

**PENSIONS  
AGREEMENT  
BETWEEN  
ROYAL MAIL  
& CWU**

**DATED** \_\_\_\_\_ **December 2013**

**ROYAL MAIL GROUP LIMITED**

**- and -**

**COMMUNICATION WORKERS UNION**

---

**PENSIONS AGREEMENT**

---

Date:

December 2013

## INTRODUCTION

The purpose of this legally binding agreement is to safeguard the future of the Royal Mail Pension Plan and improve the Royal Mail Defined Contribution Plan.

Parties:

- (1) **ROYAL MAIL GROUP LIMITED** (company number 04138203) whose registered office is at 100 Victoria Embankment, London EC4Y 0HQ (the “Company”); and
- (2) **COMMUNICATION WORKERS UNION**, a trade union within the meaning of section 1 of the Trade Union and Labour Relations (Consolidation) Act 1992, whose head office is at 150 the Broadway London SW19 1RX (the “Union”).

## BACKGROUND

- A. Both parties agree that the pension benefit represents a key element of the reward package for employees, whichever plan they belong to, and that the future of that benefit can best be maintained through the terms of this legally binding Agreement and by the Company and the Union jointly developing future pension strategy. They acknowledge that pension arrangements are long term by their nature and that employees need stability and certainty about their pension benefits.
- B. Both parties recognise that the Royal Mail Defined Contribution Plan (the “RMDCP”) has become increasingly important as its membership has grown. From starting in 2008 it now has over 35,000 contributing members and it is important that their position be reviewed and improved as part of this Agreement.
- C. Following the actuarial valuation showing the condition of the Royal Mail Pension Plan (the “RMPP”) as at 31 March 2012, the Company made proposals to change the benefits that the RMPP provides and to increase contributions by the Company to the RMDCP. Following consultation with members of the RMPP and the Union, the Company and the Union have reached an agreement on the terms set out below.
- D. The Company and the Union enter this Agreement on the basis that it is a legally enforceable contract between the Company and the Union. Accordingly the statutory presumption referred to in section 179 of the Trade Union and Labour Relations (Consolidation) Act 1992 will not apply.
- E. The parties note that the changes to RMPP set out below have taken effect by amendments to the trust deed and rules that govern that plan. The changes to RMDCP must be made by deed executed by the Company. By executing this Agreement the Company undertakes to make amendments which incorporate the effect of this Agreement in the RMDCP Rules.

## SCOPE

1. The Agreement below sets out:
  - 1.1 A revised pension arrangement which represents a significant improvement to the proposal on which the Company originally consulted members of the RMPP, which retains a final salary link for members who move within the two Union's represented grade bandings and provides confidence in the future of pension accrual in the RMPP;
  - 1.2 An ongoing legally binding commitment to keep RMPP open with no increase in the contribution rate for members of the RMPP, or their normal retirement age or any change to accrual rates. This will be reviewed from time to time in accordance with Clauses 4 and 5 of this Agreement;
  - 1.3 Improvements to the rate at which the Company contributes to the RMDCP, increasing the contribution rate from the Company at all levels and removal of the lowest level of contribution (subject to consultation with RMDCP members);
  - 1.4 New arrangements for the involvement of the Union in the governance of pensions policy; and
  - 1.5 New arrangements for the Union's involvement in the election of two member nominated trustees for the RMDCP.

## THE RMPP: AGREED CHANGES

2. Both parties note that the rules of the RMPP have been amended to the effect that from 1 April 2014:
  - 2.1 Members' basic pensionable pay (after the deduction of the LED for Section C members) will increase by the higher of RPI (up to 5%) each year, or any promotion or increment that is a greater amount within members' current pay grade group as at 31 March 2014.
  - 2.2 The current pay grades of CWU represented members will be combined into two groups for pension purposes as follows:  
  
**Group 1:** Postal, Administration and Fleet  
**Group 2:** Engineering  
  
Promotions and subsequent increments while members stay within their pay grade group would continue to flow through into Final Salary pensionable pay as they do now, until the end of the Company's next pension review on 31 March 2018.

- 2.3 Promotions and increments will continue to flow through into members' CSDB pensionable pay as they do now, until the end of the Company's next pension review on 31 March 2018.

