
2025 DC Chair's Statement



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' or 'IWDC'), I am pleased to present the Chair's Statement for the period from 1 January 2025 to 31 December 2025 ('the Scheme year').

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended [as inserted by the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the 'Administration Regulations')]. This statement explains how the Trustee Board has met the legal requirements for running the IWDC arrangement 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
- encouraging member feedback.

When referring to the "Scheme" in this statement, we refer to the railways pension schemes as a whole. This includes the Railways Pension Scheme ('RPS'), British Railways Superannuation Fund, British Transport Police Force Superannuation Fund and BR (1974) Fund. The IWDC Section is within the RPS.

The default investment arrangement

The Trustee has selected a default investment arrangement for members who do not choose

their own investments. For IWDC members, this is a lifestyle strategy called 'Target Flexible Drawdown'. This strategy invests in a variety of underlying funds, with the allocation to each fund changing as members near their Target Retirement Age (TRA).

The current default investment arrangement was introduced in 2022. It has been constructed on the basis that most IWDC members are expected to flexibly drawdown their benefits. Approximately 95% of IWDC members are invested in the default investment arrangement.

More information on the default investment arrangement is provided below:

	Growth Portfolio 10+ years to Target Retirement Age ('TRA')	Portfolio at TRA	Switching period
IWDC	100% Long-Term Growth Fund	<ul style="list-style-type: none"> ■ 25% Long-Term Growth Fund ■ 50% Corporate Bond Fund ■ 25% UK Government Fixed-Interest Bond Fund 	10 years



The following table provides an overview of the asset exposure within the Target Flexible Drawdown lifestyle strategy for members who are 10 or more years from their TRA, 5 years from TRA, and at TRA. The allocations shown represent the economic exposure to the underlying asset classes; these add to over 100%, due to leverage within the Long-Term Growth Fund. Statutory guidance notes that allocations should add to 100%, and as such the negative cash line relates to the amount of leverage within the strategy. Percentages may not total exactly 100% due to rounding.

IWDC - Target Flexible Drawdown breakdown by asset class	10 or more years to TRA	5 years to TRA	At TRA
Bonds	63%	77%	91%
<i>Government Bonds</i>	43%	39%	36%
<i>Corporate Bonds</i>	20%	37%	55%
Listed Equities	67%	42%	17%
Private Equity	1%	1%	0%
Infrastructure	2%	1%	1%
Property	11%	7%	3%
Private Debt	0%	0%	0%
Other	11%	7%	3%
Cash	-55%	-34%	-14%
TOTAL	100%	100%	100%

Funds and strategies for members who choose their investments

For the IWDC Section, there are two additional lifestyle strategy options available. These are the Target Annuity lifestyle strategy, designed for members intending to purchase an annuity upon retirement whilst also providing some level of capital protection, and the Target Lump Sum lifestyle strategy, intended for members who plan to withdraw their pension as a single cash lump sum.

There are also seven self-select investment funds available. These are intended for members who prefer to take a more active role in managing their fund choices. 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.

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

The Trustee is required to undertake an in depth review of the default investment arrangement at least every three years, or earlier if there is a significant change in investment policy or in the membership profile. The most recent review was concluded in the Trustee's Defined Contribution Committee ('DCC') meeting on 23 September 2023. This review covered the performance and strategy of the default investment arrangement, the alternative lifestyle strategies and the self-select fund range.

During the Scheme year, the DCC monitored the performance of the investment funds offered, including those comprising the default investment arrangement, at each of its quarterly meetings on 17 March 2025, 3 June 2025, 16 September 2025 and 4 December 2025. In addition, projected member outcomes for the default strategy were considered, including how projected income in retirement compares to the Pensions UK (formerly the Pension and Lifetime Savings Association) living standards in retirement.

No changes were made to the strategy as a result of this, and the Trustee confirmed that the default arrangement continues to be appropriate for IWDC members, reflecting its ongoing performance, risk profile, expected outcomes and alignment with members' expected retirement behaviours. The next formal review will take place in 2026.



Return on investments

The Trustee has taken account of the statutory guidance and reports the investment returns (net of charges and transaction costs) for the default arrangement and each fund that IWDC members were able to invest in, over the Scheme year. The table below sets out this return. Returns, dating back to the funds' inception, are also included to enable employers and members understand how their investments are performing, and to reflect performance through different market conditions:

Fund/ Strategy (inception date*)	Return to 31 December 2025 (%p.a.)		
	Since Inception	5 years	1 year
Long Term Growth Fund (12/05/13)	7.4	6.2	13.3
Global Equity Fund (30/05/13)	10.4	12.8	20.5
Deposit Fund (12/05/13)	1.3	2.9	4.1
Socially Responsible Equity Fund (10/06/22)	11.2	n/a	6.8
Corporate Bond Fund (17/05/22)	3.8	n/a	7.0
UK Government Fixed-Interest Bond Fund (17/05/22)	-7.2	n/a	4.8
UK Government Index-Linked Bond Fund (17/05/22)	-17.1	n/a	-0.2
Default - the Flexible Drawdown lifestyle strategy (members aged 25, 45 and 55 assuming a TRA of age 65)**	7.4	6.2	13.3

*'Since inception' performance is not comparable between funds due to different fund inception dates.

**The default strategy for the IWDC Section invests fully in the Long Term Growth Fund until members are 10 years away from their TRA. The UK Government Fixed-Interest Bond Fund and the Corporate Bond Fund form part of the default arrangements 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 exposure to equities.

Charges and transaction costs paid by members

The Trustee has taken account of statutory guidance when preparing this statement regarding charges and transaction costs. The annual management charge ('AMC') covers all costs and charges relating to general IWDC Section 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.

