Royal Mail Pension Plan

A detailed guide for Section A and B members

June 2008

Introduction

The Royal Mail Pension Plan ('the Plan') is a vital element of your reward package. It provides valuable benefits when you retire and also protection for your dependants while you're still working.

This guide is a summary of the main features of Section B of the Plan.

Section A of the Plan applies to members who joined the Post Office before 1 December 1971.

Section B of the Plan applies to all members who joined The Post Office on or after 1 December 1971, or to members of Section A who at retirement choose to receive Section B benefits.

If you joined The Post Office before December 1971 and have unbroken membership, you have probably kept your entitlement to Section A benefits on leaving service or retirement. The key differences between Section A and Section B are explained on pages 24 to 26.

Section B was closed to new entrants from 1 April 1987. From 1 April 2008 members who have left or opted out can no longer rejoin Section B.

This guide includes details of the following change made to Section B of the Plan on 1 April 2008:

- changing the way pension is calculated to a Career Salary Defined Benefit ('CSDB') basis for *reckonable service* on and after 1 April 2008.

It also reflects the changes that will be made to Section B on 1 April 2010:

- increasing *normal retirement age* from 60 to 65;
- an improvement to the *ill-health* retirement benefits; and
- the option to take at age 60 benefits for service earned before 1 April 2010 whilst remaining in *Company* employment and continuing to build up further benefits in the Plan.

The detailed rule amendments putting the change to *normal retirement age* into effect are still under consideration. Once these amendments have been formally adopted, this guide will be reviewed to see if any changes are necessary.

Please note: the sections of this guide which refer to the change to *normal retirement age* in 2010 may be subject to further change once the formal rule amendments are finalised.

The text in *italics* is explained at the back of this guide.

This guide is intended to be a summary of the Plan's benefit provisions (and a summary of the likely amendments dealing with the changes to *normal retirement age* in 2010). The Plan is governed by formal legal documents known as the Trust Deed and Rules and managed by Royal Mail Pensions Trustees Limited (the 'Trustee'). If there is a conflict between the Trust Deed and Rules and this guide, the Trust Deed and Rules will prevail.

This guide reflects tax laws as at 6 April 2008.

How much does it cost me?

Contributions
You pay 6% of your *contributory pay* into the Plan for as long as you remain in *reckonable service*. You continue to pay until you complete 45 years *reckonable service* (or reach age 75 if earlier). Your contributions would cease if you leave *reckonable service*.

The *Company* pays contributions at a rate agreed with the Trustee, after taking advice from the *Actuary*, in order to meet the cost of benefits.

Optional contributions
You can top up your pension by paying *Additional Voluntary Contributions (AVCs)*. For a copy of the guide 'Royal Mail Pension Plan – Additional Voluntary Contributions (AVCs)', please contact the Pensions Service Centre. Their details are given on page 32. You can also pay into other non Royal Mail pension arrangements if you wish, such as a personal pension plan or stakeholder pension plan.

Unpaid absence
If you have a period of unpaid absence you may, on your return to *reckonable service*, pay all contributions (both your own and your employer's) that were due during your absence, based on the *contributory pay* you would have received had you not been absent. Your unpaid absence will then be treated as *reckonable service* – that is, you will be credited with the same benefits that you would have earned if you had been employed as normal during that time.

If you are on temporary loan to another employer, you only need to pay your own contributions if your temporary employer pays the employer contributions.

In either case, the Trustee, with advice from the *Actuary*, will work out how much you need to pay.

Unpaid absence cannot count as *reckonable service* if you were a member of another employer's pension scheme during your absence.

Family leave (maternity, paternity & adoption leave)
Pension contributions are not affected during **paid or statutory** family leave. This means that both you and the *Company* will continue to pay contributions, although your contributions will be based on the actual pay you receive.

Your leave will be treated as *reckonable service* and you will continue to build up pension benefits based on the salary you would have received if you had not been on family leave.

For **unpaid** family leave, pension contributions are not paid and no benefits will be earned. However, on returning to *reckonable service*, you can pay all missed contributions, both your own and your employer's, by contacting the Pensions Service Centre. Their details are given on page 32. Your unpaid leave will then be treated as *reckonable service* and you will be credited with the same benefits that you would have earned if you had returned to employment following a period of paid family leave.

Career breaks
At the beginning of a career break, your pension contributions will stop and your break will be classed as non-reckonable unpaid absence and will not count for pension purposes. You can pay all missed contributions, both your own and your employer's, on returning to *reckonable service* by contacting the Pensions Service Centre. Their details are given on page 32. Your unpaid absence will then be treated as *reckonable service* and you will be credited with the same benefits that you would have earned if you had been employed as normal during that time.

Territorial Army: reservists called up for duty
Reservists can either continue to contribute to the Plan or choose to join the Armed Forces' Pension Scheme. If you continue to contribute to the Plan, your contributions can be paid from your military salary. Another option may be for you and your employer to pay contributions (at a rate decided by the Trustee) when you return to *reckonable service*. You would have to pay your contributions on your return. In this case, you will be credited with the same benefits that you would have earned if you had been employed as normal instead of being on military duty.

Can I transfer benefits from previous pension schemes?

Transferring from other pension schemes
If you were a member of another company pension scheme, or have a personal pension plan, stakeholder pension plan or freestanding *Additional Voluntary Contribution (AVC)* plan, you may be able to transfer the value of your other pension benefits into the Plan. This will be at the discretion of the Trustee.

If you are interested in doing this, please request a copy of the guide 'Royal Mail Pension Plan – Transferring into the Plan' from the Pensions Service Centre. Their details are given on page 32.

