

Joanna Matthews
Chair, Royal Mail Pensions Trustees Ltd
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October 2016

Royal Mail Pension Plan (Post Office Section): Changes Proposed By Post Office Ltd

Dear Member

I wrote to you in February when your employer, Post Office, began a consultation about its section of the Royal Mail Pension Plan (the Plan). As a result of the consultation, Post Office proposed to the Trustee Board that the Post Office section of the Plan be closed from the end of March 2017. The Trustee has taken independent advice regarding the proposed closure, as I informed you in August, and has been considering the options available to the Plan very carefully.

The Trustee has now agreed to Post Office's request to close its section of the Plan. Below I explain how and why we reached this difficult decision.

Please note: The closure will only affect Post Office employee members of the Plan. If you have left employment or opted out of the Plan, or your Age65 benefits are already being paid, then your benefits will not be affected and this letter is just for your information.

Key points

- The closure will happen at the end of March 2017.
- The benefits you have built up already, and which are protected by law, are secure and are not being reduced.
- None of the money remaining in the Plan will be returned to Post Office; all of it will be used for the benefit of the members.
- The Trustee's decision was not taken lightly and rigorous independent advice was taken throughout the process of considering the proposal.
- The Trustee concluded that agreeing to the Post Office proposal to close its section of the Plan was the best outcome for the membership as a whole.

Who is the Trustee and what is its role?

The Plan's Trustee is a company called 'Royal Mail Pensions Trustees Limited'. This company is legally responsible for ensuring that the Plan is run properly.

There are nine directors on the Board. One is an independent Chair appointed by Royal Mail Group (RMG), but with union agreement, and four are nominated by the membership (three through a CWU process and one through a Unite/CMA process). The remaining four are nominated by RMG, of whom two are independent trustees, and one is chosen by Post Office.

No matter who they are nominated by, each trustee director has the same legal responsibilities to all members of the Plan.

Post Office is proposing to make changes to the rules in order to close its section of the Plan and to make other changes to the way your benefits will increase in future. Changes to the Plan may only be made if the Trustee also agrees to them.

The Trustee's considerations

In deciding whether to agree to the changes proposed by Post Office, the Trustee examined and considered various issues, taking independent professional advice. These are some key points that the Trustee considered.

Ensuring that the benefits which members had already built up in the Plan would be protected

The Trustee checked with its advisers that pension benefits you have already built up and which are protected by legislation are not reduced by the proposals.

Post Office's proposals include a change to the Plan's rules which, the Government has confirmed, would ensure that RMSPS benefits continue to increase in line with RPI whilst members remain in Post Office employment (maintaining the position which currently applies while the Plan is open).

Post Office's reasons for proposing that the Plan be closed, including:

- The on-going affordability of the current benefits to them.
- A concern that benefits already built up should be secure.

The Trustee's independent advisers were able to examine the affordability of the Plan for Post Office and confirmed that the proposal was justifiable on business grounds.

The Trustee's advisers found that if the Plan remained open and benefits continued to build up there was a risk that the Plan would be unable to pay all the benefits that have been built up by the members once the current surplus is used up. The advice was that the Plan should not rely on Post Office being able to provide any additional funding in future. Also, it would not be prudent to count on additional funding from Government to help support the Plan if it were to fall into deficit.

The best outcome for all members

The role of the Trustee is to consider the interests of all the members of the Post Office section of the Plan – that is to say employee members, pensioners and deferred members. Our first concern is the protection of the benefits that all members have already built up. Particularly when looked at in the context of highly uncertain future funding from Post Office or Government, if the Plan remained open and ran into deficit, which could then mean benefits being reduced, the Trustee Board's view was that the proposal to close the Post Office section of the Plan was the best outcome for the membership of that section as a whole in these difficult circumstances. The Trustee has therefore agreed to Post Office's request, having agreed that any money remaining in the Plan will not be returned to Post Office, but instead used for the benefit of Plan members.

Conclusion

The Trustee has followed a full and very detailed process in deliberating over the proposed changes. I fully appreciate how much members value their Plan benefits. This was a difficult decision for the Board to take, but it was taken, reluctantly, after having heard arguments from all sides and weighing up all the relevant issues.

If you have any questions please contact the Pensions Service Centre. Their details are as follows:

In writing: **Pensions Service Centre, PO Box 500, Chesterfield, S49 1WX**

Pensions Helpline: **0114 241 4545** or Postline: **5456 4545**

Email: **pensions.helpline@royalmail.com**

or visit: **www.royalmailpensionplan.co.uk**

Yours sincerely



Joanna Matthews

Chair of Trustee, Royal Mail Pension Plan