# Royal Mail Pension Plan

## A detailed guide for Section C 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 the Plan. It includes details of the following changes made to the Plan on 1 April 2008:

- closing the Plan to new members (except for those eligible employees who were under age 18 at 31 March 2008);
- increasing the death-in-service lump sum benefit to 4 times your *final pensionable pay*; and
- 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 the Plan 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 rule amendments have been formally adopted, this booklet will be reviewed to see if any changes are necessary.

**Please note:** the sections of this booklet 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.

# Can I join?

The Plan is closed to new employees who started working for the *Company* on or after 1 April 2008. It is also closed to employees who had previously 'opted out' of the Plan and had not rejoined by 31 March 2008.

The only employees who can join the Plan after 31 March 2008 are those who worked for the *Company* and were under age 18 on that date. They can join when they reach 18, provided they are employed on a permanent (long term) or a temporary (fixed-term or specific event) contract and join within one month of their 18th birthday. These employees will be automatically joined to the Plan on reaching their 18th birthday unless they choose to not to join at that point.

**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.

To transfer from a personal pension plan or stakeholder pension plan, you must have been a member of the Plan for at least 18 months before you apply to transfer. 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 31.

**Linking previous Plan membership**
If you left the *Company* or opted out of the Plan and then rejoined by 31 March 2008, you may be able to link your two periods of *pensionable service* where the Rules and the Trustee permits. If you would like more information, please contact the Pensions Service Centre. Their details are given on page 31.





# 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*.

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 31. 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 31. 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 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 31. 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.





# 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 from the Plan, which is payable for life. Your pension will be worked out in 2 parts:

**1. For your *pensionable service* before 1 April 2008**
Your pension is calculated as 1/60th of your *final pensionable pay* for each year of your *pensionable service* on or before 31 March 2008, and an additional pro-rata amount for part years of *pensionable service*.

**plus**

**2. For your *pensionable service* on or after 1 April 2008**
Each *Plan Year* you will build up a *pension block* of 1/60th of your *CSDB pensionable pay* 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* of 1/60th of your *CSDB pensionable pay* 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 combined pension you can get is equal to that calculated using a maximum of 45 years' *pensionable service*.

If you complete 45 years' *pensionable service* after 31 March 2008, you will not build up any further *pension blocks* once you reach 45 years' *pensionable service*, but, provided you continue in *pensionable service* all your *pension blocks* would continue to be revalued up to the last *Renewal date* before you retire or leave *pensionable service*.

You may also receive a *pension supplement* until you reach *State Pension Age*; see page 36 for more information.

**Example**
You are employed full-time from 1 February 1988, 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 *pensionable service* before 1 April 2008
Your *final pensionable pay* is equal to:

| | |
|---|---|
| Your basic salary and assigned allowances during your last year of *reckonable service** before 31 March 2013, plus other averaged contributory allowances | £20,000 |
| *Lower Earnings Deduction (LED)* | - £3,328 |
| | **£16,672** |

Your *pensionable service* to 31 March 2008 is 20 years and 60 days.
So, your annual pension for *pensionable service* to 31 March 2008 is:
(£16,672 ÷ 60) x 20 years, 60 days **£5,603.01**

*assuming your salary during your last year of *reckonable service* is your highest salary. You can find out more about *final pensionable pay* on page 34.

2. For *pensionable service* on and after 1 April 2008 (5 years)

For the 2008/2009 *Plan Year*, your *CSDB pensionable pay* (after taking off the *LED* from basic pay and allowances) was £14,672, so you would earn: 1/60 x 14,672 = **£244.53**

Then in 2009/2010, your *CSDB pensionable pay* (after taking off the *LED* from basic pay and allowances) was £15,172, so you would earn: 1/60 x 15,172 = **£252.87**

In 2010/2011, your *CSDB pensionable pay* (after taking off the *LED* from basic pay and allowances) was £15,672, so you would earn: 1/60 x 15,672 = **£261.20**

In 2011/2012, your *CSDB pensionable pay* (after taking off the *LED* from basic pay and allowances) was £16,172, so you would earn: 1/60 x 16,172 = **£269.53**

Finally, in 2012/2013, your *CSDB pensionable pay* (after taking off the *LED* from basic pay and allowances) was £16,672, so you would earn: 1/60 x £16,672 = **£277.87**

