

# Addendum

FRPT10389

This is an Addendum to the Technical Guides for the “Pru Flexible Retirement Plan – Personal Pension Option” (IPPB6369) and the “Pru Flexible Retirement Plan – Income Drawdown Option” (IPPB6373).

**Terms and conditions for the PruFund Funds including the PruFund Protected Funds with a range of guarantee terms.**

This Addendum applies to your Pru Flexible Retirement Plan in the case where your pension plan was taken out before 13th June 2011, and you request to switch to any type of PruFund Fund, or to a PruFund Protected Fund with the current range of guarantee terms on or after 31st December 2012.

This Addendum is relevant to Technical Guides with version dates up to and including September 2010.

If this Addendum is issued to you as a printed document, please keep it with the Technical Guide previously issued to you.

**Important:** This version of the Addendum reflects changes made to the Pru Flexible Retirement Plan – Income Drawdown Option, with effect from 11th November 2013, to allow drawdown to continue beyond the 75th birthday. This version of the Addendum therefore supersedes the earlier version dated June 2013.

The changes to allow drawdown beyond the 75th birthday are set out in the Addendum coded FRPT10417. As a result of those changes, certain terms and conditions that were previously linked to the “final conversion date”, are now linked to a date called the “anticipated annuitisation age”.

## Before switching to a PruFund Fund

Before you request a switch to any type of PruFund Fund, we suggest that you read our documents which explain how PruFund Funds work. If you are proposing to switch to a PruFund Protected Fund, you need to read the extra information about the guarantee under the PruFund Protected Funds and the restrictions on investments in PruFund Protected Funds.

The main features of all types of PruFund Funds are described in the following documents:

- “Key Features of the Flexible Retirement Plan (Personal Pension Plan with SIPP options)” – PPPK6139;
- “Key Features of the Flexible Retirement Transfer Plan (Personal Pension and Income Drawdown with SIPP options)” – PPPK6140;
- “Your With-Profits Plan – a guide to how we manage the Fund for PruFund Range of Funds” – WPGB0031; and
- “The PruFund Range of Funds: Guarantee Options” – INVS11470.

You can get copies of these documents from your adviser or from [www.pru.co.uk](http://www.pru.co.uk).

You should read these documents before you request a switch to a PruFund Fund.

We also suggest that you read the detailed terms and conditions for the PruFund Funds (and for the guarantee under the PruFund Protected Funds, if applicable) before you request the switch. The purpose of this Addendum is, as such, to provide you with those detailed terms and conditions.

## Important note: Investments in the PruFund Protected Growth Fund with rolling guarantee

The terms and conditions set out in this Addendum do not cover the PruFund Protected Growth Fund with rolling guarantee. The rolling guarantee option has been closed to new investments and switches-in since 31st December 2009.

If your pension plan is invested in the PruFund Protected Growth Fund with rolling guarantee, your investment remains subject to the terms and conditions for that guarantee until you sell all units out of that fund. The terms and conditions for the PruFund Protected Growth Fund with rolling guarantee were changed with effect from 1st June 2013. The replacement terms and conditions are set out in the Addendum coded FRPT10400. The Addendum coded FRPT10400 has also been updated to reflect the introduction of the “anticipated annuitisation age” under income drawdown plans.

You should also note that investments in a PruFund Protected Fund can only have one guarantee type under the same pension plan. So, if your pension plan is invested in the PruFund Protected Fund with rolling guarantee, you cannot also invest under the same pension plan in the guarantee options described in this Addendum. Different guarantee types can, however, be held under different pension plans.

## Contents of Addendum

This Addendum contains the following sections:

### Section 1. General

This section contains general information including details of how the Addendum affects the terms and conditions in your Technical Guide(s).

### Section 2. The PruFund Funds

This section contains the terms and conditions for the operation of the PruFund Funds and for investing in the PruFund Funds.

### Section 3. Investing in a PruFund Protected Fund and operation of the PruFund Protected Fund guarantee

This section contains the terms and conditions for the current range of guarantee terms under the PruFund Protected Funds, which were launched under the Pru Flexible Retirement Plan on 13th June 2011.

### Section 4. Fund switches

This section contains the terms and conditions for switching between all types of funds, including the PruFund Funds, the With-Profits Fund and the Unit-Linked Funds.

### Section 5. Annual Management Charges

This section contains the terms and conditions for the deduction of Annual Management Charges under the PruFund Funds. It also explains how the Annual Management Charge is affected by switching between different types of fund.

### Section 6. Meanings of special words and expressions

This section explains the meanings of the special words and expressions used throughout sections 1 to 6 (shown in **bold italics**). This Addendum covers more than one type of Technical Guide, and therefore we have used some new special words and expressions when a generic expression can be used for two types of pension plan and when the provisions apply in the same way to both types of pension plan – for example the generic expression “pension plan” is used when the pension plan in question could either be a “PP plan” or an “income drawdown plan”.

## 1. General

### 1.1 Interpretation

The words and expressions shown in **bold italics** are explained in section 6 of this Addendum.

In this Addendum the words “we”, “us” and “our” refer to The Prudential Assurance Company Limited.

References to specific “sections” are to sections of this Addendum.

Throughout this Addendum there are references to the effective dates used for transactions, notices and requests. These effective dates depend on when we treat items as having been received. A full explanation of when we treat items as having been received is set out in the **Technical Guide(s)**.

### 1.2 Application of Addendum to Technical Guide(s)

Where the **Technical Guide(s)** already issued to the **member** sets out terms and conditions relating to the **PruFund Funds**, those provisions are replaced by the provisions set out in sections 2 and 3 of this Addendum. If the **Technical Guide(s)** already issued to the **member** does not contain any terms and conditions for **PruFund Funds**, the provisions in sections 2 and 3 represent additional terms and conditions which are deemed to be part of that **Technical Guide(s)**.

The switching provisions set out in section 4 of this Addendum replace in their entirety the switching provisions set out in the **Technical Guide(s)** already issued to the **member**.

The Annual Management Charge provisions set out in section 5 of this Addendum sit alongside the Annual Management Charge provisions in the **Technical Guide(s)** already issued to the **member**.

## 2. The PruFund Funds

### 2.1 PruFund types

The **PruFund Funds** are “unitised with-profits funds” managed by companies within **M&G plc** and provided through the **Prudential With-Profits Fund**. The **PruFund Funds** (and associated **PruFund Accounts**) participate in the profits of the **Prudential With-Profits Fund** exclusively through increases in the **unit price** (see section 2.8).

There are two types of **PruFund Fund**: **PruFund Protected Funds** and non-protected **PruFund Funds**.

**PruFund Protected Funds** offer a guarantee in exchange for payment of a **guarantee charge**, as described in section 3.13. Non-protected **PruFund Funds** do not offer any guarantee.

### 2.2 Availability of PruFund Funds

A number of **PruFund Funds** are currently relevant to the Pru Flexible Retirement Plan. These are described in our current funds literature, which is available from us on request.

The availability of the **PruFund Funds** is subject to our powers in the **Technical Guide(s)** to make changes to **funds** and to close, merge, wind-up and withdraw **funds**. It should also be noted that each **fund** within a **PruFund pair** can be withdrawn independently of the other **fund** in that **PruFund pair**.

**Units** may not be held in more than one **PruFund Protected Fund** at the same time under a **pension plan**. See also sections 3.2.2 and 4.5.

### 2.3 PruFund Accounts

Each **PruFund Fund** has a corresponding **PruFund Account**. Amounts to be invested in a **PruFund Fund** are initially invested in the corresponding **PruFund Account**.

### 2.4 PruFund pairs and PruFund Account pairs

A **PruFund Protected Fund** will always have a corresponding non-protected **PruFund Fund** which shares the same descriptive title. These corresponding **funds** are described as a **PruFund pair**. An example of a **PruFund pair** is the PruFund Protected Cautious Fund and the PruFund Cautious Fund (both of these **funds** being currently available under the Pru Flexible Retirement Plan).

Conversely, not all non-protected **PruFund Funds** are part of a **PruFund pair**. For example, the PruFund 0-30 Fund is currently a non-protected **PruFund Fund** which does not correspond to a **PruFund Protected Fund**, and therefore that **fund** does not form part of a **PruFund pair**.

Where two **PruFund Accounts** share the same descriptive name these form a **PruFund Account pair**.

Where a **PruFund Fund** forms part of a **PruFund pair**, both **PruFund Funds** within that **PruFund pair** are taken together when we calculate the **expected growth rate** and the **unit prices** under sections 2.8.1 to 2.8.3, or when we assess whether the smoothing process should be suspended under section 2.8.4. Likewise, where a **PruFund Account** forms part of a **PruFund Account pair**, both **PruFund Accounts** within that **PruFund Account pair** are taken together when we calculate the **expected growth rate** and the **unit prices** under section 2.8.

