

Name  
Address 1  
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Postcode

**July 2010**

**Our Ref:**  
**Your Ref:**

Dear Salutation

## **Your new Additional Voluntary Contribution (AVC) Investment Options – Bonusplan and Flexiplan**

In my letter dated May 2010, I advised you that, following a review, the Trustee had decided to replace the current AVC arrangements. The new arrangements will be introduced shortly, and this letter, the Questions and Answers document and the enclosed Guide to Additional Voluntary Contributions explain the changes. Please take the time to read these and understand what action, if any, you need to take.

### **An overview**

After careful consideration, the Trustee has selected Zurich Assurance Ltd (Zurich) to provide the new AVC arrangements, while the funds will be invested with a number of fund managers selected by the Trustee. Zurich will administer the new arrangements and will make an online facility available to you via the internet which will allow you to monitor the value of your funds.

AVC payments made by members of the Royal Mail Pension Plan ('the Plan') deducted from the October 2010 payroll and onwards (from the week commencing 4 October – tax week 27 – for weekly paid members) will be invested in new funds specially constructed for the Trustee.

Existing AVC funds invested in a 'with-profits' fund with Aviva (formerly Norwich Union), Equitable Life and Standard Life will not be transferred unless you expressly ask for this to be done.

However, existing funds invested in any other fund operated by Aviva, Legal & General, Santander (formerly Abbey) and Standard Life/BGI will be transferred to the new funds in November and December 2010.

### **The new investment options**

A new 'Lifestyle' investment option will be introduced, aimed at members who want their AVC investment managed for them. The Lifestyle option will allow you to place your AVCs in a mix of funds, the overall risk profile of which changes as you approach your selected retirement age. The Lifestyle option aims to manage some of the investment risks you face when saving for your retirement and helps to protect the value built up in your AVC account from potential stock market falls in the years close to your retirement. More information on the Lifestyle option is included in the 'Questions and Answers' and the Guide to Additional Voluntary Contributions enclosed with this letter.

In addition, there will be six new AVC funds to choose from:

- RMPP AVC Growth Fund
- RMPP AVC Balanced Fund
- RMPP AVC Cautious Fund
- RMPP AVC Cash Fund
- RMPP AVC Ethically-focussed Fund
- RMPP AVC Shariah Law Fund

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For funds where the current provider has disclosed its annual management charge, the charges associated with the new AVC funds will be lower than the charges in the current funds. More details are included in the enclosed Questions and Answers document.

### What will happen?

If you are currently paying AVCs, the current level of your AVC payments will be maintained (although you will be able to elect to change your level of payments after 1 December 2010).

If you currently pay AVCs, the table below shows the new funds into which any **future contributions** will be invested. You do not need to do anything for this to happen.

Existing Fund	New Fund	How do the funds compare?
Aviva Balanced Managed	RMPP AVC Growth Fund	The new fund has a broadly similar asset mix to the Aviva fund.
Aviva With-Profits	RMPP AVC Balanced Fund	The new fund has a broadly similar asset mix to the Aviva With-Profits Fund, but does not provide any capital guarantees on retirement.
Equitable With-Profits	RMPP AVC Cautious Fund	The new fund has a broadly similar asset mix to the Equitable With-Profits Fund, but does not provide minimum returns or any capital guarantees on retirement.
Legal & General Ethical UK Equity	RMPP AVC Ethically-focussed Fund	The new fund invests in the same underlying fund.
Santander	RMPP AVC Cash Fund	The new fund invests in short-term deposits and is managed for capital preservation. The value of units can, however, go down as well as up.
Standard Life/BGI 50:50 Global Equity	RMPP AVC Growth Fund	The RMPP AVC Growth Fund has the closest overall asset mix to the Global Equity fund, although 20% of the new fund is invested in bonds.
Standard Life With-Profits	RMPP AVC Growth Fund	The RMPP AVC Growth Fund has a broadly similar asset mix to the Standard Life With-Profits fund, but does not provide any capital guarantees on retirement.

The Trustee will switch your **existing funds** – other than those which are in with-profits funds – into the new range of funds in November or December 2010 as shown below. You do not need to do anything for this to happen.

