



Trustee Report ...2023



The nuts and bolts of the last year

Welcome from your Trustee Chair, Joanna Matthews

Welcome to the 2023 Trustee Report, for a recap of what has been happening in the Royal Mail Pension Plan (RMPP) over the last year.

Rising food and fuel costs and the cost of living generally has dominated news over the past year. In these uncertain times, the Trustee Board continues to monitor the Plan to ensure that funds remain secure. In our spring newsletter earlier this year, we gave an update on the funding of the Plan based on the most recent figures. This showed a 'surplus', which is good news because it means there's enough money to meet all the Plan's obligations. We'll provide a further update next year.

It's been another summer of extreme weather events, particularly across southern Europe and the United States. Since we set out our plans to achieve a 'net zero' investment portfolio by 2050 in last year's update, we have taken further steps in this area – read more on page 3 on activity over the last year and what's next.

In February this year we announced the selection of BlackRock to continue to deliver the investment strategy for the RMPP. You can find more information, including the reasons for this change on page 3.

I hope you find this Annual Report informative. If you have any questions or need any more information, please get in touch with the PSC. You can find their contact details on page 4.



JOANNA MATTHEWS
CHAIR OF TRUSTEE
ROYAL MAIL PENSION PLAN

Money held in the RMPP

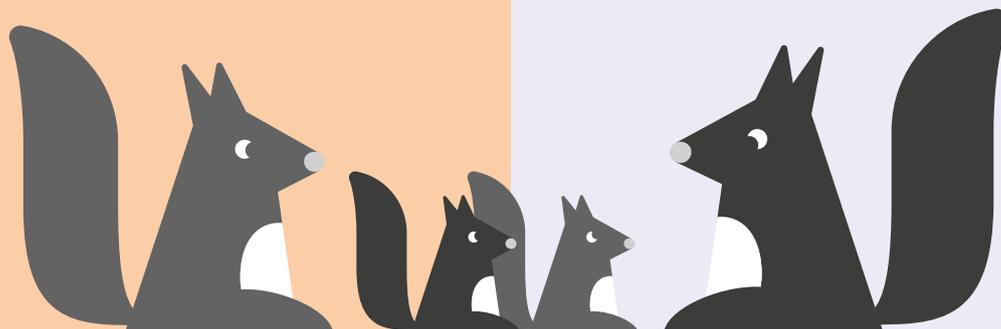
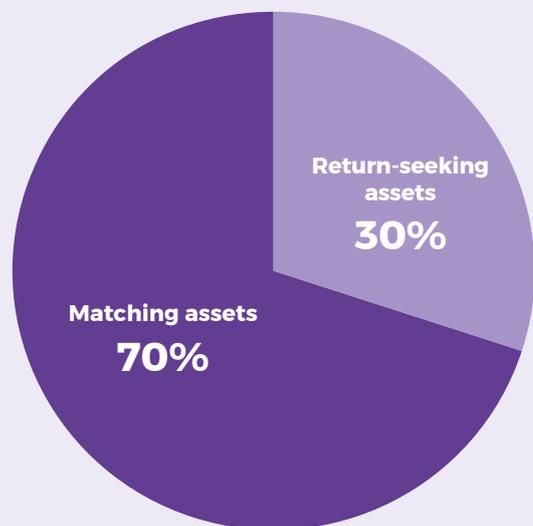
The RMPP is financially secure, with over £9.7 billion invested on 31 March 2023.

That money (known as assets) is there to make sure every member gets their pension, when it's time for them to retire. It's also there to support your loved ones after you die. It's the Trustee's duty to make sure the money held in the RMPP is invested in the best way possible. That means making sure that the money is both secure and able to grow.

How is this money invested?

With the help of investment professionals, we invest in two different types of assets, 'matching' and 'return-seeking'. Matching assets keep track with the changes in the cost of providing pensions, whereas return-seeking assets are invested with the aim of increasing in value as much as possible, without taking undue risk. The following pie chart shows that there is a larger amount invested in matching assets than in return-seeking assets, as the Trustee continues to prioritise security over higher risk and reward.

Asset split as at 31 March 2023:



Climate Change & Net Zero Targets



The Trustee believes that the climate crisis requires urgent action. The Plan is a signatory to the United Nations-backed Principles for Responsible Investment which acts as a framework for investors to take ESG issues into account. The Plan is also a signatory to Climate Action 100+ and Transition Pathways Initiative ("TPI").

We wish to have as much impact as possible whilst sticking to the investment principles that have always guided the Plan. Whilst the reduction of emissions is key in managing climate risks, we have a broader belief that the source of most emissions comes from the ever-increasing demand for energy. Therefore, alongside the Trustee's target to reduce carbon emissions, investing in alternative energy and developing technology will also

form an important part of the Plan's Climate Impact project.

As mentioned in last year's Trustee Report, the Board has established an Environmental, Social and Governance (ESG) roadmap that sets out specific actions over the next 12 months, 1-2 years, and 2+ years. Last year we were able to report on the calculation of the Plan's emission from its investments in equities and corporate bonds. This year, for the first time, we have been able to calculate the total emissions of the Plan for the year. So, the Trustee now has a (near) complete figure to fully understand the scale of the Plan's contribution to global emissions. The total for the Royal Mail Group section of the Plan is just over 4.5 million tonnes for 2022/23.

The Trustee's longer-term target is to achieve net zero by 2050, and it

has an interim target of reducing emissions by 50% for corporate bonds and equities by 2030, relative to the global economy's 2015 baseline and therefore be aligned to the Paris Agreement pathway.

