

Safeguarding your pension

The Company's Decision:

Further information for members
of the Royal Mail Pension Plan
– Post Office Section



What is this booklet about?

This booklet is for Section B and C active members and describes our decision on the changes to the Royal Mail Pension Plan (the "Plan") following the Consultation held from 22 June-25 August 2013.

The changes were formally agreed with the Trustees on 15 October 2013 and will come into effect for all members of the Plan on 1 April 2014.

Important legal note: This document is a summary guide only. It confers no right to nor guarantee of benefits. Rights to benefits under any Post Office pension arrangement arise only under the governing documents of the arrangement. The Post Office reserves the right to vary or withdraw any of its pension arrangements from time to time subject to any overriding legal requirements.

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Useful terms

Term	Definition
Accrual	<p>The rate at which you earn (or “accrue”) pension each year.</p> <p>Plan members accrue pension at the rate of:</p> <ul style="list-style-type: none"> • 1/60th (Section C) or • 1/80th and a lump sum on retirement of 3/80ths (Section A/B)
Basic pay	<p>Your annual rate of basic pay, paid on a weekly or monthly basis. The basic pay element of your Final Salary and CSDB pensionable pay will no longer increase in line with increases to your basic pay from 1 April 2014.</p> <p>For Section C members, when we refer to the “basic pay element” of pensionable pay, this means after the deduction of the LED (Lower Earnings Deduction) from your basic pay as at 31 March 2014.</p>
Career Salary Defined Benefit or CSDB	<p>Sometimes referred to as “career average benefits”. You build up a pension block for each year of pensionable service between 1 April–31 March, based on CSDB pensionable pay in that year. This is added to the previous years’ blocks and revalued in the following year in line with retail price inflation up to a maximum of 5% each year.</p>
Company	Post Office Limited
CDSB pensionable pay	<p>Career Salary Defined Benefit pensionable pay.</p> <p>It is used to calculate contributions, (your “contributory pay”), and the part of your benefits in the Plan that relate to each year of your pensionable service on and after 1 April 2012.</p> <p>From 1 April 2014, it is the equivalent to the revalued basic pay element of your CSDB pensionable pay (i.e. after the deduction of the LED for Section C members) plus any other amounts stated as pensionable in your terms and conditions of employment including pensionable bonus and increments.</p>
Final Salary pensionable pay	<p>Used to calculate the part of your benefits that relate to your pension benefits for service before 1 April 2008. The Plan is responsible for providing any benefits in respect of increases above retail price inflation, (capped at 5% for Section C members) since 31 March 2012.</p> <p>From 1 April 2014:</p> <p>For Section A/B members, it is the revalued basic pay element of your Final Salary pensionable pay, plus any other amounts stated as pensionable for Final Salary purposes in your Terms and Conditions of Employment.</p> <p>For Section C members, it is the revalued basic pay element of your Final Salary pensionable pay, (i.e. after the deduction of the LED), plus any other amounts stated as pensionable for Final Salary purposes in your Terms and Conditions of Employment.</p>

Term	Definition
Increments	Any basic pay increase within your pay grade.
LED or Lower Earnings Deduction	The annual rate of the Lower Earnings Limit (the least amount you must earn before you have to pay National Insurance contributions). For Section C members, it is set at a maximum of £3,328, but is reduced proportionately for part-time workers.
Pensionable allowances	Any allowances you may receive from time to time, which are stated as pensionable under your Terms and Conditions of Employment for CSDB or Final Salary pensionable pay purposes (as the case may be). Please note that bonus payments are not pensionable for Final Salary purposes.
Pensionable bonus	Part of any bonus that you may be awarded from time to time and which is stated as pensionable under your Terms and Conditions of Employment for CSDB pensionable pay purposes.
Pensionable service	The period of service with the Company (or, before April 2012, Royal Mail Group) taken into account when working out your Plan pension benefits. It includes service as a member, service transferred in from other pension schemes and additional service bought by voluntary contributions.
Pension transfer	The transfer of the Plan's accrued benefits based on pensionable service and pensionable pay as at 31 March 2012 to the Royal Mail Statutory Pension Scheme.
Retail price inflation	The annual rate of increase in the Government index of retail prices as measured at the previous September each year.
Royal Mail Statutory Pension Scheme or RMSPS	The Government-backed pension scheme to which most of the Plan's benefits were transferred on 1 April 2012.
State Pension age	The age at which you are entitled to receive your State Pension. Government will increase State Pension age from 65 to 68 by 2045, but this may be brought forward.
We/Our	We = "the Company" – Post Office Ltd.

