SCHEDULE 1

The Royal Mail Statutory Pension Scheme Rules

PART IX

OVERRIDING FINANCE ACT PROVISIONS

1. The provisions of this Part IX override any other provisions of the RMSPS Rules with which they are inconsistent and apply to all Members of the RMSPS who are Cut-Off Date Actives provided that—

(a) This Part IX shall not apply in relation to Section A Members (or those Section E Members who were Section A Members before joining Section E) and so shall not override the provisions of the Section A Rules (or, in the same manner, the Section E Rules).

(b) This Part IX shall only apply in part to Section B Members (or those Section E Members who were Section B Members before joining Section E) and so shall not override the following provisions of the Section B Rules (or, in the same manner, the Section E Rules) —

(i) Rule 2 (Definitions and interpretation), definition of "RMSPS Pensionable Salary";

(ii) Rule 13(1) (Provisions applicable to Rules 11 and 12), for the purpose of applying the "first 91 days";

(iii) Rule 15 (Dependants' pensions), payment of dependants' pension equivalent to widow's or widower's pension under Rule 11 (Spouse's pension) (and, where applicable, Rule 12 (Spouse's pension for Relevant Members)); and

(iv) Rule 19 (Pensions increase).

(c) For the purpose of this Part IX all Section B Members or those Section E Members who were Section B Members before joining Section E will be treated as if they had joined the RMPP before 17 March 1987 unless they elect otherwise subject to their not having a break in Post Office service (or service with an Employer) other than any period of temporary loan.

2. The RMSPS will be administered as a Registered pension scheme in accordance with the Finance Act 2004.

3. Subject to Clause 15(6) (Prevention of discrimination on grounds of age), the Secretary of State shall only make payments from the RMSPS which are authorised payments (as that term is used for the purposes of the Finance Act 2004) except that—

(a) if the Rules contain a provision which would require the Secretary of State to make a payment which would be an unauthorised payment, then the effect of Regulation 3 of the Registered Pension Schemes (Modification of the Rules of Existing Schemes) Regulations 2006 but without the limitation to the transitional period (as adopted in relation to the RMPP by clause 1(a) of the Interim Amending Deed for the RMPP dated 3 April 2006), applies to the RMSPS as if it were an "existing scheme" to which those regulations apply under Regulation 2 of those regulations, and the Secretary of State therefore has a discretion whether or not to make the payment, by virtue of that regulation; and

(b) the Secretary of State may, if he thinks fit in any particular circumstance, make a payment from the Scheme notwithstanding that it is or may be an unauthorised payment. The Secretary of State will where reasonably practicable obtain the consent of the Member or beneficiary (where applicable) before making any such payment. No person will, however, have any entitlement to such a payment.

4. The Secretary of State may use reasonable endeavours to rearrange any benefit that would not be an authorised payment so that the benefit actually paid is an authorised payment.

5. Except as otherwise mentioned in this Part IX, the benefits, rights and options of or in respect of all Members and other persons will, as a restriction imposed by the RMSPS Rules, be subject to—

(a) the same restrictions as applied to them immediately before 6 April 2006 (or would have applied had they then been entitled) by virtue of the previous provisions of the RMPP in force immediately before 6 April 2006; and

(b) the restrictions which applied as requirements of the approval of the RMPP by HMRC under IR12 (2001) (IR12),

in each case as increased, indexed or revalued where appropriate in such manner and at such dates as the Secretary of State decides (Scheme Limits) and neither the amount nor the nature of any benefit will be increased or varied as a result of the said restrictions having ceased to apply to the RMPP on or after 6 April 2006 or not having applied directly to the RMSPS, except where specified in the RMSPS Rules or this Part IX.

6. The Secretary of State may decide to waive or modify all or any part of the Scheme Limits whether conditionally or otherwise in respect of some or all Members.

