Main Estimate memorandum (2025-26) for the Cabinet Office: Royal Mail Statutory Pension Scheme

1 Overview

1.1 Objectives

The Royal Mail Statutory Pension Scheme (RMSPS) vote solely funds the RMSPS. This is an unfunded, closed, defined benefit scheme with no active members. The Scheme acts as a run off vehicle for historic liabilities, paying pension benefits earned prior to April 2012.

1.2 Spending controls

Expenditure covered by the vote is not subject to pre-set Departmental Expenditure Limit (DEL) control totals but is classified as resource Annually Managed Expenditure (AME) so that it can be revised to reflect changes in circumstance. This is because the factors that drive the expenditure and cash payments covered by the vote are largely outside the control of the scheme administrators; for example retirement rates, pension increases, mortality etc.

1.3 Comparison of net spending totals sought

The table below shows how the totals sought for the pension scheme compares with last year:

Net Spending Total **Amounts sought this year** **(Main Estimate 2025-26)**		**Difference (+/-), compared to final budget last year**		**Difference (+/-), compared to original budget last year**	
		(Supplementary Estimate 2024-25)		**(Main Estimate 2024-2025)**	
		£m	**%**	**£m**	**%**
Resource AME	£1,500.4 m	(15.6)	1.0	(15.6)	1.0
Net cash requirement	£ 1,964.0 m	89.0	4.7	200.3	11.4

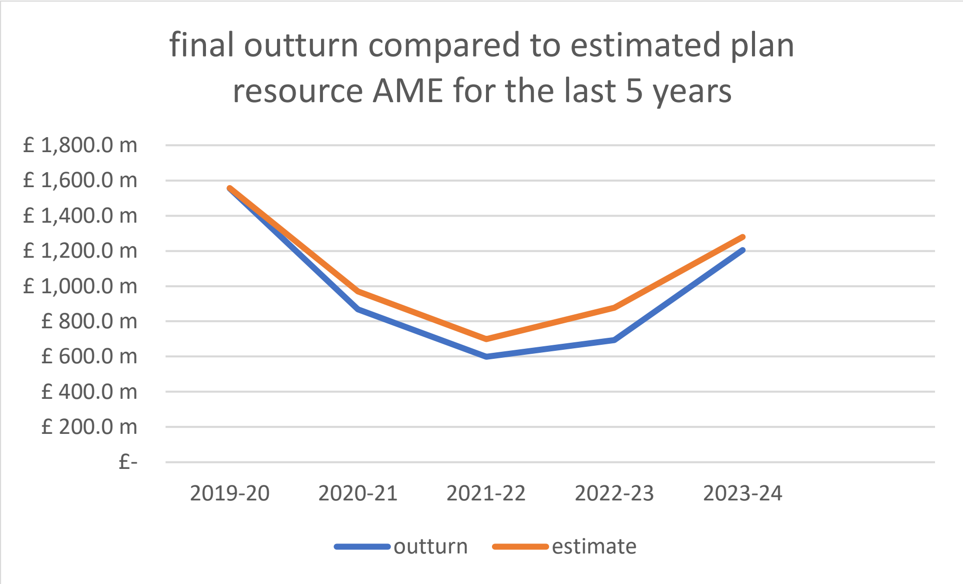
1.4 Key drivers of spending changes since last year

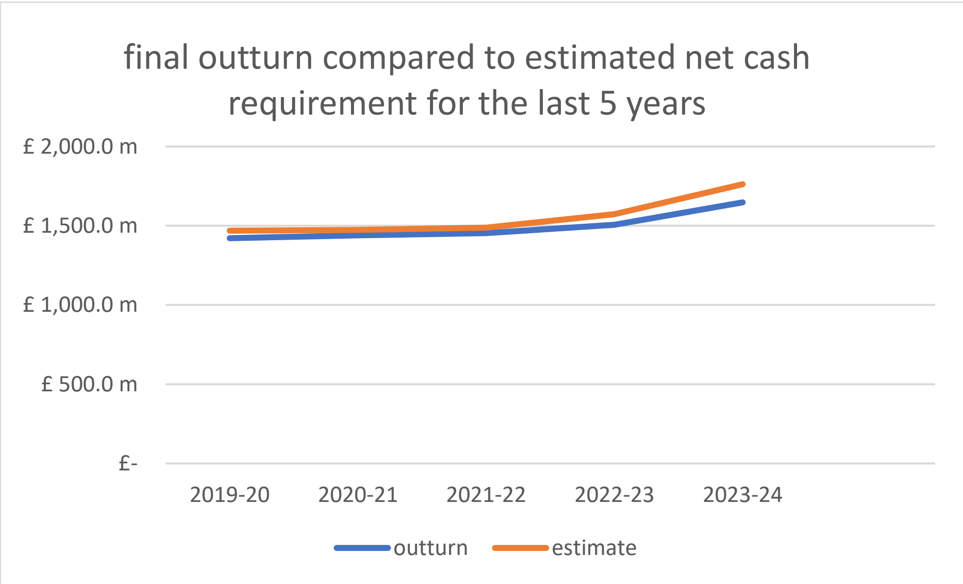
The resource AME comprises the interest charge arising because benefits are one year closer to payment.

The Net Cash Requirement (NCR) funds the cash payments made to pensioners and their dependants including lump sums during 2025-26.

1.5 Spending trends

The charts below show and compare the estimates for spending and actual outturn for the past 5 years. As AME is re-forecast on an annual basis, there are no future plans beyond the current Estimate.





1.6 Administration costs

The administration costs of the scheme are included in the Cabinet Office's Main Estimate.

2 Spending detail

2.1 Explanations of changes in spending

The interest cost calculated by the Government Actuary's Department makes up the entirety of the resource AME, and this has increased due to an increase in the nominal discount rate from 5.10% p.a. as at 31 March 2024 to 5.15% p.a. as at 31 March 2025, offset by an expected decrease in the projected pension scheme liability at 31 March 2025.

The NCR reflects the expected benefit payments for 2025-26 and covers expected pension payments and pension increases.

2.2 Estimated scheme liabilities

The latest accounting valuation of scheme liabilities was £28.7 billion at 31 March 2024 (31 March 2023: £29.9 billion). At that time there were approximately 348,874 scheme members.

3 Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimate Memorandum has been approved by myself as Accounting Officer.

Catherine Little

Accounting Officer

Royal Mail Statutory Pension Scheme

6 May 2025