



# Pensions News

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A newsletter for members of the **Royal Mail Pension Plan**



*This issue of Pensions News includes an update on the Postal Services Act.*



# Welcome to Pensions News

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**This issue of Pensions News focuses mainly on the Postal Services Act 2011 (the Act) and its effect on the Royal Mail Pension Plan (RMPP).**

When I last wrote to you in June 2011, it was to say that the Act had received Royal Assent and so become law. As is explained further in this newsletter, the pension aspects of the Act are now being considered by the European Commission before they can be implemented. The target is that the implementation will happen with effect from the end of March 2012.

In the meantime, I wanted to explain in a little more detail what implementation of the Act means for you – as a member – and set out our plans for communicating with you over the next few months.

**This newsletter covers the following topics:**



Update on the Act



Next steps regarding the European Commission State Aid process



Our communications plan for 2012

**There are also some other more general matters to tell you about:**



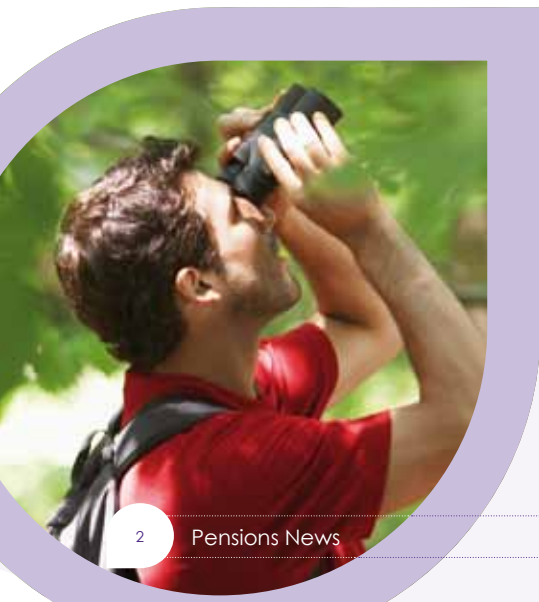
Change to the RMPP's Tax Office



A reminder of restrictions to tax relief



An opportunity to buy 'Masters of the Post' – a history of Royal Mail – at a special price



I hope that you find this edition of Pensions News to be informative.

**Jane Newell OBE**

Chair of Trustee

Royal Mail Pension Plan

# Update on the Postal Services Act 2011

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## You may already be aware of the Act which became law in June 2011.

Over the last 18 months we have been writing to you with updates and, as we have explained, the Act introduced powers for the Government to assume responsibility for the pension deficit in the RMPP.

The pension proposal in the Act is that members' benefits built up to the end of the 'effective date' will be transferred to a new public service pension scheme backed by Government. This new scheme will be called the Royal Mail Statutory Pension Scheme (RMSPS). Benefits earned after the effective date will be built up within the RMPP, as they are currently.



The Government needs approval from the European Commission to provide this type of financial support to Royal Mail and a formal State Aid notification has been submitted to the Commission. If the State Aid application is approved, it is intended that the pension proposal will be implemented at the end of March 2012.

*The 'effective date' referred to above will not be confirmed until the review by the European Commission has been completed.*

**The Trustee supports the pension proposal within the Act. Our recent letters to members have emphasised this. I would like to recap on the reasons why the Trustee believes this will benefit you:**

**1. Greater financial security**

The Government will take on a significant amount of the liabilities (and, by extension, the deficit) in the RMPP. With those liabilities being backed by Government rather than Royal Mail, your benefits will be more secure by implementing the proposals.

**2. Benefits not adversely affected**

The Government has stated in Parliament that the Act "*will ensure that all the benefits that employees have earned will be safeguarded*". This applies equally to both past and present employees.

The transfer will not affect the total amount of benefits to which you have built up an entitlement. If you are a pensioner, the amount you receive immediately after the effective date will be the same as you were receiving immediately before it.

**3. Protection from future changes**

The law covering occupational pension schemes (like RMPP) provides certain protections to members against changes being made to the benefits they have built up. The new scheme (RMSPS) will contain the same kind of protections against changes to benefits that have built up, as currently apply in RMPP.

**4. A fully funded RMPP**

The only members that will be in the RMPP immediately after the effective date will be those members who are still employee members.

If the European Commission grants State Aid approval, the proposal is that the RMPP will be fully funded (i.e. will not have any deficit) at the effective date.

We know that you will want to understand how your benefits will be provided going forward. On the next page we have included a summary of how this will affect you depending on whether you are an employee member, a former employee not yet receiving your pension, or a pensioner receiving your pension. The summary assumes that State Aid is granted and the Act is implemented as intended.

## On the effective date I am...

### **● An active (employee) member**

Your benefits built up to the end of the effective date (including any Guaranteed Minimum Pension) will be provided by the Government-backed RMSPS. Any benefits you build up after the effective date (as well as some increases to benefits earned before the effective date) will be provided by the RMPP. In total you will receive the same amount that you would have received had the Act not been passed and had these changes not been introduced.

### **● A retired (pensioner) member**

All of your benefits will be paid by the Government-backed RMSPS and you may notice this new scheme name appearing on your bank/building society statement in the future. The amount of pension you receive, including annual increases (where applicable), will be the same as it would have been if the transfer to the RMSPS had not occurred.