During the Scheme year ending 31 December 2025, the level of charges applicable to the funds in the IWDC Section, including the funds which are part of the default lifestyle strategy, were:

DC fund	AMC*%	Property costs%	Performance fees%
Long Term Growth Fund	0.61	0.10	0.08
Global Equity Fund	0.34	N/A	N/A
Deposit Fund	0.40	N/A	N/A
Corporate Bond Fund	0.45	N/A	N/A
UK Government Fixed-Interest Bond Fund	0.37	N/A	N/A
UK Government Index-Linked Bond Fund	0.35	N/A	N/A
Socially Responsible Equity Fund	0.59	N/A	N/A

*AMC is exclusive of property and performance fees, which are disclosed separately.

Railway Pension Investments Ltd ('RPIL') manages the IWDC Section's investments and provides full transparency to the DCC on the underlying costs making up the AMC, such as investment management, legal, and IT.

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.



Transaction cost (and any other fee) information has been requested from the fund managers ahead of their annual accounts being published. For 2025, only the Long Term Growth Fund held investments that incurred explicit transaction costs. Not all managers of Long Term Growth Fund investments have been able to supply complete and final information by the date of signing this statement and where full coverage of all costs has not been achieved estimates have been included. Explicit transaction costs information for the other DC funds is complete and final.

DC fund	Average 2025 asset value £m	Transaction costs %	Cost info available %
Long Term Growth Fund	239.2	0.07	80
Global Equity Fund	34.0	N/A	100
Deposit Fund	5.9	N/A	100
Corporate Bond Fund	30.2	N/A	100
UK Government Fixed-Interest Bond Fund	16.6	N/A	100
UK Government Index-Linked Bond Fund	1.4	N/A	100
Socially Responsible Equity Fund	0.7	N/A	100

As many fund managers are unable to provide finalised cost information until months following their year-end, Railpen, on behalf of the Trustee, begins an annual exercise of collating this data in the second quarter of each year. The primary method adopted is using the Pensions UK 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. This only applies to the Long Term Growth Fund, as information for the other DC funds is final and complete.

The Trustee minimises transaction costs arising from buying and selling assets, as far as possible, through the pooling arrangements within the RPS. 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, property costs, performance fees and transaction costs are set out in the table below. The member borne charges for the IWDC Section's default arrangement complied with the charge cap.

Time to retirement (years)	Fund mix	AMC (%)	Property costs (%)	Performance fees (%)	Transaction costs (%)
10	100% Long Term Growth Fund	0.61	0.10	0.08	0.07
5	62.5% Long Term Growth Fund / 25% Corporate Bond Fund / 12.5% UK Government Fixed-Interest Bond Fund	0.54	0.06	0.05	0.04
0	25% Long Term Growth Fund / 50% Corporate Bond Fund / 25% UK Government Fixed-Interest Bond Fund	0.47	0.03	0.02	0.02

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, taking account of statutory guidance. 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

When assessing the charges and transaction costs members pay, the Trustee needs to consider whether the investment options and benefits offered by the IWDC Section represent good value when compared to other options available in the market. As the IWDC Section is an authorised Master Trust, comparisons are made against other Master Trusts.

The Trustee is pleased to report that the IWDC Section delivered good value for members during the 2025 Scheme year. The assessment recognised particular strengths in trustee governance, ESG integration and communications. Administration performance, while improved during the year, continues to be an area of focused development and we have taken significant steps through leadership changes, strengthened Service Level Agreement (SLA) performance and a member-first ethos, to support further progress in 2026. The Trustee remains committed to continual improvement and will monitor delivery of developments and enhancements closely throughout the coming year.

The assessment, supported by an external party, assessed VFM under a framework which covered seven key aspects. Inspection of documents, enquiries / questionnaires were considered to complete the assessment. Ratings were awarded based on the assessment of value delivered across seven areas, which had differing weightings.



The ratings awarded were:

- Costs & Charges – good
- Trustee Governance – best in class
- Administration - good
- Investment – best in class
- Environmental, Social and Governance (ESG) – best in class
- Retirement journey - good
- Communication & tools – best in class

Although costs are relatively high compared to the comparator group, these include administration expenses and also reflect an underlying allocation to private markets. Fee reductions have been negotiated for implementation in 2026, which position the IWDC Section to deliver even better long term outcomes for members.

The governance structure, diversity of the Board and the DCC, along with policies and training, are robust in supporting the IWDC Section in delivering good value for members.

Member satisfaction and the Net Promoter Score remains good for active and preserved IWDC members. Very low levels of complaints were received during 2025.

The growth phase of the IWDC default strategy (where the majority of members are invested) delivered strong investment performance over the assessment year, with market falls being well managed within volatile markets. Compared to a comparator group of master trusts, longer-term performance has lagged, largely due to a lower equity allocation. Looking forwards, the growth phase of the default arrangement has the highest expected return and lowest expected volatility amongst the comparator group. The triennial investment strategy review will take place over 2026, along with the introduction of an Islamic Equity fund.

RPIL's approach to ESG and stewardship is a particular strength, and it, as a provider of investment funds for the IWDC Section, continues to be seen as a market leader in this space.

Pre-retirement support provided to members has also been strengthened over the Scheme year, although there is more work to do, particularly for non-digital members. Members have access to range of tools, self-serve features and guides to help them plan and prepare for retirement.

There is no in-scheme drawdown and we continue to review this and the service we receive from external partners that support this.

The digital offering was further strengthened via a single death benefit nomination form to cover different periods of services and a gamification of communications to help drive member engagement. The paper retirements form was simplified in Q4 2025 and a digital retirement form was launched in January 2026.

There is still work to do to improve member correspondence generated from the administration system, but overall communications continue to make progress. In 2025 the content standard framework developed in partnership with its communications adviser, Quietroom, was refreshed. Railpen, on behalf of the Trustee, will continue to use this framework to review its most commonly used letters across its core process, including retirement and bereavements throughout 2026.



Processing core financial transactions

During 2025, the Trustee strengthened its oversight to ensure core financial transactions have been processed accurately and timely. Exception cases were a point of focus to improve timely allocation of receipts, however, all transactions were processed accurately and promptly with the exception of transfers.

