

# Trustee Report ...2015

Look

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# Welcome to the Trustee Report, connecting you with the Plan

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## The BIG picture 2015

**The number of members in the Plan is 121,276**

**The total value of the Plan's assets is £6.5 billion**



## A balancing act – a message from the Chair of Trustees

### Dear Members

The membership of the Trustee Board has remained unchanged during the year, which has given some welcome continuity to the management of the Plan. As a Board we rely on the experience and hard work of our Trustee Directors and the expertise of professional advisers to look after the Plan and ultimately the benefits for you, the members. To help you understand the work that is done on your behalf we have asked some of the key members of the team to tell you a bit about their role in running the Plan. This time it's Ian McKnight, the Plan's Chief Investment Officer. Read what he has to say on page 7.

### Trustee balancing act

In some ways, running the Plan can be a bit of a balancing act. One of the biggest challenges for the Trustee Board is making sure that there is enough money to pay members' benefits when they are due while being careful to manage investment risk.

Along with our advisers, we check the Plan finances regularly. Page 4 gives you the highlights of the Plan's financial progress over the last year.

As you will see, the value of the investments has increased significantly, although this does not mean that there will be a long-term improvement to the Plan's funding level. The Plan invests in two ways: to match the cost of providing pensions (matching assets) and to make more money for the Plan (return-seeking assets). Both types of investment have done well this year. However, these good returns are offset by the increase in pension liabilities (the cost of providing your pension benefits) which are more expensive than ever. We tell you more about how the investments have been performing on Page 4.

### Valuation of the Plan

The formal valuation of the Plan, as at 31 March 2015, is underway and due to be finalised by 30 June 2016, when we will be able to let you know how the Plan is faring. Along with checking the finances of the Plan,

we also look at each employer (Royal Mail Group (RMG) and Post Office Ltd (POL)) and their ability to continue supporting the Plan.

### Talking your talk

We told you last year that we had started to review our approach to communications and since then we have conducted some research with you, our members, into how our communications could be improved. We tell you about our findings on page 8 and, as you can see, we have already been making changes in line with what you said you'd like more of. We'd love to hear what you think of this 'new look' Trustee Report and how we communicate with you generally. The contact addresses are on the back page.

**I hope you enjoy catching up with our news.**

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**JOANNA MATTHEWS  
CHAIR OF TRUSTEE  
ROYAL MAIL PENSION PLAN**

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# The facts and figures

## - a look at the Plan's finances

The Trustee invests the money held in the Plan, yours and the Company's contributions as well as any investment returns. To make sure that there is enough money available to pay benefits to members and their beneficiaries when needed, the Trustee invests in two different ways. Some of the money is invested in assets that match the liabilities of the Plan (matching assets) and some is invested in assets that seek to generate as much growth in value as possible (growth assets).

### What are the liabilities ?

The liabilities are the pension benefits due to members and their dependants. The liabilities increase as members earn more benefits, but also change as a result of changes in inflation, interest rates and life expectancy.

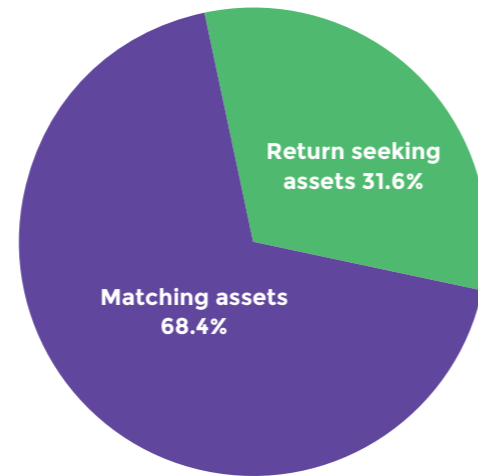
### What are assets?

Assets are cash, property and other investments that can be drawn on to provide money to pay members' and dependants' benefits when they become due.



### Investment performance

The pie chart shows the mix of assets held by the Plan at 31 March 2015.



During the year the Plan's matching assets increased by **87.7%** and the return seeking assets increased by **6.4%**. The average returns per year for the three years since April 2012 are **28.8%** for the matching assets and **8.4%** for the return seeking assets.

If you would like to know more details about the Plan's investments please have a look at the full Annual Report of the Plan which is published on our website, [www.royalmailpensionplan.co.uk](http://www.royalmailpensionplan.co.uk).

### What are return seeking assets?

These assets, such as stocks, shares and property, aim to grow the fund at a rate higher than inflation. It also includes bonds and loans to businesses in the UK and overseas.

### What are matching assets?

These assets, such as Government bonds and cash, aim to grow the fund in line with what's needed to pay member benefits in the future.



