Royal Mail Collective Pension Plan

A guide to the Royal Mail Collective Pension Plan ('the Collective Plan' or 'RMCPP').

Booklet 2 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 booklet applies to you if:

- You worked for Royal Mail on or after 7 October 2024 and you joined the Collective Plan

This is the second 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 Collective Pension Plan** ('the Collective Plan' or 'RMCPP').

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. Plus, there's a short overview about the State Pension in **Booklet 3: NEST and the State Pension**, as well as a reminder about factoring in other pensions that you might have to your retirement planning.

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')

The Royal Mail Collective Pension Plan (the ‘RMCPP’ or the ‘Collective Plan’)

This section applies to you if:

- You’ve worked for Royal Mail (including Parcelforce) from 7 October 2024 onwards and have one full year of continuous service.

or

- You’ve worked for Royal Mail Property & Facilities Solutions (PFSL) and were an active member of the RMPP on 7 October 2024.

In this section...

The Collective Plan at a glance

The Collective Plan is a new kind of pension plan. It's the first of its kind in the UK and it works a bit differently to other Royal Mail pension schemes.

For most people, once you've been working for Royal Mail Group for a year, you'll automatically join the Collective Plan.

Once you've joined, you'll pay in to the Collective Plan every time you're paid, and Royal Mail will pay in too. You also have the option to pay more, if you want to get more at retirement. This money is then pooled together with everyone else's money and invested. It's used to give you (and everyone else in the Collective Plan) two things at retirement:

1. **An income for life:** you'll get this pension paid to you every month from the date that you retire, for the rest of your life. But the amount you get is likely to change each year. The aim of the Collective Plan is to provide increases to your income for life to help keep up with the cost of living, but your income could go down as well as up, even after you've retired.

2. **A one-off lump sum:** you'll get this cash payment on or around your retirement date (and it's normally paid tax free). The amount you'll get is guaranteed if you get it at age 67 - this means that the amount you have built up, won't ever go down.

You can't get your one-off lump sum without starting to get your income for life – you must get these together, at the same time.

You can find out more about the Collective Plan in the rest of this section of the booklet.

We've started off with a very short summary here. As you go through this section of the booklet, you'll find more detailed information about the Collective Plan.

Plus, you can explore the Collective Plan's website too: https://rmcollectiveplan.com/

The Collective Plan at a glance

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

The Royal Mail Collective Pension Plan **(RMCPP)** or "**the Collective Plan**" is Royal Mail's new pension plan that launched on 7 October 2024.

It provides two things at retirement:

- an **income for life**, and
- a **one-off cash lump sum**.

Why has Royal Mail Group launched a new pension scheme?

In recent years CWU has worked with RMG and other stakeholders to build a new pension scheme for our people that provides a one-off lump sum and an income in retirement - but that importantly is also expected to be sustainable and affordable for the business and for members.

The Collective Plan is the first pension scheme of its kind in the UK and was made possible after the Government introduced new legislation in 2021. CWU believes that it best serves the long-term interests of our members, and we will continue to work closely with RMG in the future to support the interests of the Collective Plan's members.

Who looks after the Collective Plan?

The Trustee looks after the Collective Plan and the money that all members (plus RMG) pay into it. The Trustee is independent of RMG and will usually have nine Trustee Directors - four member-nominated and five nominated by RMG, including the Chair. The Trade Unions must also approve the Chair.

How does the Collective Plan work?

A key part of the Collective Plan's design is that members will get an **income for life**. The amount a member will get as a yearly income, is not guaranteed. Instead, a yearly adjustment will be applied to all members' incomes (both to members who are building up their incomes for life, and those who have started to get theirs). This yearly adjustment is intended to provide increases to member's income for life to help keep up with the cost of living, but incomes could go down as well as up. Although more ups than downs are expected, individual yearly incomes can go down - as well as up. The reason for using this approach is to allow the Collective Plan the freedom to invest in a way that targets higher returns over the long term.

For the **one-off lump sum**, this is not the case and instead this is guaranteed not to go down.

The tables on pages 12 to 15 set out the main benefits provided by the Collective Plan in more detail.

The Collective Plan at a glance

How do I join the Collective Plan?