Core transactions include:

- investment of contributions;
- transfer of members' assets to and from the IWDC Section, and between sections within the Scheme
- switching between investments within the IWDC Section; and
- payments out of the IWDC Section to members and beneficiaries.

A deeper dive into transfer transactions was commissioned by the Trustee in Q4 2025 to ensure appropriate actions were taken to improve service. Actions taken included upskilling administrators, enhancing casework management and increasing capacity to recover backlogs and return service to within service levels. The work is ongoing with a trajectory to be within service levels by May 2026.

SLAs are in place with our administrator for all of these core financial transactions. Service level objectives include accurate and timely calculation, approval and payment of benefits and transfers and the investment of contributions. The quarterly administration report is overseen by the Member Case and Administration

Committee and the DCC, who also meet at least quarterly. The aggregated regulatory SLA achieved in 2025 was 99.75% and for key SLAs within 2025 it was 90.17%.

To ensure day-to-day compliance with the core financial transactions, a number of controls are in place with our administrator, 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, which executes member transactions;
- daily bank reconciliations; and
- having application role profiles which are commensurate to skill levels and ensuring segregation of duties, with four eye checks employed for payments out.

The Trustee oversees financial transactions through the Trustee board receiving a quarterly administration report from Railpen, and sub-committees receiving additional reporting from Railpen with control assurance intra year.

The AAF 01/16 report is shared with the Audit and Risk Committee and action plans overseen through the Internal Audit reporting. In addition, the core financial transactions performed by Railpen, our administrator on our behalf, 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 at our administrator, sign off the report in full. Underpinning this, the administrator's internal audit team 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 through the independent internal audit function.

At an operational level, Railpen implemented a first line control assurance monitoring programme towards the end of Q4 2025; this underpins the accuracy and timeliness of member transactions with greater frequency and oversight and allows for ongoing reporting to the DCC as standing agenda item.

From time-to-time, errors in processing occur. The manager of the area responsible for the error will perform a review identifying the root cause, which is then reported through internal governance forums, to ensure sustainable rectifications to prevent reoccurrence are put in place. In addition, all complaints are subject to root cause analysis which is independently verified by the administrator's quality assurance team. During the year, Railpen confirmed we had no specific issues of a material nature within

the IWDC Section with the exception of transfers, as mentioned above. Railpen did identify opportunities to strengthen the daily reconciliation process and these improvements will be finalised in 2026.

Where necessary, ad-hoc reports are commissioned so the DCC can review the progress of any issues raised. 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 2025, Railpen worked with an external partner to improve operational maturity. This has led to upskilling, increased visibility of casework challenges, with improvements to timeliness, and has resulted in an embedding of quality in administration to continually reflect and improve accuracy, timeliness and overall service to members. The trustee sub committees oversaw the detailed casework recovery plans and member outcome measures.

Linked to the Trustee's strategic goals, one of which is good member outcomes, our member first ethos continued in 2025. Railpen embedded two core member outcome measures, 'lump sums on time' and registration of new members within 6 months of joining. These measures are underpinned with a cultural shift to focus on what really matters to a member and this is driving new insights and initiatives. One such instance includes an online retirement application form to help members get it right first. Member first outcomes are now being embedded as part of the core trustee oversight as they feature in the quarterly reporting.



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. The induction process is tailored to the individual and involves a series of introduction meetings spread throughout the first 12 months of appointment. The initial induction meeting focuses on identifying potential knowledge gaps. The subsequent induction meetings are facilitated by subject matter experts and provide an overview of areas considered to be appropriate for that new Trustee Director. After three months, the newly appointed Trustee Director is required to complete a Trustee Knowledge and Understanding questionnaire to identify any other knowledge gaps, and if required, training is arranged in the identified areas. Following this, all Trustee Directors take part in the annual review of training needs.

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 Professional Trustee (accredited through the PMI). 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, as well as TKU training provided by Railpen which includes scheme-specific insights to complement and build on the information included in the Trustee Toolkit.

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 is completed as part of their annual review conversations with the Trustee Chair in Q1 each year, and was completed in January and February 2025.

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. These self-assessments are reviewed by the Trustee Chair and challenged where appropriate to ensure a robust and supportive peer review process through the annual review conversations.

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. No knowledge gaps were identified in 2025 which required remedial action, specific training, or other mitigation.

During the Scheme year, Railpen provided training and workshops for Trustee Directors on a variety of DC and DB-related topics, including:

- Stewardship 'In Our Own Back Yard';
- Nature & TNFD: Understanding Nature-Related Risks and Opportunities;
- Contribution Collection;
- Investment and Funding for open, strong-covenant DB Sections & Review of one of the Trustee's Strategic Goals;
- General Code of Practice;
- Comparing RPS and CARE benefit structures;
- Thinking forward to 2035 for the Railways Pension Schemes; Good Practice in Trustee Governance; Industry and scheme changes;
- 2025 RPS DB Valuation (Long-Term Objectives and the Methodology for Calculating Contribution Rates);
- Trustee training on the Pension Schemes Bill;
- Trustee training on the Growth Pooled Fund;
- Trustee training on Investment implementation;
- Master Trust Training;
- Deep Dive - Investment Performance and Benchmarking; and
- Cryptocurrency Asset training.



These topics were identified as appropriate training based on the 2025 training requirements and skills analysis review, were requested on an ad-hoc basis by the Trustee, or were proposed by Railpen and other advisors based on the topics and scheme events requiring Trustee decisions during the year.

The Trustee Board is made up of 16 Trustee Directors who each possess individual skills and experience that are relevant to the role of Trustee of a Master Trust, like the IWDC Section.

The Trustee Board is diverse in employment experience and history. Several 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 within large organisations. A number of Trustee Directors have a background in trade unions, including sitting on their Executive Committees or senior appointments including General Secretary. Many Trustee Directors have experience of other pension schemes and have negotiated on pensions and benefits on behalf of their members or the employer. The Trustee Board includes individuals with a broad range of expertise from across the rail industry at all levels, which is highly-valued and contributes to the Trustee's effectiveness in decision-making, discussion, and exercise of its fiduciary duties.