### **THE RMPP: COMPANY COMMITMENT**

3. The Company will not make proposals to the Trustee of the RMPP, other than changes necessary to comply with regulatory or legislative requirements, which would have the effect of:
- 3.1 Closing the RMPP to future accrual.
  - 3.2 Increasing the contributions payable by RMPP members;
  - 3.3 Changing the basis on which members of the RMPP may continue to accrue benefits under the RMPP; or
  - 3.4 Changing the normal retirement age at which benefits under the RMPP are payable.
4. The commitments made by the Company under Clause 3 are ongoing, and will be jointly reviewed by the Company and the Union as follows:
- 4.1 The first planned periodic review will conclude by 31 March 2018;
  - 4.2 On a periodic basis thereafter that is intended to coincide with the subsequent triennial valuations, or other valuations called by the Trustee of the RMPP or other events that adversely impact on the affordability of the RMPP;
  - 4.3 Before 31 March 2018 in the following exceptional circumstances:
    - 4.3.1 The Company contribution rate exceeds the current level of 17.1% and any valuation carried out by the Trustee of the RMPP requires additional Company contributions of more than £50m per annum; or
    - 4.3.2 The Company forecasts it cannot remain a going concern; or
    - 4.3.3 Factors outside the Company's control cause a material adverse impact on the RMPP or how the RMPP must be recognised within the Company's financial statements, (such as significant changes to the law or international accounting standards).

The scope for continuation of the arrangements under Clause 2.2 and Clause 2.3 will also be considered at the first planned periodic review or any other review under this Agreement.

5. The purpose of a review under Clause 4 will be to consider all reasonable steps to maintain the commitments made within the terms of this Agreement having regard to the overall financial situation of the Company. The Union will participate fully during the process of any review. For the avoidance of doubt:
  - 5.1 It is not the intention of the parties that the outcome of a review will necessarily lead to a change to any of the commitments made by the Company under Clause 3;
  - 5.2 Following any review, (which should consider all options for keeping the RMPP open and take full account of the overall situation within the Company), if the Company believes it cannot maintain any or all of its commitments under Clause 3, or the arrangements under Clause 2.2 and Clause 2.3, the Company can terminate any or all of its commitments or those arrangements on three months' notice to the Union;
  - 5.3 In the event that notice is served by the Company under Clause 5.2, this would (without changing the effect of the notice) trigger further national talks with the Union.
  - 5.4 The Union's participation in a review will not commit the Union to agree to any proposal to amend the Company's pension arrangements;
  - 5.5 The parties recognise that any proposal to amend the trusts of the RMPP or the Rules will require the consent of the Trustee of the RMPP, and the execution of this Agreement does not commit the Trustee of the RMPP to agree to any proposal that is made after a review; and
  - 5.6 The Company and Union accept that following any review the contribution rate that is affordable could be higher than the current contribution rate of 17.1%, but the actual contribution rate that is affordable at any point in the future will take full account of the Company's financial position at that time.

#### **RMDCP: COMPANY CONTRIBUTIONS**

6. The rules of the RMDCP will be amended, with effect from 1 June 2014, to provide for contributions payable by members of the RMDCP and by the Company for their benefit as follows:
  - 6.1 The contributions payable during the first year of an employee's membership of the RMDCP remain unaltered by this Agreement;
  - 6.2 Thereafter:
    - 6.2.1 If a member pays 4% of his or her pensionable pay as a pension contribution the Company will pay 7%;
    - 6.2.2 If a member pays 5% of his or her pensionable pay as a pension contribution the Company will pay 8%; and

6.2.3 If a member pays 6% of his or her pensionable pay as a pension contribution the Company will pay 9%.

7. The rules of the RMDCP will also be amended, with effect from 1 June 2014, to provide that the default rate payable by members of the RMDCP and by the Company for their benefit, unless he or she chooses to pay contributions at a different rate, will be:

7.1.1 for employees who join the Company before 1 April 2014, the member will pay 4% of his or her pensionable pay as a pension contribution and the Company will pay 7%; and

7.1.2 for employees who join the Company on and after 1 April 2014, the member will pay 5% of his or her pensionable pay as a pension contribution and the Company will pay 8%.

For the avoidance of doubt, the contribution rates set out at Clause 7.1.1 and Clause 7.1.2 above will apply on and from the member's 12 month anniversary of joining service date.

## **NEW PENSION GOVERNANCE ARRANGEMENTS**

8. It is recognised that pension arrangements are complex and that the best way to safeguard the future of the RMPP and develop the RMDCP, is by the Company and the Union working together through the introduction of new pension governance arrangements. This will be achieved by the Union being invited to join the Royal Mail Pensions Policy Committee. The terms of reference of this committee are below:

The Pensions Policy Committee consists of:

- Chief Finance Officer (Chair)
- HR Director
- Company Secretary
- Two CWU Nominees
- Unite/CMA Nominee

The Pensions Policy Committee will meet quarterly and is quorate when three members are present.

Notice of meetings will be provided in advance and all reasonable efforts will be made to organise the time and location of meetings so that all members of the Pensions Policy Committee can attend.

