



Additional Voluntary Contributions

A tax efficient way to increase your retirement benefits and with extra contributions from your employer in some cases

The Royal Mail Pension Plan's AVC arrangements are a tax efficient way to pay extra contributions to increase your pension benefits. Saving through the AVC plan is in addition to ordinary contributions to the Royal Mail Pension Plan (the Plan). Some members in Section C may also benefit from extra contributions from their employer to increase their AVCs.

Last year, the Trustee reviewed the investment options available to members of the Plan under the Bonusplan and Flexiplan AVC arrangements. The objectives for the replacement AVC arrangements – which took into account feedback from members of the Plan – were to provide a simple and competitive range of investment options with efficient administration and clear communications.

After careful consideration, the Trustee changed the Plan's AVC provider to Zurich Assurance Ltd (Zurich) who were able to offer access to a range of specially developed funds and an online facility which allows members to monitor the value of their AVCs through the internet.

This leaflet outlines the improved AVC arrangements. More detail can be found in the Guide to Additional Voluntary Contributions which can be downloaded at www.royalmailpensionplan.co.uk.



Overview of AVCs

Payments made to the AVC arrangements buy units in your chosen investment fund or funds. When you take your main Plan benefits, you can use the value of your AVC account to provide a tax-free cash sum (within limits) and/or a pension to be paid to you.

You might want to consider making AVCs if:

- You joined a pension plan late in your career;
- You wish to retire (or take your pension benefits) early;
- Some of your normal earnings are not pensionable (such as overtime); and/or
- You wish to use pension saving alongside other forms of investment to supplement your retirement income.

The advantages of paying AVCs are that:

- Contributions are deducted directly from pay;
- You get immediate tax relief on your contributions (usually at your marginal rate);
- Your AVC fund benefits from certain tax reliefs;
- The AVC plan's investment management fees are competitive; and
- When you take your main Plan benefits you can usually use your AVC account to take a tax-free cash lump sum (within limits).

Depending on your level of earnings, if you are a Section C member you may have the opportunity (through Bonusplan) to have the benefit of a contribution from your employer too.

The new investment options

The Lifestyle option

The Lifestyle option allows members to place their AVCs in a mix of funds, the overall risk profile of which changes as a member approaches their selected retirement age. The Lifestyle option aims to manage some of the investment risks that members face when saving for retirement and helps to protect the value built up from potential stock market falls in the years close to retirement.

Lifestyle operates by being 100% invested in the RMPP AVC Growth Fund whilst the member is more than eight years away from selected retirement age. The aim of this fund is to provide a higher return over the longer term than the other funds available. However, this fund is likely to be subject to a higher level of changes in value than some of the other fund choices.

As members get within eight years of their selected retirement age, part of the AVC account and future contributions are gradually switched away from the higher risk RMPP AVC Growth Fund and into the AVC funds which have a lower risk rating.

Your own fund choices

As an alternative to the Lifestyle option, there are six new AVC funds for members to choose from:

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

The funds invest mainly in index-tracking funds which should minimise the risk of funds performing below the index or benchmark. The Trustee has sought to provide a tailored range of investment options, each of which has a different risk and return profile and all of which have competitive investment management charges.



Under the new AVC arrangements, a new Lifestyle option has been introduced, aimed at members who want their AVC investment managed for them. In addition, there are six new AVC funds to choose from.



Further information

This supplement is only intended to provide an overview of the AVC options available to members.

The Guide to Additional Voluntary Contributions contains more detail and can be downloaded at www.royalmailpensionplan.co.uk or a printed copy is available on request from the Pensions Service Centre using the details below.

Please note that the Plan Trustee, your employer and the Pensions Service Centre cannot guarantee the return, or suitability to you, of any of the options or funds. Nor can they provide you with advice. If you're unsure about whether paying AVCs is right for you or which options or funds best suit you, please speak to a financial adviser. You can find a local IFA by visiting www.unbiased.co.uk.

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Please quote your full name, date of birth and either your National Insurance number or membership number when contacting the Pensions Service Centre.

All booklets are also available to download from the Plan website at www.royalmailpensionplan.co.uk.