



PRUDENTIAL

Staff Pension Scheme

Defined Contribution Section

Prudential With-Profits Fund — Questions & Answers

(updated March 2022)



Your journey

Introduction

As a member of The Prudential Staff Pension Scheme (the Scheme), you can invest your Personal Account in one or more of the funds made available by the Trustee. This Guide is designed to provide you with further information on the Prudential With-Profits Fund. Even if you invest your Personal Account using one of the three Lifestyle Profiles you can additionally invest in the With-Profits Fund.

What is the aim of the Prudential With-Profits Fund (The Fund)?

The Fund aims to offer the prospect of long-term returns while smoothing the peaks and troughs of day-to-day market movements if your investment is held until your pre-selected retirement date.

How does the Prudential With-Profits Fund achieve this aim?

This Fund is invested in a diversified portfolio of UK and overseas shares, bonds, property, alternative assets and cash. A significant proportion of the Fund is invested in shares and property which can be expected to produce attractive long term returns, but the return on these assets can be volatile and so the Fund is actively managed to optimise the returns while controlling risk. Investment returns are passed to policyholders through bonuses.

The Prudential With-Profits Fund aims to smooth some of the extreme highs and lows of short-term investment performance in order to provide a more stable return. Prudential do this by holding back some of the investment returns in years of positive investment with the aim of using this to support bonus rates in the years where the investment returns are lower.

Smoothing offers some protection against bad market conditions. However, bear in mind that

smoothing will not stop the value of your plan reducing if investment returns have been low.

What are bonuses?

Bonuses are the way you get your share of the profits of the Prudential With-Profits Fund. There are two types of bonus:

1. Regular bonus

This is added to your account on a yearly basis throughout the time you are invested in the Prudential With-Profits Fund. Prudential do not guarantee that a regular bonus will be added each year.

2. Final bonus

This is an additional bonus you can expect to receive when you take money from the Prudential With-Profits Fund. If the investment return has been low over the time you invested in the Fund, a final bonus may not be paid.

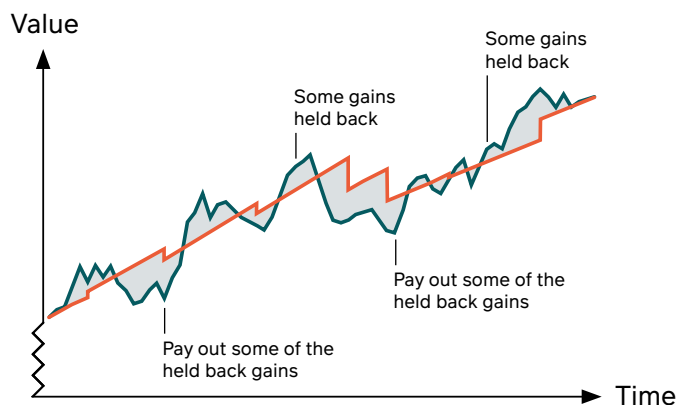
The graph below shows how smoothing works. The red line represents the amount paid out (the smoothed value). The amount may go up or down at each bonus declaration.

The Smoothing Concept

- Smoothed Value
- Unsmoothed Value

This graph is not representative of any particular Prudential fund, product or specific time period. Its sole aim is to explain the smoothing concept.

A further explanation of Bonus Rates and how With-Profits works can be found in the document (pru.co.uk/pdf/WPGB0027.pdf) produced by Prudential.



What is the guaranteed minimum pay-out?

The guaranteed minimum pay-out without any market value reduction is only applied when you move out of the Prudential With-Profits Fund upon your death or on Normal Retirement Date. The pay-out is made up of the amount you've invested plus any regular bonuses that have been added to your account. Any final bonus is then added to this amount.

What is a Market Value Reduction?

If you take money out of the Prudential With-Profits Fund, other than on death or at your normal retirement date (as defined above), the value of your account may be adjusted by the application of a market value reduction.

Prudential will only apply a Market Value Reduction (MVR) if the value of the assets underlying your Plan is less than the value of your Plan including bonuses, and Prudential will apply it to protect people who remain in our With-Profits Fund from the effects of people leaving it.

If an MVR applies you might not get any final bonus, or the full value of your regular bonus, and you might even get back less than you had invested. When Prudential apply an MVR, the amount you get back from the Plan will not be less than the unsmoothed value. Smoothing is described on page 1.

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Prudential has currently put in place a concession where MVR will not be applied to the first £25,000 withdrawn from the With-Profits Fund in any rolling 12-month period, provided the monies have been invested for five years. This concession is not guaranteed to remain in place and Prudential could withdraw it in future. If more than £25,000 is withdrawn, the Market Value Reduction will only apply to the amount in excess of £25,000. Please note that this may be removed at any time. Please contact the DC Section Administrator for further information.

