

## **Royal Mail and Unite CMA Joint Statement**

### **In Principle Agreement on Pay and Pensions**

Following further talks Unite CMA and Royal Mail have reached agreement in principle regarding pay and pensions.

This deal recognises the positive role managers play in leading and achieving our modernisation programme and business plans and the challenges facing the business.

Some details are still subject to further discussions and final agreement next week but the main points are as follows:

#### **Pay offer**

- A 2.5% increase on base salaries, promotion increases and allowances from 1<sup>st</sup> April 2007 to 31st March 2008.
- Two further increases:
  - An increase of 2.0% will be available from 1 April 2008
  - An increase of 2.8% from 1 July 2008.
- These two increases depend on the following being achieved:
  - The completion of the pension scheme reforms by 1<sup>st</sup> April 2008
  - People in Royal Mail Group and Royal Mail Letters central functions moving to a new pay and progression arrangement.
  - Agreement on the principles and design of a new pay and progression framework for Royal Mail Letters Operational Managers and Operational support people. This includes the date(s) when people will move to the new pay model and the new pay/progression arrangements.

The equivalent amounts will be available for salary progression for those people already in a broadbanded structure.

This is a 27 month pay agreement and the next review will be 1 July 2009.

### **Bonus arrangements**

The on-target bonus within the Managers' Bonus Scheme will increase to 10% with the potential to earn an additional 2.5% in stretch bonus.

The MBS performance bonus for managers below SLP will become pensionable for any benefits accrued after 1 April 2008 under the change to a career salary defined benefit arrangement.

### **In addition:**

- Royal Mail letters have agreed that the ML5 grade will be withdrawn and all existing ML5s will be assimilated to ML4 with effect from 1<sup>st</sup> October 2007.
- Assistant Delivery Office Managers, who have their start times moved as a result of the changes introduced into delivery offices on Monday 8<sup>th</sup> October 2007 will have their early shift allowance protected on a personal basis provided they have been earning it for 6 months or more before 8<sup>th</sup> October 2007. The protection will be lost if they volunteer to move out of delivery, move to a role that did not previously qualify for early shift allowance or change grade.

### **In return Unite CMA will:**

- Support the company proposal on pension reform (summarised below) and will work with Royal Mail throughout the consultation period.
- Continue to work with RM on the implementation of new pay and progression frameworks.
- Work with Royal Mail on initiatives and processes which develop the skills, capabilities and performance of our managers. (This includes replacing the Attendance, Conduct Code and Improving Poor Performance procedures). RM wants people to value their

ongoing development which should be focussed on professional, personal and business performance. To achieve this RM, with the support of Unite CMA, will seek recognised accreditation where possible.

### **The pensions proposal:**

- Pensionable service before 1 April 2008 will continue to be calculated on the current final pensionable salary basis. There will be no change to existing arrangements for past service.
- There will be a change in how the pension is calculated from a final salary to a career salary defined benefit arrangement from 1 April 2008. Future service will be subject to an annual indexation by RPI (up to a maximum of 5% for each year) though the company has the discretion to raise this cap.
- Normal retirement age to be increased to 65 with effect from 1 April 2010. Existing scheme members will retain the right to take their pension from their 60<sup>th</sup> birthday onwards, though there would be actuarial reduction for pensions earned after 1 April 2010.
- AVC arrangements will be available for those who wish to increase their contributions to mitigate the effect of the changes.
- The current scheme will close to new members from 31 January 2008.
- Eligible existing employees will be given a final opportunity to join the scheme prior to 31 January 2008.
- A high quality defined contribution scheme will be put in place for new joiners after 31<sup>st</sup> January 2008. The detail of the scheme including governance arrangements will be discussed with the union. There will be a one year waiting period before employees will be eligible to join the scheme.

### **Who's covered...**

This agreement covers all managers represented by Unite CMA (other than senior managers) within Royal Letters including International, Network, Commercial (excluding Sales & Customer Management) Central Functions and Operational Support.

Letters Central Functions units are: Group Procurement, P&OD, Finance, Engineering and IS

Operational Support are: Service Integrity including Security, Process Design, Assets and Programmes

RM Group Central Functions are: Group Property, Group IS, P&OD (excluding P&ODS), Board Secretariat, Legal Services, Group Compliance, Group Corporate & Government Affairs, Data Protection, Audit Pension Trustees, Chairman's and Chief Executive's Office, Strategy & Regulation and Wholesale

4<sup>th</sup> October 2007