What has not changed?

- Normal retirement age remains at 65
- Your accrual rates have not changed (i.e. the rate at which you build up your pension)
- Benefits built up between 1 April 2012 and 31 March 2014 will still be based on pensionable service and your actual pay during that period as they are now
- Benefits transferred to the Royal Mail Statutory Pension Scheme (RMSPS), i.e. the benefits that you built up until 31 March 2012, based on service and pay to that date, have not changed
- Your contribution rate – 6% of contributory pay – is not going up, but will be based on the new definition of pensionable pay following these changes
- People already receiving all of their pension and people who have left the Plan are not affected

The Company's Decision

What is our decision?

Following the consultation period and discussions with the Unions, we are making the following changes to your pension benefits from 1 April 2014:

Changes in how your pension is calculated:

- Increases in the basic pay element of your pensionable pay (after deduction of the Lower Earnings Deduction ("LED") for Section C members) will match the higher of the below options:
 - retail price inflation (up to 5%) each year; or
 - the amount of any promotional pay rise as a result of a change in job role or job specific increment in basic pay while staying in your current Pay Grade (see below)
- This change will also affect the lump sum of 3x pension payable to Section B members on retirement
- The treatment of pensionable allowances (and, where relevant, bonus) is not changing, meaning that these continue to flow through to your pensionable pay in the same way as now
- For the majority of CWU and Unite CMA graded Plan members, promotions and the amount of any promotional pay rise and increments continue to flow through into your Final Salary pensionable pay if you stay within your current Pay Grade. This would also apply to your Career Salary Defined Benefit (CSDB) pensionable pay
- If you move into a higher Unite/CMA Pay Grade or broad-band, the initial promotional increase and any related increments or progression will flow through to your CSDB pensionable pay, but not to your Final Salary pensionable pay

In addition, there are some minor consequential changes to the lump sum payable on death in service for Section C members. This is because for normal pension benefit purposes pensionable pay is now being revalued after the deduction of the LED. So we are, therefore, revaluing the LED in line with retail price inflation (capped at 5% a year) before adding it back to pensionable pay to work out your Death in Service lump sum.

For example, the Section C Death in Service lump sum is currently based on 4x Final Salary Pensionable Pay **without** deduction of LED. From 1 April 2014, the benefit is calculated as 4x Final Salary Pensionable Pay (after deduction of the LED) plus the LED revalued in line with retail price inflation (capped at 5% a year) from September 2013 to the September before death.

What does this mean for me?

The examples at pages 16 to 23 of this booklet show how the Company's Decision may affect you. You can also track the value of your pension in the Benefits Illustration, which is sent to you by the Trustee every year.

What do you need to do?

Please take the time to read this booklet, and if you have any questions, contact the Helpline as shown below:

By phone: **Helpline 0845 601 6260** (Monday-Friday, 8.30am-5pm)

By email: **communications.team@postoffice.co.uk**

Please write PENSIONS in the email subject header.

