Royal Mail's past Defined Contribution (DC) pension scheme

A guide to the
Royal Mail Defined Contribution Plan
('RMDCP')

Booklet 6 of 6

Welcome from CWU

Pension benefits represent an important element in the remuneration package for postal workers. The CWU has always seen "pensions as deferred pay" and as we continue to develop policy, our primary objective must be the long-term sustainability and certainty around the pension benefits due to our members.

The long-awaited Royal Mail Collective Pension Plan ("the Collective Plan") launched in October 2024. We are proud of the role CWU has played in the development of the Collective Plan, which is the first of its kind in the UK. We believe it to be significantly better than the viable alternatives available and going forwards we will work closely with Royal Mail to support the interests of members.

However, we recognise that pensions are a complex subject, and the addition of the Collective Plan increases the complexity. We wanted to prepare a set of booklets, incorporating the new information on the Collective Plan, to help members understand their Royal Mail pensions.

We are keen to have your feedback. Please let us know what you think of these booklets by emailing dgspdepartment@cwu.org
General enquiries regarding pensions can be sent to the same email address.

Martin Walsh
Deputy General Secretary (Postal)

How to use this booklet

This is the final booklet, in a set of six created by CWU – all about Royal Mail pensions.

This booklet is designed to act as a guide to **the Royal Mail Defined Contribution Plan ('RMDCP')**.

How to use this booklet

The Royal Mail Group (RMG) has provided many different pension schemes over the years. RMG employees, both past and present, could be a member of one or more of these pension schemes.

CWU has produced a set of six booklets for RMG members, and Representatives, to help explain the Royal Mail Group's different pension arrangements and to promote a better understanding of RMG's pension schemes, as well as the State Pension.

These booklets explain what you might get when you retire and the different options open to you in each of the schemes.

Not every booklet will apply to you, but if you've worked for Royal Mail for a while, it's likely that more than one booklet will be useful for you.

The table on the next page shows you the breakdown of the six booklets.

If you're not sure which Royal Mail pension schemes you're a member of, **Booklet 1: Understanding your Royal Mail pensions** is the best place to start.

Booklets 2 to 6 in this set cover information about one or two pension schemes, to keep the content in each booklet short.

How to use this booklet

Booklet	Booklet name	What's inside?
1	**Understanding your Royal Mail pensions**	A summary of all Royal Mail pensions, past and present. It's designed to help you get to grips with which Royal Mail pension schemes you're likely to be a member of and find the right booklet to take a deeper dive into your pension
	Current pension schemes: these booklets will be relevant for most current employees.	
2	**Royal Mail Collective Pension Plan**	A guide to the **Royal Mail Collective Pension Plan** ('the Collective Plan' or 'RMCPP')
3	**NEST and the State Pension**	A guide to **NEST** and the **new State Pension**
	Past pension schemes: different booklets will be relevant for different members, depending on their period of service.	
4	**Royal Mail's Cash Balance Section**	A guide to the **Cash balance Section** of the Royal Mail Pension Plan ('RMPP')
5	**Royal Mail's other pre-2018 Defined Benefit (DB) pension schemes**	A guide to: The **pre-2018 sections of the Royal Mail Pension Plan** ('RMPP'), including the interaction with the **Royal Mail Statutory Pension Scheme** ('RMSPS') covering : • Final Salary Sections A & B • Final Salary Section C • Career Salary (CARE) Section
6	**Royal Mail's past Defined Contribution (DC) pension scheme**	A guide to the **Royal Mail Defined Contribution Plan** ('RMDCP')

Royal Mail Defined Contribution Plan ('RMDCP')

This booklet applies to you if:

- You started working for Royal Mail between 1 April 2008 and 6 October 2024.

Or

- You started working for POL between 1 April 2008 and 31 March 2015.

Or

- You opted out of the Royal Mail Pension Plan ('RMPP') and joined the RMDCP.

In this section...

