



Guide to pension payments and increases

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For Section C members
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This guide includes an explanation about the way pensions are paid, taxed and increased during your retirement. 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 from the Pensions Service Centre (PSC).

Introduction

The Royal Mail Pension Plan (the Plan) provides valuable benefits to members on retirement.

This guide includes an overview of those benefits, including how pensions are paid, taxed and increased, and the benefits for your dependants too.

The text in *italics* is explained at the back of the 'Guide to benefits – Section C'. You should already have a copy. If not, please contact the Pensions Service Centre (PSC) whose contact details are given at the end of this guide. Alternatively, you can read or download a copy of this, and all of the other pension guides, at **www.royalmailpensionplan.co.uk**.

This guide is intended to be a summary of the provisions of the Plan in relation to pension payments and increases.

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.



Q How will my pension be paid?

Your pension and *pension supplement* (if applicable) will normally be paid on the last working day of each month, following your decision to take your benefits. Sometimes, we may need to change the payment date because of Bank Holidays or Christmas. Your pension will generally be paid by direct credit to your bank or building society account.

When your pension is first paid, you will receive a pension pay advice showing your Plan membership number and the amount that has been paid into your account. After this, pension pay advices are provided only if your net pension (after tax and any other deductions) changes by £1 or more. You should keep your last pension pay advice until the next one arrives in case you have a query.

Q Will I pay tax on my pension?

The Pensions Service Centre will tell HM Revenue & Customs (HMRC) when you start receiving 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 you take your benefits, or if your P45 is requested in connection with unemployment benefit, you should:

- Advise the organisation concerned that you are a Royal Mail pensioner; and
- Notify HMRC at:

HM Revenue & Customs
Plas Gororau
Wrexham Technology Park
WREXHAM
LL13 7YY

Telephone: **0845 300 3949**

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 or telephone number above.

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

If you began receiving your pension payments before 1 April 2010 then your pension is guaranteed for five years from the date of your pension starting. This means that if you die within five years of your pension starting, the balance of any unpaid pension (excluding any *pension supplement*, if applicable) will be paid as a lump sum. The lump sum will not include future pension increases that may otherwise have been payable during the five year period.

From April 2010 various flexible retirement options are available so that you may choose to receive part of your Plan benefits whilst continuing to build up further benefits, payable at a later date. Full details of how to calculate any lump sum death benefit can be found in the guide, 'Benefits payable when you die – Section C', which can be downloaded at www.royalmailpensionplan.co.uk or is available on request from the Pensions Service Centre (PSC) – their details can be found at the back of this guide.

It is important that you complete, and keep up to date, a 'Nomination of lump sum death benefit' form which will help the Trustee to decide how to pay any lump sum benefits in the event of your death. A copy can be downloaded from the Plan's website at www.royalmailpensionplan.co.uk or is available on request from the Pensions Service Centre (PSC) – their details can be found at the back of this guide.

Q Will my dependants get a pension?

In addition to any lump sum that may be paid, the Plan will also pay a pension to one or more of the following people (depending on your circumstances and certain conditions summarised below):

- A widow or widower;
- A civil partner;
- Your children.

From 1 April 2010 it is possible for your benefits built up before and after that date to be paid at different times and for you to remain in *Company* employment whilst receiving some or all of those benefits. In the same way that this affects the calculation of the lump sum death benefit, it also determines how the pension for your widow, widower, civil partner and children is calculated.

Full details of how to calculate any pension payable to your dependants can be found in the guide 'Benefits payable when you die – Section C', which can be downloaded at www.royalmailpensionplan.co.uk or is available on request from the Pensions Service Centre (PSC) – their details can be found at the back of this guide.

Q What if I am not married/in a civil partnership?

If you are not married or in a civil partnership, you can nominate someone to be considered by the Trustee for a similar level of pension. The Trustee is not obliged to pay such a benefit. The Trustee will generally only pay such a benefit to someone who qualifies as a 'dependant' under HMRC regulations. The dependant's pension (if any) may be smaller and may be reduced or stopped at the discretion of the Trustee.

Please refer to the guide 'Benefits payable when you die – Section C', where you will find further information and a form to nominate someone to receive a dependant's pension.

Q Will my children get a pension?

Any children's pensions will normally stop when they reach age 18. However, they 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. In addition, if your child is, at the date of your death, incapable of self-support because of physical or mental incapacity, their pension may be paid after the age of 18. Any children's pension will be a proportion of the pension in payment at the date of your death (excluding any *pension supplement* and any reduction for a lump sum).



Q What happens if I return to work for the Company?

If you return to work for the *Company*, your pension will continue to be paid and any changes to your tax code will be notified to the Pensions Service Centre by HMRC.

As you will have returned to work for the *Company*, any *pension supplement* you were receiving will be stopped. If you leave the *Company*, and are under State Pension age, please contact the Pensions Service Centre to reinstate your *pension supplement*.

Please note: You will not be able to re-join the Plan as it is now closed to new joiners.



How does my pension increase?

The Trustee has full responsibility for your pension increases until you reach age 60 (for women) or 65 (for men). The part of your pension above any Guaranteed Minimum Pension (GMP) will be increased each year by the annual increase in the rate of the Retail Prices Index over the preceding year, or 5%, whichever is lower.

From age 60 (for women) or 65 (for men), the Trustee and the Department for Work and Pensions (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; and
- The Trustee pays the increase on the balance of your pension above the GMP in the same way as before age 60 (for women) or 65 (for men).

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

If you begin receiving your pension part way through a *Plan Year* (i.e. a date other than 31 March), your first pension increase may be lower than the full year's increase.

Widow(er)'s, children's, dependant's and civil partner's pensions

Where pensions are paid to any of your dependants following your death, these will also be increased, generally in accordance with the same rules for your pension, as set out above.

Q What if I don't live in the UK?

If you are a permanent resident in a country where there are no arrangements to pay increases to your State Pension then the DWP will not pay increases to the GMP element of your pension. In such cases the Plan will retain responsibility for increasing your whole pension (including the GMP element). You can find out more about how your residence abroad affects your State Pension at www.direct.gov.uk.

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 Pensions Service Centre 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. Contact details for the Pensions Service Centre are given on page 10.

Q Is there anything else I should know?

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 Plan pension – it is not a supplement. It is roughly the same as any pension you would have received from the State Earnings Related Pension Scheme (SERPS) if you 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 works 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, the DWP will send you a statement showing your weekly GMP and the name of the pension scheme providing your GMP. At age 65 for men or 60 for women, 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 Plan pension increases when you reach age 60 (for women) or 65 (for men).

Please note: The rules changed on 6 April 1997. For *pensionable 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 (which superseded SERPS).

- 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 on and from 6 April 1988 only.
- If you die and leave a registered civil partner, they will receive a GMP equal to half of your GMP (for female members this is half your GMP on and 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.



Get in touch

For further information on pension payments and increases or for more general information about the Plan, you can contact the Pensions Service Centre using the details below.



Pensions Service Centre
PO Box 500
CHESTERFIELD
S49 1WX



Pensioner Helpline – **0845 603 0043**
Helpline for all other members – **0114 241 4545** or Postline network users can call **5456 4545**



pensions.helpline@royalmail.com



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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