Linking previous Section A or B membership
If you left the *Company* or opted out of the Plan, and then you rejoined Section B of the Plan after 30 November 1971, you may be able to link your earlier *reckonable service* with your current *reckonable service* where the Rules and the Trustee permit.

If you would like more information, please contact the Pensions Service Centre. Their details are given on page 32.

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. Their details are given on page 32.

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	£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. You can find out more about *pensionable salary* on page 35.

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

For the 2008/2009 *Plan Year*, your *CSDB pensionable salary*
(basic pay plus allowances) was £18,000, so you would earn: 1/80 x £18,000 = **£225.00**

Then in 2009/2010, your *CSDB pensionable salary*
(basic pay plus allowances) was £18,500, so you would earn: 1/80 x £18,500 = **£231.25**

In 2010/2011, your *CSDB pensionable salary*
(basic pay plus allowances) was £19,000, so you would earn: 1/80 x £19,000 = **£237.50**

In 2011/2012, your *CSDB pensionable salary*
(basic pay plus allowances) was £19,500, so you would earn: 1/80 x £19,500 = **£243.75**

Finally, in 2012/2013, your *CSDB pensionable salary*
(basic pay plus allowances) was £20,000, so you would earn: 1/80 x £20,000 = **£250.00**

All of these amounts would be 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 on the next page how this would work, 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
CSDB pensionable salary	£18,000	£18,500	£19,000	£19,500	£20,000
Pension block built up during year	£225.00	£231.25	£237.50	£243.75	£250.00
Increase on previous *pension block* (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 hours ÷ 40 hours) x 10 years = 5 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.

What benefits would I get if I retired early?

Voluntary early retirement

If you decide to retire before *normal retirement age* and you have at least 5 years' *qualifying service* you may, after age 50 (age 55 from 6 April 2010), take your pension and lump sum immediately if agreed by the *Company*. Your benefits will be worked out in the same way as for retirement at *normal retirement age* on page 7, but will be based on your *reckonable service* at the date of leaving employment. Your pension and lump sum would be reduced for early payment on a basis determined by the *Actuary*.

The reduction applied to your pension for early payment will depend on how old you are when you retire and the proportion of your benefits (before reduction) relating to *reckonable service* before 1 April 2010, as follows:

- Your pension and lump sum for *reckonable service* up to and including 31 March 2010 will be paid without reduction if you retire on or after your 60th birthday.
- If you retire before age 60, the part of your pension and lump sum relating to your *reckonable service* up to and including 31 March 2010 will be reduced by a factor (calculated by the *Actuary*) related to the number of years (and part years) between your actual retirement date and your 60th birthday.
- All of your pension and lump sum relating to *reckonable service* after 31 March 2010 will be reduced if you retire before age 65 by a factor (calculated by the *Actuary*) related to the number of years (and part years) between your actual retirement date and your 65th birthday.
- Pension and lump sum relating to *reckonable service* after 31 March 2010 will be paid without reduction if you retire on or after your 65th birthday.

If your reduced pension does not cover the *Guaranteed Minimum Pension (GMP)*, your benefits will not be paid until they are at least equivalent to the *GMP* at your *State Pension Age*.

Redundancy

If you are retired on the grounds of redundancy, after age 50 (age 55 from 6 April 2010) with at least 5 years' *qualifying service*, you will receive immediate payment of your pension and lump sum. Your benefits will be calculated as:

What benefits would I get if I retired early?

- the pension and lump sum you have built up to the date you actually retire, calculated in the same way as for *normal retirement age* above, plus
- an additional pension calculated as 1/80th of your *CSDB pensionable salary* over your last 12 months' *reckonable service* before your retirement, for each year (and part year) of your additional *reckonable service* credit, plus
- an additional lump sum calculated as 3 times this additional pension.

Your *additional reckonable service credit*, in this case, is calculated as the lower of:

- 6 ²/₃ years; and
- the number of years of *reckonable service* you could have completed between the date you actually retire and your *normal retirement age* (age 60 for retirement before 1 April 2010 and 65 for retirement on or after 1 April 2010).

However, in either case, the *additional reckonable service credit* cannot be greater than your actual *reckonable service* up to the date of retirement.

If you were working part time at the date you retire on grounds of redundancy your *additional reckonable service credit* will be calculated on a pro rata basis (based on the ratio of your part time to full time hours at the date of redundancy).

Additional flexibility

From 1 April 2010, you will at age 60 be able to take that part of your pension and lump sum for *reckonable service* up to 31 March 2010, while remaining in *Company* employment. If you choose to do this, you will still be able to continue to build up further Plan benefits in respect of *reckonable service* on and from 1 April 2010. Please note that you will have a *normal retirement age* of 65 in respect of any benefits earned on and from 1 April 2010.

How is my pension paid and will it increase?

Your pension will normally be paid directly into your bank or building society on the last working day of each month.

That part of your pension above any *Guaranteed Minimum Pension (GMP)* that is being paid will be increased each year in line with Pension Increase Review Orders which are issued by the Government.

If you retire part way through a *Plan Year* (that is before 31 March), your first pension increase may be lower than the full year's increase.

When you reach *State Pension Age*, any *GMP* will normally also be increased each year in line with inflation. The rules about this are complex. If your *GMP* is higher than the pension you would have received from SERPS/State Second Pension had you not been contracted-out, no annual increases will be awarded until the equivalent state additional pension reaches the same value as your *GMP*. *GMP* increases are generally paid in line with inflation by the Government, together with your Basic State Pension, although the Plan pays up to the first 3% of any increase in relation to any *GMP* accrued for service between April 1988 and April 1997.