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 you your total pension. You can see from the table on the next page how this would work, assuming that inflation each year has been 2.5%. In practice, the actual increase at the *Renewal date* will depend on the annual increase in the RPI each year.





| | Year 1 2008/2009 | Year 2 2009/2010 | Year 3 2010/2011 | Year 4 2011/2012 | Year 5 2012/2013 |
|---|---|---|---|---|---|
| *CSDB pensionable pay* (after taking off the *Lower Earnings Deduction*) | £14,672 | £15,172 | £15,672 | £16,172 | £16,672 |
| *Pension block* built up during year | £244.53 | £252.87 | £261.20 | £269.53 | £277.87 |
| Increase on previous *pension block* (at end of year) | - | £6.11 (2.5% of £244.53) | £12.59 (2.5% of £503.51) | £19.43 (2.5% of £777.30) | £26.66 (2.5% of £1,066.26) |
| **Total pension at end of year/retirement** | **£244.53** | **£503.51** | **£777.30** | **£1,066.26** | **£1,370.79** |

So, your total pension would be:

| | | |
|---|---|---|
| **1. Pension earned up to 31 March 2008:** | | £5,603.01 |
| **2. Pension earned after 1 April 2008:** | + | £1,370.79 |
| | = | **£6,973.80** |

The example above assumes you reached 65 on 31 March, the last day of the *Plan Year*. If, however, you are not 65 until 30 September 2013, when you retire you will have built up an extra 6 months' (183 days) worth of pension:

In this situation, in 2013/2014, your *CSDB pensionable pay* (after taking off the *Lower Earnings Deduction* from basic pay and allowances) between 1 April 2013 and 30 September 2013 is:

183/365 x £16,672 = £8,358.84

So your extra pension for this period is: 1/60 x £8,358.84 = **£139.31**

So, your total pension would be: £6,973.80 + £139.31 = **£7,113.11**

**Your tax-free lump sum option**
On retirement, you may be able to give up part of your pension in exchange for a tax-free lump sum of up to 25% of the value of your total Plan benefits. Benefits resulting from your money purchase *Additional Voluntary Contributions* could form part of the tax-free lump sum, or you may buy additional pension from your *Additional Voluntary Contributions* through an insurance company of your choice. You will be given more information about how much cash you can take and the effect this might have on your pension when you get closer to retirement.

**Your *pension supplement***
If *normal retirement age* under the Plan is before your *State Pension Age*, and you choose to retire and leave the *Company* at *normal retirement age*, you will also receive a *pension supplement* that is payable up until you reach *State Pension Age*. You can find out more on page 36 and the Pensions Service Centre can answer any further questions you may have. Their details are given on page 31.

## If you worked-part-time

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

- Your *final pensionable pay* used for working out your benefits built up before 1 April 2008 is calculated using full time pay for your grade not part time pay less the *Lower Earnings Deduction*;
- your *pensionable service* counts as a proportion of full time service.

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 *pensionable service* will be halved as follows:

(20 hours ÷ 40 hours) x 10 years = 5 years' *pensionable service*.

- The *CSDB pensionable pay* amount used to work out your benefits built up on or after 1 April 2008 is based on the **actual** *pensionable pay* and allowances you receive and not the full-time equivalent. The *Lower Earnings Deduction* (£3,328) that is taken off your actual pay when working out your *CSDB pensionable pay* will be reduced to reflect your part-time hours.

So, if you earned £10,000 and worked 20 hours a week, and the full-time hours for the same job was 40 hours, your *CSDB pensionable pay* would be:

£10,000 – (£3,328 x 20/40) = **£8,336**.

This is similar to the way your *contributory pay* is worked out.





# What benefits would I get if I retired early?

If you are retired by your employer (other than on grounds of *ill-health*) before *normal retirement age* with at least 5 years' service (including 2 year's *qualifying service*), you may, after age 50 (age 55 from 6 April 2010), take your pension immediately. It will be worked out in the same way as for retirement at *normal retirement age* on page 6, but will be based on your *final pensionable pay* and the *pension blocks* that you have built up when you actually retire. Your employer will decide if your pension should be reduced for early payment, on a basis certified as reasonable by the *Actuary*.

