

overview

For members of the DC Section of the Prudential Staff Pension Scheme



**Your Pension.
Your Future.**

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PRUDENTIAL

Staff Pension Scheme

Welcome to this year's edition of 'Pension Overview' the magazine for the Prudential Staff Pension Scheme (the Scheme). This year we have produced two magazines - one for the members of the Defined Contribution (DC) Section and the second for members of the Defined Benefit (DB) Section. This will allow us to focus on providing you with information that is relevant to you. There will continue to be the usual mix of Scheme specific and more general pensions news, which we hope you will find both interesting and informative. First, let us hear from the Chairman.



It gives me great pleasure to welcome you to our 2016 edition of Pension Overview. Inside you will find articles on matters that can affect your pension within the Scheme and the latest financial updates.

Overall, the assets of the Scheme decreased in value by £74m during the Scheme year ended 5 April 2016. The

DC Section's assets increased by £32m. The DB Section assets decreased by £106.2m, as benefit payments were greater than the net return on investments and contributions to the Scheme.

The DC Section of the Scheme continues to grow in both assets and membership. At 5 April 2016, the funds under management amounted to £251m with a membership of 6,552. It is worth noting that the year to 5 April 2016 was volatile for the UK and global equity markets with these markets delivering negative returns. Hence the increase in the fund was driven by contribution payments rather than investment growth. Details of the funds' performance can be found on page 5.

During the year there were some changes to the Trustee Board. William Rutherford (Director, Prudential Capital plc) was appointed on the 12 April 2016 by the Employee membership. William replaced Lynda Martin who resigned in September 2015. John Paino was appointed on 17 July 2016 by the Pensioner membership, replacing Bernard Dawkins.

It is always good to know a little about the people who are responsible for the management of the Scheme. To that end we have commissioned a series of 60 second interviews with Trustee Directors - starting with William and John, our newest Trustee Directors. Both John's and William's interviews are on the Scheme website www.prudentialstaffps.co.uk.

Bernard Dawkins, whose term of office ceased on 16 July 2016, served as a Trustee Director for eight years and I would like to thank him for his valuable contribution to the Trustee Board.

Our Trustee Board is made up of talented individuals who, whilst sharing a collective commitment to the Scheme, also bring a wide range of differing skills, which assist greatly in the effective running of the affairs of the Scheme.

As usual, the last year has been a busy one for all of us involved in the administration and management of the Scheme. I would like to extend my thanks to the Pensions Management Team, all our advisers and my fellow Trustee Directors for their continued hard work and support throughout the year.

Michael Abrahams CBE DL

Chairman of the Trustee of the Prudential Staff Pension Scheme

The Trustee Board

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

The current Board members are:

Michael Abrahams CBE DL
Chairman

David Green
Company Appointed Director

David Higgins
Company Appointed Director

David Martin
Company Appointed Director

John Paino
Member Nominated Director

Karen Robinson
Company Appointed Director

William Rutherford
Member Nominated Director

Andrew Swan
Company Appointed Director

Neville Swift
Member Nominated Director

Deborah Webb
Member Nominated Director

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	Willis Towers Watson Limited
DC Section Administrator	The Prudential Assurance Company Limited - MPP Service Centre
Auditor	KPMG LLP
Communications advisers	Concert Consulting (UK) Limited
Legal advisers	Mayer Brown International LLP
DC Investment consultants	Hymans Robertson LLP



The DC Section Committee is made up of the following Trustee Directors:

David Green
Company Appointed Director
(Chairman of the DC Section Committee)

Andrew Swan
Company Appointed Director

Neville Swift
Member Nominated Director

Deborah Webb
Member Nominated Director

Meet the DC Section Committee

The Trustee has delegated some of the day-to-day responsibilities for managing the Scheme to various Committees made up of smaller groups of Trustee Directors. Each Committee has terms of reference which detail its responsibilities and any delegated authority.

The role of the DC Section Committee is to oversee

investments, communications and administration. The Committee has delegated authority to make appropriate decisions on behalf of the Trustee Board and like other Committees will report back with updates of meetings and decisions taken or make recommendations, where Trustee Board agreement is required.

