



Benefits on ill health and early retirement

For employee members – Section C

Normally, the benefits you build up in the Plan will be paid to you when you reach Normal Retiring Age (NRA). However, there are some circumstances where you may take your benefits early as explained in this guide.

The text in italics is explained in the 'Guide to benefits – Section C' which can be downloaded at www.royalmailpensionplan.co.uk or is available on request from the Pensions Service Centre (PSC).

Introduction



Normally, the benefits you build up in the Plan will be paid to you when you reach *Normal Retiring Age (NRA)*. However, there are some circumstances where you may take your benefits early. This guide explains the benefits that you may be entitled to in the following circumstances:

- If the *Company* decides that you qualify for *ill health* retirement with immediate pension; or
- If you decide to take early payment of your benefits (and the *Company* agrees to this). In this situation, you will also need to read the guide 'Flexible retirement options and benefits', which can be downloaded at www.royalmailpensionplan.co.uk or is available on request from the Pensions Service Centre (PSC).

You will not be eligible to receive any enhancements for early payment of your benefits on *ill health* grounds if any of the following circumstances applies to you:

- You are no longer employed by the *Company* and your Plan benefits are preserved;
- You have opted out of the Plan and so are no longer contributing; or
- You have chosen a flexible retirement option which includes payment of your *NRA 65 benefits*.

However, you can still apply for *ill health* early payment and details can be found in the guide 'Your options on leaving the Plan – Section C'.

The benefits detailed in this guide only apply to Plan members who are still employed by the *Company* and contributing to the Plan on or after 1 April 2010.

This guide is intended to be a summary of the provisions of the Plan as they relate to your benefits on *ill health* and early retirement under Section C of the Plan. 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 2010.

Retirement on ill health grounds with immediate payment of benefits

You will be eligible for immediate pension benefits if you have completed at least two years' *qualifying service* with the *Company* and the *Company* retires you on grounds of *ill health*.

The benefits you will receive depend on the number of years of *Company* service you have at the date of your *ill health* retirement. The *ill health* benefits described over the following pages assume that you retire on *ill health* grounds while still employed.

If you have at least two and fewer than five years' *Company* service (including at least two years' *qualifying service*) you will receive benefits as follows:

- The pension (and any *pension supplement*) you have built up to the date you actually retire, calculated in the same way as for retirement at *Normal Retiring Age* (see pages 4 and 5 of the 'Guide to benefits – Section C'); or
- If your *NRA 60 benefits* are already in payment, these will continue to be paid. If they are not already in payment, these and your *NRA 65 benefits* will be brought into payment immediately.

If you have at least five and fewer than 10 years' *Company* service (including at least two years' *qualifying service*) you will receive benefits as follows:

- The pension you have built up to the date you actually retire, calculated in the same way as for retirement at *Normal Retiring Age* (see pages 4 and 5 of the 'Guide to benefits – Section C'); plus
- An additional annual pension calculated as 1/60th of your *CSDB pensionable pay* over your last 12 months' *reckonable service* before your retirement, for each year (and part year) of your additional service credit;
- If your *NRA 60 benefits* are already in payment, these will continue to be paid. If they are not already in payment, these and your *NRA 65 benefits* will be brought into payment immediately.

You may also be entitled to a *pension supplement*.



Your additional service credit is calculated as the higher of:

- ↗ An enhancement to double your *reckonable service*, or if less, the *reckonable service* you could have completed up to age 65; and
- ↗ An enhancement by 75% of the *reckonable service* you would have completed between the date you actually retired and age 65.

If you worked part-time:

- ↗ Your additional service credit will be calculated on a pro-rata basis (based on your actual part-time hours worked during your actual *reckonable service*); and
- ↗ The additional pension described above will be calculated using the full-time equivalent of your *CSDB pensionable pay* over your most recent 12 months' *reckonable service* (see the 'Guide to benefits – Section C' for more details of this calculation).

As with retirement at *Normal Retiring Age*, the maximum combined pension you can get would be that calculated using 45 years' *pensionable service*.

If you have 10 or more years' Company service (including at least two years' qualifying service) you will receive benefits as follows:

- ↗ The pension you have built up to the date you actually retire, calculated in the same way as for retirement at *Normal Retiring Age* (see pages 4 and 5 of the 'Guide to benefits – Section C'); plus
- ↗ An additional pension calculated as 1/60th of your *CSDB pensionable pay* over your last 12 months' *reckonable service* before your retirement, for each year (and part year) of your additional service credit;
- ↗ If your *NRA 60 benefits* are already in payment, these will continue to be paid. If they are not already in payment, these will be brought into payment at the same time as your *NRA 65 benefits*.

You may also be entitled to a *pension supplement*.

Your additional service credit, in this case, is calculated as the higher of:

Basis 1

An enhancement to increase your *pensionable service* up to 20 years or an additional 6½ years' *reckonable service* (whichever is higher), or if less, the *reckonable service* you could have completed between the date you actually retired and age 65; and

Basis 2

75% of the *reckonable service* you could have completed between the date you actually retired and age 65.

If you worked part-time:

- Your additional service credit will be calculated on a pro-rata basis (based on your actual part-time hours worked during your actual *reckonable service*); and
- The additional pension described above will be calculated using the full-time equivalent of your *CSDB pensionable pay* over your last 12 months' *reckonable service* (see the 'Guide to benefits – Section C' for more details of this calculation).

As with retirement at *Normal Retiring Age*, the maximum combined pension you can get would be that calculated using 45 years' *pensionable service*.