## Funding update

The copy of Pensions News that we sent to you in November 2014 included the results of the funding update as at 31 March 2014. Here is a reminder of the position.

Both sections of the Plan, Royal Mail Group (RMG) and Post Office Ltd (POL), were still in surplus after the transfer of the historic liabilities to the Government in 2012. The "RMG Fund" had assets of £3.6 billion and liabilities of £2.4 billion and the "POL Fund" had assets of £263 million and liabilities of £151 million as at 31 March 2014.

The surpluses in both sections were lower than they had been in 2013 because RMG and POL are using some of the surplus, in addition to the regular contributions, to pay for the benefits members are building up each year.

In the first half of 2015 there were unusual circumstances in investment markets, which will result in the surplus temporarily increasing in the year to 31 March 2015.

However, even if the surplus does increase in the short term, it is expected that the liabilities will continue to increase, reducing the surplus over the next few years. We will know more when the formal valuation has been finalised.

# Income and outgoings

The table opposite shows the total money coming into and going out of the Plan for the year 1 April 2014 to 31 March 2015.

Since the transfer of most of the Plan's liabilities to the Government in 2012, the Plan has substantially more money coming in through contributions than it pays out through benefits. This pattern will continue for the next few years. However, the gap between income and outgoings is expected to reduce gradually over time as there will be fewer members paying in and greater numbers receiving their pensions.

This means that although the value of the Plan will grow quickly in the short term, the funding surplus (the amount of money which exceeds the value of all the benefits to be paid) is expected to reduce over time (as we explained on Page 5).

		2013/14	2014/15
	<b>Value at 1 April</b>	<b>£3,197m</b>	<b>£3,863m</b>
+	Income	£611m	£618m
-	Outgoings	£37m	£50m
+	Change in value of investments	£92m	£2,100m
=	<b>Value at 31 March</b>	<b>£3,863m</b>	<b>£6,531m</b>

The figures above include the amounts for both RMG and POL sections of the Plan. The full Report & Accounts has a breakdown of the figures for each section and can be downloaded from [www.royalmailpensionplan.co.uk](http://www.royalmailpensionplan.co.uk)

# People in the Plan

The table below shows how the Plan's membership has changed this year.

	2014	2015
<b>Employee members</b>	110,945	103,686
<b>Pensioner members</b>	4,653	7,754
<b>Deferred members</b>	5,783	9,836
<b>Total</b>	<b>121,381</b>	<b>121,276</b>

# Ian McKnight



Ian McKnight explains his role helping Trustee Directors manage the Plan's investment strategy, and the issues that keep the team busy...

## How did you get into pensions/investments?

After completing a maths degree at university, I joined a graduate programme at a pensions consultancy. This involved advising pension schemes how to invest their money.

## What does your current role involve?

I oversee investment strategy; my team and I are effectively risk managers. We aim to ensure that the Plan's assets meet their objectives in terms of the investment returns and also the level of risk that it is affordable and reasonable to take to get those returns.

## What is the biggest issue you've faced since becoming Chief Investment Officer?

I ran the asset transfer to the Government of almost £30 billion in 2012. With these eye-watering numbers it took an enormous amount of time and effort. Supporting the commitment to maintain accrual until at least 2018 has also been challenging - falling interest rates have increased the cost of that commitment significantly - meaning our assets have to work harder to keep up.

## How have investments performed in the past year?

Currently we are in good financial health. We've had three successful years of investment returns, with our return-seeking assets growing, on average, 4.5% above target each year. The matching assets have also performed as we expected, offering some insurance against the increasing cost of providing pensions.

## What are the main challenges that lie ahead?

Some of the Plan's investments (such as property) can't be bought and sold quickly from day to day and others are specialist assets which require close attention to achieve the best returns. We also invest over £500 million worth of employee and employer contributions each year, so we need to stay on top of the performance outlook for different investments.

