

PENSION ADMINISTRATION SERVICES AGREEMENT

SCHEDULE 7.1

CHARGES AND INVOICING

Version Control

VERSION	DATE	COMMENT
1.0	September 2017	Execution version

1. **DEFINITIONS**

In this Schedule, the following definitions shall apply:

"Ad-hoc Services"	has the meaning given in Paragraph 4.1 of Part B;
"Allowable Resource Days"	has the meaning given in Paragraph 4.3 of Part B;
"Legacy Supplier"	the Authority's provider of services similar to the Services prior to the Operational Service Commencement Date;
"Professional Day"	such hours during a day as are necessary to progress the work in question in a reasonable and professional manner, to be no less than 7.5 hours (and without upper limit) properly working on the Services and excluding lunch breaks, travel time (except for travel time when specifically agreed by the Authority);
"Rate Card"	the Supplier's rate card set out in Annex 4 of this Schedule;
"Relevant Membership Records"	membership records that: (a) are transferred to the Supplier following the Effective Date and prior to the Operational Service Commencement Date by the Legacy Supplier for the purpose of Implementation; and (b) directly affect the Supplier's ability to make accurate payments in respect of the Royal Mail Statutory Pension Scheme;
"Supporting Documentation"	sufficient information in writing to enable the Authority reasonably to assess whether the Charges, and other sums due from the Authority detailed in the information are properly payable, including copies of any applicable Milestone Achievement Certificates or receipts;
"Verification Period"	the period specified in the table in Annex 3 of this Schedule; and
"Work in Progress"	the backlog of incomplete daily pensions administrative tasks relating to the Services.

PART A

Pricing

1 PRICING MECHANISMS

Milestone Payments and Service Charges shall be calculated using the pricing mechanism specified in Annex 2 and on the basis of the rates and prices specified in Annex 1 as more particularly set out in this Schedule.

2 EXPENSES NOT REIMBURSABLE

2.1 Expenses are not reimbursable and therefore the Charges shall be deemed to include all costs and expenses relating to the Deliverables, the Services and/or the Supplier's performance of its obligations under this Agreement and no further amounts shall be payable by the Authority to the Supplier in respect of such performance, including in respect of matters such as:

- (a) any incidental expenses that the Supplier incurs, including travel, subsistence and lodging, document and report reproduction, shipping, desktop and office equipment costs required by the Supplier Personnel, including network or data interchange costs or other telecommunications charges; or
- (b) any amount for any services provided or costs incurred by the Supplier prior to the Effective Date.

PART B

Charging Mechanisms

1 MILESTONE PAYMENTS

- 1.1 On the Achievement of a Milestone, whether or not the target date set out in Table 1 of Annex 2 has been met, the Supplier shall be entitled to invoice the Authority for the Milestone Payment associated with that Milestone (save for the exception set out in Table 3 of Annex 2) and payment of such invoices shall be in accordance with Paragraph 2 of Part D of this Schedule.
- 1.2 Each invoice relating to a Milestone Payment shall be supported by a Milestone Achievement Certificate.
- 1.3 The Milestone Payments are the only amounts payable in respect of the Implementation Services and are the fixed sum set out in Table 1 of Annex 2.
- 1.4 The Supplier has included a notional amount in Table 1 of Annex 2 to reflect caps applicable to potential costs relating to agreed redundancies that may arise following the Operational Service Commencement Date. These costs may, in certain circumstances, be reimbursable by the Authority to the Supplier pursuant to the provisions of Part E of Schedule 9.1 (*Staff Transfer*).

2 SERVICE CHARGE TRIGGER EVENTS

- 2.1 Each Service to which a Service Charge relates shall commence on the Achievement of the Milestone set out against that Service in the "Service Charge Trigger Event" column of Table 2 of Annex 2.