2016 MND results

The Trustee recently carried out two exercises to seek nominations to fill two Member Nominated Director (MND) positions - one from the Pensioner membership and one from the Employee membership. We received multiple nominations for both vacancies and therefore ballots were held to choose the successful candidates.

EMPLOYEE MEMBERSHIP RESULT

The Trustee Board would like to congratulate William Rutherford on his election. He received approximately 68% of the votes. The

other candidate was Stefan Orban and we would like to thank him for standing.

PENSIONER MEMBERSHIP RESULT

More congratulations, this time to John Paino who has been elected, having received approximately 41% of the votes. The other candidates were Gary Hood and Roger Seingier who we would like to thank for offering their services.

Will Brexit affect my pension?

Following the announcement that the UK will leave the EU, many pension scheme members will be asking themselves "How does this affect my pension?"

It is probably too early to predict with any certainty what impact this will have. In the short term, we are entering a period of uncertainty both politically and economically whilst Britain prepares to withdraw from the EU.

There have already been very significant movements in financial markets since the outcome of the EU referendum was announced. The Trustee recognises that there continues to be uncertainty about the future, both in terms of the economic and regulatory impact. The Trustee, in conjunction with its advisers, will be continuing to monitor the situation and the performance of the funds.



5 April 2016 Annual Report & Financial Statements

Each year the Trustee produces the Scheme's Annual Report & Financial Statements. Going forward the accounts will include a Chairman's Statement on Governance in relation to DC funds. It also now includes a report on DB actuarial liabilities and investment risk disclosures.

A summary of the financial highlights and membership for the 12 months to 5 April 2016 is shown below. You can view the full Report & Financial Statements in the 'Documents' section of our website www.prudentialstaffps.co.uk.

FINANCIAL HIGHLIGHTS

	DC Section	DB Section
Net assets at 6 April 2015	£219.7m	£7,167.0m
Contributions received (including Company contributions and additional member contributions)	£41.1m	£11.5m
Transferred-in	£2.8m	-
Other income (including insurance policy income)	£1.6m	-
Benefits and payments payable (including pensions, related benefits and administration expenses)	(£10.7m)	(£284.0m)
Net return on investments	(£3.0m)	£166.5m
Net assets at 5 April 2016	£251.5m	£7,061.0m

MEMBERSHIP

The membership of the DC Section of the Prudential Staff Pension Scheme at 5 April 2016 comprised of:

Employee members	3,960
Members with deferred benefits	2,592

CHAIRMAN'S STATEMENT ON GOVERNANCE

The Chairman's Statement has been prepared to demonstrate how the Scheme has complied with the new governance standards that were introduced from 6 April 2015. It covers both the DC Section and the DC assets held within the DB Section. The DC assets held in the DB Section are arising from Additional Voluntary Contributions (AVCs) and Transfers-in from other pension arrangements.

In summary, the Statement covers four key areas:

1. The PSPS Multi-Asset Lifecycle, which is classed as the DC Section's default arrangement;
2. The processing of the Scheme's core financial transactions;
3. Charges and transaction costs within the Scheme;
4. The Trustee's compliance with the statutory trustee knowledge and understanding (TKU) requirements.

You can view the full Statement in the Annual Report & Financial Statements which can be found in the 'Documents' section of our website www.prudentialstaffps.co.uk.

INVESTMENTS

INVESTMENT OPTIONS

Choosing the right investment fund(s) is a very important decision. The Trustee's long-term strategy 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, will provide a fund which members can use at retirement to secure an income.

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;
- 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.

In April 2015, the Government introduced new flexibilities regarding how members can access their pension benefits. In 2016, the Trustee reviewed the Scheme's default lifecycle strategy. Following this review, the Trustee agreed that the

current default strategy would be amended. The amended Multi Asset Lifecycle fund is expected to be implemented in early 2017 and target a more balanced investment strategy at retirement. More information will be provided nearer the time.

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 2016.

