RAILWAYS PENSION SCHEME

2023 Annual Report

and Audited Financial Statements

Principal Advisers to the Trustee

Professional service	Adviser
Scheme and Investment Administrator	Railpen Limited ('Railpen')
Investment Manager and Manager of Investment Managers	Railway Pension Investments Limited ('RPIL')
Actuaries	James Mason, Willis Towers Watson ('the Scheme Actuary') Government Actuary's Department (joint Actuary for the 1994 Pensioners Section and BR Section)
External Auditor	KPMG LLP
Legal Advisers	Linklaters Sacker & Partners Slaughter and May
Custodian	Bank of New York Mellon
Clearing Bankers	National Westminster Bank
Tax Advisers	PricewaterhouseCoopers Ernst & Young

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:

Chief Officer, Benefits
Railpen
Stooperdale Offices
Brinkburn Road
Darlington
DL3 6EH

T: 0800 012 1117 (Customer Services Team)
E: csu@railpen.com
W: www.railwayspensions.co.uk

MoneyHelper

MoneyHelper is a consumer-facing service, providing free and impartial money and pensions guidance. This is provided by the Money and Pensions Service, an arm's-length body, sponsored by the Department for Work and Pensions. MoneyHelper can be contacted through any local Citizens Advice Bureau or at the following address:

Money and Pensions Service
Bedford Borough Hall
138 Cauldwell Street
Bedford
MK42 9AP

T: 0800 011 3797

Online enquiry:

www.moneyhelper.org.uk/en/contact-us/pensions-guidance/pensions-guidance-enquiry-form
W: www.moneyhelper.org.uk

Pensions Ombudsman

If MoneyHelper cannot resolve a complaint or dispute, the Pensions Ombudsman can 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
Telecom House
125-135 Preston Road
Brighton
BN1 6AF

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 Department for Work and Pensions' ('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:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF

T: 0800 731 0193
W: www.gov.uk/find-lost-pension

Railways Pension Scheme ('RPS')
Registration Number: 10203279

Summary of the Core Provisions of the Scheme

The Railways Pension Scheme ('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, or if they have a right stated in paragraph 8 of Schedule 11 of the Railways Act 1993.

Members of each of the sections of the Shared Cost and the Defined Contribution ('DC') Arrangements of the RPS were contracted out of the Additional State Pension arrangements ('S2P'), until the option to contract out was abolished. This was from 6 April 2012 for DC schemes, and from 6 April 2016 for defined benefit ('DB') schemes. The Industry-Wide Defined Contribution ('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' sections have introduced rules specific to that section only, which differ from the summary on page 6. Each section's rules, and each section's Member Guide which summarises the rules, are available in the members' area of the Scheme's website, or upon request.

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 section's assets and provide the compensation to the section's members. In many cases, the compensation provided by the PPF would be lower than the benefits members could have received from the section that entered the PPF.

Industry-Wide Defined Contribution Section

The IWDC Section's participating employers can choose their contribution rates, normal retirement date and lump sum amount on death in service. Contributions range from upwards of 6% of pensionable pay, and normal retirement ages range from 60 to 65. However, members are only required to start taking their benefits at age 75. Lump sums are typically either one times the amount of pensionable pay, or four times the pensionable pay on death in service. At retirement, members have the option to either 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, directly from the Scheme.

Pension increases

Pensions in the defined benefit sections increased by 10.1% with effect from 10 April 2023. 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 2022.

Active members

Contributions

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

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 the 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 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 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 (or later if Pension Age is later than 60) calculated as for retirement from Pension Age. 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, directly from the Scheme.

Additional Voluntary Contributions

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

Death in service

Nominated dependants or personal representatives will typically receive:

A lump-sum death benefit, which is typically between one and four times the 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.

Chair's Introduction

The Trustee Board has the privilege of supporting hundreds of thousands of people working within our Rail industry. Our membership is a wonderfully diverse group of people doing an equally diverse variety of roles, from train drivers and engineers, to accountants, customer support staff, cleaners, and everything in between. We support them all, from those who have retired, to the 18-year-old apprentice starting their first day in the industry.

All of our members rely on us to provide them with a secure income when they retire. This is increasingly important against the continued backdrop of political and economic challenges we all face - both in the UK and globally.

As the Chair of the Trustee, it's my responsibility to ensure transparency, accountability and effective governance across the railways pension schemes, to ensure we are serving all members diligently.

Throughout the year, the Trustee Board has overseen the operations of the Scheme, guided by our mission to pay members' benefits securely, affordably and sustainably. Members are at the heart of everything we do, and we feel the gravitas of the impact we have on their future lives and take this very seriously.

As we embark on another year of serving our members, I am delighted to share some highlights and updates from the past year. 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 2023 on behalf of your Trustee Board.

Investment performance

Markets were dominated by monetary policy in 2023, with continued high interest rate rises that led to inflation rates starting to fall, albeit remaining at above-target levels. Weaker economic data raised the prospect of interest rate cuts continuing into 2024, resulting in equities delivering positive performance over the year.

High inflation and interest rates also resulted in a difficult period for bond markets globally. Towards the end of the year, the weaker economic data created a shift in the interest rate outlook for 2024, meaning that the market improved. Bond performance was generally positive, with the exception of long-dated index-linked gilts. Private markets were challenged as deal activity was subdued.

Against this backdrop:

- the Growth Pooled Fund, which represents approximately two-thirds of the Scheme's assets, returned 9.0%.
- the Illiquid Growth Fund, which holds private investments, returned 0.5%. We also note the performance lag that is typical of private market investments.
- the Long-Term Income Fund returned -15.3%.

Overall, the Scheme's assets returned 4.8% in 2023, net of all fees, and over the past 10 years, the return has been 7.5% per annum. Over the last decade, Scheme DB pooled fund assets have increased from £18.0 billion to £31.0 billion, and benefit payments have exceeded contributions by approximately £5.2 billion. This means that investment returns have delivered £18.2 billion, an increase of 101%, showing just how important investment returns are to the Scheme, its members and employers.

As the global economy looks to exit its interest rate hiking cycle, the outlook for investment markets remains uncertain. As almost half of the world's population goes to the polls in 2024, the outcomes of these elections will set the direction for years to come.

Supporting members and employers

Member trends continue to show a preference for digital, with increased contact through email and over 116,000 members now registered to the portal (representing around one-third of the total membership). Where members have the ability to perform a transaction online, they will, with over 70% of estimates taking place online and 99% of switches carried out via the self-serve portal.

Some challenges were faced in the year, as increased regulation with transfers resulted in an impact to the speed of service for members. Whilst we are managing member expectations, protecting members' benefits remains the priority.

A programme of continual improvement continues as we strengthen systems and processes, to enhance the service and regulatory requirements, including changes to the Lifetime Allowance ('LTA') and preparing for Pensions Dashboards. The Scheme itself has continued to evolve, requiring us to carry out robust and controlled changes to systems and calculations and to implement special projects to support employer-driven initiatives.

We have maintained the authorised status of the Master Trust and developed the fund range offered to members.

Governance

The Board suffered the sad loss of Gerry Doherty who died in September 2023. Gerry was a great servant of rail industry employees throughout his career, both in the trade union movement and as General Secretary of the TSSA, and latterly as a Trustee Director, safeguarding members' pension benefits. He was a friend and colleague. His wise counsel was valued by me and the whole Trustee Board, and by Railpen on whose board he served as a Trustee Non-Executive Director for three years. Gerry will be missed by all who worked with him and knew him, but the mark he made on our industry and our Scheme will last for many years to come.

Mark Engelbretson also left his role at Network Rail in December 2023. The Trustee is grateful for the six-and-a-half years of dedication he gave to the Trustee Board during his tenure. We wish Mark well in his future endeavours as a professional pension trustee.

Into these vacancies, we have welcomed Richard Jolly as an Employer Director, nominated by Network Rail, and Iain Anderson as an Employee Director, nominated by the TSSA. The Trustee is committed to increasing the diversity of experience, skills and perspectives on the Board, and I look forward to further engagement with organisations across the rail industry to improve succession, planning ahead of future retirement and election cycles. Trusteeship offers unique opportunities to people from all backgrounds to develop Board-level skills and to serve the needs of hundreds of thousands of current and future Scheme members. We will continue to focus on making our Board as inclusive as possible, so that the Trustee reflects the rich diversity of the members it serves and to ensure our discussions and decisions are as effective as they can be.

Ready for the future

As we look forward to 2024, the Board remains focused on its mission to pay members' benefits securely, affordably, and sustainably for the long term. On behalf of the Trustee Board, I am grateful for the commitment of everyone involved with the Scheme and the strong relationships we have with all stakeholders to continue to deliver high quality pensions for our members.

Christine Kernoghan
Chair, Trustee Company

The Railways Pension Scheme Background

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 144 (2022: 153) 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 107 sections (2022: 107 sections) across the six parts of the RPS as illustrated to the right:

Railways Pension Scheme

	1994 Pensioners Section	Shared Cost Arrangement	Defined Contribution Arrangement	Defined Benefit Arrangement	Omnibus Section	IWDC Section
sections	1	104	0	0	1	1
employers	1	104			32	39
members	79,591	261,659			785	15,512

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 core provisions of the Scheme is shown on page 5.

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 railways pension schemes were also transferred to the 1994 Pensioners Section in 2007, after agreement between the Trustee and the Department for Transport ('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 2023, 90 of the 104 Shared Cost sections had active members and 34 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 2023, 27 employers with active members (2022: 33 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. The IWDC Arrangement aims to provide employers with a flexible Defined Contribution scheme. At the end of 2023, 39 employers were part of this Arrangement (2022: 37 employers).

At 31 December 2023, there were no members in the Defined Contribution Arrangement as all members in the Defined Contribution Arrangement transferred to the IWDC 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 information. Each section is independently valued by the Scheme Actuary.

The financial statements have been prepared and audited in accordance with the regulations made under Sections 41 (1) and (6) of the Pensions Act 1995.

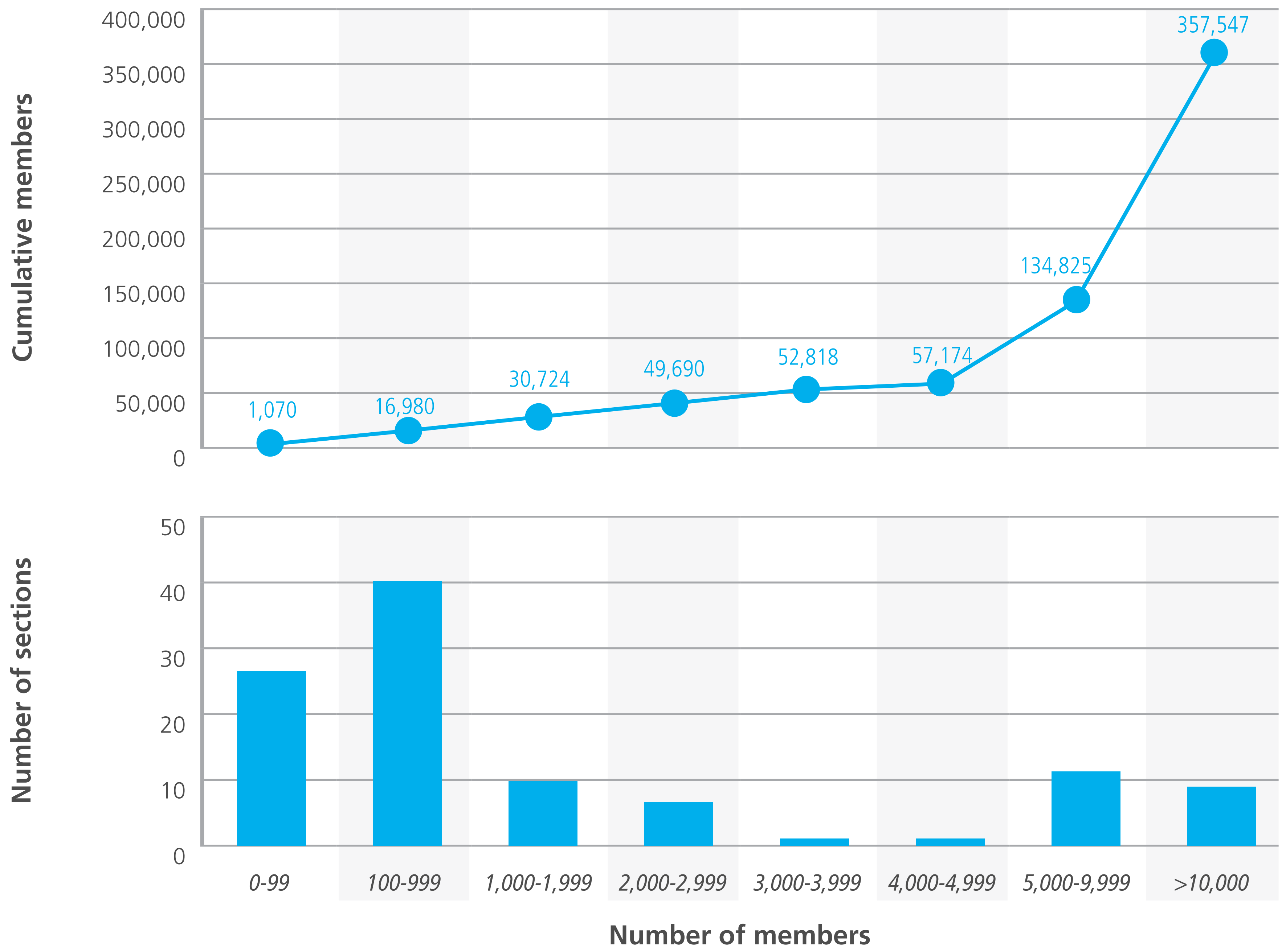
Pensions Committees

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	2023	2022	2021	2020	2019
Sections	**107**	107	106	108	107
Employers	**176**	184	176	175	178
Active membership	**99,381**	99,496	99,904	99,751	98,724
Preserved membership	**113,266**	112,050	109,680	109,055	104,457
Pensioners	**144,900**	142,518	140,331	138,579	138,447
Total membership	**357,547**	**354,064**	**349,915**	**347,385**	**341,628**

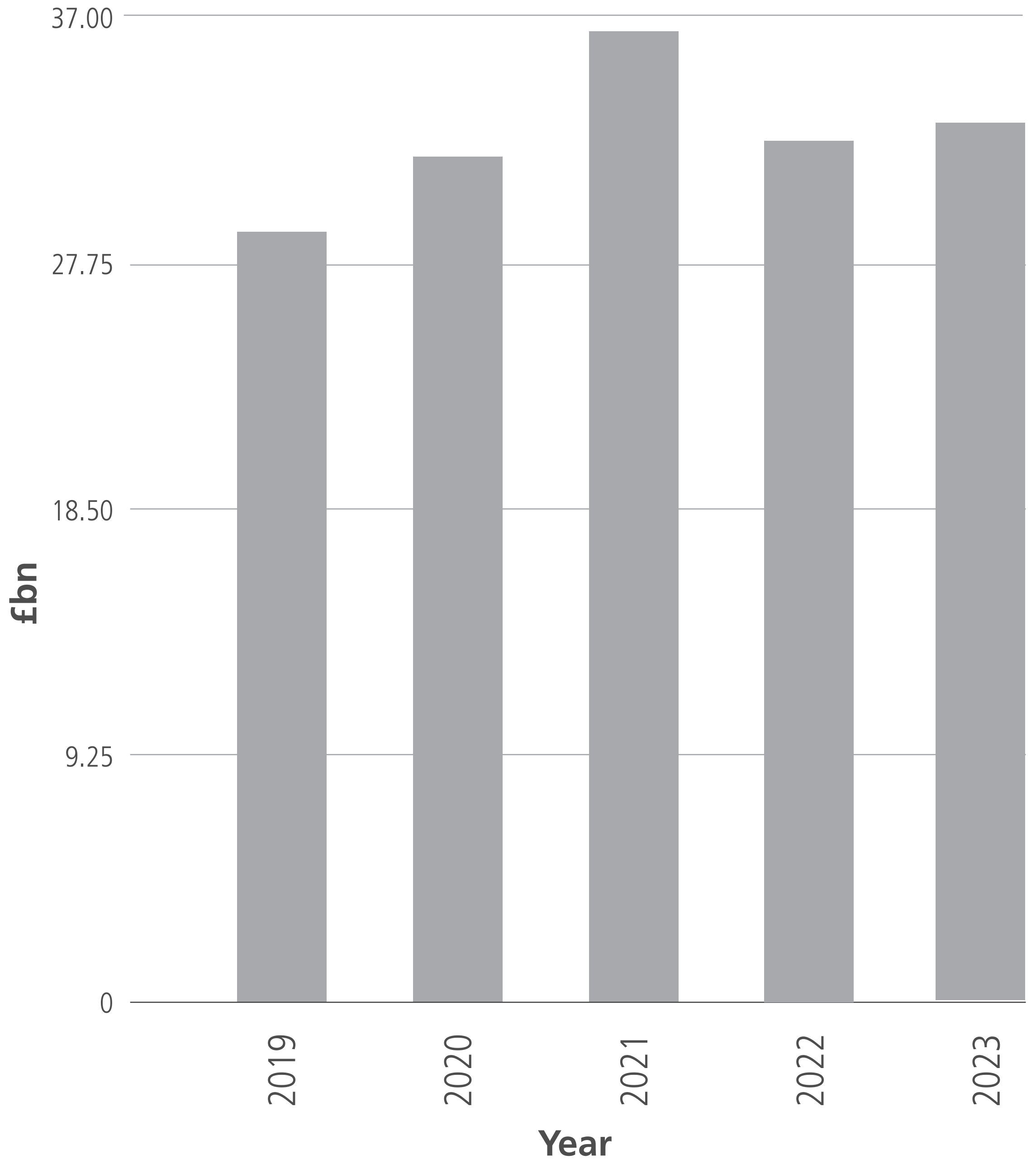
Comparison of membership of sections



Five-year summary of financial statements of the RPS

At 31 December	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Scheme benefits					
Pensions	**(1,026)**	(942)	(900)	(889)	(861)
Lump sums	**(306)**	(333)	(262)	(216)	(232)
Death benefits	**(35)**	(36)	(36)	(41)	(29)
Total benefits	**(1,367)**	**(1,311)**	**(1,198)**	**(1,146)**	**(1,122)**
Scheme income					
Member's contributions	**378**	372	362	346	312
Employer's contributions	**432**	423	419	407	412
Government support	**12**	8	8	13	14
Total contributions	**822**	**803**	**789**	**766**	**738**
Net transfer values	**(1)**	(20)	(29)	(27)	(322)
Admin expenses	**(32)**	(26)	(24)	(26)	(15)
PPF levies	**(40)**	(52)	(55)	(65)	(50)
Purchase of annuities	**(2)**	(1)	(2)	-	-
Taxation where lifetime allowance exceeded	**(1)**	-	(1)	(1)	(1)
Net investment income	**564**	521	380	303	400
Interest on cash deposits	**7**	2	-	-	-
[redacted]	**1,175**	[redacted]			
Net increase/(decrease) in the Scheme	**1,125**	**(3,874)**	**4,608**	**2,189**	**3,158**
Net assets of the Scheme	**33,958**	**32,833**	**36,707**	**32,099**	**29,910**

Five year summary of net assets of RPS



Total membership

357,547

Net increase in the Scheme

£1,125m

Net assets of the Scheme

£33,958m

The Trustee Company Annual Report

Railways Pension Trustee Company Limited (‘the Trustee’)

The Trustee is the trustee of four railway industry pension schemes. 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.

Railtrust Holdings Limited (‘RHL’)

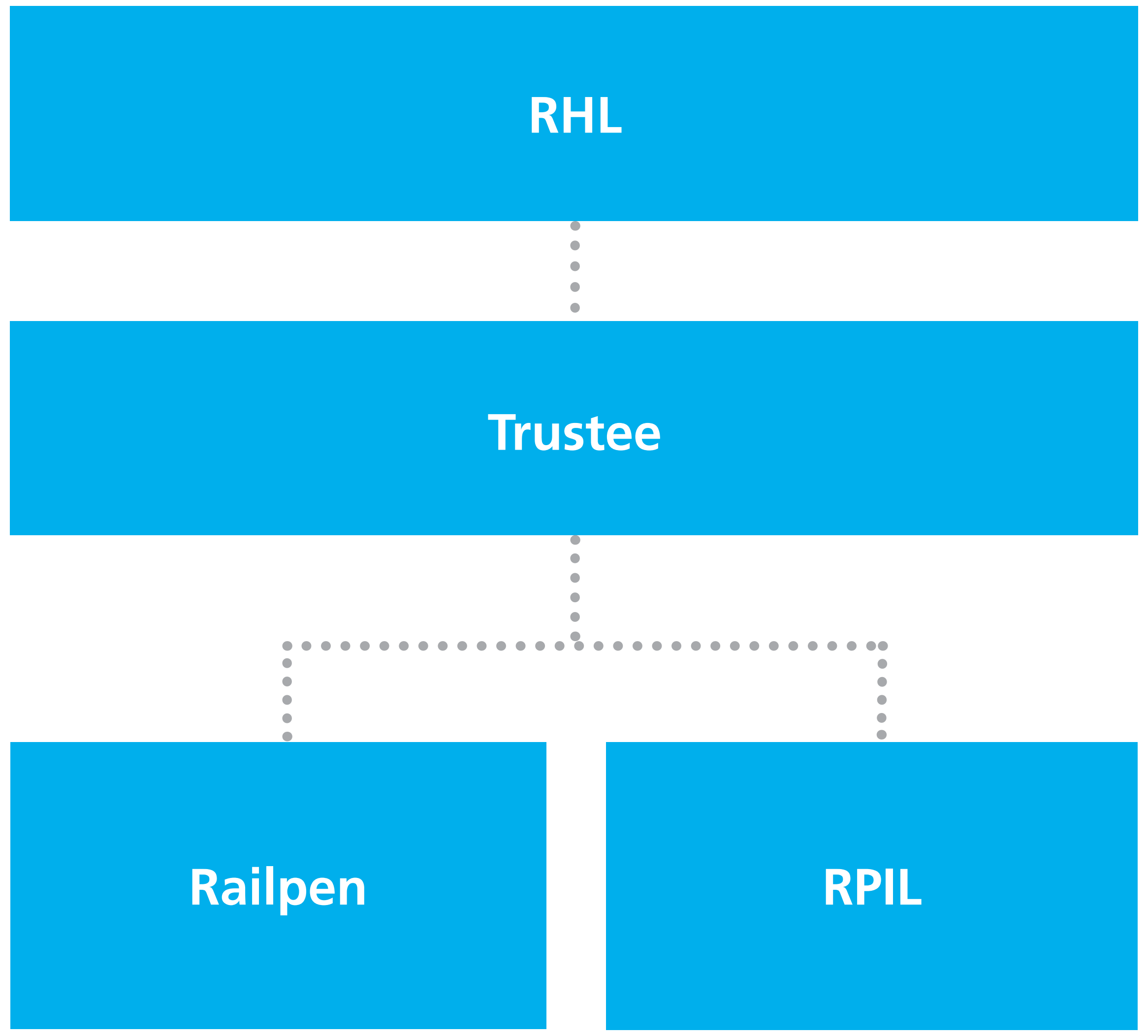
The Trustee is owned by RHL, a company limited by guarantee. Designated employers of sections in the RPS, Omnibus employers in the RPS, IWDC employers in the RPS, and the principal employers of the other schemes of which the Trustee is a trustee, are all required to become a member of RHL. RHL is owned equally by its guarantor members, irrespective of their 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 employees and two on behalf of pensioners (including preserved members). Approximately one-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 2023



Operating Companies

The Trustee has two wholly-owned operating subsidiaries, Railpen and 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 2023 are set out below:

Railpen

Railpen employs around 700 staff across three offices in Coventry, Darlington and London.

Railpen carries out activities on behalf of the Trustee and its Third Party Administration clients, 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 advisers, such as actuaries and lawyers, and
- preparation of and maintenance of accounts for the companies, schemes, pooled funds and sections

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 2023 and up to the date of signing of the financial statements, was as follows:

Name	Position
Michael Craston (Chair)	Independent Director
Stuart Blackett[1]	Chief Financial Officer
Alison Burns	Independent Director
Michael Cash[2]	Trustee Director
John Chilman	Chief Executive
Gerry Doherty[3]	Trustee Director
Fatima Hassan[4]	Trustee Director
Richard Jones[5]	Trustee Director
Richard Murray	Trustee Director
Maura Sullivan[6]	Independent Director / Chief Financial Officer
Gary Towse	Trustee Director

1. Stuart Blackett resigned from the Board on 8 January 2024.
2. Michael Cash was appointed to the Board on 14 September 2023.
3. Gerry Doherty resigned from the Board on 1 August 2023.
4. Fatima Hassan was appointed to the Board on 1 January 2024.
5. Richard Jones resigned from the Board on 31 December 2023.
6. Maura Sullivan resigned from the Board as an Independent Director on 31 December 2023 and was appointed to the Board as an Executive Director on 14 March 2024.

The Railpen Board has two committees that report solely to the Railpen Board: the Benefits Advisory Committee, which is to provide advice to the Board on the strategic initiatives of the Benefits business, 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 to both boards: the Remuneration and Nominations Committee, which oversees pay and reward issues in Railpen, and sets pay for Executive Directors and senior officers; the Railpen Enterprise Risk Committee, which 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, which is to provide the RPIL and Railpen Boards with assurance on the effectiveness of internal controls and the governance framework.

Railpen activities

Against the backdrop of another challenging year with difficult market conditions, we have successfully delivered a number of key outcomes. The 2022 tri-annual valuation assumptions, consultations and draft results were delivered in 2023, and further to the gilt movements in 2022, the funding positions for sections are at all-time highs. We continued to "lock-in" many of these improved funding positions in 2023. As part of this valuation work, we agreed a revised, more modern investment philosophy, which replaces the previous Risk, Return and Liquidity structure and means that the investment strategies for sections are more likely to meet their specific needs.

The Industry Led Initiative, supported by Railpen, for Train Operating Company ('TOC') valuations, received support at the highest level from all parties (DfT, TPR and Unions), and we are now progressing the normal consultation process with employers and pension committees to complete the outstanding valuations. This is likely to mean that the valuations can be completed with no changes to benefits, and no/modest changes to contributions. Without the Industry Led initiative, we could have seen benefit reductions, and this may have caused the whole future of the shared cost arrangements for TOCs to be considered.

All of this has been achieved through the enhanced capabilities of our Fiduciary Business Unit and broad functional collaboration from across Railpen.

Railpen, as a mutual, must cover the costs it incurs to support our Rail clients and the Trustee. We recognise the impacts of the ongoing financial pressures caused by inflation and high interest rates on the members and employers that we serve and remain mindful of the need to deliver the best service to our customers in a value for money way.

Our cultural change programme 'Belonging at Railpen', established in 2022, continues to evolve with focus on developing the employee valuation proposition ('EVP') in areas such as leadership development, career progression, developing our diversity, equity and inclusion strategy, focusing on the health, safety and wellbeing of colleagues, developing relationships with colleagues through Colleague Connection forums and the development of organisational values and behaviours. In December 2023, we also saw the highest ever year end and joint highest ever eNPS (Employee Net Promoter Score) for Railpen. This is a reflection of how strongly many of our people would recommend Railpen as a place to work.

In 2023, Railpen was shortlisted for and won a number of industry awards. These include recognition of our Sustainability team, our investment innovation, pension scheme communication and overall performance as a pension fund.

We continue to invest in our core IT infrastructure to ensure that we remain operationally resilient and secure. We are also investing in contemporary tools and systems to enable us to continue to deliver services in an efficient, fit for purpose manner.

In late 2023, we agreed a set of strategic goals which are with the Railpen executive for consideration. They will report back to us through 2024, with recommendations on the prioritisation and mobilisation of the operational delivery of our strategy, aligned to a longer-term business plan.

Scheme administration

An ongoing review of the Scheme's administration systems and processes is being undertaken. Some issues with a number of railways pension schemes' member payments have been identified. These issues are still under internal review and cannot be quantified at this time. In addition, there may be regulatory reporting required, which is also currently under consideration.

Any corrections to member payments will be met from Scheme assets and will be reported in the Scheme's financial statements. Any costs or losses (other than corrections of benefit payments already made to members) that arise in the remediation of these issues will be reported in the Scheme administrator's financial statements and these costs under certain circumstances will be recovered from the Scheme's assets. At the date of approval of these financial statements it is not possible to reliably estimate the potential value of any costs or losses.

Work is underway to formalise the approach to this work and engage with all relevant stakeholders.

Remuneration Policy and Railpen employee disclosures

Delivering value for members and employers

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

As set out on page 15, 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 colleagues 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 colleagues engaged in investment activities are charged to the pooled funds and are shown within note 1.4 of Appendix C. The total cost associated with employees provided by Railpen during the year ended 31 December 2023, was £67.7m (2022: £60.0m), an increase of 12.8%.

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 colleagues 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 deliver the right balance between long-term 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 and Customer Duty) for the various parts of our business
    - This Policy also takes into account the requirements under Principle 12 of the FCA's Principles for Businesses, which require Railpen to ensure colleague incentives, performance management and remuneration structures are designed in a way that is consistent with ensuring good outcomes for retail customers (as defined in the FCA Handbook to include members of some of the railways pension schemes).