For most people, once they've been working for RMG for one year, they'll automatically join the Collective Plan (but there are some exceptions). Further details on joining and eligibility criteria can be found in the table on pages 11 and 12, and in the Collective Plan's Handbook, which you can find in the 'Documents & forms' page on the Collective Plan's website:
https://rmcollectiveplan.com/documents-forms

Once you've joined the Collective Plan, you will no longer be an active member of the RMPP, the RMDCP and/or NEST. Instead, you will be a 'deferred' member – but you will still have access to your pension's benefits built up in these schemes.

What will I pay in?

Once you've joined, you'll pay in 6% of your Pensionable Pay from each pay packet and Royal Mail will pay in 13.3%.

This is the same for everyone, and most people will get tax relief on what they pay - which means the cost could be even less.

Can I pay in more?

You can pay in more, if you want to. There's two options:

1. You could **boost your one-off lump sum**, by paying an extra 1% of your Pensionable Pay (and Royal Mail will pay an extra 1% too).

2. Or you could pay **Additional Voluntary Contributions** (known as 'AVCs'), into a separate pot that is held just for you. AVCs don't count towards your income for life or one-off lump sum, and your payments won't be matched by Royal Mail, but you can get tax relief on what you pay.

   If you pay AVCs into the Collective Plan, those payments will build up in a separate pot. And they have different rules about how you can take them.

Do I need to decide how my money is invested?

The payments made by members and Royal Mail are pooled together. The Trustee is responsible for managing the pooled investments that provide everyone's income for life and one-off lump sum – so you don't need to make any decisions about how your money is invested.

A deeper dive into the Collective Plan

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

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

We've used reference notes - shown as "(x)" - in this section (*A deeper dive into the Collective Plan*), 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 pages 22 to 26 of this booklet.

A deeper dive into the Collective Plan

Joining

Eligibility	**Royal Mail Group (including Parcelforce) employees:** If you were an active (contributing) member of the RMPP (see *Booklet 4: Royal Mail's Cash Balance Section*) or the standard Section of the RMDCP (see *Booklet 6: Royal Mail's past Defined Contribution (DC) pension scheme*) and had reached one years' continuous service before 7 October 2024, you will have automatically joined the Collective Plan on 7 October 2024. Your benefits built up in the RMPP or the RMDCP before 7 October 2024 will stay in those pension schemes, but you will not build up new benefits in the RMPP or the RMDCP for service after 7 October 2024 – only the Collective Plan will be used for future benefit build up. You will otherwise automatically join to the Collective Plan when you reach one years' continuous service (after 7 October 2024). If you were in the entry level Section of the RMDCP or were not an active (contributing) member of the RMPP or standard Section of the RMDCP, on 7 October 2024 you will not have automatically joined the Collective Plan. Instead, Royal Mail should have written to you offering you the option to join the Collective Plan. If you decided not to join you will remain eligible to join in the future. You can contact Royal Mail's HR Services to request a Collective Plan opt-in form. Contact details can be found in on the Collective Plan's website: https://rmcollectiveplan.com/get-in-touch **Royal Mail Property & Facilities Solutions (PFSL) employees:** All eligible employees of Royal Mail Property & Facilities Solutions (PFSL) automatically joined the Collective Plan on 7 October 2024. No other employees are eligible to join. Further details can be found in the Collective Plan's Handbook which you can find in the 'Documents & forms' page on the Collective Plan's website: https://rmcollectiveplan.com/documents-forms

A deeper dive into the Collective Plan

Joining

Is membership compulsory?	The Collective Plan is the only Royal Main pension scheme open to members from 7 October 2024, apart from NEST. Most employees will join the Collective Plan automatically once they have been working for Royal Mail for a full year. However, if you do not want to join the Collective Plan, you can choose to opt-out. • **If you opt-out of the Collective Plan before you ever join**, you have the option to re-join twice. You cannot re-join if you opt-out of the Collective Plan a third time. • **If you join the Collective Plan and then opt-out** (and remain eligible), you have the option to re-join only once. You cannot re-join if you opt-out of the Collective Plan a second time. If you do choose to opt out, you will still be able to join NEST which the Royal Mail will contribute to (please see *Booklet 3: NEST and the State Pension* for more information about NEST). You will not be able to join any of the legacy Royal Mail pension schemes (such as RMPP or RMDCP) as these are now closed to future benefit build up.

