



Government
People Group

Royal Mail
Statutory Pension Scheme

2024/25

Annual Governance Report

To the Minister for the Cabinet Office, on the Royal
Mail Statutory Pension Scheme

John Cullen

Chair of the Royal Mail Statutory Pension Scheme
(RMSPS) Governance Group



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Chairman's Introduction



The last year has been another busy one for the Scheme's Governance Group.

Since the year end, we have regrettably lost a Governance Group member, Stephen Humphrey, of the Government Actuary's Department (GAD). A long-standing member, Stephen's final term of office has come to an end in recent months on his retirement from GAD. Appointed as one of the independent members, Stephen regularly contributed clear common sense and expert guidance to our discussions, and we will miss his most valuable involvement.

Matt Wood, an actuary and colleague of Stephen's in GAD, has been appointed to replace him as an independent member. Representation of Post Office Limited on the Group is also changing, as Ian Rudkin will be replaced by his colleague Tim Perkins. On behalf of the Group I'd like to thank Stephen and Ian for their contributions and welcome our new members.

Last year we reported that following the Cabinet Office tender of the outsourced administration services for the RMSPS, the current administrator, Capita Pensions Solutions Ltd, had been awarded a new contract which will run for six years from March 2026. The Cabinet Office expects that the new contract will deliver greater automation and improved services for members as well as value for money. One of our highest priorities over the year has been the monitoring of the programme of transition to the updated administration arrangements required under the new contract. We are briefed regularly on the work of the Cabinet Office programme team and Capita, and Group members have been consulted on the new service requirements. The transition will centre around a replacement of the current administration system to allow the provision of online services to members with enhanced functionality, and the Group has received briefings on and demonstrations of the new system. We remain conscious of the risk that work on introducing the new contract could have a detrimental impact on services to members during the transition period and have obtained assurances from the Cabinet Office that this risk is being carefully monitored.

In our quarterly meetings the Cabinet Office team and Capita provide the Governance Group with updates on current and projected levels of administration activity. Through the year we have also been following the work to achieve equalisation of Guaranteed Minimum Pensions (GMPs) between male and female members following a recent Court judgment clarifying the legal requirements. In the case of RMSPS this work is well advanced and now expected to be completed in the 2025 calendar year.

As we have reported previously, the number of members approaching retirement age is expected to remain at a historically high level for the next several years as the Scheme matures, and this has been reflected in steadily increasing work volumes for the administrator. Against this background the Group monitors regular reports of service standards to satisfy ourselves that benefits continue to

be paid accurately and on time and that members' queries are dealt with promptly. We have been reassured through the year that service standards including response times have been maintained at a satisfactory level.

JM Cullen

John Cullen

Chair of the Royal Mail Statutory Pension Scheme (RMSPS) Governance Group

Governance Group

The RMSPS Governance Group (an advisory body) is in place to be assured of the effectiveness of the RMSPS administration. I am happy to report that it operates effectively within the overall scheme governance structure.

The Group plays an integral part in engagement with the key stakeholders. It seeks assurance that a quality service is being delivered and receives feedback from scheme members, employers and other stakeholders. All stakeholders have been supportive and actively engaged throughout the year seeking to promote the interests of all RMSPS members.

Meetings are generally held every quarter with full meeting papers being circulated to the Group members in advance. We aim to meet in person wherever possible but always include the option to join virtually. Each quarter the Group receives a scheme administration report based on the previous quarter's activities. The scheme administrator, Capita, reports to the group on business as usual activity, project work and member communication and engagement, including website analysis. In addition, the Cabinet Office as scheme manager provides a risk report to the Group highlighting the main risks of the scheme and how risks are managed and mitigated. There is always a full agenda and all members are encouraged to actively contribute in discussions. Guest speakers are often invited to cover topical issues or share knowledge and experience.

Governance: Roles and responsibilities

The bodies and individuals involved in scheme governance are set out below:

- The **Minister for the Civil Service** (currently the Prime Minister) is the scheme manager. In practice, this responsibility is delegated to the **Minister for the Cabinet Office** and the **Permanent Secretary for the Cabinet Office** and the **Accounting Officer** of the scheme.
- The **Cabinet Office Audit and Risk Committee (COARC)** supports and advises the scheme management on all relevant matters concerning audit and risk.
- The Pensions **Governance team** oversees the management of risks in the scheme and sits in the Government People Group directorate of the Cabinet Office.
- The **Governance Group** is an advisory group which includes stakeholder representatives and the Chair is appointed by the Minister for the Cabinet Office.
- **Royal Mail Pension Trustee Limited (RMPTL)**, the Royal Mail Pension Plan Trustee Executive, has continued responsibility for the Royal Mail Pension Plan (RMPP) and an ongoing interest in the alignment of pension administration processes and communications for Joint members.