Our Reward Policy includes the following key elements:

- base salary, which is benchmarked annually
- annual bonus plan, aimed at motivating and rewarding top performance
- Long-Term Investment Plan ('LTIP') arrangement to align the interests of colleagues who have a 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

Remuneration in 2022/23

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

Range	2022	2021
	Number	Number
£750,000 - £799,999	1	-
£650,000 - £699,999	1	-
£600,000 - £649,999	-	1
£550,000 - £599,999	1	2
£500,000 - £549,999	1	-
£450,000 - £499,999	-	1
£400,000 - £449,999	4	2
£350,000 - £399,999	7	6
£300,000 - £349,999	8	5
£250,000 - £299,999	18	13
£200,000 - £249,999	27	14
£150,000 - £199,999	33	32
Total	101	76

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 are revalued annually until they are 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 2023	High earners £m	Executive Directors £m	Trustee Directors £m	Total key management personnel £m
Salary and benefits	15.9	0.6	0.4	16.9
Annual bonus	7.0	0.2	-	7.2
LTIP	2.0	0.2	-	2.2
Total compensation earned in 2023	**24.9**	**1.0**	**0.4**	**26.3**
Less:				
LTIP – will be revalued and paid in 2026	(2.0)	(0.2)	-	(2.2)
Add:				
Annual incentives from 2021 paid in the year	0.9	0.2	-	1.1
Total compensation paid in 2023	**23.8**	**1.0**	**0.4**	**25.2**

Long-Term Investment 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. 38 LTIP awards were made in the current year with a notional value of £2.2m, of which two 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 provides advice on the pooled funds, macro-environment, investment plan, and investment risk, to make investment decisions, and to 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 2023, and up to the date of signing the financial statements, the membership of the RPIL Board was as follows:

Name	Position
Michael Craston (Chair)	Independent Director
Stuart Blackett[1]	Chief Financial Officer
Alison Burns	Independent Director
Michael Cash[2]	Trustee Director
John Chilman	Chief Executive
Gerry Doherty[3]	Trustee Director
Fatima Hassan[4]	Trustee Director
Richard Jones[5]	Trustee Director
Richard Murray	Trustee Director
Maura Sullivan[6]	Independent Director / Chief Financial Officer
Gary Towse	Trustee Director

1. Stuart Blackett resigned from the Board on 8 January 2024.
2. Michael Cash was appointed to the Board on 14 September 2023.
3. Gerry Doherty resigned from the Board on 1 August 2023.
4. Fatima Hassan was appointed to the Board on 1 January 2024.
5. Richard Jones resigned from the Board on 31 December 2023.
6. Maura Sullivan resigned from the Board as an Independent Director on 31 December 2023 and was appointed to the Board as an Executive Director on 14 March 2024.

Activity of RPIL

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. It 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 C.

RPIL delegates the day-to-day management of the pooled funds to the executive team. The Chief Officer, Fiduciary and Investment Management is responsible for the investment of all assets in the pooled fund range and 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 services	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 table below shows the Employer Directors during 2023 and up to the date of signing the financial statements, their date of retirement by rotation, and nominating constituency:

Name	Nominating Constituency	Date of retirement by rotation
Christine Kernoghan (Chair)	Passenger train operating companies	2028
Mark Engelbretson[1]	Network Rail	2024
Adam Golton	Passenger train operating companies	2026
Fatima Hassan	Network Rail	2026
Richard Jolly[2]	Network Rail	2030
Richard Jones	All employers	2028
Anjali Lakhani	Freight train operating companies and support services	2028
Richard Murray	Passenger train operating companies	2024
John Wilson	Freight train operating companies and support services	2026

1. Mark Engelbretson resigned from the Board on 1 December 2023.
2. Richard Jolly was appointed to the Board on 3 January 2024.

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 table below shows the Employee Directors during 2023 and up to the date of signing the financial statements, their date of retirement by rotation, and nominating organisation:

Name	Nominating Constituency	Date of retirement by rotation
Iain Anderson[1]	Transport Salaried Staffs' Association	2030
Michael Cash	National Union of Rail, Maritime and Transport Workers	2028
Gerry Doherty[2]	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
Howard Kaye	Associated Society of Locomotive Engineers and Firemen	2028
Gary Towse	Management Committee of the British Railways Superannuation Fund	2028

1. Iain Anderson was appointed to the Board on 12 March 2024.
2. Gerry Doherty died while a member of the Board, on 3 September 2023.

Governance

The Trustee places great emphasis on maintaining high standards of fiduciary governance. Governance means having the people, structures 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, 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. 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 24 Board and Committee meetings in 2023, in addition to various workshops, strategy events, and training seminars. Attendance is reported to the Board and published on page 23.

Directors have a comprehensive training programme on appointment and throughout their tenure. They complete a Training Skills Analysis and a programme of training and workshops are provided, designed to support individuals, the Board as a whole, and to 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. They're also required to complete the Trustee Toolkit prior to their appointment and at 3-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 type of investment has its own associated risks. Therefore, the asset classes that the schemes are invested in, are closely monitored to ensure 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 C.

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. A Crown Guarantee means that, where a scheme has an insolvent employer and becomes underfunded, the Government will meet the liabilities of the scheme or the employer in respect of the whole or part of the scheme.

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.

Membership and activities of Board and principal committees during 2023

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

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

Name	Number of meetings attended	Number of meetings eligible to attend
Christine Kernoghan (Chair)	3	4
Mick Cash	3	4
Gerry Doherty[1]	2	2
Mark Engelbretson[2]	2	3
Richard Goldson	4	4
Adam Golton	3	4
David Gott	4	4
Charles Harding	4	4
Fatima Hassan	4	4
Peter Holden	4	4
Richard Jones	4	4
Howard Kaye	4	4
Anjali Lakhani	4	4
Richard Murray	3	4
Gary Towse	2	4
John Wilson	4	4

1. Gerry Doherty died while a member of the Board on 3 September 2023.
2. Mark Engelbretson resigned from the Board on 1 December 2023.

In addition to the above scheduled Trustee Board meetings, there were also five Trustee Workshops, one Strategy Day, and one special Board meeting during the year. There were also seven Board meetings and four special committee meetings relating to an ongoing project that a number of Trustee Directors were eligible to attend. There were also a number of meetings of Trustee Working Groups focused on specific issues that some Trustee Directors gave their time to.

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 that Committee members were eligible to attend. All Trustee Directors may attend meetings of the Trustee's Committees in addition to those they are formally members of.

Trustee fee disclosures

The core fee for a Trustee Director is £17,041. Additional payments are made for extra responsibilities, such as chairing meetings..

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

	2023	2022
Salaries and fees	£442,594	£422,286
Employer NI contributions	£33,763	£28,744
Expenses	£33,933	£23,824
Total	**£510,290**	**£474,854**

The total fees paid during 2023 and 2022 fall within the following bandings:

Range	2023	2022
£70,000 - £80,000	1	-
£50,000 - £60,000	-	1
£40,000 - £50,000	1	-
£30,000 - £40,000	2	4
£20,000 - £30,000	4	2
£0 - £20,000	8	10
Total	**16**	**17**

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 Internal Audit team attend meetings at the invitation of the ARC, and relevant Directors and officers of Railpen also attend as appropriate.

Membership and attendance during 2023 is shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Richard Goldson (Chair)	3	4
Adam Golton	4	4
Charles Harding	3	4
Fatima Hassan	4	4
Anjali Lakhani	4	4
Gary Towse	4	4

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 Reports and Audited Financial Statements of Railtrust Holdings Limited (‘RHL’), the Trustee Company, railways pension schemes, and pooled funds
- approving the Annual Reports and Audited Financial Statements of the pooled funds
- consulting with Internal Audit on the scope and planned programme of work of Internal Audit. Receiving periodic reports on the progress against the annual plan and key Internal Audit findings
- overseeing the internal control and risk management matters of the Trustee (Trustee and Scheme risks)

The terms of reference require ARC to meet at least three times a year to discuss, consider and review the audit work of the external auditors, financial reporting arrangements, the work of the Railpen Internal Audit team and general internal control and risk management issues. In practice, four meetings are scheduled. In one of these meetings, the Committee reviews the Annual Report and Audited Financial Statements prior to Board approval.

During 2023, ARC met on four occasions. It considered the Annual Report of Internal Audit, covering its internal audit and assurance activities during 2022, received reports on the progress of the 2023 audit plans, and considered and approved the Report of the External Auditor.

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 2023, ARC received regular reports from the Chief Risk and Compliance Officer (‘CRCO’) on the status of key risks, approved the proposed risk appetite statements and key risk indicators for recommendation to the Trustee Board, and received an Enterprise Risk Framework Update. The CRCO also provided ARC with the Trustee and Scheme Risks Appetite Dashboard, along with the Trustee Executive Risk Committee (‘TERC’) minutes for review. The TERC is the executive-level committee which has responsibility for oversight and challenge of Trustee and Scheme Risks.

Financial reporting matters considered by ARC in 2023 included the Annual Report and Financial Statements of RHL and the Trustee, the railways pension schemes, pooled funds and the operating companies, including the Report by the External Auditor on the 2022 Financial Statements.

Other matters considered by ARC were the cyber security response controls, a review of insurance policies, the mapping of audit risks to the Trustee and Scheme risks, and a review of the Trustee Hospitality and Gifts.

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 Director of Internal Audit.

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 2023 is shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Adam Golton (Chair)	9	9
Mick Cash	8	9
Gerry Doherty	5	6
Mark Engelbretson	8	8
Fatima Hassan	9	9
Peter Holden	9	9
Gary Towse	6	9
John Wilson	5	9

Valuation

Each section of the RPS was due a valuation as at 31 December 2022. A total of 103 sections are required to carry out a statutory valuation under the Pensions Act 2004. Each section is treated as a separate entity with its own valuation results. Agreement on the valuation results is needed with each sponsoring employer. Of these 103 sections, 97 completed the valuation process within the statutory deadline of 31 March 2024.

Work is ongoing to complete the six outstanding valuations as soon as possible. The Pensions Regulator has been informed that they were not completed within the statutory deadline. For one of these sections, in addition to the valuation as at 31 December 2022, the valuations as at 31 December 2016 and 31 December 2019 are also outstanding.

Two sections have either wound-up since 31 December 2022, or have triggered a wind-up prior to the valuation statutory deadline, and therefore no valuations are required. A further two sections are not subject to the requirement to carry out a statutory valuation under the Pensions Act 2004, but do require a valuation under the Rules. Valuations for both of these sections have been completed.

The 97 sections that have completed their 31 December 2022 valuations include all 27 TOC Sections, which were completed ahead of the statutory deadline. Within that context, the Trustee is now in the process of resolving the outstanding TOC section valuations from 2019 and 2016. Resolving those valuations is a data exercise with no impact on funding levels or contributions.

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

A report from the Scheme Actuary is included on pages 57 to 59 which refers to the requirement of producing 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 upon request from Railpen at the address on page 4.

Employer covenant

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

The IFC has agreed a range of covenant enhancement proposals with certain 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 IFC 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 IFC agreed a range of benefit and contribution changes for individual sections of the RPS. After review by Pensions Committees (where applicable), each proposal from an employer is considered in detail and the impact on funding and contributions is addressed. Where such proposals are approved, changes are normally reflected in the rules of the section.

Investments

The IFC reviews section-specific investment strategy and allocations to pooled funds. As part of the integrated funding approach, the IFC 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

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 following table.

Name	Number of meetings attended	Number of meetings eligible to attend
David Gott (Chair)	5	5
Charles Harding	4	5
Richard Jones	5	5
Howard Kaye	5	5
Anjali Lakhani	5	5
John Wilson	3	5

In addition to the above scheduled Case Committee meetings, there were also two special committee meetings and one workshop during the year.

As at 31 December 2023, the Case Committee had responsibility for 83 sections of the Railways Pension Scheme.

During 2023, the Case Committee considered and made decisions on 116 cases which can be categorised as follows:

- applications and reviews of incapacity benefits
- applications for payment of lump sum death benefit
- applications for spouses', childrens' and dependants' pensions
- appeals under stage 2 of the internal disputes resolution procedure

Defined Contribution Committee ('DCC')

The DCC ensures appropriate management and governance of the AVC arrangements of the Scheme ('BRASS' and 'AVC Extra') and the 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 2023 is shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Richard Jones (Chair)	3	4
Mick Cash	2	4
Mark Engelbretson[1]	3	3
Richard Goldson	4	4
Howard Kaye	4	4
Richard Murray	4	4

1. Mark Engelbretson resigned from the Trustee Board on 1 December 2023.

In addition to the above scheduled DCC meetings, there were also three special committee meetings during the year.

The Trustee Board has delegated responsibility to ensure that the DC arrangements can deliver good outcomes for members at retirement to the DCC.

The DCC's mission is to provide DC arrangements that are designed for the long-term and offer good value for members. This includes default investment strategies that 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 detailed information and support to ensure they retire with the best possible outcome. The mission and vision statement were last reviewed in December 2023.

As an authorised master trust, the Pensions Regulator ('TPR') supervises the Scheme's governance, systems and processes, and the fitness and competence of the Trustee. The DCC ensures that 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 TPR. Most recently, versions were approved by the Trustee and submitted in March 2024.

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 2024-26 Communication Strategy was approved in December 2023.

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, as well as members' choices at retirement. It refers decisions required of the Trustee Board as appropriate. It also oversees how updates and changes relating to investments in the DC arrangements are communicated to members.

The DCC monitors members' investment choices and ensures tailored communications to encourage them to make the best decisions for their circumstances, and to plan for their future, are in place. The same suite of investment funds is offered to all new DC members, although the default approach reflects the characteristics of each arrangement.

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. The latest investment strategy review was conducted in 2023. This comprehensive review considered the default lifestyle arrangements, alternative lifestyle arrangements and the self-select fund range.

The recommendations of that review were approved by DCC in December 2023. The key outcome was a decision to reduce the duration of bonds held within the UK Government Fixed Interest Bond Fund. This change also impacts the de-risking phases of all lifestyle strategies. It is expected that this change will be implemented during 2024. To support the changes, a review of fund names will also be undertaken. Work to introduce a Sharia Fund, (a recommendation from the previous investment strategy review), is ongoing and the preferred implementation route is being considered. The delay in implementation has been driven by the need to ensure the fund accounting systems align with Sharia principles.

Each year, the DCC undertakes a comprehensive assessment of the extent to which the DC arrangements offer good value to members. The conclusions of the latest assessment 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 September 2022, the DCC concluded that an external assessment should take place biennially, and that an internal assessment by the Scheme administrator, Railpen, would be sufficient in the intervening years. This approach ensures that the Trustee gets the most value it can from external assessments. It also ensures that the IWDC is still subject to a wholly independent assessment regularly, and at the same time, the cost of using an external supplier is limited, where possible. The service provided to IWDC members has made good progress in recent years and, as such, a biennial external assessment is deemed proportionate.

The 2022 assessment was conducted by internal resources, and concluded that the Scheme provides 'good' value to members. A procurement exercise, undertaken with Trustee support in Q4 2023, appointed Redington as the independent provider for the 2023 assessment.

The DC Vision Statement is supported by a framework of core principles, which sets out the key areas of focus required to deliver the overall DC Vision Statement and its sub-principles. As a result of the recent assessments, 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 some of them.

Since 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 solutions and ultimately approve the preferred option. The DCC has maintained oversight of both services and will assess their ongoing value in 2024, with a formal review of both services.

Members continue to show a propensity to use digital services, with many now registered on the member website. Take up is particularly good amongst the active population, with circa 6,000 members in total now registered out of a population of circa 15,000 IWDC members. New functionality is added to the website regularly, including an accessibility toolbar implemented to help vulnerable members with additional needs access our online tools. Existing communication materials, such as newsletters, have been used to promote the website, alongside bespoke campaigns.

The guidance and support offered to members is evaluated and strengthened as part of continuous improvement. The new joiner process for DC members has been significantly improved. Members now receive an informative welcome pack in the post, which directs them to an online journey where they can access a welcome video and detailed 'Good to Know Guide'. As a result of the improvements, there has been an increase in the number of new entrants registering for online services.

The pre-login member website was completely overhauled in 2023. A new DC-specific area was developed as part of that work. All content was reviewed and updated in line with our content standards. A new home page and improved navigation were also key developments. Another important improvement was the redesign of the statutory money purchase illustration ('SMPI'), which has been streamlined in line with the DWP's simpler benefit statement guidance.

The DCC has continued to assess the DC arrangements against the requirements of TPR's Code of Practice and supporting guides to ensure compliance with legislation and TPR'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 ('SIP') is provided as an appendix to this document. The SIP has recently been updated to reflect the latest position.

The Trustee Investment 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 Statement of Investment Principles ('SIP'), which is shown in Appendix B. The Trustees have produced the SIP in accordance with section 35 of the Pensions Act 1995 (as amended) and subsequent legislation, including The Occupational Pension Schemes (Investment) Regulations 2005 (the 'Investment Regulations'). No investments have been made over the year which are not in accordance with the SIP. A copy of the SIP is available on the member website: **https://member.railwayspensions.co.uk/knowledge-hub/about-the-scheme/scheme-documents**

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 RPIL, 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.

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. These factors include, but are not limited to, environmental, social and governance ('ESG') factors, including climate change. The Trustee requires ESG factors to be taken into account in the selection, retention and realisation of investments. The Trustee also requires that the quality of stewardship and ESG integration (including climate change), is taken into account when selecting Fund Managers, and to monitor relevant Fund Managers' stewardship and ESG integration (including climate change) during the investment period.

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 members would share concerns that such matters would be inconsistent with the values or good reputation of the schemes and would not involve a significant financial detriment to the schemes.

Each pooled fund has a return comparator and risk parameters within which returns are targeted. Within the pooled funds, RPIL 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.

Within the Growth Pooled Fund, the allocation to equities was reduced. The allocation to US government bonds and global corporate bonds were increased following bond market falls over 2022. Absolute return assets were also increased and a new equity portfolio was added focusing on stocks in the energy sector, further increasing the diversification benefits of the Fund.

Within the Illiquid Growth Pooled Fund, capital was deployed across different asset classes, although deal activity was down on the previous year. The in-house team continued to manage distributions from legacy investments in the Private Equity Funds.

The Long Term Income Pooled Fund also received distributions from its assets, and there were a number of redemptions. The fund has not made any purchases over the year, and has instead focused on asset management and in progress construction projects across the portfolio.

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. A new Matching Short Maturing Pooled Fund was also set up during the year, with the first assets invested in December 2023.

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 investment strategies for sections, their liability and maturity profile are taken into account, along with their funding position and covenant strength, as part of an integrated risk management approach to funding.

Furthermore, the Trustee sets principles for the key aspects of section investment strategy, taking into account the maturity of pension liabilities, covenant strength and funding level. 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.

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 this case, it may not always be possible to realise such assets at short notice at prices 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

Overall, global equity markets rose over 2023. Performance for the FTSE World Index (100% Developed Markets hedged to GBP) for the year ending 31 December 2023 was 22.3%. Developed markets outperformed emerging markets, as the latter was subdued by lacklustre growth in China.

In both the US and Europe, inflation came back down towards central bank targets, in response to continued high interest rates. Although the high interest rates did not manifest into severe economic weakness, primarily due to the robust consumer demand, they were enough to create a series of bank runs early in the year. The pinnacle of this came in the US with the collapse of Silicon Valley Bank in March, whilst, in Europe, we witnessed the distressed purchase of Credit Suisse by UBS under the careful guidance of the European Central Bank and the Swiss government. Thanks to continued intervention by both monetary authorities and other large financial institutions, the fear of contagion from banking concerns was swiftly reduced.

In the US, the Federal Reserve benchmark rate was 5.25%-5.50% at the year end, up from 4.25%-4.50% a year earlier. Inflation has started to slow, reinforcing market expectations that the Fed had finished its rate hiking cycle and would cut rates in 2024. The prospects of a soft landing of the US economy remained likely with both economic growth and the US labour market remaining resilient. Over the year, there was growing excitement about the potential long-term impact from Artificial Intelligence ('AI'), due to the latest release of ChatGPT. This led to major outperformance from growth stocks. The seven large tech constituents of the S&P 500 helped the index record a +26% gain. By comparison, the equal-weighted S&P 500 was up by 14% with a relative underperformance of -12% by the broader index, being the second worst in history; a -16% underperformance in 1998 during the dot.com bubble was the worst.

The European Central Bank ('ECB') deposit rate was 4% at the end of the year, an increase from 2% a year earlier. Some ECB speakers signalled that rate cuts could be on the horizon in the latter half of 2024. The Euro Area began to see evidence of higher interest rates slowing the economy, which resulted in inflation falling to levels not seen since the summer of 2021.

In the UK, the Consumer Price Index ('CPI') inflation rate rose by 4.0% over the 12 months to December 2023, well down from the peak of 11.1% in October 2022, but above central banks' 2% target. The Bank of England base rate was 5.25%, marking five months since the last rate, but up from 3.5% a year earlier. Similarly to the Euro Area, the impacts of the rate hiking cycle have appeared in economic data, with weak consumer spending and quarter-on-quarter economic growth.

High inflation and interest rates meant it was a difficult period for bond markets globally. Towards the end of the year, weak economic data and signs of inflation falling, has resulted in a shift in the interest rate outlook for 2024, meaning that the market improved. Overall, the UK 10-year government bond yield fell to 3.5%-3.7% over 2023, whilst the US 10-year government bond yield remained broadly the same at 3.9%.

Investment performance

The Growth Pooled Fund, the largest of the pooled funds managed by RPIL, 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 70% of the total market risk of public equity. The largest portfolio allocation in the Growth Pooled Fund is to global equities and over the year, the allocation was fairly unchanged at 70-75%. Other asset classes held within the Growth Pooled Fund include government bonds, corporate bonds, property and diversifying assets. The Growth Pooled Fund return in 2023 was 9.0%. Over a 3-year period, the Growth Pooled Fund returned 3.7% per annum.

The Passive Equity Pooled Fund is invested in line with a global index weighted by market capitalisation, and produced a return of 22.6% in 2023, and 8.1% per annum over a 3-year period. The Global Equity Pooled Fund has fixed weights in major geographic regions and produced a return for the year of 15.0% and 7.2% per annum over a 3-year period.

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. In aggregate, the Private Equity Pooled Fund returned -10.9% in 2023, and 10.2% per annum over a 3-year period. The Private Equity Pooled Fund is closed to new investments. New investments in private markets are predominantly made within the Illiquid Growth Pooled Fund.

The Illiquid Growth Pooled Fund delivered a return of 0.5% for the year, and 17.7% per annum over a 3-year period.

The Long Term Income Pooled Fund delivered a return of -15.3% for the year, and -6.2% per annum over a 3-year period.

For the Private Equity, 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. A new Short Maturing Matching Fund was also set up during the year, with the first assets invested in December 2023. Performance for this fund will be reported in the accounts next year.

The Government Bond Pooled Fund is a UK government bond portfolio, managed internally by RPIL on a buy and maintain basis. The Government Bond Pooled Fund returned 5.1% for the year, and -2.2% per annum over a 3-year period.

The Non-Government Bond Pooled Fund is managed on a buy and maintain basis by an external fund manager and returned 9.0% for the year, and -2.6% per annum over a 3-year period.

The Long Duration Index Linked Pooled Fund invests in UK inflation-linked government bonds and is managed internally by RPIL on a buy and maintain basis. The Fund returned -5.0% for the year, and -18.6% per annum over a 3-year period. Long-dated bonds were most impacted following the UK government's "mini-budget" in September 2022.

The Short Duration Index Linked Pooled Fund is managed internally by RPIL on a buy and maintain basis. The Fund returned 7.0% for the year, and 2.7% per annum over a 3-year period.

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

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 2023, the investment return produced by section assets broadly ranged between -4% and 8%, net of fees and costs. This range reflected the diversity of returns seen in the major asset classes over the year.

Over a 3-year period, the investment returns of RPS sections broadly ranged from -5% to 6% per annum, while over a 5-year time horizon, the range of returns was broadly 0% to 8% per annum. Over a 10-year time horizon, the range of returns was broadly 3% to 9% per annum.

Voting and engagement

Voting rights are exercised and engagement activities undertaken in accordance with the global voting policy and current best practice, including the UK Stewardship Code. The Trustee believes that companies with robust corporate governance structures are more likely to achieve superior long-term financial performance and manage their risks and opportunities effectively.

The global voting policy sets out expectations for issuers. Constructive engagement with portfolio companies and policy makers, alongside thoughtful voting, supports the Trustee's investment objectives.

Acting on the Trustee's behalf, RPIL is currently focused on the following stewardship priorities: climate change, workforce treatment, responsible uses of technology, and supporting more sustainable financial markets. The Trustee believes that these issues are stewardship priorities because they are financially material to all, or a significant proportion of, the schemes' investments.

Relationship with asset managers

The investment of the assets within each pooled fund, including day-to-day investment decisions, is delegated under an Investment Management Agreement to RPIL, the internal manager for the railways pension schemes, or to external fund managers appointed by RPIL. The Investment Management Agreement sets out the parameters and policies within which RPIL operates.

The investment performance of each pooled fund is measured against an agreed objective. The objective and investment guidelines for each pooled fund are set out in the pooled fund policy document and pooled fund directive document. The investment arrangements are overseen by an RPIL Committee, the Asset Management Committee ('AMC'), who ensure adherence to the Trustee's views.

Investments within the pooled funds are considered in terms of the most efficient way to access desired return drivers. As part of this process, the Trustee recognises that control of costs is important in contributing to good investment returns, and regularly reviews performance and costs, both internal and external (including transaction costs) in conjunction with net of fees performance figures for the pooled funds. Fund managers are encouraged to take a long-term approach to investing, in order to align with the Trustee's investment beliefs. 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 beliefs. RPIL is responsible for monitoring the performance of the internal and external fund managers against long-term performance objectives and compliance with operating parameters.

RPIL also regularly reviews and monitors the contractual arrangements with external fund managers, to ensure that the arrangement meets the investment objective, aligns with the Trustee's investment views and role as a responsible investor. This includes the fund managers' approaches to stewardship and ESG integration, including climate change. Investee companies are also engaged with to improve their performance. For external fund managers, portfolio turnover is assessed on a strategy basis, to ensure it is in line with expectations. Fees, including incentive fees (where appropriate), are negotiated and performance is assessed net of fees.

RPIL and the external fund managers have discretion in timing the realisation of investments within parameters stipulated in the relevant appointment documentation.

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 lose 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 British Railways Board's ('BRB') 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 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.

Additional Voluntary Contribution ('AVC') arrangements (excludes IWDC Section)

The Scheme's AVC investments in the DC Pooled Funds as at 31 December 2023, were £1,579.0m (2022: £1,503.3m).

The total value of these pooled funds, as at 31 December 2023, was £1,585.8m (2022: £1,510.2m).

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.

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, and in setting the range of investment options, the Trustee took into account that members face various risks in retirement provision and planning.

The overall objective of the Trustee is to provide a range of funds and lifestyle strategies suitable for members to invest their AVC contributions.

The Trustee has made three 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 a return-seeking fund, which aims for long-term growth in excess of inflation, to lower-risk funds as a member approaches their Target Retirement Age ('TRA'). The lifestyle options available are the Flexible Drawdown Lifestyle, the Full Cash Withdrawal Lifestyle and the Annuity Purchase Lifestyle.

The Full Cash Withdrawal Lifestyle is the default option for BRASS, while the Flexible Drawdown Lifestyle is the default option for AVC Extra.

Seven self-select funds are also available: the Global Equity Fund, Long Term Growth Fund, Socially Responsible Equity Fund, Corporate Bond Fund, UK Government Fixed-Interest Bond Fund, UK Government Inflation-Linked Bond Fund, and the Deposit Fund.

From time to time, the Trustee may change the range of funds made available to the members.

The investment comparators for the investment funds in the fund range are shown in the table to the right:

Fund	Comparator
Long Term Growth Fund	UK CPI plus 4% p.a.
Global Equity Fund	FTSE World Index (developed market investments currency hedged into UK Sterling)
Socially Responsible Equity Fund	MSCI WORLD SRI Select Reduced Fossil Fuel Index (in US dollars),
Corporate Bond Fund	Bloomberg Barclays Global Aggregate Corporate Index (overseas investments currency hedged into UK Sterling)
UK Government Fixed-Interest Bond Fund	FTSE Actuaries UK Conventional Gilts Over 15 years Index
UK Government Index-Linked Bond Fund	Bloomberg Barclays UK Government Inflation-Linked Over 15 years Index
Deposit Fund	1 Month Sterling Overnight Index Average (SONIA)

RPTCL 2023 Taskforce on Climate-related Financial Disclosures ('TCFD') Report

In line with the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, the Occupational Pension Schemes (Climate Change Governance and Reporting) (Miscellaneous Provisions and Amendments) Regulations 2021, and the Occupational Pension Schemes (Climate Change Governance and Reporting) (Amendment, Modification and Transitional Provision) Regulations 2022. The 2023 TCFD Report for the RPS can be found within the RPTCL TCFD Report 2023, available at **https://www.railpen.com/knowledge-hub/reports/rptcl-2023-taskforce-on-climate-related-financial-disclosures/**.

The RPTCL TCFD Report 2023 is a report containing climate-related financial disclosures relating to the railways pension schemes (including the RPS). It is 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**.

Custody arrangements

The law of trust imposes a fiduciary duty on trustees to safeguard assets. 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 another 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 assets are only released with proper authorisation. It also ensures 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 Bank of New York Mellon ('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, RPIL 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. It 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.

Sustainable Ownership

On behalf of the Scheme, the Trustee 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 and engagement with issuers of debt and equity.

Sustainable ownership is Railpen's approach to incorporating sustainability considerations into the investment decisions we take 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 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."

