



2024 Annual Report and Audited Financial Statements



Trustee and Advisers

Where to go for Help

Summary of the Core Provisions of the Scheme

Chair’s Introduction

The Railways Pension Scheme Background

Key Statistics

The Trustee Company Annual Report

Statement of Trustee’s Responsibilities for the Financial Statements

Independent Auditor’s Report to the Trustee of The Railways Pension Scheme

Fund Account

Statement of Net Assets (Available for Benefits)

Notes to the Audited Financial Statements

Report on Actuarial Liabilities (Forming Part of the Trustee Company Annual Report)

Glossary of Common Terms

Appendices



Trustee and Advisers

Professional service	Adviser
Scheme and Investment Administrator	Railpen Limited ('Railpen')
Corporate Trustee	Railways Pension Trustee Company Limited ('RPTCL' or 'the Trustee')
Directors of the Corporate Trustee	
Employer Directors	A Golton F Hassan R Jolly (Appointed 3 January 2024) R Jones C Kernoghan A Lakhani R Murray (Reappointed 25 July 2024) J Wilson
Employee Directors	I Anderson (Appointed 12 March 2024) M Cash R Goldson D Gott (Reappointed 25 July 2024) C Harding P Holden H Kaye G Towse
Investment Manager and Manager of Investment Managers	Railway Pension Investments Limited ('RPIL')

Professional service	Adviser
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 Banker	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 0175
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.

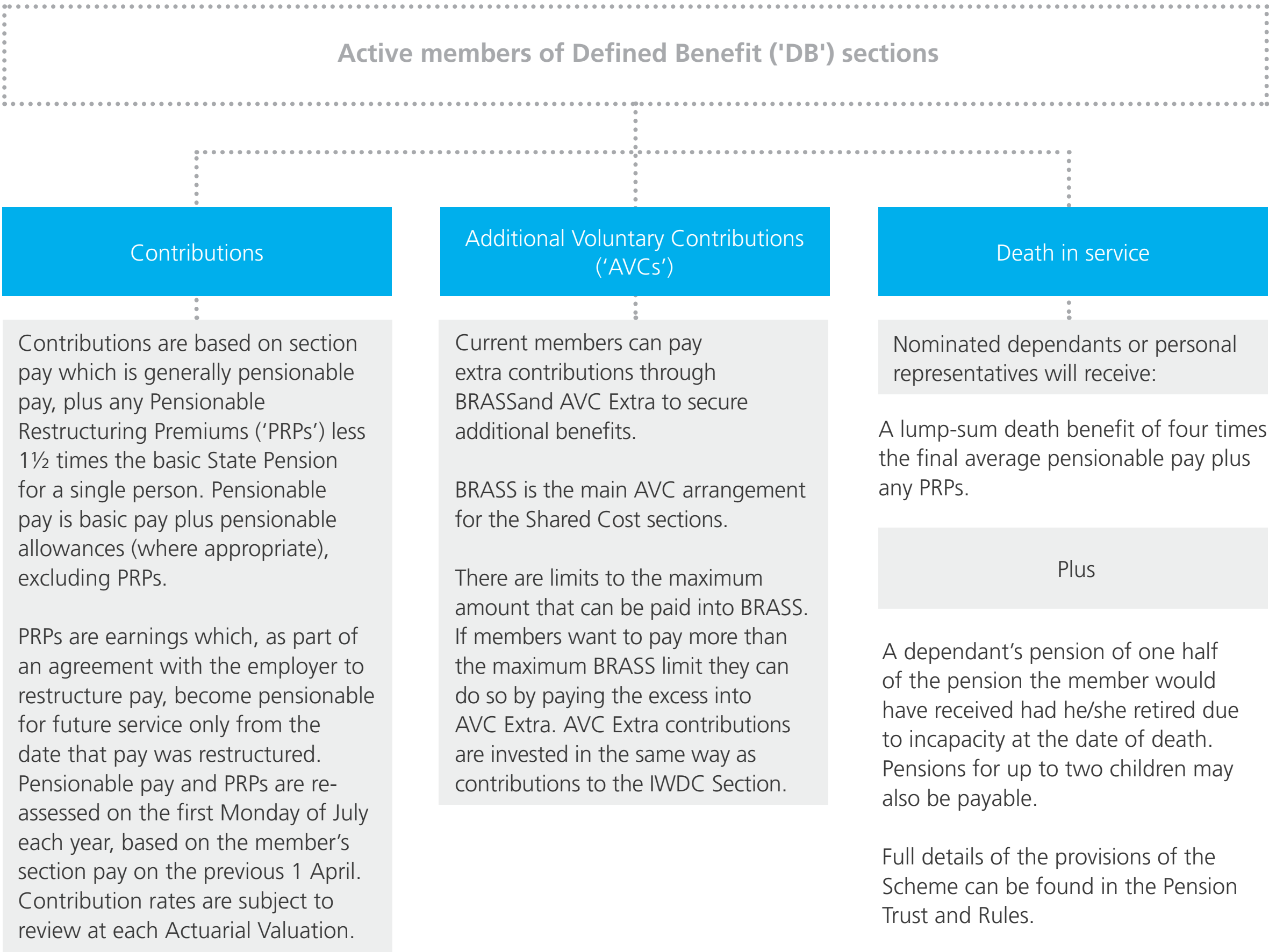
Industry-Wide Defined Contribution Section

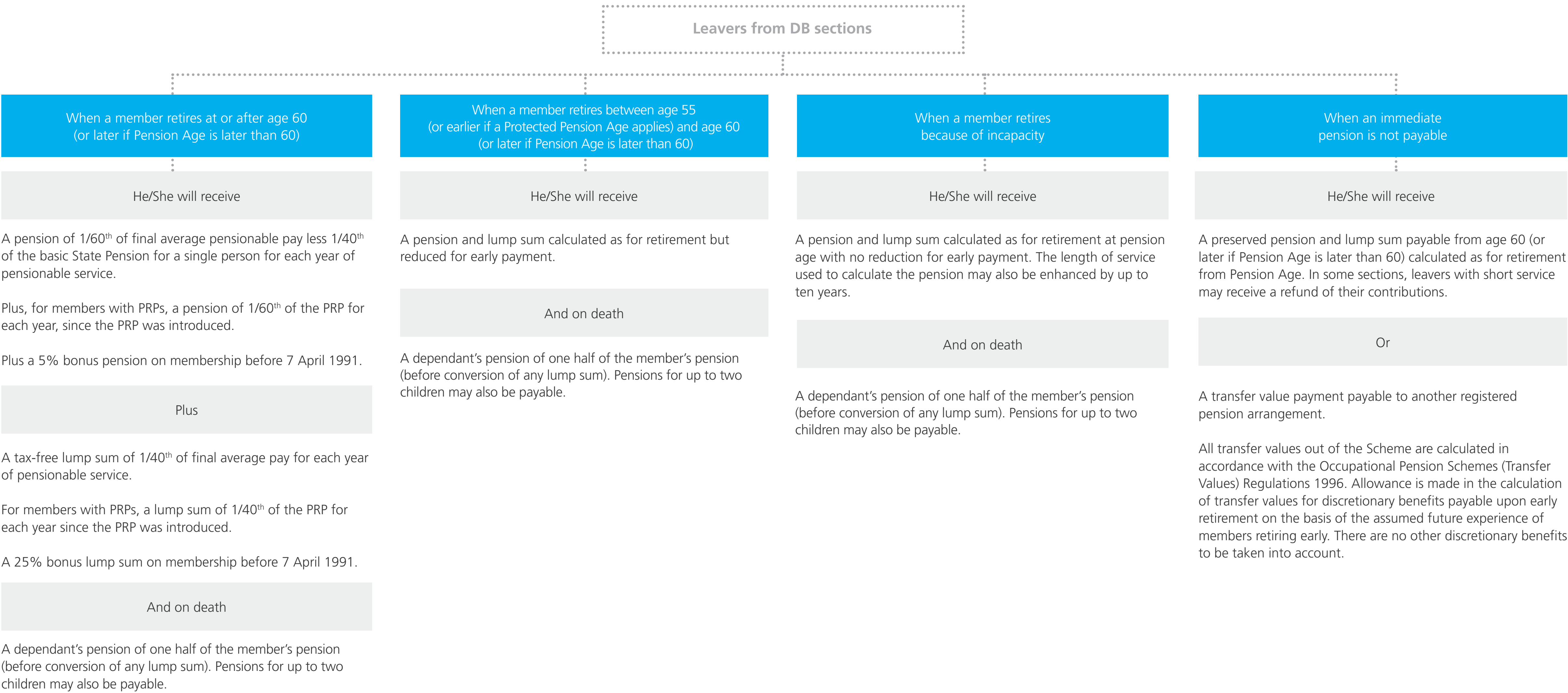
The IWDC Section's participating employers can choose their contribution rates, normal retirement date and lump sum amount on death in service. Contributions range from upwards of 6% of pensionable pay, and normal retirement ages range from 60 to 65. However, members are only required to start taking their benefits from not later than 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

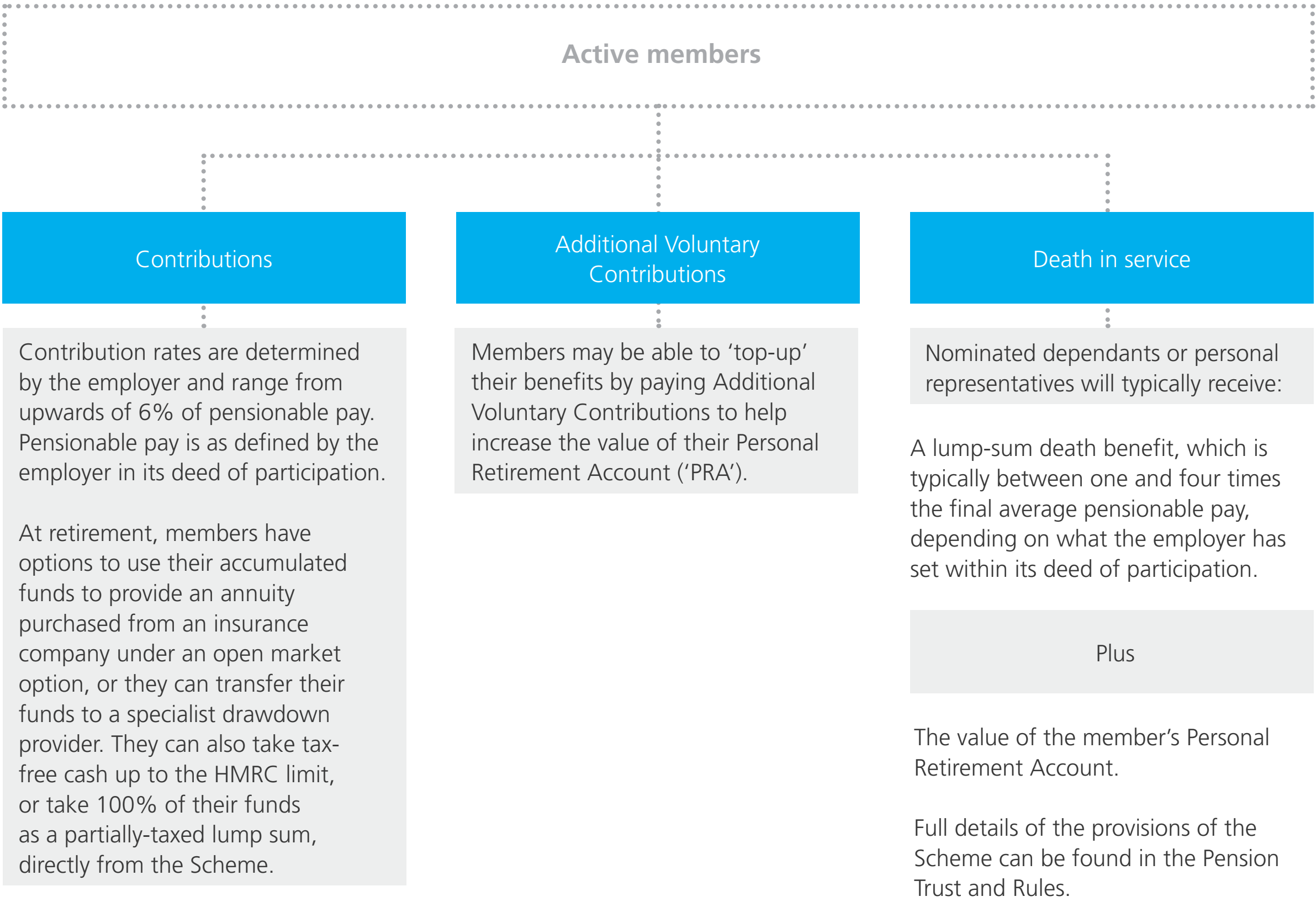
Pensions in the defined benefit sections increased by 6.7% with effect from 8 April 2024. Pensions in payment and deferment in the Scheme are increased in line with Orders laid by the government under the Pensions (Increase) Act 1971. This is based on the CPI inflation figure, which measures changes in the prices of goods and services, as at September 2023.

Members over 65 may not receive the full increase on their pension if any element relates to Guaranteed Minimum Pension ('GMP'). For members who reached State Pension age before 6 April 2016, the government may top up their State Pension to reflect the lower level of increases provided on the GMP.





Summary of the Core Provisions of the IWDC Section



Chair's Introduction



2025 sees the railway industry celebrate its 200th anniversary, an important reminder of how the industry and the people who have, and continue to work within it, have shaped the modern world as we know it.

Rail companies were some of the first in the UK to provide pension benefits for their colleagues going back as far as 1853. Today, the Trustee Board has the privilege of continuing to support hundreds of thousands of people working within the huge range of roles and careers in our rail industry. We support them all, from those who have retired, experienced workers in the prime of their careers, to the 18-year-old apprentice starting their first day in the industry.

The Trustee Board has continued to oversee the operations of the Scheme, guided by our mission to pay members' benefits securely, affordably and sustainably, and in the context of ever-increasing geopolitical instability.

Our members rely on us to deliver a secure income for them in later life, and to be their eyes, ears and voice to ensure we advocate on opportunities on their behalf and protect their benefits from risks.

As a Trustee Board, we firmly believe in the right to adequate workplace pension provision, the peace of mind this brings members during their careers and the options it provides them with in retirement. We believe open defined benefit schemes provide the collectivism of sharing risk and reward and the partnership between sponsor and member to achieve this, while at the same time benefiting the UK economy and the communities within which our members live.

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 continue to serve all members diligently.

Members are at the heart of everything we do, and we take the impact our decisions can have on their future lives 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 2024 on behalf of your Trustee Board.

Investment performance

2024 was another year of strong positive performance for equities, but this was not without volatility as geopolitical tensions and elections unsettled investors throughout the year. Central banks continued to lower interest rates, however they remained higher than previous lows, which impacted the economy. Inflation remained sticky, especially in the UK and the US, with softening economic data across developed economies. The trend of narrow returns in equities continued as it was technology stocks, particularly those exposed to artificial intelligence that led the market. Deal activity within the Illiquid Growth Fund showed encouraging signs of recovery, but the market remains well below the peak seen in 2021.

UK government bond (gilt) yields climbed higher over the year, despite interest rate cuts as fiscal pressures and the new Labour government's budget policies including proposed tax increases - such as employer NI contributions - and higher government spending unsettled the market. Investors were also forced to adjust expectations of future rate cuts in 2025 as the Bank of England ended the year with a more hawkish tone due to stubborn inflation levels capping off a disappointing year for gilts. Political instability, fiscal pressures and the threat of tariffs from the new Trump administration also impacted fixed income globally.

Over 2024, many new governments took the helm across the global economy ready to unveil new fiscal policies in their respective countries. Also, as geopolitical tensions continue and many central banks have a complex task due to persistent inflation levels, the outlook for investment markets remains uncertain, with volatility being likely to stick around.

Against this backdrop:

- the Growth Pooled Fund returned 7.5%.
- the Illiquid Growth Fund, which holds private investments, returned 2.2%. We also note the performance lag that is typical of private market investments.
- the Long Term Income Fund returned -20.6%.
- the Short Duration Index Linked Fund returned -0.9%.
- the Long Duration Index Linked Fund returned -17.7%.

Overall, Scheme assets returned 2.3% in 2024, net of all fees, and over the past ten years the return has been 6.8% per annum.

Since 2014, Scheme assets have increased from £19.5 billion to £30.7 billion, and benefit payments have exceeded contributions by approximately £5.8 billion. This means that investment returns have delivered £16.9 billion, an increase of 87%, showing just how important investment returns are to the Scheme, its members, and employers.

Supporting members and employers

Member trends continue to show a preference for digital services, with increased contact through email and over 150,000 members now registered to the member portal. 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.

We introduced our member first vision, which centres around member outcomes and measuring what matters to members. Our flagship measure focuses on what matters most to members - receiving their retirement lump sum on the date they request. In measuring this we shift focus away from traditional service levels and look more deeply at why we don’t always meet this target. In changing this perspective, we have identified a number of opportunities to support our members, including a full redesign of the retirement application form with associated educational videos, a key tool for members. We will continue to design measures that focus on the member value, to invest and improve where members value it most.

In relation to onboarding with Pensions Dashboards - which aims to ensure members can view all their pensions in one place - we’re delighted that the railways pension schemes were connected ahead of the deadline on 16 May 2025.

Governance

During 2024, we welcomed Richard Jolly as an Employer Director, nominated by Network Rail, and Iain Anderson as an Employee Director, nominated by the TSSA. Richard Murray and Dave Gott were also re-elected by their nominating organisations and appointed to serve a further six-year term each.

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 2025, 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.

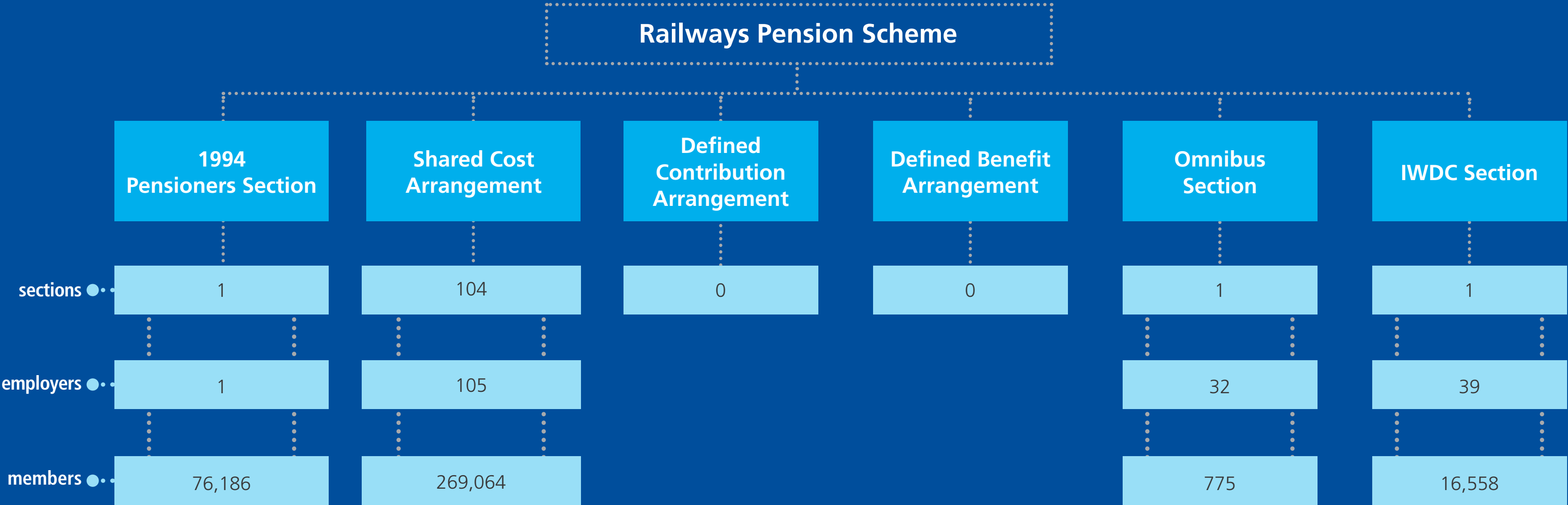
Christine Kernoghan
Chair, Trustee Company

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 (2023: 144) 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 (2023: 107 sections) across the six parts of the RPS as illustrated to the right:



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 6.

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 Rules of the Section provide that, in the event of a deficit following a valuation, assets are transferred from the Special Reserve Fund to the general funds. Surplus assets disclosed at future valuations will need to be re-allocated back to the Special Reserve Fund, to the extent required to reflect the above transfer, before there is any surplus available for further distribution to members.

The total assets comprising the Special Reserve Fund, as at 31 December 2022, amounted to £392 million. As a result of the £178 million deficit disclosed in the Actuarial Valuation of the Section as at 31 December

2022, transfers of £1.07 million per month from 1 October 2024 to 30 September 2034, increasing annually in line with the relevant Pensions Increase (Review) Orders, are expected to be made from the Special Reserve Fund to the general funds. These transfers will reduce the anticipated growth of the Special Reserve Fund over time.

The split of assets between any Special Reserve Fund and the general fund is for the purposes of determining how any future actuarial valuation surplus is allocated between members and the employer. It does not affect the way the assets are invested, nor how they are presented in these financial statements.

The audited financial statements show the combined asset value of the general fund and the Special Reserve Fund. Any reallocation from the Special Reserve Fund to the general fund or vice versa has no impact on the net asset value of the audited financial statements.

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 of or mergers of sections.

As at 31 December 2024, 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 2024, 28 employers with active members (2023: 27 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 the 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 2024, 39 employers were part of this Arrangement (2023: 39 employers).

At 31 December 2024, 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

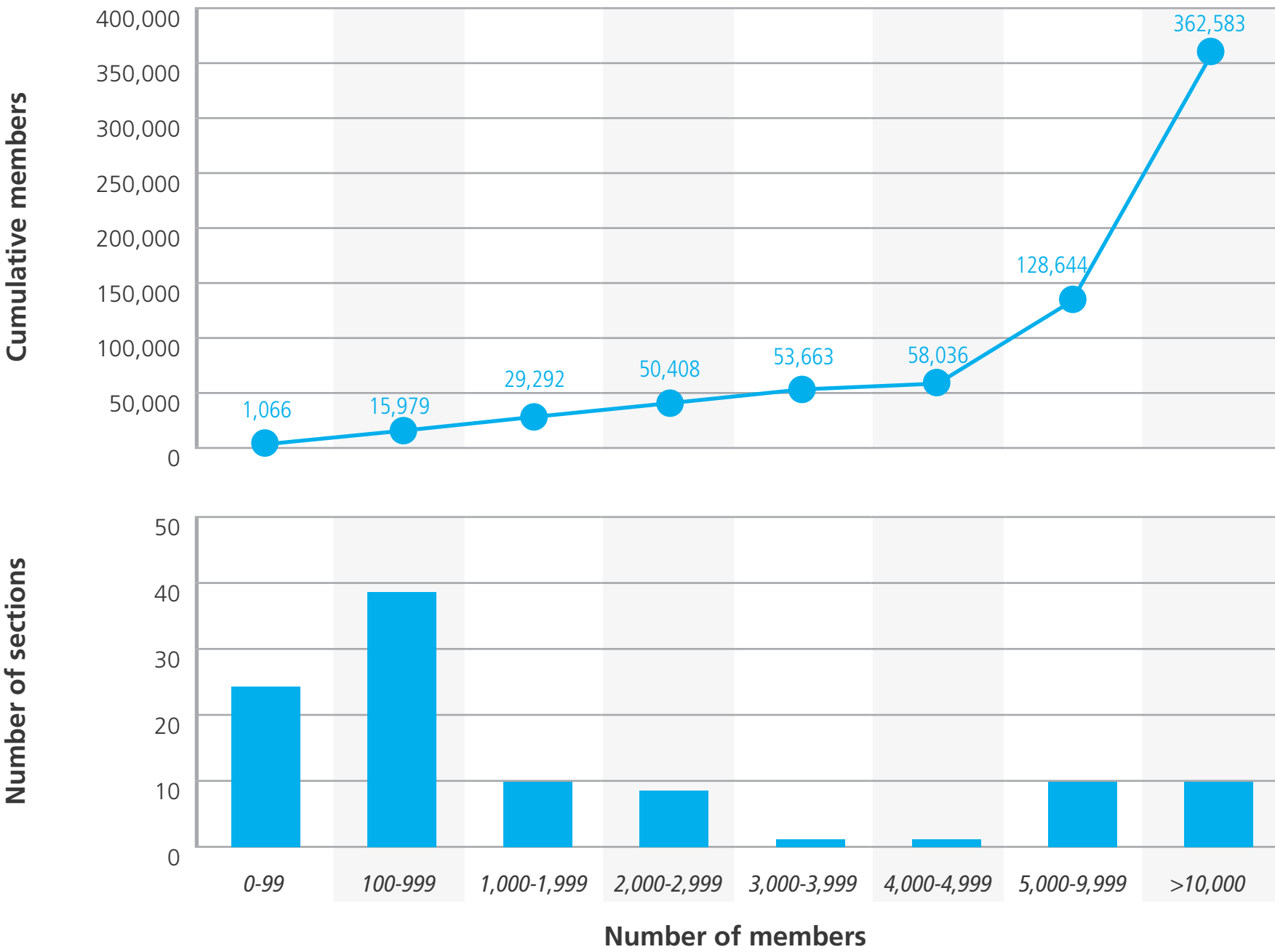
The designated employer of each Shared Cost section may establish a Pensions Committee to which the Trustee will delegate certain powers and duties under Appendix 5 of the Pension Trust. This includes responsibilities such as the determination of incapacity and discretionary benefits. Setting investment 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 22 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 as at 31 December 2024

At 31 December	2024	2023	2022	2021	2020
Sections	107	107	107	106	108
Employers	177	176	184	176	175
Active membership	100,962	99,381	99,496	99,904	99,751
Preserved membership	112,248	113,266	112,050	109,680	109,055
Pensioners	149,373	144,900	142,518	140,331	138,579
Total membership	362,583	357,547	354,064	349,915	347,385