Example:

Steve retires on *ill health* grounds on 30 September 2010 at age 48. He has 18 years' full-time *Company* service and 18 years' *reckonable* service, of which 15½ years were earned before 1 April 2008 and 2½ years on or after 1 April 2008. This total *reckonable* service is enhanced in whichever of the following ways gives Steve the better result:

		Example	You	
Basis 1	a	Increase your pensionable service to 20 years	18 years' pensionable service = 2	_____ years' pensionable service = _____
	b	An additional 6% years' reckonable service	$6 \frac{2}{3}$	$6 \frac{2}{3}$
	c	The higher of a or b	$6 \frac{2}{3}$	= _____
	d	The reckonable service that you could have completed between the date you retire and age 65	At age 48 = 17	At age _____ = _____
	e	The lower of c or d	$6 \frac{2}{3}$	= _____
Basis 2	f	75% of the reckonable service completed between the date you retire and age 65	75% of 17 = $12 \frac{3}{4}$	75% of _____ = _____
The higher of Basis 1 (e) or Basis 2 (f)		= $12 \frac{3}{4}$	= _____	

The higher amount in this example is therefore Basis 2, 75% of Steve's potential future *reckonable* service (to age 65). Therefore his additional reckonable service credit is 12¾ years.

If Steve's actual *CSDB pensionable pay* over the 12 months from 1 October 2009 to 30 September 2010 is £20,000 (after taking off the *Lower Earnings Deduction*), his additional pension would be:


$$\frac{1}{60} \times 12.75 \times £20,000 = £4,250 \text{ a year}$$

Steve's additional pension would be paid on top of the benefits that he had built up based on his actual *reckonable service* to 30 September 2010 including any *pension supplement*.

Leaving the Company on ill health grounds with a lump sum payment

If you leave the *Company* on *ill health* grounds, other than those shown starting on page 3 (permanent incapacity), you may also receive a separate lump sum payment from the *Company* (not from the Plan).

Please note: The *ill health* test used by the *Company* is a different test from the one that is set out in the Rules and this guide. Please refer to the National Ill Health Retirement Agreement between the *Company* and the Unions (a copy is available from your Union or HR department).

Early retirement by the Company

If you are retired by the *Company* (other than on grounds of *ill health*) before age 65 with at least five years' *Company* service (including two years' *qualifying service*), you may (after age 55) take your pension immediately if the *Company* permits this. It will be worked out in the same way as for retirement at *Normal Retiring Age*, but will be based on your *final pensionable pay* and the *pension blocks* that you have built up when you actually retire. The *Company* will decide if your pension should be reduced for early payment, on a basis certified as reasonable by the *Actuary*.

If you are retired by the *Company* (other than on grounds of *ill health*) before age 65 with less than five years' *Company* service, you will be entitled to a *preserved pension* (see page 14 of the 'Guide to benefits – Section C' for more details and also the guide 'Your options on leaving the Plan – Section C').

Flexible retirement

From 1 April 2010 the Plan has introduced certain flexible options which enable you to take some or all of your benefits whilst remaining in *Company* employment. These options will be available once you reach *Minimum Pension Age* (which is age 55). Note that in cases of *ill health* retirement there is no minimum age for receiving your benefits.

If you are interested in flexible retirement then you can find out about the options available to you and how your other benefits (for instance death benefits) are affected by reading the following guides, which can be downloaded at www.royalmailpensionplan.co.uk or are available on request from the Pensions Service Centre (PSC):

- ↗ Flexible retirement options and benefits
- ↗ Benefits payable when you die – Section C

General notes on early retirement

If your pension is reduced for early payment, the actual pension you receive will depend on how old you are when you take your benefits and how much of your pension (before reduction) relates to *pensionable service* before and after 1 April 2010, as follows:

- ↗ Your *NRA 60 benefits* will be paid without reduction if you take those benefits on or after your 60th birthday;
- ↗ If you take your *NRA 60 benefits* before age 60, they will be reduced by a factor (calculated by the *Actuary*) related to the number of years (and part years) between the date you take them and your 60th birthday;
- ↗ Your *NRA 65 benefits* will be paid without reduction if you take those benefits on or after your 65th birthday;
- ↗ If you take your *NRA 65 benefits* before age 65, they will be reduced by a factor (calculated by the *Actuary*) related to the number of years (and part years) between the date you take them and your 65th birthday.

If your reduced pension does not cover the Guaranteed Minimum Pension (GMP), your benefits will not be paid until they are at least equivalent to the GMP at your State Pension age. Please refer to page 27 of the 'Guide to benefits – Section C', which can be downloaded at www.royalmailpensionplan.co.uk or is available on request from the Pensions Service Centre (PSC), for more information on GMP.

Depending on your State Pension age, you may also receive a *pension supplement* in the period up to your State Pension age, in relation to all or part of your *pensionable service*. Any *pension supplement* will be enhanced in a similar way to any enhancement of your Plan pension on early retirement, and will be reduced (on a basis certified as reasonable by the Plan Actuary), where your Plan pension is reduced on early retirement. Note that in most cases no *pension supplement* will be paid until you stop working for the Company and it will stop when you reach State Pension age.



Get in touch

For further information about benefits on *ill health* and early retirement or for more general information about the Plan, you can contact the Pensions Service Centre using the details below.



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0114 241 4545 or Postline network users can call **5456 4545**



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www.royalmailpensionplan.co.uk

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**.



Notes

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