



Trustee Report ...2022



The nuts and bolts of the last year

Welcome from your Trustee Chair, Joanna Matthews

Welcome to the 2022 Trustee Report, for a recap of what has been happening in the Royal Mail Pension Plan (RMPP) over the last year.

There are few that have not felt the financial impact of the rising cost of living. This combined with the pandemic and the war in Ukraine has made many of us take a more cautious approach to our finances, with security being a high priority. The Trustee Board continues to monitor the Plan to ensure that funds remain secure and continue to grow. On page 3 you'll find the latest update on the funding of the RMPP, showing how the money in the Plan and the cost of providing pensions and other benefits has changed since we last reported on this. You'll see there was a 'surplus' which is good news because it means there's enough money to meet all the Plan's obligations.

The global climate pledge has been at the forefront of our minds and the recent heatwave has highlighted the reality of climate change and the need for action. Sustainability is a key focus for the Plan and part of our duty to you, the members. On page 3 we update you on what the Trustee Board are doing and the steps in place to reach our targets.

Changes to the Board

Matthew Pearson left Royal Mail earlier this year and resigned as Employer-Nominated Trustee Director. On behalf of the Board, I'd like to thank Matthew for his service and dedication in supporting the Plan. Royal Mail will confirm who they have chosen as a new Trustee Director shortly.

I hope you find this Annual Report informative. If you have any questions or need any more information, please get in touch with the PSC. You can find their contact details on page 4.



JOANNA MATTHEWS
CHAIR OF TRUSTEE
ROYAL MAIL PENSION PLAN

Money held in the RMPP

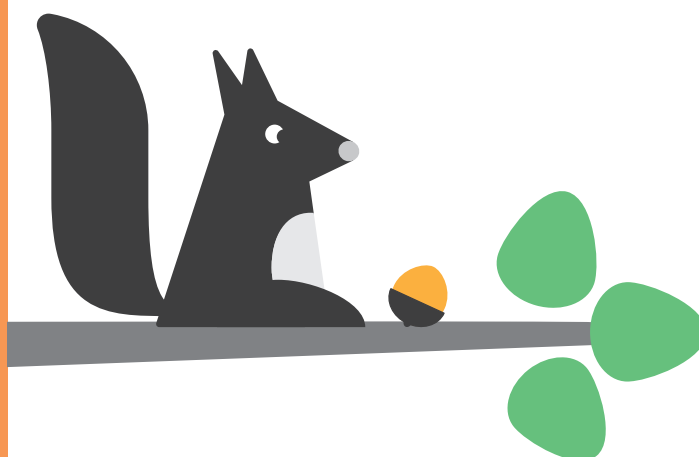
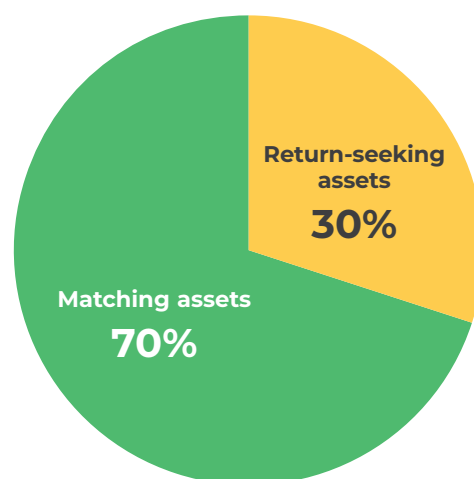
The RMPP is financially secure, with over £13.5 billion invested on 31 March 2022.

That money (known as assets) is there to make sure every member gets their benefits, when it's time for them to retire. It's also there to support your loved ones after you die. It's the Trustee's duty to make sure the money held in the RMPP is invested in the best way possible. That means making sure that the money is both secure and able to grow.

How is this money invested?

With the help of investment professionals, we invest in two different types of assets – 'matching' and 'return-seeking'. Matching assets keep track with the changes in the cost of providing pensions, whereas return-seeking assets are invested with the aim of increasing in value as much as possible, without taking undue risk. The following pie chart shows that there is a larger amount invested in matching assets than in return-seeking assets, as the Trustee is prioritising security over higher risk and reward.

