

Royal Mail Senior Executives Pension Plan (RMSEPP) Security of Members' Benefits

The COVID-19 crisis has impacted all of our lives in ways that we could not have imagined possible only a few months ago. It has also quite naturally given rise to concerns being raised by our Members about the long term security of their benefits from RMSEPP. This short Newsletter addresses these concerns.

In our last Newsletter I reported that all of the future benefit payments due from the RMSEPP have been underwritten by insurance contracts with Scottish Widows and Rothesay Life and that RMSEPP is no longer dependent on Royal Mail to support any part of Members' benefits.

Looking forwards, the key question is therefore whether we can be confident that Scottish Widows and Rothesay Life continue to be able to pay Members' benefits in full and, in particular, the extent to which their financial strength has been affected by the COVID-19 crisis. Consequently the Trustees commissioned an analysis from our insurance experts at Aon to address these concerns. The key points in their report are summarised below.

RMSEPP and its backing insurers remain in a strong position despite the extreme volatility in recent markets following the coronavirus outbreak.

Due to their cautious investment and funding strategies, annuity companies continue to report that they hold significant surplus positions for meeting the commitments they have taken on. They have continued actively to seek further business throughout this period. Their focus is long-term: they hold investments to meet benefit payments over the next 50 years or more, and the assets backing annuities are ring-fenced.

The annuity providers that we have chosen are substantial entities: Scottish Widows is part of the wider Lloyds Banking Group and Rothesay Life is now the third largest UK annuity fund, having taken on over £50bn of assets over time.

Some Members have asked about the extreme – and unprecedented – event of either Scottish Widows or Rothesay Life becoming unable to meet their annuity commitments. We have to assume here that normal measures to resolve the position (capital raising, support from its wider group or acquisition by another insurance group) have not proved practical. In this situation the Financial Services Compensation Scheme stands behind annuities and is set up to provide 100% coverage of annuity payments.

Your Trustees will continue to monitor our annuity providers closely as the unprecedented economic situation develops but expect them to continue to remain a safe harbour, providing a very high level of security for RMSEPP Members.

I hope that you will find this Newsletter informative and reassuring.

David Hargrave, Chair of the Trustee Board