## 2.5 The PruFund Funds, the PruFund Accounts and the Prudential With-Profits Fund

The **PruFund Funds** and the **PruFund Accounts** form part of a sub-fund of the **Prudential With-Profits Fund**. The assets of the **PruFund Funds** and **PruFund Accounts** are not separately identifiable from the other assets of the relevant sub-fund of the **Prudential With-Profits Fund**.

Each **PruFund Fund** and each **PruFund Account** has its own **unit price**.

In the case of **PruFund pairs**, **PruFund Funds** within the same **PruFund pair** have the same **unit price**. **PruFund Accounts** within the same **PruFund Account pair** also have the same **unit price**.

The **unit prices** for the **PruFund Accounts** are, however, independent from the **unit prices** for the corresponding **PruFund Funds**.

The **unit prices** of separate **PruFund pairs** and **PruFund Account pairs** are also independent from each other.

## 2.6 Operation of the PruFund Accounts

(a) If the **member** requests for:

- regular contributions, a single contribution or a transfer payment to be invested in a **PruFund Fund**; or
- a switch of existing **units** to be made to a **PruFund Fund** (except where **units** are switched between the two **PruFund Funds** within the same **PruFund pair**), we first of all allocate the appropriate amount to the relevant **PruFund Account**.

**Note:** The amount is allocated to the **PruFund Account** as described above, irrespective of whether the request is carried out on a **quarter date** or between **quarter dates**. This means that where an amount is invested or switched on a **quarter date** it will (subject to section 2.6(b)) normally remain in that **PruFund Account** until it is switched to the relevant **PruFund Fund** at the next **quarter date** in accordance with section 2.6(c). If, however, the amount is allocated on a **quarter date** and there are already **units** held under the **pension plan** in the relevant **PruFund Account**, this does not apply; in that instance, the total amount in the **PruFund Account** will be switched into the destination **PruFund Fund** at that **quarter date**.

(b) At any time before the next **quarter date** following the date that **units** are allocated under section 2.6(a), we can sell **units** in the **PruFund Account** (subject to a 28 day waiting period, where applicable, under section 2.9):

- to meet the Annual Management Charge and, if applicable, any **guarantee charge**;
  - to buy an annuity or pay any benefits; or
  - to make a transfer-out.
- (c) On each **quarter date**, any **units** remaining in the **PruFund Account** under the **pension plan** are sold and the amount realised is used to buy **units** in the relevant **PruFund Fund**.
- (d) The purpose of the **PruFund Accounts** is to channel investment into the **PruFund Funds**. As such:
- (i) The **member** cannot request a switch to a **PruFund Account**.
  - (ii) The **member** cannot request a switch from a **PruFund Account**.
  - (iii) The investment must have been used to buy **units** in the **PruFund Fund** before the **member** can make any requests to switch **units** from that **PruFund Fund** under section 4.

## 2.7 Unit prices – the PruFund Accounts

The **unit prices** of **units** of the **PruFund Accounts** on any **working day** are determined by us.

On each **quarter date**, our Board of Directors sets an **expected growth rate** for each **PruFund Account** or **PruFund Account pair**, and the **unit prices** are increased in line with that **expected growth rate** until and including the next **quarter date**. The **expected growth rate** is determined in accordance with section 2.8.1 and relates to the **expected growth rate** of the corresponding **PruFund Fund** or **PruFund pair**.

If the smoothing process has been suspended (see section 2.8.4), the **unit prices** within the **PruFund Account(s)** will continue to grow at the relevant **expected growth rate**. This **expected growth rate** will continue to be set on each **quarter date** and will apply to the **PruFund Account(s)** during the period of suspension.

## 2.8 Unit prices – the PruFund Funds and the smoothing process

### 2.8.1 Expected growth rate

On each **quarter date**, our Board of Directors sets and publishes an **expected growth rate** for each **PruFund Fund** or **PruFund pair**. Subject to any other adjustment in line with the terms and conditions in this Addendum, the **unit prices** within the **PruFund Funds** will increase in line with the then current **expected growth rate** every day from and including the day after the **quarter date** on which the **expected growth rate** is set until and including the next **quarter date**.

## 2.8.2 Calculation of unit price at each quarter date

Unless the smoothing process has been suspended (see section 2.8.4), the calculation of **unit prices** at each quarter date will be as follows:

- (a) At each **quarter date**, after application of the relevant **expected growth rate**, we compare the **net asset value per unit** of each **PruFund Fund** or **PruFund pair** to its **unit price** on that day. If the **net asset value per unit** is within 5% of the **unit price**, the **unit price** will not change.

However, subject to section 2.8.3:

- If the **net asset value per unit** is 5% (or more) above the **unit price**, the **unit price** will be increased on the **quarter date** by half the difference. If the **net asset value per unit** is more than 10% above the **unit price** then this adjustment will be repeatedly applied until the **net asset value per unit** is less than 5% above the **unit price**.
- If the **net asset value per unit** is 5% (or more) below the **unit price**, the **unit price** will be reduced on the **quarter date** by half the difference. If the **net asset value per unit** is more than 10% below the **unit price** then this adjustment will be repeatedly applied until the **net asset value per unit** is less than 5% below the **unit price**.

- (b) The **unit price** on the day after the **quarter date** will increase in line with the new **expected growth rate**, as described in section 2.8.1.

## 2.8.3 Adjustments of unit price on or between quarter dates

- (a) If the **unit price** is adjusted in line with this section 2.8.3, no adjustment that would otherwise apply on that day in line with section 2.8.2(a) will apply
- (b) Each **working day**, we calculate the average **net asset value per unit** for the **PruFund Fund** or **PruFund pair** over the five **working days** ending with the **working day** on which we are carrying out the calculation (“the average **net asset value per unit**”).

We also calculate the **net asset value per unit** and the **unit price** applicable on that particular day.

If the then current **net asset value per unit** and the average **net asset value per unit** are both 10% (or more) above the then current **unit price**, the **unit price** will be increased such that the **unit price** is then 2.5% below the **net asset value per unit**.

If the then current **net asset value per unit** and the average **net asset value per unit** are both 10% (or more) below the then current **unit price**, the **unit price** will be reduced such that the **unit price** is then 2.5% above the **net asset value per unit**.

## 2.8.4 Suspension of the smoothing process

- (a) We may suspend the smoothing process in relation to a **PruFund Fund** or **PruFund pair** if there is a significant difference between the total amounts being paid into and out of that **PruFund Fund** or **PruFund pair** by all policyholders who have investments in that **PruFund Fund** or that **PruFund pair**. The way we determine whether there is a significant difference is explained in (b), (c) and (d) below.

- (b) We can suspend the smoothing process if the difference between the total amounts being paid into and out of the relevant **PruFund Fund** or, where applicable, both **PruFund Funds** within the relevant **PruFund pair**:

- when calculated by reference to any 30 day period and then multiplied by 12 (to “annualise” the amount), is more than 25% of the **unit price fund value**; or
- when calculated by reference to any full year, is more than 10% of the **unit price fund value**.

- (c) The calculation of total payments into the **PruFund Fund** or **PruFund pair** includes both new payments and switches into that **fund** or **funds**. The calculation of total payments out of the **PruFund Fund** or **PruFund pair** includes switches out of that **fund** or **funds** and payments such as surrenders, withdrawals, transfers-out and other benefits from plans and policies but excludes:

- income payments (such as those payable under an **income drawdown plan**);
- death benefits under plans and policies that are earmarked to named individuals (such as death benefits payable under the **pension plan**);
- payments at plan/policy maturity dates\*, including any switches to the Prudential Cash Fund that take place under the terms and conditions of plans/policies in the month leading up to the maturity date; and
- switches out under programmed switching facilities (such as the Lifestyle Option).

**Note\***: Under a **PP plan**, the **SRA** equates to the maturity date. Under an **income drawdown plan**, the **anticipated annuitisation age** equates to the maturity date.

- (d) The calculation of total payments into and out of the **PruFund Fund** or **PruFund pair** described in section 2.8.4(c), includes payments during the relevant period under all plans and policies (including other Pru Flexible Retirement Plans and any other types of policy, including non-pension policies, that have access to that **fund** or **funds**).

(e) We can also suspend the smoothing process:

- to protect the **Prudential With-Profits Fund** (or a sub-fund) and, therefore, the interests of all our With-Profits policyholders and shareholders; or
- if we feel this is necessary to ensure that other policyholders are treated fairly in accordance with our regulatory duties.

(f) On each day of the period during which the smoothing process is suspended (including the day on which the suspension starts), the **unit price** of the relevant **PruFund Fund** or **PruFund pair** will be the value of that **fund** or **funds**, as determined by us, divided by the number of **units** in issue. We will review the position at least once every 30 days, and will reinstate the smoothing process when we consider it appropriate. The smoothing process will normally remain suspended for a minimum of 30 days.