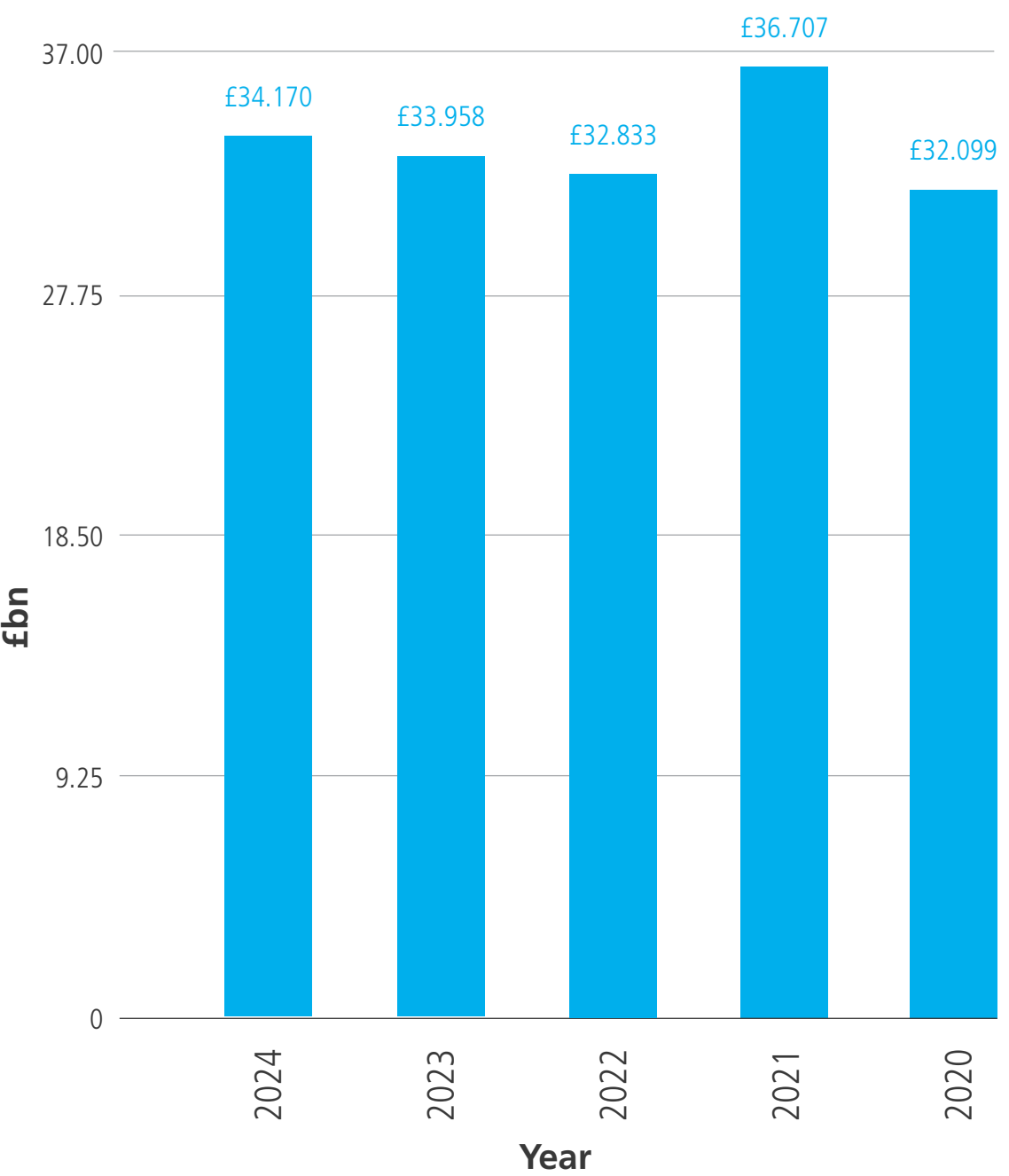
Comparison of membership of sections



Five-year summary of financial statements of the RPS

At 31 December	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Scheme benefits					
Pensions	(1,127)	(1,026)	(942)	(900)	(889)
Lump sums	(394)	(306)	(333)	(262)	(216)
Death benefits	(31)	(35)	(36)	(36)	(41)
Total benefits	(1,552)	(1,367)	(1,311)	(1,198)	(1,146)
Scheme income					
Members' contributions	405	378	372	362	346
Employers' contributions	448	432	423	419	407
Government support	12	12	8	8	13
Other income	1	-	-	128,644	-
Total contributions	866	822	803	789	766
Net transfer values	(6)	(1)	(20)	(29)	(27)
Admin expenses	(34)	(32)	(26)	(24)	(26)
PPF levies	(28)	(40)	(52)	(55)	(65)
Purchase of annuities	(5)	(2)	(1)	(2)	-
Taxation where lifetime allowance exceeded	(1)	(1)	-	(1)	(1)
Net investment income	665	564	521	380	303
Interest on cash deposits	10	7	2	-	-
Change in market value	297	1,175	(3,790)	4,748	2,385
Net increase/(decrease) in the Scheme	212	1,125	(3,874)	4,608	2,189
Net assets of the Scheme	34,170	33,958	32,833	36,707	32,099

Five year summary of net assets of RPS



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 encouraged 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.

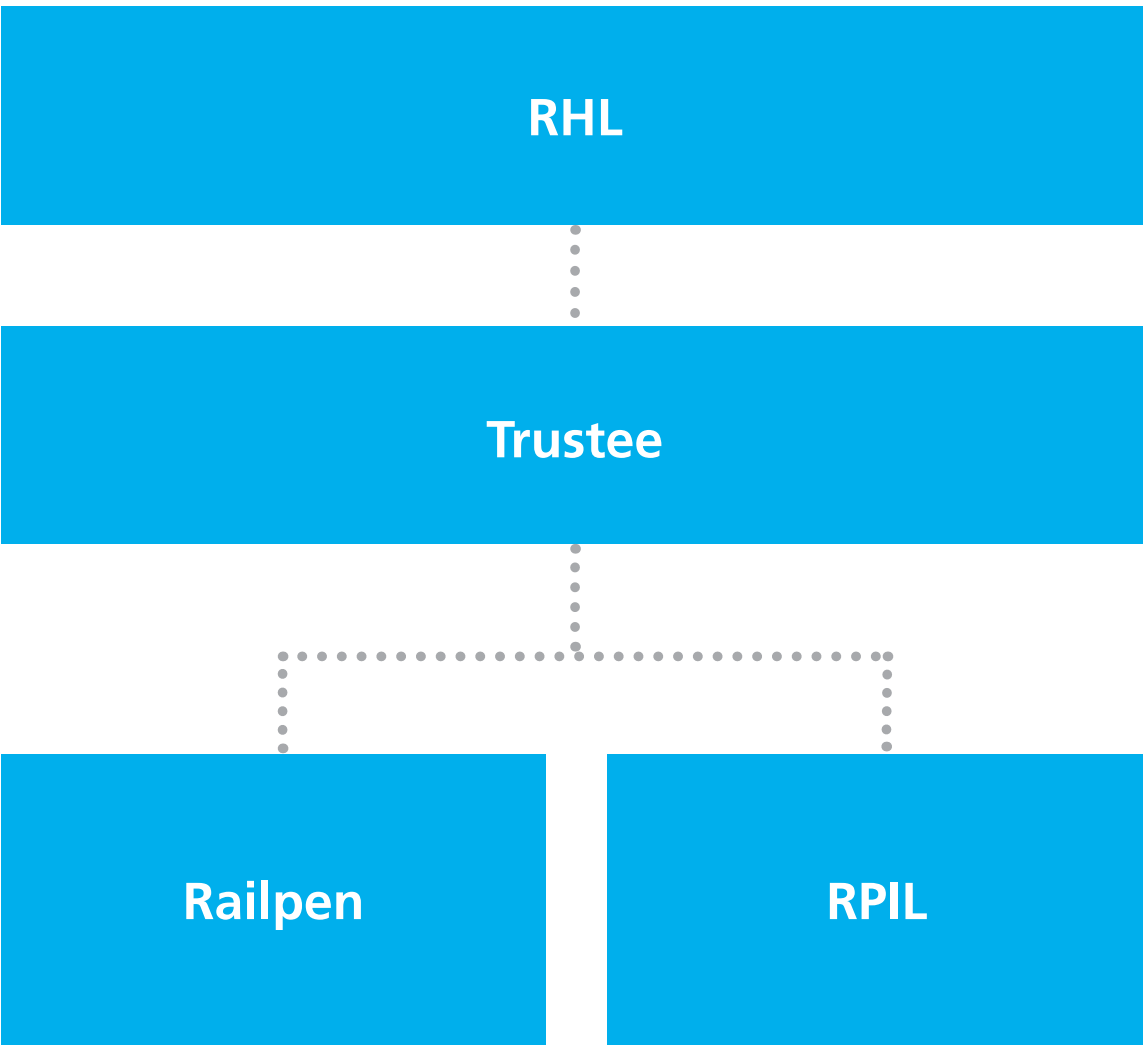
The primary purpose of RHL is to provide governance controls and appoint the directors of the Trustee. The Articles of Association set out the procedure for the appointment of directors. The aim is to achieve a balanced representation of the different employers and the members (or their representatives)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

A special resolution was approved by RHL Members in November 2024 to amend the Articles of Association. The changes aimed to modernise and simplify the Articles where possible and to clarify drafting that was unclear. No constitutional changes were made to the composition of the Board or the appointment procedures for directors.

The structure of the RHL group as at 31 December 2024



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 2024 are set out below:

Railpen

Railpen employs around 760 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 2024 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
Sue Amies-King ²	Independent Director
Andy Bord ³	Chief Executive
Alison Burns	Independent Director
Michael Cash	Trustee Director
John Chilman ⁴	Chief Executive
Fatima Hassan ⁵	Trustee Director
Richard Murray	Trustee Director
Nick Ranson ⁶	Chief Financial Officer
Busola Sodeinde ⁷	Independent Director
Maura Sullivan ⁸	Independent Director / Chief Financial Officer
Gary Towse	Trustee Director

1. Stuart Blackett resigned from the Board on 8 January 2024.
2. Sue Amies-King was appointed to the Board on 3 July 2024.
3. Andy Bord was appointed to the Board on 7 October 2024.
4. John Chilman resigned from the Board on 7 October 2024.
5. Fatima Hassan was appointed to the Board on 1 January 2024.
6. Nick Ranson was appointed to the Board on 3 March 2025.
7. Busola Sudeinde was appointed to the Board on 11 September 2024.
8. Maura Sullivan was appointed to the Board on 14 March 2024 and resigned on 31 July 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

Railpen has successfully delivered a number of key outcomes in 2024, a year in which it celebrated 30 years of supporting the RPS.

The 2022 triennial valuations were completed in line with the revised, more modern investment philosophy. Improved section funding positions were ‘locked-in’ and investment strategies tailored to meet section-specific needs. Strong investment returns generate 75 pence in every pound paid out in pensions benefits.

A small number of maturing sections secured member pensions through annuity policies purchased in the name of the Trustee via a new service that Railpen has been piloting. This service provides an effective and competitive approach for sections that want to progress this route, should it be appropriate.

Railpen launched its Member First vision and supporting customer charter, which sets out how they engage and support our members. This supports colleagues in handling the 130,000 items of written correspondence and over 2 million communications with our members. This care and commitment is reflected in our customer satisfaction scores of 83% and we’re confident we will build on this success in 2025.

For Railpen colleagues, 2024 saw the launch of their new benefits platform offering colleagues the opportunity to buy and sell annual leave. Private Medical Insurance also became available for all colleagues. Notable progress was made on the succession planning cycle with emphasis on developing robust development plans to support colleagues in reaching their full potential. The launch of their Human Resources Advice team was received positively, to support people managers with consistent and clear guidance for challenging situations. The first ever all-colleague training programme, launched with bitesize sessions on Diversity, Equity and Inclusion, has been positively received. In December 2024, Railpen achieved the highest ever completion rate in its colleague survey, providing valuable insights into how it feels to work at Railpen and clear areas for future focus.

In 2024, Railpen was shortlisted for, and won several industry awards, in recognition of the work they undertake on our behalf including our investment stewardship approach, our investment value creation and overall performance as a pension scheme. We utilise our combined expertise and reputation to help shape the pensions industry of the future, working with peers, industry and public bodies to bring the best interests of our employers and members to the fore, as pension innovation and public policy is debated and created.

Railpen continues to invest in their core IT infrastructure to ensure that they remain operationally resilient, secure and can adapt as the needs of members, employers and rail industry changes. Investing in contemporary tools and systems to enable them to deliver services and changes in an efficient, effective manner, so we are ready for the future.

In late 2024, we approved Railpen’s new operating strategy which will deliver the strategic goals we have set. Initiatives they have set out to deliver on these priorities will commence in 2025 and are aligned to longer-term plans.

Scheme administration

We are committed to improving governance to strengthen oversight and accountability. In early 2024, following an in-depth review of pension administration systems and processes some challenges were identified; however, further analysis has indicated that these are not material to the Scheme.

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 2024, was £77.0m (2023: £67.7m), an increase of 13.7%.

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).

The Railpen Reward Policy includes the following key elements:

- base salary, which is benchmarked annually
- annual bonus plan, which is used to reinforce the link between performance and reward and to ensure stronger alignment between the job holder and Railpen goals
- 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 applying a proportion of the variable pay percentage to LTIP each year. Performance of LTIP is measured against pooled funds and vests after four years.
- Trustee Board directors and other non-executives receive only the agreed remuneration for their services

Remuneration in 2023/24

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	2024	2023
	Number	Number
£750,000 - £799,999	-	1
£700,000 - £749,999	1	-
£650,000 - £699,999	-	1
£600,000 - £649,999	1	-
£550,000 - £599,999	1	1
£500,000 - £549,999	2	1
£450,000 - £499,999	1	-
£400,000 - £449,999	6	4
£350,000 - £399,999	6	7
£300,000 - £349,999	11	8
£250,000 - £299,999	17	18
£200,000 - £249,999	25	27
£150,000 - £199,999	40	33
Total	111	101

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 2024	High earners £m	Executive Directors £m	Trustee Directors £m	Total key management personnel £m
Salary and benefits	18.0	0.9	0.4	19.3
Annual bonus	7.3	0.2	-	7.5
LTIP	2.6	0.2	-	2.8
Total compensation earned in 2024	27.9	1.3	0.4	29.6
Less:				
LTIP – will be revalued and paid in 2027	(2.6)	(0.2)	-	(2.8)
Add:				
Annual incentives from 2022 paid in the year	1.6	0.2	-	1.8
Total compensation paid in 2024	26.9	1.3	0.4	28.6

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. 51 LTIP awards were made in the current year with a notional value of £2.6m, 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. During 2024, this was renamed the Investment Advisory Panel.

RPIL does not employ its own staff. 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 2024, 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
Sue Amies-King ²	Independent Director
Andy Bord ³	Chief Executive
Alison Burns	Independent Director
Michael Cash	Trustee Director
John Chilman ⁴	Chief Executive
Fatima Hassan ⁵	Trustee Director
Richard Murray	Trustee Director
Nick Ranson ⁶	Chief Financial Officer
Busola Sodeinde ⁷	Independent Director
Maura Sullivan ⁸	Independent Director / Chief Financial Officer
Gary Towse	Trustee Director

1.

Stuart Blackett resigned from the Board on 8 January 2024.
2.

Sue Amies-King was appointed to the Board on 3 July 2024.
3.

Andy Bord was appointed to the Board on 7 October 2024.
4.

John Chilman resigned from the Board on 7 October 2024.
5.

Fatima Hassan was appointed to the Board on 1 January 2024.
6.

Nick Ranson was appointed to the Board on 3 March 2025.
7.

Busola Sudeinde was appointed to the Board on 11 September 2024.
8.

Maura Sullivan was appointed to the Board on 14 March 2024 and resigned on 31 July 2024.

Activity of RPIL

RPIL, with the support of its committee - the Investment Advisory Panel - is responsible for managing the investments of the pooled funds into which scheme assets are grouped. The Investment Advisory Panel 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 62% of Scheme assets, has a long-term investment objective of maximising risk-adjusted returns whilst targeting 70% 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 schemes.

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 2024 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
Adam Golton	Passenger train operating companies	2026
Fatima Hassan	Network Rail	2026
Richard Jolly ¹	Network Rail	2030
Richard Jones	All employers	2028
Anjali Lakhani	Freight train operating companies and support services	2028
Richard Murray ²	Passenger train operating companies	2030
John Wilson	Freight train operating companies and support services	2026

1.

Richard Jolly was appointed to the Board on 3 January 2024.
2.

Richard Murray was reappointed to the Board for a further six-year term on 25 July 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 2024 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
Richard Goldson	Retired Railway Officers’ Society	2026
David Gott ²	National Union of Rail, Maritime and Transport Workers and the Management Committee of the British Railways Superannuation Fund	2030
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. David Gott was reappointed to the Board for a further six-year term on 25 July 2024.

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 21 scheduled Board and Committee meetings in 2024, in addition to various workshops, strategy events, and training seminars. Attendance is reported to the Board and published on page 23.

Trustee 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.

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 section has an insolvent employer and becomes underfunded, the government will meet the liabilities of the section or the employer in respect of the whole or part of the section.

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.

Virgin Media case

The decision of the Court of Appeal in Virgin Media Limited v NTL Pension Trustees II Limited & Ors (25 July 2024) confirmed that rule amendments relating to contracted-out benefits from 6 April 1997 to 5 April 2016 are void if the Scheme Actuary did not provide a confirmation under section 37 of the Pension Schemes Act 1993. The Trustee instructed its legal advisor, Slaughter and May, to conduct a review. That review did not find any evidence to conclude that liabilities in any shared cost section of the Railways Pension Scheme are understated as a result of non-compliance with s37 PSA 1993, during the period 6 April 1997 to 5 April 2016.

Membership and activities of Board and principal committees during 2024

The Trustee Board maintains oversight of the RPS and has delegated certain functions to five principal committees. The Nominations Committee was not required to meet during 2024, but its remit was expanded to become a Nominations and Governance Committee following approval by the Trustee Board in December, so it is anticipated that activity will be reported in future years.

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)	4	4
Iain Anderson ¹	4	4
Mick Cash	4	4
Richard Goldson	4	4
Adam Golton	3	4
David Gott	4	4
Charles Harding	4	4
Fatima Hassan	3	4
Peter Holden	4	4
Richard Jolly ²	4	4
Richard Jones	4	4
Howard Kaye	4	4
Anjali Lakhani	3	4
Richard Murray	4	4
Gary Towse	3	4
John Wilson	4	4

1. Iain Anderson was appointed to the Board on 12 March 2024.
2. Richard Jolly was appointed to the Board on 3 January 2024.

In addition to the above scheduled Trustee Board meetings, there were also several Trustee Workshops, a Strategy Day, Trustee training events, and eight dedicated Board and committee meetings relating to ongoing projects that a number of Trustee Directors were eligible to attend, as well as various additional 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 £18,182. Additional payments are made for extra responsibilities, such as Charing committees. RPTCL pays these fees, and they are not recharged to the Scheme.

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

	2024	2023
Salaries and fees	£410,690	£442,594
Employer NI contributions	£32,714	£33,763
Expenses	£32,966	£33,933
Total	£476,370	£510,290

The total fees paid during 2024 and 2023 fall within the following bandings:

Range	2024	2023
£80,000 - £90,000	1	-
£70,000 - £80,000	-	1
£40,000 - £50,000	-	1
£30,000 - £40,000	4	2
£20,000 - £30,000	4	4
£0 - £20,000	7	8
Total	16	16

Audit and Risk Committee ('ARC')

The ARC comprises six directors of the Trustee Board and includes members with appropriate accounting qualifications and experience. External auditors and the Railpen 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 2024 are shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Richard Goldson (Chair)	4	4
Adam Golton	4	4
Charles Harding	3	4
Fatima Hassan ¹	2	3
Anjali Lakhani	3	4
Gary Towse	3	4
John Wilson ²	1	1

1.

Fatima Hassan resigned from the Committee on 17 September 2024.
2.

John Wilson was appointed to the Committee on 17 September 2024.

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

- recommending the appointment of the external auditor, approving their scope and planned programme of work and reviewing the effectiveness of the external auditor
- reviewing the adoption of accounting principles and policies
- reviewing all aspects of the annual accounts of Railtrust Holdings Limited (RHL), the Trustee Company, railways pension schemes, and 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; and
- overseeing the internal control and risk management matters of the Trustee (Trustee and Scheme risks), including the agreement and monitoring of key risk indicators

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, at one of which the Committee reviews the Annual Report and Audited Financial Statements prior to Board approval.

During 2024, ARC met on four occasions. It considered the Annual Report of Internal Audit covering its internal audit and assurance activities during 2023, received reports on the progress of the 2024 audit plans, and considered 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 2024, ARC received regular reports from the Chief Risk and Compliance Officer ('CRCO') on the status of Trustee and Scheme key risks, an annual review of the appetite statements and key risk indicators, and an update on the Emerging Risk Register. The ARC was provided with an update on the General Code of Practice. The ARC will be providing oversight of the arrangements in place, which will ensure that the requirements of the General Code are met. The CRCO also provided ARC with an update on Group Enterprise Risk and 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 2024 included the Annual Report and Financial Statements of RHL and the Trustee, the railways pension schemes and pooled funds and the operating companies. The ARC also received a Financial Controls Update, which included a 2023 audit performance review, a report by the External Auditor on the 2023 Financial Statements and a general update on the external audit planning, benchmarking considerations and Section Audit Highlights Memos.

Other matters considered by ARC included an update on the ground rents portfolio and the impact on the Long Term Income Pooled Fund ('LTIF'), an overview of Pooled Fund taxation, post Fund and Investment Accounting Project Governance controls and a presentation by Grant Thornton regarding the ALM model. The ARC also reviewed the Trustee Hospitality and Gifts and recommended the acceptance of a Defined Contribution Risk to the Trustee Board. As part of the training schedule, the ARC participated in an 'Achieving Good Governance and Committee Effectiveness' training session.

ARC 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.

Integrated Funding Committee (‘IFC’)

The Committee manages and decides on integrated funding matters for the British Transport Police Force Superannuation Fund (‘BTPFSF’), the British Railways Superannuation Fund (‘BRSF’), and individual sections of the RPS, incorporating consideration of employer covenant, investment strategy and funding issues. The Committee also makes decisions relating to the implementation of investment strategies where these are escalated to it by Railpen and decides on changes to benefit structures.

The membership and attendance of the Committee during 2024 is shown in the following table:

Name	Number of meetings attended	Number of meetings eligible to attend
Adam Golton (Chair)	9	9
Mick Cash ¹	6	9
Fatima Hassan	9	9
Peter Holden	9	9
Howard Kaye	8	9
Richard Murray ²	4	4
Gary Towse	9	9
John Wilson	8	9

1. Mick Cash resigned from the Committee and Iain Anderson was appointed to fill this vacancy on 5 December 2024.
2. Richard Murray was appointed to the Committee on 13 June 2024.

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. All valuations of RPS sections have now been completed, 97 of which were completed within the statutory deadline of 31 March 2024. The next valuation of each section of the RPS is due as at 31 December 2025 and work is ongoing to prepare for this.

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 58 to 60 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.

Name	Number of meetings attended	Number of meetings eligible to attend
David Gott (Chair)	5	5
Charles Harding	5	5
Richard Jolly ¹	4	5
Richard Jones	5	5
Howard Kaye	5	5
Anjali Lakhani	4	5

1. Richard Jolly was appointed to the Committee on 3 January 2024.

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.

As at 31 December 2024, the Case Committee had responsibility for 83 sections of the Railways Pension Scheme.

During 2024, the Case Committee considered and made decisions on 55 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 ('IDRP')



Defined Contribution Committee (‘DCC’)

The DCC ensures appropriate management and governance of the AVC arrangements (‘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 2024 is shown in the below table:

Name	Number of meetings attended	Number of meetings eligible to attend
Richard Jones (Chair)	4	4
Mick Cash	4	4
Richard Jolly ¹	4	4
Richard Goldson	4	4
Howard Kaye	4	4
Richard Murray	4	4

1. Richard Jolly was appointed to the Committee on 3 January 2024.

The Trustee Board has delegated responsibility for ensuring 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 statements were last reviewed in December 2024.

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 and Continuity Strategy are approved by the Committee and provided to TPR. The latest versions were approved by the Trustee and submitted in March 2024.

The DCC receives regular reports on the administration of the DC arrangements. It reviews Railpen’s performance 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, and the commitments outlined in the strategy are progressing as planned.

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 the 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, which also impacts the de-risking phases of all Lifestyle strategies. This change was made in Q3 2024. Additionally, after conducting a market review and considering member feedback, the names of the Lifestyle strategies were updated. These changes were supported by a comprehensive communication campaign, which included notifying members affected by the bond fund change via post.

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. The latest assessment was completed in Q1 2024 in partnership with the consultants, Redington. They concluded that the IWDC Section offers ‘good’ value to members.

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 statement and its sub-principles. As a result of the recent assessments, a number of improvements have been made to the DC proposition, particularly to the secure member portal. 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 2025, 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 8,200 members in total now registered out of a population of circa 16,500 IWDC members.

New functionality is added to the website regularly, including two-factor authentication to make the login and registration process easier for members, and secure messaging, which allows them to contact the Scheme from their online account. Existing communication materials, and bespoke campaigns, have been used to promote the website. IWDC members have access to a dedicated area on the member website. New DC-focused content is added to it regularly.

The guidance and support offered to members is evaluated and strengthened as part of continuous improvement. A DC specific member journey was reviewed by the Committee in December, which identified several service improvements. One of which, a new pre-retirement pack, has been developed and will launch in Q1 2025. This pack, which will be issued 5 years from the members normal or target retirement age, will help members prepare for their retirement, plan ahead and make more informed decisions. Other key communications, including retirement forms and supporting guidance, are also being reviewed and improved.

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 also receives regular updates on DC consultations, and statutory and regulatory developments. It will continue to engage with policymakers through 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 and is available on the member website.

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 Trustee has 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 in 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.

Each pooled fund has a return comparator and risk parameters, within which returns are targeted. Within the pooled funds, RPIL can 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 overall allocation to equities at the year end was similar to that at the end of 2023, albeit with changes to the underlying strategies. Allocations to US Government bonds, global corporate bonds, property and absolute return assets all increased over the year, improving the diversification of the Growth Pooled Fund. Leverage, which is used to improve risk-efficiency, also increased within the Growth Pooled Fund, but remains well within guidance.