3 FIXED PRICE SERVICE CHARGES

- 3.1 The Services described in Table 1 of Annex 1 are subject to the fixed price Service Charges set out in Table 1 of Annex 1. If a Service Charge is fixed price and the relevant Service:
- (a) commences on a day other than the first day of a calendar month; and/or
 - (b) ends on a day other than the last day of a calendar month,

the Service Charge for the relevant Service Period shall be pro-rated based on the proportion which the number of days in the month for which the Service is provided bears to the total number of days in that month.

- 3.2 The Supplier shall be entitled to invoice the Authority for the Service Charges monthly in arrears (save for the exceptions set out in Table 3 of Annex 2) and payment of such invoices shall be in accordance with Paragraph 2 of Part D of this Schedule.

4 CHARGES FOR AD HOC SERVICES

- 4.1 The Supplier shall use all reasonable endeavours to provide such additional ad hoc services related to the Royal Mail Statutory Pension Scheme as the Authority may request from time to time including Changes required due to wider Government policy initiatives ("**Ad-hoc Services**") and provide such Ad-hoc Services in accordance with this Paragraph 4.
- 4.2 Subject to Paragraphs 4.3 and 4.4, such Ad-hoc Services shall be charged on a (as agreed by the Parties) (i) time and materials basis in accordance with the Rate Card (as described in Paragraph 4.6) or (ii) fixed price basis. Where the required amount of Ad-hoc Services requires:
- (a) five (5) or more Professional Days, such Ad-hoc Services shall be agreed in

accordance with the Change Control Procedure; or

- (b) fewer than five (5) Professional Days, such Ad-hoc Services shall be agreed by the Parties without using the Change Control Procedure and authorised by the Authority Representative in writing.
- 4.3 The Supplier shall, as required by the Authority from time to time, provide such ad hoc services free of charge or payment for up to twenty (20) Professional Days of resource (the Supplier being at liberty to determine how resource should be allocated) per Contract Year ("**Allowable Resource Days**").
- 4.4 Any Allowable Resource Days which are unused at the expiry of any Contract Year shall be rolled over to the following Contract Year and such unused Allowable Resource Days shall aggregate on a Contract Year on Contract Year basis. If at the expiry or termination of this Agreement there are any unused Allowable Resource Days outstanding, the Supplier shall credit the Authority with an amount equivalent to the number of unused Allowable Resource Days within thirty (30) days of the date of expiry or the date of any Termination Notice (as applicable) and the Parties agree that for the purpose of this calculation each unused Allowable Resource Day shall be valued at **<REDACTED>**.
- 4.5 When all Allowable Resource Days for any Contract Year have been used by the Authority the Charges for any related package of Ad-hoc Services shall be charged in accordance with Paragraph 4.2.

Time and Materials Charges

- 4.6 Time and materials Charges shall be calculated using the Rate Card (set out in Annex 4 to this Schedule) on a daily basis for every day that the Supplier Personnel are actively performing the Ad-hoc Services. The Supplier shall provide a breakdown of any time and materials Charges. For the avoidance of doubt, no risks or contingencies shall apply to the provision of Ad-hoc Services for which time and materials Charges apply. The Supplier shall maintain full and accurate records of the time spent by the Supplier Personnel in providing the Ad-hoc Services and shall produce such records to the Authority for inspection at all reasonable times on request.

Allowable Assumptions

- 4.7 The Supplier shall determine whether each of the Allowable Assumptions is accurate within the applicable Verification Period.
- 4.8 During the Verification Period, the Authority shall provide the Supplier with reasonable assistance and access to information within its possession or reasonable control and which the Authority deems is relevant to the Allowable Assumptions being verified.
- 4.9 Within 10 Working Days of the end of the relevant Verification Period, the Supplier shall provide the Authority with a written report setting out the results of the Supplier's verification activity for the relevant Allowable Assumption, including whether it is accurate or whether the Financial Model, the Implementation Plan or (on a temporary basis) the Performance Levels require adjustment to reflect the Supplier's net overall increased or reduced Costs or additional activity.
- 4.10 In the case of the Allowable Assumption relating to Relevant Membership Records, the Supplier shall comply with its obligations under the Implementation Plan and otherwise in this Agreement (including the Verification Exercise referred to in Clause 5.10) in order to mitigate or avoid any adjustment that would otherwise apply. Accordingly, the operation of Paragraph 4.12 is conditional upon the Supplier having so complied.
- 4.11 The inaccuracy of an Allowable Assumption shall not trigger any adjustment to the Financial Model (upwards or downwards) or any other provision of this Agreement unless adjusting for the Allowable Assumption has an impact on the Costs within the Financial Model greater than