We have listened to your feedback

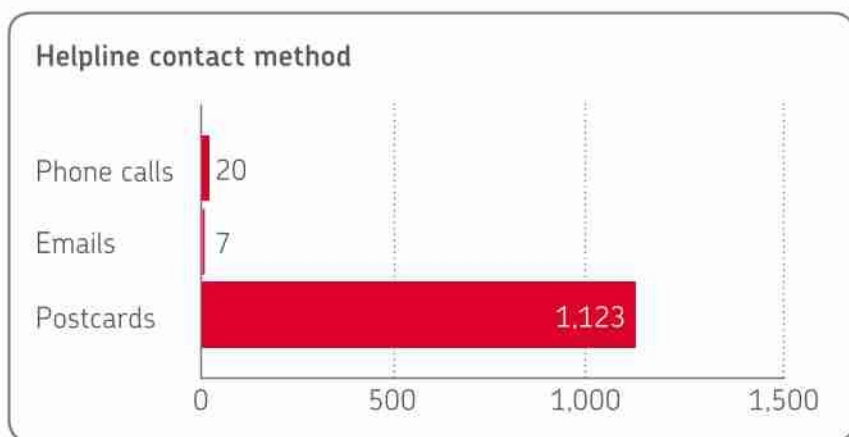
During the Consultation, we highlighted the need for changes to the Plan, discussed the issues and encouraged you to have your say.

The Consultation period ended on 25 August 2013. We reviewed the feedback received from members and the Unions and confirmed our decision on the changes on 9 October 2013.

These changes are set out on pages 10-12, along with the Company's original position and the main comments received, to show how your comments and the discussions with the Unions have shaped the changes.

Feedback response

During the Consultation, the Pension Consultation Helpline received 1,150 contacts, queries and comments, representing nearly 25% of the Plan members. The graph below shows the split of preferred contact methods:



What happened after the Consultation?

After the Consultation Period ended, we took six weeks to consider the feedback and had further discussions with the Unions, where we were asked to consider other options. One of the main comments received from the Unions was about the impact of our initial proposal on progression (within pay grades) and promotions. We made some important and meaningful improvements to the proposal following feedback, before making the final decision on changes. The rule change was accepted by the Trustees and we announced our decision to members on 9 October, 2013.

We believe the changes set out below provide the best solution for employees as well as the business. We hope that they'll provide a sustainable pension going forward, while protecting existing members' pensions.

Clearly, these are significant changes but they have not been made lightly. Even with the changes, we believe that the Plan continues to provide excellent benefits that compare extremely well with pensions offered by our competitors and other large UK employers.

Our decision in detail

Original proposal	Main comments received	Decision
Your basic pensionable pay (after the deduction of the LED for Section C members) would increase by retail price inflation (up to 5%) each year regardless of what happens to actual pay rises, including new promotions.	Members wanted to see new promotions, increments and progression reflected in their pensionable pay.	Your basic pensionable pay (after the deduction of the LED for Section C members) will now increase by the higher of retail price inflation (up to 5%) each year, or if greater, by the amount of any promotion or increment as a result of a change in role within your current pay grade, as at 31 March 2014 – see the next page for details.

Promotions and Final Salary pensionable pay

Original proposal	Main comments received	Decision
CWU grades		
Final Salary pensionable pay would no longer increase for promotions (or related increments) from 1 April 2014.	Members wanted to see new promotions and increments reflected in their pensionable pay.	Promotions and subsequent increments as a result of a change in role within your current pay grade as at 31 March 2014 will now continue to flow through into your Final Salary pensionable pay.
Unite grades/ CMA grades		
Final Salary pensionable pay would no longer increase for promotions (or related increments) and progression from 1 April 2014.	Members' feedback was that they wanted to see new promotions and increments reflected in their pensionable pay.	Promotions and subsequent increments within your current pay grade up to the median as a result of a change in role as at 31 March 2014 will now continue to flow through into your Final Salary pensionable pay.
Other managerial grades below Senior Leadership Population		
Final Salary pensionable pay would no longer increase for promotions or progression from 1 April 2014.	Members' feedback was that they wanted to see new promotions and progression reflected in their pensionable pay.	Within your current pay grade as at 31 March 2014 any progression payments up to the median as a result of a change in role will continue to flow through into your Final Salary pensionable pay.
Senior Leadership Population		
Final Salary pensionable pay would no longer increase for promotions or progression from 1 April 2014.	No feedback.	No change to the original proposal.

