RAILWAYS PENSION SCHEME

2021 Annual Report

and Audited Financial Statements

Chair’s Introduction

The Trustee Board works to pay members’ benefits securely, affordably and sustainably. This mission guides everything we do, and all Trustees are united in delivering it.

As lives and the global economy continue to be affected by both COVID-19 and recent political unrest around the world, we understand that the security and comfort that can come from our members’ pension planning have never been more important.

Therefore, I am pleased to present the Annual Report and Audited Financial Statements of the Railways Pension Scheme (‘RPS’ or ‘the Scheme’) for the year ended 31 December 2021 on behalf of your Trustee Board.

Investment performance

Overall, Scheme assets returned 18.3%, net of all fees, and over the past ten years the return has been 10% per annum. Scheme assets have increased from £16.7 billion to £35.6 billion, and benefit payments have exceeded contributions by approximately £4.9 billion. This means that investment returns have delivered £23.8 billion, an increase of 142%, showing just how important investment returns are to the Scheme, its members and employers.

2021 was a strong year for many of our investments:

- the Growth Pooled Fund, which represents approximately two-thirds of Scheme assets, returned 16.2%
- the Illiquid Growth Fund, which holds private investments, returned 33.8%
- in 2020’s report, we noted our progress in developing the Long-Term Income Fund and this returned 5.4% in 2021

For the past few years, the investment environment has enabled careful and skilful investors to find opportunities to make good returns. Going forward, this may be much harder, and we may be entering a structurally tougher period.

We expect higher interest rates and higher inflation than what we are used to. This is due to a number of factors that have occurred over the past few years. Historically, this can result in a less friendly backdrop for real economic growth, corporate profits and financial market returns. It will be important for us to maintain investment discipline and our long-term focus.

Our recently updated Investment Beliefs will be helpful in navigating these challenges, and at a time of ongoing technological change and growth in sectors such as renewable energy, there will be plenty of opportunities for us to deploy capital. This will enable us to produce attractive financial returns, while making a positive impact to the world and communities that our members will retire into.

Supporting members and employers

Following the successful migration onto a new platform in 2020, we have introduced several system developments in 2021 as part of a continuous improvement programme. Those developments reflect Scheme changes that were introduced as a result of decisions made by the Trustee, employer requests and legislative changes.

The content of the members’ digital support has been expanded and enhanced to include member guidance, video education and new modelling tools. Those improvements have helped support significant growth in the number of members registered on the portal and, in turn, the volume of transactions members conduct online. This work has been recognised through member communication industry awards. All employers are now using the employer portal to update data and contributions alongside data interfaces for larger sections.

We have maintained our high levels of service throughout 2021, notwithstanding the challenges of operating during the pandemic and some very material increases in member activity volumes reflective of wider pensions' market experience and initiatives within the Rail industry. We have also supported employers who have carried out significant change projects, in part, as a result of COVID-19.

This is part of a journey for us as we continue to invest in our people, processes and technology to maintain a quality service for our members that retains its long-term focus, but is agile in the face of any industry, employer and global changes.

The GMP Equalisation work continued in 2021 in partnership with the Trustee's professional advisors. This follows the October 2018 High Court ruling that the Lloyds Banking Group Pension schemes must equalise benefits in this area. This extensive work has involved Trustees deciding on the method of equalisation to be adopted and the procurement of external professional support for the related calculations. This work will continue over the next few years.

We have maintained the Authorised status of the Master Trust IWDC Section through ongoing supervisory meetings with the Pensions Regulator and the completion of the annual supervisory return, with appropriate notifications during the year.

Governance

We marked the retirement of Dave Tyson from the Board in 2021. Having served as a Trustee Director for more than 20 years, Dave made an enormous contribution to the Scheme, not least as a stalwart member of the Trustee's Integrated Funding Committee and its predecessors.

We also said farewell to Mick Lynch and Meliha Duymaz - both made a significant positive impact on the Board during their appointments of five years each. The Board and I are grateful to all three outgoing directors for their insight and commitment to the RPS on behalf of the rail industry and our members.

In their place, we have welcomed Fatima Hassan as an Employer Director nominated by Network Rail, Mick Cash and Howard Kaye as Employee Directors nominated by the National Union of Rail, Maritime and Transport Workers (RMT) and the Associated Society of Locomotive Engineers and Firemen (ASLEF), respectively. We are already benefiting from the diversity of experience, skills and perspectives they bring to the Board, and we look forward to working with them all in the coming years.

The Trustee has also focused on its approach to Inclusion, Diversity, and Succession planning over the course of 2021. A new working group was founded to consider and drive positive action to ensure the makeup of the Trustee Board reflects the diversity of the members it serves. Trustee Board discussions and decisions are important to the hundreds of thousands of members and pensioners within the Scheme. The more varied the backgrounds, experiences and skills of the Board are, the richer those discussions will be.

2021 was another challenging year for us all. I want to thank the commitment of everyone involved with the Scheme – on the Trustee Board, at Railpen, and our advisors – for continuing to adapt to our 'new normal' and focusing steadfastly on delivering secure, sustainable benefits for members regardless of the environment in which we find ourselves.

The Trustee continues to meet often to discharge its duties, making good use of technology for online meetings, and it was encouraging to reintroduce in-person meetings for the Board in 2021.

Ready for the future

As we look forward to 2022, the Board remains focussed on its mission to pay members' benefits securely, affordably, and sustainably for the long term.

Christopher Hannon
Chair, Trustee Company

The Railways Pension Scheme

The RPS was created in 1994 after the privatisation of the railway industry and reorganisation of the British Rail Pension Scheme.

It is the largest of the four pension schemes managed by the Trustee and one of the largest schemes in the UK. It provides pensions for 146 (2020: 147) companies operating within the privatised railway industry.

The RPS comprises six parts: the 1994 Pensioners Section, the Shared Cost Arrangement, the Defined Contribution Arrangement, the Defined Benefit Arrangement, the Omnibus Section and the IWDC Section. Employers may participate in more than one arrangement and in more than one section of the Shared Cost Arrangement. There are 106 sections (2020: 108 sections) across the six parts of the RPS as illustrated to right:

Railways Pension Scheme

	1994 Pensioners Section	Shared Cost Arrangement	Defined Contribution Arrangement	Defined Benefit Arrangement	Omnibus Section	IWDC Section
sections	1	103	0	0	1	1
employers	1	106			37	32
members	86,916	249,963			762	12,274

Advantages of an industry-wide scheme

The industry-wide structure allows the assets to be combined into 'pooled funds'. These investment funds are significantly larger than would be possible if the sections invested their assets separately, resulting in several advantages for the schemes and sections.

For example, the asset allocation needs of sections can be considered separately from the appointment and monitoring of individual investment managers. The size of the pooled funds also allows all sections to benefit from economies of scale in investment management costs and access to a wide range of investments. Sections wishing to invest in pooled funds in the first instance, where possible, buy pooled fund units from sections wishing to sell, thus avoiding some of the external investment transaction costs.

The industry-wide nature of the RPS can simplify the movement of employees between railway companies, allowing them to change employers while remaining in the same pension scheme.

The Trustee provides high-quality pensions services through its experienced administration, investment, secretariat, pensions policy, communications and finance teams, benchmarked in terms of quality standards against other providers.

A summary of the main provisions of the Scheme is shown in Appendix F.

The 1994 Pensioners Section

Pensioners and preserved pensioners in the BR Pension Scheme on 30 September 1994 were transferred into a separate section of the RPS – the 1994 Pensioners Section. On 30 December 2000, pensioners and preserved pensioners of the BR Section were also transferred to the 1994 Pensioners Section. The assets and liabilities of another six closed railway pension schemes were also transferred to the 1994 Pensioners Section in 2007, after agreement between the Trustee and the DfT.

The Secretary of State guarantees all past service liabilities and pensions in payment of the 1994 Pensioners Section at 1 August 2007, plus any future annual pension increases awarded to the 1994 Pensioners Section members.

The Shared Cost Arrangement

All active members of the BR Pension Scheme were transferred into the Shared Cost Arrangement on 1 October 1994. Transferred members with protected rights under the Railways Act 1993 have a statutory right to remain in the RPS while they continue to be employed in the railway industry.

A separate section within the Shared Cost Arrangement may be created for each designated employer. Originally, as each BR business was franchised or sold, a proportionate share of RPS assets was transferred to a new section of the Scheme. Subsequent sales and transfers of parts of businesses can now result in the creation or mergers of sections.

As at 31 December 2021, 90 of the 103 shared cost sections had active members and 43 of these shared cost sections remain open to new members. For open sections, employees of the participating employer who are employed in the railway industry may join the Scheme. New members are not protected under the Railways Act 1993, however, so their pension rights may differ from those who have protected rights. A full list of sections and participating employers is given in Note 12 to the Financial Statements.

The Omnibus Section

Employers with fewer than 50 members are eligible to combine in a multi-employer Omnibus Section. Employers may remain in the arrangement if their membership increases above 50. At the end of 2021, 33 employers with active members (2020: 30 employers) were part of the Omnibus Section. A full list of participating employers is given in Note 12 to the Financial Statements.

Defined Contribution Sections, other Defined Benefit Arrangements and IWDC Section

As with the Shared Cost Arrangement, the Defined Contribution Arrangement and Defined Benefit Arrangements are part of the framework of the RPS and exist as possible alternatives to a section on the Shared Cost Arrangement basis. A handful of Defined Contribution sections were set up by employers, but these moved into the IWDC Section when it was created. No employers have set up sections adopting the provisions of the Defined Benefit Arrangement.

The IWDC Section of the RPS exists for rail employers who want to provide benefits on a DC basis. The IWDC Arrangement was established on 1 November 2001 and aims to provide employers with a flexible defined contribution scheme. At the end of 2021, 32 employers were part of this Arrangement (2020: 31 employers).

At 31 December 2021, there were no members in the Defined Contribution Arrangement as all members in the Defined Contribution Arrangement transferred to the Industry Wide Defined Contribution Section on 14 February 2019. The Trustee may decide to wind up the Defined Contribution Arrangement in the future, as there are not expected to be any further members within it.

Reporting

There are separate records for each section and each section receives quarterly reports including accounts, investment and administration performance. Each section is independently valued by the Scheme Actuary.

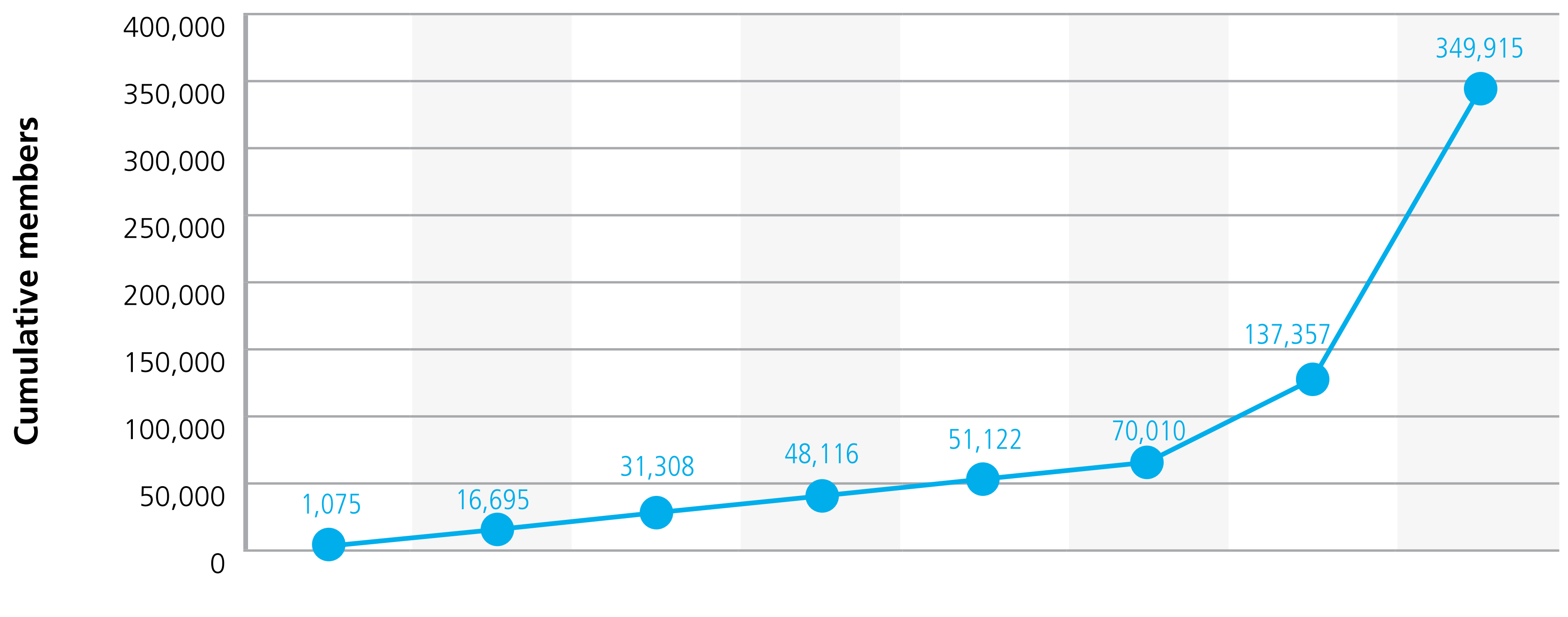
Pensions Committees

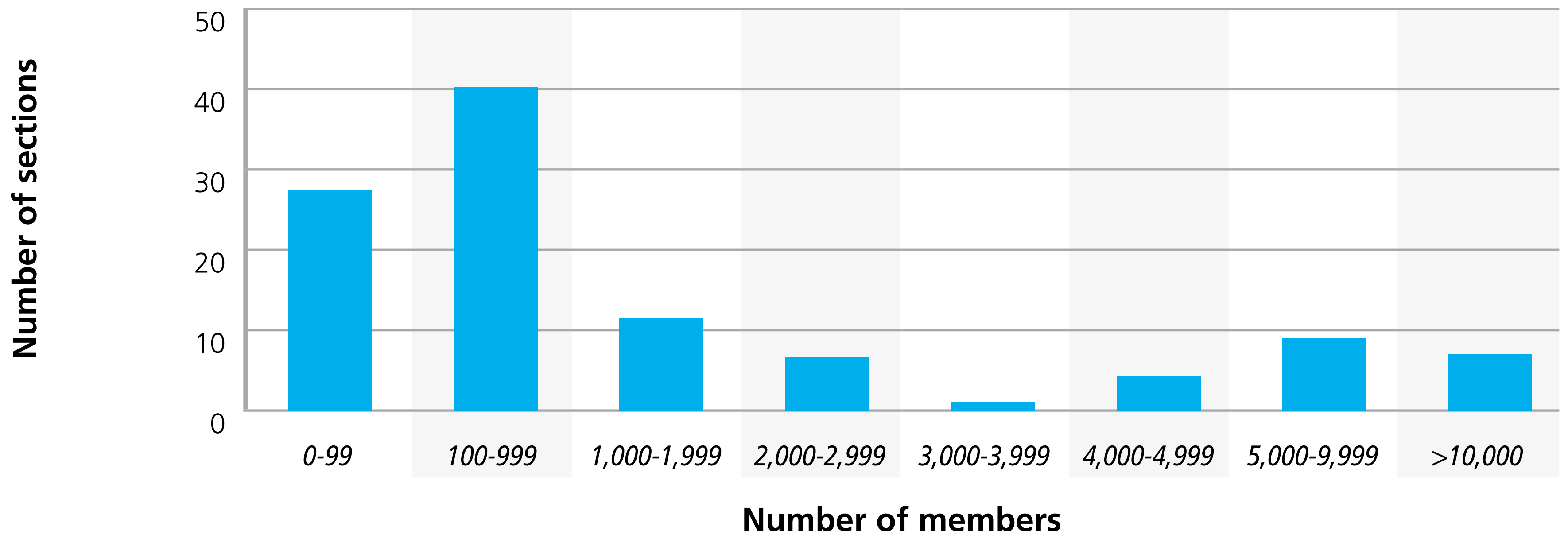
The designated employer of each shared cost section may establish a pensions committee to which the Trustee will delegate certain powers and duties under Appendix 5 of the Pension Trust. This includes responsibilities such as the determination of incapacity and discretionary benefits. Setting investment strategy can also be vested in the committees under Clause 5G of the Pension Trust, subject to the Trustee's approval. All pensions committees have an equal number of employer and member nominees. The Chair of the committee alternates annually between the employer and member nominees. The Trustee, however, retains responsibility for supervising how the committees exercise their powers and monitors necessary training undertaken by committee members. There are currently 25 sections where the designated employer has established a Pensions Committee. Where a Pensions Committee has not been established the Trustee itself shall exercise all powers, duties and discretions in respect of that section.

Five-year summary of RPS participation

At 31 December	2021	2020	2019	2018	2017
Sections	**106**	108	107	112	112
Employers	**176**	175	178	169	173
Active membership	**99,904**	99,751	98,724	95,963	92,472
Preserved membership	**109,680**	109,055	104,457	107,489	107,400
Pensioners	**140,331**	138,579	138,447	140,643	140,547
	349,915	**347,385**	**341,628**	**344,095**	**340,419**

Comparison of membership of sections

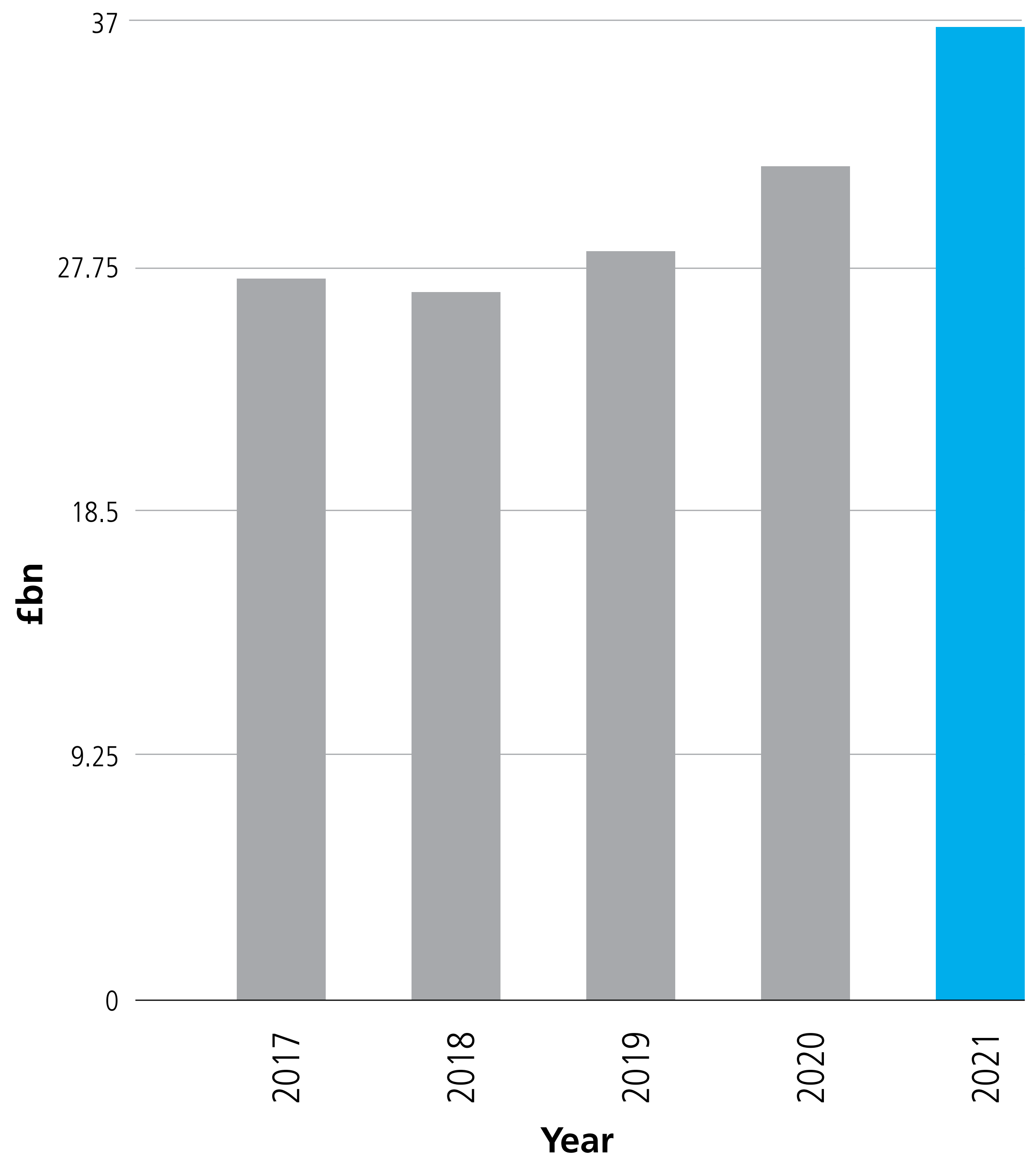




Five-year summary of financial statements of the RPS

At 31 December	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Scheme benefits					
Pensions	**900**	889	861	827	792
Lump sums	**262**	216	232	225	220
Active membership	**36**	41	29	24	22
Total benefits	**1,198**	**1,146**	**1,122**	**1,076**	**1,034**
Scheme income					
Members' contributions	**362**	346	312	296	281
Employers' contributions	**419**	407	412	371	362
Government support	**8**	13	14	15	16
Total contributions	**789**	**766**	**738**	**682**	**659**
Net transfer values	**(29)**	(27)	(322)	(44)	(29)
Admin expenses	**(24)**	(26)	(15)	(19)	(20)
PPF levies	**(55)**	(65)	(50)	(48)	(39)
Purchase of annuities	**(2)**	-	-	-	-
Taxation where LTA exceeded	**(1)**	(1)	(1)	(1)	(1)
Net investment income	**380**	303	400	386	290
Change in market value	**4,748**	2,385	3,530	(631)	2,132
Net increase/(decrease)	**4,608**	**2,189**	**3,158**	**(751)**	**1,958**
Net Scheme assets	**36,707**	**32,099**	**29,910**	**26,752**	**27,503**

Five year summary of net assets of RPS



Key statistics for 2021

Total membership
349,915

Net increase in the Scheme
£4,608m

Net assets of the Scheme
£36,707m

Independent Auditor's Report

Independent auditor's report to the Trustee of the Railways Pension Scheme for the year ended 31 December 2021

Opinion

We have audited the financial statements of the Railways Pension Scheme ('the Scheme') for the year ended 31 December 2021 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2021 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- We consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- We have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of the Trustee, the Business Assurance team and inspection of policy documentation, as to the Scheme's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Scheme's channel for "whistleblowing", as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud
- reading Trustee Board, Audit and Risk Committee, Case Committee, Defined Contributions Committee, Integrated Funding Committee, Asset Management Committee, Fair Value Pricing Committee, and Remuneration and Nominations Committee minutes and the Scheme's breach log

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as valuation of level 3 pooled funds, annuities and substitution orders.

On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We also performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards), and from inspection of the Scheme's regulatory and legal correspondence, and discussed with management and with the Trustee (or its delegates) the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Scheme is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation, anti-bribery, data protection, anti-money laundering, and market abuse regulations legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the late contributions' matters discussed in the Trustee's Report, we assessed disclosures against our understanding from accounting records and regulatory correspondence.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities), the Chair's Statement, the actuarial certification of the schedule of contributions, the Implementation Statement and Taskforce for Climate-related Financial Disclosure. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 25, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

29 June 2022

Fund account for the year ended 31 December 2021

	Notes	2021 DB £m	2021 DC £m	2021 Total £m	2020 DB £m	2020 DC £m	2020 Total £m
Contributions and benefits							
Members' contributions	4	351	11	**362**	335	11	346
Employers' contributions	4	405	14	**419**	394	13	407
Government support		8	-	**8**	13	-	13
Individual transfers in		12	-	**12**	11	-	11
Group transfers in		-	-	**-**	-	6	6
		776	**25**	**801**	**753**	**30**	**783**
Pensions		(900)	-	**(900)**	(889)	-	(889)
Group transfers out	5	(17)	-	**(17)**	(26)	-	(26)
Lump-sum retirement benefits		(260)	(2)	**(262)**	(215)	(1)	(216)
Death benefits		(35)	(1)	**(36)**	(41)	-	(41)
Individual transfers out		(21)	(3)	**(24)**	(17)	(1)	(18)
Purchase of annuities		(1)	(1)	**(2)**	-	-	-
Taxation where lifetime or annual allowance exceeded		(1)	-	**(1)**	(1)	-	(1)
		(1,235)	**(7)**	**(1,242)**	**(1,189)**	**(2)**	**(1,191)**
Administrative expenses	6	(24)	-	**(24)**	(26)	-	(26)
PPF levies		(55)	-	**(55)**	(65)	-	(65)
Total withdrawals		**(1,314)**	**(7)**	**(1,321)**	**(1,280)**	**(2)**	**(1,282)**
Net (withdrawals)/additions from dealings with members		**(538)**	**18**	**(520)**	**(527)**	**28**	**(499)**
Returns on investments							
Change in market value	7	4,722	26	**4,748**	2,370	15	2,385
Net investment income		378	2	**380**	302	1	303
Net returns on investments		**5,100**	**28**	**5,128**	**2,672**	**16**	**2,688**
Net increase/(decrease) in the Scheme during the year		4,562	46	**4,608**	2,145	44	2,189
Net assets at the start of the year		31,917	182	**32,099**	29,772	138	29,910
Net assets at the end of the year		**36,479**	**228**	**36,707**	**31,917**	**182**	**32,099**

Statement of net assets (available for benefits) as at 31 December 2021

	Notes	2021 DB £m	2021 DC £m	2021 Total £m	2020 DB £m	2020 DC £m	2020 Total £m
Pooled funds	7	33,643	223	**33,866**	29,221	177	29,398
Securities directly held by schemes	7	2,726	-	**2,726**	2,551	-	2,551
Other cash and cash instruments	7	151	5	**156**	184	5	189
Current assets	8	44	1	**45**	46	1	47
Current liabilities	9	(85)	(1)	**(86)**	(85)	(1)	(86)
Net assets at the end of the year	12	**36,479**	**228**	**36,707**	**31,917**	**182**	**32,099**

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee on an aggregate basis. This is because the RPS is a multi-employer scheme with financially ring-fenced sections.

They do not take account of the obligations to pay pensions and benefits which fall due at the end of the Scheme year. The actuarial position of the Scheme which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities, which is summarised on pages 50 to 52 and should be read in conjunction with these financial statements. Benefits payable for the 1994 Pensioners Section and the BR Section are backed by Crown Guarantees.

Approved by the Directors of the Trustee Company on 29 June 2022.

Christopher Hannon
Chair, Trustee Company

Richard Goldson
Director and Chair, Audit and Risk Committee

The notes numbered 1 to 14 on pages 13 to 24 form an integral part of these audited financial statements.

Notes to the audited financial statements for the year ended 31 December 2021

1. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice ('SORP').

The Trustee considers the going concern basis to be appropriate and these financial statements have therefore been prepared on this basis. In considering going concern, the Trustee has reviewed the capital liquidity and the financial position of the Scheme including future plans.

With the ongoing market developments caused by COVID-19, the Trustee has reassessed these factors and has concluded that despite the potential risk that participating employers enter the PPF, the sectionalised nature of the Scheme ensures that a going concern basis remains appropriate. The reassessment was completed with reference to the Scheme's investment and contributions income, benefits paid and return on investments, as well as the requirement for the Scheme in the future, even in the event of some further nationalisation. The Scheme receives investment income from underlying pooled fund investments which are structured in a way that mitigates the risk of exposure to significant market volatility. The employers most heavily impacted by COVID-19, the train operating companies ('TOC's') have received guaranteed backing by the DfT. No employers requested contributions holidays except in relation to furloughed staff. The Trustee has ensured that cash reserves are available for a period of at least three months to cover any employer's failure to make contributions payments on time. Benefits payable are modest in relation to Scheme assets and as part of COVID-19 contingency planning, cash levels in all section accounts were increased.

Railpen, which acts as the Scheme administrator has been separately assessed as a going concern. The Trustee is confident that both the Scheme and Railpen will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements. Additionally, the Trustee has confirmed that it will make the necessary funding available to Railpen should it be unable to meet its liabilities for any reason. On this basis, the financial statements have been prepared on a going concern basis.

2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in Appendix H.

3. Accounting policies

The financial statements have been prepared on an accruals basis. The principal accounting policies of the Scheme are as follows:

Investments
Investments are included in the financial statements at the year end at fair value (except where explicitly stated) using the following valuation bases:

- the majority of the assets of the Scheme are invested in a portfolio of pooled funds, which operate as internal unit trusts for those railway pension schemes under the control of the Trustee. Pooled fund unit holdings are valued on the basis of the unit prices of the units held by the Scheme in each pooled fund at the year end. Unit prices reflect the fair valuations of the underlying assets held by the pooled funds and include income receivable on investments held. Further details of the pooled fund investment accounting policies are set out in the extracts from the pooled fund accounts in Appendix I
- assets are held in a portfolio of pooled funds valued at their bid price or last traded price at the year end date, as advised by the investment manager
- substitution orders refer to deferred payments due under the Transport Act 1980, and are valued as certified by the Scheme Actuary. The Scheme Actuary is James Mason, of Willis Towers Watson. The Government Actuary, Martin Clarke, is joint Actuary for the 1994 Pensioners Section and the BR Section
- loans and deposits and current assets and liabilities are included at book cost, which the Trustee considers to be a reasonable estimate of accounting fair value

Change in market value
Change in market value mainly comprises of gains and/or losses on investments arising in the year and reinvested investment income.

Investment income arising from the underlying investments of pooled funds is reinvested within the pooled funds, reflected in the unit prices and reported within change in fair values.

Realised and unrealised gains and losses on underlying investments, including income receivable, are dealt with in the pooled fund accounts in the year in which they arise and are reflected in the pooled fund unit prices.

Contributions and benefits
Contributions are expressed as a rate of pensionable pay. Member and employer normal contributions are accounted for when deducted from members' pay.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedules of Contributions and Recovery Plan under which they are being paid.

Employer s75 debt contributions are accounted for when a reasonable estimate of the amount due can be determined.

Payments under the Transport Act 1980 are accounted for as they become payable. Amounts receivable to extinguish future liabilities under the Transport Act 1980 are accounted for when the future liability is discharged.

Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of his decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.

Under auto-enrolment, employers may auto-enrol or contractually-enrol eligible employees into the Scheme. The employees can then opt out of the Scheme if they wish within one month of being enrolled. Opt-outs are accounted for when the Scheme is notified of the opt-out.

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

Administrative expenses
Expenses are accounted for on an accruals basis. The Scheme bears all the costs of administration. Direct costs are charged to the section to which they relate. Indirect costs are allocated between sections based on an allocation methodology agreed by the Trustee.

Pension Protection Fund levies
PPF levies are accounted for in the year in which they fall due.

Transfer values
Transfer values, including PPF transfers, are determined on the advice of the Scheme Actuary and, where applicable, the PPF. Individual transfers in or out are accounted for when received or paid, which is normally when member liability is accepted or discharged. Group transfers are accounted for in accordance with the terms of the transfer agreement. TUPE and other intra-RPS transfers are settled by a mixture of pooled fund units and cash pro rata to the asset mix of the transferring section.

Tax
The RPS is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding and capital gains taxes relating to overseas investment income and capital gains. Tax charges are accrued on the same basis as the investment income to which they relate.

4. Contributions receivable

	2021 DB £m	2021 DC £m	2021 Total £m
Members' contributions			
Normal	235	9	244
Additional voluntary contributions	108	2	110
Deficit funding	8	-	8
	351	**11**	**362**
Employers' contributions			
Normal	325	14	339
Deficit funding	72	-	72
BRASS matching	7	-	7
Augmentation	1	-	1
	405	**14**	**419**
Totals	**756**	**25**	**781**

	2020 DB £m	2020 DC £m	2020 Total £m
Members' contributions			
Normal	227	9	236
Additional voluntary contributions	99	2	101
Deficit funding	9	-	9
	335	**11**	**346**
Employers' contributions			
Normal	323	13	336
Deficit funding	60	-	60
BRASS matching	9	-	9
Augmentation	2	-	2
	394	**13**	**407**
Totals	**729**	**24**	**753**

Deficit funding contributions are payable into the Scheme by both members and employers, in accordance with the Schedule of Contributions and recovery plans to improve the funding position of sections of the Scheme.

During 2021, there were 733 instances of late payment of contributions with a total value of £39.1m, which represents 4.99% of contributions payable under the schedules of contributions. The largest individual amount was £2.5m, which was paid two days after the due date. Of the 733 instances of late payment 15 were required to be reported to the Pensions Regulator.

Further information on contribution rates can be found in the Report on Actuarial Liabilities on pages 50 to 52. Further information on government support can be found on page 48.

5. Group transfers out

Group transfers out include £1m relating to the Legal & General buy-out and subsequent wind-up of the Mouchel Parkman Rail Limited Section, which completed during the year. A further £16m transferred to the PPF, following realisation of RPS assets that relate to sections that have previously transferred to the PPF.

6. Administrative expenses

	2021 £m	2020 £m
Pensions administration	(12)	(13)
Actuarial fees	(4)	(4)
Legal fees	(3)	(3)
Trustee governance	(3)	(3)
Communications	-	(1)
Other professional fees	(2)	(2)
	(24)	**(26)**

Pensions administration charges cover the processing of member transactions and preparation of financial statements and other reports. These activities are carried out by Railpen and are allocated in line with the per capita charge.

Administration and trustee governance expenses do not include investment management fees and costs, which are deducted from the unit prices of pooled fund investments and disclosed separately in the pooled fund accounts in Appendix I.

7. Investments

(a) Value of investments

DB Section	Value at 31 December 2020 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2021 £m
Pooled funds					
Growth	19,713	77	(217)	3,158	22,731
Private Equity	2,331	-	(591)	817	2,557
Illiquid Growth	1,795	113	-	534	2,442
Government Bond	1,244	252	(33)	(34)	1,429
Long Term Income	1,082	145	-	47	1,181
Passive Equity	989	-	(233)	226	1,075
Short Duration Index Linked Bond	648	196	(69)	34	809
Global Equity	643	-	(78)	95	660
Non Government Bond	380	44	(47)	(2)	375
Long Duration Index Linked Bond	158	15	-	8	195
Infrastructure	172	-	(39)	4	123
Cash	66	-	-	-	66
	29,221	**842**	**(1,307)**	**4,887**	**33,643**
Directly held securities					
BRASS and other AVCs	1,687	411	(451)	204	1,851
Substitution orders	816	5	-	9	830
Annuities	48	-	(3)	-	45
	31,772	**1,258**	**(1,761)**	**5,100**	**36,369**
Cash and other assets	145				110
	31,917				**36,479**

DC Section	Value at 31 December 2020 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2021 £m
DC Pooled Fund	177	34	(16)	28	223
Cash and other assets	5				5
	182				**228**

BRASS investments include 0 units in the PAF (2020: 111,903,155 units). The PAF was formally closed in Q4 2021 with members' assets disinvested and reinvested into an appropriate Railpen fund. Further information can be found on page 45.

Income from pooled fund investments is capitalised within the price of the pooled fund units and, therefore, reflected within the fair values of investments. Although income is not distributed, the pooled fund regulations allow the Scheme to extract its share of pooled fund income at no cost, by selling units at zero spread. The income withdrawn from the pooled funds in this way can then be used to pay benefits. Investment administration includes the cost of selecting and monitoring the investment managers and custodians and the preparation of pooled fund accounts. These activities are carried out by Railpen and RPIL.

Further analysis of investments, charges and fees for each pooled fund is provided in the pooled fund accounts in Appendix I. The percentages of the pooled fund assets that relate to RPS investments are shown in the table on the next page.

	% of pooled fund owned by the RPS 31 December 2021	% of pooled fund owned by the RPS 31 December 2020
Pooled Funds		
Passive Equity	100.0	100.0
Non Government Bond	100.0	100.0
Long Duration Index Linked Bond	97.5	90.4
Private Equity	95.8	95.8
Infrastructure	95.3	95.3
Growth	94.9	94.8
Global Equity	94.4	94.0
Cash	94.4	85.9
Government Bond	93.7	91.8
Illiquid Growth	93.3	93.2
Long Term Income	89.2	89.0
Short Duration Index Linked Bond	88.0	89.0

(b) Investment risks

The total value of the pooled funds used in the percentage calculations only include Scheme investments in the pooled funds and so exclude cross-held investments owned by the Growth and DC pooled funds.

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee through regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out in Appendix I.

(c) Investments fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets and liabilities that the entity can access at the measurement date.

Level 2: Inputs other than the quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Scheme's investment assets and liabilities fall within hierarchy categories as follows:

DB Sections as at 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled funds				
Growth	-	22,731	-	22,731
Private Equity	-	-	2,557	2,557
Illiquid Growth	-	-	2,442	2,442
Government Bond	-	1,429	-	1,429
Passive Equity	-	-	1,075	1,075
Long Term Income	-	-	1,181	1,181
Short Duration Index Linked Bond	-	809	-	809
Global Equity	-	660	-	660
Non Government Bond	-	375	-	375
Infrastructure	-	-	123	123
Long Duration Index Linked Bond	-	195	-	195
Cash	-	66	-	66
	-	**26,265**	**7,378**	**33,643**
BRASS and other AVCs	-	1,851	-	1,851
Substitution orders	-	-	830	830
Annuities	-	-	45	45
Cash and other assets	110	-	-	110
	110	**28,116**	**8,253**	**36,479**

DB Sections as at 31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled funds				
Growth	-	19,713	-	19,713
Private Equity	-	-	2,331	2,331
Illiquid Growth	-	-	1,795	1,795
Government Bond	-	1,244	-	1,244
Passive Equity	-	-	1,082	1,082
Long Term Income	-	-	989	989
Short Duration Index Linked Bond	-	648	-	648
Global Equity	-	643	-	643
Non Government Bond	-	380	-	380
Infrastructure	-	-	158	158
Long Duration Index Linked Bond	-	172	-	172
Cash	-	66	-	66
	-	**22,866**	**6,355**	**29,221**
BRASS and other AVCs	-	1,687	-	1,687
Substitution orders	-	-	816	816
Annuities	-	48	-	48
Cash and other assets	145	-	-	145
	145	**24,601**	**7,171**	**31,917**

DC Sections as at 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
DC Pooled Fund	-	223	-	223
Cash and other assets	5	-	-	5
	5	**223**	**-**	**228**

DC Sections as at 31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
DC Pooled Fund	-	177	-	177
Cash and other assets	5	-	-	5
	5	**177**	**-**	**182**

The above analysis has been performed with reference to the nature of the pooled funds in which the Scheme is invested in (i.e. unauthorised, unquoted funds) and not by reference to the underlying investments of the pooled funds. Details of the underlying pooled funds' assets and liabilities are provided in Appendix I.

8. Current assets

	2021 £m	2020 £m
Contributions due from employers	29	30
PPF levies	16	17
	45	**47**

At the year end, £8,937,097 (2020: £5,871,000) of contributions due under the schedules of contributions were not paid by their due date. Of this amount, £8,937,097 (2020: £5,861,000) has since been paid and £nil (2020: £10,000) remains outstanding as at the date of signing these financial statements.

9. Current liabilities

	2021 £m	2020 £m
Administration expenses	(2)	(6)
Benefits payable	(29)	(30)
Taxation and social security	(10)	(9)
Assets payable to the PPF	(45)	(41)
	(86)	**(86)**

10. Related party transactions

The Trustee and its subsidiaries, Railpen and RPIL, provide services to the Scheme (explained on pages 26 to 32). The charges payable, and those of external service providers, are detailed in note 6 on page 15. At 31 December 2021, administration expenses within current liabilities included a liability of £1.0m in respect of these charges (2020: a liability of £7.0m).

At 31 December 2021, eleven directors of the Trustee were members of the Scheme. Three of these directors were also Non-Executive Directors of Railpen. One Executive Director of Railpen was also a member of the Scheme. Contributions received in respect of Trustee Directors who are members of the Scheme have been made in accordance with the Pension Trust Deed and Rules. All directors receive benefits on the same basis as other members of the Scheme. Certain directors of the Trustee and its subsidiaries receive remuneration, which is disclosed in the financial statements of those companies. The Scheme bears its share of this remuneration through recharges.