the associated buffer zone as set out in column 3 of the table in Annex 3.

- 4.12 Subject to Paragraphs 4.11 and 4.12(d), where the Parties agree that an Allowable Assumption is not accurate:
- (a) the Supplier shall take all reasonable steps to mitigate the impact of the Allowable Assumption on the Financial Model;
 - (b) the Supplier may propose a Change to take account of the impact of the adjustment of the Allowable Assumption on the Supplier's Costs (upwards or downwards), the Implementation Plan or (on a temporary basis) the Performance Levels;
 - (c) the Parties shall use the Change Control Procedure (either pursuant to the Supplier's Change Request raised under paragraph 4.12(b) or as initiated by the Authority) to agree how any reduction or addition to the Charges shall be paid to the Authority (in the case of a Charges reduction) or to the Supplier (in the case of an addition), provided that, if the Parties cannot reach agreement within 30 Working Days from the date of the relevant Change Request, such payment shall be made:
 - (i) as a lump sum added to or reduced from the relevant Milestone Payment, where the underlying sum affected is a lump sum; or
 - (ii) as a periodic payment or reduction added to or reduced from the relevant monthly Service Charge payment over the relevant period, where the underlying sum affected is a periodic Service Charge payment; and
 - (d) where the Supplier proposes a Change to the Charges under Paragraph 4.12(b), the Change Request shall reflect the requirements of the Change Control Procedure in relation to transparency, provision of evidence and fairness in relation to adjustments to the Charges.
- 4.13 During the period of 30 days following the Operational Service Commencement Period, the Supplier shall review the average activity volumes for the Services during the 3 months preceding the Operational Service Commencement Date. To the extent that there is a material activity volume discrepancy when compared with those set out in the table in Annex 6, the Supplier may include in the written report referred to in paragraph 4.9 details of its review findings together with a request for further discussion with the Authority. The Authority shall participate in those discussions with a view to assessing (without any commitment on the part of the Authority) whether any acceleration of channel shift and/or digitalisation activity would (a) alleviate the impact on workload and priorities of the Supplier Personnel and (b) meet the Authority's commercial, financial and operational requirements.

5 CHARGES FOR EXIT MANAGEMENT AND TERMINATION SERVICES

- 5.1 Prior to the "Service Charge Trigger Event" indicated in respect of SC2 in Annex 2 Table 2, the Parties shall agree a milestone payment plan for the payment of Charges for Exit Management and Termination Services (such Charges being the fixed amount shown as SC2 in Annex 1 Table 1). The number of milestones in such plan shall not exceed four (4).
- 5.2 The Supplier shall be entitled to invoice the Authority for the Charges relating to Exit Management and Termination Services following achievement of milestones in accordance with the agreed milestone payment plan. Payment of such invoices shall be in accordance with Paragraph 2 of Part D of this Schedule.

PART C

Adjustments to the Charges

1 SERVICE CREDITS

1.1 Service Credits shall be calculated:

- (a) in relation to KPI 16 and KPI 17, by reference to the Service Credit sums set out against those KPIs in the Annex to Schedule 2.2 (Performance Levels):
 - (i) with effect from the Operational Service Commencement Date (in the case of KPI 16); and
 - (ii) with effect from the first day of the second month following the Operational Service Commencement Date (in the case of KPI 17); and
- (b) in relation into the other KPIs, by reference to the number of Service Points accrued in any one Service Period pursuant to the provisions of Schedule 2.2 (Performance Levels), with effect from the first day of the second month following the Operational Service Commencement Date.