(g) When the smoothing process is reinstated, the **unit price** will start at the previous day's **unit price**. The terms of sections 2.8.1 to 2.8.3 will then apply, including a daily increase in the **unit price** at the **expected growth rate** set by our Board of Directors.

## 2.9 The 28 day waiting period

### 2.9.1 General

When selling **units** of a **PruFund Fund** (or a **PruFund Account** – see section 2.6(b)), a 28 day waiting period may apply as set out in this section 2.9. The purpose of the waiting period is to protect the **Prudential With-Profits Fund** (or a sub-fund) and, therefore, the interests of all of our With-Profits policyholders and shareholders.

### 2.9.2 Circumstances when the 28 day waiting period will or may apply

- (a) The 28 day waiting period will always apply where the **member** asks to make a switch under the terms set out in this Addendum, from a **PruFund Fund** to any other **funds** (see section 4.3.3), except in some particular circumstances which are described in 2.9.4.
- (b) The 28 day waiting period may also apply if the **member**:
- takes a transfer payment from the plan;
  - buys an annuity; or
  - requests that we sell **units** in a **PruFund Fund** or a **PruFund Account** within 28 days following a request by the **member** to set up or change regular payments or make an ad hoc payment.
- (c) If the 28 day waiting period applies to any of the scenarios in section 2.9 then we will tell you at the time you give us your instruction.

### 2.9.3 Unit price

- (a) Subject to (b) below, if a waiting period applies, we sell the **units** on the 28th day following the **working day** on which we treat the request to switch or sell the **units** as having been received. If a waiting period of 28 days applies and the 28th day is not a **working day**, the **units** will be sold on the next **working day** following that day. A further delay may apply under the general delay terms set out in the **Technical Guide(s)**.
- (b) Where the transaction is a switch involving a number of **PruFund Funds** both within and outside a **PruFundpair**, the 28 day waiting period may start one **working day** later than usually applies (see section 4.3.5), with the result that **units** are then sold one **working day** later.
- (c) Following a waiting period under this section 2.9 (and subject to the general delay terms in the **Technical Guide(s)**), the **unit price** used will be the one that applies at the end of the waiting period, or, if applicable, the next **working day** thereafter. As the percentage of **units** to be sold is determined at the start of the waiting period when we receive the request to sell **units**, the value actually sold at the end of the waiting period may vary from the amount that the **member** expected and/or requested.
- (d) Where the transaction is a switch involving more than one **fund**, the sale of **units** in **funds** other than **PruFund Funds** will not be affected by the waiting period, except where switching into an Income Drawdown Lifestyle Option profile under an **income drawdown plan** (see section 4.3.6).

### 2.9.4 Circumstances when the 28 day waiting period will not apply

The 28 day waiting period will not apply when selling **units** of any **PruFund Fund** (and, where applicable, the corresponding **PruFund Account**):

- (a) in the month leading up to the **SRA/anticipated annuitisation age**;
- (b) to pay lump sum death benefits under the **pension plan**;
- (c) to switch out of a non-protected **PruFund Fund** under the Lifestyle Option under a **PP plan**;
- (d) to switch between **PruFund Funds** in the same **PruFund pair**.

In addition, the 28 day waiting period will not apply:

- when selling **units** (including to switch out) of a **PruFund Protected Fund** on the **guarantee date** of an investment in that **fund**; or

- in the 28 days following the **guarantee date** of an investment in a **PruFund Protected Fund**, when switching out of the corresponding **PruFund Fund** from the same **PruFund pair**, to which a default switch has been made under section 3.11.

## 2.10 Power to refuse or restrict investment in the PruFund Funds

We reserve the right to restrict or refuse a request to invest in a **PruFund Fund**. An example of when we might invoke this power is if we consider that switches were being made between a **PruFund Fund** and other **funds** with the intention of avoiding smoothing adjustments (see section 2.8) whilst still benefiting from the **expected growth rate**.

This power is in addition to our general power in the **Technical Guide(s)** to delay investment in any **fund** including the **PruFund Funds**.

## 3. Investing in a PruFund Protected Fund and operation of the PruFund Protected Fund guarantee

**Note:** The terms and conditions in this section 3 describe the current range of guarantee terms which were launched on 13th July 2011. The terms and conditions in this section 3 do not describe or refer to the rolling guarantee option which was previously available under the PruFund Protected Growth Fund. The rolling guarantee option has been closed to new investments and switches in since 31st December 2009. See the Important Note on page 1 of this Addendum.

### 3.1 The guarantee

The **PruFund Protected Fund** guarantee provides that the value of an investment in the chosen **PruFund Protected Fund** will not be less than the **guaranteed value** at the **guarantee date**. We make a charge for this guarantee by deducting a **guarantee charge**, as described in section 3.13.

It should be noted that if **units** of a **PruFund Protected Fund** are sold for any purpose\* on any date other than the **guarantee date**, the guarantee will be lost in relation to those **units**.

**Note\*:** Except when selling **units** on the **member's** death, if this occurs within the period of one month and one day before the **guarantee date** – section 3.7.

### 3.2 Investing in a PruFund Protected Fund

#### 3.2.1 Single investment

Once an amount has been invested in the chosen **PruFund Protected Fund** (and/or the corresponding **PruFund Account**) under a **pension plan**, no switches

are permitted into that **fund** under that **pension plan** until all **units** held under the **pension plan** in that **fund** have been subsequently sold or switched out. Switches into a **PruFund Protected Fund** are also subject to the terms set out in sections 4.3 and 4.5.

#### 3.2.2 Investment in only one guarantee type and one PruFund Protected Fund at a time

Investment is not allowed in more than one guarantee type under a **PruFund Protected Fund** at the same time under a **pension plan**.

Investment is not allowed in more than one **PruFund Protected Fund** (and/or the corresponding **PruFund Account**) at the same time under a **pension plan**.

Switches into a **PruFund Protected Fund** are not allowed whilst any **units** of another **PruFund Protected Fund** (and/or its corresponding **PruFund Account**) are held under that **pension plan**. If a switch request would cause **units** of more than one **PruFund Protected Fund** (and/or the corresponding **PruFund Account**) to be held under a **pension plan**, section 4.5(k) will apply.

#### 3.2.3 Twelve month period between different investments in PruFund Protected Funds

A switch into a **PruFund Protected Fund** is not allowed where all **units** have been switched out of any **PruFund Protected Fund** under that **pension plan** in the previous 12 months, except where:

- the **units** were switched out at the **guarantee date**; or
- the **PruFund Protected Fund** from which the switch was made, is closed to new investments and switches-in.

#### 3.2.4 Regular contributions and PruFund Protected Funds

Regular contributions made to a **PP plan** cannot be invested in or redirected into a **PruFund Protected Fund**. If any such request is made, we will redirect the investment into the non-protected **PruFund Fund** in the same **PruFund pair**. Existing investments under a **PP plan** can, however, be switched into a **PruFund Protected Fund** in accordance with section 4, provided the investment complies with the rest of this section 3.

#### 3.2.5 Lifestyle Options

- Investments can be held in a **PruFund Protected Fund** alongside investments in the Lifestyle Option under a **PP plan**. Investments in a **PruFund Protected Fund** (and where applicable, the corresponding **PruFund Protected Account**) are “ringfenced” and are excluded from the automatic switching process.
- Investments cannot be held in a **PruFund Protected Fund** alongside investments in the Income Drawdown Lifestyle Option under an **income drawdown plan**.

### 3.3 Selection of guarantee period

When investing in a **PruFund Protected Fund**, only one **guarantee period** can be selected under each **pension plan**.

An investment in a **PruFund Protected Fund** must also comply with the minimum and maximum **guarantee periods** that we then offer for the chosen **PruFund Protected Fund**.

As such:

- single contributions and transfers-in made to a **pension plan** can only be invested in a **PruFund Protected Fund** if the period between the date that the payment would be allocated to that **fund** and the **SRA/anticipated annuitisation age** is not less than the minimum **guarantee period** that we then offer for that particular **PruFund Protected Fund**; and
- switches into a **PruFund Protected Fund** can only be made if the period between the date of switching and the **SRA/anticipated annuitisation age** is not less than the minimum **guarantee period** that we then offer for that particular **PruFund Protected Fund**.

When determining whether a switch complies with this requirement, we use the date when the switch is actually made under section 4.3, taking into account any waiting period under section 2.9 and/or any other delay under the **Technical Guide(s)** which applies to the **units** to be sold.

If we receive an instruction to invest in or switch to a **PruFund Protected Fund** which would not be allowed due to the above restrictions, we will redirect the money to the corresponding non-protected **PruFund Fund** in the same **PruFund pair**.

