Royal Mail
COLLECTIVE PENSION PLAN

The Royal Mail Collective Pension Plan (the "Collective Plan")

Lump Sum Section – Summary Funding Statement for 2025 valuation

Each year the Trustee of the Collective Plan is required by law to provide you with a Summary Funding Statement, which describes the level of funding that supports your benefits from the Lump Sum Section (also known as the "DBLS Section"). In this statement, we describe the funding health of the Section based on the results of the valuation at 31 March 2025, and have also included information about the increase that will apply to lump sums on 31 March 2026.

Benefit increase

The 31 March 2025 valuation result was that there were sufficient assets to support an increase of CPI+3.8% pa in all future years.

In the table below we summarise the resulting benefit increase, to be applied to the relevant member benefits on 31 March 2026.

Benefit adjustment date	Valuation result	September 2025 CPI	Total increase
31 March 2026	**CPI + 3.8%**	**3.8%**	**7.6%**

This means that if up to 31 March 2025 a member had built up a lump sum of £100.00, this would increase to £107.60 on 31 March 2026. This is guaranteed and cannot go down, but it's not guaranteed to always go up.

The next valuation will be carried out at 31 March 2026 to determine the benefit adjustment to be applied to the relevant member benefits on 31 March 2027. This benefit adjustment is likely to be different to that shown above as it will depend on experience over the intervening year and any changes in assumptions.

The Section's funding position

A valuation will be carried out at 31 March each year, which will show the funding position of the Section and determine the increase (if any) to apply at the following 31 March.

The results of the first of these valuations, at 31 March 2025, are shown in the following table:

	31 March 2025
Assets (including a £3.8m risk reserve)	£73.9m
Liabilities (including an allowance for future increases)	£70.1m
Surplus	£3.8m
Funding level	105%

How we calculated the benefit increase and funding position

The calculation of the funding position and the annual increase are connected and therefore have to be done as part of the same process. Here is a summary of the process we carried out and the results we got:

- We first check if the assets are higher than the estimated cost of providing accrued lump sums with no future increases (known as the “Parity” level).

- If so, we work out what rate of increases are expected to be affordable in all future years, relative to the Consumer Prices Index (“CPI”) measure of inflation.

- That rate of increase is used to work out the actual increase to apply at the next 31 March (to lump sums built up to 31 March 2025). This year, the rate of increases is CPI+3.8%, which gives a total increase of 7.6% that will apply on 31 March 2026.

- The calculated rate of increases (CPI+3.8% this year) is also the assumption we use to calculate the cost of providing future lump sums (the “Liabilities” in the table above) for the funding position.

- The Assets are higher than the Liabilities because they include a risk reserve, which is held in case the main assets ever fall below the Parity level. The funding level is 105%.

- Lump sums cannot go down. If the Assets (including the risk reserve) ever fell below the Parity level, the assets of the Section would need to be topped up by Royal Mail.

The Section’s funding level if it were to be wound up

As part of the valuation, we are required to calculate what would happen if the Section were to wind up, and so cease to exist. There are currently no plans to wind up the Section, but we are still required to explain what would happen if it did wind up.

If the Section had started winding up on 31 March 2025, we would have had to pay an insurance company to provide a policy to pay a lump sum to each member. Our actuary estimates we would have had 163% of the money we needed for these policies, if they provided just the guaranteed lump sums.

The reason the number is so far above 100% is because it is based on the lump sums built up without any further increases, as those are what are guaranteed. The amount of assets over 100% would be a surplus, which would be used to give a one-off increase to lump sums.

As the Section is not winding up, members continue to build up new lump sums in it, and it continues to provide increases every year based on each valuation result.

Other facts we are required to tell you

The law requires us to tell you:

- the Regulator has not modified the Section, issued directions, or imposed a schedule of contributions

- we have not paid any money from the Section to Royal Mail

Climate and your pension: what you need to know

We have published a summary on our website which explains how the Plan is responding to climate change. It’s designed to help you understand what’s being done to protect your pension from climate-related risks and how your money is being invested responsibly.

You can read the report on the following page of the Collective Plan’s website, under the “legal documents” section, if you click the link titled “The Collective Plan’s Taskforce on Climate-Related Finance Disclosures (TCFD) Statement”: **www.rmcollectiveplan.com/documents-forms**

Want to ask a question about this?

The Pensions Service Centre can help you with your questions and give you information about the Collective Plan.

Please have your member number or National Insurance (NI) number to hand if you call the Helpline, or include one of them along with your full name and date of birth in your correspondence if you email or write. This is so the Helpline can verify your identity.

email: collectiveplanhelpline@royalmail.com

telephone: 0345 604 3741 – lines open 9am to 5pm, Monday to Friday (excluding Bank Holidays)

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Any press enquiries should be directed to helmpartners@rmcpp.co.uk