1.2 For each Service Period (subject to paragraph 1.1 above as to the applicable commencement date):

<REDACTED>where:

<REDACTED>.

1.3 The liability of the Supplier in respect of Service Credits shall be subject to Clause 25.4.2 (Financial and other Limits) provided that, for the avoidance of doubt, the operation of the Service Credit Cap shall not affect the continued accrual of Service Points in excess of such financial limit in accordance with the provisions of Schedule 2.2 (Performance Levels).

1.4 Service Credits are a reduction of the Service Charges payable in respect of the relevant Services to reflect the reduced value of the Services actually received and are stated exclusive of VAT.

1.5 Service Credits shall be shown as a deduction from the amount due from the Authority to the Supplier in the invoice for the Service Period immediately succeeding the Service Period to which they relate.

2 CHANGES TO CHARGES

2.1 Any Changes to the Charges other than as required by the terms of this Schedule shall be developed and agreed by the Parties in accordance with Schedule 8.2 (Change Control Procedure).

3 NO INDEXATION

3.1 Neither the Charges nor any other costs, expenses, fees or charges shall be adjusted to take account of any inflation, change to exchange rate, change to interest rate or any other factor or element which might otherwise increase the cost to the Supplier or Sub-contractors of the performance of their obligations.

PART D

Invoicing and Payment Terms

1 SUPPLIER INVOICES

- 1.1 The Supplier shall prepare and provide to the Authority for approval of the format a template invoice within 10 Working Days of the Effective Date which shall include, as a minimum, the details set out in Paragraph 1.2 of this Part D together with such other information as the Authority may reasonably require to assess whether the Charges that will be detailed therein are properly payable. If the template invoice is not approved by the Authority, then the Supplier shall make such amendments as may be reasonably required by the Authority.
- 1.2 The Supplier shall ensure that each invoice contains the following information:
- (a) the date of the invoice;
 - (b) a unique invoice number;
 - (c) the Service Period or other period(s) to which the relevant Charge(s) relate;
 - (d) the correct reference for this Agreement;
 - (e) the reference number of the purchase order to which it relates (if any);
 - (f) the dates between which the Services subject of each of the Charges detailed on the invoice were performed;
 - (g) a description of the Services;
 - (h) the pricing mechanism used to calculate the Charges;
 - (i) any payments due in respect of Achievement of a Milestone, including the Milestone Achievement Certificate number for each relevant Milestone;
 - (j) the total Charges gross and net of any applicable deductions and, separately, any VAT or other sales tax payable in respect of each of the same;
 - (k) details of any Service Credits or similar deductions that shall apply to the Charges detailed on the invoice;
 - (l) reference to any reports required by the Authority in respect of the Services to which the Charges detailed on the invoice relate (or in the case of reports issued by the Supplier for validation by the Authority, then to any such reports as are validated by the Authority in respect of the Services);
 - (m) a contact name and telephone number of a responsible person in the Supplier's finance department in the event of administrative queries; and
 - (n) the banking details for payment to the Supplier via electronic transfer of funds (i.e. name and address of bank, sort code, account name and number).
- 1.3 The Supplier shall invoice the Authority in respect of Services in accordance with the requirements of Part B. The Supplier shall first submit to the Authority a draft invoice setting out the Charges payable. The Parties shall endeavour to agree the draft invoice within 5 Working Days of its receipt by the Authority, following which the Supplier shall be entitled to submit its invoice.
- 1.4 Each invoice shall at all times be accompanied by Supporting Documentation. Any assessment

by the Authority as to what constitutes Supporting Documentation shall not be conclusive and the Supplier undertakes to provide to the Authority any other documentation reasonably required by the Authority from time to time to substantiate an invoice.

1.5 The Supplier shall submit all invoices and Supporting Documentation to:

<REDACTED>.