Our sustainable ownership activities span three key areas:

1. ESG integration
2. active ownership, and
3. 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 of our beneficiaries. This is a joint endeavour 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 factors into our investment processes 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 and constructive engagement with portfolio companies, either directly or collectively, supports our objective of enhancing the long-term investment returns for our beneficiaries.

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

- corporate culture and purpose
- board composition and effectiveness
- remuneration
- shareholder rights, risk and disclosure

It also outlines our expectations of our portfolio companies on core sustainability themes, including cybersecurity, workforce engagement and voice, climate disclosure, 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 2023, we focused on applying our climate assessment framework to key emitters and reviewing our Net Zero Engagement Plan. We are working to achieve net zero through decarbonizing our investment portfolio (primarily through effective climate stewardship, but also by excluding companies where necessary) and by investing in climate solutions.

Pooled fund equity holdings

The largest 10 direct equity holdings within the pooled fund investments as at 31 December 2023 were as follows:

	£m
RELX PLC	190.3
Microsoft Corp	188.8
Novo Nordisk A/S	184.5
Accenture PLC	181.8
L'Oreal SA	176.6
ServiceNow Inc	159.9
Taiwan Semiconductor Manufacturing Co Ltd	153.3
Amazon.com Inc	152.9
Atlas Copco AB	150.7
Meta Platforms Inc	141.0

More detail on our sustainable ownership activities is contained in our Sustainable Ownership Review, which can be found at **www.railpen.com/investing/responsible-investing/**.

For and on behalf of the Trustee:

Christine Kernoghan
Chair, Trustee Company
27 June 2024

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 financial statements 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 Scheme's Trustee is responsible under pensions legislation for ensuring that there are prepared, maintained and from time to time revised schedules of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employers and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any member of the Scheme and for monitoring that contributions are made to the Scheme in accordance with the schedules.

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.

Independent Auditor's Report

Independent Auditor's Report to the Trustee of the Railways Pension Scheme for the year ended 31 December 2023

Opinion

We have audited the financial statements of the Railways Pension Scheme ('the Scheme') for the year ended 31 December 2023 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 2023 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 3A 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 it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has 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; and
- 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.

Independent Auditor's Report to the Trustee of the Railways Pension Scheme for the year ended 31 December 2023 *continued*

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 Audit and Risk Committee and inspection of policy documentation, as to the Scheme's high-level policies and procedures to prevent and detect fraud, including the Railpen internal audit function, and the Scheme's channel for "whistleblowing", as well as enquiring whether it has knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board, Audit and Risk Committee and other Committee meeting 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, 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 and judgements such as the valuation of Level 3 investments.

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 those posted after the first draft of the financial statements have been prepared.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to 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 the Trustee and 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 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 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, data protection legislation, anti-money laundering and 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.

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 fraud 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.

Independent Auditor's Report to the Trustee of the Railways Pension Scheme for the year ended 31 December 2023 *continued*

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report, the Report on actuarial liabilities, the Chair's Statement, the Implementation Statement and the Taskforce on Climate-Related Financial Disclosure report. 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 its statement set out on page 38, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; 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; 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 it either intends to wind up the Scheme, or has 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

28 June 2024

Fund Account for the year ended 31 December 2023

	Notes	2023 DB £m	2023 DC £m	2023 Total £m	2022 DB £m	2022 DC £m	2022 Total £m
Contributions and benefits							
Members' contributions	4	362	16	378	359	13	372
Employers' contributions	4	414	18	432	408	15	423
Government support		12	-	12	8	-	8
Individual transfers in		6	-	6	5	-	5
		794	**34**	**828**	**780**	**28**	**808**
Pensions		(1,026)	-	(1,026)	(942)	-	(942)
Lump-sum retirement benefits		(303)	(3)	(306)	(330)	(3)	(333)
Death benefits		(34)	(1)	(35)	(34)	(2)	(36)
Purchase of annuities		(1)	(1)	(2)	-	(1)	(1)
Taxation where Lifetime or Annual Allowance exceeded		(1)	-	(1)	-	-	-
Individual transfers out		(8)	(3)	(11)	(20)	(2)	(22)
Group transfers out		4	-	4	(3)	-	(3)
		(1,369)	**(8)**	**(1,377)**	**(1,329)**	**(8)**	**(1,337)**
Administrative expenses	6	(32)	-	(32)	(26)	-	(26)
PPF levies		(40)	-	(40)	(52)	-	(52)
Total withdrawals		**(1,441)**	**(8)**	**(1,449)**	**(1,407)**	**(8)**	**(1,415)**
Net (withdrawals)/additions from dealings with members		**(647)**	**26**	**(621)**	**(627)**	**20**	**(607)**
Returns on investments							
Change in market value of investments	7	1,157	18	1,175	(3,752)	(38)	(3,790)
Net investment income		560	4	564	518	3	521
Interest on cash deposits		7	-	7	2	-	2
Net returns on investments		**1,724**	**22**	**1,746**	**(3,232)**	**(35)**	**(3,267)**
Net increase/(decrease) in the Scheme during the year		1,077	48	1,125	(3,859)	(15)	(3,874)
Net assets at the start of the year		32,620	213	32,833	36,479	228	36,707
Net assets at the end of the year		**33,697**	**261**	**33,958**	**32,620**	**213**	**32,833**

The notes numbered 1 to 13 on pages 44 to 56 form an integral part of these audited financial statements.

Statement of Net Assets (Available for Benefits) as at 31 December 2023

	Notes	2023 DB £m	2023 DC £m	2023 Total £m	2022 DB £m	2022 DC £m	2022 Total £m
Investment assets							
Pooled funds	7	30,958	255	31,213	30,115	209	30,324
BRASS and AVC Extra	7	1,579	-	1,579	1,504	-	1,504
Substitution orders	7	952	-	952	862	-	862
Annuities	7	75	-	75	27	-	27
Cash and cash instruments	7	173	5	178	158	5	163
		33,737	**260**	**33,997**	**32,666**	**214**	**32,880**
Current assets	8	37	2	39	41	2	43
Current liabilities	9	(77)	(1)	(78)	(87)	(3)	(90)
Net assets at the end of the year	**12**	**33,697**	**261**	**33,958**	**32,620**	**213**	**32,833**

The notes numbered 1 to 13 on pages 44 to 56 form an integral part of these audited financial statements.

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. This is summarised on pages 57 to 59, 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 27 June 2024.

Christine Kernoghan
Chair, Trustee Company

Richard Goldson
Director and Chair, Audit and Risk Committee

Notes to the audited financial statements for the year ended 31 December 2023

1. Basis of preparation

The financial statements have been prepared in accordance with: The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, 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') (revised 2018).

The Trustee considers the going concern basis to be appropriate and these financial statements have 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.

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 Scheme incurs costs mainly in relation to benefits paid to members. These costs are largely covered by contributions into the Scheme and are modest in relation to the total Scheme assets. At present, a minimum of one month's worth of benefit outflow is being held at section level.

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 their 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 on page 4.

3. Accounting policies

The financial statements have been prepared on an accruals basis. The functional and presentation currency of the Scheme is Sterling. 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 railways 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 C.
- substitution orders refer to deferred payments due under the Transport Act 1980, and are valued as certified by the joint Actuaries for the 1994 Pensioners Section, James Mason, of WTW, and the Government Actuary.
- annuities are issued by Legal & General Assurance Society Limited and are revalued at the year end date, as advised by the provider.

Change in market value

Change in market value mainly comprises 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.

Transaction costs arising from the underlying investments of the pooled funds are reflected in the unit prices and reported within the change in market 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.

Investment Income

Investment income comprises income arising from underlying investments of pooled investment vehicles which is not reflected in change in market value.

Interest on cash deposits

Interest is accrued on a daily basis.

3. Accounting policies *continued*

Contributions

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

Members' Additional Voluntary Contributions and BRASS matching employer 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.

Payment to members

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 their 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.

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.

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 to, within one month of being enrolled. Opt outs are accounted for when the Scheme is notified of the opt out.

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

	2023 DB £m	2023 DC £m	2023 Total £m
Members' contributions			
Normal	234	13	247
Additional Voluntary Contributions	120	3	123
Deficit funding	8	-	8
	362	**16**	**378**
Employers' contributions			
Normal	326	18	344
Deficit funding	79	-	79
BRASS matching	6	-	6
Augmentation	3	-	3
	414	**18**	**432**
Totals	**776**	**34**	**810**

	2022 DB £m	2022 DC £m	2022 Total £m
Members' contributions			
Normal	232	11	243
Additional Voluntary Contributions	119	2	121
Deficit funding	8	-	8
	359	**13**	**372**
Employers' contributions			
Normal	322	15	337
Deficit funding	77	-	77
BRASS matching	7	-	7
Augmentation	2	-	2
	408	**15**	**423**
Totals	**767**	**28**	**795**

Included within members' normal contributions is £202m (2022: £195m) that represents salary sacrifice contributions paid in by the employer.

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

S75 debts were triggered during the year by four employers in the Omnibus Section. The employers and values of the S75 debts are as follows: Forth and Oban Ltd - £13,300; Keolis (UK) Ltd - £129,300; Signet Solutions Ltd - £38,400; West Coast Railway Ltd - £35,100. All debts were settled by the employers in the Scheme year.

During 2023, there were 415 instances of late payment of contributions with a total value of £21.7m. This represents 2.68% of contributions payable under the Schedules of Contributions. The largest individual amount was £2.1m, which was paid one day after the due date. Of the 415 instances of late payment, three were required to be reported to the Pensions Regulator.

5. Group transfers out

Group transfers out includes a £5m revaluation adjustment relating to RPS assets of sections that have previously transferred to the PPF, offset by £1m transferred to the PPF following realisation of some of the assets.

6. Administrative expenses

	2023 £m	2022 £m
Pensions administration	15	13
Actuarial fees	5	4
Trustee governance	5	4
Legal fees	3	2
Other professional fees	3	2
Audit fees	1	1
	32	**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 expenses do not include investment management fees and costs, which are deducted from the unit prices of pooled fund investments and are disclosed separately in the pooled fund accounts in Appendix C.

7. Investments

(a) Value of investments

DB Sections	Value at 31 December 2022 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2023 £m
Pooled funds					
Growth	19,585	94	(790)	1,716	20,605
Illiquid Growth	3,254	52	-	(102)	3,204
Long Duration Index Linked Bond	1,714	899	(11)	(74)	2,528
Private Equity	2,008	-	(71)	(210)	1,727
Long Term Income	1,220	-	-	(70)	1,150
Global Equity	534	-	(86)	73	521
Non Government Bond	324	25	(15)	30	364
Short Duration Index Linked Bond	61	263	(36)	12	300
Passive Equity	814	-	(669)	116	261
Government Bond	522	1	(293)	7	237
Cash	67	1	(29)	2	41
Infrastructure	12	-	-	2	14
Matching Short Maturing	-	6	-	-	6
	30,115	**1,341**	**(2,000)**	**1,502**	**30,958**
BRASS and AVC Extra*	1,504	242	(297)	130	1,579
Substitution orders	862	8	-	82	952
Annuities	27	46	(1)	3	75
	32,508	**1,637**	**(2,298)**	**1,717**	**33,564**
Cash and cash instruments	158				173
	32,666				**33,737**

IWDC Section	Value at 31 December 2022 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2023 £m
DC Pooled Fund	209	40	(16)	22	255
Cash and cash instruments	5				5
	214				**260**

* The BRASS and AVC Extra arrangements are invested within the DC Pooled Fund.

The Long Term Income Pooled Fund valuation has been impacted, as at 31 December 2023, as a result of an ongoing exercise to evaluate expected remediation works cost estimates. This is required to address fire safety issues associated with its ground rents investments. As a result of these issues, the Long Term Income Pooled Fund is currently closed for client trading. Further details are included in note 1.5 of Appendix C.

7. Investments *continued*

Income from pooled fund investments is capitalised within the price of the pooled fund units and 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 activities include the cost of selecting and monitoring the investment managers and custodians and the preparation of pooled fund accounts. These activities are carried out by RPIL and the costs are reflected in the unit prices.

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

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

7. Investments *continued*

	% of pooled fund owned by the RPS 31 December 2023	% of pooled fund owned by the RPS 31 December 2022
Pooled Funds		
Passive Equity	100.00	100.00
Non Government Bond	100.00	100.00
Matching Short Maturing	100.00	-
Private Equity	95.50	95.60
Infrastructure	95.30	95.30
Growth	95.00	95.10
Global Equity	95.00	94.70
Long Duration Index Linked Bond	94.50	91.60
Illiquid Growth	93.40	93.40
Long Term Income	89.90	89.90
Cash	89.50	94.40
Government Bond	88.80	94.70
Short Duration Index Linked Bond	85.20	56.80

(b) Concentration of investment

Scheme investments include the following which represent more than 5% of the total value of the net assets of the Scheme:

	2023 £m	% of total net assets	2022 £m	% of total net assets
Pooled funds				
Growth Pooled Fund	20,605	60.7	19,585	59.7
Illiquid Growth Pooled Fund	3,204	9.4	3,254	9.9
Long Duration Index Linked Bond Pooled Fund	2,528	7.4	1,714	5.2
Private Equity Pooled Fund	1,727	5.1	2,008	6.1

(c) 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 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. These are 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 is set out in Appendix C.

(d) 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.

7. Investments *continued*

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

DB Sections as at 31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled funds				
Growth	-	20,605	-	20,605
Illiquid Growth	-	-	3,204	3,204
Long Duration Index Linked Bond	-	2,528	-	2,528
Private Equity	-	-	1,727	1,727
Long Term Income	-	-	1,150	1,150
Global Equity	-	521	-	521
Non Government Bond	-	364	-	364
Short Duration Index Linked Bond	-	300	-	300
Passive Equity	-	261	-	261
Government Bond	`	237	-	237
Cash	-	41	-	41
Infrastructure	-	-	14	14
Matching Short Maturing	-	6	-	6
	-	**24,863**	**6,095**	**30,958**
BRASS and AVC Extra	-	1,579	-	1,579
Substitution orders	-	-	952	952
Annuities	-	-	75	75
Cash and cash instruments	173	-	-	173
	173	**26,442**	**7,122**	**33,737**

DB Sections as at 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled funds				
Growth	-	19,585	-	19,585
Illiquid Growth	-	-	3,254	3,254
Private Equity	-	-	2,008	2,008
Long Duration Index Linked Bond	-	1,714	-	1,714
Long Term Income	-	-	1,220	1,220
Passive Equity	-	814	-	814
Global Equity	-	534	-	534
Government Bond	-	522	-	522
Non Government Bond	-	324	-	324
Cash	-	67	-	67
Short Duration Index Linked Bond	-	61	-	61
Infrastructure	-	-	12	12
	-	**23,621**	**6,494**	**30,115**
BRASS and AVC Extra	-	1,504	-	1,504
Substitution orders	-	-	862	862
Annuities	-	-	27	27
Cash and cash instruments	158	-	-	158
	158	**25,125**	**7,383**	**32,666**

IWDC Section as at 31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
DC Pooled Fund	-	255	-	255
Cash and cash instruments	5	-	-	5
	5	**255**	**-**	**260**

IWDC Section as at 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
DC Pooled Fund	-	209	-	209
Cash and cash instruments	5	-	-	5
	5	**209**	**-**	**214**

The above analysis has been performed with reference to the nature of the pooled funds that 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 C.

8. Current assets

	2023 £m	2022 £m
Amounts due from employers	31	31
PPF levies paid in advance	8	12
	39	**43**

At the year end, £4,241 (2022: £6,273) of contributions due under the Schedules of Contributions, were not paid by their due date. Of this amount, £4,241 (2022: £6,273) has since been paid and £nil (2022: £nil) remains outstanding as at the date of signing these financial statements.

Of the £31m (2022: £31m) of contributions due post year end, all have now been paid, but £69,925 (2022: £281,909) was paid after the due date, as per the Schedule of Contributions.

9. Current liabilities

	2023 £m	2022 £m
Benefits payable	35	41
Assets payable to the PPF	25	31
Taxation and social security	14	12
Administration expenses	4	3
Investment creditor	-	3
	78	**90**

10. Related party transactions

The Trustee and its subsidiaries, Railpen and RPIL, provide services to the Scheme (explained on pages 15 to 20). The charges payable, and those of external service providers, are detailed in note 6 on page 46. As at 31 December 2023, administration expenses within current liabilities included a liability of £4.4m in respect of these charges (2022: a liability of £3.3m).

As at 31 December 2023, 12 directors of the Trustee were members of the Scheme. One of these directors was also a Non-Executive Director of Railpen. Two Executive Directors of Railpen were also members 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, which are included within the Trustee governance line in note 6 on page 46.

11. Employer-related investments

As at 31 December 2023, 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. £4,241 of overdue contributions at the Scheme year end constitute employer-related investments, although they are exempt from counting towards the statutory restrictions. 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 2023 are shown below:

Section	Employer	Total membership as at 31 December 2023	Net assets as at 31 December 2023 £m
Shared Cost Arrangement			
1994 Pensioners*	The Secretary of State for Transport	79,591	2,858
Abellio	Transport UK (Operations) Limited	56	19
Abellio East Midlands	Abellio East Midlands Limited	5,645	514
AECOM	AECOM Infrastructure & Environment UK Limited	213	53
Alpha Trains	Alpha Trains (UK) Limited	28	9
Alstom Railways	Alstom Transport UK Limited	2,176	193
Alstom Signalling	Alstom Transport UK Limited	83	33
Alstom UK	Alstom Engineering and Services Limited	1,136	132
Alstom UK C2C	Alstom Engineering and Services Limited	158	16
Alstom UK Signal	Alstom Engineering and Services Limited	364	49
AMCO	Amalgamated Construction Ltd	16	2
Amey Rail	Amey Services Limited	2,318	218
Angel Trains	Angel Trains Limited	240	79
Anglia Railways	Abellio East Anglia Limited	1,153	153
AtkinsRéalis	AtkinsRéalis UK Limited	848	254
AtkinsRéalis Rail & Transit	AtkinsRéalis Rail & Transit Limited	324	68
ATOC Limited	ATOC Limited	973	84
Atos	**ATOS IT Services UK Limited** Atos UK International IT Services Limited	1,075	208
Babcock Rail Ltd	Babcock Rail Limited	2,173	251

12. Net assets at the end of the year *continued*

Section	Employer	Total membership as at 31 December 2023	Net assets as at 31 December 2023 £m
Balfour Beatty	Balfour Beatty Group Employment Limited	2,944	334
BAM Nuttall	BAM Nuttall Limited	9	1
BR*	**The Secretary of State for Transport** BRB (Residuary) Limited Channel Tunnel Rail Link Limited London & Continental Railways Limited London Underground Limited National Highways Limited Scottish Ministers	933	151
British Transport Police	British Transport Police Authority	6,366	265
BT	**British Telecommunications PLC** Openreach Limited	305	14
BUPA Occupational Health	Occupational Health Care Limited	97	11
Caledonian Sleeper	Caledonian Sleeper Limited	312	14
Carlisle Cleaning Services	Carlisle Cleaning Services Limited	55	2
Chiltern Railway Company Limited (Maintenance)	The Chiltern Railway Company Limited	343	41
Clientlogic	Clientlogic (UK) Limited	62	5
Colas Rail	Colas Rail Limited	2,114	191
Crossrail	Crossrail Limited	960	90
CSC Computer Sciences	CSC Computer Sciences Limited	10	2
DB Cargo (UK) Ltd	**DB Cargo (UK) Limited** DB Cargo (UK) Holdings Limited DB Cargo International Limited DB Cargo Services Limited Engineering Support Group Limited	10,287	1,398
East Coast Main Line	London North Eastern Railway Limited	9,556	793

Section	Employer	Total membership as at 31 December 2023	Net assets as at 31 December 2023 £m
Eurostar	Eurostar International Limited	5,180	581
Eversholt Rail Limited	Eversholt Rail Limited	113	42
First Great Western	First Greater Western Limited	15,123	1,441
Freightliner	**Freightliner Limited** Freightliner Group Limited Freightliner Heavy Haul Limited Freightliner Maintenance Limited	4,356	535
GB Railfreight	GB Railfreight Limited	373	82
Gemini Rail Services	Gemini Rail Services UK Ltd	66	4
Global Crossing	Lumen Technologies UK Limited	225	48
Govia Thameslink Railway	Govia Thameslink Railway Limited	7,916	683
Govia Thameslink Railway (Southern & Gatwick Express)	Govia Thameslink Railway Limited	11,664	1,030
Great Eastern Railway	Abellio East Anglia Limited	2,435	321
Hitachi Rail Europe	Hitachi Rail Limited	478	53
HS1	HS1 Limited	33	11
Hull Trains	Hull Trains Company Limited	145	14
Intelenet Global BPO (UK) Limited***	Teleperformance Global BPO UK Limited	6	-
Island Line	First MTR South Western Trains Limited	118	12
ISS Transport Services	ISS Facility Services Limited	195	8
Jacobs UK	Jacobs U.K. Limited	237	53

12. Net assets at the end of the year *continued*

Section	Employer	Total membership as at 31 December 2023	Net assets as at 31 December 2023 £m
London and North Western Railway	London and North Western Railway Company Limited	67	15
London Eastern Railway (West Anglia)	Abellio East Anglia Limited	1,153	155
London Overground	Arriva Rail London Limited	2,762	305
London Underground	London Underground Limited	42	2
Merseyrail	Merseyrail Electrics 2002 Limited	3,128	283
MITIE Facilities Services	MITIE Limited	38	1
MTR Elizabeth Line	MTR Corporation (Crossrail) Limited	1,248	120
National Express Services Limited	National Express Services Limited**	137	3
Network Rail	Network Rail Infrastructure Limited	54,662	8,960
New Cross Country	XC Trains Limited	5,155	615
Northern (ex North East)	Northern Trains Limited	7,889	816
Northern (ex North West)	Northern Trains Limited	6,802	700
Omnibus****	Aggregate Industries UK Limited Alstom Engineering and Services Limited Belmond (UK) Limited Bridgeway Consulting Limited CAF Rail UK Limited CapGemini UK Plc Churchill Contracts Services Limited Computacenter (UK) Limited DHL Services Limited EB Central Services Limited Elior UK Plc Gate Gourmet Support Services UK Limited	785	111
Omnibus****	Harsco Rail Limited Integral UK Limited Keolis (UK) Limited Loram UK Limited Lorne Stewart Plc Mitie Cleaning & Environmental Services Limited Mitie FM Limited Mitie Technical Facilities Management Limited OCS UK&I Limited Rail Operations (UK) Limited Telent Technology Services Limited The Arch Company Services Limited TIALIS Essential IT PLC TTEC (UK) Solutions Limited Vinci Construction UK Limited Voestalpine Turnout Technology UK Limited VolkerRail Specialist Businesses Limited Weedfree Limited West Coast Railway Limited Xeiad Limited		
Owen Williams Railways	Amey Services Limited	332	70
Porterbrook	**Porterbrook Leasing Company Limited** Porterbrook Maintenance Limited	194	55
Qjump	Qjump Limited	123	5
Rail Gourmet UK Limited	Rail Gourmet U.K. Limited	399	29
Railpen	Railpen Limited	1,435	118
Resonate Group (Link)	Resonate Group Limited	196	31
Resonate Group (Rail)	Resonate Group Limited	269	66

12. Net assets at the end of the year *continued*

Section	Employer	Total membership as at 31 December 2023	Net assets as at 31 December 2023 £m
Resonate Group (TCI)	Resonate Group Limited	123	25
RSSB	Rail Safety and Standards Board Limited	674	119
Scotrail	Scotrail Trains Limited	10,556	1,089
SE Trains Limited	SE Trains Limited	11,474	1,123
SERCO	SERCO Limited	524	68
Siemens	Siemens Mobility Limited	86	15
Socotec UK Limited	**Socotec UK Limited** Socotec Asbestos Limited	291	29
South Western Railway	First MTR South Western Trains Limited	13,853	1,307
Specialist Computer Centres	Specialist Computer Centres PLC	30	4
Stadler Greater Anglia	Stadler Rail Service UK Limited	50	2
Stadler Rail	Stadler Rail Service UK Limited	183	9
Swirl Service Group***	ISS Facility Services Limited	7	-
Systra Ltd	Systra Ltd	545	58
Thales Information Systems	Thales UK Limited	23	7
Thales Transport and Security	**Ground Transportation Systems UK Limited** Thales UK Limited	1,870	310
The Chiltern Railway Company Limited	The Chiltern Railway Company Limited	1,911	220
The QSS Group Limited	**The QSS Group Limited** RIQC Limited	71	9
Torrent Trackside Limited	Torrent Trackside Limited	11	1
TransPennine Express (Former Arriva Trains Northern)	Transpennine Trains Limited	1,454	169

Section	Employer	Total membership as at 31 December 2023	Net assets as at 31 December 2023 £m
TransPennine Express (Former North Western Trains)	Transpennine Trains Limited	1,309	99
Transport for Wales	**Transport for Wales** Seilwaith Amey Cymru / Amey Infrastructure Wales Limited	40	3
Transport for Wales (Rail)	Transport for Wales Rail Ltd	5,817	563
Trenitalia c2c Limited	Trenitalia c2c Limited	2,044	169
Unipart Rail - NRS	Unipart Rail Limited	597	69
Unipart Rail - Railpart	Unipart Rail Limited	339	56
Unisys	Unisys Limited	30	4
UPS	UPS Limited	317	29
Voith	Leadec Limited	18	2
Wabtec Rail Limited	Wabtec UK Limited	9	2
West Coast Partnership	First Trenitalia West Coast Rail Limited	9,711	1,007
West Coast Traincare	Alstom Transport UK Limited	986	174
West Midlands Trains	West Midlands Trains Limited	7,614	744
Westinghouse Rail Systems	Siemens Mobility Limited	881	264
Worldline IT Services UK Limited	Worldline IT Services UK Limited	158	64
Wrexham, Shropshire & Marylebone Railway Company	Wrexham, Shropshire & Marylebone Railway Company Limited**	27	1
		342,035	**33,697**

12. Net assets at the end of the year *continued*

Section	Employer	Total membership as at 31 December 2023	Net assets as at 31 December 2023 £m
Industry-Wide Defined Contribution Section			
	Abellio East Anglia Limited	15,512	261
	Abellio East Midlands Limited		
	AECOM Infrastructure & Environment UK Limited		
	Babcock Rail Limited		
	Caledonian Sleeper Limited		
	Colas Rail Limited		
	Eversholt Rail Limited		
	First Greater Western Limited		
	First MTR South Western Trains Limited		
	Freightliner Group Limited		
	Freightliner Heavy Haul Limited		
	Freightliner Limited		
	Freightliner Maintenance Limited		
	Freightliner Railports Limited		
	GB Railfreight Limited		
	Govia Thameslink Railway Limited		
	Hull Trains Company Limited		
	London North Eastern Railway Limited		
	MTR Corporation (Crossrail) Limited		
	Network Rail Consulting Limited		
	Northern Trains Limited		
	Pentalver Cannock Limited		
	Pentalver Transport Limited		
	Porterbrook Leasing Company Limited		
	Porterbrook Maintenance Limited		
	Rail Gourmet UK Limited		
	Rail Partners Limited		
	Rail Safety and Standards Board Limited		
	Railpen Limited		
	Seilwaith Amey Cymru / Amey Infrastructure Wales Limited		
	Swietelsky Construction Company Ltd		
	Systra Ltd		
	The Chiltern Railway Company Limited		
	Tram Operations Limited		
	Transpennine Trains Limited		
	Transport for Wales Rail Ltd		
	UK Bulk Handling Services Limited		
	Unipart Rail Limited		
	XC Trains Limited		
		357,547	**33,958**

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 2023
***	Denotes sections with assets less than £0.5m
****	List only includes Omnibus participating employers as at 31 December 2023

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.

The Scheme holds four buy-in policies with Legal & General, valued at £75m. Under the terms of the agreements, an unadjusted final premium, namely a true-up, is payable following a data cleanse exercise. The determination of the true-ups are currently in progress and will be accounted for when determined.

An ongoing review of the Scheme's administration systems and processes is being undertaken. Some issues with a number of railways pension schemes' member payments have been identified. These issues are still under internal review and cannot be quantified at this time. In addition, there may be regulatory reporting required, which is also currently under consideration.

Any corrections to member payments will be met from Scheme assets and will be reported in the Fund's financial statements. Any costs or losses (other than corrections of benefit payments already made to members) that arise in the remediation of these issues will be reported in the Scheme administrator's financial statements and these costs under certain circumstances will be recovered from the Scheme's assets. At the date of approval of these financial statements it is not possible to reliably estimate the potential value of any costs or losses.

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, with the exception of 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 valuation	Number of sections	Composite value of the sections' Technical Provisions £m	Composite value of the sections' assets £m
31 December 2013	1	202	196
31 December 2019	6	863	817
31 December 2022	99	26,263	30,986

For those sections that have not already completed a formal Actuarial Valuation as at 31 December 2022, such valuations are under way.

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 2022 are as follows:

Discount rates:

- For sections which are open to new entrants (excluding those sponsored by employers classified as Train Operating Companies): 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	7.52	6.39
Open Covenant Category 2 sections	7.01	5.78

- 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 explicitly, so that each closed section has an individual discount rate structure. This reflects a funding approach that converges with a basis reflecting a possible Long-Term Goal, and has an initial discount rate based on the section's current investment strategy, allowing for any recent de-risking. Discount rates are expressed in terms of a margin relative to the yields available on UK Government bonds. The discount rate is assumed to change annually in equal steps, from the initial, to an ultimate discount rate, over an appropriate transition period.

