

2020 Bonus Declaration

Former Equitable Life With-Profits Annuity

This document gives you information about the current bonus rates for your Former Equitable Life With-Profits Annuity plan. If you have any questions after reading this, please give us a call. You can also visit pru.co.uk/existing-customers

Where the words “Prudential”, “we” and “our” are used, they refer to The Prudential Assurance Company Limited (PACL). For those Plans transferred to Prudential International Assurance (PIA) on 1 January 2019, your insurer is PIA and not PACL.

So how have we done?

Our With-Profits Fund performed well in 2019 and that means the vast majority of our former Equitable Life With-Profits Annuity planholders will receive bonuses that deliver year-on-year increases in income, after allowing for the Anticipated Bonus Rate (ABR) and any Guaranteed Interest Rate (GIR).

In 2020 we'll continue to manage the Fund prudently. We'll aim to secure the highest total return for the Fund (after any tax and investment expenses) while maintaining an acceptable level of risk and protecting our planholders. We'll also continue to smooth some of the extreme highs and lows of investment performance.

What does this mean for you?

The 2020 bonus rates to be applied to your With-Profits Annuity on your next Plan anniversary falling on or after 1 April 2020 are:

Overall Rate of Return	10.5%
Interim Rate of Return	3.5%
Regular Bonus	0.0%

Past performance isn't a guide to future performance. The rate of future Regular Bonus, Overall Rate of Return and Interim Rate of Return can't be guaranteed.

The change in your income each year won't reflect exactly the performance of the With-Profits Fund, because of the effects of smoothing and charges.

Your yearly statement shows the change in your income because of the February 2020 Bonus Declaration, after taking into account your Anticipated Bonus Rate (ABR) and any Guaranteed Interest Rate (GIR) for your Plan.

Planholders who are receiving their Total Annuity will see their income rise if the combined effect of the declared Overall Rate of Return (ORR) and Interim Rate of Return (IRR), after offsetting the IRR declared at the preceding Bonus Declaration, exceeds the combined effect of the ABR and any GIR.

Where planholders are in receipt of their Guaranteed Annuity, they'll see their income reduce by the level of their ABR.

Why have we declared a Regular Bonus of 0.0%?

Once a Regular Bonus is added to your Plan, it can't be removed, and it increases your Guaranteed Annuity. To maintain investment flexibility and to protect the financial strength of our With-Profits Fund, we aim to keep the level of guaranteed benefits at a sustainable level. This is why we've declared a Regular Bonus of 0.0%.

To increase the Regular Bonus, the cost of the guarantees on all former Equitable Life With-Profits Annuity needs to reduce substantially. For this to happen, our With-Profits Fund would need a sustained period of substantial growth. We also need to be confident that the higher Regular Bonus could be supported by the investment returns we expect to achieve from our With-Profits Fund in the future without impacting the flexibility of our investment policy.

Why have we declared an Overall Rate of Return of 10.5%?

The Overall Rate of Return (ORR) is applied on your Plan anniversary falling on or after 1 April 2020. It's designed to give credit for the investment return earned by the With-Profits Fund during 2019, allowing for smoothing and charges. Our With-Profits Fund performed well in 2019. As a result, we've declared an ORR of 10.5%.

How is your income linked to the performance of our With-Profits Fund?

By linking the income from your With-Profits Annuity to the performance of our With-Profits Fund, your income has the potential to increase during your retirement, although it could also fall.

Your level of income at the start of your Plan depended on your Anticipated Bonus Rate (ABR) and whether your Plan had a Guaranteed Interest Rate (GIR). The higher your combined ABR and GIR, the higher your income in the early years. This combination also meant a higher chance of falls in income in the future.

Your future level of income depends on the combination of:

- The level of Regular Bonus, Overall Rate of Return (ORR) and Interim Rate of Return (IRR) we declare relative to your ABR
- Any GIR

The combination of the Regular Bonus, ORR and IRR we declare represents your fair share of the profit, after charges and smoothing, earned on the With-Profits Fund since the transfer of your Plan to Prudential on 31 December 2007.

We aim to secure the highest total return over the time you have your Plan, while maintaining an acceptable level of risk. In addition, we use our bonus process to smooth some of the extreme highs and lows of investment performance.

If you'd like to know more please read the Customer Friendly Principles and Practices of Financial Management (CFPPFM) relevant to your Plan. You can also read our Asset Mix and Investment Returns documents as they may be useful to you.

All are available on pru.co.uk/ppfm