When you start to receive your pension the Pensions Service Centre will send you a copy of the guide 'Royal Mail Pension Plan – Pension Payments and Increases' which contains more detailed information about how pensions are increased.

What protection do I get while still working?

The Plan provides financial protection for you and your dependants throughout your working life.

Retirement on *ill-health* grounds with immediate payment of benefits

You will be eligible for immediate pension and lump sum benefits if you have at least 5 years' *Company* service (including at least 2 years' *qualifying service*) and the *Company* ends your *reckonable service* by retiring you because of *ill-health*.

The benefits you will receive depend on the number of years' *Company* service you have at the date of your *ill-health* retirement. The *ill-health* benefits described over the following pages assume that you retire on *ill-health* grounds while still employed and that none of your Plan benefits are already in payment.

The actual benefits payable may be different if you retire on *ill-health* grounds, and were already in receipt of the benefits that you had earned for *reckonable service* before 1 April 2010. Further details of the benefits payable in this scenario will be provided once this has been finalised.

If you have between 5 and 10 years' *Company* service (including at least 2 years' *qualifying service*)

You will receive benefits equal to:

- the benefits you have built up to the date you actually retire, calculated in the same way as for retirement at *normal retirement age* (see page 7), plus
- an additional pension calculated as 1/80th of your *CSDB pensionable salary* over your last 12 months' *reckonable service* before your retirement, for each year (and part year) of your *additional reckonable service credit*, plus
- an additional lump sum of three times this additional pension.

Your *additional reckonable service credit* is calculated as the higher of:

- o an enhancement to double your actual *reckonable service* up to your retirement, and
- o an enhancement by 75% of the *reckonable service* you would have completed between the date you actually retired and *normal retirement age* (age 60 for retirement before 1 April 2010 and 65 for retirement on or after 1 April 2010).

However, your *additional reckonable service credit* cannot be more than you could have completed between the date you actually retired and your *normal retirement age* (age 60 for retirement before 1 April 2010 and 65 for retirement on or after 1 April 2010).

As for retirement at *normal retirement age* (see page 7), the maximum combined pension and lump sum you can get would be that calculated using 45 years' *reckonable service*.

If you have 10 or more years' *Company* service (including at least 2 years' *qualifying service*)

You will receive benefits equal to:

- the benefits you have built up to the date you actually retire, calculated in the same way as for retirement at *normal retirement age* (see above), plus
- an additional pension calculated as 1/80th of your *CSDB pensionable salary* over your last 12 months' *reckonable service* before your retirement, for each year (and part year) of your *additional reckonable service credit*, plus
- an additional lump sum of three times this additional pension.

Your *additional reckonable service credit*, in this case, is calculated as the higher of:

- an enhancement to increase your *reckonable service* up to 20 years;
- an additional $6\frac{2}{3}$ years' *reckonable service*; or
- an enhancement of 75% of the *reckonable service* you would have completed between the date you actually retired and *normal retirement age* (age 60 for retirement before 1 April 2010 and 65 for retirement on or after 1 April 2010).

Please note that your *additional reckonable service credit* cannot be more than you could have completed between the date you actually retire and *normal retirement age* (age 60 for retirement before 1 April 2010 and 65 for retirement on or after 1 April 2010).

As for retirement at *normal retirement age* (see page 7), the maximum combined pension and lump sum you can get would be that calculated using a maximum of 45 years' *reckonable service*.

For example
You retire at age 48 on *ill-health* grounds on 30 September 2009 with 18 years' full-time total *Company* service. You also have 18 years' *reckonable service*, of which $16\frac{1}{2}$ years were earned before 1 April 2008 and $1\frac{1}{2}$ years on or after 1 April 2008. This total *reckonable service* is enhanced in whichever of the following ways gives you the better result:

- up to 20 years (an increase of 2 years);
- by $6\frac{2}{3}$ years; or
- by 75% of the *reckonable service* you would have completed between the date you actually retire and *normal retirement age* - that is 75% of 12 years = 9 years.

The highest amount in this example is, therefore, 75% of your potential future *reckonable service*, so your *additional reckonable service credit* is 9 years.

If your actual *CSDB pensionable salary* over the 12 months from 1 October 2008 to 30 September 2009, is £20,000, your additional pension would be:

1/80 x 9 x £20,000 = **£2,250.00**

Your additional lump sum would be:

£2,250 x 3 = **£6,750.00**

The benefits would be paid on top of the benefits that you had built up based on actual *reckonable service* to 30 September 2009 (calculated in a similar way to the normal retirement example on pages 7 to 10).

Leaving the *Company* on ill health grounds with a lump sum payment

If you leave the *Company* on ill health grounds, other than those shown on page 14 to 15 (permanent incapacity), you may be entitled to *preserved benefits* from the Plan as shown on page 19.

You may also receive a separate lump sum payment from the *Company* (not from the Plan).

Please note: the ill health test used by the *Company* is a different test from the one that is set out in the Rules and this guide.

If you die in *reckonable service*

Lump sum payment
If you die during *reckonable service*, a lump sum equal to 4 times your *pensionable salary* at the date of your death will be paid.

If you were working part-time, the *pensionable salary* used in the lump sum death-in-service calculation is not adjusted to the full-time equivalent.

Please note: Lump sums on death can be paid by the Trustee under what is known as a 'discretionary trust' and, generally, are not liable to Inheritance Tax. You should complete, and keep up to date, a 'Direction of Lump Sum Death Benefit Form'. The Trustee is not bound by this form, but will bear it in mind when deciding how to exercise its discretion in paying death benefits. You are advised to complete the form. If you do not complete a 'Direction of Lump Sum Death Benefit Form', your lump sum will form part of your estate and may be liable to Inheritance Tax. If you have not already done so, please contact the Pensions Service Centre for a copy of the leaflet **'Royal Mail Pension Plan – 'Direction of Lump Sum Death Benefit Form'**.

