



The communications union



Royal Mail Pensions: taking your benefits early



ROYAL MAIL PENSION PLAN:

HOW BENEFITS CHANGE ON RETIRING BEFORE AGE 65

The Royal Mail Pension Plan gives Royal Mail's workforce a lot of flexibility about how and when they take their pension. This means there should be a retirement option to suit you.

When planning your retirement it is important to look at the detail – you should ask yourself:

- **Will a reduction factor be applied to my pension?** Generally when you choose to take your pension before 65 and carry on working then any pension paid may be reduced to allow for the fact that it is being paid earlier than expected and will be paid for longer. The part of your pension earned before 1 April 2010 is payable from age 60 – this is referred to below as the NRA60 pension. The rest of your pension is payable from age 65, referred to below as the NRA65 pension. Under the flexible retirement options NRA60 pension is currently reduced by about 5% for each year remaining to age 60 when the pension starts. NRA65 pension is currently reduced by about 5% for each year remaining to age 65 when the pension starts.
- **Do I want to carry on contributing to the Plan and building up pension in future?**
- **Will my continuing earnings taken together with my pension put me into a higher rate tax bracket?** Pension is taxable as income just like your pay so if these two (plus any other income you may have), total more than £42,475 (2011/12) you will pay 40% tax on the excess.
- **If I become ill in future will I still get the enhanced ill health early retirement pension?**
- **How will retirement affect the lump sum and spouse/civil partner's pension payable if I die?**

Once you reach age 55, you have five main options:

- 1 Continue working and do not draw any benefits
- 2 Continue working and draw only your NRA60 benefits
- 3 Continue working and draw only your NRA65 benefits
- 4 Continue working and draw all your benefits
- 5 Retire completely, stop working and draw all your benefits. In this case how much pension you get depends on your circumstances. Those retiring through ill health and Section A/B members who are being made redundant get more.

Under each of the five options different early retirement reductions are made to your pension and different benefits apply on subsequent death or ill health. These are summarised in the following tables.

More detail can be obtained from the Royal Mail Pension Plan's various booklets which can be downloaded from:



www.royalmailpensionplan.co.uk/55/pensions-brochures

Please note that the following tables apply only to current Royal Mail employees who are contributing members of the Royal Mail Pension Plan or who have reached maximum reckonable service of 45 years.

If you have left Royal Mail's employment or opted out of the Royal Mail Pension Plan different rules apply (and the relevant booklets can be found by following the link above).

Text suggestion needed here about seeking independent financial advice if unsure which might be best option. Local advisers can be found at www.unbiased.co.uk

SECTION A/B MEMBERS

Flexible retirement options (taking pension, but carrying on working for Royal Mail)					
	Continue working and take no benefits	Continue working Take NRA60	Continue working Take NRA65	Continue working Take all	Retire completely (no longer working)
What early retirement factors apply?	N/A	Reduced for early payment if you retire before age 60	Reduced for early payment if you retire before age 65	NRA60 benefits reduced before age 60 and NRA65 benefits reduced before age 65	NRA60 benefits reduced before age 60 and NRA65 benefits reduced before age 65 unless you are being made redundant* (in which case no reduction applies) or retiring in ill health (in which case extra service is credited to you and no reduction applies)
Can I still contribute?	Yes	Yes	No	No	No
What happens if I later become ill – am I still entitled to a pension based on enhanced service if I am retired on ill health grounds?	Yes	Yes: NRA60 pension continues and NRA65 pension starts, calculated on enhanced service	No. You will no longer be eligible for enhanced service as you are no longer a contributing member.	No. You will no longer be eligible for enhanced service as you are no longer a contributing member.	No. You will no longer be eligible for enhanced service as you are no longer a contributing member.
What lump sum is payable if I later die?	Greater of: <ul style="list-style-type: none"> • 4x PS** and • 5 x total pension*** 	Greater of: <ul style="list-style-type: none"> • 4x PS*** less cash and pension payments received and • 5 x NRA65 pension plus the balance of 5 years payments (if any) on NRA60 pension*** 	Greater of: <ul style="list-style-type: none"> • 1.25x PS** and • 5 x NRA60 pension plus the balance of 5 years payments (if any) on NRA65 pension*** 	Balance of 5 years payments (if any) on total pension	Balance of 5 years payments (if any) on total pension

