

Dear Network Rail colleague,

The Network Rail Shared Cost Section (Network Rail Section) of the Railways Pension Scheme (RPS) and the Network Rail CARE Pension Scheme (CARE Scheme)

At Network Rail we're committed to providing pension schemes that are affordable and sustainable for all employees. As a Network Rail employee, you'll be a member of one of the following schemes:

- Railways Pension Scheme (RPS)
- Network Rail CARE Pension Scheme (NR CARE)
- Network Rail Defined Contribution Scheme (NRDC)

At least once every three years the Network Rail Section of the RPS and NR CARE Pension Schemes are required by law to carry out a valuation of the assets and liabilities of the schemes, to enable us to check whether there are sufficient funds to pay members pensions when they are due, and if necessary, we can then adjust contribution rates or benefits to maintain adequately funded schemes. The valuations are only relevant to the RPS and NR CARE as they are Defined Benefits pension schemes, and not for NRDC.

To find out more about each of the pension schemes offered at Network Rail, please see the FAQs later in this letter or visit www.myNRpension.co.uk.

The Network Rail Section of the Railways Pension Scheme (RPS)

The valuation results of the Network Rail Section of the RPS, as at 31 December 2022, are as follows:

- 1) Scheme Assets at the valuation date were valued at £8.694bn (including BRASS Funds) and Scheme Liabilities were valued at £6.344bn (on a Technical Provisions Basis). This provided the Section with a surplus of £2.350bn and a funding level increase from the 31 December 2019 valuation of 115.8% to 137.0%.
- 2) The valuation results show the Future Service Joint Contribution Rate (FSJCR), effective from 1 July 2024, across the various membership types of the Section are lower than the current FSJCR's and contribution rates in payment at present.

As the Network Rail Section has a healthy funding position and surplus, we felt it is the correct measure to reduce RPS members contribution rates, as well as those Company makes.

Therefore, Network Rail will be reducing RPS contributions for each active member category effective from 1 July 2024 as follows:

Member category	Member % Section Pay	Employer % Section Pay
RPS60 – Protected Members	Current: 8.80 %	Current: 13.20 %
	New: 8.08 %	New: 12.12 %
RPS60 – Protected Extra Contribution Members	Current: 10.58 %	Current: 11.52 %
	New: 9.90 %	New: 10.50 %
RPS60 – Non-Protected Members	Current: 9.36 %	Current: 10.64 %
	New: 8.76 %	New: 9.74 %
RPS60 – Non-Protected Extra Contribution Members	Current: 11.14 %	Current: 8.96 %
	New: 10.54 %	New: 8.06 %
RPS65 – Protected Members	Current: 6.52 %	Current: 9.78 %
	New: 5.84 %	New: 8.76 %
RPS65 – Protected Extra Contribution Members	Current: 8.30 %	Current: 8.10 %
	New: 7.62 %	New: 7.08 %
RPS65 – Non-Protected Members	Current: 7.00 %	Current: 9.30 %
	New: 6.32 %	New: 8.28 %
RPS65 – Non-Protected Extra Contribution Members	Current: 8.78 %	Current: 7.62 %
	New: 8.10 %	New: 6.60 %

The reduction in contribution rates has been supported by the RMT, TSSA and Unite trade unions.

The Network Rail CARE Pension Scheme (NR CARE)

The valuation results for NR CARE, as at 31 December 2022 are as follows:

- 1) Scheme Assets at the valuation date were valued at £220.95m and Scheme Liabilities were valued at £261.52m (on a Technical Provisions Basis). This provided the Scheme with a deficit of £40.57m and a funding level of 84 %, a decrease from the 31 December 2019 valuation of 103 % (£8.8m surplus).
- 2) The valuation results show the future service funding cost has decreased from 18.10 % at the 31 December valuation to 11.91 % at the current valuation date.

Given the deficit at the valuation date, a 'Recovery Plan' is required, which would typically involve additional contributions. However, as the future service funding cost has reduced significantly, the amount over the cost of accrual will act to reduce the deficit. Based on this 'Recovery Plan' the deficit is expected to be eliminated in 3 years and 11 months from the date of valuation (31 December 2022). At the time of writing, due to positive market conditions, the deficit is reducing ahead of schedule and may be eliminated earlier than expected.

This means that there will be no changes to the contribution rates for NR CARE members, and contributions will remain at 7.24% for employees and 10.86% for the employer.

