new role.

Congratulations on your recent election Lynda, how do you feel about your appointment?

Delighted! It's a huge responsibility and I feel privileged that my colleagues have put their trust in me to help look after their pension scheme.

What do you think you'll bring to the role of Member Nominated Trustee Director?

I like to challenge and develop myself, so whilst I'm confident that my knowledge of pensions legislation and regulations will strengthen the expertise of the Board, I'm very aware that there's still plenty for me to learn and I'll be happy researching areas which I'm not familiar with.

I'm also conscientious; it's important to me to do the right thing and to do things as well as I can, which I believe are fundamental requirements for a trustee. However, I appreciate that having the knowledge and putting this into practice are entirely different skills, so I'm looking forward to the opportunity to turn words into actions.

I'm used to working with a broad range of people, both internally and externally, with varying knowledge, skills and objectives. I've learned that it's essential to listen to everyone's views, to consider the bigger picture and to understand what they want to achieve, before agreeing a course of action.

What is the proudest moment in your career to date?

I was thrilled when asked to be the deputy chair for the Society of Pensions Professionals (formerly the Society of Pensions Consultants) DC Committee. The Society is an industry body which represents the whole spectrum of pensions experts and engages the Government and regulators on anything affecting UK pensions. So it's quite high profile and its members are well regarded. I will take over the Chair in January 2015, so lots of responsibility on the horizon but plenty of reward too.

For the full Q&A with Lynda please visit the 'News' section of our website www.prudentialstaffps.co.uk.

Over the year to 31 March 2014 Global Equity markets performed strongly as a result of improved investor confidence. Bond funds struggled to produce positive returns as investors moved away from 'safe haven' assets, pushing prices down.

FACTS & FIGURES

The membership of the DC Section of the Scheme at 5 April 2014 comprised:

Employee members	3,316
Deferred members who have kept their Personal Account in the Scheme	2,068

The DC Section of the Scheme continues to grow, with active membership levels passing 3,300 and fund values of £173.3 million. A breakdown of financial activity in the DC Section of the Scheme is shown below. These figures have been taken from the Scheme's Annual Report & Accounts for the year to 5 April 2014 which is available to view in the 'Documents' section of our website www.prudentialstaffps.co.uk.

Defined Contribution Section	
Net assets at 6 April 2013	£134.4m
Contributions received (including Company contributions and additional member contributions)	£25.4m
Transfers in	£3.1m
Benefits and payments payable	(£5.6m)
Net return on investments	£16.0m
Net assets at 5 April 2014	£173.3m

Reduced Annual Management Charge

From 6 April 2014, the Annual Management Charge (AMC) was reduced for a number of funds. This reduction applies to members of the DC Section of the Scheme.

The previous charging arrangement involved an Employer subsidy of 0.20% for active DC Section members. This subsidy ceased from 6 April 2014 and new charges were introduced equal to or lower than the previous charges (including the 0.20% subsidy).

Both active and deferred DC Section members are now eligible for the same Annual Management Charges. A summary of the new charges can be found in the "Choice Fund Selection" member guide available from the 'Documents' section of our website www.prudentialstaffps.co.uk.

The Trustee

In the last edition of 'Pension Overview' we gave you a detailed summary of the 10 Trustee Directors who make up the Board of Prudential Staff Pensions Limited, the Trustee of the Prudential Staff Pension Scheme. We don't intend to provide this much information in every edition of 'Pension Overview' but we will let you know when any changes to the Board occur.

As highlighted on Page 2, there have been two changes to the Board since the last edition of 'Pension Overview'. James Bolton was replaced by Lynda Martin, and Roger Seingier left the Board at the end of his term and is yet to be replaced by the Company. You can always find a list of the current Trustee Directors at our website www.prudentialstaffps.co.uk (click 'Contact' then 'Trustee') but, for reference, the Board is currently made up of the following Trustee Directors:

COMPANY APPOINTED TRUSTEE DIRECTORS

- Michael Abrahams (Chairman)
- David Green
- Karen Robinson
- David Shaffer
- Andrew Swan

MEMBER NOMINATED TRUSTEE DIRECTORS

- Bernard Dawkins (Pensioner member)
- David Higgins
- Lynda Martin
- Deborah Webb

David Higgins's term of office will end on 8 April 2015 and details of the application process to stand for election will be issued in February 2015.

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)

Current issues

March 2014 Budget

In the March 2014 Budget the Government proposed radical changes to pension savings. The most significant proposals affect people with defined contribution (DC) savings. The proposals are currently being finalised by Parliament and are expected to apply from April 2015. Some of the most important changes which have been proposed are as follows:

- Individuals over 55 will have more flexibility when accessing their DC pension savings. They will be able to take a quarter of their savings as a tax-free lump sum then draw the rest as they like, taxed at their highest income tax rate. Alternatively, they can draw lump sums when needed, with a quarter of each lump sum payable tax-free and the rest taxed as income.
- Individuals with DC pension savings will have access to free and impartial guidance to explain the options available to them when they reach retirement.
- Transfers from private sector defined benefit (DB) schemes (like the Scheme) to DC schemes will still be allowed, providing the DB pension is not yet in payment. Transferring members must take advice from an Independent Financial Adviser unless they have pension savings of less than £30,000.

You may not be directly affected by some of these changes. The Trustee of the Prudential Staff Pension Scheme will be reviewing the Scheme's position with the Company and its advisers, and will be in touch with more detail about any changes that could affect Scheme members.