A further explanation of MVR produced by Prudential can be found at pru.co.uk/pdf/WPGBO027.pdf.

Your Normal Retirement Date

For most members this will be their 65th birthday. This date is used when deciding if an MVR may apply and cannot be changed in the future (unless by special application of the Trustee on very limited circumstances). You are not required to retire from employment or from the Prudential Staff Pension Scheme on this date. However, if you retire or switch out of the Prudential With-Profits Fund before or after this date Prudential reserves the right to apply an MVR (subject to the concession described on the left of this page).

Your Selected Retirement Age

You will also have chosen an age when you expect to use the value of your Personal Account to fund your retirement — Your Selected Retirement Age (SRA). You are free to choose any age for your SRA from 55 years old to 75 years old. If you have chosen to invest using one of the three Lifestyle Profiles, your SRA determines when to transition your investments from higher risk to lower risk funds.

If you have chosen an age other than age 65 for your SRA, the Normal Retirement Date in respect of the Prudential With-Profits Fund will be your 65 birthday.

What happens if I want to switch to a different fund?

You may switch funds at any time without incurring a switching charge (although in switching funds you may incur normal market transaction costs). However, if you switch out of the Prudential With-Profits Fund at any time other than on your normal retirement date, as described above, an MVR may be applied.

We will make you aware by either email or telephone if an MVR applies at the time of the switch and you are given a 24-hour window to decide if you would like to proceed with the switch or otherwise. If you decide to switch after the 24-hour window has expired, the MVR amount may change as it is calculated on a daily basis.

You can switch funds online by logging on to your account through the Scheme's website prudentialstaffps.co.uk. Alternatively, you may call or write to the DC Section Administration Team.

How do I find out about the value of my investment in the Prudential With-Profits Fund?

At anytime, you can view the current value of your Personal Account by logging into 'My account', simply go to the Scheme website (prudentialstaffps.co.uk), if asked confirm you are a DC Section member, and then click or tap on the 'Access my Personal Account' button at the bottom of the page.

What does the Prudential With-Profits Fund invest in?

The Prudential With-Profits Fund is invested in a diversified portfolio of UK and overseas shares, bonds, property, alternative assets, and cash etc. A significant proportion of the Fund is invested in shares and property which are expected to produce attractive long term returns, but the return on these assets can be volatile and so the Fund is actively managed to optimise the returns while controlling risk. You can find more information on the Prudential With-Profits Fund Factsheet at dc.prudentialstaffps.co.uk/document-library/fund-factsheets.



Please note: the value shown for your Prudential With-Profits Fund investment will not show if an MVR is applying on that day.

Who manages the Prudential With-Profits Fund?

The Prudential Assurance Company Limited holds the assets of the Prudential With-Profits Fund through custodians. Prudential has delegated the investment management of the Fund through agreements with various investment managers including M&G Investments.

The M&G Treasury and Investment Office are the in-house asset-allocation experts for Prudential in the UK and over many years have made a number of important asset allocation decisions that have played a key part in the strong performance of the Prudential With-Profits Fund. These investment experts aim to balance risk and return in line with the Fund's objectives. The overriding priority has always been, and will continue to be, to maintain the financial security of the Prudential With-Profits Fund. Within that context they aim to deliver strong performance and monitor and control the different investment portfolios.

What is the annual management charge for the Prudential With-Profits Fund?

The With-Profits Fund's annual charge depends on the performance of the With-Profits Fund, in particular the investment return and expenses. If, for example, over time investment returns are higher than Prudential expect to increase the charges and if investment returns are lower they would expect to reduce the charges. Prudential currently expect this charge to be approximately 0.80% a year, based on the assumption that future investment returns from the With-Profits Fund will be 5% per year. Prudential deduct this charge through the bonus mechanism.

Small Print

Company means M&G plc or any associated company/ employer that offers you membership of the Scheme through your contract of employment.

All benefits are payable in accordance with the Trust Deed and Rules, the legal document governing the Scheme. In the event of any discrepancy between any information provided to you and the Trust Deed and Rules, the Trust Deed and Rules will prevail.

What if I have any other questions?

If you have any questions on the Scheme or the options available for the investment of your account, just contact the DC Section Administrator in the first instance.

You can:

email them at PSPSDC.SC@prudential.co.uk

call them on **0345 300 2637**

or write to:

**Prudential (PSPS DC)
LANCING
BN15 8GB**

The DC Section Administrator, the Trustee and Prudential can provide you with information about the investment options, though they cannot offer you advice which is specific to your circumstances. If you would like help with this, you should speak to an independent financial adviser.

For details of one in your area, visit register.fca.org.uk.

- The Trustee reserves the right to withdraw or change the available fund range at any time, subject to certain restrictions. If this happens, the Trustee reserves the right to transfer your Personal Account between investment options without your consent. New investment options may also be made available
- Past performance is not a reliable indicator of future performance.