PERFORMANCE OF DC FUNDS

	Return for 12 months to 31 March 2016 (% p.a.)		Return for 3 years to 31 March 2016 (% p.a.)	
	Fund	Benchmark	Fund	Benchmark
Cash – active	0.4	0.4	0.4	0.4
Index Linked Gilts – active	2.7	1.9	6.3	5.6
Index Linked Gilts – passive	2.0	1.9	5.7	5.6
Fixed Interest Bonds – active	3.6	3.3	5.2	4.6
Long Dated Gilts – passive	4.1	4.0	n/a	n/a
Corporate Bonds – active	0.3	0.5	5.7	4.9
Property – active	11.5	10.6	12.1	13.0
UK Equity – passive	-3.7	-3.9	3.9	3.7
Overseas Equity – passive	-2.4	-2.6	6.5	6.4
Emerging Markets Equity – active	-5.7	-9.1	-2.5	-2.7
Diversified Growth – active	-3.7	5.8	3.5	5.8
UK Equity – active	-3.9	-3.9	5.6	3.7
Global Equity – active	0.7	-0.5	10.5	8.2
Prudential With-Profits*	5.3	n/a	5.9	n/a

Notes: The performance numbers 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. The PSPS Long Dated Gilts - passive fund was launched on 22 April 2013; performance data is therefore unavailable for the three year period.

**Unitised returns for the Prudential With-Profits fund are for the period 6 April 2015 to 5 April 2016 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 normal retirement age.*

In April 2015, a change was implemented to the underlying funds for the PSPS UK Equity – active fund. The change removed the Milton UK Income fund and introduced the Schroders Life UK Equity fund.

Volatility remained prevalent in markets over the year to 31 March 2016, with UK equity and global equity markets seeing negative returns. Taking into account the depreciation of sterling, returns for sterling investors were broadly flat.

Greek debt intensified during the second quarter of 2015 as the new Greek Government failed to reach agreement with its creditors. The crisis subsided with the eventual agreement of a new bail out in August. Concerns then shifted to the economic slowdown in China as the country's economic growth fell below the Government's 7% target for the first time since 2009. This resulted in equity markets again enduring significant falls.

However, as the quarter wore on concerns decreased when there were some signs of stabilisation in China.

A background of slowing economic growth proved tough for commodity markets. Lower food and energy prices depressed headline inflation in the US, UK and Eurozone.

Due to low inflation, the European Central bank extended its monthly €60bn quantitative easing programme by six months and initially cut its overnight deposit rate in December 2015. With inflationary pressures remaining, in the first quarter of 2016, the overnight deposit rate was cut further. At the same time, the Federal Reserve raised US interest rates from 0.25% p.a. to 0.50% p.a. In the UK, the latest Inflation Report from the Bank of England suggested a slower return to the 2% p.a. inflation target, further bolstering market conviction that UK interest rates will not be rising soon. UK Commercial property advanced steadily over the year.

Current issues

Changes to the DC funds

In October 2016, we informed you about some changes that have been made to the funds you can invest in. In summary the changes were:

- **PSPS UK Equity – active fund:** A change has been made to the allocation to provide a better mix of stocks and management styles.
- **PSPS Total Return Bond – active fund:** This is a new fund that has been introduced.
- **PSPS Property – active fund:** Notification of a temporary deferral on redemption requests has been applied. This deferral was subsequently lifted in November 2016.

Full details of the changes can be found on the 'News' articles page on the Scheme's website www.prudentialstaffps.co.uk.



Protecting your loved ones



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

It is important that you complete an Expression of Wish Form and make sure it is updated whenever your circumstances change. The Form can be downloaded from the 'Documents' section of our website www.prudentialstaffps.co.uk. Alternatively you can complete an on-line version by logging into the secure website and entering the details on the Form on the 'My Death Benefits' section.

The Form, once received, lets the Trustee know who you would prefer to receive any benefits. The Trustee will also use other sources of information as part of its investigations and is not legally bound to follow your instructions. However, where no legal documents (such as a Will) exist, it can be the only source of information available to the Trustee.

In the event of there not being a completed Expression of Wish Form, the Trustee has to act without your guidance when exercising its discretion. It is therefore important that you complete a Form and keep it up to date.

Why not boost your pension savings with your bonus?

Making sure you have enough pension savings when you retire is not always something at the front of everyone's minds. Did you know, if you are an Employee member, that you could pay in personal contributions and one off contributions to boost your savings for when you retire?