- **Capita Pension Solutions Limited** carries out the day-to-day administration of the scheme under a contract with the Cabinet Office. Contract management and oversight is provided by the CS&RM Pension directorate

Terms of reference and meeting attendance

The terms of reference for the Group were updated in 2024-25 to reflect the changes to the scheme management, governance and administration services and the table of membership was also updated. I am satisfied that the revised terms appropriately describe the make-up and role of the Group as it stands today. The original objectives for the Group to be efficient and cost effective, transparent, robust and compliant with public service scheme requirements are maintained.

Attendance at the meetings throughout the year is largely consistent, and engagement is good. A member of the RMPTL executive also attends the meetings and provides input to ensure that service delivery to Joint members continues to achieve good outcomes and member experience.

Members (attendees)	May 2024	Sep 2024	Nov 2024	Feb 2025
Chair of Governance Group	√	√	√	√
Royal Mail Group Limited	√	√	√	√
Unite the Union	√	√	√	√
Post Office Limited	√	√	√	
National Federation of Occupational Pensioners	√	√	√	√
Independent non-executive member	√√	√	√√	√
Communication Workers Union	√	√	√	√
Cabinet Office members	√√	√√	√√	√

Table 1 Governance Group Meeting Attendance

Governance Group themes

The RMSPS is not included in the scope of the Public Service Pensions Act 2013. However, the decision was taken, at the time the scheme was introduced, to comply within the spirit of the Act.

The meetings always consider the development of member communications and the introduction of more digital options for member services. The new communications strategy has also involved engaging with the Governance Group members in individual meetings to discuss what RMSPS members would value and to promote the benefits provided. All in all, the meetings have remained aligned with the Group's objectives and continued to be constructive and informative and firmly focussed on the management and operation of the RMSPS for the benefit of its members.

The Cabinet Office as scheme manager engages with the Government Internal Audit Agency (GIAA) to provide an annual audit opinion using results of internal audit activity carried out during the year. An overall moderate rating was given for the year 2024/25.

Member communications

Where appropriate, member communications were aligned with those of RMPP and remained relevant and effective. The Cabinet Office met bimonthly with RMPP to discuss plans for member communication, sharing early sight of campaigns and discussed issues and concerns

Regular meetings with Governance Group members take place to consider and understand their member challenges or concerns, identify areas for improvement and how to incorporate improvements seamlessly into business as usual.

The following activities were successfully delivered during 2024/25:

- Delivery of newsletters coinciding with the distribution of the Pension Increase information for Pensioners and the Current Value Statements for Deferred members.
- Targeted Communications - An online retirement hub published, anticipating a spike in members approaching retirement in the next three years. Approximately 60K members have been identified via data segmentation falling within this bracket.
- Letters reviewed and updated for those in receipt of a dependant's pension, informing them of their obligations to keep the Scheme informed should their personal circumstances change.
- Improved Reporting on Capita, specifically focusing on Future Services and potential Risks.

The member self-service portal is available to all members and can be used to view pension scheme information such as personal details, pension payslips, P60s and benefit statements. This is in

addition to other methods of communications such as the website, post and call centre. There are no current plans or drive to move to a “digital by default” (digital only) method of communication.

Reporting to the Minister for the Cabinet Office

As Chair, I have regular meetings with civil servants at every level within the Cabinet Office team. I am advised that ministers are being kept up to date on the RMSPS and are aware of issues on the Governance Group’s agenda.

Stakeholders

Employers of the RMSPS

Members of RMSPS come from two main employers, Royal Mail Group Limited (RMGL) and Post Office Limited (POL), with associated employers. Both RMGL and POL have representatives on the Governance Group and are regarded as key stakeholders of the scheme.

A good relationship with the employers is important for the RMSPS so that we can take early action should any changes be planned that might impact RMSPS members. This year, these channels have again been productive in discussing the Joint member services and aligning communications.

Trade unions

There are two major trade unions that members of the RMSPS may subscribe to, the Communication Workers Union (CWU) and Unite the Union (Unite). It is understood that meetings can be requested with me at any time to discuss matters outside the formal meeting agendas. Neither of the unions requested an additional meeting, although engagement meetings to discuss communication content and channels have been hosted by the Cabinet Office team with both unions.