Valuations have been prepared for sections sponsored by employers classified as passenger Train Operating Companies, using a single nominal discount rate of 5.88% pa.

For sections which are open to new entrants:

Future Retail Price Index inflation (RPI): 3.40% per annum. Following expected RPI reform in 2030, RPI is assumed to be in line with CPI and therefore 2.40% per annum nominal.

Future Consumer Price Index inflation (CPI): 2.40% per annum.

Pay increases: general pay increases in line with CPI plus 1.00% per annum, subject to any applicable cap. Promotional pay increases of 0.4% per annum.

For sections which are closed to new entrants:

Future Retail Price Index inflation: in line with breakeven inflation derived from the difference between the yields available on fixed interest and index-linked gilts.

Future Consumer Price Index inflation: in line with breakeven RPI less 1.00% pa until 2030 and equal to RPI thereafter.

Pay increases: general pay increases in line with CPI plus 1.00% per annum, subject to any applicable cap. 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 2022
Male pensioners	A	S3 normal males very light	108%	88.8
	B	S3 normal males light	108%	88.0
	C	S3 normal males medium	108%	86.3
	D	S3 normal males heavy	105%	84.7
	E	S3 normal males heavy	117%	83.9
	F	S3 normal males heavy	132%	83.0
Female pensioners	A	S3 normal females heavy	99%	88.4
	B	S3 normal females heavy	116%	87.2
Widows	A	S3 dependant females light	107%	88.9
	B	S3 dependant females	110%	87.8
	C	S3 dependant females	126%	86.8
Male ill-health pensioners		S3 ill-health males	147%	81.3
Female ill-health pensioners		S3 ill-health females	155%	84.7
Widowers		S3 dependant males	108%	83.9

Notes:

- S3 refers to the Self-Administered Pension Schemes ('SAPS') mortality tables published by the CMI in December 2018 based on their mortality investigation over the period 2009-2016.
- 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 base table multipliers include a 5% upwards adjustment to allow for heavier than expected mortality in 2022, reflecting both the enduring effect of COVID-19 and other factors.
- The life expectancies shown in the table above reflect the base table assumptions specified with allowance for future improvements as set out below.

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 2021 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.

Glossary of Common Terms

Abbreviation	Description
AAF	Audit and Assurance Faculty
AMC	Annual Management Charges
ARC	Audit and Risk Committee
AVC	Additional Voluntary Contributions
AVC Extra	AVC arrangement for RPS
BRASS AVC	AVC arrangement for RPS
BRB	British Railways Board
BRSF	British Railways Superannuation Fund
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
DC	Defined Contribution
DC Arrangements	Defined Contribution Arrangements
DCC	Defined Contribution Committee
DfT	Department for Transport
DWP	Department for Work and Pensions
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FRS	Financial Reporting Standard
FX	Foreign exchange
GMP	Guaranteed Minimum Pension
ICAEW	Institute of Chartered Accountants in England and Wales
IFC	Integrated Funding Committee

Abbreviation	Description
ISAE	International Standard on Assurance Engagement
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
PPF	Pension Protection Fund
PRP	Pensionable Restructuring Premiums
RHL	Railtrust Holdings Limited
RPIL	Railway Pension Investments Limited
RRL	Return, risk and liquidity
RPS	Railways Pension Scheme
RROS	Retired Railway Officers' Society
S2P	Second state pension
s75	Section 75 employer debt
SIP	Statement of Investment Principles
TER	Total expense ratio
TKU	Trustee Knowledge and Understanding
TOC	Train Operating Company
TPR	The Pensions Regulator
TRA	Target retirement age
Trustee	Railways Pension Trustee Company Limited
TSSA	Transport Salaried Staffs' Association
TUPE	Transfer of undertakings (protection of employment)

Appendices

Appendix A

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 ('RPS'), British Railways Superannuation Fund ('BRSF'), British Transport Police Force Superannuation Fund ('BTPFSF') and BR (1974) Fund.

The schemes are occupational pension schemes providing defined benefit ('DB') and defined contribution ('DC') benefits. The RPS is comprised of separate sections, including the Industry-Wide Defined Contribution ('IWDC') Section. The IWDC Section is the authorised DC Master Trust of the RPS for rail industry employees. Other than AVCs, it is the only section in the Scheme that provides DC benefits.

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

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

- a 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, it must include the date of the last SIP review
- details of how and the extent to which, in the opinion of the Trustee, the SIP has been followed during the year, and
- a description of voting behaviour (including the "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 Financial Statements for the year ending 31 December 2023.

The Trustee's latest review of the SIP

The SIP was not reviewed over 2023. The last review was undertaken in 2022, and the new SIP was adopted by the Trustee on 8 December 2022. The current version of the SIP is available on the RPS website, at:

https://member.railwayspensions.co.uk/knowledge-hub/about-the-scheme/scheme-documents.

The previous SIP was in force from 17 September 2020. The main changes were due to:

- the two operating subsidiaries becoming Railpen and RPIL
- the new investment strategy framework
- updated internet links to reflect the new website and updated documents on the website
- changes to the investment risk governance processes
- consolidation of the environmental, social and governance ('ESG') wording with the wording on Stewardship, and
- the investment fund, Lifestyle and default strategy changes within the DC and AVC arrangements

How the SIP has been followed during the year

In the opinion of the Trustee, the SIP has been followed during the year. This is detailed below.

The types of investments to be held by the Scheme and the balance between different types of investments

Defined benefit ('DB')

The SIP sets out the investment objectives for the schemes and sections, and states 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, 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.

The investment framework takes into account risk and return needs (to meet funding objectives), and maturity, covenant and liquidity needs. This helps to set ranges for diversified growth and defensive assets for each scheme and section. The framework outlines broad section groupings (effectively grouped by covenant strength, funding level and the level of section maturity) and suggests investment strategy ranges for each grouping.

The Trustee's pooled funds are used to construct each investment strategy agreed under the framework. The intention is to accommodate the different 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 assets within each pooled fund, including day-to-day investment decisions, is 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 ('AMC'), which ensures adherence to the Trustee's investment policy. Railpen supplies personnel and infrastructure to RPIL, to enable it to manage the schemes' assets.

The Trustee is satisfied that RPIL has the appropriate knowledge and experience for managing the investments of the schemes. RPIL 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.

Defined contribution ('DC')

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

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

A review of the DC fund range was completed in 2020, and implemented in 2022. This resulted in changes to the default investment strategies, alternative Lifestyle arrangements, and the range of self-select funds. A full investment strategy review took place again in 2023, with implementation due in 2024.

Risks - including how they'll 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 these risks, including:

- maintaining a Trustee risk register
- an Integrated Funding Committee ('IFC') with specific responsibilities, including agreeing integrated funding plans for each scheme and section, using the investment strategy 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. This includes oversight of investment performance and reviewing communications and investment options, as appropriate
- appointing a global custodian to hold assets. RPIL will monitor 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
- the establishment of the Railpen Enterprise Risk Committee, and the Investment Risk Committee, to oversee monitoring of operational and investment risks, respectively

For DB schemes and sections, expected investment return is considered. This takes 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 a range of funds available that are suitable for members to invest their contributions into. 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 section, and the investment performance of the portfolios of RPIL and the fund managers, are measured for the Trustee. Investment performance of each scheme and section is monitored by RPIL and reported to the IFC, the Pensions Committees (where appropriate) and to 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 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. These are 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 recognises that strict control of costs is important in contributing to good investment returns. RPIL gives full transparency to the Trustee on the underlying costs comprising the annual management charges, including transaction costs incurred by the funds.

Sustainable Ownership governance and Trustee framework

The next section of this Implementation Statement focuses on how, and the extent to which the schemes' policies on stewardship, have been followed during the Scheme year. We will 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.

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. The Trustee also recognises its legal duty and responsibility for the stewardship, environmental, social and governance ('ESG') integration and climate change activities undertaken by RPIL and selected fund managers on its behalf. Accordingly, it engages closely with the RPIL Sustainable Ownership team ('the SO team') on these issues, including how the team engages with external Fund Managers.

Last year's Implementation Statement described how the Trustee updated its SIP to better reflect the stewardship priorities which RPIL, on the Trustee's behalf, is focused on. These were: climate change; workforce treatment; responsible uses of technology; and supporting more sustainable financial markets. The Trustee continues to believe that these are stewardship priorities because they are financially material to all, or a significant proportion of, the schemes' investments. Each year, RPIL and the Trustee jointly issue an annual report on stewardship activities that seeks to achieve compliance with the UK Stewardship Code.

The previous Implementation Statement noted that the Trustee worked with RPIL on a set of Investment Beliefs that could better reflect changes in its approach to investment. Several Investment Beliefs were relevant to RPIL's work on sustainable ownership, helping to ensure this work is undertaken in members' best interests, particularly the following:

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

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.

2023 was the second year of implementing these Investment Beliefs. The Trustee agrees with RPIL's assessment that the beliefs have been effective in supporting sustainable ownership to serve members' best interests. These are demonstrated by the positive impacts outlined in the table below:

Investment Belief (excerpt)	2023 RPIL impact and progress
"Well-informed and financially material ESG analysis"	■ Launched Sustainable Investment Insights programme ■ More regular formal and informal catch-ups between the Sustainable Ownership and Fundamental Equities teams
"Societal and systemic risks, such as climate change"	■ Led authorship of an ICGN Viewpoint (guidance) on "Systemic stewardship and public policy" (launched in 2023) ■ New collaborative engagement launched on worker voice and inclusion ■ New thematic voting lines in the Voting Policy update for 2024
"Capital allocation by investors and corporates makes a difference"	■ Launched Energy Transition Portfolio ■ Further refined the controversial weapons and climate exclusions processes ■ 2023 round of engagements in the governance and conduct exclusions process
"Positively contributing to the world our members retire into"	■ Clarified outcomes-focused approach to engagement and voting ■ Reconsidered the landscape for stewardship database and tracking tools

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

In 2023, the Trustee worked with the RPIL team to undertake two half-day training sessions. In May 2023, the first session was a deep-dive on climate change, building on previous 2022 sessions on this topic. Topics covered included: a refresher on the TCFD regulations, an overview of the key aspects of the 2023 TCFD report and 'stewardship for net zero'. This explained how to drive good outcomes for members, and engaged companies on topics like the transition to net zero. The Head of Responsible Investment from a peer scheme spoke to the Trustee, to provide an additional perspective on climate risk in a pensions context. In December 2023, the second deep dive focused on 'stewardship on social issues' to ensure that the Trustee was fully informed of the latest developments of the government's Taskforce on Social Factors. The session included an interactive role-playing exercise for the Trustee, in which they worked through a social issues engagement challenge together. This helped the Trustee understand the judgement calls the Sustainable Ownership team make regularly in company engagements, showing which stewardship tools should be used and when. The Trustee agrees that both these training sessions effectively supported it in being able to challenge RPIL on its work on material climate and social issues.

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

In 2023, members of the Trustee Board and RPIL worked together on the third iteration of the member-focused Sustainable Ownership Review, published in October 2023. This was the second SO Review, incorporating feedback on members' views towards sustainable ownership. The Trustee believes that communicating to members about sustainable ownership can help encourage member engagement with their pensions more generally, and that doing so is in members' best interests.

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. It's noted that RPIL, and individuals in the Sustainable Ownership team, won several awards in 2023 for work in this space, including:

- DB Investment Innovation of the Year (team)
- Pension Team of the Year (team)
- Financial News 50 Rising Stars of Fund Management (individual)
- Top 50 Most Influential in European Sustainable Finance (individual)
- Top 30 'Ones to Watch' in the City (individual)
- Simon Fraser Stewardship Award (individual)

ESG Integration

In the updated SIP, it's explained that 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. It's also explained that these factors include, but are not limited to, environmental, social and governance factors, including climate change and the Trustee's other thematic priorities, as outlined previously.

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. The dedicated Sustainable Ownership reports, issued quarterly to the Trustee Board, have been helpful in ensuring the Trustee can more effectively monitor and understand the work that RPIL is undertaking, and the impact achieved on its behalf. This is important to ensure the Trustee feels comfortable that ESG integration and active ownership activities, are genuinely driving long-term value for members.

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. The Trustee 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 controversial weapons reflects reputational risk factors. In 2023, the RPIL team worked on updating and automating the controversial weapons and climate exclusions approaches, to ensure the process continues to align with market best practice and better reflects the evolving data landscape, as well as the Trustee's approach to ESG risk. 2023 also saw the second implementation of the new, refined governance and conduct exclusions approach.

The Trustee is comfortable with the work undertaken to improve RPIL's exclusion approaches, which will help RPIL more efficiently protect and enhance the value of members' savings. The case study below from the latest Stewardship Report gives an example of the impact of the governance and conduct exclusions process.

Case study: Implementing the updated Governance and Conduct Zero-Weight process in 2023

Issue: RPIL's Governance and Conduct Zero-Weight ('Gov Z-W') process aims to identify companies, whose governance and behaviour, are of particular concern. The aim is to avoid or mitigate severe financial risks. The process helps identify those companies with governance 'red flags' and where it's thought these governance risks may crystallise in the future.

Objective: The Gov Z-W process is used to exclude companies due to governance and conduct concerns, and also as a mechanism to drive positive change through engagement.

Approach and rationale: RPIL has run the Gov Z-W process every year since its inception in 2017, with the exception of 2021 when the approach was reviewed. In 2022, the Sustainable Ownership team presented eight companies to the Investment and Risk Committee with a recommendation for either continuing to exclude, or newly excluding. These were approved and the exclusions implemented.

In 2023, RPIL decided to focus on the 2022 excluded and watchlist companies, rather than conducting a whole new screening process. This allowed a greater focus on analysis and potential engagement with the 13 companies of most concern.

Following the closure of the engagement period, RPIL considered the factors below when deciding whether to escalate to exclusion:

- The company's willingness to engage in constructive dialogue
- The company's efforts to remediate or mitigate the issue(s), and evidence to support this
- The extent to which the company is an outlier among industry peers
- If relevant, the company's effectiveness in dialogue with affected stakeholders
- If relevant, the company's decision to exit from a controversial business division

Outcome and next steps: Companies that have been excluded in a previous Gov Z-W cycle can be reinstated in the portfolio if they're willing to begin a dialogue and can show an improved approach to managing the issues that triggered their exclusion. This motivates them to make the necessary changes. Because of the positive steps they took, RPIL reinstated two companies: an American technology company and a South Korean listed manufacturing company.

RPIL's recommendations were proposed and discussed as a team, and approved by the Investment Risk Committee. The team communicated the outcomes, and the rationales for the agreed course of action to the companies involved.

The case study below provides further details of the removal of one of these companies and gives comfort that the RPIL exclusions process does not just help protect members from companies with unmanageable ESG risks, but also acts as a useful engagement tool to achieve progress on material issues.

Reinstatement after an exclusion through the Governance and Conduct Zero-Weight (Gov Z-W) process	
Background	RPIL recognises that the Gov Z-W process can be a highly motivational tool for encouraging companies. Excluded companies are eligible to be re-included in the portfolio if the process shows the company is willing to have an open dialogue and can demonstrate an improved approach to managing the governance or conduct issues that triggered the exclusion. In 2023, in light of improvements made, RPIL recommended removing two companies from the exclusions list. The companies were told the reasons for the decision, to help them understand the precise nature of the team's concerns. One of these companies was a large US technology firm.
Issue	The company sells computing equipment, data storage solutions and software. RPIL initially excluded it through the Gov Z-W process in 2022, after finding extensive governance and conduct red flags. These included a dual-class share structure, a lack of company responsiveness and engagement with shareholders, and allegations of forced labour. RPIL's attempts to engage with the company were substantially unsuccessful. They only submitted high level responses after the deadline, in a way that did not alleviate the concerns about their commitment to meaningful improvement on severe governance issues.
Approach	In 2023, RPIL focused on the 2022 excluded and watchlist companies, rather than conducting a broader screening process. This allowed a greater focus on analysis and potential engagement for the companies of greatest concern. RPIL contacted the US tech company again to talk about its progress, and found a new willingness to engage. Follow-up analysis found significant improvements to its governance arrangements including increased independence on the Nominations and Remuneration Committees and the appointment of a Lead Independent Director.
Outcome and next steps	RPIL makes decisions about a company's exclusion (or reinstatement) based on many variables. It incorporates intelligence from engagements, research, and analysis. RPIL considers the level of progress made, and whether there's a credible commitment to further improvements in the future. Based on the findings, RPIL decided to remove the company from the exclusions list. RPIL informed the company of the decision, and explained the rationale for doing so.

In 2023, the Trustee continued to build upon its focus on climate change. As is set out in the SIP and in the Investment Beliefs, the Trustee recognises climate change as a financially material issue across both its assets and its liabilities. The Trustee has been supportive of RPIL's 2023 work to apply its proprietary climate risk framework to key emitters across the portfolio and review its Net Zero Engagement Plan. This tool will support RPIL to achieve its net zero commitment by 2050 or sooner.

In 2023, RPIL also launched an Energy Transition Portfolio ('ETP'). The Trustee recognises that RPIL can influence for a Paris-aligned transition not just through its influencing, but also through its capital allocation. The case study below gives more details of the work undertaken on the ETP in 2023.

Case study: Launching the Energy Transition Portfolio ('ETP')

Issue: Energy security is vital to the future of society and, while work is undertaken to develop the renewable infrastructure necessary to support current and future energy needs, our communities are still fundamentally reliant on traditional energy supplies. Commodities - the raw materials used in manufacturing - that enable the energy transition, have insufficient or tight supply, while demand continues to grow. This is also potentially the case for commodities that are being displaced as part of the transition. Because of this, it's very likely these commodities will command high prices throughout an economic cycle. This in turn benefits the cash flows of a range of companies linked to these commodities.

The Trustee recognises that it can use both capital allocation and its influence as a shareholder to invest in companies that can aid the energy transition. RPIL can help these companies understand the case for investing their improved cash flows in establishing higher ESG standards and achieving better outcomes for people and the planet.

Objective: To launch a portfolio that invests in companies that are well-positioned to help progress the transition to a Paris-aligned world, and who could also benefit from RPIL's influence as engaged, proactive and climate-experienced investors.

Approach: After in-depth analysis of possible portfolio companies, and discussions about the best approach to take during 2022, RPIL launched a new, actively-managed Energy Transition Portfolio ('ETP') in 2023. This new portfolio invested across a range of energy, utilities and materials.

ETP was designed to take a thoughtful, active, and engaged approach to the critical sectors targeted by this portfolio (namely energy, utilities and materials). RPIL's portfolio management and Sustainable Ownership teams agreed to work even more closely together to assess and engage with each company, focusing on credible climate transition plans and meaningful investor-investee dialogue.

ETP also invested in a relatively concentrated pool of holdings. This is because RPIL believe that, by limiting the number of holdings, it can develop meaningful engagement with companies. RPIL can support them with their transition plans and hold them to account, using the full range of tools available to the Sustainable Ownership team.

Outcome and next steps: RPIL can engage with and influence companies' transition plans, and hold them to account for their commitments and targets.

Investments in the Energy Transition Portfolio provide diversified returns for railways pension scheme members and look to support the transition to net zero.

RPIL will continue to proactively use the full range of stewardship tools, to try to encourage these companies to support the transition to a Paris-aligned world.

The Trustee's approach to climate change will be reported in more detail in the 2023 RPS Taskforce on Climate-Related Financial Disclosures ('TCFD') report.

Non-financial matters

In the SIP, it's stated that non-financial matters will be considered on a case-by-case basis. This is in relation to the selection, retention and realisation of investments, where there is 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 16 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 2023, RPIL's Sustainable Ownership team discussed its work with some of these committees, as well as with its Sustainable Ownership Client Forum ('SOCF'), to complement the interaction with Pensions Committees. The SOCF consists of 10 Pensions Committee members, and two Trustee Directors are invited to each meeting. The agenda for each meeting is put together by the Sustainable Ownership team, based on interest from SOCF members. The 2023 meetings included presentations on: RPIL's approach to investing in infrastructure and how ESG considerations are integrated; the importance of equal voting rights and RPIL's work to set up and chair the Investor Coalition for Equal Votes ('ICEV'); RPIL's approach to voting for impact and the importance of diversity, equity and inclusion to Railpen's stewardship work with portfolio companies. The Trustee Directors present at SOCF meetings use these as an additional opportunity to gain comfort around the effectiveness of RPIL's approach to sustainable ownership.

The Trustee was pleased to note RPIL's 2023 work on a dedicated member engagement and communications programme. This programme built upon findings from both the 2021 and 2022 member surveys that asked members for i) their ESG priorities, and ii) how they would like to be communicated with on sustainable ownership work. The Trustee gains comfort that RPIL is committed to listening to member views through its 2022 SO Member Review (published in 2023), specifically designed in response to member feedback. It provides case studies on issues members said they cared most about (in order: workforce treatment, climate change, fair pay and biodiversity). In many ways, RPIL's work already reflects the issues that members care about. RPIL continues with its annual member engagement survey (the last undertaken in November 2023) and to work hard to reach out to, and hear from, those members who are not already engaged with ESG issues. The Trustee believes that RPIL's extensive work in this space will further enhance the two-way dialogue on sustainable ownership issues, in a way that boosts member engagement and helps improve long-term outcomes.

RPIL worked hard to get a wide range of members to respond to the 2023 member survey launching an email campaign to 5,000 randomly selected members, of all categories. RPIL welcomed the fact that this tripled the number of responses normally received. This increase in feedback gave greater insight from members who are less engaged with ESG. The findings showed that:

- 54% of members were familiar with the term 'sustainable ownership'. This is a drop from the previous year (74%) but may be due to a larger response from less engaged members.
- 58% of members were aware that Railpen is a leader in sustainable ownership.
- priority ESG issues had changed, with climate change dropping down the list. The top area of concern was RPIL's approach to social issues (such as labour rights), while governance concerns came next.

RPIL has confirmed that it will incorporate these findings into future communications to members on sustainable ownership.

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 it was 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 in 2013-15, which included ensuring greater internal control of stewardship decisions and voting activities. Where there are listed equity holdings in mandates or funds that 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, segregated portfolios and pooled funds are distinguished as different investment arrangements, which 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.

There was only one new mandate formally launched in 2023: a £2bn mandate to manage a liquid multi-asset credit strategy with Neuberger Berman. The mandate will focus on investments across a broad range of credit sectors, covering both the investment grade and non-investment grade spaces. Although consideration was given on how best to integrate the Trustee's ESG objectives more broadly, as primarily a fixed income mandate, this is of limited relevance from a voting perspective. However, RPIL's Sustainable Ownership team will continue to engage with Neuberger Berman, to understand how to best leverage the relationship, to achieve the Trustee's broader stewardship objectives.

As described in last year's Implementation Statement, RPIL - on behalf of the Trustee - 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 has a particular interest in exercising its influence as a steward over its UK holdings. The Trustee also welcomes RPIL's commitment to raising the possibility of extending its voting control in the pooled funds with this manager, in light of recent market developments in this space.

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 (Regional emerging markets equities)	Segregated	RPIL directs all votes

Engagement

The Trustee delegates engagement activities to RPIL (as well as the exercise of voting rights attached to investments), which includes (but is not limited to) engagement with the fund managers, investee companies and other stakeholders about 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. They are satisfied with the approach RPIL takes to its individual and collective engagement activity. The case studies below, provided by RPIL as part of a joint Stewardship Report with the Trustee, give additional comfort that RPIL is effectively undertaking engagement. This helps achieve real long-term value for members on the Trustee's stewardship priorities, including workforce issues and climate change.

Case study: Amazon | Using engagement to promote improvements in sustainability reporting

Issue: RPIL believes that direct and targeted engagement can produce tangible and positive results. One example is the feedback we gave Amazon on its 2021 Sustainability Report.

Amazon is held in RPIL's actively managed strategy, through its Fundamental Equity portfolios. Due to the size of RPIL's holding, and the complexity of ESG risks that Amazon faces, RPIL has been in dialogue with the company over many years on how it manages and reports on financially material issues.

RPIL's analysis of the company's Sustainability Report covered how useful it was for investors, where its strengths lay, and where RPIL saw areas for improvement. Social issues, particularly the 'Worth of the Workforce', remain a focus of RPIL's engagement. These issues are financially material to Amazon's operations and align closely with RPIL's thematic priorities. Therefore, that is where the review was concentrated.

Objective: RPIL set an engagement objective to support Amazon in developing areas of disclosure where it expected to see improvements. For instance, health & safety, and employee engagement. RPIL's specific aims were to encourage:

1. An explicit link between financially material ESG issues and the company's strategy
2. More easily trackable progress against targets, for example through publication of comparative year-on-year statistics
3. Improved balance and transparency, such as lessons the company has learned

Approach: RPIL thoroughly reviewed Amazon's Sustainability Report, benchmarking it against the approaches of other portfolio companies. RPIL also took the critique from other institutional shareholders into account.

RPIL provided overarching thoughts and section-by-section recommendations to be shared with the ESG Engagement and Reporting teams. The feedback covered Amazon's performance in:

- Respecting human rights
- Employee benefits
- Diversity, Equality & Inclusion
- Employee engagement
- Safety, health and wellbeing
- Building a supply chain that puts people first
- Corporate governance
- Advocacy and public policy
- Partnerships

Outcome and next steps:
RPIL was pleased to see that many of its recommendations were reflected in Amazon's 2022 Sustainability Report (published in 2023). The following outcomes align with the specific disclosure objectives RPIL set:

1. Linking material ESG issues to value and strategy: the report included enhanced introductions on the importance of each ESG issue and how it relates to Amazon's strategy

2. Making progress against goals easier to track: Amazon included statistics on its supplier monitoring, along with its progress towards targets from the Upskilling Report. It also added details of its progress with diversity, equity and inclusion goals. Finally, it quantified its human rights impacts, however these were difficult to contextualise without a supply chain map or sense of scale

3. Improving balance and honesty: RPIL saw this done successfully in the supplier assessment section, but continues to feel that Amazon's approach to freedom of association could be more balanced. This was reflected through RPIL's vote for a shareholder resolution requesting an independent assessment of freedom of association and collective bargaining policies at Amazon's 2023 AGM

Next steps: Following discussions, RPIL was invited to give feedback on the 2022 report. It recognised the progress made, but in RPIL's view, there are still some areas for improvement, e.g. more case studies to show Amazon's approach in practice, and enhanced disclosure on fatalities in the reporting year.

RPIL initially discussed these points with the Amazon team before sending its full review. RPIL will assess progress when the next report is published, and look forward to continuing the constructive dialogue.

Case study: Listed equities | Teleperformance escalation

Issue: Teleperformance is a global leader in outsourced digital integrated business services. Late in 2022, Time Magazine made allegations about poor worker conditions in the part of the business that moderates highly egregious content. Three weeks later, in November, the Colombian Government announced an investigation into the company via Twitter. The result was a fall in the share price of almost 34% before trading was suspended.

Teleperformance categorically denied the claims. Similar allegations had been made before - and disproved. All the same, the company announced its exit from its moderation business, in response to investor demands.

Objective: RPIL's engagement focused on gaining a deeper understanding of material risks to the business and encouraging a strengthened approach to risk management.

Approach: After engaging with the company, RPIL considered that the allegations were potentially overblown, and the initial share price response was an overreaction. RPIL welcomed management's decision to exit the controversial business areas given it was not being adequately rewarded for the reputational risk it was shouldering on behalf of clients. RPIL welcomed the management's response after this transpired.

RPIL also welcomed the fact that Teleperformance signed a global agreement with UNI Global (a global union representing more than 20 million workers in the services sectors in 150 countries), on working conditions. This agreement covered all the company employees.

The agreement allowed Teleperformance to re-engage with Ultra-Claro, UNI Global's Colombian affiliate, so it could negotiate a local agreement with them. RPIL had previously spoken to UNI Global multiple times in recent years about workforce relations and conditions.

Outcome and next steps: Shares recovered to 90% of their pre-Colombia investigation announcement levels soon after. However, Teleperformance unexpectedly decided to resume full-service content moderation in March 2023. When this happened, RPIL worked to understand the rationale and assess whether there were enough safeguards in place to prevent further allegations.

Following Teleperformance's announcement to acquire content moderator Majorel, RPIL engaged with it to discuss its perceived pivot away from its core strategy. RPIL questioned how much due diligence into Majorel's workforce relations had been carried out before the acquisition.

The responses RPIL got from the company did not give comfort that this risk was being managed appropriately. RPIL therefore decided to divest from the company. Shortly after divesting, Teleperformance's share price fell by approximately 30%, before falling even further towards the end of 2023.

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 2023, RPIL remained a signatory to the UK Stewardship Code and that its reporting continues to receive ongoing positive reception by peer investors, as well as civil society stakeholders. This includes the Stewardship Report being used as an example of international best practice by the Australian Council of Superannuation Investors ('ACSI') and RPIL being asked to present to Australian pension funds on how to produce engaging, member-useful reporting. The Trustee also commends the ongoing repurposing of the material contained in this report for different audiences, including Pensions Committees and members (through the Sustainable Ownership Review).

The Trustee expects RPIL to continue to use its influence, both directly and in collaboration with other investors and organisations, with companies and policymakers, to support long-term value creation across the portfolio, in the interests of members. The Trustee welcomes RPIL's commitment to engage with companies both on stock-specific ESG issues and on thematic or system-wide areas of concern. While the continued focus on engagement with its largest holdings is recognised, the Trustee is supportive of RPIL's shift in recent years to dedicating greater resource to thematic stewardship across four priority areas. These are: Worth of the Workforce; Responsible Technology; Sustainable Financial Markets; and The Climate Transition. These align with the Trustee's own stewardship priorities, as articulated in the most recent update to the SIP.

