



# Pensions News

A newsletter for members of the **Royal Mail Pension Plan**



*This issue of Pensions News includes an update on the Postal Services Bill - turn straight to page 3 to see how the changes will affect you.*



# Welcome to Pensions News...

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Since our last newsletter a number of changes have been made which will have an impact on members of the Royal Mail Pension Plan (the Plan). These changes are listed below and are covered in detail in this issue of Pensions News.



The Postal Services Bill is currently making its passage through Parliament and no doubt you are keen to understand how the Bill will affect your pension benefits. An update is included starting on the next page.



With effect from 1 April 2010, we amended the rules of the Plan to allow members approaching retirement some flexibility in how they take their benefits. A reminder of the detail is on page 5.



During the year we amended the rules of the Plan to improve civil partners' benefits in order to bring them in line with the benefits that legal spouses receive. See page 7 for further information.



We are required by law to let you know about an intended 'Resolution' by the Trustee. This notification is included on page 4.



The new Coalition Government has announced a number of changes which may affect you. These changes are outlined on pages 6 and 7.

I hope that you find this issue of Pensions News interesting. If you have any questions or require further information, please contact the Pensions Service Centre whose details are shown on the back page of this newsletter.



**Jane Newell OBE**  
Chair of Trustee  
Royal Mail Pension Plan



# Update on the Postal Services Bill

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**The Trustee is aware that members will be very keen to understand the implications of the Bill with regard to members' benefits. It is therefore important to first of all bring to members' attention the following quote, with regard to both "past and present employees of Royal Mail", taken from the Government's Policy Statement document which was issued along with the Bill:**

 The Government's action will ensure that the benefits employees have earned will be protected. The Government's action will benefit all members of the Royal Mail Pension Plan including those working for the Post Office. 

The pension proposal in the Bill is that members' benefits in respect of service before a certain date (still to be announced) will be transferred to a new public service pension scheme backed by the Government.

This new scheme will provide:

- All of the benefits of members who left employee membership of the Royal Mail Pension Plan (the Plan) before the chosen date; and
- The benefits built up by employee members of the Plan before the chosen date.

The Plan will continue to provide employee members' benefits in respect of service since that date.

## **The Trustee's view**

The Trustee welcomes the pension proposal on the basis that the Government intends that:

- Members' benefits will not be adversely affected by the transfer of some benefits to a new public service pension scheme. Indeed, the Government have stated in Parliament that "the Bill will ensure that all the benefits that employees have earned will be safeguarded" (it is important to be clear that employees here refers to both past and present employees);
- The benefits transferred to a new public service pension scheme will be protected from future amendment in the same way as they are currently protected under the Plan;
- The Government will provide financial security for the benefits transferred to a new public service pension scheme; and
- At the point benefits built-up before the chosen date are transferred over to the new public service pension scheme, the Plan will be fully funded in respect of the employee members' benefits it retains.



In summary, it is intended that members' benefits will not be adversely affected and will have the same legal protections as at present, but with much greater financial security in the form of Government backing for the new public service pension scheme and full funding for the ongoing Plan at the point of transfer.

### **What next?**

Once the Bill has made its way through the various stages to become an Act of Parliament, there will be various further processes to complete, including the Government making regulations and obtaining European Union State Aid approval, in order for the Government to implement its proposals. Indeed, implementation will take many months to complete and you will be kept informed about progress.

The Trustee will continue to work closely with Royal Mail and the Government to protect members' benefits.

## Notification of Trustee's Resolution

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**We are required by law to give you this notification for your information. You do not need to take any action.**

The Trustee has decided to exercise its powers to pass a resolution under section 251 of the Pensions Act 2004. This is a technical section which requires trustees to pass a resolution before 6 April 2011 if they are to preserve existing powers to make payments to the employer. Before doing so trustees have to give members at least 3 months notice – hence this notification. The Trustee is not seeking to expand the circumstances in which payments can be made to the employer – only to preserve the status quo, which they believe is a reasonable thing to do. The circumstances are strictly limited by the Plan's rules – however they do include power to repay any ultimate surplus if the Plan was ever wound-up and all benefits had been fully secured. We expect to pass the resolution described above in March 2011.