11. Employer-related investments

As at 31 December 2021, investments in employers amounted to no greater than 5% of the assets of the Scheme, and, for any single section, the investment in its sponsoring company was not greater than 5% of the assets of the section.

Investment securities issued by HM Government are excluded from the definition of employer-related investments for the purposes of these audited financial statements.

12. Net assets at the end of the year

The net assets of each section of the Scheme at 31 December 2021 are shown below:

Section	Employer	Total membership as at 31 December 2021	Net assets as at 31 December 2021 £m
Shared Cost Arrangement			
1994 Pensioners*	The Secretary of State for Transport	86,916	3,288
Abellio	Abellio Transport Holdings Ltd	56	14
Abellio Scotrail	Abellio ScotRail Ltd	9,782	1,138
AECOM	AECOM Infrastructure & Environment UK Limited	215	61
Alpha Trains	Alpha Trains (UK) Limited	28	11
ALSTOM Railways	ALSTOM Transport UK Limited	2,223	233
ALSTOM Signalling	ALSTOM Transport UK Limited	84	35
AMCO	Amalgamated Construction Ltd	17	2
Amey Rail	Amey Services Limited	2,351	267
Angel Trains	Angel Trains Limited	238	87
Anglia Railways	Abellio East Anglia Limited	1,131	165
Atkins	Atkins Limited	853	291
ATOC Limited	ATOC Limited	805	88
Atos	**ATOS IT Services UK Limited** Atos UK International IT Services Limited	1,093	245
Babcock Rail Ltd	Babcock Rail Limited	2,226	302
Balfour Beatty	Balfour Beatty Group Employment Limited	3,006	406
BAM Nuttall	BAM Nuttall Limited	10	2
Bombardier Transportation (Signal) UK	Bombardier Transportation UK Ltd	364	63

Section	Employer	Total membership as at 31 December 2021	Net assets as at 31 December 2021 £m
Bombardier Transportation C2C	Bombardier Transportation UK Ltd	161	16
Bombardier Transportation UK	Bombardier Transportation UK Ltd	1,145	158
BR*	**The Secretary of State for Transport** BRB (Residuary) Limited Channel Tunnel Rail Link Limited London & Continental Railways Limited London Underground Limited Scottish Ministers	929	175
British Transport Police	British Transport Police Authority	5,697	257
BT	**British Telecommunications PLC** Openreach Limited	309	21
BUPA Occupational Health	Occupational Health Care Limited	96	13
Caledonian Sleeper	Serco Caledonian Sleepers Limited	201	13
Carlisle Cleaning Services	Carlisle Cleaning Services Limited	57	3
Chiltern Railway Company Limited (Maintenance)	The Chiltern Railway Company Limited	329	41
Clientlogic	Clientlogic (UK) Limited	63	6
Colas Rail	Colas Rail Limited	2,158	228
Crossrail	Crossrail Limited	963	100
CSC Computer Sciences	CSC Computer Sciences Limited	11	2
DB Cargo (UK) Ltd	**DB Cargo (UK) Limited** DB Cargo Services Limited DB Cargo (UK) Holdings Limited Engineering Support Group Limited DB Cargo International Limited	10,505	1,559
East Coast Main Line	London North Eastern Railway Limited	9,099	841
East Midlands	Abellio East Midlands Trains Limited	5,181	541
Eurostar	Eurostar International Limited	4,779	618
Eversholt Rail Limited	Eversholt Rail (UK) Limited	112	51

Section	Employer	Total membership as at 31 December 2021	Net assets as at 31 December 2021 £m
First Great Western	First Greater Western Limited	14,522	1,494
Freightliner	**Freightliner Limited** Freightliner Heavy Haul Limited Freightliner Maintenance Limited Freightliner Group Limited	4,293	567
GB Railfreight	GB Railfreight Limited	366	83
Gemini Rail Services	Gemini Rail Services UK Ltd	65	4
Global Crossing	Lumen Technologies UK Limited	227	58
Govia Thameslink Railway (Southern & Gatwick Express)	Govia Thameslink Railway Limited	11,516	1,068
Govia Thameslink Railway	Govia Thameslink Railway Limited	7,529	699
Great Eastern Railway	Abellio East Anglia Limited	2,403	342
Hitachi Rail Europe	Hitachi Rail Limited	478	45
HS1	HS1 Limited	34	12
Hull Trains	Hull Trains Company Limited	126	14
Intelenet Global BPO (UK) Limited ****	Teleperformance Global BPO UK Limited	6	-
Island Line	First MTR South Western Trains Limited	106	12
ISS Transport Services	ISS Facility Services Limited	200	9
Jacobs UK	Jacobs U.K. Limited	237	62
London & South Eastern Railway Limited	London & South Eastern Railway Limited	11,040	1,189
London and North Western Railway	London and North Western Railway Company Limited	68	24
London Eastern Railway (West Anglia)	Abellio East Anglia Limited	1,142	163
London Overground	Arriva Rail London Limited	2,610	296

Section	Employer	Total membership as at 31 December 2021	Net assets as at 31 December 2021 £m
London Underground	London Underground Limited	45	2
Merseyrail	Merseyrail Electrics 2002 Limited	2,837	300
MITIE Facilities Services	MITIE Limited	40	1
MTR Elizabeth Line	MTR Corporation (Crossrail) Limited	1,122	108
National Express Services Limited	National Express Services Limited**	139	4
Network Rail	Network Rail Infrastructure Limited	52,361	9,725
New Cross Country	XC Trains Limited	4,845	643
Northern (ex North East)	Northern Trains Limited	7,254	856
Northern (ex North West)	Northern Trains Limited	6,487	719
Omnibus*****	Aggregate Industries UK Ltd Atalian Servest Ltd Belmond (UK) Limited Bombardier Transportation UK Ltd CapGemini UK Plc Carnforth Railway Restoration and Engineering Services Limited Churchill Contracts Services Ltd Computacenter (UK) Ltd CSC Computer Sciences Limited Daisy IT Services Limited DHL Services Limited EB Central Services Ltd Elior UK Plc Emagination Procutions Ltd Forth and Oban Limited Harsco Rail Limited Interserve (FM) Ltd Interserve FS (UK) Limited Keolis (UK) Limited Loram UK Ltd Lorne Stewart Plc	762	143

Section	Employer	Total membership as at 31 December 2021	Net assets as at 31 December 2021 £m
Omnibus*****	MITIE Cleaning & Environmental Services Limited MITIE Technical Facilities Management Limited O2 Unify Limited Rail Management Services Limited Rail Operations (UK) Limited Signet Solutions Limited Stagecoach Supertram Maintenance Ltd Staveley Industries t/a Integral Telent Technology Services Limited The Arch Company TTEC UK Solutions Limited Voestalpine Turnout Technology UK Ltd VolkerRail Specialist Businesses Limited Vossloh Cogifer UK Limited Weedfree Limited Wetton Cleaning Services		
Owen Williams Railways	Amey Services Limited	335	84
Porterbrook	**Porterbrook Leasing Company Limited** Porterbrook Maintenance Limited	184	60
Qjump	Qjump Limited	124	6
Rail Gourmet UK Limited	Rail Gourmet UK Limited	402	39
Railpen	Railpen Limited	1,086	119
Resonate Group (Link)	Resonate Group Limited	196	43
Resonate Group (Rail)	Resonate Group Limited	268	90
Resonate Group (TCI)	Resonate Group Limited	123	35
RSSB	Rail Safety and Standards Board Limited	661	131
SERCO	SERCO Limited	538	82
Siemens	**Siemens PLC** Siemens Mobility Limited	89	17
SNC-Lavalin Rail & Transit Limited	SNC-Lavalin Rail & Transit Limited	326	76

Section	Employer	Total membership as at 31 December 2021	Net assets as at 31 December 2021 £m
Socotec UK Limited	**Socotec UK Limited** Socotec Asbestos Limited	293	36
South Western Railway	First MTR South Western Trains Limited	13,424	1,354
Specialist Computer Centres	Specialist Computer Centres PLC	30	4
Stadler Greater Anglia	Stadler Rail Service UK Limited	50	1
Stadler Rail	Stadler Rail Service UK Limited	185	9
Swirl Service Group****	ISS Facility Services Limited	8	-
Systra Ltd	Systra Ltd	546	66
Thales Information Systems	Thales UK Limited	22	8
Thales Transport and Security	**Thales Ground Transportation Systems Limited** Thales UK Limited	1,888	367
The Chiltern Railway Company Limited	The Chiltern Railway Company Limited	1,713	229
The QSS Group Limited	**The QSS Group Limited** RIQC Limited	73	12
Torrent Trackside Limited	Torrent Trackside Limited	10	2
TransPennine Express (Former Arriva Trains Northern)	First Transpennine Express Limited	1,295	173
TransPennine Express (Former North Western Trains)	First Transpennine Express Limited	1,036	98
Transport for Wales	**Transport for Wales** Seilwaith Amey Cymru / Amey Infrastructure Wales Limited	26	3
Transport for Wales (Rail)	Transport for Wales	4,971	570
Trenitalia c2c Limited	Trenitalia c2c Limited	1,962	177
Unipart Rail - NRS	Unipart Rail Limited	600	82
Unipart Rail - Railpart	Unipart Rail Limited	342	66
Unisys	Unisys Limited	30	5
UPS	UPS Limited	325	48

Section	Employer	Total membership as at 31 December 2021	Net assets as at 31 December 2021 £m
Voith	Leadec Limited	20	2
Wabtec Rail Limited	Wabtec UK Limited	10	3
West Coast Partnership	First Trenitalia West Coast Rail Limited	9,081	1,059
West Coast Traincare	ALSTOM Transport UK Limited	1,003	192
Westinghouse Rail Systems	Siemens Mobility Limited	890	303
West Midlands Trains	West Midlands Trains Limited	7,237	768
Worldline IT Services UK Limited	Worldline IT Services UK Limited	159	75
Wrexham, Shropshire & Marylebone Railway Company	Wrexham, Shropshire & Marylebone Railway Company Limited**	27	2
		337,641	**36,479**

Section	Employer	Total membership as at 31 December 2021	Net assets as at 31 December 2021 £m
Industry-Wide Defined Contribution Section			
	Abellio East Anglia Limited	12,274	228
	Abellio East Midlands Limited		
	Amey Services Limited		
	Babcock Rail Limited		
	Colas Rail Limited		
	Eversholt Rail (UK) Limited		
	First MTR South Western Trains Limited		
	First Transpennine Express Limited		
	Freightliner Limited		
	GB Railfreight Limited		
	Global Travel Ventures Limited **		
	Govia Thameslink Railway Limited		
	Hull Trains Company Limited		
	London North Eastern Railways Limited		
	MTR Corporation (Crossrail) Limited		
	Northern Trains Limited		
	Porterbrook Leasing Company Limited		
	Rail Gourmet UK Limited		
	Rail Safety and Standards Board Limited		
	Railpen Limited		
	Swietelsky Construction Company Ltd		
	Systra Ltd		
	Tedipay (UK) Limited **		
	The Chiltern Railway Company Limited		
	Tram Operations Limited		
	Transport for Wales		
	Trenitalia c2c Ltd		
	Unipart Rail Limited		
	VolkerRail Limited		
	West Anglia Great Northern Railway Limited		
	XC Trains Limited		
		349,915	**36,707**

For those sections that have more than one participating employer, the designated employer is shown in **bold**.

*	Denotes sections with a Crown Guarantee.
**	Denotes employers that were in administration or no longer trading as at 31 December 2021.
***	Denotes employers that were in administration as at 31 December 2021 and sections that are currently in a PPF assessment period.
****	Denotes sections with assets less than £0.5m.
*****	List only includes Omnibus employers with active membership.

13. Contingent liabilities

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. A further judgment was handed down on 20 November 2020 in relation to equalisation of historic transfer values paid out. The issues determined by the judgments arise in relation to many other defined benefit pension schemes. Under the rulings schemes are required to backdate benefit adjustments and top up historic transfer values paid out in relation to GMP equalisation and provide interest on the backdated amounts. The Trustee's professional advisers have confirmed that the required increase in pension obligations is not material to the financial statements and therefore have not included a liability in respect of these matters in these financial statements. They will be accounted for in the year they are determined.

14. Post balance sheet event

Following Russia's invasion of Ukraine, which commenced in February 2022, the directors have proactively considered the potential impact on the railways pension schemes. Although the railways pension schemes do not have any significant exposure to investments in Russia, and this is not therefore likely to have a material impact on the financial statements, Railpen has supplemented its existing compliance and monitoring resources by forming a Taskforce to monitor the Company's compliance with the new and evolving restrictions and rules that governments around the world put in place.

Statement of Trustee Responsibilities in Relation to Audited Financial Statements

The audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

(i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice Financial Reports of Pension Schemes.

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee Company Annual Report

Railways Pension Trustee Company Limited ('the Trustee')

The Trustee is the trustee of four railway industry pension schemes. Two of these schemes are open to new members: the RPS and the British Transport Police Force Superannuation Fund. All the pension schemes participate in the pooled fund structure.

Trust law, the Pensions Acts and the Companies Acts govern the activities of the Trustee as a corporate trustee. The Trustee has overall fiduciary responsibility for the effective operation of the schemes, including administration of benefits, collection of contributions, payment of pensions and the investment and safe custody of assets. It must act fairly in the interests of active members, preserved members, pensioners and employers.

	2021 Number	2020 Number
Railways Pension Scheme	349,915	347,385
British Transport Police Force Superannuation Fund	7,622	7,438
British Railways Superannuation Fund	1,818	1,971
BR (1974) Fund	1,089	1,190
	360,444	**357,984**

Railtrust Holdings Limited ('RHL')

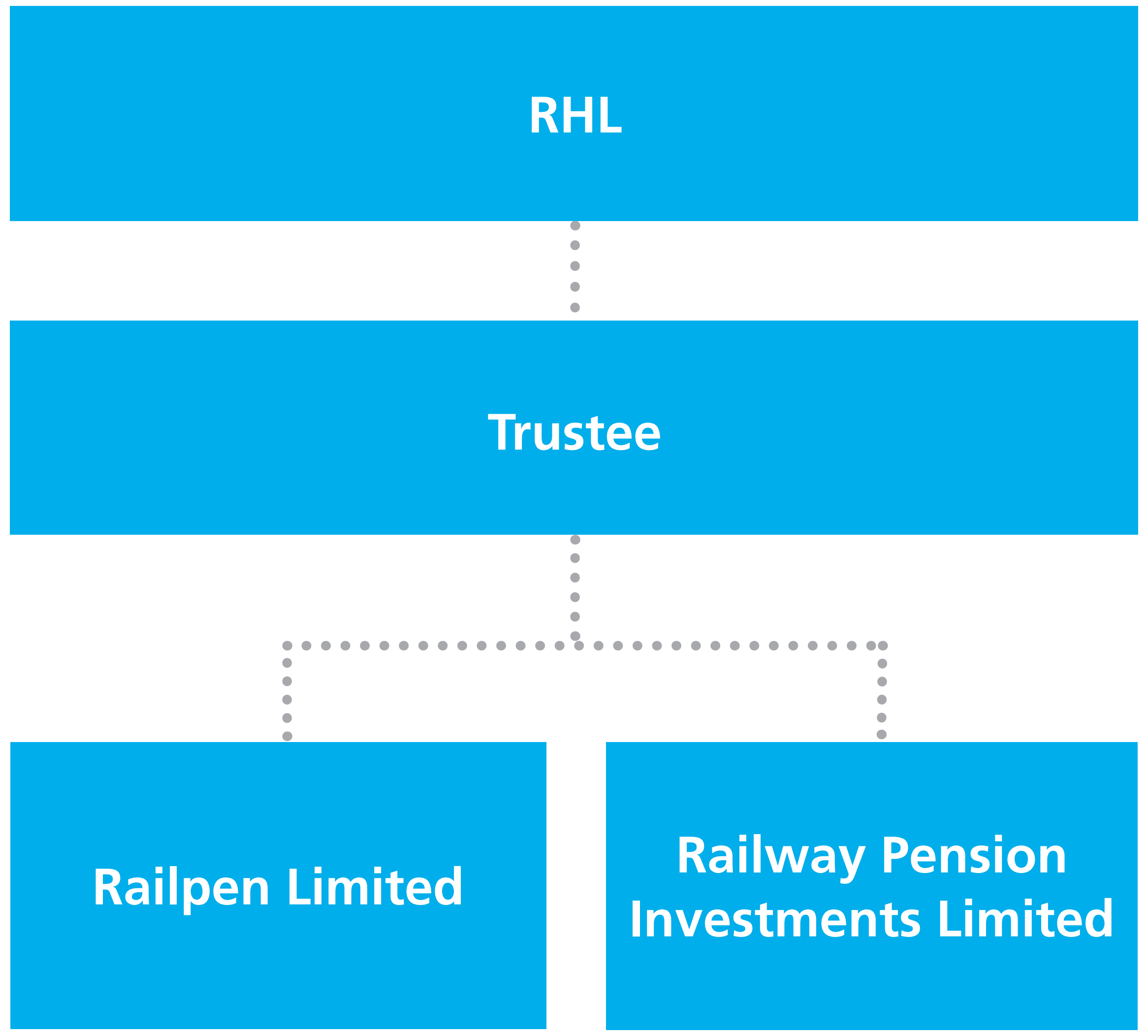
The Trustee is owned by RHL, a company limited by guarantee. Designated employers of sections in the RPS, Omnibus employers in the RPS, Industry-Wide DC employers in the RPS and the principal employers of the other schemes of which the Trustee is a trustee are all encouraged to become a member of RHL. The company is owned equally by its guarantor members, irrespective of size. Each member of RHL is committed to contribute a maximum of £1 to its liabilities if it is wound up.

The primary purpose of RHL is to provide governance controls and appoint the directors of the Trustee. The Articles of Association set out the procedure for the appointment of directors. The aim is to achieve a balanced representation of the different employers and the members (or their representatives) of the schemes. The directors of RHL and the Trustee are the same.

There are 16 directors in total, eight elected by the members of RHL ('employer directors') and eight on behalf of the members of the railways pension schemes ('employee directors'). Six of the employee directors are nominated on behalf of the employee members and two on behalf of the pensioner members (including preserved members). Roughly a third of the directors retire by rotation every two years. The term of office is six years.

Trustee Directors are non-executive and are entitled to emoluments which are disclosed in the financial statements of RHL.

The structure of the RHL group as at 31 December 2021



Operating Companies

The Trustee has two wholly-owned operating subsidiaries, Railpen and Railway Pension Investments Limited ('RPIL'), to which it delegates the day-to-day operation of the railways pension schemes. Investment management of scheme assets is carried out by RPIL, which is regulated by the Financial Conduct Authority ('FCA'). All other activities are carried out by Railpen.

A brief description of the governance arrangements for each of the two operating subsidiaries and their activities during 2021 are set out below:

Railpen

Railpen employs around 560 staff across three offices in Coventry, Darlington and London.

Railpen carries out activities on behalf of the Trustee including:

- administration and payment of pensions
- advisory and support services for the Trustee Board, its Committees and Pensions and Management Committees
- commission and oversight of the work of external advisors such as actuaries and lawyers
- preparation of and maintenance of accounts for schemes, pooled funds and sections, and
- arrangement of safe custody of assets

Railpen also supplies personnel and infrastructure to RPIL to enable it to manage the schemes' assets.

Railpen Board

Railpen's activities are overseen by the Railpen Board, whose membership during 2021 and up to the date of signing of the financial statements was as follows.

Name	Position
Babloo Ramamurthy (Chair)[1]	Independent Director
Michael Craston (Chair)[2]	Independent Director
Stuart Blackett	Chief Financial Officer
Alison Burns	Independent Director
John Chilman	Chief Executive
Gerry Doherty	Trustee Director
Peter Holden[3]	Trustee Director
Richard Jones	Trustee Director
Christine Kernoghan[4]	Trustee Director
Paul Sturgess[5]	Managing Director, Benefits
Gary Towse[6]	Trustee Director

1. Babloo Ramamurthy resigned from the Board on 1 July 2021
2. Michael Craston was appointed to the Board on 1 July 2021
3. Peter Holden resigned from the Board on 1 July 2021
4. Christine Kernoghan was appointed to the Board on 1 January 2021
5. Paul Sturgess resigned from the Board on 1 July 2021
6. Gary Towse was appointed to the Board on 1 July 2021

The Railpen Board has two committees that report solely to it: the Benefits Advisory Committee, which is to provide advice on the strategic initiatives of the Benefits business to the Railpen Limited Board; and the Mutual Committee, which oversees the correct allocation of costs, revenues and distributions between Trustee business and non-Trustee business.

The Railpen and RPIL Boards have committees that report into both Boards: the Remuneration and Nomination Committee, which oversees pay and reward issues in Railpen and sets pay for Executive Directors and senior officers; the Railpen Enterprise Risk Committee is to oversee and monitor all enterprise and operational risk for the business on behalf of the RPIL and Railpen Boards and review the adequacy and application of risk within each entity; and the Audit and Governance Committee is to provide RPIL and Railpen Boards with assurance on the effectiveness of internal control and the governance framework.

Railpen activities

Following the challenges of 2020 and the continued uncertainty the world faced with COVID-19 in 2021, we managed our operations in line with Government restrictions and guidelines. Our response to the pandemic was to ensure the continued delivery of high-quality service provision, whilst supporting the wellbeing of our people. Our 2021 performance illustrates that we achieved this with service standards maintained and financial performance ahead of target.

We continue to invest in our Investment Management Business unit, and the functions that support that, and, as a long-term investor, look to make decisions to meet members' needs across all their time horizons, not just in the short term. We enhanced the capability of our Fiduciary Business unit in preparation for the 2022 Actuarial Valuations, and the introduction of the Pensions Scheme Act obligations and new DB Funding Code. We were particularly active in the Sustainable Ownership area, including publishing our Net Zero Commitment and Plan. Our Benefits Business unit was able to operate for the full year on its new BaNCS platform, and we started to leverage off the member portals and new flexibilities available to those retiring to enhance engagement.

As in 2020, we have continued to invest in our core IT Infrastructure and this has boosted our overall resilience and our security systems architecture, which now ranks very highly. With the current geopolitical environment, we recognise that this investment was very timely, but will need to be ongoing. Our HR elements of the Workday project were delivered in January 2022, and we start 2022 with continued investment being made in ensuring the core platforms that support our Investment, Scheme and Corporate Accounting are fit for purpose.

A major change in the year was our restructuring of the governance framework, coupled with our external rebranding to Railpen. The governance changes were to ensure a clear understanding of accountability amongst the various boards and committees that exist to run the railway pension schemes and Railpen. Railpen and RPIL now have concurrent Boards, with the same members. This ensures that joined up thinking between our corporate entities and the Trustee is maintained. Our rebranding delivers a unified company to support our single purpose, "to secure our members futures". Early indications are this is ensuring better alignment across our operations, whilst recognising the independence and perhaps differing cultures between sites and teams. We now have four business units in Benefits, Employee Benefits, Fiduciary and Investments, supported by our centralised functions. Supporting this, we have strengthened our Executive Committee, with a number of new hires, bringing new and relevant experience to our existing team.

Remuneration Policy and Railpen employee disclosures

Delivering value for members and employers

Our mission is to pay members' pensions securely, affordably and sustainably, and we therefore have a responsibility to ensure that money and resources used running the Scheme are done so in an efficient manner.

As set out on page 26, Railpen carries out activities on behalf of the Trustee and supplies personnel and infrastructure to RPIL to enable it to manage the Scheme's assets. The costs of Railpen employees working on administration activities are charged to the Scheme through a per capita charge and are therefore included within note 6 of the financial statements. Costs associated with employees engaged in investment activities are charged to the pooled funds and are shown within note 1.4 of Appendix I. The total cost associated with employees provided by Railpen during the year ended 31 December 2021 was £48.8m (2020: £40.4m), an increase of 20.8%.

Reward Principles

The principles of the Railpen Reward Policy are to:

- attract and retain upper quartile performers through paying up to market median, compared to the appropriate market comparator group, whilst leveraging the advantages of Railpen's Employee Value Proposition and Defined Benefit pension scheme
- inspire trust through a transparent and open approach to reward, giving our governance structure the confidence to make the right decisions, whilst ensuring our managers understand, and own, the reward process which our employees believe is fair
- ensure career and pay progression is focused on our superior performers and emerging talent.
- ensure robust control and governance delivers value for money and mitigates the risk of attrition of critical skills and knowledge
- drive superior performance by aligning corporate, team and individual priorities, energy and focus and delivering the right balance between long term/ strategic and short term objectives
- reward the right behaviours to help shape and maintain our cultural aspirations
- keep in step with compliance principles and detailed regulatory requirements (e.g. SMCR) for the various parts of our business

Our Reward Policy includes the following key elements:

- base salary, which is benchmarked annually
- annual bonus plan, aimed at motivating and rewarding top performance
- LTIP arrangement to align the interests of employees who have strategic impact with the long term success of the business. This is achieved by annual awards at the start of the financial year that grow in value in line with the overall Railpen portfolio
- Trustee Board directors and other non-executives receive only the agreed remuneration for their services

The Remuneration and Nominations Committee are a formal sub-committee of the Railpen Board.

The reward aspect of the Remuneration and Nominations Committee's remit is to:

Establish and approve:

- the overarching remuneration policy for the Company, ensuring that the remuneration policy and remuneration practices are established, implemented and maintained in line with the business strategy and risk management strategy, risk profile, objectives, risk management practices, and the long term interests and performance of the Company as a whole, and incorporating measures aimed at avoiding conflicts of interest
- the specific remuneration arrangements for:
  - Executive Directors
  - ExCom
  - employees where total on target earnings (base salary plus on target total bonus) equates to £185,000 or above. The value of this threshold will be reviewed annually in May, following the conclusion of the annual salary and bonus review process, (which typically comprise base salary, annual bonus, long-term incentives, benefits, pension arrangements and service contracts) are:
    - appropriate in the context of each individual's responsibility and seniority
    - consistent with the overall financial, risk and business position of the Company, and
    - fair in light of each individual's personal performance

- Specifically, in respect of the individuals identified above:
  - review and approve the remuneration principles, policy and framework that govern their remuneration arrangements
  - review and approve the design of incentive awards, including performance metrics (both corporate and personal) and their calibration, ensuring that they promote sound risk management and alignment with the long-term success of the company
  - review and approve the individual and corporate performance assessments and variable pay outcomes
  - review and approve the eligibility for variable pay awards
  - review and approve any salary adjustments or increases
  - review and approve the policy for, and scope of, pension, and benefit arrangements
  - review and approve any new starter contractual payment terms (e.g. bonus/share buy-outs or guaranteed bonuses)
  - review and approve any exceptional payments (e.g. retention payments)
  - ensure that the contractual terms and any payments made (including upon termination) are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is appropriately recognised in determining payments to be made, and
  - determine the expenses policy applicable for Executive Directors and ExCom
- Specifically in relation to the wider workforce:
  - engage with the workforce to explain how executive remuneration aligns with wider company pay policy
  - review workforce remuneration and related policies and the alignment of incentives and rewards with culture, and
  - take workforce remuneration and related policies into account when setting the policy for director remuneration

Total Reward

Purpose of the elements of the Total Reward package:

a. Fixed pay (base and regular allowances)

   Base salary (and any regular allowances) is determined by comparing what the job holder is accountable for delivering in Railpen, to what the external market is paying for the same/similar role. We aim to determine salary ranges that enable us to pay within a range informed by the market median for the relevant market (i.e. from where we would recruit the role).

b. Annual bonus or variable pay

   Annual bonus or variable pay is used to reinforce the link between performance and reward and to ensure stronger alignment between the job holder and the goals of the business. The scheme is designed to reward the relative delivery of core accountabilities, short-term objectives/priorities (linked to longer term milestones) and required behaviours.

c. Long Term Investment Plan (LTIP)

   LTIP is used to align our most senior employees and those with the highest strategic impact, to the long-term financial interests of the RPS. For those who receive LTIP, a proportion of their variable pay percentage (see b. above) will be allocated to LTIP. LTIP is not an additional award on top of the market based target variable pay percentage.

d. Benefits (market competitive and tailored to personal needs)

   Benefits are provided to give employees and their families' security, to be market competitive and provide flexibility to meet personal needs where it is cost effective. Effective communication of the content and value of benefits is key and is supported by onsite visits from providers and materials on the intranet.

e. DB pension scheme

   The Defined Benefit pension scheme is a unique selling point for Railpen that reflects the core purpose of our business and the service we provide to our customer. It is a retention tool and helps our employees understand our business. It is critical that we communicate the value of this part of the package effectively through onsite pension surgeries and Total Reward Statements.

Bonus payments

The Railpen Corporate Bonus plan is discretionary and has two elements:

1. the Annual Bonus Plan for all employees, and
2. for senior employees, with a strategic long-term focus, the Long Term Investment Plan

The target bonus percentage is determined based on external market practice for that generic role. For employees with a target bonus of over 50% of salary, some element of this may be paid through the LTIP. An LTIP award in any given year does not imply a right to awards in following years.

Annual Bonus Plan

- The Annual Bonus plan is a discretionary bonus scheme based on a performance period of 1 January to 31 December and is paid through the April payroll in the following year.
- Employees need to have joined the company by 30 September, and still be on the payroll at the following April to be eligible for payment for that performance year.
- Individual performance ratings and bonus percentages will be determined by line managers, and will be calibrated by the Executive Committee to ensure the distribution by both department and individual reflects relative performance outcomes, contribution and role modelling of behaviours.
- The individual performance outcomes will be aggregated to determine the size of the bonus pool requested.

- The Remuneration and Nominations Committee will review the size of the bonus pool, and determine whether in aggregate this concurs with its assessment of the overall performance of Railpen over the period. They will have the ability to flex this bonus pool up or down.
- The agreed bonus pool will then be distributed based on relative individual performance ratings.

LTIP Arrangement

- Participation for the LTIP arrangement will be for ExCom members and individuals who have current total on-target incentives of 50% of basic salary or above and have on total on-target earnings of £185,000 or above.
- The split between Annual Bonus and LTIP will vary by seniority, with ExCom members and those with a basic salary in excess of £175,000 having 50% of the total incentive in each of Annual Bonus and LTIP. All other participants would have 65% of their total incentive in the Annual Bonus and 35% in the LTIP. Awards are made at the discretion of the Remuneration and Nominations Committee.
- The LTIP is linked to the asset returns for the Total Fund. Performance will be measured as it is currently for all pooled funds, allowing the Trustee to see the ongoing performance, all other things being equal. The LTIP award would vest after four years, subject to such assessment by the Remuneration and Nominations Committee that such vesting would not be "perverse", being inconsistent with the alignment with the Scheme and stakeholders.
- LTIP may be used to facilitate the "buy-out" of bonus left behind at a previous employer for new joiners; and to provide additional reward to top talent/flight risk individuals as agreed in advance with the Remuneration and Nominations Committee.

Remuneration in 2020/21

We remain committed to openly reporting the total remuneration of the Trustee Board directors, key management personnel and highly paid employees (who are typically the investment managers). Our remuneration disclosure goes significantly beyond what legislation requires and reflects our commitment to transparency. The table to the right shows total remuneration (base salary plus bonuses plus pension benefits) of 'high earners' (employees earning >£150,000 total remuneration), including key management personnel.

Range	2021	2020
	Number	**Number**
£650,000 - £700,000	0	1
£600,000 - £650,000	1	2
£550,000 - £600,000	0	1
£500,000 - £550,000	2	0
£450,000 - £500,000	2	1
£400,000 - £450,000	2	1
£350,000 - £400,000	5	3
£300,000 - £350,000	6	9
£250,000 - £300,000	11	5
£200,000 - £250,000	10	15
£150,000 - £200,000	32	13
Total	**71**	**51**

The above table includes the remuneration expense charged to the Scheme in respect of base salary, bonuses and pension benefits. This cost includes a significant proportion of LTIP bonuses which are deferred for up to four years. These LTIP bonuses are allocated by individual and revalued annually until paid. Estimates of future investment performance and eligible staff turnover are used in the calculation. The direct costs associated with employing a team of highly skilled investment professionals in a very competitive financial services market are much lower than the embedded fees that would otherwise be charged by external managers.

The table below shows the total combined remuneration of the high earners shown above, and key management personnel. It reconciles amounts earned during the financial year to amounts paid (including taxable benefits received) during the year.

Remuneration for the Year Ended 31 December 2021	High earners £m	Executive Directors £m	Trustee Directors £m	Total key management personnel £m
Salary and Benefits	10.3	0.7	0.4	11.4
Annual bonus	4.2	0.2	-	4.4
LTIP	1.6	0.2	-	1.8
Total compensation earned in 2021	**16.1**	**1.1**	**0.4**	**17.6**
Less:				
LTIP – will be revalued and paid in 2024	(1.6)	(0.2)	-	(1.8)
Add:				
Annual incentives from 2019 paid in the year	1.5	-	-	1.5
Total compensation paid in 2021	**16.0**	**0.9**	**0.4**	**17.3**

Long-Term Incentive Plan awards

A notional amount is awarded in respect of LTIP and amounts eventually payable depend on the performance and service conditions explained earlier in this report. Thirty six LTIP awards were made in the current year with a notional value of £1.8m, of which three related to Executive Directors with a notional value of £0.2m.

RPIL

RPIL is authorised by the FCA to carry out investment management and related activities on behalf of its client, the Trustee. An Investment Management Agreement between the Trustee and RPIL sets out the terms of the Trustee's delegation to RPIL.

The RPIL Board has one committee that reports solely to the RPIL Board: the Asset Management Committee, which is to provide advice on the Pooled Funds, macro-environment, investment plan, investment risk, make investment decisions and oversee investment and fiduciary activity on behalf of RPIL.

RPIL does not employ its own staff. Rather, staff and other resources are procured from Railpen. RPIL's access to these resources is set out in secondment letters for key individuals and in a service agreement between the two companies.

During 2021, and up to the date of signing of the financial statements, the membership of the RPIL Board was as follows:

Name	Position
Michael Craston (Chair)	Non-Executive Director
Carl Bang[1]	Non-Executive Director
Stuart Blackett[2]	Chief Financial Officer
Alison Burns[3]	Non-Executive Director
John Chilman	Chief Executive
Gerry Doherty[4]	Trustee Director
Johanna Kyrklund[5]	Non-Executive Director
Richard Jones[6]	Trustee Director
Richard Murray[7]	Trustee Director
Christine Kernoghan[8]	Trustee Director
Gary Towse	Trustee Director

1. Carl Bang resigned from the Board on 11 July 2021
2. Stuart Blackett was appointed to the Board on 30 July 2021
3. Alison Burns was appointed to the Board on 2 July 2021
4. Gerry Doherty was appointed to the Board on 2 July 2021
5. Johanna Kyrklund resigned from the Board on 2 July 2021
6. Richard Jones was appointed to the Board on 2 July 2021
7. Richard Murray was appointed to the Board on 1 January 2021 and resigned on 2 July 2021
8. Christine Kernoghan was appointed to the Board on 2 July 2021

Activity of Railway Pension Investments Limited

RPIL, with the support of its committee, the Asset Management Committee, is responsible for managing the investments of the pooled funds into which Scheme assets are grouped. The Asset Management Committee provides advice on the pooled funds, macro-environment, investment plan, and investment risk; makes investment decisions, and oversees investment and fiduciary activity on behalf of RPIL. The Growth Pooled Fund, which represents approximately two-thirds of Scheme assets, has a long-term investment objective of maximising risk-adjusted returns whilst targeting 75% of the total market risk of public equity. Other pooled funds have investment objectives tailored to their roles in meeting the needs of stakeholders. Further details on the pooled funds can be found in Appendix I.

RPIL delegates the day-to-day management of the pooled funds to the executive team. The Chief Investment Officer is responsible for the investment of all assets in the pooled fund range. The Chief Fiduciary Officer is responsible for recommending the high level investment strategy, needs, and risk appetite of the Scheme.

Trustee Company Employer Director appointment procedure

The appointment procedure for Employer Directors is based on industry sub-sector constituencies. The nominating electoral groups and the number of directors to be appointed by each electoral group are set out in the table below:

Electoral Group	Number of Directors
Passenger train operating companies	3
Network Rail	2
Freight train operating companies and support service	2
All employers	1

The voting arrangements for the electoral groups reflect the schemes' membership, while giving the most emphasis to active members. If there are more nominations than vacancies, voting within the electoral groups is on the basis of the number of employee members, preserved members and pensioners associated with each employer.

Each member of RHL has one vote for each active member and half a vote for each pensioner and preserved member in its schemes and sections. Voting in the 'All Employers' group is on the basis of one employer, one vote.

The chart, below, shows the Employer Directors during 2021, their date of retirement by rotation, and nominating constituency.

Name	Nominating Constituency	Date of retirement by rotation
Christopher Hannon (Chair)	Freight train operating companies and support services	2022
Meliha Duymaz Oludipe[1]	Network Rail	2026
Mark Engelbretson	Network Rail	2024
Adam Golton	Passenger train operating companies	2026
Fatima Hassan[2]	Network Rail	2026
Richard Jones	All employers	2022
Christine Kernoghan	Passenger train operating companies	2022
Richard Murray	Passenger train operating companies	2024
John Wilson	Freight train operating companies and support services	2026

1. Meliha Duymaz Oludipe resigned from the Board on 30 June 2021
2. Fatima Hassan was appointed to the Board on 18 August 2021

Trustee Company Employee Director appointment procedure

Nominations for each of the six Employee Directors to be appointed by the active members are sought from all of the railway trade unions, the British Transport Police Federation, and Pensions and Management Committees. Other organisations the directors consider to be representative of the employees may also be included.

Nominations for each of the two Employee Directors to be appointed by the pensioners (including preserved members) are sought from the British Transport Pensioners' Federation, the Retired Railway Officers' Society, the railway trade unions and the British Transport Police Federation. Other organisations the directors consider to be representative of the pensioners may also be included.

In all cases, if there are more nominations than vacancies, a secret ballot is held of all active members or pensioners (including preserved members), as appropriate, in the railways pension schemes. The successful nominees will be those with the most votes.

The chart below shows the Employee Directors during 2021, their date of retirement by rotation, and nominating organisation.

Name	Nominating Constituency	Date of retirement by rotation
Michael Cash[1]	National Union of Rail, Maritime and Transport Workers	2028
Gerrry Doherty	Transport Salaried Staffs' Association	2024
Richard Goldson	Retired Railway Officers' Society	2026
David Gott	National Union of Rail, Maritime and Transport Workers and the Management Committee of the British Railways Superannuation Fund	2024
Charles Harding	Confederation of Shipbuilding and Engineering Unions	2026
Peter Holden	British Transport Pensioners' Federation	2026
Michael Lynch[2]	National Union of Rail, Maritime and Transport Workers	2022
Howard Kaye[3]	Associated Society of Locomotive Engineers and Firemen	2028
Gary Towse	British Transport Police Federation and the Management Committee of the British Railways Superannuation Fund	2022
David Tyson[4]	Associated Society of Locomotive Engineers and Firemen	2022

1. Michael Cash was appointed to the Board on 1 November 2021
2. Michael Lynch resigned from the Board on 24 June 2021
3. Howard Kaye was appointed to the Board on 7 December 2021
4. David Tyson resigned from the Board on 30 September 2021

Governance

The Trustee places great emphasis on maintaining high standards of fiduciary governance. Governance means having the people, structure and processes in place to provide the foundation for the efficient operation and effective decision-making of the Trustee Board.

All Trustee Directors must complete a Fit and Proper Person check prior to their appointment. This takes into account the individual's honesty, integrity and financial soundness, competence, and conduct, in line with guidance issued by the Pensions Regulator for schemes that are authorised master trusts. Directors make an annual declaration of their fitness and propriety, and the formal checks are repeated every three years and on reappointment to the Trustee Board.

The experience and skills of Trustee Directors are the cornerstones of the Board's effective ways of working. Directors attended up to 21 Board and Committee meetings in 2021, in addition to various workshops, strategy events, and training seminars. Attendance is reported to the Board and published on pages 40 to 44.