Further restrictions relating to **fund** switches are described in section 4.3.

### 3.4 Range of one or more guarantee periods

We may make available a choice of one or more **guarantee periods** at any time. We may offer different **guarantee periods** for each of the **PruFund Protected Funds**.

### 3.5 Changes to the available guarantee periods and to the calculation of the guarantee charge

It should be noted that the specific **guarantee periods** available from time to time are not part of these terms and conditions: none of the **guarantee periods** available at any particular time are guaranteed to be available in the future. Changes to the available **guarantee period(s)** may result in changes to the minimum and maximum **guarantee periods**. As such, before deciding to invest in or switch into a **PruFund Protected Fund**, the **member** should check the **guarantee periods** then available.

If we change the available **guarantee period(s)**, we will, however, do so only in relation to new investments and switches into the relevant **PruFund Protected Fund**. We do not alter the **guarantee period** of any existing investment in a **PruFund Protected Fund**: once an investment in a **PruFund Protected Fund** has been made, the **guarantee period** selected for that investment will continue to apply until the **guarantee date** of that investment, even though we may no longer offer that particular **guarantee period** for new investments and switches-in.

The percentage rates that we use in calculating the **guarantee charges** may also change from time to time, for new investments and switches-in.

Details of the **guarantee periods** currently available at any time and the **guarantee charges** are available from us on request.

### 3.6 Setting the guarantee start date and the guarantee date

The **guarantee date** and the **guarantee start date** are both set when **units** of a **PruFund Protected Account** (and/or **units** of the **PruFund Protected Fund**, in the case of a switch of **units** from the non-protected **PruFund Fund** in the same **PruFund pair**) are first allocated to a **pension plan**.

The **guarantee start date** is the date on which those **units** are first allocated to the **pension plan**.

The **guarantee date** is determined as follows:

- (a) Subject to (b) and (c) below, the **guarantee date** normally falls on an anniversary of the **guarantee start date**, depending on the **guarantee period** selected by the **member** from the range of **guarantee periods** available in respect of that **PruFund Protected Fund** at the **guarantee start date**.



(b) The **member** may be able to choose a **guarantee period** which will match the term to the **SRA/anticipated annuitisation age**, provided that the period between the **guarantee start date** and the **SRA/anticipated annuitisation age**:

- exceeds the minimum **guarantee period** then available in respect of that **PruFund Protected Fund**; and
- is less than the maximum **guarantee period** then available in respect of that **PruFund Protected Fund**.

In this case, the **guarantee date** will fall on the **SRA/anticipated annuitisation age**.

(c) We will automatically set the **guarantee date** to match the **SRA/anticipated annuitisation age** if:

- the **SRA/anticipated annuitisation age** falls less than 12 months after the end of the **guarantee period** selected by the **member** under (a) above; and
- the period from the **guarantee start date** to the **SRA/anticipated annuitisation age** does not exceed the maximum **guarantee period** available in respect of that **PruFund Protected Fund** at the **guarantee start date**.

In the case where the **units** are allocated in two stages under a switch (see sections 4.3.4 and 4.3.5), the **guarantee start date** and the **guarantee date** for all of those **units** will be set by reference to the date on which the first set of **units** is allocated under the switch.

**Note:** Change to **SRA/anticipated annuitisation age**: The **member** can change the **SRA/anticipated annuitisation age**, subject to certain terms and conditions in the **Technical Guide(s)**. It should however be noted that:

- a change to the **SRA/anticipated annuitisation age** does not affect the **guarantee date** of any **units** held in a **PruFund Protected Fund** (or **PruFund Protected Account**). For example, where the **SRA/anticipated annuitisation age** and the **guarantee date** had previously been set to coincide, a change to the **SRA/anticipated annuitisation age** will not result in an automatic change to the **guarantee date**; and
- the **SRA/anticipated annuitisation age** cannot be changed to a date that falls before the **guarantee date** unless the **member** also instructs us at the same time, to switch those **units** to another **fund**.

### 3.7 Application of the guaranteed value – general

A separate **guaranteed value** applies in relation to each **pension plan**.

The **guaranteed value** applies:

- on the **guarantee date**; or
- on the **member's** death, if this occurs within the period of one month and one day before the **guarantee date**.

### 3.8 Calculation of the initial guaranteed value

The initial **guaranteed value** is set on the **guarantee start date**.

The initial **guaranteed value** is calculated as follows:

- Where the Initial Charge structure was selected for the **pension plan**, the initial **guaranteed value** is equal to the amount allocated to **units** in the relevant **PruFund Protected Account** (and/or the **PruFund Protected Fund**, where switching direct from the other **PruFund Fund** in the same **PruFund pair**).
- Where the Establishment Charge structure was selected for the **pension plan**, the initial **guaranteed value** is calculated in the same way as described under (a) above, subject to a reduction if there are any remaining Establishment Charges to be deducted under the terms of the **Technical Guide(s)**. This reduction is based on the Surrender Charge that would have been deducted if **units** had been sold on the **guarantee start date** in order to pay benefits, make a transfer-out or implement a pension sharing order. The reduction is designed to ensure that the initial **guaranteed value** is as close as possible to the initial **guaranteed value** that would have applied if the Initial Charge structure had been selected.

Initial Charges, Establishment Charges and Surrender Charges are described in detail in the **Technical Guide(s)**.

Where **units** of a **PruFund Protected Account** and/or **PruFund Protected Fund** are allocated in two stages under a switch (see sections 4.3.4 and 4.3.5) the initial **guaranteed value** is increased when the second set of **units** is allocated.

### 3.9 Reduction of the guaranteed value

The initial **guaranteed value** determined under section 3.8, is reduced each time **units** of the **PruFund Protected Account** and/or the **PruFund**

**Protected Fund** are sold in part or in full in the following circumstances:

- (a) to pay any benefits;
- (b) to make a transfer-out;
- (c) to switch to another **funds**; and/or
- (d) to meet any part of the actual Annual Management Charge that is attributable to **fund** related commission payable to the financial adviser.

The **guaranteed value** is reduced proportionately, using the same proportion that the value of the sold **units** bears to the value of the sum of those sold **units** plus any **units** then remaining in the relevant **PruFund Protected Account** and/or **PruFund Protected Fund** after sale. In calculating the value of the **units** sold, we include the value of any additional **units** sold at that time to meet any Surrender Charges that would have been payable under the **Technical Guide(s)**.

### 3.10 Applying the guarantee at the guarantee date

At the **guarantee date**, we:

- (a) determine the value of the **units** in the relevant **PruFund Protected Fund** under the **pension plan**. In determining the value of those **units**, we deduct any charges that are then due in respect of the **fund** and the **pension plan**, but we do not take account of any amounts that are due to be switched out of the **fund** or are about to be paid out of the **pension plan** as benefits or as a transfer-out.

The **unit price** used will be that applying after any adjustments under the smoothing process (see sections 2.8.3 and 2.8.4);

- (b) calculate the **guaranteed value** on the **guarantee date**, in accordance with sections 3.8 and 3.9; and
- (c) compare the value under (a) with the value under (b).

If the value of the **units** determined under (a) is less than the **guaranteed value** determined under (b), the guarantee described in section 3.1 comes into effect: as a result, we allocate additional **units** of that **PruFund Protected Fund** to the **pension plan**, so that the value is equal to the **guaranteed value** calculated as in (b) above. If the value of the **units** determined under (a) is equal to or greater than the **guaranteed value** determined under (b), the terms of the guarantee described in section 3.1 have already been met; so in this case, no **units** are added to the **pension plan**.

If **units** are added to the **pension plan** under this section 3.10, we will write to the **member** to tell him or her how many **units** we have added.

### 3.11 Member's options and default switch on the guarantee date

At least three months before the **guarantee date**, we write to the **member** to notify him or her of the options available at the **guarantee date**. The **member** can choose to switch the value of the **units** (including any **units** added through the operation of the guarantee under section 3.10) to the **fund** or **funds** of his or her choice on the **guarantee date**.

If we do not receive instructions from the **member** before the **guarantee date**, we will switch the value of all **units** then held in the chosen **PruFund Protected Fund** (including any **units** added through the operation of the guarantee under section 3.10) to the other **PruFund Fund** from the same **PruFund pair** on the **guarantee date**.

The 28 day waiting period under section 2.9 does not apply to the sale of **units** at the **guarantee date** under this section 3.11.

### 3.12 Switches from the PruFund Protected Fund in the 28 days before the guarantee date

As stated in section 4.5(f), switches cannot be requested or made in the 28 days leading up to the **guarantee date**, from a **PruFund Protected Fund** into any **fund** apart from the other **PruFund Fund** from the same **PruFund pair**. This is because the 28 day waiting period which would apply to a switch of this type, would be overridden on the **guarantee date** by the operation of section 3.11, when all **units** are switched in any case either to the **fund(s)** selected by the **member** or to the other **PruFund Fund** from the same **PruFund pair**.

