

Questions and Answers

Why is the Trustee making these changes?

You have built up money purchase (otherwise known as defined contribution) benefits as a result of paying Additional Voluntary Contributions (AVCs) to Bonusplan and/or Flexiplan.

The level of benefit you will receive from these assets is directly linked to the performance of the funds in which they are invested, so a key element of the Trustee's role is to ensure that you continue to have access to an appropriate range of investment options for your AVCs. The Trustee works with an investment adviser to monitor the performance and suitability of the AVC funds available and, if necessary, makes changes.

Under the current AVC arrangement, the Trustee has made available to you a number of different providers and investment funds. The existing range had been constructed over a long period and the Trustee considered the range should be reviewed in light of more recent market developments. The conclusion of the review was that the existing range should be replaced with a new range of AVC fund options.

The new funds - which are all accessed through Zurich's administration platform - enable the Trustee to monitor and manage the investment managers more effectively. In particular, the way that the funds have been set up means that the underlying investment managers can be replaced if required without the need to alter the fund options available to you. We will tell you if a change of the underlying investment manager alters the cost of investing in a fund.

The new funds invest mainly in index-tracking funds and so the risk of future underperformance – i.e. performance below the index or benchmark – should be significantly reduced (being invested in index-tracking funds is also referred to as being invested on a 'passive' basis). With the new options, the Trustee has sought to provide a more tailored range of investment options, each of which has a different risk and return profile and all of which have competitive investment management charges.

Where the current AVC provider has disclosed its management charge, the charges associated with the new AVC funds are lower.

Other advantages of the new AVC arrangements to you, as a member, are that you will have:

- ↗ Easier access to information – this will include on-line access to your AVC account via the internet so that you can monitor the value of your AVC account as often as you wish.
- ↗ Easier switching of fund choices.
- ↗ Access to a new, more easily understandable range of investment opportunities.

You can read more about the new fund range and the different assets that make up each fund in the enclosed Guide to Additional Voluntary Contributions.

How can I find out where my AVCs are currently invested?

You will recently have received a statement, from each of the current AVC providers with whom you have AVC funds, showing the value of your AVCs as at 31 March 2010. If you are unsure of your current fund choices, please review your last statement(s).

What is the Lifestyle option?

The Lifestyle option aims to manage some of the investment risk you face when saving for your retirement. It aims to protect the value built up in your AVC account from potential stock market falls in the years closer to the age you choose as your selected retirement age (see the question "What is my selected retirement age?" or the Guide to Additional Voluntary Contributions for further details). Lifestyle is aimed at members who want their AVC investment managed for them.

Initially, if your selected retirement age is more than 8 years away, 100% of your AVC account would be invested in the RMPP AVC Growth Fund. The aim of this fund is to give you a higher return over the longer term compared to the other funds available, but this fund is likely to be subject to a higher level of changes in value in the shorter term than some of the other fund choices.

As you get closer to your selected retirement age (within 8 years), part of your AVC account and your future AVC payments are gradually switched away from the higher risk RMPP AVC Growth Fund and into the AVC funds which have a lower risk rating. The lower risk funds aim to give lower but steadier growth with less fluctuation in value. By the time you reach your selected retirement age, your AVC account would be 100% invested in the RMPP AVC Cash Fund.

The Guide to Additional Voluntary Contributions provides further details and includes a chart which shows this switching process.

To participate in the Lifestyle option, you need to choose a selected retirement age, contact the Pensions Helpline and complete and return an 'AVC alternative instructions' form.

What are the annual charges on the new AVC fund choices?

Fund option	Total annual fund charges*
RMPP AVC Growth Fund	0.35%
RMPP AVC Balanced Fund	0.35%
RMPP AVC Cautious Fund	0.35%
RMPP AVC Cash Fund	0.30%
RMPP AVC Ethically-focussed Fund	0.38%
RMPP AVC Shariah Law Fund	0.582%

* Please refer to the Guide to Additional Voluntary Contributions for more information on how these charges are arrived at.

The above fund charges are automatically deducted by Zurich.

Santander has not disclosed any management charge. Why move from them?

There were a number of reasons for the move from Santander:

- ↗ Easier access to fund information.
- ↗ Easier switching of fund choices (as all AVC funds are on a single administration platform).
- ↗ Access to a new, more easily understandable range of investment opportunities.
- ↗ Greater transparency in how the returns given by the fund manager relate to the investment approach that they have taken.
- ↗ On 1 April 2010, Santander reduced the rate of interest paid to members from 0.5% a year to 0.2% a year. There is an expectation of better returns over the longer term from the way the RMPP AVC Cash Fund is invested and managed.

Additionally, Santander does have administration and investment charges, but it chooses not to disclose those charges. The new fund is more transparent.

What is the fund charge for the Lifestyle option?

There are no additional investment management charges if you select the Lifestyle option; the charges that will be deducted will be in line with the table above.

For example, if, under the Lifestyle option, 100% of your AVC account is invested in the RMPP AVC Growth Fund, the annual charge will be 0.35%. If your AVC fund was £1,000 (for a whole year), the year's charge would be £3.50.

If however, under the Lifestyle option, 60% of your AVC account is invested in the RMPP AVC Cautious Fund and 40% of your AVC account is invested in the RMPP AVC Cash Fund, the annual charge will be 0.33% (i.e. 0.35% on 60% of your AVC account and 0.30% on the remaining 40% of your AVC account). If your AVC fund was £1,000, the annual charge rate would be £3.30.

What is my selected retirement age?

Your selected retirement age has two purposes.