Existing Fund	New Fund	How do the funds compare?
Aviva Balanced Managed	RMPP AVC Growth Fund	The new fund has a broadly similar asset mix to the Aviva fund.
Legal & General Ethical UK Equity	RMPP AVC Ethically-focussed Fund	The new fund invests in the same underlying fund.
Santander	RMPP AVC Cash Fund	The new fund invests in short-term deposits and is managed for capital preservation. The value of units can, however, go down as well as up.
Standard Life/BGI 50:50 Global Equity	RMPP AVC Growth Fund	The RMPP AVC Growth Fund has the closest overall asset mix to the Global Equity fund, although 20% of the new fund is invested in bonds.

### What you need to do

**You need take no further action if you are happy with the changes suggested above.**

However, if you wish, you can select an alternative fund option (for your future AVC payments and/or your existing AVC funds) or you may be able to transfer out your AVC account to another pension arrangement of your choice, if you wish – please see 'Opting out of the automatic switching process' on the next page.

You will be aware that you can use your AVC account to provide a tax-free cash sum and/or an additional pension when you choose to take your Plan benefits. It is important that you choose from the investment options carefully as your choice of investment funds will affect the value of your AVC account and the level of benefits you will receive.

Later this year, Zurich will send you a letter confirming that the transfer of assets has been completed in accordance with the automatic switching process or your instructions if applicable. In addition, the results of the transfer will be available to view using the online facility available to you.

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## Opting out of the automatic switching process

### a) Selecting different funds or selecting the new Lifestyle investment option

If you wish to opt out of the automatic switching process and make a different fund selection from amongst the six new funds, or to select the new Lifestyle investment option, you will need to complete and return an 'AVC alternative instructions' form (available from the Pensions Service Centre) **by 16 August 2010**, as explained in the 'Questions and Answers'.

### b) Transferring your AVC funds to a different pension arrangement

If you wish to invest in a fund which is not available through the new range of fund options, you may be able to transfer out the value of your existing AVC funds from the Plan to another registered pension arrangement of your own choice. Your main pension benefits can remain in the Plan even though you transfer out your AVC funds. Please contact the Pensions Service Centre for the forms you will need if you wish to transfer your existing AVC funds. The Trustee recommends that you seek independent financial advice if you are considering this option.

Please note that this transfer out option is available at any time before you take your benefits – for example you could choose to transfer out your AVC funds before they are transferred to the new fund options under the Zurich arrangements, or you could choose to transfer out your AVCs sometime in the future after they have been transferred to the new funds. If you wish to transfer out your Bonusplan AVCs, you must have left the membership of the Plan, either by leaving service or by opting out of active contributory membership.

### b) Ceasing your AVC payments

If you decide that you want to cease paying contributions to Flexiplan, you can do so by contacting the Pensions Service Centre and advising them of your decision.

If you decide that you want to cease paying contributions to Bonusplan, under the rules of the Plan, you will also have to opt out of active contributory membership of the Plan. You can do this by contacting the Pensions Service Centre and advising them of your decision.

You should note that your existing AVC funds (other than any With-Profits funds), will be transferred to the new arrangements.

## Aviva, Equitable Life and Standard Life With-Profits investments

If you have AVCs in the Aviva With-Profits fund, Equitable Life With-Profits fund or Standard Life With-Profits fund, these will not be transferred to the new funds under the automatic switching process due to the guarantees which apply in some cases and the potential penalties (known as market value or financial adjustments) which might be incurred on transfer. However, if you do want to consider transferring these AVCs to the new funds or to an alternative arrangement, we would recommend that you obtain independent financial advice before contacting the Pensions Service Centre to arrange the transfer. Transfers will be accepted from 1 December 2010.

## Further information

If you have any questions about this letter or the enclosures, please call the Pensions Helpline on 0114 241 4545 or email [pensions.helpline@royalmail.com](mailto:pensions.helpline@royalmail.com) or write to:

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PO Box 500,  
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S49 1WX.

Neither the Trustee, nor Zurich, nor Royal Mail staff at the Pensions Service Centre or elsewhere are authorised to give you financial advice. If you want to obtain independent financial advice, you can find details of your nearest adviser at [www.unbiased.co.uk](http://www.unbiased.co.uk).

Yours sincerely



Jane Newell OBE  
Chair of Trustee

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