Addendum

(PENT10519)

This is an Addendum to the Technical Guide or Policy for your pension plan.

Changes to certain terms and conditions with effect from 31st December 2012: Effect of the "Retail Distribution Review".

Also, change to additional life cover option under the Premier Group Personal Pension and Premier Group Stakeholder Pension Plan with effect from 21st December 2012.

You should keep this Addendum with the Technical Guide or Policy previously issued to you.

This Addendum applies to the following types of pension plan:

- Premier Personal Pension Plans;
- Premier Stakeholder Pension Plans;
- Ex-Scottish Amicable "legacy" Personal Pension Plans, Stakeholder Pension Plans, Retirement Annuity Contracts and Free-Standing Additional Voluntary Contributions Plans. This includes product ranges such as Series A, FlexiPension, IndePension, ExtraPension and the Personal Retirement Investment Plan; and
- Ex-M&G Personal Pension Plans, Retirement Annuity Contracts and Free-Standing Additional Voluntary Contributions Plans.

Note: This Addendum does not apply to the Pru Flexible Retirement Plan.

This Addendum makes reference to the Technical Guide PENB6591 for Premier Personal Pension and Premier Stakeholder Pension Plans, and the Technical Guide Supplement PENB6592 for Premier Group Personal Pension and Premier Group Stakeholder Pension Plans. These Technical Guides are available from us on request. They are also subject to the changes set out in this Addendum.

1. Background

As a result of the regulatory review known as the "Retail Distribution Review" ("RDR"), there are some changes to our regulator's rules on advice and on the way financial advisers are paid. These changes mean that we need to change some features of your pension plan.

The main difference between "post-RDR pension plans" and "pre-RDR pension plans" (see section 6 for definitions) is the way the financial adviser is paid for pensions advice. Under "pre-RDR pension plans", the financial adviser is normally paid commission by Prudential, which is indirectly funded through various charges under the pension plan. Under "post-RDR pension plans", however, the customer and the financial adviser agree how much the customer will pay the financial adviser for pensions advice. Those payments can then, if the customer so requires, be funded by making explicit deductions from the pension plan through charges known as Adviser Charges, or they can be paid direct by the customer. The new rules and Adviser Charges do not apply to the pension savings currently held under your "pre-RDR pension plan(s)". But because the new rules and Adviser Charges apply to certain types of increases and new payments, we need to make the changes explained in this Addendum.

Sections 2 to 4 relate to the effect of the "Retail Distribution Review" and reflect Prudential's current understanding of how the new rules affect existing pension plans. The information and changes in these sections affect the terms and conditions for individual pension planholders only. The information and changes do not generally affect members of Group Personal Pension and Group Stakeholder Pension Plans in existence at 31st December 2012, until the member leaves the employer and becomes an individual planholder in his or her own right.

Section 5 relates to the removal of the life cover option under Premier Group Personal Pension and Premier Group Stakeholder Pension Plans. The life cover option is mentioned in the Premier Technical Guide PENB6591 which is issued to all new members, including members of Premier Group Personal Pension and Premier Group

Stakeholder Pension Plans, and is covered in detail in the Premier Technical Guide Supplement PENB6592. Prudential has decided to remove the life cover option for new members as a result of a ruling by the European Court of Justice that insurance companies can no longer price products differently for men and women. This ruling and the removal of the life cover option for new members applies from 21st December 2012.

2. New single payments, transfers-in and increases to regular contributions

The details set out in this section apply to individual pension planholders and to members of Group Personal Pension and Group Stakeholder Pension Plans who become individual planholders, having left the employer who sponsored the grouped arrangements.

As a result of the "Retail Distribution Review", we have to treat any new payments in a way which conforms to the new rules on advice and adviser charging. This may mean that we have to accept new payments on a different basis from the basis that applies under your existing pension plan. Depending on the type of pension plan, the payments may still be accepted under the same pension product, but on different terms, or they may need to be invested under a different pension product.

If you want to pay new single payments, a transfer-in, or increase regular payments, you should seek advice from your financial adviser.

If you make new payments into a Prudential pension product, the new payments will be treated as a new "post-RDR pension plan".Where a new payment is allowed into a pension plan, the new payments will be subject to the terms and conditions set out in the existing Technical Guide or Policy for that pension plan including any Addenda (such as this one) that we may issue and/or publish on our website.

3. Changes to regular contributions rate – temporary reductions and contribution holidays

The details set out in this section apply to individual pension planholders and to members of Group Personal Pension and Group Stakeholder Pension Plans who become individual planholders, having left the employer who sponsored the grouped arrangements.