A deeper dive into the Collective Plan

Paying in

What you'll pay	You pay: **6%** of your Pensionable Pay (1) (2) Royal Mail pays: **13.3%** of your Pensionable Pay (plus Royal Mail pays 0.3% of your Pensionable Pay towards ill-health premiums (3)).
Paying more	**Boost** You have the option to pay an additional 1% of Pensionable Pay to boost your lump sum. If you do, Royal Mail will also contribute an additional 1% to boost your lump sum. See the Collective Plan's website for more information: https://rmcollectiveplan.com/save-boost **Additional Voluntary Contributions (AVCs)** You can also pay Additional Voluntary Contributions (known as AVCs) into a separate pot. These extra contributions will not be matched by Royal Mail. You'll save these AVC payments up in a separate pot in the Collective Plan. These are separate from the main Collective Plan benefits and are "Defined Contribution" savings, similar to the RMDCP. They also have different rules about how you can take them. Further details can be found in the Collective Plan's AVC Fund Guide which you can find in the 'Documents & forms' page on the Collective Plan's website: https://rmcollectiveplan.com/documents-forms

You'll find the supporting reference notes for (1) (2) (3) on pages 22 to 26 of this booklet.

A deeper dive into the Collective Plan

What you'll get at retirement

Type of benefit	The Collective Plan is split into two main sections: • one to provide an **income for life** (pension) (4). This is the Collective Defined Contribution or "CDC" Section, and • one to provide the **one-off lump sum** (5). This is the Defined Benefit Lump Sum or "DBLS" Section. The money (known as 'assets') held in each Section is held separately. This means that the money set aside for pensions (income for life) cannot be used to provide lump sum benefits, and vice versa. The one-off cash lump sum must be taken at the same time as you start to take your income for life, these benefits cannot be taken separately.
Retirement age	The Normal Retirement Age is **67**.
Service	This is the number of years a member pays into the Collective Plan. Service will start from 7 October 2024 for members who joined the Collective Plan when it was launched.
Income for life (pension) for each year of membership	You'll build up **1/80th of your Pensionable Pay each year**. The Collective Plan aims to provide increases to your pension to help keep up with the cost of living, but these are not guaranteed. This means your **yearly income could go down, as well as up**. See the section on **Increases to income for life (pension)** below for more details.

Examples for different amounts of Pensionable Pay

Examples of how the formula for the **income for life** and one-off **lump sum** work in practice for an illustrative Pensionable Pay can be found in the Collective Plan's Handbook, which you can find in the 'Documents & forms' page on the Collective Plan's website: https://rmcollectiveplan.com/documents-forms

You'll find the supporting reference notes for (4) (5) on pages 22 to 26 of this booklet.

A deeper dive into the Collective Plan

What you'll get at retirement

One-off cash lump sum for each year of membership	You'll build up **3/80th of your Pensionable Pay each year.** Unlike the income for life benefit, the **one-off lump sum is a guaranteed amount**.
Increases to income for life (pension)	Each year your income for life will change, both when you're building it up and after you've started to get it in retirement. **The Collective Plan aims to provide increases to your pension to help keep up with the cost of living, but these are not guaranteed.** Everyone's income for life is adjusted (6) each year by the same percentage, even after you've retired, so that the cost of everyone's incomes stays in balance with the value of the Collective Plan's assets. This means your pension could also go down, as well as up, depending on the performance of the Collective Plan. More information on the investment approach supporting the income for life is included on page 27 (7).
Increases to one-off cash lump sum	**Unlike your income for life, the lump sum can't ever go down – it is guaranteed by Royal Mail.** Increases aren't guaranteed each year, but discretionary increases are targeted to keep up with the cost of living, so your lump sum could go up. If an increase is granted, it is then also guaranteed by Royal Mail so it cannot be taken away in the future. More information on the investment approach supporting the cash lump sum is included on page 27 in note (8).

You'll find the supporting reference notes for (6) (7) (8) on pages 22 to 26 of this booklet.

A deeper dive into the Collective Plan

Retiring before age 67 (Normal Retirement Age)

Similarly to Royal Mail's other pension schemes, you can choose to retire before the Plan's Normal Retirement Age of 67. If you take your benefits early, your benefits are reduced - the earlier you retire, the bigger the reduction.