If your pension is reduced for early payment, the actual pension you receive will depend on how old you are when you retire and how much of your pension (before reduction) relates to *pensionable service* before 1 April 2010, as follows:

- pension for *pensionable 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 that relates to your *pensionable 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 relating to *pensionable 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 for *pensionable 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*.

If you are retired by your employer (other than on grounds of *ill-health*) before *normal retirement age* with less than 5 years' *qualifying service*, then you will be entitled to a *preserved pension* (see page 20 for more details).

### *Pension supplement*

Depending on your *State Pension Age*, you may also receive a *pension supplement* in the period up to your *State Pension Age*, in relation to all or part of your *pensionable service*.

### Additional flexibility

From 1 April 2010, you will at age 60 be able to take that part of your pension earned for *pensionable 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 *pensionable service* from 1 April 2010. Please note that you will have a *normal retirement age* of 65 in respect of any benefits earned from 1 April 2010.

**Please note:** a *pension supplement* will not be paid until you stop working for the *Company*.





# 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.

The part of your pension above any *Guaranteed Minimum Pension (GMP)* that is being paid will be increased, normally each April, in line with the annual increase in RPI or 5%, whichever is lower. The *Company* (with the consent of the Trustee) has the power to award increases above this level; this was last done in 1993.

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 that 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 pension benefits

You will be eligible for immediate pension benefits if you have completed at least 2 years' *qualifying service* with the *Company* 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 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 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 2 and 5 years' *Company* service (including at least 2 years' *qualifying service*):**

**1. For *pensionable service* before 1 April 2008**
You will get a pension of 1/60th of your *final pensionable pay* for each year of your *pensionable service* up to 31 March 2008, together with an additional pro-rata amount for part years, plus a *pension supplement*;

**plus,**

**2. For *pensionable service* on or after 1 April 2008**
You will get a pension equal to the total of all the *pension blocks* you have built up after 31 March 2008 (including any inflation-linked increases to the last *Renewal date* before you retire), plus a *pension supplement*.





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

You will receive a pension equal to:

- the pension you have built up to the date you actually retire, calculated in the same way as if you had between 2 and 5 years' *Company* service (see above), plus
- an additional pension calculated as 1/60th of your *CSDB pensionable pay* over your last 12 months' *reckonable service* before your retirement, for each year (and part year) of your *additional service credit*.

You may also be entitled to a *pension supplement*.

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

- o an enhancement to double your *reckonable service*, or if less, the *reckonable service* you could have completed up to your *normal retirement age*, 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 if actual retirement is before 1 April 2010 and 65 if actual retirement is on or after 1 April 2010).

**Please note**: the *additional service credit* cannot be more than you would have completed between the date you actually retired and *normal retirement age* (age 60 if actual retirement is before 1 April 2010 and 65 if actual retirement is on or after 1 April 2010).

If you worked part-time:

- your *additional service credit* will be calculated on a pro-rata basis (based on your actual part-time hours worked during your actual *reckonable service*), and
- the additional pension described above will be calculated using the full-time equivalent of your *CSDB pensionable pay* over your last recent 12 months' *reckonable service* (see page 9 for more details).

As with retirement at *normal retirement age* (see page 6), the maximum combined pension you can get would be that calculated using 45 years' *pensionable service*.

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

You will receive a pension equal to:

- the pension you have built up to the date you actually retire, calculated in the same way as if you had between 2 and 5 years' *Company* service (see above), plus
- an additional pension calculated as 1/60th of your *CSDB pensionable pay* over your last 12 months' *reckonable service* before your retirement, for each year (and part year) of your *additional service credit*.

You may also be entitled to a *pension supplement*.

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

- an enhancement to increase your *reckonable service* up to 20 years or an additional 6 2/3 years *reckonable service*, or, if less, the *reckonable service* you could have completed between the date you actually retired and *normal retirement age*; and
- an enhancement by 75% of the *reckonable service* you could 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:** the *additional service credit* cannot be more than you could have completed between the date you actually retired and *normal retirement age* (age 60 if actual retirement is before 1 April 2010 and 65 if actual retirement is on or after 1 April 2010).

If you worked part-time:

- your *additional service credit* will be calculated on a pro-rata basis (based on your actual part-time hours worked during your actual *reckonable service)* and
- the additional pension described above will be calculated using the full-time equivalent of your *CSDB pensionable pay* over your last 12 months' *reckonable service* (see page 9 for more details).

