RAILWAYS PENSION SCHEME®

2020 Annual Report and Audited Financial Statements

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Chair's introduction

> On behalf of your Trustee Board it gives me great pleasure to introduce the Annual Report and Audited Financial Statements of the Railways Pension Scheme ('RPS' or 'the Scheme') for the year ended 31 December 2020.

The Trustee Board works to secure our members' pension benefits. During turbulent times such as the current Covid-19 pandemic, we are more conscious than ever of the importance of these benefits as a source of future reassurance in our members' lives.

The Covid-19 pandemic had, and continues to have, a significant impact on both lives and the global economy in 2020. Positive vaccine news boosted morale and the global economic outlook towards the end of the year, as we all hope for a return to 'normality' in the near future.

Investment performance

Our position as long-term investors is vital during periods of instability. While we seek to generate good returns, we strive to do so in a positively impactful way. Fully integrating factors including social and environmental considerations as part of our ongoing asset allocation and management is increasingly important. As such, we seek out the assets that will deliver long-term returns while improving the world into which our members will retire.

2020 returns were as follows:

- 8.6% delivered by the largest of the Scheme's assets, the Growth Pooled Fund, exceeding the RPI+4% comparator. This fund has achieved an average of 9.8% annually over the last five years.
- 4.3% from the Long-Term Income Fund. While below the historic RPI+1% per annum objective, the fund is now more fully invested and now generates a diversified, secure income beyond expectations.
- 3.8% from the Illiquid Growth Fund. This fund has averaged 8.8% returns in the last five years, which is impressive given the high cost of purchasing these assets compared to the (liquid) Growth Fund.
- The more mature legacy private equity funds returned 18.0% in 2020 and 18.2% over the past five years.
- Most other funds are buy-and-hold or index-tracking and continue to perform in line with expectations.

Supporting members and employers

High on the Trustee's agenda for 2020 was ensuring continuity of service and support for members and employers during the various lockdowns and mitigating the impact the pandemic might have on the Scheme's ability to function as expected.

The Trustee Board met ten times in 2020, compared with our usual five meetings, and since March that year we conducted all of our business online. I want to thank my colleagues on the Board for their extraordinary commitment, diligence and flexibility. Thank you also to all the teams across RPMI, who adapted so quickly and resiliently to ensure continuity of support remained in place.

Throughout the year, RPMI were able to continue developing their in-house asset management capabilities. They also completed a significant transformation programme that greatly enhanced their digital capabilities to support both members and sponsoring employers. This digital empowerment could not have come at a more appropriate time during successive lockdowns and the Board is delighted to see how many members are using these new facilities.

We will continue to develop these services, working with both members and employers as we build on this strong foundation.

Governance

We marked the retirement of two longstanding Trustee Directors from the Board in 2020. John Mayfield stepped down as Chair of the Audit & Risk Committee and the Trustee Board, having served in these respective roles since 2007 and 1996. John Hamilton also retired from the Trustee Board after 12 years of service. I would like to sincerely thank both Johns for their constant dedication to the Scheme on behalf of the rail industry and our members.

In their place, we have welcomed Richard Goldson back to the Trustee Board as an Employee (Pensioner) Director, and Adam Golton has joined us as an Employer Director from the Passenger Train Operating Companies Electoral Group. We look forward to benefiting from the considerable skills and experience they bring to the Board.

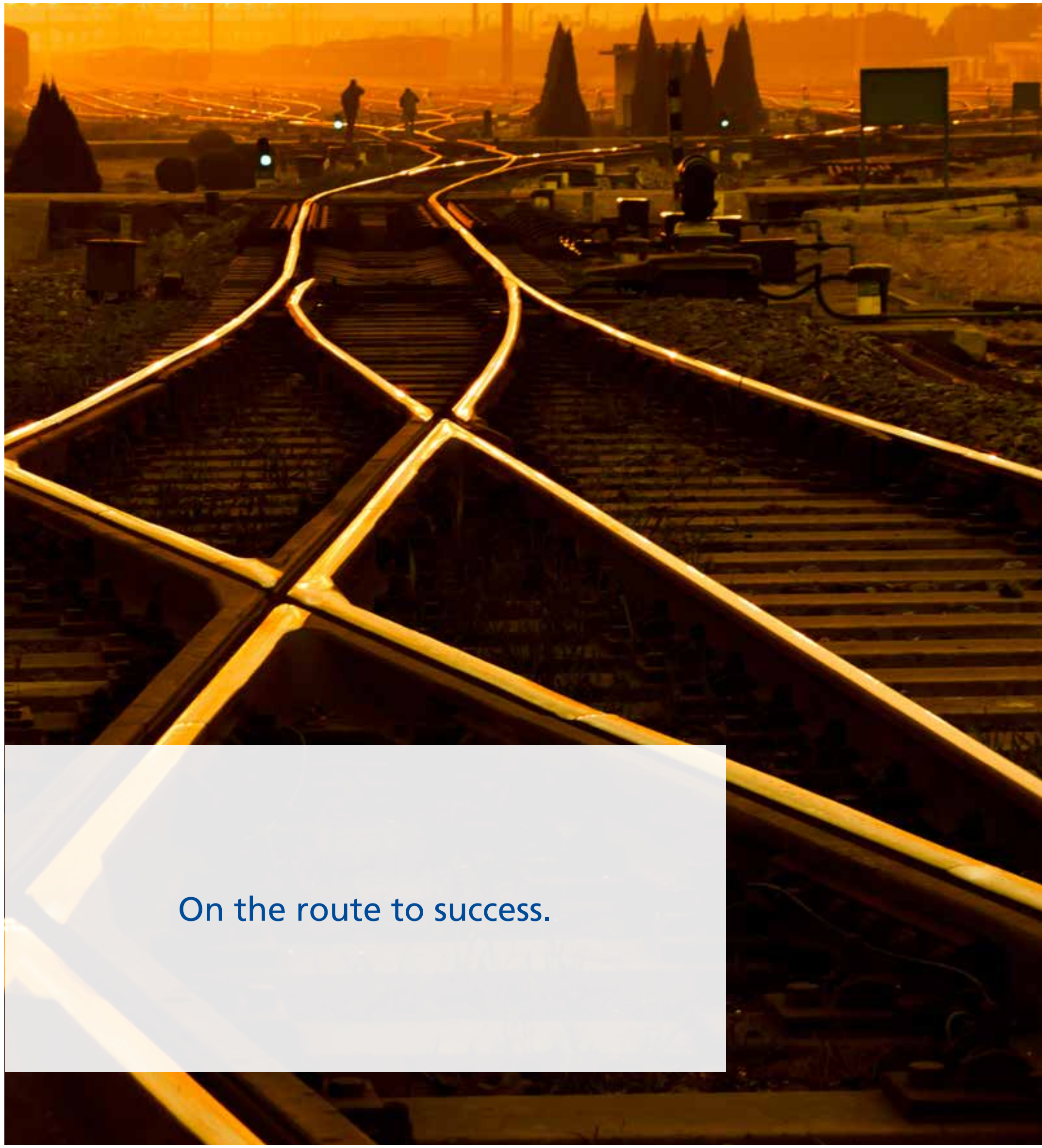
The Board continues to work on GMP Equalisation in partnership with its professional advisors following 2018's High Court ruling that the Lloyds Banking Group Pension schemes must equalise benefits in this area. I am also pleased to let you know that the Scheme remained compliant following its first year as an Authorised Master Trust, having received accreditation in 2019.

Ready for the future

In closing, I want to reassure you that the Trustee Board and RPMI continue to focus diligently on our Scheme's security, affordability, and sustainability - no matter the global economic and financial climate.

As we move into 2021, I am confident that the Scheme is in the best possible place to address new challenges as they arise. Our world is constantly changing, but we have shown that we can adapt to ensure the Scheme remains as relevant and important to future rail members as it has been for the last 26 years.

Christopher Hannon
Chair, Trustee Company



The Railways Pension Scheme

Keeping the wheels of life turning by making sure people can be on the go when needed.

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 147 (2019: 149) 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 108 sections (2019: 107 sections) across the six parts of the RPS as illustrated below:

Railways Pension Scheme

	1994 Pensioners Section	Shared Cost Arrangement	Defined Contribution Arrangement	Defined Benefit Arrangement	Omnibus Section	IWDC Section
sections	1	105	0	0	1	1
employers	1	106			37	31
members	90,813	244,676			762	11,134

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 were sections to invest their assets separately, resulting in several advantages for the schemes and sections.

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

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

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

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

The 1994 Pensioners Section

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

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

The Shared Cost Arrangement

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

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

As at 31 December 2020, 91 of the 105 shared cost sections had active members and 40 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 Ominbus 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 2020, 30 employers with active members (2019: 33 employers) were part of the Omnibus Section. A full list of participating employers is given in Note 12 to the financial statements.

Defined Contribution Sections, other Defined Benefit Arrangements and IWDC Section

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

The IWDC Section of the RPS exists for rail employers who want to provide benefits on a DC basis.

The IWDC Arrangement was established on 1 November 2001. The IWDC Arrangement aims to provide employers with a flexible defined contribution scheme. At the end of 2020, 31 employers were part of this Arrangement (2019: 32 employers).

At 31 December 2020, there were no members in the Defined Contribution Arrangement as all members in the Defined Contribution Arrangement transferred to the Industry Wide Defined Contribution Section ('IWDC') on 14 February 2019. The Trustee may decide to wind up the Defined Contribution Arrangement in the future, as there are not expected to be any further members within it.

Reporting

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

Pensions Committees

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

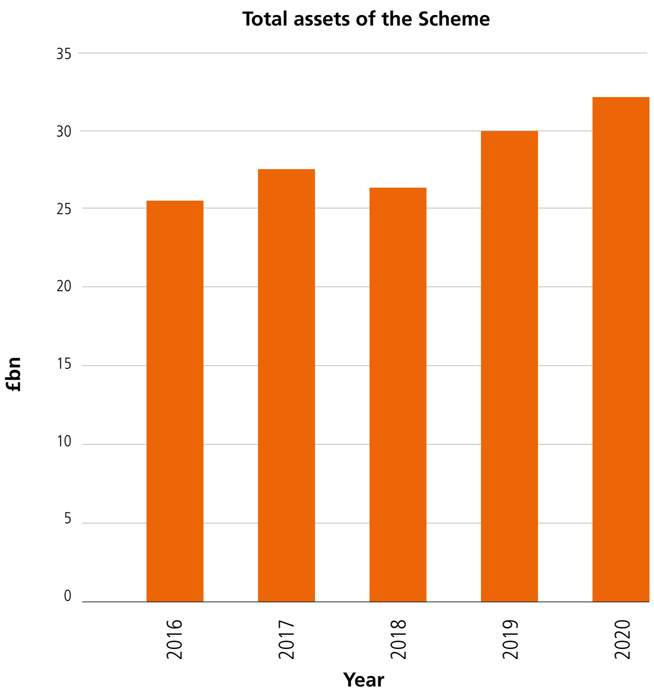
Key statistics

Ensuring our key workers can travel safely during the uncertain times of coronavirus.

Five-year summary of RPS participation

	2020	2019	2018	2017	2016
Sections	**108**	107	112	112	113
Employers	**175**	178	169	173	179
Active membership	**99,751**	98,724	95,963	92,472	93,938
Preserved membership	**109,055**	104,457	107,489	107,400	105,350
Pensioners	**138,579**	138,447	140,643	140,547	138,731
Total membership	**347,385**	**341,628**	**344,095**	**340,419**	**338,019**

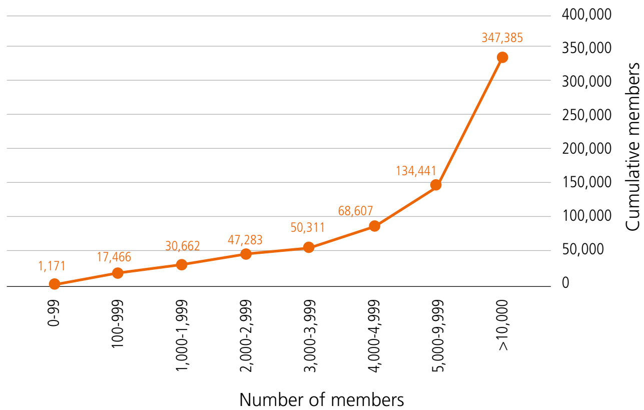
Five-year summary of net assets of RPS

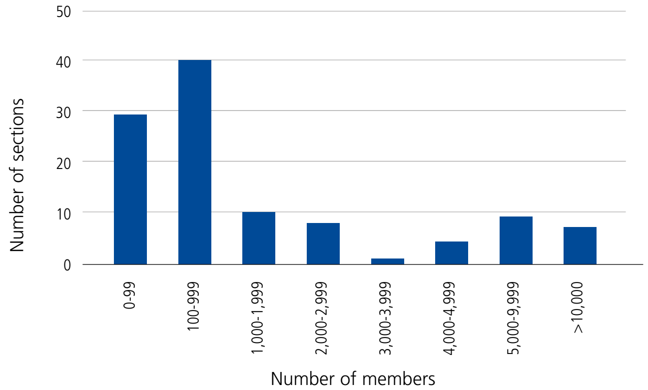


Five-year summary of financial statements of RPS

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Scheme benefits					
Pensions	**889**	861	827	792	775
Lump sums	**216**	232	225	220	204
Death benefits	**41**	29	24	22	23
Total benefits	**1,146**	**1,122**	**1,076**	**1,034**	**1.002**
Scheme income					
Members' contributions	**346**	312	296	281	288
Employers' contributions	**407**	412	371	362	382
Government support	**13**	14	15	16	19
Total contributions	**766**	**738**	**682**	**659**	**689**
Net transfer values	**(27)**	(322)	(44)	(29)	(54)
Admin expenses	**(26)**	(15)	(19)	(20)	(20)
PPF levies	**(65)**	(50)	(48)	(39)	(34)
Taxation where lifetime allowance exceeded	**(1)**	(1)	(1)	(1)	-
Net investment income	**303**	400	386	290	319
Change in market value	**2,385**	3,530	(631)	2,132	3,206
Net increase/ (decrease) in the Scheme	**2,189**	3,158	(751)	1,958	3,104
Net assets of the Scheme	**32,099**	**29,910**	**26,752**	**27,503**	**25,545**

Comparison of membership of sections





Key statistics for 2020

Total Membership	**347,385**
Net increase in the Scheme	**£2,189m**
Net assets of Scheme	**£32,099m**

Independent Auditor's report

Keeping our workers, tourists, children, soldiers, and services moving in the right direction.

Independent Auditor's report to the Trustee of the Railways Pension Scheme for the year ended 31 December 2020

Opinion

We have audited the financial statements of Railways Pension Scheme ('the Scheme') for the year ended 31 December 2020 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 2020 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of the Trustee, the Business Assurance team and inspection of policy documentation, as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board, Audit and Risk Committee, Case Committee, Defined Contributions Committee, Integrated Funding Committee, Railpen Investment Board, Fair Value Pricing Committee, Remuneration Committee, and the Risk Management Committee minutes.

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

As required by auditing standards, and taking into account our overall knowledge of the control environment, we performed 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 property valuations and the valuation of unlisted investments, such as the substitution orders.