Early retirement (before age 67)	Retiring early means your income for life and lump sum will normally be reduced, because the amount you've built up will need to last longer (as it has been put into payment earlier) and the Collective Plan hasn't had as long to get returns on the Collective Plan's investments. It's worth noting that, depending on your circumstances, either Royal Mail or the Trustee (9) have the right to refuse payment of your income for life and one-off lump sum before age 67.
Minimum age to retire	The minimum age you can start getting your income for life (and get your one-off lump sum) 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	You could get your income for life and one-off lump sum early if you meet the criteria for ill health, even if you've stopped working for Royal Mail. How much you will get will depend on if you're paying into the Collective Plan or not. In some circumstances your dependants could receive an additional lump sum if you die shortly after taking ill health retirement. **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.**

You'll find the supporting reference note for (9) on pages 22 to 26 of this booklet.

A deeper dive into the Collective Plan

Retiring after age 67 (Normal Retirement Age)

Late retirement (after age 67)	**If you're still paying into the Collective Plan (known as being an 'active member')** • If you're still working for Royal Mail and still paying into the Collective Plan (an active member), you can choose to delay getting your income for life and lump sum past age 67. This means that you can continue to pay into the Collective Plan and continue to build up both your income for life and one-off lump sum, just as you had before age 67 – subject to the adjustments each year. • Although you will continue to build up your income for life - there won't be any additional increase applied on top of that to reflect that you have started to get it later, and that it will be paid for less time - as is common practice with some DB pension schemes. **If you're not paying into the Collective Plan (known as a 'deferred member')** • If you've stopped working for Royal Mail and/or stopped paying into the Collective Plan before you reach age 67 (deferred members), you cannot retire late. You must start getting your income for life and get your one-off lump sum at age 67 at the latest.

A deeper dive into the Collective Plan

Death in service - if you're paying into the Collective Plan

Death in service lump sum	**4x your Pensionable Pay* will be paid at the discretion of the Trustee to your dependants (10).** Additionally, your dependants might also get part of your income for life and your one-off lump sum, as set out below for death before retirement. *If you are also member of the RMPP and/or the RMSPS, and you receive any death in service benefit which is due from them, the Collective Plan will only top up any difference up to 4x your Pensionable Pay due from the Collective Plan. If the RMPP and/or the RMSPS benefit is more than the Collective Plan benefit, then no benefit is payable from the Collective Plan.

Death before retirement

If you're paying into the Collective Plan (known as being an 'active member') or if you have stopped paying into the Collective Plan before getting your benefits (known as being a 'deferred member').

If you have eligible dependants (10), part of the income for life you have been building up would be used to pay an income to them. It will go up or down in the same way as explained above.

Income for life (pension) to spouse or civil partner	**If you have an eligible dependant (other than a child) (10).** Half (50%) of the income for life that you were being paid at your date of death would go to your dependant(s).

You'll find the supporting reference note for (10) on pages 22 to 26 of this booklet.

A deeper dive into the Collective Plan

Death before retirement

Income for life (pension) to children	**If you have children** (10)**.** Plus, if you have an eligible child, they'll get 25% of what you've built up. If you have more than one child who's eligible, 50% of what you've built up will be shared between them. These incomes are payable for so long as the children remain eligible.
One-off lump sum	The part that had been building up to give you a one-off lump sum, including any booster payments you've saved, would be paid as a one-off lump sum to your dependant(s) too. The amount paid would be the value at your date of death, without any reduction. In addition, active members would receive the death in service lump sum too, as described above.
AVC savings	If you've also paid Additional Voluntary Contributions (AVCs), these will be paid as a lump sum to your dependant(s). This lump sum will be separate to the one-off lump sum paid directly from the Collective Plan.

Death after retirement (with income for life in payment)

If you have eligible dependants (10), part of the income for life you are getting would be used to pay an income to them. This income will go up or down in the same way as it does for you and other members – as explained on page 13.

Income for life (pension) to spouse or civil partner	**If you have an eligible dependant (other than a child)** (10)**.** Half (50%) of the income for life that you were being paid at your date of death would go to your dependant(s).

You'll find the supporting reference note for (10) on pages 22 to 26 of this booklet.

