Pru
part of M&G plc

Company Pension Scheme

Leaving options leaflet

On leaving the Scheme, either on leaving employment or on "opting out" of Scheme membership, contributions stop and a decision must be made on how the benefits are to be settled.

A description of the options available is given later in this leaflet. Not all of the options will apply to everyone. The options are governed by pensions legislation and depend on several factors such as how long the member was in the Scheme, if the member contributed, and if the Scheme is being wound up.

Options

This leaver's pack contains:

- an illustration. This quotes the current surrender and projected values of the benefits and details the options available to the member, and
- an Instruction Form.

The member may want to discuss the contents of this pack with the Scheme Administrator or Financial Adviser. Once the option has been chosen the Instruction Form should be completed, signed and returned to Customer Services at the address shown below.

If the member is a named individual Trustee of the Scheme, please confirm whether he/she is to continue in this role.

Any questions about this pack should normally be referred to the Financial Adviser for the Scheme. Alternatively, you can contact us at the address shown below:

Customer Services
Prudential
Lancing
BN15 8GB

Tel No: 0808 234 3030

Calls may be monitored or recorded for quality and security purposes.

Details of the options which specifically apply to the member are shown on the enclosed Illustration of Benefits and Options.

Please read the Glossary and Notes at the end of this leaflet.

1. Paid up benefits with us

The member's benefits can remain invested in the same range of Pension Funds which benefit from advantageous tax treatment. As no further contributions will be paid, the benefits will be made paid up in line with the plan conditions and held until the member decides to take benefits. Retirement benefits can be taken at any time from age 55. Under the terms of the contract you are currently required to take your benefits by age 75.

Paid up benefits can buy a policy in the member's name, (but see the Glossary for definitions of Protection and possible loss of Protection on transfer), and we will take over the administration of the benefits. All future communication will then be made directly between the member (or his/her Financial Adviser) and us.

If this option is chosen now it does not stop the member selecting one of the other options in the future, other than the Cash Payment option. Charges will continue to be deducted (if applicable) from the fund value if this is retained with us.

Investing in PruFunds

2. Transfer to registered Pension Scheme

The member can normally transfer the surrender value of benefits to a Registered Pension Scheme (see the Glossary for definition of Registered Pension Scheme). Any Protection on pre 6 April 2006 benefits (see Glossary) may be lost on transfer so the member should consider contacting their Financial Adviser before making a decision.

(Please read Notes (ii), (iii) and (v) at the end of this leaflet.)

If the member wishes to consider a transfer to an overseas scheme they should contact their financial adviser, or, please contact us for further guidance.

3. Taking benefits

If the member has either reached age 55 or is leaving for reasons of incapacity, he/she may choose to take immediate retirement benefits. (See Glossary for definition of Protected Retirement Age.) (Please also read Notes (iii) and (v) at the end of this leaflet.)

4. Cash payment

If the member has less than 3 months' Qualifying Service, the trustees need only offer a cash payment.*

If the member has less than 2 years' Qualifying Service, they can choose to take a transfer value to another Registered Pension Scheme. Alternatively they can choose to take a cash payment*. The trustees can impose a time limit on making this choice.

With effect from 1 October 2015 a member will only be entitled to a cash payment if they have less than 30 days of qualifying service and have not made any contributions using a salary sacrifice arrangement. This will only affect members who join a scheme after 1 October 2015.

The cash payment to the member may not be the full surrender value or a full refund of the contributions paid by the member.

It will normally be the proportion of the surrender value, which the member's contributions represent when compared with the total contributions paid.

The following example illustrates this.

Total Contributions £1,000 Member's Contributions £500 Employer's Contributions £500
Member's cash payment = 500/1,000 x surrender value

The Trustees may, if they wish, increase the member's cash payment to the amount which the member actually contributed (plus reasonable interest) but this should not be greater than the total surrender value.

The member's cash payment is subject to tax.

The Trustees must account for and pay the tax on the amount of the member's cash payment up to the "total actual member contributions" to HM Revenue & Customs. Any amount of the cash payment due to interest/growth in excess of the total actual member contributions is deemed by HM Revenue & Customs as a 'Scheme administration member payment' and is taxed through the member's self-assessment.

Any balance of the surrender value (in excess of the member's cash payment) is returned to the Employer and is also subject to tax.

- The member's cash payment is subject to 20% tax on the first £20,000 refunded and 50% on any balance.
- Any interest/growth added by the trustees to the member's cash payment i.e. a Scheme administration member payment, will be taxed through self-assessment. (However, where the Trustees are making up any shortfall between the member's share of the surrender value and the total actual member contributions this is taxed as in the preceding bullet).

In light of this we will always make payment to the Trustees, with guidance on how to make payment to the member.

Please read the Notes at the end of this leaflet.