### 3.13 The guarantee charge

A separate **guarantee charge** applies in respect of any **units** of a **PruFund Protected Fund** and a **PruFund Protected Account** held under each **pension plan**. This charge is designed to pay for the guarantee provided under those **funds**.

The **guarantee charge** is a percentage of the value of **units** held in the relevant **PruFund Protected Fund** and **PruFund Protected Account**: it is not a percentage of the **guaranteed value**.

The percentage is set on the **guarantee start date** and does not change until the **guarantee date**.

The **guarantee charge** is payable monthly in arrears on the **guarantee charge date**. The charge is applied by selling **units** in the relevant **PruFund Protected Fund** and **PruFund Protected Account**. The value deducted is a proportion of the annual **guarantee charge** based on the number of days since the previous **guarantee charge date**.

The final **guarantee charge** will normally be taken on the **guarantee date**.

However:

- where the **guarantee date** coincides with the **SRA/ anticipated annuitisation age**, the final **guarantee charge** will be taken in the month preceding the **guarantee date**; and/or
- where a switch is made to the Prudential Cash Fund under the **Technical Guide(s)** prior to buying benefits, the final **guarantee charge** will be taken immediately prior to making that switch.

Different **guarantee charges** may apply to separate **pension plans** depending on the **guarantee start date**.

Details of the amount of the charge are available from us on request.

## 4. Fund switches

### 4.1 General

This section 4 applies where the **member** wishes to:

- switch between **funds** under the individual choice investment strategy;
- switch from the Lifestyle Option or Income Drawdown Lifestyle Option to other **funds** or vice versa; or
- switch between different Income Drawdown Lifestyle Option profiles under an **income drawdown plan**.

This section does not apply to automatic switches made under the Lifestyle Option or Income Drawdown Lifestyle Option: these are covered in the relevant **Technical Guide(s)**.

**Fund** switches under this section 4 are currently free, although we do reserve the right to introduce a charge (see the **Technical Guide(s)** for further details). See also section 4.3.4 which explains how multiple fund switches are treated as regards switch charges.

We send the **member** a switch statement when the switches have been completed.

Section 5.3 describes the effect of switching on the basic Annual Management Charge.

In some instances, we may not be able to carry out a request to switch to or from a **PruFund Fund** (see the rest of this section 4).

In this section 4, the **funds** from which **units** are to be switched are called “outgoing **funds**” and the **funds** in which the proceeds are to be reinvested are called “destination **funds**”.

### 4.2 Switch requests

The **member** can ask for changes to be made to existing investments by making a **fund** switch request. Unless we agree otherwise in any specific case, all **fund** switch requests must be made in writing, using our investment alteration form which is available from us on request or via our Website at: [www.pru.co.uk/pdf/FRPF10149.pdf](http://www.pru.co.uk/pdf/FRPF10149.pdf)

We accept switch requests sent by post, fax or e-mail.

All **fund** switch requests must be expressed as whole number percentages of **units**.

Switch requests may be expressed in terms of either:

- (a) the target percentages to be achieved in all **funds** in which **units** are to be held under the pension plan following the switch; or
- (b) the percentages of **units** to be switched from the current selection of **funds** and the way in which the proceeds should be reinvested.

When switching between a number of different **funds** under the same switch request, the destination **funds** must not include any **funds** that are already specified as outgoing **funds**.

Rounding adjustments in **unit** values could have a minor effect on the overall values actually switched.

Once a switch instruction has been received by us, the **member** cannot withdraw it unless we agree. We may permit the **member** to revoke a switch instruction if we have invoked our powers to delay buying and selling units under the **Technical Guide(s)**. We will not, however, agree to cancel a switch during the 28 day waiting period when switching **units** from a **PruFund Fund**.

## 4.3 Timing of switches and unit prices

### 4.3.1 General

Switching may normally be carried out at any time. However:

- (a) There are restrictions on when switches can be made into:
- the *With-Profits Fund* (see section 4.4);
  - the *PruFund Protected Funds*
  - (see sections 3.2, 3.3 and 4.5); and
  - the Income Drawdown Lifestyle Option under an *income drawdown plan* (see section 4.4).
- (b) Delays may occur if we have invoked our powers to delay buying and selling **units** under the general delay terms in the *Technical Guide(s)*.
- (c) A 28 day waiting period applies to switches from the *PruFund Funds* as set out in section 2.9.2, except in the circumstances described in section 2.9.4.

### 4.3.2 Same day immediate switches

In the following instances we normally sell the existing **units** and buy the new **units** as at the same date, using the **unit prices** for the **working day** we treat the request as having been received by us :

- (a) Switches between *Unit-Linked Funds*.
- (b) Switches between *Unit-Linked Funds* and the *With-Profits Fund*.
- (c) Switches between *PruFund Funds* from the same *PruFund pair*.
- (d) Switches from a *Unit-Linked Fund* or the *With-Profits Fund* to a *PruFund Account*.
- (e) Switches from a *PruFund Protected Fund* to any other **fund** on the **guarantee date** as described in section 3.11.
- (f) Switches from a *PruFund Fund* to any other **fund** in the 28 days following the **guarantee date** of an investment in the corresponding *PruFund Protected Fund* from the same *PruFund pair*.

Switches cannot be made out of and back into the same **fund** on the same **working day**.

Switches to/from *Unit-Linked Funds*, include switches to/from the *95% Safeguard Fund* and, if applicable, the *Cash Feeder Fund*.

See also section 4.3.5 which explains that in some circumstances a switch from a *Unit-Linked Fund* will be delayed for one **working day**.

A delay may also apply if we have invoked our general delay powers under the *Technical Guide(s)*.

### 4.3.3 Switches from a PruFund Fund to which the 28 day waiting period applies

This section 4.3.3 applies when switching from a *PruFund Fund* to:

- a *Unit-Linked Fund* (including the *Cash Feeder Fund* for the *95% Safeguard Fund*); and/or
- any other *PruFund Fund*, except where the outgoing and destination **funds** are both from the same
- *PruFund pair*; and/or
- the *With-Profits Fund*; and/or
- the *SIF*.

Except in the circumstances described in sections 4.3.2(e) and (f), any switch as described above (or that part of the switch) is carried out (subject to any further delays under the *Technical Guide(s)*) on the 28th day following the **working day** on which we treat the switch request as having been received, using the **unit prices** then applicable. If the 28th day is not a **working day**, the switch will be carried out on the next **working day** following that day.

Section 4.5(i) explains how switching from a *PruFund Fund* works where there are also **units** of the corresponding *PruFund Account* under the *pension plan*.

### 4.3.4 Multiple fund switches

- (a) This section 4.3.4 explains how we carry out switches where the switch request involves switches involving more than two **funds** i.e. there is either more than one outgoing **fund** and/or more than one destination **fund**. Such switches are called “multiple **fund** switches”.

It should be noted in particular that where switching between different types of **fund**, multiple **fund** switches may be carried out in stages and on different dates (see section 4.3.4(d)).

- (b) Where the **member's** switch request is expressed in terms of target percentages of the *pension plan* to be invested in all selected **funds** following the switch, we calculate the percentage of **units** to be sold from each existing **fund** in which **units** are currently held and the way in which the proceeds should be applied to buy **units** in the destination **funds**, in order to achieve the desired result. Where the **member's** switch request is expressed in terms of the percentage of **units** from the current selection of **funds** and the way in which the proceeds should be reinvested, we follow the percentages requested by the **member**.

Where a switch request involves switching from two or more **funds** including a **PruFund Fund**, the percentages achieved in the destination **funds** will vary from the requested result. This will happen where some **units** are switched immediately and some at a later date as described in section 4.3.4(d). The percentages achieved will be as close as reasonably possible to the **member's** request.

- (c) If all of the requested switches in a multiple **fund** switch are same day immediate switches as described in section 4.3.2, they are processed as one single switch as described in that section.
- (d) Subject to section 4.3.5, multiple **fund** switch requests that combine both same day immediate switches and switches to which the 28 day waiting period applies, are carried out in the following sequence:
- First: If the request involves switching from one **PruFund Fund** to another **PruFund Fund** from the same **PruFund pair**, we first of all carry out this part of the switch in accordance with section 4.3.2. Within the requirements of the switch request, as much of the total switch as is possible will be carried out between these **funds**.
  - Secondly: We then carry out any remaining part of the request which qualifies as a same day immediate switch under section 4.3.2 (i.e. switches from the **Unit-Linked Funds**, the **With-Profits Fund** and/or the **95% Safeguard Fund** and/or the **Cash Feeder Fund**). The proceeds of selling the **units** of those other **funds** is allocated proportionately between the destination **funds** in accordance with section 4.3.2, having first allowed for any **PruFund pair** switches already carried out.
  - Thirdly: Any amount remaining to be switched from a **PruFund Fund** to any other **fund** (excluding another **PruFund Fund** from the same **PruFund pair**) is set aside and converted to a percentage of the remaining aggregated value of the **units** of that **PruFund Fund** and the corresponding **PruFund Account**.

