

Royal Mail Pension Plan

Pension Payments & Increases – Section A/B members

Royal Mail Pensions have won the following awards in recent years:

Professional Pensions/UK Pensions Awards

– Best In-House Administration (Public) 2005

Engaged Investor

– Trustee Award for Team Excellence in Administration 2006 and 2008

European Shared Services

– Employer of the Year & Organisation of the Year 2007 (to Pensions Service Centre)

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Pension payment and increases guide - Introduction

The text in *italics* is explained at the back of '**Royal Mail Pension Plan – A Detailed Guide**'. You should already have a copy. If not, please contact the Pensions Service Centre – the contact details are given at the end of this guide. Also, all pension guides are available on our website at www.royalmailgroup.com/pensions.

This guide is intended to be a summary of the provisions of the Plan as they relate to pension payments and increases (including, where relevant, the likely amendments dealing with the changes to *normal retirement age* in 2010). The Plan is governed by formal legal documents known as the Trust Deed and Rules and is managed by Royal Mail Pensions Trustees Limited ('the Trustee'). If there is a conflict between the Trust Deed and Rules and this guide, the Trust Deed and Rules will prevail. This guide reflects tax laws as at 6 April 2008.

How will my pension be paid?

Your pension will normally be paid on the last working day of each month, following your retirement. Sometimes, we may need to change the payment date because of Bank Holidays or Christmas. Your pension will be paid by direct credit to your bank or building society account.

When your pension is first paid, you will receive a pension payment counterfoil showing your Plan membership number and the amount that has been paid into your account. After this, pension payment counterfoils are provided only if your net pension changes by £1 or more. You should keep your last pension payment counterfoil until the next one arrives in case you have a query.

Will I pay tax on my pension?

The Pensions Service Centre will tell HM Revenue & Customs (HMRC) that you are now getting your pension from the Plan. You may have to pay income tax on your pension depending on your circumstances and your tax code. If so, tax will be deducted through the PAYE system. Until HMRC notify the Pensions Service Centre of your tax code, you may be taxed using an emergency tax code. Once your new tax code is received, any adjustment to tax already paid will usually be applied to your next pension instalment.

If you work again after your retirement, or if your P45 is requested in connection with unemployment benefit, you should:

- advise the organisation concerned that you are a Royal Mail pensioner,
- notify HMRC at:
HM Revenue & Customs
Plas Gororau
Wrexham Technology Park
WREXHAM
LL13 7YY
Telephone: 0845 3003949

Please note: The Pensions Service Centre cannot answer specific questions about an individual's tax. If you need advice, please contact HMRC at the address and telephone number above.

What happens if I die after starting to receive my pension?

Your pension is guaranteed for five years from the date of your retirement. If you die within five years of retiring, the balance of any unpaid pension will be paid as a lump sum. The lump sum will not include future pension increases.

It is important that you complete, and keep up to date, a 'Direction of Lump Sum Death Benefit Form'. You can get a copy from the Pensions Service Centre. The contact details are given at the end of this guide.

Will my widow(er) get a pension?

If you are married when you die, your widow(er) will be entitled to a pension based on your service in the contributory part of the Plan, the amount being one half of the level of the pension in payment at the time of your death, together with whatever provision you made for any pre-contributory service. Unless a lump sum is paid (see above), for the first 91 days after you die your widow or widower will receive a pension equal to your full pension at the time of your death.

Section B

The widow(er)'s pension will be paid for life. If you were legally separated from your spouse, and do not contribute to their support, the pension paid will only be based on your service from 6 April 1978.

Section A

If your widow(er) re-marries (or lives with any person as their partner) their pension either stops or is reduced. Should that marriage or relationship end, their pension may be paid again, at the discretion of the Trustee. Contact the Pensions Service Centre for more information. The details are given at the end of this guide.

Will my dependants get a pension?

If you retired under Section B, and are not married, you can nominate someone to be considered by the Trustee for a pension which would be equivalent to a widow(er)'s pension. The Trustee will generally only pay such a benefit to someone who qualifies as a 'dependant' under HMRC regulations. The dependant's pension may be smaller and may be reduced or stopped at the discretion of the Trustee. Their pension may stop if they marry/enter into a civil partnership. You can obtain a 'Dependant's Pension Nomination Form' from the Pensions Service Centre.

There is no dependant's pension payable under Section A.

Civil Partnerships

From 5 December 2005 the Civil Partnership Act requires pension schemes to provide registered civil partners with the same pension benefit as would otherwise have been provided to a spouse. However this requirement applies only to the member's service on or after 5 December 2005 and any *Guaranteed Minimum Pension* earned since 6 April 1988.

In addition to this legal requirement, the Trustee may at its discretion pay a dependant's pension (for Section B members), in which case full service will be used to calculate the pension payable to a civil partner. The pension may stop if they enter into a new civil partnership or marry.

Will my children get a pension?

Any children's pension will normally stop when they reach the age of 18. However, it may continue to be paid if they are under age 23 and in full-time education or training, which has been approved by the Trustee. If your child is incapacitated and incapable of self-support, their pension may be paid beyond the age of 18.

What happens if I get married/register a civil partnership after I retire?

If you marry or register a civil partnership after you retire, you may be able to give up part of your pension to provide a better pension for your husband/wife or civil partner should you die. If you decide to do this, it cannot be changed and if your partner dies before you, you will continue to get your pension at the reduced rate. If you wish to surrender part of your pension, please contact the Pensions Service Centre. The contact details are given at the end of this guide.