During the year we also appointed a Trustee Board ESG 'Champion' to develop the Board's ESG and climate awareness.

Looking ahead, we will continue to actively engage with our investment managers regarding the carbon emissions of investments with a view to achieving the Plan's emission reduction targets. And we'll aim to appoint and retain managers whose beliefs and practices are consistent with our own on ESG risks and opportunities encourage best practice stewardship from our investment managers.

Investment strategy

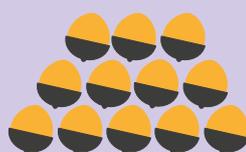
Earlier in the year it was announced that the RMPP investment team had selected BlackRock to continue to deliver the investment strategy.

The RMPP has a wide range of investments, or assets, which are managed to support the retirement benefits of our members. In the past, the Trustee has managed these investments in-house, through a small team headed by our Chief Investment Officer. The Trustee selected BlackRock to manage its assets as an outsourced chief investment officer (OCIO). This means that some members of RMPP's investment team have moved to BlackRock and continue to manage the scheme's investments. In doing so the RMPP will benefit from a range of expertise available from a full-service asset manager.

Richard Law-Deeks, Chief Executive of the RMPP said: "This agreement ensures we retain the expertise of key members of the team, while at the same time benefitting from BlackRock's wider resources."

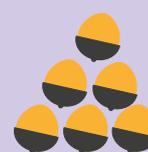
Members of the RMPP

There are a lot more members paying into the RMPP and building up benefits 'Employee members' than there are taking out a regular pension 'Pensioner members'. There are also members that don't pay in anymore but aren't yet taking their pension 'Deferred members'. The table below shows the current split of members at 31 March 2023:



66,535

Employee members



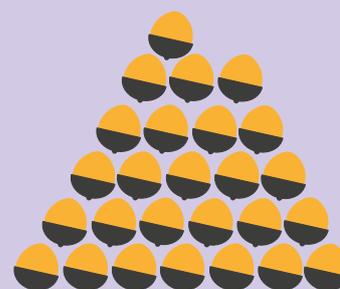
36,849

Pensioner members



20,206

Deferred members



123,590

Total members

Contributions & Benefits

What goes in?

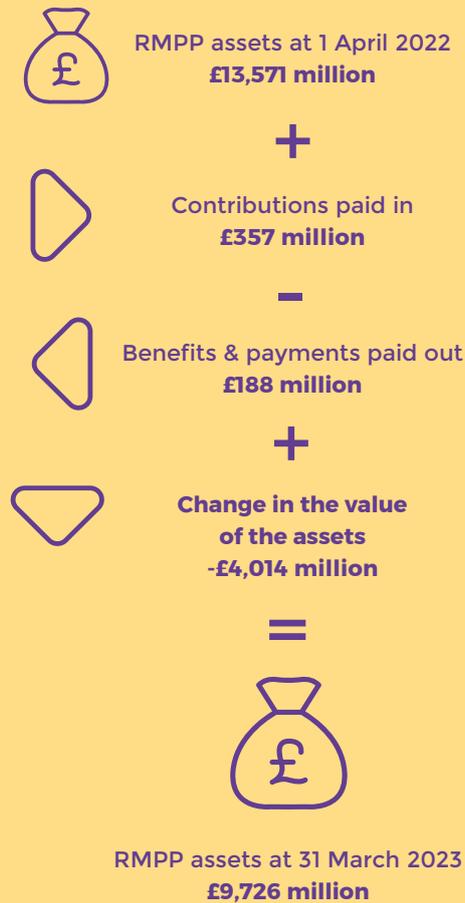
We've seen that the Plan's assets are invested with the aim of ensuring they are sufficient to pay everyone's benefits with a high degree of certainty and to provide inflation-linked pension increases. Assets also increase when money is paid in – that means contributions from you and your Employer.

What goes out?

The RMPP's assets are gradually paid to members, either as regular pension payments, tax-free cash or death benefits. Money is also used to pay for the help that the Trustee needs to run the RMPP properly.

What happened over the last year?

As for the last few years, there are far more Employee members paying in than there are members that receive a pension and more money goes into the RMPP than goes out. (See the 'Members of the RMPP' section on the previous page). The table to the right shows what's gone in and what's gone out of the RMPP over the last year.



During the year, the value of the Plan's investments decreased by just over £4,000 million. This drop was primarily due to the performance of the 'matching' assets. As explained on page 2, these assets are designed to keep track with the changes in the cost of providing pensions (liabilities). So, although the assets fell in value, the liabilities did too, as a result of rising interest rates. This meant that the surplus has been protected, and the funding level has improved over the course of the year.

These numbers are for the whole RMPP – that means they include both the Royal Mail and Post Office sections.

Get in touch



If you want some help with your pension, the best place to start is our website, which has regular news updates, useful information and a series of guides about how the RMPP works.

If you want to ask us a question about your benefits or tell us about a change in your situation, then please get in touch with us at the Pensions Service Centre.

It's important to tell us if you change your address, so that we can carry on writing to you about your RMPP benefits, and make sure that they are paid on time. When you contact the Pensions Service Centre, please make sure you have your National Insurance or membership number handy.



pensions.helpline@royalmail.com



0345 603 0043
Mon to Fri, 9.00am to 5.00pm



Pensions Service Centre,
PO Box 5863, SHEFFIELD, S98 6AB



royalmailpensionplan.co.uk

For questions about RMSPS benefits
visit **Capita** at royalmailsp.co.uk

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