Promotions and Career Salary Defined Benefit (CSDB) pensionable pay

Original proposal	Main comments received	Decision
CWU grades		
On promotions from 1 April 2014 only initial pay increases would flow through to CSDB pensionable pay, not related increments.	Members' feedback was that they wanted to see all increments reflected in their pensionable pay.	Promotions and increments will continue to flow through into your CSDB pensionable pay as they do now.
Unite/CMA grades		
On promotions from 1 April 2014 only initial pay increases would flow through to CSDB pensionable pay, not related increments or broadband progression.	Members' feedback was that they wanted to see all increments and progression reflected in their pensionable pay.	Promotional pay increases and subsequent increments in collectively bargained pay grades will continue to flow through into your CSDB pensionable pay as they do now. Promotional increases or progression payments as a result of a change in role up to the median will continue to flow through into your CSDB pensionable pay as they do now.
Grades 3a and 4		
On promotions from 1 April 2014 only initial pay increases would flow through to CSDB pensionable pay, not related progression.	Members' feedback was that they wanted to see all progression reflected in their pensionable pay.	Promotional pay increases or progression payments up to the median will continue to flow through into your CSDB pensionable pay as they do now.
SLP		
On promotions from 1 April 2014 only initial pay increases would flow through to CSDB pensionable pay, not related progression.	Members' feedback was that they wanted to see all progression reflected in their pensionable pay.	No change to the original proposal.

We hope these changes mean that we are able to keep the Plan open to future accrual as long as it is commercially viable.

How might these changes affect you?

Examples and illustrations

These examples show the possible effect of the changes set out under our proposal in June 2013 and decision in September 2013, by comparing the pension benefit amounts with those that would have been payable if changes had not been made.

These examples are intended to help you to understand the impact of the changes on your benefits.

Please note that as well as affecting your benefits, these changes also affect your contributions, as your contribution pay increases in line with your pensionable pay, which from 1 April 2014 will increase in a different way from your actual pay.

In all the examples, we show the total pension benefits that you would receive for length of service (the benefits payable from the Royal Mail Statutory Pension Scheme in respect of service before 1 April 2012) if you:

- **Retire from pensionable service at 65 if the changes had not been made; and**
- **Retire from pensionable service at 65 given the effect of the changes from 1 April 2014**

The impact of the changes on your benefits will depend on the relationship between your future salary increases and the rate of retail price inflation.

The effect of the changes will be greater if your pay increases at a rate above inflation, or will be to your advantage if your pay increases at a rate below inflation.

The effect of the changes will also depend on whether you receive a promotion after 1 April 2014, and whether you are a member of Section A/B or Section C of the Plan.

Worked examples

For this reason, we have included four example members for each of Section A/B and Section C.

The first three examples were also shown in the June 2013 proposal document; example 4 is new, to illustrate a situation where a member is promoted within the pay grade after a change in job role.

For the first three examples, the benefits are the same under both the original proposal and the Decision.

The ages and lengths of service in each of the tables for these examples refer to how old and how much pensionable service people have at 1 April 2014.

All figures are expressed in today's money terms. Please ensure that you read the assumptions used for these examples. These are given at the end of this section.

How to use our example tables

Remember: These tables are only for illustration and you should not rely on the figures shown when planning your retirement. It is very important that you read the assumptions set out at the end of this section.

Step 1: Select which section of the Plan you are in

There are three possible sections: A/B or C. Select one of them. (If you are not sure which section of the Plan you are in, look at your payslip or at your last Benefit Illustration.) Then find the relevant example for your section:

Page 16 – Examples for Section A/B

Page 20 – Examples for Section C

Section A members are members who joined the Post Office before 1 December 1971.

Step 2: Select your age

Using the left hand column, find the nearest figure to your age at 1 April 2014. For example, if you will be 52 then, you should select "50" as that is nearer to your age than "55".