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

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.
- Assessing significant accounting estimates for bias.

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

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

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

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

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

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

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

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

Other information

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

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

Trustee's responsibilities

As explained more fully in their statement set out on page 26, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Fang Fang Zhou
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

25 June 2021

Audited Financial Statements

Keeping the capital moving on the London Overground.

Fund account for the year ended 31 December 2020

	Notes	2020 DB £m	2020 DC £m	2020 Total £m	2019 DB £m	2019 DC £m	2019 Total £m
Contributions and benefits							
Members' contributions	4	335	11	346	308	4	312
Employers' contributions	4	394	13	407	394	18	412
Government support		13	-	13	14	-	14
Individual transfers in		11	-	11	13	5	18
Group transfers in	5	-	6	6	-	-	-
		753	**30**	**783**	**729**	**27**	**756**
Pensions		(889)	-	(889)	(861)	-	(861)
Group transfers out	5	(26)	-	(26)	(297)	-	(297)
Lump-sum retirement benefits		(215)	(1)	(216)	(231)	(1)	(232)
Death benefits		(41)	-	(41)	(27)	(2)	(29)
Individual transfers out		(17)	(1)	(18)	(41)	(2)	(43)
Taxation where lifetime or annual allowance exceeded		(1)	-	(1)	(1)	-	(1)
		(1,189)	**(2)**	**(1,191)**	**(1,458)**	**(5)**	**(1,463)**
Administrative expenses	6	(26)	-	(26)	(15)	-	(15)
PPF levies		(65)	-	(65)	(50)	-	(50)
Total withdrawals		**(1,280)**	**(2)**	**(1,282)**	**(1,523)**	**(5)**	**(1,528)**
Net (withdrawals)/additions from dealings with members		**(527)**	**28**	**(499)**	**(794)**	**22**	**(772)**
Returns on investments Change in market value	7	2,672	16	2,688	3,910	20	3,930
Net returns on investments		**2,672**	**16**	**2,688**	**3,910**	**20**	**3,930**
Net increase/(decrease) in the Scheme during the year		2,145	44	2,189	3,116	42	3,158
Net assets at the start of the year		29,772	138	29,910	26,656	96	26,752
Net assets at the end of the year		**31,917**	**182**	**32,099**	**29,772**	**138**	**29,910**

Statement of net assets (available for benefits) as at 31 December 2020

	Notes	2020 DB £m	2020 DC £m	2020 Total £m	2019 DB £m	2019 DC £m	2019 Total £m
Pooled funds	7	29,221	177	29,398	27,314	136	27,450
Securities directly held by schemes	7	2,551	-	2,551	2,425	-	2,425
Other cash and cash instruments	7	184	5	189	51	2	53
Current assets	8	46	1	47	49	-	49
Current liabilities	9	(85)	(1)	(86)	(67)	-	(67)
Net assets at the end of the year	12	**31,917**	**182**	**32,099**	**29,772**	**138**	**29,910**

The notes numbered 1 to 14 on pages 15 to 25 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 as this is a multi-employer scheme with financially ring fenced sections.

They do not take account of the obligations to pay pensions and benefits which fall due at the end of the Scheme year. The actuarial position of the Scheme which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities, which is summarised on pages 53 to 55 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 24 June 2021.

Christopher Hannon
Chair, Trustee Company

Meliha Duymaz Oludipe
Director and Chair, Audit and Risk Committee ('ARC')

Notes to the audited financial statements for the year ended 31 December 2020

1. Basis of preparation

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

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

With the market developments caused by Covid-19, the Trustee has reassessed these factors and has concluded that despite the potential risk that participating employers enter the PPF, the sectionalised nature of the Scheme ensures that a going concern basis is still appropriate. The reassessment was completed with reference to the Scheme's investment and contributions income, benefits paid and return on investments, as well as the requirement for the Scheme in the future, even in the event of some further nationalisation. The Scheme receives investment income from underlying pooled fund investments which are structured in a way that mitigates the risk of exposure to significant market volatility. The employers most heavily impacted by Covid-19, the train operating companies ('TOC's') have received guaranteed backing by the DfT. No employers have requested contributions holidays except in relation to furloughed staff. The Trustee has ensured that cash reserves are available for a period of at least 3 months to cover any employer's failure to make contributions payments on time. Benefits payable are modest in relation to Scheme assets and as part of Covid-19 contingency planning, cash levels in all section accounts have been increased.

RPMI, which acts as the Scheme administrator has been separately assessed as a going concern. The Trustee is confident that both the Scheme and RPMI will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Additionally, the Trustee has confirmed that it will make the necessary funding available to RPMI should it be unable to meet its liabilities for any reason. On this basis, the financial statements have been prepared on a going concern basis.

2. Identification of the financial statements

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

3. Accounting policies

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

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

- The majority of the assets of the Scheme are invested in a portfolio of pooled funds, which operate as internal unit trusts for those railway pension schemes under the control of the Trustee. Pooled fund unit holdings are valued on the basis of the unit prices of the units held by the Scheme in each pooled fund at the year end. Unit prices reflect the fair valuations of the underlying assets held by the pooled funds and include income receivable on investments held. Further details of the pooled fund investment accounting policies are set out in the extracts from the pooled fund accounts in Appendix I.
- Assets are held in a portfolio of pooled funds valued at their bid price or last traded price at the year end date, as advised by the investment manager.
- BRASS AVC holdings in pooled investment vehicles are stated at fair value at the year end date as advised by the manager. The PAF is valued as a whole by reference to the fair value of assets within the fund as advised by the provider, Aviva. Members holding units in the PAF aged 55 or over are, however, guaranteed by Aviva to receive at least £1 per unit upon retirement or on earlier death. Members leaving before age 55 may receive a discounted value depending on their age.
- Substitution orders refer to deferred payments due under the Transport Act 1980, and are valued as certified by the Scheme Actuary. The Scheme Actuary is James Mason, of Willis Towers Watson. The Government Actuary, Martin Clarke, is joint Actuary for the 1994 Pensioners Section and the BR Section.
- Loans and deposits and current assets and liabilities are included at book cost, which the Trustee considers to be a reasonable estimate of accounting fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Contributions receivable

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

	2019 DB £m	2019 DC £m	2019 Total £m
Members' contributions			
Normal	211	3	214
Additional voluntary contributions	88	1	89
Deficit funding	9	-	9
	308	**4**	**312**
Employers' contributions			
Normal	312	17	329
Deficit funding	67	-	67
BRASS matching	9	1	10
Augmentation	6	-	6
	394	**18**	**412**
Totals	**702**	**22**	**724**

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

During 2020, there were 1,939 instances of late payment of contributions with a total value of £262.4m, which represents 34.83% of contributions payable under the schedules of contributions. The largest individual amount was £9.1m, which was paid 1 day after the due date. Of the 1,938 instances of late payment 3 were reported to the Pensions Regulator.

Further information on contribution rates can be found in the Report on Actuarial Liabilities on pages 53 to 55. Further information on government support can be found on page 51.

5. Group transfers out

Group transfers out include £15m relating to the Legal & General buy-out and subsequent wind-up of the Voyages-SNCF Section, which completed during the year. A further £5m transferred to the PPF, following realisation of RPS assets that relate to Sections that have previously transferred to the PPF.

6. Administrative expenses

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

	2020 £m	2019 £m
Pensions administration	(13)	(10)
Actuarial fees	(4)	(4)
Legal fees	(3)	(3)
Trustee governance	(3)	(2)
Communications	(1)	(1)
Other professional fees	(2)	(-)
Irrecoverable VAT	-	5
	(26)	**(15)**

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

Irrecoverable VAT expenses include the VAT charges that the DfT are unable to reclaim. During 2013 the procedure the DfT had for dealing with VAT only invoices changed, such that they were no longer in a position to claim back the VAT charges on certain categories of administration expense. As a result, the irrecoverable VAT charges were being met by the Scheme.

The Trustee has made a claim to recover this VAT from HMRC on behalf of the Scheme. HMRC withdrew their objection to the claim in November 2019 and agreement of the amount repayable was reached in December 2019. The Scheme was subsequently reimbursed £5m in November 2020.

Supporting the economy by transporting people, goods, and services round-the-clock.

7. Investments

(a) Value of investments

DB Section	Value at 31 December 2019 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2020 £m
Pooled funds					
Growth	18,394	100	(313)	1,532	19,713
Private Equity	2,128	-	(375)	578	2,331
Illiquid Growth	1,430	238	-	127	1,795
Government Bond	1,273	121	(184)	34	1,244
Passive Equity	996	23	(59)	122	1,082
Long Term Income	722	226	-	41	989
Short Duration Index Linked Bond	684	36	(81)	9	648
Global Equity	671	-	(72)	44	643
Non Government Bond	425	18	(84)	21	380
Infrastructure	392	-	(246)	12	158
Long Duration Index Linked Bond	156	2	(9)	23	172
Cash	43	50	(27)	-	66
	27,314	**814**	**(1,450)**	**2,543**	**29,221**
Directly held securities					
BRASS and other AVCs	1,588	211	(217)	105	1,687
Substitution orders	789	7	-	20	816
Annuities	48	10	(14)	4	48
	29,739	**1,042**	**(1,681)**	**2,672**	**31,772**
Cash and other assets	33				145
	29,772				**31,917**

DC Section	Value at 31 December 2019 £m	Purchases at cost £m	Sales proceeds £m	Change in market value £m	Value at 31 December 2020 £m
DC Pooled Fund	136	32	(7)	16	177
Cash and other assets	2				5
	138				**182**

BRASS investments include 111,903,155 units in the PAF (2019: 128,663,634 units). Further information on the PAF can be found on page 52.

Income from pooled fund investments is capitalised within the price of the pooled fund units and, therefore, reflected within the fair values of investments. Although income is not distributed, the pooled fund regulations allow the Scheme to extract its share of pooled fund income at no cost, by selling units at zero spread. The income withdrawn from the pooled funds in this way can then be used to pay benefits.

Investment administration includes the cost of selecting and monitoring the investment managers and custodians and the preparation of pooled fund accounts. These activities are carried out by RPMI and RPMI Railpen.

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

	% of pooled fund owned by the RPS 31 December 2020	% of pooled fund owned by the RPS 31 December 2019
Pooled Funds		
Passive Equity	100.0	100.0
Non Government Bond	100.0	100.0
Private Equity	95.8	95.8
Infrastructure	95.3	95.3
Growth	94.8	94.7
Global Equity	94.0	93.9
Illiquid Growth	93.2	93.2
Government Bond	91.8	91.3
Long Duration Index Linked Bond	90.4	88.8
Long Term Income	89.0	88.6
Short Duration Index Linked Bond	89.0	88.4
Cash	85.9	84.7

(b) Investment risks

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

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

Credit risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

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

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

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

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

(c) Investments fair value hierarchy

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

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

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

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

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

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

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

DB Sections as at 31 December 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Pooled funds				
Growth	-	18,394	-	18,394
Private Equity	-	-	2,128	2,128
Illiquid Growth	-	-	1,430	1,430
Government Bond	-	1,273	-	1,273
Passive Equity	-	-	996	996
Long Term Income	-	-	722	722
Short Duration Index Linked Bond	-	684	-	684
Global Equity	-	671	-	671
Non Government Bond	-	425	-	425
Infrastructure	-	-	392	392
Long Duration Index Linked Bond	-	156	-	156
Cash	-	43	-	43
	-	**21,646**	**5,668**	**27,314**
BRASS and other AVCs	-	1,588	-	1,588
Substitution orders	-	-	789	789
Annuities	-	48	-	48
Cash and other assets	33	-	-	33
	33	**23,282**	**6,457**	**29,772**

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

DC Sections as at 31 December 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
DC Pooled Fund	-	136	-	136
Cash and other assets	2	-	-	2
	2	**136**	**-**	**138**

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

8. Current assets

	2020 £m	2019 £m
Contributions due from employers	30	31
PPF levies	17	13
VAT refund due from HMRC	-	5
	47	**49**

At the year end £5,871,000 (2019: £1,648,000) of contributions due under the schedules of contributions were not paid by their due date. Of this amount, £5,861,000 (2019: £1,351,000) has since been paid and £10,000 (2019: £297,000) remains outstanding as at the date of signing these financial statements.

9. Current liabilities

	2020 £m	2019 £m
Administration expenses	(6)	(2)
Benefits payable	(30)	(12)
Taxation and social security	(9)	(7)
Assets payable to the PPF	(41)	(46)
	(86)	**(67)**

10. Related party transactions

The Trustee and its subsidiaries, RPMI and RPMI Railpen, provide services to the Scheme (explained on pages 29 to 33). The charges payable, and those of external service providers, are detailed in note 6 on page 17. At 31 December 2020, administration expenses within current liabilities included a liability of £7.0m in respect of these charges (2019: a liability of £2.1m).

At 31 December 2020, eleven directors of the Trustee were members of the Scheme. Three of these directors were also Non-Executive Directors of RPMI, none were Non-Executive Directors of RPMI Railpen. One Executive Director of RPMI was also a member of the Scheme. Contributions received in respect of Trustee Directors who are members of the Scheme have been made in accordance with the Pension Trust Deed and Rules. All directors receive benefits on the same basis as other members of the Scheme. Certain directors of the Trustee and its subsidiaries receive remuneration, which is disclosed in the financial statements of those companies. The Scheme bears its share of this remuneration through recharges.

11. Employer-related investments

As at 31 December 2020, investments in employers amounted to no greater than 5% of the assets of the Scheme, and, for any single section, the investment in its sponsoring company was not greater than 5% of the assets of the section.