- ↗ It is the age used to project the AVC benefits shown on the annual statements you receive relating to your AVC account; and
- ↗ It is the age used for the switching basis for the Lifestyle option.

Members choosing the Lifestyle option will be asked to choose a selected retirement age. For other members, your selected retirement age will be your 60th birthday. However, if you are continuing to pay AVCs and are already aged over 60 on 1 October 2010, your selected retirement age will be your 65th birthday (this will be your 75th birthday if you are aged over 65 and you are continuing to pay Flexiplan AVCs).

You may change your selected retirement age at any time by completing a form available from the Pensions Helpline.

You do not have to take the benefits from your AVCs at your selected retirement age. When you take your main pension benefits, you can use the value of your AVC account to provide additional benefits. This may be when you reach your selected retirement age, but it could also be either before or after your selected retirement age.

I do not currently make AVC payments, can I restart?

If you are an active contributory member of the Plan, it is likely that you will be able to restart AVC payments from 1 December 2010. Please contact the Pensions Service Centre. However, if you are no longer an active, contributory member of the Plan, you will not be able to make any AVC payments as a result of these changes.

How will my existing AVC funds and future contributions be switched to Zurich?

Remember, you do not need to do anything in order to switch to these new fund choices, as the change will happen automatically.

From October 2010, any new AVC payments you make from your pay will be invested in the new AVC funds administered by Zurich. Existing AVC funds, except the with-profits funds with Aviva, Equitable Life and Standard Life, will be transferred to the new AVC funds in November or December 2010. There is no penalty applied by any current provider on transferring assets from your current fund(s) (other than with-profits funds) to the new investment options with Zurich.

Your existing AVC funds and any future contributions will switch across in accordance with the switching schedule shown in the letter from the Chair of the Trustee (unless you complete an 'AVC alternative instructions' form and send this to the Pensions Service Centre to arrive by 16 August 2010). If your 'AVC alternative instructions' form reaches the Pensions Service Centre after 16 August 2010, your instructions will not be able to be processed until November or December 2010, after the automatic switching process has been completed, and cannot be backdated.

From October 2010, the existing fund choices will no longer be available.

How will I know when my AVCs have been transferred?

Once the transfer has happened (in November or December 2010), you will receive a letter from Zurich advising you that the transfer of your AVC funds has been completed. You will also be advised, by Zurich, of log-in details which will enable you to access a website for the RMPP AVC arrangements. A code will be provided which will enable you to check the value of your AVC funds at any time.

Is there a penalty for transferring to the new funds?

With the exception of the possible penalties on movement away from with-profits funds – which will not be transferred unless you expressly ask for this to be done – there is no penalty applied by any of the current AVC providers on transferring assets from the current fund(s) in which you are invested to the new AVC investment options with Zurich. When the transfer takes place, there is the possibility that the funds could be uninvested (i.e. held as cash) for a short period of time (often referred to as being 'out of the market'). However, the Trustee and Zurich have agreed a plan to work together to keep the time that you will be exposed to any 'out of market' risk to an absolute minimum.

What if I don't want to transfer to the AVC fund shown on the switching schedule?

If you wish to opt out of the automatic switching process and make a different fund selection from the six new funds or to select the Lifestyle option, you will need to complete an 'AVC alternative instructions' form and return it to the Pensions Service Centre by 16 August 2010. Similar action is required if you want to direct new AVC payments to different funds to those shown on the switching schedule.

Please contact the Pensions Helpline to request an AVC alternative instructions form. Contact details for the Pensions Helpline are shown at the end of this document.

How can I transfer out my 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 will need to transfer out your AVC funds from the Royal Mail Pension Plan to a registered pension arrangement of your own choice. You can normally do this at any time. However, if your request to transfer your AVC fund reaches the Pensions Service Centre after 16 August 2010, your transfer will not be able to be processed until November or December 2010, after the automatic switching process has been completed.

Your main pension benefits can remain in the Plan even if you transfer out your AVC funds.

You should seek independent financial advice if you are considering this option as there are a number of issues which you need to consider before making your decision.

Please contact the Pensions Service Centre for the forms that you will need if you wish to transfer your AVC funds from the Plan to a new pension arrangement selected by you.

Is there an explanation of the investment terms used?

An explanation of investment terms, such as equities, bonds, cash and others, can be found in the Guide to Additional Voluntary Contributions.

What are the key dates for these changes?

Deadline for returning 'AVC alternative instructions' form	16 August 2010
For weekly paid – AVCs deducted from the week commencing 27 September (i.e. tax week 26) payroll	Invested in the current AVC funds at the beginning of October
For monthly paid – AVCs deducted from the September 2010 payroll	Invested in the current AVC funds at the beginning of October
For weekly paid – AVCs deducted from the week commencing 4 October (i.e. tax week 27) payroll	Invested in the new AVC funds mid October
For monthly paid – AVCs deducted from the October 2010 payroll	Invested in the new AVC funds at the beginning of November
Switching existing AVC funds invested in the current funds and completing any AVC switch or actioning any transfer instructions received after 16 August 2010	November and December 2010

How do I find out further information?

To obtain an 'AVC alternative instruction' form, or if you require further information, please contact the Pensions Service Centre. You can:

- ↗ Phone the Pensions Helpline on **Postline 5456 4545** or **0114 241 4545** – please have a pen and paper ready; or
- ↗ E-mail them, at **pensions.helpline@royalmail.com** or via the website **www.royalmailpensionplan.co.uk**; or
- ↗ Write to **Pensions Service Centre, PO Box 500, CHESTERFIELD, S49 1WX.**