Step 3: Select your length of pensionable service

Using the line across the top of the example table, find the nearest figure to the number of years you have been a member of the Plan (including service before 2008 and from 2008 to 2012, which has been mainly transferred to the RMSPS). For example, if you will have 18 years' pensionable service at 1 April 2014, then you should select "20" as that is nearer to your length of pensionable service than "15".

Important

The examples use assumptions, and the amounts of the pension shown could be higher or lower than your actual pension depending on your service history and the level of inflation and pay over time. If you leave the Company before age 65 or take your benefits before normal retirement age, your pension would be lower.

Assumptions used in the examples

- Calculations are based on retirement at the member's 65th birthday assuming a full pensionable service history and continuation of the Plan on its 1 April 2014 benefit terms until then
- Age and service shown are on 1 April 2014. "Service" includes pre-2008 service and 2008-2012 service for which benefits have been partially transferred to RMSPS
- Retail price inflation from April 2008 to the date of retirement is assumed to be 2.5% per annum
- All amounts are expressed in today's money terms (based on RPI)
- Assumed pay rise at April 2012 of 3.5% and at April 2013 in line with retail price inflation
- No allowance has been made for volatility in inflation or pay increases relative to inflation

Continued...

Section A/B benefits – example 1

- Basic salary = £15,000 with no pensionable allowances
- Increases in basic salary at same level as retail price inflation
- In addition to the pension shown below, Section B members are entitled to a retirement lump sum equal to three times the member's annual retirement pension.

BEFORE CHANGES – Section A/B – total pension

Age at 2014	Service			
	25	30	35	40
45	8,430			
50	7,493	8,431		
55	6,555	7,493	8,430	
60	5,618	6,556	7,493	8,430

AFTER CHANGES – Section A/B – total pension

Age at 2014	Service			
	25	30	35	40
45	8,430			
50	7,493	8,431		
55	6,555	7,493	8,430	
60	5,618	6,556	7,493	8,430

For example: A member aged 50 with 30 years' pensionable service would get a pension of £8,431 at retirement at age 65 before the changes. After the changes, the pension would be unchanged at £8,431 if the member retires at age 65.

Section A/B benefits – example 2

- Basic salary = £15,000 with no pensionable allowances
- Increases in basic salary at 1% above retail price inflation
- In addition to the pension shown below, Section B members are entitled to a retirement lump sum equal to three times the member's annual retirement pension.

BEFORE CHANGES – Section A/B – total pension

Age at 2014	Service			
	25	30	35	40
45	9,551			
50	8,231	9,308		
55	6,976	8,001	9,026	
60	5,781	6,756	7,732	8,707

AFTER CHANGES – Section A/B – total pension

Age at 2014	Service			
	25	30	35	40
45	8,430			
50	7,493	8,431		
55	6,555	7,493	8,430	
60	5,618	6,556	7,493	8,430

For example: A member aged 50 with 30 years' pensionable service would get a pension of £9,308 at retirement at age 65 before the changes. After the changes, the pension would be £8,431 if the member retires at age 65.

Continued...

- Please note that the effect of the changes under our proposal would be greater if either retail price inflation or the member's pensionable pay increases were higher than 5% per year
- Due to the use of the LED in the calculation of pensionable pay for Section C members, the effect of the changes would also be different if retail price inflation is different from the 2.5% per annum assumption – the effect being greater if retail price inflation is higher than this and less if retail price inflation is lower
- No allowance has been made for the possibility of members opting to exchange pension at retirement for (additional) lump sum benefits, or vice versa if Section A/B
- Our calculations are based on no other changes to the benefit design until retirement

Assumptions used in the examples

- Calculations are based on retirement at the member's 65th birthday assuming a full pensionable service history and continuation of the Plan on its 1 April 2014 benefit terms until then
- Age and service shown are on 1 April 2014. "Service" includes pre-2008 service and 2008-2012 service for which benefits have been partially transferred to RMSPS
- Retail price inflation from April 2008 to the date of retirement is assumed to be 2.5% per annum
- All amounts are expressed in today's money terms (based on RPI)
- Assumed pay rise at April 2012 of 3.5% and at April 2013 in line with retail price inflation
- No allowance has been made for volatility in inflation or pay increases relative to inflation

Continued...

