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A message from the Chair of the Trustee, Joanna Matthews



Welcome to an extra edition of 'Your News, in a nutshell'.

This year's Spring newsletter came a little too early to give you the latest update on the Plan's finances, but I am pleased to say that the 2015 Actuarial Valuation has now been completed, along with the 2016 funding update. I wanted to take this opportunity to explain the results. On the next page, you will see that the Plan's surplus (the extra money that the Plan has, above what it needs to pay everyone their benefits) fell by nearly £300 million between 2015 and 2016.

The future of the Plan

As we have explained before, the current surplus in the Plan is being used, along with the contributions that you and your employer make, to pay for the benefits you have been building up. At the start of 2017, Royal Mail Group proposed to the Trustee Board that its sections be closed from the end of March 2018, because it is expected that the Plan's surplus will have been used up by then. Royal Mail stated that the extra contributions it would have to pay, as a result, would be unaffordable. The Trustee took independent advice about the affordability of the Plan for Royal Mail and, after very careful consideration, reluctantly agreed to Royal Mail's proposal. I wrote to you in May to explain why the Trustee reached this difficult decision, and a copy of my letter is available on the Plan's website.

At the time of writing, discussions between Royal Mail and the unions, about future pension arrangements, are continuing, so keep an eye out for updates from

Royal Mail. But rest assured that the benefits you have built up already in the Plan are safe and protected by law; this means they will not be reduced as a result of the closure, and will be paid in the same way as before.

The Trustee Board

In December 2016, Graeme Cunningham was re-elected to serve a further three-year term as a Member-Nominated Trustee Director of the Plan and his term of office began on 1 April 2017. I really appreciate the experience and continuity that Graeme brings to the Board.

I hope you enjoy reading this mini update and remember to keep an eye on www.royalmailpensionplan.co.uk as it's the best way to read regular updates.

Joanna Matthews
Chair of the Trustee
Royal Mail Pension Plan

How much money does the Plan need?

Every three years, the Trustee has to produce an 'Actuarial Valuation', with the help of the Plan's Actuary. The Valuation compares how much money the Plan is likely to need to pay everyone their benefits (the Plan's **liabilities**), with the total amount of money it currently has (the Plan's **assets**). If the Plan has more assets than it needs it has a **surplus**, if it has less than it needs it has a **deficit**. The Valuation is also an opportunity for the Trustee to check that Royal Mail is paying enough into the Plan. The results are updated once a year, between each three yearly Actuarial Valuation; this is called a 'funding update'.

Here are the results	Actuarial Valuation as at 31 March 2015	Funding update as at 31 March 2016
Liabilities	£4,500 million	£5,700 million
Assets	£6,200 million	£7,100 million
Surplus	£1,700 million	£1,400 million
Funding level (assets divided by liabilities)	138%	125%

The Plan's assets are invested in two different ways; some of them are invested so that they keep track with the changes in the cost of providing pensions (these are known as 'matching assets') and the rest are invested with the aim of increasing in value as much as possible (these are known as 'growth assets').

You will see that the value of the Plan's assets has increased by close to £1,000 million between 2015 and 2016. However, the value of the Plan's liabilities has gone up by a larger amount (almost £1,300 million), which is why the Plan's

surplus (the difference between the assets and the liabilities) fell by nearly £300 million. Based on current forecasts, we expect the surplus to run out by 2018.

Our independent advice has told us that if the Plan remained open and ran into deficit, benefits could have to be reduced. This is the main reason that we have agreed to Royal Mail's proposal to close its sections of the Plan; we believe this is the best outcome for the membership of those sections as a whole, in these difficult circumstances.

On current forecasts, we expect the surplus to run out by 2018.

Staying up to date

If you want some help with your pension, the best place to start is our website which contains a wealth of news and information, including a series of guides about how the Plan works.

If you have a question about your own benefits, or need to tell us about any change in your personal situation, then please get in touch with the Pensions Service Centre.



Pensions Helpline on 0114 241 4545 or Postline 5456 4545



pensions.helpline@royalmail.com



www.royalmailpensionplan.co.uk



**Pensions Service Centre, PO Box 5863,
Pond Street, Sheffield S98 6AB**

**New
address**

Please remember to tell us if you change your address so that we can continue writing to you about your Plan benefits.

You can always get in touch with us by phone, email or letter. If you're writing to us, make sure that you use the Pensions Service Centre's new address below. Please include your National Insurance or membership number, and tell us your full name and date of birth, as this helps us find the information we need to help you more quickly.

Royal Mail Pension Plan 

Your Benefit Illustration

The production of your 2017 Benefit Illustration is well underway and it should be sent to you in September.

Because benefits will no longer build up in the Plan in the same way from April 2018, this year's illustration will not show the estimated benefits you could take at age 60 and 65 (as shown on page two of last year's illustration). However, the illustration will still tell you how much pension benefit you have built up as at 31 March this year. More detail about this will be included on your personalised illustration and on our website, later in the year.

