

SCHEDULE 1

The Royal Mail Statutory Pension Scheme Rules

PART IV

SECTION B RULES OF THE SCHEME

Pensions increase

19.—(1) Any pension payable under the Section B Rules shall be increased from time to time in accordance with the 1971 Act and Sections 59 and 59A of the 1975 Act, as if it were a pension beginning on the Member's COD Beginning Date and it were payable under the Principal Civil Service Pension Scheme 1974 and any amendment or replacement thereof, subject to the modifications set out in and the additional provisions of this Rule.

(2) Subject to the further provisions made by sub-paragraphs (5) to (8) below, a Member's RMSPS Final Salary Benefits will be increased in accordance with sub-paragraph (3) below, and a Member's CSDB Benefits will be separately increased in accordance with sub-paragraph (4) below, provided that—

- (a) where different parts of the Member's RMSPS and RMPP benefits are for the purposes of Section 8(2) of the 1971 Act deemed to begin on different days, then for the avoidance of doubt the revaluation process under this paragraph will apply separately to the Member's RMSPS benefit in respect of each such part and a reference to the revaluation process applicable to the Member's RMPP benefit will be a reference to that process as applicable separately to the Member's RMPP benefit in respect of each such part. The definitions of "Applicable Revaluation Year", "CSDB Applicable Revaluation Year", "CSDB Terminal Revaluation Year", "Relevant RMPP Beginning Date", "COD Beginning Date" and "RMPP Terminal Revaluation Year" will be read accordingly; and
 - (b) where the COD Beginning Date in respect of the Member's benefit is on the same date as or later than the Relevant RMPP Beginning Date, the Member's benefit will not increase under sub-paragraph (3) or (4).
- (3) The Member's RMSPS Final Salary Benefit shall be increased as follows—
- (a) Where the Member's COD Beginning Date is before the start of the Member's RMPP Terminal Revaluation Year, in respect of the period from the Member's COD Beginning Date to the start of that Member's RMPP Terminal Revaluation Year, it shall be increased as if the percentage specified in each Pension Increase Order coming into force on or before the Relevant RMPP Beginning Date were the higher of zero and the percentage increase in the Government index of retail prices for the 12 months to the September preceding the date on which that Pension Increase Order came into force.
 - (b) In respect of the period from the start of the Member's RMPP Terminal Revaluation Year to the Relevant RMPP Beginning Date, it shall be revalued by the factor of $(1+A\%)$ divided by $(1+B\%)$, or by a factor of one, if greater, where—

A% = the percentage increase (if any) in the Government index of retail prices for the 12 months to the September of the Member's Applicable Revaluation Year, as if that percentage were the percentage increase specified in the Pension Increase Order which came into force at the end of the Member's Applicable Revaluation Year; and

B% = (A% multiplied by: ((i) the number of complete months in the period from the Relevant RMPP Beginning Date to the end of that Member's RMPP Terminal Revaluation Year; plus (but only where the Relevant RMPP Beginning Date falls in the same

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Revaluation Year as that Member's COD Beginning Date) (ii) the number of complete months in the period from the start of that Member's RMPP Terminal Revaluation Year to that Member's COD Beginning Date)) divided by 12,

and an incomplete month is to be treated as a complete month if it would have been so treated for the purposes of the Pension Increase Order coming into force at the end of the Member's Applicable Revaluation Year.

(4) A Member's CSDB Benefits will be increased as follows—

(a) In respect of the period from the Member's COD Beginning Date to the start of the Member's CSDB Terminal Revaluation Year, it shall be increased as if the percentage specified in each Pension Increase Order coming into force on or before the Relevant RMPP Beginning Date were the higher of zero and the percentage increase in the Government index of retail prices for the 12 months to the September preceding the date on which that Pension Increase Order came into force.

(b) In respect of the period following the start of the Member's CSDB Terminal Revaluation Year to the Relevant RMPP Beginning Date, the CSDB Benefits will be increased by the factor of $(1+C\%)$ divided by $(1+D\%)$, or by a factor of one, if greater, where—

$C\%$ = the percentage increase (if any) in the Government index of retail prices for the 12 months to the September of the Member's CSDB Applicable Revaluation Year, as if that percentage were the percentage specified in the Pension Increase Order which came into force at the end of the Member's CSDB Applicable Revaluation Year; and

$D\%$ = $(C\%$ multiplied by: ((i) the number of complete months in the period from the Member's Deemed RMPP Exit Date to the end of that Member's CSDB Terminal Revaluation Year; plus (but only where the Member's Deemed RMPP Exit Date falls in the same Revaluation Year as the Commencement Date) (ii) the number of complete months in the period from the start of that Member's CSDB Terminal Revaluation Year to the Commencement Date)) divided by 12,

and an incomplete month is to be treated as a complete month if it would have been so treated for the purposes of the Pension Increase Order coming into force at the end of the Member's CSDB Applicable Revaluation Year.

(5) Subject to sub-paragraphs (6), (7) and (8) below, in respect of the period from the Relevant RMPP Beginning Date, the Member's benefit shall be increased in accordance with the 1971 Act as if it were a pension beginning on the Relevant RMPP Beginning Date. For these purposes, the modifications set out in sub-paragraphs (3) and (4) above will not apply to the requirements of the 1971 Act.

(6) Where the Relevant RMPP Beginning Date and RMSPS Retirement Date both occur in the same Revaluation Year as that Member's Deemed RMPP Exit Date, the Member's pension will be increased at the Member's RMSPS Retirement Date by the Statutory Underpin Amount with respect to the period from the COD Beginning Date to the Relevant RMPP Beginning Date.