9. The functions of the Pension Policy Committee will be:

9.1 to consider any amendment to the Rules of the Royal Mail pension arrangements proposed by the Trustees or the Company and to make recommendations to the Pension Committee of the Royal Mail Board;

- 9.2 to develop proposals for pensions policy in respect of the Royal Mail pension arrangements, and make recommendations to the Pension Committee of the Royal Mail Board;
- 9.3 to review the performance of the RMPP regarding funding, investment and administration;
- 9.4 to meet regularly with the Trustee Executive team to receive reports on the activities of the RMPP and RMDCP;
- 9.5 to review and discuss the Trustee's proposed investment strategy and provide recommendations to the Pension Committee of the Royal Mail Board;
- 9.6 to review and discuss the Trustee's proposed valuation assumptions and provide recommendations to the Pension Committee of the Royal Mail Board; and
- 9.7 to review and discuss any major policy, regulatory, legislative or accounting reporting changes which may impact on the Company and make recommendations to the Trustee and the Company as appropriate.

#### **GOVERNANCE: RMDCP MEMBER NOMINATED TRUSTEES**

10. The Company will request the Trustees of the RMDCP to change the current arrangements for the selection of member nominated trustees to enable the Union to participate in the selection. The following process will apply for the two member nominated trustees selected by active members of the RMDCP employed in Union-represented grades, irrespective of Union membership.
  - 10.1 Nominations will open following the publication of a letter by the Union issued to all Union branches in the Company. Similar announcements will be issued by the Company and Post Office Limited to all the members that they employ and in Courier – the RMG staff newspaper.
  - 10.2 the Trustees will send to any eligible individuals wishing to be nominated an information pack containing a summary of the role of a trustee, any additional requirements expected of them as a trustee of the RMDCP, the RMDCP's latest annual report and accounts and the Pensions Regulator's Guidance for Trustees.
  - 10.3 In order to be eligible for nomination, an individual must be a member of the RMDCP aged at least 18 who has completed a minimum of twelve months' Company service, or be a former member of the RMDCP who is currently employed by the Union. An individual is not eligible for nomination if he or she is disqualified by law from holding the position of trustee.



- 10.4 Nominees must complete a declaration of eligibility and personal statement of up to 200 words which will be included with the ballot information. Completed nomination forms and any personal statement will be sent to the Union's headquarters.
- 10.5 Following closure of the nomination period, candidates will be required to attend a pre-election familiarisation session run by the Trustees, after which they will be invited to confirm their candidature.
- 10.6 Unless there are no more nominees than there are vacancies, the nominees to be appointed as a member nominated trustee will be selected by ballot. The ballot will be conducted by an independent organisation who will issue ballot papers with candidates' personal statements to those eligible to vote (that is, active members of the RMDCP employed in Union-represented grades, irrespective of Union membership).
- 10.7 The two nominees who receive the most votes in the ballot will be selected as the Union member nominated trustees. If a member nominated trustee resigns or leaves office within 12 months of the last day of voting after a ballot as described in Clause 10.6, the nominee with the next greatest number of votes will be selected as a replacement member nominated trustee for the balance of the remaining term of office.
- 10.8 All member nominated trustees will be required to sign and adhere to the requirements of the trustee confidentiality agreements and the conflicts of interests policy.
11. After serving an initial term of office, the Trustees will ask the Union whether it wishes to put forward the same individuals for re-selection. If the Union does, the Trustees will select those individuals for a further three-year term as a member nominated trustee.
12. After the expiry of a second period of office, the full nomination/selection process must be followed.

## **FINAL PROVISIONS**

13. Any agreement already made by the Company and the Union may be used as an aid to the interpretation of this Agreement, but where they are inconsistent with this Agreement, the terms of this Agreement will prevail. No existing agreement is itself intended to constitute a legally binding contract between the Company and the Union, unless and until it is amended on terms that state that it is.
14. This Agreement does not form part of the contract of any employee of the Company.

15. The parties do not intend that any term of this Agreement will be enforceable under the Contracts (Rights of Third Parties) Act 1999 by any person other than the parties.
16. Any industrial action by the Union on pension related issues would allow the Company to terminate this Agreement immediately without notice.
17. This Agreement may be terminated by the Union or the Company on three months' notice in writing served on the other party at the registered office or head office as the case may be. Subject to Clause 16, notice may not be served by the Union or the Company for a period of five years from the date of this Agreement.
18. This Agreement shall be governed by, construed and take effect in accordance with English law.
19. The courts of England shall have exclusive jurisdiction to settle any claim, counterclaim, dispute or difference which may arise out of or in connection with this Agreement or the legal relationships established by this Agreement.

**SIGNED** by the parties on \_\_\_\_\_ December 2013:

\_\_\_\_\_  
Jon Millidge, Company Secretary  
Authorised to sign on behalf of Royal Mail Group Limited

\_\_\_\_\_  
Dave Ward, Deputy General Secretary  
Authorised to sign on behalf of the Communication Workers Union



**CWU**

150 The Broadway  
Wimbledon  
London  
SW19 1RX

☎ **020 8971 7200**

*04275 Printed and published by the Communication Workers Union 2014*

**[www.cwu.org](http://www.cwu.org)**

Billy Hayes General Secretary [www.billyhayes.co.uk](http://www.billyhayes.co.uk)