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

12. Net assets at the end of the year

The net assets of each section of the Scheme at 31 December 2020 are shown below:

Section	Employer	Total membership as at 31 December 2020	Net assets as at 31 December 2020 £m
Shared Cost Arrangement			
1994 Pensioners*	The Secretary of State for Transport	90,813	3,215
Abellio	Abellio Transport Holdings Ltd	57	12
Abellio Scotrail	Abellio ScotRail Ltd	9,666	966
AECOM	AECOM Infrastructure & Environment UK Limited	212	56
Alpha Trains	Alpha Trains (UK) Limited	26	10
ALSTOM Railways	ALSTOM Transport UK Limited	2,233	209
ALSTOM Signalling	ALSTOM Transport UK Limited	83	31
AMCO	Amalgamated Construction Ltd	17	2
Amey Rail	Amey Services Limited	2,363	244
Angel Trains	Angel Trains Limited	237	76
Anglia Railways	Abellio East Anglia Limited	1,092	141
Atkins	Atkins Limited	839	267
ATOC Limited	ATOC Limited	767	77
Atos	**ATOS IT Services UK Limited** Atos UK International IT Services Limited	1,088	234
Babcock Rail Ltd	Babcock Rail Limited	2,238	281
Balfour Beatty	Balfour Beatty Group Employment Limited	3,028	377
BAM Nuttall	BAM Nuttall Limited	10	2
Bombardier Transportation (Signal) UK	Bombardier Transportation UK Ltd	360	58
Bombardier Transportation C2C	Bombardier Transportation UK Ltd	163	14

Section	Employer	Total membership as at 31 December 2020	Net assets as at 31 December 2020 £m
Bombardier Transportation UK	Bombardier Transportation UK Ltd	1,142	143
BR*	**The Secretary of State for Transport** BRB (Residuary) Limited Channel Tunnel Rail Link Limited London & Continental Railways Limited London Underground Limited Scottish Ministers	916	158
British Transport Police	British Transport Police Authority	5,489	215
BT	**British Telecommunications PLC** Openreach Limited	310	20
BUPA Occupational Health	Occupational Health Care Limited	95	13
Caledonian Sleeper	Serco Caledonian Sleepers Limited	186	11
Carlisle Cleaning Services	Carlisle Cleaning Services Limited	58	3
Chiltern Railway Company Limited (Maintenance)	The Chiltern Railway Company Limited	322	34
Clientlogic	Clientlogic (UK) Limited	63	5
Colas Rail	Colas Rail Limited	2,167	210
Crossrail	Crossrail Limited	966	88
CSC Computer Sciences	CSC Computer Sciences Limited	11	2
DB Cargo (UK) Ltd	**DB Cargo (UK) Limited** DB Cargo Services Limited DB Cargo (UK) Holdings Limited Engineering Support Group Limited DB Cargo International Limited	10,559	1,402
East Coast Main Line	London North Eastern Railway Limited	8,986	718
East Midlands	East Midlands Trains Limited	5,229	484
Eurostar	Eurostar International Limited	4,736	542
Eversholt Rail Limited	Eversholt Rail (UK) Limited	111	47
First Great Western	First Greater Western Limited	14,329	1,262
Freightliner	**Freightliner Limited** Freightliner Heavy Haul Limited Freightliner Maintenance Limited Management Consortium Bid Limited	4,193	497
GB Railfreight	GB Railfreight Limited	364	70
Gemini Rail Services	Gemini Rail Services UK Ltd	66	3
Global Crossing	Century Link Communications UK Limited	227	53
Govia Thameslink Railway (Southern & Gatwick Express)	Govia Thameslink Railway Limited	11,355	901
Govia Thameslink Railway	Govia Thameslink Railway Limited	7,390	586
Great Eastern Railway	Abellio East Anglia Limited	2,348	290
Hitachi Rail Europe	Hitachi Rail Europe Limited	479	34
HS1	HS1 Limited	34	11
Hull Trains	Hull Trains Company Limited	114	12
Intelenet Global BPO (UK) Limited ****	Teleperformance Global BPO UK Limited	6	-
Island Line	First MTR South Western Trains Limited	96	11
ISS Transport Services	ISS Facility Services Limited	205	8
Jacobs UK	Jacobs U.K. Limited	235	57
Keolis Amey Operations/ Gweithrediadau Keolis Amey	Keolis Amey Wales Cymru Limited	4,620	479
London & South Eastern Railway Limited	London & South Eastern Railway Limited	10,736	1,010
London and North Western Railway	London and North Western Railway Company Limited	66	23
London Eastern Railway (West Anglia)	Abellio East Anglia Limited	1,104	137
London Overground	Arriva Rail London Limited	2,509	240

Section	Employer	Total membership as at 31 December 2020	Net assets as at 31 December 2020 £m
London Underground	London Underground Limited	45	2
Merseyrail	Merseyrail Electrics 2002 Limited	2,763	257
MITIE Facilities Services	MITIE Limited	40	1
Mouchel Parkman Rail Limited	Kier Rail Limited	5	1
MTR Elizabeth Line	MTR Corporation (Crossrail) Limited	1,035	86
National Express Services Limited	National Express Services Limited**	140	4
Network Rail	Network Rail Infrastructure Limited	50,917	8,410
New Cross Country	XC Trains Limited	4,747	540
Northern (ex North East)	Northern Trains Limited	6,766	701
Northern (ex North West)	Northern Trains Limited	6,347	603
Omnibus*****	Aggregate Industries UK Ltd	762	130
	Atalian Servest Ltd		
	Belmond (UK) Limited		
	Bombardier Transportation UK Ltd		
	CapGemini UK Plc		
	Carnforth Railway Restoration and Engineering Services Limited		
	Cats Solutions Ltd		
	Churchill Contracts Services Ltd		
	Computacenter (UK) Ltd		
	CSC Computer Sciences Limited		
	Daisy IT Services Limited		
	DHL Services Limited		
	EB Central Services Ltd		

Section	Employer	Total membership as at 31 December 2020	Net assets as at 31 December 2020 £m
	Elior UK Plc		
	Forth and Oban Limited		
	Harsco Rail Limited		
	Interserve (FM) Ltd		
	Interserve FS (UK) Limited		
	Keolis (UK) Limited		
	Loram UK Ltd		
	Lorne Stewart Plc		
	MITIE Cleaning & Environmental Services Limited		
	MITIE Technical Facilities Management Limited		
	O2 Unify Limited		
	Rail Management Services Limited		
	Rail Operations (UK) Limited		
	Signet Solutions Limited		
	Stagecoach Supertram Maintenance Ltd		
	Staveley Industries t/a Integral		
	Telent Technology Services Limited		
	The Arch Company		
	TTEC UK Solutions Limited		
	Voestalpine Turnout Technology UK Ltd		
	VolkerRail Specialist Businesses Limited		
	Vossloh Cogifer UK Limited		
	Weedfree Limited		
	Wetton Cleaning Services		

Section	Employer	Total membership as at 31 December 2020	Net assets as at 31 December 2020 £m
Owen Williams Railways	Amey Services Limited	332	78
Porterbrook	**Porterbrook Leasing Company Limited** Porterbrook Maintenance Limited	184	54
Qjump	Qjump Limited	125	5
Rail Gourmet UK Limited	Rail Gourmet UK Limited	409	36
Resonate Group (Link)	Resonate Group Limited	195	40
Resonate Group (Rail)	Resonate Group Limited	266	84
Resonate Group (TCI)	Resonate Group Limited	123	32
RPMI	RPMI Limited	981	103
RSSB	Rail Safety and Standards Board Limited	659	116
SERCO	SERCO Limited	532	75
Siemens	**Siemens PLC** Siemens Mobility Limited	89	15
SNC-Lavalin Rail & Transit Limited	SNC-Lavalin Rail & Transit Limited	322	67
Socotec UK Limited	**Socotec UK Limited** Socotec Asbestos Limited	294	33
South Western Railway	First MTR South Western Trains Limited	13,101	1,149
Specialist Computer Centres	Specialist Computer Centres PLC	30	4
Stadler Greater Anglia****	Stadler Rail Service UK Limited	50	-
Stadler Rail	Stadler Rail Service UK Limited	186	7
Swirl Service Group****	ISS Facility Services Limited	8	-
Systra Ltd	Systra Ltd	544	60
Thales Information Systems	Thales UK Limited	22	7
Thales Transport and Security	**Thales Ground Transportation Systems Limited** Thales UK Limited Thales GTS UK Limited	1,892	337

Section	Employer	Total membership as at 31 December 2020	Net assets as at 31 December 2020 £m
The Chiltern Railway Company Limited	The Chiltern Railway Company Limited	1,661	193
The QSS Group Limited	**The QSS Group Limited** RIQC Limited	73	11
Torrent Trackside Limited	Torrent Trackside Limited	10	1
TransPennine Express (Former Arriva Trains Northern)	First Transpennine Express Limited	1,263	144
TransPennine Express (Former North Western Trains)	First Transpennine Express Limited	921	80
Transport for Wales****	**Transport for Wales** Amey Keolis Infrastructure Limited	23	-
Trenitalia c2c Limited	Trenitalia c2c Limited	1,918	150
Unipart Rail - NRS	Unipart Rail Limited	598	75
Unipart Rail - Railpart	Unipart Rail Limited	340	61
Unisys	Unisys Limited	30	4
UPS	UPS Limited	333	50
Voith	Leadec Limited	21	2
Wabtec Rail Limited	Wabtec Rail Limited	10	2
West Coast Partnership	First Trenitalia West Coast Rail Limited	8,934	897
West Coast Traincare	ALSTOM Transport UK Limited	1,001	166
Westinghouse Rail Systems	Siemens Mobility Limited	877	270
West Midlands Trains	West Midlands Trains Limited	7,027	653
Worldline IT Services UK Limited	Worldline IT Services UK Limited	159	68
Wrexham, Shropshire & Marylebone Railway Company	Wrexham, Shropshire & Marylebone Railway Company Limited**	27	2
		336,251	**31,917**

Section	Employer	Total membership as at 31 December 2020	Net assets as at 31 December 2020 £m
Industry Wide Defined Contribution Section			
	Abellio East Anglia Limited	11,134	182
	Abellio East Midlands Limited		
	Babcock Rail Limited		
	Colas Rail Limited		
	Eversholt Rail (UK) Limited		
	First MTR South Western Trains Limited		
	First Transpennine Express Limited		
	Freightliner Limited		
	GB Railfreight Limited		
	Global Travel Ventures Limited **		
	Govia Thameslink Railway Limited		
	Hull Trains Company Limited		
	London North Eastern Railways Limited		
	MTR Corporation (Crossrail) Limited		
	Northern Trains Limited		
	Porterbrook Leasing Company Limited		
	Rail Gourmet UK Limited		
	Rail Safety and Standards Board Limited		
	RPMI Limited		
	Swietelsky Construction Company Ltd		
	Systra Ltd		
	Tedipay (UK) Limited **		
	The Chiltern Railway Company Limited		
	Tram Operations Limited		
	Transport for Wales		
	Trenitalia c2c Ltd		
	Unipart Rail Limited		
	VolkerRail Limited		
	Wales and West Passenger Trains Limited		
	West Anglia Great Northern Railway Limited		
	XC Trains Limited		
	Total	**347,385**	**32,099**

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 2020.
***	Denotes employers that were in administration as at 31 December 2020 and sections that are currently in a PPF assessment period.
****	Denotes sections with assets less than £0.5m.
*****	List only includes Omnibus employers with active membership.

13. Contingent liabilities

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

14. Subsequent events - Covid-19 impact

In late 2019, the existence of a new coronavirus, now known as Covid-19, was confirmed and since this time, Covid-19 has spread across the world causing disruption to businesses and economic activity, which was reflected in fluctuations in global stock markets. Covid-19 has continued to disrupt day-to-day lives throughout 2020 and into 2021. However, the UK has made significant progress in rolling out the new vaccination programme and is easing the current lock down restrictions over the upcoming months. As discussed in the Trustees' report above, the directors do not believe this impacts the Scheme's ability to continue as a going concern. It is not practicable at this time to determine the impact of Covid-19 on the Scheme or to provide a quantitative estimate of this impact. The directors consider that the impact of Covid-19 would not affect the ability of the Scheme to generate value in the long-term, or impact its business plan such as to have a material impact on any of the balances in these financial statements.

Statement of Trustee responsibilities

...in relation to Audited Financial Statements

Powering through, night and day.

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

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

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

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

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

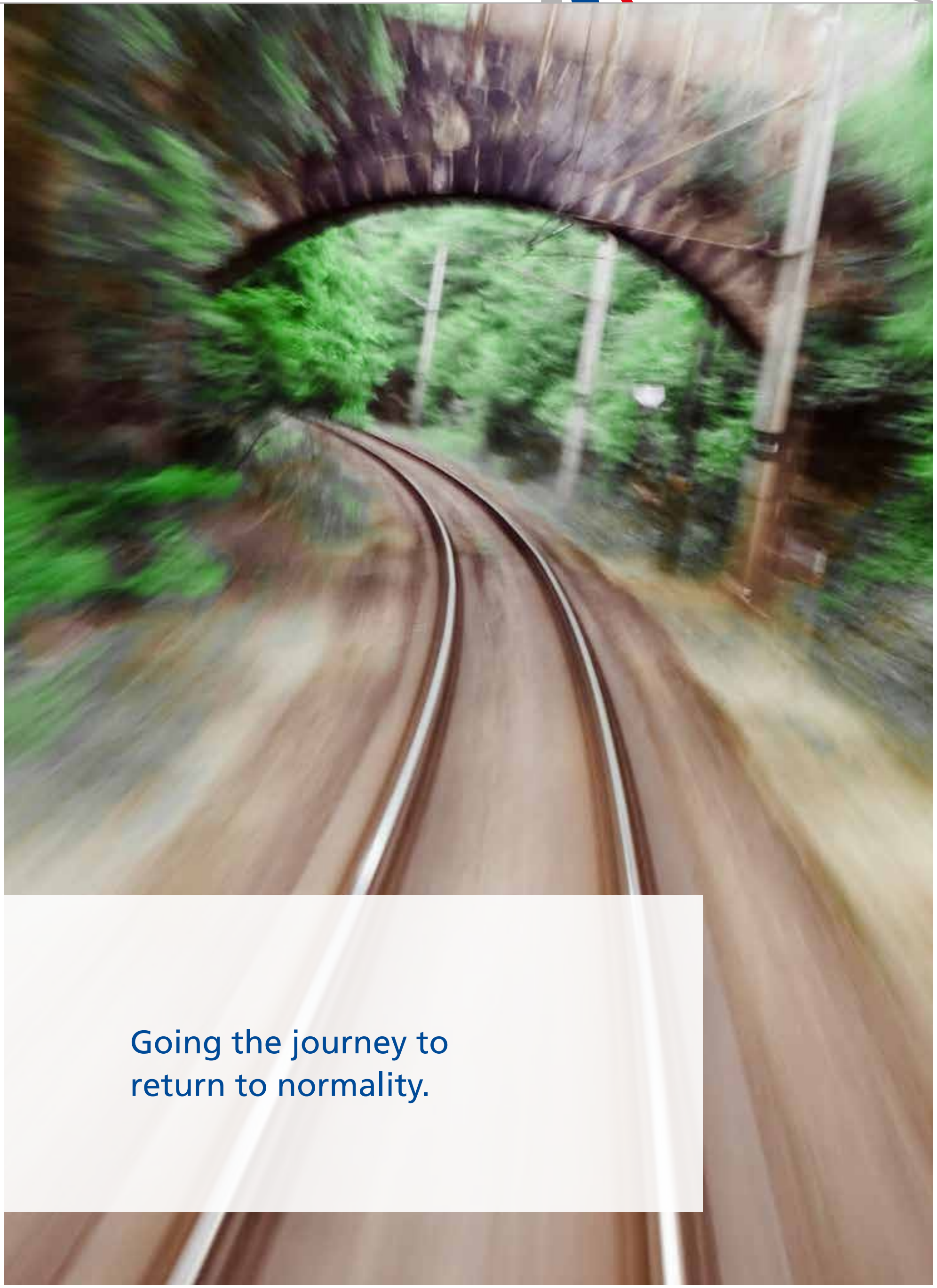
The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

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.

