

The valuation exercise

This guide is to support you in understanding one of the most important events in the Railways Pension Scheme (RPS) calendar – the actuarial valuation.

It explains:

- What a valuation involves
- Why a valuation is carried out
- How a valuation affects you
- Further information about valuations

What a valuation involves

A valuation is essentially a financial health check for your Section of the RPS.

It is important that this is done because pension schemes are such long-term arrangements, with payments to be made to members over many years.

A valuation exercise is undertaken at least once every three years on behalf of the Trustee Company, which looks after the assets of all Sections of the Scheme. These assets are made up of members' contributions and returns on investments. The valuation is undertaken by an actuary, who will aim to work out the amount of assets that a Section should hold so that it can continue to pay pensions in the future.

To do this, the actuary carries out a thorough assessment of your Section, taking into account amongst other things the likely:

- life expectancy of members
- returns that may be achieved on the Section's investments
- future inflation

Once this view of the Section's health has been established, the Trustee Company and the employer can make changes, if necessary, so that pensions can continue to be paid.

Why a valuation is carried out

Valuations are designed to make sure that a Section has sufficient assets to pay all benefits promised when they fall due. Having regular valuations help to keep a Section affordable for both members and the employer by identifying and addressing any shortfalls as they arise.

One of the main purposes is to work out the rate of future contributions which need to be paid to the Section by members and employers.

How a valuation affects you

As valuations are undertaken for all Sections of the RPS, the results will not be the same for each one.

The valuation process requires employer, pension Committees and the Trustee to agree any changes in contributions. Alterations may also be made to the structure of your benefits.

You will receive communications about your Section's valuation and how it affects you once the results are finalised.

Further information about valuations

If you have any queries about the valuation process or results, please speak to your employer.

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[We recommend that you get independent financial advice before making any important decisions about your pensions arrangements.](#)