As with retirement at *normal retirement age* (see page 6), the maximum combined pension you can get would be that calculated using 45 years' *pensionable service*.





**For example**
You retire at age 48 on *ill-health* grounds on 30 September 2009 with 18 years' full-time *Company* service. You also have 18 years' *reckonable service*, of which 16 1/2 years were earned before 1 April 2008 and 1 1/2 years after 31 March 2008. This total *reckonable service* is enhanced in whichever way gives you the better result; either by:

- up to 20 years (an increase of 2 years); or, if higher
- an additional 6 2/3 years; or,
- an enhancement by 75% of the *reckonable service* you would 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). That is 75% of 12 years = 9 years.

The highest amount for you is, therefore, an enhancement by 75% of your future potential *reckonable service*, so your *additional service credit* is 9 years.

If your actual *CSDB pensionable pay* over the 12 months from 1 October 2008 to 30 September 2009, before taking off the *Lower Earnings Deduction*, is £20,000, your additional pension would be:

1/60 x 9 x (£20,000 - £3,328) = **£2,500.80**

This would be paid on top of the pension that you had built up based on actual *pensionable service* to 30 September 2009 (calculated in a similar way to the normal retirement example on pages 6 to 8).

**If you are retired through ill health as a result of illness or injury which is:**

- in the opinion of your employer, caused by your work; and
- not due to negligence on your part;

and your total *Company* service is less than 5 years, you will get a pension equal to:

- the pension you have built up to the date you actually retire, calculated in the same way as described above on page 13; plus
- an additional pension calculated as 1/60th of your *CSDB pensionable pay* over your last 12 months' *reckonable service* before your retirement for each year (and part year) of your *additional service credit*.

Your *additional service credit* will be calculated as the lower of:

- an enhancement to increase your *reckonable service* up to 10 years, or
- the *reckonable service* you would have completed if you had remained in service until *normal retirement age* (age 60 for retirement before 1 April 2010 and 65 for retirement on or after 1 April 2010).

If you worked part-time:

- your *additional service credit* will be calculated on a pro-rata basis (based on your actual part-time hours worked during your actual *reckonable service*) and
- the additional pension described above will be calculated using the full-time equivalent of your *CSDB pensionable pay* over your last 12 months' *reckonable service* (see page 9 for more details).

If you have 5 or more years' *Company* service (or if you do not have the requisite years' *qualifying service* mentioned above), the normal *ill-health* retirement calculations set out above will apply (see pages 14 to 16).

***Pension supplement***
If your *reckonable service* at the date of your *ill-health* retirement is 2 years or more, and you retire before your *State Pension Age*, you will also receive a *pension supplement* in the period up to your *State Pension Age.*

## Leaving the *Company* on ill health grounds other than permanent incapacity

If you leave the *Company* on ill health grounds, other than those shown on pages 13 to 16 (permanent incapacity), you may be entitled to a *preserved pension* from the Plan as shown on page 20.

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.



What protection do I get while still working?

## If you die in *reckonable service*

**Lump sum payment**
If you die during *reckonable service*, a lump sum will be paid equal to 4 times your *final pensionable pay* (but before being reduced by the *Lower Earnings Deduction*) at the date of your death.

If you were working part-time, the *final pensionable pay* used in the lump sum death-in-service calculation is not adjusted to the full-time equivalent. It will be based on your actual *pensionable pay*.

**Please note:** lump sums are 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 'death benefit nomination form'. The Trustee is not bound by this but will bear it in mind when deciding how to exercise its discretion in paying death-in-service benefits. You can get more information and a nomination form from the Pensions Service Centre. Their contact details are given on page 31.

**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. However, no *pension supplement* will be paid. This pension will stop if your spouse re-marries but may, at the Trustee's discretion, be paid again if that marriage ends.
- 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 (excluding the *pension supplement*). How much they get will depend on the number of children you have and whether or not a widow(er)'s pension is payable.
- Where a widow(er)'s pension is payable, the amount will be $1/4$ for one child or $1/2$ (divided between the children) where there are 2 or more children.
- Where no widow(er)'s pension is payable, the amount will be $1/3$ for one child or $2/3$ (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 31.

From 5 December 2005, civil partners may also receive a pension. Further details are given on page 23.