Based on the above, the Trustee Directors have a good working knowledge of the IWDC governing documentation and documentation setting out the Trustee's policies, including the Trust Deed & Rules, the SIP and the documents setting out the Trustees' current policies – all of which are available to the Directors for reference at any time. Further, the Trustee Directors believe they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

In addition, the Trustee's professional advisors are available to attend Trustee meetings when needed to provide guidance on various Scheme matters. With a sufficiently diverse Trustee Board, their broad collective 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 Administration Regulations require the Trustee Board of any 'relevant multi-employer scheme', like the IWDC Section, to have a majority of 'non-affiliated trustees', including the Chair.

From April 2016, the Trustee has been required to comply with this 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 Administration Regulations. 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. No new Trustee Directors were appointed to the Board during 2025.

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.

There were no vacancies on the Board during 2025.

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 the Scheme year and the Trustee submitted required documentation in line with the supervisory requirements.



Encouraging member feedback

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 during the Scheme year included articles on sustainable investments, the latest performance information, and the ways members can use their pension pot at retirement. IWDC active and preserved members, for whom an email address is held, also receive three e-bulletins per year on key topics relating to the Scheme, pensions in general, and actions they could take to improve their outcomes. Members are given opportunities to share their thoughts on specific processes and improvement ideas through online surveys.

A dedicated online member advisory group was established a few years ago, called Platform, which is promoted through regular Scheme communications and the website, giving members the chance to share their views on important 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. IWDC members are given the opportunity to give a satisfaction, net promoter and effort score, as well as provide verbatim comments. The results in 2025 showed that IWDC

members gave us an overall satisfaction score of 81.7, which was significantly higher than the UK customer service index average of 76.1.

Alternatively, if members prefer, they can contact the member Helpline on the free phone number 0800 012 1117. They can also provide secure messages via the member website. The annual newsletter, bulk member communications and the member website, have referred to the Helpline number, secure messaging 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 provides multiple channels and media through which members may contact the Scheme, in line with its 3-year Communications Strategy (the latest 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 2026



Appendix 1: Railways Pension Trustee Company ("The Trustee"). Statement of Investment Principles ("SIP")

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 (a "Section") within the Railways Pension Scheme ("RPS") and the British Transport Police Force Superannuation Fund ("BTPFSF").
2. The Trustee is required under legislation to produce and maintain a SIP to set out the investment principles governing decisions about investments for each Scheme. The Trustee considers each Scheme individually and collectively, and this document represents the combined SIP for the Schemes.
3. 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 certain DC elements only.
4. The Trustee has 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"), whom the Trustee believes to be suitably qualified and experienced to provide such advice, 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.
5. This SIP was finalised by the Trustee on 23 October 2024 following consultation with relevant employers.
6. The Trustee is responsible under the Pensions Act 1995 for determining the overarching investment principles used across the Schemes. These are outlined in this SIP, and supporting documents can be found online at <https://www.railpen.com/investing/>.
7. The Trustee has investment powers under the Pensions Act 1995, the Railways Pension Scheme Pension Trust, the Rules of the British Railways Superannuation Fund, the British Transport Police Force Superannuation Fund Trust Deed and Rules, and the BR 1974 Pension Fund Trust Deed and Rules.
8. Within the DB arrangements, for RPS Sections where the employer has elected to establish a Pensions Committee ("PC") and for Schemes where a Management Committee ("MC") is in place, power to determine an investment policy to establish the proportion of assets to be held in each of the Pooled Funds lies with the Committee (with the exception, at the time of drawing up this SIP, of the British Transport Police Force Superannuation Fund, the RPS Govia Thameslink Railway Section, and the RPS London Overground Section). Save for the 1994 Pensioners Section of the RPS, this is subject to a veto right for the Trustee if in its opinion the proposed policy would be likely seriously to prejudice the security of members' interests. In the case of the 1994 Pensioners Section of the RPS only, this is subject to the consent of the Trustee and the Secretary of State. The Trustee manages interactions with the PCs and MCs to ensure compliance with this SIP and applicable laws. Where a PC or MC is not in place, the Trustee has sole responsibility for setting the investment strategy. The Trustee has delegated this responsibility to a sub-committee, the Integrated Funding Committee ("IFC"). The investment strategy for each Scheme and/or Section is included in their respective Quarterly Investment Report, which is shared with the sponsoring employer. A copy of each Scheme and/or Section's investment strategy is also available to the sponsoring employer upon request.
9. The Trustee is responsible for investment strategy implementation, and has in turn delegated this to RPIL. The Trustee is also responsible for ensuring that any strategy and/or policies adopted comply with the applicable legal requirements.
10. 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.

Investment Beliefs

11. The Trustee and RPIL co-created a set of 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 periodically and they are available to view online at <https://www.railpen.com/investing/how-we-invest/beliefs/>.



Investment Objectives

12. The Trustee's mission is to pay members' pensions securely, affordably, and sustainably.
13. With respect to the DB elements of the Schemes, it achieves this through investing the assets of each Scheme and 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. The Trustee adopts an integrated approach to covenant, funding, and investment, and the investment strategy applied to a particular Scheme or Section within the ambit of the Trustee's investment policies and applicable laws will take into account a range of factors including, but not limited to, the Scheme or Section's funding level, maturity characteristics, liquidity and return requirements, risk tolerance and the strength of the employer covenant. Due to the different characteristics of the Schemes and Sections, investment strategies will vary widely amongst them and from time to time. The overall investment policy objectives for the Schemes and Sections are:
 - 13.1. To achieve and maintain, together with any contributions, a funding level of at least 100% measured on an on-going basis over time; and
 - 13.2. To target a long-term return that is sufficient to support the discount rates used in the funding assumptions, with an acceptable level of expected volatility and taking account of liquidity requirements.