A deeper dive into the Collective Plan

Death after retirement (with income for life in payment)

Income for life (pension) to children	**If you have an eligible child (10), they'll get 25% of the income for life that you were being paid at your date of death.** If you have more than one child who's eligible, 50% of what you were being paid at your date of death will be shared between them. These incomes are payable for so long as the children remain eligible.
One-off lump sum	When you start getting your income for life, your one-off lump sum is paid at the same time (they can't be taken separately), so there will be no lump sum paid by the Collective Plan when you die as you will have already got it.

Leaving the Collective Plan - if you stop working for RMG or opt out of the Plan

If you decide to leave the Collective Plan, stop work, or move to a new employer, how the money that you've paid in is treated depends on how long you've been a member of the Collective Plan.

If you were working for Royal Mail on 7 October 2024	If you stop paying into the Collective Plan, you'll become a 'deferred' member. The benefits you've built up in the Collective Plan up until the date you stop paying in will not be affected and you can still get your income for life and one-off lump sum when you choose to retire. Or you can choose to transfer the value of your benefits (11) out of the Collective Plan to another registered pension scheme. You can't have a refund of the money that you (or Royal Mail) have paid into the Collective Plan.

You'll find the supporting reference note for (11) on pages 22 to 26 of this booklet.

A deeper dive into the Collective Plan

Leaving the Collective Plan - if you stop working for RMG or opt out of the Plan

If you started working for Royal Mail after 7 October 2024	**If you've been a member of the Collective Plan for less than 3 months when you stop paying into the Collective Plan.** The payments you've made into the Collective Plan will be refunded to you by Royal Mail (including any booster payments and AVCs you've made). You won't get a refund of the payments Royal Mail has made into the Collective Plan. **If you've been a member of the Collective Plan for between 3 months and 1 year when you stop paying into the Collective Plan.** You'll have the option to: • get a refund of the payments you've made into the Collective Plan, including any booster payments or AVCs you've made, or • transfer the full value of your payments, including any booster payments or AVCs you've made (plus Royal Mail's payments) to another registered pension scheme (11). **If you've been a member of the Collective Plan for more than 1 year when you stop paying into the Collective Plan.** You'll become a 'deferred' member of the Collective Plan. Your benefits that you've built up in the Collective Plan will not be affected and you can still get your income for life and one-off lump sum when you choose to retire. Or you can choose to transfer the value of your benefits (11) out of the Collective Plan to another registered pension scheme. You can't have a refund of what you, or Royal Mail, has paid into the Collective Plan.
Alternative to deferred benefits	As noted above, members may transfer the value of their benefits to another suitable pension scheme (11).

You'll find the supporting reference note for (11) on pages 22 to 26 of this booklet.

Reference notes

Notes to the tables on pages 11 to 21: (1) to (4)

(1)	**Basic Pay.** This is the base pay for your role. It doesn't include any extra pay, such as overtime, allowances and bonuses. **Pensionable Pay.** Your pensionable pay is your basic pay, plus other payments such as allowances and bonuses may count towards your pension depending on the terms of your employment. If you are also a member of another Royal Mail pension scheme you should be aware that the definitions of pensionable pay are different in the different schemes. If you work part-time, overtime will also count as part of your pensionable pay, up to the point that your hours reach the same as they would be for someone in a full-time contract for your role (provided that those hours are paid at the same rate as basic pay).
(2)	**Pension Salary Exchange (PSE).** If eligible, the payments you make into the Collective Plan are made through something called Pension Salary Exchange (PSE), sometimes known as salary sacrifice. The way this works is that your wage is reduced by the amount you pay into the Collective Plan, and your employer pays the equivalent amount your wage is reduced by into the Collective Plan on your behalf. This means that, under PSE, you agree to reduce your wage, and you gain from National Insurance savings, when compared with making payments directly from your wage without any PSE reduction. For more information about PSE and to check if you're eligible, contact Royal Mail's HR Services.
(3)	**Ill health premiums.** Separately to its contributions to the Collective Plan, Royal Mail also allocates 0.3% of Pensionable Pay to pay ill health premiums. These are paid to a health insurer to provide ill health benefits to eligible RMG employees. These payments do not form part of the Collective Plan (and the Trustee is not responsible for the payment of the benefits that the insurance policy will provide). For more information about these benefits, contact Royal Mail's HR Services.
(4)	**The Collective Defined Contribution or "CDC" Section.** The benefit from this section is a pension (known as an income for life). The benefits it provides are not guaranteed. The money you and Royal Mail pay in is pooled together other members' contributions and the money is all invested together. The Collective Plan's assets are the total of all the contributions paid in by members and the Royal Mail, together with investment returns. Everyone's income for life is adjusted each year so the cost of everyone's income stays in balance with the value of the Collective Plan's assets. Everyone's income will be adjusted by the same amount. This adjustment will vary each year, and your income could go down as well as up. The aim is to have more ups than downs and so that your income for life will keep up with the cost of living over time, but this is not guaranteed.

