



Trustee announcement

To active and “opted-out” members of the Royal Mail Pension Plan regarding changes – effective April 2010.

Please take the time to read this announcement and understand what it means to you.

There will be three changes in April 2010 which will affect active and “opted-out” members of the Royal Mail Pension Plan (“the Plan”). These changes are explained in detail within this announcement.



Change

Minimum Pension Age

Q What is this change?

The Government has changed the law to increase the Minimum Pension Age (MPA). The MPA is the earliest age at which you can take your pension. MPA is currently age 50. MPA will increase to age 55 with effect from 6 April 2010.

Q What does this change mean for me?

This change means that, from 6 April 2010, you will be unable to take your pension unless you are age 55 or over (except for ill-health retirement).

Q How will it affect my pension?

The MPA change will not affect the way your pension builds up in the future, and it will not affect the value of the benefits you have already built up. It only affects the age at which you can take your pension.

Q What do I need to do?

- **If you are age 55 or over on 6 April 2010.** This change does not affect you.
- **If you are under age 50 on 6 April 2010.** You cannot take any action and the earliest age that you can take your pension will increase to age 55.
- **If you are an active or opted-out member over age 50 on 1 April 2010, but under age 55 on 6 April 2010.**

If you were born between 7 April 1955 and 5 April 1960, you may want to consider whether you want to take your pension on or after 1 April 2010 (when the Plan will allow Flexible Retirement) but before 6 April 2010 (any pension would be reduced for early payment). Otherwise, the earliest age that you can take your pension will increase to age 55.

If you are in this age group and are considering taking your pension before 6 April 2010, see Change 3 – Flexible Retirement.





Change

Normal Retirement Age

Q What is this change?

Following the Pension Consultation in 2007/2008, the Company announced that Normal Retirement Age (NRA) for pensions will increase from age 60 to 65 for benefits built up from 1 April 2010.

Q What does this change mean for me?

The change will only affect members who are paying contributions to the Plan on 1 April 2010. It does not mean that you have to work until 65 to get the pension you have already built up. What raising the NRA means to Plan members is that pension benefits built up from 1 April 2010 will have a NRA of 65.

Pension built up before 1 April 2010 can still be taken with no reduction from age 60.

Members will have the option to draw pension built up before 1 April 2010 at age 60 with no reduction and carry on working for the Company and build up more pension (with a NRA of 65), if they want to (see Change 3 – Flexible Retirement).

Q How will it affect my pension?

Your pension will be split into “NRA 60 benefits” and “NRA 65 benefits”, as shown below. However, if you are planning to take all your pension benefits before 1 April 2010, the NRA change will have no effect on you at all because it is only the pension you earn from 1 April 2010 that will be affected.

NRA 60 benefits:

Firstly, the pension for service you have completed up to and including 31 March 2008, is linked to your final pensionable pay when you leave the Plan. Think of this as Pot 1 of your pension. As long as you're paying contributions, this part of your pension will still be linked to your final pensionable pay.

Secondly, the pension “blocks” you earn under the career salary defined benefit basis, from 1 April 2008 to 31 March 2010, can also be taken unreduced from age 60. Think of this as Pot 2.

Pot 1 and Pot 2 both have a NRA of 60. They have to be taken together.

NRA 65 benefits:

Think of Pot 3 as the pension “blocks” you can earn under the career salary defined benefit basis from 1 April 2010. This pension will be payable at 65. However, if you take this pension earlier than 65, say at age 60, it would be reduced to reflect the longer payment period. Once you take your NRA 65 benefits, your pension contributions to the Plan would cease and you would build up no future benefits in the Plan.

If you stop paying contributions to the Plan, you cannot restart contributions later.

NRA 60 benefits

No change:

Benefits built up before 1 April 2010 (Pots 1 and 2) can still be taken at 60 without reduction.



NRA 65 benefits

Benefits built up from 1 April 2010 (Pot 3) will be reduced if taken before 65 – currently by around 5% a year. The reduction factor will be calculated by the Trustee nearer the time.



Q If I take all my pension, what other options will I have?

If you take your NRA 65 benefits, or stop paying contributions to the Plan, while you are under age 64 and still employed by the Company, you may be eligible to join the Royal Mail Defined Contribution Plan. There is no waiting period to join the Royal Mail Defined Contribution Plan in these circumstances.

If you would like more information on the Royal Mail Defined Contribution Plan, please contact the [Zurich Royal Mail Service Team](#) on 0800 092 8263. The Zurich Royal Mail Service Team can only answer queries regarding the Royal Mail Defined Contribution Plan and cannot give you financial advice.

Q What do I need to do?

See Change 3 – Flexible Retirement opposite.



Change

Flexible Retirement

What is this change?

Royal Mail has decided to offer Plan members who are employed by the Company, and above the MPA, the opportunity to take their Plan benefits on an actuarially reduced basis, and remain in employment, with effect from 1 April 2010. This option is subject to the Company's consent.

