

Pension Illustration in Today's Value

Royal Mail Defined Contribution Plan

March 2012

Helping you to understand what percentage of your earnings you might receive as a pension at your Normal Retirement Age (NRA) of 65 in today's value, through participating in the Royal Mail Defined Contribution Plan ('the Plan').

		62	60	58	56	54	52	50
8% total payment (you plus your employer)	Percentage of current earnings you might receive at age 65	1	1	2	3	3	4	5
10% total payment (you plus your employer)	Percentage of current earnings you might receive at age 65	1	2	2	3	4	6	7
12% total payment (you plus your employer)	Percentage of current earnings you might receive at age 65	1	2	3	4	5	7	8

Over time inflation will reduce the buying power of money. For example, in 20 years' time £10,000 a year will buy only the same as £6,100 a year today, assuming inflation of 2.5% a year. In other words, although the income is still £10,000 a year it would only buy as much as £6,100 a year does today. The above table is intended to provide you with an indication of the percentage of your current earnings in today's value (allowing for future inflation) that you might receive at your NRA through participating in the Plan. Please be aware that this is only an illustration and you are not guaranteed to receive the pension percentage shown. **The above percentages assume that you will continue as a contributing member of the Plan until you are age 65.**

To find the relevant percentage of earnings you might receive, use the row containing the total payment percentage you and your employer may make to the Plan, and then find the column showing your age.

Your age now															
48	46	44	42	40	38	36	34	32	30	28	26	24	22	20	18
6	7	8	10	11	12	14	16	17	19	21	23	25	28	31	33
8	9	11	12	14	16	17	20	22	24	26	29	32	35	38	42
10	11	13	15	17	19	21	23	26	29	32	35	38	42	46	50

By way of an example, if you are 30 years old, the Plan might provide you with a pension of:

- 19% of your earnings on the basis of an 8% total payment. So if your current earnings are £20,000 a year, you could receive a pension of £3,800 a year at age 65 in today's value.
- 24% of your earnings on the basis of a 10% total payment. So if your current earnings are £20,000 a year, you could receive a pension of £4,800 a year at age 65 in today's value.
- 29% of your earnings on the basis of a 12% total payment. So if your current earnings are £20,000 a year, you could receive a pension of £5,800 a year at age 65 in today's value.

Note: You may pay additional contributions to increase your estimated pension. Please see the Plan Guide for more details.

We've assumed that:

- your earnings and therefore the regular payments will grow at 2.5% each year
- your Member Account will grow at 6.97% each year until you're 65
- interest rates at age 65 will be in accordance with the Statutory Money Purchase Illustrations (SMPI) guidance as at the date of this statement
- inflation (as measured by the Retail Prices Index) will be 2.5% each year to age 65
- Zurich will take a charge from your Member Account each year of between 0.35% – 0.65% of the value of the account (in practice the actual charge could be more or less than this)
- you remain a contributing member of the Plan all the way to age 65
- your pension will be paid at the start of each month for your lifetime
- there will be an increase in the pension paid to you each year in line with the increase in the Retail Prices Index
- your pension will be paid for your lifetime, but for a minimum 5 year period. Upon your death half of your pension will be paid to your surviving spouse, partner or registered civil partner for their lifetime.
- if you are male, your spouse, partner or registered civil partner is three years younger than you and if you are female, your spouse, partner or registered civil partner is three years older than you
- you will not take part of your Member Account as a tax free cash sum when you buy your pension (in practice you will have the choice to take a cash sum).

A change in any of these assumptions will change the pension value and percentage shown.

Please note:

- The Trustees, your employer and its employees are not authorised by the Financial Services Authority and so are not permitted to give you advice on what is best in your own personal circumstances. Zurich is also unable to provide financial advice to you. If you need advice you should talk to an independent financial adviser who may charge you for the service.
- These figures are only examples and are not guaranteed – they are not minimum or maximum percentages.
- The percentage of earnings that you will actually receive as a pension could be more or less than illustrated overleaf and will depend on:
 - the regular payments that are actually made
 - how your Member Account grows, and
 - interest rates and annuity rates at the time you retire.
- The illustrations in the table make the same assumptions at all ages about growth rates, interest rates, the rate of inflation and charges to calculate what your Member Account might provide when converted into pension income.
- You should not make any decisions about your pension arrangements based on this table alone.

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