The unions, and other stakeholders are aware that they can contact the Cabinet Office scheme governance manager at any time to raise members’ concerns or to understand and clarify issues if needed. This is an open offer to aid collaborative working and to help quick resolution of any issues that may arise. The union officers on the Group have reported in meetings that member issues when they arise are managed sensitively and effectively by Capita’s administration teams and managers.

National Federation of Occupational Pensioners (NFOP)

The NFOP is the largest occupational pensioner organisation in the UK. It provides help and support to nearly 30,000 members, of whom approximately 8,800 are members of RMSPS. The NFOP is a non-profit and non-political organisation, although it does lobby MPs and Peers, and regularly responds to government consultations on issues affecting older people.

The NFOP raises discussion topics and offers challenges for the Governance Group to consider, while also contributing feedback from members. The NFOP is a valued source of information from the RMSPS pensioner membership. NFOP has actively engaged with the communications initiatives and fed into those via meetings with Cabinet Office colleagues. Eamonn Donaghy, the Chief Executive of NFOP represents the Federation in the Group.

The Royal Mail Pension Plan (RMPP)

Although RMSPS is a pension scheme in its own right, there are of course still links to the RMPP through the Joint member population. I am pleased to report that the positive working relationship between the Cabinet Office, Capita and RMPTL has again been maintained throughout 2024/25. The main focus this year has been continuous improvement of reporting to the Governance Group and developing digital communications to members.

The RMPTL team's guidance, advice and support are invaluable, with the good working relationship being a significant contributory factor to the improved delivery of joint member services.

Membership statistics

The RMSPS has three main categories of membership:

- Pensioners (those members who are receiving a pension)
- Deferred members (those members who left pensionable service in the RMPP prior to 31st March 2012 but are not yet receiving their pension)
- Active deferred members (Joint members) (those members who were in RMPP pensionable service as at 31st March 2012 and continued in RMPP pensionable service)

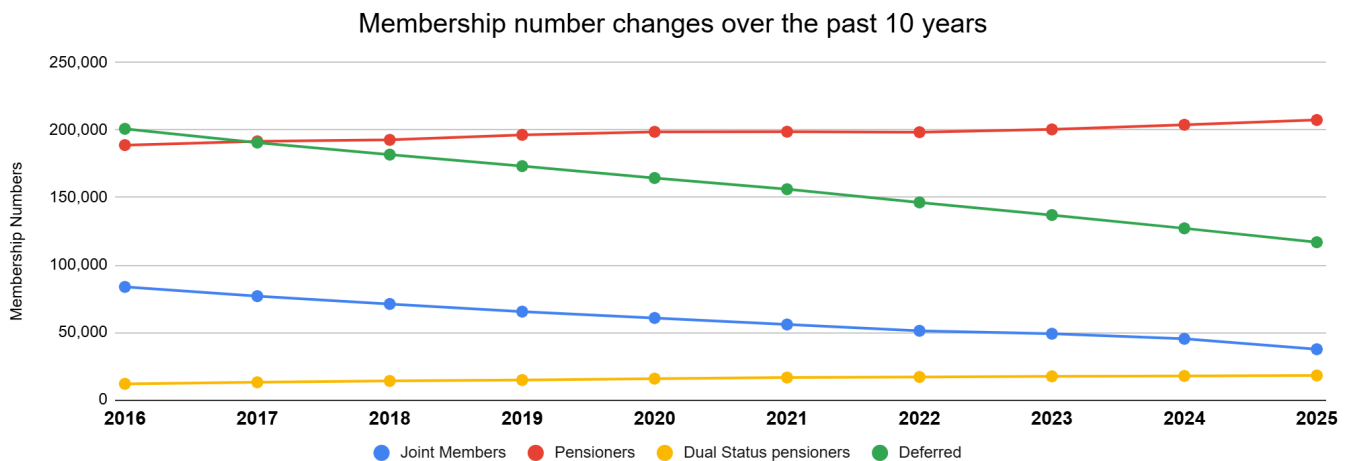
The scheme also has dual status members: members with two benefits entitlements. This arose when the rules on normal retirement age (NRA) changed from 60 to 65, known as NRA60 and NRA65.

Current member statistics are shown in the table below.