14. Investment strategy considerations for the DC elements of the Schemes are included in Schedules 2 and 3.

Investment Policy for Securing Compliance with Section 36 of the Pensions Act 1995

15. Before investing in any manner, the Trustee obtains and considers written advice from RPIL on the question of whether the investment is satisfactory, having regard to relevant factors, including the need for suitable and appropriately diversified investments. The Trustee's policy is to obtain written advice from RPIL in relation to any retained investment at regular intervals.
16. The Trustee exercises its powers of investment with a view to giving effect to the principles in this SIP, as far as reasonably practicable.

Kinds of Investments to be Held and Management of the Pooled Funds

17. The Trustee is responsible for investing the Schemes' 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 laws.
18. 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 implement the investment strategy for Schemes and Sections, and are intended to accommodate their different investment requirements and objectives. In terms of the balance between different kinds

of investments, the assets of the Schemes and Sections consist predominantly of investments admitted to trading on regulated markets. Investments that are not admitted to trading on regulated markets may be held where it is deemed beneficial from a risk and return perspective, but are in any event kept to a prudent level.

19. Each Pooled Fund has distinct expected return, risk, and liquidity characteristics, and is either multi-asset or single-asset class by design. The Trustee recognises that Schemes and Sections can benefit from the diversification offered by investing across various asset classes, due to their different risk and return drivers. 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.
20. The proportion of Scheme or Section assets to be held in a particular Pooled Fund at any point in time may differ from the investment strategy, for example due to market movements or implementation constraints. RPIL monitors the proportion of assets held in a particular Pooled Fund and the balance between the different kinds of investments on behalf of the Trustee. The Trustee, and RPIL under delegated authority, may take actions to change these proportions as it considers appropriate.

21. The Trustee regularly reviews the Pooled Fund range and may change the range of Pooled Funds, the associated objectives, and the investment guidelines from time to time as it considers appropriate, in accordance with the rules of the Schemes and with the benefit of advice from RPIL and the Trustee's independent investment expert.
22. 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 investment manager for the railway 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.
23. The investment arrangements are overseen by the Investment Oversight Committee ("IOC"), a Committee within RPIL, which ensures adherence to the Trustees' investment policy, oversees the investment process, and approves risk guidelines and limits. 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.



24. 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 how it engages with investee companies to improve their performance.

25. 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. This includes ensuring that Fund Managers are appropriately incentivised to make decisions based on assessments about medium- to long-term financial and non-financial performance of investee companies, and to engage with investee companies to improve their

performance in the medium- to long-term. The method for reviewing these arrangements at least annually is appropriate given the time horizon and in line with the Trustee's policies set out in this SIP. 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/>.

- 26.** The Trustee is satisfied that RPIL has the appropriate knowledge and experience for managing the investments of the Schemes and that it carries out its role in accordance with the criteria for investment set out in the Investment Regulations, the principles contained in this SIP, any applicable investment policy, and any applicable investment guidelines and restrictions agreed with the Trustee.
- 27.** The multi-asset Pooled Funds are managed in accordance with the Pooled Fund Policy, approved on a regular basis by the IOC. 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.

- 28.** 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.
- 29.** 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

- 30.** 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 is monitored by RPIL and reported to the IFC, the PCs and MCs (where appropriate), and the relevant employers. The IOC monitors the performance of the Pooled Funds 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

- 31.** The Trustee recognises that there are various investment and operational risks to which any pension scheme is exposed, including, but not limited to, interest rate, inflation, credit, industry- and issuer-specific, legal, and (for DB arrangements) longevity risks. The Trustee gives qualitative and quantitative consideration to such risks. A number of steps are taken to manage such risks, including:
- 31.1.** taking advice from RPIL and other advisers;
- 31.2.** maintaining a Trustee risk register;
- 31.3.** appointing an IFC with specific responsibilities including agreeing integrated funding plans for each Scheme and Section and monitoring performance against their agreed funding plans;
- 31.4.** appointing an Audit and Risk Committee with specific responsibilities including review of financial control and risk management systems;
- 31.5.** appointing a global custodian to hold assets, with RPIL monitoring the custodian's service provision and credit-worthiness;
- 31.6.** delegating to RPIL specific responsibilities including oversight of the management of the Pooled Funds;
- 31.7.** establishing the Railpen Enterprise Risk Committee and the Investment Risk Committee to oversee monitoring of operational and investment risks respectively.



Defined Contribution Assets

- 32.** The Schemes provide DC benefits in the form of additional voluntary contributions ("AVCs") in the DB Sections and the Industry-Wide Defined Contribution ("IWDC") Section, a standalone DC Section of the RPS. The IWDC Section is the authorised master trust within the RPS. 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.
- 33.** 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 DB and DC arrangements to the extent possible.
- 34.** 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

- 35.** 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.

- 36.** 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/>).
- 37.** The Trustee does not have a targeted portfolio turnover or turnover range, but instead reviews costs in conjunction with net of fees performance figures for the Pooled Funds, and Fund Managers are encouraged to take a long-term approach to investing in order to align with the Trustees' investment beliefs and investment policy.

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

- 38.** 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 Schemes' assets are invested. The Trustee considers such factors, takes advice on them and, if appropriate, takes them into account in the selection, retention and realisation of investments.
- 39.** These factors include, but are not limited to, environmental, social and governance (ESG) factors, including, but not limited to, climate change.
- 40.** The Trustee requires RPIL and Fund Managers to consider and, if appropriate, 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.

- 41.** The Trustee will continue to monitor and assess ESG factors (including climate change) and the risks and opportunities arising from them, as follows:
- 41.1.** the Trustee will undertake annual training on ESG considerations in order to understand fully how ESG factors including climate change could impact investments;
- 41.2.** the Trustee will require RPIL and Fund Managers to provide regular information on their approaches to stewardship and ESG integration (including climate change).
- 42.** 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.
- 43.** 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.
- 44.** 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.



45. 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.