# Plan communications – an update

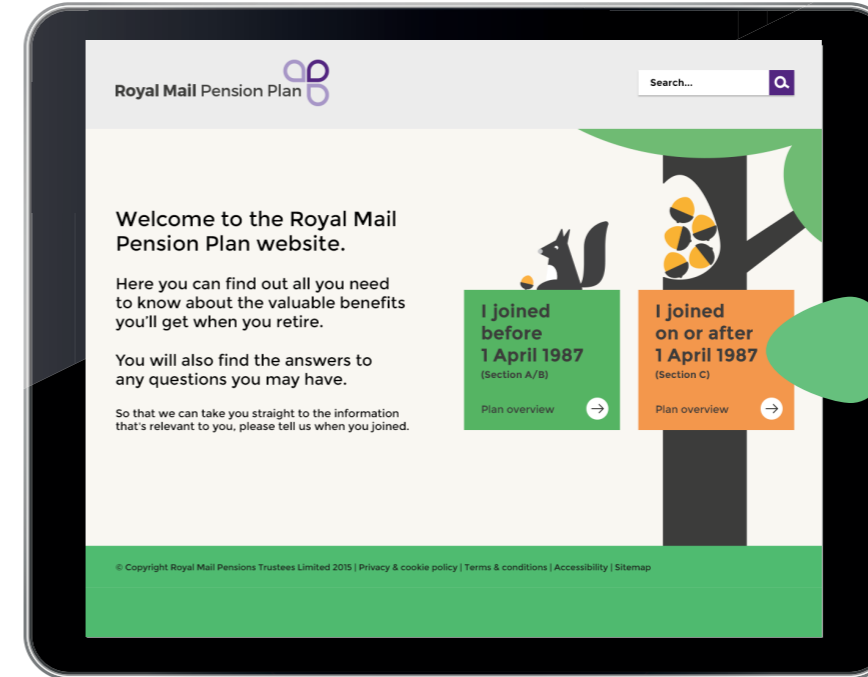
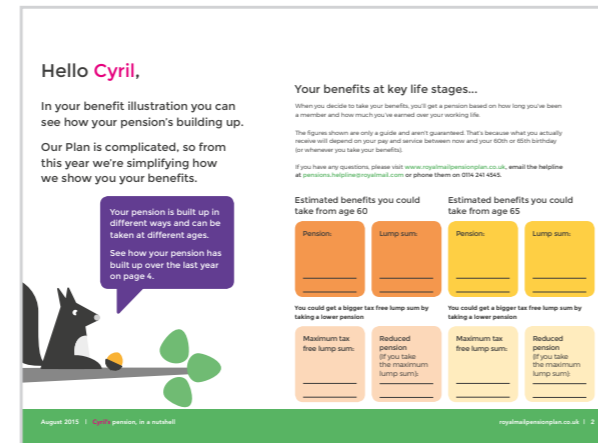
## We listened to you

Back in 2014 we asked you what you thought about how we talk to you about your pension. Nearly 3,000 of you told us how we could be better at helping you understand your pension benefits.

We have already started to act on your feedback.

## A new benefit illustration

We have updated the Benefit Illustration to make it more 'reader friendly'. You told us that you really wanted to know what you will get when you retire, so we have put this right up front.



## We're still listening

None of these changes will be any good if they don't improve your experience of being a member of the Plan. So, when you've had time to experience the new communications, we'll be asking you to talk to us again and let us know how we're doing. If you've got any comments in the meantime, please let us know; our contact details are on page 12.

## So what have we done?

As you can see from this year's Trustee Report, we have taken notice of your feedback. We've used the new design that you were so positive about and also had a good think about how we can reduce jargon and keep the language simple and friendly. Where we couldn't get rid of the jargon altogether we have explained what we mean. We've also made it easier to find your way around, with signposts to the big stories, which should help you go straight to the information that matters most to you.



## A new website

We will also be changing the website and adding a calculator to help you understand your own pension benefits better.

## Understanding your flexible pension options

To help you get even more from your pension savings, a new flexible pension guide will be available online in September. This guide will help you understand your options so that you can make the right decision about your future.

# Trustee News

## What does it mean to be a Trustee Director?

The job of a Trustee Director is an important one carrying legal responsibilities and requiring certain time commitments. Although trustees are not expected to be experts on all aspects of running the Plan, they do need to undergo some training to help them to be able to understand the reports and information provided by the professionals who assist the Trustee Board. You can find out more about the kind of training you would undergo as a Trustee here: <https://trusteetoolkit.thepensionsregulator.gov.uk>.

## Interested in becoming a Member Nominated Trustee Director?

The nomination and selection process is being run by the CWU. Nominations can be from any individual who is an employee, retired or deferred member of the Plan, irrespective of Union membership. If there is more than one nomination, an election will be held. The CWU will provide further information about the nomination process, as well as nomination forms, in the Autumn. In the meantime, if you'd like to find out more, please contact the Senior DGS Dept, CWU HQ, 150 The Broadway, Wimbledon, London, SW19 1RX.

Nominations will soon be sought for one of the Member Nominated Trustee Director positions on the Trustee Board.