Within the Illiquid Growth Pooled Fund, distributions over 2024 exceeded capital deployed. Deal activity levels recovered slightly overall in 2024 versus 2023, but remain sluggish and well below the high activity levels in 2021-22. The in-house team continued to manage distributions from legacy investments in the Private Equity Funds.

The Long Term Income Pooled Fund continued to generate cash from existing investments. The fund has not made any purchases over the year, and has instead focused on asset management and progress construction projects across the portfolio. Whilst the majority of assets within the fund are performing as expected, within the Ground Rents portfolio, Railpen made additional provisions in December 2024 for expected costs associated with the remediation of properties for building safety defects.

The De-Risking Fund Platform has a range of underlying 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 Long Maturing Matching Fund was set up in 2024, in addition to the Short Maturing Matching Fund, which had its first assets invested in, at the end of 2023.

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.

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.

Economic commentary

Global equity markets climbed higher over the year whilst enduring a period of heightened volatility. Performance for the FTSE World Index (100% Developed Markets hedged to GBP) for the year ended 31 December 2024 was 20.1%. Performance of emerging markets lagged developed markets, with fears of tariffs on US imports, cooling positive momentum, following Trump’s electoral victory in November.

In the US, as the economy gained momentum throughout the year, softening economic data in Q3 prompted fears of a recession pushing the Federal Reserve (‘Fed’) to begin its rate cutting cycle, starting with a 0.50% rate cut in September. Equities and the dollar initially rallied following the outcome of the US election, however this optimism soon waned as the Fed delivered a hawkish rate cut of 0.25% in December, warning that rates may not reach the level priced in, as inflation showed signs of stickiness. The year finished with the benchmark lending rate at a range of 4.25%-4.50%. Equity and bond markets reacted, as US Treasury yields climbed higher.

A solid economic backdrop, strong corporate earnings and continued investor enthusiasm around artificial intelligence (‘AI’) sparked a second straight year of outsized equity gains in the US. The S&P 500 index returned a c.26% gain. It was another dominant year for the technology sector as the “Magnificent 7” large US growth stocks returned an average 67%, which, alone, generated about half of the S&P 500 overall return.

In order to address sluggish growth in the Euro Area, the European Central Bank (‘ECB’) lowered its main deposit rate four times over the year to 3.0%, a 1% decrease from a year earlier. This was enabled by a decline in inflation. Investors were unsettled by a weakening fiscal position and political instability in two of the EU’s largest economies, France and Germany, which, coupled with an escalation in the Ukraine War, saw European equities being outshone by other regions. The President of the ECB also paved the way for more interest rate cuts in 2025, as the central bank lowered its forecast for GDP growth, due to the threat of a trade war with the US which would impact the export-heavy Euro area economy.

In the UK, the Bank of England (‘BoE’) followed its European counterparts but to a lesser extent, cutting its base rate twice over the year, from a peak of 5.25%, to finish the year at 4.75%. The Consumer Price Index (‘CPI’) inflation rate rose by 2.5% over the 12 months to December 2024, jumping above the central bank’s 2% target. Following a victorious general election for the Labour Party in July, UK equities and bonds received a boost. However, this optimism faded as the UK Chancellor delivered the new government’s first budget, which dampened business sentiment and the macroeconomic outlook. The combination of national insurance contribution increases, which are expected to be inflationary and the projected increase in government borrowing, pushed gilt yields higher. This was further exacerbated by investors paring back their expectations for interest rates cuts in 2025, as the Governor of the BoE highlighted the central bank would be cautious on future base rate cuts.

Persistent inflation levels resulted in global bond markets performing weaker than expected, despite multiple rate cuts by developed economies. Overall, the UK 10-year government bond yield rose to 4.6%, from 3.6% at the end of 2023, whilst the US 10-year government bond yield also rose to 4.6%.

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 c.70%. Other asset classes held within the Growth Pooled Fund include government bonds, corporate bonds, property and diversifying assets. The Growth Pooled Fund return in 2024 was 7.5%. Over a 3-year period, the Growth Pooled Fund returned 1.0% per annum, and over 5 years 5.4% per annum.

The Passive Equity Pooled Fund is invested in line with a global index weighted by market capitalisation, and produced a return of 20.4% in 2024, 7.4% per annum over 3-years, and 11.2% per annum over 5 years. The Global Equity Pooled Fund has fixed weights in major geographic regions and produced a return for the year of 13.6%, 6.5% per annum over 3-years, and 8.4% per annum over 5 years.

The Private Equity Pooled Fund provides exposure to a highly diversified range of private market investments. It is made up of a series of sub-funds, each representing a different vintage year of private equity investment. In aggregate, the Private Equity Pooled Fund returned 3.7% in 2024, -4.7% per annum over a 3-year period, and 10.4% per annum over 5 years. 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 2.2% for the year, 7.5% per annum over a 3-year period, and 11.6% per annum over 5 years.

The Long Term Income Pooled Fund delivered a return of -20.6% for the year, -14.6% per annum over a 3-year period, and -7.3% per annum over 5 years. Whilst the majority of assets within the fund are performing as expected, within the Ground Rents portfolio, Railpen made additional provisions in December 2024 for expected costs associated with the remediation of properties for building safety defects.

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, Short Duration Index Linked Pooled Fund, and the Short Maturing Matching Fund. A Long Maturing Matching Fund was set up during the year, and 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 0.8% for the year, -1.1% per annum over a 3-year period and -0.6% per annum over a 5-year period.

The Non Government Bond Pooled Fund is managed on a buy and maintain basis by an external fund manager and returned 3.0% for the year, -1.4% per annum over a 3-year period, and 0.2% per annum over 5 years.

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 -17.7% for the year, -24.7% per annum over a 3-year period, and -12.6% per annum over a 5-year period. Long dated bonds were heavily impacted by the rise in UK government bond yields over the year.

The Short Duration Index Linked Pooled Fund is managed internally by RPIL on a buy and maintain basis. The Fund returned -0.9% for the year, 0.9% per annum over a 3-year period and 1.7% per annum over a 5-year period.

The Short Maturing Matching Fund invests in fixed and inflation-linked UK government bonds and derivatives. This is a defensive fund, seeking to match the impact of changes in interest rate and inflation expectations on a comparator measure which is based on a representative section’s liability sensitivities. The Fund returned -20.5% for the year. A longer performance metric is not available, as assets were first invested in December 2023.

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 2024, the investment return produced by section assets broadly ranged between -15% and 7%, 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 -15% to 1% per annum, while over a 5-year time horizon, the range of returns was broadly -6% to 6% per annum. Over a 10-year time horizon, the range of returns was broadly 0% to 8% 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 policymakers, 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 Scheme’s 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 a Railpen Committee, the Investment Oversight Committee ('IOC'), who ensure adherence to the Trustee's views. Additionally, the Trustee reviews the performance of the pooled funds against their agreed return objectives on a quarterly basis.

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. Investment fund managers are encouraged to take a long-term approach to investing, in order to align with the Trustee's investment beliefs.

The IOC monitors the performance of Scheme assets 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 each 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 2024, were £1,609.0m (2023: £1,579.0m).

The total value of these pooled funds, as at 31 December 2024, was £1,616.5m (2023: £1,585.8m).

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

In addition to these, there is also a historic with-profits arrangement operated by an external manager, which was the precursor to the current BRASS arrangement.

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 strategies 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 Target Flexible Drawdown, the Target Lump Sum and the Target Annuity strategies.

The Target Lump Sum Lifestyle strategy is the default option for BRASS, while the Target Flexible Drawdown Lifestyle strategy 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 current 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 until 12th September 2024, and the FTSE Actuaries UK Conventional Gilts Up To 5 Years Index thereafter.
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 2024 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 2024 TCFD Report for the RPS can be found within the RPTCL TCFD Report 2024, available at <https://www.railpen.com/knowledge-hub/reports/rptcl-2024-taskforce-on-climate-related-financial-disclosures/>.

The RPTCL TCFD Report 2024 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 technical reasons a copy of the report can’t be accessed online, please email 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.

Sustainable Ownership

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

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

“Incorporating and acting upon climate risk and other environmental, social and governance factors 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:

- ESG integration
- active ownership, and
- climate and nature



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 into our investment process increases our chances of achieving our mission to pay members’ pensions securely, affordably and sustainably.

Active ownership

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

Our global voting policy reflects Railpen’s 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 and both board and workforce diversity, and how we consider voting where our expectations are not met.

Railpen is a lead participant in a range of investor networks, alliances and trade bodies, such as the UK Investor Forum, Pensions UK (formerly known as the Pensions and Lifetime Savings Association ('PLSA')), the UN-supported Principles for Responsible Investment ('UNPRI') 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 2024, work was undertaken with an external advisor, WTW, to quantify climate transition risk in the Fundamental Equities portfolio. This work will support RPIL’s decision-making, including allocation and engagement with companies, therefore helping achieve its net zero commitment by 2050 or sooner. We are working to achieve net zero both through decarbonizing our investment portfolio (primarily through effective climate stewardship, but also excluding companies where necessary) and investing in climate solutions.

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/.

Pooled fund equity holdings

The largest 10 direct equity holdings within the pooled fund investments as at 31 December 2024 were as follows:

	£m
Microsoft Corp	159
Taiwan Semiconductor Manufacturing Co Ltd	157
RELX PLC	143
Broadcom Inc	141
ServiceNow Inc	138
Walmart Inc	120
Alphabet Inc	118
Amazon.com Inc	117
Meta Platforms Inc	113
Accenture PLC	112

For and on behalf of the Trustee:

Christine Kernoghan
Chair, Trustee Company
26 June 2025

Statement of Trustee Responsibilities for the 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 has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:
- assessing the Scheme’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
 - using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
 - making available each year, commonly in the form of a Trustee’s annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

- The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.
- The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Independent Auditor's Report

Independent Auditor's Report to the Trustee of the Railways Pension Scheme for the year ended 31 December 2024

Opinion

We have audited the financial statements of Railways Pension Scheme ("the Scheme") for the year ended 31 December 2024 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 2024 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 the Scheme's 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 2024

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 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 and there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Scheme-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries 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 and any unusual posting with an effect on cash.
- 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 and other relevant areas of indirect laws and regulations, 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

Independent Auditor’s Report to the Trustee of the Railways Pension Scheme for the year ended 31 December 2024

continued

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.

Other information

The Trustee is responsible for the other information, which comprises the Trustee’s report and the Report on actuarial liabilities. 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 37, 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

30 June 2025

Fund Account for the year ended 31 December 2024

	Notes	2024 DB £m	2024 DC £m	2024 Total £m	2023 DB £m	2023 DC £m	2023 Total £m
Contributions and benefits							
Members' contributions	4	386	19	405	362	16	378
Employers' contributions	4	428	20	448	414	18	432
Government support		12	-	12	12	-	12
Individual transfers in		9	1	10	6	-	6
Other income		1	-	1	-	-	-
		836	40	876	794	34	828
Pensions		(1,127)	-	(1,127)	(1,026)	-	(1,026)
Lump-sum retirement benefits		(390)	(4)	(394)	(303)	(3)	(306)
Death benefits		(29)	(2)	(31)	(34)	(1)	(35)
Purchase of annuities		(1)	(4)	(5)	(1)	(1)	(2)
Taxation where Lifetime or Annual Allowance exceeded		(1)	-	(1)	(1)	-	(1)
Individual transfers out		(10)	(4)	(14)	(8)	(3)	(11)
Group transfers out	5	(2)	-	(2)	4	-	4
		(1,560)	(14)	(1,574)	(1,369)	(8)	(1,377)
Administrative expenses	6	(34)	-	(34)	(32)	-	(32)
PPF levies		(28)	-	(28)	(40)	-	(40)
Total withdrawals		(1,622)	(14)	(1,636)	(1,441)	(8)	(1,449)
Net (withdrawals)/additions from dealings with members		(786)	26	(760)	(647)	26	(621)
Returns on investments							
Change in market value of investments	7	282	15	297	1,157	18	1,175
Net investment income		660	5	665	560	4	564
Interest on cash deposits		10	-	10	7	-	7
Net returns on investments		952	20	972	1,724	22	1,746
Net increase in the Scheme during the year		166	46	212	1,077	48	1,125
Net assets at the start of the year		33,697	261	33,958	32,620	213	32,833
Net assets at the end of the year		33,863	307	34,170	33,697	261	33,958

The notes numbered 1 to 13 on pages 43 to 57 form an integral part of these audited financial statements.

Statement of Net Assets (Available for Benefits) as at 31 December 2024

	Notes	2024 DB £m	2024 DC £m	2024 Total £m	2023 DB £m	2023 DC £m	2023 Total £m
Investment assets							
Pooled funds	7	30,737	300	31,037	30,958	255	31,213
BRASS and AVC Extra	7	1,609	-	1,609	1,579	-	1,579
Substitution orders	7	1,041	-	1,041	952	-	952
Annuities	7	288	-	288	75	-	75
Cash and cash instruments	7	225	6	231	173	5	178
		33,900	306	34,206	33,737	260	33,997
Current assets	8	37	2	39	37	2	39
Current liabilities	9	(74)	(1)	(75)	(77)	(1)	(78)
Net assets at the end of the year	12	33,863	307	34,170	33,697	261	33,958

The notes numbered 1 to 13 on pages 43 to 57 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 58 to 60, 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 26 June 2025.

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 2024

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 assessment 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.

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.
- substitution orders are statutory instruments intended to substitute legacy pay-as-you-go commitments from the Government into a pre-defined funding mechanism for the 1994 Pensioners Section based on deferred payments due under the Transport Act 1980. They represent an asset to the 1994 Pensioners Section, as they set out the circumstances and amounts that are payable by the Secretary of State for Transport (DfT). The substitution

orders are valued annually, as at 31 December, by the joint Actuaries, James Mason, of WTW, and the Government Actuary. The valuation methodology includes consideration of interest and inflation up to the valuation date; expected future returns and discounting are not applied.

- annuities purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, determined by using the most recent Scheme Funding valuation assumptions and methodology. Under the revised SORP, annuities must be valued at the amount of the related obligation. In the 31 December 2023 financial statements, the annuity policies held with Legal & General were valued by Legal & General Assurance Society Limited, based on a roll forward of the initial premium paid (which the Trustee deemed was fair value). For the current year end, the Trustee has decided the value of the annuity policy should be determined by WTW, the Scheme Actuary, using the most recent Scheme Funding and valuation assumptions. Given the Scheme Funding assumptions in relation to annuity policies reflect the Scheme Actuary's view of an insurer's pricing basis, the approach is broadly consistent with that adopted at the prior year end (and would still be considered to represent fair value) and is permitted under the revised SORP. The impact of the change in estimation is detailed in Note 7(a).

3. Accounting policies *continued*

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.

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

	2024 DB £m	2024 DC £m	2024 Total £m
Members' contributions			
Normal	235	15	250
Additional Voluntary Contributions	147	4	151
Deficit funding	4	-	4
	386	19	405
Employers' contributions			
Normal	331	20	351
Deficit funding	56	-	56
Additional funding	29	-	29
BRASS matching	5	-	5
Augmentation	6	-	6
s75 dept	1	-	1
	428	20	448
Totals	814	39	853

	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

Included within members' normal contributions is £206m (2023: £202m) 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.

Employers' additional funding contributions include a one-off payment of £29m to the Amey Rail Section to fund the purchase of a buy-in policy with Just Retirement Limited in June 2024 and to provide additional funding in respect of members not covered by the buy-in policy. This was not a requirement under the Schedule of Contributions in force at the time of the contribution.

A s75 debt was triggered during the year by one employer in the Omnibus Section, Aggregate Industries UK Limited, for the value of £46,100. A s75 debt was triggered during the year by one employer in the Thales Transport and Security Section, Thales UK Limited, for the value of £516,400. All debts were settled by the employers in the Scheme year.

During 2024, there were 341 instances of late payment of contributions with a total value of £7.6m. This represents 0.89% of contributions payable under the Schedules of Contributions. The largest individual amount was £1.4m, which was paid seven days after the due date. Of the 341 instances of late payment, none were required to be reported to The Pensions Regulator.

5. Group transfers out

Group transfers out includes a £2m (2023: £4m) revaluation adjustment relating to RPS assets of sections that have previously transferred to the PPF.

6. Administrative expenses

	2024 £m	2023 £m
Pensions administration	16	15
Actuarial fees	5	5
Trustee governance	6	5
Legal fees	3	3
Other professional fees	3	3
Audit fees	1	1
	34	32

'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.



7. Investments

(a) Value of investments

DB Sections	Value at 31 December 2023 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2024 £m
Pooled funds					
Growth	20,605	-	(4,005)	1,552	18,152
Illiquid Growth	3,204	-	-	107	3,311
Long Duration Index Linked Bond	2,528	1,649	(510)	(579)	3,088
Private Equity	1,727	-	(218)	63	1,572
Matching	6	1,678	-	(226)	1,458
Short Duration Index Linked Bond	300	885	(21)	(6)	1,158
Long Term Income	1,150	-	(45)	(239)	866
Non Government Bond	364	266	(70)	12	572
Global Equity	521	-	(241)	57	337
Passive Equity	261	-	(154)	45	152
Cash	41	88	(68)	2	63
Infrastructure	14	-	(8)	2	8
Government Bond	237	-	(237)	-	-
	30,958	4,566	(5,577)	790	30,737
BRASS and AVC Extra*	1,579	291	(367)	106	1,609
Substitution orders	952	9	-	80	1,041
Annuities	75	257	(10)	(34)	288
	33,564	5,123	(5,954)	942	33,675
Cash and cash instruments	173				225
	33,737				33,900
IWDC Section	Value at 31 December 2023 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2024 £m
DC Pooled Fund	255	52	(27)	20	300
Cash and cash instruments	5				6
	260				306

* 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 2024, 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.

As disclosed in Note 3, Accounting Policies, there has been a change in estimation method for the fair value of the annuities compared to that used for the valuation as at 31 December 2023. The valuation as at 31 December 2023, using the original method (and as provided by the annuity provider, Legal & General Assurance Society Limited), for 4 annuity policies held as at 31 December 2023 was £75m; the new estimation method (described in Note 3) resulted in an increase in value of £2m.

7. Investments

(a) Value of 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.

The percentages of the pooled fund assets that relate to RPS investments are shown in the following table.

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.

	% of pooled fund owned by the RPS 31 December 2024	% of pooled fund owned by the RPS 31 December 2023
Pooled Funds		
Passive Equity	100.00	100.00
Non Government Bond	100.00	100.00
Matching	100.00	100.00
Global Equity	100.00	95.00
Long Duration Index Linked Bond	96.00	94.50
Private Equity	95.60	95.50
Infrastructure	95.30	95.30
Cash	94.50	89.50
Growth	94.40	95.00
Illiquid Growth	93.40	93.40
Short Duration Index Linked Bond	89.60	85.20
Long Term Income	89.50	89.90
Government Bond	83.20	88.80

7. Investments *continued*

(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:

	2024 £m	% of total net assets	2023 £m	% of total net assets
Growth Pooled Fund	18,152	53.1	20,605	60.7
Illiquid Growth Pooled Fund	3,311	9.7	3,204	9.4
Long Duration Index Linked Bond Pooled Fund	3,088	9.0	2,528	7.4
Private Equity Pooled Fund	1,572	4.6	1,727	5.1

(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.



7. Investments

(c) Investment risks continued

A summary of risk exposure for the pooled funds is provided below:

Strategic asset class groupings	2024 £m	2023 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Growth Pooled Fund	18,152	20,605	●	●	●	●
Private Equity Pooled Fund	1,572	1,727	●	●	●	●
Illiquid Growth Pooled Fund	3,311	3,204	●	●	●	●
BRASS and AVC Extra	1,609	1,579	●	●	●	●
Defined Contribution Pooled Fund	300	255	●	●	●	●
Government Bond Pooled Fund	-	237	●	●	●	●
Long Term Income Pooled Fund	866	1,150	●	●	●	●
Passive Equity Pooled Fund	152	261	●	●	●	●
Short Duration Index Linked Bond Pooled Fund	1,158	300	●	●	●	●
Global Equity Pooled Fund	337	521	●	●	●	●
Non Government Bond Pooled Fund	572	364	●	●	●	●
Long Duration Index Linked Bond Pooled Fund	3,088	2,528	●	●	●	●
Infrastructure Pooled Fund	8	14	●	●	●	●
Cash Pooled Fund	63	41	●	●	●	●
Matching Pooled Fund	1,458	6	●	●	●	●
	32,646	32,792	●	●	●	●

- Significant exposure
- Some exposure
- No exposure

In addition to the investments held in the pooled funds, the Scheme also holds annuity policies and the Substitution Orders.

The Scheme is exposed to direct credit risk through the annuity policies as these assets rely on the creditworthiness of the insurers to meet financial obligations as they fall due. This risk is mitigated by the financial strength of the institutions providing the policies.

Additionally, the Scheme is exposed to direct credit risk through the Substitution Orders. However, this risk is mitigated due to the fact that the payments are guaranteed by the UK Government.

(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

(c) Investment risks *continued*

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

DB Sections as at 31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled funds				
Growth	-	18,152	-	18,152
Illiquid Growth	-	-	3,311	3,311
Long Duration Index Linked Bond	-	3,088	-	3,088
Private Equity	-	-	1,572	1,572
Matching	-	1,458	-	1,458
Short Duration Index Linked Bond	-	1,158	-	1,158
Long Term Income	-	-	866	866
Non Government Bond	-	572	-	572
Global Equity	-	337	-	337
Passive Equity	-	152	-	152
Cash	-	63	-	63
Infrastructure	-	-	8	8
Government Bond	-	-	-	-
	-	24,980	5,757	30,737
BRASS and AVC Extra	-	1,609	-	1,609
Substitution orders	-	-	1,041	1,041
Annuities	-	-	288	288
Cash and cash instruments	225	-	-	225
	225	26,589	7,086	33,900
IWDC Section as at 31 December 2024				
DC Pooled Fund	-	300	-	300
Cash and cash instruments	6	-	-	6
	6	300	-	306

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	-	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
IWDC Section as at 31 December 2023				
DC Pooled Fund	-	255	-	255
Cash and cash instruments	5	-	-	5
	5	255	-	260

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.



8. Current assets

	2024 £m	2023 £m
Amounts due from employers	31	31
PPF levies paid in advance	6	8
Administration expenses paid in advance	2	-
	39	39

At the year end, £175 (2023: £4,241) of contributions due under the Schedules of Contributions, were not paid by their due date. Of this amount, £175 (2023: £4,241) has since been paid and £nil (2023: £nil) remains outstanding as at the date of signing these financial statements.

Of the £31m (2023: £31m) of contributions due post year end, all have now been paid, but £10,317 (2023: £69,925) was paid after the due date, as per the Schedule of Contributions.

9. Current liabilities

	2024 £m	2023 £m
Benefits payable	24	35
Assets payable to the PPF	27	25
Taxation and social security	16	14
Administration expenses	6	4
Investment creditor	2	-
	75	78

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 45. As at 31 December 2024, administration expenses within current liabilities included a liability of £5.2m in respect of these charges (2023: £4.4m) whilst current assets included an asset of £1.7m in respect of these charges (2023: £nil).

As at 31 December 2024, 11 directors of the Trustee were members of the Scheme. One of these directors was also a Non-Executive Director of Railpen. No Executive Directors of Railpen were 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 45.