This calculation is carried out as at the date we treat the request as received, which is also the start of the 28 day waiting period described in section 2.9.

The relevant percentage is then applied to the aggregated value of **units** of the relevant **PruFund Fund** and the corresponding **PruFund Account** (if appropriate) at the end of the 28 day waiting period. **Units** to the value of the recalculated amount are then sold at the **unit price** at the end of the 28 day waiting period. The proceeds are then allocated proportionately between the requested **funds** in accordance with section 4.3.3 at the **unit prices** then applicable.

**Note:** There is an initial step prior to the sequence described above, when a switch to a **PruFund Protected Fund** is made from a **PruFund Protected Fund** which is closed to new investments and switches-in, alongside a **fund** switch to which the 28 day waiting period does not apply. See section 4.3.5.

- (e) See also section 4.5(k) which explains the effect on a multiple **fund** switch involving a switch from a **PruFund Fund** in the case where we are unable to carry out the **PruFund Fund** switch in the way requested, because there are insufficient **units** in that **fund**.
- (f) Only one switch fee will normally apply (where relevant) in the case of multiple **fund** switches. Where, however, we are able to carry out only part of a multiple **fund** switch and have to ask the **member** to provide replacement instructions in respect of a failed switch from a **PruFund Fund** as described in section 4.5(k), the replacement switch instructions will be treated as a separate **fund** switch request.

#### 4.3.5 Switching between PruFund Protected Funds

This section 4.3.5 applies to a multiple **fund** switch request where:

- there are two or more outgoing **funds** including a **PruFund Protected Fund** which is closed to new investments and switches-in, and another **fund(s)** which would otherwise be a same day immediate switch under section 4.3.2; and
- the destination **funds** is or includes a **PruFund Protected Fund** from another **PruFund pair**.

In this case:

- (a) First: We switch the **units** from the outgoing **PruFund Protected Fund** (including, where applicable, the corresponding **PruFund Account**) to **units** of the non-protected **PruFund Fund** from the same **PruFund pair**.

We carry out this switch as a same day immediate switch in accordance with section 4.3.2.

**Note:** We do not carry out any other same day immediate switches at this stage.

(b) Secondly: Where there are already **units** in that non-protected **PruFund Fund** (and/or the corresponding **PruFund Account**), we reappportion the percentages specified in the **member's** switch-out request, taking account of:

- the total **units** now held in the nonprotected **PruFund Fund** (including, where applicable, the corresponding **PruFund Account**); and
- any "net" switches between **PruFund Funds**, as described in section 4.5(j).

The new percentages will be designed to achieve a result that is as close as reasonably possible to the result specified in the **member's** switch request.

(c) Thirdly: On the next **working day**, the **fund** switch request is then processed in accordance with section 4.3, using, where appropriate, the new percentages as described in (b) above.

It should be noted that as a result of the above process, that part of the switch request which is a same day immediate switch is carried out, and the 28 day waiting period that applies to any switch from a **PruFund Fund** starts, one **working day** later than usually applies.

#### 4.3.6 Switching from multiple funds including a PruFund Fund to an Income Drawdown Lifestyle Option profile

This section applies only to **income drawdown plans**.

Where the **member** has asked to switch into an Income Drawdown Lifestyle Option profile and the switch involves **units** of more than one **fund** including a **PruFund Fund**, the switch of all **units** (including the **units** of **funds** that are not a **PruFund Fund**) is carried out at the end of the 28 day waiting period described in section 2.6 at the **unit prices** then applicable.

### 4.4 Switches to and from the With-Profits Fund and the Income Drawdown Lifestyle Option

(a) Switches into the **With-Profits Fund** or into an Income Drawdown Lifestyle Option profile cannot normally be made within five years of the **SRA/anticipated annuitisation age**.

A switch may be made into an Income Drawdown Lifestyle Option profile within five years of the **anticipated annuitisation age** so long as:

- one of the **funds** from which **units** are being switched is the **With-Profits Fund**; and
- following the switch, the level of investment in the **With-Profits Fund** does not exceed the value of the **units** that were held in the **With-Profits Fund** immediately prior to the switch, including any final bonus and/or Market Value Reduction applied to those **units** as part of the switch.

See the **Technical Guide(s)** for further details.

(b) Switches cannot be made into the **With-Profits Fund** under an **income drawdown plan** on or after the **member's** 85th birthday.

(c) Switches cannot be made into an Income Drawdown Lifestyle Option profile or between different Lifestyle Option Profiles under an **income drawdown plan** on or after the **member's** 75th birthday.

(d) We may make a deduction (Market Value Reduction) from the value realised from the sale of **units** of the **With-Profits Fund**. See the **Technical Guide(s)** for full details.

### 4.5 Switches to and from the PruFund Funds

(a) Switches into a **PruFund Protected Fund** can only be made if the period between the date the switch is carried out and the **SRA/anticipated annuitisation age** is not less than the minimum **guarantee period** that we then offer in relation to that **fund**. See section 3.3 for further details.

(b) Switches into a **PruFund Protected Fund** are not allowed whilst any **units** of that same **PruFund Protected Fund** (and/or the corresponding **PruFund Account**) are held under that **pension plan**. See also section 3.2.1. (c) Switches into a **PruFund Protected Fund** are not allowed whilst any **units** of another **PruFund Protected Fund** (and/or its corresponding **PruFund Account**) are held under that **Pension plan**. If a switch request would cause **units** of more than one **PruFund Protected Fund** (and/or the corresponding **PruFund Account**) to be held under a **pension plan**, section 4.5(l) will apply. See also section 3.2.2.

(d) Switches into a **PruFund Protected Fund** are not allowed where all **units** have been switched out of any **PruFund Protected Fund** under that **pension plan** in the previous 12 months, except where:

- the **units** were switched out at the **guarantee date**; or
- the **PruFund Protected Fund** from which the switch was made, is closed to new investments and switches-in. See also section 3.2.3.

(e) Switches into a **PruFund Protected Fund** are not allowed while there are any other switches due to be carried out.

(f) During the 28 days prior to the **guarantee date** of an investment in a **PruFund Protected Fund**, switches cannot be requested from that **fund** into any **fund** apart from the other **PruFund Fund** from the same **PruFund pair**.

- (g) Switch requests from the **PruFund Accounts** are not allowed.
- (h) A maximum of one switch request involving a **PruFund Fund** is allowed in each period starting on a **quarter date** and ending on the day before the next **quarter date**.

This maximum does not include switches:

- between **PruFund Funds** from the same **PruFund pair**;
- from a **PruFund Protected Fund** on the **guarantee date**;
- from a **PruFund Fund** to the Prudential Cash Fund for the purpose of purchasing benefits.

Switches to a **PruFund Fund** may also be refused or restricted under sections 4.5(k) and/or 2.10.

- (i) Where a switch is requested from a **PruFund Fund** under section 4 and there are also **units** of the corresponding **PruFund Account** under the **pension plan**:

A. When calculating the amount to be switched out of the **PruFund Fund**, we apply the requested percentage value (see section 4.2) to the aggregate value held in both the relevant **PruFund Fund** and the corresponding **PruFund Account**. We carry out the switch, however, by selling only **units** of the appropriate **PruFund Fund**.

B. At the end of the 28 day waiting period under section 2.9.2, we reapply the percentage to the then number of **units** held under the **pension plan** in the relevant **PruFund Fund**. We sell the **units** at the **unit price** at that time.

The value actually sold will be limited to the value of the **units** of the relevant **PruFund Fund**.

C. If, at the time we receive a switch request, there are insufficient **units** held under the **pension plan** in the relevant **PruFund Fund** to meet the requested percentage value of **units** (as applied to both the **PruFund Fund** and the corresponding **PruFund Account**, as described in A. above), section 4.5(k) will apply.

- (j) When switching between **PruFund Funds** when there are already **units** of the destination **fund** held under the **pension plan**, we will switch the net amount required to achieve a result that is as close as reasonably possible to the result specified in the **member's** switch request.

- (k) In any circumstances where we are unable to carry out a switch to or from a **PruFund Fund** (except where we state that we will redirect the money to the non-protected version of a **PruFund Protected Fund** (see section 3.3)):

- We will not carry out any part of the switch to or from the relevant **PruFund Fund**.
- Where the **member** has requested switches to or from one or more other **funds** as part of the same switch request which can be implemented, we will carry out that part of the switch request in accordance with section 4.3.
- We will write to the **member** as soon as reasonably possible following receipt of the switch request to request alternative instructions for the switch to or from the **PruFund Fund**. Any switch from a **PruFund Fund** will not be carried out and the 28 day waiting period will not start until we have received the **member's** alternative instructions.

