The Royal Mail Collective Pension Plan (the “Collective Plan”)

The Income for Life (“the CMP”) Section - summary of 31 March 2025 valuation technical approach and results

In January 2026 the Trustee of the Collective Plan completed an actuarial valuation of the CMP Section, in order to determine the adjustment to apply to members’ income for life on 31 March 2026.

On completion of the valuation the Trustee is required by law to publish technical information on the approach taken, assumptions adopted, valuation results, and how these will be reflected in the benefit projections we provide to members. That information is provided in this note.

Method of carrying out the valuation and adjusting the income for life each year

For each member’s income for life (which is payable from the ‘CMP Section’), the adjustment is calculated each year following a process set out in the Collective Plan’s Trust Deed & Rules. It is a complicated process but in summary it works as follows:

- The Trustee will carry out an exercise each year with the Scheme Actuary, called a “valuation”.
- The valuation looks at whether there are enough assets in the Collective Plan’s income for life Section (also known as the ‘CMP Section’) to increase every member’s income for life in every future year that the income is expected to be paid. This looks across the whole membership (so includes members who haven’t yet got their incomes as well as those who already have).
- To do this, the Trustee must make some assumptions about what will happen in the future, for example the assumed investment returns on the CMP Section’s assets, and how long members will live on average. These assumptions must be the Trustee’s central estimate of what they think will happen in the future.
- The valuation looks at the member’s income for life, earned by all members. If it shows that there are enough assets to support an increase for every future year that incomes are expected to be paid, the next step is to work out the level of that increase. This is worked out as a rate with reference to assumed future inflation, by considering what future increases in the Consumer Prices Index (CPI inflation) are assumed to be e.g. the rate of increase could be worked out to be 1.5% a year above assumed future CPI inflation, or 1% a year below the assumed future CPI inflation.
- The actual increase awarded on 31 March each year is then calculated by reference to CPI inflation over the year to the previous 30 September. For example, if the assets are shown to support increases at 1% above assumed future inflation, and CPI inflation in the year up to the last 30 September was 2%, then the increase on 31 March in the current year would be 1% + 2% = 3%.
- If there were not enough assets to pay the current level of income for life in any year, then the income would need to be decreased that year.
- It doesn’t matter if members have already started getting your income for life or not, each member’s income for life will go up, or down, by the same percentage.
- Regardless of whether income for life already earned is being increased or decreased, members who are paying into the Collective Plan will still earn an income for life of 1/80th of pensionable pay for each new year of membership. This earned income for life will be adjusted the following year, on 31 March. It could go up, down or stay the same, in line with other income for life which has already been earned.

The method that has been used to determine the benefit adjustment is the same as that used for the Pensions Regulator authorisation application when the Plan was being set up. Both needed to follow the approach prescribed in legislation and the Section’s Rules.

2025 valuation assumptions

These assumptions are the Trustee's "central estimates" of the future. They have been set using a process that is in accordance with the Collective Plan's Trust Deed & Rules and relevant CMP legislation. The process includes the Trustee obtaining advice from the scheme actuary, as well as carrying out benchmarking of the investment return assumptions. The main assumptions were in summary:

Financial assumptions	31 March 2025 % pa
Future asset returns - Return-Seeking assets	**CPI + 5.4% pa**
Future asset returns - Low-Risk assets	**CPI + 2.3% pa**
Consumer Price Inflation (CPI)	**Market-implied RPI inflation, less 1.0% prior to 2030 and less 0.2% after 2030**

Demographic (member-based) assumptions	31 March 2025
Member mortality base tables (male / female)	**90% of the SAPS S4 normal health pensioner "heavy" table / 94% of the SAPS S4 pensioner G2 table**
Dependant mortality base tables (male / female)	**96% of the SAPS S4 pensioner G1 table / 97% of the SAPS S4 pensioner G1 table**
Future improvements in longevity	**'CMI 2023' core projections model with a long term improvement rate of 1.25% pa, other parameters in line with core parametrisation with no initial addition***
Proportion married (male / female)	**70% male, 62% female (at retirement or earlier death)**
Age difference between members and dependants (male / female)	**Male members are 0-3 years older than female dependants (depending on age) / female members are 0.5 years younger than male dependants**
Retirements in normal health	**At age 67**
Operational (non-investment) expenses	**Will be met by separate expense reserves**

*Allowance is made for improvements between 2017 and 2019 in line with CMI 2023 with a long-term rate of 1.5% pa. From 2019 a long-term rate of 1.25% pa is used.

The assumptions that have been used to calculate the benefit adjustment have been determined consistently with those used for the Pensions Regulator authorisation application when the Plan was being set up. The Trustee has updated them for the latest expectations of future financial conditions and membership experience.

2025 valuation results

The Section's Available Assets were £205.6m. The valuation determined the long-term rate of benefit adjustment so that the "Required Amount" to pay the benefit liabilities with those adjustments are equal to that asset value.

The valuation result was a benefit adjustment of Consumer Price Inflation + 2.63% p.a. Rounding to the nearest 0.1%, the benefit adjustment from this valuation is **CPI + 2.6%**. In the table below we summarise the resulting benefit adjustment based on the latest price inflation, 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 + 2.6%**	**3.8%**	**6.4%**

This means that if you had built up an income for life of £100.00 a year up to 31 March 2025, this would increase to £106.40 on 31 March 2026. Remember, that this is not guaranteed and so could go up again or down in future years.

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.

Description of model used to calculate benefit illustrations

Member benefit illustrations will be updated by the Trustee's administrators shortly after completion of the actuarial valuation, for consistency with the valuation results.

Member benefit illustrations feature three projected benefit levels: a projection estimated by the Trustee, and projections that are higher and lower than that estimate. The central projection has been chosen to be consistent with an average of what valuation results might broadly have been over the past 5 years if the Plan had been open. The higher and lower amounts are to illustrate to members that actual benefit levels could be higher or lower than the central projection, although the benefit statements also explain that there is no upper or lower limit on benefit adjustments and so they could fall outside of the range shown. The higher and lower amounts have been chosen as 2% pa higher or lower than the central estimate, which based on modelling by the actuary captures the long-term benefit adjustment outcomes term in the vast majority of scenarios.

If you want to ask any questions about this information, please contact the Collective Plan Helpline:

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