Dependants' pensions
If you have at least 2 years' *qualifying service*:

- Your widow or widower will get a pension of up to half the pension you would have received had you retired on *ill-health* grounds on the date you died.
- Your children will normally get a pension if they are under 18, or under 23 and in full-time education or training which is approved by the Trustee, or incapable of self-support because of incapacity. Their pension will be a proportion of the pension you would have received had you retired on *ill-health* grounds on the date you died. How much they get will depend on the number of children you have and whether or not a widow(er)'s or dependant's pension is payable.
- Where a widow(er)'s or dependant's pension is payable, the amount will be 1/3 if there is one child, or 2/3 (divided between the children) where there are 2 or more children.
- Where no widow(er)'s or dependant's pension is payable, the amount will be 4/9 if there is one child or 8/9 (divided between the children) where there are 2 or more children.

If you are unmarried, your dependant(s) may get a pension, at the discretion of the Trustee. This pension may be calculated as a widow(er)'s pension. However, it may be smaller and may be reduced or stopped at the discretion of the Trustee. You can get more information from the Pensions Service Centre. Their contact details are given on page 32.

From 5 December 2005, civil partners may also receive a pension. Further details are given on page 21.

Different benefits may be paid if you die in *reckonable service* and were already in receipt of the pension you built up for service before 1 April 2010. Further details of the benefits payable in this scenario will be provided once this has been finalised.

What happens if I leave the Plan?

Your *reckonable service* will end if:

- you leave employment with the *Company*
- you continue in employment of the *Company* but choose to opt out of the Plan
- you continue in employment of the *Company* and reach age 75.

If you choose to opt out of the Plan you must give 2 months' notice if you are paid monthly and 2 weeks' notice if you are paid weekly. **You will not be able to rejoin the Plan if you opt out.**

Preserved benefits

If you leave *reckonable service* before *normal retirement age* you will be entitled to *preserved benefits* as follows:

1. For *reckonable service* before 1 April 2008:

- A pension equal to 1/80th of your *pensionable salary* when you leave for each year of your *reckonable service* before 1 April 2008, and an additional pro-rata amount for part years; and
- A lump sum of 3 times the pension for this period of service.

plus

2. For *reckonable service* on or after 1 April 2008:

- A pension equal to the total of all the *pension blocks* you have built up for your *CSDB pensionable salary* on or after 1 April 2008 (including, where appropriate, any inflation-linked increases granted to the last *Renewal* date before you leave service).
- A lump sum of 3 times the pension for this period of service.

While your pension and lump sum are preserved in the Plan, they will be increased each year in line with Pension Increase Review Orders issued by the Government.

Your *preserved benefits* will typically start to be paid when you reach *normal pension age*: age 60 for the part of your benefits based on your *reckonable service* before 1 April 2010 and age 65 for the part of your benefits based on your *reckonable service* on or after 1 April 2010.

You may also be able to take your *preserved benefits* before *normal pension age*:

- at any age if, in the opinion of the Trustee, you would have been retired on *ill-health* grounds with immediate payment of your benefits if you had remained in service; in this case, no reduction would apply to your benefits. If you are under 50 (55 from 6 April 2010) however, you must not be engaged in any employment at the time of application or payment; or
- if agreed by the Trustee, from age 50 (55 from 6 April 2010) on compassionate grounds. In this case a reduction, using a factor, determined by the *Actuary*, would be applied to the benefits relating to *reckonable service* after 1 December 2006; or
- if agreed by the Trustee, from age 50 (55 from 6 April 2010) on a reduced basis. The reduction in this case would be applied in a similar way to that explained on page 11.

Transferring out of the Plan

Instead of *preserved benefits*, you may request that a transfer value be paid into another registered pension scheme. You couldn't do this, however, if your benefits have already started to be paid.

The receiving pension scheme could be:

- a new employer's scheme;
- a 'buy-out' policy with an insurance company, or
- a personal pension or stakeholder pension plan.

Please note: it is not possible to transfer to another Royal Mail pension arrangement.

Provided that certain legal requirements are met, the amount of the transfer payment will be calculated by the Trustee on the advice of the *Actuary* and include an allowance for discretionary benefits available from the Plan, as well as those set out in the Plan's Rules.

You will normally receive a transfer value statement within 3 months of asking for one. This is known as your 'Guaranteed Statement of Entitlement'. An estimate will be provided if the Statement cannot be provided within 3 months. You are not entitled to more than one Guaranteed Statement of Entitlement in any 12-month period.

When you leave the Plan, you will be sent a copy of the guide 'Royal Mail Pension Plan – Your Options On Leaving'.

What happens if I die after leaving *reckonable service*?

If you die before *normal retirement age* with *preserved benefits* that have not started to be paid:

Lump sum payment
If you have at least 2 years' *qualifying service* and paid the extra 0.2% contribution until 31 March 1999, the lump sum will be 3/80ths of your *pensionable salary* for each year of *reckonable service*, together with an additional pro rata amount for part years, completed before 1 April 1999.

A lump sum equal to five times your annual *preserved benefits* will also be paid based on your *reckonable service* before 1 April 1999. The benefit payable for those who did not pay the extra 0.2% (see below) will be paid if it gives you a greater benefit.

If you did not pay the extra 0.2% contribution, the lump sum will be the greater of:

- five times your annual *preserved benefits*; or
- $1\frac{1}{4}$ years' *pensionable salary*

The lump sum payment will not be greater than the maximum lump sum that would have been paid if you had died in service on the date you left *reckonable service*.