Directors have a comprehensive training programme on appointment and throughout their tenure. They complete Training Skills Analyses and a programme of training and workshops is provided, which is designed to support individuals and the Board as a whole, and facilitate effective succession planning based on the Board's Skills Matrix. All Trustee Directors must achieve a minimum standard of Trustee Knowledge and Understanding which meets the Pensions Regulator's requirements, and are required to complete the Trustee Toolkit prior to appointment and at three-yearly intervals. A wide range of training is offered by external providers and Railpen, including training on the unique characteristics and complexity of the railways pension schemes. To further support Trustee Directors, information relevant to their role is easily accessible to them electronically in one convenient place, alongside all Board and Committee papers.

Exposure of investments

The railways pension schemes' assets are invested in a number of pooled investment vehicles that operate as internal unit trusts. These offer the schemes the ability to invest in a wide range of investments including UK and foreign equities, bonds, hedge funds, private equity, property and infrastructure.

Each of these types of investments has its own risks associated with it, therefore the asset classes that the schemes are invested in are closely monitored to ensure that assets are not exposed to unnecessary risk as a result of investment choices. Further details of pooled fund investment exposures can be found within the consolidated pooled fund accounts in Appendix I.

Pension Protection Fund ('PPF')

The PPF became operational on 6 April 2005 and impacts upon most defined benefit schemes in the UK which have to pay levies to the PPF. The PPF will pay compensation to members of eligible defined benefit schemes when there is a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. Schemes or sections with a Crown Guarantee are ineligible to join the PPF and therefore do not pay the PPF levy.

Insolvent employers

There are some participating employers within the RPS that are no longer trading or who are in administration. Further details are given in Note 12 of the Audited Financial Statements.

The Trustee Directors during 2021

In addition to formal meetings, Trustee Directors also attended several workshops, training events, and investment review meetings throughout the year.

1. **Christopher Hannon (Chair of the Trustee Board)**

   Chris has a career spanning over 40 years engaged in the operation and management of company pension schemes in various industries. He has held management and trustee supporting roles with several private sector employers, including Safeway Supermarkets plc and Thomas Cook Group. In 2004 he joined the rail industry as the Head of Pensions in Network Rail where he was responsible for its defined benefit and defined contribution pension schemes. In 2016 he joined Freightliner Group Limited as their Pensions Director until his retirement in 2020.

   Chris was appointed a director of the Trustee Company following his nomination by Network Rail in 2005. He was re-elected in 2012 and then in 2016 was nominated on behalf of the Freight and Support Services Group. Chris served as a Non-Executive Director of Railpen from January 2016 to December 2020. In 2019 he was appointed Chair of the Trustee.

2. **Michael Cash (appointed as an Employee Director with effect from 01 November 2021)**

   Mick joined the railway in 1978 within the S&T department and subsequently, in 2002, became the Senior Assistant General Secretary of RMT. In that position he undertook a number of roles and responsibilities, which included negotiating with employers, and dealing with the media and government. In addition, he became a member-nominated Trustee of the Railways Pension Scheme for approximately ten years between 2004 and 2014, and served on key Committees of the Trustee. Mick has also served a number of pension committees and was a member-nominated Trustee of the Network Rail CARE and DC schemes. From 2014 to 2021, Mick was the RMT General Secretary and an employer-nominated director of the RMT pension fund.

   Mick was appointed as a director of the Trustee Company in 2021.

3. **Gerry Doherty (Chair of the Mutual Committee)**

   Gerry is a pensioner in the 1994 Pensioners Section of the RPS, having worked for the Operations Department of the British Railways Board for over 15 years. Gerry then joined the full-time staff of the Transport Salaried Staffs' Association (TSSA) as its Irish Secretary and after holding a number of positions he was elected as General Secretary in March 2004, serving in that position until taking retirement in November 2011.

   Gerry served for a number of years on the General Council and the Executive Committee of the Trades Union Congress (TUC) and was also a member of the Commission for Integrated Transport (CfIT) until its demise in 2010. After he retired, Gerry was a director of South Central Youth (SCY), a charity devoted to deflecting young people from engaging in the gang culture prevalent in areas of south London.

   Gerry was appointed as a director of the Trustee Company in 2018 and appointed as a Non-Executive Director of Railpen in 2020. He was appointed as a Non-Executive Director of Railway Pension Investments Limited Board in 2021.

4. **Meliha Duymaz Oludipe (Chair of the Audit and Risk Committee until she retired on 30 June 2021)**

   Meliha has been the Regional Finance Director for the Eastern Region since August 2019. She is responsible for the financial oversight of c£15bn of investment over the next five years in the Eastern Region which stretches from the Scottish Borders along the entire east coast of England to London delivering 7,500 passenger services each day. Before joining Network Rail, she worked for a diverse range of organisations including Serco Plc in the Docklands Light Railway, public relations group Hunstworth Plc and as an auditor in Turkey. Having spent 17 years as a finance professional in various industries, Meliha has extensive experience in franchising & bidding, outsourcing, financial and commercial management in complex organisations.

   Meliha is a qualified chartered accountant with ACCA and holds an Economics & Business Administration degree. She was appointed as a director of the Trustee Company in March 2016 and was a Non-Executive Director of Railway Pension Investments Limited Board from 2017 to 2020. Meliha was Chair of the Audit and Risk Committee from 1 April 2020, until she resigned from the Trustee Board on the 30 June 2021.

5. **Mark Engelbretson**

   Mark is Head of Pensions at Network Rail. Prior to that, Mark worked in various Heads of Pensions/ Secretary to Trustee roles for the likes of British Airways, Carnival Plc and Mothercare in a career that extends over 28 years. Mark was appointed as a director of the Trustee Company in February 2017.

6. **Richard Goldson (Chair of the Audit and Risk Committee since 9 November 2021)**

   Richard's whole career was with the railway, half with BR, and half with National Express. Subsequently, he was a Non-Executive Director with the Office of Rail Regulation, and separately an advisor to the House of Commons Transport Committee. For eighteen of those years Richard was an employer-elected Trustee Director of the Railways Pension Scheme, and served on key Committees of the Trustee. He was the first Trustee to Chair the Railpen Board, and was one of the two Trustees to sit on the Railway Pension Investments Limited Board.

   Richard was appointed as a director of the Trustee Company in 2020.

7. **Adam Golton**

Adam is a Chartered Accountant and worked as Finance Director for eight different rail franchises over a 20 year period. He currently chairs RDG's EC4T Steering Group and is the Abellio representative for the Settlement, Assurance and Financing Committee. Adam has over 10 years' experience as a Pension Committee member for the Anglia and Great Eastern sections, and was appointed chair of these committees over a number of years. In November 2018, Adam moved to a Group role in order to focus on wider industry developments and their impact on the Abellio train operating companies.

Adam was appointed as a director of the Trustee Company in 2020.

8. **Dave Gott (Chair of the Case Committee)**

Dave joined British Rail in 1980 and worked in the signalling grades in the Lincoln/Retford areas. He was elected to the BRSF Management Committee in 2001 and elected to the Network Rail Pensions Committee in 2005.

Dave was appointed as a director of the Trustee Company in 2007 and re-elected in 2012 and is the Chair of the Case Committee. He was a Non-Executive Director of Railpen from 2017 to 2020.

9. **Charles Harding**

Charles has been a Senior CSEU Representative for over 20 years and was employed as an engineer by a leading rail freight company until 2015. He is a member of Unite the Union. Charles was appointed as a director of the Trustee Company in 2007.

10. **Fatima Hassan**

Fatima has over 10 years' experience working in Network Rail's finance department, having undertaken a number of financial and analytical roles. She currently heads up the Finance Strategy & Development team, where she delivers people and development initiatives for a community of 1000+ finance professionals. She also leads the talent development programmes for finance graduates, apprentices, year in industry students and summer interns, and has extensive experience of supporting young people. Fatima works with the company's "Cultural Fusion" ethnicity network and is a strong advocate and promoter of creating a diverse and inclusive environment at Network Rail. She is a CIMA fellow and one of the founding members of the CIMA women in Leadership forum.

Fatima was appointed as a director of the Trustee Company in 2021.

11. **Peter Holden**

Peter worked in the British Transport Police Force for 30 years, and retired as Chief Superintendent (Divisional commander) in 2016. He has been a member of the British Transport Police Force Superannuation Fund Committee since 2009, and is currently a pensioner nominated member of the Committee. Peter is also a member of the Valuation Working Group for the 2018 valuation. He was appointed as a director of the Trustee Company in 2019 and as a Non-Executive Director of Railpen from 2020 to 2021.

12. **Richard Jones (Chair of the Defined Contribution Committee)**

Richard's 30-year railway career included engineering, commercial, corporate real estate and general management positions at BRB, Virgin, Alstom and AECOM. He was involved in the leadership and governance of the Scott Wilson Railways (now AECOM) RPS Section for over 10 years. Richard became a railways pensioner in 2018 and was subsequently appointed to a Civil Service role unrelated to the rail industry.

Richard is a Chartered Mechanical Engineer, an IoD Chartered Director and MBA graduate, and has non-executive experience with a Police Authority, including leading on pensions matters.

Richard was appointed as a director of the Trustee Company in March 2016. In January 2017, he was appointed as a Non-Executive Director of Railpen, and he was re-appointed for a further three-year term in 2020. He was appointed as a Non-Executive Director of Railway Pension Investments Limited in 2021.

13. **Howard Kaye**

Howard has over 40 years' service within the railway industry and is currently employed as a Train Driver based at Kings Cross station. He has been an ASLEF Pensions Committee member of the 1994 Pensioners Section for several years and is currently on the Executive Committee of ASLEF.

Howard was appointed as a director of the Trustee Company in 2021.

14. **Christine Kernoghan (Chair of the Integrated Funding Committee)**

Christine was the Head of Financial Services at South Western Railway Limited where her responsibilities included management and operation of the pension scheme. She has been involved with the railways pension scheme for 23 years taking an active role in developing effective communications and improved administration. She was a long-standing member of the South Western Railway Pension Committee. Christine was appointed a director of the Trustee Company in 2016, and appointed as a Non-Executive Director of Railway Pension Investments Limited Board in 2021.

15. **Michael Lynch (retired in June 2021)**

Mick is the Assistant General Secretary of the RMT, Britain's largest rail union. Before being elected as a union official in 2015 he worked for 22 years for Eurostar in fleet engineering. He was appointed as a director of the Trustee Company in 2015. Mick has served on the Eurostar Pensions Committee since it was established and is a member of the Network Rail Pensions Committee.

16. Richard Murray

Richard is the Group Pensions Director for FirstGroup, having joined the Reward & Pensions team in 2008. He started his career with an employee benefits consultancy after graduating from the University of Edinburgh with a degree in Economics and Statistics, and now has over 20 years pensions experience. Richard has had a variety of trustee roles for FirstGroup pensions arrangements in the UK and North America. He was appointed a director of the Trustee Company in 2019, and was a Non-Executive Director of Railway Pension Investments Limited Board from January 2021 to July 2021.

17. Gary Towse

Gary joined the British Transport Police in 1974 and served in the South East Area. He was a Committee member of the British Transport Police Force Superannuation Fund from 1992 to 2006. He was elected the Treasurer of the British Transport Police Federation between 1996 and 2006. Gary was appointed as a director of the Trustee Company in 2004. He was a Non-Executive Director of Railpen from 2009 to 2020, and was appointed as a Non-Executive Director of Railway Pension Investments Limited Board in 2020.

18. David Tyson (retired in June 2021)

David worked in the rail industry as a train driver for 38 years and retired in 2018. He has served on the BR, Anglia and 1994 Pensioners Section Pensions Committees and he is the former president of ASLEF's Executive, which he served upon between 1994 and 2004. David was appointed as a Trustee Company director in February 2001 and was a Non-Executive Director of Railpen from 2009 until 2017.

19. John Wilson

John is an Actuary and was formerly employed by British Rail where he worked with others in establishing the Railways Pension Scheme. He has over 40 years' experience advising companies about their pension arrangements. John has been a member of the Pensions Committees of several sections of the RPS. He was appointed a director of the Trustee Company in 2008.

The Trustee Directors during 2021

6 6

Christopher Hannon

(Chair of Trustee Board)

Appointed by: Freight Train Operating Companies & Support Services

Term of office ending: 2022

3 3

Michael Cash

Appointed by: National Union of Rail, Maritime & Transport Workers (RMT)

Term of office ending: 2028

14 15

Gerry Doherty

(Chair of the Mutual Committee)

Appointed by: Transport Salaried Staffs' Association (TSSA)

Term of office ending: 2024

6 6

Meliha Duymaz Oludipe

(Resigned from the Board on 30 June 2021)

Nominated by: Network Rail

Term of office ending: Resigned 30 June 2021

19 24

Mark Engelbretson

Nominated by: Network Rail

Term of office ending: 2024

14 14

Richard Goldson

(Chair of Audit and Risk Committee since 9 November 2021)

Nominated by: Retired Railway Officers Society (RROS)

Term of office ending: 2026

19 19

Adam Golton

Nominated by: Abellio East Anglia Ltd

Term of office ending: 2026

11 11

David Gott

Nominated by: National Union of Rail, Maritime & Transport Workers ('RMT') and British Railways Superannuation Fund (BRSF) Management Committee

Term of office ending: 2024

14 15

Charles Harding

Nominated by: Confederation of Shipbuilding & Engineering Unions (CSEU)

Term of office ending: 2026

■ number of meeting attended
■ number of meeting eligible to attend

The Trustee Directors during 2021

5 5

Fatima Hassan

Nominated by:
Network Rail

Term of office ending: 2026

13 13

Peter Holden

Nominated by:
British Transport Pensioners' Federation (Pensioners Federation)

Term of office ending: 2026

12 14

Richard Jones

(Chair of the Defined Contribution Committee)

Nominated by:
All employers

Term of office ending: 2022

1 1

Howard Kaye

Nominated by:
Associated Society of Locomotive Engineers and Firemen ('ASLEF')

Term of office ending: 2028

15 15

Christine Kernoghan

(Chair of the Integrated Funding Committee)

Nominated by:
Passenger Train Operating Companies

Term of office ending: 2022

8 10

Michael Lynch

Appointed by:
National Union of Rail, Maritime & Transport Workers (RMT)

Term of office ending: 2022

13 14

Richard Murray

Nominated by:
Passenger Train Operating Companies

Term of office ending: 2024

21 23

Gary Towse

Nominated by:
British Railways Superannuation Fund (BRSF) Management Committee and British Transport Police Federation

Term of office ending: 2022

11 16

David Tyson

Nominated by:
Associated Society of Locomotive Engineers and Firemen (ASLEF)

Term of office ending: 2022

16 20

John Wilson

Appointed by:
Freight Train Operating Companies and Support Services

Term of office ending: 2026

Membership and activities of board and principal committees during 2021

Attendance at the Trustee Board is shown in the table below.

The Trustee Board maintains oversight of the RPS and has delegated certain functions to five principal committees.

Name	Number of meetings attended	Number of meetings eligible to attend
Christopher Hannon (Chair)	6	6
Michael Cash[1]	1	1
Gerry Doherty	6	6
Meliha Duymaz Oludipe[2]	4	4
Mark Engelbretson	5	6
Richard Goldson	6	6
Adam Golton	6	6
David Gott	6	6
Charles Harding	6	6
Fatima Hassan[3]	2	2
Peter Holden	6	6
Richard Jones	6	6
Howard Kaye[4]	1	1
Christine Kernoghan	6	6
Michael Lynch[5]	3	4
Richard Murray	6	6
Gary Towse	6	6
David Tyson[6]	3	5
John Wilson	5	6

1. Michael Cash was appointed as an Employee Director with effect from 1 November 2021
2. Meliha Duymaz Oludipe retired on 30 June 2021
3. Fatima Hassan was appointed as an Employer Director with effect from 18 August 2021
4. Howard Kaye was appointed as an Employee Director with effect from 7 December 2021
5. Michael Lynch retired on 24 June 2021
6. David Tyson retired on 30 September 2021

In addition to the above scheduled Trustee Board meetings, there were also four special committee meetings during the year that a number of Trustee Directors were eligible to attend.

A short report has been prepared on each of the Trustee Board's principal committees which provides an overview of the main activities of each committee during the year. The reports also list all meetings which Committee and Board members were eligible to attend. All Trustee Directors may, and some often do, attend meetings of the Trustee Board's Committees in addition to those of which they are formally members.

Trustee Fee Disclosures

The core fee for a Trustee Director is £15,012. Additional payments are made for extra responsibility such as chairing meetings.

The total fees paid in respect of Trustee Directors were as follows:

	2021	2020
Salaries and Fees	£375,534	£357,008
Employer NI Contributions	£28,346	£22,771
Expenses	£6,760	£20,332
Total	**£410,640**	**£400,111**

The total fees paid during 2021 and 2020 fall within the following bandings:

Range	2021	2020
£80,000 - £90,000	-	1
£70,000 - £80,000	2	-
£60,000 - £70,000	-	-
£40,000 - £50,000	2	-
£30,000 - £40,000	2	1
£20,000 - £30,000	5	6
£0 - £20,000	6	8
Total	**17**	**16**

Audit and Risk Committee ('ARC')

The ARC comprises six directors of the Trustee Board, and includes members with appropriate accounting qualifications and experience. External auditors and the Business Assurance team attend meetings at the invitation of the ARC, and relevant directors and officers of Railpen also attend as appropriate.

Membership and attendance during 2021 are shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Meliha Duymaz Oludipe[1]	2	2
Richard Goldson[2]	4	4
Adam Golton	4	4
Charles Harding	4	4
Fatima Hassan[3]	2	2
Richard Jones	3	4
Gary Towse	4	4

1. Meliha Duymaz Oludipe resigned as Chair of the Committee on 30 June 2021
2. Richard Goldson was appointed Chair of the Committee on 9 November 2021
3. Fatima Hassan was appointed to the Committee on 18 August 2021

The key responsibilities of ARC are outlined in a formal Terms of Reference which is regularly reviewed and updated and includes:

- recommending the appointment of the external auditor, approving their scope and planned programme of work and reviewing the effectiveness of the external auditor
- reviewing the adoption of accounting principles and policies
- reviewing all aspects of the annual accounts
- monitoring delivery of the programme of work of Business Assurance, and
- overseeing the internal control and risk management matters of the Trustee

ARC is scheduled to meet up to four times a year to discuss, consider and review the audit work of the external auditors, financial reporting arrangements, the work of the Railpen Business Assurance team and general internal control and risk management issues. The Committee also reviews the Annual Report and Audited Financial Statements prior to Board approval.

During 2021, ARC met on four occasions. It considered the Annual Report of Business Assurance covering its internal audit and assurance activities during 2021, received reports on the progress of the 2021 audit plans and approved the Business Assurance Quality Assurance and Improvement Programme.

ARC co-ordinates and monitors the risk management process, ensuring that it is effective in identifying, evaluating and managing the key risks faced by the Trustee. During 2021, ARC received regular reports on the status of key risks, approved the Enterprise Risk Governance Framework and associated Policy, and oversaw the Enterprise Risk Management Change Programme. Following the recruitment of the Chief Risk and Compliance Officer ('CRCO'), ARC commissioned an initial observations report from the CRCO, and approved the Terms of Reference of a new executive-level committee with responsibility for oversight and challenge of Trustee and Scheme Risks.

Financial reporting matters considered by ARC in 2021 included the Annual Report and Financial Statements of RHL and the Trustee, the railways pension schemes and pooled funds and the operating companies. ARC also received and considered the Report by the External Auditor on the 2020 Financial Statements and the External Audit Strategy for 2021.

Other matters considered by ARC were the Internal Control Assurance Report (ISAE 3402 and AAF 01/06) prepared for the pensions administration business of Railpen for the period from 1 January 2020 to 31 December 2020, reports from the Chief Risk and Compliance Officer, and ARC members' ongoing training and competency.

ARC also receives reports of any significant security incidents or frauds and will consider any governance issues arising from external or internal reports via the Whistleblowing Policy. At each meeting of the Committee, private discussions are held in a closed session with the external auditors, the Chief Risk and Compliance Officer and the Head of Business Assurance. ARC is satisfied that it has received sufficient, reliable and timely information to satisfy itself that the control and risk management systems are operating effectively.

Integrated Funding Committee ('IFC')

The Committee was established to manage and agree integrated funding plans for the railways pension schemes and their sections, incorporating integrated risk management of employer covenant, investment strategy and funding issues. It determines the allocation of individual schemes' and sections' assets to the Trustee's pooled funds and decides on changes to schemes' and sections' contribution rates and benefit structures. The membership and attendance of the Committee during the year is shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Christine Kernoghan (Chair)	9	9
Michael Cash[1]	1	1
Gerry Doherty	8	9
Mark Engelbretson	7	9
Adam Golton	9	9
Peter Holden[2]	2	2
Michael Lynch[3]	5	6
Gary Towse	9	9
David Tyson[4]	6	7
John Wilson	7	9

1. Michael Cash was appointed to the Committee on 1 November 2021
2. Peter Holden was appointed to the Committee on 16 September 2021
3. Michael Lynch resigned from the Committee on 24 June 2021
4. David Tyson resigned from the Committee on 30 September 2021

Valuation

The Actuarial Valuation of the Railways Pension Scheme as at 31 December 2016 is largely complete for the non-TOC sections; one section remains outstanding.

A valuation of the RPS is due as at 31 December 2019. Of the 105 sections as at 31 December 2019, 78 were non-TOC sections and each requires a valuation. Each section is treated as a separate entity with its own valuation results. Agreement on the valuation results is needed with each sponsoring employer.

The Trustee's integrated funding approach addresses funding, investment and employer covenant matters together. For sections which are closed to new entrants, the Trustee adopts a term-dependent approach to setting discount rates which reflects the anticipated progression of the investment strategy as sections mature.

By the end of 2021, valuations had been finalised for 69 sections. The Committee expects to consider proposals from employers for the remaining sections during 2022.

A report from the Scheme Actuary is included on pages 50-52 which refers to the requirement to produce individual Statements of Funding Principles and Schedules of Contributions for each section. The individual actuarial certificates of the latest completed valuation for each section have not been included in the annual report but are available on request from Railpen at the address in Appendix H.

Employer covenant

A key factor when considering each valuation is the strength of the sponsoring statutory employer, and the Committee has the challenging task of assessing this for all the sponsoring employers in the RPS. In undertaking this work, the Committee continues to be advised by Railpen's team of experienced employer covenant professionals, supplemented by external advisors as appropriate.

The Committee has agreed a range of covenant enhancement proposals with employers to improve the employer covenant of the relevant section. These include a range of guarantees, loan subordination agreements, and other security-enhancing arrangements.

As well as assessing employer covenant strength for valuation purposes, the Committee also considers the impact of various corporate transactions and, where appropriate, agrees mitigation or covenant support arrangements with the employers.

Rule changes

During the year, the Committee agreed a range of benefit and contribution changes for individual sections of the RPS. Each proposal from an employer, after review by Pensions Committees where applicable, is considered in detail and the impact on funding and contributions addressed. Where such proposals are approved, changes are then reflected in the Rules of the section.

Investments

The Committee reviews section-specific investment strategy and allocations to pooled funds. As part of the integrated funding approach, the Committee considers strategy within a framework which allows for individual section characteristics, such as maturity, strength of employer covenant and tolerance for illiquidity, to be taken into account when deciding the appropriate asset allocation. Investment strategies are thus considered as part of overall valuation proposals.

Case Committee ('CC')

The Case Committee meets to consider decisions on case work applications from individual members, of the RPS or IWDC arrangement where the decision making powers have not been delegated to a Pensions Committee or to Railpen. The membership and attendance of the Committee during the year is shown in the table below.

Name	Number of meetings attended	Number of meetings eligible to attend
David Gott (Chair)	5	5
Mark Engelbretson[1]	4	5
Charles Harding	4	5
Fatima Hassan[2]	1	1
Peter Holden	5	5
Richard Murray[3]	3	4
John Wilson	4	5

1. Mark Engelbretson was appointed to the Committee on 3 February 2021
2. Fatima Hassan was appointed to the Committee in October 2021
3. Richard Murray resigned from the Committee in October 2021

In 2021, the Case Committee held five scheduled meetings and no special meeting.

As at 31 December 2021, the Case Committee had responsibility for 89 sections of the Railways Pension Scheme.

During 2021, the Case Committee considered and made decisions on 81 cases which can be categorised as follows:

- applications and reviews of incapacity benefits
- applications for payment of lump sum death benefit
- applications for spouse's, children's and dependant's pensions
- appeals under stage 2 of the internal disputes resolution procedure
- applications for early payment of preserved benefits
- reviews of eligible dependant's pension after being in payment 10 years, and
- Clause 7E - forfeiture of benefits cases

Defined Contribution Committee ('DCC')

The Defined Contribution Committee ensures appropriate management and governance of BRASS, AVC Extra, and the Industry-Wide Defined Contribution (IWDC) Section of the Railways Pension Scheme (together the 'DC arrangements'), including compliance with the requirements of master trust authorisation for the IWDC Section. It helps to shape and articulate the Trustee's policy on DC matters.

The membership and attendance of the DCC during 2021 is shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Richard Jones (Chair)	3	4
Michael Cash[1]	1	1
Mark Engelbretson	3	4
Richard Goldson	4	4
David Gott[2]	0	0
Howard Kaye[3]	0	0
Richard Murray	4	4
Gary Towse[4]	2	2
David Tyson[5]	2	3

1. Michael Cash was appointed to the Committee on 1 November 2021
2. David Gott resigned from the Committee on 3 February 2021
3. Howard Kaye was appointed to the Committee on 7 December 2021
4. Gary Towse was appointed to the Committee on 3 February 2021 and resigned on 16 September 2021
5. David Tyson resigned from the Committee on 30 September 2021

The Trustee Board has delegated to the DCC responsibility for ensuring that the DC arrangements can deliver good outcomes for members at retirement, and finding the best ways to support members to achieve their objectives.

The DCC's mission is to provide DC arrangements which are designed for the long term and offer good value for members, including default investment strategies which are suitable for the majority of members throughout their scheme membership, and an appropriate range of fund choices for those who wish to self-select. Members are provided with the right information and support to ensure they retire with the best possible outcome.

In 2019, the Trustee applied to the Pensions Regulator for the IWDC Section to become an Authorised Master Trust. Following a significant amount of work by both Railpen and the DCC, authorisation was granted on 2 August 2019. This outcome means that the Scheme's governance, systems and processes, and the fitness and competence of the Trustee, will be supervised by the Regulator. Since then the DCC has ensured that the master trust accreditation is maintained effectively. Each year an updated Business Plan (with supporting appendices) and Continuity Strategy are approved by the Committee and provided to the Regulator. The latest versions were approved by the Trustee and provided to the Pensions Regulator in March 2022.

The DCC receives regular reports on the administration of the DC arrangements, reviews Railpen's administration service levels, and monitors the timeliness with which employers remit contributions and data. It sets and monitors the implementation of the Communications Strategy for the DC arrangements and approves Railpen's Guide to Services for the IWDC Section.

The DCC is responsible for evaluating the investment performance of the DC arrangements and ensuring that the investment objectives and characteristics of the DC funds are appropriate. To do this, it oversees the investment funds offered to members, including the default options, members' choices at retirement, and how issues relating to investments in the DC arrangements are communicated to members.

The DCC monitors members' investment choices and tailors communications to encourage them to make the best decisions for their circumstances and to plan for their future. The same suite of investment funds is offered to new members of all of the DC arrangements, although the default approaches may be slightly different to reflect the characteristics of the various arrangements.

The DCC conducts regular investment reviews to ensure the funds are being managed in accordance with the Trustee's objectives. A formal DC investment strategy review with respect to the lifestyle investment strategies, default approaches and self-select options was undertaken and presented to the DCC in March 2020. The DCC approved the recommendation to introduce three new lifestyle investment strategies (Full Cash Withdrawal, Annuity Purchase and Flexible Drawdown) to replace the four existing lifestyle strategies. They also approved the replacement of the Aggregate Bond Fund with a new UK Government Fixed Interest Bond Fund, and the replacement of the Index-Linked and Global Bond Fund with a new UK Government Index-Linked Bond Fund. Finally, the introduction of three further funds (Corporate Bonds, Socially Responsible and Sharia) was approved. The DCC will monitor the delivery of the new funds.

The implementation of the new fund range made significant progress in 2021, with the current delivery date scheduled for Q2 2022. Communications will be issued to members in Q1 and Q2 2022. As part of this delivery the Pension Assurance Fund ('PAF'), provided to members via Aviva, was formally closed in Q4 2021 following a decision made by the Trustee after the receipt of appropriate investment and legal advice. Members were advised in writing that they would move into an appropriate Railpen fund. The assets held within the PAF vehicle have now been disinvested and reinvested in the receiving fund.

Each year, the DCC undertakes a comprehensive assessment of the extent to which the DC arrangements offer good value for members. Its conclusions are included in the Defined Contribution Chair's Statement attached to this report. This requirement, introduced by legislation in 2015, is designed to give members and employers confidence that the RPS offers high quality DC arrangements. In 2020 the DCC approved the use of an external provider, Willis Towers Watson ('WTW'), to ensure the assessment was wholly independent. The assessment for 2020 deemed the overall value for members to be 'good'. In particular, WTW highlighted the service performance of the core administration and governance and controls in place as 'excellent'.

In September 2021, the DCC approved WTW to undertake the 2021 DC value for member's assessment. Since the previous review in 2020, several improvements were identified by WTW, which were addressed during 2021. The DCC agreed it made sense to complete the 2021 exercise with the same provider.

WTW delivered the assessment on 17 February, concluding the overall value provided to members to be 'good'. They once again rated the scheme management as 'excellent'. They stated that the Trustee has a very well-established administration platform and governance framework, and this sets the foundations for a well-run master trust that offers employers within the railways industry access to a good quality DC arrangement.

Their analysis again demonstrated that the charges continue to compare favourably to the DC provider market, particularly when they are distilled to compare on a 'like-for-like' investment basis. The communication component of the assessment showed a tangible improvement, moving from 'adequate' to 'good'. In particular, WTW commented that recent communication, at-retirement and online developments, have enhanced the member value proposition. The DCC is responsible for making sure the DC arrangements are managed in line with the Trustee's DC Vision and Mission. The Trustee's DC Vision Statement is *"for the railways pension schemes to be the DC offering of choice for rail employers and their members, and to provide good outcomes for members at retirement"*.

The DC Vision Statement is supported by a framework of core principles, which set out the key areas to focus on to deliver the overall DC vision statement, and sub-principles, which support the achievement of each of the core principles and give direction to Railpen concerning the operation of the DC arrangements in practice. Since the 2020 assessment was produced, a number of improvements have been made to the DC proposition, particularly in the digital space. The DCC has overseen all of these changes, and provided direct support to many of them.

From April 2021, members have had access to a high-quality, value for money drawdown vehicle through the Legal & General Investment Management ('LGIM') Master Trust, underpinned by robust and affordable advice provided by Liverpool Victoria ('LV'). Committee members provided support to assess various solution options and ultimately approve the recommended option in Q3 2020. The DCC provided oversight throughout the implementation phase.

The member portal made significant progress in 2021, with a number of improvements delivered. In addition to implementing a DC focused modelling tool, the ability to switch funds online is now live in addition to several 'quality of life' improvements. Member feedback is collated to assess pain points, which are reviewed, prioritised and addressed. The number of DC members registered for the portal continues to increase. Existing communication materials like newsletters have been leveraged to promote the portal, alongside bespoke campaigns.

The guidance and support offered to members has also improved greatly in 2021, culminating in an award from the PLSA for member engagement. Enhancements include a retirement budgeting calculator, video content focusing on DC retirement options and new DC focused web content. In addition, the DCC approved the implementation of financial wellness tool provided by AHC Gallagher called Moneyfit. These tools provide DC members with an end-to-end guidance journey that allows them to understand their benefits, how much they might need in retirement, assess where they are in terms of saving for their retirement and take steps to free up additional funds to save more.

The DCC has continued to assess the DC arrangements against the requirements of the Pensions Regulator's code of practice and supporting guides to ensure compliance with legislation and the Regulator's expectations. It has also received regular updates on DC consultations, and statutory and regulatory developments. We will continue to engage with policymakers via consultation responses, and review as appropriate the operation of the railways pension schemes to ensure that they remain both compliant and attractive to employers and members.

A Statement of Investment Principles is provided as an appendix to this document. The SIP is currently being updated to reflect the new investment fund-range, implemented in Q2 this year, and the change from RPMI to Railpen in 2021. There is a formal process to update the SIP, which requires approval from all participating employers. All changes will be made collectively in Q3 2022. Once these changes are completed, a new version will be made available online.

For and on behalf of the Trustee:

Christopher Hannon
Chair, Trustee Company
29 June 2022

The Trustee Investment Report

(forming part of the Trustee Company Annual Report)

Introduction

The Trustee is responsible for ensuring that suitable investment strategies are agreed for all sections of the RPS. The policies that guide how the assets of each section of the RPS are invested are set out in the SIP, which is shown in Appendix G.

The mission of the Scheme is to pay members' pensions securely, affordably and sustainably. To achieve these aims the assets of the Scheme are invested to generate appropriate returns over the long term.

Investment strategy for each section is set taking account of, amongst other factors, the specific liability profile of that section. The Trustee has a committee, the Integrated Funding Committee (IFC), responsible for carrying out this work, sometimes working with a pensions committee where established with delegated investment responsibilities.

The Trustee has two wholly owned operating subsidiaries, Railpen and RPIL, to which it delegates the day-to-day operation of the Scheme.

Investment management arrangements

The assets of the Scheme are invested through a number of pooled investment funds managed by Railpen, each with a different risk and return profile. These funds are managed as internal unit trusts and each pooled fund is approved by HMRC. Each section holds units in some or all of the pooled funds. Sections may also hold annuity contracts with an insurance company regulated by the Prudential Regulation Authority. The use of these pooled funds enables sections to hold a broader range of investments more efficiently than is possible through direct ownership.

The range of pooled funds allows tailoring to the needs and particular circumstances of individual sections, whilst also allowing Scheme assets to be invested as much as possible as if they belonged to a single pension fund.

In many cases the pooled funds are multi-asset, where the mix of asset classes can be varied according to market conditions and opportunities. They enable RPS sections to hold a managed portfolio of assets rather than a fixed allocation. This should result in a less volatile return profile.

Each pooled fund has a return comparator and risk parameters within which returns are targeted. Within the pooled funds, Railpen is able to make use of internal and external fund management capabilities and employs both active and more passive implementation styles.

The use of external active management has declined substantially over the past decade. External fee structures for public markets have increasingly moved to flat fees with fewer performance related payments. In private markets, fees are being reduced through an increase in co-investments and bespoke arrangements. The combination of these factors has resulted in a significant reduction in expenses.

> The focus for pooled fund management in 2021 has been the efficient implementation of investments.

Within the Growth Pooled Fund, Railpen launched its third internally managed fundamental equity strategy. This focuses on mid- and small-sized companies. The one remaining external quantitative equity mandate was terminated. An allocation was made to Chinese government bonds. Within the property allocation, we completed a number of new lettings, lease negotiations, and transactions.

Within the Illiquid Growth Pooled Fund, the largest new deployment of capital was to a debt mandate focusing on the banking industry. The in-house team continued to manage significant distributions from legacy investments in the Private Equity and Infrastructure Pooled Funds.

The Long Term Income Pooled Fund made a number of new investments in 2021, including exposures to new sectors, namely energy-from-waste and supermarkets.

The De-Risking Fund Platform has a range of sub-funds with specific characteristics. These include the Government Bond Pooled Fund, Non-Government Bond Pooled Fund, Long Duration Index Linked Pooled Fund, and Short Duration Index Linked Pooled Fund. There have been no material changes to the De-Risking Fund Platform and the focus remains on simple and effective implementation, mainly by the in-house team.

Investment strategy

The IFC is the body that sets investment strategy for all sections without a pensions committee, and reviews and approves strategies requested by pensions committees. In setting strategies for sections, the profile of the liabilities, along with the covenant strength and views of the sponsoring employer, are taken into account as part of an integrated risk management approach to funding.

Furthermore, the Trustee sets principles for the key aspects of section investment strategy, namely the expected return, risk and liquidity ('RRL') of investments. This is referred to as the RRL framework and takes into account covenant strength and maturity of pension liabilities. The IFC uses these principles in assessing and agreeing the investment strategy for each individual section. Railpen works with the IFC to agree investment strategies for sections as part of the actuarial valuation proposals.

Liquidity of investments

Investments described in the financial statements as 'quoted' or 'exchange traded' are either listed on a recognised investment exchange, or traded in a secondary market where prices are usually readily available from a broker, dealer, industry group or other pricing service, and where those prices are representative of actual market transactions on an arm's length basis. These investments are assumed to be realisable at accounting fair value although, on occasion, markets may experience reduced liquidity, in which case it may not always be possible to realise such assets at short notice at prices at least equal or close to accounting fair value.

Investments described as 'unquoted' in the financial statements – mainly property, private equity (including infrastructure), and OTC derivatives – are unlisted and for some, there is no organised public market. These investments are carried at estimated fair values in accordance with the Trustee's accounting policies, as set out in the notes to the financial statements. These asset classes are generally less liquid than quoted or exchange traded investments, either because of the lack of an organised public market, the nature of the instruments or contractual arrangements. For these reasons, it is not usually possible to realise part or all of such assets at short notice.

Economic commentary

The year was influenced by the persistence of the COVID-19 pandemic, continued fiscal and monetary stimulus, higher than expected inflation, and supply chain disruptions.

Amidst the rollout of vaccination programmes, most developed countries saw strict lockdowns reimposed during the first quarter as new variants of the virus emerged. The differing pace of vaccinations and different approaches to contain the virus meant the economic recovery was not equal across geographies. As many economies started to reopen, the second quarter proved a positive period for investment returns, price inflation, economic activity, and corporate earnings, all of which persisted over the summer months. At the G7 meeting in June, leaders reinforced their commitment to fiscal support and low interest rates. The accommodative monetary policy strengthened consumption trends and generated a positive market environment with growth expectations improving globally. September was marked by a clear change in tone, as concerns around inflation intensified and serious imbalances in supply and demand started to become apparent. Gas prices soared in Europe and the UK, forcing a number of energy suppliers into liquidation. In China, a liquidity crisis hit the second largest property developer in the country. The fourth quarter was characterised by record-breaking inflation, increased geopolitical risk following escalating tensions between Russia and Ukraine, and the first monetary tightening moves from central banks in years.

Over the course of 2021, consumer prices for all items, as captured by the Consumer Prices Index (CPI), rose by 5.4% in the UK, 5.0% in the Euro area, and 7.0% in the US. The Bank of England raised the base interest rate to 0.25% in December, and signalled additional, gradual rate rises over the course of 2022. In the US, the Federal Reserve asset buying programme was scaled back in November and is set to come to an end by early 2022, with interest rates expected to rise soon after. Equities closed the year on a positive note, with the MSCI All Countries World Index advancing 20.9% in local currency terms. Developed countries performed strongly as investors focused on economic resilience and corporate earnings despite the emergence of the new variants of the coronavirus. Emerging markets lagged behind, with Turkey and Russia amongst the weakest performers. Meanwhile, government bond yields mildly rose over the year. The UK ten-year government bond yield rose from 0.2% to 1.0% and the US ten-year government bond yield rose from 0.9% to 1.5%. The German ten-year yield remained in negative territory, moving from -0.6% to -0.2%. The Pound Sterling appreciated 6% against the Euro over the year, but depreciated by 1% versus the US Dollar. Energy commodities performed particularly well over the year, notably crude oil and natural gas, which gained 55% and 47% respectively. On the other hand, precious metals were challenged, with gold losing 3% and silver losing 11% over the year.