Class of Membership	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Joint Members	83,751	76,900	71,096	65,420	60,720	55,871	51,214	49,031	45,270	37,534
Pensioners	188,894	191,697	192,782	196,502	198,260	198,827	198,475	200,532	203,977	207,509
Dual Status pensioners	11,884	13,019	14,026	14,702	15,770	16,537	16,988	17,437	17,712	18,070
Deferred	200,975	190,757	181,840	173,324	164,739	156,195	146,405	137,046	127,185	116,879
Total	401,753	395,473	388,648	384,528	378,769	371,559	361,868	355,015	348,874	342,458

Table 2: Membership numbers as at 31st March 2025

* (Dual status pensioners have NRA60 benefits in payment and NRA65 deferred benefits)



Graph 1: Membership numbers as at 31st March 2025

Contractual arrangements

The contract with Capita began in October 2018. I am pleased to report that the contract governance in place operates well, and the commitment to deliver a high quality service is key to this, with performance measures being a core part of the contract.

The contract with Capita outlines the reporting and governance arrangements for the management of the scheme administration. I am pleased to report that this provides a robust and visible

framework that operates effectively. The contract also affords the Scheme Manager greater flexibility to drive continuous improvement and contains standard contractual penalty clauses to deter core service failures.

A competitive procurement process was recently concluded to re-tender the contract. In July 2024, it was announced that the incumbent administrator, Capita Pensions Solutions Ltd, had successfully won the new contract, which is scheduled to commence in March 2026 and will run for six years.

Performance and Reporting

Capita produces monthly service delivery reports to the Cabinet Office contract management team which are shared with the Scheme Manager. These report on contract performance in all key areas against the contractual performance indicators. Monthly service review meetings are held with the administrator, the contract manager, the scheme governance manager and the pensions delivery team to review both the performance and quality of services under the contract. In addition, separate meetings are held to discuss risk management and financial aspects of the scheme management.

Capita also produces a full quarterly report for the Governance Group which they present at the meetings to discuss matters of concern and interest. While we are always looking for ways to improve reporting, I am happy with the format, quality and content of the report which provides me and the Group with sufficient information of Capita's performance in all key service areas. It fulfils the objective to provide a full and transparent picture of scheme activity with enough clarity and detail to enable effective analysis of any trends or issues arising. It also gives sufficient assurance to myself and the Governance Group of their capability and capacity.

Capita continues to perform well despite significant volume increases across the last year. They have achieved the majority of their KPI's. Retirement levels have increased by approximately 40% across the year: some of this has been driven by external pressures following the Royal Mail Voluntary Redundancy Exercise.

Capita has worked closely with the Cabinet Office to review processes and to ensure that performance impacts have been minimised. Retirements and pensioner payroll have been prioritised and we continue to see high satisfaction levels within the member experience.

Overpayments

The number of overpayments and the recovery performance is a key indicator of the effectiveness of pensions administration. I am pleased to report that, as expected, the vast majority of overpayments are as a result of late notification of death, rather than a result of error (see table 3 below).

	Number	Value
* Overpayments brought forward from 2023/24	1263	£ 2,430,000
New overpayments in year	2384	£ 3,937,000 (0.24% of benefits paid)
Overpayments recovered in year	1424	£ 1,317,600
**Overpayments carried forward from 2024/25	2223	£ 5,049,400

Table 3 Overpayments as at 31st March 2025 - figures taken from the monthly Service Delivery Report provided by Capita.

* Overpayments brought forward from 2023/24 - This is the figure of overpayments outstanding as at 31st March 2024 and brought forward into the next financial year 1st April 2024.

**Overpayments carried forward from 2024/25 – This is the figure of overpayments outstanding as at 31st March 2025 and carried forward into the next financial year 1st April 2025.

The overpayments are recovered through a rolling process of recovery over a period of time. The value of new overpayments in the year, measured as a percentage of benefits paid, remains low at 0.24% of benefits.

The Scheme Manager and Capita jointly continue to develop processes to recover overpayments in an efficient and effective manner taking account of the “Managing Public Money” guidance published by HM Treasury. I am pleased to note that the RMSPS overpayments recovery process includes careful evaluation of each case taking individual members' personal circumstances into account. This is an area that the Governance Group has interest in and continues to monitor carefully.

Advisors to the scheme and their input

Actuarial advisors

The Government Actuary’s Department (GAD) continues to play a key role in providing traditional actuarial services for the scheme. Their advice on a wide range of queries has been invaluable. Overall, GAD has made a critical contribution to the success of the RMSPS because of their historic knowledge of the scheme.

Legal advisors

The lawyers in the Government Legal Department (GLD) provide the RMSPS with primary legal advice.