## 4.6 Switches to and from the 95% Safeguard Fund

- (a) Where a switch to the **95% Safeguard Fund** is requested, **units** are initially allocated in the **Cash Feeder Fund**. At the next **quarterly pricing date** all **units** allocated to the **Cash Feeder Fund** at least seven working days before that date are automatically switched into the **95% Safeguard Fund**.

Any **units** allocated less than seven **working days** before the next **quarterly pricing date** will remain allocated in the **Cash Feeder Fund** until the next but one **quarterly pricing date**.

- (b) A request to switch out all **units** held under the **pension plan** in the **95% Safeguard Fund** will be deemed to include any **units** held at the time of the switch in the **Cash Feeder Fund**.
- (c) Where a switch is requested from the **95% Safeguard Fund** and there are also **units** of the **Cash Feeder Fund** held under the **pension plan**:
- the percentage (see section 4.2(b)) to be switched out of the **95% Safeguard Fund** is applied to the aggregate value held under the **pension plan** in both the **95% Safeguard Fund** and the **Cash Feeder Fund**;
  - except where the request is to sell all **units** of the **95% Safeguard Fund**, the relevant amount will be sold from **the Cash Feeder Fund**. If the full amount cannot be met from the **Cash Feeder Fund**, the balance will be met by selling **units** of the **95% Safeguard Fund**.

## 5. Annual Management Charges

### 5.1 General

The basic Annual Management Charge for each **PruFund Fund** is set out in our current funds literature, which is available on request.

The basic Annual Management Charge for the **PruFund Funds** (and the **PruFund**

**Accounts**) is an entirely “explicit” charge taken by deduction of **units**. This is different from the basic Annual Management Charge for the **Unit Linked Funds** and the **With-Profits Fund** described in the **Technical Guide(s)**. The basic Annual Management Charge for those **funds** is an “implicit” charge, which is included within the **unit price**.

As described in the **Technical Guide(s)**, the actual Annual Management Charge payable may not be the same as the basic Annual Management Charge for the **fund**. For example, it may be a higher or lower amount depending on the terms agreed for the **pension plan** and the operation of the Fund Size Discount and/or Loyalty Discount. The same applies to investments in a **PruFund Fund**. If the actual Annual Management Charge is different from the basic Annual Management Charge, then a further explicit deduction/rebate is made as described in the **Technical Guide(s)**.

### 5.2 Explicit charge levied by deduction of units

**Unit** deductions to meet the explicit basic Annual Management Charge under a **PruFund Fund** (and/or **PruFund Account**) are applied on the **monthly transaction date**. We deduct the charge monthly in arrears, selling **units** in the appropriate **fund** under the **pension plan**. The value deducted is a proportion of the basic Annual Management Charge, based on the number of days since the previous **monthly transaction date**.

No proportionate charge is made when **units** are sold between **monthly transaction dates** for the period between the previous **monthly transaction date** and the date of sale. See also section 5.3 which explains how this affects the basic Annual Management Charge on switching between **funds**.

### 5.3 Basic Annual Management Charge following a fund switch

#### 5.3.1 General

This section 5.3 applies where **units** are switched under section 4 of this Addendum, or under the switching sections (including Lifestyle Options and Income Drawdown Lifestyle Options) of the **Technical Guide(s)**.

In this section 5.3, the **funds** from which **units** are to be switched are called “outgoing **funds**” and the **funds** in which the proceeds are to be reinvested are called “destination **funds**”.

#### 5.3.2 Switches between funds with implicit charges

Where the outgoing **fund** and the destination **fund** both have implicit basic Annual Management Charges (see section 5.1), the basic Annual Management Charge for the outgoing **fund** will apply until those **units** are sold. The basic Annual Management Charge for the destination **fund** will then apply automatically from the date that the switch is carried out and the new **units** are allocated in that destination **fund**.

#### 5.3.3 Switches between funds with explicit charges

Where the outgoing **fund** and the destination **fund** both have explicit basic Annual Management Charges, the basic Annual Management Charge will be set at the rate applying in the destination **fund** at the next **monthly transaction date**.

The charge levied on that **monthly transaction date** will be the charge for a full month’s investment in the destination **fund**. No charge will be levied in respect of the period from the previous **monthly transaction date** to the date of switch in respect of the outgoing **fund**.

#### 5.3.4 Switches from funds with implicit charges to funds with explicit charges

Where the outgoing **fund** has an implicit basic Annual Management Charge and the destination **fund** has an explicit basic Annual Management Charge, the basic Annual Management Charge in the outgoing **fund** will apply until those **units** are sold. The basic Annual Management Charge for the destination **fund** will then be set at the rate applying in that destination **fund** at the next **monthly transaction date**. The charge levied on that **monthly transaction date** will, however, be the charge for a full month’s investment in that destination **fund**. No refund will be made in respect of the implicit charge already levied in the outgoing **fund** for the period from the previous **monthly transaction date** to the date of switch.

#### 5.3.5 Switches from funds with explicit charges to funds with implicit charges

Where the outgoing **fund** has an explicit basic Annual Management Charge and the destination **fund** has an implicit basic Annual Management Charge, the basic Annual Management Charge for the destination **fund** will apply automatically from the date that the switch is carried out and the new **units** are allocated in that destination **fund**. No charge will be levied in respect of the period from the previous **monthly transaction date** to the date of switch in respect of the outgoing **fund**.



## 6. Meanings of special words and expressions

The words and expressions explained in this section 6 are shown in **bold italics** throughout sections 1 to 6 of this Addendum.

**95% Safeguard Fund:** This is a particular **Unit-Linked Fund** described in the **Technical Guide(s)**.

**anticipated annuitisation age:** This expression is relevant only if the **member's pension plan** is an **income drawdown plan**. The anticipated annuitisation age is the date that we and the **member** expect to use the value of the **income drawdown plan** to buy an annuity for the **member**. Where the start date of the **income drawdown plan** is before 11th November 2013, the anticipated annuitisation age will have been set by us with effect from 11th November 2013 as at the **member's** 75th birthday. The importance of the anticipated annuitisation age and the extent to which it can be changed are explained in the Addendum coded FRPT10417 and in the updated version of the **Technical Guide** coded IPPB6373.

**Cash Feeder Fund:** This is the Cash Feeder (95% Safeguard) Fund, which is used to facilitate investment in the 95% Safeguard Fund, as described in the **Technical Guide(s)**.

**expected growth rate:** This is the annual rate of increase, which may be zero but will never be negative, applied on a daily basis to increase **unit prices** in each **PruFund Fund** (except when the smoothing process has been suspended under section 2.8.4) and each **PruFund Account**. The same expected growth rate applies to each **PruFund Fund** and its corresponding **PruFund Account**.

Different expected growth rates apply to each separate **PruFund Fund** (and the corresponding **PruFund Account**), except in the case of a **PruFund pair** or a **PruFund Account pair**. In the case of a **PruFund pair**, the same expected growth rate applies to both **PruFund Funds** within that **PruFund pair**. The same applies to **PruFund Accounts** within a **PruFund Account pair**. See sections 2.7 and 2.8.

**final conversion date:** This expression is relevant only if the **member's pension plan** is an **income drawdown plan**. It is the last date by which the **member** must use any remaining money under an **income drawdown plan(s)** to purchase an annuity or take a transfer-out. Before 11th November 2013, the final conversion date was the **member's** 75th birthday. With effect from 11th November 2013, the final conversion date was changed from the **member's** 75th birthday to the **member's** 99th birthday. Where the **income drawdown plan** has been set up for a dependant, the final conversion date is instead as determined under the **Technical Guide** in relation to that dependant.

**FTSE:** Financial Times and the London Stock Exchange.

**fund:** This means one of the pension funds we make available for investing contributions. The funds consist of the Prudential **Unit-Linked Funds**, the **With-Profits Fund**, the **PruFund Funds** and a number of Externally-Linked Funds. The funds available as investment choices under the Pru Flexible Retirement Plan are set out in our funds literature (available on request). The way we operate these funds is explained in detail in the **Technical Guide(s)** and/or this Addendum coded FRPT10389. As explained in the **Technical Guide(s)**, the available funds are subject to change from time to time.

**guarantee charge:** This is the charge that we make in respect of any **units** of a **PruFund Protected Fund** and a **PruFund Protected Account** held under a **pension plan**.

**guarantee charge date:** This is the date each calendar month on which we deduct the **guarantee charge**. The guarantee charge date will normally fall on the same day of the month as the **guarantee start date**. If the guarantee charge date would fall on the 29th, 30th or 31st day of any month, we may substitute the 28th day of that month for that day. The first guarantee charge date falls in the first calendar month next following the **guarantee start date**, and subsequent ones then fall monthly thereafter.

