The Royal Mail Defined Contribution Plan

The future is closer than you think.

[Title] [Initials] [Surname]
[Address1]
[Address2]
[Address3]
[Address4]
[PostCode]

[DateOfLetter]

Dear [First Name]

You have a choice to make about your pension savings. Your choice will affect how much money you have in your pension pot when you retire – so it really matters. As the Trustees of the Plan, we're here to help you look at your choices and work out what's right for you.

What you need to do

Read this letter – along with the letter and booklet you got from Royal Mail

These show you how the Royal Mail Defined Contribution Plan is changing and how the new Defined Benefit Cash Balance Scheme works

Decide whether the new Defined Benefit Cash Balance Scheme is right for you

Yes, it's right for me

Fill in the 'Joining the Defined Benefit Cash Balance Scheme' form and send it to Royal Mail

No, it isn't right for me

Is the new standard savings level for the Royal Mail Defined Contribution Plan right for you?

At this level, you save 6% of pensionable pay and Royal Mail puts in 10%

Yes, saving 6% is right for me

Do nothing

From 1 April, you'll start saving at the 6% level

No, saving 6% isn't right for me

Choose the amount you want to save – 4% or 5% of pensionable pay

Fill in the 'Choosing a Different RMDCP Contribution Level' form and send it to Royal Mail

If you don't tell Royal Mail what you want to do by 19th March, from 1st April this year, you'll automatically start saving 6% of your pensionable pay into the Royal Mail Defined Contribution Plan. This is the plan you're saving into at the moment. Royal Mail will add another 10% to that. In the past they would have added 9%.

The long-term goal is to give everyone at Royal Mail a Collective Defined Contribution Pension. Until this plan is set up, please make the most of the choices you have now. You've been saving 4%, 5%, or 6% into the Royal Mail Defined Contribution Plan for more than four years. This means you have a lot of choices available to you. This letter isn't a complete guide to those choices. But we hope it will help you make the most of the information Royal Mail has sent you.

Deciding which plan is right for you

For most people, the new Defined Benefit Cash Balance Scheme is likely to be the best choice

For most people, it means more money going into their pension pot. It also gives you more security about what happens to that money.

More money going into your pension pot

For most people, the **Cash Balance Scheme** gets the most money going into their pension pot, including the biggest contribution from Royal Mail. This is because Royal Mail will put in an amount equal to 13.6% of your pensionable pay. You put in 6%.

However, the two plans work out pensionable pay differently. So, if you earn less than about £10 per hour, and don't have any pensionable allowances, there may be little difference between the two plans.

Security

The **Cash Balance Scheme** guarantees that, as long as you don't take the money in your pot until you're 65, you'll get all the money that you and Royal Mail have put into it – no matter what happens to investments.

Every 1 April, you might get a bonus added to your pension pot. If you do, as long as you don't take it before you're 65, that bonus is guaranteed too. But you may not get a bonus every year.

The Defined Contribution Plan doesn't give you these guarantees.

For some members, the Royal Mail Defined Contribution Plan may still be the right choice

It gives you more flexibility about how much you save. It also gives you the chance of greater growth – though that comes with more risk.

Flexibility

In the **Defined Contribution Plan** you can choose to save 4%, 5% or 6% of your pensionable pay. And you can change the amount you save if you need to. In the Cash Balance Scheme you have to save 6% of your pensionable pay.

Both plans let you take your money once you're 55. But the Cash Balance Scheme's guarantees only apply if you leave the money in your pot until you're 65.

Growth

Whichever plan you're in, your money is invested to give it a chance to grow.

Neither plan guarantees your money will grow, but the **Defined Contribution Plan** can give it a chance to grow by a bigger amount than the Cash Balance Scheme. However, this would mean taking more risk with the money you're investing. The risk is that it could go down in value.

Whatever you choose, your Additional Voluntary Contributions won't change unless you want them to

If you're making Additional Voluntary Contributions (AVCs), the amount you're saving won't be affected by these changes. But if you decide you want to change the amount you save, download a 'Choices' form from www.myroyalmail.com/pensions

How money goes into the two plans

Your pensionable pay is worked out differently in the two plans

The amount of money that goes into your pension pot every week is based on your pensionable pay. The two plans work out your weekly pensionable pay differently. That's why some people earning less than about £10 per hour might get more money going into their plan if they keep saving into the Defined Contribution Plan.