Reference notes

Notes to the tables on pages 11 to 21: (5) to (6)

(5) **The Defined Benefit Lump Sum or "DBLS" Section.** The benefit from this section is a one-off cash lump sum at retirement (paid at the same time you start to get your income for life).

The benefits are guaranteed by Royal Mail once earned, so your lump sum won't go down. Increases are not guaranteed, but if investments perform well, everyone's lump sum could increase. Any increases granted become guaranteed and cannot be taken away in the future. You might be able to get your lump sum tax free, depending on how much you've built up and the tax rules when you take your benefits.

(6) **Adjustments to your income for life.** Each year, the Trustee (8), and some of the Collective Plan's advisers will look at the Collective Plan's investments and estimated future spend to work out how much to adjust everyone's income for life by.

In line with the Collective Plan's Trust Deed & Rules, they'll consider three main things for your income for life:

- the ups and downs of the Collective Plan's investments for the past year,
- the estimates of how the Collective Plan's investments will perform in the future; and
- how much the Trustees think it's going to cost to manage the Collective Plan and pay everyone's incomes for life.

They will then work out how much to change your (and everyone else's) income for life by.

The aim is to increase everyone's income for life over time to help keep up with the cost of living, but in some years, they could have to decrease your income for life. Whether or not you've already started getting your income for life, everyone's income for life will go up, or down, by the same percentage.

It's important to remember that this is how the Collective Plan is designed to work. Royal Mail expect there to be years where your income for life goes down, this is part of the design. The aim is that, over time, there will be more ups than downs. By accepting that incomes can go down, money can be invested in a way which aims to create a bigger income for you (and everyone else) over your lifetime.

Reference notes

Notes to the tables on pages 11 to 21: (6 continued)

(6) **Timing of these adjustments.** The Trustee will inform you of the adjustment each year and will aim to make sure you've got at least 6 weeks' notice from telling you the amount your income will be adjusted by and that taking affect.

If there are increases to be made, or if decreases are less than 5%, the Collective Plan will make these changes on 31 March in the relevant year.

In the event that decreases of more than 5% are needed, they'll be spread over two or three years (on 31 March each time), so the reduction in everyone's income for life won't happen all in one year.

- The first-year decrease would usually be 5%, with
- any balance up to 5% applied in year 2, and
- any balance over 5% of that applied in year 3.

The exception to this is if three 5% decreases are not enough, in which case all three years will be at the same level (for example, a 6% decrease would be applied each year for three years if the overall decrease was 18%).

If, in one year, it is decided that decreases of more than 5% are needed (so that the decreases are split over two or three years) and in the next year it is decided that further decreases are necessary, these can apply in addition to the decreases which are already due to be applied.

For more information about how your income for life is adjusted each year, see the Collective Plan Handbook which you can find in the 'Documents & forms' page on the Collective Plan's website: https://rmcollectiveplan.com/documents-forms

Reference notes

Notes to the tables on pages 11 to 21: (7) to (9)

(7) **How the CDC Section (your income for life) is invested.** Royal Mail's payments along with member's payments are pooled together into one collective investment. Every member of the Collective Plan shares in the ups and the downs of this collective investment.

The assets of the CDC Section are invested separately from the DBLS Section. This allows the two Sections to invest differently, which is important as the benefits from the CDC Section are not guaranteed, whereas the benefits from the DBLS Section are guaranteed by Royal Mail.

One of the benefits of having everyone's contributions pooled together is that the Collective Plan is able to balance risk across all members. As a result, the Collective Plan can target higher return investments that might go down in the short term but are estimated to deliver higher growth over the long term.