### **● A deferred member (i.e. someone who has ceased contributing to the Plan but not yet retired)**

When you start to receive your pension, it will be paid by the Government-backed RMSPS. The amount will be the same as you would otherwise have been expecting to receive from the RMPP.

### **● Other beneficiary of the Plan (i.e. someone receiving benefits because a former member has died)**

All of your benefits will be paid by the Government-backed RMSPS and you may notice this new scheme name appearing on your bank/building society statement in the future. The amount of pension you receive, including annual increases (where applicable), will be the same as it would have been if the transfer to the RMSPS had not occurred.

For all members, the Pensions Service Centre in Chesterfield will continue as the main point of contact and will undertake the administration of members' records and the payment of benefits.

Assuming the changes go ahead, we anticipate a seamless transition to the new arrangements. However, there will be some differences you will notice after the effective date. For example, changes to some letters you may receive, or how your pension is paid (if you leave service or retire AFTER the effective date). We will write to you in the coming months to explain these changes in more detail.

# Next steps regarding the European Commission State Aid process

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**As mentioned earlier, the Government needs approval from the European Commission (the Commission) before the pension proposals can be put in place. This is because of the Commission's rules controlling 'State Aid'. The objective of State Aid control is to ensure that government actions do not distort competition and trade inside the European Union.**

The Government has already submitted its proposals to the Commission for consideration and the Commission has (in early September) published its 'opening decision' which states that it will now carry out an investigation. The Commission recently sought views from other interested parties and it will be discussing the proposals in more detail with the Government.

The Government is keen to resolve issues as soon as possible and is hopeful that the Commission's review will be complete by March 2012.

## Our communications plan for 2012

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**Our communications plan for 2012 remains slightly fluid because of the uncertainty of the timing and precise outcome of the Commission's investigation. However, our broad expectations in terms of our communication with you in 2012 are as follows:**

- A special edition of Pensions News will be sent to **employee** members of the Plan in February 2012, providing more detailed information for employee members about the impact of the Act.
- A letter will be sent to **all** Plan members to advise you of the outcome of the Commission's investigation (and to disclose any other relevant information) in March or April 2012.
- New and updated booklets covering both RMSPS and RMPP, to be available on the website in March or April 2012 and in printed form by the end of May 2012.
- We will make updates to the RMPP website to reflect the changes in March or April 2012.
- We will issue an updated 'Guide to Benefits' booklet to all employee members in May 2012.
- The next regular issue of Pensions News is due in November 2012.

# Other topical information

## Mainly for employee members



### Annual Allowance

The Annual Allowance was reduced (by Government) to £50,000 with effect from April 2011 and will be fixed until at least 2015/16. Benefits earned within the Annual Allowance receive tax relief at your marginal rate of tax. The relevant 'benefits earned' figures in relation to the Plan will be shown on the annual benefit statements which are sent to employee members.

### Lifetime Allowance

The Lifetime Allowance is the maximum tax-privileged savings that an individual can build up over a lifetime. The Lifetime Allowance will be reduced (by Government) to £1.5m from April 2012.

Further details regarding the Annual Allowance and Lifetime Allowance can be accessed via the General Information page of the RMPP website.



## Mainly for pensioners

### Tax office details

The tax office for the RMPP has been changed from Wrexham to Liverpool. If you have any questions about the tax code, or about the amount of tax being deducted from your pension, you should contact the tax office. Please remember to quote your National Insurance number.

Details of the current tax office are as follows:

**HM Revenue and Customs, PO Box 1970,  
LIVERPOOL, L19 1WX**

Telephone: **0845 300 0627**

We expect that the same tax office will deal with the Royal Mail Statutory Pension Scheme.



## History of Royal Mail

A new book, *Masters of the Post*, published by Penguin books, is the first publication to cover the entire history of Royal Mail.

Based on the Royal Mail's comprehensive archives, it brings to life the great personalities and stories from the last 500 years – from Rowland Hill, who introduced the penny post and set Victorian expansion on its way, to Tony Benn who championed modernisation in the 1960s. It features the postal engineers who built the first programmable computer for the wartime code-breakers of Bletchley Park, to the bureaucrats who failed to anticipate the Great Train Robbery. It also covers today's debate over privatisation and the future of the Royal Mail, which the book shows to be a long theme in its history.

The book is widely available. However, as a member of the Royal Mail Pension Plan, you can order a copy at the special price of £19.99 (rrp £30.00) including postage and packing. To pay by credit or debit card please call **0845 313 4444** and quote the **book title** and **ISBN 97818 4614 3243**. To order by post please send a cheque made payable to Penguin Books to: **Masters of the Post, Penguin Books, Edinburgh Gate, Harlow, Essex CM20 2JE**.

# Get in touch

If you need further information regarding your pension, you can:



Call the Pensions Service Centre  
Pensioner Helpline:  
Helpline for all other members:  
Or Postline:

**0845 603 0043**  
**0114 241 4545**  
**5456 4545**



Email [pensions.helpline@royalmail.com](mailto:pensions.helpline@royalmail.com)



Visit the pensions website at [www.royalmailpensionplan.co.uk](http://www.royalmailpensionplan.co.uk)



Write to **Pensions Service Centre, PO Box 500, CHESTERFIELD S49 1WX**

**Notes:** Please include your full name, date of birth and National Insurance or Pension Plan number when you contact the Pensions Service Centre and have a pen and paper ready if you call the Pensions Service Centre.

All recent letters from the Trustee are available for download from the pensions website.