The RMDCP at a glance

The Royal Mail Defined Contribution Plan (‘RMDCP’) is a workplace pension scheme where you build up an individual pension pot to use as you chose when you retire. This type of pension scheme is called a ‘Defined Contribution’ or ‘DC’ pension (or sometimes ‘Money Purchase’). The RMDCP was open to payments from you and Royal Mail from 1 April 2008 until it closed on 6 October 2024.

The money that you and Royal Mail paid into the RMDCP before it closed went into an individual pension pot (that’s held in your name) and is still invested, with the aim of it growing over time through investment returns until you’re ready to take the money from it.

You can find out more about the Royal Mail Defined Contribution Plan (‘RMDCP’) in the rest of this booklet.

We’ve started off with short summary. As you go through this section of the booklet, you’ll find more detailed information about the RMDCP.

Plus, you can explore the RMDCP’s website: https://rmdcp.uk

Or explore Scottish Widows’ microsite (the current administrator for the RMDCP): www.scottishwidows.co.uk/save/royalmaildcplan.html

The RMDCP at a glance

What is the RMDCP and what will it give me at retirement?

The RMDCP is a workplace pension scheme set up by Royal Mail. **It is a type of "Defined Contribution" (or "DC") pension scheme - which gives you a pot of money at retirement.**

Who looks after the RMDCP?

A Trustee Board (also known as 'Trustees') looks after all the money in the RMDCP – which includes your pension pot.

The Trustees are an independent group, separate from Royal Mail. They make sure that the RMDCP is being run in members' best interests. Some of the Trustees are appointed by Royal Mail, and others are appointed by members.

Even though the RMDCP is closed to new payments, Royal Mail continues to sponsor it for now. And they decide how the RMDCP works and what its rules are.

Do I need to decide how my money is invested?

Although you're no longer paying into your pension pot – the money that you (and Royal Mail) paid in is still invested.

When you joined the RMDCP your pension pot was automatically invested in the **Default Lifecycle option**. This is a ready-made investment approach that automatically switches how your money is invested ten years before your retirement – this way of investing is often called 'lifestyling'. This default lifestyle option has been put together in a way that is designed for you to take your pension pot all as cash.

But, you can also choose different ways to invest your pension pot. And you may have changed how your pension pot is invested in the past too – so it will only be invested in the Default Lifecycle option if you haven't made your own investment choice.

You can find out more about the Default Lifecycle option and the other investment options that you can pick from on pages 14 to 16 of this booklet.

Remember, investing money always means there's a level of risk. The value of your pension pot will go up and down with the investment markets, but to varying degrees – depending on how your savings are invested.

The RMDCP at a glance

When and how can I take money from my pension pot?

The administrator of the RMDCP, Scottish Widows, will assume that you want to take your pension pot at age 65 unless you tell them otherwise. But normally, you can start taking your money out of the RMDCP from the age of 55. This will rise to age 57 in April 2028. And you could take money from your RMDCP pension pot at a different time to when you get any other Royal Mail pensions that you might have.

You'll be able to use your pension pot to do one of the following (or a combination of all three):

Take all (or some) as cash	Buy a guaranteed income	Keep your pension pot invested and take money out as and when you need to in retirement
Cash	**An annuity**	**Income drawdown**
You could take all, or some, of your Cash sum amount as cash. Normally, the first quarter (25%) can be taken tax free. And remember, you can take some tax-free cash first, and then do something different with the rest.	You can use some, or all, of your pension pot to buy an annuity from an insurance company. This will provide you with a guaranteed income during retirement. You can normally choose whether to buy an income that stays the same throughout your retirement or one that increases each year. You can also normally choose to buy an income that could be passed on to your spouse (or other dependants) after your death.	You could transfer your pension pot into a drawdown arrangement through a provider of your choice. Drawdown gives you the option to take your pension pot flexibly, whilst still keeping the money you haven't used invested with the aim that it will grow over time when you're not using it.

The RMDCP at a glance

What if I need more help to decide how to take my pension pot?

If you're looking for more help to decide how to take your pension pot, then you typically have three different options to pick from.

We've outlined these here, and you'll find more about each option on this page and the next one, including where to go to explore more.