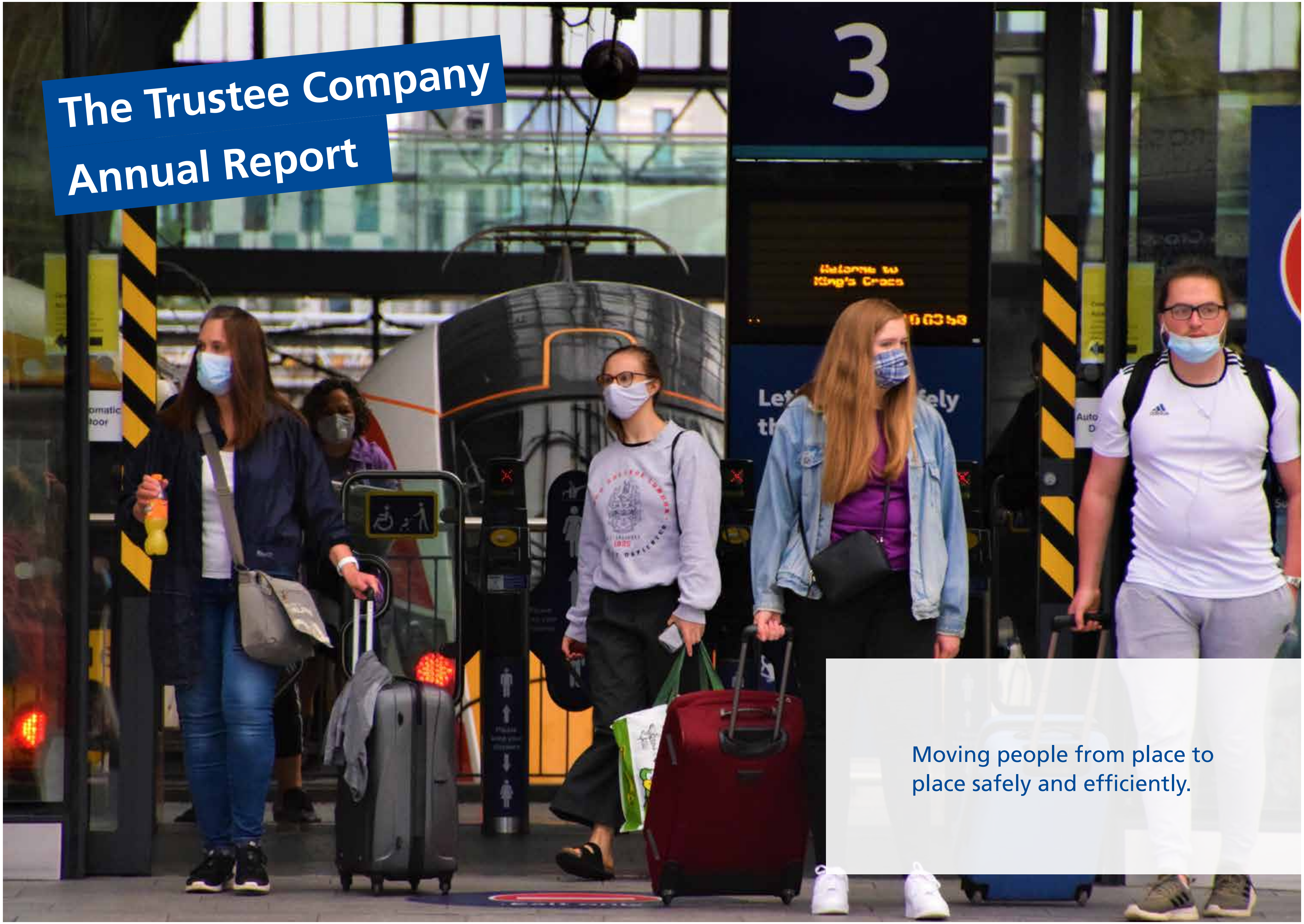
The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approval of the accounts

The financial statements have been prepared and audited in accordance with regulations made under Sections 41 (1) and (6) of the Pensions Act 1995. The directors of the Trustee Company approved this report on 24 June 2021.



The Trustee Company Annual Report



Moving people from place to place safely and efficiently.

Railways Pension Trustee Company Limited ('the Trustee')

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

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

Pension schemes for which the Trustee is the trustee

Membership statistics at 31 December

	2020 No.	2019 No.
Railways Pension Scheme	347,385	341,628
British Transport Police Force Superannuation Fund	7,438	7,062
British Railways Superannuation Fund	1,971	2,172
BR (1974) Fund	1,190	1,223
	357,984	**352,085**

Railtrust Holdings Limited (RHL)

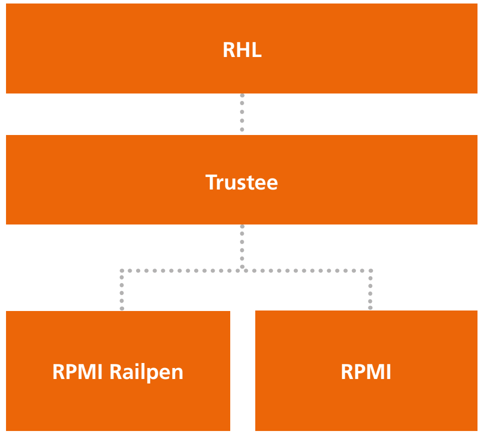
The Trustee is owned by RHL, a company limited by guarantee. Designated employers of sections in the RPS, Omnibus employers in the RPS, industry-wide DC employers in the RPS and the principal employers of the other schemes of which the Trustee is a trustee are all encouraged to become a member of RHL.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

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

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

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

The structure of the Trustee group as at 31 December 2020



Operating Companies

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

A brief description of the governance arrangements for each of the two operating subsidiaries and their activities during 2020 are set as follows:

RPMI

RPMI employs around 500 staff across three offices in Coventry, Darlington and London.

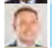
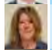
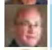
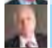
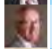
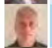
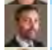
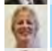
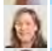
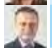
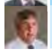
RPMI carries out activities on behalf of the Trustee including:

- Administration and payment of pensions;
- Advisory and support services for the Trustee Board, its Committees and Pensions and Management Committees;
- Commission and oversight of the work of external advisors such as actuaries and lawyers;
- Preparation of and maintenance of accounts for schemes, pooled funds and sections, and
- Arrangement of safe custody of assets.

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

RPMI Board

RPMI's activities are overseen by the RPMI Board, whose membership during 2020 and up to the date of signing of the financial statements was as follows.

	Name	Position
	Babloo Ramamurthy (Chair)	Independent Director
	Stuart Blackett	Chief Financial Officer
	Alison Burns[1]	Independent Director
	John Chilman	Chief Executive
	Gerry Doherty[2]	Trustee Director
	David Gott[3]	Trustee Director
	Christopher Hannon[4]	Trustee Director
	Peter Holden[5]	Trustee Director
	Richard Jones	Trustee Director
	Christine Kernoghan[6]	Trustee Director
	Michelle Ostermann[7]	Managing Director, Investments
	Paul Sturgess	Managing Director, Benefits
	Gary Towse[8]	Trustee Director

1. Alison Burns was appointed to the Board on 1 November 2020
2. Gerry Doherty was appointed to the Board on 1 August 2020
3. David Gott resigned from the Board on 4 August 2020
4. Christopher Hannon resigned from the Board on 31 December 2020
5. Peter Holden was appointed to the Board on 1 August 2020
6. Christine Kernoghan was appointed to the Board on 1 January 2021
7. Michelle Ostermann resigned from the Board on 31 December 2020
8. Gary Towse resigned from the Board on 31 May 2020

The RPMI Board has two formal sub-committees; a Mutual Committee, which oversees the correct allocation of costs, revenues and distributions between Trustee business and non-Trustee business; and a Remuneration and Nomination Committee, which oversees pay and reward issues in RPMI and sets pay for Executive Directors and senior officers.

RPMI activities

2020 was an extremely challenging year for us all, unprecedented in our lifetime, but despite the impact of Covid-19, RPMI was able to adapt its business model to ensure full remote working early in the spring. This ensured that the business maintained operations relatively seamlessly in those early days of the pandemic.

Notwithstanding the challenges posed by Covid-19, the RPMI Board focus has been spent ensuring that regular business activities continued to be concluded satisfactorily. In an extremely challenging year, service standards were maintained and RPMI's financial performance was ahead of target. Continued improvement has been made to our core IT Infrastructure and we start a 2021 with a significant investment to improve our Finance and HR systems with Workday. These will better support the wider customer facing business operations. The project will complete during 2022.

Project Chrysalis ('Chrysalis') remained the most significant strategic project for the RPMI Board during the year and the project completed with the final migration of membership on 3 July 2020. Chrysalis was a multi-year project to replace the pensions administration system RPMI uses for the railways pension schemes and modernise the way it delivers its services through multi-channel distribution.

Significant RPMI resources have been required to manage Chrysalis in recent years and the project has not been without its challenges. Whilst such challenges are not uncommon in large IT projects, the RPMI Board was far from complacent, taking a keen interest in progress and holding officers and suppliers to account. Despite the impact of Covid-19, RPMI was able to stick to its scheduled delivery in 2020, which we consider an achievement in the unprecedented circumstances the business faced. All members and employers are now migrated to the BaNCs platform, however, RPMI will continue to work on stabilisation and optimisation of the system throughout 2021 and beyond.

The RPMI Board continued to increase the resource it supplied to RPMI Railpen during the year in order to facilitate selective in-sourcing of investment management, saving overall costs for the Trustee. For more information, see under the 'Activity of RPMI Railpen' heading.

Remuneration Policy and RPMI employee disclosures

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

As set out on page 29, RPMI carries out activities on behalf of the Trustee and supplies personnel and infrastructure to RPMI Railpen to enable it to manage the Scheme's assets. The costs of RPMI employees working on administration activities are charged to the Scheme through a per capita charge and are therefore included within note 6 of the financial statements. Costs associated with employees engaged in investment activities are charged to the pooled funds and are shown within note 1.4 of Appendix I. The total cost associated with employees provided by RPMI during the year ended 31 December 2020 was £40.4m (2019: £32.4m), an increase of 24.7%.

Reward Principles
The principles of the RPMI 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 RPMI's Employee Value Proposition and Defined Benefit pension scheme.
- Inspire trust through a transparent and open approach to reward, giving our governance structure the confidence to make the right decisions, whilst ensuring our managers understand, and own, the reward process which our employees believe is fair.
- Ensure career and pay progression is focused on our superior performers and emerging talent.
- Ensure robust control and governance delivers value for money and mitigates the risk of attrition of critical skills and knowledge.
- Drive superior performance by aligning corporate, team and individual priorities, energy and focus and delivering the right balance between long term/strategic and short term objectives.
- Reward the right behaviours to help shape and maintain our cultural aspirations.
- Keep in step with compliance principles and detailed regulatory requirements (e.g. SMCR) for the various parts of our business.

Our Reward Policy includes the following key elements:

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

The Remuneration and Nominations Committee are a formal sub-committee of the RPMI Board.
The reward aspect of the Remuneration and Nominations Committee's remit is to:

- Determine executive pay, which includes the Contracts of Employment and the Employee Handbook, including all aspects of remuneration in respect of:

  a. The Chief Executive Officer, the Executive Directors and members of the Executive Committee (ExCom); and

  b. Employees where total on-target earnings (base salary plus on target total bonus) are £185,000 per annum or greater. The value of the target earnings will be reviewed annually in May, following the conclusion of the annual salary and bonus review process.

- Ensure compliance with guidelines on Corporate Governance on Remuneration.
- Make recommendations to the RPMI Board regarding the general pay award for all staff.
- Approve the Reward Policy and principles to be applied to all management and employees.
- Review recommendations from management on the annual pay and bonus proposals and make recommendations to the RPMI Board for sign off.
- Determine the design, eligibility and targets for any longer term incentive schemes operated by RPMI. Subsequently, review performance against these targets and agree any payments proposed.
- Ensure our approach to reward supports our commitment to improved diversity and inclusion.

Total Reward
Purpose of the elements of the Total Reward package:

a. Fixed Pay (base and regular allowances)

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

b. Annual Bonus or Variable pay

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

c. Long Term Investment Plan (LTIP)

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

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

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

e. DB pension scheme

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

Bonus payments

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

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

This has replaced the Group Wide, Personal, Business and Deferred bonus arrangement.

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

Annual Bonus Plan

- The Annual Bonus plan is a discretionary bonus scheme based on a performance period of 1 January to 31 December and is paid through the April payroll in the following year.
- Employees need to have joined the company by 30 September, and still be on the payroll at the following April to be eligible for payment for that performance year.
- Individual performance ratings and bonus percentages will be determined by line managers, and will be calibrated by the Executive Committee to ensure the distribution by both department and individual reflects relative performance outcomes, contribution and role modelling of behaviours.
- The individual performance outcomes will be aggregated to determine the size of the bonus pool requested.
- The Remuneration Committee will review the size of the bonus pool, and determine whether in aggregate this concurs with its assessment of the overall performance of RPMI over the period. They will have the ability to flex this bonus pool up or down.
- The agreed bonus pool will then be distributed based on relative individual performance ratings.

LTIP Arrangement

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

Remuneration in 2020/19

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

Range	2020	2019
	Number	Number
£650,000 - £700,000	1	-
£600,000 - £650,000	2	1
£550,000 - £600,000	1	-
£500,000 - £550,000	-	2
£450,000 - £500,000	1	1
£400,000 - £450,000	1	2
£350,000 - £400,000	3	1
£300,000 - £350,000	9	7
£250,000 - £300,000	5	4
£200,000 - £250,000	15	8
£150,000 - £200,000	13	5
Total	**49**	**31**

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 annual bonuses which are deferred for up to three years. These deferred bonuses are allocated by individual and revalued annually until paid. Estimates of future investment performance and eligible staff turnover are used in the calculation. The direct costs associated with employing a team of highly skilled investment professionals in a very competitive financial services market are much lower than the embedded fees that would otherwise be charged by external managers.

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

Remuneration for the Year Ended 31/12/20	High earners £m	Executive Directors £m	Trustee Directors £m	Total key management personnel £m
Salary & Benefits	8.2	1.0	0.4	9.6
Annual bonus	3.3	0.4	-	3.7
Deferred bonus	1.3	0.4	-	1.7
Total compensation earned in 2020	**12.8**	**1.8**	**0.4**	**15.0**
Less:				
Annual bonus earned in the year deferred until 2023	(1.3)	(0.4)	-	(1.7)
Add:				
Annual incentives from 2018 paid in the year	1.8	-	-	1.8
Total compensation paid in 2020	**13.3**	**1.4**	**0.4**	**15.1**

LTIP awards

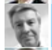
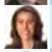
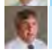
A notional amount is awarded in respect of LTIP and amounts eventually payable depend on the performance and service conditions explained earlier in this report. Twenty six LTIP awards were made in the current year with a notional value of £1.7m, of which four related to Executive Directors with a notional value of £0.4m.

RPMI Railpen

RPMI Railpen 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 RPMI Railpen sets out the terms of the Trustee's delegation to RPMI Railpen.