**guarantee date:** This is the single date on which we test the value of any **units** of a **PruFund Protected Fund** that are held under a **pension plan**. The guarantee date of an investment in a **PruFund Protected Fund** is determined in accordance with section 3.6.

**guarantee period:** This is a pre-selected period under a **PruFund Protected Fund** at the end of which a guarantee applies in accordance with section 3. The guarantee period is chosen by the member from the range of guarantee periods which we offer under that **PruFund Protected Fund** at the **guarantee start date**.

The range of guarantee periods and the minimum and maximum guarantee periods that we offer may change from time to time, as described in section 3.5. In some of our literature, the expression “guarantee term” may be used in place of “guarantee period”.

**guarantee start date:** This means the date on which units of a **PruFund Protected Account** (or a **PruFund Protected Fund**, in the case of a switch from the non-protected **PruFund Fund** in the same **PruFund pair**) are first allocated to the **pension plan**.

**guaranteed value:** This is the minimum value, determined in accordance with sections 3.7 to 3.10, that an investment in a **PruFund Protected Fund** is guaranteed to meet on the **guarantee date**.

**income drawdown plan:** An income drawdown plan set up for the **member** for the purpose of drawing income payments under the Pru Flexible Retirement Plan’s “income drawdown” option. It can also mean an income drawdown plan set up for a dependant.

**M&G plc:** M&G plc and its subsidiaries as defined in the Companies Act 2006.

**member:** The person identified in the Certificate of Membership, who has been accepted by us as a member of the Prudential (SAL) Personal Pension Scheme and/or the Prudential (M&G) Personal Pension Scheme, and whose **pension plan(s)** falls under the terms and conditions set out in the **Technical Guide(s)**.

**monthly transaction date:** This is the date each calendar month on which (amongst other things) any **units** are sold to meet the basic Annual Management Charge, if this is an explicit charge (as is the case with the **PruFund Funds**). Full details of how the monthly transaction date is determined are set out in the **Technical Guide(s)**.

**net asset value per unit:** This definition is used in respect of the **PruFund Funds** (see section 2.8). It is the value (as determined by us) of the relevant **PruFund Fund**, divided by the total number of **units** in that **PruFund Fund** in respect of all policies including non-pension policies which are invested in that **PruFund Fund**. In the case of a **PruFund pair**, the two **funds** in that **PruFund pair** are taken together when carrying out this calculation. See section 2.8.

**pension plan:** Either a **PP plan** and/or an **income drawdown plan** depending on the type of pension plan(s) that the **member** has taken out under the Pru Flexible Retirement Plan.

**PP plan:** A personal pension plan set up for the **member** in order to save for benefits under the Pru Flexible Retirement Plan’s “personal pension” option.

**Prudential With-Profits Fund:** The With-Profits Fund operated by Prudential as a whole.

The Prudential With-Profits Fund is divided into parts, or sub-funds. A sub-fund may be divided into units. We may combine or divide the sub-funds or units of a sub-fund at any time. Only one type of unit applies to the **pension plan(s)**.

The **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts** are pension sub-funds (or part of sub-funds) of the Prudential With-Profits Fund. The **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts** are invested within, and subject to the profit-sharing rules of, the Prudential With-Profits Fund. The profits of the Prudential With-Profits Fund are shared between eligible policyholders and our shareholders. The proportions in which distributed profits are divided between policyholders and shareholders are regulated by our Articles of Association, which can be changed in accordance with company law. **Units** in the **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts** participate in the profits of the relevant sub-fund in the manner described in Prudential’s Principles and Practices of Financial Management which may be changed from time to time in accordance with regulatory requirements.

Although they are part of the Prudential With-Profits Fund, the **With-Profits Fund**, the **PruFund Funds** and the **PruFund Accounts** are operated in different ways.

**PruFund Account(s):** These are pension sub-funds of the **Prudential With-Profits Fund**. They are used in conjunction with their corresponding **PruFund Funds**. See sections 2.3 to 2.7 for details about the PruFund Accounts.

**PruFund Account pair:** This is a pair of **PruFund Accounts** which are linked by description and which correspond to the **PruFund pair** of the same description.

For example, the PruFund Cautious Account and the PruFund Protected Cautious Account (both of which are currently available under the Pru Flexible Retirement Plan), constitute a PruFund Account pair.

**PruFund Fund(s):** These are pension sub-funds of the **Prudential With-Profits Fund**. The full range of PruFund Funds available at any time is set out in our current funds literature which is available on request.

**PruFund pair:** This is a pair of **PruFund Funds** consisting of one **PruFund Protected Fund** and one non-protected **PruFund Fund** which are linked by description. For example, the PruFund Cautious Fund and the PruFund Protected Cautious Fund (both of which are currently available under the Pru Flexible Retirement Plan), constitute a PruFund pair.

**PruFund Protected Account(s):** These are the **PruFund Accounts** which correspond to the **PruFund Protected Funds**.

**PruFund Protected Fund(s):** These are the **PruFund Funds** which offer the guarantee options described in section 3. The full range of PruFund Protected Funds available at any time is set out in our funds literature which is available on request.

**quarter date(s):** These are relevant to the **PruFund Funds** and are 25th February, 25th May, 25th August and 25th November or the following **working day** if the date falls on a day that is not a **working day**. If the **FTSE** is not open for business on the date so determined, the quarter date will instead fall on the next **working day** that the **FTSE** is open for business.

**quarterly pricing date(s):** These are relevant to the **95% Safeguard Fund** and are the **FTSE** 100 index futures expiry days set by the London International Financial Futures Exchange, or its successor market.

These dates are expected to be the third Friday in the months of March, June, September and December.

**SIF:** This is the Self-Invested Fund (if any) set up for the **member**. The operation of the SIF is explained in the SIPP Supplement (FRPT10379)

**SRA:** Selected Retirement Age. This expression is relevant only if the **member's pension plan** is a **PP plan**. It is the date selected by the **member** at the start of the **PP plan**, as the date that he or she expects to start retirement benefits. Its importance is explained in the **Technical Guide** coded IPPB6369.

**Technical Guide(s):** The Booklet(s) issued to the **member**, which sets out the terms and conditions of the "Pru Flexible Retirement Plan – Personal Pension Option" (IPPB6369) or the "Pru Flexible Retirement Plan – Income Drawdown Option" (IPPB6373).

The Technical Guides to which this Addendum is relevant are those with version dates up to (and including) September 2010. Updated versions of the Technical Guides, which consolidate all changes (for example, regulatory and product changes), can be found on our website at: [www.pru.co.uk/existing\\_customers/products/flexible\\_retirement\\_plan/](http://www.pru.co.uk/existing_customers/products/flexible_retirement_plan/)

**unit:** This has a different meaning within different types of **fund**. In particular:

- The value of each **Unit-Linked Fund**, each **PruFund Fund** and each **PruFund Account** is divided into equal parts, and each part is called a unit.
- A unit of the **With-Profits Fund** is a record of a payment made into that **fund** together with any element of regular bonus subsequently added to that payment. Unit-Linked Fund(s): These pension funds are the Prudential Unit-Linked Funds and the Externally-Linked Funds.

For the avoidance of doubt, the **With-Profits Fund**, the **PruFund Funds**, the **PruFund Accounts** and the **SIF** are not Unit-Linked Funds. The operation of the Unit-Linked Funds is described in the **Technical Guide(s)**.

**unit price:** **Units** in the **funds** are bought and sold at the unit price. The way we calculate the unit prices for each type of **fund** including the **PruFund Accounts**, is described in detail in the **Technical Guide(s)**.

**unit price fund value:** This is the aggregate number of **units** in the relevant **PruFund Fund**, in respect of all pension and non-pension policies invested in that **PruFund Fund**, multiplied by the relevant **unit price**. In the case of a **PruFund pair**, the two **funds** in that **PruFund pair** are taken together when carrying out this calculation.

**With-Profits Fund:** This is a pension sub-fund of the **Prudential With-Profits Fund** relevant to the Pru Flexible Retirement Plan. The operation of the With-Profits Fund is explained in the **Technical Guide(s)**.

**working day:** In relation to setting the **quarter dates** and in relation to the operation of the smoothing process relevant to the **PruFund Funds** under section 2.8, working day means any day that the **FTSE** is open for dealings, and, where practicable, any day on which it would normally be open but for a temporary closure.

In all other cases, working day means any day that we are open for business. It does not include:

- Saturdays;
- Sundays;
- Bank Holidays; and
- any other public holiday and days that we, or any other organisation that performs any administrative or investment function on our behalf, are not open for business (for example, around public holidays).

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