As RPIL's assets under management continue to grow, the Trustee believes that engaging on system-wide issues, which affects the whole portfolio, reflects RPIL's role as a universal owner of assets. As well as the stock-specific case studies above, the Trustee gains comfort from some of the outcomes already achieved by RPIL's 2023 collaborative engagement and thematic work, as detailed in its latest Stewardship Report and the case study below.

Case study: The Investor Coalition for Equal Votes ('ICEV') | Progress in 2023

Issue: Pushing back against dual-class share structures ('DCSS') and unequal voting rights at portfolio companies, is key to improving corporate governance standards and ensuring investors like RPIL have a safety net to hold company management to account, where necessary, by exercising effective stewardship through voting.

RPIL previously reported on work to launch the Investor Coalition for Equal Votes ('ICEV') in summer 2022, with the Council of Institutional Investors and several US pension funds, to fight back against unequal voting rights at companies. Primarily, this was in the US and UK (reflecting RPIL's portfolio allocation).

This issue is complex, multi-layered and has been entrenched for decades in certain jurisdictions.

Approach and rationale: ICEV considers the issue of unequal voting rights to be a system-wide topic. It aims to shape the mood-music for the regulators, whose actions can either help or hinder unequal voting rights.

ICEV also aims to influence companies at a point in their life-cycle where they are still open to conversations on their capital structure (i.e. before they obtain a public listing).

To these two ends, it made the following progress in 2023:

- Shaping the mood-music: Welcoming new members to ICEV, growing its AUM. This included its first asset manager member, and a growing membership outside of the US and UK into the rest of Europe. ICEV continues to speak with prospective members.
- Spreading the message: Caroline Escott, Chair of ICEV and Senior Investment Manager at Railpen, spoke at conferences and to the press, including the Financial Times, the Times and Reuters about the importance of ICEV and its mission.
- Publishing a well-received, policymaker-dedicated report: The research report, produced with Chronos Sustainability - Undermining the Shareholder Voice: The Rise and Risks of Unequal Voting Rights - summarises some research into the implications of dual-class share structures, for companies' financial performance. It also explores several recent case studies of controversies at companies with dual-class shares.

The report sets out recommendations to support the phase out of dual-class share structures and mitigate the risks around their use. These recommendations are tailored to different financial market participants, including companies considering an initial public offering ('IPO'), company advisers, fellow investors, stock exchanges and index providers, as well as policymakers and regulators.

- Responding to the FCA Consultation CP23/10: Primary Markets Effectiveness Review: ICEV's response focused on the issue of dual-class share structures, explaining why it supports a 'one share, one vote' structure, with supporting academic research linking to the companies' financial performance.

- Influencing pre-IPO companies: Speaking to company advisors about ICEV and obtaining the commitment of eight advisers to flag ICEV to their clients.

- Agreeing an escalation approach for advisors who have been unwilling to speak to ICEV: This will help ICEV to apply a consistent approach to help reach those advisors who have so far been unwilling to engage, including whether public escalation might be a suitable tactic.

- Deciding on a new engagement approach for 2024: A new set of targets was established for the second phase of engagements with pre-IPO companies, given the likely changes to the IPO market in 2024.

  As part of this, it was decided to widen the scope of ICEV's engagement targets to increase the chance of its voice being heard. ICEV chose to widen the scope both in terms of the number of companies targeted and the people contacted at each company, deciding to include board members and board observers for the first time.

Outcome and next steps: In light of the complexity of the issue and the entrenched nature of some of the interests of financial market participants, ICEV is likely to be a multi-year and multi-phase engagement.

Its plans for 2024 include:

- Executing its 2024 engagement plan. This includes reaching out to its second group of pre-IPO companies, and following up with advisers it hasn't yet spoken to, considering escalation where this might be effective.

- Using the momentum of the report published in 2023 with Chronos Sustainability (referred to previously), to carry on spreading the word of ICEV and its mission, including:
  - Producing a dedicated ICEV website
  - Continuing to grow ICEV's membership

- Continuing to be proactive on policy engagement in priority markets. This will include advocating for disclosure-based policies around voting outcomes where this makes sense, but only as a fallback position where dual-class share structures are allowed.

The Trustee welcomes RPIL's commitment to playing a leadership role in the industry, where they feel there is a case for further action to be taken on a material issue. In 2023, this included launching the Workforce Directors Coalition ('WDC') and providing guidance for firms on how to incorporate the worker voice in Board-level decisions more effectively. RPIL also continued to chair the Institutional Investors Group on Climate Change ('IIGCC') Bondholder Stewardship Working Group and was asked to be (appointed in Q1 2024) Co-Chair of the FCA's Vote Reporting Group, which seeks to improve the quality of reporting of vote information, by asset managers to asset owners.

The Trustee also recognises engagement with policymakers as an important part of thematic stewardship. This is to ensure the implementation of system-level solutions, to system-level challenges, such as climate change, dual-class share structures, or income inequality. The Trustee is pleased that RPIL continues to actively participate in policy debates on issues that are material to the portfolio and aligned with core engagement themes. In 2023, this included active participation in the government's Occupational Pension Stewardship Council ('OPSC'), where RPIL is part of the core Engagement Group and continues to chair one of the sub-committees, as well as feed into the sub-group's work on member engagement. RPIL also submitted responses to consultations, including the FCA's paper CP23/10, on changes to the UK equity listings rules regime and the Financial Reporting Council's ('FRC's') Review of the UK Corporate Governance Code.

We receive additional comfort regarding the thoughtfulness with which these policy interventions were undertaken on the Trustee's stewardship priorities, as shown in the case study from RPIL below.

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Case study: RPIL's work on workforce issues in 2023

Issue: Evidence shows that a committed, motivated and fulfilled workforce is fundamental to a company's long-term business success. However, there's a lack of clear and consistent disclosure on workforce issues, particularly on issues like worker voice and mental health (both of which are increasingly important given the worldwide upheaval to working practices and employee wellbeing in recent years).

Objective: RPIL's work in this area goes back several years. For 2023, it decided to focus on three key areas and issues which it considers to be most in need of dedicated action:

1. Addressing the lack of consistent and co-ordinated focus on workforce (and broader social) issues from some companies in the institutional investor community. These issues are material to every portfolio company in an investment universe

2. Encourage the International Sustainability Standards Board ('ISSB') to consider workforce issues in their sustainability-related financial reporting standards

3. Tackle the narrow approach to workforce engagement, including misperceptions around the appropriate role of a workforce director - a board director appointed from the wider workforce.

Approach and rationale: RPIL met its three objectives in 2023 by:

1. Working with the Taskforce on Social Factors ('TSF') to help raise standards amongst pension schemes on workforce issues. The TSF was set up to help scheme trustees consider and incorporate material social issues into their investment decision-making. RPIL worked with the TSF to produce draft guidance for the industry on how to consider social factors, apply best practice and raise standards. **The final guidance** was published in Q1 2024 and included two case studies from Railpen on its work on social issues

2. Responding to the ISSB's consultation to encourage them to consider workforce issues. RPIL's response also stressed the importance of using double materiality to assess sustainability risks, rather than single materiality

3. Launching the **Workforce Directors Coalition**, and publishing its **Workforce Inclusion and Voice: investor guidance on workforce directors**. Some of RPIL's portfolio companies asked it to give them guidance on the investor perspective on workforce directors specifically.

   RPIL worked with academics, investors and companies who already had a workforce director to produce this guidance. It contains practical steps for companies on how to incorporate the worker voice at board-level, including with workforce directors.

   As well as exploring worker voice mechanisms more generally, the guidance provides:

- Insights into the benefits of workforce directors
- Examples of 'what good looks like' regarding the role, recruitment and retention
- Valuable case studies

We lead the Workforce Directors Coalition that launched this guidance. The coalition of investors and pension schemes look after £1.5tn assets under advice. Each investor has signed the **investor statement on workforce directors**. RPIL also looked to engage with companies and interested groups, for example, by speaking to a group of FTSE 350 NEDs.

Outcome and next steps: RPIL's guidance on workforce directors landed particularly well and had good traction in the industry. Although it has resulted in fewer company engagements than desired, RPIL plans to escalate the practice during voting season by, for example, asking questions at AGMs and using its voting powers.

The TSF guidance published also received good feedback. In 2024, RPIL intends to help the Taskforce raise awareness of this guidance across the industry.

Voting

The Trustee believes that exercising 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. As far as possible, the specialist team seeks to direct or influence voting in externally managed mandates. RPIL's votes are exercised in line with the Voting Policy, however, the team also uses its professional judgement and intelligence on individual voting decisions.

In 2023, RPIL updated its Voting Policy to better align its voting with engagement priorities on dual-class share structures, fair treatment of suppliers, appropriate incentivisation of senior executives and ensuring a 'Just Transition'. The Trustee supports these developments, which also align with - and help further support progress with - the stewardship priorities outlined in the SIP.

RPIL voting policy update for 2024 onwards

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 the Railpen website and send it on to external managers and the largest direct holdings, requesting a pre-AGM meeting to discuss voting priorities.

The Global Voting Policy for 2024 onwards, was reviewed in Q3 of 2023. Further details on priority engagement and voting priorities are outlined in the following excerpt from RPIL's 2024 Global Voting Policy:

IFRS reporting

Although we recognise that good disclosure does not necessarily equate to good practice on financially material issues, we think that clear, consistent information is fundamental to supporting a positive investor – company dialogue. From this year, we will be asking companies to use the International Financial Reporting Standards' ('IFRS') S1 and S2 disclosure requirements on sustainability and climate-related risks as a minimum and not a maximum.

Executive remuneration (and workforce engagement)

We know that portfolio companies appreciate as much clarity as possible around our approach to executive pay. This year, we have added further detail to our Policy, clarifying that we want to see long-term incentives that are genuinely long-term and highlighting the importance of broader workforce engagement during the pay-setting process.

Dual-class 'enablers'

*As you'll be aware from our previous Voting Policies, we think that differential voting rights dilute the ability of independent shareholders to effectively engage with companies, which is why we set up the now **$2.5 trillion Investor Coalition for Equal Votes** in 2022. From 2024, we will be strengthening our voting sanctions at companies with existing dual-class share structures and with a sunset clause of 20 years or longer from IPO, as well as for directors of companies that list from 2024 with an insufficiently short time-based sunset clause (voting against these individuals at any company where they hold a board seat).*

The just transition

*Although we have previously considered just transition issues in our engagements with companies, this year we ask companies to note that our expectations are shaped around the **seven-point framework** produced by the Grantham Research Institute on Climate Change and the Environment. As well as incorporating this framework into our assessment of climate transition plans and disclosures, we will consider supporting resolutions that encourage better disclosure of just transition considerations as well as those which ask for better management of associated risks and opportunities.*

Most significant votes

RPIL has collected information on the most significant votes undertaken on its 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.

RPIL has also considered input from its 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 Policies.

In determining what might constitute a most significant vote, RPIL considers criteria provided by the PLSA in its Vote Reporting Template, as well as its own. 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 RPIL Chief Officer, Fiduciary and Investment Management ('COFIM') for a 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 2023, 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 its own understanding of what might constitute a most significant vote. It will continue to engage with RPIL on voting priorities in 2023, to ensure they continue to support value creation in members' interests. We have also selected those votes from external managers that we consider to be most significant from the Scheme's perspective.

We also welcome RPIL's work to engage with LGIM in 2023 (following on from their engagement with LGIM in 2022), to ensure that LGIM understands the Trustee's voting priorities, and to deliver voting information in a timely manner. We understand that progress has been made, although there is room for further discussion. The fact that RPIL is co-Chair of the FCA's Vote Reporting Group, gives the Trustee additional comfort that RPIL is well-placed, to improve the reporting received from external managers over time.

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
- Eumedion
- MSCI
- ACSI
- Carbon Tracker
- The Transition Pathway Institute
- Climate Action 100+
- The Workforce Disclosure Initiative ('WDI')
- Rathbones' 'Votes Against Slavery' initiative, and
- CCLA's Mental Health Benchmark

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 its own custom Voting Policy in place with specific voting instructions for the proxy provider, to apply to all markets globally. The Trustee was pleased to note that the 2023 update to the Voting Policy, (which has been implemented in voting decisions from January 2024 onwards), included new lines reflecting our own stewardship priorities. These are based on our understanding of the material risks across the portfolio. We note that RPIL also engages with ISS' and other providers' 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 engagement objectives and expertise, 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:

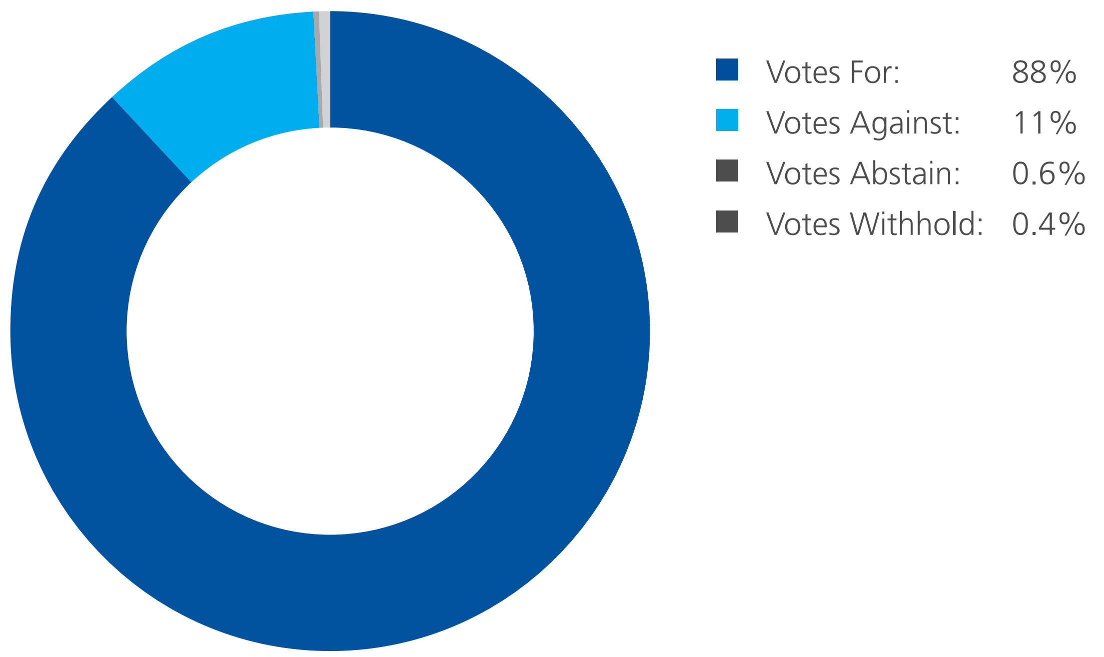
- RPIL continues to use its voting rights to vote against executive remuneration packages, where the quantum and approach, were insufficiently aligned with the long-term interests of shareholders and other stakeholders
- RPIL demonstrated significant levels of support for shareholder resolutions, which sought to ensure better disclosure and activity, on issues such as climate change, fair pay, and diversity, equity and inclusion ('DEI'), and
- RPIL looked to use all its ownership rights, not just the right to vote, to try to influence better corporate behaviour, on issues that align with the Trustee's stewardship priorities - as demonstrated here in the Most Significant Vote case studies on Alphabet and AbbVie

The Trustee is prepared to challenge RPIL's voting activity and approach on issues that are material to our members, 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 looks forward to further conversations on the evolution of RPIL's voting approach in 2024.

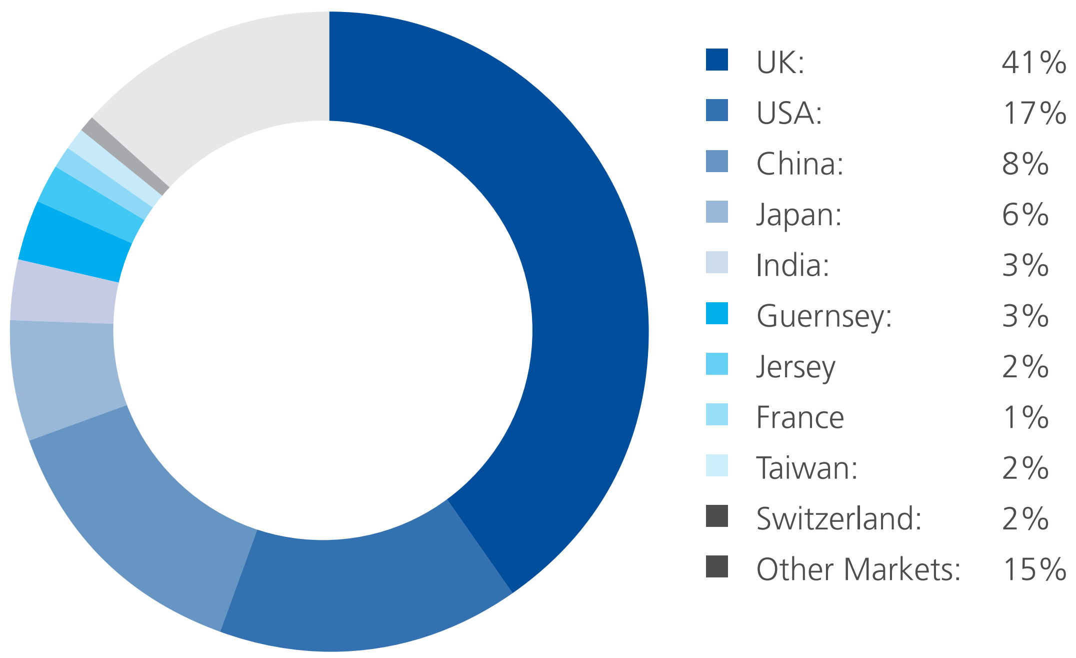
2023 Voting Statistics

Number of meetings voted	**1,479**
Percentage of meetings voted	99.7%
Percentage of meetings with at least one vote against, withheld or abstained	56.2%

Voting Outcomes

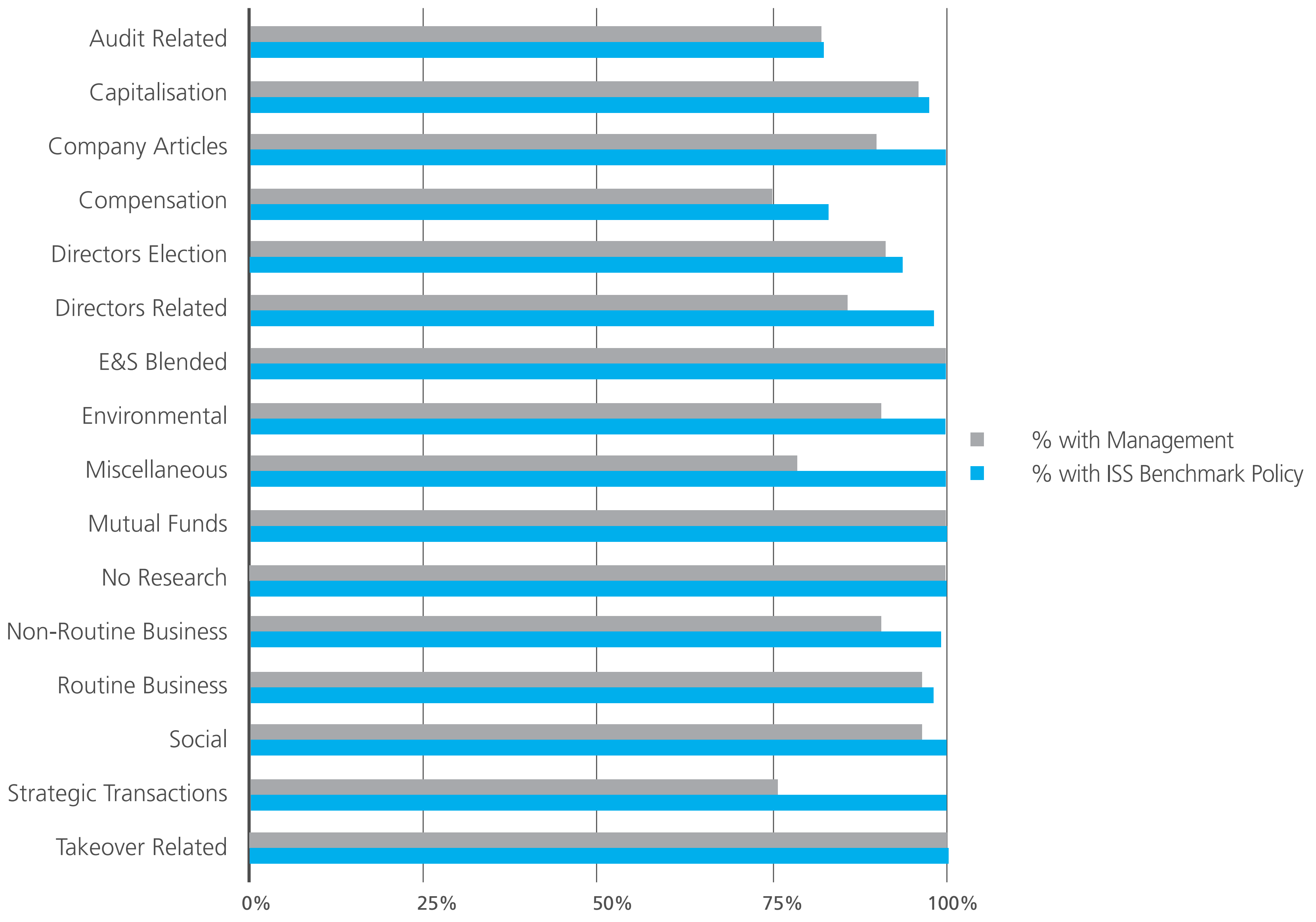


Meetings Voted by Market



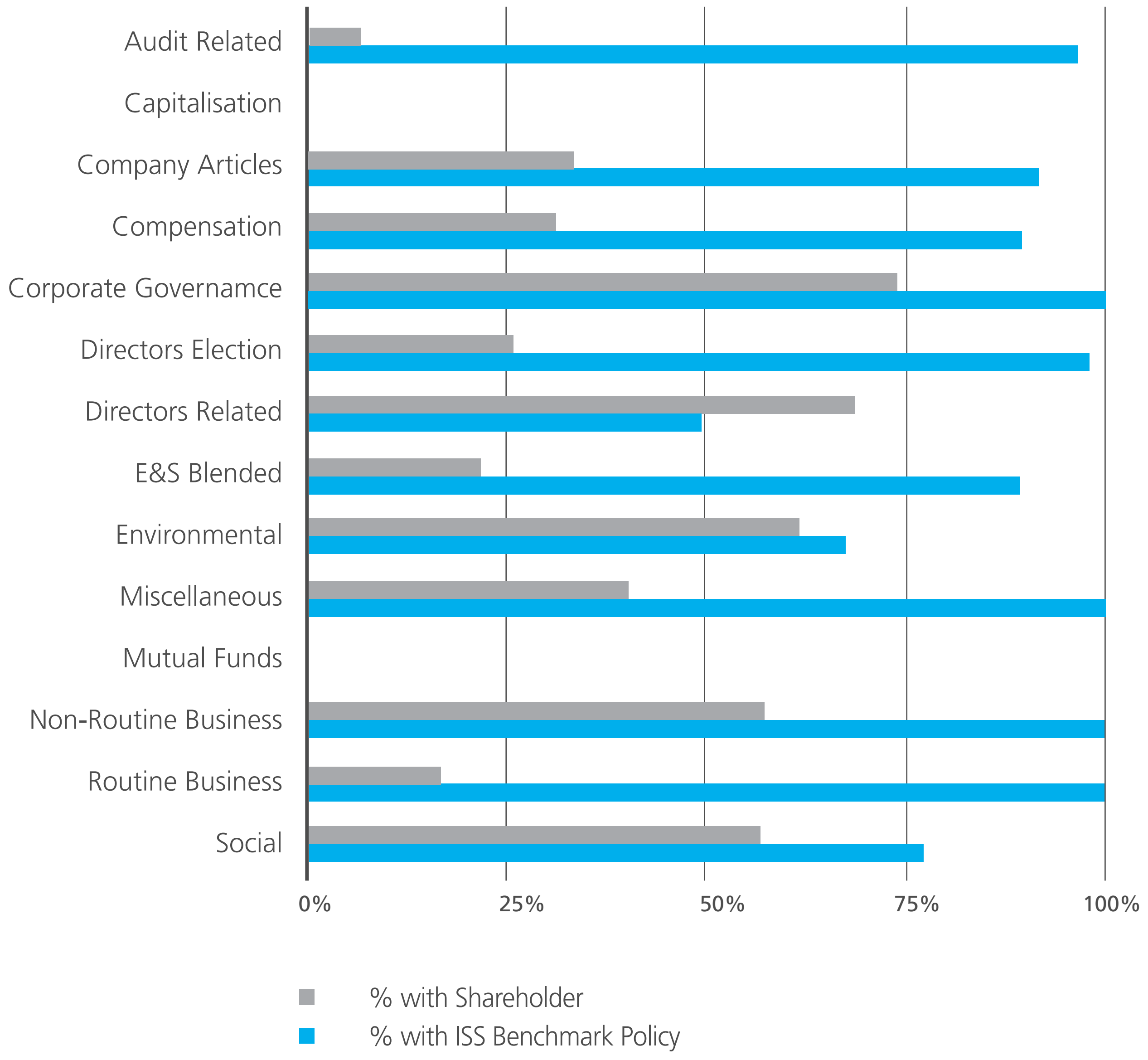
Votes Cast on Management Proposal Catagories

- Comparing the votes cast in support of Management proposals, ISS Benchmark Policy recommendations across the major proposal categories provides insight into the positioning of votes on proposals submitted by Shareholders against the aforementioned benchmarks.
- Votes cast during the reporting period were least in line with management on Compensation matters, where only 75% 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

- Comparing the votes cast in support of Shareholders proposals, ISS Benchmark Policy recommendations across the major proposal categories provides insight into the positioning of votes on proposals submitted by Shareholders against the aforementioned benchmarks.
- Votes cast during the reporting period, shows the highest level of support for shareholder proposals related to Corporate Governance, at 74% and the lowest level of support for shareholder proposals related to Audit Related, Company Articles, Routine Business, with 7% of proposals supported.
- Across categories, votes cast on shareholder proposal show the closest alignment to the ISS Benchmark Policy guidlines.



Most significant votes - RPIL

For ease of reading, the Trustee has decided to group the following 'Most Significant Votes' by company. In a couple of instances, several votes cast pertained to a specific issue at a particular company. This means that, although there are nine RPIL case studies below, they cover 12 'Most Significant Votes' undertaken by RPIL in 2023. The team has also deliberately chosen to feed through some votes on the same issues at the same companies, as reported on in previous Implementation Statements. We agree with RPIL in their assessment that doing so helps readers understand the progress of voting (often as part of a broader engagement journey), on the most material issues at priority companies.

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 more than 50% of the votes cast, it will usually pass. The level of impact the result has will vary, according to various factors, e.g. whether the vote was binding or advisory.

Where RPIL discuss whether an issue is a priority for members, it is based on the feedback garnered from its 2021, 2022 and 2023 member engagement programme discussed above and in the 2023 Stewardship Report.

Case Study: Givaudan SA | Board diversity and composition

What the votes were about:

1. Re-election of the Chair of the Nominations Committee

Size of holding (£): 118m

Link to Trustee's Stewardship Priorities? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? Yes – Board composition and accountability

Issue: Givaudan is a holding in RPIL's Fundamental Growth Portfolio ('FGP'). This portfolio is a low turnover, concentrated global equity portfolio with limited geographical, sector and benchmark constraints. It consists of well-managed, innovative companies that benefit from favourable structural growth trends. RPIL has been in dialogue with the company for many years on its long-term growth. Due to the retirement of a female board member and the election of a male board member, Mr Guidetti, in 2023, the percentage of women on the Board of Directors (Board) decreased to 28.57% (from 33.33%). This falls marginally below RPIL's expectation for the Swiss market, and required an explanation as to why the target of 30% had not been met under Swiss law. The Board communicated that it was actively searching for a further female member to restore the balance. As of March 2023, the Board planned to propose a female candidate at the next Annual General Meeting ('AGM').

Objective: Over the past few years, a focus of RPIL's voting and engagement has been to improve gender equality on company boards. Where this is not possible at the time of the vote, we expect adequate disclosure as to how the company will improve this. If the company does not meet the standards outlined in RPIL's Voting Policy and have not explained why, RPIL may withhold support on the Chair of the Nomination Committee or relevant directors.

Approach: RPIL shared its Voting Policy in advance of Givaudan's AGM, which confirmed its position on Board-level diversity. Taking into account the company's plans to address the imbalance, we voted in favour of the re-election of the Chair of the Nomination Committee. As Givaudan is part of the Fundamental Growth Portfolio and therefore a long-term investment, we prioritise informing them of RPIL's voting rationale.

Why most significant:

- Links to the Sustainable Financial Markets Trustee stewardship priority
- Large holding in the Fundamental Growth Portfolio (and therefore the potential material impact on financial or stewardship outcomes).

Outcome and next steps: Only 8.2% voted against the re-election of the Chair of the Nomination Committee, which RPIL believes reflects the Company's responsiveness to shareholder concerns. RPIL decided to monitor Givaudan's progress in implementing its proposed changes prior to the 2024 AGM. Although the company has not yet identified a suitable candidate for the Board, RPIL remains reassured that the Chair of the Nomination Committee is actively working to address this. RPIL also notes the presence of a senior leader diversity metric within the CEO's Long-Term Incentive Plan, which indicates broader efforts to improve diversity within the company.