11. Employer-related investments

As at 31 December 2024, 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. £175 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 2024 are shown below:

Section	Employer	Total membership as at 31 December 2024	Net assets as at 31 December 2024 £m
Shared Cost Arrangement			
1994 Pensioners*	The Secretary of State for Transport	76,186	2,808
Abellio	Transport UK (Operations) Limited	56	18
Abellio East Midlands	Transport UK East Midlands Limited	5,841	529
AECOM	AECOM Infrastructure & Environment UK Limited	212	45
Alpha Trains	Alpha Trains (UK) Limited	28	8
Alstom Railways	Alstom Transport UK Limited	2,140	179
Alstom Signalling	Alstom Transport UK Limited	83	30
Alstom UK	Alstom Engineering and Services Limited	1,121	115
Alstom UK C2C	Alstom Engineering and Services Limited	157	14
Alstom UK Signal	Alstom Engineering and Services Limited	361	43
AMCO	Amalgamated Construction Ltd	15	2
Amey Rail	Amey Services Limited	2,290	200
Angel Trains	Angel Trains Limited	239	75
Anglia Railways	Transport UK East Anglia Limited	1,180	157
AtkinsRéalis	AtkinsRéalis UK Limited	845	231
AtkinsRéalis Rail & Transit	AtkinsRéalis Rail & Transit Limited	324	63
ATOC Limited	ATOC Limited	1,043	83
Atos	ATOS IT Services UK Limited Atos UK International IT Services Limited	1,066	195
Babcock Rail Ltd	Babcock Rail Limited	2,150	219

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

Section	Employer	Total membership as at 31 December 2024	Net assets as at 31 December 2024 £m
Balfour Beatty	Balfour Beatty Group Employment Limited	2,914	291
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	929	140
British Transport Police	British Transport Police Authority	6,330	273
BT	British Telecommunications PLC Openreach Limited	301	12
BUPA Occupational Health	Occupational Health Care Limited	97	9
Caledonian Sleeper	Caledonian Sleeper Limited	355	15
Carlisle Cleaning Services	Carlisle Cleaning Services Limited	54	2
Chiltern Railway Company Limited (Maintenance)	The Chiltern Railway Company Limited	353	43
Clientlogic	Clientlogic (UK) Limited	62	4
Colas Rail	Colas Rail Limited	2,090	167
Crossrail	Crossrail Limited	956	85
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	10,168	1,279
East Coast Main Line	London North Eastern Railway Limited	9,908	817

Section	Employer	Total membership as at 31 December 2024	Net assets as at 31 December 2024 £m
Eurostar	Eurostar International Limited	5,315	585
Eversholt Rail Limited	Eversholt Rail Limited	112	36
First Great Western	First Greater Western Limited	15,631	1,495
Freightliner	Freightliner Limited Freightliner Group Limited Freightliner Heavy Haul Limited Freightliner Maintenance Limited	4,373	509
GB Railfreight	GB Railfreight Limited	372	76
Gemini Rail Services	Gemini Rail Services UK Ltd	65	4
Global Crossing	Lumen Technologies UK Limited	221	42
Govia Thameslink Railway	Govia Thameslink Railway Limited	8,140	715
Govia Thameslink Railway (Southern & Gatwick Express)	Govia Thameslink Railway Limited	11,813	1,070
Great Eastern Railway	Transport UK East Anglia Limited	2,479	329
Hitachi Rail Europe	Hitachi Rail Limited	476	56
HS1	HS1 Limited	33	9
Hull Trains	Hull Trains Company Limited	150	17
Intelenet Global BPO (UK) Limited***	Teleperformance Global BPO UK Limited	6	-
Island Line	First MTR South Western Trains Limited	122	12
ISS Transport Services	ISS Facility Services Limited	193	7
Jacobs UK	Jacobs U.K. Limited	240	49

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

Section	Employer	Total membership as at 31 December 2024	Net assets as at 31 December 2024 £m
London and North Western Railway	London and North Western Railway Company Limited	67	14
London Eastern Railway (West Anglia)	Transport UK East Anglia Limited	1,196	161
London Overground	Arriva Rail London Limited	2,830	325
London Underground	London Underground Limited	43	2
Merseyrail	Merseyrail Electrics 2002 Limited	3,255	290
MITIE Facilities Services	MITIE Limited	37	1
MTR Elizabeth Line	MTR Corporation (Crossrail) Limited	1,331	132
National Express Services Limited	National Express Services Limited**	136	3
Network Rail	Network Rail Infrastructure Limited	56,179	9,177
New Cross Country	XC Trains Limited	5,442	638
Northern (ex North East)	Northern Trains Limited	8,346	844
Northern (ex North West)	Northern Trains Limited	7,072	728
Omnibus****	ABM Technical Solutions Limited Aggregate Industries UK 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	775	98

Section	Employer	Total membership as at 31 December 2024	Net assets as at 31 December 2024 £m
Omnibus****	Harsco Rail Limited Integral 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 Xeiad Limited		
Owen Williams Railways	Amey Services Limited	326	58
Porterbrook	Porterbrook Leasing Company Limited Porterbrook Maintenance Limited	195	52
Qjump	Qjump Limited	123	4
Rail Gourmet UK Limited	Rail Gourmet U.K. Limited	397	26
Railpen	Railpen Limited	1,543	119
Resonate Group (Link)	Resonate Group Limited	197	28
Resonate Group (Rail)	Resonate Group Limited	268	57

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

Section	Employer	Total membership as at 31 December 2024	Net assets as at 31 December 2024 £m
Resonate Group (TCI)	Resonate Group Limited	123	22
RSSB	Rail Safety and Standards Board Limited	681	115
Scotrail	Scotrail Trains Limited	11,295	1,127
SE Trains Limited	SE Trains Limited	11,862	1,158
SERCO	SERCO Limited	516	60
Siemens	Siemens Mobility Limited	86	14
Socotec UK Limited	Socotec UK Limited Socotec Asbestos Limited	292	25
South Western Railway	First MTR South Western Trains Limited	14,148	1,354
Specialist Computer Centres	Specialist Computer Centres PLC	29	3
Stadler Greater Anglia	Stadler Rail Service UK Limited	50	3
Stadler Rail	Stadler Rail Service UK Limited	182	10
Swirl Service Group***	ISS Facility Services Limited	7	-
Systra Ltd	Systra Ltd	542	54
Thales Information Systems	Thales UK Limited	24	6
Thales Transport and Security	Hitachi Rail GTS UK Limited Thales UK Limited	1,857	271
The Chiltern Railway Company Limited	The Chiltern Railway Company Limited	2,098	227
The QSS Group Limited	The QSS Group Limited RIQC Limited	71	8
Torrent Trackside Limited	Torrent Trackside Limited	11	1
TransPennine Express (Former Arriva Trains Northern)	Transpennine Trains Limited	1,522	177

Section	Employer	Total membership as at 31 December 2024	Net assets as at 31 December 2024 £m
TransPennine Express (Former North Western Trains)	Transpennine Trains Limited	1,454	107
Transport for Wales	Transport for Wales Seilwaith Amey Cymru / Amey Infrastructure Wales Limited	41	5
Transport for Wales (Rail)	Transport for Wales Rail Ltd	6,270	598
Trenitalia c2c Limited	Trenitalia c2c Limited	2,125	175
Unipart Rail - NRS	Unipart Rail Limited	581	63
Unipart Rail - Railpart	Unipart Rail Limited	336	52
Unisys	Unisys Limited	30	4
UPS	UPS Limited	315	28
Voith	Leadec Limited	17	1
Wabtec Rail Limited	Wabtec UK Limited	9	2
West Coast Partnership	First Trenitalia West Coast Rail Limited	10,099	1,040
West Coast Traincare	Alstom Transport UK Limited	978	167
West Midlands Trains	West Midlands Trains Limited	7,944	771
Westinghouse Rail Systems	Siemens Mobility Limited	874	234
Worldline IT Services UK Limited	Worldline IT Services UK Limited	158	58
Wrexham, Shropshire & Marylebone Railway Company	Wrexham, Shropshire & Marylebone Railway Company Limited**	26	1
Shared Cost Arrangement Total		346,025	33,863

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

Section	Employer	Total membership as at 31 December 2024	Net assets as at 31 December 2024 £m
Industry-Wide Defined Contribution Section			
	AECOM Infrastructure & Environment UK Limited	16,558	307
	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		

Section	Employer	Total membership as at 31 December 2024	Net assets as at 31 December 2024 £m
	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		
	Transport UK East Anglia Limited		
	Transport UK East Midlands Limited		
	UK Bulk Handling Services Limited		
	Unipart Rail Limited		
	XC Trains Limited		
		362,583	34,170

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 2024
***Denotes sections with assets less than £0.5m
****List only includes Omnibus participating employers as at 31 December 2024



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 £67m. The Scheme also holds two buy-in policies with Just Retirement, valued at £221m. 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.





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 2022	105	27,327	32,053

In addition, one section has fully secured its liabilities with an insurer and, during 2024, has triggered the process of winding up. This section has been excluded from the table above.

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)

<p>Introduction</p> <p>Railways Pension Trustee Company Limited is the trustee body (the ‘Trustee’) for the railways pension schemes (the ‘schemes’) namely: the Railways Pension Scheme, British Railways Superannuation Fund (‘BRSF’), British Transport Police Force Superannuation Fund (‘BTPFSF’) and BR (1974) Fund.</p> <p>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 Section (‘IWDC’). The IWDC Section is the authorised DC Master Trust of the Railways Pension Scheme for rail industry employees. Other than AVCs, it is the only section in the Scheme that provides DC benefits.</p>	<p>The Trustee maintains a combined Statement of Investment Principles (‘SIP’) that covers the DB and DC benefits for the railways pension schemes.</p> <p>For schemes that provide DC and DB benefits, the Implementation Statement needs to include the following information:</p> <ul style="list-style-type: none">■ 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 <p>This Implementation Statement is included in the Scheme’s Annual Report and Financial Statements for the year ending 31 December 2024.</p>	<p>The Trustee’s latest review of the SIP</p> <p>The SIP was reviewed over 2024, with the new SIP being adopted by the Trustee on 23 October 2024. The current version of the SIP is available on the RPS website, at:</p> <p>https://member.railwayspensions.co.uk/knowledge-hub/about-the-scheme/scheme-documents.</p> <p>The main changes to the SIP were:</p> <ul style="list-style-type: none">■ Inclusion of policy on investing in illiquid assets within the schemes’ default defined contribution (‘DC’) arrangements, as specified by the 2023 amendments to the Occupational Pension Schemes (Investment) Regulations 2005.■ Re-naming of the three Lifestyle strategies offered within the DC arrangements.■ Inclusion of wording to state that the schemes’ assets consist predominantly of investments admitted to trading on regulated markets, as specified by the Occupational Pension Schemes (Investment) Regulations 2005. While this requirement has historically always been met, the SIP has been updated to explicitly confirm adherence to this requirement.	<ul style="list-style-type: none">■ Inclusion of wording to state the Trustee’s policies on the extent (if at all) to which non-financial matters are taken into account, including the views of members and beneficiaries on ESG matters, as specified by the 2018 amendment to the Occupational Pension Schemes (Investment) Regulations 2005. While this requirement has historically always been met, the SIP has been updated to explicitly confirm the Trustee’s policy in this area.■ Replacing references to the Asset Management Committee with the Investment Oversight Committee (‘IOC’).■ Greater detail on how relevant investment strategies are set for the DB arrangements of the schemes and sections.■ With regard to the DB arrangements of the schemes and sections, references to individual Investment Policy Documents (‘IPD’) removed and replaced with acknowledgement that each scheme’s/section’s Quarterly Investment Reports records the investment strategy.
--	---	--	---

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 returns 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 IOC, 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 IOC and updates from RPIL officers, and remains satisfied with the implementation of the investment policy.

Over 2024, the key changes made to the investments held by the schemes were:

- Investments were made into Matching Funds (which include leveraged Liability Driven Investments and cash held as collateral) for sections to better hedge interest rate and inflation liability risk.
- Some closed sections saw reduced allocations to diversified growth and increased allocations to defensive assets in line with agreed investment strategies.



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 investment strategy was conducted in 2023 covering the performance and strategy of the default investment arrangement, alternative Lifestyle arrangements, and the self-select fund range. The review considered the aim of the default strategy (to generate long-term growth in excess of inflation over members' working lifetimes), along with projected member outcomes, taking into account changes in the economic environment since the previous review.

Implementation of the review took place in September 2024. The UK Government Fixed-Interest Bond Fund invests in bonds issued by the UK government. The underlying bonds held within this were changed so that they have a shorter 'duration'. This means it takes less time for the bond to be repaid and there is not likely to be as much movement in the bond's price, both up and down, often referred to as 'volatility', in response to changes in interest rate expectations.

This also reduced the expected volatility of members' pots who invest in this fund, as part of a Lifestyle strategy. The reduction in bond duration retains alignment with the aim of the default strategy.

The objectives of the UK Government Fixed-Interest Fund and the Target Annuity Lifestyle strategy were updated to support this change. The updated objectives for the Target Annuity Lifestyle strategy specifies that it aims to help protect the value of annuity income that can be purchased by members, while also offering some capital protection, as members near retirement.

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 Investment Oversight Committee ('IOC') 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 IOC 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.

RPIL is asked by the Trustee to consider investments within the Pooled Funds in terms of the most efficient way to access desired return drivers from all aspects of the investment process. This is considered on a “value for money” basis, rather than simply selecting the lowest cost investments. Fees paid to external Fund Managers and costs relating to the investment, management, custody and realisation of Pooled Fund assets are kept under regular review and the Pooled Fund costs budget is also approved at Board and Trustee level. The Total Expense Ratio (TER) of the Pooled Funds is benchmarked externally. The Trustee frequently reviews and monitors performance to ensure that the activities of RPIL continue to be aligned with the Trustee’s investment policy.

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 on these issues, including how the team engages with external Fund Managers.

Two years ago, the 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.

Previous Implementation Statements noted that the Trustee worked with RPIL on a set of shared 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 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.

2024 was the third 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)	2024 RPIL impact and progress
“Well-informed and financially material ESG analysis”	<ul style="list-style-type: none">■ New reports on audit, voting on voting rights■ More regular formal and informal catch-ups between the Sustainable Ownership and Fundamental Equities teams
“Societal and systemic risks, such as climate change”	<ul style="list-style-type: none">■ Participated in a panel on system-wide voting at the 2024 Council of Institutional Investors Fall Conference■ Planned its 2025 review of the thematic stewardship priorities■ New thematic voting lines in its 2025 Voting Policy update
“Capital allocation by investors and corporates makes a difference”	<ul style="list-style-type: none">■ Further refined controversial weapons and climate exclusions processes■ Undertook a 2024 round of engagements for its governance and conduct exclusions process
“Positively contributing to the world our members retire into”	<ul style="list-style-type: none">■ Clarified outcomes-focused approach to engagement and voting■ Reconsidered the landscape for stewardship database and tracking tools, and appointed an external provider.

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 2024, the Trustee worked with RPIL to set up a Trustee Sustainable Ownership Working Group (‘SOWG’) to enable more in-depth discussion of our sustainable ownership regulatory obligations and thereby increasing efficiency of the full Trustee Board. A secondary aim was to enhance the two-way engagement between the Trustee and RPIL on sustainable matters. The SOWG is chaired by Peter Holden - one of the Trustee Directors - and in 2024 it discussed issues including: RPIL’s approach to climate scenario analysis; emerging thinking on the 2025 Global Voting Policy update; and the next steps on member communications on sustainable ownership.

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

In 2024, members of the Trustee Board and RPIL also worked together on the fourth iteration of the member-focused Sustainable Ownership Review, published in October 2024. This was the third SO Review to formally incorporate 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 2024 for work in this space, including:

- European Pension Awards for ESG Strategy (team)
- Global Stewardship Disclosure Awards (asset owners under \$60bn assets under management) (team)
- Value Creation LP ESG Award (team)
- Pension Scheme of the Year (team)
- Multi-asset Manager/Provider of the Year (team)
- Sustainable and ESG Investment Woman of the Year (individual)
- Top 30 ‘Inspirational Women: Change Makers’ (individual)

ESG Integration

In the 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 controversial weapons

The first two factors have financially material relevance, while the last exclusion list on controversial weapons reflects reputational risk factors. In 2024, the RPIL team implemented an automated process for controversial weapons and climate exclusions, which better reflects the evolving data landscape and aligns with market best practice, as well as the Trustee’s approach to ESG risk. RPIL also undertook an extended version of the governance and conduct exclusions process with a quantitative screen of the investable universe. A methodological review of the process was also carried out, including broadening the number of data points in the quantitative screen so they better align with the Trustee’s thematic priorities, as outlined in our Statement of Investment Principles (SIP).

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, in line with the priorities we set out in our SIP. The case study below from the latest Stewardship Report gives an example of the impact of the governance and conduct exclusions process.

2024 Governance and Conduct Zero Weight update

Issue: RPIL's Governance and Conduct Zero Weight (Gov Z-W) process aims to identify those companies whose governance and behaviour are of particular concern. The aim is to avoid or to mitigate severe financial risks. The process helps identify those companies with governance 'red flags' and where 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 and refreshed. In 2023, 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.

For 2024, RPIL completed a methodological review of the Gov Z-W process, which included broadening the number of data points in the quantitative screen in the following ways:

- Building out data points around key and critical audit matters
- Incorporating new metrics on freedom of association
- Enhancing diversity data points at board level

The project team undertook a full quantitative screen of the investable universe measuring companies on data points related to the themes of Conduct, Labour risk, H&S, Governance and Audit.

Following the closure of the engagement period, the factors below were considered 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: Following the 2024 Gov Z-W process, twelve companies were placed on the exclusion list and a further five put on the watchlist. The decision to do so was formally approved at the Investment Risk Committee, with the view that those companies placed on the exclusion list could be reinstated 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. RPIL plans to engage with the companies again next year to reassess their positions.



The case study below provides further details of the removal of some of these companies from the exclusions list and gives comfort that the RPIL exclusions process does not just help protect members from companies with unmanageable ESG risk, 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

Issue: Investors need to stay abreast of companies with governance failings and misconduct - to avoid or mitigate severe financial risk. RPIL’s Governance and Conduct Zero Weight (Gov Z-W) process helps do this, by identifying those companies with ‘red flags’ and where these risks may crystallise in the future.

In order to drive positive change, it’s important to also give those companies on the exclusion list clear pathways towards improvement.

Objective: RPIL reviews the list of excluded companies annually, along with those on the watchlist. Companies that demonstrate a willingness to change and can show substantial improvements can be reinstated. This can be a highly motivational tool for companies.

Approach and rationale: As part of the 2024 Gov Z-W engagement cycle, RPIL spoke to three companies that had made significant progress in the previous year, but where RPIL had not yet felt comfortable to remove from the exclusion or watch lists.

When deciding whether to reinstate the companies, we considered many factors, including:

- Willingness to engage in constructive dialogue
- Efforts made towards fixing or mitigating against the issue
- Approach, compared to its peers

The assessments showed:

Company	Reason for previous exclusion	Railpen’s updated assessment	Decision
A South Korean manufacturer of offshore drilling vessels and crude oil tankers	Poor health and safety performance and governance concerns.	The company had demonstrated substantial improvements in health and safety - this year saw no fatalities or serious accidents for three years in a row and they hit long-term targets for accident rates. Their safety record significantly outperforms the broader Korean shipbuilding industry. They have made improvements on board independence, introducing a senior independent director and removing the CFO from key committees.	Remove from watch list
A Chinese company engaged in mineral resource exploration and processing	Concerning community relations, labour rights, and safety incidents.	The company’s governance is now meeting global standards. As per RPIL’s request, the company produced a 2023 report in which it transparently disclosed the cause of a mine shaft accident that resulted in contractor fatalities, including proposed actions. It has established a three-year action plan for safety system enhancement, which will include a focus on contractors’ training and ‘red flag’ identification.	Remove from watch list
A South American metals and mining operator	Significant fatalities caused by dam collapses.	Good progress on governance around joint ventures in line with our previous feedback. They were willing to engage in person and provide access to their Lead Independent Director. Concerns remain about board behaviour and management during recent changes of both board and senior staff. RPIL wishes to monitor carefully their future board interactions and decision-making.	Remove from exclusions, add to watch list and seek engagement directly with the Board
Outcome and next steps	Following the engagement process, RPIL removed two companies from the watch list and one from the exclusion list. This decision was discussed within the Sustainable Ownership team and approved by the Investment Risk Committee. RPIL communicated the outcomes and the rationale to the companies involved, reinforcing the value of the process and helping create a foundation for any further discussions that they may wish to have with these companies.		

In 2024, 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 2024 work with an external advisor, WTW, to quantify climate transition risk in the Fundamental Equities portfolio. This work will support RPIL’s decision making, including allocation and engagement with companies, therefore helping achieve its net zero commitment by 2050 or sooner.

Climate Scenario Analysis - Provider Selection

Issue: As part of the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021, which requires reporting in line with the Task Force on Climate-Related Financial Disclosure (TCFD), the Trustee is required to undertake climate scenario analysis at least every 3 years.

Scenario analysis was last conducted in 2021 and was therefore due to be undertaken again in 2024. Recognising the limitations of existing climate scenario analyses across the industry, RPIL saw this as an opportunity to enhance its work in this area, to reap more valuable results.

Objective: At a minimum, the work must meet regulatory requirements - that is, the scenarios need to consider different climate pathways that explore potential future climate policies, interventions and consequences of the world managing or failing to mitigate climate change to different degrees, over a number of time horizons.

RPIL was also interested, however, in the potential for deeper work that can enhance the way in which it approaches the climate transition across its Fiduciary and Investment Management teams.

Approach: Early in 2024, RPIL commissioned research into global peer best practices on climate scenario analysis, with an emphasis on how the output from these analyses has informed investment decision making.

That research informed how RPIL specified and procured the climate scenario analysis, and assessment of potential providers. It sent a Request for Proposal (RfP) to six potential providers, who were selected to cover a diversity of organisational types, sizes, and existing relationships to RPIL. It conducted briefing calls with all providers, reviewed their responses, and selected a preferred provider: Absolute Strategy Research (ASR).

The selection of ASR was based on several factors:

- Their open-mindedness and rigour (including a macro-driven approach that complements RPIL’s proprietary frameworks and approaches)
- Their ability to work effectively with RPIL’s various Fiduciary and Investment Management (FIM) teams
- The potential for ongoing collaboration beyond the scope of the project.

Outcome and next steps: RPIL’s work with ASR is ongoing. Full details will be available in our TCFD report later in 2025.

The Trustee’s approach to climate change will be reported in more detail in the 2024 RPS Taskforce on Climate-Related Financial Disclosures (‘TCFD’) report.

In the SIP, it is 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 2024, RPIL’s Sustainable Ownership team discussed its work with some of these committees, as well as with the Sustainable Ownership Client Forum (‘SOCF’). The SOCF consists of up to 12 Pensions Committee members, and 2 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 2024 meetings included presentations on: RPIL’s approach to integrating nature risks and opportunities into investment decisions; RPIL’s considerations when looking at fair pay practices at portfolio companies; the importance of good corporate governance and an update on the risks and opportunities posed by

climate change. 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 2024 work on a dedicated member engagement and communications programme. This built upon findings from previous 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 2023 SO Member Review (published in 2024), specifically designed in response to member feedback.

The Review 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 2024) and to work hard to reach out to, and hear from, those members who are not already engaged with ESG issues. In 2024, this included for the first time some accessible member videos, produced by RPIL, which sought to give concise introductions and updates on some of RPIL’s most important work. The Trustee believes that RPIL’s extensive 2024 work in this space - summarized below - 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’s 2024 sustainable ownership engagement with members

Background: In 2021, RPIL ran its first survey and member focus groups to understand i) how members felt about sustainable ownership, including their priority topics, and ii) how they wanted to be communicated with. In 2022, RPIL published its Sustainable Ownership Review for members, based on what they told them. It then re-ran its member survey in 2023 to monitor any changing views.

RPIL’s approach in 2024: In 2024, RPIL surveyed the membership again but, recognising that previously it had mostly heard from those who were already engaged with its sustainable ownership work, it worked particularly hard to reach those members who are less naturally interested.

RPIL sent the survey to its Member Advisory Group but also highlighted it in newsletters, in news articles on member websites and promoted it on social media. It also sent an email campaign to 20,000 randomly selected members, of all categories - a significant increase on the 5,000 it sent it to in 2023.

This more than doubled the number of responses from the previous year, albeit from a relatively low level. The increased level of feedback gave it more insight from less engaged members, which may account for some shifts in responses compared to previous years.

The key survey findings were as follows:

- 49% are familiar with the term “sustainable ownership” (54% in 2023)
- 66% think it’s extremely or quite important that RPIL try to influence law and regulations to ensure companies do better on ESG (74% in 2023)
- 38% deem ‘social’ issues to be their top area of concern, followed by 34% on ‘governance’ and 27% on ‘environmental’
- Top issues were (in priority order): fair pay; reliable and accurate company reporting; making sure company boards can be held to account; workforce treatment; modern slavery; and responsible technology.

Although ‘fair pay’ and ‘workforce treatment’ have been reliably in the top issues list since the survey began, this year was the first that two governance issues ‘reliable and accurate company reporting’ and ‘making sure company boards can be held to account’ made it into the top four issues. 2024 also marked the first time responsible technology made it into the top six issues for members.

As in previous years, several free-form survey comments noted concerns that sustainable ownership could negatively impact members’ income in retirement.

Next steps : RPIL notes the continued concerns about the potential for sustainable ownership objectives to divert from seeking investment returns. RPIL’s activities are premised on the Trustee’s and Railpen’s shared Investment Belief that sustainable ownership and long-term returns are mutually reinforcing. RPIL therefore see this feedback as highlighting a need to articulate still further the financial materiality of our sustainable ownership work with members.

RPIL gains comfort that its extensive work on governance issues, for instance, through its work on the Investor Coalition for Equal Votes (ICEV) and its Acting on Audit report, is in line with members’ growing interest in corporate governance issues. In response to the finding that more members care about responsible technology than previously, RPIL also updated the member website to include a case study and videos about our work in this space¹.

¹ Please see: ***Responsible technology Investment case studies*** on the member website.



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 inhouse 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 operate a hybrid approach to the management of assets, with much of the listed equity portfolio managed internally. 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 to the right, 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.

RPIL formally launched three new mandates in 2024. There was a £1bn allocation to a distressed credit strategy with Oaktree Capital. The mandate will focus on liquid investments in global distressed credit, seeking mainly mid- and small-cap opportunities. RPIL’s Sustainable Ownership team worked closely with the Oaktree teams to ensure ESG risk data is sufficiently integrated into the investment process and gained comfort on the manger’s ESG research capacity and internal expertise.

As this is primarily a debt mandate, this investment is of limited relevance from a voting perspective - however, the Sustainable Ownership team will continue to engage with Oaktree Capital to achieve the Trustee’s broader stewardship objectives.

RPIL also launched a Commodity Trading Advisor (CTA) Fund. The fund invests primarily in derivatives and aims to profit from trends in markets like equities, currencies, bonds and foreign exchange. The strategy is managed by RPIL’s Quantitative Strategies (QS) Team, with collaboration on implementation with Legal and General Investment Management (LGIM). RPIL’s Sustainable Ownership team worked with the QS team to understand the strategy and determine what ESG considerations were relevant. The investment is of limited relevance from a voting perspective.

RPIL also launched a Liability Driven Investment (LDI) strategy with three funds managed by LGIM, these funds invest in assets that are designed to generate a steady flow of income, in a predictable way which supports the payment of future pension benefits to members. RPIL’s Sustainable Ownership team worked with LGIM team to understand the strategy and determine what ESG considerations were relevant. The investment is of limited relevance from a voting perspective.

As described in last year’s Implementation Statement, RPIL - on behalf of the Trustee - had previously 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)	Client Specific Unitised Fund (‘CSUF’)/Pooled	LGIM Voting Policy excluding UK votes; RPIL directs all UK 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 IOC 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.

Listed equities | Cheniere and methane reporting

Issue: Cheniere is a material holding in the Fundamental Equities portfolios. The company was identified as a priority for RPIL’s Net Zero Engagement Plan in 2024, with RPIL’s analysis at the start of the year identifying several issues of concern, including the company’s lack of emission-reduction targets and a Transition Pathway Initiative (TPI) Management Quality score of 2.

Objective: As recent investors in Cheniere, RPIL wanted to:

- Demonstrate its willingness to work constructively with the company
- Encourage the company to enhance their climate-related disclosures and develop measurable emissions targets, beginning with Scope 1 emissions

Approach: RPIL pursued bilateral engagement that included both its Sustainable Ownership (SO) and Fundamental Equities (FE) teams. Through discussions with the company, they raised concerns, explaining their rationale and sharing industry peer practices to help the company navigate potential blockers to progress.

