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Valuation Update
Review of the year

Trustee Report ...2019

The nuts
and bolts
of the
last year



Welcome from your Trustee Chair, Joanna Matthews



Welcome to the 2019 Trustee Report, our chance to let you know what's been happening in the Royal Mail Pension Plan (RMPP) over the last financial year to 31 March 2019.

The RMPP entered a new era with employee members starting to build up benefits on a new 'Cash Balance' basis. We also welcomed just over 4,000 new joiners from the Royal Mail Defined Contribution Plan with over five years' service, who chose to join the RMPP and build up Cash Balance benefits. This autumn we're sending Benefit Illustrations to all employee members of the RMPP which will show these new benefits, alongside any benefits built up in the RMPP before 1 April 2018.

What else has happened over the year?

Richard Travers, one of the employer-nominated trustee directors retired from the Board at the end of September and was replaced by Susannah Parden. Susannah is Director of Internal Audit & Risk Management in Royal Mail and so brings valuable experience to the Board as well as sitting on the RMPP's Audit, Risk & Finance Sub-Committee. On behalf of the Board, I would like to record my thanks to Richard for his excellent contribution over four and a half years and to wish him well for the future.

Phil Browne was successfully re-elected as member-nominated trustee director in a ballot organised by the CWU and Paul Kennedy was also re-selected by the CWU – both for a three-year term.

I'm pleased to report on the most recent full valuation which looks at how much money is in the Royal Mail Group (RMG) section of the RMPP compared to what is needed to pay all the benefits. Also included is a summary of how the various investments have performed over the year and an update on membership numbers.

I hope you find this annual report of interest.



JOANNA MATTHEWS
CHAIR OF TRUSTEE
ROYAL MAIL PENSION PLAN

Environmental Social and Governance (ESG)

The Trustee take Environmental Social and Governance (ESG) issues seriously. In particular the impact of climate change is presently being reviewed by the Trustee and a statement will be included in the Plan's Statement of Investment Principles later in the year.

Spotlight on Additional Voluntary Contributions

We have recently reviewed the funds you can invest in and have made some changes to the 'self-select' funds.

Why pay AVCs?

- Contributions are deducted directly from your pay
- You get immediate tax relief on your contributions – generally at your highest rate

- Depending on your earnings, you may be eligible for a contribution from the Company under Bonusplan (if you are a member of Section C or Section F – i.e. you joined on or after 1 April 1987)
- The AVC plan's investment management charges are competitive
- When you take your RMPP benefits, you can use your AVC Account to take a tax-free cash sum (subject to HMRC limits) if you wish.

How do I find out more?

- Start by visiting royalmailpensionplan.co.uk where there is a lot of information on the 'Topping up your pension benefits' page (on the 'Planning your future' tab) and on the Library page where you can browse/download the Guide to AVCs and an application form.
- Phone the Pensions Helpline if you require any help.



Valuation of the RMPP (RMG section only)

Every three years, the Trustee produces an 'Actuarial Valuation', with the help of its advisers.

The Valuation compares how much money the RMPP 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 of the most recent valuation – as at 31 March 2018:

	Funding Update as at 31 March 2017	Actuarial Valuation as at 31 March 2018
Liabilities	£8,398 million	£9,854 million
Assets	£9,709 million	£9,986 million
Surplus	£1,311 million	£132 million
Funding level (assets divided by liabilities)	116%	101%

You will see that the value of the assets has increased by £277 million between 2017 and 2018. However, the value of the liabilities has gone up by a larger amount (£1,456 million), which is why the surplus (the difference between the assets and the liabilities) fell by £1,179 million.

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 2018, 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, Post Office Limited or other employers 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.

Assets held in the RMPP

The RMPP is financially secure, with £11,554 million invested at 31 March 2019.

That money is there to make sure every single member gets their pension, when it's time for them to retire. It's also there to support your loved ones after you die.