We have no current plans to make any payment from any surplus Plan assets to the employers. We simply intend to maintain our ability to do so and have been advised that our powers could be lost unless we pass the resolution referred to above.

# A reminder about Flexible Retirement

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**From 1 April 2010, the Company and Trustee introduced a Flexible Retirement option for Plan members who are still employed by the Company.**

Under the Flexible Retirement option, all Plan members who are employed by the Company and have reached age 55 (whether currently paying contributions or members with a deferred pension) have the opportunity to take their Plan benefits on an actuarially reduced basis, and remain in employment 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.

## **How will Flexible Retirement affect my pension?**

You will have several new pension options once you have reached age 55. 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 early 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. 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:** 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.



# A new Coalition Government – impact on pensions

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While it is still early days for the 'Coalition Government', some changes to pensions have been announced that you need to be aware of.

## Restricting pensions tax relief

The Government has recently announced that tax relief on pension savings will be restricted as follows:

- The **Annual Allowance** will be reduced to £50,000 with effect from April 2011 and will be fixed until at least 2015/16. Benefits earned within the Annual Allowance receive tax relief at your marginal rate of tax. Any benefits built up in excess of the Annual Allowance will be taxed at your marginal rate of income tax. The relevant 'benefits earned' figures in relation to the Plan will be shown on your annual benefit statements.
- The **Lifetime Allowance** is the maximum amount of pension savings that an individual can build over a lifetime which benefits from tax relief. The Lifetime Allowance will reduce to £1.5 million from April 2012.

The changes will only affect those who accrue or have accrued substantial pension benefits. Further details about the Annual Allowance and the Lifetime Allowance can be accessed via the General Information page of the Plan's website.



**£50,000**  
Annual Allowance  
from April 2011

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**£1.5 million**  
Lifetime Allowance  
from April 2012

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## Pension increases – RPI to CPI

On 8 July, the Pensions Minister Steve Webb announced Government plans to link pension increases for private sector pensions to the Consumer Prices Index (CPI) measure of price inflation instead of using the Retail Prices Index (RPI). This followed an earlier announcement in the Emergency Budget that CPI would in future be used to determine increases for public sector pensions. RPI reflects a different basket of goods to CPI, and historically, CPI has been around 0.5% lower than RPI. However, there have been a number of instances in the last few years where the increase in CPI has exceeded the increase in RPI.

There are various rules in the Plan which deal with 'increases' but these can be defined under three scenarios:

- ↗ Increases applied to pensions in payment;
- ↗ Revaluation increases applied to deferred benefits; and
- ↗ Revaluation of 'pension blocks' during active service (under CSDB accrual).

At the time of going to print, no amending legislation has been published and there remains some uncertainty about precisely how the proposals will affect different aspects of the Plan's benefit structure.

Once the detail has been clarified, the Trustee will communicate the outcome to all Plan members.

This matter is completely unrelated to the Postal Services Bill.

## Improvement to death benefits

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The rules of the Plan have recently been amended so that civil partners' benefits are the same as the benefits that legal spouses receive.

Previously, civil partners were entitled to a dependant's pension based on their civil partner's pension built up from 5 December 2005, together with the minimum pension payable under the contracting out requirements.

Under the amended rules, civil partners are now entitled to a pension based on their civil partner's full period of reckonable service, which is the same as benefits for those members with a legal spouse.

# Get in touch

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If you need help with your pension, you can:



Call Pensions Service Centre

Pensioner Helpline: **0845 603 0043**  
Helpline for all other members: **0114 241 4545**  
Or Postline: **5456 4545**



Email [pensions.helpline@royalmail.com](mailto:pensions.helpline@royalmail.com)



Visit the pensions website at  
[www.royalmailpensionplan.co.uk](http://www.royalmailpensionplan.co.uk)



Write to **Pensions Service Centre, PO Box 500,  
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Please include your full name, date of birth and National Insurance or Pension Plan number whenever you contact Pensions Service Centre.