1. **Information** about your pension (like this booklet) is a good starting point and is designed to help you, and other people, better understand your pension and your options.
2. **Guidance** is usually not tailored to your circumstances. It will help you assess your options and ask the right questions, but there's no recommended outcome at the end. It's also usually free, so can be a good option to help set you on the right path.
3. **Advice** will usually end in a recommended approach for you to take. Working with an adviser means sharing your financial information and your goals for the future and will result in expert advice on which outcome is best for you. This option usually has a fee for the adviser's time and expertise, although often your first meeting will be free or heavily discounted, to see if working with an adviser is right for you.

1 If you're looking for more information…

You can explore the options for taking your RMDCP pension pot further on MoneyHelper:
www.moneyhelper.org.uk

> Select 'Pensions & retirement' from the main menu and then 'Taking your pension'.

2 If you're looking for free guidance…

Royal Mail have partnered with **HUB Financial Solutions**, who are retirement specialists, and can offer free guidance (and advice, paid for by you) about how to take your RMDCP pension pot.

HUB Financial Solutions' service starts by helping you explore the most important things to think about – and provides a free personal retirement plan showing what your life after work might look like and how far your money may go:

www.hubfinancialsolutions.co.uk/royalmail

You can plan on your own, or with a spouse or partner at no extra cost.

The RMDCP at a glance

2 If you're looking for free guidance…

+

As the RMDCP gives you a pot of money that you can use flexibly you could use the free Pension Wise service, which is part of MoneyHelper and backed by the Government, to help you decide what's right for you.

If you're aged 50 or over, you can book an appointment with one of Pension Wise's experts to help you better understand the options you have to take your pension pot:

www.moneyhelper.org.uk

> Select 'Pensions & retirement' from the main menu and then 'Book your free Pension Wise appointment'.

It's worth noting that Pension Wise will not be able to help you explore any benefits that you might have from the Royal Mail Collective Pension Plan or from the Final Salary or Career Salary Sections of the RMPP – as these provide a yearly pension or income for life (rather than a cash amount that you can use flexibly).

3 If you're looking to pay for independent financial advice…

If you've already created a free personal retirement plan with **HUB Financial Solutions** you can then choose to pay for expert financial advice on how to make your plan a reality if you want to.

OR

MoneyHelper's directory is designed to help you find a regulated and impartial financial adviser of your choice.

All advisers are regulated by the Financial Conduct Authority, the organisation that sets the UK's financial rules, and able to recommend products from a wide range of providers, making it easier to find the right one for you:

www.moneyhelper.org.uk

> Select 'Pensions & retirement' from the main menu and then 'Find a retirement adviser.

Remember, financial advisers charge a fee for their service. So, make sure you understand how you'll be charged before you go ahead with their service.

A deeper dive into the RMDCP

You'll find more detailed information about the RMDCP in this section of the booklet.

Here's what's inside, broken down into different topics:

We've used some reference notes - shown as "(x)" - in this section (*A deeper dive into the RMDCP*), rather than go into a lot of technical detail all at once. If you'd like to explore these more, you'll find the supporting reference notes on page 23 of this booklet.

A deeper dive into the RMDCP

Joining (before it closed)

Eligibility	If you started working for Royal Mail between 1 April 2008 and 6 October 2024, or you started working for POL between 1 April 2008 and 31 March 2015, you would have automatically joined the RMDCP. If you started working for Royal Mail or POL before 1 April 2008, and chose to opt out of the Royal Mail Pension Plan ('RMPP') you may have chosen to join the RMDCP instead. **If you had five years of service with Royal Mail on or after the 1 April 2018** From 1 April 2018, Royal Mail (excluding POL) employees with five years of service could choose to start paying in to the Cash Balance Section of the Royal Mail Pension Plan ('RMPP') instead of paying into the RMDCP. These members will have benefits in both the RMDCP and the RMPP. This booklet covers information about the RMDCP only. For details of the Cash Balance Section, please look at ***Booklet 4: Royal Mail's Cash Balance Section***.