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

If you are entitled to benefits from a previous period of Plan membership and you die in *reckonable service*, your previous benefits will be treated as follows:

- If you are already receiving a pension from the Plan, please refer to the guide 'Royal Mail Pension Plan – Pension Payments and Increases' for details of the benefits payable on your death.
- If you have a *preserved pension* from the Plan, please refer to pages 22 and 23 for details of the benefits payable on your death.

**Please note:** your overall lump sum benefits from the Plan may need to be restricted to ensure that the maximum lump sum paid to your dependants does not exceed 4 times your final remuneration at the date of your death.





# What happens if I leave the Plan?

Your *reckonable service* will end if:

- you leave employment of the *Company* (or an associated employer)
- 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.**

## Refund of contributions

If you leave *reckonable service* before *normal retirement age* with less than 2 years' *qualifying service* you will be entitled to:

- a refund of contributions; or
- if you have at least 3 months' *qualifying service*, the option to transfer your benefits to another pension scheme.

Before you get your refund, the contributions you paid into the Plan will be adjusted:

- interest will be added provided you have been a member of the Plan for at least 6 months;
- your share of the *Contributions Equivalent Premium* will be deducted from your refund to buy you back into the State Second Pension, and
- a tax charge will be deducted. Currently, this is 20% on contribution refunds up to £10,800 and 40% on refunds above £10,800.

**Please note:** sometimes a refund cannot be paid even though you leave *reckonable service* with less than 2 years' *qualifying service*. This includes where you:

- already have a *preserved pension* in the Plan which you chose not to link, or were unable to link, with your current service, or
- have transferred a personal pension or stakeholder pension into the Plan.

In these circumstances, you will be eligible for a *preserved pension*.

## Preserved pensions

If you leave *reckonable service* before *normal retirement age* with 2 or more years' *qualifying service* or you do not qualify for a refund of contributions, you will be entitled to a *preserved pension* as follows:

**1. For *pensionable service* before 1 April 2008**
A pension equal to 1/60th of your *final pensionable pay* when you leave for each year of your *pensionable service* to 31 March 2008, and an additional pro-rata amount for part years.

**plus**

**2. For *pensionable 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 pay* after 31 March 2008 (including, where appropriate, any inflation-linked increases to the last *Renewal date* before you leave service).

While your pension is preserved in the Plan, the part of it that does not relate to the *Guaranteed Minimum Pension (GMP)* will be increased broadly in line with the change in the RPI up to your retirement, or by 5% for each complete year between leaving service and retirement, whichever is lower. The *GMP* part of your *preserved pension* will be increased up to retirement in line with statute and regulations relating to *GMP*.

Your *preserved pension* will typically start to be paid when you reach *normal pension age*: age 60 for the part of your pension based on your *pensionable service* before 1 April 2010 and age 65 for the part of your pension earned for your *pensionable service* after 31 March 2010.

## Early Payment

You may also be able to take your *preserved pension* 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 pension had you remained in *reckonable service*; in this case, no reduction would apply to your pension. 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. A reduction, using a factor determined by the Trustee (and certified as reasonable by the *Actuary*), would be applied only to pension in respect of *pensionable service* after 1 December 2006; or
- if agreed by the Trustee, from age 50 (55 from 6 April 2010) reduced using a factor determined by the Trustee (and certified as reasonable by the *Actuary*). The reduction to the pension in this case would be applied in a similar way to that explained on page 10.





If your *State Pension Age* is higher than the *normal pension age(s)* for your *preserved pension*, you may also receive a *pension supplement* (for part or all of your *pensionable service*) between retirement and *State Pension Age*.

## Transferring out of the Plan

Instead of a refund of contributions (providing you leave with at least 3 months' *qualifying service*) or a *preserved pension*, you may request a transfer value be paid into another registered pension scheme. You cannot 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 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 service?

**If you die before *normal retirement age* with a *preserved pension* that has not started being paid and you are no longer working for the *Company*:**

**Lump sum payment**
A lump sum equal to 5 years' payments of your *preserved pension* will be paid. It will not include the *pension supplement* and 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 pension* (excluding the *pension supplement*).

**Civil Partnerships**
A member's civil partner will be entitled to a pension based on the member'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, pay a dependant's pension on the member's full period of *pensionable service*. For more information contact the Pensions Service Centre, whose details are given on page 31.