Asset split as at 31 March 2022:



Climate Change & Net Zero Targets

In our Spring newsletter we announced that the Trustee Board had set a target of achieving a 'net zero' investment portfolio by 2050 or sooner. This would mean that the investments of the RMPP would generate net zero carbon emissions by that date, in line with global efforts to limit warming to 1.5°C. Since then, the Board has agreed an interim target of reducing emissions by 50% for corporate bonds and equities by 2030 (relative to a 2015 baseline).

Heavily polluting companies leave themselves at risk of sanctions and the record-breaking temperatures experienced this year are another reminder of the impact that warming is having on everyday life.

By adding an interim target, the Trustee aims to reduce the likelihood of that financial risk to the Plan.

Over the year, we have been working on calculating what our current CO2 emissions are – so that we have a baseline against which to measure progress towards our net zero target. This is a complicated task because of the diverse range and type of investments but we expect the total current emissions to run into many millions of tonnes per year. We've already calculated the figure in relation to equities (company shares) and corporate bonds held by the Plan and just these alone generate around three-quarters of a million tonnes.

The Board has established an Environmental, Social and Governance roadmap that sets out specific actions over the next 12 months, 1-2 years, and 2+ years. Many of these actions are climate-related and actions cover areas including our investment strategy, reporting & transparency. Each year we will publish a detailed climate strategy report – the first can be found in the Media Library section of the RMPP website.

In next year's report we will be able to report on the measurement of emissions for the rest of the asset types held by the Plan along with other actions undertaken as part of our pathway to net zero.



Valuation of the RMPP

Every three years, the Trustee produces an 'Actuarial Valuation', with the help of its advisers.

The Valuation compares how much money the RMPP is likely to need to pay everyone their benefits (the **liabilities**), with the total amount of money it currently has (the **assets**). If the Plan has more assets than it needs it has a **surplus**, if it has less than it needs it has a **deficit**. The Valuation is also an opportunity for the Trustee to check that Royal Mail is paying enough in contributions. The results are updated once a year, between each three-yearly Actuarial Valuation; this is called a 'funding update'. Here are the results of the most recent valuation – as at 31 March 2021 – of the Royal Mail Section of the RMPP:

Non Cash Balance

This relates to the benefits that members have built up before 1 April 2018.

	Funding Update as at 31 March 2020	Actuarial Valuation as at 31 March 2021
Liabilities	£10,664 million	£10,641 million
Assets	£11,183 million	£11,302 million
Surplus	£519 million	£661 million
Funding level*	105%	106%

*Assets divided by liabilities

You will see that the value of the assets rose by almost £120 million and the liabilities fell by £23 million, meaning the surplus increased over the year, providing greater security for members.

Cash Balance

This relates to benefits that members are building up since 2018.

	Funding Update as at 31 March 2020	Actuarial Valuation as at 31 March 2021
Liabilities	£717 million	£1,151 million
Assets	£735 million	£1,181 million
Surplus	£18 million	£30 million
Funding level*	103%	103%

*Assets divided by liabilities

Assets and liabilities in the Cash Balance section are increasing rapidly because this is where all the contributions and benefits have been building up since 2018. The assets grew at a faster rate than the liabilities, leading to an improved surplus on last year.

What if the RMPP is wound up?

By law, we have to tell you the funding level if the RMPP was wound up, and the assets and responsibility for paying your benefits were transferred to an insurance company. On this basis, and based on the 2021 valuation, the RMPP could meet 100% of its commitments. Finally, we have to tell you that over the past year we didn't pay any 'surplus assets' to Royal Mail, Post Office Limited or other employers and The Pensions Regulator has not imposed any orders on the RMPP to change the rate of contributions or benefits, or the way in which the liabilities are calculated.

Contributions & Benefits

What goes in?