(7) Where the Relevant RMPP Beginning Date occurs in the same Revaluation Year as that Member's Deemed RMPP Exit Date, at the effective date of the first Pension Increase Order to come into force on or after the Member's Deemed RMPP Exit Date, the Member's pension will be increased by the Statutory Underpin Amount with respect to the period from the COD Beginning Date to the effective date of the first Pension Increase Order to come into force on or after the Relevant RMPP Beginning Date.

(8) Where the Relevant RMPP Beginning Date does not occur in the same Revaluation Year as the Member's Deemed RMPP Exit Date, at the Relevant RMPP Beginning Date the Member's pension will be increased by such additional amount (if any) as may be required to ensure that the amount of the Member's pension is not less than the amount it would have been had any increases provided under sub-paragraphs (3)(a) and (3)(b) been calculated by reference to the actual

percentages specified in the Pension Increase Orders applicable to the periods described in those sub-paragraphs.

(9) Any pension payable prior to Normal Retiring Age will receive annual increases (where payable) as if it were a pension payable on or after Normal Retiring Age.

(10) In this Rule—

“1971 Act” means the Pensions (Increase) Act 1971(1);

“1975 Act” means the Social Security Pensions Act 1975(2);

“1992 Act” means the Social Security Administration Act 1992(3);

“Applicable Revaluation Year” means the Revaluation Year ending immediately before a Member’s RMPP Terminal Revaluation Year unless the Member’s RMPP Beginning Date falls in a Revaluation Year before the Revaluation Year in which that Member’s Deemed RMPP Exit Date falls, in which case references to that Member’s “Applicable Revaluation Year” should be read as references to that Member’s RMPP Terminal Revaluation Year;

“COD Beginning Date” means the date on which a Member’s pension under the RMSPS is deemed to begin for the purposes of Section 8(2) of the 1971 Act, which is the date that that Member’s corresponding Section B pension under the RMPP would have been deemed to begin for the purposes of that section if that Member had opted out of the RMPP under General Rule 1A (Optional membership) of the RMPP Rules at the end of the Cut-Off Date;

“Corresponding RMPP Amount” means—

- (a) in relation to a Member’s RMSPS Final Salary Benefits, the “Notional RMSPS NRA60 Final Salary Benefits” in respect of that Member, as defined under Rule 1 (Definitions) of Section B of the RMPP Rules;
- (b) in relation to a Member’s RMSPS NRA60 CSDB Benefits, the “Notional RMSPS NRA60 CSDB Benefits” in respect of that Member, as defined under Rule 1 (Definitions) of Section B of the RMPP Rules; and
- (c) in relation to a Member’s RMSPS NRA65 CSDB Benefits, the “Notional RMSPS NRA65 CSDB Benefits” in respect of that Member, as defined under Rule 1 (Definitions) of Section B of the RMPP Rules;

“CSDB Applicable Revaluation Year” means the Revaluation Year ending immediately before a Member’s CSDB Terminal Revaluation Year;

“CSDB Terminal Revaluation Year” means the Revaluation Year during which a Member’s Deemed RMPP Exit Date falls;

“Deemed RMPP Exit Date” means the earlier of the Member’s RMPP Exit Date and the date on which he or she takes the Relevant RMPP Margin Benefit in respect of his or her RMSPS benefit or where appropriate benefit component;

“pension” has the same meaning as it has in the 1971 Act;

“Pension Increase Order” means an order made under Section 59 of the 1975 Act, by virtue of a direction given under Section 151 of the 1992 Act that the sums mentioned in Section 150(1) (c) of the 1992 Act are to be increased by a specified percentage;

“Relevant RMPP Margin Benefit” means, in respect of a Member’s RMSPS benefit or where appropriate benefit component, the Member’s RMPP benefit or where appropriate benefit component in the calculation of which the Corresponding RMPP Amount in relation to that RMSPS benefit or benefit component is being used;

(1) 1971 c.56.
(2) 1975 c.60.
(3) 1992 c.5.

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“Revaluation Year” means, in respect of a Member’s benefit under the RMSPS, the “base period” in relation to any Pension Increase Order, as defined in section 59 of the 1975 Act;

“Relevant RMPP Beginning Date” means, in respect of a Member’s RMSPS benefit or where appropriate benefit component, the date on which the Member’s Relevant RMPP Margin Benefit in respect of that RMSPS benefit or benefit component is deemed to begin under Section 8(2) of the 1971 Act;

“RMPP Terminal Revaluation” Year means the Revaluation Year during which the Relevant RMPP Beginning Date falls;

“RMSPS CSDB Benefits” means a Member’s—

- (a) RMSPS NRA60 CSDB Benefits; and
- (b) RMSPS NRA65 CSDB Benefits;

“RMSPS Final Salary Benefits” means a Member’s Section B benefit attributable to RMSPS Reckonable Service before 1 April 2008;

“RMSPS NRA60 CSDB Benefits” means a Member’s Section B benefits attributable to RMSPS Reckonable Service on and from 1 April 2008 up to and including 31 March 2010;

“RMSPS NRA65 CSDB Benefits” means a Member’s Section B benefits attributable to RMSPS Reckonable Service on and from 1 April 2010 up to and including the Cut-Off Date;

“RMSPS Retirement Date” means the date the Member’s RMSPS benefit or where appropriate benefit component comes into payment; and

“Statutory Underpin Amount” means such additional amount (if any) as may be required to ensure that at that time, the amount of the Member’s pension is no less than the amount it would have been had it been a pension beginning on the Member’s COD Beginning Date and payable under the Principal Civil Service Pension Scheme 1974 and any amendment or replacement thereof, and increased in accordance with the 1971 Act and Sections 59 and 59A of the 1975 Act, without the modifications set out in this Rule 19.