While they understood Cheniere’s resistance to setting targets without a clear path forward to achieving their goals, they discussed how improved disclosures could enhance their sustainability ratings, including their TPI score.

Through RPIL’s voting, it also supported the re-election of the Board Chair, while communicating desire for further engagement.

Outcome and next steps: Cheniere has now announced a Scope 1 methane target: to consistently maintain annual methane emissions intensity of 0.03% per tonne of liquefied natural gas produced across its two US Gulf Coast liquefaction facilities by 2027.

While the company recognises methane represents a smaller portion of Cheniere’s total Scope 1 emissions compared to CO2, it also acknowledges that addressing methane is crucial to their competitiveness, particularly in Europe where environmental credentials are increasingly important.

The company also committed to enhancing their disclosures in their upcoming Corporate Responsibility Report, with more transparent information about their emissions mitigation activities and the challenges they face.

RPIL recognises that there is still more progress to be made on Cheniere’s climate strategy. It will continue to engage with the company, primarily through bilateral dialogue, discussing their climate strategy in detail, including their capital expenditure plans for emissions reduction initiatives.

RPIL will also monitor Cheniere’s next Corporate Responsibility Report closely to assess their progress on enhanced disclosures and their methane target.

Listed equities | Engagement: Assa Abloy’s approach to climate risks and opportunities

Issue: Assa Abloy - a Swedish company specialising in door opening and access solutions and services - is held in the Fundamental Equities Portfolios.

Following years of engagement with RPIL’s Fundamental Equities team, Assa Abloy invited RPIL to share its view on their approach to ESG risk and opportunity management. The company planned to include the insights in their next Sustainability Report.

Objective: RPIL aimed to review Assa Abloy’s ESG initiatives, giving recognition for strong ESG management and progress where it was due. It also sought to highlight areas where challenges could arise, requesting relevant information to further enhance our understanding of the risk.

Approach: During the review process, RPIL commended Assa Abloy’s progression toward its 2025 sustainability targets, which is reflective of buy-in from the executive team. It also recognised the company’s long-term commitment to reach net zero by 2025, which are substantiated by decarbonisation strategies. However, RPIL did voice concerns over the challenge of reducing a carbon footprint that is predominantly comprised of Scope 3 emissions. It therefore recommended the disclosure of viable emission reduction mechanisms and key costs through more detailed TCFD reporting.

“We recognise that Assa Abloy’s management is shifting its mindset from risk management to looking at the commercial opportunities for sustainability, such as access solutions that enable clients to reduce their emissions,” said Matthias Eifert, Head of Fundamental Equities at RPIL. “It would be good to see this quantified in the next set of targets. For example, a percentage of sales from low carbon products or with environmental certifications.”

Outcome and next steps: Railpen’s insights and recommendations were published in Assa Abloy’s 2023 Sustainability Report. Following this, RPIL sought to deepen discussion on the material topics highlighted, with a particular focus on how to achieve Scope 3 targets faster while remaining considerate of the potential commercial impacts of doing so.

While RPIL is reassured that Scope 1 and 2 targets can be achieved with minimal expenditure, Scope 3 emissions from raw materials remain the primary driver of Assa Abloy’s footprint. This is therefore the most challenging to reduce.

RPIL plans to continue reviewing the feasibility of emissions reduction levers through Assa Abloy’s Scope 3 Plan. It also recommended the addition of a KPI on supplier engagement to help monitor progress.

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 2024, 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 included winning the ICGN Global Stewardship Disclosure Awards for asset owners with under \$60bn assets under management, recognizing the Stewardship Report and the transparency it provides on RPIL’s stewardship policies and commitment to high investment standards for members. 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 4 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 2024 collaborative engagement and thematic work, as detailed in its latest Stewardship Report and the case study below.

The Investor Coalition for Equal Votes (‘ICEV’) | Progress in 2024

Issue: Pushing back against dual-class share structures (DCSS) at portfolio companies. This work, which includes engaging with pre-IPO (private) companies, is key to improving corporate governance standards and ensuring there is a safety net, allowing investors to use their voting power - where necessary - to hold company management to account.

RPIL previously reported on work to launch the Investor Coalition for Equal Votes (ICEV), together with the Council of Institutional Investors (CII) and several US pension funds, to fight back against unequal voting rights at companies primarily in the US and UK (reflecting our portfolio allocation).

ICEV has made significant progress since its founding in summer 2022. However, 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.

Approach and rationale: ICEV considers unequal voting rights to be a system-wide topic. Because of that, it aims to shape the ‘mood-music’ and influence the regulators, whose actions can either help or hinder unequal voting rights.

It 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).

ICEV made the following progress in 2024:

- **Continued to grow its AUM**, welcoming more asset managers and asset owners, as well as our first ‘supporters’: the International Corporate Governance Network (ICGN) and the Australian Council of Superannuation Investors (ACSI). In 2022, we launched with \$1.3trillion AUM, but this had grown to nearly \$4.5 trillion AUM by end of December 2024.
- To increase the chance of its voice being heard, **it widened the scope of its pre-IPO engagement targets** in its ‘phase 2’ engagements. This includes both the number of companies it targets and the people within them, such as board members, board observers and, for the first time, key investors.
- ICEV also **responded quickly to situations involving companies that are significant or closely watched**, who were considering unequal voting rights. It sent a private letter to Reddit ahead

of their IPO and wrote an **op-ed for the Financial Times**. ICEV also issued a **statement on Tesla’s proposed reincorporation in Texas**.

- **In 2024 a standalone ICEV website went live**, acting as a useful tool for spreading its message and attracting members.
- Finally, **ICEV published a well-received report, Voting on Voting Rights**. The report includes excerpts of the voting policies of 31 of the world’s largest asset owners and managers, providing insights both to investors who are thinking about their own voting policies and pre-IPO companies who want to understand how listing with unequal voting rights could affect their relationships with institutional investors.

Outcome and next steps: ICEV was pleased at the impact achieved in 2024, including some companies it engaged with committing to listing with - or maintaining - a single-class share structure. However, it recognises there is much more to do to achieve real impact on such a complex and entrenched issue.

In 2025, ICEV will continue to:

- Engage proactively in priority markets
- Grow its membership
- React nimbly to situations like Reddit and Tesla

ICEV will also consider actions it could take during our AGM season, how it could engage with investors who back dual-class IPOs and follow up with advisers it has not yet spoken to, considering escalation where this might be effective.

The Trustee welcomes RPIL’s commitment to playing a leadership role in the industry, where it feels there is a case for further action to be taken on a material issue.

In 2024, this included co-chairing the FCA-supported Vote Reporting Group (VRG), chairing the UK Corporate Governance Group and Alphabet Group - two sub-groups of the Asset Owner Council (formerly RI Roundtable and Occupational Pension Stewardship Council) - and being a steering group member of the Climate Financial Risk Forum. RPIL was also elected to the Board of the Institutional Investors Group on Climate Change (IIGCC). RPIL also remains Chair of the Investor Coalition for Equal Votes (ICEV), Workforce Directors Coalition (WDC) and Vice-Chair of the Global Investor Governance Network - this year, the AUM represented by both ICEV and WDC continued to grow reaching around \$4.5tn and \$2.5tn respectively.

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 2024, this included proactive engagement with the Financial Conduct Authority (FCA) and other policymakers around the FCA’s paper CP23/11 consultation, on significant changes to the UK equity listings rules regime. As part of this, RPIL coordinated a letter to the FCA Chair, co-signed by many other significant UK asset owners, expressing concerns around the proposals. RPIL also submitted responses to consultations, including on the FCA’s paper CP23/11 and

the Council of Institutional Investors (CII) Solicitation For Comment on Proposed Policy Vote Results By Share Class.

We receive comfort regarding the thoughtfulness with which these policy interventions were undertaken on the Trustee’s stewardship priorities, in light of the fact that RPIL’s interventions are often picked up by policymakers. For instance, they were the only investor to recommend class-by-class vote disclosure to the FCA during the CP23/11 consultation on the UK listing rules. In its feedback statement, the FCA later noted that it would be open to this approach.

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 2024, RPIL updated its Voting Policy to: toughen its stance on defending shareholder protections, strengthen voting and engagement activities to encourage high-quality audits and clarify its position on issues such as anti-microbial resistance and plastics. The Trustee supports these developments, which also align with - and help further support progress with - our stewardship priorities as outlined in our SIP.

RPIL voting policy update for 2025 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. RPIL then publishes the updated text on the Railpen website and sends it on to external managers and its largest direct holdings, requesting a pre-AGM meeting to discuss voting priorities.



The Global Voting Policy for 2025 onwards was reviewed in Q4 of 2024. Further details on priority engagement and voting priorities are summarized by RPIL below:

Shareholder rights and officer accountability

Good corporate governance is central to the creation of sustainable financial value. In 2025, we will continue to urge portfolio companies to resist the broader “race to the governance bottom” after the 2024 changes to the UK listing rules and the adoption of the EU Listing Act, both of which weaken investor protections.

As a result, we have strengthened three specific engagement and voting commitments for 2025:

- *We will consider a vote against the Chair of the Board where companies in any jurisdiction choose to go ahead with a significant related party transaction (RPT) or a significant transaction without a shareholder vote in advance.*
- *We will vote against any move by a company to re-incorporate in a domicile, which it considers to have significantly fewer protections for shareholders, unless a compelling rationale is provided. It may also vote against the Board Chair.*

We will oppose resolutions which seek to expand exculpation to company officers, in recognition that the right to hold company executives to account for negligence and breaches of their fiduciary duty of care is an important shareholder right.

Reporting and audit

Following the publication of our [Acting on Audit: an investor stewardship perspective report](#) with Governance Perspectives in late 2024, we will now vote against proposals to indemnify external auditors and will likely not support proposals that limit auditors’ liability.

Additionally, we will encourage portfolio companies to request graduated findings from auditors, and will vote against companies that do not appropriately explain how they have addressed previously identified weaknesses.

Artificial Intelligence (AI)

Alongside our existing policies and engagement on material ESG issues, for 2025, Railpen has expanded our views on Artificial Intelligence (AI) and formally articulated our perspective on anti-microbial resistance (AMR) and plastics use at portfolio companies. On AI, we expect portfolio companies to act on AI in a way that is proportionate to risk exposure, business model, and potential impacts, whilst focusing on the key pillars of board accountability, risk management and transparency. Where these expectations are not met, we will consider a vote against the director deemed responsible for oversight.

Additionally, we will consider a vote for related shareholder resolutions, including on reporting around AI use and principles, board oversight, human rights risks, misinformation and disinformation risks and workforce implications.

Anti-microbial resistance (AMR)

We recognise the systemic risks posed by anti-microbial resistance (AMR), which not only jeopardises the health and wellbeing of millions but poses a risk to investors’ long-term returns.

We therefore encourage companies to align their businesses, including supply chains, with the World Health Organization (WHO’s) guidance on antibiotic use, and will consider voting in favour of shareholder proposals that call for companies to do so.

The Trustee believes that this update demonstrates that RPIL’s approach continues to evolve and keep pace with market developments, as well as being in line with its own industry-leading research on, for instance, audit quality.

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 Investment Officer (‘CIO’) for decision
- votes on issues which have the potential to substantially impact financial or stewardship outcomes
- votes against the Report and Accounts/Chair of the Board
- votes aligned with RPIL’s priority corporate governance or sustainability themes. For 2024, 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 2024, 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 2024 (following on from their engagement with LGIM in previous years), 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 2024 update to the Voting Policy, (which has been implemented in voting decisions from January 2025 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

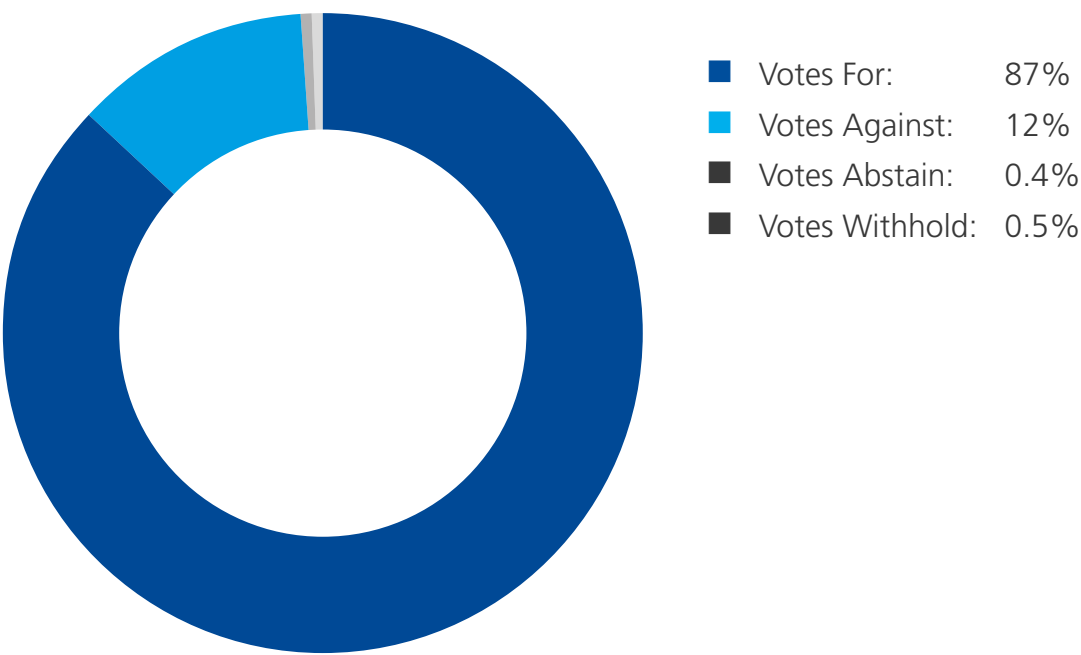
- RPIL continued to demonstrate significant levels of support for shareholder resolutions, which sought to ensure better disclosure and activity, on issues such as climate change, fair pay, and diversity, equity and inclusion (‘DEI’), and
- RPIL continued to look to use all its ownership rights, not 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 Amplifon and PepsiCo

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 2025.

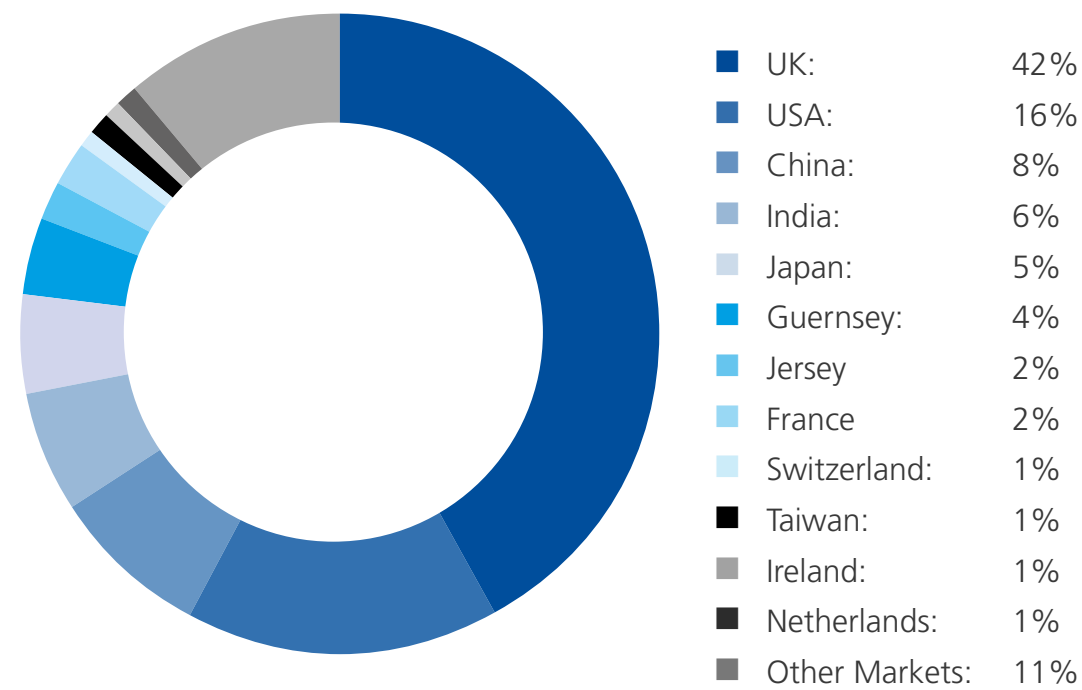
2024 Voting Statistics

Number of meetings voted	1,424
Percentage of meetings voted	99.9%
Percentage of meetings with at least one vote against, withheld or abstained	56.5%

Voting Outcomes

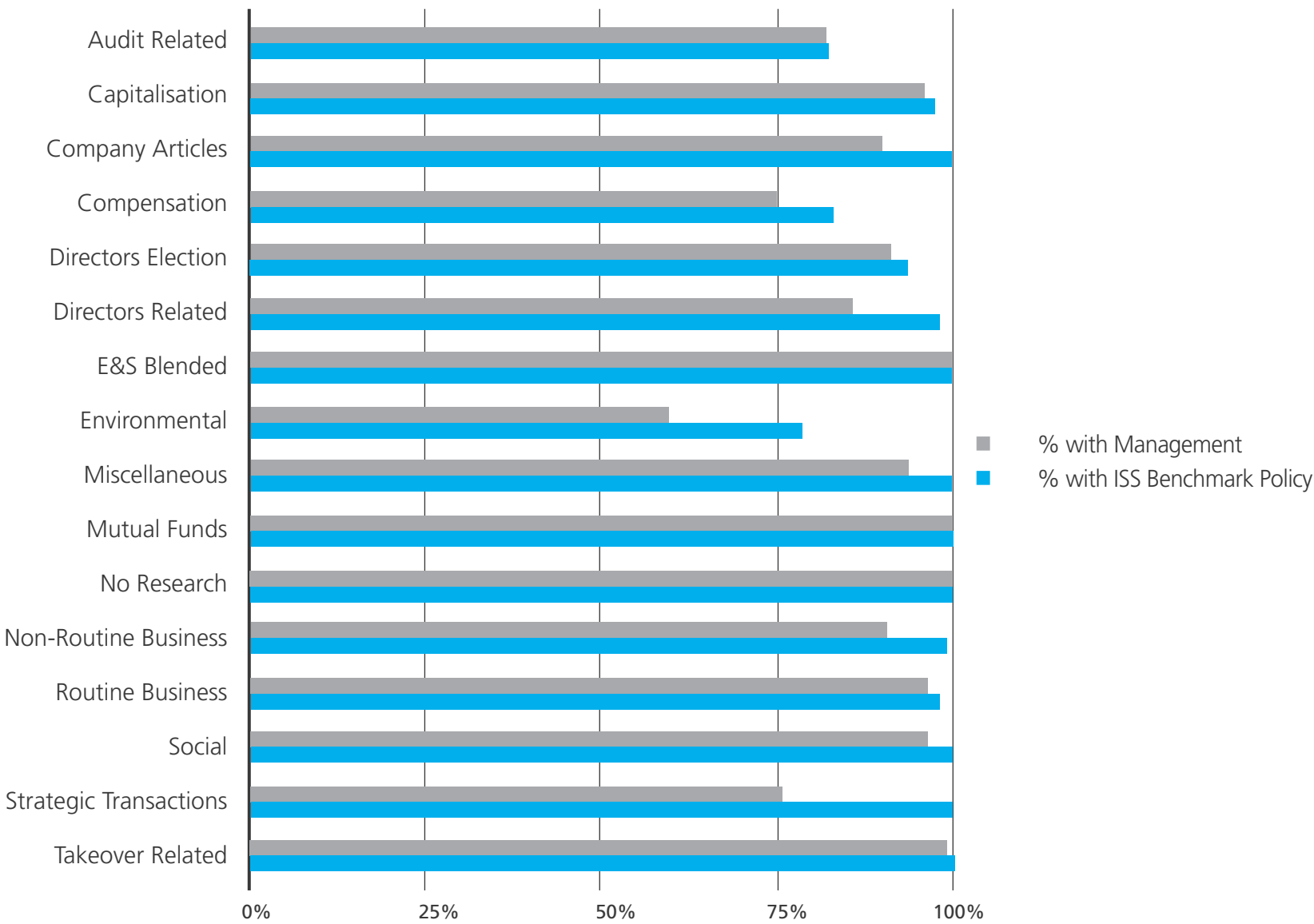


Meetings Voted by Market



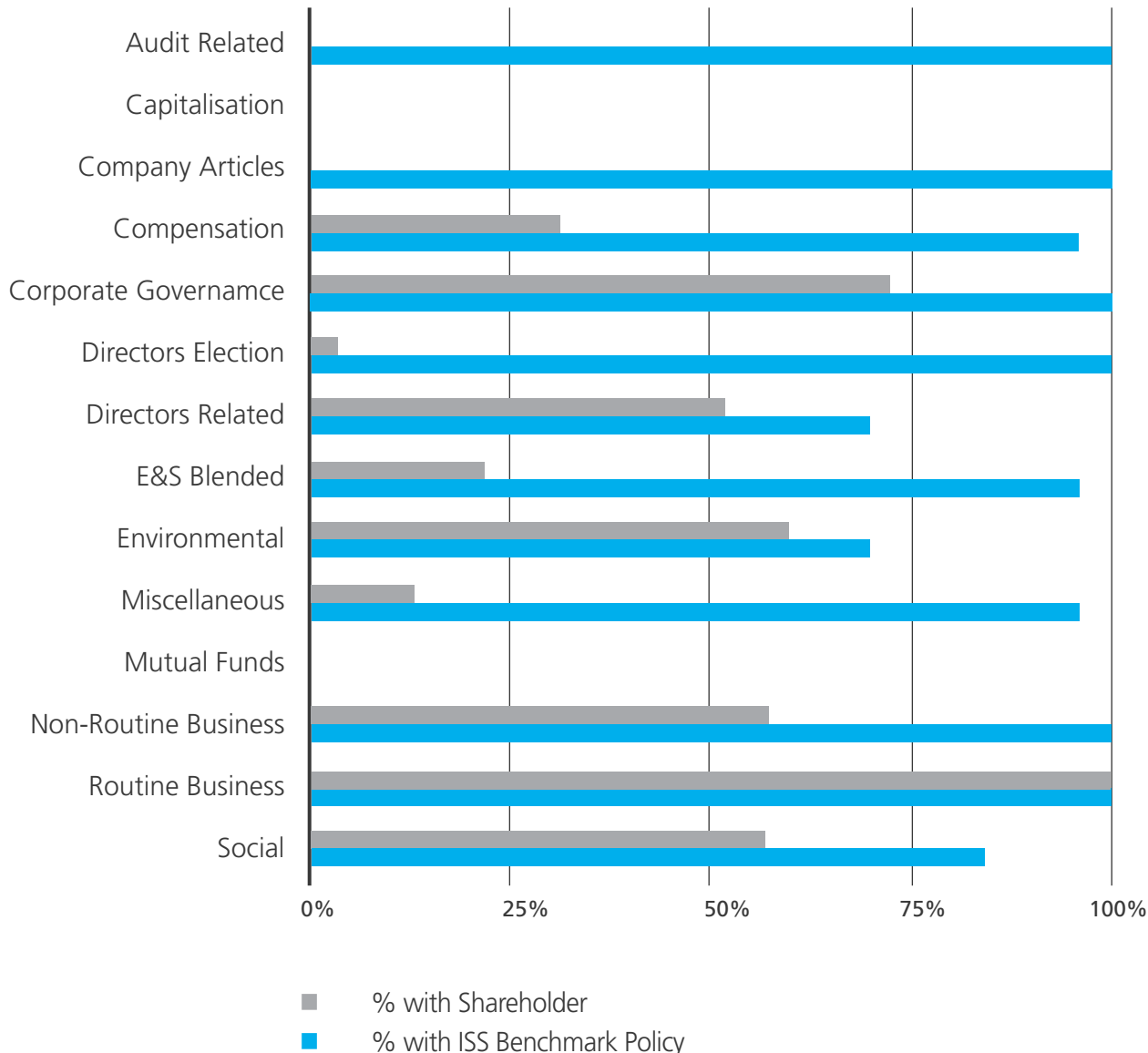
Votes Cast on Management Proposal Catagories

- 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 Management against the aforementioned benchmarks.
- Votes cast during the reporting period were at least in line with management on Environmental matters, where only 62% 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 Shareholder 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 show the highest level of support for shareholder proposals related to Non-Routine Business, Routine Business, at 100% and the lowest level of support for shareholder proposals related to Audit Related, Company Articles, with 0% of proposals supported.
- Across categories, votes cast on shareholder proposals show the closest alignment to the ISS Benchmark Policy guidelines.



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 8 RPIL case studies below, they cover 14 ‘Most Significant Votes’ undertaken by RPIL in 2024. The team has also deliberately chosen to feed through information on votes at one company that was reported on in last year’s Implementation Statement. We agree with RPIL in their assessment that doing so helps readers to 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, 2023 and 2024 member engagement programme discussed above and in the 2024 Stewardship Report.

Case Study: McDonald’s Corp | Workforce and Board Composition | 22 May 2024

What the votes were about:

- 1. Elect Director Miles White
- 2. Elect Director Christopher Kempczinski

Size of holding (£): 28m

Link to Trustee’s Stewardship Priorities?

- 1. Yes - Worth of the Workforce
- 2. Yes - Sustainable Financial Markets

Was the issue a ‘top 5’ member priority in 2024?

- 1. Yes - Fair Treatment of Workers
- 2. Yes - Board Composition and Accountability

Issue: McDonald’s is a holding in RPIL’s Quantitative Strategies portfolio. This portfolio is managed by RPIL’s Public Markets team. The team manages fully systematic strategies, ranging from long only and market neutral equity portfolios, through to multi-asset diversifying funds, using risk-based allocation techniques. RPIL was concerned with McDonald’s lack of meaningful disclosure on their current workforce engagement mechanisms in spite of serious workforce issues. In addition, the company was proposing to combine the roles of board Chair and CEO.

Objective: RPIL believes that a motivated and well-supported workforce, with access to effective engagement mechanisms, is crucial for a company’s financial success and reflects a healthy corporate culture. RPIL holds expectations related to the disclosure of activities linked to workforce engagement and identified material outcomes, along with how boards communicate the importance of the workforce in the context of the company’s business model and strategy. RPIL views cases where the roles of Chair and CEO are combined unfavourably, as it negatively impacts the Board’s oversight and the ability to demonstrate objective and independent judgement.