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

During 2020 and up to the date of signing of the financial statements, the membership of Railpen Investment Board ('RIB') was as follows:

	Name	Position
	Paul Trickett (Chair)[1]	Non-Executive Director
	Michael Craston (Chair)[2]	Non-Executive Director
	Carl Bang	Non-Executive Director
	John Chilman	Chief Executive
	Meliha Duymaz Oludipe[3]	Trustee Director
	Johanna Kyrklund	Non-Executive Director
	John Mayfield[4]	Trustee Director
	Richard Murray[5]	Trustee Director
	Gary Towse[6]	Trustee Director

1. Paul Trickett resigned from the Board on 19 May 2020
2. Michael Craston was appointed to the Board on 15 May 2020
3. Meliha Duymaz Oludipe resigned from the Board on 26 November 2020
4. John Mayfield resigned from the Board on 31 March 2020
5. Richard Murray was appointed to the Board on 1 January 2021
6. Gary Towse was appointed to the Board on 1 June 2020

Activity of RPMI Railpen

Under its Investment Management Agreement with the Trustee, RPMI Railpen is responsible for managing the investments of the pooled funds into which Scheme assets are grouped. The RIB is responsible to the Trustee Board for oversight of the pooled funds, with appropriate emphasis on achieving long-term objectives. The Growth Pooled Fund, which represents approximately two-thirds of Scheme assets, has a long-term investment objective of maximising risk-adjusted returns whilst targeting 75% of the total market risk of public equity. Other pooled funds have investment objectives tailored to their roles in meeting the needs of stakeholders. Further details on the pooled funds can be found in Appendix J.

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

Employer director appointment procedure

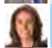
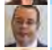
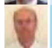
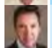
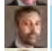
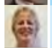
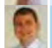
The appointment procedure for employer directors is based on industry sub-sector constituencies. The nominating electoral groups and the number of directors to be appointed by each electoral group are set out in the table below:

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

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

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

The chart, below, shows the current employer directors as at the end of December 2020, their date of retirement by rotation, and nominating constituency.

	Name	Nominating Constituency	Date of retirement by rotation
	Christopher Hannon (Chair)	Freight train operating companies and support services	2022
	Meliha Duymaz Oludipe[1]	Network Rail	2026
	Mark Engelbretson	Network Rail	2024
	Adam Golton[2]	Passenger train operating companies	2026
	John Hamilton[3]	Passenger train operating companies	2020
	Richard Jones	All employers	2022
	Christine Kernoghan	Passenger train operating companies	2022
	Richard Murray	Passenger train operating companies	2024
	John Wilson	Freight train operating companies and support services	2026

1. Meliha Duymaz Oludipe has resigned from the Board with effect from 30 June 2021
2. Adam Golton was appointed to the Board on 1 July 2020
3. John Hamilton retired from the Board on 1 July 2020

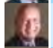
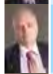
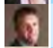
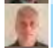
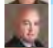
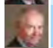
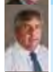
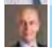
Employee director appointment procedure

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

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

The chart below shows the employee Trustee Directors during 2020, their date of retirement by rotation, and nominating organisation.

	Name	Nominating Constituency	Date of retirement by rotation
	Gerard Doherty	Transport Salaried Staffs' Association	2024
	Richard Goldson[1]	RROS	2026
	David Gott	RMT and the Management Committee of the BRSF	2024
	Charles Harding	CSEU	2026
	Peter Holden	British Transport Pensioners' Federation	2026
	Michael Lynch[2]	RMT	2022
	John Mayfield[3]	RROS	2020
	Gary Towse	Management Committee of the BRSF and British Transport Police Federation	2022
	David Tyson[4]	ASLEF	2022

1. Richard Goldson was appointed to the Board on 21 April 2020
2. Michael Lynch resigned from the Board on 13 May 2021
3. John Mayfield resigned from the Board on 31 March 2020
4. David Tyson has resigned from the Board with effect from 30 September 2021

Governance

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

The experience and skills of Trustee Directors are the cornerstones of the Board's effective ways of working. Directors attended up to 25 Board and Committee meetings in 2020, in addition to various workshops, strategy events, and training seminars. Attendance is reported to the Board and published on pages 38 to 41.

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

Exposure of investments

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

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

Pension Protection Fund

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

Insolvent employers

There are some participating employers within the RPS that are no longer trading or who are in administration. Further details are given in Note 12 of the audited financial statements.

Driving freight through the country day and night.

The Trustee Directors during 2020

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

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

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

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

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

   Gerry was appointed as a director of the Trustee Company in 2018 and appointed as a Non-Executive Director of RPMI in 2020.

3. **Meliha Duymaz Oludipe**
   (Chair of the Audit and Risk Committee ('ARC') since 1 April 2020)
   Meliha has been the Regional Finance Director for the Eastern Region since August 2019. She is responsible for the financial oversight of c£15bn of investment over the next five years in the Eastern Region which stretches from the Scottish Borders along the entire east coast of England to London delivering 7,500 passenger services each day. Before joining Network Rail, she worked for a diverse range of organisations including Serco Plc in the Docklands Light Railway, public relations group Hunstworth Plc and as an auditor in Turkey. Having spent 17 years as a finance professional in various industries, Meliha has extensive experience in franchising & bidding, outsourcing, financial and commercial management in complex organisations.

   Meliha is a qualified chartered accountant with ACCA and holds an Economics & Business Administration degree. She was appointed as a director of the Trustee Company in March 2016 and was a Non-Executive Director of RPMI Railpen from 2017 to 2020.

4. **Mark Engelbretson**
   Mark is Head of Pensions at Network Rail. Prior to that, Mark worked in various Heads of Pensions/Secretary to Trustee roles for the likes of British Airways, Carnival Plc and Mothercare in a career that extends over 26 years. Mark was appointed as a director of the Trustee Company in February 2017.

5. **Richard Goldson**
   (appointed as an Employee Director with effect from 21 April 2020)
   Richard's whole career was with the railway, half with BR, and half with National Express. Subsequently, he was a Non-Executive Director with the Office of Rail Regulation, and separately an advisor to the House of Commons Transport Committee. For eighteen of those years Richard was an employer-elected Trustee Director of the Railways Pension Scheme, and served on key Committees of the Trustee. He was the first Trustee to Chair the RPMI Board, and was one of the two Trustees to sit on the Railpen Board.

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

6. **Adam Golton**
   (appointed as an Employer Director with effect from 1 July 2020)
   Adam is a Chartered Accountant and worked as Finance Director for eight different rail franchises over a 20 year period. He currently chairs Rail Delivery Group's EC4T Steering Group and is the Abellio representative for the Settlement, Assurance and Financing Committee. Adam has over 10 years' experience as a Pension Committee member for the Anglia and Great Eastern sections, and was appointed chair of these committees over a number of years. In November 2018, Adam moved to a Group role in order to focus on wider industry developments and their impact on the Abellio train operating companies.

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

7. **Dave Gott (Chair of Case Committee)**
Dave joined British Rail in 1980 and worked in the signalling grades in the Lincoln/Retford areas. He was elected to the BRSF Management Committee in 2001 and elected to the Network Rail Pensions Committee in 2005.

Dave was appointed as a director of the Trustee Company in 2007 and re-elected in 2012 and was a Non-Executive Director of RPMI from 2017 to 2020.

8. **John Hamilton (Chair of the Remuneration Committee until he retired on 01 July 2020)**
John is a Chartered Accountant and sits on the Group Executive Committee of Stagecoach Group plc as the Group Taxation Director and the Director of Pensions. He is also an experienced Trustee of the Group's pension scheme. John was initially appointed a director of the Trustee Company in 2008, and was re-elected for another six year term in 2014. John was the Chair of the Remuneration Committee of RPMI Ltd from 2014, until he retired from the Trustee Board on 1 July 2020.

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

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

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

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

Richard was appointed as a director of the Trustee Company in March 2016. In January 2017, he was appointed as a Non-Executive Director of RPMI, and he was re-appointed for a further three-year term in 2020.

12. **Christine Kernoghan (Chair of Integrated Funding Committee)**
Christine was the Head of Financial Services at South Western Railway Limited where her responsibilities included management and operation of the pension scheme. She has been involved with the railways pension scheme for 23 years taking an active role in developing effective communications and improved administration. She was a long-standing member of the South Western Railway Pension Committee. Christine was appointed a director of the Trustee Company in 2016.

13. **Michael Lynch**
Mick was the Assistant General Secretary of the RMT, Britain's largest rail union, and was appointed as General Secretary in May 2021. Before being elected as a union official in 2015 he worked for 22 years for Eurostar in fleet engineering. He was appointed as a director of the Trustee Company in 2015. Mick has served on the Eurostar Pensions Committee since it was established and is a member of the Network Rail Pensions Committee. Mick resigned from the Trustee Board in May 2021.

14. **John Mayfield (Chair of the Audit & Risk Committee until he retired on 31 March 2020)**
John worked as the British Railways Board's Chief Internal Auditor and then as Finance Director at the British Rail Property Board until he retired in 1993. He is a past president of the Retired Railway Officers' Society. He was a member of the 1994 Pensioners Section Pensions Committee from 1994 to 1996 and was appointed as a director of the Trustee Company in 1996. In February 2014, he was appointed as a Non-Executive Director of RPMI Railpen. John retired from the Trustee Board in March 2020.

15. **Richard Murray**
Richard is the Group Pensions Director for FirstGroup, having joined the Reward & Pensions team in 2008. He started his career with an employee benefits consultancy after graduating from the University of Edinburgh with a degree in Economics and Statistics, and now has over 20 years pensions experience. Richard has had a variety of trustee roles for FirstGroup pensions arrangements in the UK and North America. He was appointed a director of the Trustee Company in 2019.

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

17. **David Tyson**
David worked in the rail industry as a train driver for 38 years and retired in 2018. He has served on the BR, Anglia and 1994 Pensioners Section Pensions Committees and he is the former president of ASLEF's Executive, which he served upon between 1994 and 2004. David was appointed as a director of the Trustee Company in February 2001 and was a Non-Executive Director of RPMI from 2009 until 2017. David has resigned from the Trustee Board with effect from 30 September 2021.

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

The Trustee Directors during 2020

10 10

Christopher Hannon

(Chair of Trustee Board)

Appointed by: Freight Train Operating Companies & Support Services

Term of office ending: 2022

24 24

Gerard Doherty

(Chair of the Mutual Committee)

Appointed by: Transport Salaried Staffs' Association (TSSA)

Term of office ending: 2024

6* 14

Meliha Duymaz Oludipe

(Chair of the Audit and Risk Committee since 1 April 2020)

Nominated by: Network Rail

Term of office ending: 2026

22 25

Mark Engelbretson

Nominated by: Network Rail

Term of office ending: 2024

11 11

Richard Goldson

Nominated by: Retired Railway Officers Society (RROS)

Term of office ending: 2026

9 9

Adam Golton

Nominated by: Abellio East Anglia Ltd

Term of office ending: 2026

17 19

David Gott

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

Term of office ending: 2024

9 12

John Hamilton

(Chair of the Remuneration Committee until he retired on 01 July 2020)

Appointed by: Passenger Train Operating Companies

Term of office ending: 2020

17 19

Charles Harding

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

Term of office ending: 2026

*Meliha was away from the Board between July 2020 and February 2021 due to ill health.
Meliha has resigned from the Board with effect from 30 June 2021.

The Trustee Directors during 2020

14 | 15

Peter Holden

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

Term of office ending: 2026

17 | 18

Richard Jones

(Chair of the Defined Contribution Committee)

Nominated by: All employers

Term of office ending: 2022

25 | 26

Christine Kernoghan

(Chair of the Integrated Funding Committee)

Nominated by: Passenger Train Operating Companies

Term of office ending: 2022

14 | 21

Michael Lynch

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

Term of office ending: 2022

3 | 3

John Mayfield

(Chair of the Audit & Risk Committee until he retired on 31 March 2020)

Nominated by: Retired Railway Officers' Society

Term of office ending: 2020

19 | 19

Richard Murray

Nominated by: Passenger Train Operating Companies

Term of office ending: 2024

25 | 25

Gary Towse

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

Term of office ending: 2022

20 | 21

David Tyson

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

Term of office ending: 2022

25 | 26

John Wilson

Appointed by: Freight Train Operating Companies and Support Services

Term of office ending: 2026

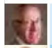
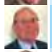
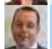
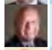
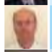
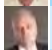
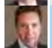
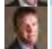
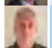
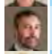
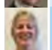
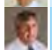
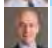
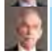
Trustee Board and Committee meetings attended:

- Number of meetings attended (blue)
- Number of meetings eligible to attend (grey)

Membership and activities of board and principal committees during 2020

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

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

	Name	Number of meetings attended	Number of meetings eligible to attend
	Chris Hannon (Chair)	10	10
	Gerry Doherty	10	10
	Meliha Duymaz Oludipe[1]	4	10
	Mark Engelbretson	9	10
	Richard Goldson[2]	8	8
	Adam Golton[3]	5	5
	David Gott	10	10
	John Hamilton[4]	4	5
	Charles Harding	9	10
	Peter Holden	9	10
	Richard Jones	10	10
	Christine Kernoghan	10	10
	Michael Lynch[5]	7	10
	John Mayfield[6]	2	2
	Richard Murray	10	10
	Gary Towse	10	10
	David Tyson[7]	9	10
	John Wilson	9	10

1. Meliha Duymaz Oludipe was away from the Board between July 2020 and February 2021 due to ill health. Meliha has resigned from the Board with effect from 30 June 2021
2. Richard Goldson was appointed as an Employee Director with effect from 21 April 2020
3. Adam Golton was appointed as an Employer Director with effect from 1 July 2020
4. John Hamilton retired on 1 July 2020
5. Michael Lynch resigned from the Board on 13 May 2021
6. John Mayfield retired on 31 March 2020
7. David Tyson has resigned from the Board with effect from 30 September 2021

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

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

Trustee Fee Disclosures

Trustee Directors are remunerated in accordance with the contribution which they make to the work of the Trustee Company and their legal responsibilities. The core fee for a Trustee Director is £14,937. Additional payments are made for extra responsibility such as chairing meetings.

	2020	2019
Salaries & Fees	£357,008	£338,962
Employer NI Contributions	£22,771	£20,790
Expenses	£20,332	£46,661
Total	**£400,111**	**£406,413**

The total fees paid during 2020 and 2019 fall within the following bandings:

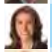
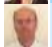
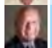
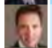
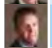
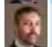
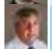
Range	2020	2019
£80,000 - £90,000	1	-
£60,000 - £70,000	-	1
£30,000 - £40,000	1	2
£20,000 - £30,000	6	7
£0 - £20,000	8	6
Total	**16**	**16**

*Note: Includes one Trustee Director that has waived their right to remuneration.

Audit and Risk Committee ('ARC')

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

Membership and attendance during 2020 are shown in the following table:

	Name	Number of meetings attended	Number of meetings eligible to attend
	John Mayfield (Chair)[1]	1	1
	Meliha Duymaz Oludipe (Chair)[2]	2	4
	Adam Golton[3]	1	1
	Richard Goldson[4]	2	2
	John Hamilton[5]	2	2
	Charles Harding	3	4
	Richard Jones	3	4
	Gary Towse	4	4

1. John Mayfield resigned as Chair of the Committee on 31 March 2020
2. Meliha Duymaz Oludipe was appointed Chair of the Committee on 1 April 2020, but was unavailable between July 2020 and February 2021 due to ill health. Meliha has resigned from the Committee with effect from 30 June 2021
3. Adam Golton was appointed to the Committee in September 2020
4. Richard Goldson was appointed to the Committee in June 2020
5. John Hamilton retired on 1 July 2020

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

- recommend the appointment of the external auditor;
- reviewing the adoption of accounting principles and policies;
- reviewing all aspects of the annual accounts;
- approve the scope and programme of work of Business Assurance, and monitor delivery;
- reviewing the effectiveness of external audit and Business Assurance; and
- overseeing the control and risk management systems of the Trustee and operating companies.