Dependants' pensions
A pension will be paid to your widow or widower and your eligible children. If you are unmarried, a pension may be paid to your dependant(s) at the discretion of the Trustee. Each pension will be subject to the same terms as for a member who dies in *reckonable service*. However, the pension will be based on your *preserved benefits*.

Civil Partnerships
Civil partners will be entitled to a dependant's pension based on their civil partner's pension built up from 5 December 2005, together with the minimum pension payable under the contracting out requirements. The Trustee of the Plan may, at its' discretion, base the dependants' pension on the civil partners' full period of *reckonable service*. For more information contact the Pensions Service Centre, whose details can be found on page 32.

If you die after retiring:

Lump sum payment
If you die within the first 5 years of your retirement, the Trustee will pay a lump sum equal to the balance of the pension you would have been paid for the first 5

years of your retirement had you not died. This lump sum will not include future pension increases.

Dependants' pensions
A pension will be paid to your widow or widower and your eligible children. If you are unmarried, a pension may be paid to your dependant(s) at the discretion of the Trustee. Each pension will be subject to the same terms as for a member who dies in *reckonable service*. However, the pension will be based on either:

- the pension in payment at the time of your death; or if relevant
- the pension that would have been paid had you not given up part of your pension for an increased lump sum.

Also:

- Unless a lump sum is paid, for the first 91 days after you die, your widow or widower will receive a pension equal to your full pension at the time of your death. Any children's pensions will not be increased to reflect this extra 91 day 'bonus' payment;
- If you are a man whose pension started at or after *normal retirement age* and you die before *State Pension Age*, your widow's pension may be increased further.
- From 5 December 2005, civil partners may also receive a pension. Further details are given on page 21.

Please note. Lump sums on death can be paid by the Trustee under what is known as a 'discretionary trust' and, generally, are not liable to Inheritance Tax. You should complete, and keep up to date, a 'Direction of Lump Sum Death Benefit Form'. The Trustee is not bound by this form, but will bear it in mind when deciding how to exercise its discretion in paying death benefits. You are advised to complete the form. If you do not complete a 'Direction of Lump Sum Death Benefit Form', your lump sum will form part of your estate and may be liable to Inheritance Tax. If you have not already done so, please contact the Pensions Service Centre for a copy of the leaflet **'Royal Mail Pension Plan – 'Direction of Lump Sum Death Benefit Form'**.

The Pensions Service Centre cannot provide advice on Inheritance Tax. For further information you should contact your local tax office or visit the HM Revenue & Customs ('HMRC') website at www.hmrc.gov.uk. Alternatively, you could contact an Independent Financial Adviser (IFA). You can find a local IFA by calling IFA Promotion Ltd on 0800 085 3250 or you can visit their website at www.unbiased.co.uk.

How is the Plan managed?

The assets of the Plan are held, in trust, to pay the benefits due to members. The Plan is registered by HM Revenue & Customs (HMRC) under Part IV of the Finance Act 2004. This means that the Plan gains valuable tax concessions. For example, your contributions to the Plan receive full tax relief and the investment returns of the Plan can also receive favourable tax treatment.

The Plan has also been approved by the National Insurance Office of HMRC for contracting out under the Pension Schemes Act 1993, using defined benefit contracting out requirements.

Royal Mail Pensions Trustees Limited (the Trustee)
A corporate trustee company acts as the Trustee of the Plan. The Trustee Board has 11 Trustee Directors. 5 are appointed by the *Company*, 4 are nominated by the Trade Unions (CWU and Unite/CMA) and 1 is elected by the pensioner members of the Plan. The *Company* appoints the independent Chair after consultation and agreement with the Unions.

Investment
Contributions paid into the Plan, by both members and the *Company*, are invested by the Trustee in a mix of shares, Government securities, property and other investments. The benefits of the Plan are paid from the proceeds of these investments.

Administration
The Plan is administered by the Pensions Service Centre on behalf of the Trustee.

Keeping you informed
The Trustee will normally send you a 'Benefit Illustration' every year giving you details of your projected future benefits, together with a summary of the Plan's Annual Report and Accounts. Please let the Pensions Service Centre know if your address or personal circumstances (e.g. marital status) change. Their contact details are given on page 32.

The Trustee's full Annual Report and Accounts, which includes details of the Plan's general progress and investment information, is available on request from the Pensions Service Centre.

What is different about Section A?

If you have been in unbroken Plan membership since before 1 December 1971, you may have reserved rights through either Section A, or the non-contributory part of the Plan, to benefits which are similar to those provided under the Civil Service Pension Scheme (Classic).The benefits under Section A or the non-contributory part of the Plan are not affected by the changes made to the Plan on 1 April 2008.

The key differences between Section A and Section B are explained below. If you would like further information, please contact the Pensions Service Centre, their contact details are on page 32.

All of the benefits are based on your *pensionable salary* minus 6%. This is because they match the non-contributory Civil Service benefits. Further, the benefits are calculated as if all your *reckonable service* in the Plan is treated as service before 1 April 2008, i.e. the changes from 'final salary' to *CSDB pensionable salary* do not apply to Section A.

Only a handful of people still choose to remain in the non-contributory part of the Plan but can join the contributory part if they wish.

If you are in Section A of the contributory part of the Plan, you can choose to receive Section B benefits instead of Section A benefits. This choice can be made up to 3 months before your benefits commence or within six months of leaving the Plan, whichever is the earlier. Before you retire (or shortly after you leave with *preserved benefits*), the Pensions Service Centre will send you an estimate of your benefits under Section A and Section B so you can decide which is the most beneficial for you.