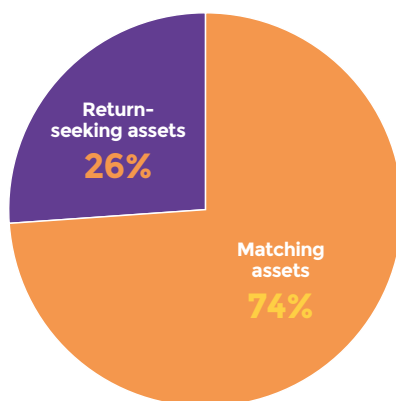
It's the Trustee's duty to make sure the money held in the RMPP (assets) is invested in the best way possible. That means making sure that the money is both secure and able to grow.

How does the Trustee invest the assets?

The Trustee, with the help of investment professionals, invests in two different types of assets, 'matching' and 'return-seeking'. Matching assets keep track with the changes in the cost of providing pensions (liabilities), whereas return-seeking assets are invested with the aim of increasing in value as much as possible.

The following pie chart shows that there is over twice as many matching assets as return-seeking assets, for a good balance between security and growth.

Asset split as at 31 March 2019:



What happened to the assets over the last year?

We're pleased to say that, not including any money paid in, the assets have gone up by £573 million.

Want to know more?

If you're interested in how the Trustee invests the RMPP's money, you can find more detail in the Annual Report and Accounts, available from the Library section of our website royalmailpensionplan.co.uk.



Contributions & Benefits

What goes in?

We've seen that the RMPP's assets are invested with the aim of keeping them secure, whilst still growing over time. Assets also increase when money is paid in – that means contributions from you and your Employer.

What goes out?

The RMPP's assets are gradually paid to members, either as regular pension payments, tax-free cash or death benefits. Money is also used to pay for the help that the Trustee needs to run the RMPP properly.

What happened over the last year?

At the moment, there are far more contributing Employee members than there are members that receive a pension and more money goes into the RMPP than goes out. (See the 'Members in the RMPP' section next). The next table shows what's gone in and what's gone out of the RMPP over the last year.

		2018/19
	RMPP assets at 1 April 2018	£10,651 million
+	Contributions paid in	£417 million
-	Benefits and payments paid out	£87 million
+	How much the investments have grown	£573 million
=	RMPP assets at 31 March 2019	£11,554 million

These numbers are for the whole RMPP; that means they include both the RMG and Post Office sections. If you want to see how the numbers are split between each section, then take a look at the RMPP's Annual Report and Accounts, available from the Library section of our website royalmailpensionplan.co.uk.

Members of the RMPP

When we look at what's happened to the RMPP membership over the Plan Year, we can see that there are a lot more members paying into the RMPP and building up benefits ('Employee members') than there are taking out a regular pension ('Pensioner members'). There are also members that don't pay in any more who don't build up benefits and aren't yet taking their pension ('Deferred members').

The table below shows how many members of the RMPP there were at 31 March 2019 and how these numbers have changed since 2018:

	2018	2019
Employee members	85,378	84,643
Pensioner members	19,296	22,377
Deferred members	16,276	17,378
Total	120,950	124,398

There was an increase in the overall membership over the year because, with effect from 1 April 2018, the new Cash Balance section of the RMPP was opened to members of the Royal Mail Defined Contribution Plan (as long as they had at least five years' service, including four years at one of the standard tiers). Just over 4,000 such members chose to switch membership to the RMPP, becoming members of the new 'Section F'.

Staying up to date

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

If you want to ask us a question about your benefits or tell us about a change in your situation, then please get in touch with us at the **Pensions Service Centre**. It's important to tell us if you change your address, so that we can carry on writing to you about your Plan benefits, and make sure that they are paid on time.

When you contact the Pensions Service Centre, please make sure you have your National Insurance or membership number handy.



royalmailpensionplan.co.uk



pensions.helpline@royalmail.com



Member helpline - 0114 241 4545
Postline - 5456 4545



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

You can call anytime from 8.30am to 5.00pm, Monday to Friday. We are usually busiest from 11.30am to 2.00pm and on Mondays.