	Cash Balance Scheme	Defined Contribution Plan
Weekly pensionable pay for someone working full time	Your basic pay plus pensionable allowances minus £72 a week (Lower Earnings Deduction)	Your basic pay
Weekly pensionable pay for someone working 25 hours a week	Your basic pay plus pensionable allowances minus £46 a week (Lower Earnings Deduction)	Your basic pay

If you'd like to know more about pensionable allowances, please speak call the Pay Services Helpline on 0345 6060 603.

In the Defined Contribution Plan you can choose how much to save

	You put in	Royal Mail puts in	
You could save the Standard amount	6%	10%	Tier 3
You could drop to one of these amounts if you want to	5%	9%	Tier 2
	4%	8%	Tier 1

How saving into the two plans might affect your take-home pay

	Working a 25-hour week Earning about £300 a week		Working a 39-hour week Earning about £480 a week	
	Cash Balance Scheme	Defined Contribution Plan	Cash Balance Scheme	Defined Contribution Plan
Pensionable pay of about	£255	£300	£408	£480
You pay in	6%	6%	6%	6%
You give up about this much take home pay a week	**£12.20**	**£14.40**	**£20**	**£23**
This much is added because of salary exchange and tax relief	£3.10	£3.60	£4.50	£6
Royal Mail add this much	£34.70	£30	£55.50	£48
So in total, this much goes into your pension pot every week	**£50**	**£48**	**£80**	**£77**

In both these examples, the Cash Balance Scheme would mean the member gives up less take-home pay and also gets a bigger amount going into their pension pot every week.

Some questions to ask yourself when you're choosing what's right for you

For most members, the **Defined Benefit Cash Balance Scheme** would mean more money going into their pension pot. It would also give them some security because of the guarantees that come with it. But here are some questions to help you decide whether it's right for you.

Q. Do you earn less than £10 per hour?

A. If you do, and you don't have any pensionable allowances, saving into the DC Plan might mean more money goes into your pension pot. In which case, what is most important to you – the guarantees that come with the Cash Balance Plan or the extra money going into your pot? You can find out about pensionable allowances by calling the Pay Services Helpline on 0345 6060 603.

Q. In the Cash Balance Scheme, you have to save 6% of your pensionable pay. Is that okay?

A. If you need to be flexible about the amount you save, the Defined Contribution Plan may be better for you.

Q. In the Cash Balance Scheme, you can't choose how your money is invested. Is that okay?

A. Both plans invest your money to give it a chance to grow. Neither plan guarantees that it will grow, but in the Defined Contribution Plan you can choose how it's invested. This could give your money a chance to grow by a bigger amount than in the Cash Balance Scheme. However, this would mean taking more risk with it. The risk is that it could go down in value.

Q. In the Cash Balance Scheme, you'll get back all the money you and Royal Mail have put into your pot, plus any bonuses you've earned, if you wait until you're 65 to take the money. Is it okay to wait?

A. Both plans let you use the money in your pot once you're 55. But if you're in the Cash Balance Scheme and use the money before you're 65, you don't benefit from the scheme's guarantees. This may mean that the Defined Contribution Plan is a better choice for some people who want to retire before they're 65.

If you're still not sure whether the Cash Balance Scheme is right for you, don't worry. You can carry on saving in the Defined Contribution Plan and change to the Cash Balance Scheme in the future, if you want to. And if you do join the Cash Balance Scheme, you can move back to the Defined Contribution Plan if you decide it wasn't right for you.

What members might choose depending on how old they are and what they need

Helen is nearly 62 and wants to retire in a few years

Helen wants to retire at 65 and thinks security is the most important thing. She chooses to start saving in the new **Cash Balance Scheme**. That way, if she retires when she's 65, she'll benefit from the Scheme's guarantees. In the meantime, her money has a chance to grow by earning bonuses. She accepts that it might have grown more in the Defined Contribution Plan.

Jimmy is 25 and about to start a family – so he wants a bit of flexibility

Jimmy earns about £320 a week. He's keen to make the most of his pension. But he knows this might be tough when the baby arrives. He chooses to keep saving in the **Defined Contribution Plan** and to put in 6% of pensionable pay – the most he can. This costs him about £16 of take-home pay each week. But with money from Royal Mail, every week a total of around £51 goes into his pension pot. He knows he can put in less in the future if he needs to. If he does, Royal Mail would put in a bit less too.