Section A/B benefits – example 3

- Basic salary = £15,000 with no pensionable allowances
- Increases in basic salary at 1% below retail price inflation
- In addition to the pension shown below, Section B members are entitled to a retirement lump sum equal to three times the member's annual retirement pension.

BEFORE CHANGES – Section A/B – total pension

Age at 2014	Service			
	25	30	35	40
45	8,059			
50	7,269	8,197		
55	6,438	7,366	8,294	
60	5,564	6,492	7,420	8,348

AFTER CHANGES – Section A/B – total pension

Age at 2014	Service			
	25	30	35	40
45	8,430			
50	7,493	8,431		
55	6,555	7,493	8,430	
60	5,618	6,556	7,493	8,430

For example: A member aged 50 with 30 years' pensionable service would get a pension of £8,197 at retirement at age 65 before the changes. After the changes, the pension would be £8,431 if the member retires at age 65.

Section A/B benefits – example 4

- Basic salary = £15,000 with no pensionable allowances
- Changes job role and is promoted within existing pay band in April 2015
- Increase in basic salary as a result of promotion to £16,500
- In those years from April 2015, we have assumed that basic salary increases at the same rate as retail price inflation
- In addition to the pension shown below, Section B members are entitled to a retirement lump sum equal to three times the member's annual retirement pension.

BEFORE CHANGES – Section A/B – total pension

Age at 2014	Service			
	25	30	35	40
45	9,143			
50	8,112	9,143		
55	7,081	8,112	9,143	
60	6,050	7,081	8,112	9,143

AFTER ORIGINAL PROPOSAL – Section A/B – total pension

Age at 2014	Service			
	25	30	35	40
45	8,786			
50	7,755	8,693		
55	6,724	7,662	8,599	
60	5,693	6,631	7,568	8,505

AFTER CHANGES – Section A/B – total pension

Age at 2014	Service			
	25	30	35	40
45	9,143			
50	8,112	9,143		
55	7,081	8,112	9,143	
60	6,050	7,081	8,112	9,143

For example: A member aged 55 with 35 years' pensionable service would get a pension of £9,143 at retirement at age 65 before the changes. After the changes, the pension would still be £9,143 if the member retires at age 65.

Continued...

- Please note that the effect of the changes under our proposal would be greater if either retail price inflation or the member's pensionable pay increases were higher than 5% per year
- Due to the use of the LED in the calculation of pensionable pay for Section C members, the effect of the changes would also be different if retail price inflation is different from the 2.5% per annum assumption – the effect being greater if retail price inflation is higher than this and less if retail price inflation is lower
- No allowance has been made for the possibility of members opting to exchange pension at retirement for (additional) lump sum benefits, or vice versa if Section A/B
- Our calculations are based on no other changes to the benefit design until retirement

Assumptions used in the examples

- Calculations are based on retirement at the member's 65th birthday assuming a full pensionable service history and continuation of the Plan on its 1 April 2014 benefit terms until then
- Age and service shown are on 1 April 2014. "Service" includes pre-2008 service and 2008-2012 service for which benefits have been partially transferred to RMSPS
- Retail price inflation from April 2008 to the date of retirement is assumed to be 2.5% per annum
- All amounts are expressed in today's money terms (based on RPI)
- Assumed pay rise at April 2012 of 3.5% and at April 2013 in line with retail price inflation
- No allowance has been made for volatility in inflation or pay increases relative to inflation

Continued...

Section C benefits – example 1

- Basic salary = £15,000 with no pensionable allowances
- Increase in basic salary at same level as retail price inflation
- The figures shown below ignore the pension supplement that may be payable to Section C members who leave the Company before state pension age. No pension supplement is payable to a member who is still in service.