**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 the *pension supplement* or future pension increases.

However, if you are retired on *ill-health* grounds and die within 5 years of your retirement, the lump sum will be the maximum benefit that would have been paid if you had died in service on the date you retired, minus the benefits paid to you since retirement.

**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 (excluding the *pension supplement*); or, if relevant,
- the pension that would have been paid had you not given up part of your pension for a lump sum.





Also:

- For the first 91 days after you die, your widow or widower will receive a pension equal to your full pension when you died (excluding the *pension supplement*). Any children's pensions will not be increased to reflect this extra 91 day 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 23.

**Please note:** lump sums on death are 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 'death benefit nomination form'. The Trustee is not bound by this but will bear it in mind when deciding how to exercise its discretion in paying death-in-service benefits. You can get more information and a nomination form from the Pensions Service Centre. Their contact details are given on page 31.

**If you die before *normal retirement age* with a *preserved pension* that has not started being paid and you are still working for the *Company*:**

**Lump sum payment**
You will be paid a lump sum which will be the greater of:

- A lump sum equal to 4 times your *final pensionable pay* (but before being reduced by the *Lower Earnings Deduction*) at the date you left the Plan; or
- A lump sum equal to 5 years' payments of your *preserved pension* (not including the *pension supplement*).

**Dependants' pensions**
You will also be entitled to dependants' pensions on the same basis as is payable to members who die before *normal retirement age* with a *preserved pension* that has not started being paid.

**Please note:** your overall lump sum benefits from the Plan may need to be restricted to ensure that the maximum lump sum paid to your dependants does not exceed 4 times your final remuneration at the date of your death.

# 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 with 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 an 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 31.

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.





# 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 31.

## 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

## 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 31.

# 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 Service Credit**
An enhancement to your *pensionable service*, added at retirement on *ill-health* grounds. The credit will depend on your *Company* and *qualifying service* at retirement and will provide additional pension on top of that earned from your actual *pensionable 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 *AVC* options are currently under review and the details, once finalised, will be available in a guide called 'Royal Mail Pension Plan – Additional Voluntary Contributions (AVCs)' available from the Pensions Service Centre.

**Calculation Year**
Any year within the last 3, provided it 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 *reckonable service* is 30 November 2009, your *calculation 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.

**Please note:** the *calculation year* only relates to the calculation of pension for *pensionable service* up to and including 31 March 2008. For *pensionable service* after 31 March 2008, the *Plan Year* applies.

**Company**
Means Royal Mail Group or any of its Associated Employers.

**Contributions Equivalent Premium**
A special payment to the State pension scheme. It is usually paid when a member with less than 2 years' *qualifying service* leaves a contracted-out pension scheme with a refund of contributions and is counted as having been in SERPS/State Second Pension for the time they were contracted out.

**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, minus the *Lower Earnings Deduction*, plus other amounts stated as contributory in your terms and conditions of employment. A copy is available from your HR department.

If you work part-time, the *Lower Earnings Deduction* is reduced in proportion to the number of hours you actually work (compared to the hours that you would work if you worked full-time).

**For example**
If you work 20 hours a week, and the full-time hours for the same job is 40 hours a week, the normal (current) *Lower Earnings Deduction* of £3,328 a year will be reduced to £3,328 x 20/40 = £1,664 a year when working out your *contributory pay*.

**CSDB pensionable pay**
Means 'Career Salary Defined Benefit' pensionable pay. This is used to calculate your pension benefits that relate to your service after 31 March 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 during the 12 months up to and including each *Renewal date* (minus the *Lower Earnings Deduction*), plus any other regular amounts stated as pensionable in your terms and conditions of employment. A copy is available from your HR department.

If you work part-time, the *Lower Earnings Deduction* is reduced in proportion to the number of hours you actually work (compared to the hours that you would work if you worked full-time).





**For example**
If you work 20 hours a week, and the full-time hours for the same job are 40 hours a week, the normal (current) *Lower Earnings Deduction* of £3,328 a year will be reduced to £3,328 x 20/40 = £1,664 a year when working out your *CSDB pensionable pay*.