A deeper dive into the RMDCP

Investing

Default Lifecycle option

When you join first joined the RMDCP your pension pot would have been automatically invested in the **Default Lifecycle option**.

This investment approach is designed for members who want to take their pension pot all as cash (rather than to use it to provide an income – either by buying an annuity (1) or by taking it into income drawdown(2)).

If your pension pot is invested in the Default Lifecycle option, your money will move between two phases - depending on how many years you have left to retirement.

Accumulation phase (up to 10 years before your Selected Retirement Age)	This phase aims for investment growth to help you to build your pension pot. It starts by investing in the Blended Equity Fund and as you get to 15 years before your Selected Retirement Age it gradually switches to introduce the Diversified Assets Fund.
Consolidation phase (from 10 years to your Selected Retirement Age)	From 10 years to your Selected Retirement Age, your pension pot is gradually moved into the Diversified Bonds Fund and the Cash Fund, both of which have a lower investment risk than in the Accumulation phase. This change happens automatically too. By the time you reach your Selected Retirement Age, 75% of your pension pot will be invested in the Diversified Bonds Fund and around 25% will be invested in the Cash Fund.

You can find out more about the Default Lifecycle option in the **RMDCP Investment Guide** at: https://bit.ly/40rXZ5n

You'll find the supporting reference note for (1) and (2) on page 23 of this booklet.

A deeper dive into the RMDCP

Investing

Other investment options - Lifecyles

If you like the idea of ready-made investment options, but don't think that the Default Lifecycle option is right for you, then you can choose from three other Lifecyles – that target different ways of talking your pension pot:

5 Year Royal Mail Lifecycle Strategy	This strategy is designed for members who want to take most of their pension pot as cash but who wish to stay invested in more risky funds for longer than they would do in the Default Lifecycle option.
10 Year Royal Mail Flexible Retirement Strategy	This strategy is designed for members who want to keep most of their pension pot invested in retirement and take money out of it as and when they need to (known as 'income drawdown' (2)).
10 Year Royal Mail Annuity Strategy	This strategy is designed for members who want to use their pension pot to buy a guaranteed income for the rest of their life (known as 'an annuity' (1)).

You can find out more about these other Lifecyle strategies in the **RMDCP Investment Guide** at: https://bit.ly/40rXZ5n

If you keep your money invested in a Lifecycle option (including the Default Lifecycle option), it's important that you regularly review your Selected Retirement Age (which will be set at age 65 unless you change it) as it's used to decide exactly how your pension pot is invested, and when your investments will automatically move between different funds.

If your Selected Retirement Age does not reflect when you aim to retire you could lose out on potential investment growth or be exposed to excessive investment risk.

You'll find the supporting reference note for (1) and (2) on page 23 of this booklet.

A deeper dive into the RMDCP

Investing

Other investment options – Do It Yourself option

If you want full control of your investments, then you have the option of picking your own funds from the 12 funds offered, which include funds that are designed for different beliefs, faiths or risk appetite.

You can find out more about the Do It Yourself option in the **RMDCP Investment Guide** at: https://bit.ly/40rXZ5n

Or you can explore Scottish Widows' fund centre, which shows up to date fund information, including fund performance: www.scottishwidows.co.uk/save/royalmaildcplan.html

> Go to 'Your investment charges and choices' from the main menu at the top of the page, and then 'Pension funds'.

These funds do not automatically switch your exposure to risk as you approach retirement so it will be your responsibility to decide if, and when, you may wish to switch your investments.

Remember, investing money always means there's a level of risk. The value of your pension pot will go up and down with the investment markets, but to varying degrees – depending on how your savings are invested.

A deeper dive into the RMDCP

Investing

Fees

How much you pay in investment charges will depend on how you choose to invest your pension pot, as the charges vary across different funds.

The funds that your savings are invested in have charges to cover the cost of the services provided by Scottish Widows, such as administration, fund costs and managing your investments (the Annual Management Charge), plus the cost of any additional expenses incurred, like the cost of switching between Do It Yourself funds (Fund Expenses). These charges are all bundled together and known as the "Total Member Charge".