Protecting those close to you

If the worst happens, it's good to know that your loved ones are protected. The Scheme provides benefits to your Spouse, Civil Partner and/or Dependant(s) if you were to die before them. Some of these benefits may be payable as a lump sum at the discretion of the Trustee and do not normally form part of your estate for Inheritance Tax purposes.

It is really important that you complete an Expression of Wish Form and make sure it is kept up to date. The form can be downloaded from the 'Documents' section of our website www.prudentialstaffps.co.uk. It gives you the opportunity to advise us of the latest information about who you would like benefits paid to. It is not the only source of information that we use in our investigations and we are not legally bound to follow your instructions. But in some cases, where no legal documents (such as a Will) exist, it can be the only source of information available.

If you do not complete an Expression of Wish Form, we have to act without your guidance when exercising our discretion. It is therefore important that you complete a form and update it whenever your circumstances change.



Pension scams

The Pensions Regulator has increased its focus on improving awareness of pension liberation, now referred to as pension scams, with a re-launch of its campaign warning members of the dangers and potential consequences of being targeted. With new flexibilities for some defined contribution scheme members available from April 2015 the Pensions Regulator is concerned that this could drive up pension scams.



Since the campaign began, tactics used by scammers have evolved. Common tactics include in-home visits from 'introducers', claims about legal loopholes and the use of unusual investments like overseas property, storage units or biofuels. These are all used to make targets believe they are being offered a legitimate pension transfer.

We are keen to make sure you understand the risks you face when considering a transfer of your pension savings. For more details of what to look out for, please see the recent news article on our website www.prudentialstaffps.co.uk.

Staying in touch if you are a Pensioner

Staying in touch with us and letting us know when your address or bank details change is very important because, without these details, you may not receive valuable benefits you are entitled to receive or you may experience a delay in payment. There are two ways you can advise us of changes to your personal details:

1. **Contacting the Scheme's dedicated Administration Team** – you can find current details on page 8 or you can visit www.prudentialstaffps.co.uk and click on 'Contact' then 'Administrators' for the most up-to-date telephone number, email and postal address.
2. **Accessing the secure members' area through the Scheme's website** – where you can view your current details and make some changes online.

Investment Forum

In the last edition of 'Pension Overview' we told you about the five constituted Committees that are delegated responsibility for overseeing various aspects of running the Scheme.

We noted that the Asset and Liability Committee had established a Valuation Working party to work with the Company in connection with the 2014 Valuation; and the Factor Working Party to review the DB Section Scheme factors.

The Board has established an Investment Forum that reports to both the Asset and Liability Committee and the DC Section Committee.

The Investment Forum was established to discuss, debate and make recommendations to both Committees in connection with the DB Section investments and the DC Section fund range offered to members.

Updates to the Scheme website

In November 2013 we re-launched our website www.prudentialstaffps.co.uk. The website was designed to give clear, concise information that is readily accessible. We continuously review the website to make sure it is working as well as it can and, as a result, we have made some further improvements. In case you haven't visited the site lately, here is a summary of what has changed.

Pension Bites

These are a series of short click and play videos to help you understand your pension.



▶ WATCH NOW

INTRODUCING PENSION BITES

Since the launch of the website members have had access to short videos designed to help with understanding Scheme benefits and wider pension issues. The videos

have recently been renamed "Pension Bites". We think this new name gives a better feel for the purpose and content of the videos - short bites of useful pension information that you definitely won't be tested on! We are also pleased to say that we have a number of new Pension Bites available for you to view.



IMPROVEMENTS FOR PENSIONER MEMBERS

In response to requests from our Pensioner members to receive

communications that are relevant to them, we have added an extra page to the website. Initially, the "PruLink" page will serve as a summary of the articles in the latest edition of the PruLink magazine, but in the future we can use this space for other messages that are specific to Pensioners.

Pensioners can now view their payslips and latest P60 in the secure area of the website and we have also added the ability to increase the text size on each page to help those who struggle to read smaller text.

Feedback

FEEDBACK

To help us develop the website further, we have added a

brief Feedback form which can be accessed from any page on the site by clicking the Feedback button that sits on the right hand side of your screen. If you have one minute to spare we would love to know what you think about the site. Most of the questions only require a single click and there is an optional comment box at the end of the form. You do not have to give your name so your comments can be completely anonymous!

Annual and Lifetime Allowances

We previously informed you that the Annual and Lifetime Allowance were reducing to £40,000 and £1,250,000 respectively, from 6 April 2014. This means that more people could be caught by these limits on annual and lifetime pension savings, which could result in additional tax charges. If you think you may be affected by these reductions you should take independent financial advice. If you don't have a financial adviser you can find one local to you at www.unbiased.co.uk.

More information about the allowances can be found in your Member Booklet, on our website www.prudentialstaffps.co.uk or at www.gov.uk/tax-on-your-private-pension.

Pensions Plus

On 1 September 2014 the Company established a salary exchange arrangement called Pensions Plus. This new arrangement will only affect you if you make personal contributions (including AVCs) to the Scheme. If you would like more information on the arrangement please request a copy of "Your Guide to Pensions Plus" from your local HR team.

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 2015 payslip is your P60 and we would suggest that you retain this document.



PRUDENTIAL

Staff Pension Scheme

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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 our website 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
Aon Hewitt Scanning Division
PO Box 196
Huddersfield
HD8 1EG**

Helpline:

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

Email: 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

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.

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

Email: hrstaffpensions@prudential.co.uk



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