

31st January 2018

**Royal Mail Group**



Rt Hon Frank Field MP  
House of Commons  
LONDON  
SW1A 0AA

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Communication Workers Union  
(CWU)  
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Dear Mr Field

### **Royal Mail Group and Collective Defined Contribution (CDC) pension schemes**

Royal Mail and CWU remain committed to providing the best possible pension arrangements. A decent occupational pension is essential to supplement the state pension and provide people with a good standard of living and security in retirement.

Royal Mail Group and the Communication Workers Union (CWU) therefore welcome the Work and Pensions Select Committee inquiry into Collective Defined Contribution (CDC) pensions. We have made independent submissions to the inquiry but we are writing jointly to the Committee to underline our shared commitment to delivering such a scheme and welcome the opportunity to give joint verbal evidence to the Committee's inquiry.

Over recent years, society has witnessed a shift in workplace pension provision away from Defined Benefit (DB) to Defined Contribution (DC) Schemes. The impact has been to make retirement provision less predictable for individuals with DC Schemes which, in many cases, are characterised by inadequate contribution levels and uncertain outcomes.

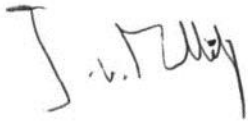
Against that backdrop, and in the light of the Company's very reluctant decision to close the current DB scheme in March 2018, we have jointly agreed to introduce one new wage in retirement pension scheme to replace the current DB and DC Schemes, subject to the necessary legislation. The scheme will be based on a collective structure which shares risk between employees and the Company. Members will receive a combination of a target income based wage in retirement pension and a defined benefit cash lump sum.

We believe that our proposed collective scheme will provide employees with significantly better benefit outcomes than a traditional DC scheme, without the Company having to bear the balance sheet risks associated with a DB scheme. We are keen to be able to offer a CDC pension for our c.142,000 employees as soon as possible. In order to do this however, we require the Government to introduce the necessary legislation. While we would support enactment of the full CDC legislation set out in the 2015 Pensions Act, we are currently exploring how we could introduce a collective scheme without enacting all of the 2015 secondary legislation, given the constraints on parliamentary time.

We believe that now is the time for the Government to introduce the required legislation so that companies such as Royal Mail have the ability to offer CDC type schemes to their workforce.

Cont...

Yours sincerely

Handwritten signature of Jon Millidge in black ink.Handwritten signature of Terry Pullinger in black ink.

Jon Millidge  
Group HR Director, Royal Mail Group

Terry Pullinger  
Deputy General Secretary (Postal)CWU