The GLD team has provided an excellent legal service to the scheme manager, mainly in respect of advice on the scheme rules, overpayments and policy matters. Overall they have made a substantial contribution to the success of the scheme.

Casework

Discretions

Capita has continued to demonstrate their ability to manage decision-making relating to discretionary death benefits well, with regular service delivery reviews and weekly governance and support provided by Cabinet Office. Plans to further review financial delegation are in place for 2025.

The RMSPS has a wide range of discretionary powers in relation to death benefit payments and this is an area where volumes can be unpredictable. (see table 4 below).

Month 2024/25	A	M	J	J	A	S	O	N	D	J	F	M	Total
Discretions forecast	270	250	230	280	280	280	270	250	220	250	280	280	3140
Discretions actual	266	249	221	275	241	263	267	249	291	246	270	262	3100
Discretions actual 23/24	255	239	313	299	267	265	323	290	244	309	279	300	3363

Table 4 Discretionary decision cases

Assurance in this area is obtained from the regular service delivery reports received and from the scheme management casework team’s report on the quality of the discretion cases referred to them, along with weekly support and governance check ins. A rolling audit plan is in place.

Complaints (internal dispute resolution procedure)

Similar to many other pension schemes, the RMSPS operates a two-stage internal dispute resolution procedure (IDRP) for dealing with complaints. The number of Stage 1 IDRP cases has increased slightly from last year, but there remains no specific areas of concern to report. Stage 2 IDRP and Pensions Ombudsman cases have both reduced from last year. I remain pleased to report that the number of such complaints remains very low for a scheme of this size (see table 5 below).

The number of cases accepted by the Pensions Ombudsman is also low.

IDR Stage 1	IDR Stage 2	Pensions Ombudsman
36	21	4

Table 5 Total complaints received at each stage

Financial Management of the scheme

Scheme finance

The RMSPS is the subject of a separate vote by Parliament to cover the cost of all pensions and pension related benefits. Additionally, a budget is allocated to cover the administration cost of the third-party administrator, which included pension administration services, my salary and that of other independent members of the Group, Cabinet Office team costs and the costs of advisors.

Pension payments Finance

I am pleased to see that actual payments were within 7% of the forecast and that there were no issues raised in relation to the vote (see table 6 below). Accurate forecasting is a difficult discipline which the Scheme Manages well in relation to a scheme of this size.

	Forecast (£bn)	Actual (£bn)
Benefits paid	1.762	1.647

Table 6 benefits paid in year

Administration payments

The administration budget is being declared as an underspend of £0.6 million for the full year, against a budget of £10.8 million (see table 7 below).

The variance between the forecasted budget and the actual spend is mainly due to an underspend on the Future Services programme. This work continues and a proportion of this budget has been moved into the 2025-26 financial year.

I remain satisfied with the financial management and control that has been demonstrated.

Budget (£'000)	Actual (£'000)	Variance (£'000)
10,844	10,270	(574)

Table 7 Departmental RMSPS budget

Annual accounts and external audit

The annual report and accounts for the year end 31st March 2025 were laid in Parliament on 17th July with an unqualified audit opinion.

Policy issues

In 2018, a court ruled that pension schemes must 'equalise' the Guaranteed Minimum Pension (GMP) benefits for men and women. Section C of the RMSPS was impacted by this ruling. An exercise to equalise GMP for Section C members commenced in early 2021/22 and is progressing well. In addition GMP rectification work, concerning reconciling RMSPS records with those of HMRC, was completed in March 2023. The equalisation work is continuing, this was delayed due to the scheme awaiting additional information on calculations which required updating as a result of changes in the 2023 budget. It is anticipated that the scheme will complete the GMP equalisation in 2025.

Changes to the rules

No changes to the RMSPS rules were made in the financial year and there are no changes currently planned.

Future planning

I am pleased that on joining the Governance Group I have found that the various parties responsible for running the Scheme work well together and continue to steadily improve services to members.

Delivering services that enhance the member experience will be a key priority for future plans, and the Group is monitoring the Future Services programme in the expectation that this will provide opportunities for further continuous improvements.

I am aware of the robust controls and risk management processes that are in place to keep the scheme running as smoothly and efficiently as possible. Effective risk management will continue to be a key focus area.

As in previous years, a range of internal audits are planned for the next year to further support the governance and risk management arrangements in place.