Approach: RPIL included McDonald’s as a target company as part of its Workforce Directors Coalition (WDC) initiative and made repeated attempts to engage through 2022 and 2023. Following the lack of meaningful response, RPIL escalated the issue by planning to attend the company’s AGM and ask a question. However, no support was provided by McDonald’s to facilitate attendance, which indicates a potential lack of seriousness with which it considers feedback from its shareholders. RPIL voted against the lead independent director, the most senior executive up for election, to express dissatisfaction towards the lack of engagement and support to attend its AGM. In addition, RPIL voted against the company’s CEO to protest against the decision to combine the Chair of the Board and CEO roles, at a time when McDonald’s seems particularly in need of effective Board scrutiny, given what appear to be system-wide issues with sexual harassment and general workforce treatment.

Why most significant: Links to Worth of the Workforce and Sustainable Financial Markets Trustee stewardship priorities

Outcome and next steps: 91.6% of shareholders voted for the election of the CEO and 94.6% voted for the election of the lead independent director. Although the majority of shareholders did 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 now \$2.5 trillion Workforce Directors Coalition (‘WDC’). RPIL believes that, given the serious nature of these issues and the lack of clear information on how McDonald’s is addressing employee concerns, they should consider appointing a workforce director to their Board.



Case Study: Amplifon SpA | Sustainable Financial Markets | 17 April 2024

What the votes were about:

1. Amend Company Bylaws Re: Article 13 (voting rights)
2. Amend Company Bylaws Re: Article 10 (discouragement of shareholders’ active participation at AGMs)
3. Approve Capital Increase and Convertible Bond Issuance Without Pre-Emptive Rights
4. Amend Company Bylaws

Size of holding (£): 13m

Link to Trustee’s Stewardship Priorities?

Yes - Sustainable Financial Markets

Is the issue a ‘top 5’ member priority?

Yes - Shareholder Rights

Issue: Amplifon is part of RPIL’s Fundamental Equity Portfolio. This portfolio is focused on companies with high barriers to entry and sustainable competitive advantage. The company is based in Italy and operates in the healthcare sector. Following the approval of the Italian capital markets bill, Amplifon convened an extraordinary general meeting (EGM) to propose several amendments to its bylaws, becoming an early adopter of changes which are considered detrimental to shareholders. The proposed changes posed serious risks to shareholder rights by introducing unequal voting rights and limiting physical attendance to shareholder meetings, as well as the ability to actively participate and interact with

management. Amplifon also put to vote an increase to the threshold for issuance of convertible bonds without pre-emptive rights which exceeded RPIL’s guidelines.

Objective: Differential voting rights dilute the ability of minority shareholders to effectively hold companies to account. RPIL believes that long-term corporate success requires shareholder voting rights to be directly linked to their economic stake, which is why it launched the Investor Coalition for Equal Votes (ICEV), representing investors with \$4.5 trillion in combined assets. The absence of in-person meetings and the limitation of direct engagement with management also limits shareholders’ ability to hold companies accountable. This situation is also evident when companies issue convertible bonds without pre-emptive rights, as it dilutes existing shareholders’ voting power and existing stake in the company.

Approach: As part of its continuous engagement with Amplifon, RPIL requested a meeting ahead of the EGM in order to understand the company’s perspective on the proposed changes and their impact on shareholder rights and governance. Even though the meeting was constructive and RPIL was able to effectively communicate its expectations, Amplifon did not decide to make amendments or cancel the voting items. Subsequently, RPIL voted against all of the items on the EGM’s agenda to express its disapproval of the steps Amplifon was taking, and to ensure the continued protection and rights of minority shareholders.

Why most significant: Links to Sustainable Financial Markets trustee stewardship priority; significant holding in the Fundamental Equities Portfolio

Outcome and next steps: 28.8% of shareholders voted against the introduction of unequal voting rights and 28.9% voted against the measures limiting shareholders’ direct engagement with management at meetings. The introduction of an increased threshold for convertible bond issuance and the virtual only AGM meetings received votes against of 20% and 22.4% respectively. These results show that a high number of shareholders share RPIL’s concerns and reject limitations on shareholders’ rights. RPIL will continue its direct engagement with the company and its work as Chair of ICEV, monitoring the development of loyalty shares in a number of markets, including Italy and Germany.

Case Study: UnitedHealth Group Inc | Cybersecurity | 6 June 2024

What the votes were about:

1. Vote to elect the Chair of the Audit Committee

Size of holding (£): 50m

Link to Trustee’s Stewardship Priorities?
Yes - Responsible Technology

Was the issue a ‘top 5’ member priority in 2024?
No - but cybersecurity is a top 10 issue for members

Issue: UnitedHealth, a US healthcare company, is a holding in RPIL’s Quantitative Strategies portfolio. In 2024, the Cybersecurity Coalition², in which RPIL participates, flagged UnitedHealth as posing a high cybersecurity risk. The company has a large digital estate and processes sensitive information. RPIL was therefore concerned to find a low level of public disclosure on its cyber system, including information gaps on due diligence during M&A and monitoring of third-parties. As RPIL was engaging with the company, one of its subsidiaries was hacked. The attack, which included the exfiltration of sensitive records, destabilised parts of the US healthcare system and incurred costs that ran into the hundreds of millions of dollars.

Objective: RPIL engaged with the company’s leadership and although its representatives were willing to answer questions, which helped gain clarity on the governance structures in place, ongoing concerns remained about the effectiveness of the metrics reported to the Audit Committee and the strength of its oversight. RPIL therefore sought reassurance that cybersecurity risks were being managed appropriately.

Approach: RPIL notified the company of concerns about inadequate Board oversight and of its intention to vote against the Audit Committee Chair at their upcoming AGM. This was in alignment with RPIL’s voting policy: “Where we do not deem cybersecurity risks, or any breach response to be sufficiently well managed, we will consider a vote against the Chair of the audit committee, or other committee we deem responsible.”

Why most significant: Link to the Responsible Technology trustee stewardship priority

Outcome and next steps: 8.6% of shareholders joined RPIL in opposing the Chair’s re-election - the highest opposition for any director - although it is unclear whether everyone was voting on cybersecurity grounds. Following communication with the company about RPIL’s voting intentions, management agreed to a follow-up meeting where RPIL discussed its unresolved questions and gained further reassurance on the company’s reporting, oversight and preparation for the possibility of another attack.

² Please see RPIL’s Stewardship Reports for more details on the work of the Coalition: **Stewardship Report 2024**.

Case Study: PepsiCo | Biodiversity | 1 May 2024

What the vote was about:

1. Report on Risks Related to Biodiversity and Nature Loss

Size of holding (£): 92m

Link to Trustee’s Stewardship Priorities?
Yes - Climate and Nature

Was the issue a ‘top 5’ member priority in 2024?
Yes - Climate and Nature

Issue: PepsiCo, a \$204 billion snack and beverage giant, is held in RPIL’s Quantitative Strategies portfolio and is part of the annual Net Zero Engagement Plan (NZEP) focus list of companies. RPIL looks for engagement opportunities with these NZEP companies throughout the year, including at Annual General Meetings (AGMs). Half of the world’s GDP is dependent on nature, according to the World Economic Forum. The organisation also cites that the food industry alone relies on natural services worth US \$1.4 trillion. For PepsiCo, biodiversity is therefore a business imperative.

Objective: If PepsiCo fails to fully understand, assess and manage its dependencies and impact on nature, it faces serious financial and regulatory risks. RPIL wanted to signal that biodiversity loss isn’t just an environmental issue, it’s a material business risk that threatens our economies and societies.

Approach: When a shareholder proposal requesting biodiversity risk reporting came up at PepsiCo’s May 2024 AGM, RPIL saw an opportunity for action. RPIL wrote to PepsiCo’s investor relations team, highlighting its concerns regarding this issue, and pushed for a more comprehensive assessment and disclosure that would help investors truly understand the risks.

Why most significant: Link to Climate and Nature Trustee stewardship priority

Outcome and next steps: The proposal gained significant support, with 18.4% of shareholders (representing 178 million shares) voting in favour. Although it didn’t pass, this level of support sent a clear message to management.

Ahead of casting its vote, RPIL wrote to PepsiCo sharing voting intentions. PepsiCo committed to sharing this with their Board of Directors and would consider the topic when enhancing their corporate governance, compensation and sustainability practices, and reporting.

RPIL continues to monitor PepsiCo’s progress on biodiversity risk assessment. This case demonstrates how targeted shareholder engagement can encourage companies to address critical sustainability issues, even when formal proposals don’t initially succeed.

Case Study: Mears Group | Workforce |
10 June 2024

What the vote was about:

- 1. Re-elect Jim Clarke as Director

Size of holding (£): 0.01m

Link to Trustee’s Stewardship Priorities?
Yes - Worth of the Workforce

Was the issue a ‘top 5’ member priority in 2024?
Yes - Fair treatment of workers

Issue: Mears Group is a holding in RPIL’s LGIM portfolio. RPIL identified the housing solutions provider as a priority company for thematic engagements as it is one of the few companies that has successfully implemented a workforce director model. This means that it is a company that has systemic importance on this issue, despite the relatively small size of its holding in the portfolio, and it is important that its progress on this issue is visibly celebrated to encourage other companies to follow suit.

Objective: Mears Group is one of a small number of UK PLCs that has appointed employee directors to its Board. RPIL supports the appointment of one or more workforce directors for companies where human capital is a highly material issue, 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.

Approach: The workforce director model will not be right for every company, but RPIL wants to encourage more companies to consider it. RPIL also looks to encourage other investors not to take an overly strict approach to director independence, but rather to think about the Board holistically, including the potential benefits of directly incorporating the perspectives of a member of the wider workforce into Board discussions.

Recognising that the composition of the Board is ultimately the responsibility of the Chair, with the Chair of the Nominations Committee playing a key role, RPIL pre-declared the intention to vote for director Jim Clarke in his capacity both as Chair of the Board and of the Nominations Committee, and in light of the thoughtful approach taken to workforce directors.

Why most significant: Link to Worth of the Workforce stewardship priority

Outcome and next steps: 93.8% of shareholders voted for the re-election of the Chair of the Nominations Committee, although it is unclear whether their motive was to support the workforce director model. RPIL believes that Mears Group is to be commended for its clear commitment to the workforce director model. By signalling RPIL’s active support, more companies will be aware that investors may support the workforce director model, where meaningfully applied. RPIL will continue to engage with Mears Group to understand lessons learned from its success so far, to help shape its engagement with other companies.



Case Study: Equinor ASA | Climate Transition | 14 May 2024

What the vote was about:

1. Update the Company Strategy and Capital Expenditure Plan According to the Commitment to the Goals of the Paris Agreement.

Size of Holding (£): 14 million

Link to Trustee’s Stewardship Priorities?

Yes - Climate and Nature

Is the issue a ‘top 5’ member priority in 2024?

Yes - Climate change

Issue: Equinor is held in RPIL’s quantitative strategies portfolio. RPIL identified international energy company Equinor as a priority company for thematic engagement due to climate transition risks. Given Equinor’s primary activities and exposure, it is also a key focus company for RPIL under the Net Zero Engagement Plan. As part of Climate Action 100+, RPIL has been engaging with Equinor alongside peer investors through that initiative.

Objective: The climate transition is a critical issue for RPIL and members. Equinor has shown sectoral leadership in many aspects, including in relation to its Scope 1 and 2 emissions reduction performance. But in 2024, RPIL grew concerned that Equinor’s strategy and capital expenditure were falling short of its climate objectives. RPIL was disappointed at its plan to maintain stable fossil-fuel production until 2035 and to continue new reserve exploration and development plans. As a key player in the sector with a strong and supportive shareholder base, RPIL believes that Equinor can show true leadership in this area.

Approach: With Equinor’s AGM approaching, RPIL pre-declared the intention to back a shareholder resolution calling for the company to align its strategy and capital expenditure with its commitment to the Paris goals and specify how any plans for new oil and gas reserve development are consistent with the goals. RPIL publicised its intentions on social media and issued a pre-declaration PDF setting out concerns.

Why most significant? Link to Climate and Nature stewardship priority

Outcome and next steps: 32% of non-state votes were cast in support of the resolution. The Australasian Centre for Corporate Responsibility referred to the vote as both a ‘revolt’ and a ‘wake-up call for Equinor’s Board and management’. It concluded that ‘the pressure on them to deliver real reductions in emissions will only increase from here’. RPIL will continue to engage with Equinor on this critical issue as opportunities arise. Should misalignment persist between the company’s capital expenditure and climate objectives, RPIL will consider escalation.

Case Study: TotalEnergies SE | Climate Transition Plans | 24 May 2024

What the vote was about:

1. Approve Report on Progress of Company’s Sustainability and Climate Transition Plan (Advisory)

Size of Holding (£): 49 million

Link to Trustee’s Stewardship Priorities?

Yes - Climate and Nature

Is the issue a ‘top 5’ member priority in 2024?

Yes - Climate change

Issue: TotalEnergies, a French multinational integrated energy and petroleum company, is held in RPIL’s quantitative strategies portfolio. RPIL identified TotalEnergies as a key emitter as part of its Net Zero Engagement Plan. RPIL looks for engagement opportunities with these NZEP companies throughout the year, including at Annual General Meetings (AGMs).

Objective: The climate transition is a critical issue for RPIL and members. TotalEnergie’s continued growth of its oil business and reliance on natural gas does not appear to be aligned with their commitment to net zero by 2050 and the Paris Agreement. Questions remain about the company’s plan to shift its sales mix from 90% fossil-fuel-based energy in 2023, to 25% by 2050. Despite this ambitious target, current investments are still heavily focused on oil and gas. Investors need clearer signals from capex spending to believe in the credibility of these goals.

Approach: RPIL voted against TotalEnergie’s Sustainability and Climate Transition Plan to signal to the company that they were not meeting expectations around the alignment of capital expenditure with their commitment to net zero.

Why most significant? Link to Climate and Nature stewardship priority

Outcome and next steps: The level of dissent against the approval of the company’s Sustainability and Climate Transition Plan was 20.3%. RPIL continues to monitor the company’s progress against its climate transition plan and to this end will consider including it in the 2025 NZEP, in order to continue engaging on this issue.

Case Study: AstraZeneca | Remuneration | 11 April 2024

What the vote was about:

- 1. Approve Remuneration Policy
- 2. Amend Performance Share Plan 2020
- 3. Re-elect Chair of the Remuneration Committee

Size of holding (£): 46m

Link to Trustee’s Stewardship Priorities?

Yes - Sustainable Financial Markets

Is the issue a ‘top 5’ member priority in 2024?

Yes - Fair play

Issue: AstraZeneca, a pharmaceutical and biotechnology company, is held in RPIL’s quantitative strategies portfolio. 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.

Objective: RPIL had substantial concerns over the company’s new maximum pay opportunities, particularly the LTIP maximum of 850% of salary. This substantial pay adjustment positions executive compensation well above FTSE 10 peers. Additionally, increased bonus opportunities further raise variable pay. The proposed changes follow a trend of large annual increases in potential pay. While acknowledging AstraZeneca’s global reach, high-paying sector, and highly regarded CEO, RPIL believed that the extent to which the new pay opportunities exceed FTSE peers is excessive.

Approach: RPIL voted against the remuneration policy and the performance share plan and given the ongoing concerns about remuneration practices at AstraZeneca, RPIL also voted against the Chair of the remuneration committee to express dissatisfaction with the continued increases in variable pay well above FTSE peers.

Why most significant? Linked to Sustainable Financial Markets stewardship priority

Outcome and next steps: The company’s remuneration policy and performance share plan received 36% and 35% dissent respectively, while the Chair of the remuneration committee received 5% dissent. AstraZeneca’s pay practices will continue to be monitored and RPIL will look at how the company has looked to address this dissent before considering how to vote at the 2025 AGM.





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 notes that it 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+ and now the Investor Coalition for Equal Votes (see below), are an additional demonstration of the alignment of voting approach.

During dedicated meetings on sustainable ownership in 2023 and 2024, 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. In 2024, we particularly welcomed LGIM joining as a member of the Investor Coalition for Equal Votes (which Railpen co-founded and chairs) to focus on the issue of unequal voting rights, which 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 (MSVs), LGIM provided the information tabulated below. To aid the ease of reading, the MSVs of only some of the most important and sizeable LGIM funds in which the Trustee invests have been included. The Trustee agrees that, together with our choice of RPIL’s own Most Significant Votes, this strikes the right balance between offering insight into voting behaviour and ensuring accessibility.

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	2024-12-31
Start of Reporting Period	2024-01-01
End of Reporting Period	2024-12-31
What was the total size of the fund as at 2024-12-31?	£21,002,921,424 Weekly close price series
What was the number of equity holdings in the fund as at 2024-12-31?	572
How many meetings were you eligible to vote at over the year to 2024-12-31?	628
How many resolutions were you eligible to vote on over the year to 2024-12-31?	8318
What % of resolutions did you vote on for which you were eligible?	99.06%
Of the resolutions on which you voted, what % did you vote with management?	63.76%
Of the resolutions on which you voted, what % did you vote against management?	35.67%
Of the resolutions on which you voted, what % did you abstain from?	0.57%
In what % of meetings, for which you did vote, did you vote at least once against management?	98.09%
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)	30.32%

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	2024-12-31
Start of Reporting Period	2024-01-01
End of Reporting Period	2024-12-31
What was the total size of the fund as at 2024-12-31?	£152,412,650
What was the number of equity holdings in the fund as at 2024-12-31?	2840
How many meetings were you eligible to vote at over the year to 2024-12-31?	2912
How many resolutions were you eligible to vote on over the year to 2024-12-31?	35750
What % of resolutions did you vote on for which you were eligible?	99.71%
Of the resolutions on which you voted, what % did you vote with management?	79.29%
Of the resolutions on which you voted, what % did you vote against management?	20.43%
Of the resolutions on which you voted, what % did you abstain from?	0.28%
In what % of meetings, for which you did vote, did you vote at least once against management?	74.58%
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)	14.85%

LGIM vote: adidas AG - PAPF

What the votes were about: Re-elect Thomas Rabe to the Supervisory Board Until 2025 AGM

Size of holding in fund (£): 0.1 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 as:

1. LGIM has had concerns with remuneration practices at the company for consecutive years.
2. LGIM expects a company to have a diverse Board, with at least one-third of Board members being women, and that companies increase female participation both on the Board and in leadership positions over time.
3. LGIM had concerns regarding the time commitment required to manage all Board positions and how this may impact their ability to remain informed and effectively contribute to Board discussions.

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 passed, but with 31% shareholder dissent. LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

LGIM vote: Walmart Inc. - PAPF & North America Equity Index Fund

What the votes were about: Establish a Company Compensation Policy of Paying a Living Wage

Size of holding in fund (£): 0.57 million (PAPF) & 0.25 million (North America Equity Index Fund)

Link to Trustee’s stewardship priorities?
Yes - Worth of the Workforce

Is the issue a member priority? Yes - Fair Pay

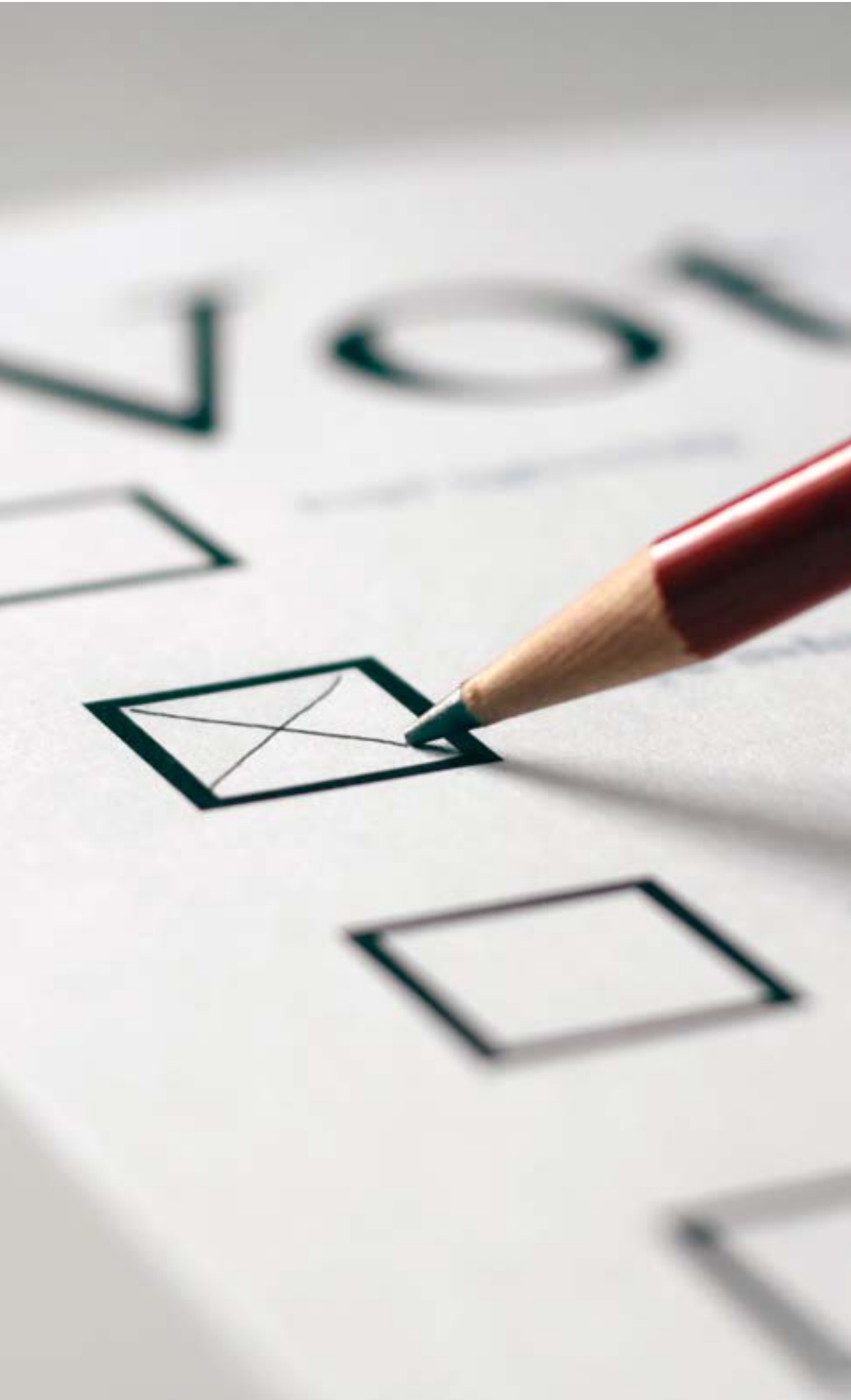
Approach: A vote in favour (against management) was applied as LGIM would encourage the company to establish a compensation policy that ensures employees earn a living wage. This is because LGIM believes paying a living wage may reduce the potential negative financial impacts that stem from low worker morale/poor health/absenteeism/presenteeism, high staff turnover, etc.

LGIM has been engaging with Walmart on the topic of living wages for several years, and in 2023, LGIM launched its income inequality engagement campaign, which targeted 15 of the largest global food retailers, asking them to set out their policy on living wages for workers, within their own operations and supply chain. Walmart, the largest food retailer in the world, is part of this campaign. While the company has improved on some areas of LGIM’s requests, in terms of training opportunities, the company does not have a policy on the living wage, and its minimum wage of \$14 per hour for store employees is much less than the living wage, which is around \$25 per hour.

Why most significant:

- Links to the Worth of the Workforce stewardship priority
- Also a holding in RPIL’s Quantitative Strategies portfolio (so potential material impact on financial or stewardship outcomes)

Outcome and next steps: The vote failed with only 4.4% shareholder support. LGIM will continue to engage with investee companies, publicly advocate its position on this issue and monitor company- and market-level progress.



LGIM vote: Microsoft Corporation - North America Equity Index Fund & PAPF

What the votes were about: Report on AI Data Sourcing Accountability

Size of holding in fund (£): 6.1 million (PAPF) & 2.4 million (North America Equity Index Fund)

Link to Trustee’s stewardship priorities?
Yes - Responsible Technology

Is the issue a member priority? No

Approach: A vote for was applied (against management) as LGIM believes the company is facing increased legal and reputational risks related to copyright infringement, associated with its data sourcing practices. While the company has strong disclosures on its approach to responsible AI and related risks, LGIM believes shareholders would benefit from greater attention to risks related to how the company uses third-party information, to train its large language models.

Why most significant:

- Links to the Responsible Technology 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 but received 36.2% support from shareholders. 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 2024, 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.

Infrastructure | LTIF - ESG Integration: Updating Manager Assessments in line with ESG due diligence

Issue: The assets in RPIL’s Long-Term Income Fund (‘LTIF’) include core infrastructure, renewable energy, and long-lease commercial real estate in the UK. RPIL has worked hard to ensure that it has a reliable framework when identifying which assets are appropriate for our LTIF, including whether they meet emerging regulations and broader ESG risks.

Each of the external managers within RPIL’s LTIF presents their own unique opportunities and challenges, from managing assets that had no ESG considerations at the time of investment, to overseeing a closed portfolio.

Objective: RPIL has a tried and tested approach to sustainable ownership, so it is important that its external managers align with its principles.

In 2021, RPIL developed a framework to help assess asset managers and determine whether the quality of their ESG risk management is low, medium or high. This framework is tailored both to the managers’ asset class and financing type. In 2024, RPIL expanded its assessment process to include co-investment partners.

Approach: RPIL assessed four asset managers as part of this project.

First, it reviewed asset managers’ public disclosures, which contain extensive information on investment governance, as well as which ESG factors matter most to their companies. However, RPIL found insufficient detail on fund-specific approaches to due diligence and monitoring.

To fill in the gaps, RPIL sent the managers a due diligence questionnaire (DDQ) that focused on ESG investment beliefs, ESG responsibility, ESG integration (including climate change), post-investment ESG monitoring, and collaborative industry involvement. The questions were drawn from industry standards - particularly the Principles for Responsible Investment’s Infrastructure Investor Responsible Investment Due Diligence Questionnaire.

