

Section A/B: What benefits will I get when I retire?

If you retire at or after normal retirement age

Your pension

You must complete at least 2 years' *Qualifying Service* to get a pension and lump sum from the Plan, which is payable for life. Your pension will be worked out in 2 parts:

1. For your *Reckonable Service* before 1 April 2008

Your pension is calculated as 1/80th of your *Pensionable Salary* for each year of your *Reckonable Service* before 1 April 2008 and an additional pro-rata amount for part years.

plus

2. For your *Reckonable Service* on or after 1 April 2008

Each *Plan Year* you will build up a *Pension Block* of 1/80th of your *CSDB Pensionable Salary* over that year.

Each *Pension Block* is increased at the end of the following *Plan Year* (on the *Renewal Date*) and then again at each subsequent *Renewal Date*, for as long as you remain in *Reckonable Service*. It will be increased in line with the annual increase in the Retail Prices Index (RPI), as at the previous September, subject to a maximum of 5% and a minimum of 0% each year.

In your final *Plan Year*, you will build up a *Pension Block* based on your *CSDB Pensionable Salary* between the start of that *Plan Year* and your last day of service.

When you retire, all of the *Pension Blocks* you have built up will be added together, including any increases granted up to the previous *Renewal Date*.

The maximum standard pension you can get is equal to that calculated using a maximum of 45 years' *Reckonable Service*.

If you complete 45 years' *Reckonable Service* after 31 March 2008, you will not build up any further *Pension Blocks* once you reach 45 years' *Reckonable Service*, but, provided you remain in *Reckonable Service*, all your *Pension Blocks* will continue to be revalued up to the last *Renewal Date* before you retire or leave *Reckonable Service*.

Your lump sum

This will also be worked out in 2 parts:

1. For your *Reckonable Service* before 1 April 2008

Your lump sum is 3 times the pension earned for this period of service.

plus

2. For your *Reckonable Service* on or after 1 April 2008

Your lump sum is 3 times the *Pension Block(s)* earned for this period of service.

For a copy of the guide 'Royal Mail Pension Plan – Pension Payments and Increases', please contact the Pensions Service Centre or visit the website section "Pensioners / Pension Increases."

Example

You are employed full-time from 1 February 1977, retire at 65 on 31 March 2013 and you have had no unpaid absence. As explained on the previous page, your pension would be worked out in 2 parts:

1. For *Reckonable Service* before 1 April 2008

Your *Pensionable Salary* is equal to:

Your basic salary and reckonable allowances during your last year of *Reckonable Service** before 31 March 2013, which equals **£20,000**

Your *Reckonable Service* to 31 March 2008 is 31 years and 60 days
So, your annual pension for *Reckonable Service* to 31 March 2008 is:
(£20,000 ÷ 80) x 31 years, 60 days **£7,791.09**

Your lump sum would be 3 times the pension shown above **£23,373.27**

*assuming your salary during your last year of *Reckonable Service* is your highest salary.

2. For *Reckonable Service* on and after 1 April 2008 (in the example, this is 5 years)

Each year, your Pension Block is calculated as 1/80th of your CSDB Pensionable Salary (basic pay plus allowances). Each Pension Block is increased on the *Renewal Date* at the end of each subsequent *Plan Year* after they were built up. They are then added together to give your total pension. You can see from the table below how this works, assuming that inflation in each year has been 2.5%. In practice, the actual increase at the *Renewal Date* will depend on the applicable annual increase in RPI each year.

Your lump sum would be 3 times the *Pension Blocks* shown above,
i.e. a total of **£3,562.50**

	Year 1 2008/2009	Year 2 2009/2010	Year 3 2010/2011	Year 4 2011/2012	Year 5 2012/2013
<i>CSDB Pensionable Salary</i>	£18,000	£18,500	£19,000	£19,500	£20,000
<i>Pension Block</i> built up during the year	£225.00	£231.25	£237.50	£243.75	£250.00
Increase on previous <i>Pension Block</i> (at end of year)	-	£5.63 (2.5% of £225.00)	£11.55 (2.5% of £461.88)	£17.77 (2.5% of £710.93)	£24.31 (2.5% of £972.45)
Total pension at end of year/retirement	£225.00	£461.88	£710.93	£972.45	£1,246.76

So, your total pension would be:

1. Pension earned before 1 April 2008:	£7,791.09
2. Pension earned on or after 1 April 2008:	+ £1,246.76
	= £9,037.85

Your total lump sum would be 3 times the above pension figures:

1. Lump sum earned before 1 April 2008:	£23,373.27
2. Lump sum earned on or after 1 April 2008:	+ £3,740.28
	= £27,113.55

Flexibility to increase your tax-free lump sum or your pension

On retirement, you may be able to give up part of your pension in exchange for a higher tax-free lump sum of up to 25% of the total value of your Plan benefits. Benefits resulting from your money purchase *Additional Voluntary Contributions* could form part of this tax-free lump sum.

Alternatively, you may exchange all or part of your lump sum to increase your pension. In this case your spouse's/civil partner's pension will also be increased. You could also buy additional pension from any money purchase *Additional Voluntary Contributions* through an insurance company of your choice.

You will be given more information about these options and the effect these might have on your pension and lump sum benefits when you get closer to retirement.

If you worked part-time

Your pension is worked out in the same way as for full-time employees, except that:

- Your *Pensionable Salary* (used for working out your benefits built up before 1 April 2008) is generally calculated using the full time pay for your grade, not your part time pay
- your *Reckonable Service* is then worked out by reducing your actual service in the Plan to allow for your actual working hours.

For example, if you work 20 hours a week for 10 years and the full-time hours for the same job are 40 hours a week, your *Reckonable Service* will be halved as follows:

$$(20 \text{ hours} \div 40 \text{ hours}) \times 10 \text{ years} = 5 \text{ years' Reckonable Service.}$$

- The *CSDB Pensionable Salary* used to work out your benefits built up on or after 1 April 2008 is based on your **actual** pay and allowances you receive and not the full-time equivalent.