Summary

Network Rail believes the Network Rail Section of the RPS and NR CARE continue to represent excellent value for money for members. Please refer to the attached Frequently Asked Questions for further information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Jolly', with a stylized flourish extending to the right.

Richard Jolly
Director of Pensions
Network Rail

Frequently Asked Questions

What is an Actuarial Valuation?

As both the Network Rail Section of the RPS and NR CARE are types of Defined Benefit Pension Schemes, i.e. based on a fixed calculation formula, it is a legal requirement for an actuarial valuation to be carried out every three years. The valuation is essentially a check performed to ensure that there are enough funds (the Scheme Assets) available in the Scheme on the date of the valuation to cover the payment of pensions, both those already in payment and those that will come into payment in the future (the Schemes Liabilities).

The current contribution rates are also assessed as part of the valuation, to understand whether they are at a suitable level to maintain the Schemes funding level.

The valuation will consider the total liabilities of the Scheme and takes into account a wide variety of differing factors (known as assumptions) which could impact the funding level of the Scheme in the future, such as inflation, life expectancy and interest rates.

The regulatory framework which governs the actuarial valuation process is overseen by The Pensions Regulator, and submissions need to be made within 15 months of the actuarial valuation effective date. Failure to do so may result in The Pensions Regulator taking enforcement action where necessary. Where there is a deficit, a Scheme needs to devise and implement a sufficient 'Recovery Plan', aiming to bring the Scheme back to 100 % funded.

What do you mean by Technical Provision Basis?

Technical Provision Basis is the method by which the Schemes liabilities (pensions in payment or will be paid in the future) are calculated, and how the Scheme will finance these liabilities in the future, which takes into account prudent financial and demographic assumptions. The Technical Provision Basis considers factors such as the Scheme's actual or proposed investment strategy, as well as considering the strength of the sponsoring employer (Network Rail) and requires that the Trustee takes a realistic view of how the investment strategy is likely to perform in the future, and what impact this would have on the funding level of the Scheme.

Will reducing RPS contribution rates impact the RPS funding level or reduce my future pension?

No, your future RPS pension will not be impacted. The stated RPS surplus and funding level relate to benefits arising from service up to 31 December 2022 for current members, deferred members and Pensioners. The Technical Provisions funding level and surplus does not take into account future contributions and accrual of benefits after 31 December 2022. Therefore, as the RPS valuation results relate to benefits up to 31 December 2022, and not the accrual of benefits after this date, the Technical Provisions funding level and surplus as at 31 December 2022 will not be impacted by the reduction in contributions rates.

What is the Future Joint Service Contribution Rate (FSJCR)?

The Scheme Actuary calculates the cost required to fund future benefits for each category of RPS member, known as the 'Future Service Joint Contribution Rate' (FSJCR). As the FSJCR is the calculated cost of accruing future benefits, the RPS Trustees' stance is that in an ideal world contributions should be set at the FSJCR level as this means that both members and employers are not paying contributions in excess of how much it costs to accrue future RPS benefits, and on the reverse, that members and employers are not paying contributions at a level under the FSJCR as this creates risk that the cost of future benefits is not being funded accordingly. Should an

employer propose a contribution rate below the FSJCR, this is when part of a surplus would need to be used in order to fund the shortfall in contributions actually being paid against that of the actual cost of accruing future benefits. As Network Rail are reducing contributions from 1 July 2024 to align to the level of the FSJCR for each category of RPS member, none of the surplus is being used to fund this.

I'm an RPS members, how much will my contributions reduce by?

The following table provides examples of the new RPS contributions payable each pay period from 1 July 2024 for each category of RPS member, based on various 'Section Pay'* examples:

<i>Scheme and Contribution Rate</i>	<i>Section Pay*</i>	<i>Current Contribution</i>		<i>New Contribution</i>	
		<i>%</i>	<i>£Per Pay period</i>	<i>%</i>	<i>£Per Pay period</i>
RPS60 Protected Member	£20,000	8.80 %	£135.38	8.08 %	£124.31
	£30,000		£203.08		£186.46
	£40,000		£270.77		£248.62
	£50,000		£338.46		£310.77
RPS60 Protected Extra Contribution Member	£20,000	10.58 %	£162.77	9.90 %	£152.31
	£30,000		£244.15		£228.46
	£40,000		£325.54		£304.62
	£50,000		£406.92		£380.77
RPS60 Non-Protected Member	£20,000	9.36 %	£144.00	8.76 %	£134.77
	£30,000		£216.00		£202.15
	£40,000		£288.00		£269.54
	£50,000		£360.00		£336.92
RPS60 Non-Protected Extra Contribution Member	£20,000	11.14 %	£171.38	10.54 %	£162.15
	£30,000		£257.08		£243.23
	£40,000		£342.77		£324.31
	£50,000		£428.46		£405.38
RPS65 Protected Member	£20,000	6.52 %	£100.31	5.84 %	£89.85
	£30,000		£150.46		£134.77
	£40,000		£200.62		£179.69
	£50,000		£250.77		£224.62
RPS65 Protected Extra Contribution Member	£20,000	8.30 %	£127.69	7.62 %	£117.23
	£30,000		£191.54		£175.85
	£40,000		£255.38		£234.46
	£50,000		£319.23		£293.08
RPS65 Non-Protected Member	£20,000	7.00 %	£107.69	6.32 %	£97.23
	£30,000		£161.54		£145.85
	£40,000		£215.38		£194.46
	£50,000		£269.23		£243.08
RPS65 Non-Protected Extra Contribution Member	£20,000	8.78 %	£135.08	8.10 %	£124.62
	£30,000		£202.62		£186.92
	£40,000		£270.15		£249.23
	£50,000		£337.69		£311.54

*Section Pay is an RPS members Pensionable Pay (including all Pension Restructuring Premiums (PRPs)) on 1st April, with a reduction applied for the Basic State Pension as at 1st April (BSP Deductor). Section Pay is what an RPS members contributions are based upon.

How will the decrease in RPS contributions work alongside the annual reassessment of contributions?

As the decrease in contributions is effective from 1st July 2024, and reassessment will apply from the first Monday in July (which falls on the 1st July this year), your RPS contributions for both reassessment and the contribution rate decrease will apply at the same time.

For colleagues paid on the 19th July 2024, due to the payroll periods, the contributions deducted will be a mixture pre and post contribution decrease and reassessment contributions. From payday on 16th August 2024, the pension contributions deducted will be the rate of contributions you will pay until the following reassessment in July 2025.

For colleagues with a pay date of 2nd August 2024 (previously paid via PSE), the contributions deducted will be a mixture pre and post contribution decrease and reassessment contributions. From payday on 30th August 2024, the pension contributions deducted will be the rate of contributions you will pay until the following reassessment in July 2025.

Why were the CARE contributions not increased to reduce the deficit faster?

As the cost of accruing CARE pension benefits is below the current contribution rates, by retaining the current contribution level the amount over the cost of accrual will automatically reduce the deficit. Therefore, the Company felt it would be fair to members to leave the contribution rates at their current level.

I am a member of the CARE Pension Scheme, can I join the RPS now?

No, entry to the Network Rail Section of the Railways Pension Scheme remains by a one-off invitation. This invitation is sent to you as you approach your 5th anniversary of continuous employment with Network Rail and is open for a short period of time only.

I am a member of the NRDC Pension Scheme, am I affected by these proposed changes?

No, the contribution rate changes only apply to current active members of RPS60 and RPS65. You have the option, as a member of the NRDC, to join the Network Rail CARE Pension Scheme at any time. If you are interested in joining Network Rail CARE please visit www.mynrpension.co.uk for more information on the Scheme and email Pensions@networkrail.co.uk if you do wish to join.

How can I find out more about pensions at Network Rail?

You can visit the Network Rail Pensions website at www.myNRpension.co.uk

How can I find out more about my Network Rail pension?

You can email the Network Rail Pensions Team at pensions@networkrail.co.uk

For RPS60 and RPS65 members, you can view your pension details in your online Member Account at <https://member.railwayspensions.co.uk/login>

If you have difficulties logging in to your RPS member account, or need to register for an account, please contact Railpen directly on 0800 012 1117 or by email at CSU@railpen.com

For CARE and NRDC members, you can view your pension details in your online Member Account at <https://epa.towerswatson.com/accounts/nwr/>

If you have difficulties logging into you Member account, or need to register for an account, please contact Willis Towers Watson directly on 01737 230 487 or by email at NetworkRailPensions@wtwco.com