46. 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

47. Non-financial matters may be considered on a case-by-case basis in relation to the selection, retention, and realisation of investments. The Trustee assesses whether there is reasonable cause to believe that members would share concerns (including as a result of their views on ESG issues) that the selection, retention, and/or realisation of an investment would be inconsistent with the values or good reputation of the Trustee, members, and the relevant Scheme. Non-financial matters may be taken into account where the Trustee has received advice that to do so would be in accordance with applicable laws.

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

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"). Items in the SIP that also apply to the AVC fund and strategy range cover the majority of the requirements of the Pensions Act 1995 and the underlying Occupational Pension Schemes (Investment) Regulations 2005 (both as amended). This Schedule covers additional requirements that are not covered in the main body of the SIP.

The main AVC arrangement, which is open to all contributing members of the defined benefit ("DB") Sections of the Railways Pension Scheme ("RPS"), is known as BRASS. It is also open to members of the British Transport Police Force Superannuation Fund ("BTPFSF") who joined before 1 April 2007, and eligible members of the British Railways Superannuation Fund ("BRSF").

AVC Extra is the second contribution top-up arrangement for contributing members of the DB Sections of the RPS (other than the Network Rail Section) and members of the BTPFSF who joined before 1 April 2007. It is also open to members of the BTPFSF who joined after 1 April 2007 as their main AVC arrangement.

2. Objective

The overall objective of the Trustee for the AVC arrangements is to provide a range of funds and lifestyle strategies that can meet the needs of most members looking to invest their contributions. For members who do not wish to make their own investment choice, the Trustee makes available a default option that aims to be suitable for the majority of members. Furthermore, the Trustee aims to provide good value for money for all members.

In setting the range of investment options, the Trustee recognises that individual members have differing investment needs, and that these needs may change during the course of their working lives. It also recognises that members have differing attitudes to risk.

3. Investment strategy

The Trustee considered a range of asset classes, their associated expected return and volatility of returns, the suitability of different investment management styles, and the need for diversification. The suitability of various lifestyle arrangements was also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle strategies available to members, which aim to target various retirement options. These strategies are designed to strike a balance between maximising the value of a member's assets at retirement and protecting the value of the accumulated assets, particularly in the years approaching retirement.

The allocations between Funds within the lifestyle strategies change through time, in order 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 ("TRA"). In the absence of specific input from the member, this adjustment occurs automatically based on the member's TRA. The TRA can be changed by the member.

Both BRASS and AVC Extra offer a lifestyle strategy that operates as a default vehicle, should a member not wish to make their own selection from the available fund range. These default lifestyle strategies are designed to be appropriate for a typical member with a predictable TRA. More on the respective default strategies is provided in Section 5.



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 strategies:

- Target Annuity
- Target Flexible Drawdown (**the default strategy for AVC Extra**)
- Target Lump Sum (**the default strategy for BRASS**)

fund range is provided through a "white-labelled" framework to help accommodate underlying manager changes and future enhancements without undue disruption.

Further information and factsheets for the BRASS and AVC Extra funds and strategies (including their asset allocation, risks and returns) can be found on the Railways Pensions website:

<https://member.railwayspensions.co.uk/defined-benefit-members/saving-more-BRASS-AVC-Extra/brass-fund-choices>

5. Default arrangements

The BRASS arrangement is a "top-up" or additional benefit to the main Scheme DB benefit. At retirement, the BRASS benefit is linked to the main Scheme DB benefit. Members tend to take this mainly as tax-free cash, and this is reflected in the default strategy for BRASS members.

AVC Extra is a further "top-up" arrangement. For AVC Extra members, the default strategy has been constructed on the basis that members are expected to flexibly draw their benefits.

The aim of both default strategies is to generate long-term growth in excess of inflation over members' working lifetimes. The default strategies are intended such that assets are invested in the best interests of members and beneficiaries, however by their nature they cannot capture differences across all individual members.

For both BRASS and AVC Extra, a higher risk tolerance is assumed when members are far from retirement, with the aim of generating higher real (after inflation) returns and increasing retirement savings. The default strategies invest fully in the Long Term Growth Fund until ten years before a member's TRA. The Long Term Growth Fund is a well-diversified, multi-asset fund, which aims to generate returns above inflation over the medium-to-long term.

For BRASS, the "at retirement" portfolio has been constructed on the basis that BRASS members are expected to draw their benefits as cash. Over the ten years to the TRA, the asset allocation transitions to 10% in the Long Term Growth Fund, 75% in the UK Government Fixed Interest Gilt Fund, and 15% in the Corporate Bond Fund. This aims to reduce material losses as retirement approaches.

For AVC Extra, the "at retirement" portfolio has been constructed on the basis that AVC Extra members are expected to flexibly draw their benefits. Over the ten years to the TRA, the asset allocation transitions to 25% in the Long Term Growth Fund, 25% in the UK Government Fixed Interest Gilt Fund, and 50% in the Corporate Bond Fund. This aims to reduce material losses as retirement approaches while maintaining a moderate allocation to growth assets.

Illiquid assets are held within the Long Term Growth Fund that the default strategies utilise, including property, royalties, reinsurance, and infrastructure investments. These provide additional diversification benefits to the Fund, as their risk profile is typically lowly correlated to that of liquid growth assets such as equities. They are also expected to help the Fund deliver improved risk-adjusted returns. There is a hard limit of 30% allocation to illiquid assets within the Fund, which ensures that they do not adversely impact its daily liquidity. The Fund is invested in by all members within the default strategies, with members' allocations to the Fund reducing from 100% to 10% (BRASS) / from 100% to 25% (AVC Extra) as members move towards their TRA. At the time of drawing up this SIP, the level of illiquid assets held within the Fund is c.23%, and the plan is for this level to be broadly maintained.