Case Study: Air Liquide | Climate Transition Plans | 03 May 2023

What the votes were about:

1. Approve Financial Statements and Statutory Reports

Size of holding (£): 13m

Link to Trustee's Stewardship Priorities? Yes – Climate and Nature

Is the issue a 'top 5' member priority? Yes – Climate Change

Issue: Air Liquide is an industrial gases company based in France. RPIL identified Air Liquide as a key emitter as part of its Net Zero Engagement Plan. Therefore, RPIL became a contributing investor of the CA100+ group, that has been in dialogue with the company for five years.

Objectives: RPIL wanted to send a signal to Air Liquide that it was not meeting its expectations, nor those of the CA100+ leads. These expectations centred around the fact that the company had not disclosed the key quantitative assumptions it used in its materiality assessment of climate risk, nor its scenario analysis.

Approach: RPIL's 2023 Voting Policy stated that it expects its portfolio companies – particularly those in highly carbon-intensive sectors – to appropriately incorporate material information about climate-related issues into their overall disclosures, both financial and non-financial. If a company's disclosures fail to meet its expectations, we may vote against the Chair, the director it deems responsible, or the Report and Accounts.

As Air Liquide is one of the top emitting companies in the portfolio, RPIL sought reassurance that their financial accounts were consistent with their transition plan. The CA100+ group welcomed the inclusion of a climate risk narrative in the 2021 Accounts and in the 2022 Key Audit Matters, alongside broader discussions around lobbying and strategy. However, Air Liquide still did not disclose the estimates and quantitative assumptions that led to the company's materiality assessment of climate risk.

Although the absence of this quantitative disclosure is not out of line with the market, RPIL factored in the length of this collaborative engagement, clear guidance given by the group, and the materiality of climate risks to the chemical sector.

Because of these gaps, and in alignment with the lead CA100+ investor's pre-declaration, RPIL decided to abstain on the approval of the financial statements and statutory reports. RPIL did not vote against the Report and Accounts, nor the director it deems responsible, in recognition of the company's ongoing willingness to engage in constructive dialogue and the progress it has made.

Why most significant:

- Links to the Climate and Nature Trustee stewardship priority

Outcome and next steps: The level of dissent against the approval of the financial statement was 0.2%. It is too early to assess the effect of its abstention, and the CA100+ group's signal, because it needs to wait for the next set of accounts to be published. However, Air Liquide remains engaged, and the group continues to discuss progress against its priorities. RPIL will remain a supporting investor as part of CA100+. It looks forward to monitoring Air Liquide's progress on climate-aligned accounts.

Case Study: Unilever | Remuneration | 03 May 2023

What the votes were about:

1. Remuneration Report
2. Re-elect chair of Remuneration Committee

Size of holding (£): 54m

Link to Trustee's Stewardship Principles? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? Yes – Board Composition

Issue: Unilever is a holding in RPIL's Quantitative Strategies portfolio. This portfolio is managed by Railpen's Public Markets team. The team manages fully systematic strategies, ranging from long only & market neutral equity portfolios, through to multi-asset diversifying funds, using risk-based allocation techniques. The incoming CEO's salary had been set higher than that of his predecessor. It is significantly higher than the salary received in his current role and that of UK peers. Unilever had not provided compelling justification for this remuneration package.

Objective: A key focus of RPIL's voting focuses on remuneration, which it considers to be a vital way of ensuring senior executives are both accountable to, and aligned with, the interests of shareholders.

Approach: RPIL voted against the remuneration report, as well as the Director it deemed responsible, to express its dissatisfaction regarding the lack of justification for the increased CEO salary. RPIL wanted to encourage Unilever to provide further disclosure on how this increase in salary is aligned with performance, the experience of shareholders and wider employees, as well as how it is designed to drive long-term strategic success.

Why most significant:

- Links to the Sustainable Financial Markets Trustee stewardship priority

Outcome and next steps: 58% of shareholders voted against the remuneration report and nearly 16% voted against the Chair of the Remuneration Committee. Unilever's pay practices will continue to be monitored. For 2024, Unilever has been selected as a focus company for RPIL's dedicated UK-focused stewardship initiative. RPIL will engage with Unilever on its approach to remuneration, as well as other material issues and consider how this engagement influences its voting activity, at the 2024 AGM.

Case Study: AbbVie | Cybersecurity | 05 May 2023

What the vote was about:

1. Vote to elect the Chair of the Audit Committee

Size of holding (£): 133m

Link to Trustee's Stewardship Priorities? Yes – Responsible Technology

Is the issue a 'top 5' member priority? No – but cybersecurity is a top 10 issue for members

Issue and objective: AbbVie is a health and pharmaceutical company in RPIL's Quantitative Strategies portfolio. RPIL identified concerns with AbbVie's approach to cybersecurity (including its disclosures), which were compounded by the company's high-risk exposure to the issue. In light of the materiality of data security to the company, RPIL has been engaging with them – as lead engager – over the last few years, to request additional information on their approach to cybersecurity governance and practice, as part of the Cybersecurity Coalition, led by Royal London Asset Management ('RLAM').

Cybersecurity threats can cause substantial damage to companies through operational disruption, loss of revenue, fines and reputational harm. RPIL therefore sought reassurance that cybersecurity risks were being managed appropriately.

Approach: Following Railpen's initial unsuccessful attempts to engage with AbbVie, RPIL previously voted against the election of the Chair of the Audit Committee, who is responsible for oversight of risks, including cybersecurity. RPIL informed the company in advance of its vote. RPIL had also previously escalated the issue to ask a question at the AGM on AbbVie's approach to cybersecurity and to request a meeting. RPIL thinks that AGM questions can be a powerful way to raise awareness of an issue with a company and more broadly.

Further to RPIL's AGM question, AbbVie agreed to the meeting request. RPIL met with subject matter experts and gained reassurance on the areas identified for discussion. In advance of the AGM, AbbVie published its latest proxy statement, which included an update of the director biographies, to flag where there was relevant cybersecurity experience and new emphasis on the Board's active role in reviewing AbbVie's cybersecurity risks. RPIL welcomed this and subsequently voted in favour of electing the Chair of the Audit Committee at the latest AGM.

Why most significant:

- Links to the Responsible Technology Trustee stewardship priority

Outcome and next steps: 99.7% of shareholders voted in favour to elect the director. RPIL was happy to see that progress had been made on AbbVie's cybersecurity disclosure. Continued monitoring will take place to ensure that they continue to disclose their cybersecurity risk management. Areas of improvement still remain, particularly around due diligence when undertaking acquisitions, and RPIL will look for improvements in this area before considering how to vote at their 2024 AGM.

Case Study: Partners Group AG | Auditor rotation | 24 May 2023

What the vote was about:

1. Ratify the Auditors

Size of holding (£): 41m

Link to Trustee's Stewardship Priorities? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? No

Issue: Partners Group AG is part of RPIL's Fundamental Equity Portfolio. This portfolio is focused on companies with high barriers to entry and sustainable competitive advantage. RPIL believes that frequent rotation of the audit firm is a necessary ingredient, for ensuring the independent judgement and professional scepticism necessary to a robust external audit. RPIL's long-established view has been to vote against a company's auditors, when they have held the same post in excess of 15 years.

Objective: Previously, RPIL had been engaging with Partners Group to outline its perspective on auditor tenure, amongst other subjects. RPIL took the time to suggest solutions, providing perspectives gathered from its engagements with other companies similar to Partners Group. RPIL wanted to ensure that it voted in a way that would allow it to continue to support its engagements with the company.

Approach: Although engagement was constructive in the first two years, RPIL did not feel able to support on key votes at the 2021 and 2022 AGMs. Previously, RPIL exercised votes against the appointment and remuneration of the auditor. This led to a discussion with both former and new Board directors on audit in late 2022. At this meeting, RPIL was delighted that they committed to put the audit firm out to tender in the near future.

At the time of the 2023 AGM, the audit firm had still been in place for longer than RPIL's agreed threshold, so its policy dictated that RPIL vote against the ratification of the auditors. However, RPIL voted in favour of ratifying the company's auditors. this was due to the positive commitment they made to tendering in RPIL's meeting, and the commitment they made in writing, in the proxy statement produced in advance of the 2023 AGM.

Why most significant:

- Links to the Sustainable Financial Markets Trustee stewardship priority

Outcome and next steps: 94.2% of shareholders voted in favour of the auditor. RPIL will continue to engage with the company to support them, by providing an investor perspective, throughout the tendering process.

Case Study: McDonald's | Workforce treatment | 25 May 2023

What the vote was about:

1. Elect Director Christopher Kempczinski

Size of Holding (£): 31 million

Link to Trustee's Stewardship Priorities? Yes – Worth of the Workforce

Is the issue a 'top 5' member priority? Yes – Fair Treatment of Workers

Issue: McDonald's is a holding in the Quantitative Strategies portfolio. The U.S. Department of Labour ('DOL') fined three McDonald's franchisees, after an investigation determined that hundreds of children were working there, in violation of federal labour laws. There were ongoing concerns about the lack of response to what appeared to be systemic sexual harassment issues in the UK and the US.

Objective: RPIL believes that the fair treatment of workers is fundamental to ensuring a fulfilled, motivated and engaged workforce. It is vital for sustainable financial performance. RPIL was concerned by the systemic nature of the sexual harassment issues at McDonald's and what RPIL felt was a lack of accountability taken by senior management on this issue.

Approach: Although RPIL did not have capacity to engage specifically on this in advance of the 2023 AGM, RPIL voted against the re-election of the CEO in light of the serious nature of the issue and what it deemed to be a requirement for senior-level accountability.

Why most significant?

- Links to Worth of the Workforce Trustee Stewardship Priority

Outcome and next steps: 99.3% of shareholders voted for the election of the CEO. Although the majority of shareholders do not seem to share RPIL's concerns (or haven't made their views heard through exercising their vote), RPIL will continue to monitor the progress on workforce treatment. This includes seeking to engage with them as part of RPIL's Workforce Directors Coalition ('WDC'). RPIL believes that, given the serious nature of these issues and the lack of concrete information about how McDonald's is seeking to act on the concerns of employees, on this basis and other issues, they should be considering appointing a workforce director to their Board.

Case Study: Amazon | Freedom of association and working conditions | 24 May 2023

What the vote was about:

1. Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining
2. Commission a Third Party Audit on Working Conditions

Size of holding (£): 157m

Link to Trustee's Stewardship Priorities? 1) Yes – Worth of the Workforce 2) Worth of the Workforce

Is the issue a 'top 5' member priority? 1) Yes – Fair treatment of workers 2) Yes – Fair treatment of workers

Issue: Amazon is held in Railpen's actively managed strategy through the Fundamental Growth Portfolio. RPIL has been in dialogue with the company over many years, on its long-term growth prospects and competitive positions across retail, cloud and advertising, as well as on material ESG issues. Social issues, such as working conditions, have been a focus of RPIL's engagement and the company often faces several shareholder resolutions on social topics at its AGMs.

Objective: RPIL recognises that workforce treatment issues can be highly emotive, given the importance of the topics under discussion. Although RPIL is an advocate of direct dialogue between management (and the Board) and workers, there can be benefits in asking an independent, expert third party, to assess the situation at a particular company and provide their perspective, as to the root causes and possible remedies of the issues. As workforce issues are highly material to Amazon, RPIL considers such information to be potentially useful.

Approach: RPIL engaged with Amazon in advance of the AGM to understand their perspective both on these resolutions specifically and on engagement with the workforce overall. RPIL was encouraged to hear how they had acted upon workforce concerns on issues, including fair pay, but given the ongoing issues around unionization, RPIL thought further information from an impartial third party would be helpful. RPIL therefore voted in favour of both shareholder resolutions, sent Amazon its guidance on **Worker Inclusion and Voice** (how to meaningfully incorporate the worker voice into Board-level discussions) and committed to engage with them further on this issue in the future.

Why most significant?

- Links to Worth of the Workforce Trustee stewardship priority

Outcome and next steps: 34.6% of shareholders were in favour of the shareholder resolution to 'commission third party assessment on a Company's commitment to Freedom of association and collective bargaining'. 35.2% of shareholders were in favour of the 'Commission a third party audit on working conditions' vote. These are significant levels of support and RPIL will engage with Amazon to understand how they have responded to the results.

Case Study: Airbnb | Unequal voting rights | 01 June 2023

What the vote was about:

1. Elect Director Nathan Blecharczyk
2. Elect Director Alfred Lin

Size of Holding (£): 16 million

Link to Trustee's Stewardship Priorities? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? Yes – Board Composition and Shareholder Rights

Issue/Objective: Airbnb is a holding in RPIL's Quantitative Strategies portfolio and has dual-class share structures (or unequal voting rights). In 2022, RPIL launched the Investor Coalition for Equal Votes ('ICEV'), to fight back against unequal voting rights, at companies primarily in the US and the UK and supplement its company-specific engagement.

Approach: In 2023, RPIL continued to make it a priority within its voting and engagement, to tackle unequal voting rights. This included its work both with ICEV and with individual companies in its portfolio that have unequal voting rights, such as Airbnb. RPIL decided to 'withhold' its support for the two directors due to the dual-class share structure and long sunset clause, amongst other governance concerns at Airbnb.

Why most significant?

- Links to Sustainable Financial Markets stewardship priority

Outcome and next steps: 98.6% of shareholders were in favour of voting to re-elect the directors. RPIL will continue to try to engage with the company on dual-class share structures and raise awareness of ICEV with them. If engagement is not successful, RPIL may consider escalation if it feels this may be effective. RPIL also implemented broader updates on unequal voting rights to its **2024 Global Voting Policy update**, which came into force on 1 January 2024.

Case Study: Capita PLC | Workforce directors | 11 May 2023

What the vote was about:

1. Elect Janine Goodchild as Director

Size of Holding (£): 2 million

Link to Trustee's Stewardship Priorities? Yes – Sustainable Financial Markets

Is the issue a 'top 5' member priority? Yes – Board Composition and Accountability, Workforce Treatment

Issue: Capita PLC is a holding in RPIL's LGIM portfolio. An engaged workforce and including the worker's perspective in strategic decision-making and the corporate governance processes, is fundamental to the long-term success of companies. RPIL believes in appointing one or more workforce directors, as it has the potential to create value for the company, by improving the cognitive diversity of a Board and improving decision-making. Workers feel that they have a say in the running of the company, which makes them feel more engaged and builds a greater sense of trust and co-ownership. An engaged workforce is financially material to long-term company performance.

Capita PLC is one of the few UK companies to have workforce directors on its Board. Previously, they had two, including one who sat on the Remuneration Committee ('RemCo'). However, investors previously voted against the reappointment of the Remuneration Committee workforce director due to what RPIL considered overly rigid concerns about its independence. This means that, for the 2023 AGM, Capita had only one workforce director.

Objective: RPIL was keen to understand how Capita approaches workforce directors and to offer support if it felt investors were not approaching the vote in a holistic and thoughtful way.

Approach: During the 2023 AGM season, RPIL launched practical guidelines for companies on how to take a meaningful approach to incorporating the worker's voice at Board-level, including the potential use of workforce directors.

At its 2023 AGM, Capita wanted to appoint a workforce director to its Audit Committee. Although not RPIL's ideal use of a workforce director (with a preference for fully independent Audit Committees), given the rationale provided by Capita and RPIL's willingness to support one of the few UK companies committed to workforce directors, RPIL decided to vote in favour of the election of the workforce director. A meeting was not possible ahead of the AGM, so RPIL's vote was the first opportunity it had to directly share its view, although RPIL's **guidance** had also been sent to Capita before the AGM.

Why most significant?

- Links to the Worth of the Workforce Trustee stewardship priority

Outcome and next steps: 95% of shareholders voted in favour of the re-election of Janine Goodchild. RPIL used its vote as an opportunity for engagement, aiming to further its understanding of Capita's perspective and consider what more it could do to align with RPIL's position on best practice. Unfortunately, Capita's workforce director stepped down at the end of 2023.

RPIL plans to further engage to find out why. Its sense is that perhaps investors did not fully appreciate the benefits of Capita's approach to workforce directors and there may be learning for the Workforce Directors Coalition in future company engagements.

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. It also directed them to the PLSA's Vote Reporting Template. RPIL always notifies the manager of its definition of 'Most Significant Votes' on the Trustee's behalf, several months in advance of the deadline for the information. This is in addition to sending LGIM the updated Global Voting Policy in the December before the next AGM season, which offers an even earlier indication of RPIL and the Trustee's engagement and voting priorities.

The following Most Significant Votes represent RPIL's choice, on the Trustee's behalf, of what it considers to be the most significant votes exercised by its external asset managers, from the choices 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 ISS voting platform 'Proxy Exchange'.

The Trustee is confident that the level of oversight exercised by RPIL over 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.

In a meeting dedicated to sustainable ownership in 2023, LGIM told RPIL that it would aim to work closely with its clients in the future, on topics of shared interest, including dual-class share structures. It also noted that it would be open to collaboration in the future, including on potential co-filing of resolutions. RPIL, on behalf of the Trustee, will continue to engage with LGIM to better understand its approach to stewardship. In particular, how it i) tracks engagement progress and monitors outcomes and ii) how it seeks to make full use of all its stewardship tools on priority issues and with key holdings.

LGIM publishes an annual Active Ownership report which, together with the intelligence from RPIL's engagements with LGIM, and quarterly updates provided to the Sustainable Ownership team, provides additional comfort to the Trustee that our external manager's approach to voting and engagement is aligned with our priorities on issues such as climate change and fair treatment of the workforce. We particularly welcome its future plans to contribute to public policy discussions, and to focus on the issue of unequal voting rights. This closely aligns with the Trustee's priority stewardship issues and thinking, regarding effective ways of influencing system-level risk, as discussed previously.

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

LGIM North America Index Fund	
Investment Manager Name	Legal and General Investment Management
Fund Name	North America Equity Index Fund
Fund Code	S
Quasar Code	2241
Fund of Fund Structure	Yes
Scheme Year End Date	2023-12-31
Start of Reporting Period	2023-01-01
End of Reporting Period	2023-12-31

What was the total size of the fund as at 2023-12-31?	£21,878,943,114 Weekly close price series
What was the number of equity holdings in the fund as at 2023-12-31?	615
How many meetings were you eligible to vote at over the year to 2023-12-31?	648
How many resolutions were you eligible to vote on over the year to 2023-12-31?	8760
What % of resolutions did you vote on for which you were eligible?	99.70%
Of the resolutions on which you voted, what % did you vote with management?	65.54%
Of the resolutions on which you voted, what % did you vote against management?	34.46%
Of the resolutions on which you voted, what % did you abstain from?	0.00%
In what % of meetings, for which you did vote, did you vote at least once against management?	97.69%
Which proxy advisory services does your firm use, and do you use their standard Voting Policy or create your own bespoke policy which they then implement 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.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	28.96%

LGIM Railways Passive Equity Pooled Fund ('PAPF')	
Investment Manager Name	Legal and General Investment Management
Fund Name	Railways (PAPF)
Fund Code	32705-003
Quasar Code	2574
Fund of Fund Structure	Yes
Scheme Year End Date	2023-12-31
Start of Reporting Period	2023-01-01
End of Reporting Period	2023-12-31

What was the total size of the fund as at 2023-12-31?	£260,639,093.56 Weekly close price series
What was the number of equity holdings in the fund as at 2023-12-31?	2652
How many meetings were you eligible to vote at over the year to 2023-12-31?	3056
How many resolutions were you eligible to vote on over the year to 2023-12-31?	37,828
What % of resolutions did you vote on for which you were eligible?	99.91%
Of the resolutions on which you voted, what % did you vote with management?	78.93%
Of the resolutions on which you voted, what % did you vote against management?	20.94%
Of the resolutions on which you voted, what % did you abstain from?	0.13%
In what % of meetings, for which you did vote, did you vote at least once against management?	75.55%
Which proxy advisory services does your firm use, and do you use their standard Voting Policy or create your own bespoke policy which they then implement 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.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	15.39%

LGIM vote: Amazon.com, Inc – PAPF

What the votes were about: Report on Media and Adjusted Gender/Racial Pay Gaps

Size of holding in fund (£): 9.6 million

Link to Trustee's stewardship priorities? Yes – Worth of the Workforce

Is the issue a member priority? Yes – Fair Pay

Approach: A vote in favour (against management) was applied, as LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as RPIL believes cognitive diversity in business - the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds - is a crucial step towards building a better company, economy and society.

LGIM pre-declared its voting intention for this meeting on the LGIM Blog. As part of this process, a communication was sent to the company ahead of the meeting.

Why most significant:

- Links to the Worth of the Workforce Trustee stewardship priority
- Also a large holding in the Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes)

Outcome and next steps: The issue failed to pass with 29% support. LGIM will continue to engage with the company and monitor progress.

LGIM vote: Alphabet Inc. – PAPF

What the votes were about: Approve Recapitalisation Plan for all Stock to Have One-vote per Share

Size of holding in fund (£): 10.9 million

Link to Trustee's stewardship priorities? Yes – Sustainable Financial Markets

Is the issue a member priority? Yes – Board Accountability

Approach: A vote in favour (against management) was applied as LGIM expects companies to apply a one-share-one-vote standard.

Why most significant:

- Links to the Sustainable Financial Markets Trustee stewardship priority
- Also a large holding in the Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes)

Outcome and next steps: The issue failed to pass with 30.7% shareholder support (though this result should be considered in the context of the unequally weighted voting rights structure). LGIM will continue to monitor the Board's response to the high level of support received for this resolution.

LGIM vote: Meta Platforms, Inc. – North America Equity Index Fund

What the votes were about: Elect Director Mark Zuckerberg

Size of holding in fund (£): 396 million

Link to Trustee's stewardship priorities? Yes – Sustainable Financial Markets

Is the issue a member priority? Yes – Board Accountability

Approach: A vote against was applied (against management) as LGIM expects companies to separate the roles of Chair and CEO due to risk management and oversight concerns. A vote against was also applied because LGIM supports the equitable structure of one-share, one-vote. LGIM expects companies to move to a one-share-one-vote structure, or to provide shareholders a regular vote on the continuation of an unequal capital structure. Withhold votes were also warranted for Mark Zuckerberg, the owner of the supervoting shares.

Why most significant:

- Links to the Sustainable Financial Markets Trustee stewardship priority
- Also a large holding in RPIL's Fundamental Equities portfolio (so potential material impact on financial or stewardship outcomes)

Outcome and next steps: The vote failed to pass with 9.1% of shareholders voting against (though this result should be considered in the context of the unequally weighted voting rights structure). LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

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 2023, RPIL continued to apply its updated Manager Assessment Framework (as discussed in previous Implementation Statements) to external managers, across private markets and infrastructure. The case study below provides an example of this work. The Trustee believes that this is a helpful example that demonstrates how the Framework was applied in a way that will help drive long-term value for beneficiaries.

Case study: Private markets | RPIL's ESG due diligence on a manager

Issue: In 2023, RPIL was given the opportunity to invest in a middle market private equity fund, targeting controlling investments in companies across Europe in a range of sectors.

RPIL invested in two previous versions of the fund, and its last assessment of the manager's approach to ESG, in May 2019, had been positive. However, RPIL wanted to deepen its understanding of their approach with an updated assessment.

Objective: As with all investment opportunities in RPIL's private markets portfolio, it aimed to assess this fund to make sure ESG risks were identified and appropriately managed in the investment process.

Approach: Because the fund invests in a range of sectors, RPIL's assessment focused on the consistent application of the investment approach and governance of ESG at the fund.

RPIL found the manager's overall approach had not changed significantly since its last assessment. ESG factors, including company values, were still built into the investment process at every stage, including origination, due diligence, value creation and exit.

RPIL was also pleased to see some positive additions:

- A materiality assessment and an impact assessment carried out by the investment team
- Extra steps being taken, post-investment, to improve ESG at portfolio companies. This included setting some common targets and expectations of company boards, as well as additional reporting
- Final screening of ESG outcomes at exit to understand their impact

RPIL was also satisfied with examples provided of previous investments where the process, from pre-investment due diligence to exit, had been faithfully executed. It could see that material ESG considerations were being assessed and addressed, particularly around governance. These investments also featured in value creation case studies.

Outcome and next steps: RPIL concluded that the fund's approach to ESG risk management met its expectations of external managers. RPIL followed up with a meeting with the Head of Sustainability to validate its assessment. RPIL also agreed to meet regularly to monitor their approach and share best practice.

The Trustee regularly discusses RPIL's approach to external managers and it is comfortable that the actions taken align with its beliefs in this regard.

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.

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, and
- 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

RPIL has a policy whereby it automatically recalls all of its Fundamental Growth Portfolio holdings, in advance of every annual, special or extraordinary meeting. This enables 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 the Investment Operations team 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.

Appendix B

Defined Contribution Chair's Statement

On behalf of the Trustee Directors of the Industry-Wide Defined Contribution Section of the Railways Pension Scheme (the 'IWDC Section'), I am pleased to present the Chair's Statement for the period from 1 January 2023 to 31 December 2023 ('the Scheme year').

This statement explains how the Trustee Board has met the legal requirements for running the IWDC Section for the Scheme year, including:

- the default investment arrangement
- funds and strategies for members who choose their own investment options
- reviewing the default investment arrangement
- 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

The default investment arrangement

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

Today, circa 93% of all IWDC members are solely invested in the default investment option. The current default strategy was introduced in 2022 and has been constructed on the basis that most DC members are expected to flexibly draw their benefits.

The default arrangement for the IWDC Section is shown below:

DC Arrangement	Growth Portfolio 10+ years to Target Retirement Age ('TRA')	Portfolio at Target Retirement Age	Length of switching period
IWDC Section	100% Long-Term Growth Fund	• 25% Long-Term Growth Fund • 25% UK Government Fixed-Interest Bond Fund • 50% Corportate Bond Fund	Gradually from 10 years before TRA

In terms of the allocation of assets within the Flexible Drawdown Lifestyle Strategy, we show below a breakdown for members 10 or more years before TRA, 5 years from TRA and also at TRA.

DC - Flexible Drawdown Breakdown by Asset Class	10+ years to TRA	5 years to TRA	At TRA
Cash	0.0%	1.2%	2.7%
Government Bonds	26.5%	28.6%	31.2%
Corporate Bonds	5.9%	23.6%	45.3%
Listed Equities	51.1%	35.2%	15.7%
Private Equity	0.0%	0.0%	0.0%
Infrastructure	0.2%	0.2%	0.1%
Property	7.4%	5.1%	2.3%
Private Debt	0.0%	0.0%	0.0%
Other	8.9%	6.1%	2.7%
	100.0%	**100.0%**	**100.0%**

Funds and strategies for members who choose their investments

In addition to the default lifestyle option (the Flexible Drawdown Lifestyle Strategy), there are two further lifestyle strategy options, and seven investment funds. This reflects the needs of those who want to take a more active approach to managing their fund choices.

The two additional lifestyle strategies are the Full Cash Withdrawal Lifestyle Strategy and the Annuity Purchase Lifestyle Strategy.

The seven investment funds are:

- the Long Term Growth Fund;
- the Global Equity Fund;
- the Socially Responsible Equity Fund;
- the Corporate Bond Fund;
- the UK Government Fixed-Interest Bond Fund;
- the UK Government Index-Linked Bond Fund; and
- the Deposit Fund.

A Sharia-Compliant Equity Fund is in-scope for delivery at a future date to be agreed. Due to some practical challenges, we were not able to implement it at the same time as the other changes implemented in 2022.

The options available to members were expanded in 2022, including the introduction of the socially responsible fund. Building on the insights gathered in 2022, further work was undertaken with members in Q4 2023. Over 300 members responded to a survey on ESG issues. Members told us that fair pay and treatment of workers was a top priority for them. They support investments that tackle important issues, but not necessarily at the cost of returns. We have also worked with an external communication consultant, Quietroom, to hold face-to-face discussions with our members about ESG issues. The results of that work will be available in late Q1 2024.

There is more information about aims and objectives in the Trustee's Statement of Investment Principles ('SIP'), 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.

A formal investment strategy review was completed in March 2020. That covered the default investment arrangement, alternative lifestyle arrangements and the self-select fund range. Following this review, the current fund range was introduced in Q2 2022.

A further investment strategy review took place over 2023. Member outcomes were considered alongside changes in the economic environment that have taken place since the previous review. Information on the outcome of this review will be provided in future report(s).

During the Scheme year, the Defined Contribution Committee ('DCC') monitored the performance of the investment funds offered, including those comprising the default investment arrangement, at each of its quarterly meetings (22 March 2023, 22 June 2023, 27 September 2023 and 12 December 2023).

Return on investments

The Trustee has taken account of statutory guidance and, as required, reports the net investment returns for the default arrangement and each fund that Scheme members were able to invest in, during the Scheme year ending 31 December 2023.

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' inception, are included to reflect the investment strategy's performance through different market conditions. The table below sets out the return on investments (net of charges and transaction costs) for each fund:

Existing DC funds	Annualised Returns		
	Since Inception (May 2013 to 2023)	5 years (to 2023)	1 year (2023)
Long Term Growth Fund	**6.9%**	**7.3%**	**8.8%**
Global Equity Fund	8.6%	12.0%	22.4%
Deposit Fund	0.7%	1.2%	4.4%

DC funds Introduced in 2022	Since Inception (May 2022 to December 2023)	1 year (2023)
Socially Responsible Equity Fund	13.2%	18.3%
Corporate Bond Fund	2.5%	8.9%
UK Government Fixed-Interest Bond Fund	-17.4%	1.4%
UK Government Index-Linked Bond Fund	-25.7%	-5.2%

The Long Term Growth Fund (highlighted in bold) is the default fund for members who are 10 or more years away from their TRA. The UK Government Fixed-Interest Bond Fund and the Corporate Bond Fund form part of the default arrangement, as from 2022, for members within 10 years of their TRA.