Retirement benefits

You may give up part or all of your lump sum to receive an even larger pension. The conversion will be done using the Government Actuary's advice. You will also be able to choose to give up part of your pension to increase your tax-free lump sum. You can choose how much extra lump sum you want (up to the maximum allowed by applicable tax rules), but currently you must give up £1 of annual pension for each £12 of lump sum.

Death benefits

Lump sum payment
A lump sum of twice your *pensionable salary* will be paid if you die in *reckonable service.*

If you die within the first five years of your retirement, a lump sum, equal to five times the annual rate of your pension at the date of your death, less the total of the pension and lump sum payments received since your retirement, will be paid.

If you die while your benefits are preserved, a lump sum equal to the retirement lump sum will be paid.

Widow's pension
Your widow will get a pension of up to half of your pension.

Widower's pension
Your widower will get a pension equal to half of your pension for your service from 1 July 1987 or the date you joined the contributory part of the Plan (whichever is earlier).

Civil Partner's pension
Your registered civil partner will get a pension of up to half your pension, based on service from 6 April 1988.

Please note. If your widow/widower or civil partner remarries/registers a new civil partnership or lives with someone else their pension may be restricted to the *Guaranteed Minimum Pension (GMP)*.

Dependant's pension
A dependant's pension is not paid under Section A.

Children's pension
Where a widow/widower or civil partner's pension is paid, the amount will be 1/4 for one child or 1/2 where there are two or more children.

Where no widow/widower or civil partner's pension is paid, the amount will be 7/12ths for one child or 2/3rds where there are two or more children.

What is different about Section A?

Pension increases
If your pension is paid early it will not start to increase until you reach age 55, unless you are retired on *ill-health* grounds.

Preserved benefits
You may be able to take your benefits early:

- at any age if, in the opinion of the Trustee, you would have been retired on *ill-health* grounds with immediate payment of your benefits if you had remained in service; in this case, no reduction would apply to your benefits. If you are under 50 (55 from 6 April 2010) however, you must not be engaged in any employment at the time of application or payment;
- if agreed by the Trustee, from age 50 (55 from 6 April 2010) on 'compassionate grounds', for instance where you need to care for a sick relative;
- on a reduced basis from age 50 (55 from 6 April 2010) as long as your reduced pension does not fall below the *Guaranteed Minimum Pension (GMP)*.

Anything else?

Assignment of benefits
You may not assign any part of your benefits to anyone else, or use the benefits as security for a loan. There are occasions where legislation may override this rule, for example, attachment of earnings order, pension sharing order or attachment order issued by the court.

Data protection
In accordance with the Data Protection Act 1998, the Trustee is the data controller in relation to personal data of members and beneficiaries. The Plan has been notified to the Office of the Information Commissioner. Personal data will be held for the purposes of carrying out pensions administration and other related purposes, such as the distribution of *Company* magazines to pensioners and pension deductions for voluntary contributions to charity. The Trustee may from time to time disclose personal data to Regulatory bodies and professional advisers, or to the National Federation of Post Office and BT Pensioners to assist recruitment.

Dispute resolution procedure
The Plan has a formal internal dispute resolution procedure, which is a 2-stage procedure for dealing with complaints. Details of the dispute resolution procedure will be sent to you if you make a complaint about the Plan or its administration.

If you have a complaint, for Stage 1, please contact:

Head of Pensions & Leavers
Pensions Service Centre
PO Box 500
CHESTERFIELD
S49 1WX

If you are still not satisfied, you can appeal to the Trustee of the Plan who will issue a Notice of Appeal decision under Stage 2 of the procedure. TPAS (The Pensions Advisory Service) is available at any time to assist members and beneficiaries of the Plan in connection with:

- pensions queries;
- difficulties that you have failed to resolve with the Trustee or the Pensions Service Centre.

Also, the Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law relating to an occupational pension scheme, such as the Plan.

TPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
LONDON
SW1V 1RB

TPAS phone: 0845 601 2923
Email: enquiries@pensionsadvisoryservice.org.uk

Ombudsman phone: 020 7834 9144
Email: enquiries@pensions-ombudsman.org.uk

Divorce and separation
Courts have to take pensions into account when making or endorsing orders for financial provision on divorce or separation. The current system may result in a court issuing an attachment order or a pension sharing order.

Because this may impact on the Plan there are times, such as applying for a transfer in, when it is necessary to ask if you have, at any time since 1 July 1996, filed for divorce, dissolution of a civil partnership, separation or nullity.

Further information can be obtained from the Pensions Service Centre. Their details are given on page 32.

Earnings cap
The Finance Act 1989 introduced, for members who joined occupational pension schemes after that date, a limit on the amount of a person's earnings that could be used to calculate their benefits. Accordingly, if you were subject to the earnings cap, your earnings above the limit were not taken into account when your Plan benefits were calculated. The limit also applied when calculating the maximum amount you could pay into the Plan. That earnings cap was abolished with effect from 6 April 2006.

Instead, from 6 April 2006, a Plan ‘earnings cap’ applies. As with the statutory earnings cap, your earnings above this Plan limit will not be included when your Plan benefits are calculated. The Plan limit, which is scaled down for part-time service, is £117,600 for the 2008/2009 tax year and this will increase each year broadly in line with inflation.

Failure of duties

Where the Trustee, the *Company* or their professional advisers have failed in their duties, the Pension Regulator (TPR) can intervene in the running of the Plan.