This is why in some years you could see your income for life go down, or not keep up with the cost of living. The aim is that by accepting short-term risk and that there might be some years where your income could go down, the Collective Plan is able to provide a greater overall income for you in your lifetime. However, all investments come with risk and this is not guaranteed.

(8) **How the DBLS Section (your lump sum) is invested.** Your one-off lump sum is guaranteed by Royal Mail to be a minimum of 3/80th of your Pensionable Pay for each year you pay into the Collective Plan. Like with your income for life, the payments from you and Royal Mail towards this are collected and invested. There is an aim to deliver growth so that you lump sum can be increased to help keep up with the cost of living.

The Collective Plan's Trust Deed & Rules set out how the Trustee will invest your lump sum. Remember that, unlike your income for life, your lump sum is guaranteed by Royal Mail. If investment performance is worse than estimated, your lump sum won't go down. Instead, Royal Mail could have to make additional payments into the Collective Plan. This is why, in line with the Collective Plan's investment rules, there is likely to be a greater emphasis on lower-risk investments that are considered less likely to go down in the short term but might not deliver as much growth over the long term.

If you choose to pay the extra 1% booster, this money and Royal Mail's matching 1% contribution will be invested in the same way as the other lump sum investments.

(9) **The Trustee.** The Trustee that looks after the Collective Plan, and the money you and everyone else pays into it, is made up of a board of Trustee Directors. The Trustee Directors are independent of Royal Mail and work together (with help from expert advisers and service providers) to manage the Collective Plan and make important decisions about how the Collective Plan is run.

Reference notes

Notes to the tables on pages 11 to 21: (10) to (11)

(10) **Dependants.** Some of your loved ones will be referred to as your ‘dependants’ in the Collective Plan.
When we say “Dependant” this means:

- a member’s spouse (of any gender) or Civil Partner (of any gender), or Qualifying Child; and
- any person who was not married to, or a Civil Partner of, the member at the date of the member’s death and is not a Qualifying Child of the member and, in the opinion of the Trustee, was at the date of the member’s death:
  - financially dependent on the member;
  - in a financial relationship with the member of mutual dependence; or
  - dependent on the member because of physical or mental impairment.

A child must be either: Under 18; Under 23 and in full-time education: or any age and assessed to be dependent because of physical or mental impairment.

(11) **Transferring out of the Collective Plan.** If you leave the Collective Plan before you get your income for life and one-off lump sum, you could choose to transfer out what you’ve built up in the Collective Plan, including any booster payments or Additional Voluntary Contributions (AVCs) you’ve made.

It’s possible to transfer out individual parts of what you have in the Collective Plan. For example, you could transfer out what you’ve built up towards your income for life but keep what you’ve built up towards your lump sum. However, you must transfer your entire income for life or lump sum benefit. You cannot transfer a percentage of what you’ve built up towards your lump sum or income for life, unless Royal Mail permits otherwise.

To transfer out, you’ll need to transfer your pension to a HMRC UK registered pension scheme or Qualified Registered Overseas Pension Scheme (or benefits can be transferred to an insurer for the purpose of purchasing an annuity).

The amount of the transfer value will be your share of the Collective Plan’s assets at that time. It is worked out by the Trustee as the amount of money estimated to be needed to pay your benefits compared to how much is estimated to be needed to pay everyone’s benefits. This is based on your age and size of benefits built up, as well as estimates set by the Trustee of what will happen in the future, including how the Collective Plan’s investments will perform. Transferring out of one pension arrangement (like the Collective Plan) to another is a big decision and one that you can’t change once you’ve transferred out. We strongly recommend you get independent financial advice. Further details can be found in The Collective Plan Handbook.

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 provides an outline of the benefits in the Royal Mail Collective Pension Plan (‘RMCPP’ or the ‘Collective Plan’) only, but does not give you any legal right to those benefits and cannot cover every possible outcome. It gives no legal rights to benefits, which are governed only by the Trust Deed and Rules of the RMCPP which may change from time to time, as well as by legislation. It was not prepared on behalf of any of Royal Mail, or the RMCPP Trustees, who can take no responsibility for it.

More information can be found on the Royal Mail Collective Pension Plan’s website at: https://rmcollectiveplan.com and in the personal statements that set out your individual entitlement.

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