What pension is payable to my spouse or civil partner if I later die?	Flexible retirement options (taking pension, but carrying on working for Royal Mail)			
	Continue working and take no benefits	Continue working Take NRA60	Continue working Take NRA65	Continue working Take all
	Up to 50% total ill health pension	Pension continues for 91 days. Then up to 50% NRA60 pension (ignoring any extra tax free cash sum taken) plus up to 50% NRA65 ill health pension	Up to 50% NRA60 pension (ignoring any extra tax free cash sum taken) plus up to 50% NRA65 pension	Pension continues for 91 days. Then up to 50% total pension
				Retire completely (no longer working)

* Requires Company consent for CWU represented members

** PS (Pensionable Salary) is usually just your best annual rate of basic pay in the last 3 years (plus any other pensionable allowances). If you are working part time this will be your part time salary, not the full time equivalent.

*** A larger sum may be payable for members who paid an additional 0.2% contribution up to 31 March 1999

SECTION C MEMBERS

Flexible retirement options (taking pension, but carrying on working for Royal Mail)					
	Continue working and take no benefits	Continue working Take NRA60	Continue working Take NRA65	Continue working Take all	Retire completely (no longer working)
What early retirement factors apply?	N/A	Reduced for early payment if you retire before age 60	Reduced for early payment if you retire before age 65	NRA60 benefits reduced before age 60 and NRA65 benefits reduced before age 65	NRA60 benefits reduced before age 60 and NRA65 benefits reduced before age 65 unless you are retiring in ill health (in which case extra service is credited to you and no reduction applies)
Can I still contribute?	Yes	Yes	No	No	No
What happens if I become ill – am I still entitled to a pension based on enhanced service if I am retired on ill health grounds?	Yes	Yes: NRA60 pension continues and NRA65 pension starts, calculated on enhanced service*	No. You will no longer be eligible for enhanced service as you are no longer a contributing member.	No. You will no longer be eligible for enhanced service as you are no longer a contributing member.	No. You will no longer be eligible for enhanced service as you are no longer a contributing member.
What lump sum is payable if I later die?	Greater of 4 x FPP and 5 x any preserved NRA60 pension	Greater of: • 4x FPP** less cash and pension payments received and • 5 x NRA65 pension plus the balance of 5 years payments (if any) on NRA60 pension	Greater of: • 4x FPP** less cash and pension payments received and • 5 x NRA60 pension plus the balance of 5 years	Balance of 5 years payments (if any) on total pension	Balance of 5 years payments (if any) on total pension

Flexible retirement options (taking pension, but carrying on working for Royal Mail)					
	Continue working and take no benefits	Continue working Take NRA60	Continue working Take NRA65	Continue working Take all	Retire completely (no longer working)
What pension is payable to my spouse or civil partner if I later die?	Up to 50% total ill health pension	Pension continues for 91 days. Then 50% NRA60 pension (ignoring any extra tax free cash sum taken) plus 50% NRA65 ill health pension	Pension continues for 91 days. Then 50% NRA65 pension (ignoring any extra tax free cash sum taken) plus 50% NRA60 pension	Pension continues for 91 days. Then up to 50% total pension (ignoring any tax free cash sum taken)	Pension continues for 91 days. Then 50% total pension (ignoring any tax free cash sum taken)

* Pension supplement also payable up to State Pension Age
 ** FPP (Final Pensionable Pay) is not reduced by the Lower Earnings Deduction, so this is usually just your best annual rate of basic pay in the last 3 years (plus any other pensionable allowances). If you are working part time this will be your part time salary not the full time equivalent.

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