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A message from our Chair of Trustee, Joanna Matthews



Welcome to the summer 2018 edition of Pensions News: your news, in a nutshell.

The end of the Royal Mail Pension Plan (RMPP) year

on 31 March 2018 saw some big changes affecting employee members. Please note, if (before 1 April 2018) you left employment, stopped contributing or started receiving all your pension benefits, these changes do not affect you.

A new benefit design, which has been agreed between Royal Mail and its unions (CWU and Unite/CMA), was introduced on 1 April called 'Defined Benefit Cash Balance' (or 'Cash Balance' for short). This means that while all the benefits you have in the RMPP before

this date are not changing, the way your benefits build up in future will be different.

Royal Mail wrote to all employee members to explain the changes in February 2018 and I wrote to you in April to confirm that the Trustee had agreed to the changes needed to the Rules of the RMPP.

Your new Member Guide

Along with this newsletter, I am pleased to provide employee members with a new version of your Member Guide, which contains lots of useful information about how the RMPP works. In particular, how your new Cash Balance benefits build up and how they will be paid (along with all the rest of your benefits) when the time comes to take them. The guide also explains other valuable benefits available from the RMPP, such as pension and lump sum payments on your death or if you have to give up work for health reasons. Please do take some time to read through the guide and keep it somewhere safe in case you need to refer to it later.

Updated website

We've also made a number of updates to our website at royalmailpensionplan.co.uk to reflect the recent changes to the RMPP. You will find a downloadable copy of the Member Guide mentioned above as well as other

useful guides and forms – including forms for you to nominate someone you'd like to receive any death benefits.

An update on the funding of the RMPP

On page 3 you'll find the latest snapshot of the funding of the RMPP, showing how the money in the RMPP and the cost of providing pensions and other benefits has changed over the last year. You'll see there was a 'surplus' (please see the next page for further information) but this has been gradually reducing over recent years. This is one of the key reasons for the change in the way future benefits are provided – in order to keep the RMPP affordable for Royal Mail and to protect the benefits you have built up.

I hope you enjoy this update from the Trustee and, as always, if you have any questions, you can contact the Pensions Service Centre using any of the details on the back page.

Joanna Matthews
Chair of the Trustee
Royal Mail Pension Plan

Funding update

How much money does the RMPP need?

Every three years, the Trustee has to produce an 'Actuarial Valuation', with the help of the Actuary of the RMPP. The valuation compares how much money the RMPP is likely to need to pay everyone their benefits (the liabilities), with the total amount of money it currently has (the assets). If the RMPP 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 in. The results are updated once a year, between each three-yearly Actuarial Valuation; this is called a 'funding update'.

Here are the results of the most recent funding update – as at 31 March 2017:

	Funding update as at 31 March 2016	Funding update as at 31 March 2017
Liabilities	£5,710 million	£8,398 million
Assets	£7,134 million	£9,709 million
Surplus	£1,424 million	£1,311 million
Funding level (assets divided by liabilities)	125%	116%

The assets of the RMPP 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 assets has increased by just over £2.5 billion between 2016 and 2017. However, the value of the liabilities has gone up by a larger amount (almost £2.7 billion), which is why the surplus (the difference between the assets and the liabilities) fell by £113 million. We currently expect that any surplus will have reduced further when the results of the full valuation (as at 31 March 2018) are completed.

Our independent advice told us that if the RMPP had continued to build up benefits for members in the same way as previously and ran into deficit, the benefits that members had already built up might have to be reduced. This was the main reason that we agreed to Royal Mail's proposal to change the way that benefits build up from April 2018. We believe this is the best outcome for the membership as a whole, in these difficult circumstances.

Work on the next full valuation (as at 31 March 2018) is underway and we expect to be able to report the results to you in next year's newsletter.

What if the RMPP is wound up?

By law, we have to tell you the funding level if the RMPP was wound up, and the assets and responsibility for paying your benefits were transferred to an insurance company. On this basis, and based on the last full valuation at 31 March 2015, the Royal Mail section of the RMPP could meet 100% of its commitments.

Finally, we have to tell you that over the past year we didn't pay any 'surplus assets' to Royal Mail, and The Pensions Regulator has not imposed any orders on the RMPP to change the rate of contributions or benefits, or the way in which the liabilities are calculated.

Benefit Illustrations 2018

If you are no longer contributing to the RMPP (having left employment or opted out) we will send you a Current Value statement in September showing you the value of the benefits held for you, including any increases we have added since you left/opted out.

For employee members, the annual Benefit Illustrations will be sent out in early October. They will show the value of the benefits built up as at 31 March 2018. As a result, it won't reflect the changes to the RMPP which came into force on 1 April.

Don't forget to nominate!

With the introduction of the new Cash Balance benefits building up from 1 April 2018, there are new lump sum benefits payable if you die while still in employment and contributing to the RMPP.

In addition to the lump sum of 4 times your pensionable pay, we will pay the actual amount of any Cash Balance benefit you've built up (which would otherwise have been payable to you at Normal Retiring Age).

REMEMBER:

Even if you have left employment and have benefits preserved in the RMPP, or if you have been receiving your benefits for less than five years, there may also be death benefits to be paid. So it's also important to keep any nomination form up to date.

Visit our website to find out more and download a form – or contact the Pensions Service Centre who can help with any questions.

As well as these amounts, if you die (while still in service and contributing) leaving a spouse, civil partner, child or dependant, there's also an additional lump sum of 2 times your pensionable pay, which we will pay.

If you are a contributing member, we have enclosed a new nomination form and we would encourage **all** contributing members to complete this. Note that the form contains a new section – 2b – specifically related to the new, additional, benefit of 2 times your pensionable pay.

Keeping in touch

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.



Pensions Helpline
on 0114 241 4545 or
Postline 5456 4545



pensions.helpline@royalmail.com



royalmailpensionplan.co.uk



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

If you have a pension question, please tell us your full name and date of birth along with your National Insurance or Pension Plan number. This helps us find the information we need to help you more quickly.