

21 May 2012

PRESS NOTICE

ROYAL MAIL PENSION PLAN: DETAILS OF THE GILT PORTFOLIO TRANSFERRED TO GOVERNMENT AND CONSULTATION ON THE PROCESS FOR CANCELLATION

The United Kingdom Debt Management Office ("the DMO") is today announcing the details of the gilt portfolio which is in public ownership following the transfer of the Royal Mail Pension Plan (RMPP) into the public sector. As stated at Budget 2012, it is the Government's intention to cancel this gilt portfolio during 2012-13.

The Government has now acquired the following gilts for cancellation, in the following amounts.

Conventional Gilts	£ Nominal
4½% Treasury Gilt 2013	235,500,000
2¼% Treasury Gilt 2014	241,925,000
5% Treasury Stock 2014	332,300,000
2¾% Treasury Gilt 2015	377,770,000
4¾% Treasury Stock 2015	226,270,000
2% Treasury Gilt 2016	274,980,000
4% Treasury Gilt 2016	174,450,000
1¾% Treasury Gilt 2017	195,000,000
5% Treasury Gilt 2018	20,000,000
4¼% Treasury Gilt 2027	44,750,000
4¾% Treasury Gilt 2030	13,537,430
4¼% Treasury Stock 2032	6,650,000
4½% Treasury Gilt 2034	3,500,000
4¼% Treasury Stock 2036	37,750,000
4¾% Treasury Stock 2038	8,600,000
4¼% Treasury Gilt 2040	1,500,000
4½% Treasury Gilt 2042	13,263,000
4¼% Treasury Gilt 2046	16,250,000
4¼% Treasury Gilt 2055	16,150,000
Total	2,240,145,430

Index-linked Gilts	£ Nominal
2½% IL Treasury Stock 2016	83,100,000
1¼% IL Treasury Gilt 2017	138,469,000
2½% IL Treasury Stock 2020	6,005,000
1⅞% IL Treasury Gilt 2022	82,770,000
2½% IL Treasury Stock 2024	5,790,000
1¼% IL Treasury Gilt 2027	1,408,023,000
0⅞% IL Treasury Gilt 2029	6,800,000
4⅞% IL Treasury Stock 2030	365,761,000
1¼% IL Treasury Gilt 2032	1,170,499,000
0¾% IL Treasury Gilt 2034	6,025,000
2% IL Treasury Stock 2035	654,011,000
1⅞% IL Treasury Gilt 2037	730,403,000
0⅞% IL Treasury Gilt 2040	51,984,117
0⅞% IL Treasury Gilt 2042	285,003,000
0¾% IL Treasury Gilt 2047	183,702,000
0½% IL Treasury Gilt 2050	2,609,801
1¼% IL Treasury Gilt 2055	284,775,500
0⅞% IL Treasury Gilt 2062	270,263,000
Total	5,735,993,418

The majority (£7.3 billion nominal) of the gilts listed in this table directly originate from the transfer of the assets of the Royal Mail Pension Plan into public ownership on 1 April 2012. The implications for the fiscal aggregates of this transfer of gilts and subsequent cancellation is described in the Office for Budget Responsibility's *March 2012 Economic and fiscal outlook*.

A smaller proportion (£0.7 billion nominal) of the gilts in the table above have, for several years, been held in an escrow account within the public sector by Royal Mail Holdings and used as security against the deficit in the RMPP. Following the transfer of the RMPP deficit to the Government, the investment strategy of that account will be changed such that cash is to be held on deposit with the Exchequer instead. As a result, the Government intends to cancel this tranche of gilts also. As these gilts have been held within the public sector for some time, their cancellation will have no further impact on fiscal aggregates.

The DMO invites feedback, at its quarterly consultation meetings with Gilt-edged Market Makers and investor representatives on 28 May 2012, on the timing for cancellation(s) during 2012-13, considering any specific timing constraints or preferences and minimum notice periods, and taking into account the effect that cancellation(s) will have on market indices. For operational reasons, the Government will retain a small minority of the gilts until Q4 2012-13.

The DMO will provide the market with good notice of any cancellations.

NOTES TO EDITORS

Under the powers contained in the Postal Services Act 2011, the Government transferred assets (alongside the historical liabilities) of the Royal Mail Pension Plan (RMPP), a private sector pension scheme, into public ownership on 1 April 2012.

It is the Government's intention that this gilt portfolio will be cancelled during 2012-13. Cancellation of gilts will have no impact on the Central Government Net Cash Requirement (CGNCR), the net financing requirement or any of the other fiscal aggregates. The DMO is today inviting feedback from the market, at the next quarterly consultation meetings on 28 May 2012, on the appropriate timing of cancellation, taking into account the impact on indices.

This press notice will be appearing on the DMO's website at: www.dmo.gov.uk