Investment performance

The Growth Pooled Fund, the largest of the pooled funds managed by Railpen, invests in a diversified mix of predominantly growth-focused assets. The asset allocation of the Growth Pooled Fund is flexible and will vary, taking into account changing market valuations, consistent with the Trustee's investment beliefs. The investment objective is to maximise risk-adjusted returns over the long-term whilst targeting 75% of the total market risk of public equity. Long-term performance is assessed against a return comparator of CPI +4% per annum. The largest portfolio allocation in the Growth Pooled Fund is to global equities and over the year the allocation increased from 70% to 74%. Other asset classes held within the Growth Pooled Fund include property, fixed income (high yield credit and emerging market debt) and diversifying assets. The Growth Pooled Fund return in 2021 was 16.2%. Over the past three years, the Growth Pooled Fund return of 14.2% per annum was well ahead of the comparator.

The Passive Equity Pooled Fund is invested in line with a global index weighted by market capitalisation and produced a return of 22.9% in 2021 and 19.9% per annum over the past three years. The Global Equity Pooled Fund has fixed weights in major geographic regions and produced a return for the year of 15.8% and 14.5% per annum over the past three years.

The Private Equity Pooled Fund provides exposure to a highly diversified range of private market investments. It is made up of a series of sub-funds, each representing a different vintage year of private equity investment. The Private Equity Pooled Fund produced an aggregate return of 60.3% in 2021 and 27.1% per annum over the past three years.

The Infrastructure Pooled Fund delivered a return of 3.4% for the year and 3.4% per annum over the past three years.

The Private Equity and Infrastructure pooled funds are closed to new investments. New investments in private markets are made within the Illiquid Growth Pooled Fund and the Long Term Income Pooled Fund. These funds are still in the early stages of committing capital for investment.

The Illiquid Growth Pooled Fund delivered a return of 33.8% for the year and 13.2% per annum over the past three years.

The Long Term Income Pooled Fund delivered a return of 5.4% for the year and 3.0% per annum over the past three years.

For the Private Equity, Infrastructure, Illiquid Growth, and Long Term Income Pooled Funds, the unquoted nature of the underlying investments means there is often a significant time lag for revised information on underlying investments to flow through to the Pooled Fund valuation.

The De-Risking Fund Platform has a range of sub-funds with specific characteristics. These include the Government Bond Pooled Fund, Non-Government Bond Pooled Fund, Long Duration Index Linked Pooled Fund, and Short Duration Index Linked Pooled Fund.

The Government Bond Pooled Fund is a UK government bond portfolio, managed internally by Railpen on a buy and maintain basis. The Government Bond Pooled Fund returned -2.5% for the year and 0.6% per annum over the past three years.

The Non-Government Bond Pooled Fund is managed on a buy and maintain basis by an external fund manager and returned -0.6% for the year and 5.7% per annum over the past three years.

The Long Duration Index Linked Pooled Fund invests in UK inflation-linked government bonds and is managed internally by Railpen on a buy and maintain basis. The Fund achieved a return of 3.8% for the year and 8.9% per annum over the past three years.

The Short Duration Index Linked Pooled Fund was launched in October 2017. It is managed internally by Railpen on a buy and maintain basis. The Fund achieved a return of 4.3% for the year and 2.3% per annum over the past three years.

Information on the returns of all pooled funds can be found in Appendix I.

Section returns

There is a diverse range of different investment strategies amongst RPS sections, reflecting differences in terms of section liability profiles and employer covenants. In 2021, the investment return produced by section assets broadly ranged between 4% and 21%, net of fees and costs. This range reflected the diversity of returns seen in the major asset classes over the year.

Over a three-year period, the investment returns of RPS sections broadly ranged from 4% to 16% per annum, while over a five-year time horizon the range of returns was broadly 2% to 11% per annum. Over a ten-year time horizon, the range of returns was broadly 5% to 11% per annum.

Securities lending

Securities lending forms part of the arrangements sanctioned by the regulatory authorities to maintain an orderly and more liquid securities market. Subject to the agreements in place and the constraints on certain portfolios, the custodian is able to make a proportion of securities they hold available for lending to securities houses with short-term requirements. The lending does not impact on the fund managers' investment activities. In place of the lent securities, the pooled funds receive collateral in the form of other securities and/or cash that meet standards set on behalf of the Trustee. For any cash received as security the Agent Lender arranges for these to be reverse repurchased, and replaced by the appropriate securities.

As a result of operating these securities lending arrangements, the pooled funds receive revenues. The custodian also operates indemnification programmes which protect the pooled funds against defaulting borrowers. The pooled funds retain economic exposure to the lent securities, for example by receiving dividends, but loses voting rights temporarily. The Trustee retains the right; however, to recall securities if an important vote is scheduled. A permanent restriction is in place that ensures that shares held in companies that are sponsoring employers of the Scheme are not included in the lending programme.

Government support

The Transport Act 1980 provides financial support for the BRB's historical obligations. These obligations are met partly in cash and partly by means of substitution orders from the Government.

Self-investment

The Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 require investments to be diversified so that the failure of one does not affect the security of members' benefits as a whole. Investments in employers' businesses are also restricted to avoid the prospect of the employees losing their jobs and part of their pensions at the same time, should their employer's business fail.

The RPS is in a special position. It is a multi-employer scheme for non-associated employers, with actuarially independent sections. The rules for self-investment therefore apply on a section-by-section basis.

Investment decisions on the purchase and sale of employer-related investments are taken by external investment managers acting within discretions given to them by the Trustee.

Railpen regularly monitors investment manager activity to ensure that statutory limits on self-investment are not breached.

AVC arrangements (excludes IWDC Section)

The Scheme's AVC investments in the DC Pooled Funds and other AVC funds as at 31 December 2021 were £1,851.6m (2020: £1,686.9m).

The total value of these pooled funds as at 31 December 2021 was £1,860.0m (2020: £1,694.7m).

The AVC arrangements for the Scheme, known as 'BRASS' and 'AVC Extra', are administered by Railpen. BRASS is open to all contributing members of the Shared Cost Arrangement and the Omnibus Section. AVC Extra is the second contribution top-up arrangement for contributing members of the Shared Cost Arrangement (except those in the Network Rail Section) and the Omnibus Section.

In setting the range of investment options, the Trustee considered members' objectives as being defined by the expected:

- level of outcome (long-term return)
- variability of outcome (long-term risk), and
- volatility of journey, in particular as the members' target retirement age approaches (short-term risk)

The investment fund series for these arrangements is the Railpen Pension Saver Fund Range.

The Trustee has made lifestyle options available to members. One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range, and is designed to be appropriate for a typical member.

These lifestyle options offer a changing asset mix over time designed to meet a typical member's perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from return seeking assets, which aim for long-term growth in excess of inflation, to lower risk assets as a member approaches their target retirement age.

The BRASS Long Term Growth Lifestyle is the default option for BRASS, while the DC Global Equity Lifestyle is the default option for AVC Extra.

Five self-select funds are also available: Global Equity Fund, Long Term Growth Fund, Index-Linked and Global Bond Fund, Aggregate Bond Fund and Deposit Fund.

The Trustee may from time to time change the range of funds made available to the members.

The investment comparators for the investment funds in the Railpen Pension Saver Fund Range are shown in the table below:

Fund	Comparator
Global Equity Fund	FTSE World Index (developed market investments currency hedged into UK Sterling)
Aggregate Bond Fund	50% Bloomberg Barclays Global Aggregate Corporate Index; 50% FTSE Actuaries UK Conventional Gilts Over 15 years Index (overseas investments currency hedged into UK Sterling)
Long Term Growth Fund	UK CPI plus 4% p.a.
Index Linked and Global Bond Fund	50% Bloomberg Barclays Global Aggregate Corporate Index; 50% Bloomberg Barclays UK Government Inflation-Linked Over 15 years Index (overseas investments currency hedged into UK Sterling)
Deposit Fund	1 Month Sterling Overnight Index Average (SONIA)

RPS 2021 TCFD Report

In line with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021 Regulations, the RPS 2021 TCFD Report can be found at **www.railpen.com/media/bq1cjgd1/tcfd-report-rps-2021.pdf**.

The RPS 2021 TCFD Report is a report containing climate-related financial disclosures relating to the Railways Pension Scheme, produced in line with relevant statutory guidance and the recommendations of the Taskforce on Climate-related Financial Disclosures.

Please note that Railpen's website is occasionally down for maintenance. If for whatever reason the above link isn't working, a copy can be obtained by emailing **press.office@railpen.com**

Report On Actuarial Liabilities

(forming part of the Trustee Company Annual Report)

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the relevant employer and set out in a Statement of Funding Principles, which is available to Scheme members on request.

Most of the sections of the Railways Pension Scheme are subject to the Pensions Act 2004, the exceptions to this being the 1994 Pensioners Section and the BR Shared Cost Section. Nevertheless, the valuations for these two Sections are also carried out in a consistent manner with the requirements of the Act.

The results of the most recent full actuarial valuation formally completed for each Section at the time of writing are summarised below:

Date of last valuation	Number of sections	Composite value of the sections' Technical Provisions £m	Composite value of the sections' assets £m
31 December 2013	26	6,734	6,525
31 December 2015	1	31	31
31 December 2016	7	2,257	1,953
31 December 2019	69	14,500	14,905

For those sections that have not already completed a formal Actuarial Valuation as at 31 December 2019, such valuations are under way.

In addition to the summary above, for one section established in 2015, an initial valuation as at 31 December 2015, and formal valuations as at 31 December 2016 and 2019, have not yet been completed. Initial valuations as at 31 December 2020, for two sections established in 2020 are currently being undertaken. These have not yet been completed.

Method

The method and assumptions adopted for determining the technical provisions for each section are consulted on by the Scheme Actuary and ultimately agreed between the Trustee and relevant employers. While 'standard' methods and assumptions are adopted as far as possible, as summarised below, some sections have different assumptions. All assumptions adopted are set out in each section's Statement of Funding Principles.

The actuarial method used in the calculation of the technical provisions is the Projected Accrued Benefit Method.

Significant actuarial assumptions

The 'standard' actuarial assumptions that have been proposed (and, where relevant, agreed) by the Actuary and Trustee for valuations as at 31 December 2019 are as follows:

Discount rates:

- For sections which are sponsored by employers classified as passenger Train Operating Companies: a single nominal discount rate of 5.37% pa.
- For other sections which are open to new entrants: dual discount rates which differ depending on the Covenant Category of the section. The nominal discount rates assumed for each covenant category are summarised in the following table:

Covenant category	Pre-retirement discount rate % per annum	Post-retirement discount rate % per annum
Other Covenant Category 1 Sections	5.47	3.73
Open Covenant Category 2 Sections	4.96	3.12

- For sections which are closed to new entrants: a flexible discount rate structure, to allow any long-term investment plans that may be in place for particular sections to be reflected more explicitly, so that each closed section has an individual discount rate structure. This comprises an initial discount rate based on the section's short-term investment strategy and an ultimate discount rate based on the section's expected long-term investment strategy when all members have retired. After an initial period during which the initial discount rate is assumed to be maintained, the discount rate is assumed to change annually in equal steps from the initial to the ultimate discount rate over an appropriate transition period.

Future Retail Price inflation: 2.80% per annum.

Future Consumer Price inflation: 2.00% per annum.

Pay increases: general pay increases of 2.80% per annum. Promotional pay increases of 0.4% per annum.

Mortality base tables

To set the mortality base tables, members have been segmented into groups that are expected to experience similar levels of mortality depending on category of member, postcode and pension amount. The base table assumptions (including resulting cohort life expectancy) for each mortality group are summarised in the following table:

Category	Combined group by postcode/ pension amount	Mortality base table	Base table multiplier	Expected age at death for 65 year old at 31 December 2019
Male pensioners	1	S3 normal males very light	98%	89.3
	2	S3 normal males very light	103%	88.2
	3	S3 normal males medium	103%	86.5
	4	S3 normal males heavy	100%	85.0
	5	S3 normal males heavy	112%	84.1
	6	S3 normal males heavy	127%	83.1
Female pensioners	1	S3 normal females heavy	94%	88.6
	2	S3 normal females heavy	111%	87.3
Widows	1	S3 dependant females light	102%	89.0
	2	S3 dependant females	105%	88.0
	3	S3 dependant females	121%	86.9
Male ill-health pensioners		S3 ill-health males	142%	81.5
Female ill-health pensioners		S3 ill-health females	150%	84.7
Widowers		S3 dependant males	103%	84.2

- S3 refers to the SAPS (self-administered pension schemes) mortality tables published by the CMI in December 2018 based on their mortality investigation over the period 2009 to 2016.
- The SAPS ‘heavy’, ‘medium’, ‘light’ and ‘very light’ tables are based on mortality experience for pensioners and dependants with relatively low to relatively high pension amounts.
- ‘Normal’ refers to pension scheme members who did not retire on grounds of ill health.

The overall resulting life expectancy assumed for each Section depends on the proportion of members in each mortality group, which differs significantly between sections.

Future mortality improvements

Allowance for future improvements in mortality, from 1 January 2019 onwards, has been made in line with the 2019 version of the ‘CMI core projection’ model published by the Institute and Faculty of Actuaries, assuming a long-term improvement rate of 1.5% pa and extended parameters set to their core values. For the period 1 January 2013 to 31 December 2018, allowance for future improvements in mortality has been made in line with the 2018 version of the ‘CMI core projection’ model, assuming a long-term improvement rate of 1.5% pa and extended parameters set to their core values.

Implementation Statement

(forming part of the Trustee Company Annual Report)

Introduction

Railways Pension Trustee Company Limited is the trustee body (the 'Trustee') for the railways pension schemes (the 'Schemes') namely: the Railways Pension Scheme, British Railways Superannuation Fund, British Transport Police Force Superannuation Fund and BR (1974) Fund. The Schemes are occupational pension schemes providing defined benefit ('DB') and defined contribution ('DC') benefits. The Railways Pension Scheme is comprised of separate Sections, including the Industry Wide Defined Contribution Section ('IWDC'). The IWDC Section is the authorised DC master trust of the Railways Pension Scheme for rail industry employees and, other than AVCs, it is the only Section in the Scheme which provides DC benefits.

The Trustee maintains a combined Statement of Investment Principles ('SIP') that covers the DB and DC benefits for the Schemes.

Regulatory changes in 2018 and 2019 required trustees to disclose further information in their SIP and also introduced the concept of an annual Implementation Statement. The legislation states that the Implementation Statement must be included in the Annual Report and Accounts and that it must also be made publicly available online.

For schemes that provide DC and DB benefits the Implementation Statement needs to include the following information:

- description of any review of the SIP during the period covered by the Statement including an explanation of any changes to the SIP. If the last review was not within the period covered by the Statement, include the date of last SIP review.
- details of how and the extent to which, in the opinion of the trustees, the SIP has been followed during the year.
- description of voting behaviour (including "most significant" votes by, or on behalf of, the trustee) and any use of a proxy voter during the year.

This Implementation Statement is included in the Scheme's Annual Report and Accounts for the period ending 31st December 2021 and covers the year 2021.

The Trustee's review of the SIP in 2021

The SIP was not changed over 2021. It was last reviewed over the summer of 2020 and a revised SIP was adopted by the Trustee on 17 September 2020. The current version of the SIP is available on the website: **www.member.railwayspensions.co.uk/resources/statement-of-investment-principles**.

How the SIP has been followed during the year

In the opinion of the Trustee the SIP has been followed during the year. We set out information on this below:

The kinds of investments to be held by the Schemes and the balance between different kinds of investments:

The SIP sets out the investment objectives for the Schemes and Sections, and how these are implemented using the Trustee's Pooled Funds.

Due to the different maturity profiles of the liabilities of the individual DB Schemes and Sections, along with the strength of covenant of each sponsoring employer and any other specific characteristics, investment strategies will vary widely. Investment objectives are therefore set separately for each DB Scheme and Section, with a consistent framework used for evaluation that takes account of return, risk and liquidity requirements (the 'RRL framework'). The resultant investment strategy for each Scheme and Section is expressed as a mix of growth and defensive assets.

The Trustee was satisfied that the RRL framework remained appropriate over 2021, but as part of their governance responsibilities, is reviewing the investment strategy setting process, including a review of the pooled fund range. This is likely to result in changes to both the investment strategy setting process and the Pooled Fund range.

The Trustee's pooled funds are used to construct each investment strategy agreed under the RRL framework and are intended to accommodate the differing investment requirements of the DB Schemes and Sections. Each pooled fund has distinct return, risk and liquidity characteristics and is either multi-asset or single-asset class by design. The Trustee recognises that the use of a range of traditional and alternative asset classes with distinct return drivers may offer diversifying characteristics.

The investment of the assets within each pooled fund, including day-to-day investment decisions, are delegated under an Investment Management Agreement to RPIL, the internal manager for the Schemes, or to fund managers appointed by RPIL (together the 'fund managers'). The investment arrangements are overseen by the Asset Management Committee (the 'AMC') who ensure adherence to the Trustee's investment policy. Railpen supplies personnel and infrastructure to RPIL to enable it to manage the schemes' assets.

The Trustee Board and the AMC received a report in Q1 2021 on the annual review of the Pooled Funds.

The Trustee concluded that the Pooled Fund range had performed as expected and was managed effectively;, however, they requested a review of the Investment Beliefs to make them more risk-focused. This review has been undertaken and the updated Beliefs published in December 2021.

For DC and AVC arrangements, the Trustee recognises that individual members have differing investment needs and these may change during the course of their working lives. The Trustee provides a range of funds suitable for members to invest their contributions. For members who do not wish to make their own investment choice, the Trustee makes available a default option.

The Trustee is comfortable with the performance of the existing investment funds, and that the default investment arrangements' performance is consistent with the aims and objectives set out in the SIP.

A review of the DC fund range was undertaken over 2020 and 2021. The review covered all of the investment funds offered; the default investment strategies, alternative lifestyle arrangements, and the range of self-select funds. The Trustee is currently in the final stages of implementing the resultant changes.

The Trustee is satisfied that RPIL has the appropriate knowledge and experience for managing the investments of the Schemes and it carries out its role in accordance with the criteria for investment set out in "Investment Regulations", the principles contained in the SIP, the Trustee's investment policy and any applicable investment guidelines and restrictions agreed with the Trustee. The Trustee maintains oversight through regular meetings with the Chair of the AMC and updates from RPIL officers, and remains satisfied with the implementation of the investment policy.

Risks – including the ways these are to be measured and managed – and the expected return on investments:

The Trustee recognises that there are various investment and operational risks to which any pension scheme is exposed, and gives qualitative and quantitative consideration to such risks. A number of steps are taken to manage such risks including:

- maintaining a Trustee risk register
- an Integrated Funding Committee ('IFC') wit specific responsibilities including agreeing integrated funding plans for each Scheme and or Section, using the RRL framework and monitoring performance against their agreed funding plans
- an Audit and Risk Committee with specific responsibilities including review of financial control and risk management systems
- a Defined Contribution Committee ('DCC') to ensure appropriate management and governance of AVC and DC arrangements including oversight of investment performance and reviewing communications and investment options as appropriate
- appointing a global custodian to hold assets and RPIL monitoring the custodian's service provision and credit-worthiness
- appointing the Asset Management Committee ('AMC') with specific responsibilities including oversight of the management of the pooled funds, and
- internal Investment Risk and Operational Risk Committees to oversee the monitoring of investment and operational risks.

For DB Schemes and Sections, expected investment return is considered taking into account risk and affordability, making use of the pooled fund range to accommodate individual Scheme and Section requirements. The expected return of the proposed investment strategy is judged over the long-term and evaluated with reference to the financial assumptions adopted by the Trustee. The technical provisions funding basis used in triennial valuations is considered with reference to these expected returns.

For the DC and AVC arrangements, the Trustee's objective is to make available a range of funds suitable for members to invest their contributions. In particular, the aim of the default arrangements is to generate long-term growth in excess of inflation over members' working lifetimes.

The performance of each Scheme and/or Section, and the investment performance of the portfolios of RPIL and the Fund Managers, are measured for the Trustee. Also, investment performance of each Scheme and/or Section are monitored by RPIL and reported to the IFC, the Pensions Committees (where appropriate) and the relevant employers.

The AMC monitors the performance of RPIL against long-term performance objectives and compliance with operating parameters to ensure the investment approach aligns with the Trustee's investment policy and beliefs. RPIL is responsible for monitoring the performance of the fund managers against long-term performance objectives and compliance with operating parameters to ensure alignment with the Trustee's investment policy and beliefs.

The Trustee is satisfied with the operation of these risk management and measurement processes.

The realisation of investments and monitoring of costs:

RPIL and the fund managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and product particulars. This includes the power to rebalance funds from available cash or make transfers in order to keep within stipulated asset allocations or restrictions. The Trustee is satisfied that implementation has remained consistent with these parameters.

The Trustee recognises that strict control of costs is important in contributing to good investment returns. RPIL give full transparency to the Trustee on the underlying costs making up the annual management charges. The Trustee also monitors the level of transaction costs incurred by the funds on a yearly basis.

Sustainable Ownership governance and Trustee framework

The next section of this Implementation Statement focuses on how (and the extent to which) the Scheme's policies on stewardship have been followed during the Scheme year. We will also describe the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year, stating any use of the services of a proxy voter during that year.

As explained in last year's Implementation Statement, the Trustee delegates investment powers to RPIL under the terms of the Investment Management Agreement ('IMA') which sets out the parameters and policies within which RPIL operates. The Trustee reviews and monitors performance (and fees) to ensure that the activities of RPIL continue to be aligned with the Trustee's investment policy.

As mentioned above, in 2021 the Trustee worked with RPIL on a new set of Investment Beliefs that could better reflect changes in its approach to investment. Several Beliefs are relevant to RPIL's work on Sustainable Ownership including: the need to exploit the advantages of long-term, focused investment decision-making; the critical role managing asset-liability risk plays in a scheme's long-term success; and the importance of choosing and structuring investments in a way which is aligned to a scheme's long- term objectives. The fourth of the Investment Beliefs focuses specifically on the Trustee's approach to Sustainable Ownership:

Investment Belief 4 - Incorporating and acting upon climate risk and other environmental, social and governance factors is a significant driver of investment outcome and part of our fiduciary duty.

Environmental, social and governance ('ESG') factors affect corporate financial performance, asset values and asset-liability risk. Well-informed and financially material ESG analysis, as part of a holistic investment process, supports the identification and ultimately the pricing of ESG risk and opportunity. Constructive engagement combined with thoughtful voting can protect and enhance investment value.

A long investment horizon exposes a pension scheme to societal and systemic risks, such as climate change. These risks are growing and need to be managed. Capital allocation by investors and corporates makes a difference in how these risks play out. RPIL has a responsibility to make a scheme's assets resilient to systemic threats and position portfolios for long-term opportunities. We believe it is possible and necessary to deliver the returns the schemes need, whilst positively contributing to the world our members retire into.

The Trustee is confident that these new Beliefs will better support the RPIL team to: focus on ESG issues as a financially material factor; emphasise the materiality of ESG issues to scheme liabilities as well as assets; include both bottom-up but also top-down or systemic ESG approaches, in recognition of the Trustee's role as a universal asset owner; focus on capital allocation and not just engagement; and fulfil its role in having a positive impact on the world members retire into.

In 2021, the Trustee also established the Asset Management Committee ('AMC') to replace the Railpen Investment Board to oversee the management of the Pooled Funds by its wholly owned subsidiary RPIL, including sustainable ownership activities. The AMC oversees the performance of RPIL and external managers on a regular basis. The membership of the AMC includes two Trustee NEDs or Trustee Directors, one Railpen iNED, two independent investment experts and the Railpen Chief Executive Officer.

The Trustee has established a sub-committee, the Defined Contribution Committee ('DCC'), to provide oversight of the performance of the DC funds. This includes consideration of the appropriateness of the range of available self-select funds and the suitability and composition of any sustainable or values-based/ ethical funds.

The Trustee believes that it is important to engage regularly with RPIL as it directly manages most of the Scheme's asset managers, to ensure that the Trustee beliefs are appropriately implemented in a way that aligns with the Trustee's objectives.

In 2021, the Trustee worked with the RPIL team to undertake two half-day training sessions on i) ESG including climate change, fiduciary duty and ii) climate change specifically. Given the lockdowns in place at the time, the training sessions were delivered in virtual format, using multi- media, polling, interactive activities, and discussions with climate scientists and other external speakers. Topics covered included stewardship, Net Zero, regulation, climate science and climate impacts on covenant strength.

This engagement, education and training builds on the regular updates from the Chair of the AMC as well as the regular updates the Trustee received from its legal and investment advisers on regulatory updates and requirements.

In 2021, the Trustee and the DCC worked with the wider RPIL team, to consider the creation of a 'Socially Responsible Equity Fund' which launched in Q2 2022, and which screens out exposure to companies in sectors such as controversial and nuclear weapons, tobacco, gambling, thermal coal and oil sands. The Trustee has discussed the fund's approach extensively with the DCC, while members were also consulted on the appropriate terminology for the fund, and is comfortable that this is an appropriate ethical option for members.

The Trustee is satisfied that RPIL is taking an approach to sustainable ownership that aligns with its own and in the best interests of the members of the railways pension schemes. We note that Railpen won the Investment & Pensions Europe (IPE) ESG Award 2021 for its work on its Net Zero roadmap, its approach to voting and its work on workforce issues.

ESG Integration

In our SIP, we explained that we recognise our legal duty to consider factors that are likely to have a financially material impact on investment returns over the period during which benefits will need to be funded by the Schemes' investments. We also explained that these factors include, but are not limited to, environmental, social and governance factors, including but not limited to climate change.

The Trustee has ensured that RPIL is aware of its views on the materiality of ESG factors to the portfolio, not only in RPIL's own in-house Sustainable Ownership approach, but also in its selection, monitoring of and engagement with any external fund managers.

The Trustee also expects that RPIL will provide regular reporting on its ESG integration activities to the Board. In 2021, the Trustee asked RPIL to provide integrated reporting on ESG integration and active ownership metrics, activities and outcomes as part of the Investment and Risk Reports which are received by the AMC. The reports received have been helpful in ensuring the Trustee can more effectively monitor and understand the work that RPIL is undertaking on its behalf.

Although the Trustee's preference is for engagement over divestment, it recognises that there are certain companies where the ESG risk is so fundamental to a company's business model or approach that the risk of being invested is unmanageable and so the company should be excluded from the investment universe. It is comfortable with RPIL's ongoing approach to exclusions on the basis of:

- a company's contribution to climate change and the risk of stranded assets (particularly firms with a certain proportion of revenues deriving from thermal coal or tar sands)
- ongoing poor governance or instances of egregiously poor conduct, or
- Involvement in the manufacture and production of indiscriminate weaponry.

The first two factors have financially material relevance, while the last exclusion list on indiscriminate weaponry reflects reputational risk factors. In 2021, the RPIL team worked on updating the exclusions approaches, to ensure the work undertaken continues to align with market best practice and better reflects the Trustee's approach to ESG risk. These new methodologies will then be used to make recommendations for exclusion to the Asset Management Committee in 2022. The Trustee is comfortable with the work undertaken to improve RPIL's exclusion approaches, which we believe will help RPIL more efficiently protect and enhance the value of members' savings.

In line with the Trustee's views on the inherent affinity between investing in real assets and sustainable ownership, in 2021, RPIL continued its 2020 work to strengthen and formalise its approach to conducting in-depth assessments of ESG and reputational risk across the Long-Term Income Fund ('LTIF') portfolio. This included creating new tools such as a 'Materiality Map' to identify the most material ESG issues and beginning the assessment of LTIF's directly-held assets against the Sustainable Development Goals ('SDGs'). In 2022, RPIL will design a reporting dashboard to formalise the most relevant sustainable ownership metrics for LTIF.

In 2021, the Trustee continued to intensify its focus on climate change. As we set out in the SIP and in our updated Investment Beliefs, the Trustee recognises climate change as a financially material issue across both its assets and its liabilities. The Trustee was supportive of the June 2021 publication of RPIL's Net Zero commitment by 2050 or sooner and of the detailed roadmap for doing so which accompanied the commitment's launch. We particularly welcomed the emphasis on structured and robust stewardship activity to enable decarbonisation of the portfolio in a way which also achieves real world impact. The progress of this work in 2021 and further details of the Trustee's approach to climate change are outlined in the 2021 RPS Taskforce on Climate-related Financial Disclosures ('TCFD') report, as referenced in the 2021 RPS Reports and Accounts.

Non-financial matters

In the SIP, we state that we will consider non-financial matters on a case-by-case basis in relation to the selection, retention and realisation of investments where we have reasonable cause to believe that members would share concerns that such matters would have a materially detrimental impact on the good reputation of the Schemes, and potentially lead to a material risk of financial detriment to the Schemes.

Member views

The sixteen members of the Trustee Board are nominated by the members and employers of the Schemes and have a broad understanding of member views. The Pensions and Management Committees, which have been implemented by around a quarter of sponsoring employers, are another key forum for understanding the member perspective.

Over 2021, RPIL's Sustainable Ownership team discussed its work with several of these Committees. Issues discussed included: the 2021 Voting Policy (updates and impacts); the use of benchmarks for measuring the effectiveness of RPIL's sustainable ownership activities; the Just Transition; and the extent to which RPIL's voting decisions diverge from those of its proxy advisers. In light of these and other factors, RPIL in 2021 committed to undertake an annual internal AGM Review, incorporated a criterion on the Just Transition into its in-house model of assessment of companies' climate change approaches and pressed ahead to refine KPIs and success measures across major Sustainable Ownership workstreams.

RPIL also instituted a Sustainable Ownership Client Forum ('SOCF') in 2021, to complement the interaction with Pension Committees. The SOCF consists of ten pension committee members, and two Trustee Directors are invited to each meeting. In 2021, items discussed included: how RPIL engages with portfolio companies; executive remuneration; and thematic engagement across the quantitative strategies ('QS') portfolio.

The Trustee was also pleased to note RPIL's 2021 Sustainable Ownership Membership Engagement project, where RPIL sought to engage directly with the wider membership to understand their views on ESG issues and how they like to be communicated with. The team did this through a multi-phase approach consisting of i) publishing a member-dedicated, easily readable and accessible Sustainable Ownership Review, ii) conducting a member survey on sustainable ownership topics and iii) holding focused member roundtables run by an external facilitator. The feedback will be incorporated into RPIL's member communications on its integration, stewardship and climate work from 2022 onwards. We welcome RPIL's commitment to listening to member views, gain comfort from the findings that the issues that members care most about are already priorities for RPIL's sustainable ownership work and hope that the feedback will help further enhance the two-way dialogue on sustainable ownership issues such as through our member newsletters, social media channels and dedicated member portal, all of which frequently discuss initiatives such as our Net Zero roadmap, or our Stewardship Report.

Voting and engagement policy

The Trustee delegates the exercise of voting rights and engagement activity to RPIL, as part of the delegation of its investment powers. The discharge of voting rights is managed by RPIL's in-house Sustainable Ownership team according to agreed policies that seek to hold companies to account against best-practice standards of corporate governance.

The Trustee strongly believes that thoughtful voting alongside constructive engagement can influence corporate behaviour in a way that is in line with beneficiaries' best interests. This is why we were one of the first UK occupational pension schemes to publish a corporate governance and voting policy and to introduce voting for all UK equities in 1992. Voting was gradually phased in across all developed markets and the policy is to vote the entire equity portfolio globally.

Over the last few years, RPIL has continued to internalise the management of assets, including much of the listed equity portfolio. This has built on the principles established by the Trustee in the Investment Transformation Programme undertaken from 2013-15 including ensuring greater internal control of stewardship decisions and voting activities. Where there are listed equity holdings in mandates or funds which are externally-managed, the Trustee appreciates that RPIL as far as possible seeks to direct votes or influence the voting approach.

In the table below, we distinguish between segregated portfolios and pooled funds as different investment arrangements will offer different opportunities for the Trustee to be able to direct the voting policy. In segregated portfolios, the Trustee owns the investments and can dictate the voting policy whereas in pooled funds, the Trustee will generally have less direct influence on how the manager votes.

In early 2021, RPIL wound up its holdings with two external managers upon which the Trustee reported in last year's Implementation Statement: a segregated mandate with AQR and a holding in a frontier equity fund run by Blakeney. Over the scheme year, RPIL also agreed a Chinese A-shares equities mandate with Baillie Gifford and worked to incorporate its expectations on integration and stewardship into the Investment Management Agreement. This included an agreement that RPIL would be responsible for exercising all votes on the Trustee's behalf within the mandate, but would maintain a dialogue with Baillie Gifford to share insights from each manager's engagements and research to help inform voting decisions. The Trustee supports this approach, which is in line with our view that voting is an important stewardship tool and should be undertaken in a way that aligns with the engagement approach and priorities.

As described in last year's Implementation Statement, RPIL – on behalf of the Trustee – had negotiated with Legal and General Investment Management ('LGIM') the ability to direct the votes on its UK holdings, despite being in a pooled arrangement. The Trustee continues to be supportive of this arrangement, recognising that the RPIL Sustainable Ownership and Investment Management Teams have extensive UK expertise and that as a UK pension scheme, the Trustee also has a particular interest in exercising its influence as a steward over its UK holdings.

Manager	Pooled or Segregated	Voting approach
Legal and General (Passive Equity)	CSUF/Pooled	RPIL directs all UK votes; LGIM Voting Policy ex-UK
Baillie Gifford (China A Shares)	Segregated	RPIL directs all votes
Blakeney (Frontier Equity Fund – 2 listed holdings and private)[1]	Fund	Blakeney Voting Policy

1 Please note: this fund has been winding down since 2015 and RPIL received its final redemption of £62,000 in July 2021.

Engagement

The Trustee delegates to RPIL engagement activities (as well as the exercise of voting rights attaching to investments) which includes (but is not limited to) engagement with the fund managers, investee companies and other stakeholders about matters including performance, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

The Trustee and the AMC regularly review RPIL's engagement activity through the reporting arrangements and opportunities for discussion outlined previously, and are satisfied by the approach RPIL takes to its individual and collective engagement activity. The Trustee is supportive of the approach taken by RPIL in becoming a signatory to the UK Stewardship Code, engaging with its external fund managers to encourage them to adopt practices in line with the spirit of this Code.

The Trustee is pleased that in 2021, RPIL was one of the first wave of signatories to the 2020 Stewardship Code and that several excerpts from its report were used as examples of best practice in the FRC's subsequent report on effective stewardship reporting. We also note the positive reception to the report across the industry. Although we recognise that RPIL worked to make the Report as accessible as possible, while also meeting FRC expectations, we welcomed its decision to condense the 60-page Stewardship Code report into a member- dedicated, easily readable and accessible Sustainable Ownership Review.

We expect RPIL to continue to use its influence, both directly and in collaboration with other investors and organisations[2] with companies and policymakers to support long-term value creation across the portfolio in the interests of members. We welcome RPIL's commitment to engage with companies both on stock-specific ESG issues and on thematic or system-wide areas of concern. While we recognise the continued focus on engagement with its largest holdings, the Trustee is supportive of RPIL's shift in recent years to dedicating greater resource to thematic stewardship across four priority areas: Worth of the Workforce; Responsible Technology; Sustainable Financial Markets; and the Climate Transition. As RPIL's assets under management continue to grow, we believe engaging on system-wide issues which affect our whole portfolio reflects our role as a universal owner of assets. Further details of RPIL's approach to engagement in 2021, including case studies, can be found in the **2021 Stewardship Report**.

The Trustee recognises that an important part of thematic stewardship is engagement with policymakers to ensure the implementation of system-level solutions to system-level challenges such as climate change, COVID-19 or income inequality. We are therefore pleased that RPIL continues to actively participate in policy debates on issues which are material to the portfolio and aligned with core engagement themes. In 2021, this included active participation in the government's Occupational Pension Stewardship Council ('OPSC'), where RPIL is part of the core Engagement Group and also chairs one of the sub-committees, and formally contributing to policy debates on issues such as: changes to the UK Listings Regime; the Department for Work and Pensions ('DWP')'s Call for Evidence on social issues; climate reporting across the investment chain.

Voting

The Trustee believes that exercise of a vote to offer either support or sanction is one of the most powerful stewardship tools available to investors. The Trustee receives regular information on voting activity from RPIL and is comfortable with the approach that its specialist team takes to exercise votes directly across all internally managed mandates for listed equities and as far as possible to seek to direct or influence voting in externally managed mandates. RPIL's votes are exercised in line with the Voting Policy although the team also uses its professional judgement and intelligence on individual voting decisions.

In 2021, RPIL updated its Voting Policy to better align its voting with engagement priorities on Net Zero, freedom of association and labour relations, and dual-class share structures. The Trustee supports these developments, further information on which is outlined below.

2022/2023 RPIL Voting Policy update

Every year, RPIL's Sustainable Ownership team leads a post-season voting policy review with a view to defining the implementation for the following cycle.

Updates to each year's voting policy are informed by the following inputs:

- the list of observed issues and suggestions from the recent AGM season
- any changes in RPIL's thematic engagement priorities
- updates to the benchmark positions of RPIL's proxy advice providers, and
- market developments and trends.

The proposals, if taken forward, may require a change to the text of the voting policy and/or a change to the underlying voting policy application. We then publish the updated text on our website and send it on to our external managers and our largest direct holdings, requesting a pre-AGM meeting to discuss our voting priorities.

The global voting policy for 2022/2023 was reviewed in Q3 2021. It was agreed that new areas would include:

Net Zero alignment

"In light of RPIL's own recent Net Zero commitment and roadmap, our voting policy highlights our Net Zero alignment expectations, including how we will assess progress against milestones and where we will escalate to a voting sanction (against the Chair of the Board and/or of any appropriate Committees, or the Report and Accounts as relevant) on climate risk and transition considerations."

[2] This includes Climate Action 100+, the Workforce Disclosure Initiative, the coalition on Cybersecurity, the Amsterdam coalition on Remuneration, the 30% Investors Club and others. The full list of groups in which RPIL were participants over the scheme year can be found in the 2021 Stewardship Report on pp.74-76.

Workforce voice and representation

"We believe that the inclusion of workforce perspectives at Board level can align the interest of shareholders, management and workers over the long-term. We recognise that there are multiple mechanisms through which this can be achieved, including the appointment of a workforce director. We are likely to vote in support of the appointment of workforce directors at portfolio companies, where there is evidence of a thoughtful and relevant approach. Where the right to freedom of association appears to have been curtailed, we may vote against the adoption of the Report and Accounts or the director we deem responsible."

Ethnic diversity

"Diversity is a key component of successful and high-performing Boards. As flagged in last year's update, from this year RPIL will – for the US and UK markets – consider voting against the Chair of the Nomination Committee, or relevant Directors, at the largest and most well-established companies where Boards do not have at least one ethnically diverse representative."

Minority shareholder rights

"Differential voting rights dilute the ability of minority shareholders to effectively scrutinise companies. We will continue to support moves to a one-share, one-vote arrangement, but will also be intensifying our engagement with companies and policymakers on this issue in 2022."

We have collected information on the most significant votes undertaken on our behalf by the following:

- **RPIL** – the bulk of voting in respect of listed equity (and any other voting, where it occurs) is implemented by RPIL's in-house team
- **LGIM** (Passive Equity Fund) – for ex-UK votes only as RPIL has the facility to exercise proxy voting rights for UK holdings directly

Blakeney (Frontier Equity Fund) – there was no proxy voting activity in 2021 as a decision was made in late 2020 to close down the old strategy through a liquidation process after which funds were returned to investors.

We have also considered input from all our managers regarding what they consider to be most significant in the light of not only RPIL's voting policy which was agreed for the scheme but also external managers' own voting policy.

In particular, we considered RPIL's policy on what they consider a most significant vote. In determining what might constitute a most significant vote, RPIL considers criteria provided by the PLSA in its Vote Reporting Template but also its own and these may include:

- votes in companies where RPIL holds over 5% or the equivalent local reporting trigger;
- votes at companies where the vote was escalated to the Chief Investment Officer ('CIO') for decision;
- votes on issues which have the potential to substantially impact financial or stewardship outcomes;
- votes against the Report and Accounts/Chair of the Board;
- votes aligned with RPIL's priority corporate governance or sustainability themes. For 2021, this included:
  - Workforce treatment and voice,
  - Remuneration, including fair pay,
  - Auditor tenure, remuneration and approach to climate accounting,
  - Board composition and diversity,
  - Climate disclosure and targets, and
- votes on high-profile shareholder or management resolutions.

The Trustee is comfortable that this approach reflects our own understanding of what might constitute a most significant vote and will continue to engage with RPIL on voting priorities in 2022. We have also selected those votes from external managers which we consider to be most significant from the Scheme's perspective.