WHAT ARE THE BENEFITS OF DOING THIS?

- The contribution(s) you pay are tax free;
- It will provide you with a larger personal account when you retire;
- You can also contribute some of your non Pensionable Pay such as any bonus you may receive. These contributions are not matched by the Company, but are tax free; and
- You can elect for all personal contributions to be paid using Pensions Plus – please see the Pensions Plus website www.pensionsplusatpru.co.uk for further information.

If you have access to PruSelect or GHOSelect you can change your contributions via these applications. If you do not have access to either PruSelect or GHOSelect you will need to complete a Decision Form. You can obtain a Form from your local HR team, who will provide return dates.

All changes to contributions have to be completed by the last working day of the month to be effective from the first of the next month.

Please note that you are responsible for monitoring your position regarding the Annual Allowance and Lifetime Allowance and submitting the relevant information to HM Revenue & Customs (HMRC) where necessary. Further information on these allowances is available on the Scheme's website www.prudentialstaffps.co.uk.

A new year - let's start a 'fresh'

When it comes to making decisions about your pension saving, we know how helpful the right information and access to specifically tailored tools can be. That is why in the first quarter of 2017, the Trustee will be refreshing the DC Section of the Scheme website. The new look will be modern, fresh, engaging and easy to navigate. The aim is to:

- Provide new interactive tools;
- Help you understand the investment options available to you, and which funds best suit your personal investment preferences;
- Provide information in an easy to understand format without pensions jargon;
- Provide a high level commentary with greater detail at the click of an icon;
- Help you to understand the options available to you at retirement, making sure that the information is available



to you early enough so you can correctly plan your retirement funding strategy; and

- Provide a high quality library of information relating to the Scheme, and to some extent the wider pension's arena.

Pension wise

Pension wise is the Government's free, impartial retirement guidance service that is open to everyone seeking information about how they can turn their pension fund into a retirement income. If you are approaching retirement you should visit www.pensionwise.gov.uk.



When is an app not an app?

WHEN IT'S A WEBSITE!

Your smartphone or tablet's home screen is not just for apps. Whatever platform you are using, you can pin your favourite websites to your home screen so you can quickly access them.

Why not put the Scheme website on your home screen? If you have an iPhone follow these simple steps (similar principles may apply for use on other smartphones):



Step 1

Open up the browser app on your device.



Step 2

Input www.pudentialstaffps.co.uk.



Step 3

Tap on the "Share" icon at the bottom. This looks like a square with an arrow pointing upwards.



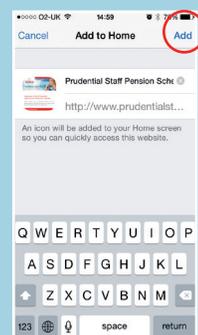
Step 4

Select the "Add to Home Screen" icon.



Step 5

Tap on the word "Add" in the upper right hand corner.



A message from the Pensions Manager

Staying in touch and letting us know when you change your address is very important. Without these details you may not receive the valuable benefits to which you are entitled, or you may experience a delay in payment. You may also miss out on crucial information and updates about the Scheme.

The way you can advise us of changes to your personal details is dependent on your status in the Scheme:

IF YOU ARE AN ACTIVE MEMBER

You will need to advise your local HR department who will inform the Scheme's dedicated Administration Team.

IF YOU ARE A DEFERRED MEMBER

You can update some of your details within the secure members' area accessed through the Scheme's website www.prudentialstaffps.co.uk.

You will need to click on the 'Manage your pension online' button on the left hand side of the website.

You may also wish to visit the secure area of the website www.prudentialstaffps.co.uk and update your email and mobile phone details. We will then be able to contact you electronically as well.

Marion Steel is the Pensions Manager for the Prudential Staff Pension Scheme. She is responsible for the day-to-day management of the Scheme, supporting the Trustee in ensuring that the Scheme operates effectively, as well as considering how the Scheme's operations should evolve over time. Outside of work, Marion enjoys music, cooking, cycling, and spending time with family and friends.



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.

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.

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

Helpline: **0345 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**