Annual Management Charge (AMC) + **Fund Expenses*** = **Total Member Charge**

There will be additional fees associated with the Diversified Assets Fund and Blended Equity Fund which relate to trading fees, legal fees, auditor fees and other operational expenses. These will be deducted on a daily basis from the investment fund before the daily price of units is calculated and can vary.

How does this work?

If you're invested in the Default Lifecycle option and are more than 15 years from your Selected Retirement Age, your Total Member Charge is currently set at 0.436% a year. This means that, in this example, for every £1,000 you have invested, you'd pay £4.36 each year as a Total Annual Fund Charge.

This amount includes the additional fees associated with the Blended Equity Fund.

A deeper dive into the RMDCP

What you'll get at retirement (currently anytime from age 55)

Retirement age	There is no set retirement age in the RMDCP. But Scottish Widows, the RMDCP administrator, will assume that you will take your pension pot at age 65 (this is known as your 'Selected Retirement Age'), unless you tell them a different age. If you don't take your pension pot Scottish Widows will change your Selected Retirement Age to 75. You can start taking money out of your RMDCP pension pot from age 55. This will rise to age 57 in April 2028. But remember, the longer you leave your pension pot invested the more time it has to grow through investment returns. You could take money from your RMDCP pension pot at a different time to when you get any other Royal Mail pensions that you might have.
Type of benefit	The RMDCP is a workplace pension scheme that was set up by Royal Mail. It is a type of "Defined Contribution" (or "DC") pension scheme - which gives you a pot of money at retirement. The RMDCP closed to new payments on 6 October 2024, but your pot of money is still invested with the aim that it will grow over time. At retirement, you have flexibility on how to use your pension pot. The value of your pension pot is not guaranteed, as it depends on how your investments perform.
Additional Voluntary Contributions (AVCs)	If you paid any AVCs into the RMDCP when it was still open to payments (before 7 October 2024) these will have been paid into the same pension pot as your regular payments were (rather than into a separate pot) – so you will only have the one pot to use when the time is right for you.

A deeper dive into the RMDCP

Retiring before age 55 (or age 57 from April 2028)

Minimum age to retire	The minimum age you can take your pension pot is currently age 55 except in the case of ill health. This minimum pension age is set by the Government and will increase from age 55 to age 57 from April 2028, although you may be able to retire earlier in cases of ill health.
Ill health retirement	If you're suffering from serious ill health, you might be able to take your whole pension pot before age 55 (or before age 57 from April 2028). **We understand that circumstances like retiring early due to ill health can be difficult. If you'd like to explore ill health retirement, please get in touch with your CWU Representative, who will be able to explain the criteria and process and support you through the steps that you'll need to take.**

A deeper dive into the RMDCP

Death before retirement

If you haven't used all of your RMDCP pension pot	**If you die and leave money in your RMDCP pension pot** You can choose an individual, several people, one or more good causes, or any combination of these to leave the value of your pension pot to when you die as a cash lump sum. Who, or what, you select is called your beneficiary or beneficiaries. **Make an expression of wish** When you choose this option, your pension pot will be paid out under trust law. That means: • The Trustee Board will take your wishes into account when deciding who to pay your pension pot to, but they will have the final choice. • The Trustee Board will consider any changes to your personal circumstances before making a payment. • You can change your listed beneficiaries at any time.

Death in service

If you're still working for Royal Mail	**If you die and are still working for Royal Mail, two things may be payable (plus the value of your pension pot as detailed above):** 1. Your dependants may be eligible to receive a Dependants Lump Sum (3) of 2x your Annual Pensionable Pay (4). 2. A life assurance benefit (5) of 4x your Annual Pensionable Pay (4) at your death (less any other death-in-service lump sum payments from other Royal Mail Group pension arrangements)

You'll find the supporting reference note for (3) (4) (5) on page 23 of this booklet.

A deeper dive into the RMDCP

Death after retirement

The benefits payable on death after retirement will depend on how you decided to use your pension pot when you retired.