7. Except as specified in paragraph 7(h) below, the following provisions (which were applied under the RMPP Rules with effect on and from 6 April 2006) will apply so as to vary the Scheme Limits under the RMSPS—

(a) When calculating the benefits of Members under the RMSPS, a Scheme-specific limit (the Scheme Earnings Cap) will apply. It applies to all Members (other than those who, as Members of the RMPP, were neither actually nor potentially subject to the permitted maximum immediately before 6 April 2006). The Scheme Earnings Cap is the "Scheme Earnings Cap" that applied under the RMPP as at the end of the Cut-Off Date, as set out in Schedule 13 (Overriding Finance Act provisions) of the RMPP Cut-Off Date Rules (the RMPP Scheme Earnings Cap). The RMPP Scheme Earnings Cap operated in the same manner as the permitted maximum (as that term was defined in Section 590C of the Income and Corporation Taxes Act 1988)(**1**) and was £108,600 for tax year 2006/07. For subsequent tax years the RMPP Scheme Earnings Cap was the amount for the previous tax year increased by—

  (i) the same percentage increase in the Index of Retail Prices for the 12 month period ending the previous September (rounded up to the nearest multiple of £600); or

  (ii) such greater amount as the Principal Employer may at its absolute discretion from time to time have directed the RMPP Trustees.

(b) The maximum limit on lump sum benefits contained in paragraph 8.5 of IR12 will not apply and Members may draw such an amount of lump sum benefits in accordance with the Rules as they determine up to the lesser of—

  (i) the maximum amount that would constitute a pension commencement lump sum under the Finance Act 2004; and

  (ii) 25% of the standard lifetime allowance (as that term is used for the purposes of the Finance Act 2004).

(c) Benefits referable to additional voluntary contributions paid by a Member to the RMPP will be capable of commutation in so far as the payment would be an authorised payment under the Finance Act 2004 and the restriction in paragraph 8.3 of IR12 shall not apply.

(d) Additional voluntary contributions paid by a Member to the RMPP on a money purchase basis and transferred to the RMSPS under Clause 10 (Additional voluntary contributions

(**1**) 1988 c.1.

transferred from the RMPP) will not be brought into account in applying the Scheme Limits.

(e) The maximum limits on benefits on death in service contained in paragraph 11.2 of IR12 will not apply (although, in accordance with Paragraph (a) above, the Scheme Earnings Cap will continue to apply for the calculation of any lump sum death benefit under the RMSPS which is calculated by reference (however expressed) to a multiple of salary).

(f) The restrictions in IR12 on the circumstances in which Members may take benefits whilst remaining in service will not apply to the RMSPS. Members may take benefits whilst remaining in service with an Employer in accordance with the provisions of the Rules.

(g) The requirements contained in IR12 to take account of retained benefits (as that term is used in Appendix I of IR12) will not apply when calculating the Scheme Limits.

(h) The requirements in IR12 providing that benefits were limited by reference to 40 years' service (or 40 years' service prior to normal retirement age and a further 5 years thereafter) shall not apply. For Members who were subject to this change under the RMPP, which was put into effect under the RMPP Rules on and from 1 December 2006, benefits under the RMPP were instead limited by reference to 45 years' RMPP Reckonable Service (in accordance with the provisions of the RMPP Rules), and this limit also applies under the relevant provisions of the RMSPS Rules in respect of such Members.

8. The Secretary of State may arrange the benefits under the RMSPS (in respect of one or a number of Members) so that those benefits constitute a single or multiple arrangements for the purposes of the Finance Act 2004.

9. If any Member or any other person entitled to a benefit under the RMSPS is within any of the transitional provisions and savings in Schedule 36 of the Finance Act 2004 then the Secretary of State may apply those provisions including (without limitation) exercising the power to surrender the relevant excess under paragraph 12(5) of that schedule but so that the Secretary of State will not be liable for any loss or cost arising from failure to apply those provisions where they relate to primary or enhanced protection (as those terms are used for the purposes of the Finance Act 2004).

10. The Secretary of State may determine any matters of ambiguity or dispute arising out of this Part IX or the application of the Finance Act 2004 to the RMSPS.