Voting behaviour

Due to the number of holdings RPIL owns, the team is unable to attend every company shareholder meeting to cast votes. RPIL therefore votes by proxy through the Institutional Shareholder Services ('ISS') voting platform 'Proxy Exchange'.

RPIL does consider the recommendations provided by ISS in making its voting decision, as well as research and information from other providers including:

- Glass Lewis
- Pensions & Investments Research Consultants ("PIRC")
- Morgan Stanley Capital International ("MSCI")
- Chartered Institute of Securities and Investments ("ACSI")
- Carbon Tracker
- The Transition Pathway Institute
- Climate Action 100+

However, RPIL makes all voting decisions and the Sustainable Ownership team works with the Investment Management Team to apply professional judgement and intelligence, recognising that the situation at a given company can be nuanced. RPIL also uses the intelligence it gains from individual meetings and engagements with the company to feed into the final voting decision.

RPIL puts in place its own custom voting policy with specific voting instructions for the proxy provider to apply to all markets globally. The Trustee was pleased to note that the 2021 update to the Voting Policy (which is implemented in voting decisions from January 2022 onwards) included new lines on Net Zero voting, workforce voice and engagement, and minority shareholder rights. We believe these reflect our own understanding of the most material issues across the portfolio. We note that RPIL also engages with ISS' and other providers' annual consultations on voting guidelines to raise standards across the industry.

The Trustee is comfortable that RPIL takes a robust approach to voting, in a way that is aligned with our engagement objectives and expertise, our voting beliefs and objectives, and those ESG issues that are most material to the portfolio and beneficiaries' outcomes. The Trustee particularly welcomes the fact that RPIL does not look to 'follow the herd' on voting decisions, using its judgement to vote for or against a resolution where its proxy advisers may recommend an alternative voting decision.

Although it is too simplistic to equate a vote against management with effective stewardship and robust voting approaches, the Trustee was particularly pleased to note that:

- RPIL continues to use its voting rights to vote against executive remuneration packages where the quantum and approach were insufficiently aligned with the long-term interests of shareholders and other stakeholders.
- RPIL demonstrated significant levels of support for shareholder resolutions which sought to ensure better disclosure and activity on issues such as climate change, fair pay and the rights of indigenous communities.

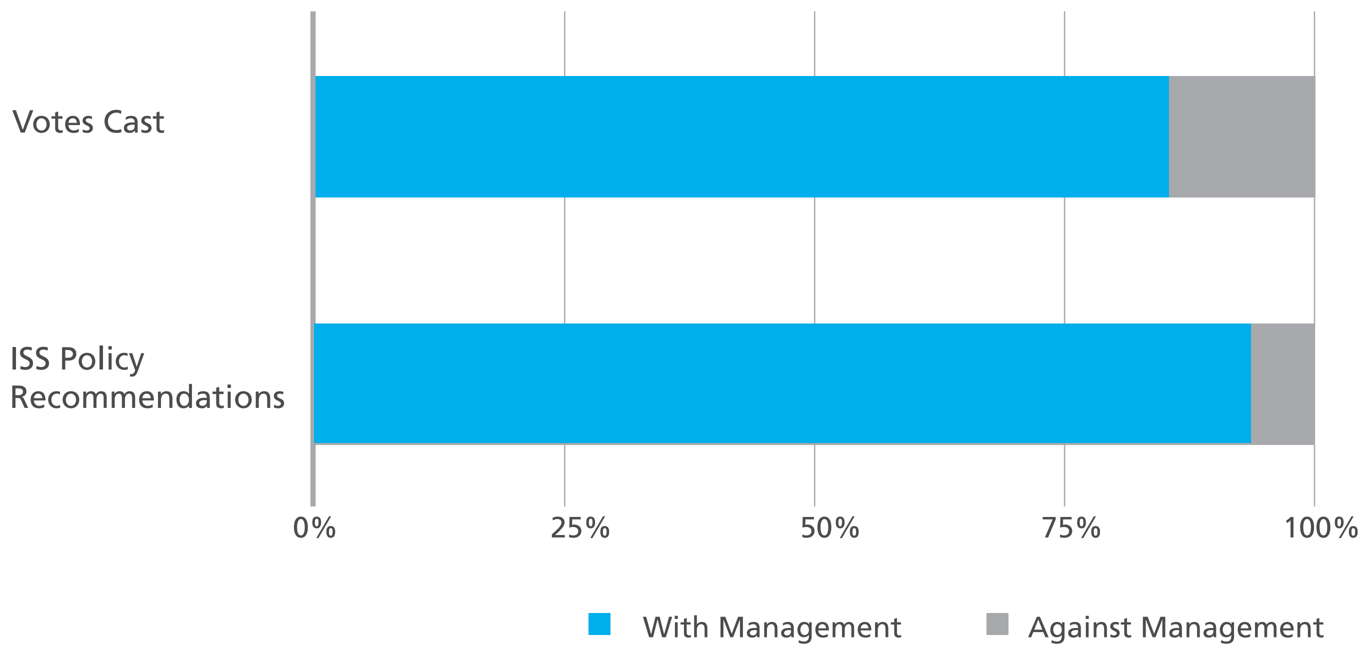
The Trustee is prepared to challenge RPIL's voting activity and approach, although to date we have not felt the need to do so in a substantive way. The Trustee continues to monitor RPIL's voting activity through the regular reporting we receive and look forward to further conversations on the evolution of RPIL's voting approach in 2022.

2021 Voting Statistics

Number of meetings voted	1,678
Percentage of meetings voted	99.06%
Percentage of meetings with at least one vote against, withhold or obstain	58.26%

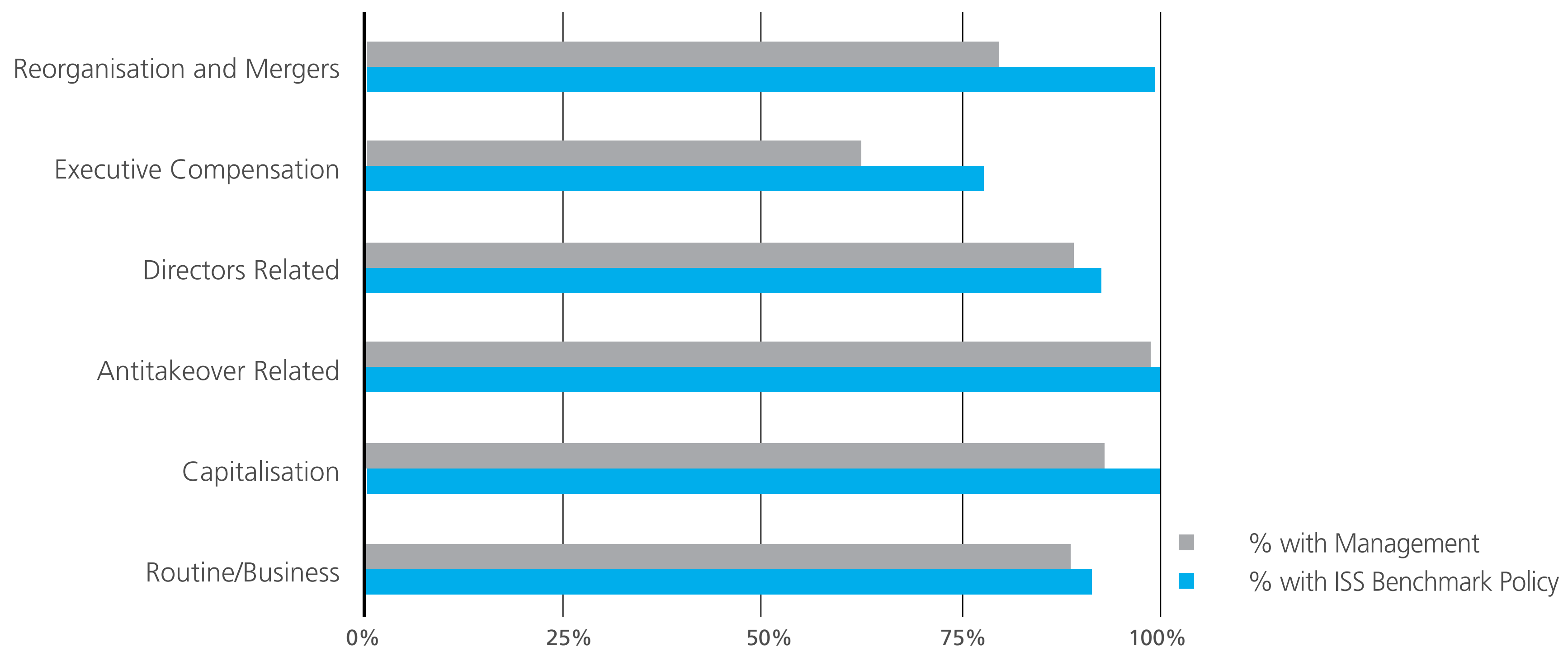
Alignment with Management

- Comparing vote cast alignment with management recommendations highlights similarities and differences between your governance philosophies and the investee's approach to key corporate governance issues.
- The votes cast on Railway Pension Investments Ltd ballots during the reporting period are aligned with management recommendations in 88% of cases, while the ISS Benchmark Policy recommendations are at 95% alignment with management recommendations.



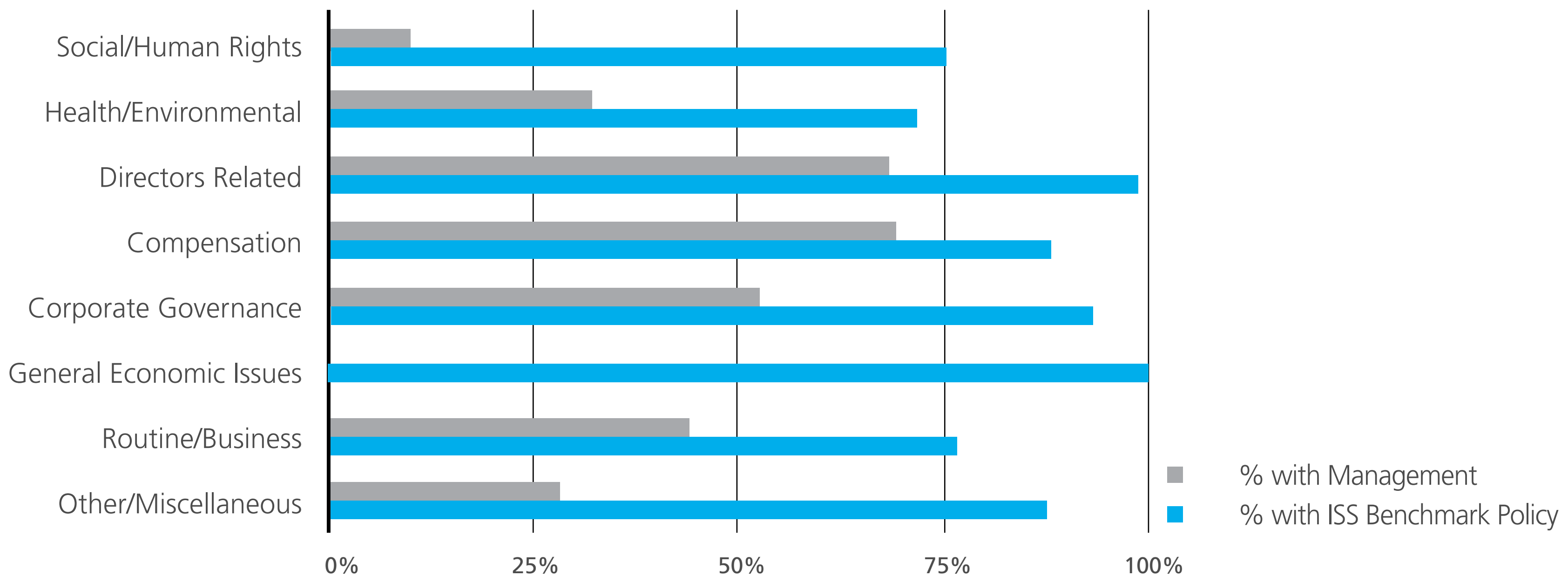
Votes Cast on Management Proposal Catagories

- Comparing votes cast to management and ISS Benchmark Policy recommendations across the major proposal categories provides insight into the positioning of votes on proposals submitted by management against these benchmarks.
- Votes cast during the reporting period were least in line with management on Executive Compensation matters, where only 55% of votes followed management recommendations.
- Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines.

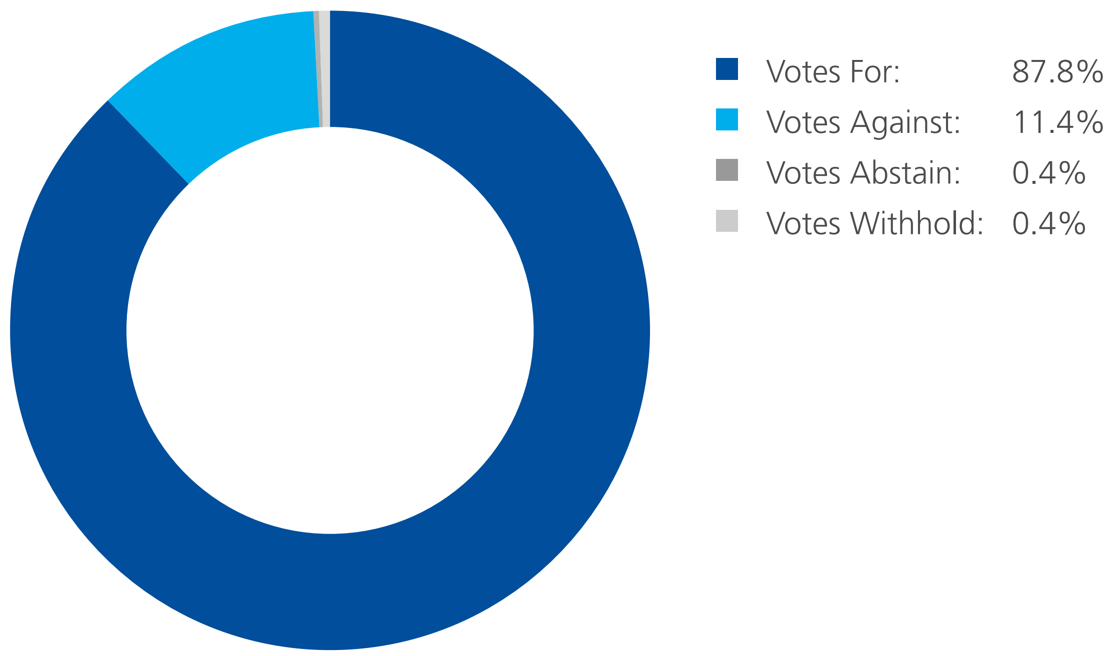


Votes Cast on Shareholder Proposal Categories

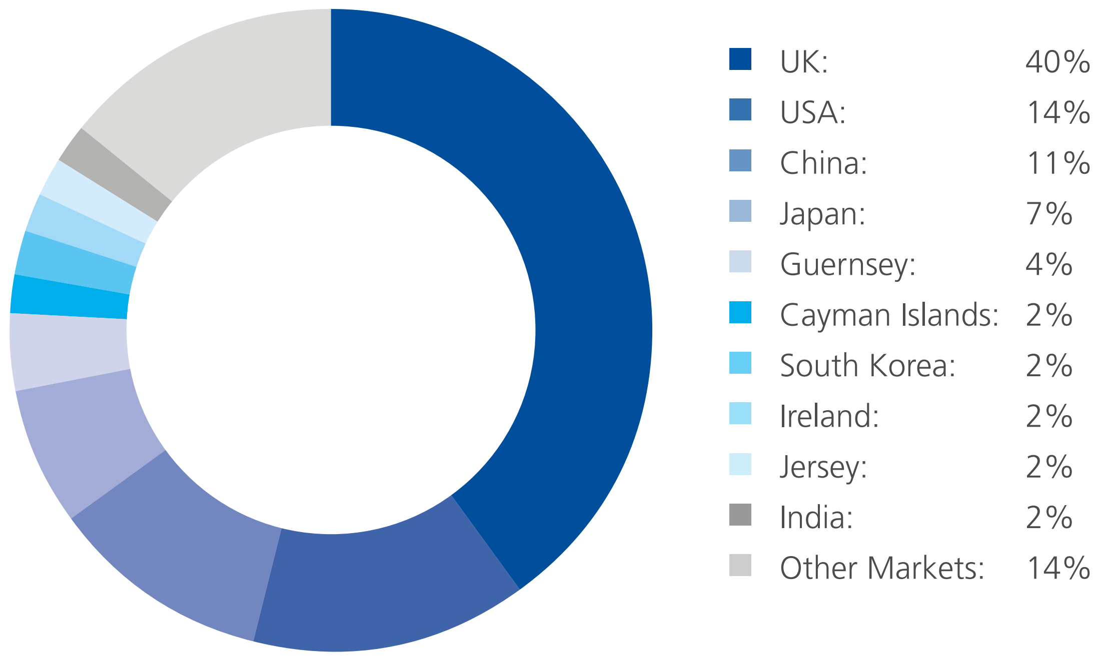
- Votes cast on shareholder proposals, in opposition to management, reflect Railway Pension Investments Ltd support for proposals submitted by shareholders.
- During the reporting period, Railway Pension Investments Ltd has shown the highest level of support for shareholder proposals related to general Economic Issues, at 100% and the lowest level of support for shareholder proposals related to Compensation, with 31% of proposals supported in this category.
- Across categories, votes cast on shareholder proposal show the closest alignment to the ISS Benchmark Policy guidlines.



Voting Outcomes



Meetings voted by market



Most significant votes – RPIL

For ease of reading, the Trustee has decided to group the following 'Most Significant Votes' by company and issue. In a couple of instances, several votes cast pertained to a specific issue at a particular company. This means that although there are six RPIL case studies below, they cover 11 'Most Significant Votes' undertaken by RPIL in 2021.

When reading the below, it should be noted that where a resolution fails to garner a simple majority of votes cast, it will usually fail. If it obtains >50% of the votes cast, it will usually pass. The level of impact the result has will vary according to e.g. whether the vote was binding or advisory.

Name of Company: Rio Tinto Plc ('Rio Tinto') 09/04/2021

What the votes were about: Approving the Remuneration Report; Director elections (Chair of the Sustainability Committee and the Chair of the Remuneration Committee/Senior Independent Director).

Issue: Rio Tinto is held in both our internal quantitative strategies portfolio and through the LGIM fund. Following the company's destruction of two ancient Aboriginal cultural heritage sites in May 2020, an internal review found that the CEO was one of three executives ultimately responsible for failures in risk oversight. In response the Remuneration Committee decided that the CEO would not receive a bonus pay-out and a malus reduction of £1 million would be applied to his 2016 LTIP award.

Why most significant: Remuneration as a priority theme; high-profile management resolution.

Approach: While RPIL's exposure to mining companies is limited, due to the exclusion of companies deriving over 30% of their revenue from thermal coal and tar sands extraction, we decided to address this sector-wide risk by becoming a signatory of an investor initiative targeting over 70 mining companies to review their policies and processes underpinning relationships with Indigenous peoples.

For Rio Tinto specifically, we were concerned by the absence of meaningful disclosure on the methodology used to determine the £1 million reduction. We were also disappointed that the Remuneration Committee failed to exercise further downward discretion on a FY2020 LTIP pay- out that was significantly larger than the FY2019 pay-out, and still treated the CEO as an eligible leaver.

Outcomes and next steps: We directed a vote against the company's remuneration report and abstained on the Chair of the Remuneration Committee's re-election. Furthermore, we voted against the Chair of the Sustainability Committee in light of Rio Tinto's broader failures in risk oversight, including the lack of adequate controls to properly manage relationships with indigenous communities.

Over 60% of votes cast against the remuneration report, with a lower dissent level of 4.9% against the Remuneration Committee Chair and 26.5% against the Sustainability Committee Chair. Rio Tinto has since announced its intention to reflect on shareholder feedback and apply the Remuneration Policy's newly introduced ESG metrics, particularly in relation to heritage management.

We will review progress at the 2022 AGM and continue supporting the investor initiative on mining companies' approach to Indigenous peoples. If progress is deemed to be insufficient, we will assess escalation options for Rio Tinto during our next Governance and Conduct Zero-Weight exclusion cycle.

Name of Company: Nestlé 15/04/2021

What the votes were about: Approval of the Report and Accounts; Re-appointment of the Auditor (climate accounting).

Issue: Nestlé is a major holding in our internal, active fundamental equities portfolio and we are engaged in an ongoing dialogue on the company's approach to ESG issues. Nestlé has made significant progress on front-end climate reporting in its Annual Report. However, as a globally significant GHG emitter (particularly on Scope 3 emissions), we were concerned that the company had not yet incorporated material information about climate-related issues into their financial statements, despite engagements on the topic from RPIL and others in recent years. We also wanted to see an explicit discussion of climate change by the auditor in its Key Audit Matters report.

Why most significant: Climate as a priority theme; Audit and climate accounting as a priority theme; a large position in our fundamental equities portfolio.

Approach: We had arranged a pre-AGM engagement to discuss Nestlé's Climate Action Plan, amongst other issues, and RPIL's expectation that climate change risks should be reflected in the financial accounts and narrative reporting. In this meeting, we were pleased by the genuine commitment and enthusiasm to go further by Nestlé. We had also engaged collectively with Nestle as part of the CA100+ lead investors group, which played a significant role in the company's decision to allow a vote on its climate strategy at the 2021 AGM.

Outcomes and next steps: We decided to vote against the auditors but, in recognition of the progress made by Nestlé on front-end reporting and the positive engagements and conversations on climate accounting specifically, abstained on the Report and Accounts.

We informed Nestle of our voting intention in advance of the meeting. The Report and Accounts passed with 99.5% of the vote while the auditor was ratified with 99.1% of the vote. We believe that this is in part because much of the investor community has historically not given climate accounting the attention it deserved. We will continue to engage with Nestle and other major holdings in our portfolio on climate accounting, as well as seeking to raise awareness across the industry and with UK policymakers of the materiality of the issue to meaningful company activity on climate change. This includes as a lead investor on climate accounting specifically as part of the CA100+ initiative.

Name of Company: Microsoft Corporation 01/12/2021

What the votes were about: Director elections (CEO/Chair and the Chair of the Nomination Committee/Lead Independent Director), shareholder resolution on the effectiveness of Microsoft's sexual harassment policies.

Issue: Microsoft is a major holding in our Fundamental Equities portfolio. We have previously engaged constructively on a number of issues, including workforce disclosure, how they have supported their workforces during COVID-19 and our longstanding support for their separation of the CEO/Chair role. However, in 2021 it was announced that CEO Satya Nadella would become Executive Chair and we were also concerned by a lack of transparency over allegations that Bill Gates enabled a culture of harassment.

Why most significant: A high-profile shareholder resolution; workforce treatment as a priority theme; a large position in our fundamental equities portfolio.

Approach: We actively discourage the combination of the Chair and Chief Executive roles, as this can compromise the independent oversight of management and diminish the representation of shareholders' interests at Board-level. This is a long-standing RPIL principle and has been part of our Voting Policy since 1992. We send our Voting Policy to all our major holdings, such as Microsoft, each year. The elevation of Satya Nadella to Executive Chair took place shortly after a 2021 discussion with Microsoft where we had explicitly expressed our support for the split CEO/Chair role. We subsequently flagged our concerns, including in sending our 2022 Voting Policy update where we specifically requested a meeting to discuss this issue.

Outcomes and next steps: Our custom policy recommended a vote against Satya Nadella's election. However, in recognition of his fundamental importance to the company's strategy we softened our stance to an abstention this year. However, we decided to vote against the Chair of the Nomination Committee/Lead Independent Director in light of their central role in the leadership transition, as well as concerns around the lack of transparency to shareholders and others over the Bill Gates affair.

We also supported the shareholder resolution requesting a report on the effectiveness of Microsoft's workplace sexual harassment policies. Despite Microsoft's belief that a report on sexual harassment policies was unnecessary, we believed the company needed to go further to address the findings of independent investigations and the public reporting on Bill Gates' case.

The shareholder resolution passed with 78% support. The level of dissent against Satya Nadella was low at 5.3%, with 8.6% of votes directed against the Nomination Committee Chair.

We will continue to seek to engage with Microsoft on these issues.

Name of Company: Amazon.com, Inc. ('Amazon') 26/05/2021

What the votes were about: Adoption of a policy to include hourly employees as Director candidates.

Issue: Amazon is a major holding in our fundamental equities portfolio. We have previously engaged constructively on a number of issues, including on workforce health and safety, diversity and inclusion, and fair pay. We had also closely monitored Amazon's activity during the 2021 union drive in Bessemer and discussed mechanisms for dialogue with the workforce. We consider workforce relations to be a financially material issue at Amazon.

Why most significant: Workforce as a priority theme; a high-profile shareholder resolution; a large position in our fundamental equities portfolio.

Approach: We held a number of engagements with Amazon and in light of the increasingly productive dialogue – including on remuneration – we were supportive of many of management's proposals and voted against some shareholder proposals. However, while recognising that Amazon's Directors are collectively responsible for workforce engagement, we continued to feel that a Director with real-world experience of working conditions at Fulfilment Centres would bring a different and valuable perspective to the Board.

Outcomes and next steps: We discussed the resolution with Amazon and noted that the resolution did not prescribe the appointment of a worker to the Board, but rather that such a worker be considered in the recruitment process. We also noted in our engagement that Director recruitment is currently not advertised amongst Amazon's broader workforce. We therefore decided to vote in favour of the proposal around inclusion of hourly employees as Director candidates. We informed Amazon of our voting intention on this and other resolutions in advance of the meeting.

The shareholder resolution failed to pass, with dissent at 17.5%. We will continue to engage with Amazon on this issue and will also be prioritising engagement on workforce directors across our portfolio – including outlining what 'good practice' looks like from the investor perspective – in 2022.

Name of Company: JD Wetherspoon Plc ('JD Wetherspoon')
18/11/2021

What the votes were about: Director election (CEO/Chair), treatment of the workforce and gender diversity.

Issue: JD Wetherspoon is a holding in the passive equity pooled fund managed by LGIM, but as a UK holding, we take and implement the voting decision. Although we have not engaged directly given the small size of our holding, we have frequently voted against the company on a number of corporate governance and other issues, such as the combined Chair/CEO role – where it is an outlier for its market – its remuneration report and policy, and its approach to political donations. Over 2020 and 2021, we had been concerned at the company's approach to payment of its workforce and its suppliers during the first wave of the pandemic, as well as its approach to workforce health and safety generally. We also noted that minimal progress had been made on gender diversity, with no plan outlined for doing so.

Why most significant: Workforce as a priority theme; Abstention or vote against the Chair; Board composition and diversity as a priority theme.

Approach: As we have a passive and relatively small holding, we did not seek to engage directly with the company as we carefully prioritise resource for engagement. Instead, we decided that exercising our vote appropriately in the first instance would constitute a proportionate approach. We placed the company on a 'watchlist' to ensure that we could dedicate the appropriate time to considering how best to exercise our vote. Our policy recommended several votes against directors for lack of independence and excessive tenure. However, there was no clear priority mechanism for expressing our concerns about workforce treatment. We also wanted to escalate on our long-standing concerns around the lack of progress on gender diversity.

Outcomes and next steps: We discussed the issue internally and agreed that the resolution around electing the Chair of the Board (also the CEO, Tim Martin) would be the most appropriate mechanism for expressing our dissatisfaction both on workforce treatment and on gender diversity at the board level. However, we also recognised that the CEO is core to the company's strategy at what continues to be a difficult time for the hospitality industry. Our policy recommended that we vote in favour of the Chair/CEO, but we overrode the policy and decided to abstain on his re-election.

Mr Martin was re-elected. We note that in 2021, the company selected two workforce directors for the first time, in what was widely viewed as an attempt to improve its relationships with the workforce. However, we have concerns around the nomination process and how effective it will be in enabling effective resolution of longstanding concerns around board composition and the workforce dialogue.

Although JD Wetherspoon is not a specific priority from a stock-specific risk perspective, RPIL will be focusing particularly on company approaches to workforce directors as one of our thematic stewardship priorities under "Worth of the Workforce". It is therefore likely that we will seek to engage with JD Wetherspoon, and other companies considering or implementing workforce directors, as part of our ongoing work on this issue in 2022.

Name of Company: BHP Group Limited ('BHP')
11/11/2021

What the vote was about: BHP's Climate Transition Plan ('BHP')

Issue: BHP Group Limited is a holding in our quantitative strategies portfolio. 2021 had seen intense voting activity on climate change with a record number of climate resolutions placed both by management and by shareholders. BHP management put its Climate Transition Action Plan to a vote at the 2021 AGM.

Why most significant: Climate as a priority theme; A high-profile management resolution.

Approach: As a response to the surge in climate voting activity, and in light of the need to ensure a coherent and consistent approach to 'Say on Climate' resolutions, RPIL pulled together comprehensive internal voting guidance to support analysts across the Sustainable Ownership team in assessing whether or not to support a climate resolution. We assessed BHP's plans through application of our internal framework, evaluating the climate transition plan on criteria including: the level of detail in the climate strategy; how climate change is incorporated into the financial accounts and capital allocation plans; and alignment to the goal of limiting global warming to 1.5 degrees; the degree of progress against its peers on climate change.

Outcomes and next steps: Our internal assessment found that BHP's climate transition plan: lacked a detailed climate strategy and capital allocation information; failed to align its targets and emissions intensity with the goal of limiting global warming to 1.5 degrees; was insufficiently specific on items such as future capital expenditure, internal carbon assumptions and emissions calculations; and needed to go further in applying the TCFD recommendations to its reporting. We therefore voted against the Climate Transition Plan.

The resolution passed with 84.9% of the votes cast in favour. We will continue to collaboratively engage with BHP through CA100+ to help steer its transition to net zero. Furthermore, the RPIL 2022 Voting Policy update, published December 2021, built upon our work on Say on Climate and net zero assessments during the AGM season to provide further details around our approach to net zero voting as part of our Net Zero Plan.

Voting behaviour and most significant votes – external managers

RPIL, on the Trustee's behalf, has also collected information on the most significant votes undertaken by LGIM. Prior to collecting this information, RPIL informed the external managers of those key themes and issues which were considered to be "most significant" by RPIL and also directed them to the PLSA's Vote Reporting Template.

The following Most Significant Votes represent RPIL's choice, on the Trustee's behalf, of what they consider to be the most significant votes exercised by their external asset managers from the choice presented to us.

LGIM

Due to the number of holdings LGIM owns, the team is unable to attend every company shareholder meeting to cast votes. LGIM therefore votes by proxy through the Institutional Shareholder Services (ISS) voting platform 'Proxy Exchange'.

The Trustee is confident that the level of oversight exercised by RPIL of LGIM's approach to stewardship and engagement, which includes regular meetings and liaison on RPIL's key engagement themes and voting policy lines, is appropriate to the mandate and arrangement. We believe that activities where LGIM and RPIL jointly engage – for instance on issues such as climate through Climate Action 100+ - are an additional demonstration of the alignment of voting approach.

LGIM told RPIL in a dedicated meeting on sustainable ownership in 2021 that they would continue to focus on thematic engagement, including on the priority issues of biodiversity – broadening out from their 2020 work on deforestation – and board composition (with a particular focus on board diversity). RPIL, on behalf of the Trustee, will continue to engage with LGIM to better understand its approach to stewardship and in particular how it i) connects its assessment of portfolio companies' carbon emissions to its climate engagement targets and ii) tracks engagement progress and monitors outcomes. LGIM publishes an annual Active Ownership report which, together with the intelligence from RPIL's engagements with LGIM, provides additional comfort to the Trustee that our external managers' approach to voting and engagement is aligned with our priorities on issues such as climate change and fair treatment of the workforce.

In response to RPIL's information request on Most Significant Votes, LGIM provided the information tabulated below.

In response to Railpen's information request on Most Significant Votes, LGIM provided the information tabulated below.

North America Equity Index Fund	
What was the total size of the fund as at 31/12/2021?	£16,494,699,375[3]
What was the number of equity holdings in the fund as at 31/12/2021?	642
How many meetings were you eligible to vote at over the year to 31/12/2021?	638
How many resolutions were you eligible to vote on over the year to 31/12/2021?	7846
What % of resolutions did you vote on for which you were eligible?	99.73%
Of the resolutions on which you voted, what % did you vote with management?	70.95%
Of the resolutions on which you voted, what % did you vote against management?	28.98%
Of the resolutions on which you voted, what % did you abstain from?	0.06%
In what % of meetings, for which you did vote, did you vote at least once against management?	94.20%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	22.91%

3 Please note that this is total fund size and not RPIL's holding within the fund.

Europe (ex UK) Equity Index Fund	
What was the total size of the fund as at 31/12/2021?	£ 12,959,059,605[4]
What was the number of equity holdings in the fund as at 31/12/2021?	488
How many meetings were you eligible to vote at over the year to 31/12/2021?	463
How many resolutions were you eligible to vote on over the year to 31/12/2021?	7665
What % of resolutions did you vote on for which you were eligible?	99.97%
Of the resolutions on which you voted, what % did you vote with management?	82.19%
Of the resolutions on which you voted, what % did you vote against management?	17.45%
Of the resolutions on which you voted, what % did you abstain from?	0.37%
In what % of meetings, for which you did vote, did you vote at least once against management?	75.38%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	8.10%

[4] Please note that this is total fund size and not RPIL's holding within the fund.

Fund: Europe (ex UK) Equity Index Fund

Name of company: Atlas Copco AB

What the vote was about: Election of directors (Chairman of the Board) and gender diversity.

Issue and approach: LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, LGIM has been using our position to engage with companies on this issue. As part of LGIM's efforts to influence investee companies on having greater gender balance, LGIM expects companies in well-governed markets to have at least 30% women on their boards.

Why the Trustee considers this to be most significant: Board diversity as a priority theme; the holding is also one which we hold in our fundamental equities portfolio.

Outcome and next steps: 98.1% of shareholders supported the resolution to elect Hans Straberg as Board Chairman.

Fund: North America Equity Index Fund – GBP Currency Hedged

Name of company: General Electric

What the vote was about: Climate reporting and progress towards Net Zero.

Issue and approach: LGIM is committed to addressing the issue of climate change and believes that climate change and the transition to a low-carbon future presents both risks and opportunities for investee companies. At the company's 2021 AGM, a shareholder resolution was filed requesting that the company report on its progress towards achieving a target of net zero greenhouse gas emissions by 2050. LGIM voted against the director's election.

Why the Trustee considers this to be most significant: Climate change as a priority theme.

Outcome and next steps: The board and an overwhelming majority of 97.6% of investors supported the shareholder resolution.

Fund: Europe (ex UK) Equity Index Fund

Name of company: Teleperformance SE

What the vote was about: Election of directors (Daniel Julien).

Issue and approach: LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. Since 2015, LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020, has voted against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on our website), and has reinforced its position on leadership structures across stewardship activities e.g. via individual corporate engagements and director conferences. LGIM voted against the director's election.

Why the Trustee considers this to be most significant: The holding is also one which we hold in our fundamental equities portfolio.
Outcome and next steps: 76.8% of shareholders supported the resolution.

External manager accountability

RPIL is responsible for ensuring that the fund managers invest scheme assets in line with the Trustee's investment policy and that the fund managers' stewardship, ESG (including climate change) and responsible investment policies (where relevant) align with the Trustee's own policies. This includes assessing how the relevant Fund Manager makes investment decisions based on the medium to long-term financial and non-financial performance of investee companies and engages with investee companies to improve their performance.

In 2021, RPIL refreshed its approach to reviewing managers and created a new Manager Assessment Framework. This framework was created to better align the scoring process with that of the Manager Monitoring team and clearly highlight areas of differentiation and misalignment. Areas of focus in the framework include: the depth of a manager's integration of ESG into their investment beliefs, governance and culture; the quality of their ESG resources and tools; the quality of the governance and decision-making on active ownership, including engagement; and the extent of their Net Zero alignment, including the approach to climate stewardship. While the framework was rolled out across all growth managers in 2021, it will be tailored for application to private markets managers in 2022.

As part of the roll-out of this framework, in 2021, RPIL held regular meetings with external managers to discuss their approach to ESG integration and stewardship, where relevant and to ensure that as far as possible, their views align with the Trustee's own policies. This included discussions around RPIL's three exclusion lists, their Net Zero commitment and roadmap and the newly updated Voting Policy, which is sent to all relevant external managers to provide additional understanding of RPIL's core engagement and voting priorities. The Trustee regularly discusses RPIL's approach to external managers and we are comfortable that the actions taken align with our beliefs in this regard.

The Trustee believes that explicit incorporation of expectations on sustainable ownership into the legal documents governing the relationship between the client and its asset manager is one of the most effective ways to ensure managers' activities align with our objectives, philosophy and beliefs. We therefore welcomed RPIL's work in 2021 on its Investment Management Agreement (IMA) with Baillie Gifford which not only outlined the voting and engagement roles and responsibilities mentioned previously, but also set out requirements and timescales for reporting on climate and metrics and ESG incidents as well as requirements around RPIL's exclusions policy and lists. Timely, relevant data is vital for ensuring ESG risks and opportunities are well- managed and also ensures the Trustee can meet its own reporting requirements.

Stock lending

The Trustee believes that members benefit from the additional income stream that derives from participating in stock-lending programmes and also that stock-lending has benefits for market liquidity and efficiency. Funds participate in various stock lending programmes administered by RPIL's Middle Office.

The stock lending programme is governed by RPIL's Securities Lending Policy which is owned by the Public Markets team. Only securities which are very liquid are lent out and only in markets with more established governance procedures.

RPIL's participation is subject to an overriding requirement that:

- No more than 90% of its total exposure should be out on loan at any one time. This means that there will always be a residual holding that can be voted.
- In addition RPIL will recall stock to vote in exceptional circumstances where, for example, there is an important issue of principle or the voting outcome is believed to be close.
- RPIL also has a standing instruction in place for a full recall of all Japanese stock out on loan ahead of the voting season.
- As Eumedion members, RPIL recalls its lent shares before the voting record date for a general meeting of a Dutch listed investee company, if the agenda for that general meeting contains one or more significant matters.

For 2022, RPIL has agreed that none of its Fundamental Growth Portfolio holdings will be eligible for the securities lending programme. This will enable RPIL to use the full weight of its vote and influence on companies where there is a significant proportion of assets and where consequently there is significant value-at-risk.

There are daily checks on RPIL's total exposure and weekly reports from Middle Office to the Sustainable Ownership team. This supports RPIL in monitoring what shares are out on loan and therefore what voting rights can be exercised at any given time.