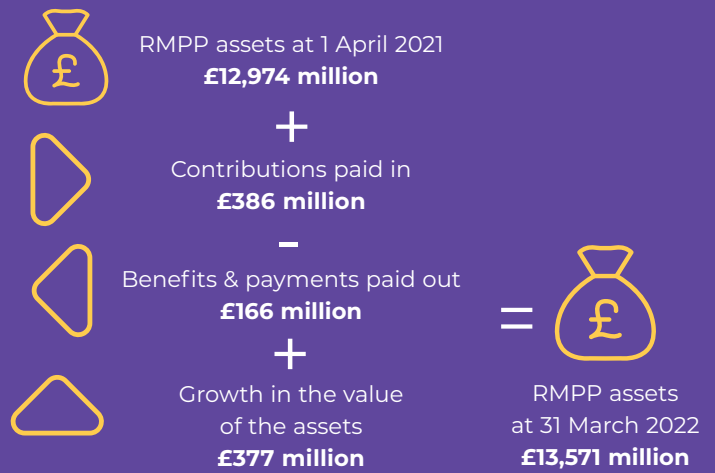
We've seen that the RMPP's assets are invested with the aim of keeping them secure, whilst still growing over time. Assets also increase when money is paid in – that means contributions from you and your Employer.

What goes out?

The RMPP's assets are gradually paid to members, either as regular pension payments, tax-free cash or death benefits. Money is also used to pay for the help that the Trustee needs to run the RMPP properly.

What happened over the last year?

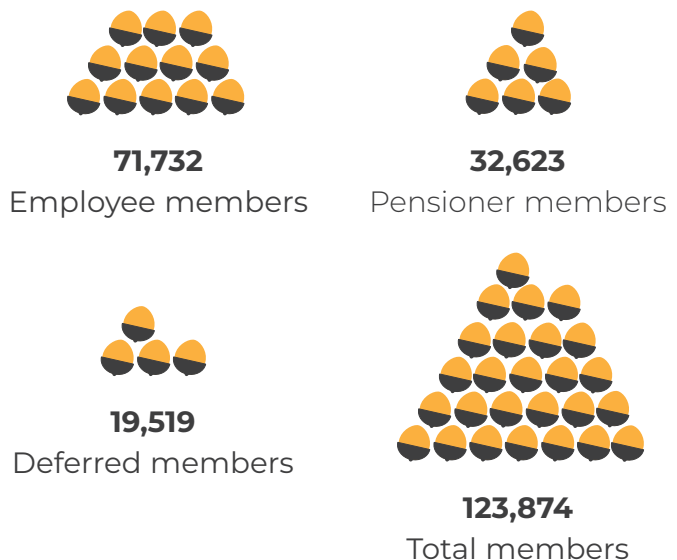
The table to the right shows what's gone in and what's gone out of the RMPP over the last year.



These numbers are for the whole RMPP – that means they include both the Royal Mail and Post Office sections. If you want to see how the numbers are split between each section, then take a look at the RMPP's Annual Report and Accounts, available on our website royalmailpensionplan.co.uk

Members of the RMPP

There are a lot more members paying into the RMPP and building up benefits 'Employee members' than there are taking out a regular pension 'Pensioner members'. There are also members that don't pay in anymore but aren't yet taking their pension 'Deferred members'. The split of members at 31 March 2022 was as follows:



Get in touch



If you want some help with your pension, the best place to start is our website, which has regular news updates, useful information and a series of guides about how the RMPP works.

If you want to ask us a question about your benefits or tell us about a change in your situation, then please get in touch with us at the Pensions Service Centre.

It's important to tell us if you change your address, so that we can carry on writing to you about your RMPP benefits, and make sure that they are paid on time. When you contact the Pensions Service Centre, please make sure you have your National Insurance or membership number handy.



pensions.helpline@royalmail.com



0345 603 0043
Mon to Fri, 8.30am to 5.00pm



Pensions Service Centre,
PO Box 5863, SHEFFIELD, S98 6AB



royalmailpensionplan.co.uk

For questions about RMSPS benefits visit Capita at royalmailspcs.co.uk

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