BEFORE CHANGES – Section C – total pension

Age at 2014	Service				
	6	10	15	20	25
30	8,602	9,509			
40	6,364	7,244	8,344	9,446	
50	4,199	5,046	6,104	7,163	8,222
60	2,128	2,932	3,937	4,942	5,947

AFTER CHANGES – Section C – total pension

Age at 2014	Service				
	6	10	15	20	25
30	7,944	8,722			
40	5,999	6,777	7,750	8,723	
50	4,832	4,834	5,805	6,778	7,750
60	2,108	2,886	3,859	4,832	5,804

For example: A member aged 40 with 20 years' pensionable service would get a pension of £9,446 at retirement at age 65 before the changes. After the changes, the pension would be £8,723 if the member retires at age 65.

Note that in this example, the member's pensionable pay as at 1 April 2014 is calculated by subtracting the Lower Earnings Deduction of £3,328 from their basic salary, leading to a pensionable pay figure at that date of £11,672. It is this figure that is then indexed in line with retail price inflation.

Section C benefits – example 2

- Basic salary = £15,000 with no pensionable allowances
- Increase in basic salary at 1% above retail price inflation
- The figures shown below ignore the pension supplement that may be payable to Section C members who leave the Company before state pension age. No pension supplement is payable to a member who is still in service.

BEFORE CHANGES – Section C – total pension

Age at 2014	Service				
	6	10	15	20	25
30	10,267	11,576			
40	7,174	8,324	9,761	11,200	
50	4,473	5,469	6,714	7,960	9,206
60	2,153	2,998	4,053	5,109	6,165

AFTER CHANGES – Section C – total pension

Age at 2014	Service				
	6	10	15	20	25
30	7,944	8,722			
40	5,999	6,777	7,750	8,723	
50	4,054	4,832	5,805	6,778	7,750
60	2,108	2,886	3,859	4,832	5,804

For example: A member aged 40 with 20 years' pensionable service would get a pension of £11,200 at retirement at age 65 before the changes. After the changes, the pension would be £8,723 if the member retires at age 65.

Note that in this example, the member's pensionable pay as at 1 April 2014 is calculated by subtracting the Lower Earnings Deduction of £3,328 from their basic salary, leading to a pensionable pay figure at that date of £11,672. It is this figure that is then indexed in line with retail price inflation.

Continued...

- Please note that the effect of the changes under our proposal would be greater if either retail price inflation or the member's pensionable pay increases were higher than 5% per year
- Due to the use of the LED in the calculation of pensionable pay for Section C members, the effect of the changes would also be different if retail price inflation is different from the 2.5% per annum assumption – the effect being greater if retail price inflation is higher than this and less if retail price inflation is lower
- No allowance has been made for the possibility of members opting to exchange pension at retirement for (additional) lump sum benefits, or vice versa if Section A/B
- Our calculations are based on no other changes to the benefit design until retirement

Assumptions used in the examples

- Calculations are based on retirement at the member's 65th birthday assuming a full pensionable service history and continuation of the Plan on its 1 April 2014 benefit terms until then
- Age and service shown are on 1 April 2014. "Service" includes pre-2008 service and 2008-2012 service for which benefits have been partially transferred to RMSPS
- Retail price inflation from April 2008 to the date of retirement is assumed to be 2.5% per annum
- All amounts are expressed in today's money terms (based on RPI)
- Assumed pay rise at April 2012 of 3.5% and at April 2013 in line with retail price inflation
- No allowance has been made for volatility in inflation or pay increases relative to inflation

Continued...

Section C benefits – example 3

- Basic salary = £15,000 with no pensionable allowances
- Increase in basic salary at 1% below retail price inflation
- The figures shown below ignore the pension supplement that may be payable to Section C members who leave the Company before state pension age. No pension supplement is payable to a member who is still in service.