Within the Long Term Growth Fund, the main driver of returns over the last year has been the underlying exposure to equities. The performance has been impacted by equity markets rising in 2023.

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.

Performance fees and costs incurred as a result of holding or maintaining property are listed separately, as they fall outside of the charge cap. The total expense ratio ('TER') presented below includes these costs, whilst excluding transaction costs. The TER is paid by the members and is reflected in the unit price of the funds. During the Scheme year ending 31 December 2023, the level of charges applicable to the funds in the IWDC Section, including the funds which are part of the default lifestyle strategy, were:

RPIL, which manages the Scheme's investments, gives full transparency to the Trustee sub-committee, the DCC on the underlying costs making up the AMC, such as investment management costs, legal costs, and IT costs.

The IWDC Section funds are invested alongside the Scheme's defined benefit ('DB') 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 DB 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.

DC fund	AMC %	Property costs %	Performance fees %	TER %
Long Term Growth Fund	0.50	0.08	0.02	0.60
Global Equity Fund	0.29	N/A	N/A	0.29
Deposit Fund	0.31	N/A	N/A	0.31
Corporate Bond Fund	0.38	N/A	N/A	0.38
UK Government Fixed-Interest Bond Fund	0.27	N/A	N/A	0.27
UK Government Index-Linked Bond Fund	0.31	N/A	N/A	0.31
Socially Responsible Equity Fund	0.46	N/A	N/A	0.46

Transaction cost (and any other fee) information has been requested from the fund managers ahead of their annual accounts being published. As such, not all the managers have been able to supply complete information by the date of signing this statement. The table below shows the 2023 transaction costs obtained for each fund. Full coverage has been achieved, however, this includes some estimated or unaudited costs.

DC fund	Average 2023 asset value £m	Transaction costs %	Cost info available %
Long Term Growth Fund	170.1	0.06	100
Global Equity Fund	23.1	0.06	100
Deposit Fund	4.1	N/A	N/A
Corporate Bond Fund	18.8	N/A	N/A
UK Government Fixed-Interest Bond Fund	10.6	0.02	100
UK Government Index-Linked Bond Fund	1.6	N/A	N/A
Socially Responsible Equity Fund	0.2	N/A	N/A

As many fund managers are unable to provide finalised cost information until months following their year-end, Railpen begins 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 RPS. 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 TRA. This means that the level of charges and transaction costs will vary depending on how close members are to their TRA and in which fund(s) they are invested. For the period covered by this statement, AMC, performance fees 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	AMC %	Performance fees %	Transaction costs %
10	100% Long Term Growth Fund	0.50	0.02	0.06
5	62.5% Long Term Growth Fund 12.5% UK Government Fixed-Interest Bond Fund 25% Corporate Bond Fund	0.44	0.01	0.04
0	25% Long Term Growth Fund 25% UK Government Fixed-Interest Bond Fund 50% Corporate Bond Fund	0.38	0.01	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 in Appendix 2 of 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 and 2021, the assessments were performed by an external supplier, WTW. They concluded on both occasions, that the IWDC Section, offers 'good' value to members. In September 2022, the DCC concluded that an external assessment was only required biennially, and that an internal assessment would be sufficient in the intervening years.

This approach ensures that the IWDC is still subject to a wholly independent assessment regularly, and at the same time, the cost of using an external supplier is limited (where possible). The service provided to IWDC members has made good progress in recent years and, as such, a biennial external assessment is deemed proportionate.

Following an internal assessment in 2022, which concluded that the Scheme provides 'good' value to members, a procurement exercise, supported by Trustees, was undertaken in Q3 2023, to appoint an external provider for the 2023 assessment. After a robust exercise, Redington were appointed. They conducted the assessment in Q1 2024.

The latest assessment was delivered by Redington in February 2024, concluding that the IWDC Scheme provides good value to members. They were selected because of their robust assessment framework and access to a range of market insights. They recognised improvements in the digital and communications space and the continued robustness of our governance controls.

The performance of the Administration team remains good. Delivery against service levels is consistent, although some further work is needed to understand how that performance correlates with the actual member. Across the year, a total of 16 complaints were received and all were resolved in-year, with one being referred to the Pensions Ombudsman. The Administration team have supported circa 95,900 calls and 64,700 emails across the whole of the RPS.

Members continue to show a propensity to use digital services, with many members now registered for the member website. Take-up has increased throughout the year driven by focused engagement campaigns. There are 6,300 members registered for a myRPS account out of a population of 14,353 IWDC members.

Redington observed strong past and expected investment performance in both the growth and retirement phases and robust governance and oversight, evidenced by a breadth and depth of pension and wider experience, coupled with an increasingly diverse Trustee Board. They felt the ESG approach is aligned with and applied to the default strategy well and is integrated across all asset classes.

They did identify some areas of improvement. The decumulation options for members and at-retirement could be further strengthened, albeit some improvements are in-flight. The addition of a Sharia fund was also highlighted, although Redington noted this is already under consideration.

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 the attention of the Trustee.

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

- 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 issues 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 support
- 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 Internal Controls Report. The testing is carried out by external auditors, who along with Management, sign off the report in full. Underpinning this, Internal Audit 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.

From time-to-time, errors in processing occurs. A Quality team is responsible for reviewing any such errors and providing a root cause investigation, to ensure sustainable rectifications to prevent reoccurrence.

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. The Committee receives a DC Controls Report at each meeting which covers a number of areas, including unit differences, employer breaches and loss of investment charges incurred during the period by both the administrator and Employers.

During the period, the following service level challenges were identified:

- The reported SLAs for transfers out were not fully met, however, statutory timelines were largely still maintained. This was predominantly owing to increased due diligence checks performed to meet the regulations against pension scams. A review of the end-to-end process is ongoing and a review of the internal service levels under consideration, to ensure the balance of member expectations, is appropriately weighed against protecting their benefits, against potential scamming exercises. Member expectation management will form part of updated communications.
- Transfer in claims also failed to meet internal service levels. A process review is underway and additional experienced resources have been added to this area to improve speed of service.
- New entrants - minor delays were experienced due to a change in process. The process refinements have since been embedded and additional education provided.

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 all relevant policies), the principles relating to investment of Scheme assets, pensions and trust law, the role of a trustee, and the identification, assessment and management of relevant risks and opportunities relating to climate change.

Individuals who have been nominated to become a Trustee Director must complete TPR's Trustee Toolkit before they can be appointed as a Trustee Director of the Railways Pension Trustee Company Limited.

The Trustee Toolkit is an online learning programme from TPR aimed at trustees of occupational pension schemes. The Toolkit includes a series of online learning modules and downloadable resources developed to help trustees meet the minimum level of knowledge and understanding introduced by the Pensions Act 2004 and subsequent Regulations. 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, eight 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. One Trustee Director is an Accredited Lay Trustee. Existing Trustee Directors received regular training throughout the year, either at quarterly Trustee/Committee meetings or additional Trustee workshops. They are also encouraged to attend external conferences and webinars on specific topics of interest and to increase their general knowledge and understanding.

To further ensure the Trustee Directors, and the Board and Committees as a whole, meet the required level of knowledge and understanding introduced by the Pensions Act 2004, the Trustee Directors must review their training needs each year. This was completed as part of their annual review conversations with the Trustee Chair in Q1 2023.

Alongside this conversation, 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, and the skills and expertise across the Trustee Board as a whole.

A subset of the skills matrix is compiled for each Committee to ensure that relevant knowledge and expertise is present for each Committee according to its terms of reference. The annual review of the skills matrix ensures that any gaps are identified and that the necessary additional training and development is undertaken, or that additional advice can be sought (as necessary) to support the Board or Committee in the specified areas.

The particular topics identified for further training are built into the training provided by Railpen and third parties at the Trustee's meetings and workshops throughout the year. Trustee Directors' key strengths are also recorded in the Trustee's succession plan, allowing the Trustee to monitor the future needs of the Board and Committees, well ahead of any vacancies occurring.

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

- trustee strategy
- administration platform demonstration
- governance Framework
- discussion on potential impacts of new DB funding and investment regime
- Liability Driven Investment ('LDI')
- climate change and the TCFD Report
- funding and investment principles for 2022 valuations
- a deep dive into the Trustee's Long Term Income Pooled Fund
- a sustainable ownership workshop: outlook on Trustee duties

These topics were identified as appropriate training based on the 2023 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 Railways Pension Scheme IWDC Section.

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 RPS 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 Directors for employers in the rail industry to senior financial professionals with large employers. A number of Trustee Directors have a background in trade unions, including sitting on their Executive Committees or senior appointments including General Secretary. Many worked on their unions' own schemes and have negotiated with employers on pensions and benefits on behalf of their members.

In addition, the Trustee's professional advisers are available to attend Trustee meetings when needed to provide guidance on various Scheme matters. With a sufficiently diverse Trustee Board, their broad collective experience ensures that they are in a position to challenge robustly the advice they receive. In particular, as all Directors are nominated and elected by the Scheme's stakeholders, the Board gains insight into the employers' and members' perspectives 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 of the RPS generally.

Additional governance requirements for multi-employer schemes

The Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the 'Administration 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.

During the Scheme year, two casual vacancies arose on the Board, which resulted in two nomination processes taking place 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
- nominations were sought from Committees, Trade Unions and the British Transport Police Federation, as part of the Scheme's process for filling an Employee Director vacancy, in the Employee nominated director Electoral Group.

The appointment process for the vacancies was not concluded by the Scheme year end.

The Trustee Board has been kept informed of developments relating to TPR's authorisation and supervision regime introduced by the Pension Schemes Act 2017 and the Occupational Pension Schemes (Master Trusts) Regulations 2018. The supervision regime continued throughout 2023 and raised no areas of concern.

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 2023 included an article on the importance of understanding the investment fund options available and encouraged members to provide feedback via an online survey.

A dedicated online member advisory group has also been established, called Platform, and has been 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.

In addition to this, an annual member survey is undertaken in partnership with the Institute of Customer Service ('ICS'). IWDC members are given the opportunity to give a satisfaction, net-promotor and effort score, as well as provide verbatim comments. The results in 2023 were our second highest ever (with 2022 being the highest). Members gave us an overall satisfaction score of 81.3, which was significantly higher than the UK customer service index average.

Alternatively, if members prefer, they can contact the member Helpline on the free phone number 0800 012 1117, 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 practice 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 and by providing multiple channels and media through which members may contact the Scheme, in line with its Communications Strategy (the new iteration of which was approved in December 2023), 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.

Christine Kernoghan, Trustee Chair
26 March 2024

Appendix 1 Statement of Investment Principles (also forming part of the Trustee's Annual Report)

Appendix 2 Illustration of the cumulative effect of costs and charges on the value of members' fund values over time

Appendix 1: Statement of Investment Principles ('SIP') (also forming part of the Trustee Company Annual Report)

Introduction

1. Railways Pension Trustee Company Limited is the trustee body (the "Trustee") for the railways 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, Railway Pension Investments Limited ("RPIL"), before adopting this SIP. The Trustee has two wholly-owned operating subsidiaries, Railpen Limited ("Railpen") and RPIL, 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 online at **https://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 funding level and 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 RPIL.

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 **https://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 scheme's 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 investment strategy framework takes into account risk, return needs (to meet funding objectives), maturity, covenant and liquidity needs, to enable ranges to be set for diversified growth and defensive assets for each scheme and/or section.

10. The investment strategy framework outlines the expected investment strategy for each scheme and broad section groupings (effectively grouped by covenant strength and how mature a section is classified as). The individual components of the framework are considered as follows:

10.1. The framework is formulated in terms of time to how mature a section is classified as, using the following phases:

- Non-maturing
- Semi-mature (over 15 years to significant maturity)
- Mature (10 to 15 years to significant maturity)
- Very mature (less than 10 years to significant maturity)
- At long-term goal

10.2. **Non-maturing sections:** The framework focuses on achieving appropriate risk-adjusted returns to meet each section's investment and funding objectives, and bears in mind contribution rate affordability.

10.3. **Maturing sections:**

10.3.1. The framework assumes buyout is the long-term goal for maturing non-Covenant 1 sections.

10.3.2. Allocations to illiquid assets are reduced as sections mature whilst targeting higher levels of interest rate and inflation hedging.

10.3.3. The framework assumes that sections de-risk as they become more mature.

10.3.4. At the point of being fully funded on a low dependency basis the framework reflects a "buyout-ready" investment strategy, with assets expected to be invested such that there is high resilience to investment risk and low (but not zero) dependency on the Employer.

11. Within the framework, asset allocations are expressed as ranges, providing a helpful guideline whilst also encouraging section-specific advice. The return on the portfolio, in aggregate, will take into account the discount rate adopted for funding purposes 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 RPIL on behalf of the Trustee. These funds are used to construct each investment portfolio agreed under the investment strategy 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 Pooled Fund Policy document and Pooled Fund Directive document.

15. Under the investment strategy 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 Railpen Limited under delegated authority) in order to comply with the 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 RPIL, the internal manager for the railways pension schemes, or to fund managers appointed by RPIL (together the "Fund Managers"). The Investment Management Agreement sets out the parameters and policies within which RPIL operates.

18. The investment arrangements are overseen by the Asset Management Committee (AMC) (a Committee within RPIL) who ensure adherence to the Trustee's investment policy. More information on the delegated structure can be found at: **https://www.railpen.com/about-us/our- governance/**. 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.

19. In turn, 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' approaches to stewardship and environmental, social and governance (ESG) integration, including climate change, align where relevant with the Trustee's investment beliefs and with the Trustee's own approaches to stewardship and ESG integration (including climate change), which are detailed below. 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. RPIL 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 RPIL ensures that remuneration structures are aligned with the long-term perspective of beneficiaries can be found within our Voting Policy reports on the Railpen website: **https://www.railpen.com/knowledge-hub/reports/**.

21. 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 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 in accordance with the Investment Risk Guiding Principles and Risk Limits, agreed on a regular basis with the AMC. The single-asset Pooled Funds are managed to specific objectives with permitted tolerances. Where relevant, RPIL 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. 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, the Pooled Fund Policy document and Pooled Fund Directive. 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 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. 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.

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. maintaining a Trustee risk register;

26.2. an Integrated Funding Committee with specific responsibilities including agreeing integrated funding plans for each scheme and/or section, using the investment strategy framework (as described in paragraphs 9, 10, 11 and 15), and monitoring performance against their agreed funding plans;

26.3. an Audit and Risk Committee with specific responsibilities including review of financial control and risk management systems;

26.4. appointing a global custodian to hold assets and RPIL monitoring the custodian's service provision and credit-worthiness;

26.5. appointing the AMC with specific responsibilities including oversight of the management of the Pooled Funds;

26.6. the establishment of the Railpen Enterprise Risk Committee and the Investment Risk Committee to oversee monitoring of operational and investment risks respectively.

Defined Contribution Assets

27. The schemes provide DC benefits in the form of Additional Voluntary Contributions ("AVCs") in the defined benefit sections and the Industry-Wide Defined Contribution ("IWDC") Section, 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 Scheme's 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, RPIL and 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. RPIL and 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 Railpen website **https://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 Trustee's investment beliefs and investment policy.

Environmental, Social and Governance (including climate change) integration and Stewardship (including engagement and voting)

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 requires RPIL and Fund Managers to take account of ESG factors including climate change in the selection, retention and realisation of investments. In addition the Trustee requires RPIL to take into account the quality of stewardship and ESG integration (including climate change) when selecting Fund Managers, and to monitor relevant Fund Managers' stewardship and ESG integration (including climate change) during the investment period.

36. The Trustee will continue to monitor and assess ESG factors (including climate change) 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 RPIL and Fund Managers to provide regular information on their approaches to stewardship and ESG integration (including climate change).

37. 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, and seeks to influence, companies through RPIL's stewardship activities, including engagement and voting.

38. The Trustee expects RPIL to exercise rights attaching to investments and to undertake engagement activities in accordance with RPIL's global voting policy and current best practice, including the UK Stewardship Code.

39. RPIL's global voting policy sets out expectations for issuers. Constructive engagement with portfolio companies and policy makers, alongside thoughtful voting, supports the Trustee's investment objectives.

40. Acting on the Trustee's behalf, RPIL is currently focussed on the following stewardship priorities: climate change; workforce treatment; responsible uses of technology, and; supporting more sustainable financial markets. The Trustee believes that these issues are stewardship priorities because they are financially material to all or a significant proportion of the schemes' investments.

41. RPIL and the Trustee jointly issue an annual report on stewardship activities which seeks to achieve compliance with the UK Stewardship Code. RPIL, on behalf of the Trustee, engages with 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 Railpen website at **https://www.railpen.com/knowledge-hub/reports**.

Non-financial matters

42. 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 members would share concerns that such matters would be inconsistent with the values or good reputation of the schemes and would not involve a significant financial detriment to the schemes.

43. The Trustee will review its policy on non-financial matters in conjunction with its regular review of the SIP.

Adopted by the Trustee on 8 December 2022

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 railways 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 1 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 1 April 2007. It is also open to members of the British Transport Police Force Superannuation Fund who joined after 1 April 2007 as their main AVC arrangement.

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 took into account that members face various risks in retirement provision and planning.

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 were also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle options available to members, which aim to reflect various retirement options. 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 a higher-risk fund into lower-risk funds 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 DCC 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
- Socially Responsible Equity Fund
- Corporate Bond Fund
- UK Government Fixed-Interest Bond Fund
- UK Government Index-Linked Bond Fund
- Deposit Fund

The BRASS and AVC Extra arrangements also offer three lifestyle options:

- Annuity Purchase Lifestyle
- Flexible Drawdown Lifestyle (the default option for AVC Extra)
- Full Cash Withdrawal Lifestyle (the default option for BRASS)

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 RPIL where possible.

Further information and factsheets for the BRASS and AVC Extra funds (including their asset allocation, risks and returns) can be found on the Railways Pensions website at **https://member.railwayspensions.co.uk/defined-benefit-members/saving-more-BRASS-AVC-Extra/brass-fund-choices**.

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 are expected to draw their benefits as cash. The asset allocation de-risks to a 10% allocation in the Long Term Growth Fund, a 75% allocation in the UK Government Fixed Interest Gilt Fund and a 15% allocation in the Corporate Bond Fund over the ten 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 Long Term Growth Fund in the earlier years. The "at retirement" portfolio has been constructed on the basis that AVC Extra members are expected to flexibly draw their benefits.

The asset allocation de-risks to a 25% allocation in the Long Term Growth Fund, a 25% allocation in the UK Government Fixed Interest Gilt Fund and a 50% allocation in the Corporate Bond Fund over the ten 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 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, RPIL and Railpen 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 RPIL not meeting their objectives. The DCC provides oversight to the performance of the funds. The AMC oversees the performance of RPIL 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 three years or more frequently if appropriate, and without delay after any significant change in investment policy.

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 railways 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 and the Pensions Act 2004 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 took into account that members face various risks in retirement provision and planning.

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 were also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle options available to members, which aim to reflect various retirement options. 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 a higher-risk fund into lower-risk funds 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 DCC 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
- Socially Responsible Equity Fund
- Corporate Bond Fund
- UK Government Fixed-Interest Bond Fund
- UK Government Index-Linked Bond Fund
- Deposit Fund

The IWDC Section also offers three lifestyle options:

- Annuity Purchase Lifestyle
- Flexible Drawdown Lifestyle (the default option)
- Full Cash Withdrawal 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 RPIL where possible.

IWDC Section funds (including their asset allocation, risks and returns) can be found on the Railways Pensions website at **https://member.railwayspensions.co.uk/in-the-scheme/paying-into-iwdc/invest-in-your-future**.

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 are expected to flexibly draw their benefits. The asset allocation de-risks to a 25% allocation in the Long Term Growth Fund, a 25% allocation in the UK Government Fixed Interest Gilt Fund and a 50% allocation in the Corporate Bond Fund over the ten years prior to target retirement age. 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, RPIL and Railpen 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 RPIL not meeting their objectives. The DCC provides oversight to the performance of the funds. The AMC oversees the performance of RPIL 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 three years or more frequently if appropriate, and without delay after any significant change in investment policy.

Appendix 2: Illustration of cumulative effect of costs and charges on the value of members' fund values over time

The projected pot within each DC Fund, and the effect of costs and charges is provided in the table below:

Years	Long Term Growth Fund		Global Equity Fund		Corporate Bond Fund		UK Government Fixed Interest Bond Fund		UK Government Index Linked Bond Fund		Socially Responsible Equity 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	Before charges	After all costs and charges	Before charges	After all costs and charges
1	£17,453	£17,330	£18,088	£18,025	£17,453	£17,387	£17,771	£17,712	£18,088	£18,037	£17,771	£17,677	£17,135	£17,079
3	£22,394	£21,972	£24,677	£24,442	£22,394	£22,169	£23,516	£23,305	£24,677	£24,489	£23,516	£23,181	£21,311	£21,125
5	£27,383	£26,590	£31,858	£31,383	£27,383	£26,958	£29,545	£29,134	£31,858	£31,477	£29,545	£28,892	£25,366	£25,027
10	£40,072	£38,028	£52,755	£51,314	£40,072	£38,969	£45,952	£44,799	£52,755	£51,599	£45,952	£44,127	£34,994	£34,180
15	£53,073	£49,316	£78,661	£75,564	£53,073	£51,033	£64,460	£62,160	£78,661	£76,173	£64,460	£60,836	£43,939	£42,537
20	£66,394	£60,457	£110,774	£105,068	£66,394	£63,150	£85,338	£81,402	£110,774	£106,183	£85,338	£79,161	£52,248	£50,167
25	£80,043	£71,451	£150,584	£140,964	£80,043	£75,320	£108,890	£102,727	£150,584	£142,831	£108,890	£99,257	£59,967	£57,132
30	£94,029	£82,302	£199,935	£184,638	£94,029	£87,544	£135,457	£126,363	£199,935	£187,588	£135,457	£121,298	£67,137	£63,491
35	£108,358	£93,010	£261,112	£237,772	£108,358	£99,821	£165,426	£152,559	£261,112	£242,246	£165,426	£145,469	£73,797	£69,297
40	£123,041	£103,578	£336,951	£302,419	£123,041	£112,152	£199,232	£181,592	£336,951	£308,995	£199,232	£171,978	£79,985	£74,597
45	£138,086	£114,007	£430,964	£381,072	£138,086	£124,538	£237,367	£213,769	£430,964	£390,511	£237,367	£201,051	£85,732	£79,436

The projected pot and effect of costs and charges for the default lifestyle arrangement is also provided:

Years	Flexible Drawdown Lifestyle Strategy	
	Before charges	After all costs and charges
1	£17,453	£17,330
3	£22,394	£21,972
5	£27,383	£26,590
10	£40,072	£38,028
15	£53,073	£49,316
20	£66,394	£60,457
25	£80,043	£71,451
30	£94,029	£82,302
35	£108,358	£93,010
40	£123,730	£104,485
45	£141,200	£118,025

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 £15,000. The starting fund value is representative of the average for the Scheme.

3. Inflation and salary growth are assumed to both be 2.5% each year.

4. Contributions are assumed to start at £200 pm, increasing at 2.5% p.a. each year until target retirement age.

5. The assumed growth rates for each fund are in line with AS TM1 guidance at 31 December 2023, and so consistent with those used for Statutory Money Purchase Illustrations at this date.

6. The growth rates assumed are as follows (costs and charges shown in brackets):

- Long Term Growth Fund: 3.00% (0.77%)
- Global Equity Fund: 7.00% (0.40%)
- Corporate Bond Fund 3.00% (0.41%)
- UK Government Fixed-Interest Bond Fund: 5.00% (0.37%)
- UK Government Index-Linked Bond Fund: 7.00% (0.32%)
- Socially Responsible Equity Fund 5.00% (0.59%)
- Deposit Fund 1.00% (0.35%)

7. The assumed growth rates, costs and charges for the default arrangement reflects 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 for funds with a history of 5 years or more, and since inception (annualised) for funds with a shorter history. All other costs and charges are forward looking.

10. Values shown are estimates and are not guaranteed.

Appendix C
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 2023. These 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 prepared 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. The Railways Pension Trustee Company Limited Pooled Funds' non statutory accounts are prepared and audited as a separate document, in order to provide a basis for the preparation of the Scheme 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 2023, was £34,564m (2022: £33,584m). There are in addition £1,176m (2022: £1,019m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £35,740m (2022: £34,603m).

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 108 summarises the investments of each of these pooled funds as at 31 December 2023. The notes on pages 114 to 131 analyse the total pooled assets of £34,564m 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 116, and the unit prices on page 115.

Accounting Policies

Investments

Investments are held at fair value. The principal bases of investment valuation adopted by the pooled funds are set out below:

a. Listed investments are stated at the official close 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 decisions made by Railpen Limited's Fair Value Pricing Committee which may take advice from 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 cash flows and discount back to valuation date.

Accounting Policies *continued*

f. Properties and ground rent 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Presentation currency

The pooled funds' functional and presentation currency is pounds sterling (GBP). 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 non-statutory financial statements on the following bases:

a. Dividends from quoted equities are accounted for when the security is declared ex-dividend.

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. Securities lending commissions are accounted for on a cash 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 Growth Pooled Fund, 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 pooled funds named above. All the entities are controlled by the Trustee on behalf of the relevant pooled funds, and hence are subsidiary undertakings of the pooled funds. The pooled funds applied the allowable exemption under FRS 102 for pension schemes and does not consolidate investment subsidiaries held as part of the investment portfolio in the financial statements. Therefore, investments in subsidiaries are reported at fair value in the financial statements. Please refer to page 108 for the consolidation breakdown.

The entities that are subsidiary undertakings are:

- 12 Smithfield General Partner Limited
- 12 Smithfield Limited Partnership
- 12 Smithfield Nominee No.1 Limited
- 12 Smithfield Nominee No.2 Limited
- Cascades Shopping Centre General Partner Limited
- Cascades Shopping Centre Nominee No.1 Limited
- Cascades Shopping Centre Nominee No.2 Limited
- Clifton Moor Retail Park General Partner Limited
- Clifton Moor Retail Park Nominee No.1
- Clifton Moor Retail Park Nominee No.2
- Colane Unit Trust
- Glamorgan Vale Retail Park General Partner Limited
- Glamorgan Vale Retail Park Nominee No.1 Limited
- Glamorgan Vale Retail Park Nominee No.2 Limited
- Gretna Gateway O V General Partner Limited
- Gretna Gateway Outlet Village Limited Partnership
- Gretna Gateway Outlet Village Unit Trust
- Marble Arch Tower General Partner Limited
- Railway JUT (Smithfield) Limited

Accounting Policies *continued*

- Railway JUT Limited
- Railway Pension Unit Trust Nominee Limited
- Railway Pensions (PE) Caledonia Limited
- Railway Pensions Scottish Limited Partnership
- St Ann's Shopping Centre General Partner Limited
- St Ann's Shopping Centre Nominee No.1 Limited
- St Ann's Shopping Centre Nominee No.2 Limited
- The Cascades Shopping Centre Limited Partnership
- The Cascades Shopping Centre Unit Trust
- The Clifton Moor Retail Park Limited Partnership
- The Clifton Moor Retail Park Unit Trust
- The Glamorgan Vale Retail Park Limited Partnership
- The Glamorgan Vale Retail Park Unit Trust
- The Railway Pension Exempt Unit Trust
- The St Ann's Shopping Centre Limited Partnership
- The St Ann's Shopping Centre Unit Trust

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.

Critical accounting estimates and judgements

The preparation of the non-statutory financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Fund Statement date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the non-statutory financial statements.

Fund statement as at 31 December 2023

	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	13,977	1,230	-	-	3,436	448	(5)	1,280	87	(75)	2,290	22,668
Private Equity	6	-	-	-	1,474	-	-	328	1	(1)	-	1,808
Property	-	-	-	2,106	-	-	-	214	46	(76)	-	2,290
Illiquid Growth	600	-	-	-	2,692	-	-	140	1	(2)	-	3,431
Defined Contribution	-	-	-	-	539	-	-	204	4	(1)	1,092	1,838
Government Bond	-	265	-	-	-	-	-	2	1	-	-	268
Long Term Income	189	142	-	284	558	-	-	97	12	(3)	-	1,279
Passive Equity	-	-	-	-	261	-	-	-	-	-	-	261
Short Duration Index Linked Bond	-	-	351	-	-	-	-	1	-	-	-	352
Global Equity	-	-	-	-	543	-	-	5	-	-	-	548
Non-Government Bond	-	420	-	-	-	3	(1)	19	5	-	-	446
Long Duration Index Linked Bond	-	-	2,680	-	-	-	-	9	2	(1)	-	2,690
Infrastructure	-	-	-	-	-	-	-	15	-	-	-	15
Cash	-	-	-	-	-	-	-	45	1	-	-	46
Matching Short Maturing	-	-	-	-	6	-	-	-	-	-	-	6
Cross holdings	-	-	-	-	-	-	-	-	-	-	(3,382)	(3,382)
Total	**14,772**	**2,057**	**3,031**	**2,390**	**9,509**	**451**	**(6)**	**2,359**	**160**	**(159)**	**-**	**34,564**
%	42.75%	5.95%	8.77%	6.91%	27.51%	1.30%	(0.02%)	6.83%	0.46%	(0.46%)	0.00%	100.00%

The accounting policies on pages 105 to 107 and the notes on pages 114 to 131 form part of these non-statutory financial statements.

