



# Benefits on ill health, redundancy and early retirement

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## For employee members – Section A/B

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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 A/B' which can be downloaded at [www.royalmailpensionplan.co.uk](http://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;
- If you are made redundant by the *Company* and qualify for immediate payment of your 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', available to download at [www.royalmailpensionplan.co.uk](http://www.royalmailpensionplan.co.uk) or 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; details can be found in the guide 'Your options on leaving the Plan – Section A/B'.

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 Sections A and B of the Plan as they relate to your benefits on *ill health*, redundancy and early retirement. The Plan is governed by formal legal documents known as the Trust Deed and Rules and 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

If the *Company* ends your *reckonable service* by retiring you because of *ill health*, then you will receive benefits equal to:

- The benefits 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 A/B'); provided that, if your *NRA 60 benefits* are already in payment, they will continue to be paid at the same level;
- An additional annual pension calculated as 1/80th of your *CSDB pensionable salary* over your last 12 months' *reckonable service* before your retirement, for each year (and part year) of your additional *reckonable service credit*; plus
- An additional lump sum of three times this additional annual pension.

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

- An enhancement to increase your *reckonable service* up to 20 years;
- An additional 6% years' *reckonable service*; or
- An enhancement of 75% of the *reckonable service* you would have completed between the date you actually retired and age 65.

**Please note:** Your additional *reckonable service credit* cannot be more than you could have completed between the date you actually retire and age 65.

If you worked part-time:

- Your additional *reckonable 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 salary* over your last 12 months' *reckonable service*.

As for retirement at *Normal Retiring Age*, the maximum combined pension and lump sum you can get would be that calculated using a maximum of 45 years' *reckonable service*.

**Example:**

Steve retires due to *ill health* on 30 September 2010 at age 48. Steve has 28 years' full-time total *Company service* and 28 years' *reckonable service*, of which 25½ 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 best result as there are more than two methods:

1. Up to 20 years (not applicable in this example since Steve already has over that amount of service);
2. By 6½ years; or
3. By 75% of the *reckonable service* Steve would have completed between the date he actually retires and age 65 – that is 75% of 17 years = 12¾ years.

The highest amount in this example is, therefore, option 3, 75% of Steve's potential future *reckonable service*. Therefore, his additional *reckonable service credit* is 12¾ years.

If Steve's actual *CSDB pensionable salary* over the 12 months from 1 October 2009 to 30 September 2010 is £20,000, his additional pension would be:


$$\frac{1}{80} \times 12.75 \times £20,000 = £3,187.50 \text{ a year}$$

The additional lump sum would be:


$$£3,187.50 \times 3 = £9,562.50$$



Steve's benefits would be paid on top of the benefits that he had built up based on his actual *reckonable service* to 30 September 2010 (calculated in a similar way to the normal retirement example on pages 4 and 5 of the 'Guide to benefits – Section A/B').

### **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 above (permanent incapacity), you may be entitled to *preserved benefits* from the Plan.

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*, for the purposes of the separate lump sum that might be paid outside the Plan, is a different test from the one that is set out in the Rules of the Plan and in 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).



## Retirement on redundancy with immediate payment of benefits

Except for CWU represented members, if you are retired on the grounds of redundancy, after age 55, you will receive immediate payment of your pension and lump sum. Your benefits will be calculated as:

- The benefits 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 A/B'); provided that, if your *NRA 60 benefits* are already in payment, they will continue to be paid at the same level;
- An additional annual pension calculated as 1/80th of your *CSDB pensionable salary* over your last 12 months' *reckonable service* before your retirement, for each year (and part year) of your additional reckonable service credit; and
- An additional lump sum calculated as three times this additional annual pension.



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

- 6½ years; and
- The number of years of *reckonable service* you could have completed between the date you actually retire and age 65.

However, in either case, the additional reckonable service credit cannot be greater than your actual *reckonable service* up to the date of retirement.

If you were working part-time at the date you retire on grounds of redundancy, your additional reckonable service credit will be calculated on a pro-rata basis (based on the ratio of your part-time to full-time hours at the date of redundancy).

If you are a CWU represented member, you will only receive enhanced benefits on redundancy if the *Company* decides that they will apply to you. Otherwise, your Plan benefits will remain preserved in the Plan until you reach *Normal Retiring Age* (see the 'Guide to benefits – Section A/B' for more details and also the guide 'Your options on leaving the Plan – Section A/B').



## Flexible retirement

From 1 April 2010 the Plan has introduced certain 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 the *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, 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](http://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 A/B

## General notes on early retirement

If you decide to take your *NRA 60 benefits* or *NRA 65 benefits* before *Normal Retiring Age* you may, after age 55, take your pension and lump sum immediately if agreed by the *Company*. Your benefits will be worked out in the same way as for retirement at *Normal Retiring Age* on pages 4 and 5 of the 'Guide to benefits – Section A/B', but will be based on your *reckonable service* and applicable salary at the date of taking your benefits.

Your pension and lump sum will be reduced for early payment on a basis determined by the *Actuary*.



The reduction applied to your pension for early payment will depend on your age when you take your benefits and the proportion of your benefits (before reduction) which relate to *reckonable 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; and
- 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 A/B', which can be downloaded at [www.royalmailpensionplan.co.uk](http://www.royalmailpensionplan.co.uk) or is available on request from the Pensions Service Centre (PSC), for more information on GMP.



*Your pension and lump sum will be reduced for early payment on a basis determined by the Actuary.*



# Get in touch

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For further information about benefits on *ill health*, redundancy 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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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](http://www.royalmailpensionplan.co.uk)**.



# Notes

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