1.6 All Supplier invoices shall be expressed in sterling or such other currency as shall be permitted by the Authority in writing.

1.7 The Authority shall regard an invoice as valid only if it complies with the provisions of this Part D. Where any invoice does not conform to the Authority's requirements set out in this Part D, the Authority shall promptly return the disputed invoice to the Supplier and the Supplier shall promptly issue a replacement invoice which shall comply with such requirements.

1.8 If the Authority fails to consider and verify an invoice in accordance with Paragraphs 1.3 and 1.7, the invoice shall be regarded as valid and undisputed for the purpose of Paragraph 2.1 after a reasonable time has passed.

2 PAYMENT TERMS

2.1 Subject to the relevant provisions of this Schedule, the Authority shall make payment to the Supplier:

(a) in accordance with Paragraph 3 and Table 3 of Annex 2 of this Schedule 7.1 (Charges and Invoicing) in respect of the Service Charges, Milestone Payment and Eligible Redundancy Costs shown in Table 3; and

(b) in all other cases, within 30 days of verifying that the invoice is valid and undisputed.

2.2 Unless the Parties agree otherwise in writing, all Supplier invoices shall be paid in sterling by electronic transfer of funds to the bank account that the Supplier has specified on its invoice.

ANNEX 1

Pricing

1 TABLE 1: FIXED PRICES

Charge Number	Charge	Fixed Charge (£) per Service Period
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OFFICIAL CONFIDENTIAL

SC1	Operational Services	Month	£
		2018	
		Oct-18	<REDACTED>
		Nov-18	<REDACTED>
		Dec-18	<REDACTED>
		2019	
		Jan-19	<REDACTED>
		Feb-19	<REDACTED>
		Mar-19	<REDACTED>
		Apr-19	<REDACTED>
		May-19	<REDACTED>
		Jun-19	<REDACTED>
		Jul-19	<REDACTED>
		Aug-19	<REDACTED>
		Sep-19	<REDACTED>
		Oct-19	<REDACTED>
		Nov-19	<REDACTED>
		Dec-19	<REDACTED>
		2020	
		Jan-20	<REDACTED>
		Feb-20	<REDACTED>
		Mar-20	<REDACTED>
		Apr-20	<REDACTED>
		May-20	<REDACTED>
		Jun-20	<REDACTED>

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			Jul-20	<REDACTED>
			Aug-20	<REDACTED>
			Sep-20	<REDACTED>
			Oct-20	<REDACTED>
			Nov-20	<REDACTED>
			Dec-20	<REDACTED>
			2021	
			Jan-21	<REDACTED>
			Feb-21	<REDACTED>
			Mar-21	<REDACTED>
			Apr-21	<REDACTED>
			May-21	<REDACTED>
			Jun-21	<REDACTED>
			Jul-21	<REDACTED>
			Aug-21	<REDACTED>
			Sep-21	<REDACTED>
			Oct-21	<REDACTED>
			Nov-21	<REDACTED>
			Dec-21	<REDACTED>
			2022	
			Jan-22	<REDACTED>
			Feb-22	<REDACTED>
			Mar-22	<REDACTED>
			Apr-22	<REDACTED>
			May-22	<REDACTED>

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			Jun-22	<REDACTED>
			Jul-22	<REDACTED>
			Aug-22	<REDACTED>
			Sep-22	<REDACTED>
			Oct-22	<REDACTED>
			Nov-22	<REDACTED>
			Dec-22	<REDACTED>
			2023	
			Jan-23	<REDACTED>
			Feb-23	<REDACTED>
			Mar-23	<REDACTED>
			Apr-23	<REDACTED>
			May-23	<REDACTED>
			Jun-23	<REDACTED>
			Jul-23	<REDACTED>
			Aug-23	<REDACTED>
			Sep-23	<REDACTED>
			Option Year	
			Oct-23	<REDACTED>
			Nov-23	<REDACTED>
			Dec-23	<REDACTED>
			2024	
			Jan-24	<REDACTED>
			Feb-24	<REDACTED>
			Mar-24	<REDACTED>