**Final pensionable pay**
This is used to calculate 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 either:

- your highest *pensionable pay* for any *calculation year* during the last 3 years of *reckonable service*, ending on your last day of *reckonable service*; or, if greater
- the highest average of your *pensionable pay* in any 3 consecutive tax years in the last 10 years before you leave service, retire or die.

Where *final pensionable pay* is determined using a *calculation year* other than that which ends on your last day of *reckonable service*, it will be increased to take account of the period between the end of the *calculation year* and your last day of *reckonable service*.

If you have been in *reckonable service* for less than a whole *calculation year*, your *final pensionable pay* will be the annual equivalent of your total *pensionable pay* for your *reckonable service*.

**For example**
Your *reckonable service* is 200 days and your total *pensionable pay* for this period is £7,000. Your *final pensionable pay* would be £7,000 ÷ (200 ÷ 365) = £12,775.

If you work part-time, the *pensionable pay* used to calculate your *final pensionable pay* for pension purposes (but not for the lump sum benefit paid to your dependants if you die while still working for the *Company*) will first be adjusted to its full-time equivalent (see page 9 for an example).

**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 your employer, you are permanently incapable of:

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

However, if you:

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

then *ill-health* means physical or mental incapacity that prevents you from following your normal occupation or seriously impairs your earning capacity. Your employer's decision as to whether you are in *ill-health* will be final.

The Trustee will also 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.

**Lower Earnings Deduction**
Currently £3,328.00 a year for members who work full-time (scaled down for part-time members and for those with any non-*reckonable service* during a *Plan Year*).

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

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



*Some terms used in this guide*

**Pension block**
The amount of pension you will at each *Renewal date* earn in *pensionable service* from 1 April 2008. It is equal to 1/60th of your *CSDB pensionable pay* 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 *pensionable 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.

**Pension supplement**
An additional amount of pension based on *pensionable service* and the *Lower Earnings Deduction*. It may be paid in addition to your Plan pension but ends when you reach *State Pension Age*. Under the Plan's rules, any *pension supplement* due would not be paid until you stop working for the *Company*.

The *pension supplement* is calculated as:

**For *pensionable service* before 1 April 2008**
1/60th of the average *Lower Earnings Deduction* over the period during which *Final Pensionable Pay* is calculated, with an additional pro-rata amount for part years.

**For *pensionable service* on or after 1 April 2008**
The sum of the supplement blocks that have been built up for your *pensionable service* after 31 March 2008 (increased in the same way as your *pension blocks* up to the *Renewal date* before your last day of service). The supplement block for each *Plan Year* is calculated as 1/60th of the *Lower Earnings Deduction* (reduced appropriately if you work part-time or if you had any periods of non-*reckonable service* during the *Plan Year* concerned).

The maximum combined *pension supplement* permitted is a pension which would be equal to that calculated using a maximum of 45 years' *pensionable service*.

**Pensionable pay**
This is used to calculate the part of your pension benefits for your service before 1 April 2008. It is the amount of your pay used to work out your pension and other benefits. It is equal to your annual rate of basic pay, minus the *Lower Earnings Deduction*, plus other amounts stated as pensionable in your terms and conditions of employment. A copy is available from your HR department.

If you work part-time, the *pensionable pay* in relation to a *calculation year* used to calculate your *final pensionable pay* for pension purposes (but not for the lump sum benefit paid to your dependants if you die while still working for the *Company*) will first be adjusted to its full-time equivalent (see page 9 for an example).

**Pensionable service**
The period of your employment that is taken into account when working out your pension benefits. It is the same as *reckonable service* unless it has been scaled down because you worked part-time. The maximum *pensionable service* used to calculate benefits is 45 years.

**Plan Year**
1 April to 31 March.

**Preserved pension**
If you leave the Plan, you may be eligible to keep your pension benefits in the Plan. You will then be entitled to a *preserved pension* (also called a deferred pension) 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; additional service bought by *Additional Voluntary Contributions (AVCs)* and additional employer's contributions. In certain circumstances, breaks in *qualifying service* can be ignored.

**Reckonable service**
Includes service as a Plan member; service transferred into the Plan from other pension schemes; additional service bought by *Additional Voluntary Contributions (AVCs)* and additional employer's contributions. It does not include any periods during which you opted out of the Plan.

**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.

**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)

**Pensions Service Centre**
**PO Box 500**
**CHESTERFIELD**
**S49 1WX**

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