ARC is scheduled to meet up to four times a year to discuss, consider and review the audit work of the external auditors, financial reporting arrangements, the work of the RPMI Business Assurance team and general internal control and risk management issues. The Committee also reviews the annual report and audited financial statements prior to Board approval.

During 2020, ARC met on four occasions. It considered the annual report of Business Assurance covering its internal audit and assurance activities during 2019, received reports on the progress of the 2020 audit plans, and considered and approved the Business Assurance plan for 2021.

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. Regular reports were received in 2020 from the Head of Group Operational and Enterprise Risk.

Financial reporting matters considered by ARC in 2020 included the annual report and financial statements of RHL and the Trustee, the railways pension schemes and pooled funds and the operating companies (RPMI and RPMI Railpen). ARC also received and considered the Report by the External Auditor on the 2019 Report and financial statements and the External Audit Strategy for 2020.

As part of these reviews, ARC has specifically considered the processes that enable reliable and relevant valuations of the Scheme's assets. The Trustee retains BNY Mellon to provide the valuation of quoted securities, and two independent property valuers for UK properties. BNY Mellon in turn relies, wherever possible, on independent sources of data, ensuring that the majority of the pooled fund's quoted assets are priced completely independently of the Fund Managers' valuations. In addition, as part of the audit of the year end financial statements, the external auditors perform their own independent valuation of pooled fund assets and compare this to the Trustee's valuation, reporting any material discrepancies to ARC. ARC is satisfied that these arrangements are robust.

More detail on the specific valuation principles adopted for each category of investments can be found in the accounting policies set out on page 15.

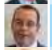
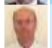
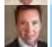
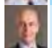
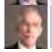
Other matters considered by ARC were the Internal Control Assurance Report (ISAE 3402 and AAF 01/06) prepared for the pensions administration business of RPMI for the period from 1 January 2019 to 31 December 2019, Trustee Hospitality & Gifts Policy, pooled fund cost processes and controls, the provision of legal and actuarial services and ARC members ongoing training and competency.

ARC also receives reports of any significant security incidents or frauds and will consider any governance issues arising from external or internal reports via the Whistleblowing Policy. At each meeting of the Committee, private discussions are held in a closed session with the external auditors, the Head of Group Operational and Enterprise Risk and the Head of Business Assurance.

ARC is satisfied that it has received sufficient, reliable and timely information to satisfy itself that the control and risk management systems are operating effectively.

Integrated Funding Committee (IFC)

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

	Name	Number of meetings attended	Number of meetings eligible to attend
	Christine Kernoghan (Chair)	11	11
	Gerry Doherty	11	11
	Mark Engelbretson	10	11
	Adam Golton[1]	3	3
	John Hamilton[2]	3	5
	Michael Lynch[3]	7	11
	Gary Towse	11	11
	David Tyson[4]	11	11
	John Wilson	11	11

1. Adam Golton was appointed to the Committee in September 2020
2. John Hamilton retired on 1 July 2020
3. Michael Lynch resigned from the Board on 13 May 2021
4. David Tyson has resigned from the Board with effect from 30 September 2021

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

A valuation of the RPS is due as at 31 December 2019. Of the 105 sections as at 31 December 2019, 78 were non-TOC sections of which 76 require a valuation. Each section is treated as a separate entity with its own valuation results. This valuation falls under the Pensions Act 2004, and means that agreement on the valuation results is needed from each sponsoring employer.

Draft results for the non-TOC sections were issued in June 2020. The Trustee's integrated funding approach addresses funding, investment and employer covenant matters together. For sections which are closed to new entrants, the Trustee adopts a term-dependent approach to setting discount rates which reflects the anticipated progression of the investment strategy as sections mature.

The Committee has considered proposals from sponsoring employers for valuation solutions, and will continue to do so in 2021.

A report from the Scheme Actuary is included on pages 53-55 which refers to the requirement to produce individual Statements of Funding Principles and Schedules of Contributions for each section. The individual actuarial certificates of the latest completed valuation for each section have not been included in the annual report but are available on request from RPMI at the address in Appendix H.

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

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

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

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

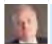
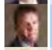
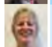
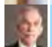
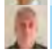
The Committee also progressed the changes to arrangements for specific sections resulting from corporate reorganisations within groups of sponsoring employers or changes to franchises affecting train operating companies.

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

Settlement of liabilities
As sections mature, it is appropriate in some cases to reduce risk by passing liabilities to an insurance company. Some sections have bought bulk policies which cover their liabilities.

Case Committee ('CC')

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

	Name	Number of meetings attended	Number of meetings eligible to attend
	David Gott (Chair)	4	5
	Charles Harding	5	5
	Christine Kernoghan[1]	4	5
	John Wilson	5	5
	Richard Murray	5	5
	Peter Holden	5	5

1. Christine Kernoghan resigned from the Committee on 31 December 2020

In 2020, the Case Committee held 5 scheduled meetings and no special meeting.

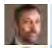
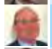
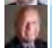
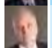
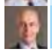
As at 31 December 2020, the Case Committee had responsibility for 87 sections of the Railways Pension Scheme.

During 2020, the Case Committee considered and made decisions on 68 cases which can be categorised as follows:

- Applications and reviews of incapacity benefits
- Applications for payment of lump sum death benefit
- Applications for spouse's, children's and dependant's pensions
- Appeals under stage 2 of the internal disputes resolution procedure
- Applications for early payment of preserved benefits
- Reviews of eligible dependant's pension after being in payment 10 years
- Clause 7E - forfeiture of benefits cases
- Application for serious ill health commutation
- Special request to permit a transfer of pension rights into the RPS

Defined Contribution Committee ('DCC')

The purpose of the DCC is to ensure appropriate management and governance of the AVC and DC arrangements of the railways pension schemes. These comprise BRASS, AVC Extra and the IWDC Section (collectively the 'DC arrangements'). The membership and attendance of the DCC during 2020 and up to the date of signing the financial statements is shown in the following table:

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

1. Gerry Doherty resigned from the Committee in August 2020
2. Richard Goldson was appointed to the Committee in October 2020
3. David Gott resigned from the Committee in February 2021
4. Gary Towse was appointed to the Committee in February 2021
5. David Tyson has resigned from the Board with effect from 30 September 2021

In addition to the four scheduled DCC meetings, there was one additional special meeting scheduled during the year.

The Trustee Board has delegated to the DCC responsibility for ensuring that the DC arrangements can deliver good outcomes for members at retirement, and finding the best ways to support members to achieve their objectives. It helps to shape and articulate the Trustee's policy on DC matters.

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

The Trustee applied to the Pensions Regulator for the IWDC Section to become an Authorised Master Trust. Following a significant amount of work by both RPMI and the DCC, Authorisation was granted, with no advisories, on the 2nd August 2019. An outcome that delighted both RPMI and the DCC. This outcome means that the Scheme's governance, systems and processes, and the fitness and competence of the Trustee, will be supervised by the Regulator. Since then the DCC has ensured that the Master Accreditation is maintained effectively.

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

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

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

The DCC conducts regular investment reviews to ensure the funds are being managed in accordance with the Trustee's objectives. A formal DC investment strategy review with respect to the lifestyle investment strategies, default approaches and self-select options was undertaken and presented to the DCC in March 2020. The DCC approved the recommendation to introduce three new lifestyle investment strategies (full cash withdrawal, annuity purchase and flexible drawdown) to replace the four existing lifestyle strategies. They also approved the replacement of the Aggregate Bond Fund with a new fixed interest gilts fund, and the replacement of the Index Linked and Global Bond Fund with a new index-linked gilts fund. Finally, the introduction of three further funds (credit, ethical and sharia) was approved. The DCC will monitor the delivery of the new funds.

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

The DCC assessed the administration, communications, governance, and investment services provided to the Scheme, alongside the level of member-borne charges and available information about transaction costs. Work to deliver further improvements in value for members started to complete in 2020, as part of Project Chrysalis, an enhanced digital offering and member guidance, including a modeller. A number of other important changes remain in-flight.

The DCC is responsible for making sure the DC arrangements are managed in line with the Trustee's DC Vision and Mission. The Trustee's DC Vision Statement is "for the railways pension schemes to be the DC offering of choice for rail employers and their members, to provide good outcomes for members at retirement".

> The Trustee's DC Vision Statement is 'for the railways pension schemes to be the DC offering of choice for rail employers and their members, to provide good outcomes for members at retirement'.

The DC Vision statement is supported by a framework of core principles, which set out the key areas to focus on to deliver the overall DC vision statement, and sub-principles, which support the achievement of each of the core principles and give direction to RPMI and RPMI Railpen concerning the operation of the DC arrangements in practice.

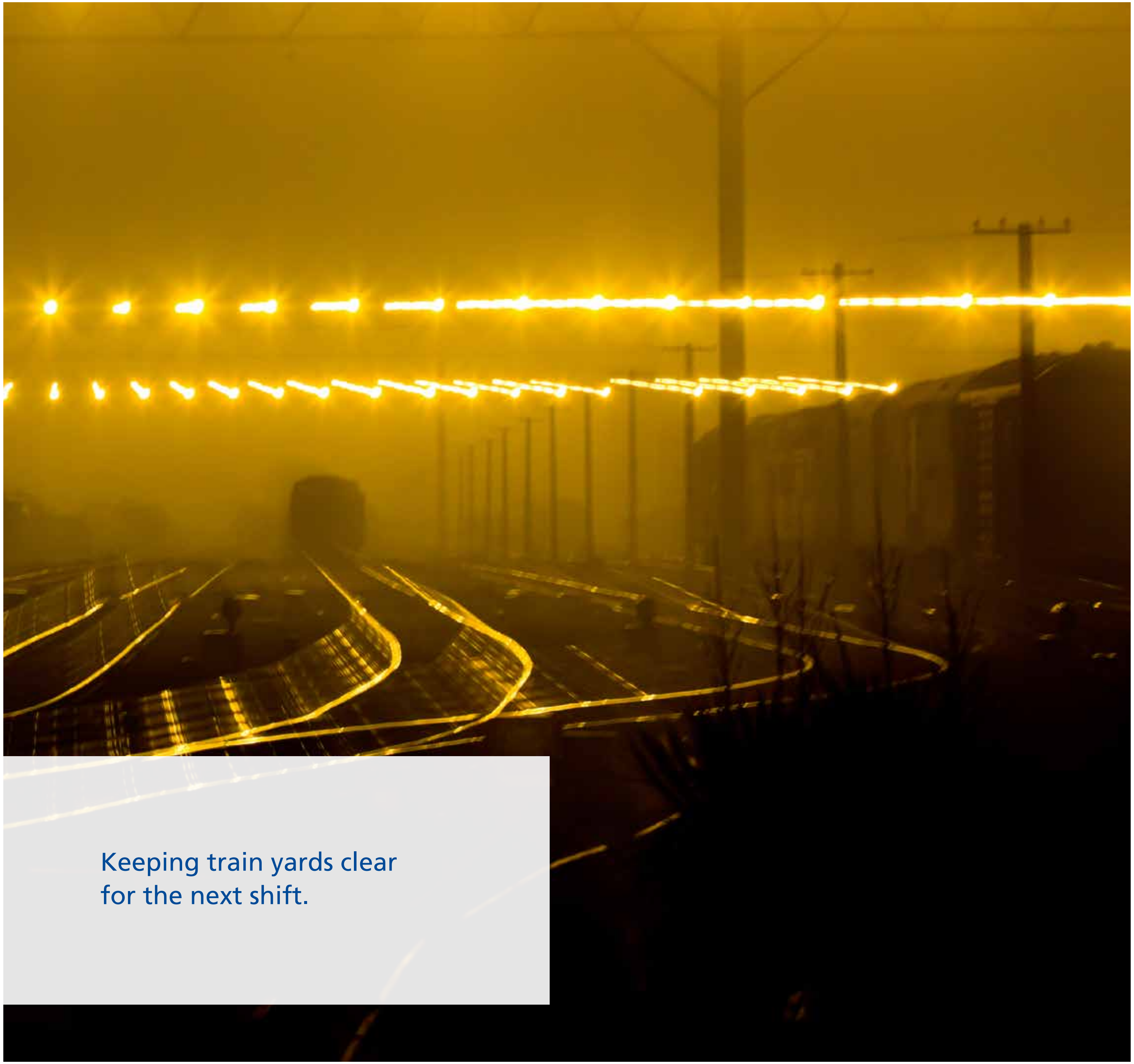
The DCC has continued to assess the DC arrangements against the requirements of the Pensions Regulator's code of practice and supporting guides to ensure compliance with legislation and the Regulator's expectations. It has also received regular updates on DC consultations, and statutory and regulatory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

The DCC played a key role in determining the DC Pension Freedoms solution alongside the wider Trustee body. Currently the Scheme does not offer members a DC retirement solution. As a result members are exposed to the open market. From Q2 2021 members will have 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).