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			Apr-24	<REDACTED>
			May-24	<REDACTED>
			Jun-24	<REDACTED>
			Jul-24	<REDACTED>
			Aug-24	<REDACTED>
			Sep-24	<REDACTED>
SC2	Termination Services and Exit Management	<REDACTED>		

ANNEX 2

Charging mechanism and adjustments

1 TABLE 1: MILESTONE PAYMENTS (FOR IMPLEMENTATION SERVICES)

<REDACTED>	<REDACTED>	<REDACTED>	<REDACTED>
<REDACTED>	1. <REDACTED>	<REDACTED>	<REDACTED>
<REDACTED>	<REDACTED>	<REDACTED>	<REDACTED>
<REDACTED>	2. <REDACTED>	<REDACTED>	<REDACTED>
<REDACTED>	<REDACTED>	<REDACTED>	<REDACTED>

ELIGIBLE REDUNDANCY COSTS CAP AND ENHANCED PENSION BENEFIT CAP

Reference paragraph 1.4, Part B of this Schedule 7.1 and Part E of Schedule 9.1 (Staff Transfer)			<REDACTED> Eligible Redundancy Costs Cap
			<REDACTED> Enhanced Pension Benefit Cap

2 TABLE 2: SERVICE CHARGE TRIGGER EVENTS

Charge Number	Service Charge Trigger Event	Service Charge Expiration Trigger Event
SC1	Achievement of Milestone M3	Cessation of Operational Services following expiry or termination of this Agreement
SC2	The date of commencement of Exit Management	The expiry of the Termination Assistance Period

3 TABLE 3: EXCEPTIONAL SERVICE CHARGE AND MILESTONE INVOICE AND PAYMENT DATES

The Supplier shall invoice the Authority in respect of the following Service Charges, Milestone Payment and Eligible Redundancy Costs on or after the dates indicated in the table below. The Authority will pay such invoices, where valid and undisputed, immediately or as soon as practicable.

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CHARGE TYPE	AMOUNT (£)	INVOICE DATE
Milestone M4	<REDACTED>	2 April 2019
Eligible Redundancy Costs	Any Eligible Redundancy Costs identified and payable in accordance with Paragraph 3 of Part E of Schedule 9.1 (Staff Transfer)	2 April 2019 (or such later date as may be determined under Paragraphs 2 and 3 of Part E of Schedule 9.1 (Staff Transfer))
<REDACTED>	<REDACTED>	2 April 2019
<REDACTED>	<REDACTED>	2 April 2019
<REDACTED>	<REDACTED>	2 April 2019
<REDACTED>	<REDACTED>	2 April 2020

ANNEX 3

Allowable Assumptions

<REDACTED>	<REDACTED>	<REDACTED>	<REDACTED>
<REDACTED>	<REDACTED>	<REDACTED>	<REDACTED>
<REDACTED>	<REDACTED>	<REDACTED>	<REDACTED>
<REDACTED>	<REDACTED>	<REDACTED>	<REDACTED>

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ANNEX 4

Rate Card

<REDACTED>

ANNEX 5

DESIGNATED BANK ACCOUNTS

The following table relating to Designated Bank Accounts applicable to the Royal Mail Statutory Pension Scheme shall be populated by the Supplier following their establishment in accordance with the Milestone Date in the Implementation Plan. The Supplier shall provide a completed copy of the table promptly following their establishment and shall use the Change Control Procedure to update the template table below for the purposes of this Agreement.

Bank	Account Number (Sort Code)	Account Details
<REDACTED>	<REDACTED>	<REDACTED>
<REDACTED>	<REDACTED>	<REDACTED>
<REDACTED>	<REDACTED>	<REDACTED>

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ANNEX 6

ACTIVITY VOLUMES

<REDACTED>

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ANNEX 7

CONTRACT INCEPTION REPORT

<REDACTED>