Conclusion

I am pleased as Chair of the Governance Group to have found over the past year that the Group membership and those responsible for the management and administration of the Scheme share a

common commitment to maintaining and improving services to the membership. I hope this report has provided a useful insight into our recent activities, and I am very much looking forward to continuing this important work with the various stakeholders in the coming years.

Annex A

Terms of Reference for the Governance Group of the Royal Mail Statutory Pension Scheme (RMSPS)

Effective Date: 1st April 2022

1. Purpose of the Governance Group

The RMSPS Governance Group is an advisory group with four primary functions.

- It oversees the administration of the RMSPS scheme and reports on its efficiency. This will include reporting on feedback received from the scheme membership.
- It oversees and supports communications with the scheme membership and other stakeholders.
- It scrutinises cross-scheme issues to ensure consistency and a seamless service for members.
- It develops cooperative working relationships with all of the stakeholders of the RMSPS and provides feedback to them on the operation of the scheme.

2. Changes to the terms of reference

2.1. The terms of reference can be amended by agreement between the Chair of the Governance Group and the Head of the Scheme Management of the RMSPS.

3. Appointment and removal of Group members

3.1. The Chair of the Group is appointed by the Secretary of State for a three year term which may be renewed.

3.2. The Governance Group will have one member from each of the following nominating bodies;

- Cabinet Office
- Royal Mail Group.
- Post Office Limited
- National Federation of Occupational Pensioners

- Communications Workers Union (Two members)
- Unite
- Independent Member (Two members)

3.3. Members of the Governance Group will be nominated by the bodies listed but will represent the interests of all of the Schemes' beneficiaries and stakeholders and not just those of the nominating body.

3.4. Governance Group members will be appointed for a three year term which may be renewed. For the first appointments in 2012, five Group members will be appointed for one year only, but may then be further nominated. This was to avoid all members' terms of office ending at the same time.

3.5. Governance Group members are expected to attend all meetings in person and there will be no alternate representation.

3.6. Governance Group members may be removed at the decision of the Chair if they fail to attend three consecutive meetings.

3.7. Other than for non-attendance outlined in 3.6 a member of the Governance Group may only be removed from office during a term of appointment with the agreement of all other Governance Group members.

3.8. Members of the Governance Group may resign from the Governance Group by giving three months notice in writing to the Chair.

3.9. With the exception of those nominated by civil service departments, members of the Governance Group will cease to be members of the Group upon ceasing to be members of the nominating body. Civil servant members who change departments may continue to serve on the Governance Group to the end of their term of office at the discretion of the Chair.

3.10. In the event of resignation or other removal, the Head of Scheme Management of the RMSPS will ensure that an alternative member is appointed within three months of the date of resignation or removal.

3.11. In the event of resignation or other removal, the Governance Group can continue to meet and conduct its business.

4. Conduct of Business

4.1. The Chair will report the activities of the Governance Group to the membership and to stakeholders, including the relevant Minister.

- 4.2. The Governance Group will meet at least quarterly. Meetings will generally be at fixed intervals, but may be moved from time to time to correspond with any significant events relating to the RMSPS, for example, a major communication with members.
- 4.3. The Chair of the Governance Group may call a meeting at any time providing two weeks' notice is given.
- 4.4. It is not anticipated that there will be any sub-groups to the Governance Group but the Group may invite specialists or relevant experts to attend the meeting from time to time.
- 4.5. The Scheme Management function of the RMSPS will provide secretariat support to the Governance Group.
- 4.6. Minutes of all Governance Group meetings will be recorded. Draft minutes will be circulated to the Governance Group members by the Secretariat and will be ratified by members at the next meeting.
- 4.7. Members of the Governance Group will receive induction and ongoing training on relevant subject areas. This will be included in the regular meetings.

Group Members*

NAME	NOMINATING BODY	TERM EXPIRY DATE
John Cullen	Chair	31/12/2026
Simon Claydon	Cabinet Office	N/A
Kerrie Cureton-Williams	Cabinet Office	N/A
Stephen Humphrey	Independent	31/03/2026
Angela Gough	Royal Mail Group	31/03/2027
Ian Rudkin	Post Office Ltd	31/01/2026
Eamonn Donaghy	National Federation of Pensioners (NFOP)	31/08/2025
Andy Furey	Communications Workers Union (CWU)	31/12/2027
Stephen Halliwell	Communications Workers Union (CWU)	30/09/2027
Gary Sassoon-Hales	Unite the Union	30/09/2027
Natasha Wilson	Independent Non-Executive Member	31/12/2026

* as at 31st March 2025