Dear Frank,

Thank you for your letter of 10 October. I am really pleased that the response from the Government has been positive and I look forward to seeing it in due course.

You are right that we initially read Section 32 of the Pensions Act 2011 as being potentially broad enough to enable regulations which would provide for a CDC scheme to be treated as “money purchase.” (which is the key new legal change needed to enable CDC from an employer risk and volatility perspective), and we were therefore of the view that other key changes could be made through regulation-making powers elsewhere.

However, notwithstanding the prima facie breadth of Section 32, we understand from Government lawyers that the basis upon which this part of the Pensions Act 2011 was brought before Parliament is such that they do not consider that it would be appropriate as a means for introducing an entirely new type of pension scheme into UK legislation.

We consider this to be a matter of Parliamentary principle on which it would not be appropriate for Royal Mail to seek to second guess internal Government advice. We have been extremely encouraged by the support which Government has given us as we work with our unions to enable CDC to become a reality in the UK. It is clear to us from the level of resource Government is continuing to commit that their concern was solely to use the appropriate legislative mechanism for enabling CDC.

Given the potential significance of this change for the UK pensions landscape, we also agree with Government that it is appropriate in terms of public transparency for the key principles
behind CDC to have the level of Parliamentary scrutiny which primary, rather than secondary, legislation requires.

Please let us know if we can be of any further assistance on this or any other question.

Can I also take this opportunity to thank you for the work of the Committee on this issue. Both the CWU and Royal Mail believe that CDC is the best way forward for our people’s pension arrangements and the work that the Committee has done has been most helpful to us in progressing this.

Yours sincerely

[Signature]

Jon Millidge
Chief Risk and Governance Officer