TPR can be contacted at:

Napier House
Trafalgar Place
BRIGHTON
East Sussex
BN1 4DW

Phone: 0870 6063636
Email: customersupport@thepensionsregulator.gov.uk

Pensions Protection Fund

The Pension Protection Fund (PPF) has been set up to help protect members of defined benefit pension schemes, like the Plan, in cases where a scheme has insufficient funds available to pay full benefits, should the employer become insolvent. It is financed by a levy payable by defined benefit pension schemes.

Plan registration

The Plan is registered with The Pensions Regulator (as well as with HMRC).

Pensions Tracing Service

If you lose contact with former pension schemes, you may not be able to claim your pension benefits when you retire. It's especially easy to lose touch when you change jobs, or if former employers change names.

A tracing service, run by the Department for Work and Pensions (DWP), may be of help if you need to contact the trustees of a previous employer's pension scheme and cannot trace them yourself.

The Service can be contacted at:

Post: Pension Tracing Service
The Pension Service
Tyneview Park, Whitley Road
Newcastle upon Tyne
NE98 1BA
Phone: 0845 600 2537
Web: www.thepensionservice.gov.uk

Anything else?

State pensions

Provided that you have paid sufficient National Insurance contributions, you will receive the Basic State Pension from *State Pension Age*.

The Plan is contracted out of the other State pension arrangements. Because of this, both you and the *Company* pay lower National Insurance contributions. In return, the Plan has to provide a minimum pension for any Plan service up to 5 April 1997. This minimum pension is the *Guaranteed Minimum Pension (GMP)*.

The *GMP* does not apply to Plan service after 5 April 1997. However, the Plan has passed a quality test set by the Government, to enable it to continue to contract out of SERPS/State Second Pension after 5 April 1997, so you can be assured of a certain level of pension.

For your period as a member of the Plan, you will not be entitled to any additional pension from the State Earnings Related Pension Scheme (SERPS). However, from 6 April 2002, SERPS was replaced by the State Second Pension, which offers a higher level of benefit to people on relatively low incomes. You may, therefore, receive a 'top-up' at *State Pension Age*, that would be paid with your Basic State Pension, to ensure that you are not disadvantaged by our decision to contract out.

You may be able to obtain details of your State benefits by contacting The Pension Service (part of the DWP) at:

Post: State Pension Forecasting Team
Future Pension Centre
The Pension Service
Tyneview Park, Whitley Road
Newcastle upon Tyne
NE98 1BA
Phone: 0845 3000 168
Email: www.thepensionservice.gov.uk

Tax implications for individual members

In return for the tax concessions the Plan receives, it must comply with HMRC requirements relating to, for example, the taxation of contributions and benefits. The Pensions Service Centre will let you know if you are affected by these requirements, which include:

Annual Allowance

From 6 April 2006 (known as A-Day), you can normally contribute up to 100% of your earnings into any number of registered pension schemes (including the Plan) and receive tax-relief on your contributions. However, the total amount of benefits that you can accrue each year (including taking account of your contributions) on a tax-free basis is limited up to the Annual Allowance.

The Annual Allowance is £235,000 for the 2008/2009 tax year. It will increase in steps to £255,000 by 2010/2011 and is expected to be increased every year thereafter. Any pension you build up in the Plan will count towards the Annual Allowance. You may build up benefits in excess of the Annual Allowance, but tax charges apply in respect of the excess.

Lifetime Allowance

From 6 April 2006, the value of your retirement benefits has to be checked against the Lifetime Allowance (LTA) whenever you draw benefits from the Plan. The LTA is £1.65 million for the 2008/2009 tax year. It will rise to £1.8 million by 2010/2011 and is expected to be increased every year thereafter. You can build up benefits above the LTA but these will be subject to an excess tax charge.

The way the value of retirement benefits is calculated is complex but, in general, the value of any annual pension is multiplied by 20 and any lump sum or AVC fund value is then added to the total. For example, if at retirement you have a pension worth £10,000 a year and a lump sum of £30,000, and you also have £5,000 built up in an AVC fund, the LTA check broadly will be as follows:

£10,000 x 20 = £200,000
£200,000 + £30,000 + £5,000 = £235,000.

This is within the LTA so in the example, you would not have to pay any excess tax.

You can find more detail about the Annual and Lifetime Allowances on the HMRC website: www.hmrc.gov.uk

If you have any questions over your tax situation, you may wish to contact an Independent Financial Adviser (IFA). Contact details can be found on page 32.

What if I want more information?

If you have a query about the Plan generally, or about an individual entitlement to benefit, please write to:

Pensions Service Centre
PO Box 500
CHESTERFIELD
S49 1WX

Or you can:

- phone them on Postline **5456 4545** or **0114 241 4545** - please have a pen and paper ready; or
- e-mail them, via Lotus Notes at '**Pensions Helpline**' or via the website below.

Please quote your full name, date of birth and either your National Insurance number or Plan membership number when you write or call.

Details of our main Plans can be found at www.royalmailgroup.com/pensions

Independent financial advice

By law, the Trustee and the *Company* cannot give you financial advice. If you are at all uncertain about your choices, we strongly recommend you talk to an Independent Financial Adviser (IFA). You can find a local IFA by contacting IFA Promotion Ltd:

Web: www.unbiased.co.uk
Phone: 0800 085 3250

Some terms used in this guide

Actuary
An expert on pension scheme assets and liabilities, specialising in life expectancy and probabilities (the likelihood of things happening) for insurance and pension purposes. The Plan *Actuary* is appointed by the Trustee.

Additional Reckonable Service Credit
An enhancement to your *reckonable service*, added at retirement on *ill-health* or redundancy grounds. The credit will depend on your length of service at retirement and will provide additional pension on top of that earned from your actual *reckonable service*.