Glossary of Common Terms

Abbreviation	Description
AAF	Audit and Assurance Faculty
ACCA	Association of Chartered Certified Accountants
AMC	Annual Management Charges
ARC	Audit and Risk Committee
ARP	Alternative Risk Premia
ASB	Accounting Standards Board
ASLEF	Associated Society of Locomotive Engineers & Firemen
AVC	Additional Voluntary Contribution
AVC Extra	AVC arrangement for RPS
BRASS AVC	AVC arrangement for RPS
BRB	British Railways Board
BRSF	British Railways Superannuation Fund
BTPA	British Transport Police Authority
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
CSEU	Confederation of Shipbuilding and Engineering Unions
DC	Defined Contribution
DC Arrangements	Defined Contribution Arrangements
DCC	Defined Contribution Committee
DfT	Department for Transport
DWP	Department for Work and Pensions
ECB	European Central Bank

Abbreviation	Description
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FGP	Fundamental Growth Portfolio
FRS	Financial Reporting Standard
FX	Foreign exchange
GMP	Guaranteed Minimum Pension
ICAEW	Institute of Chartered Accountants in England and Wales
IFC	Integrated Funding Committee
IoD	Institute of Directors
ISAE	International Standard on Assurance Engagement
ITP	Investment Transformation Programme
IWDC	RPS Industry Wide Defined Contribution Section
LIBOR	London Interbank Offered Rate
Omnibus	Section open to employers with fewer than 50 employees
OTC	Over the counter
PAF	Pension Assured Fund
Pensioners' Federation	British Transport Pensioners' Federation
PPF	Pension Protection Fund
PQM	Pension Quality Mark
PRI	Principles for Responsible Investment
PRP	Pensionable Restructuring Premiums
RHL	Railtrust Holdings Limited

Abbreviation	Description
RIB	Railpen Investment Board
RMC	Risk Management Committee
RPIL	Railway Pension Investments Limited
RRL	Return, risk and liquidity
RMT	National Union of Rail, Maritime and Transport Workers
RPS	Railways Pension Scheme
RROS	Retired Railway Officers' Society
S2P	Second state pension
s75	Section 75 employer debt
SEE	Social, environmental and ethical
SIP	Statement of Investment Principles
TKU	Trustee Knowledge and Understanding
TOC	Train Operating Company
TPA	Transport Professionals Association
TPAS	The Pensions Advisory Service
Trustee	Railways Pension Trustee Company
TSSA	Transport Salaried Staffs' Association
TUPE	Transfer of undertakings (protection of employment)

Appendicies

Appendix A

Principal advisers to the Trustee

Professional service	Adviser
Scheme and investment administrator	Railpen Limited (formerly RPMI Limited)
Investment manager and manager of investment managers	Railway Pension Investments Limited
Actuaries	James Mason, Willis Towers Watson Martin Clarke, the Government Actuary (joint actuary for the 1994 Pensioners Section and BR Section)
External auditor	KPMG LLP
Legal advisors	Linklaters Pinsent Masons Sackers Slaughter and May
Custodian	BNY Mellon
Clearing Bankers	National Westminster Bank
Tax Advisors	PwC EY

Appendix B

Payment of contributions

Participating employers

The Trustee collects contributions from most employers participating in the Scheme. As at the year end, there were 146 participating employers. Each one may operate from several distinct locations, each with its own payroll department and combination of weekly, fortnightly, four-weekly and calendar-monthly paid employees. As a result, the Trustee deals with employers based at approximately 170 different addresses and 200 distinct payroll combinations.

Due dates for payment of contributions

Under the provisions of the Pensions Act 1995, it is the responsibility of each employer to pay contributions on time. The Trustee is required to prepare, maintain and monitor schedules setting out the dates by which contributions should be received. These dates then become the legal due dates for application of the Pensions Act 1995.

Sections in the Shared Cost Arrangement

The Trustee is required to maintain a schedule of contributions for every section of the Scheme. This schedule sets out as a percentage of pay, the rate of contributions payable to the Scheme by the employers and members, and also shows the dates on which the contributions are due. Each schedule must be certified by the Scheme Actuary as being sufficient to ensure that the funding objective will continue to be met for the next five years, or will be met by the end of the recovery period.

The schedules of contributions that the Trustee has prepared for the Scheme require payment to be made by the due date set out in the Rules, which is seven working days after the relevant members are paid (compared to the 22nd day of the following month under legislation, if paid by BACS, otherwise the 19-day rule applies). The Scheme Actuary revalues the Scheme every three years. The valuation and schedules of contributions must be signed off within 15 months of the valuation date. The schedules of contributions must be signed by both the designated employer and the Trustee.

Sections in the Defined Contribution (money purchase) Arrangement and the IWDC Section

As at 31 December 2021, there were 26 employers actively contributing to the Defined Contribution Arrangement and the IWDC Section. Collection of contributions from these employers is governed by a payment schedule. This is similar to a schedule of contributions, and again sets out as a percentage of pay, the rate of contributions payable to the Scheme by the employers and members, and the dates on which the contributions are due. Payment schedules do not have to be certified by the Scheme Actuary, but must be prepared by the Trustee and revised from time to time as circumstances require. Once put in place, the employer must pay contributions by the date shown in the schedule.

The Defined Contribution Arrangement was closed to new members on 14 February 2019, and existing members were transferred to the IWDC.

Late payment of contributions

The Trustee is required by law to report to the Pensions Regulator late payments of contributions which are of material significance.

The Trustee takes the collection of contributions extremely seriously, and also maintains a dialogue with the Pensions Regulator from whom it seeks advice on best practice. Breaches of the regulations deemed significant by the Trustee are reported in accordance with both applicable law and the Pensions Regulator's recommendations.

Employers are encouraged to participate in the Trustee's direct debit arrangements for all invoiced amounts, which greatly reduces the risk of an employer failing to pay contributions on time.

Appendix C
Custody arrangements

The law of trust imposes a fiduciary duty on trustees to safeguard assets and this has been reinforced by the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee has appointed custodians to hold the assets, including cash, which make up the various quoted securities portfolios managed by the investment fund managers including RPIL. This is in accordance with the Pensions Act 1995 which requires trustees, rather than the employer or the fund manager or some other party, to make the appointment.

The custodians are responsible for the administration and safekeeping of the assets. Safekeeping can be defined as the preservation of assets under a system of control that ensures that assets are only released with proper authorisation, and that the custodian's clients' investments are legally segregated from those of the custodian.

Core administrative functions performed by the custodians include the following:

- settlement of transactions
- registration and safekeeping
- collection of income (dividends and interest) arising from investments
- tax recovery
- processing corporate actions, including proxy voting where applicable
- reporting
- cash management
- foreign exchange, and
- appointing and operating through sub-custodians in overseas markets

Other arrangements which seek to ensure asset safety, and to protect evidence of title, are in place for certain asset classes such as hedge funds and property. In the case of property, freehold and leasehold property is normally registered at HM Land Registry, where appropriate, and copies of all title documents are held by the Trustee's property lawyers.

In the case of investments managed by US fund of hedge fund managers, the Trustee has appointed BNY Mellon as the independent fund administrator to ensure that underlying hedge fund entitlements are properly monitored and accounted for, through effective and rigorous reporting and controls.

As part of the services provided to the Trustee, Railpen reviews the effectiveness of custody arrangements on a regular basis. This includes monitoring the efficiency of transaction settlement, income collection, tax recovery, foreign exchange performance and the appointment and management of overseas sub-custodians. The verification of assets is also conducted by reference to independent records held by the custodians. Great emphasis is placed on asset safety.

In addition, all custodians appointed by the Trustee are required to publish an AAF 01/06, ISAE 3402 or similar document in other jurisdictions. This is a report on the custodian's internal controls, which is made available to third parties, and is reviewed by the custodian's reporting accountant, in accordance with guidance issued by the Audit and Assurance faculty of the ICAEW in its technical release AAF 01/06 'Assurance reports on internal controls of service organisations made available to third parties', or ISAE 3402 (formerly SAS70, as amended following the introduction of the Sarbanes-Oxley Act of 2002, the US equivalent issued by the Auditing Standards Board of the American Institute of Certified Public Accountants ('AICPA') as a Statement on Auditing Standards).

Although not a regulatory requirement, this constitutes best practice and the Trustee will not appoint a custodian that does not produce a report of this type. These reports are reviewed by the Scheme's external auditors as part of their annual audit procedure.

Appendix D
Sustainable Ownership

Introduction

The Trustee, on behalf of the Fund, has a long history as an active and engaged shareholder, with a strong heritage in sustainable ownership. Trustees of UK occupational pension schemes are required by law to address in their SIP, how they consider factors that are likely to have a financially material impact on investment returns, including environmental, social and governance (ESG) factors. This includes the policy directing the exercise of rights attached to investments including voting rights as well as engagement with issuers of debt and equity.

Sustainable Ownership is Railpen's approach to incorporating sustainability considerations into the investments we manage on behalf of our beneficiaries. This is underlined by the Trustee's related Investment Belief:

"Incorporating and acting upon climate risk and other environmental, social and governance factors are significant drivers of investment outcomes and part of our fiduciary duty".

Our Sustainable Ownership activities span three key areas:

- ESG integration
- active ownership, and
- the climate transition

Integration in portfolio management

We believe that ESG factors have a bearing on investment outcomes. ESG factors can affect business fundamentals and, as a result, asset values. It is important for investment managers to consider the magnitude, nature, timing, and likelihood of the ESG risk associated with an asset or portfolio of assets through rigorous analysis and cross-team collaboration.

Railpen's investment processes integrate ESG into the portfolios we manage on behalf our beneficiaries. This is a joint endeavor for the Sustainable Ownership and Investment Management teams. Analysis of a particular company can result in a number of decisions:

- to invest (or not) in the company
- to hold and engage to improve ESG performance, or
- to sell a security, where the ESG risk proves to be unmanageable

We believe that incorporating ESG into our investment process increases our chances of achieving our mission to pay members' pensions securely, affordably and sustainably.

Active ownership

As a responsible asset owner, we believe that companies with robust corporate governance structures are more likely to achieve superior long-term financial performance and will manage their risks and opportunities effectively. Thoughtful voting alongside constructive engagement, either directly or collectively, with portfolio companies supports our objective of enhancing the long-term investment returns for our beneficiaries.

Our global voting policy reflects Railpen's three key corporate governance themes:

- board composition and effectiveness
- remuneration, and
- shareholder rights, risk and disclosure

It also outlines our expectations of our portfolio companies on core sustainability themes, including the climate transition, workforce engagement and voice, and both board and workforce diversity, and how we consider voting where our expectations are not met.

Railpen is a lead participant in a range of investor networks, alliances and trade bodies, such as the UK Investor Forum, the Pensions and Lifetime Savings Association (PLSA), the UN-supported Principles for Responsible Investment (UNPRI), the Workforce Disclosure Initiative (WDI) and Climate Action 100+. We also work towards creating a supportive regulatory and policy environment for sustainable ownership. By working with policymakers and other leading investors, including bondholders, we can exert more influence on the issues that we care about.

The Climate Transition

As long-term investors, we monitor risks and opportunities over the timeframe we will be paying members' pensions. We expect the companies we invest in to also take a long-term strategic view of potential risks and opportunities. In particular, we recognise that this long-term investment horizon exposes members' savings to the impacts of climate change. In 2021, Railpen committed to achieving net zero by 2050 or sooner, across both our investment portfolio and the emissions associated with our corporate footprint. We will achieve this both through decarbonizing our investment portfolio (primarily through our Net Zero Engagement Plan, but also excluding companies where necessary) and investing in climate solutions.

Pooled fund equity holdings

The largest ten direct equity holdings within the pooled fund investments, as at 31 December 2021, were as follows:

	£m
Thermo Fisher Scientific	275.7
Microsoft Corp	272.3
Accenture PLC	265.5
Danaher Corp	246.2
Roche Holding AG	232.7
Visa Inc	227.5
Nestle SA	209.9
Alphabet Inc	204.0
IP Group PLC	201.0
Texas Instruments Inc	201.0

More detail on our Sustainable Ownership activities is contained in our Sustainable Ownership Review, which can be found at **www.railpen.com/knowledge-hub/reports**.

Appendix E
Risk statement

Throughout 2021, we continued to enhance our approach to enterprise risk management.

During the year, a new enhanced enterprise risk management framework and risk management system were introduced, providing a consistent approach to the identification, assessment, response, management and reporting of risks.

Our enterprise risk management framework

We manage a wide range of enterprise risks to support the Trustee's mission to pay members' benefits securely, affordably and sustainably and we have a comprehensive framework to manage the enterprise risks we face.

This framework includes policies, processes and governance arrangements, all designed to identify, assess, monitor, manage and report risk across the business.

Our approach to enterprise risk management comprises eight interrelated components:

1. Governance and Culture

Risk governance and culture is about ensuring that everyone understands their roles and responsibilities under our Three Lines of Defence model for the management of risk.

The Trustee Board has primary responsibility for the enterprise risk governance framework, and delegates risk oversight to the Audit and Risk Committee ('ARC'). A new Trustee Executive Risk Committee ('TERC') has been created in order to support the ARC. The TERC is chaired by the Chief Risk and Compliance Officer, and provides review oversight and challenge of the first line of defence in their management of the key trustee and scheme risks.

2. Strategy and Risk Appetite

We define risk appetite as the types and amount of risk that we are prepared to assume in order to achieve our strategic goals. This component ensures that enterprise risk management is aligned with our strategic goals and risk appetite.

3. Risk Identification

Risks to the achievement of our objectives must be recorded in our enterprise risk management system, assigned an appropriate owner, and then mapped to our risk taxonomy.

4. Risk Assessment

How material the risk is to the achievement of objectives is assessed on two dimensions, the likelihood of their occurrence and their impact. Enterprise risks are assessed on an inherent (before controls have been applied) and a residual basis (after current controls have been applied).

5. Risk Response

The residual assessment will drive the response and determine how the risk is prioritised and managed in line with appetite. Depending on the risk appetite, there are five responses as follows – mitigate, accept, transfer, avoid, exploit.

6. Internal Control

Current controls are recorded against identified risks in our enterprise risk management system and are appropriately assessed, and these feed assurance work.

7. Information and Reporting

This component ensures relevant enterprise risk information is reported, enabling governing bodies to adequately discharge their responsibilities. We use several tools for risk monitoring and reporting, including risk registers and incident logs.

8. Review and Revision

Our approach to enterprise risk management must continue to evolve to support the ongoing needs of our business and stakeholders and we commit to at least an annual review of our framework and policy documentation.

A three lines of defence model underpins our approach to risk management.

The first line represents the management functions that own and manage day-to-day business activities, operating practices and their related risks and controls – supported by policies, directives and procedures.

The second line independently perform risk and internal control and compliance oversight, challenging and advising the first line on their risk and compliance management practices.

The third line is provided to the Trustee by our in-house Internal Audit team. Through the delivery of internal audit and assurance services, Internal Audit provides an independent assessment of the adequacy of the control environment.

As with any system of internal control, the Trustee's risk management process is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and therefore can only provide reasonable, not absolute, assurance against material misstatement.

In respect of the pensions administration service provided by Railpen Limited, an Internal Controls Assurance Report has been prepared for the year ended 31 December 2021. The report sets out a description of the relevant control objectives and procedures which operated during the period and includes tests of operating effectiveness. These have been independently evaluated under the guidelines of the International Standard on Assurance Engagements 3402 (ISAE 3402) and the ICAEW Technical Release, 'Assurance reports on internal controls of service organisations made available to third parties (AAF 01/20)'.

Appendix F

Summary of the core provisions of the Scheme

The RPS is a registered scheme under the Finance Act 2004. All railway employees are eligible to join the Scheme if allowed by their contract of employment.

Members of each of the sections of the Shared Cost and the DC Arrangements of the RPS were contracted-out of the additional state pension arrangements (S2P) until the option to contract-out was abolished, which was from 6 April 2012 for DC schemes and from 6 April 2016 for defined benefit schemes. The IWDC Section has never been contracted-out of S2P.

Rules specific to sections

A broad outline of the main provisions of sections that have adopted the Shared Cost Arrangement is given below. However, some employers have introduced rules specific to their section only which override the summary given. Each section's rules are available from Railpen to members of that section upon request and are summarised in each section's member guide, which is available in the members' area of the Scheme's website.

The outline of the main provisions of sections covers the standard situation whereby a section remains ongoing with a solvent employer backing the section. In the event of the employers in a section suffering a qualifying insolvency event, the benefits available from that section will depend on the assets in the section.

If there are insufficient assets available to secure a minimum level of benefits, the Pension Protection Fund (PPF) will pay compensation to members. In these situations, the PPF will take over the pension scheme's assets and provide the compensation to the scheme's members. The compensation provided by the PPF would in many cases be lower than the pensions that members could have received from the scheme that has entered the PPF.

IWDC Section

IWDC Section participating employers can choose their contribution rates, normal retirement date and amount of lump sum on death in service. Contributions range from upwards of 6% of pensionable pay, and normal retirement ages range from 60 to 65, however, members have up to age 75 before they are required to start taking their benefits. Lump sums are typically either one times pensionable pay or four times pensionable pay on death in service. At retirement, members have options to use their accumulated funds to provide an annuity purchased from an insurance company under an open market option, or they can transfer their funds to a specialist drawdown provider. They can also take tax-free cash up to the HMRC limit, or take 100% of their funds as a partially-taxed lump sum direct from the Scheme.

Pension increases

Pensions in the defined benefit schemes increased by 0.5% with effect from 12 April 2021. Pensions in payment and deferment in the Scheme are increased in line with Orders laid by the Government under the Pensions (Increase) Act 1971. This is based on the CPI inflation figure, which measures changes in the prices of goods and services, as at September 2020.

Active members

Contributions

Contributions are based on section pay which is generally pensionable pay, plus any PRPs less 1½ times the basic State Pension for a single person. Pensionable pay is basic pay plus, where appropriate, pensionable allowances, excluding Pensionable Restructuring Premiums (PRPS).

PRPs are earnings which, as part of an agreement with the employer to restructure pay, become pensionable for future service only from the date that pay was restructured. Pensionable pay and PRPs are re-assessed on the first Monday in July each year, based on the member's section pay on the previous 1 April. Contribution rates are subject to review at each actuarial valuation.

Additional Voluntary Contributions

Current members can pay extra contributions through BRASS and AVC Extra to secure additional benefits.

BRASS is the main AVC arrangement for the Shared Cost sections.

There are limits to the maximum amount that can be paid into BRASS. If members want to pay more than the maximum BRASS limit they can do so by paying the excess into AVC Extra. AVC Extra contributions are invested in the same way as contributions to the IWDC Section.

Death in service

Nominated dependants or personal representatives will receive:

A lump-sum death benefit of four times final average pensionable pay plus any PRPs.

Plus

A dependant's pension of one half of the pension the member would have received had he/she retired due to incapacity at the date of death. Pensions for up to two children may also be payable.

Full details of the provisions of the Scheme can be found in the Pension Trust and Rules.

Leaving the Scheme

When a member retires at or after age 60 (or later if Pension Age is later than 60)

He/She will receive

A pension of 1/60th of final average pensionable pay less 1/40th of the basic State Pension for a single person for each year of pensionable service.

Plus, for members with PRPs a pension of 1/60th of the PRP for each year since the PRP was introduced.

Plus a 5% bonus pension on membership before 7 April 1991.

Plus

A tax-free lump sum of 1/40th of final average pay for each year of pensionable service.

For members with PRPs a lump sum of 1/40th of the PRP for each year since the PRP was introduced.

A 25% bonus lump sum on membership before 7 April 1991.

And on death

A dependant's pension of one half of the member's pension (before conversion of any lump sum). Pensions for up to two children may also be payable.

When a member retires between age 55 (or earlier if a Protected Pension Age applies) and age 60 (or later if Pension Age is later than 60)

He/She will receive

A pension and lump sum calculated as for retirement but reduced for early payment.

And on death

A dependant's pension of one half the member's pension (before conversion of any lump sum). Pensions for up to two children may also be payable.

When a member retires because of incapacity

He/She will receive

A pension and lump sum calculated as for retirement at Pension Age with no reduction for early payment. The length of service used to calculate the pension may also be enhanced by up to ten years.

And on death

A dependant's pension of one half of the member's pension (before conversion of any lump sum). Pensions for up to two children may also be payable.

When an immediate pension is not payable

He/She will receive

A preserved pension and lump sum payable from age 60 calculated as for retirement from age 60. In some sections, leavers with short service may receive a refund of their contributions.

Or

A transfer value payment payable to another registered pension arrangement.

All transfer values out of the scheme are calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996. Allowance is made in the calculation of transfer values for discretionary benefits payable upon early retirement on the basis of the assumed future experience of members retiring early. There are no other discretionary benefits to be taken into account.

Summary of the core provisions of the IWDC Section

Active members

Contributions

Contribution rates are determined by the employer and range from upwards of 6% of pensionable pay. Pensionable pay is as defined by the employer in its deed of participation.

At retirement, members have options to use their accumulated funds to provide an annuity purchased from an insurance company under an open market option, or they can transfer their funds to a specialist drawdown provider. They can also take tax-free cash up to the HMRC limit, or take 100% of their funds as a partially-taxed lump sum direct from the scheme.

Additional Voluntary Contributions

Members may be able to ‘top-up’ their benefits by paying Additional Voluntary Contributions (AVCs) to help increase the value of their Personal Retirement Account.

Death in service

Nominated dependants or personal representatives will typically receive:

A lump sum death benefit, which is typically between one and four times final average pensionable pay, depending on what the employer has set within its deed of participation.

Plus

The value of the member’s Personal Retirement Account.

Full details of the provisions of the Scheme can be found in the Pension Trust and Rules.

Appendix G

Defined Contribution Chair's statement

This statement explains how the Trustee Board has met the legal requirements for running the Industry-Wide Defined Contribution Section of the Railways Pension Scheme (the 'IWDC Section') in the following areas in the year from 1 January 2021 to 31 December 2021 ('the Scheme Year'):

- funds for members who don't choose their investments (the "default" investment arrangement)
- reviewing the default investment arrangements
- return on investments
- charges and transaction costs paid by members
- good value for members
- processing core financial transactions
- Trustee knowledge and understanding
- additional governance requirements for multi-employer schemes, and
- contacting the Trustee Board

During 2021, we continued the remote working arrangements put in place during the preceding year and successfully operated at near to normal capacity. In the second half of the year, we put in place permanent hybrid working arrangements with teams using a mix of in office and remote working arrangements effective for each individual team, reflecting the particular requirements of their function. The Trustee has continued to adapt well to working remotely to carry out its duties effectively and has ensured, through Railpen, that the high standard service levels to scheme members and employers have been maintained throughout the year.

Funds for members who don't choose their investments (the 'default' investment arrangements)

The Trustee has selected a default investment arrangement for members who do not choose their own investments. Members can also make an active choice to invest in the default investment arrangement, an alternative lifestyle arrangement or the investment funds offered.

The Trustee has adopted the following aims and objectives for the default arrangement:

- To generate long-term growth in excess of inflation over members' working lifetimes. The IWDC Section may be a member's main form of retirement saving and so the default investment arrangement aims to seek growth, with some volatility mitigation through diversification, by investing in the Long Term Growth Fund during the earlier years.
- To reduce investment risk for members as they approach retirement by switching to less volatile funds. This is achieved by switching from return seeking assets, which aim for long-term growth in excess of inflation, to lower risk assets as a member approaches their nominated target retirement age. The "at retirement" portfolio has been constructed on the basis that members will take 25% of their funds as a tax-free lump sum and buy an annuity with the rest.

The default arrangement for the IWDC Section is shown below:

DC Arrangement	Growth Portfolio	Portfolio at Target Retirement Age	Length of switching period
IWDC Section	100% Long Term Growth Fund	25% Deposit Fund 75% Aggregate Bond Fund	10 Years

There is more information about aims and objectives in the Trustee's Statement of Investment Principles, which is included as Appendix 1 to this statement.

Reviewing the default investment arrangements

A formal, in-depth review of the default investment arrangement is required under legislation at least every three years or immediately following any significant change in investment policy or the membership profile.

No review was conducted during the Scheme Year. The last formal investment strategy review was completed in March 2020, having been considered by the Trustee's Defined Contribution Committee (DCC) on 18 March 2020 and the full Trustee Board on 19 March 2020. That was a comprehensive review, covering the default investment arrangement, alternative lifestyle arrangements and the investment fund range.

Following that review, the Trustee intends to make some changes to the investment options in Q2 2022, albeit the Sharia Fund described below will be implemented at a later date. Within the investment fund range, the Aggregate Bond Fund is to be replaced by a new UK Government Fixed-Interest Bond Fund, while the Index Linked and Global Bond Fund is to be replaced by a new UK Government Index-Linked Bond Fund.

Three further investment funds are to be offered as well: a Corporate Bond Fund, a Sharia-Compliant Equity Fund (to be implemented at a future date) and a Socially Responsible Equity Fund. In addition, the Trustee intends to make changes to the default investment arrangement to reflect that members are expected to draw from their pension pots more flexibly in the future. Two further lifestyle arrangements, in addition to the default investment arrangement, will also be made available to members.

Relevant communications regarding the implementation of these changes will be provided to members at the appropriate time. In the meantime, the Trustee is comfortable with the performance of the existing investment funds and believes that the default investment arrangement's performance is consistent with the aims and objectives set out in the Trustee's Statement of Investment Principles. The next formal investment strategy review will take place no later than March 2023.

During the Scheme Year, the DCC monitored the performance of the investment funds offered, including those comprising the default investment arrangement, at each of its quarterly meetings (23 March 2021, 23 June 2021, 21 September 2021 and 2 December 2021). This monitoring considered each fund's performance against its aims and objectives over various time periods to the previous quarter end. No issues were identified by the DCC as a result of this regular monitoring of performance.

Return on investments

The Trustee has taken account of statutory guidance and as required report the net investment returns for the default arrangement and for each fund which scheme members were able to invest in during the Scheme Year ending 31 December 2021.

The return for the Scheme Year is reported to enable employers and members to spot immediate trends. Returns over longer periods, dating back to the funds' inceptions, are included to reflect the investment strategy's performance through different market conditions.

The below table sets out the return on investments (net of charges and transaction costs) for each fund:

DC fund	Annualised Returns %		
	Since Inception (May 2013 to 2021)	5 years (2016 to 2021)	1 year (2021)
Long Term Growth Fund	9.1	9.5	16.1
Global Equity Fund	10.5	13.3	22.9
Deposit Fund	0.3	0.3	-0.1
Aggregate Bond Fund	4.9	4.0	-3.9
Index Linked and Global Bond Fund	6.0	4.7	1.7

The Long Term Growth Fund (highlighted in bold) is the default fund for members who are 10 or more years from their Target Retirement Age. The Deposit Fund and the Aggregate Bond Fund form part of the default arrangement for members within 10 years of their Target Retirement Age.

Charges and transaction costs paid by members

The Trustee has taken account of statutory guidance when preparing this statement about charges and transaction costs. The annual management charge ('AMC') covers all costs and charges relating to general scheme administration and investment administration. Costs incurred as a result of holding or maintaining property are listed separately. Transaction costs are excluded. This is also known as the total expense ratio ('TER'). The TER is paid by the members and is reflected in the unit price of the funds.

During the Scheme Year ending 31 December 2021, the level of charges applicable to the funds in the IWDC Section, including the funds which are part of the default lifestyle strategy, were:

DC fund	AMC %	Property costs %	TER %
Long Term Growth Fund	0.46	0.08	0.54
Global Equity Fund	0.21	N/A	0.21
Deposit Fund	0.22	N/A	0.22
Aggregate Bond Fund	0.28	N/A	0.28
Index Linked and Global Bond Fund	0.33	N/A	0.33

Railpen, which manages the Scheme's investments, gives full transparency to the DCC on the underlying costs making up the annual management charges, such as investment management costs, legal costs, and IT costs. Railpen is also at the forefront in the pensions industry of obtaining full transparency from investment managers about costs in underlying investment funds (indirect costs) that the IWDC Section funds may invest in.

The IWDC Section funds are invested alongside the Scheme's defined benefit arrangements, using the same underlying pooled funds where possible. This means that IWDC Section members benefit from many of the same investment opportunities and economies of scale as members of the defined benefit arrangements.

The Trustee is also required to separately disclose transaction cost figures that are borne by members.

In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds.

Such costs include broker commissions, commissions of futures, transfer taxes, and other fees such as bank fees, search fees, legal fees, and stamp duty.

Transaction cost information has been requested from the fund managers before their accounts are published but not all the managers have been able to supply the information by the date of signing this statement.

The table below shows the transaction costs obtained for each fund, along with the percentage of the fund by asset value for which we have managed to obtain transaction cost information.

DC fund	Average 2021 asset value £m	2021 transaction costs % of asset value	Cost info available % of asset value
Long Term Growth Fund	93.2	0.04	98
Global Equity Fund	78.5	0.04	100
Deposit Fund	5.8	N/A	N/A
Aggregate Bond Fund	25.4	0.02	100
Index Linked and Global Bond Fund	3.0	N/A	N/A

At the time of writing, February 2022, it is not possible to obtain complete audited cost information for the year ended December 2021. This is a timing issue as many fund managers are unable to provide finalised cost information until months following their year end. Railpen begin an annual exercise of collating this data in the second quarter of each year.

The primary method adopted is using the PLSA Cost Transparency Initiative's templates, which are distributed to managers for completion. If managers do not engage, steps are taken to escalate the issue higher within the organisation. As a contingency method Railpen will source this information from annual reports and audited accounts of the underlying funds, which again will become available as reports are published over the coming months.

The Trustee minimises transaction costs arising from buying and selling assets, as far as possible, through the pooling arrangements within the Railways Pension Scheme. Where it can, it matches members and sections that wish to sell units in a particular fund with those who wish to buy them, so it is not necessary to trade assets in the markets. There are strict policies and procedures in place to ensure that any trading costs are spread fairly between all IWDC Section members.

The default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested.

For the period covered by this statement, annualised charges and transaction costs are set out in the table below. The member borne charges for the Scheme's default arrangement complied with the charge cap.

Time to retirement years	Fund mix	TER %	Transaction costs %
10	100% Long Term Growth Fund	0.54	0.04
5	60% Long Term Growth Fund 40% Aggregate Bond Fund	0.44	0.03
1	10% Long Term Growth Fund 70% Aggregate Bond Fund 20% Deposit Fund	0.29	0.02

Railpen continues to make improvements to ensure that IWDC Section members get the best possible returns from their investments after all fees and transaction costs have been accounted for. The Trustee will continue to monitor the funds' costs and charges closely.

The Trustee is required to illustrate the cumulative effect of costs and charges on the value of members' fund values over time. There is a prescribed method for doing this, based on a 'representative' member of the IWDC Section. This illustration is included at Appendix 2 to this statement.

Good value for members

Each year the DCC undertakes a comprehensive assessment of the extent to which the DC arrangements offer good value for members. This requirement, introduced by legislation in 2015, is designed to give members and employers confidence that the RPS offers high quality DC arrangements.

In 2020, the DCC approved the use of an external provider, Willis Towers Watson (now rebranded as WTW), to ensure the assessment was wholly independent. The assessment for 2020 deemed the overall value for members to be 'good'. In particular, WTW highlighted the service performance of the core administration and governance and controls in place as 'excellent'.

Their review identified several aspects of the service that required some development in order to improve member value but acknowledged, in the main, these had already been recognised, with enhancements either due to be delivered at the end of the reporting period or planned for implementation in the coming 12-month period.

In terms of improvements, the assessment highlighted a need to broaden the range of fund choices available to members. Member communications, particularly the 'at retirement' support offered to them, was highlighted as another area of improvement. Both services were rated as 'adequate'.

In response to the improvement areas highlighted in that assessment, Railpen made a number of service enhancing member-focused improvements in 2021, including:

- in April 2021 Railpen launched a high-quality, value for money drawdown vehicle through the Legal & General Investment Management (LGIM) Master Trust, underpinned by robust and affordable advice provided by Liverpool Victoria (LV)
- member-facing content was overhauled and updated in line with Railpen's new content standard. New detailed content explaining the retirement options available to members was developed and launched in April 2021
- a range of new videos were also developed and uploaded to the member website, including a dedicated DC retirement options video
- several enhancements to the post login area of the member website were made, including the implementation of a DC modeller and the ability to switch investment funds online

- a new fund range has been approved and is expected to launch in Q2 2022. Changes include, the introduction of three new lifestyle investment strategies (full cash withdrawal, annuity purchase and flexible drawdown) to replace the four existing lifestyle strategies, and the introduction of three further funds
- new modelling and planning tools have been added to the pre-login area of the member website, including a retirement budgeting calculator built on the PLSA retirement living standards
- progress in the guidance space was acknowledged in 2021 by the PLSA, who selected Railpen as the winner of its inaugural saver engagement award

In September 2021, the DCC approved WTW to undertake the 2021 DC value for member's assessment. Several improvements were identified by them in the previous assessment, which have now been addressed. The DCC therefore agreed it made sense to recommission the same provider.

WTW delivered the assessment on the 17 February, concluding the overall value provided to members to be 'good'.

They once again rated the scheme management as 'excellent'. They stated that the Trustee has a very well-established administration platform and governance framework, and this sets the foundations for a well-run master trust that offers employers within the railways industry access to a good quality DC arrangement.

Their analysis again demonstrated that the charges continue to compare favourably to the DC provider market, particularly when they are distilled to compare on a 'like for like' investment basis.

The communication component of the assessment showed a tangible improvement, moving from 'adequate' to 'good'. In particular, WTW commented that recent communication, at retirement and online developments, have enhanced the member value proposition.

In summary, WTW stated that they continue to rate the overall member value as 'good', with the favourable charge structure, improvements in communications and at-retirement support, robust administration and net performance of the Long Term Growth Fund the key determinants informing their view.

Processing core financial transactions

The Trustee must ensure that core financial transactions are processed both promptly and accurately. These include:

- investment of contributions
- transfer of members' assets to and from the Scheme, and between Sections within the Scheme
- switching between investments within the Scheme, and
- payments out of the Scheme to members and beneficiaries

Service Level Agreements ('SLAs') are in place for all of these core financial transactions. The DCC received quarterly updates on these key process activities throughout the year via Quarterly Administration Reporting. The report features as a standing agenda item for the DCC to consider the performance, trends and consider any matters arising requiring further attention. The report includes a narrative section to highlight any matters for attention to the Trustee.

During 2021, the average aggregate SLA attained was 96.69%. This reflects the robust controls and oversight placed on the financial transactions to ensure members' benefits are processed accurately and promptly. In reaction to continuing lockdown pressures, acceleration of digital enhancements took place during 2021 resulting in a growing proportion of member self-serve transactions. Coupled with the straight through processing achieved with automation helped in contributing to the high SLA attained.

To ensure day-to-day compliance with the core financial transactions, a number of controls operate including:

- a Dedicated Operational Performance team to triage and allocate inbound and outbound work
- daily unit reconciliations to ensure investments and disinvestments have been completed effectively
- a dedicated Employer Support team to monitor the timely receipt of Employer Contributions
- system validations to ensure incoming data from employers meets minimum standards
- daily system start-of-day health checks to ensure any system failures or anomalies are identified and rectified immediately
- functional segregation of duties between the Finance function dealing with cash and the Administration function who execute member transactions
- daily bank reconciliations to support
- regular review of the financial suspense account to investigate miscellaneous financial transactions, and
- application role profiles are commensurate to skill levels and ensure segregation of duties with four eye checks employed for payments out. Senior approval is required for transactions over certain amounts.

The core financial transactions are overseen by key controls which are annually tested and reported within the AAF 01/20. The testing is carried out by External Auditors. Underpinning this, Business Assurance perform an independent governance role, carrying out internal audits over the financial environment operating. Any improvements to the current environment formulate an action plan which is overseen by the Trustee.

Where necessary ad hoc reports are commissioned so the DCC can review the progress of any issues raised. The DCC continues to receive additional reports pertaining to the volume of DC contributions held in suspense. This was to provide oversight of the volume of unreconciled accounting transactions. During 2021, volumes within suspense did start to fall as the impact of the prior year system migrations began to wane as items were resolved. The oversight on suspense transactions remains in place as a robust governance measure, with close executive oversight.

In Q4, the Pensions Regulator was notified of a pricing error which impacted a minority of members. The error was considered to be a significant event under master trust legislation and also impacted the accuracy of some core financial transactions for this minority of members. Following a thorough investigation, impacted members were contacted and rectification measures applied to ensure members were safeguarded. A review of the control environment operating has been carried out and enhanced control measures have been adopted.

Trustee knowledge and understanding ('TKU')

Railpen runs a comprehensive induction programme for new Trustee Directors which ensures that they have good awareness and understanding of the scheme's governing documentation (including the trust deed and rules, statements of investment principles and funding principles, and relevant policies), scheme funding and investment, pensions and trust law, and the role of a trustee.

Individuals who have been nominated to become a Trustee Director must complete the Pensions Regulator's Trustee toolkit before they can be appointed as a Trustee Director of the Railways Pension Trustee Company Limited and this process was completed for three Trustee Directors who were appointed in 2021.

The Trustee toolkit is an online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes. The toolkit includes a series of online learning modules and downloadable resources developed to help trustees meet a minimum level of knowledge and understanding introduced by the Pensions Act 2004. There is also a requirement for current Trustee Directors to refresh the Trustee toolkit every three years, which they evidence by providing copies of their development records.

In addition to all Trustee Directors having completed the Pensions Regulator's Trustee toolkit, seven out of 16 Trustee Directors hold the Pensions Management Institute's Award in Pension Trusteeship, providing formal recognition of these Trustee Directors' knowledge and understanding.

Existing Trustee Directors received regular training throughout the year, either at quarterly Trustee/Committee meetings or workshops virtually during 2021. They are also encouraged to attend external online conferences and webinars on specific topics of interest and to increase their general knowledge and understanding.

To further ensure the Trustee Directors meet the required level of knowledge and understanding introduced by the Pensions Act 2004, the Trustee Directors must complete a training needs analysis each year and this was completed in Q1 2021. The analysis is based on the Pensions Regulator's indicative Trustee Knowledge and Understanding syllabus. This is used to assess training needs for the year ahead by identifying particular areas where knowledge is less strong for individuals and for the Board or a Committee as a whole.

Alongside this, the Trustee compiles a skills matrix to detail the relevant skills and experience of each member of the Trustee Board. Together, these demonstrate the strength and depth of expertise that each is able to bring to the role. The annual review of the skills matrix ensures that any gaps are identified and that the necessary additional training and development is undertaken. The particular topics identified for further training are built into the training provided by Railpen and also third parties at the Trustee's meetings and workshops throughout the year.

During the Scheme Year, Railpen provided training for Trustee Directors on:

- Sustainable Ownership Deep Dive
- Trustee Strategic Risks
- Cyber Security and Initiatives in Benefits
- Sustainable Ownership: Climate Changes as an Investment Issue
- Deep Dive on Journey Planning/Investment Risk Governance

In addition to the training provided to the Trustee Board, members of the Trustee's Defined Contribution Committee were provided with master trust-focused training which covered:

- the Pensions Regulator's master trust expectations and supervision, and
- best practice master trust delivery in the area of investment, administration and member engagement.

These topics were identified as appropriate training based on the 2021 training requirements and skills analysis review or were requested on an ad-hoc basis by the Trustee.

The Trustee Board is made up of 16 Trustee Directors who each possess individual skills and experience that are relevant to the role of Trustee of a master trust, like the IWDC Scheme. The Trustee Board is diverse in employment experience and history. Many are long-standing Trustee Directors and have served on several of the Trustee's committees and subsidiary boards over the years. They therefore have significant experience of all aspects of the Railways Pension Scheme and its corporate management activities, and this is spread across the whole Board rather than concentrated in one or two individuals.

The Trustee Directors have a wide range of experience, from working as Pensions Managers for employers in the rail or other large scale industries, to senior financial professionals with large employers. A number of Trustee Directors have a background in trade unions. Many worked on their unions' own schemes and negotiated with employers on pensions and benefits on behalf of their members.

In addition, the Trustee's professional advisors are available to attend Trustee meetings when needed to provide guidance on various Scheme matters. With a sufficiently diverse Trustee Board, their broad collective business and senior management experience ensures that they are in a position to challenge robustly the advice they receive. In particular, through the trade union representatives, the Board gains insight into the membership's perspective of how the Scheme is run and the benefits it offers.

As a result of the training activities which the Trustee Directors have completed individually and collectively as a Board, the broad range of experience held by Trustee Directors and the annual training analysis, skills matrix review and regular effectiveness reviews, I am confident that the combined knowledge and understanding of the Board, together with the professional advice available to it, enables it to exercise properly its functions as the Trustee of the IWDC Section and the Railways Pension Scheme generally. The effectiveness and performance of the Board as a whole has been measured against the objectives of the Scheme's business plan.

Additional governance requirements for multi-employer schemes

The Occupational Pensions Scheme (Scheme Administration) Regulations 1996, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the 'Administrative Regulations'), require the Trustee Board of any 'relevant multi-employer scheme' to have a majority of 'non-affiliated trustees', including the Chair.

From April 2016, the Trustee has been required to comply with this additional governance standard, which is designed to offer additional protections for members and ensure that the Trustee acts in their best interests.

The Trustee Board has considered these requirements and determined that all Trustee Directors, including the Chair, can be classed as 'non-affiliated trustees' for the purpose of the legislation. This means that we have considered carefully any links that Trustee Directors may have with companies providing services to the Scheme, and reviewed the procedures in place for managing any conflicts of interest that may arise and concluded that all of the Trustee Directors are independent of any undertaking which provides advisory, administration, investment or other services in respect of the IWDC Section, taking account of the matters set out in Regulation 28(3) of the Administration Regulations.