## Who are the Trustee Directors?

Joanna Matthews – Chair  
Independent Trustee

Law Debenture\*, represented  
by Mark Ashworth

Law Debenture is a professional  
independent trustee of  
pension plans

Paul Brown – Head of  
Commercial Development for  
Post Office Ltd

Phil Browne – Member of the  
National and Postal Executive  
of the Communication  
Workers Union

Graeme Cunningham – Executive  
Council member of UNITE-CMA

Paul Kennedy – Midlands  
Divisional Representative for the  
Communication Workers Union

Geoff Lindey – Independent  
Trustee and former investment  
manager for pension funds

Lionel Sampson – Senior Policy  
Advisor, Postal Department,  
Communication Workers Union

Richard Travers – Finance  
Director Operations,  
Royal Mail Group

\* Law Debenture is represented  
by David Felder on the  
Investment Sub-Committee  
and Sue Timbrell as the Chair  
of the Audit and Accounts  
Sub-Committee.

# Pensions in the news

## State Pension – find out what you'll receive

The State Pension statement provides an estimate of what a person could receive in State Pension, based on their current National Insurance record, crucially taking account of the change to a single-tier State Pension from next April. Previously only available to those over age 60, the option to receive a personalised State Pension Statement has been extended to anyone over the age of 55. The new government pensions advice service, Pension Wise, will be encouraging people who approach them for guidance around the new pension freedoms to get a State Pension Statement for consideration alongside any information they have received from their company or personal pensions.

If you're under 55 you can request a State Pension Statement although it is currently only based on the existing State Pension system (Basic State Pension and State Second Pension). There are plans to extend the full statement service to everyone of working age in the future.

The State Pension is changing. Find out what it means for you by requesting a statement.

You can request a State Pension Statement:

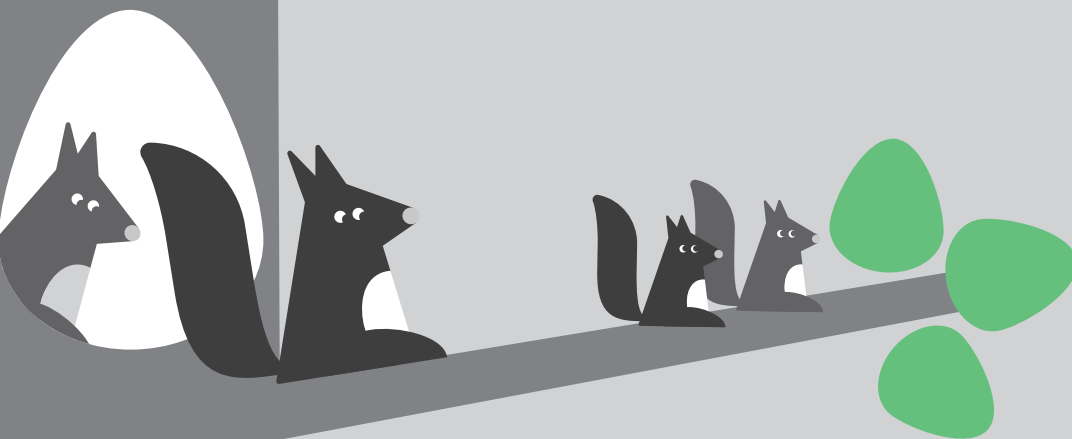
- online at: [www.gov.uk/state-pension-statement](http://www.gov.uk/state-pension-statement)
- by downloading the BR19 form from [www.gov.uk](http://www.gov.uk) and sending it to the address below, or
- by writing to:

The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU  
United Kingdom

POST  
OFFICE







## Keep in touch

If you need help with your pension (the Plan or the Statutory Pension Scheme), you can:

**Call the Pensions Helpline on:**

Pensioner Helpline: 0845 603 0043  
Member Helpline: 0114 241 4545 or  
Postline: 5456 4545

**Email:**

[pensions.helpline@royalmail.com](mailto:pensions.helpline@royalmail.com)

**Visit the pensions website at:**

[www.royalmailpensionplan.co.uk](http://www.royalmailpensionplan.co.uk)

**Write to us:**

Pensions Service Centre  
PO Box 500  
Chesterfield  
S49 1WX

To help us identify you and process your requests, please have your National Insurance or Pension Plan number to hand when you contact us, as well as your full name and date of birth.

## BEWARE!

Your pension is extremely valuable, **Stop and think** if you are offered a cash incentive to transfer your benefits from the Plan. This is called pension liberation fraud and is on the increase in the UK.

Taking your benefits from the Plan before 55 could result in a hefty tax bill as well as significant loss of benefits.

So continue to be alert to scams of this nature and contact Action Fraud on **0300 123 2040** if you have any concerns.

## Is your death benefit nomination up to date?

If you have never told us who you'd like to receive a lump sum on your death then it's important to complete the correct form. Similarly, if you haven't completed a form for some time or any of your personal circumstances have changed then you should send us a new form. Visit the website or contact the Pensions Helpline for a new form.