For and on behalf of the Trustee:

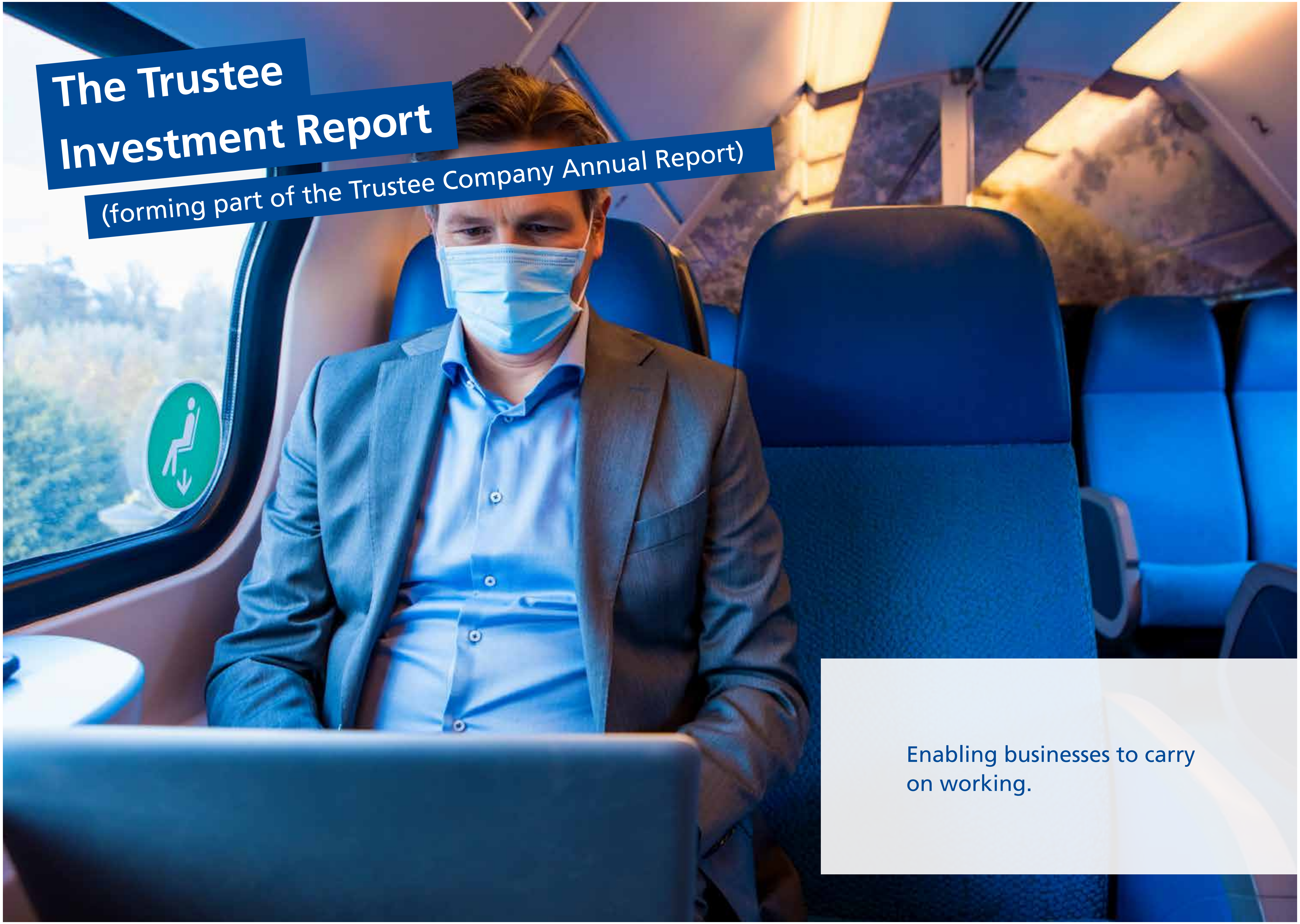
Christopher Hannon
Chair, Trustee Company

24 June 2021



The Trustee Investment Report

(forming part of the Trustee Company Annual Report)



Enabling businesses to carry on working.

Introduction

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

The mission of the Scheme is to pay members' pensions securely, affordably and sustainably. To achieve these aims the assets of the Scheme are invested to generate strong 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 sub-committee, the Integrated Funding Committee, 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, RPMI and RPMI Railpen, to which it delegates the day-to-day operation of the Scheme.

Investment management arrangements

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

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 individual sections, while 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. These funds seek to capture returns more efficiently and effectively than single asset pools. They enable RPS sections to hold a managed portfolio of assets rather than a fixed allocation, which consequently should have a less volatile return profile.

Each pooled fund has a return comparator and risk parameters within which returns may be targeted. Within the pooled funds, RPMI Railpen is able to make use of internal and external fund management capabilities, and passive and active management, as appropriate.

The use of external active management has declined substantially within the Scheme over the past few years. In addition, fee structures in 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 focus for pooled fund management in 2020 has been the efficient implementation of investments.

> The focus for pooled fund management in 2020 has been the efficient implementation of investments.

Within the Growth Pooled Fund, RPMI Railpen amended some of the allocations within the equity portion of the portfolio. Further investments were also made to other diversifying asset classes. Within the property allocation, the in-house team have engaged with existing tenants regarding rent and service charges following the onset of the Covid-19 pandemic. They have also completed a number of new lettings, lease negotiations and transactions.

The Illiquid Growth Pooled Fund made further allocations during the course of the year, with a particular emphasis on investments focused on communication, innovation and financial services. The in-house team also continues to manage significant distributions from legacy investments in the Private Equity and Infrastructure Funds.

The Long Term Income Pooled Fund made a number of new investments in 2020, including an operational wind farm in Scotland and a stake in a renewable energy plant in Lincolnshire.

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

Investment strategy

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

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

Liquidity of investments

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

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

Economic commentary

The emergence of the Covid-19 pandemic had a significant impact on global economic activity in 2020. As the virus spread across the world early in the year, widespread lockdown restrictions were introduced in an attempt to slow its progress. A divergence in regional impacts of the pandemic became more apparent in the second half of the year; the Chinese economy became the first major economy to recover from earlier impacts of the pandemic in the third quarter, whilst other regions, such as Europe and the US, continued to face challenges as infections rose once again. Positive vaccine news provided a boost to the global economic outlook towards the end of 2020, with hopes of a return to 'normality' in the near future.

A large number of central banks cut interest rates in the first quarter, in an attempt to lessen the impact of the virus on local economies. The Federal funds rate in the US was lowered to a target range of 0-0.25% and the Bank of England base rate was reduced to a 325-year low of 0.10%. Central banks also announced the further use of quantitative easing to provide additional liquidity to the financial system.

Similarly, governments across the world stepped in to provide significant fiscal support to businesses and households. Many governments offered loans and grants to companies, which helped to lessen, or at least defer, job losses. For individuals, policies were introduced to replace lost income, such as the furlough scheme in the UK. These additional fiscal supports significantly increased government borrowing around the world.

Political uncertainty was another dominant theme in 2020. Brexit negotiations between the UK and EU continued over the year, as both sides sought to reach an agreement on their trading relationship before the end of the UK's transition period. Negotiations stalled at the beginning of October, increasing concerns that a no-deal Brexit might play out. However, a deal was struck on Christmas Eve, just a week before the UK's transition period was due to end. A key element of this agreement is that tariff- and quota-free trade on goods between the UK and EU can continue, which alleviated concerns that there could be significant disruption to trade.

The US election took place on 3rd November, following a turbulent pre-election period Biden was named the 46th US President in the fourth quarter of the year. Markets reacted positively, with expectations of a less confrontational presidency under Biden. In early 2021, the Democrats also gained control of the Senate and retained control of the House of Representatives, meaning Biden will have a good chance of driving policy change.

Despite a challenging first quarter for markets as the wide-reaching impacts of the pandemic began to take shape, global equities (represented by the MSCI All Countries World Index in local currency terms) gained 14% over the calendar year. Emerging market equities (+19%) outperformed developed markets, supported by a weaker US Dollar. Meanwhile, bond yields fell further in 2020. The UK ten-year government bond yield fell from 0.8% to 0.2% and the US ten-year government bond yield fell from 1.9% to 0.9%. The German ten-year yield moved further into negative territory, ending the year at -0.6%. Sterling gained value versus the US Dollar over the period, but depreciated by 6% versus the Euro. Crude oil ended the year 21% cheaper than it started amidst weaker demand and increased supply, but precious metals gained value, supported by the increase in money supply from central banks. In particular, gold appreciated by 24% over the year whilst silver gained 47%.

Investment performance

The Growth Pooled Fund, the largest of the pooled funds managed by RPMI Railpen, invests in a diversified mix of predominantly growth-focused assets. The asset allocation of the Growth Pooled Fund is flexible and will vary, taking into account changing market valuations, consistent with the Trustee's investment beliefs. The investment objective is to maximise risk-adjusted returns over the long-term whilst targeting 75% of the total market risk of public equity. Long-term performance is assessed against a return comparator of RPI +4% per annum.

The largest portfolio allocation in the Growth Pooled Fund is to global equities and over the year the allocation remained around 65%. Other asset classes held within the Growth Pooled Fund include property, fixed income (high yield and emerging market debt) and total return assets.

The Growth Pooled Fund return in 2020 was 8.6%. Over the past 3 years, the Growth Pooled Fund return of 6.9% per annum was ahead of the RPI +4% per annum comparator.

The Passive Equity Pooled Fund is invested in line with a global index weighted by market capitalisation and produced a return of 11.8% in 2020 and 8.8% per annum over the past 3 years. The Global Equity Pooled Fund has fixed weights in major geographic regions and produced a return for the year of 7.3% and 6.1% per annum over the past 3 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 of private equity investment. The Private Equity Pooled Fund produced an aggregate return of 18.0% in 2020 and 19.1% per annum over the past 3 years.

The Infrastructure Pooled Fund delivered a return of -1.2% for the year and 6.8% per annum over the past 3 years.

The Private Equity and Infrastructure pooled funds are closed to new investments, although they still have some existing commitments being drawn down. New investments in private markets are made within the Illiquid Growth Pooled Fund and the Long Term Income Pooled Fund. These funds are still in the early stages of committing capital for investment.

The Illiquid Growth Pooled Fund delivered a return of 3.8% for the year and 8.7% per annum over the past 3 years.

The Long Term Income Pooled Fund delivered a return of 4.3% for the year and 1.8% per annum over the past 3 years.

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

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

The Government Bond Pooled Fund is a UK government bond portfolio, managed internally by RPMI Railpen on a buy and maintain basis. The Government Bond Pooled Fund achieved a return of 2.7% for the year and 1.7% per annum over the past 3 years.

The Non-Government Bond Pooled Fund is managed on a buy and maintain portfolio by an external fund manager and achieved a return of

6.3% for the year and 5.0% per annum over the past 3 years.

The Long Duration Index Linked Pooled Fund invests in UK inflation-linked government bonds and is managed internally by RPMI Railpen on a buy and maintain basis. The Fund achieved a return of 15.1% for the year and 7.0% per annum over the past 3 years.

The Short Duration Index Linked Pooled Fund was launched in October 2017. It is managed internally by RPMI Railpen on a buy and maintain basis. The Fund achieved a return of 1.4% for the year and 1.4% per annum over the past 3 years..

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

Section returns

There is a diverse range of different investment strategies amongst RPS sections, reflecting differences in terms of section liability profiles and employer covenants. In 2020, the investment return produced by section assets broadly ranged between 4% and 15%, net of fees and costs. This range reflected the diversity of returns seen in the major asset classes over the year. The returns for the majority of sections were in a narrower range from 6% to 9%.

Over a three-year period, the investment returns of RPS sections broadly ranged from 3% to 9% per annum, while over a five-year time horizon the range of returns was broadly 4% to 11% per annum. Over a ten-year time horizon, the range of returns was broadly 5% to 9% per annum.

Securities lending

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

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

Government support

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

Self-investment

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

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

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

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

AVC arrangements (excludes IWDC Section)

The Scheme's AVC investments in the DC Pooled Funds and other AVC funds as at 31 December 2020 were £1,686.9m (2019: £1,588.0m).

The total value of these pooled funds as at 31 December 2020 was £1,694.7m (2019: £1,595.4m).

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

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

- Level of outcome (long-term return)
- Variability of outcome (long-term risk)
- Volatility of journey, in particular as the members' target retirement age approaches (short-term risk)

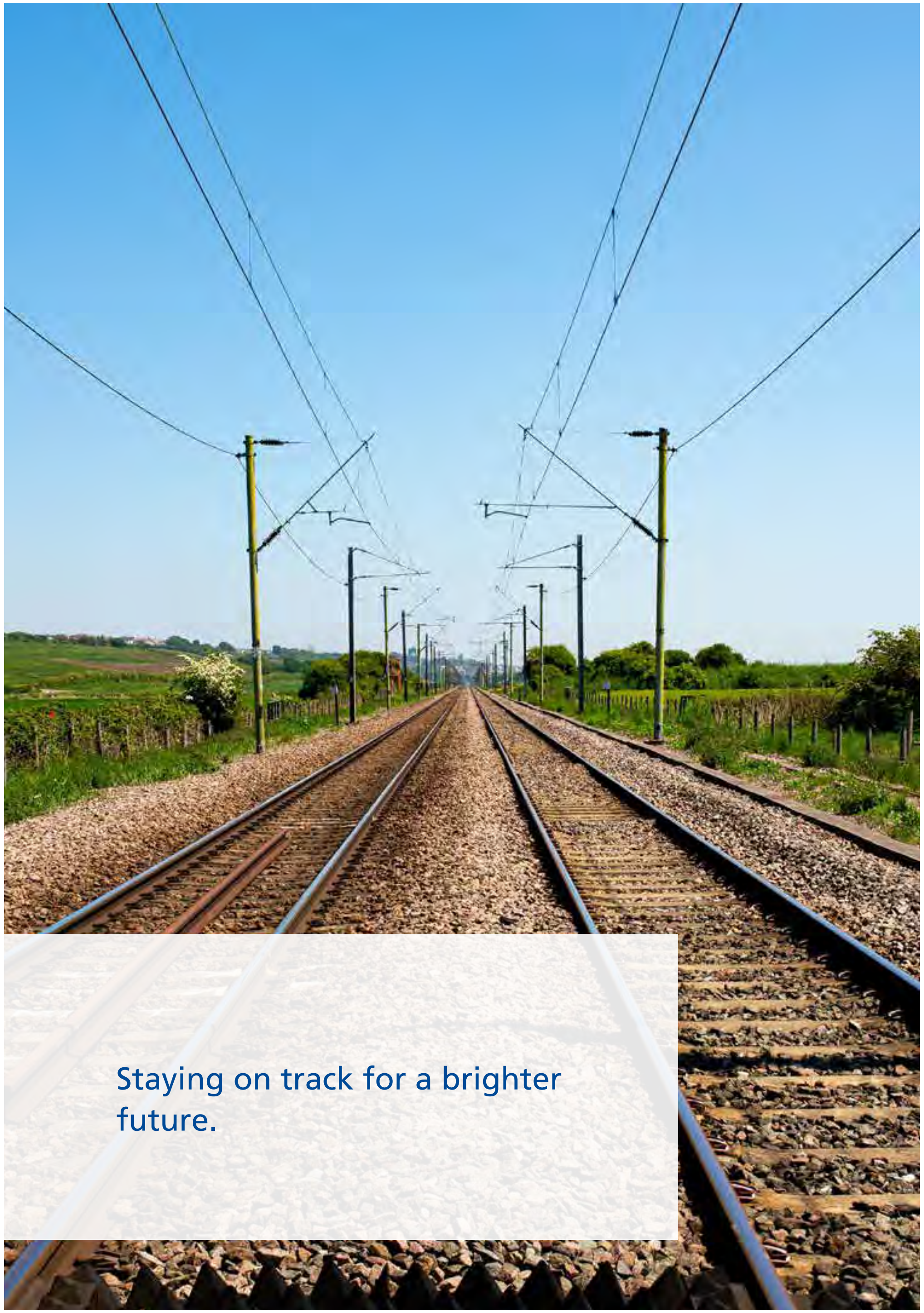
The investment fund series for these arrangements is the RPMI Pension Saver Fund Range.

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

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

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

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



BRASS includes a further fund, the PAF, although this has been closed to new members since April 2003 and to new contributions since June 2007.

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

The investment comparators for the self-select funds in the RPMI Pension Saver Fund Range are shown in the table below:

Fund	Comparator
Global Equity Fund	FTSE World Index (developed market investments currency hedged into UK Sterling)
Aggregate Bond Fund	50% Bloomberg Barclays Global Aggregate Corporate Index; 50% FTSE Actuaries UK Conventional Gilts Over 15 years Index (overseas investments currency hedged into UK Sterling)
Long Term Growth Fund	UK RPI plus 4% p.a.
Index Linked and Global Bond Fund	50% Bloomberg Barclays Global Aggregate Corporate Index; 50% FTSE Actuaries UK Conventional Gilts Over 15 years Index (overseas investments currency hedged into UK Sterling)
Deposit Fund	1 Month Sterling London Interbank Offer Rate (LIBOR)

The Trustee Report on Actuarial Liabilities

(forming part of the Trustee Company Annual Report)

Driving cargo from A to B.