BEFORE CHANGES – Section C – total pension

Age at 2014	Service				
	6	10	15	20	25
30	7,265	8,022			
40	5,668	6,425	7,371	8,318	
50	3,947	4,704	5,650	6,597	7,543
60	2,103	2,868	3,823	4,779	5,735

AFTER CHANGES – Section C – total pension

Age at 2014	Service				
	6	10	15	20	25
30	7,944	8,722			
40	5,999	6,777	7,750	8,723	
50	4,054	4,832	5,805	6,778	7,750
60	2,108	2,886	3,859	4,832	5,804

For example: A member aged 40 with 20 years' pensionable service would get a pension of £8,318 at retirement at age 65 before the changes. After the changes, the pension would be £8,723 if the member retires at age 65.

Note that in this example, the member's pensionable pay as at 1 April 2014 is calculated by subtracting the Lower Earnings Deduction of £3,328 from their basic salary, leading to a pensionable pay figure at that date of £11,672.

Section C benefits – example 4

- Basic salary = £15,000 with no pensionable allowances
- Changes job role and is promoted within existing pay band in April 2015
- Increase in basic salary as a result of promotion to £16,500
- In those years from April 2015, we have assumed that basic salary increases at the same rate as retail price inflation
- The figures shown below ignore the pension supplement that may be payable to Section C members who leave the Company before state pension age. No pension supplement is payable to a member who is still in service.

BEFORE CHANGES – Section C – total pension

Age at 2014	Service				
	6	10	15	20	25
30	9,452	10,459			
40	6,964	7,944	9,169	10,396	
50	4,549	5,496	6,679	7,863	9,047
60	2,228	3,132	4,262	5,392	6,522

AFTER ORIGINAL PROPOSAL – Section C – total pension

Age at 2014	Service				
	6	10	15	20	25
30	8,794	9,572			
40	6,599	7,377	8,350	9,323	
50	4,404	5,182	6,155	7,128	8,100
60	2,208	2,986	3,959	4,932	5,904

AFTER CHANGES – Section C – total pension

Age at 2014	Service				
	6	10	15	20	25
30	8,794	9,672			
40	6,599	7,477	8,575	9,673	
50	4,404	5,282	6,380	7,478	8,575
60	2,208	3,086	4,184	5,282	6,379

For example: A member aged 40 with 20 years' pensionable service would get a pension of £10,396 at retirement at age 65 before the changes. After the changes, the pension would be £9,673 if the member retires at age 65.

Note that in this example, the member's pensionable pay as at 1 April 2014 is calculated by subtracting the Lower Earnings Deduction of £3,328 from their basic salary, leading to a pensionable pay figure at that date of £11,672. It is this figure that is then indexed in line with retail price inflation.

Continued...

- Please note that the effect of the changes under our proposal would be greater if either retail price inflation or the member's pensionable pay increases were higher than 5% per year
- Due to the use of the LED in the calculation of pensionable pay for Section C members, the effect of the changes would also be different if retail price inflation is different from the 2.5% per annum assumption – the effect being greater if retail price inflation is higher than this and less if retail price inflation is lower
- No allowance has been made for the possibility of members opting to exchange pension at retirement for (additional) lump sum benefits, or vice versa if Section A/B
- Our calculations are based on no other changes to the benefit design until retirement

Section 3

What happens next?

From 1 April 2014, your pension benefits and contributions are to be based upon the revised arrangements set out previously.

Important legal note: This document is a summary guide only. It confers no right to nor guarantee of benefits. Rights to benefits under any Post Office pension arrangement arise only under the governing documents of the arrangement. The Post Office reserves the right to vary or withdraw any of its pension arrangements from time to time subject to any overriding legal requirements.

If you have any questions or need further details, please contact the Pensions Helpline. Please note that the Helpline will not be able to answer detailed questions on your own personal circumstances.

By phone: 0845 601 6260 (Monday–Friday, 8.30am–5pm)

By email: communications.team@postoffice.co.uk
Please write **PENSIONS** in the email subject header.

By post: Pensions, HRSC, 120 Bark Street, Bolton, BL1 2AX.

For more help understanding these terms, contact the Pensions Consultation Helpline.