Ejaz is 43 and not very confident about investing

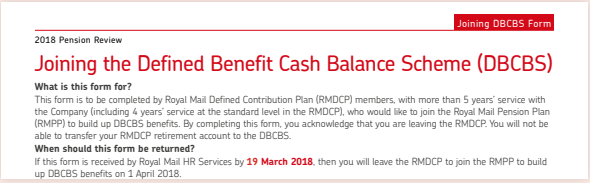
Ejaz earns about £480 a week. He thinks the best way of saving is to put in as much money as you can. So he chooses to start saving in the **Cash Balance Scheme**, where Royal Mail put in 13.6% of his pensionable pay. He puts in 6%, so gives up about £23 of take-home pay. But with the money from Royal Mail, a total of around £77 goes into his pension pot every week.

What you need to do now

Decide whether the new **Defined Benefit Cash Balance Scheme** is right for you

Yes, it's right for me

1. Fill in the 'Joining the Defined Benefit Cash Balance Scheme' form that came with Royal Mail's letter.



Joining DBCBS Form

2018 Pension Review

Joining the Defined Benefit Cash Balance Scheme (DBCBS)

What is this form for?

This form is to be completed by Royal Mail Defined Contribution Plan (RMDCP) members, with more than 5 years' service with the Company (including 4 years' service at the standard level in the RMDCP), who would like to join the Royal Mail Pension Plan (RMPP) to build up DBCBS benefits. By completing this form, you acknowledge that you are leaving the RMDCP. You will not be able to transfer your RMDCP retirement account to the DBCBS.

When should this form be returned?

If this form is received by Royal Mail HR Services by **19 March 2018**, then you will leave the RMDCP to join the RMPP to build up DBCBS benefits on 1 April 2018.

2. Send it back to Royal Mail as soon as possible, ideally **by 19 March 2018**.

If you send it later, you won't start saving in the scheme until after they receive your form. If you haven't got this form, please call the Royal Mail Pension Review Helpline on 0345 850 0081, or download a form from www.myroyalmail.com/pensions

No, it isn't right for me

Decide whether the new standard savings level for the Royal Mail Defined Contribution Plan is right for you.

At this level, you save 6% of pensionable pay and Royal Mail adds another 10%

Yes, saving 6% is right for me

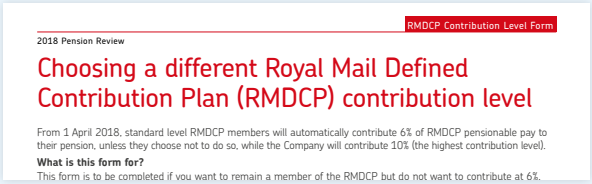
Do nothing

From 1 April, you'll start saving at the standard level

No, saving 6% isn't right for me

Choose the amount you want to save: 4% or 5% of pensionable pay

1. Fill in the 'Choosing a Different RMDCP Contribution Level' form that came with Royal Mail's letter.



RMDCP Contribution Level Form

2018 Pension Review

Choosing a different Royal Mail Defined Contribution Plan (RMDCP) contribution level

From 1 April 2018, standard level RMDCP members will automatically contribute 6% of RMDCP pensionable pay to their pension, unless they choose not to do so, while the Company will contribute 10% (the highest contribution level).

What is this form for?

This form is to be completed if you want to remain a member of the RMDCP but do not want to contribute at 6%.

2. Send it back to Royal Mail **by 19 March 2018**.

If you haven't got this form, please call the Royal Mail Pension Review Helpline on 0345 850 0081, or download a form from www.myroyalmail.com/pensions

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We hope this letter helps you make the most of your choices. If you have any questions about the changes, please call the Royal Mail Pension Review Helpline on 0345 850 0081.

If you have general questions about your pension – like how much you have in your pot at the moment – please call the usual Zurich Helpline on 0800 092 8263.

Alternatively, go to www.rmdcp.uk to view additional information relating to this important choice, including a short explainer video, a real-time events timeline and useful links.

Best wishes

The Trustees