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 are expected to generate long-term returns 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 funds with lower estimated risk, as well as lifestyle options that default into lower estimated risk funds as members approach their TRA;
- 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 Pooled Funds not meeting their objectives. The Trustee's Defined Contribution Committee ("DCC") provides oversight to the performance of the Funds. The IOC oversees the performance of the Fund Managers and the Pooled Funds on a regular basis;



- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.
- Other risks include illiquidity, inflation, currency, suitability of the default strategy and range of self-select funds, operational risk, and market risk including equity, interest rate and credit risks.

8. Ongoing monitoring

The DCC was established to ensure appropriate management and governance of the Schemes' DC arrangements (including AVCs). Specific responsibilities of the DCC include oversight of investment performance and reviewing communications and investment options as appropriate.

The DCC reviews the default investment strategy and the performance of the default arrangements (including investment returns net of charges and costs) at least every three years, and without delay after any significant change in investment policy or the demographic profile of relevant members. There is no requirement to review the other lifestyle arrangements and funds, but this is done in line with the review of the default strategy. This review is carried out in conjunction with a review of the IWDC funds and strategies. This Schedule will be updated after every review, unless it is decided that no action is required.

The DCC reviews risks as part of each strategy review. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default strategies, the DCC considers the trade-off between risk and expected returns.

Realised returns and volatilities of the funds are monitored quarterly by the DCC.

Schedule 3: Industry-Wide Defined Contribution ("IWDC") 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"). Items in the SIP that also apply to the IWDC Section cover the majority of the requirements of the Pensions Act 1995 and the underlying Occupational Pension Schemes (Investment) Regulations 2005 (both as amended). This Schedule covers additional requirements that are not covered in the main body of the SIP, including the requirement to produce a "Default SIP" covering the default IWDC arrangement.

The IWDC Section is the authorised DC master trust of the Railways Pension Scheme ("RPS") for rail industry employees and, other than AVCs, it is the only Section in the Scheme which provides money purchase benefits.

2. Objective

The overall objective of the Trustee is to provide a range of funds and lifestyle strategies that can meet the needs of most members looking to invest their contributions. For members who do not wish to make their own investment choice, the Trustee makes available a default option that aims to be suitable for the majority of members. Furthermore, the Trustee aims to provide good value for money for all members.

In setting the range of investment options, the Trustee recognises that individual members have differing investment needs, and that these needs may change during the course of their working lives. It also recognises that members have differing attitudes to risk.

3. Investment Strategy

The Trustee considered a range of asset classes, their associated expected return and volatility of returns, the suitability of different investment management styles, and the need for diversification. The suitability of various lifestyle arrangements was also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle strategies available to members, which aim to target various retirement options. These are designed to strike a balance between maximising the value of a member's assets at retirement and protecting the value of the accumulated assets, particularly in the years approaching retirement.

The allocations between Funds within the lifestyle strategies change through time, in order 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 ("TRA"). In the absence of specific input from the member, this adjustment occurs automatically based on the member's TRA. The TRA can be changed by the member.

One of the lifestyle strategies operates as a default vehicle, should a member not wish to make their own selection from the available fund range. The default lifestyle strategy is designed to be appropriate for a typical member with a predictable TRA. More on the default strategy is provided in Section 5.

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:

- Target Annuity
- Target Flexible Drawdown **(the default strategy)**
- Target Lump Sum

The fund range is provided through a “white-labelled” framework to help accommodate underlying manager changes and future enhancements without undue disruption.

IWDC Section funds and strategies (including their asset allocation, risks and returns) can be found on the Railways Pensions website at:

<https://member.railwayspensions.co.uk/iwdc-members/managing-investments/fund-choices>

5. Default strategy

The default strategy has been constructed on the basis that members of the IWDC Section are expected to flexibly draw their benefits.

The aim of the default strategy (the Target Flexible Drawdown lifestyle strategy) is to generate long-term growth in excess of inflation over members' working lifetimes. The default strategy is intended such that assets are invested in the best interests of members and beneficiaries, however by its nature it cannot capture differences across all individual members.

As the IWDC Section may be a members' main form of retirement saving, a higher risk tolerance is assumed when members are far from retirement, with the aim of generating higher real (after inflation) returns and increasing retirement savings. The default strategy invests fully in the Long Term Growth Fund until ten

years before a member's TRA. The Long Term Growth Fund is a well-diversified, multi-asset fund, which aims to generate returns above inflation over the medium-to-long term.

Over the ten years to the TRA, the asset allocation transitions to 25% in the Long Term Growth Fund, 25% in the UK Government Fixed Interest Gilt Fund, and 50% in the Corporate Bond Fund. This aims to reduce material losses as retirement approaches while maintaining a moderate allocation to growth assets.

Illiquid assets are held within the Long Term Growth Fund that the default strategy utilises, including property, royalties, reinsurance, and infrastructure investments. These provide additional diversification benefits to the Fund, as their risk profile is typically lowly correlated to that of liquid growth assets such as equities. They are also expected to help the Fund deliver improved risk-adjusted returns. There is a hard limit of 30% allocation to illiquid assets within the Fund, which ensures that they do not adversely impact its daily liquidity. The Fund is invested in by all members within the default strategy, with members' allocations to the Fund reducing from 100% to 25% as members move towards their TRA. At the time of drawing up this SIP, the level of illiquid assets held within the Fund is c.23%, and the plan is for this level to be broadly maintained.

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 are expected to generate long-term returns 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 funds with lower estimated risk, as well as a lifestyle option that defaults into lower estimated risk funds as members approach their TRA;
- 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 Pooled Funds not meeting their objectives. The Trustee's Defined Contribution Committee (“DCC”) provides oversight to the performance of the Funds. The IOC oversees the performance of the Fund Managers and the Pooled Funds on a regular basis;
- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

- Other risks include illiquidity, inflation, currency, suitability of the default strategy and range of self-select funds, operational risk, and market risk including equity, interest rate and credit risks.

8. Ongoing monitoring

The DCC 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.