We have also reviewed our appointment process to ensure that it is open and transparent and allows representation on the Trustee Board from across the rail industry. We will ensure that non-affiliated Trustee Directors, including the Trustee Chair, are always in the majority on the Trustee Board.

Three non-affiliated Trustee Directors were appointed during the Scheme Year, in accordance with the governing documents of Railtrust Holdings Limited:

- Nominations were sought from Network Rail as part of the Scheme's process for filling an Employer Director vacancy in the Network Rail electoral group. There was only one nomination and Fatima Hassan was appointed to the Trustee Board.
- Nominations were sought from the Rail Trade Unions, Pensions and Management Committees, and the British Transport Police Federation as part of the Scheme's process for filling two Employee Director vacancies. There was only one nomination for each vacancy and Michael Cash and Howard Kaye were appointed to the Trustee Board.

The appointments of the Employee Director vacancies is consistent with the requirements of the Pension Act 2004 for the nomination and selection of member nominated Directors.

The Trustee Board has been kept informed of developments relating to the Pensions Regulator's authorisation and supervision regime introduced by the Pension Schemes Act 2017 and the Occupational Pension Schemes (Master Trusts) Regulations 2018. The IWDC Section of the Railways Pensions Scheme submitted its application in March 2019 and became an authorised master trust on 2 August 2019.

Contacting the Trustee Board

The Trustee Board encourages Scheme members to share their views about the Scheme, the benefits it offers, the investment options available, and their plans for how they intend to use their funds to provide an income in retirement.

IWDC active and preserved members receive the annual Insight newsletter in May. The newsletter provided to members in 2021 encouraged members to provide feedback via an online survey using a QR code to direct members to the feedback facility. A dedicated online member advisory group has also been established, and promoted through the newsletter and website, giving members the chance to share their views on key topics. This insight is reported to the Trustee and directly shapes the development of member communications, such as investment guides, fund fact sheets and educational video content.

Alternatively, if members prefer they can contact the member Helpline on the free phone number 0800 234 3434 or email csu@railpen.com. The annual newsletter, bulk member communications and the member website have referred to the helpline number and email address as standard throughout the Scheme Year. Additionally many Trustee Directors also have regular contact with members through their day-to-day activities, for example as Pensions Managers of participating employers or as Trade Union officials.

The Trustee has considered the size, nature and demographics of the Scheme. By providing multiple channels and media through which members may contact the Scheme, in line with its Communications Strategy, the Trustee is satisfied that all members from all sections of the Scheme are encouraged to share their views, in particular in response to key communications or Scheme events.

Chris Hannon, Trustee Chair
29 June 2022

Appendix 1: Statement of Investment Principles

Introduction

1. Railways Pension Trustee Company Limited is the trustee body (the "Trustee") for the railway pension schemes listed in Schedule 1 (the "Schemes") and for each separate Section within the Railways Pension Scheme (a "Section"). The Trustee notes that it is required to produce and maintain a SIP to outline its investment principles and policies ("investment policy") for each Scheme under law – the Trustee considers each Scheme individually and collectively and this document represents the combined SIP for the Schemes.

2. The Schemes are occupational pension schemes providing defined benefit ("DB") and defined contribution ("DC") benefits. The main body of the SIP relates to DB and DC elements of the Schemes (unless otherwise stated), whereas Schedules 2 and 3 apply to the DC elements only.

3. The Trustee has, following consultation with the employers, drawn up this SIP to comply with the requirements of the Pensions Act 1995 (as amended) and subsequent legislation, including The Occupational Pension Schemes (Investment) Regulations 2005 (the "Investment Regulations"). The Trustee has received written advice from the Trustee's wholly owned subsidiary RPMI Railpen before adopting this SIP. The Trustee has two wholly-owned operating subsidiaries, RPMI and RPMI Railpen, to which it delegates the day-to-day operation of the Schemes.

Responsibilities and Process

4. The Trustee is responsible under the Pensions Act 1995 for determining the overarching investment principles used across the Schemes. These are outlined in this document and supporting documents which can be found at: **www.railpen.com/investing** Investment strategy for the DB elements of each Scheme and/or Section is set taking account of, amongst other factors, the specific liability profile of that Scheme and/or Section. The Trustee has a sub- committee, the Integrated Funding Committee ("IFC"), responsible for carrying out this work. The performance objectives and asset allocation strategies for each Scheme and/or Section are included in their respective individual Investment Policy Document. See Schedules 2 and 3 for details of the Trustee's investment strategy in respect of the Schemes' DC elements.

5. In the case of Sections where the employer has elected to establish a "Pensions Committee", and those Schemes where a Management Committee has been established, the power to set investment strategy lies with the committees (with the exception at the time of adoption of this SIP, of the British Transport Police Force Superannuation Fund, RPS Govia Thameslink Railway Section and RPS London Overground Section). In the case of these committees, the Trustee retains legal responsibility for implementation of investment policy and ensuring that any policy adopted and set out in the relevant Investment Policy Document complies with the statutory requirements. This function has been delegated in turn by the Trustee to RPMI Railpen.

6. The SIP is reviewed following each triennial actuarial valuation and following any significant change in investment policy. The Trustee will consult with the relevant employers about any changes to the SIP. However, the employers have agreed that where changes are proposed to any specific Investment Policy Document, the Trustee only needs to consult with the employers which participate in the Scheme and/or Section to which that Document relates.

Investment Beliefs

7. The Trustee has agreed core beliefs that set out a clear view on investment philosophy and Scheme governance. These beliefs are used to inform the investment process used across the Schemes. The Trustee reviews the Investment Beliefs annually and they are available to view online at **www.railpen.com/investing/how-we-invest/beliefs.**

Investment Objectives

8. The Trustee's mission is to pay members' pensions securely, affordably and sustainably. It achieves this through investing the assets of each Scheme and each Section in a way that enables them to be used to pay the benefits promised when they fall due, whilst balancing this against the cost that must be met by the employers and members.

9. To facilitate achieving this objective, the Trustee adopts an integrated approach to covenant, funding and investment policy in respect of the DB elements. Due to the different maturity profiles of the liabilities of the individual Schemes and Sections, along with the strength of covenant of each sponsoring employer and any other specific characteristics, investment strategies and therefore expected investment returns will vary widely. Investment objectives therefore have to be set separately for each Scheme and/or Section, with a consistent framework used for evaluation. The agreed approach takes account of return, risk and liquidity requirements (within a "RRL framework"), to enable suitable investment strategies to be adopted for each Scheme and/or Section.

10. The RRL framework outlines the expected investment strategy for each Scheme and broad Section groupings (effectively grouped by covenant strength and maturity profile). The individual components of the RRL framework are considered as follows:

    1. Expected investment return is considered taking into account risk and affordability, making use of the Pooled Fund range to accommodate individual Scheme and/or Section requirements. The expected return of the proposed investment strategy is judged over the long-term and evaluated with reference to the financial assumptions adopted by the Trustee. The technical provisions funding basis used in triennial valuations is considered with reference to these expected returns;

2. Investment risk is considered using several measures with a focus on downside risk, consistent with the Trustee's belief that investment risk is multi-faceted. The level of investment risk will take account of the strength of covenant;

3. Liquidity requirements are evaluated with reference to maturity, the strength of covenant of the sponsoring employer and whether the Scheme and/or Section is deemed open or closed to new members.

11. The resultant portfolios and investment strategy for each Scheme and/or Section are expressed as a mix of return-seeking, defensive and matching assets. Each of these portfolios, in aggregate, is expected to generate a long-term return that will match or exceed the discount rates used in the funding assumptions for the respective Scheme and/or Section.

Management of Pooled Funds

12. The Trustee is responsible for investing the Scheme's assets in the best interests of members and beneficiaries and it exercises its powers of investment in accordance with the trust deed and rules of each Scheme and applicable law.

13. The Schemes and Sections invest in a number of HMRC approved pooled funds (the "Pooled Funds") operated by RPMI Railpen on behalf of the Trustee. These funds are used to construct each investment portfolio agreed under the RRL framework and are intended to accommodate the differing investment requirements of the Schemes and Sections.

14. As such, each Pooled Fund has distinct return, risk and liquidity characteristics and is either multi-asset or single-asset class by design. The Trustee recognises that the use of a range of traditional and alternative asset classes with distinct return drivers may offer diversifying characteristics. Accordingly, the default offering is to use predominantly multi-asset Pooled Funds which invest in a wide range of assets and strategies. However, Pensions Committees and/or employers can request to make use of other Pooled Funds offered by the Trustee consistent with the agreed investment strategy. The investment performance of each Pooled Fund is measured against an agreed objective and the objective and investment guidelines for each Pooled Fund are set out in the individual fund product particulars.

15. Under the RRL framework, the proportion of the Scheme and/or Section assets to be held in a particular Pooled Fund is not fixed and may, therefore, be changed from time to time by the Trustee (or RPMI Railpen under delegated authority) in order to comply with the RRL framework in the manner the Trustee considers appropriate. Where the rules of a Scheme or a Section require the investment policy to establish the proportion of Scheme and/or Section assets to be held in each of the Pooled Funds, that policy will be recorded in the relevant Investment Policy Document.

16. The Trustee regularly reviews the Pooled Fund range and is free to change the range of Pooled Funds, the associated objectives and investment guidelines from time to time, as it considers appropriate, in accordance with the rules of the Schemes.

17. The investment of the assets within each Pooled Fund, including day-to-day investment decisions, are delegated under an Investment Management Agreement to RPMI Railpen, the internal manager for the railway pension schemes, or to fund managers appointed by RPMI Railpen (together the "Fund Managers"). The investment arrangements are overseen by the Railpen Investments Board ("RIB") who ensure adherence to the Trustees' investment policy. More information on the delegated structure can be found in the annual report and accounts under **www.railpen.com/knowledge-hub/reports.**

18. The Trustee delegates investment powers to RPMI Railpen under the terms of the Investment Management Agreement which sets out the parameters and policies within which RPMI Railpen operates. The Trustee reviews and monitors performance (and fees) to ensure that the activities of RPMI Railpen continue to be aligned with the Trustee's investment policy. More information on RPMI Railpen's obligations to disclose information to the Trustee under the Shareholder Rights Directive (SRD II) can be found on the RPMI Railpen website under **www.railpen.com/media/al2pbx2y/2022-voting-policy_final.pdf**.

19. In turn, RPMI Railpen is responsible for ensuring that the Fund Managers invest scheme assets in line with the Trustee's investment policy and that the Fund Managers stewardship, ESG (including climate change) and responsible investment policies (where relevant) align with the Trustee's own policies – this includes assessing how the relevant Fund Manager makes investment decisions based on the medium to long-term financial and non-financial performance of investee companies and engages with investee companies to improve their performance.

20. RPMI Railpen reviews and monitors the contractual arrangements with Fund Managers, including their remuneration and length of appointment, on at least an annual basis through relationship meetings and investment reporting to ensure that they are consistent with the Trustee's investment policy and that Fund Managers' investment decisions and approach are aligned with the Trustee's investment policy and role as a responsible investor. More information on how RPMI Railpen ensures that remuneration structures are aligned with the long-term perspective of beneficiaries can be found on the RPMI Railpen website under **www.railpen.com/media/al2pbx2y/2022-voting-policy_final.pdf**.

21. The Trustee is satisfied that RPMI Railpen has the appropriate knowledge and experience for managing the investments of the Schemes and it carries out its role in accordance with the criteria for investment set out in "Investment Regulations", the principles contained in this SIP, the Trustee's investment policy and any applicable investment guidelines and restrictions agreed with the Trustee.

22. The multi-asset Pooled Funds are managed within a strategic framework, agreed on a regular basis with the RIB. The single-asset Pooled Funds are managed to specific objectives with permitted tolerances. Where relevant, RPMI Railpen and the Fund Managers are responsible for deviations from agreed asset allocations within delegated authority limits. Active management is not used by default but will be considered when it is judged to be the most efficient implementation of a given strategy.

23. RPMI Railpen and the Fund Managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and product particulars. This includes the power to rebalance funds from available cash or make transfers in order to keep within stipulated asset allocations or restrictions.

24. In addition to the Pooled Funds, the Schemes and Sections may invest assets with an insurance company regulated by the Prudential Regulation Authority in order to accomplish a transfer of risk.

Performance Measurement

25. The performance of each Scheme and/or Section, and the investment performance of the portfolios of RPMI Railpen and the Fund Managers, are measured for the Trustee. Also, investment performance of each Scheme and/or Section are monitored by RPMI Railpen and reported to the IFC, the Pensions Committees (where appropriate) and the relevant employers. RIB monitors the performance of RPMI Railpen against long- term performance objectives and compliance with operating parameters to ensure the investment approach aligns with the Trustee's investment policy and beliefs. RPMI Railpen is responsible for monitoring the performance of the Fund Managers against long-term performance objectives and compliance with operating parameters to ensure alignment with the Trustee's investment policy and beliefs. For further information on how RPMI Railpen ensures that Fund Managers' remuneration structures are aligned with the Trustee's investment policy, see **www.railpen.com/media/al2pbx2y/2022-voting-policy_final.pdf**.

Risk Management

26. The Trustee recognises that there are various investment and operational risks to which any pension scheme is exposed, and gives qualitative and quantitative consideration to such risks. A number of steps are taken to manage such risks including:

    26.1. an Integrated Funding Committee with specific responsibilities including agreeing integrated funding plans for each Scheme and/or Section, using the RRL framework (as described in paragraphs 9, 10 and 15), and monitoring performance against their agreed funding plans;

    26.2. an Audit and Risk Committee with specific responsibilities including review of financial control and risk management systems;

    26.3. appointing a global custodian to hold assets and RPMI Railpen monitoring the custodian's service provision and credit-worthiness;

    26.4. appointing the Railpen Investments Board with specific responsibilities including oversight of the management of the Pooled Funds;

    26.5. the establishment of the Investment Risk Committee and Operational Risk Committee to oversee monitoring of investment and operational risks.

Defined Contribution Assets

27. The Schemes provide DC benefits in the form of additional voluntary contributions ("AVCs"), commonly known as BRASS, in the defined benefit Sections and the Industry-Wide Defined Contribution Section ("IWDC"), a standalone DC Section of the Railways Pension Scheme. The IWDC Section is the authorised master trust within the Railways Pension Scheme. The Trustee is responsible for investing DC assets in the best interests of members and beneficiaries, providing appropriate fund choices and ensuring good value for members. The Trustee's strategy and approach to the DC elements are set out in Schedules 2 and 3, to the extent they differ to the DB elements.

28. The range of funds made available for the DC fund arrangements is reviewed regularly and may be changed by the Trustee from time to time in accordance with applicable rules of the Schemes. The intention is to ensure an investment philosophy consistent across both defined benefit and defined contribution arrangements to the extent possible.

29. Further information on AVC Funds can be found in Schedule 2 and further information on the IWDC Section can be found in Schedule 3.

Costs

30. The Trustee recognises that strict control of costs is important in contributing to good investment returns. As such, RPMI and RPMI Railpen are asked to ensure that all aspects of cost from the responsibilities and mandates exercised by those involved in the investment process, both internal and external, are kept under regular review. The aim is to implement Scheme and/or Section strategy in the most efficient manner possible, using internal resources wherever appropriate. Investments within the Pooled Funds are considered in terms of the most efficient way to access desired return drivers. As part of this process, fees payable to external Fund Managers and costs relating to the investment, management, custody and realisation of Pooled Fund assets are kept under regular review.

31. RPMI and RPMI Railpen give full transparency to the Trustee on the underlying costs making up the annual management charges including, but not limited to, investment management costs, internal staff costs, legal costs and IT costs. The Trustee also monitors the level of transaction costs incurred by the funds on a yearly basis. These costs include, but are not limited to, broker commissions, commissions of futures, transfer taxes, and other fees such as bank fees, search fees, legal fees, and stamp duty. More information on the breakdown of costs can be found in the annual report and accounts published on the RPMI Railpen website **www.railpen.com/knowledge-hub/reports.**

32. The Trustee does not have a target portfolio turnover range but instead reviews costs in conjunction with net of fees performance figures for the Pooled Funds and Fund Managers are encouraged to take a long-term approach to investing in order to align with the Trustees' investment beliefs and investment policy.

Environmental, social and governance considerations

33. The Trustee recognises its legal duty to consider factors that are likely to have a financially material impact on investment returns over the period during which benefits will need to be funded by the Schemes' investments.

34. These factors include, but are not limited to, environmental, social and governance (ESG) factors, including, but not limited to climate change.

35. The Trustee expects RPMI Railpen and Fund Managers to take account of ESG factors in the selection, retention and realisation of investments. In addition, RPMI Railpen takes into account the Fund Managers' policies in relation to ESG factors when selecting Fund Managers and also monitors Fund Managers' compliance with such policies.

36. The Trustee will continue to monitor and assess ESG factors and the risks and opportunities arising from them, as follows:

    36.1. the Trustee will undertake annual training on ESG considerations in order to understand fully how ESG factors including climate change could impact investments;

    36.2. the Trustee will require RPMI Railpen and Fund Managers to provide information annually about their ESG policies and how they integrate ESG into their investment processes.

Non-financial matters

37. The Trustee will consider factors that are expected to have a material financial impact on investments. Non-financial matters may be considered on a case-by-case basis in relation to the selection, retention and realisation of investments where the Trustee has reasonable cause to believe that scheme members would share concerns that such matters would have a materially detrimental impact on the good reputation of the Schemes and potentially lead to a material risk of financial detriment to the Schemes.

38. The Trustee will review its policy on non-financial matters in conjunction with its regular review of the SIP.

Voting and Engagement Policy

39. The Trustee believes that companies with robust corporate governance structures are more likely to achieve superior long-term financial performance and will manage their risks and opportunities effectively. It signals its expectations to companies through RPMI Railpen's voting and engagement activities.

40. RPMI Railpen's global voting policy sets out expectations for issuers, and may be read in conjunction with RPMI Railpen's engagement policy and other market specific guidance, which can be found on RPMI Railpen's website under **www.railpen.com/investing/responsible-investing/active-ownership**. Thoughtful voting alongside constructive engagement with portfolio companies supports the Trustee's investment objectives.

41. RPMI Railpen, on behalf of the Trustee, is a signatory to the UK Stewardship Code, and engages with its external Fund Managers to encourage them to adopt practices in line with the spirit of this Code as appropriate. Compliance with the UK Stewardship Code can be found on the RPMI Railpen website at **www.railpen.com/knowledge-hub/reports/stewardship-report-2021.**

42. The Trustee expects RPMI Railpen to:

    42.1. exercise rights attaching to investments and to undertake engagement activities in accordance with RPMI Railpen's global voting policy and current best practice, including the UK Stewardship Code;

    42.2. select Fund Managers which have appropriate ESG policies and to monitor their compliance with those policies;

    42.3. evaluate all financially material considerations, including ESG factors (including, but not limited to, climate change) as part of the decision-making process around its stewardship activities; and

    42.4. provide, at least annually, details of its ESG policies and stewardship activities and those of Fund Managers.

43. The Trustee's delegation to RPMI Railpen of the exercise of rights attaching to investments and engagement activities includes the delegation of the functions of engaging with and the monitoring of "relevant persons", including (but not limited to) the Fund Managers and, if applicable, investee companies and other stakeholders about "relevant matters", including (but not limited to) matters concerning investee companies, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. RPMI Railpen exercises these functions in line with RPMI Railpen's global voting policy and current best practice, including the UK Stewardship Code.

44. The Trustee expects RPMI Railpen to update the Trustee periodically (and at least annually) on its ESG policies and its stewardship activities and on those of Fund Managers.

Adopted by the Trustee on 17 September 2020

Schedule 1: Railways Pension Schemes

This Schedule lists the Schemes for which the Railways Pension Trustee Company
Ltd (RPTCL) is 'The Trustee':

Railways Pension Scheme ('RPS')
British Railways Superannuation Fund ('BRSF')
British Transport Police Force Superannuation Fund ('BTPFSF')
BR (1974) Fund

Schedule 2: Additional Voluntary Contribution ('AVC') Funds

1. Introduction

This Schedule is appended to and should be read in conjunction with the Statement of Investment Principles ('SIP') adopted by the Railways Pension Trustee Company Limited ("the Trustee") for the railway pension schemes (the "Schemes"), as amended from time to time. Items in the SIP which also apply to the AVC funds include the majority of the requirements of section 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005. This Schedule covers any additional requirements of the Investment Regulations in respect of the AVC funds which are not covered in the main body of the SIP.

The main AVC arrangement is open to all contributing members of the defined benefit Sections of the Railways Pension Scheme and is known as BRASS. It is also open to members of the British Transport Police Force Superannuation Fund who joined before 1st April 2007 and eligible members of the British Railways Superannuation Fund.

AVC Extra is the second contribution top-up arrangement for contributing members of the defined benefits Sections (other than the Network Rail Section) of the Railways Pension Scheme and members of the British Transport Police Force Superannuation Fund who joined before 1st April 2007.

2. Objective

The Trustee recognises that individual members have differing investment needs and these may change during the course of their working lives. It also recognises members have differing attitudes to risk.

The overall objective of the Trustee is to provide a range of funds suitable for members to invest their AVC contributions. For members who do not wish to make their own investment choice, the Trustee makes available a default option.

In setting the range of investment options, the Trustee considered member's objectives as being defined by the expected:

- Level of outcome (long-term return)
- Variability of outcome (long-term risk)
- Volatility of journey, in particular as the member's target retirement age approaches (short-term risk)

3. Investment strategy

The Trustee considered a range of asset classes and associated expected returns and volatility of returns, the suitability of styles of investment management, and the need for diversification.

The suitability of various lifestyle arrangements was also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle options available to members, matching various degrees of risk. These options offer a changing investment programme designed to meet a typical member's perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from return seeking assets, which aim for long-term growth in excess of inflation, to lower risk assets as a member approaches their nominated target retirement age.

One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range. The default lifestyle option is designed to be appropriate for a typical member with a predictable target retirement age.

The Defined Contribution Committee ('DCC') of the Trustee Board was established to ensure appropriate management and governance of the BRASS, AVC Extra, and Industry-Wide Defined Contribution Section arrangements. Specific responsibilities of the Committee include oversight of investment performance and reviewing communications and investment options, as appropriate.

4. Fund choices

The following "self-select" funds are available to all BRASS and AVC Extra members:

- Long Term Growth Fund
- Global Equity Fund
- Aggregate Bond Fund
- Index-Linked and Global Bond Fund
- Deposit Fund

The BRASS and AVC Extra arrangements also offer two lifestyle options:

- Long Term Growth Lifestyle (the default option for BRASS)
- Global Equity Lifestyle (the default option for AVC Extra)

The fund range is provided through a "white-labelled" framework to help accommodate underlying manager changes and future enhancements without undue disruption. Within this structure the Trustee considers suitable pooled funds managed by RPMI Railpen, where possible.

BRASS members may also have holdings in the Pension Assured Fund ("PAF"). However, it is noted that this Fund is not accepting new contributions.

The Trustee expects the long-term return on the Long Term Growth Fund and Global Equity Fund to exceed price inflation. The long-term returns on the bond and deposit funds are expected to be lower. However, the bond funds are expected to more closely match the price for annuities, giving some protection in the amount of secured pension for members closer to retirement. The Deposit Fund is expected to provide protection against changes in short-term nominal capital values, and may be appropriate for members close to their target retirement age that plan to receive part of their retirement benefits in the form of tax-free cash.

5. Default arrangements

The aim of the default arrangements for each of the BRASS and AVC Extra arrangements is to generate long-term growth in excess of inflation over members' working lifetimes.

The BRASS arrangement is a "top-up" or additional benefit to the main Scheme DB benefit, and as such the default aims to seek growth with some volatility mitigation due to diversification by investing in the Long-Term Growth Fund during the earlier years. The "at retirement" portfolio has been constructed on the basis that BRASS members will draw 100% of their benefits as cash. The asset allocation therefore de-risks to the Deposit Fund over the five years prior to target retirement age. This default strategy is intended to ensure that assets are invested in the best interests of relevant members and beneficiaries in BRASS.

The AVC Extra arrangement is a further "top-up" arrangement, and as such the default invests in the Global Equity Fund in the earlier years. The "at retirement" portfolio has been constructed on the basis that AVC Extra members will take 25% of their funds as a tax-free lump sum and buy an annuity with the rest. The asset allocation therefore de-risks to 25% in the Deposit Fund and 75% in the Aggregate Bond fund over the ten years prior to target retirement. This default strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries in AVC Extra.

The DCC reviews the default investment strategy and the performance of the default arrangement (including investment return net of costs) of BRASS and AVC Extra at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members. This review is carried out in conjunction with a review of the IWDC Section.

6. Fund annual charges

The Fund Managers, RPMI Railpen and RPMI levy a charge on each fund, calculated by reference to the market value of assets under management. These charges are levied on each member's investments and the members incur these fees. They may vary depending on the fund chosen and manager performance; however, they are considered by the Trustee to be reasonable.

7. Risks

There are a number of risks within the BRASS and AVC Extra arrangements including:

- Risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation although this is not guaranteed over any given period;
- Risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age;
- Risk of lack of diversification. The Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings;
- Risk of underlying Fund Managers and/or RPMI Railpen not meeting their objectives. The Defined Contribution Committee provides oversight to the performance of the funds. The Railpen Investments Board oversees the performance of RPMI Railpen and the Fund Managers on a regular basis; and
- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

The Trustee also reviews these risks as part of each formal strategy review (to coincide with review of the default strategies and arrangements). These take place at least every 3 years or more frequently if appropriate, and without delay after any significant change in investment policy.

Note: Further information and factsheets for the BRASS and AVC Extra funds (including their asset allocation, risks, expected return and diversification) can be found on the Railway Pensions website www.railwayspensions.co.uk/in-the-scheme/brass-section/my-fund-choices.

Schedule 3: Industry-Wide Defined Contribution Section

1. Introduction

This Schedule is appended to and should be read in conjunction with the Statement of Investment Principles ("SIP") adopted by the Railways Pension Trustee Company Limited ("the Trustee") for the railway pension schemes (the "Schemes"), as amended from time to time. Items in the SIP which also apply to the AVC funds include the majority of the requirements of section 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005. This Schedule covers any additional requirements of the Investment Regulations in respect of the Industry Wide Defined Contribution Section ("IWDC Section") which are not covered in the main body of the SIP.

The IWDC Section is the authorised DC master trust of the Railways Pension Scheme for rail industry employees and, other than AVCs, it is the only Section in the Scheme which provides money purchase benefits.

2. Objective

The Trustee recognises that individual members have differing investment needs and these may change during the course of their working lives. It also recognises members have differing attitudes to risk.

The overall objective of the Trustee is to provide a range of funds suitable for members to invest their contributions. For members who do not wish to make their own investment choice, the Trustee makes available a default option.

In setting the range of investment options, the Trustee considered member's objectives as being defined by the expected:

- Level of outcome (long-term return)
- Variability of outcome (long-term risk)
- Volatility of journey, in particular as the member's target retirement age approaches (short-term risk)

3. Investment Strategy

The Trustee considered a range of asset classes and associated expected returns and volatility of returns, the suitability of styles of investment management, and the need for diversification.

The suitability of various lifestyle arrangements was also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle options available to members, matching various degrees of risk. These options offer a changing investment programme designed to meet a typical member's perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from return seeking assets, which aim for long-term growth in excess of inflation, to lower risk assets as a member approaches their nominated target retirement age.

One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range. The default lifestyle option is designed to be appropriate for a typical member with a predictable target retirement age.

The Defined Contribution Committee ("DCC") of the Trustee Board was established to ensure appropriate management and governance of the DC Schemes' arrangements. Specific responsibilities of the Committee include oversight of investment performance and reviewing communications and investment options, as appropriate.

4. Fund choices

The following "self-select" funds are available to all members of IWDC Section:

- Long Term Growth Fund
- Global Equity Fund
- Aggregate Bond Fund
- Index-Linked and Global Bond Fund
- Deposit Fund

The IWDC Section also offers two lifestyle options:

- Long Term Growth Lifestyle (the default option)
- Global Equity Lifestyle

The fund range is provided through a "white-labelled" framework to help accommodate underlying manager changes and future enhancements without undue disruption. Within this structure the Trustee considers suitable pooled funds managed by RPMI Railpen, where possible.

The Trustee expects the long-term return on the Long Term Growth Fund and Global Equity Fund to exceed price inflation. The long-term returns on the bond and deposit funds are expected to be lower. However, the bond funds are expected to more closely match the price for annuities, giving some protection in the amount of secured pension for members closer to retirement. The Deposit Fund is expected to provide protection against changes in short-term nominal capital values, and may be appropriate for members close to their target retirement age that plan to receive part of their retirement benefits in the form of tax-free cash.

5. Default arrangement

The aim of the default arrangement is to generate long-term growth in excess of inflation over members' working lifetimes. The IWDC Section may be a members' main form of retirement saving and so the Long Term Growth Lifestyle as the "default arrangement" aims to seek growth with some volatility mitigation due to diversification by investing in the Long-Term Growth Fund during the earlier years. The "at retirement" portfolio has been constructed on the basis that DC members will take 25% of their funds as a tax-free lump sum and buy an annuity with the rest, and the asset allocation therefore de-risks to 25% in the Deposit Fund and 75% in the Aggregate Bond fund over the ten years prior to target retirement. This default strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries.

The DCC reviews the default investment strategy and the performance of the default arrangement (including investment return net of costs) at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members. This review is carried out in conjunction with a review of the AVC funds.

6. Fund annual charges

The Fund Managers, RPMI Railpen and RPMI levy a charge on each fund, calculated by reference to the market value of assets under management. These charges are levied on each member's investments and the members incur these fees. They may vary depending on the fund chosen and manager performance, however they are considered by the Trustee to be reasonable.

7. Risks

There are a number of risks within the IWDC Section including:

- Risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation, although this is not guaranteed over any given period;
- Risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age;
- Risk of lack of diversification. The Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings;
- Risk of underlying Fund Managers and/or RPMI Railpen not meeting their objectives. The Defined Contribution Committee provides oversight to the performance of the funds. The Railpen Investments Board oversees the performance of RPMI Railpen and the Fund Managers on a regular basis; and
- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

The Trustee also reviews these risks as part of each formal strategy review (to coincide with review of the default strategies and arrangements). These take place at least every 3 years or more frequently if appropriate, and without delay after any significant change in investment policy.

Note: Further information and factsheets for the IWDC Section funds (including their asset allocation, risks, expected return and diversification) can be found on the Railway Pensions website **member.railwayspensions.co.uk/in-the-scheme/paying-into-iwdc**.

Illustration of cumulative effect of costs and charges on the value of members’ fund values over time

The effect of costs and charges for each of the funds is provided in the table to the right:

Years	Long Term Growth Fund		Global Equity Fund		Aggregate Bond Fund		Index Linked and Global Bond Fund		Deposit Fund	
	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges
1	£7,588	£7,554	£7,557	£7,542	£7,358	£7,339	£7,312	£7,293	£7,266	£7,253
3	£13,140	£12,990	£13,006	£12,939	£12,161	£12,085	£11,972	£11,894	£11,785	£11,733
5	£19,225	£18,890	£18,925	£18,777	£17,083	£16,922	£16,682	£16,520	£16,291	£16,183
10	£37,053	£35,878	£36,002	£35,489	£29,934	£29,435	£28,704	£28,213	£27,533	£27,214
15	£59,219	£56,511	£56,794	£55,625	£43,613	£42,593	£41,117	£40,137	£38,795	£38,174
20	£86,596	£81,421	£81,958	£79,751	£58,184	£56,452	£53,974	£52,348	£50,148	£49,139
25	£120,225	£111,345	£112,258	£108,515	£73,716	£71,072	£67,334	£64,908	£61,660	£60,187
30	£161,342	£147,137	£148,585	£142,667	£90,282	£86,518	£81,255	£77,877	£73,402	£71,390
35	£211,417	£189,788	£191,972	£183,069	£107,964	£102,861	£95,802	£91,320	£85,443	£82,824
40	£272,197	£240,446	£243,624	£230,712	£126,845	£120,174	£111,042	£105,304	£97,855	£94,563
45	£345,755	£300,442	£304,937	£286,737	£147,019	£138,538	£127,046	£119,899	£110,708	£106,679

The effect of costs and charges for the default arrangement is also provided:

Years	DC Long Term Growth Lifestyle	
	Before charges	After all costs and charges
1	£7,588	£7,554
3	£13,140	£12,990
5	£19,225	£18,890
10	£37,053	£35,878
15	£59,219	£56,511
20	£86,596	£81,421
25	£120,225	£111,345
30	£161,342	£147,137
35	£211,417	£189,788
40	£263,377	£233,173
45	£295,983	£260,019

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. The starting pot size is assumed to be £5,000.
3. Inflation is assumed to be 2.5% each year.
4. Member is assumed to be aged 20, with a target retirement age of 65.
5. Monthly contributions are assumed to start at £200, increasing at 4% (assumed earnings inflation of 1.5%) each year until target retirement age.
6. The assumed growth rates for each fund are as follows (costs and charges shown in brackets):

Long Term Growth Fund:	6.00% (0.56%)
Global Equity Fund:	5.50% (0.25%)
Aggregate Bond Fund	2.25% (0.30%)
Index-Linked and Global Bond Fund:	1.50% (0.31%)
Deposit Fund:	0.75% (0.21%)

7. The assumed growth rates, costs and charges for the default arrangements reflect those of the underlying funds that are held at each point in time.
8. Costs and charges include property expenses and transaction costs.
9. Transaction costs are based on an average of the last 5 years, all other costs and charges are forward-looking estimates.
10. Values shown are estimates and are not guaranteed.

Appendix H
Where to go for help

Trustee and RPIL

Company Secretary
Railways Pension Trustee Company Limited
100 Liverpool Street
London
EC2M 2AT

T: 020 7330 6800
E: enquiries@railpen.com
W: www.railpen.com

Railpen

Further information about the Scheme and individual entitlements can be obtained from:

Director of Rail Administration
Railpen
Stooperdale Offices
Brinkburn Road
Darlington
DL3 6EH

T: 0800 234 3434 (Customer Services Team)
E: csu@railpen.com
W: www.railwayspensions.co.uk

The Pensions Advisory Service ('TPAS')

TPAS is an independent voluntary organisation with local advisers who are experts in pension matters. TPAS can be contacted either through any local Citizens Advice Bureau or at the following address:

The Pensions Advisory Service
120 Holborn
London
EC1N 2TD

T: 0800 011 3797
Online enquiry:
www.pensionsadvisoryservice.org.uk/contacting-us/online-enquiry-form
W: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

If TPAS cannot resolve a complaint or dispute then the Pensions Ombudsman could be contacted at the following address:

The Office of the Pensions Ombudsman

10 South Colonnade
Canary Wharf
London
E14 4PU

T: 0800 917 4487
E: enquiries@pensions-ombudsman.org.uk
W: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

T: 0345 600 0707
E: customersupport@tpr.gov.uk
W: www.thepensionsregulator.gov.uk

Pension Tracing Service

Information about UK schemes (including a contact address) is provided to the DWP Pension Tracing Service. This enables members to trace benefits from previous employers' schemes.

The DWP's Pension Tracing Service can be contacted at the following address:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

T: 0800 731 0193
W: www.gov.uk/find-lost-pension

RPS Registration number: 10203279

Appendix I

Introduction to the pooled fund accounts

This appendix represents a consolidated summary of the Annual Report and non-statutory audited accounts of the pooled funds of the railways pension schemes for the year ended 31 December 2021. The non-statutory accounts have been prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102) and with the guidance set out in the Statement of Recommended Practice (the 'SORP').

These non-statutory financial statements have been audited at the request of the Trustee. The pooled funds are common investment funds, in which only the railways pension schemes can invest. They are set up and operated under regulations approved by HMRC and the Trustee. Although there is no legal requirement to obtain audited accounts for the pooled funds in isolation, the accounts are included in the Scheme financial statements in order to satisfy the disclosure requirements of the SORP, and therefore must comply with the disclosure requirements of the SORP. These consolidated non-statutory pooled fund accounts are also prepared and audited as a separate document in order to provide a basis for the preparation of the Scheme's financial statements, and are approved by the Audit and Risk Committee.

The Trustee places significant emphasis on maintaining high standards of fiduciary governance, and regards the annual audit of the pooled funds as a key component in the furthering of this aim. In addition to providing assurance that the non-statutory financial statements are fairly stated, the audit process assesses and improves internal systems and controls, which are of critical importance to the fulfilment of the Trustee's responsibilities for the effective investment and safeguarding of members' assets. The audit is deemed central to the credibility of the Railways Pension Scheme, with its significant membership base, and provides reassurance in the context of the funds' scale and their material impact on the Scheme financial statements.

The total valuation of the pooled assets as at, 31 December 2021, was £37,653.92m (2020: £32,686.02m). There are in addition £988.35m (2020: £1,125.82m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £38,642.27m (2020: £33,811.84m).

The pooled funds operate as internal unit trusts. They comprise a key element of the arrangements that the Trustee has put in place for the investment of schemes' and sections' assets and provide the railways pension schemes with a means to invest in a wide range of asset classes. The range of pooled funds has been reviewed and simplified in recent years to ensure it is flexible enough to be tailored to the needs and particular circumstances of the railways pension schemes whilst also allowing assets to be invested, as far as possible, as if they belonged to a single pension fund.

The table on page 104 summarises the investments of each of these pooled funds, as at 31 December 2021. The notes on pages 110 to 124 analyse the total pooled assets of £37,653.92m into the categories required by the SORP. The net asset value of each pooled fund at the end of the current and prior years is set out on page 112, and the unit prices on page 111.

Accounting Policies

Investments

Investments are held at fair value. Comparative disclosures have been updated to conform with the current year presentation. The principal bases of investment valuation adopted by the pooled funds are set out below:

a. Listed investments are stated at the bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

b. Fixed interest securities are stated at their 'clean' prices, with accrued income accounted for within investment income.

c. Unquoted securities, including most investments in private equity and infrastructure, are included at the Trustee's estimate of accounting fair value based on advice from the investment managers or other third party advisors.

d. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price, where there are no bid/offer spreads, as provided by the investment managers.

e. The pooled investment vehicle managed by OneFamily Lifetime Mortgages Limited held by the Long Term Income Pooled Fund is stated at fair value. This asset has been valued independently by Ernst and Young who have used agreed assumptions to model expected cashflows and discount back to valuation date.

f. Properties are included at open market value as at the year end date determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued by independent external valuers, Knight Frank and CBRE. Knight Frank and CBRE have experience in the locations and class of investment properties held by the Trustee.

g. Exchange traded derivatives are stated at fair value determined using market quoted prices. Over the counter ('OTC') derivatives are stated at the Trustee Company's estimate of accounting fair value based on advice from third party vendors, external valuers retained by the Trustee through BNY Mellon, who provide a valuation service independent of the fund managers, using pricing models and relevant market data at the year end date.

h. Forward foreign exchange contracts are valued at the forward rate at the year end date.

i. All gains and losses arising on derivative contracts are reported within change in market value of investments during the year.

j. Loans and deposits, current assets and current liabilities are included at book cost, which the Trustee considers represents a reasonable estimate of fair value.

Foreign currencies

Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

Investment income

Investment income is included in the accounts on the following bases:

a. Dividends from quoted equities are accounted for when the security is declared ex-div.

b. Interest is accrued on a daily basis.

c. Property rental income is accounted for on an accruals basis in accordance with the terms of the lease.

d. Commission recapture and securities lending commission are accounted for on a receivable basis.

e. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

f. Investment income arising from the underlying investments of pooled investment vehicles is reinvested within the pooled investment vehicles, reflected in the unit price and reported within the change in market value.

g. Income has been accumulated within the unit prices of the pooled funds and no income distributions have been made to the participating schemes.

Changes in market value of investments

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Subsidiaries and consolidation

Several properties in the Property Pooled Fund are owned by means of an exempt unauthorised unit trust, English limited partnerships, Jersey unit trusts and a number of companies. Subsidiary structures have also been established for specific investments held by the Long Term Income Pooled Fund and the Private Equity Pooled Fund.