If you took all of your pension pot as cash	If you took your pension pot all as cash, there will be no further benefits payable to your beneficiaries but any remaining cash at the date of death can be passed on.
If you took some (or all) of your cash sum all an annuity	If you bought a guaranteed income (an annuity) (1), the benefits payable on death after retirement will depend on the terms of the annuity that you bought. When buying an annuity, you can choose the level of death benefits that's right for you and your circumstances e.g. the pension payable to a spouse or other dependant.
If you took some (or all) of your cash sum into a drawdown arrangement	If you entered into an income drawdown (2) arrangement, the remaining benefits at date of death can be passed on to your beneficiaries.

You'll find the supporting reference note for (1) (2) on page 23 of this booklet.

A deeper dive into the RMDCP

Transferring out

Your pension pot (which includes any Additional Voluntary Contributions that you may have made)	**You can leave your pension pot in the RMDCP until you're ready to take it – with the aim that it will grow over time from investment returns.** Or, you have the option to transfer the current value of your pension pot out of the RMDCP to another registered pension scheme*. *Currently, it is not possible to transfer into the Royal Mail Collective Pension Plan (RMCPP).

Transferring in

Other pensions	**You can not transfer other pension pots into the RMDCP.** As the RMDCP closed to new payments on 6 October 2024 – it is not possible to transfer any other pension pots that you might have into the RMDCP.

Reference notes

Notes to the tables on pages 15 to 25: (1) to (5)

(1) **Annuity.** This means the regular retirement income (i.e. a yearly pension) that will be paid by an insurance company in return for a sum of money paid from your RMDCP pension pot.

(2) **Income drawdown.** This is a facility provided within a pension arrangement that enables you to take your benefits flexibly. This means that, unlike an annuity, you would have ongoing choices about the way that your money is invested and the frequency and amount of that you take out of your chosen income drawdown arrangement. You would need to transfer the value of your pension pot out of the RMDCP in order to access this. This is also sometimes known as 'Flexi Income Drawdown' or just 'Drawdown'.

(3) **Dependants Lump Sum.** Any Dependants' Lump Sum can only be paid to one or more of your dependants. People who might be considered as a 'dependant' include:

- your spouse or civil partner;
- your children (including legally adopted children) and any other children for whom you are financially responsible prior to the time of your death but the child must be under age 23 at the date of your death or must be unable to support themselves because of physical or mental incapacity;
- any person who is financially dependent upon you, or financially interdependent with you prior to the time of your death.

The Trustees' decision as to whether someone is a dependant or not will be final.

(4) **Annual Pensionable Pay.** This is the greater of:

- Your Pensionable Pay in your last full month or week of work multiplied by 12 or 52 depending on whether you are monthly or weekly paid; and
- Your total Pensionable Pay for the last year (either 12 or 52 complete pay periods will be used for this calculation depending on whether you are monthly or weekly paid).

(5) **Life Assurance Benefit.** Is only payable up to the amount of the insurance cover held by the Trustees and to the extent that the insurance provides funds to the Trustees. In certain circumstances this could mean that death benefits have to be reduced.

A note about using this booklet

This booklet is intended to give a clear and simple summary to help CWU members who work for, or have worked for, Royal Mail Group (RMG) with their retirement planning.

CWU cannot provide you with financial advice. This booklet, and the others in this set, are designed for information only and should not be seen as providing financial advice. If you are unsure about making decisions about your pension, you may want to take advice from an independent financial adviser. You can find an independent financial adviser at: www.moneyhelper.org.uk by selecting ‘Pensions & retirement’ from the main menu and then ‘Find a retirement adviser’.

We have tried to be accurate without using a lot of legal terms and pension jargon. This booklet summarises the Royal Mail Defined Contribution Plan (‘RMDCP’) - based on information at the current time. Further and up-to-date information can be found on the Royal Mail Defined Contribution Plan’s website at: https://rmdcp.uk and in the personal statements that set out your individual entitlement. These will apply in the event of any difference.

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