

Post Office Section Buyout Letter: Q&A

This Q&A document is intended to support the Trustee letter sent in January 2020 to Post Office Section members of the Royal Mail Pension Plan. In the event of any discrepancy between this document and the governing documentation of the RMPP, the governing documentation of the RMPP will prevail. For more help or information, please contact the Pensions Helpline.

1. What is a bulk insurance policy?

The Trustee is currently responsible for providing benefits to members.

The Trustee of the Post Office Section of the RMPP (the "RMPP") has purchased an insurance policy with insurance company, Rothesay Life. Under this policy, each month the insurer pays to the RMPP an amount equal to the benefits due from the RMPP to the member. The Trustee currently pays the benefits to members. This insurance policy is also known as a bulk purchase annuity.

The insurance policy purchased by the Trustee covers all the benefits that had built up in the RMPP before it closed to future benefit accrual on 31 March 2017. Under the buyout, this insurance policy would be converted into individual policies for each of the members of the POL Section under which Rothesay Life would pay benefits directly to the members, rather than making payments to the RMPP which are paid by the Trustee to the members.

The Trustee also purchased a second bulk insurance policy to cover the additional benefits of members employed by the Post Office that have arisen (or that may arise in the future) in relation to their service pre-2012 as a result of salary increases granted (or to be granted) since 2012 by the Post Office over and above the increase in the RPI.

Although it was a Trustee decision to purchase these insurance policies, the purchases were supported by Post Office Ltd.

2. Which benefits will be transferred and which will remain in the RMPP?

In the next few months, the Trustee will write to you with further information. This letter will set out the benefits that will be transferred to Rothesay Life on your behalf. It will also highlight whether you may have any benefits payable in the future from the RMPP.

The principle is as follows:

- An insurance policy which the Trustee purchased with insurance company Rothesay Life covers benefits that had built up in the RMPP before it closed to future benefit accrual on 31 March 2017.
- Under the 'buyout', this insurance policy, would be converted into individual policies for each of the members of the POL section under which Rothesay Life would pay benefits directly to the members, rather than making payments to the RMPP which are paid by the Trustee to the members.

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3. Why is this conversion in “members’ best interests”? How will it benefit me?

Members benefit from having their pension payments backed by the security of a well-funded insurer. Post Office Ltd and Government have said they would not be able to pay any more into the RMPP, if a deficit were to arise.

Also, the buyout will reduce the expenses of running the RMPP, which in turn helps to protect the surplus. It is a necessary step which must happen before any surplus can be distributed and this is a reason why the buyout is a positive step for members.

4. Is there any additional protection for my benefits?

Once your benefits have been transferred to Rothesay Life, Rothesay Life will be responsible for providing them.

The insurance regulatory framework is set up with strict reserving requirements and oversight from the FCA and PRA to provide a secure environment for providing pension benefits over the long term.

The financial strength of Rothesay Life was a key consideration for the Trustee in selecting Rothesay Life as the insurance company to insure the benefits of the RMPP.

In addition to the financial strength of the insurer, benefits secured with an insurance company are covered by the Financial Services Compensation Scheme (FSCS). The FSCS is designed to provide compensation of 100% of the value of the benefits within a given insurance policy to the policyholder (i.e. the Trustee who holds the policy for the Plan) in the unlikely event of the insurance company being unable to pay them.

Overall, the Trustee believes it is in the best interests of members because it protects the security of pension benefits by further reducing long-term risks for members.

Transferring the responsibility for providing the benefits to Rothesay Life will allow the Trustee to consider how any residual funds that may remain in the RMPP should be used for the benefit of the members after responsibility for all the benefits has been transferred.

5. Will I get any of the surplus in the RMPP?

The buyout (under which some of your benefits will be paid to you directly by Rothesay Life) will reduce the expenses of running the RMPP, which in turn helps to protect the value of the surplus. It is a necessary step which must happen before surplus can be distributed and this is a reason why the buyout is a positive step for members.

The Trustee is continuing to monitor the level of surplus in the RMPP. However, there are other steps and decisions that the Trustee will need to take before any can be distributed to members. Further information and an update on the Trustee's progress in respect of these steps will be communicated to members later this year.

6. Can the Post Office take any of the surplus?

No. Post Office Ltd have confirmed that any surplus is for the benefit of members of the Post Office Section.

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7. Will I still be able to take a tax-free cash sum (pension commencement lump sum) on retirement?

Yes. If you have not taken your benefits, you will still be able to exchange part of your pension for a tax-free cash sum. Details will be given as part of your pension choices at retirement. This is the case both before and after your benefits are transferred to Rothesay Life.

8. Can I transfer out my benefits?

Yes. You may choose to take a transfer value from the RMPP to another pension arrangement of your choice. If this is the case, you would need to send a request for a transfer value from the Pensions Service Centre. We recommend that you take independent financial advice before opting to transfer your Plan benefits (this may be required in some circumstances).

You will also be able to transfer your benefits to another arrangement, once they have been transferred to Rothesay Life as part of the buyout.

Once you have started to draw any of your pension you will lose the option of taking a transfer value. This is the case both before and after your benefits the buyout.

9. Is it possible to take early retirement or ill health retirement?

If you have not already drawn your pension, you will still be able to do so at any time between age 55 and your Plan normal retirement age with Trustee consent.

If you draw your pension prior to your Plan normal retirement age, it will be reduced to reflect the longer period of payment. This is unchanged.

If you are unable to work in future, you can apply for early payment on health grounds in accordance with the current rules.

10. What happens when I die?

Should you die, either before or after you begin to draw your pension, the death benefits due to, your spouse, your civil partner or your dependants will be paid in line with the RMPP rules, as before. Lump sum death benefits are discretionary, which means the Trustee (or in future, Rothesay Life) will decide who should receive any amounts payable. Therefore, please remember to keep your wishes updated by completing a nomination form to help guide any decisions. Wishes expressed on any form that you have completed for the Trustee of the RMPP will be taken into account by Rothesay Life. If you wish to make changes in future, a replacement form should be obtained from Rothesay Life.

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