Under the terms of your Technical Guide or Policy, you may be able to reduce or stop paying regular contributions on a temporary basis.

Under some pension plans, temporary reductions or contribution holidays can either be for a definite pre-agreed period, or for an indefinite period. Under other pension plans, temporary reductions or contribution holidays may be permitted only for a definite pre-agreed period.

The changes set out below came into effect on 31st December 2012 and affect:

- only pension plans which have this feature;
- temporary reductions or contribution holidays; and
- indefinite temporary reductions and indefinite contribution holidays.

(a) Temporary reductions and contribution holidays in place before 31st December 2012

With effect from 31st December 2012:

- If a temporary reduction to regular contributions for an indefinite period is already in place, you will not be able to resume payments above the reduced level under that same pension plan.
- If a contribution holiday for an indefinite period is already in place, you will not be able to resume payments under that same pension plan.

This does not apply where the temporary reduction or contribution holiday is for a definite pre-agreed period. Where a temporary reduction or contribution holiday was pre-agreed and in place before 31st December 2012 for a definite period, regular payments will resume at the previous level on the agreed date, even if this falls on or after 31st December 2012.

The resumed regular payments will remain subject to the terms and conditions set out in the Technical Guide or Policy for your pension plan, subject to the changes (for example, regarding further increases and automatic indexation) set out in this Addendum.

(b) Temporary reductions and contribution holidays started on or after 31st December 2012

(i) Pre-RDR pension plans

With effect from 31st December 2012:

- If you reduce regular contributions to a pension plan which is a "pre- RDR pension plan", you will not be able to resume payments above the reduced level under that same pension plan.
- If you stop regular contributions to a pension plan which is a "pre-RDR pension plan", you will not be able to resume payments under that same pension plan.

(ii) Post-RDR pension plans

With effect from 31st December 2012, any regular contribution top-up plans* which are "post-RDR pension plans" will not allow temporary reductions and contribution holidays. Once reduced or stopped, it will not be possible to resume payments above the reduced level under that same pension plan. If you require this product feature, you will need to pay regular contribution top-ups into a Pru Flexible Retirement Plan – Personal Pension Option, subject to the terms and conditions set out in the Technical Guide FRPT10363.

- other than the Pru Flexible Retirement Plan – Personal Pension Option

(c) Resuming regular payments

If you wish to resume regular payments after a temporary reduction or a contribution holiday, you will need to complete a new application form and pay the resumed amount as a regular contribution top-up into a new pension contract which complies with the new rules on advice and adviser charging.

The Pru Flexible Retirement Plan – Personal Pension Option, has been updated to allow Adviser Charges to be deducted from the pension plan. There may also be some options to pay regular contribution top-ups under other Prudential pension products in a way which is compatible with the new rules on adviser charging. If you want to resume regular payments, you should seek advice from your financial adviser.

If you resume payments by making a regular contribution top-up into a Prudential pension product, the payments will be treated as a new "post-RDR pension plan". If they are invested in the Pru Flexible Retirement Plan – Personal Pension Option, they will be subject to the terms and conditions set out in the Technical Guide FRPT10363. Where we allow you to resume payments by making a top-up into another pension plan, the payments will be subject to the terms and conditions set out in the existing Technical Guide or Policy for that pension plan including any Addenda (such as this one) that we may issue and/or publish on our website.

Note: As set out in section 3(a), this does not apply where the temporary reduction or contribution holiday is for a definite pre-agreed period which was agreed before 31st December 2012.

4. Regular contributions – automatic indexation

The details set out in this section apply to individual pension planholders and to members of Group Personal Pension and Group Stakeholder Pension Plans who become individual planholders, having left the employer who sponsored the grouped arrangements.

Under the terms of your Technical Guide or Policy, you may be able to select for regular contributions to your pension plan to be set up with automatic indexation.

The changes set out below came into effect on 31st December 2012 and only affect pension plans which have this feature.

Depending on the terms of your pension plan, automatic indexation may be for a fixed percentage or it may be linked to an earnings index, or there may be a choice of these two indexation types. In the case of fixed percentage indexation, there may be a choice of percentages, or automatic indexation may be limited to one single percentage basis.

With effect from 31st December 2012, in respect of any regular contribution pension plan which is a "pre-RDR pension plan" or a "post-RDR pension plan" (see section 6):

- You will not be able to add automatic indexation, if it has not already been selected.
- You will not be able to resume automatic indexation if it has already been stopped, or if you stop it in the future. You should note that automatic indexation is stopped and removed from your pension plan if you refuse an automatic increase on any occasion.
- In the case where the terms of your pension plan allow a choice of either fixed percentage increases or increases linked to an earnings index and you have already selected automatic indexation, you cannot change from fixed percentage increases to increases linked to an earnings index (or vice versa).
- In the case where the terms of your pension plan allow a choice of more than one fixed percentage rate and you have already selected automatic indexation with fixed percentage increases, you will not be able to increase the percentage rate. You will, however, be able to reduce the percentage rate providing your regular contributions are not already indexed at the lowest rate available; but once reduced, you will not be able to increase back to the previous percentage rate.