What does this change mean for me?

- **Members who are currently paying contributions to the Plan.** You will be able to take some or all of your benefits from MPA or later, if you wish, and continue working for the Company. This option is subject to the Company's consent. This flexibility may enable you to work reduced hours, whilst taking part or all of your pension to top up your income, and at the same time continuing to contribute to the Plan (if you wish) to build up more pension for the future.
- **Members who have opted out of the Plan and have a deferred pension payable at 60.** You will be able to take some or all of your benefits from MPA or later, if you wish, and continue working for the Company. This option is subject to the Company's consent. This flexibility may enable you to work reduced hours, whilst taking part or all of your pension to top up your income. You will not be able to restart paying contributions to the Plan.

This flexibility will only apply from 1 April 2010 and only to members who have reached MPA, see Change 1 – Minimum Pension Age.

How will Flexible Retirement affect my pension?

You will have several new pension options from MPA. These will be:

- 1) You may take your NRA 60 benefits early, and keep on paying contributions to the Plan to build up further NRA 65 benefits; or
- 2) You may take your NRA 60 benefits early, but stop paying contributions to the Plan. No further NRA 65 benefits would then be built up but what you have built up can be taken at 65 or before; or

- 3) You may take your NRA 65 benefits and leave your NRA 60 benefits deferred until a later date (age 60 at the latest). Your contributions to the Plan would then cease and no further NRA 65 benefits would then be built up; or
- 4) You may take your NRA 60 and NRA 65 benefits together, less the appropriate early retirement reductions to both your NRA 60 and NRA 65 benefits. Your contributions to the Plan would then cease and no further NRA 65 benefits would then be built up; or
- 5) You may decide to continue contributing to the Plan and not take any benefits early.

If you decide not to take any benefits early, there will be no effect on your pension. However, if you decide to take part or all of your benefits early, the benefits you take will be actuarially reduced to take into account your choice to be paid your benefits before NRA.

Please note that if you stop paying contributions to the Plan, your eligibility for ill-health retirement benefits and redundancy benefits (where applicable) will be affected as you will have opted out of the Plan.

If you are above the MPA, or will be above the MPA from 1 April 2010, and would like to take your Plan benefits early, please register for an estimate of your benefits by contacting the [Pensions Helpline on 0114 241 4545](tel:01142414545) or by email to pensions.change@royalmail.com. You will need to provide your full name, date of birth and National Insurance number. Estimates will start to be issued from December 2009.

If you are already planning to leave the Company, or have already expressed an interest in taking your pension benefits, you will not have to register for an estimate, because you will receive one automatically as part of that process.

If I stop paying contributions to the Plan, what other options will I have?

If you have decided to take your NRA 65 benefits, or stop paying contributions to the Plan, and are under age 64 and employed by the Company, you may be eligible to join the Royal Mail Defined Contribution Plan. There is no waiting period to join the Royal Mail Defined Contribution Plan in these circumstances.

If you would like more information on the Royal Mail Defined Contribution Plan, please contact the [Zurich Royal Mail Service Team on 0800 092 8263](tel:08000928263). The Zurich Royal Mail Service Team can only answer queries regarding the Royal Mail Defined Contribution Plan and cannot give you financial advice.

Q What do I need to do?

- **If you are over age 55 on 6 April 2010**, you should consider if the new pension options suit your personal circumstances. If you do not want to take your pension benefits, you do not need to do anything.
- **If you are under age 50 on 6 April 2010**, you are not able to take your pension benefits until age 55 at the earliest. However, consider if the new pension options suit your personal circumstances for when you reach 55.
- **If you are over age 50 on 1 April 2010, but under age 55 on 6 April 2010** (i.e. if you were born between 7 April 1955 and 5 April 1960), you only have a very short window from 1 April 2010 (or your 50th birthday if later) to take your pension benefits before the MPA increases to 55 on 6 April 2010.

Carefully consider, therefore, if the new pension options suit your personal circumstances and if you want to take your NRA 60 benefits before 6 April 2010 (whether or not you want to continue to contribute to the Plan).

If you are in this age group and qualify for early payment of your pension between 1 April and 5 April 2010 and would like to register for an estimate, please contact the [Pensions Helpline on 0114 241 4545](tel:01142414545) or by email to pensions.change@royalmail.com.

You will need to provide your full name, date of birth and National Insurance number. Estimates will start to be issued from December 2009.

- **If you are already planning to leave the Company** or you have already expressed an interest in taking your pension benefits, you will not have to register for an estimate, because you will receive one automatically as part of that process.



Note: If you require further information on these Plan changes, please contact the Pensions Helpline on 0114 241 4545. The Pensions Helpline cannot give you financial advice. If you are at all uncertain about how these changes will affect you, we strongly recommend that you talk to an Independent Financial Adviser (IFA). You can find a local IFA by contacting IFA Promotion Ltd through their website – www.unbiased.co.uk