Fund statement as at 31 December 2023
Analysis of cross holdings

	Growth	Property	Non-Government Bond	Long Duration Index Linked Bon	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	-	2,290	-	-	2,290
Defined Contribution	994	-	82	16	1,092
Total	**994**	**2,290**	**82**	**16**	**3,382**

The accounting policies on pages 105 to 107 and the notes on pages 114 to 131 form part of these non-statutory financial statements.

Fund statement as at 31 December 2023
Movement in unit holders' funds

	In issue at start of year	Issued during year	Redeemed during year	Net reinvested income	Change in market value of investments	Change in cross holdings	Total unit holders' funds
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	21,555	414	(1,184)	351	1,532	-	22,668
Private Equity	2,101	3	(75)	4	(225)	-	1,808
Property	2,288	-	-	62	(60)	-	2,290
Illiquid Growth	3,485	54	-	(37)	(71)	-	3,431
Defined Contribution	1,719	281	(309)	7	140	-	1,838
Government Bond	552	2	(294)	5	3	-	268
Long Term Income	1,354	-	-	22	(97)	-	1,279
Passive Equity	814	-	(669)	(1)	117	-	261
Short Duration Index Linked Bond	107	267	(38)	12	4	-	352
Global Equity	564	-	(93)	3	74	-	548
Non-Government Bond	395	40	(25)	17	19	-	446
Long Duration Index Linked Bond	1,887	917	(32)	149	(231)	-	2,690
Infrastructure	13	-	-	1	1	-	15
Cash	71	2	(29)	2	-	-	46
Matching Short Maturing	-	6	-	-	-	-	6
Cross holdings	(3,321)	-	-	-	-	(61)	(3,382)
Total	**33,584**	**1,986**	**(2,748)**	**597**	**1,206**	**(61)**	**34,564**

Approved on behalf of the Trustee Company on 27 June 2024.

Christine Kernoghan
Chair, Trustee Company

Richard Goldson
Director and Chair, Audit and Risk Committee

The accounting policies on pages 105 to 107 and the notes on pages 114 to 131 form part of these non-statutory financial statements.

Fund statement as at 31 December 2022

	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	14,936	-	-	-	2,793	186	(85)	1,394	86	(43)	2,288	21,555
Private Equity	22	-	-	-	2,027	-	-	53	-	(1)	-	2,101
Property	-	-	-	2,090	-	-	-	191	86	(79)	-	2,288
Illiquid Growth	631	-	-	-	2,774	-	-	81	1	(2)	-	3,485
Defined Contribution	-	-	-	-	446	-	-	240	2	(2)	1,033	1,719
Government Bond	-	549	-	-	-	-	-	2	2	(1)	-	552
Long Term Income	66	169	-	288	768	-	-	47	20	(4)	-	1,354
Passive Equity	-	-	-	-	814	-	-	-	-	-	-	814
Short Duration Index Linked Bond	-	-	106	-	-	-	-	1	-	-	-	107
Global Equity	-	-	-	-	564	-	-	-	-	-	-	564
Non-Government Bond	-	380	-	-	-	-	(8)	19	4	-	-	395
Long Duration Index Linked Bond	-	-	1,878	-	-	-	-	8	1	-	-	1,887
Infrastructure	-	-	-	-	9	-	-	4	-	-	-	13
Cash	-	-	-	-	-	-	-	71	-	-	-	71
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(3,321)	(3,321)
Total	**15,655**	**1,098**	**1,984**	**2,378**	**10,195**	**186**	**(93)**	**2,111**	**202**	**(132)**	**-**	**33,584**
%	46.61%	3.27%	5.91%	7.08%	30.36%	0.55%	(0.28%)	6.29%	0.60%	(0.39%)	0.00%	100.00%

The accounting policies on pages 105 to 107 and the notes on pages 114 to 131 form part of these non-statutory financial statements.

Fund statement as at 31 December 2022

Analysis of cross holdings

	Growth	Property	Non-Government Bond	Long Duration Index Linked Bond	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	-	2,288	-	-	2,288
Defined Contribution	946	-	71	16	1,033
Total	**946**	**2,288**	**71**	**16**	**3,321**

The accounting policies on pages 105 to 107 and the notes on pages 114 to 131 form part of these non-statutory financial statements.

Fund statement as at 31 December 2022
Movement in unit holders' funds

	In issue at start of year	Issued during year	Redeemed during year	Net reinvested income	Change in market value of investments	Change in cross holdings	Total unit holders' funds as at 31 December 2022
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	25,204	266	(897)	315	(3,333)	-	21,555
Private Equity	2,669	1	(490)	(4)	(75)	-	2,101
Property	2,224	225	-	56	(217)	-	2,288
Illiquid Growth	2,619	321	-	(6)	551	-	3,485
Defined Contribution	2,083	824	(882)	1	(307)	-	1,719
Government Bond	1,525	28	(848)	16	(169)	-	552
Long Term Income	1,324	290	-	19	(279)	-	1,354
Passive Equity	1,074	-	(91)	(2)	(167)	-	814
Short Duration Index Linked Bond	919	52	(801)	76	(139)	-	107
Global Equity	700	-	(85)	(1)	(50)	-	564
Non-Government Bond	412	99	(52)	14	(78)	-	395
Long Duration Index Linked Bond	214	1,696	(67)	75	(31)	-	1,887
Infrastructure	130	-	(119)	-	2	-	13
Cash	70	5	(5)	1	-	-	71
Cross holdings	(3,513)	-	-	-	-	192	(3,321)
Total	**37,654**	**3,807**	**(4,337)**	**560**	**(4,292)**	**192**	**33,584**

The accounting policies on pages 105 to 107 and the notes on pages 114 to 131 form part of these non-statutory financial statements.

Consolidated notes to the Fund Statement

1.1 Fund statement as at 31 December 2023

Assets	Notes	2023 £m	2022 £m
Equities		14,772	15,655
Fixed interest securities		2,057	1,098
Index linked securities		3,031	1,984
Pooled investment vehicles	1.5	9,509	10,195
UK property		2,390	2,378
Derivative contracts			
Futures - exchange traded	1.6	265	-
FX contracts - OTC	1.6	186	186
Other assets			
Other investment assets	1.7	134	113
Current assets	1.8	26	89
Cash deposits and cash instruments	1.9	2,359	2,111
Total assets		**34,729**	**33,809**

Liabilities	Notes	2023 £m	2022 £m
Derivative contracts			
Futures - exchange traded	1.6	(4)	(42)
FX contracts - OTC	1.6	(2)	(51)
Other liabilities			
Other investment liabilities	1.10	(45)	(3)
Current liabilities	1.11	(114)	(129)
Total liabilities		**(165)**	**(225)**
Net assets attributable to unit holders		**34,564**	**33,584**

1.2 Pooled fund unit prices as at 31 December

	2023 £/unit	2022 £/unit
Growth Pooled Fund	25.40	23.31
Property Pooled Fund	107.53	107.41
Illiquid Growth Pooled Fund	25.47	25.51
Government Bond Pooled Fund	13.11	12.47
Long Term Income Pooled Fund	7.38	7.99
Passive Equity Pooled Fund	30.20	24.65
Short Duration Index Linked Bond Pooled Fund	11.28	10.55
Global Equity Pooled Fund	144.88	126.18
Non Government Bond Pooled Fund	15.51	14.23
Long Duration Index Linked Bond Pooled Fund	62.05	65.33
Infrastructure Pooled Fund	32.65	27.49
Cash Pooled Fund	10.92	10.57
Matching Short Maturing Pooled Fund	10.83	-
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	8.30	9.46
Private Equity Pooled Fund 2001	19.91	42.67
Private Equity Pooled Fund 2004	27.60	53.93
Private Equity Pooled Fund 2005	40.44	59.52
Private Equity Pooled Fund 2007	54.67	63.68
Private Equity Pooled Fund 2009	52.33	58.92
Private Equity Pooled Fund 2011	59.33	63.70
Private Equity Pooled Fund 2013	55.78	61.71

	2023 £/unit	2022 £/unit
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	20.56	18.89
DC Global Equity Fund	24.97	20.41
DC Deposit Fund	10.80	10.34
DC Aggregate Bond Fund	-	13.46
DC Index Linked and Global Bond Fund	-	15.07
DC Corporate Bond Fund	10.51	9.65
DC UK Government Fixed Interest Bond Fund	7.18	7.08
DC UK Government Index Linked Bond Fund	6.43	6.78
DC Socially Responsible Equity Fund	11.41	9.65

1.3 Value of the pooled funds

	2023 £m	2022 £m
Growth Pooled Fund	22,668	21,555
Private Equity Pooled Fund*	1,808	2,101
Property Pooled Fund	2,290	2,288
Illiquid Growth Pooled Fund	3,431	3,485
Defined Contribution Pooled Fund*	1,838	1,719
Government Bond Pooled Fund	268	552
Long Term Income Pooled Fund	1,279	1,354
Passive Equity Pooled Fund	261	814
Short Duration Index Linked Bond Pooled Fund	352	107
Global Equity Pooled Fund	548	564
Non Government Bond Pooled Fund	446	395
Long Duration Index Linked Bond Pooled Fund	2,690	1,887
Infrastructure Pooled Fund	15	13
Cash Pooled Fund	46	71
Matching Short Maturing Pooled Fund	6	-
Cross holdings		
Growth Pooled Fund	(994)	(946)
Property Pooled Fund	(2,290)	(2,288)
Non Government Bond Pooled Fund	(82)	(71)
Long Duration Index Linked Bond Pooled Fund	(16)	(16)
Net assets attributable to unit holders	**34,564**	**33,584**

	2023 £m	2022 £m
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	1	1
Private Equity Pooled Fund 2001	5	7
Private Equity Pooled Fund 2004	5	11
Private Equity Pooled Fund 2005	23	34
Private Equity Pooled Fund 2007	507	606
Private Equity Pooled Fund 2009	154	177
Private Equity Pooled Fund 2011	674	768
Private Equity Pooled Fund 2013	439	497
	1,808	**2,101**
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	995	946
DC Global Equity Fund	228	191
DC Deposit Fund	206	239
DC Aggregate Bond Fund	-	-
DC Index Linked and Global Bond Fund	-	-
DC Corporate Bond Pooled Fund	82	71
DC UK Government Fixed Interest Bond Fund	307	254
DC UK Government Index Linked Bond Fund	16	16
DC Socially Responsible Equity Pooled Fund	4	2
	1,838	**1,719**

* See breakdown into pooled fund segments on the right.

1.4 Investment income

	2023 £m	2022 £m
Dividends from equities	336	357
Income from fixed interest securities	51	34
Income from index linked securities	164	153
Income from pooled investment vehicles	63	16
Income from securities lending	4	5
Income from UK property	88	83
Interest from cash deposits	56	31
Other income	2	8
	764	**687**
Irrecoverable withholding tax	(53)	(24)
Total income	**711**	**663**
Administration, custody and other expenses	(46)	(39)
Investment administration fees	(1)	(1)
Investment management fees	(4)	(3)
Railpen fees	(63)	(60)
	(114)	**(103)**
Reinvested net income (accrued in unit prices)	**597**	**560**

1.5 Pooled investment vehicles

The pooled funds had holdings in pooled investment vehicles at the year end that can be analysed as follows:

	2023 £m	2022 £m
Bonds	325	254
Equity	1,081	1,713
Healthcare royalties	629	317
Hedge funds	703	727
Infrastructure	202	168
Insurance-linked securities	1,181	869
Music Royalties	-	5
Other	42	15
Private debt	1,605	1,740
Private equity	3,656	4,240
Property	85	147
	9,509	**10,195**

1.5 Pooled investment vehicles *continued*

The pooled funds are the sole investor in 30 (2022: 30) pooled investment vehicles included within the above analysis. The assets underlying these sole investor pooled investment vehicles are:

	2023 £m	2022 £m
Bonds	313	254
Equity	1,033	1,568
Healthcare royalties	-	317
Infrastructure	-	2
Insurance-linked securities	1,181	44
Private equity	487	1,096
Private debt	731	180
Property	(69)	(4)
Other	41	-
	3,717	**3,457**

The types of pooled investment vehicle invested in are Limited Partnerships, Limited Liability Partnerships, Scottish Limited Partnerships, Hedge Funds, Limited Companies, pooled loan arrangements, Client Specific Unitised Funds (Open Ended Funds), and Open Ended Funds.

The Long Term Income Pooled Fund holds investments in ground rents. Fire safety issues have been identified at a number of buildings associated with these ground rents, in accordance with the Building Safety Act ('BSA'). As a result, an extensive exercise, involving categorisation of affected buildings in line with BSA guidance is underway, from which reliable estimates of the expected remediation costs are being derived. As at 31 December 2023, the cost estimates amount to £134.5m (2022: £97.8m), and there remain buildings where the assessment of costs is not yet complete.

The known cost estimates have reduced the related investment value in these non-statutory financial statements. This has ultimately reduced the unit pricing of the Long Term Income Pooled Fund. Consequently, this adversely affects the related fund valuation of participating schemes and sections. The cost estimates and timing of cash flows will change over time, as buildings continue to be assessed and remedial works progress. As a result of these issues, the Long Term Income Fund is currently closed to client trading.

The government has created a Building Safety Fund, which is accepting applications to support the costs of remedial works for certain buildings. Whilst there is significant activity supporting a recovery of expected costs, no associated potential recovery has been recognised in these non-statutory financial statements as at the year-end as no contractual arrangements were in place to recover any monies at that point in time.

CBRE has performed an independent valuation exercise of the affected properties, and has applied discounts, ranging from 25% to 100%, to reflect its view that the value of such buildings would be affected in terms of liquidity, and the potential risk of the related fund being liable for certain remedial costs, and consequently, has issued a material uncertainty opinion in relation to Leasehold and Freehold Bill & Ground Rent Consultation.

An additional 25% discount has been applied to the CBRE valuation in light of the King's Speech from November 2023 and the Leasehold and Freehold Reform Bill introduced to Parliament in February 2024. The Bill details a number of options which would have the effect of capping residential ground rents. All of the options, if enacted, would have a materially negative impact on ground rent valuations to varying degrees. At this point in time, it is not clear what the final outcome will be. Railpen has deemed it prudent to reduce the CBRE valuation by £10.9m due to the impact of Leasehold Reform. This is reflected in the valuation of the Long Term Income Pooled Fund as at 31 December 2023.

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	Economic exposure at year end	Asset value at year end	Liability value at year end
		£m	£m	£m
FTSE 100 Index	Mar 2024	56	2	-
Japanese TOPIX Index	Mar 2024	119	1	-
MSCI EM Mini Index	Mar 2024	172	8	-
S&P 500 E-mini	Mar 2024	1,107	38	-
US 10 Year Note	Mar 2024	5,596	188	-
US 10 Year Note	Mar 2024	(27)	-	(1)
US 10 Year Ultra T Note	Mar 2024	14	1	-
US 2 Year Note	Mar 2024	2,405	25	-
US 2 Year Note	Mar 2024	(137)	-	(1)
US 30 Year T-Bond	Mar 2024	1	-	-
US 5 Year Note	Mar 2024	101	2	-
US Ultra T Bond	Mar 2024	(23)	-	(2)
		9,384	**265**	**(4)**

Included within cash balances is £nil (2022: £171m) in respect of initial and variation margins deposited with brokers regarding open futures contracts at the year end. Included within other investment liabilities is £42m (2022: £nil), in respect of initial and variation margins payable on 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 £m	Currency sold £m	Value at year end £m
Assets				
US Dollar/Sterling	Jan 2024 - Apr 2024	(6,199)	6,382	183
Euro/Sterling	Jan 2024	(1,340)	1,343	3
Sterling/Euro	Jan 2024	(41)	41	-
US Dollar/Euro	Jan 2024	(17)	17	-
				186
Liabilities				
Sterling/US Dollar	Jan 2024	(29)	28	(1)
Euro/Sterling	Jan 2024	(111)	110	(1)
Euro/US Dollar	Jan 2024	(59)	59	-
US Dollar/Sterling	Jan 2024	(8)	8	-
				(2)

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 £168m (2022: £160m) 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

	2023 £m	2022 £m
Investment income accrued	54	44
Recoverable tax	56	46
Rent receivable	24	23
	134	**113**

1.8 Current assets

	2023 £m	2022 £m
Other debtors	1	21
Trade debtors	25	68
	26	**89**

1.9 Cash deposits and cash instruments

	2023 £m	2022 £m
Cash held in liquidity funds	1,722	1,806
Cash held at brokers in respect of futures margin	-	171
Cash at bank	637	134
	2,359	**2,111**

1.10 Other investment liabilities

	2023 £m	2022 £m
Tax payable	3	3
Variation margin payable	42	-
	45	**3**

1.11 Current liabilities

	2023 £m	2022 £m
Accrued management fees and expenses	23	52
Liability in respect of unit trades	2	2
Property income received in advance	22	14
Tax	-	3
Trade creditors	66	50
Other creditors	1	8
	114	**129**

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 Railways Pension Scheme are not included in the lending programme.

At 31 December 2023, the market valuation of securities that had been lent in the market was £2,654m (2022: £1,196m).

Collateral held in respect of the securities on loan at 31 December 2023 had a total value of £2,893m (2022: £2,059m).

1.13 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2022	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2023
	£m	£m	£m	£m	£m
Directly held assets					
Equities	15,655	3,363	(5,372)	1,126	14,772
Fixed interest securities	1,098	1,477	(613)	95	2,057
Index linked securities	1,984	1,421	(147)	(227)	3,031
Pooled investment vehicles	10,195	1,614	(2,037)	(263)	9,509
UK property	2,378	107	-	(95)	2,390
	31,310	**7,982**	**(8,169)**	**636**	**31,759**
Derivatives					
Futures	(42)	350	(224)	177	261
FX contracts	135	65,195	(65,417)	271	184
	93	**65,545**	**(65,641)**	**448**	**445**
Cross holdings	3,321	61	(91)	91	3,382
Other					
Cash and current assets	2,181	13,602	(13,231)	31	2,360
Cross holdings	(3,321)				(3,382)
Net assets	**33,584**			**1,206**	**34,564**

1.14 Transaction costs

Included within the pooled funds' purchases and sales in note 1.13 are direct transaction costs of £10m (2022: £30m) 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 £nil (2022: £1m) relating to legal and due diligence fees.

Together these costs are attributable to the key asset classes as follows:

Year to 31 December 2023	Fees £m	Commission £m	Stamp duty land tax £m	Legal and other £m	Total £m
Equities	3	2	-	-	5
UK property	-	-	5	-	5
	3	**2**	**5**	**-**	**10**

Year to 31 December 2022	Fees £m	Commission £m	Stamp duty land tax £m	Legal and other £m	Total £m
Equities	5	3	-	-	8
UK property	-	-	21	1	22
	5	**3**	**21**	**1**	**30**

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 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	13,789	-	983	14,772
Fixed interest securities	347	1,599	111	2,057
Index linked securities	2,981	50	-	3,031
Pooled investment vehicles	57	2,038	7,414	9,509
UK property	-	-	2,390	2,390
Derivatives				
Futures	261	-	-	261
FX contracts	184	-	-	184
Other				
Cash and current assets	2,360	-	-	2,360
	19,979	**3,687**	**10,898**	**34,564**

At 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	14,955	-	700	15,655
Fixed interest securities	689	287	122	1,098
Index linked securities	1,938	46	-	1,984
Pooled investment vehicles	2	2,524	7,669	10,195
UK property	-	-	2,378	2,378
Derivatives				
Futures	(42)	-	-	(42)
FX contracts	135	-	-	135
Other				
Cash and current assets	2,181	-	-	2,181
	19,858	**2,857**	**10,869**	**33,584**

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 by asset class is provided below:

Strategic asset class groupings	2023 £m	2022 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Equities	14,772	15,655	🟢	🟢	🔴	🔴
Fixed interest securities	2,057	1,098	🟡	🔴	🟡	🟡
Index linked securities	3,031	1,984	🟡	🔴	🟢	🟢
UK Property	2,390	2,378	🔴	🟡	🟢	🔴
Pooled investment vehicles*	9,509	10,195	🟡	🔴	🔴	🔴
Futures	261	(42)	🔴	🔴	🟡	🔴
FX contracts	184	135	🟡	🟡	🔴	🟢
Cash and cash equivalents	2,360	2,181	🟡	🟡	🟡	🟢
	34,564	33,584	🟡	🟡	🔴	🔴

*For pooled investment vehicles, credit risk and currency risk is both direct (at the level of the pooled funds) and indirect (from the underlying investments of the pooled funds). Interest rate risk and other price risk are indirect (from the underlying investments of the pooled funds).

🔴 Significant exposure
🟡 Some exposure
🟢 No exposure

1.16 Investment risks *continued*

Strategic asset class groupings	2023 £m	2022 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Growth Pooled Fund	22,668	21,555	Some	Some	Significant	Significant
Private Equity Pooled Fund	1,808	2,101	Some	Some	Significant	Significant
Property Pooled Fund	2,290	2,288	Significant	Some	No	Significant
Illiquid Growth Pooled Fund	3,431	3,485	Some	Some	Significant	Significant
Defined Contribution Pooled Fund	1,838	1,719	Some	Significant	Significant	Significant
Government Bond Pooled Fund	268	552	Some	Significant	No	Some
Long Term Income Pooled Fund	1,279	1,354	Some	Some	No	Significant
Passive Equity Pooled Fund	261	814	No	No	Some	Significant
Short Duration Index Linked Bond Pooled Fund	352	107	Some	Significant	No	Significant
Global Equity Pooled Fund	548	564	Some	Some	Significant	Significant
Non Government Bond Pooled Fund	446	395	Significant	Significant	Some	Some
Long Duration Index Linked Bond Pooled Fund	2,690	1,887	Some	Significant	No	Significant
Infrastructure Pooled Fund	15	13	Some	No	Some	No
Cash Pooled Fund	46	71	Some	Some	No	No
Matching Short Maturing Pooled Fund	6	-	Significant	Significant	No	Some
Cross holdings*	(3,382)	(3,321)				
	34,564	**33,584**	Some	Some	Significant	Significant

● Significant exposure
● Some exposure
● No exposure

*Cross holdings consist of a mixture of the funds included in the table above, see note 1.3 for a breakdown.

1.16 Investment risks *continued*

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:

	2023 £m	2022 £m
RPIL*	22,267	22,057
Legal & General Investment Management	1,349	1,826
Neuberger Berman	1,275	-
Nephila Capital Ltd	1,134	822
Aspect Capital Ltd	689	701
HealthCare Royalty Partners	629	317
Baillie Gifford	584	671
Insight Investment	445	395
Avenue Capital Group	386	366
Horsley Bridge Partners	358	603
Sequoia Capital	330	439
Columbia Capital	324	322
Christofferson, Robb & Company LLC	299	320
Amplo	252	302
Generate Capital	237	241
Intermediate Capital Group	230	184
Riverside	213	201
Motive Partners	207	194
Presidio Investors	183	149
Senderwood Fund Management Limited	179	203
The Cranemere Group	172	174
Constellation	167	133
Macquarie	166	167
OneFamily	163	166
Long Harbour Limited	153	151
Carried forward	**32,391**	**31,104**

	2023 £m	2022 £m
Brought forward	**32,391**	**31,104**
Greencoat Capital LLP	150	150
Varde	139	154
Orion Energy Partners	123	103
Innisfree Limited	112	117
Westbridge Capital Partners	112	139
Soundcore Capital Partners	104	146
Private Advisors	76	87
Accel Partners	75	94
Astra Capital	71	52
Broad Sky Partners	68	49
WP Global Partners	65	69
White Oak	59	70
Blossom Capital	57	60
Bain Capital	48	64
Dalmore Capital Limited	45	50
Horsley Bridge	44	-
Index Ventures	44	50
Credit Suisse ILS Limited	43	44
Highland Capital Partners	41	63
Waystone Management (UK)	41	-
Venor Capital Management	40	59
Great Hill Partners	38	41
Carried forward	**33,986**	**32,765**

1.17 Investment managers during the year *continued*

	2023 £m	2022 £m
Brought forward	**33,986**	**32,765**
Limerston Capital Partners	38	36
Pensions Infrastructure Platform	37	40
Morningside Ventures	34	66
Khosla Ventures	32	45
Duke Street	27	28
Andreessen Horowitz	26	33
Bessemer Venture Partners	24	30
Thoma Bravo	23	34
Amaranthine Partners LLC	21	15
General Atlantic	20	27
Cinven	18	15
KPS Capital Partners	17	36
Palatine	17	22
Scale Venture Partners	17	18
Schroder Adveq	17	16
Charlesbank Capital Partners	16	15
Clearsight Investments	15	22
Apax Partners	14	18
ClearVue Partners	14	16
Adams Street Partners	13	17
Anacap Financial Partners	13	25
Balderton Capital	12	12
General Catalyst	12	17
HarbourVest Partners	12	28
Berkshire Partners	9	11
Hony Capital	9	11
Carried forward	**34,493**	**33,418**

	2023 £m	2022 £m
Brought forward	**34,493**	**33,418**
Innovation works	9	12
Peak Rock Capital	9	9
Aberdeen Asset Management	7	-
Institutional Venture Partners	7	14
Triton Partners	7	10
Blackstone Alternative Asset Management	5	24
Navis Capital Partners	5	5
Pantheon Ventures	5	10
Southern Cross Group	5	6
Archer Capital	2	3
Domain Partners	3	6
Oaktree Capital Management	2	5
Abry Partners	1	2
AQR Capital Management	1	1
Northern Trust	1	-
Standard Life Investments	1	15
Warburg Pincus	1	2
Ares Management	-	3
Goldman Sachs Asset Management	-	8
Grosvenor Capital Management	-	13
Headline Capital Partners	-	1
Innova	-	3
Kobalt Music Group	-	5
Semble Partners II, LLC	-	9
	34,564	**33,584**

*Included in this balance is cash invested in Liquidity Funds totalling £1,680m (2022: £1,246m).

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:

	2023 %	2022 %
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 plus 4% from 1 May 2021 (previously UK Retail Price Index plus 4%)
Private Equity	MSCI ACWI Index
Property	UK Consumer Price Index +4% from 1 May 2021 (previously UK Retail Price Index +4%)
DC Long Term Growth	UK Consumer Price Index +4% from 1 May 2021 (previously UK Retail Price Index +4%)
DC Global Equity	FTSE World Developed Markets GBP Hedged
DC Deposit	1M SONIA from 1 December 2021 (previously GBP 1M LIBOR)
DC Corporate Bond	Bloomberg Barclays Global Aggregate Corporate Index GBP Hedged
DC UK Government Fixed-Interest Bond	FTSE UK Gilts 15+ Years TR
DC UK Government Index-Linked Bond	Bloomberg Barclays UK Gilts Index Linked 15+ Years
DC Socially Responsible Equity	MSIC World SRI Select Reduced Fossil Fuel
Illiquid Growth	UK Consumer Price Index plus 6% from 1 May 2021 (previously UK Retail Price Index plus 6%)
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 plus 1% from 1 May 2021 (previously UK Retail Price Index)
Short Duration Index Linked Bond	Bloomberg Barclays UK Gilts 1 to 10 Years Index
Infrastructure	UK Retail Price Index plus 4%
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)
Matching Short Maturing Pooled	Custom Railpen Short Maturing Index

1.18 Performance *continued*

The return of each pooled fund as measured by Railpen is shown in the table below:

Pooled Fund	Actual 2023	Comparator 2023	Actual last 5 years	Comparator last 5 years
	(%)	(%)	(%)	(%)
Growth Pooled Fund	9.0	8.1	7.4	9.0
Private Equity Pooled Fund	(10.9)	15.3	11.4	11.7
Property Pooled Fund	0.1	8.1	3.1	9.0
Illiquid Growth Pooled Fund	0.5	10.2	12.0	10.1
Government Bond Pooled Fund	5.1	5.4	(0.4)	(0.7)
Long Term Income Pooled Fund	(15.3)	5.0	(3.1)	5.4
Passive Equity Pooled Fund	22.6	22.3	12.1	11.8
Short Duration Index Linked Bond Pooled Fund	7.0	6.4	2.1	1.9
Global Equity Pooled Fund	15.0	14.1	9.8	9.3
Non-Government Bond Pooled Fund	9.0	8.0	1.9	1.5
Long Duration Index Linked Bond Pooled Fund	(5.0)	(4.4)	(7.7)	(8.0)
Infrastructure Pooled Fund	19.5	9.4	10.0	10.0
Cash Pooled Fund	3.3	4.6	1.0	1.4
Matching Short Maturing Pooled Fund*	8.3	-	-	-
*Fund launched on 7 December 2023, therefore actual 2023 performance is from 7 December 2023 to 31 December 2023.				
DC Long Term Growth	8.8	8.1	7.3	9.0
DC Global Equity	22.4	22.3	12.0	11.8
DC Deposit	4.4	4.6	1.2	1.4
DC Corporate Bond[1]	8.9	8.0	2.4	2.3
DC UK Government Fixed Interest Bond[1]	1.4	1.6	(17.3)	(17.1)
DC UK Government Index Linked Bond[1]	(5.1)	(4.4)	(25.7)	(26.4)
DC Socially Responsible Equity[1]	18.2	17.9	13.2	11.5

[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.

1.19 Post balance sheet event

The government has created a Building Safety Fund, which is accepting applications to support the costs of remedial works for certain buildings. Whilst there is significant activity supporting a recovery of expected costs, no associated potential recovery is currently recognised in these financial statements, as at the year end date, no contractual arrangements were in place to recover any monies. Post year end, an arrangement has been approved for £12.4m and payments of £3.7m and £5.9m were received on 23 February 2024 and 21 May 2024 respectively.