Is there anything else I should know?

NIRP and GPS Abatement

If you retired under Section A, your pension will be reduced at *State Pension Age* to take account of the National Insurance Retirement Pension (NIRP) and, in some cases, the National Insurance Graduated Pension Scheme (GPS).

NIRP reduces your pension by £1.70 for each year, and part year, of your *reckonable service* up to, and including, 31 March 1980. This reduction is made to your original basic pension – that is the pension you received when you retired. The pension increases between your retirement date and *State Pension Age* are then recalculated.

GPS ran from 3 April 1961 to 5 April 1975. The Post Office (at that time) did not take part in the scheme so most Plan members should not be affected. If you did contribute to GPS, your company pension will be reduced by the amount of pension you receive from the GPS.

Please note: These reductions apply only to members who retire under Section A.

Guaranteed Minimum Pension (GMP)

If you have *reckonable service* between 6 April 1978 and 5 April 1997, part of your pension is called the *Guaranteed Minimum Pension (GMP)*. The *GMP* is part of your company pension – it is not a supplement. It is roughly the same as any pension you would have received from the State Earnings Related Pensions Scheme (SERPS), if the Plan had not been contracted out of SERPS through your membership of the Plan.

Because the Plan was contracted out of SERPS, you paid a lower rate of National Insurance contributions. HMRC work out the *GMP* which is based on:

- your contracted-out National Insurance contributions up to 5 April 1987; and
- your contracted-out earnings between 6 April 1987 and 5 April 1997.

When you reach *State Pension Age*, (currently age 65 for men and 60 for women) the Department for Work and Pensions (DWP) will send you a statement showing your weekly *GMP* and the name of the pension scheme providing your *GMP*. At *State Pension Age*, if your *GMP* is greater than your annual pension (for pre 6 April 1997 service) the Plan will pay your *GMP*. Your *GMP* also affects how your pension increases when you reach *State Pension Age*.

Please note: The rules changed on 6 April 1997 and for *reckonable service* after this date the Plan does not have to provide a *GMP*. However, it has passed a benefit level test so that it could remain contracted out of SERPS/State Second Pension.

If you are a male pensioner and you die, your widow will receive a *GMP* equal to half of your *GMP*.

If you are a female pensioner, your widower will receive a *GMP* equal to half of your *GMP* from 6 April 1988.

If you die and leave a registered civil partner, your partner will receive a *GMP* equal to half of your *GMP* from 6 April 1988.

Declaration of entitlement

The Pensions Service Centre may occasionally send you a declaration form to complete and have witnessed. The form is to check that you are still entitled to receive your Plan pension. If you do receive a form, please complete and return it as soon as possible or payment of your pension could be delayed.

What happens if I return to work for Royal Mail Group?

Your pension will continue to be paid and any changes to your tax code will be notified to the Pensions Service Centre by HMRC.

How does my pension increase?

From retirement to State Pension Age

That part of your pension above any *GMP* that is being paid will be increased each year in line with Pension Increase Review Orders which are issued by the Government. These are normally based on the increase in the Retail Price Index for the 12 months up to the September of the year before.

These increases help your pension to keep up with the cost of living. The Trustee will increase your whole pension until you reach *State Pension Age*.

Unless you retire on 1 April, the increase applied to your pension at the first increase date after you retire will be a proportion of the full annual increase. This is based on the number of months between the day you first received your pension and the next pension increase date.

Section B

If you retire under Section B, your pension is increased annually, whatever the reason for retirement.

Section A

If you retire early under Section A, for any reason other than *ill-health*, then you will not receive annual increases until you reach the age of 55. The first increase will raise your pension to the level it would have reached had normal increases been applied from the start.

From State Pension Age

From *State Pension Age*, the Trustee and the DWP share responsibility for increasing your pension to keep pace with the cost of living. The DWP pays for any increase due on your *GMP* that was earned between 6 April 1978 and 5 April 1988. The Trustee pays an increase of up to 3% per year on your *GMP* that was earned between 6 April 1988 and 5 April 1997. The DWP pays any further increase due on that element of your *GMP*. The Trustee pays the increase on the balance of your pension above the *GMP* in the same way as before *State Pension Age*.

From 6 April 1997, *GMP* was no longer earned so the Trustee will pay increases on all pensions, based on your *reckonable service* on, and after this date.

Please note: You should inform the Pensions Service Centre of any change in your address or bank/building society details as soon as possible before the change occurs. Ideally, you should give six weeks notice of a change of address.

If we are not made aware of a change to your address, your pension may be suspended until your whereabouts can be established. Any withheld pension will not attract interest.

You should also inform the Pensions Service Centre of any changes in your personal circumstances, such as marriage/registration of a civil partnership or divorce/the dissolution of a civil partnership, so that they can ensure that any pension is paid to the right people if you should die. The contact details are given at the end of this guide.

Where can I get help or more information?

Further details of the Plan are given in '**Royal Mail Pension Plan – A Detailed Guide**'. You should already have a copy. If not, please contact the Pensions Service Centre – the contact details are given below.

Also, all pension guides are available on our website at www.royalmailgroup.com/pensions.

You can:

- Phone the Pensions Service Centre on Postline 5456 4545 or 0114 241 4545 - please have a pen and paper ready; or
- E-mail them, either via Lotus Notes at 'Pensions Helpline' or via the website above.

Or you can write to:

Pensions Service Centre
PO Box 500
CHESTERFIELD
S49 1WX

Please quote your full name, date of birth and either your National Insurance number or Plan membership number.

For your notes