Additional Voluntary Contributions (AVCs)
Extra contributions you can pay to increase your Plan benefits. You may pay up to a total of 100% of your taxable pay to the Plan should you wish, including your normal contributions of 6% of *contributory pay*. Further details of your AVC options are currently under review and the details, once finalised, will be available from the Pensions Service Centre in a guide called 'Royal Mail Pension Plan – Additional Voluntary Contributions (AVCs)'.

Company
Royal Mail Group or any of its associated companies participating in the Plan.

Contributory pay
The amount of pay used to work out how much has to be paid into the Plan for your benefits. It is equal to your annual rate of basic pay, plus other amounts stated as contributory in your terms and conditions of employment. A copy is available from your HR department.

CSDB pensionable salary
Means 'Career Salary Defined Benefit' pensionable salary. This is used to calculate the part of your pension benefits that relate to your service on or after 1 April 2008. It is the amount of your pay used to work out your pension and other benefits during each *Plan Year*. It is equal to your annual rate of basic pay received during the 12 months up to and including each *Renewal Date*, plus any other amounts stated as contributory in your terms and conditions of employment. A copy is available from your HR department.

Guaranteed Minimum Pension (GMP)
This is part of your Plan pension and is broadly equivalent to any additional pension you would have received at *State Pension Age* from the State Earnings Related Pensions Scheme (SERPS) for service up to 6 April 1997. *GMPs* do not apply to Plan service after this date.

Ill-health
Means serious physical or mental ill-health (not simply a decline in energy or ability) such that, in the opinion of the *Company*, you are permanently incapable of:

- carrying out your duties;
- carrying out such other duties as the *Company* might reasonably expect you to perform; and
- engaging in employment with any other employer which, in the opinion of the *Company*, would be reasonable and appropriate for you.

However, if you:

- were entitled to *preserved benefits* on 31 March 2000; or
- are currently entitled to *preserved benefits* and were a member of the Plan on 31 March 2000,

then *ill-health* means physical or mental disablement which permanently prevents you from providing regular and efficient service in your post. The *Company's* decision as to whether you are in *ill-health* will be final.

The Trustee will require confirmation from a registered medical practitioner that you are (and will continue to be) incapable of carrying on your occupation because of physical or mental impairment.

In addition, if you are under 50 (55 from 6 April 2010) when you apply for a pension on *ill-health* grounds, you must have ceased carrying on your occupation.

Normal pension age
The earliest age from which a member with *preserved benefits* can choose to retire and be entitled to unreduced pension benefits. It is age 60 for benefits relating to *reckonable service* before 1 April 2010, and age 65 for benefits relating to *reckonable service* on or after 1 April 2010.

Normal retirement age
Before 1 April 2010, this is age 60. After that, it will be age 65.

Pension block
The amount of pension you will at each *Renewal date* earn in *reckonable service* from 1 April 2008. It is equal to 1/80th of your *CSDB pensionable salary* earned each year (or part year).

Each *pension block* is increased at the end of the following *Plan Year* (on the *Renewal date*), and then again on 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 minimum of 0% each year.

Pensionable salary
This is used to calculate the part of your pension benefits that relate to your service before 1 April 2008 and the lump sum benefit paid to your dependants if you die while still working for the *Company*. It is the total of your basic annual salary or wages (including, where appropriate, London Weighting) plus any pensionable allowance in whichever of the last three years of *reckonable service* gives you the highest amount.

Where it would give you a higher amount, your average annual *pensionable salary* plus other pensionable payments over the best three consecutive tax years in the last ten years will be used.

The best year in the last three years ends on either:

- the last day of your *reckonable service*
- a date which is 91 days (or up to 8 multiples of 91 days) before the last day of your *reckonable service*.

For example:
If your last day of service is 30 November 2009, your best year could end on that date or on any of the following dates:

31 August 2009
1 June 2009
2 March 2009
2 December 2008
2 September 2008
2 June 2008
3 March 2008
2 December 2007
which are 91 days (or multiples of 91 days) before 30 November 2009.

Plan Year
1 April to 31 March.

Preserved benefits
If you leave the Plan, you may be eligible to keep your pension and lump sum benefits in the Plan. You will then be entitled to *preserved benefits* (also called deferred benefits) which would normally be paid from *normal pension age*.

Qualifying service
This is the service which is used to work out your pension entitlement if you leave the Plan early. It includes: service as a Plan member; service transferred into the Plan from other pension schemes; and additional service bought by *Additional Voluntary Contributions (AVCs)* or additional employer's contributions. In certain circumstances, breaks in *qualifying service* can be ignored.

Reckonable service
This is the service which is used to work out your pension benefits. It includes service as a Plan member, service transferred into the Plan from other pension schemes and additional service bought by *Additional Voluntary Contributions (AVCs)* or additional employer's contributions. It does not include any periods during which you opted out of the Plan. The maximum *reckonable service* used to calculate benefits is 45 years.

Renewal date
Means the 31 March of each year.

State Pension Age
The age people normally start getting the Basic State Pension and benefits from SERPS/State Second Pension. At the moment, it is 65 for men and 60 for women. Between the years 2010 and 2020, the *State Pension Age* for women will gradually rise to 65.

The Government has also proposed that the *State Pension Age* for both men and women is increased gradually from 65 to 68 between 2024 and 2046.

For your notes

For your notes

Royal Mail Pensions have won the following awards in recent years:

Professional Pensions/UK Pensions Awards
– Best In-House Administration (Public) 2005

Engaged Investor
– Trustee Award for Team Excellence in Administration 2006

European Shared Services
– Employer of the Year & Organisation of the Year 2007 (to Pensions Service Centre)

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