In all cases, the share capital or units in all the entities in question are held either directly or indirectly for the beneficial entitlement of the funds named above. All the entities are controlled by the Trustee on behalf of the funds, and hence fall to be subsidiary undertakings of the pooled fund. They have been included in the pooled fund accounts on a full consolidation basis. This consolidation is done voluntarily as this is not a requirement of the SORP.

Derivative contracts: objectives and policies

The Trustee has authorised the use of derivatives by investment managers as part of the investment strategy. Derivatives may only be used by investment managers where they are specifically permitted in the investment management agreement, and each manager must comply with the Trustee's approved derivatives policy.

Investment in derivative instruments may be made only in so far as they contribute to a reduction of risk, or facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income).

At the statement date the only OTC derivatives held were forward foreign exchange contracts. The value at statement date is the gain or loss that would arise from closing out the contract at the statement date by entering into an equal and opposite contract at that date.

At the statement date, the only exchange traded derivatives held were futures. These are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement price at the reporting date and the inception date.

Unit transactions

Units issued and redeemed during the year are shown on a gross basis and include in-specie transfers between sections and pooled funds.

Fund statement as at 31 December 2021

	Equities	Fixed interest securities	Index linked securities	UK property	Pooled investment vehicles	Derivative assets	Derivative liabilities	Cash deposits and cash instruments	Other assets	Other liabilities	Cross holdings	Net assets attributable to unit holders
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	16,246.95	0.08	-	-	3,168.01	73.16	(40.61)	3,489.77	62.21	(19.04)	2,223.70	25,204.23
Private Equity	2.04	-	-	-	2,504,40	0.01	-	163.79	-	(0.83)	-	2,669.41
lliquid Growth	450.73	-	-	-	2,117.14	-	-	51.82	0.01	(1.43)	0.64	2,618.91
Property	-	-	-	2,078.82	-	-	-	119.63	62.12	(36.90)	-	2,223.67
Defined Contribution	-	-	-	-	369.26	-	-	425.72	0.75	(0.75)	1,288.06	2,083.04
Government Bond	-	1,516.20	-	-	-	-	-	2.56	6.14	(0.23)	-	1,524.67
Long Term Income	47.12	178.44	-	136.44	874.79	-	-	77.72	9.59	(0.40)	-	1,323.70
Passive Equity	-	-	-	-	1,074.59	-	-	0.47	-	(0.67)	-	1,074.39
Short Duration Index Linked Bond	-	-	917.82	-	-	-	-	0.84	0.66	(0.14)	-	919.18
Global Equity	-	-	-	-	699.73	-	-	0.02	-	(0.20)	-	699.55
Non Government Bond	-	391.88	-	-	-	6.71	(0.03)	9.06	4.11	(0.18)	-	411.55
Long Duration Index Linked Bond	-	-	214.06	-	-	-	-	0.07	0.08	(0.04)	-	214.17
Infrastructure	-	-	-	-	125.81	-	-	3.95	-	(0.08)	-	129.68
Cash	-	-	-	-	-	-	-	70.19	-	(0.02)	-	70.17
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(3,512.40)	(3,512.40)
Total	**16,746.84**	**2,086.60**	**1,131.88**	**2,215.26**	**10,933.73**	**79.88**	**(40.64)**	**4,415.61**	**145.67**	**(60.91)**	**0.00**	**37,653.92**
%	44.48	5.54	3.01	5.88	29.04	0.21	(0.11)	11.73	0.38	(0.16)	0.00	100.00

The accounting policies on pages 102 to 103 and the notes on pages 110 to 124 form part of these accounts.

Analysis of cross holdings

	Growth	Long Duration Index Linked Bond	Infrastructure	Property	Private Equity	Non Government Bond	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	-	-	-	2,223.67	0.03	-	2,223.70
Defined Contribution	1,236.95	14.43	-	-	-	36.68	1,288.06
Illiquid Growth	-	-	0.08	-	0.56	-	0.64
Total	**1,236.95**	**14.43**	**0.08**	**2,223.67**	**0.59**	**36.68**	**3,512.40**

The accounting policies on pages 102 to 103 and the notes on pages 110 to 124 form part of these accounts.

Movement in unit holders' funds

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Net reinvested income	Change in cross holdings	Total unit holders' funds
Pooled Fund	**£m**		**£m**	**£m**	**£m**	**£m**	**£m**
Growth	21,900.73	361.66	(561.13)	3,248.90	254.07	-	25,204.23
Private Equity	2,434.55	3.24	(618.94)	856.06	(5.50)	-	2,669.41
Illiquid Growth	1,925.80	120.51	-	577.86	(5.26)	-	2,618.91
Property	2,136.87	-	(230.00)	242.61	74.19	-	2,223.67
Defined Contribution	1,759.76	441.94	(353.25)	236.92	(2.33)	-	2,083.04
Government Bond	1,355.39	273.78	(67.95)	(56.03)	19.48	-	1,524.67
Long Term Income	1,111.27	160.00	-	43.46	8.97	-	1,323.70
Passive Equity	1,082.28	-	(233.88)	227.70	(1.71)	-	1,074.39
Short Duration Index Linked Bond	728.15	246.16	(93.39)	(5.26)	43.52	-	919.18
Global Equity	684.24	-	(85.57)	101.89	(1.01)	-	699.55
Non-Government Bond	412.04	64.54	(62.78)	(15.25)	13.00	-	411.55
Long Duration Index Linked Bond	205.17	16.75	(16.91)	3.03	6.13	-	214.17
Infrastructure	165.65	-	(40.20)	4.60	(0.37)	-	129.68
Cash	77.14	-	(6.90)	-	(0.07)	-	70.17
Cross holdings	(3,293.02)	-	-	-	-	(219.38)	(3,512.40)
Total	**32,686.02**	**1,688.58**	**(2,370.90)**	**5,466.49**	**403.11**	**(219.38)**	**37,653.92**

Approved on behalf of the Trustee Company on 29 June 2022.

The accounting policies on pages 102 to 103 and the notes on pages 110 to 124 form part of these accounts.

Christopher Hannon
Chair, Trustee Company

Richard Goldson
Director and Chair, Audit and Risk Committee

Fund statement as at 31 December 2020

	Equities	Fixed interest securities	Index linked securities	UK property	Pooled investment vehicles	Derivative assets	Derivative liabilities	Cash deposits and cash instruments	Other assets	Other liabilities	Cross holdings	Net assets attributable to unit holders
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	13,575.87	-	-	-	3,184.94	184.21	(2.24)	2,799.20	36.35	(14.49)	2,136.89	21,900.73
Private Equity	4.14	-	-	-	2,343.19	0.03	-	87.02	0.58	(0.41)	-	2,434.55
Property	-	-	-	1,943.98	-	-	-	89.91	141.52	(38.54)	-	2,136.87
Iliquid Growth	313.39	1.98	-	-	1,395.06	-	-	213.16	2.63	(0.97)	0.55	1,925.80
Defined Contribution	-	-	-	-	303.64	-	-	300.34	1.67	(1.47)	1,155.58	1,759.76
Government Bond	-	1,340.89	-	-	-	-	-	8.13	6.57	(0.20)	-	1,355.39
Long Term Income	48.09	177.53	-	51.90	804.19	-	-	29.29	1.17	(0.90)	-	1,111.27
Passive Equity	-	-	-	-	1,082.25	-	-	0.33	0.03	(0.33)	-	1,082.28
Short Duration Index Linked Bond	-	-	723.21	-	-	-	-	4.43	0.62	(0.11)	-	728.15
Global Equity	-	-	-	-	684.21	-	-	0.26	-	(0.23)	-	684.24
Non Government Bond	-	394.29	-	-	-	7.68	(0.02)	5.95	4.30	(0.16)	-	412.04
Long Duration Index Linked Bond	-	-	203.96	-	-	-	-	1.16	0.08	(0.03)	-	205.17
Infrastructure	-	-	-	-	160.58	-	-	5.00	0.13	(0.06)	-	165.65
Cash	-	-	-	-	-	-	-	77.15	-	(0.01)	-	77.14
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(3,293.02)	(3,293.02)
Total	**13,941.49**	**1,914.69**	**927.17**	**1,995.88**	**9,958.06**	**191.92**	**(2.26)**	**3,621.33**	**195.65**	**(57.91)**	**-**	**32,686.02**
%	42.65	5.86	2.84	6.11	30.47	0.59	(0.01)	11.08	0.59	(0.18)	-	100.00

The accounting policies on pages 102 to 103 and the notes on pages 110 to 124 form part of these accounts.

Analysis of cross holdings

	Growth	Long Duration Index Linked Bond	Infrastructure	Property	Private Equity	Non Government Bond	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	-	-	-	2,136.87	0.02	-	2,136.89
Defined Contribution	1,108.03	14.70	-	-	-	32.85	1,155.58
Illiquid Growth	-	-	0.10	-	0.45	-	0.55
Total	**1,108.03**	**14.70**	**0.10**	**2,136.87**	**0.47**	**32.85**	**3,293.02**

The accounting policies on pages 102 to 103 and the notes on pages 110 to 124 form part of these accounts.

Movement in unit holders' funds

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Reinvested net income	Change in cross holdings	Total unit holders' funds
Pooled Fund	**£m**		**£m**	**£m**	**£m**	**£m**	**£m**
Growth	20,431.35	195.40	(427.08)	1,511.50	189.56	-	21,900.73
Private Equity	2,221.53	1.10	(392.90)	608.55	(3.73)	-	2,434.55
Property	2,120.12	-	-	(65.41)	82.16	-	2,136.87
Illiquid Growth	1,534.51	255.12	(0.24)	128.87	7.54	-	1,925.80
Defined Contribution	1,602.89	234.63	(199.10)	122.43	(1.09)	-	1,759.76
Government Bond	1,395.20	137.23	(213.81)	15.03	21.74	-	1,355.39
Long Term Income	814.88	250.30	(0.30)	46.72	(0.33)	-	1,111.27
Passive Equity	996.52	23.28	(59.23)	123.02	(1.31)	-	1,082.28
Short Duration Index Linked Bond	774.28	37.20	(93.63)	(1.61)	11.91	-	728.15
Global Equity	714.05	-	(76.50)	47.58	(0.89)	-	684.24
Non Government Bond	453.29	23.43	(87.46)	9.19	13.59	-	412.04
Long Duration Index Linked Bond	189.27	3.15	(14.89)	26.23	1.41	-	205.17
Infrastructure	411.41	-	(258.00)	12.26	(0.02)	-	165.65
Cash	50.43	54.40	(27.80)	-	0.11	-	77.14
Cross Holdings	(3,167.53)	-	-	-	-	(125.49)	(3,293.02)
Total	**30,542.20**	**1,215.24**	**(1,850.94)**	**2,584.36**	**320.65**	**(125.49)**	**32,686.02**

The accounting policies on pages 102 to 103 and the notes on pages 110 to 124 form part of these accounts.

1.1 Consolidated notes to the fund statement

Assets	Notes	2021 £m	2020 £m
Equities		16,746.84	13,941.49
Fixed interest securities		2,086.60	1,914.69
Indexed linked securities		1,131.88	927.17
UK Property		2,215.26	1,995.88
Pooled investment vehicles	1.5	10,933.73	9,958.06
Derivative contracts			
Futures - exchange traded	1.6	20.29	38.78
FX contracts - OTC	1.6	59.60	153.14
Other assets			
Other investment assets	1.7	117.72	99.51
Current assets	1.8	27.95	96.14
Cash deposits and cash instruments	1.9	4,415.61	3,621.33
Total assets		**37,755.48**	**32,746.19**

Liabilities	Notes	2021 £m	2020 £m
Derivative contracts			
Futures - exchange traded	1.6	(3.64)	(0.39)
FX contracts - OTC	1.6	(37.01)	(1.87)
Other liabilities			
Other investment liabilities	1.10	(0.49)	(1.18)
Current liabilities	1.11	(60.42)	(56.73)
Total liabilities		**(101.56)**	**(60.17)**
Net assets attributable to unit holders		**37,653.92**	**32,686.02**

1.2 Pooled fund unit prices as at 31 December

	2021 £/unit	2020 £/unit
Growth Pooled Fund	26.50	22.83
Property Pooled Fund	114.28	98.79
Government Bond Pooled Fund	13.64	13.99
Illiquid Growth Pooled Fund	21.29	16.49
Passive Equity Pooled Fund	29.35	23.89
Short Duration Index Linked Bond Pooled Fund	10.88	10.43
Long Term Income Pooled Fund	9.54	9.14
Global Equity Pooled Fund	136.32	117.75
Infrastructure Pooled Fund	22.19	21.70
Non Government Bond Pooled Fund	16.68	16.78
Long Duration Index Linked Bond Pooled Fund	119.61	115.22
Cash Pooled Fund	10.45	10.46
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	14.06	10.86
Private Equity Pooled Fund 2001	43.58	51.88
Private Equity Pooled Fund 2004	50.22	39.25
Private Equity Pooled Fund 2005	62.48	48.10
Private Equity Pooled Fund 2007	70.95	46.16
Private Equity Pooled Fund 2009	71.42	49.77
Private Equity Pooled Fund 2011	70.11	50.56
Private Equity Pooled Fund 2013	51.67	42.53

	2021 £/unit	2020 £/unit
Defined Contribution Pooled Fund		
DC Global Equity Fund	24.30	19.79
DC Long Term Growth Fund	21.49	18.54
DC Deposit Fund	10.23	10.25
DC Index Linked and Global Bond Fund	17.17	16.89
DC Aggregate Bond Fund	15.43	16.06

1.3 Value of the Pooled Funds

	2021 £m	2020 £m
Defined Contribution Pooled Fund		
Growth Pooled Fund	25,204.23	21,900.73
Private Equity Pooled Fund*	2,669.41	2,434.55
Illiquid Growth Pooled Fund	2,618.91	1,925.80
Property Pooled Fund	2,223.67	2,136.87
Defined Contribution Pooled Fund*	2,083.04	1,759.76
Government Bond Pooled Fund	1,524.67	1,355.39
Long Term Income Pooled Fund	1,323.70	1,111.27
Passive Equity Pooled Fund	1,074.39	1,082.28
Short Duration Index Linked Bond Pooled Fund	919.18	728.15
Global Equity Pooled Fund	699.55	684.24
Non Government Bond Pooled Fund	411.55	412.04
Long Duration Index Linked Bond Pooled Fund	214.17	205.17
Infrastructure Pooled Fund	129.68	165.65
Cash Pooled Fund	70.17	77.14
Cross holdings		
Property Pooled Fund	(2,223.67)	(2,136.87)
Growth Pooled Fund	(1,236.95)	(1,108.03)
Non Government Bond Pooled Fund	(36.68)	(32.85)
Long Duration Index Linked Bond Pooled Fund	(14.43)	(14.70)
Private Equity Pooled Fund	(0.59)	(0.47)
Infrastructure Pooled Fund	(0.08)	(0.10)
Net assets attributable to unit holders	**37,653.92**	**32,686.02**

* See breakdown into pooled fund segments to the right.

	2021 £m	2020 £m
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	2.54	2.05
Private Equity Pooled Fund 2001	8.49	18.12
Private Equity Pooled Fund 2004	15.27	20.97
Private Equity Pooled Fund 2005	43.81	41.70
Private Equity Pooled Fund 2007	778.73	701.01
Private Equity Pooled Fund 2009	262.78	214.09
Private Equity Pooled Fund 2011	1,103.04	1,008.00
Private Equity Pooled Fund 2013	454.75	428.61
	2,669.41	**2,434.55**
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	1,237.92	1,110.13
DC Deposit Fund	423.49	297.98
DC Global Equity Fund	349.35	285.29
DC Index Linked and Global Bond Fund	43.41	29.35
DC Aggregate Bond Fund	28.87	37.01
	2,083.04	**1,759.76**

1.4 Investment income

	2021 £m	2020 £m
Dividends from equities	284.20	256.91
Income from fixed interest securities	40.87	42.06
Income from index linked securities	50.81	14.28
Income from pooled investment vehicles	20.29	5.07
Income from securities lending	2.45	2.86
Income from UK property	99.22	102.27
Interest from cash deposits	(0.48)	9.25
Other income	3.71	0.79
	501.07	**433.49**
Irrecoverable withholding tax	(3.22)	(16.23)
Total income	**497.85**	**417.26**
Administration, custody and other expenses	(40.23)	(50.60)
Investment management fees - base	(1.75)	(2.12)
RPMI fees	(52.40)	(43.19)
Irrecoverable VAT	(0.33)	(0.67)
Tax	(0.03)	(0.03)
	(94.74)	**(96.61)**
Reinvested net income (accrued in unit prices)	**403.11**	**320.65**

During the year the billing process to the funds changed, hence expenses comparatives are not directly comparable on a line by line basis.

1.5 Pooled investment vehicles

The pooled funds had holdings in pooled investment vehicles at the year end that can be analysed as follows:

	2021 £m	2020 £m
UK unquoted – partnerships	1,208.01	1,088.24
UK unquoted - other managed funds	2,466.55	2,382.78
Overseas quoted – other managed funds	1,251.38	29.53
Overseas unquoted - partnerships	5,635.08	4,349.93
Overseas unquoted - other managed funds	335.51	2,068.88
Overseas unquoted - hedge funds	37.20	38.70
	10,933.73	**9,958.06**

The pooled funds are the sole investor in twenty-seven (2020: twenty-eight) pooled investment vehicles included within the above analysis. The assets underlying these sole investor pooled investment vehicles are:

	2021 £m	2020 £m
Fixed interest securities	354.00	369.81
Insurance	42.67	369.06
Private equity	859.87	458.97
Royalties	296.69	186.95
	1,553.23	**1,384.79**

1.6 Derivative contracts

Futures: Future contracts are standardised, transferable, exchange traded contracts that require delivery of a commodity, bond, currency or stock index, at a specified price, on a specified future date. The details of open futures contracts at the year end are as follows:

Type of future	Duration	Notional value at year end	Asset value at year end	Liability value at year end
		£m	**£m**	**£m**
S&P indices	Mar 2022	(965.11)	16.49	-
MSCI EM indices	Mar 2022	(717.49)	-	(3.64)
Japanese topix index	Mar 2022	(159.76)	1.54	-
Euro Stoxx index	Mar 2022	(136.97)	2.26	-
		(1,979.33)	**20.29**	**(3.64)**

Included within cash balances is £116.70m (2020: £78.72m) in respect of initial and variation margins deposited with brokers regarding open futures contracts at the year end.

Forward foreign exchange ('FX') contracts: The pooled funds had open FX contracts at the year end as follows:

Type of contract	Settlement Date	Currency bought million	Currency sold million	Value at year end £m
Assets				
Sterling/US dollar	Jan – Apr 2022	(3,070.13)	3,122.44	52.31
Sterling/Euro	Jan 2022	(820.41)	827.70	7.29
				59.60
Liabilities				
Sterling/US dollar	Jan-Apr 2022	(3,005.25)	2,972.19	(32.68)
Euro/US dollar	Feb 2022	(183.74)	179.80	(3.94)
US Dollar/Sterling		(73.60)	99.14	(0.39)
				(37.01)

Under the terms of FX contracts, each party may be required to place collateral with the other according to whether the outstanding position is a profit or a loss. Under the terms of the above FX contracts the Trustee had received £5.04m (2020: £103.24m) cash in respect of collateral at the year end. Contingent collateral received in this way is not reported within the pooled fund's net assets.

1.7 Other investment assets

	2021 £m	2020 £m
Asset in respect of investment settlements	5.46	1.15
Investment income accrued	24.57	27.33
Recoverable tax	37.87	21.88
Rent receivable	49.82	49.15
	117.72	**99.51**

1.8 Current assets

	2021 £m	2020 £m
Asset in respect of unit trades	0.77	1.68
Trade debtors	17.80	92.01
Tax	(4.37)	0.95
Vat and other	13.75	1.50
	27.95	**96.14**

1.9 Cash deposits and cash instruments

	2021 £m	2020 £m
Cash held in liquidity funds	4,179.13	3,147.53
Cash held at brokers in respect of futures margin	116.70	78.72
Cash at bank	119.78	395.07
Cash collateral held by counterparties	-	0.01
	4,415.61	**3,621.33**

1.10 Other investment liabilities

	2021 £m	2020 £m
Tax payable	(0.49)	(1.18)
	(0.49)	(1.18)

1.11 Current liabilities

	2021 £m	2020 £m
Accrued management fees and expenses	(24.76)	(18.92)
Property income received in advance	(16.35)	(14.86)
Trade creditors	(12.29)	(11.59)
Liability in respect of unit trades	(0.68)	(1.30)
Tax	(6.89)	(8.92)
VAT and other	0.55	(1.14)
	(60.42)	**(56.73)**

1.12 Securities lending

The Trustee has given approval to custodians to lend securities in the market. A principal condition of this approval is that borrowers must meet the Trustee's collateral specifications and a permanent restriction is in place that ensures that shares held in companies that are sponsoring employers of the Railway Pension Scheme are not included in the lending programme.

Further details on the securities lending policy can be found on page 48.

At 31 December 2021, the market valuation of securities that had been lent in the market was £2,325.23m (2020: £2,016.56m).

Collateral held in respect of the securities on loan at 31 December 2021 had a total value of £2,445.53m (2020: £2,136.35m).

1.13 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2020	Units issued/ (redeemed)	Net income	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2021
	£m	£m	£m	£m	£m	£m	£m
Directly held assets							
Equities	13,941.49	-	-	7,172.79	(7,017.45)	2,650.01	16,746.84
Fixed interest securities	1,914.69	-	-	632.29	(394.45)	(65.93)	2,086.60
Index linked securities	927.17	-	-	347.70	(140.76)	(2.23)	1,131.88
Pooled investment vehicles	9,958.06	-	-	3,459.25	(4,536.31)	2,052.73	10,933.73
UK property	1,995.88	-	-	129.41	(153.49)	243.46	2,215.26
	28,737.29	**-**	**-**	**11,741.44**	**(12,242.46)**	**4,878.04**	**33,114.31**
Derivatives							
Futures	38.39	-	-	(267.99)	110.21	136.04	16.65
FX contracts	151.27	-	-	53,690.58	(53,764.75)	(54.51)	22.59
	189.66	**-**	**-**	**53,422.59**	**(53,654.54)**	**81.53**	**39.24**
Cross holdings	3,293.02	-	-	45.11	(315.36)	489.63	3,512.40
Other							
Cash and current assets	3,759.07	(682.32)	403.11	(65,209.14)	66,212.36	17.29	4,500.37
	35,979.04						**41,166.32**
Cross holdings	(3,293.02)						(3,512.40)
Net assets	**32,686.02**						**37,653.92**

1.14 Transaction costs

Included within the pooled funds' purchases and sales in note 1.13 are direct transaction costs of £9.0m (2020: £18.60m) comprising mainly of fees, commissions, stamp duty land tax and legal fees. Included within pooled funds' expenses in note 1.4 are direct transaction costs of £1.47m (2020: £0.70m) relating to legal and due diligence fees.

Together these costs are attributable to the key asset classes as follows:

Year to 31 December 2021	Fees £m	Commission £m	Stamp duty land tax £m	Legal and other £m	Total £m
Equities	5.08	3.52	-	1.28	9.88
Futures	-	0.22	-	-	0.22
Fixed interest securities	-	-	-	-	-
Pooled investment vehicles	-	-	-	0.19	0.19
UK property	-	-	0.18	-	0.18
	5.08	**3.74**	**0.18**	**1.47**	**10.47**

Year to 31 December 2020	Fees £m	Commission £m	Stamp duty land tax £m	Legal and other £m	Total £m
Equities	4.17	3.69	-	-	7.86
Futures	-	-	-	-	-
Fixed interest securities	-	0.20	-	-	0.20
Pooled investment vehicles	-	0.40	1.83	1.08	3.31
UK property	-	-	7.06	0.88	7.94
	4.17	**4.29**	**8.89**	**1.96**	**19.31**

Transaction costs are also borne by the pooled funds in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

1.15 Investment fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than the quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

At 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	16,248.90	47.12	450.82	16,746.84
Fixed interest securities	1,646.46	440.14	-	2,086.60
Index linked securities	1,131.88	-	-	1,131.88
Pooled investment vehicles	-	3,553.18	7,380.55	10,933.73
UK property	-	-	2,215.26	2,215.26
Derivatives				
Futures	16.65	-	-	16.65
FX contracts	-	22.59	-	22.59
Other				
Cash and current assets	4,500.37	-	-	4,500.37
	23,544.26	**4,063.03**	**10,046.63**	**37,653.92**

At 31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	13,578.60	48.09	314.80	13,941.49
Fixed interest securities	1,657.64	257.05	-	1,914.69
Index linked securities	927.17	-	-	927.17
Pooled investment vehicles	98.08	3,193.32	6,666.66	9,958.06
UK property	-	-	1,995.88	1,995.88
Derivatives				
Futures	38.39	-	-	38.39
FX contracts	-	151.27	-	151.27
Other				
Cash and current assets	3,759.07	-	-	3,759.07
	20,058.95	**3,649.73**	**8,977.34**	**32,686.02**

1.16 Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk**: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The pooled funds have exposure to these risks because of the investments they make to implement their investment strategies. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the pooled funds' strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the pooled funds' investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the pooled funds' exposures to credit and market risks is set out below.

A summary of risk exposure for the pooled funds is provided below:

Strategic asset class groupings	2021 £m	2020 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Equities	16,746.84	13,941.49	🟢	🟣	🔴	🔴
Fixed interest securities	2,086.60	1,914.69	🟣	🔴	🟣	🟣
Index linked securities	1,131.88	927.17	🟣	🔴	🟢	🟢
Pooled investment vehicles	10,933.73	9,958.06	🟣	🟣	🔴	🔴
UK Property	2,215.26	1,995.88	🔴	🟣	🟢	🔴
Futures	16.65	38.39	🟢	🟢	🟣	🔴
FX contracts	22.59	151.27	🟣	🟣	🔴	🟢
Cash and other assets	4,500.37	3,759.07	🟣	🟣	🟣	🟢
	37,653.92	**32,686.02**	🟣	🟣	🔴	🔴

🔴 Significant exposure
🟣 Some exposure
🟢 No exposure

Credit risk

The pooled funds are subject to credit risk as they invest in fixed interest securities, OTC derivatives, have cash balances and undertake securities lending activities. The pooled funds also invest in pooled investment vehicles and are therefore directly exposed to credit risk in relation to the instruments they hold in the pooled investment vehicles and are indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on fixed interest securities is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds, which are rated at least investment grade. The pooled funds also invest in high yield and emerging market bonds, some of which are non-investment grade. The Trustee manages the associated credit risk by requesting the investment managers to diversify their portfolios to minimise the impact of default by any one issuer.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Pooled Fund is subject to risk of failure of the counterparty. Credit risk also arises on forward foreign currency contracts. There are collateral arrangements for some of these contracts and all counterparties are required to be at least investment grade. FX collateral balances are detailed in note 1.6.

The pooled funds lend certain fixed interest and equity securities under a Trustee approved securities lending programme. The Trustee manages the credit risk arising from securities lending activities by restricting the amount of overall securities that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. Details regarding securities lending are provided in note 1.12.

Cash is held within financial institutions which are investment grade credit rated.

The pooled funds holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

Currency risk

The pooled funds are subject to currency risk because some of the pooled funds' investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy.

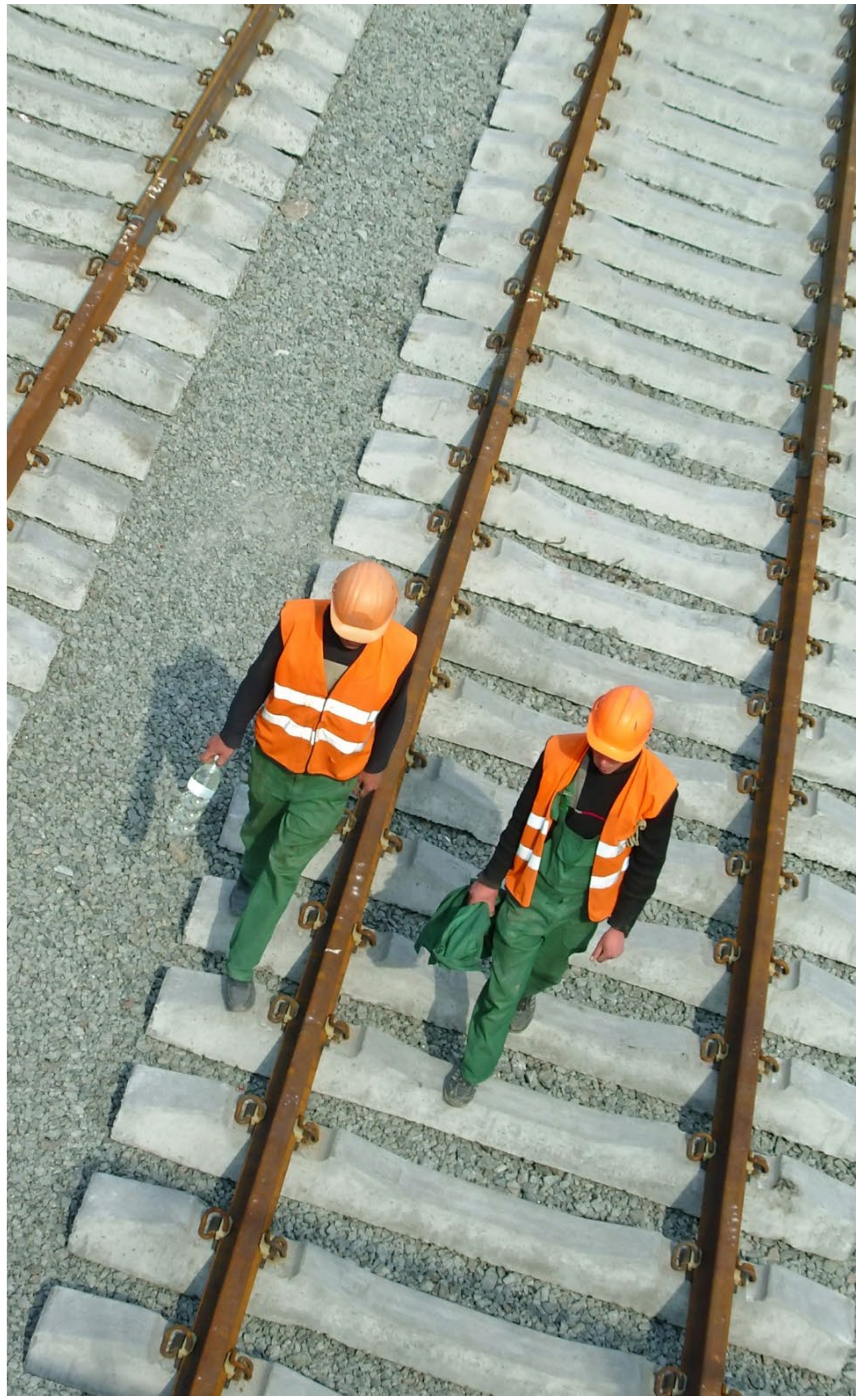
Interest rate risk

The pooled funds are subject to interest rate risk on fixed interest securities and index linked securities held either as segregated investments or through pooled vehicles.

Other price risk

Other price risk arises principally in relation to the pooled funds investments in directly held equities, equities held in pooled vehicles, equity futures, property, property pooled investment vehicles, hedge funds and private equity.

The pooled funds manage this exposure to other price risk by constructing a diverse portfolio of investments across various markets.



1.17 Investment managers during the year

The investment managers used by the pooled funds during the year together with their net assets under management at the year end were as follows:

	2021 £m	2020 £m
Railpen*	27,601.94	21,687.76
Legal and General Investment Management	2,306.01	2,207.88
Horsley Bridge Partners	701.51	574.10
Nephila Capital Ltd	642.72	292.62
Sequoia Capital	474.38	384.42
Insight Investment	413.07	420.44
HealthCare Royalty Partners	296.69	186.95
Avenue Capital Group	291.23	192.90
Amplo	256.49	91.44
Macquarie Infrastructure	235.38	230.59
OneFamily Lifetime Mortgages Limited	231.84	246.19
Columbia Capital	219.36	198.62
Morningside Ventures	217.68	233.25
Riverside	204.55	143.52
LocalGlobe	176.48	62.64
CRC LLC	158.87	40.30
Intermediate Capital Group	158.66	174.90
Generate Capital	143.03	65.26
Long Harbour Limited	142.18	154.29
Constellation	124.89	78.96
Motive Partners	123.19	91.30
Westbridge Capital Partners	117.33	80.40
Innisfree Limited	116.50	116.67
The Cranemere Group	104.44	69.28
Varde	100.17	87.81
Carried forward	**35,558.59**	**28,112.49**

*Included in this balance is cash invested in Liquidity Funds totalling £4,169.94m (2020: £3,180.03m).

	2021 £m	2020 £m
Brought forward	**35,558.59**	**28,112.49**
Accel Partners	100.05	83.84
Greencoat Capital (From May 2020)	94.88	84.60
Private Advisors	82.84	43.61
Presidio Investors	81.28	56.41
Orion Energy Partners	78.03	75.24
Khosla Ventures	74.82	49.37
Soundcore Capital Partners	73.63	42.37
Venor Capital Management	69.42	61.70
Bain Capital	68.50	63.19
White Oak	67.52	70.42
Index Ventures	66.74	65.27
WP Global Partners	50.68	72.01
Thoma Bravo	48.58	48.58
Dalmore Capital Limited	47.33	50.62
Blossom Capital	45.48	20.68
Andreessen Horowitz	44.50	25.56
Bessemer Venture Partners	43.54	25.01
Astra Capital	42.83	20.29
Great Hill Partners	42.73	38.13
Credit Suisse ILS Limited	42.67	369.06
HarbourVest Partners	41.43	50.94
Mount Elbert Capital Partners	40.15	30.51
Carried forward	**36,906.22**	**29,559.90**

	2021 £m	2020 £m
Brought forward	**36,906.22**	**29,559.90**
Highland Capital Partners	39.83	38.43
Balderton Capital	38.81	45.33
Pensions Infrastructure Platform	36.97	74.33
Limerston Capital Partners	34.79	25.28
General Atlantic	33.80	41.19
H.I.G. Capital	30.32	43.88
Institutional Venture Partners	29.16	22.40
Apax Partners	27.14	35.13
Adams Street Partners	25.15	37.73
Cinven	24.81	22.88
Blackstone Alternative Asset Management	24.60	1,520.72
Duke Street	23.19	23.86
Clearsight Investments	23.09	24.78
KPS Capital Partners	21.20	40.27
ClearVue Partners	20.48	23.74
Standard Life Investments	20.42	32.07
Pantheon Ventures	19.89	20.06
Scale Venture Partners	19.75	27.77
Anacap Financial Partners	19.48	24.58
Palatine	18.15	14.37
Innovation Works	17.93	30.38
Schroder Adveq	17.80	10.65
Amaranthine Partners LLC	17.04	9.37
General Catalyst	15.41	15.73
Hony Capital	13.43	18.17
Charlesbank Capital Partners	12.44	25.06
Kobalt Music Group	12.02	323.29
Carried forward	**37,543.32**	**32,131.35**

	2021 £m	2020 £m
Brought forward	**37,543.32**	**32,131.35**
Grosvenor Capital Management	10.47	11.71
Berkshire Partners	10.33	13.03
Goldman Sachs Asset Management	9.49	40.90
Navis Capital Partners	9.04	14.47
Triton Partners	9.02	8.01
Ares Management	8.54	11.57
Peak Rock Capital	8.36	11.35
Innova	7.54	12.02
Domain Partners	6.52	8.42
Southern Cross Group	5.83	7.64
Sankaty Advisors	5.16	9.66
Archer Capital	4.81	5.47
Oaktree Capital Management	4.16	3.68
CI Capital Investors	3.76	3.88
Abry Partners	1.99	2.36
Warburg Pincus	1.83	8.37
Semble Partners II LLC	1.64	-
AQR Capital Management	0.87	370.57
Headland Capital Partners	0.84	4.61
EQT Funds Management	0.25	0.27
Governance for Owners Group	0.11	0.09
Arcus Infrastructure Partners	0.04	3.58
Blakeney Management	-	1.03
Owl Rock Capital Advisors	-	1.98
	37,653.92	**32,686.02**

1.18 Performance

Performance is calculated by Railpen based on changes in the relevant pooled fund unit prices, which are net of fees, over the period.

The performance of the Global Equity Pooled Fund is measured against a composite comparator which at the year end comprised:

	2021 %	2020 %
FTSE North America Index	25.00	25.00
FTSE All Share Index	20.00	20.00
FTSE Developed Europe (ex UK) Index	20.00	20.00
FTSE Developed Asia Pacific Index	20.00	20.00
MSCI Emerging Markets Index (50% hedged to GBP)	15.00	15.00
	100.00	**100.00**

The Global Equity Pooled Fund adopts a passive hedging strategy whereby 50% of the overseas developed markets currency exposure in the pooled fund is hedged back to Sterling.

The comparators that all other pooled funds were measured against during the year are shown in the table below:

Pooled Fund	Comparator
Growth	UK Consumer Price Index +4% from 1 May 2021 (previously UK Retail Prices Index +4%)
Private Equity	MSCI ACWI Index
Property	UK Consumer Prices Index +4% from 1 May 2021 (previously UK Retail Prices Index +4%)
DC Global Equity	FTSE World Developed Markets GBP Hedged
DC Long Term Growth	UK Consumer Price Index +4% from 1 May 2021 (previously UK Retail Prices Index +4%)
DC Deposit	1M Sonia from 01 December 2021 (previously GBP 1M Libor)
DC Index Linked and Global Bond	Composite comparator comprising: 50% Bloomberg Barclays Global Gilts over 15 years Index 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged
DC Aggregate Bond	Composite comparator comprising: 50% FTSE Actuaries UK Conventional Gilts over 15 years Index 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged
Illiquid Growth	UK Consumer Prices Index +6% from 1 May 2021 (previously UK Retail Prices Index +4%)
Government Bond	FTSE World Government Bond Index (WGBI) 3-7 Years GBP
Passive Equity	FTSE World Developed Markets GBP Hedged
Long Term Income	UK Consumer Price Index +1% from 1 May 2021 (previously UK Retail Prices Index)
Short Duration Index Linked Bond	Bloomberg Barclays UK Gilts 1 to 10 Years Index
Infrastructure	UK Retail Prices Index +4%
Global Equity	FTSE World Developed Markets GBP Hedged
Non-Government Bond	Bloomberg Barclays Global Aggregate Corporate Index GBP Hedged
Long Duration Index Linked Bond	Bloomberg Barclays UK Gilt 15+ Years Index
Cash	1M SONIA from 1 December 2021 (previously GBP 1M LIBOR)

The return of each pooled fund as measured by Railpen is shown in the table below:

Pooled Fund	Actual 2021	Comparator 2021	Actual last 5 years	Comparator last 5 years
	(%)	(%)	(%)	(%)
Growth	16.2	10.8	9.6	7.5
Private Equity	60.3	19.6	24.1	12.3
Property	15.7	10.8	5.6	7.5
Government Bond	(2.5)	(2.8)	0.6	0.6
Illiquid Growth[1]	33.8	12.2	13.3	7.7
Passive Equity	22.9	22.6	13.4	13.0
Short Duration Index Linked Bond[1]	4.3	4.4	2.0	2.3
Long Term Income[1]	5.4	7.3	1.8	3.5
Global Equity	15.8	15.2	10.2	9.8
Infrastructure	3.4	11.9	4.8	7.7
Non-Government Bond	(0.6)	(1.0)	3.9	3.6
Long Duration Index Linked Bond	3.8	4.0	5.5	5.6
Cash	(0.1)	0.1	0.3	0.4
DC Long Term Growth	16.1	10.8	9.5	7.5
DC Deposit Fund	(0.1)	0.1	0.3	0.4
DC Global Equity Fund	22.9	22.6	13.3	13.0
DC Aggregate Bond Fund	(3.9)	(3.9)	4.0	4.0
DC Index Linked and Global Bond	1.7	1.9	4.7	4.8

[1] These pooled funds have been in existence for less than five years therefore the figures given in the table are since inception returns rather than five year returns.