* **If Trustees have decided that on joining the scheme the members will always be entitled to the full benefits earned whilst they are a member, the cash payment option will not be available to any member of that scheme.**

Notes

(i) The value of any benefit not given to the member, if returned to the Employer, will be an Unauthorised Payment subject to a tax charge of up to 70%. The Scheme Administrator must pay this tax to HMRC.

(ii) If the member chooses any of the Transfer Options the total benefits must be transferred. It is not our practice to allow a partial transfer of funds.

All members should also:

- seek financial advice on whether or not the transfer would be in his/her best interest.
- check that the transfer payment can be accepted by the new arrangement.
- check that it meets the minimum transfer value requirements operated by the proposed receiving scheme.
- establish what retirement benefits may be expected as a result of the transfer.

(iii) If any of the member's plans carry a guaranteed annuity rate, this will be lost if early retirement or any of the transfer options are chosen.

(iv) The fund value in future may be less than the payments you have made

(v) If the plan(s) invest in our With-Profits Fund and money is taken out of that fund, we may reduce the value by applying a Market Value Reduction.

The above is based on our understanding at January 2019, of current taxation, legislation and HM Revenue & Customs practice, all of which are liable to change without notice. The impact of taxation (and any tax reliefs) depends on individual circumstances. The value of an investment may fluctuate and is therefore not guaranteed. You may not get back full value of your investment. Full written terms and conditions of all our plans are available on request.

Glossary

Lifetime Allowance: all benefits provided from registered pension schemes are subject to a "Lifetime Allowance" (LTA). The standard LTA for the 2018/2019 tax year is £1.03 million. The standard LTA for the 2019/2020 tax year is £1.055 million. The standard LTA will increase each tax year thereafter in line with the Consumer Price Index. Protection may be available for those that may exceed the Lifetime Allowance. If you think you will be affected by this, please speak to your financial adviser. The excess, when taken, will be subject to a lifetime allowance tax charge.

Protection: Members who had earned benefits prior to 6 April 2006 may have protected some or all of those benefits.

If such protection applies, there are some circumstances where it may be lost. The member should contact their Financial Adviser before taking action which might affect their protection. For enhanced and primary protection, members had to apply for this before 6 April 2009.

Examples of the types of Protection are:

- **Enhanced Protection:** where the member has chosen to protect the level of benefits earned before 6 April 2006. This could be lost if the transfer is not a permitted transfer, as defined in legislation.
- **Fixed Protection 2012:** where the member has chosen to protect the level of benefits earned before 6 April 2012 where they expect their benefits to be in excess of £1.5 million. This could be lost if the transfer is not a permitted transfer, as defined in legislation. The member needed to apply to HMRC for this protection by 5th April 2012.
- **Fixed Protection 2014:** where the member has chosen to protect the level of benefits earned before 6 April 2014 where they expect their benefits to be in excess of £1.25 million but no more than £1.5 million. This could be lost if the transfer is not a permitted transfer, as defined in legislation.

The member needed to apply to HMRC for this protection by 5th April 2014.

- **Fixed Protection 2016:** where the member has chosen to protect the level of benefits earned before 6 April 2016 where they expect their benefits to be in excess of £1 million but no more than £1.25 million. There is currently no closing date for applying for Fixed Protection 2016.
- **Primary Protection:** where the member had benefits in excess of the Lifetime allowance at 5 April 2006 and chose to protect those benefits.
- **Individual Protection 2014:** where the member has chosen to protect their benefits which are valued over £1.25 million on 5 April 2014 and enables further saving under a pension scheme whilst benefiting from protection. It will give individuals a lifetime allowance that is the value of their pension rights on 5 April 2014, up to an overall maximum of £1.5 million. The member needed to apply to HMRC for this protection by 5 April 2017.
- **Individual Protection 2016:** where the member has chosen to protect their benefits which are valued over £1 million on 4 April 2016 and enables further saving under a pension scheme whilst benefiting from protection. It will give individuals a lifetime allowance that is the value of their pension rights on 5 April 2016, up to an overall maximum of £1.25 million £1.5 million. There is currently no closing date for applying for Individual Protection 2016. There is currently no closing date for applying for Fixed Protection 2016.
- **Protected Retirement Age:** broadly applies if, before 6 April 2006, the member had an unqualified right to a normal retirement age before age 55. This right will be lost if the member transfers to another scheme unless the transfer is part of a block transfer.
- **Scheme Specific Protected Tax Free Cash:** where the member may have protected tax free cash in respect of benefits earned/ transferred before 6 April 2006. This protection may be lost on transfer or leaving the plan with us in the member's name, so financial advice should be sought.

Qualifying service: is broadly, service that is pensioned by the scheme.

Registered Pension Scheme: a scheme, which is registered under Chapter 2 of Part 4 of the Finance Act 2004. This will include personal and stakeholder pension schemes, occupational pension schemes and Section 32 buy out contracts.

Scheme administration member payment: a payment paid by the Trustees to the member along with a return of member contributions. It has to meet certain HM Revenue & Customs conditions.

W358 07/2021_WEB