The DCC reviews the default investment strategy and the performance of the default arrangement (including investment returns net of charges and costs) at least every three years, and without delay after any significant change in investment policy or the demographic profile of relevant members. There is no requirement to review the other lifestyle arrangements and funds, but this is done in line with the review of the default strategy. This review is carried out in conjunction with a review of the AVC funds and strategies. This Schedule will be updated after every review, unless it is decided that no action is required.

The DCC reviews risks as part of each strategy review. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. In designing the default strategy, the DCC considers the trade-off between risk and expected returns.

Realised returns and volatilities of the funds are monitored quarterly by the DCC.



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

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 all costs and charges	After all costs and charges	Before all costs and charges	After all costs and charges	Before all costs and charges	After all costs and charges	Before all costs and charges	After all costs and charges	Before all costs and charges	After all costs and charges	Before all costs and charges	After all costs and charges	Before all costs and charges	After all costs and charges
1	£29,687	£29,519	£29,687	£29,620	£28,809	£28,739	£28,872	£28,815	£28,558	£28,508	£29,687	£29,557	£28,621	£28,564
3	£45,131	£44,460	£45,131	£44,860	£41,707	£41,441	£41,945	£41,726	£40,764	£40,578	£45,131	£44,610	£40,998	£40,783
5	£62,118	£60,690	£62,118	£61,539	£54,984	£54,448	£55,468	£55,023	£53,089	£52,718	£62,118	£61,007	£53,557	£53,127
10	£112,388	£107,657	£112,388	£110,455	£89,916	£88,342	£91,347	£90,030	£84,432	£83,380	£112,388	£108,697	£85,768	£84,538
15	£176,175	£165,418	£176,175	£171,749	£127,480	£124,302	£130,396	£127,710	£116,546	£114,494	£176,175	£167,761	£119,174	£116,754
20	£257,113	£236,455	£257,113	£248,552	£167,873	£162,454	£172,894	£168,268	£149,452	£146,065	£257,113	£240,911	£153,820	£149,796
25	£359,815	£323,819	£359,815	£344,789	£211,310	£202,931	£219,146	£211,925	£183,168	£178,102	£359,815	£331,508	£189,752	£183,684
30	£490,132	£431,263	£490,132	£465,377	£258,020	£245,875	£269,484	£258,915	£217,714	£210,610	£490,132	£443,711	£227,018	£218,441
35	£655,490	£563,401	£655,490	£616,477	£308,249	£291,436	£324,268	£309,495	£253,112	£243,596	£655,490	£582,673	£265,668	£254,088
40	£865,310	£725,908	£865,310	£805,810	£362,263	£339,774	£383,891	£363,938	£289,380	£277,068	£865,310	£754,777	£305,753	£290,649
45	£1,131,548	£925,765	£1,131,548	£1,043,051	£420,346	£391,058	£448,780	£422,539	£326,543	£311,033	£1,131,548	£967,927	£347,326	£328,147



The projected pot and effect of costs and charges for the default lifestyle arrangement is also provided. We provide this for three sample members

1. Member age 20, with a starting pot size of £22,500, monthly contributing £500, and a TRA 65.
2. Member age 40, with a starting pot size of £22,500, monthly contributions £500 and TRA 65.
3. Member age 20, with a starting pot size of £0, monthly contributions £500, and a TRA 65.

Years	2. Flexible Drawdown Lifestyle Strategy	
	Before all costs and charges	After all costs and charges
1	£29,687	£29,519
3	£45,131	£44,460
5	£62,118	£60,690
10	£112,388	£107,657
15	£176,175	£165,418
20	£250,180	£230,814
25	£322,370	£293,957

Years	3. Flexible Drawdown Lifestyle Strategy	
	Before all costs and charges	After all costs and charges
1	£6,090	£6,069
3	£19,175	£18,987
5	£33,568	£33,018
10	£76,161	£73,626
15	£130,207	£123,566
20	£198,785	£184,984
25	£285,804	£260,518
30	£396,220	£353,412
35	£536,327	£467,657
40	£694,355	£593,265
45	£838,117	£706,022

Years	1. Flexible Drawdown Lifestyle Strategy	
	Before all costs and charges	After all costs and charges
1	£29,687	£29,519
3	£45,131	£44,460
5	£62,118	£60,690
10	£112,388	£107,657
15	£176,175	£165,418
20	£257,113	£236,455
25	£359,815	£323,819
30	£490,132	£431,263
35	£655,490	£563,401
40	£841,320	£708,083
45	£1,008,763	£836,556

Notes:

Assumptions and data for illustration.

The following assumptions have been made for the purposes of the above illustrations:

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 used is £22,500, which is representative of the average for the Scheme, with the exception of example member 3 in the Flexible Drawdown illustration, where starting pot is assumed to be £0.
3. Inflation and salary growth are both assumed to be 2.5% each year.
4. Contributions are assumed to start at £500 pm, increasing at 2.5% pa each year until target retirement age.
5. The assumed growth rates for each fund are in line with AS TM1 v4.2, which is in line with guidance from the Department of Work and Pensions (DWP).
6. The growth rates assumed are as follows (less costs and charges shown in brackets):
 - Long Term Growth Fund: 7.50% (0.67%)
 - Global Equity Fund: 7.50% (0.27%)
 - Corporate Bond Fund: 4.00% (0.28%)

- UK Government Fixed-Interest Bond Fund: 4.25% (0.23%)
 - UK Government Index-Linked Bond Fund: 3.00% (0.20%)
 - Socially Responsible Equity Fund: 7.50% (0.52%)
 - Deposit Fund 3.25% (0.23%)
7. The allocation within the Flexible Drawdown Strategy is assumed to move from the Long Term Growth Fund to the ultimate allocation including the Corporate Bond Fund and UK Government Fixed-Interest Bond Fund in the final 10 years. 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. Charges are as forward-looking and take into account all of those a member may expect to pay. Where applicable, they include property expenses, transaction costs and performance fees.
 9. Following statutory guidance, we estimate transaction costs as 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.
 10. Values shown are estimates and are not guaranteed.