If you already have automatic indexation at 31st December 2012 (and have not stopped it), the programmed increases will continue under that same pension plan at the existing level unless and until you request to reduce or remove automatic indexation, and will not be subject to the new post-RDR rules.

If you wish to add automatic indexation for the first time, or wish to resume automatic indexation, on or after 31st December 2012, you can do so through setting up a new Pru Flexible Retirement Plan – Personal Pension Option, or, if appropriate, through setting up a Premier Pension Plan. The same applies if you wish to change the indexation basis on a "pre-RDR pension plan", as described above. In any of these cases where a new pension plan is set up, regular contributions to the existing pension plan will stop. The new pension plan will need to be for the full amount of your existing regular contributions, plus the amount of any proposed indexation at that time.

Where you discontinue an existing pension plan as a result of setting up a new pension plan, we may apply special terms to the discontinuance. The new pension plan will also be a new "post-RDR pension plan", subject to the terms and conditions set out in either the Pru FRP Personal Pension Plan Technical Guide FRPT10363, or, if appropriate, the existing Premier Pensions Technical Guide PENB6591 including any Addenda (such as this one) that we may issue and/or publish on our website.

To take out a new Pru Flexible Retirement Plan – Personal Pension Option, you will need to meet the eligibility criteria and minimum payments requirements for that contract. In any event, you should seek advice from your financial adviser before setting up a new pension contract.

5. Additional life cover

With effect from 21st December 2012, additional life cover has been withdrawn for new members joining a Premier Group Personal Pension or a Premier Group Stakeholder Pension Plan on or after that date.

Additional life cover continues to be available to members who joined a Premier Group Personal Pension or a Premier Group Stakeholder Pension Plan before 21st December 2012. Such members can start additional life cover at any time.

Note: Additional life cover was withdrawn for new individual Premier Personal Pensions and Premier Stakeholder Pensions with effect from 13th April 2007.

6. Definitions

pre-RDR pension plan: Pension plans which fall under our regulator's rules on advice and adviser charging which applied before 31st December 2012 are known as "pre-RDR pension plans". Unless we agree otherwise in any particular case, a pension plan is treated as a "pre-RDR pension plan" where:

- the relevant payment together with all necessary forms and information was received by us on or before 21st December 2012; and
- the "start date" (see below) of the pension plan falls on or before 1st January 2013.

post-RDR pension plan: Pension plans which fall under our regulator's rules on advice and adviser charging effective from 31st December 2012 are known as "post-RDR pension plans". Unless we agree otherwise in any particular case, a single contribution, transfer-in, or increase to a regular contribution (apart from automatic increases) will be used to set up a new "post-RDR pension plan" where:

- the "start date" (see below) of the pension plan falls on or after 2nd January 2013; and
- the pension plan is not being treated as a "pre- RDR pension plan" as described above.

start date: For a single contribution, transfer-in or increase to a regular contribution, the "start date" is the date we have:

- a fully completed application form providing all the information we need to meet our contractual and legal requirements;
- all other information, authorities and instructions that we require; and
- a fully completed cheque or direct debit mandate covering payment of the contributions (or such other contribution payment method as we agree as acceptable).

In the case where multiple transfer payments are held in a "holding account" as described in the Technical Guide FRPT10363, the "start date" will be determined when we have received (or treat as received) the last transfer payment together with all the information, authorities and instructions that we require.

If we are not open for business on the day determined in the way described above, the "start date" will be the next working day following that day. See the Pru FRP Personal Pension Plan Technical Guide FRPT10363 or the Premier Pensions Technical Guide PENB6591 (as appropriate) for a detailed explanation of when we treat items as having been received by us.

The value of your investment may go down as well as up, and may in the future be less than the payment(s) made to your pension plan. Information in this Addendum is based on Prudential's understanding of legislation as at April 2021. Legislation, particularly relating to taxation, may be subject to change in the future. Any tax reliefs referred to are those currently available and the value of tax reliefs depends on individual circumstances. If an investment is in the With-Profits Fund and units in that Fund are sold at any time other than on the Selected Retirement Age or the member's earlier death, a Market Value Reduction (MVR) may apply.

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