The DDQ encouraged a consistent approach to ESG disclosure, which was integral for identifying areas of alignment and misalignments between RPIL’s and its managers’ approaches.

RPIL used responses to the DDQ to inspire further discussions with the managers. For example, opportunities for improved data collection and monitoring of ESG performance and risk. The insights from these discussions helped to finalise their scores.

Outcome and next steps: Following our assessment process, RPIL compiled a summary of the results, detailing how each manager performed across its ESG criteria. The table below includes an overview of what had improved, and what still needed monitoring:

	Manager 1	Manager 2	Manager 3	Manager 4
Gross ESG risk	Low	Medium	Low	Medium
ESG risk management quality	High	High	Low	High
Net ESG risk	Low	Low	Low	Low
	✓ Implemented an ESG questionnaire, which forms the basis of their asset engagement ✓ Clearer lines of escalation on ESG risk × Limited case studies on ESG integration and active ownership in debt	✓ Retrospective ESG analysis was completed for the portfolio ✓ ESG data collection has improved ✓ Any new deal includes terms on ESG data collecting and reporting × Manager has committed to becoming net zero, but time frames remain unclear × Lack of clarity around how ESG data will be leveraged to create KPIs and/or targets	✓ New head of ESG and clearer reporting lines ✓ Joined an industry collaboration on the collection of GHG emissions data ✓ Improved efforts to educate assets on embodied carbon × Same compliance-driven approach as last year × No retrospective identification of ESG risks and opportunities	✓ Integrated ESG factors into the asset risk matrices ✓ Proportionate inclusion of ESG reporting terms into operations and maintenance contracts ✓ Established ESG KPIs at asset level × Limited examples of ESG due diligence in 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' or 'IWDC'), I am pleased to present the Chair's Statement for the period from 1 January 2024 to 31 December 2024 ('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.

Today, approximately 95% of IWDC members are solely invested in the default investment arrangement.

More information on the default investment arrangement is provided 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	<ul style="list-style-type: none">■ 25% Long-Term Growth Fund■ 25% UK Government Fixed-Interest Bond Fund■ 50% Corporate 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.

IWDC - Target Flexible Drawdown breakdown by asset class	10+ years to TRA	5 years to TRA	At TRA
Cash	0%	1%	2%
Bonds	60%	74%	89%
Government Bonds	44%	40%	36%
Corporate Bonds	16%	34%	53%
Listed Equities	69%	43%	17%
Private Equity	0%	0%	0%
Infrastructure	0%	0%	0%
Property	12%	8%	3%
Private Debt	0%	0%	0%
Other	15%	10%	4%
Cash	-57%	-36%	-14%
	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, 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

An in-depth review of the default investment arrangement strategy and performance is required by legislation at least every three years, or immediately following any significant change in investment policy or the membership profile. The most recent formal review was conducted in 2023 and covered the performance and strategy of the default investment arrangement, alternative Lifestyle arrangements, and the self-select fund range. The review considered the aim of the default strategy (to generate long-term growth in excess of inflation over members' working lifetimes), along with projected member outcomes, taking into account changes in the economic environment since the previous review.

Implementation of the review took place in September 2024. The UK Government Fixed-Interest Bond Fund invests in bonds issued by the UK government. The underlying bonds held within this were changed so that they have a shorter ‘duration’. This means it takes less time for the bond to be repaid and there is not likely to be as much movement in the bond’s price, both up and down, often referred to as ‘volatility’. This also reduced the expected volatility of members’ pots who invest in this fund as part of a Lifestyle strategy. The reduction in bond duration retains alignment with the aim of the default strategy.

The objectives of the UK Government Fixed-Interest Fund and the Target Annuity Lifestyle strategy were updated to support this change. The updated objective for the Target Annuity Lifestyle strategy specifies it is designed to help safeguard the value of fixed income that can be purchased by members, while also providing a degree of capital protection as members near retirement.

Lifestyle strategy names were also updated as a result of this review. This followed a market review and analysis of member feedback. This statement refers to the new names and the changes were as follows:

New name	Former name
Target Flexible Drawdown	Flexible Drawdown
Target Annuity	Annuity Purchase
Target Lump Sum	Full Cash Withdrawal

The Defined Contribution Committee (‘DCC’) was notified at the Committee meeting on 25th September 2024 that the project was complete.

Return on investments

During the Scheme year, the DCC monitored the performance of the investment funds offered. This included those comprising the default investment arrangement at each of its quarterly meetings on 18 March 2024, 12 June 2024, 25 September 2024 and 3 December 2024. In addition, member outcomes were considered, including how projected income in retirement compares to the Pensions UK living standards in retirement. No changes were made as a result of this.

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 to understand how their investments are performing, and to reflect performance through different market conditions:

Fund / Strategy	Return p.a. % to 31 December 2024		
	Since Inception (May 2013)	5 years	1 year
Long Term Growth Fund	6.9%	5.3%	7.4%
Global Equity Fund	9.6%	11.1%	20.2%
Deposit Fund	1.1%	2.1%	5.1%

Fund/ Strategy	Return p.a. % to 31 December 2024	
	Since Inception (May 2022)	1 year
Socially Responsible Equity Fund	13.0%	12.7%
Corporate Bond Fund	2.6%	3.0%
UK Government Fixed-Interest Bond Fund	-11.4%	-0.8%
UK Government Index-Linked Bond Fund	-22.8%	-17.8%

Fund/ Strategy	Return p.a. % to 31 December 2024		
	Since Inception (May 2013)	5 years	1 year
Default - the Flexible Drawdown Lifestyle strategy (members aged 25, 45 and 55 assuming a TRA of age 65)*	6.9%	5.3%	7.4%

**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. 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 2024, 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 %	TER %
Long Term Growth Fund	0.57	0.08	0.06	0.71
Global Equity Fund	0.34	N/A	N/A	0.34
Deposit Fund	0.35	N/A	N/A	0.35
Corporate Bond Fund	0.41	N/A	N/A	0.41
UK Government Fixed-Interest Bond Fund	0.32	N/A	N/A	0.32
UK Government Index-Linked Bond Fund	0.32	N/A	N/A	0.32
Socially Responsible Equity Fund	0.57	N/A	N/A	0.57

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. As such, not all the managers have been able to supply complete information by the date of signing this statement and where full coverage of all costs has not been achieved, estimates have been included. For 2024, only the Long Term Growth Fund held investments that incurred transaction costs.

DC fund	Average 2024 asset value £m	Transaction costs %	Cost info available %
Long Term Growth Fund	207.5	0.05	96
Global Equity Fund	29.5	N/A	100
Deposit Fund	4.9	N/A	100
Corporate Bond Fund	23.9	N/A	100
UK Government Fixed-Interest Bond Fund	13.6	N/A	100
UK Government Index-Linked Bond Fund	1.6	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 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 IWDC Section’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	0.57	0.06	0.05
5	62.5% Long Term Growth Fund 12.5% UK Government Fixed-Interest Bond Fund 25% Corporate Bond Fund	0.50	0.04	0.03
0	25% Long Term Growth Fund 25% UK Government Fixed-Interest Bond Fund 50% Corporate Bond Fund	0.43	0.02	0.01

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

The IWDC Section became an authorised master trust in August 2019. Regulation requires the Trustee to assess the extent to which the IWDC offers value for members.

Each year, the DCC on behalf of the Trustee undertakes a comprehensive assessment of the extent to which the IWDC Section offers good value for members. The 2023 assessment was supported by input from an external supplier, Redington. That assessment concluded that the service provided by Railpen offers ‘good’ value to members. A handful of meaningful

improvements were identified by Redington, which have been progressed over the Scheme year.

The latest assessment, carried out by the DCC in Q1 2025, covers the 2024 Scheme year. In December 2024, it was determined that the assessment for 2024 would be conducted internally.

The approach for this latest assessment aligned to the TPR guidance. It looked at 6 core themes across the whole service and concluded that overall, the IWDC Section offers ‘adequate’ value to members. The assessment awarded the following ratings:

- Investments - good;
- Administration - poor
- Communications - good
- Scheme Management - adequate
- Environmental, Social and Governance (ESG) - excellent
- Pre-retirement support - adequate

A service improvement plan is in place, which has a particular focus on the administration and governance areas. That plan includes a range of people, process and technology focused improvements. The DCC will be kept informed of progress through quarterly updates from the Benefits Business Unit.

Investment performance continues to be in line with expectations. Over the year, the duration of the bonds held within the UK Government Fixed-Interest Bond Fund was reduced, which was noted in last year’s report as something which would enhance value. The introduction of a Sharia Fund is still outstanding. Implementation is being explored but timelines have not yet been defined.

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

There is evidence that many aspects of service are working as they should. Member satisfaction remains good for active and preserved IWDC members at 82.8 out of 100, and the service levels that were being measured showed a marked improvement towards the end of the Scheme year.

IWDC Section communications continue to be improved. The digital offering was further strengthened in 2024. Members continue to show a propensity to use online services and many members have now registered for the website.

There is still work to do to improve member correspondence generated from the Administration system, but overall communications continue to make progress. In 2025, using the content standard framework developed in partnership with its communications adviser, Quietroom, Railpen will continue to review its most commonly used letters across its core process, including retirement and bereavements. Work is already underway to refresh the retirement form and quote.

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

During the year, Railpen identified and reported a range of issues across both DB and DC administration services to TPR. Those issues included case backlogs, process gaps, calculation and payment errors and record keeping issues. Some of these meant that disclosure regulations had been breached.

For a minority of members, some benefit statements were not issued within the required timescales and some disclosures relating to pension sharing orders were not met. Whilst the issues cross multiple areas, analysis to date has confirmed these matters impact a minority of transactions. Any impact to members is being carefully handled.

Detailed Service Level Agreement (SLA) reporting was not in place for the majority of the Scheme year. Improvements to better represent the member service were identified and enhancements were made throughout the year to achieve more representative data which represents our member-first vision.

The Trustee commissioned a programme of work during the year which is addressing the rectification matters and strengthening the controls.

To help govern the IWDC Section, the DC Working Group has now been superseded by a business-wide forum called the Defined Contribution Executive Committee, which meets quarterly in advance of the DCC. An internal Railpen forum, the DCEC is used to discuss IWDC-related issues, regulatory change, improvement initiatives and risk.

Given the issues arising during the year, additional oversight and governance improvements are also underway. More robust monitoring processes are being embedded to ensure that the quality and accuracy of processes and transactions can be evidenced. A service improvement plan has been initiated by the Benefits Business Unit to address administration and Scheme governance issues. The DCC will oversee the progress of this plan, receiving detailed updates at every meeting.



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.

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, who also meet at least quarterly. We are currently aligning our standard of reporting and improving the administration report produced for the IWDC Section.

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

Whilst matters were identified during the year which highlighted some control failings, these are considered minor, relative to the financial transactions processed. Core financial controls remain in place and therefore continue to assert that, for the majority of cases, core financial transactions were processed accurately and within a reasonable timeframe. The exception to this statement includes some pension sharing order cases and bereavement cases. As these matters have come to light, immediate priority and rectification work has taken place.

The core financial transactions performed by 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.

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.

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 the Scheme year, the following service level challenges were identified:

- A project to improve casework management was established in 2023 with the client reporting element starting in 2024. This entails a full end-to-end process review, including enhancements to client reporting.
- The reported SLAs have been under review for the majority of the Scheme Year, therefore alternative service activity reporting has been in place, as we gradually reintroduce SLA measures.

During the Scheme year, improvements to Scheme-wide client reporting included:

- Enhanced management information on member feedback, including complaint data;
- Improved executive summary, which highlights key member challenges, opportunities and areas of focus within Administration;
- Additional insights and actions to highlight how the data is supporting member improvements; and
- New ‘member-first’ measures were introduced, which aim to measure what is important to members, taking their perspective. This included members paid on their selected date and new members registering for the online portal - both key to engagement and supporting member outcomes.

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. These induction meetings are facilitated by Subject Matter Experts (SMEs) and provide an overview of areas considered to be appropriate for new Trustee Directors. For new Trustee Directors appointed in 2024, the induction programme has been followed.

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, as well as TKU training, provided by Railpen. This 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 2024.

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.

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

- Trustee Strategy
- TPR’s General Code of Practice (including a series of summary videos)
- Understanding the Trustee’s priorities for open DB sections
- TPR’s DB Funding Code of Practice
- Buy in & buy out for DB sections
- Training on alternative endgames for DB sections
- Achieving good governance and Committee effectiveness
- Pensions taxation

In addition, a training session led by one of the Trustee’s professional advisors was provided, which focused on the investment modelling used within the DC investment strategy review.

These topics were identified as appropriate training based on the 2024 training requirements and skills analysis review, or were requested on an ad-hoc basis by the Trustee.

The Trustee Board is made up of 16 Trustee Directors who each possess individual skills and experience that are relevant to the role of Trustee of a Master Trust, like the IWDC 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. 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 IWDC 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 (including those appointed during the Scheme year) 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 2023, two casual vacancies arose on the Board, which resulted in two nomination processes taking place in late 2023 in accordance with the governing documents of the Trustee’s parent company, 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 and Richard Jolly was appointed to the Trustee Board in January 2024, following the completion of all appropriate ‘fit and proper person’ checks.
- 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. There was one nomination and Iain Anderson was appointed to the Trustee Board in March 2024, following the completion of all appropriate ‘fit and proper person’ checks.
- Two existing Trustee Directors (David Gott and Richard Murray) were also reappointed to the Board for a further term of office in July 2024, in line with the relevant procedures for appointment of Employee and Employer Directors set out in the RHL Articles of Association, including a ballot of the Passenger TOCs Electoral Group.
- All four Trustee Directors appointed or re-appointed in 2024 are non-affiliated Trustee Directors.

Trustee Director Appointment processes are run in accordance with the Articles of Association, whereby all members of the relevant nominating groups are given the opportunity to nominate candidates. If there is more than one candidate nominated, then a ballot process is completed. The Employee Director Appointment Procedure is consistent with the requirements of the Pension Act 2004 for the nomination and selection of Member Nominated Directors.

The Trustee Board has been kept informed of developments relating to 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 the 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. 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 the newsletter and 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-promotor and effort score, as well as provide verbatim comments. The results in 2024 were our second highest ever (with 2022 being the highest). IWDC members gave us an overall satisfaction score of 82.8, 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 provides multiple channels and media through which members may contact the Scheme, in line with its 3-year 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, particularly in response to key communications or Scheme events.

Christine Kernoghan, Trustee Chair
27 March 2025

- 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 (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.

Responsibilities and Process

- 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 creditworthiness;
- 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 policymakers, 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 options:

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

The 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 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;
- 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 arrangement

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

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 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	£21,524	£21,385	£21,524	£21,444	£20,858	£20,779	£20,906	£20,834	£20,668	£20,606	£21,524	£21,410	£20,716	£20,644
3	£28,666	£28,159	£28,666	£28,373	£26,293	£26,018	£26,457	£26,207	£25,641	£25,429	£28,666	£28,248	£25,803	£25,557
5	£36,521	£35,508	£36,521	£35,935	£31,887	£31,367	£32,200	£31,725	£30,662	£30,267	£36,521	£35,687	£30,964	£30,506
10	£59,768	£56,734	£59,768	£58,003	£46,605	£45,243	£47,436	£46,179	£43,432	£42,435	£59,768	£57,263	£44,203	£43,036
15	£89,266	£82,766	£89,266	£85,461	£62,432	£59,866	£64,018	£61,625	£56,515	£54,704	£89,266	£83,885	£57,933	£55,794
20	£126,695	£114,691	£126,695	£119,628	£79,451	£75,275	£82,065	£78,130	£69,921	£67,076	£126,695	£116,733	£72,172	£68,783
25	£174,189	£153,843	£174,189	£162,141	£97,753	£91,513	£101,706	£95,769	£83,657	£79,550	£174,189	£157,263	£86,940	£82,009
30	£234,453	£201,859	£234,453	£215,039	£117,434	£108,625	£123,082	£114,619	£97,732	£92,128	£234,453	£207,273	£102,256	£95,475
35	£310,921	£260,744	£310,921	£280,861	£138,597	£126,657	£146,346	£134,762	£112,153	£104,810	£310,921	£268,978	£118,141	£109,186
40	£407,950	£332,961	£407,950	£362,762	£161,355	£145,660	£171,664	£156,288	£126,929	£117,598	£407,950	£345,113	£134,616	£123,147
45	£531,070	£421,526	£531,070	£464,670	£185,828	£165,686	£199,220	£179,292	£142,069	£130,492	£531,070	£439,055	£151,702	£137,361

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 £18,200, monthly contributing £200, and a TRA of 65.
- 2. Member age 40, with a starting pot size of £18,200, monthly contributions £200, and a TRA of 65.
- 3. Member age 20, with a starting pot size of £0, monthly contributions £200, and a TRA of 65.

Years	1. Flexible Drawdown Lifestyle Strategy	
	Before all costs and charges	After all costs and charges
1	£21,524	£21,385
3	£28,666	£28,159
5	£36,521	£35,508
10	£59,768	£56,734
15	£89,266	£82,766
20	£126,695	£114,691
25	£174,189	£153,843
30	£234,453	£201,859
35	£310,921	£260,744
40	£396,620	£324,541
45	£473,280	£379,692

Years	2. Flexible Drawdown Lifestyle Strategy	
	Before all costs and charges	After all costs and charges
1	£21,524	£21,385
3	£28,666	£28,159
5	£36,521	£35,508
10	£59,768	£56,734
15	£89,266	£82,766
20	£123,253	£111,857
25	£155,864	£139,112

Years	3. Flexible Drawdown Lifestyle Strategy	
	Before all costs and charges	After all costs and charges
1	£2,436	£2,427
3	£7,670	£7,588
5	£13,427	£13,188
10	£30,464	£29,361
15	£52,083	£49,196
20	£79,514	£73,521
25	£114,322	£103,353
30	£158,488	£139,938
35	£214,531	£184,806
40	£277,742	£233,795
45	£335,247	£277,044

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 used is £18,200, 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 £200 pm, increasing at 2.5% pa each year until Target Retirement Age (TRA).
- 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 (costs and charges shown in brackets):
 - Long Term Growth Fund: 7.50% (0.73%)
 - Global Equity Fund: 7.50% (0.42%)
 - Corporate Bond Fund: 4.00% (0.42%)
 - UK Government Fixed-Interest Bond Fund: 4.25% (0.38%)
 - UK Government Index-Linked Bond Fund: 3.00% (0.33%)

- Socially Responsible Equity Fund: 7.50% (0.60%)
- Deposit Fund 3.25% (0.38%)
- 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. Values shown are estimates and are not guaranteed.

Appendix C

Pooled Fund accounts (not forming part of the Audited Financial Statements)



This appendix represents a consolidated summary of the Annual Report and extracts derived from non-statutory accounts of the pooled funds of the railways pension schemes for the year ended 31 December 2024. 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’) (revised 2018).

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’s financial statements.

The total valuation of the pooled assets as at 31 December 2024 was £34,401m (2023: £34,564m).

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 116 summarises the investments of each of these pooled funds as at 31 December 2024. The notes on pages 122 to 144 analyse the total pooled assets of £34,401m 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 124, and the unit prices can be found on page 123.

Railpen’s trading with the Trustee Company is conducted on a Mutual basis (the ‘Mutual’) in accordance with a Mutual Agreement. Surpluses or deficits from Mutual trading do not form part of Railpen’s reserves and are shown as a separate Mutual fund on the company’s balance sheet, with an equal and opposite asset or liability reported in the pooled fund accounts (see Note 1.19), with interest applied at an agreed rate. The Mutual Committee exists to ensure the interests of the Trustee Company in the Mutual business are protected.

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'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 cashflows and discount back to valuation date.

- 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 includes 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 limited 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.

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
- 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
- Two Six Four Limited

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 2024

	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	10,605	2,269	-	-	3,926	61	(401)	1,387	95	(63)	2,376	20,255
Private Equity	1	-	-	-	1,266	-	-	378	1	(1)	-	1,645
Property	-	-	-	2,169	-	-	-	203	48	(44)	-	2,376
Illiquid Growth	542	-	-	-	2,624	-	-	383	-	(3)	-	3,546
Defined Contribution	-	-	-	-	601	-	-	172	3	(2)	1,143	1,917
Government Bond	-	-	-	-	-	-	-	1	-	-	-	1
Long Term Income	211	100	-	289	272	-	-	92	11	(7)	-	968
Passive Equity	-	-	-	-	152	-	-	-	-	-	-	152
Short Duration Index Linked Bond	-	-	1,286	-	-	-	-	4	1	-	-	1,291
Global Equity	-	-	-	-	337	-	-	-	-	-	-	337
Non-Government Bond	-	649	-	-	-	1	(15)	24	8	(1)	-	666
Long Duration Index Linked Bond	-	-	3,218	-	-	-	-	12	3	(1)	-	3,232
Infrastructure	-	-	-	-	-	-	-	9	-	-	-	9
Cash	-	-	-	-	-	-	-	67	-	-	-	67
Matching	-	-	-	-	1,455	-	-	4	-	(1)	-	1,458
Cross holdings	-	-	-	-	-	-	-	-	-	-	(3,519)	(3,519)
Total	11,359	3,018	4,504	2,458	10,633	62	(416)	2,736	170	(123)	-	34,401
%	33.03%	8.77%	13.09%	7.15%	30.91%	0.18%	(1.21%)	7.95%	0.49%	(0.36%)	0.00%	100.00%

The accounting policies on pages 114 to 115 and the notes on pages 122 to 144 form part of these non-statutory financial statements.



Fund statement as at 31 December 2024

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	-	2,376	-	-	2,376
Defined Contribution	1,036	-	94	13	1,143
Total	1,036	2,376	94	13	3,519

The accounting policies on pages 114 to 115 and the notes on pages 122 to 144 form part of these non-statutory financial statements.

Fund statement as at 31 December 2024

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	22,668	54	(4,174)	378	1,329	-	20,255
Private Equity	1,808	-	(228)	17	48	-	1,645
Property	2,290	-	-	74	12	-	2,376
Illiquid Growth	3,431	-	-	3	112	-	3,546
Defined Contribution	1,838	344	(394)	7	122	-	1,917
Government Bond	268	-	(267)	2	(2)	-	1
Long Term Income	1,279	-	(45)*	21	(287)	-	968
Passive Equity	261	-	(155)	-	46	-	152
Short Duration Index Linked Bond	352	951	(5)	2	(9)	-	1,291
Global Equity	548	-	(270)	1	58	-	337
Non-Government Bond	446	282	(76)	22	(8)	-	666
Long Duration Index Linked Bond	2,690	1,658	(506)	10	(620)	-	3,232
Infrastructure	15	-	(8)	1	1	-	9
Cash	46	88	(70)	3	-	-	67
Matching	6	1,678	-	(1)	(225)	-	1,458
Cross holdings	(3,382)	-	-	-	-	(137)	(3,519)
Total	34,564	5,055	(6,198)	540	577	(137)	34,401

*Redemption was to facilitate a bulk insurance transaction for 2 sections.

The accounting policies on pages 114 to 115 and the notes on pages 122 to 144 form part of these non-statutory financial statements.

Approved on behalf of the Trustee Company on 26 June 2025.

Christine Kernoghan
Chair, Trustee Company

Richard Goldson
Director and Chair, Audit and Risk Committee



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	-	-	-	-	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 114 to 115 and the notes on pages 122 to 144 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 Bond	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 114 to 115 and the notes on pages 122 to 144 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 as at 31 December 2023
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	-	6	-	-	-	-	6
Cross holdings	(3,321)	-	-	-	-	(61)	(3,382)
Total	33,584	1,986	(2,748)	597	1,206	(61)	34,564

The accounting policies on pages 114 to 115 and the notes on pages 122 to 144 form part of these non-statutory financial statements.



Consolidated notes to the Fund Statement

1.1 Fund statement as at 31 December 2024

Assets	Notes	2024 £m	2023 £m
Equities		11,359	14,772
Fixed interest securities		3,018	2,057
Index linked securities		4,504	3,031
Pooled investment vehicles	1.5	10,942	9,509
UK property		2,458	2,390
Derivative contracts			
Futures - exchange traded	1.6	19	265
FX contracts - OTC	1.6	43	186
Other assets			
Other investment assets	1.7	134	134
Current assets	1.8	36	26
Cash deposits and cash instruments	1.9	2,736	2,359
Total assets		35,249	34,729

Liabilities	Notes	2024 £m	2023 £m
Pooled investments vehicle liabilities	1.5	(309)	-
Derivative contracts			
Futures - exchange traded	1.6	(193)	(4)
FX contracts - OTC	1.6	(223)	(2)
Other liabilities			
Other investment liabilities	1.10	(6)	(45)
Current liabilities	1.11	(117)	(114)
Total liabilities		(848)	(165)
Net assets attributable to unit holders		34,401	34,564

1.2 Pooled fund unit prices as at 31 December 2024

	2024 £/unit	2023 £/unit
Growth Pooled Fund	27.39	25.40
Property Pooled Fund	111.56	107.53
Illiquid Growth Pooled Fund	26.32	25.47
Government Bond Pooled Fund	13.22	13.11
Long Term Income Pooled Fund	5.86	7.38
Passive Equity Pooled Fund	36.35	30.20
Short Duration Index Linked Bond Pooled Fund	11.18	11.28
Global Equity Pooled Fund	164.78	144.88
Non Government Bond Pooled Fund	15.98	15.51
Long Duration Index Linked Bond Pooled Fund	51.08	62.05
Infrastructure Pooled Fund	36.29	32.65
Cash Pooled Fund	11.50	10.92
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	10.44	8.30
Private Equity Pooled Fund 2001	19.77	19.91
Private Equity Pooled Fund 2004	25.81	27.60
Private Equity Pooled Fund 2005	42.66	40.44
Private Equity Pooled Fund 2007	57.20	54.67
Private Equity Pooled Fund 2009	57.45	52.33
Private Equity Pooled Fund 2011	60.77	59.33
Private Equity Pooled Fund 2013	56.95	55.78

	2024 £/unit	2023 £/unit
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	22.14	20.56
DC Global Equity Fund	30.02	24.97
DC Deposit Fund	11.34	10.80
DC Corporate Bond Fund	10.82	10.51
DC UK Government Fixed Interest Bond Fund	7.12	7.18
DC UK Government Index Linked Bond Fund	5.29	6.43
DC Socially Responsible Equity Fund	12.86	11.41
Matching Pooled Fund		
Matching Short Maturing Pooled Fund	8.61	10.83
Matching Long Maturing Pooled Fund*	8.84	-

* The Fund launched on 16 February 2024, and therefore no comparative has been disclosed.

1.3 Value of the pooled funds

	2024 £m	2023 £m
Growth Pooled Fund	20,255	22,668
Private Equity Pooled Fund*	1,645	1,808
Property Pooled Fund	2,376	2,290
Illiquid Growth Pooled Fund	3,546	3,431
Defined Contribution Pooled Fund*	1,917	1,838
Government Bond Pooled Fund**	1	268
Long Term Income Pooled Fund	968	1,279
Passive Equity Pooled Fund	152	261
Short Duration Index Linked Bond Pooled Fund	1,291	352
Global Equity Pooled Fund	337	548
Non Government Bond Pooled Fund	666	446
Long Duration Index Linked Bond Pooled Fund	3,232	2,690
Infrastructure Pooled Fund	9	15
Cash Pooled Fund	67	46
Matching Pooled Fund*	1,458	6
Cross holdings		
Growth Pooled Fund	(1,036)	(994)
Property Pooled Fund	(2,376)	(2,290)
Non Government Bond Pooled Fund	(94)	(82)
Long Duration Index Linked Bond Pooled Fund	(13)	(16)
Net assets attributable to unit holders	34,401	34,564

*See breakdown into pooled fund segments in the following table.
**The intention of the Trustee is to wind up the fund within the next 12 months.

	2024 £m	2023 £m
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	2	1
Private Equity Pooled Fund 2001	5	5
Private Equity Pooled Fund 2004	4	5
Private Equity Pooled Fund 2005	18	23
Private Equity Pooled Fund 2007	530	507
Private Equity Pooled Fund 2009	161	154
Private Equity Pooled Fund 2011	550	674
Private Equity Pooled Fund 2013	375	439
	1,645	1,808
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	1,039	995
DC Global Equity Fund	271	228
DC Deposit Fund	167	206
DC Corporate Bond Pooled Fund	95	82
DC UK Government Fixed Interest Bond Fund	325	307
DC UK Government Index Linked Bond Fund	13	16
DC Socially Responsible Equity Pooled Fund	7	4
	1,917	1,838
Matching Pooled Fund		
Matching Short Maturing Pooled Fund	1,157	6
Matching Long Maturing Pooled Fund	301	-
	1,458	6

1.4 Investment income

	2024 £m	2023 £m
Dividends from equities	254	336
Income from fixed interest securities	154	51
Income from index linked securities	19	164
Income from pooled investment vehicles	99	63
Income from securities lending	3	4
Income from UK property	109	88
Interest from cash deposits	75	56
Other income	1	2
	714	764
Irrecoverable withholding tax	(37)	(53)
Total income	677	711
Administration, custody and other expenses	(51)	(46)
Investment admin fees - base	(1)	(1)
Investment management fees - base	(5)	(4)
Railpen fees	(80)	(63)
	(137)	(114)
Reinvested net income (accrued in unit prices)	540	597

1.5 Pooled investment vehicles

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

	2024 £m	2023 £m
Bonds	346	325
Equity	808	1,081
Healthcare royalties	698	629
Hedge funds	632	703
Infrastructure	239	202
Insurance-linked securities	1,341	1,181
Liability-driven investment	1,455	-
Other	106	42
Private debt	1,398	1,605
Private equity	3,768	3,656
Property	151	85
	10,942	9,509
Pooled Investment Vehicles - liabilities		
Property liability	(309)	-
Net Pooled Investment Vehicles	10,633	9,509

1.5 Pooled investment vehicles *continued*

The table below provides a breakdown of the constituents of the Liability-driven investment.

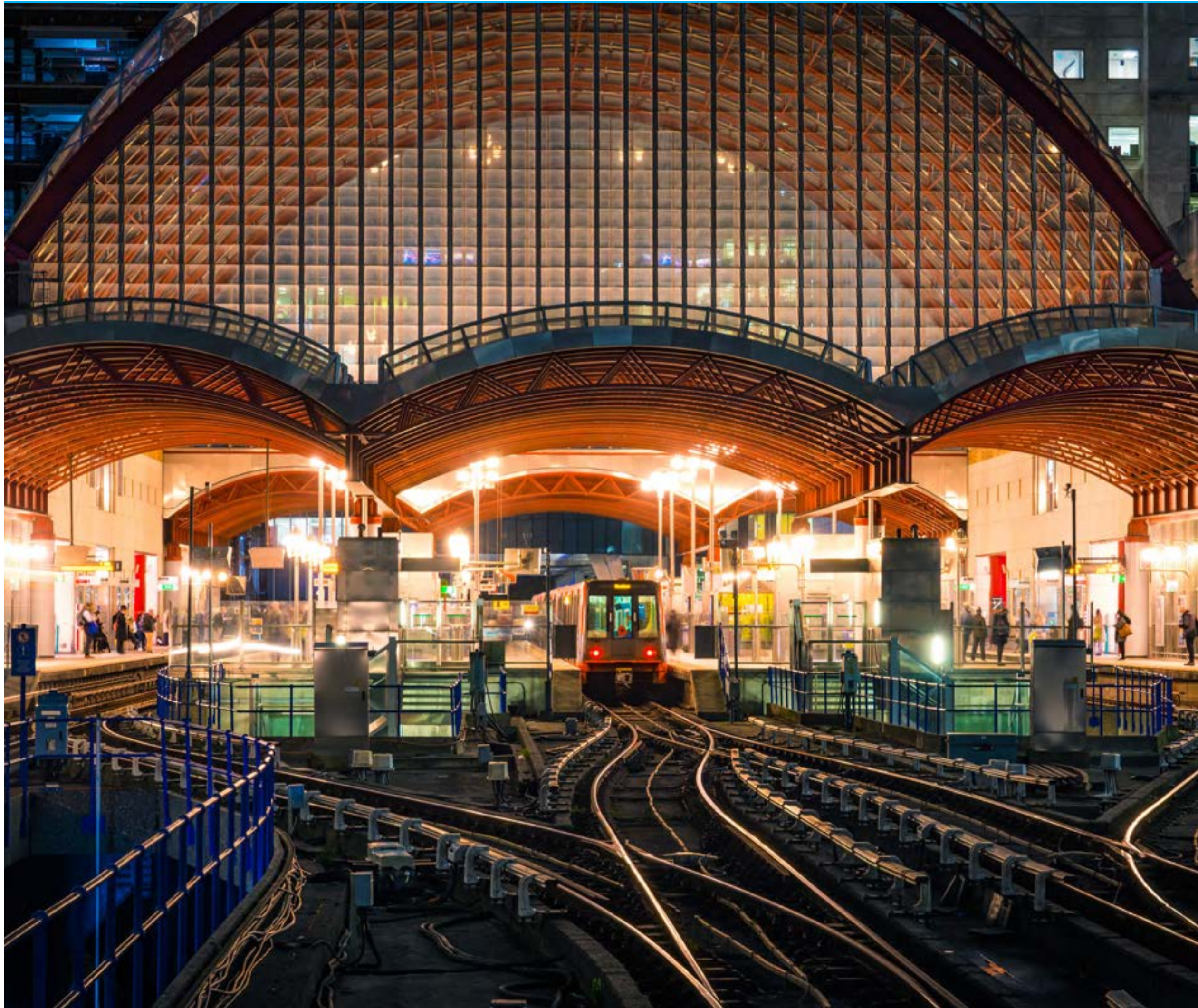
	2024 £m	2023 £m
Bonds	-	6*
Liquidity funds	277	-
Short Maturing Sole Investor Liability-driven investment	918	-
Long Maturing Sole Investor Liability-driven investment	260	-
	1,455	6

* For 2023 year-end all investment held in Short Maturing Sole Investor liability-driven investment was disclosed in the bond category.

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. Over the course of 2024 more buildings have been assessed for fire safety and cost estimates have been completed.

As at 31 December 2024, the cost estimate has increased to £363.5m (2023:£134.5m). The remediation cost estimates have been prepared by Railpen with the assistance of an external consultant following assessment of the buildings across the portfolio. Estimates are refined as the remediation process is undertaken, including the following key milestones: initial assessment, on site survey, contractor tender process and remediation work. The estimated costs include building remediation work and secondary costs such as legal, insurance and alternative accommodation for tenants. 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.



1.5 Pooled investment vehicles *continued*

The government has created the Building Safety Fund and the Cladding Safety Scheme, which are accepting applications to support the costs of remedial works for certain buildings. Significant activity supporting the recovery of expected costs is ongoing. As at 31 December 2024 LTIF has been granted £15.5m from the Building Safety Fund and £0.8m from the Cladding Safety Scheme. As at the signing date of these financial statements, of the £15.5m an amount of £3m remains to be paid to LTIF from the Building Safety Fund with a further £1.3m agreed subsequent to year end in the first half of 2025 from the Cladding Safety Scheme.

CBRE is a commercial real estate firm appointed to value our ground rents portfolio. It 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 included a material valuation uncertainty declaration in their opinion.

An additional discount has been applied to the CBRE valuation by Railpen in light of the King's Speech from November 2023 and the Leasehold and Freehold Reform Act 2024 passed at the conclusion of the previous parliament in May 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. CBRE valuation includes a material uncertainty clause relating to the impacts of the reform and have reflected that in their valuation. Management have made a judgment to further reduce the CBRE valuation by £3.1m (2023: £10.9m). This is reflected in the valuation of the Long Term Income Pooled Fund as at 31 December 2024.

As a result of the uncertainty detailed above the Long Term Income Pooled Fund is currently closed to normal trading.

The pooled funds are the sole investor in 32 (2023: 28) pooled investment vehicles included within the above analysis. The assets underlying these sole investor pooled investment vehicles are:

	2024 £m	2023 £m
Pooled Investment Vehicles - assets		
Bonds	-	6
Equity	423	490
Insurance-linked securities	1,341	1,181
Liability-driven investment	1,455	-
Private equity	886	487
Private debt	696	731
Property	-	(69)
Other	106	41
	4,907	2,867
Pooled Investment Vehicles - liabilities		
Property liability	(309)	-
Net Pooled Investment Vehicles	4,598	2,867

1.5 Pooled investment vehicles *continued*

A breakdown has been provided below of the underlying funds of the Liability-driven investment.

Sole Investor	2024 £m	2023 £m
Short Maturing Sole Investor Liability-driven investment Bonds	942	6
Pooled investment vehicles	237	-
Derivatives	(63)	-
Repurchase agreements	(1,565)	-
Reverse repurchase agreements	1,502	-
Cash held in liquidity funds	38	-
Cash at bank	64	-
	1,155	6

Long Maturing Sole Investor Liability-driven investment Bonds	271	-
Pooled investment vehicles	40	-
Derivatives	(14)	-
Repurchase agreements	(406)	-
Reverse repurchase agreements	386	-
Cash held in liquidity funds	4	-
Cash at bank	19	-
	300	-
	1,455	6



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
Euro Bobl	Mar 2025	(105)	1	-
Euro Bund	Mar 2025	(78)	2	-
Euro Buxl	Mar 2025	(9)	1	-
Euro Schatz	Mar 2025	(110)	-	-
FTSE 100 Index	Mar 2025	377	-	(6)
Japanese TOPIX Index	Mar 2025	678	11	-
Long Gilt	Mar 2025	(77)	2	-
MSCI EM Mini Index	Mar 2025	582	-	(21)
S&P 500 E-mini	Mar 2025	1,577	-	(44)
US 10 Year Note	Mar 2025	98	-	(1)
US 10 Year Note	Mar 2025	5,408	-	(53)
US 10 Year Ultra T Note	Mar 2025	115	-	(2)
US 10 Year Ultra T Note	Mar 2025	3,543	-	(61)
US 30 Year T-Bond	Mar 2025	18	-	(1)
US 5 Year Note	Mar 2025	493	-	(4)
US Ultra T Bond	Mar 2025	(33)	2	-
		12,477	19	(193)

Included within cash balances is £521m (2023: £nil) in respect of initial and variation margins deposited with brokers regarding open futures contracts at the year end. Included within other investment liabilities is £2m (2023: £42m), 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				
Euro/Sterling	Jan 2025	(740)	751	11
Sterling/US Dollar	Jan 2025 - Feb 2025	(1,024)	1,056	32
Sterling/Euro	Jan 2025	(1)	1	-
Euro/US Dollar	Jan 2025	(7)	7	-
				43
Liabilities				
US Dollar/Sterling	Jan 2025 - Mar 2025	(6,327)	6,106	(221)
US Dollar/Euro	Jan 2025	(57)	55	(2)
Sterling/Euro	Jan 2025	(3)	3	-
Euro/Sterling	Jan 2025	(1)	1	-
Sterling/US Dollar	Jan 2025 - Mar 2025	(540)	540	-
				(223)

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 £137m (2023: £nil) cash in respect of collateral at the year end. Cash collateral deposited by counterparties with the Trustee in respect of FX contracts at the year-end date amounted to £nil (2023: £166m). Collateral received in this way is not reported within the Pooled Fund’s net assets.

1.7 Other investment assets

	2024 £m	2023 £m
Investment income accrued	59	54
Recoverable tax	53	56
Rent receivable	22	24
	134	134

1.8 Current assets

	2024 £m	2023 £m
Asset in respect of unit trades	3	-
Other debtors	2	1
Trade debtors	31	25
	36	26

1.9 Cash deposits and cash instruments

	2024 £m	2023 £m
Cash held in liquidity funds	1,297	1,722
Cash held at brokers in respect of futures margin	521	-
Cash at bank	918	637
Total cash deposits and cash instruments	2,736	2,359

1.10 Other investment liabilities

	2024 £m	2023 £m
Tax payable	4	3
Variation margin payable	2	42
	6	45

1.11 Current liabilities

	2024 £m	2023 £m
Accrued management fees and expenses	35	23
Liability in respect of unit trades	2	2
Property income received in advance	25	22
Tax	2	-
Trade creditors	44	66
Other creditors	9	1
	117	114

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 shares held in companies that are sponsoring employers of the Railways Pension Scheme, are not included in the lending programme.

At 31 December 2024, the market valuation of securities that had been lent in the market was £2,896m (2023: £2,654m).

Collateral held in respect of the securities on loan at 31 December 2024 had a total value of £3,146m (2023: £2,893m).

1.13 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2023	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2024
	£m	£m	£m	£m	£m
Directly held assets					
Equities	14,772	3,363	(7,986)	1,210	11,359
Fixed interest securities	2,057	2,671	(1,711)	1	3,018
Index linked securities	3,031	2,800	(698)	(629)	4,504
Pooled investment vehicles	9,509	2,945	(1,995)	174	10,633
UK property	2,390	76	(15)	7	2,458
	31,759	11,855	(12,405)	763	31,972
Derivatives					
Futures	261	697	(827)	(305)	(174)
FX contracts	184	89,800	(90,105)	(59)	(180)
	445	90,497	(90,932)	(364)	(354)
Cross holdings	3,382	106	(130)	161	3,519
Other					
Cash and current assets	2,360	19,211	(19,631)	17	2,783
Cross holdings	(3,382)				(3,519)
Net assets	34,564			577	34,401

1.14 Transaction costs

Included within the pooled funds’ purchases and sales in Note 1.13 are direct transaction costs of £7m (2023: £10m) 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 (2023: £nil), relating to legal and due diligence fees.

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

Year to 31 December 2024	Fees	Commission	Stamp duty land tax	Legal and other	Total
	£m	£m	£m	£m	£m
Equities	3	3	-	-	6
UK property	-	-	1	-	1
	3	3	1	-	7

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

Transaction costs are also borne by the Pooled Fund 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).

The pooled funds’ investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	10,329	-	1,030	11,359
Fixed interest securities	87	2,864	67	3,018
Index linked securities	4,030	474	-	4,504
Pooled investment vehicles	28	3,269	7,336	10,633
UK property	-	-	2,458	2,458
Derivatives				
Futures	(174)	-	-	(174)
FX contracts	(180)	-	-	(180)
Other				
Cash and current assets	2,783	-	-	2,783
	16,903	6,607	10,891	34,401

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	16	2,079	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
	19,938	3,728	10,898	34,564

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	2024 £m	2023 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Equities	11,359	14,772	●	●	●	●
Fixed interest securities	3,018	2,057	●	●	●	●
Index linked securities	4,504	3,031	●	●	●	●
UK Property	2,458	2,390	●	●	●	●
Pooled investment vehicles*	10,633	9,509	●	●	●	●
Futures	(174)	261	●	●	●	●
FX contracts	(180)	184	●	●	●	●
Cash and cash equivalents	2,783	2,360	●	●	●	●
	34,401	34,564	●	●	●	●

*For pooled investment vehicles, credit risk and currency risk are 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	2024 £m	2023 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Growth Pooled Fund	20,255	22,668	●	●	●	●
Private Equity Pooled Fund	1,645	1,808	●	●	●	●
Property Pooled Fund	2,376	2,290	●	●	●	●
Illiquid Growth Pooled Fund	3,546	3,431	●	●	●	●
Defined Contribution Pooled Fund	1,917	1,838	●	●	●	●
Government Bond Pooled Fund	1	268	●	●	●	●
Long Term Income Pooled Fund	968	1,279	●	●	●	●
Passive Equity Pooled Fund	152	261	●	●	●	●
Short Duration Index Linked Bond Pooled Fund	1,291	352	●	●	●	●
Global Equity Pooled Fund	337	548	●	●	●	●
Non Government Bond Pooled Fund	666	446	●	●	●	●
Long Duration Index Linked Bond Pooled Fund	3,232	2,690	●	●	●	●
Infrastructure Pooled Fund	9	15	●	●	●	●
Cash Pooled Fund	67	46	●	●	●	●
Matching Pooled Fund	1,458	6	●	●	●	●
Cross holdings*	(3,519)	(3,382)				
	34,401	34,564	●	●	●	●

- 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 held on money market funds 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:

	2024 £m	2023 £m
RPIL*	20,222	22,267
Legal & General Investment Management	2,588	1,349
Neuberger Berman	2,243	1,275
Nephila Capital Ltd	1,316	1,134
HealthCare Royalty Partners	767	629
Insight Investment	665	445
Aspect Capital Ltd	623	689
Horsley Bridge Partners	325	358
Sequoia Capital	308	330
Oaktree Capital Management	306	2
Christofferson, Robb & Company LLC	304	299
Amplo	271	252
Generate Capital	253	237
Avenue Capital Group	239	386
Presidio Investors	223	183
Riverside	219	213
Intermediate Capital Group	213	230

	2024 £m	2023 £m
Constellation	206	167
Motive Partners	201	207
The Cranemere Group	201	172
LocalGlobe	159	179
Macquarie	157	166
OneFamily	156	163
Long Harbour Limited	151	153
Greencoat Capital LLP	136	150
Orion Energy Partners	123	123
Varde	121	139
Columbia Capital	119	324
Innisfree Limited	101	112
Westbridge Capital Partners	87	112
Astra Capital	83	71
Carried forward	33,086	32,516

1.17 Investment managers during the year *continued*

	2024 £m	2023 £m
Brought forward	33,086	32,516
Soundcore Capital Partners	80	104
Private Advisors	79	76
Accel Partners	72	75
Blossom Capital	68	57
White Oak	64	59
Broad Sky Partners	63	68
Waystone Management (UK)	57	41
Bain Capital	43	48
Dalmore Capital Limited	43	45
Horsley Bridge	41	44
Limerston Capital Partners	36	38
Highland Capital Partners	33	41
Index Ventures	31	44
Pensions Infrastructure Platform	31	37
Andreessen Horowitz	30	26
Amaranthine Partners LLC	29	21
Schroder Adveq	29	17
Great Hill Partners	28	38
Greenbelt	28	-
WP Global Partners	28	65
Credit Suisse ILS Limited	24	43
Duke Street	24	27

	2024 £m	2023 £m
Khosla Ventures	24	32
General Atlantic	20	20
Thoma Bravo	20	23
Bessemer Venture Partners	19	24
Venor Capital Management	19	40
Cinven	18	18
KPS Capital Partners	18	17
Morningside Ventures	16	34
Palatine	16	17
Charlesbank Capital Partners	14	16
Clearsight Investments	13	15
Anacap Financial Partners	12	13
Two Roads Partners	12	-
Apax Partners	11	14
Balderton Capital	11	12
Scale Venture Partners	11	17
ClearVue Partners	10	14
General Catalyst	10	12
HarbourVest Partners	10	12
Triton Partners	10	7
Peak Rock Capital	9	9
	34,350	33,896

1.17 Investment managers during the year *continued*

	2024 £m	2023 £m
Brought forward	33,086	32,516
Soundcore Capital Partners	80	104
Private Advisors	79	76
Accel Partners	72	75
Blossom Capital	68	57
White Oak	64	59
Broad Sky Partners	63	68
Waystone Management (UK)	57	41
Bain Capital	43	48
Dalmore Capital Limited	43	45
Horsley Bridge	41	44
Limerston Capital Partners	36	38
Highland Capital Partners	33	41
Index Ventures	31	44
Pensions Infrastructure Platform	31	37
Andreessen Horowitz	30	26
Amaranthine Partners LLC	29	21
Schroder Adveq	29	17
Great Hill Partners	28	38
Greenbelt	28	-
WP Global Partners	28	65
Credit Suisse ILS Limited	24	43
Duke Street	24	27

	2024 £m	2023 £m
Khosla Ventures	24	32
General Atlantic	20	20
Thoma Bravo	20	23
Bessemer Venture Partners	19	24
Venor Capital Management	19	40
Cinven	18	18
KPS Capital Partners	18	17
Morningside Ventures	16	34
Palatine	16	17
Charlesbank Capital Partners	14	16
Clearsight Investments	13	15
Anacap Financial Partners	12	13
Two Roads Partners	12	-
Apax Partners	11	14
Balderton Capital	11	12
Scale Venture Partners	11	17
ClearVue Partners	10	14
General Catalyst	10	12
HarbourVest Partners	10	12
Triton Partners	10	7
Peak Rock Capital	9	9
	34,350	33,896

1.17 Investment managers during the year *continued*

	2024 £m	2023 £m
Brought forward	34,350	33,896
Hony Capital	8	9
Innovation Works	6	9
Institutional Venture Partners	6	7
Navis Capital Partners	6	5
Keylane	5	-
Berkshire Partners	4	9
Southern Cross Group	4	5
Pantheon Ventures	3	5
Adams Street Partners	2	13
Warburg Pincus	2	1
Aberdeen Asset Management	1	7
Abry Partners	1	1
Blackstone Alternative Asset Management	1	5
CVC Capital	1	-
Domain Partners	1	3
AQR Capital Management	-	1
Archer Capital	-	2
Baillie Gifford	-	584
Northern Trust	-	1
Standard Life Investments	-	1
Carried forward	34,401	34,564

*Included in this balance is cash invested in Liquidity Funds totalling £1,260m (2023: £1,680m).



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:

	2024 %	2023 %
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 up to 5 Years from 12 September 2024, previously 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 4%)
Government Bond	FTSE World Government Bond Index (WGBI) 3-7 years GBP
Passive Equity	FTSE World Developed Markets GBP Hedged
Long Term Income	UK Consumer Price Index plus 1% from 1 May 2021 (previously UK Retail Price Index)
Short Duration Index Linked Bond	Bloomberg Barclays UK Gilts Index Linked 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	Custom Railpen Short Maturing Index
Matching Long Maturing	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 2024	Comparator 2024	Actual last 5 years	Comparator last 5 years
	(%)	(%)	(%)	(%)
Growth Pooled Fund	7.5	6.7	5.4	9.1
Private Equity Pooled Fund	3.7	19.5	10.4	11.3
Property Pooled Fund	3.7	6.7	2.6	9.1
Illiquid Growth Pooled Fund	2.2	8.7	11.6	10.6
Government Bond Pooled Fund	0.8	0.1	(0.6)	(1.0)
Long Term Income Pooled Fund	(20.6)	3.6	(7.3)	5.7
Passive Equity Pooled Fund	20.4	20.5	11.2	11.0
Short Duration Index Linked Bond Pooled Fund	(0.9)	(0.3)	1.7	1.5
Global Equity Pooled Fund	13.6	12.8	8.4	7.9
Non-Government Bond Pooled Fund	3.0	3.3	0.2	0.1
Long Duration Index Linked Bond Pooled Fund	(17.7)	(15.2)	(12.6)	(12.3)
Infrastructure Pooled Fund	11.1	7.6	10.6	10.3
Cash Pooled Fund	5.3	5.1	1.9	2.3
DC Long Term Growth	7.4	6.7	5.3	9.1
DC Global Equity	20.2	20.5	11.1	11.0
DC Deposit	5.1	5.1	2.1	2.3
DC Corporate Bond ¹	3.0	3.3	2.6	2.7
DC UK Government Fixed Interest Bond ¹	(0.8)	(0.4)	(11.4)	(11.1)
DC UK Government Index Linked Bond ¹	(18.0)	(15.2)	(22.7)	(22.3)
DC Socially Responsible Equity ¹	12.7	12.8	13.0	12.0
Matching Short Maturing Pooled Fund ¹	(20.5)	(24.9)	(13.1)	(16.3)
Matching Long Maturing Pooled Fund ²	(11.6)	(12.7)	N/A	N/A

- 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. The DC Corporate Bond, DC UK Government Fixed Interest Bond and DC UK Government Index-Linked Bond funds launched 17 May 2022. The DC Socially Responsible Equity fund launched 10 June 2022. The Matching Short Maturing Pooled fund launched 7 December 2023.
- 2. The Long Maturing Pooled Fund launched on 16 February 2024, therefore only actual 2024 returns have been disclosed.

1.19 Related party transaction

Railpen Limited recognised a Mutual fund liability amounting to £11.1m as at 31 December 2024 resulting from Mutual trading with the Trustee Company (2023: £5.8m). An equivalent Mutual fund asset is attributable to the pooled funds of the railways pension schemes; however, this is not reflected in these financial statements on the grounds of materiality.