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

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

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

Date of last valuation	Number of sections	Composite value of the sections' Technical Provisions £m	Composite value of the sections' assets £m
31 December 2013	26	6,734	6,525
31 December 2015	1	31	31
31 December 2016	72	9,915	8,521
31 December 2017	1	3	4
31 December 2018	1	16	15
31 December 2019	3	6,757	7,823

For those Sections that have not already completed a formal actuarial valuation as at 31 December 2019, such valuations are under way.

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

During 2020 one Section fully secured its liabilities with an insurer and has been wound-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 will be 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 by the Actuary and Trustee for valuations as at 31 December 2019 are as follows:

Discount rates:

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

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

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

Future Retail Price inflation: 2.80% per annum

Future Consumer Price inflation: 2.00% per annum

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

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

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

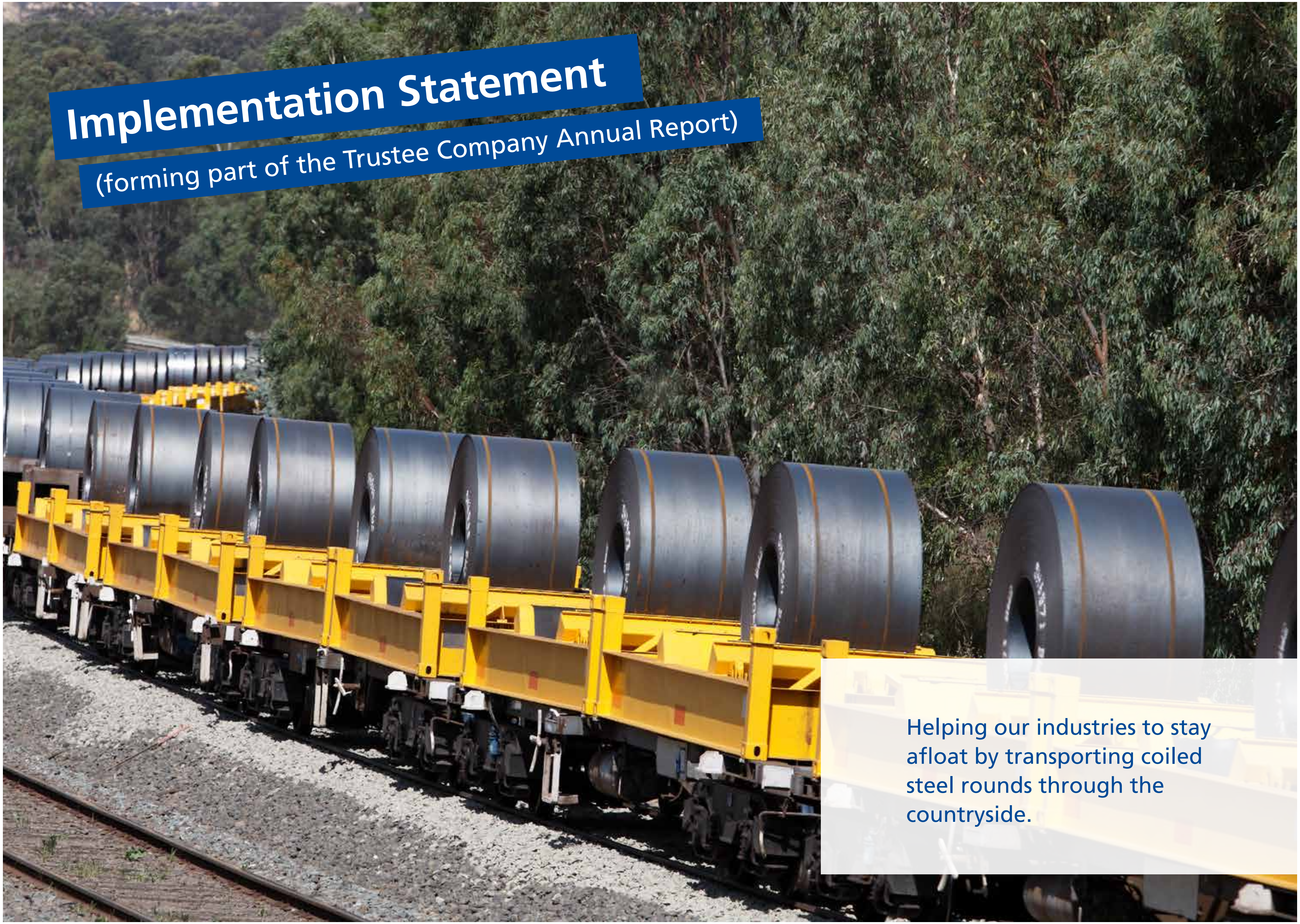
- S3 refers to the SAPS (self-administered pension schemes) mortality tables published by the CMI in December 2018 based on their mortality investigation over the period 2009 to 2016
- The SAPS "heavy", "medium", "light" and "very light" tables are based on mortality experience for pensioners and dependants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

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

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

Implementation Statement

(forming part of the Trustee Company Annual Report)



Helping our industries to stay afloat by transporting coiled steel rounds through the countryside.

Introduction

Railways Pension Trustee Company Limited is the trustee body (the 'Trustee') for the railways pension schemes (the 'Schemes') namely: the Railways Pension Scheme, British Railways Superannuation Fund, British Transport Police Force Superannuation Fund and BR (1974) Fund.

The Schemes are occupational pension schemes providing defined benefit ('DB') and defined contribution ('DC') benefits. The Railways Pension Scheme is comprised of separate Sections, including the Industry Wide Defined Contribution Section ('IWDC'). The IWDC Section is the authorised DC master trust of the Railways Pension Scheme for rail industry employees and, other than AVCs, it is the only Section in the Scheme which provides DC benefits.

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

Regulatory changes in 2018 and 2019 required trustees to disclose further information in their SIP and also introduced the concept of an annual Implementation Statement. The legislation states that the Implementation Statement must be included in the annual report and accounts and that it must also be made publicly available online. For relevant schemes (broadly, schemes providing DC benefits other than AVCs), the online publication requirement will apply as soon as the accounts have been signed any time after 1 October 2020 (but in any event no later than 1 October 2021).

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

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

This Implementation Statement is included in the Scheme's annual report and accounts for the period ending 31st December 2020 and covers the year 2020.

The Trustee's review of the SIP in 2020

The SIP was reviewed over the summer of 2020 and a revised SIP was adopted by the Trustee on 17 September 2020.

The main changes made to the SIP were to reflect new regulations that applied from 1 October 2020 for the SIP to set out the Trustee's policies in relation to:

- How the arrangement with any asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's investment policies;
- How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;
- How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's investment policies;
- How the Trustee monitors portfolio turnover costs (i.e. the costs incurred as a result of buying, selling, lending or borrowing investments) incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range;
- The duration of the arrangement with the asset manager;
- How the Trustee monitors the capital structure of the companies they invest in;
- How the Trustee manages actual and potential conflicts of interest in relation to their stewardship activities; and
- How the Trustee monitors and engages with other persons with an interest in companies they invest in.

In addition, there were some further wording changes to clarify certain points (e.g. the distinction between DB and DC arrangements) and to reflect the Trustee's governance arrangements.

The current version of the SIP is available on the website:

https://member.railwayspensions.co.uk/resources/statement-of-investment-principles

How the SIP has been followed during the year

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

The kinds of investments to be held by the Scheme and the balance between different kinds of investments
The SIP sets out the investment objectives for the Schemes and Sections, and how these are implemented using the Trustee's Pooled Funds.

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

The Trustee is satisfied that the RRL framework remains appropriate and no changes were deemed necessary.

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

The investment of the assets within each Pooled Fund, including day-to-day investment decisions, are delegated under an Investment Management Agreement to Railway Pension Investments Limited ('RPMI Railpen'), the internal manager for the Schemes, or to fund managers appointed by RPMI Railpen (together the "fund managers"). The investment arrangements are overseen by the Railpen Investments Board (the 'RIB') who ensure adherence to the Trustee's investment policy.

The Trustee Board and the RIB received a report in June 2020 on the annual review of the Pooled Funds. The Trustee concluded that the Pooled Fund range was ‘fit-for-purpose’ and managed effectively.

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

A review of investment strategy and performance for the DC and AVC arrangements was completed in 2020. The review covered all of the investment funds offered, including those in the default investment arrangements and the alternative lifestyle arrangements.

Following this review, the Trustee intends to make changes to the DC and AVC arrangements in the future. This will include changes to the range of self-select funds and also to the default investment arrangement. In the meantime, the Trustee remains comfortable with the performance of the existing investment funds and that the default investment arrangements’ performance is consistent with the aims and objectives set out in the SIP.

The Trustee is satisfied that RPMI Railpen has the appropriate knowledge and experience for managing the investments of the Schemes and it carries out its role in accordance with the criteria for investment set out in “Investment Regulations”, the principles contained in 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 RIB and updates from RPMI Railpen officers, and remains satisfied with the implementation of the investment policy.

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

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

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

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

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

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

RIB monitors the performance of RPMI Railpen against long- term performance objectives and compliance with operating parameters to ensure the investment approach aligns with the Trustee’s investment policy and beliefs. RPMI Railpen is responsible for monitoring the performance of the fund managers against long-term performance objectives and compliance with operating parameters to ensure alignment with the Trustee’s investment policy and beliefs.

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

The realisation of investments and monitoring of costs

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

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

Sustainable Ownership Governance and Trustee Framework

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

In our SIP update in 2020, we explained that the Trustee delegates investment powers to RPMI Railpen under the terms of the Investment Management Agreement (IMA) which sets out the parameters and policies within which RPMI Railpen operates. The Trustee reviews and monitors performance (and fees) to ensure that the activities of RPMI Railpen continue to be aligned with the Trustee’s investment policy.

The Trustee’s Investment Beliefs state that “environmental, social and governance factors materially impact long-term investment returns and must be taken into account”. The Trustee has also set out a series of relevant sub-beliefs, which guide the approach of RPMI Railpen to “Sustainable Ownership” issues including the following:

- That integration of environmental, social and governance factors improves investment decisions in the long-term.
- That active ownership empowers investors to influence corporate behaviour and benefit from sustainable business practices.
- That long-term themes expose our portfolios to substantial risks and opportunities which cannot be fully quantified but should be managed.

The Trustee has established the RIB to oversee the management of the pooled funds by its wholly owned subsidiary RPMI Railpen, including sustainable ownership activities. The RIB oversees the performance of RPMI Railpen and external managers on a regular basis. The membership of the RIB includes two Trustee Directors, three non-executive directors (including the chair) and the Chief Executive of RPMI.

The Trustee has established a sub-committee, the Defined Contribution Committee, to provide oversight of the performance of the DC funds. This includes consideration of the appropriateness of the range of available self-select funds..

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

In 2020 the Trustee worked with RPMI Railpen's Sustainable Ownership team to agree a programme of 'deep dive' discussions in 2021 on various aspects of the team's work. These half-day sessions seek views from the Trustee on RPMI Railpen's activities across sustainable ownership and provide training on responsible investment issues, including regulatory and disclosure duties. In 2021 one session will be dedicated to climate change specifically, with an additional session focusing on a review of the Trustee's investment beliefs on sustainable ownership issues. Given the rapidly changing market and legislative framework for ESG integration and active ownership, the Trustee believes that 2021 is the appropriate time for this review.

This work builds on the regular updates from the Chair of the RIB as well as the regular updates the Trustee received from its legal and investment advisers on regulatory updates and requirements. Issues discussed in these updates include the EU's Sustainable Finance Disclosure Regulations (SFDR) and the implications of the changes to the Occupational Pension Schemes (Investment) Regulations 2005 which implement the Second Shareholder Rights Directive (SRD II).

In 2020, the Trustee and the DCC also undertook a review of the DC investment strategy, which has led the DCC to review the self-select options and agree to extend the fund range to include both a Sharia-compliant fund and an ethical/sustainable fund option. The Trustee also intends to make changes to the default options. The implementation of these changes is being worked through and further communications regarding timescales and the associated implications will be provided to members in due course.

ESG integration

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

The Trustee has ensured that RPMI Railpen is aware of its views on the materiality of ESG factors to the portfolio, not only in RPMI Railpen'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 RPMI Railpen will provide regular reporting on its ESG integration activities to the Board. In 2020, the Trustee received quarterly reports from the Sustainable Ownership team on key activities and outcomes but has decided in 2021 that this should be supplemented by integrated reporting on ESG integration and active ownership metrics as part of the new Investment and Risk Reporting that is received by the RIB. This will enable the Trustee to more effectively monitor and understand the work that RPMI Railpen is undertaking on its behalf.

Although the Trustee's preference is for engagement over divestment, it recognises that there are certain companies where the ESG risk is so fundamental to a company's business model or approach, that the risk of being invested is unmanageable and so the company should be excluded from the investment universe. In 2020, the RIB held a discussion with RPMI Railpen on which companies should be placed on the restrictions/exclusions list. The RIB noted RPMI Railpen's rationale for excluding certain companies for the following reasons:

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

The first two factors have financially material relevance, while the last exclusion factor, on indiscriminate weaponry reflects reputational risk factors. The RIB agreed that it was comfortable that the approach taken by RPMI Railpen aligned with the Trustee's beliefs and objectives.

In line with the Trustee's views on the challenges around the availability of consistent data from private equity and venture capital managers, RPMI Railpen undertook to incorporate further TCFD (Taskforce on Climate-Related Financial Disclosures) –related questions and topics into the selection process for these managers. This included changes to the Due Diligence Questionnaires ('DDQs') and fuller discussion of these issues during the pitch and then ongoing quarterly manager monitoring meetings.

Over the Scheme year, the Trustee asked RPMI Railpen to consider what more could be done on climate change across the business, recognising that significant progress had already been made and that RPMI Railpen had been an early leader on TCFD reporting by companies, voting against company directors where they are deemed to have insufficient climate expertise, and active participation in the Transition Pathway Initiative ('TPI') and Climate Action 100+ ('CA100+').

To this end, in June 2020 RPMI Railpen set up a Climate Working Group across the Investment and Fiduciary Teams and chaired by the Chief Investment Officer, to work towards a consistent and market-leading approach to management of physical and transition risk. This includes exploring the appropriate roadmap for each asset class to both decarbonise and to invest in climate opportunities, using the IIGCC's Net Zero Investment Framework as a guideline.

RPMI Railpen also published Climate-related Disclosures in December 2020, after discussions with the RIB. This is a member-facing document which pulls together and articulates in an accessible way both what RPMI Railpen is doing across its ESG Integration and Active Ownership workstreams to align with the Trustee's investment beliefs on ESG issues, including climate change, as well as giving an indication of what else it intends to do on climate risk (and opportunities) in 2021 and beyond. The Trustee is appreciative of the measures RPMI Railpen is taking to encourage a dialogue between the Schemes and the members on sustainable ownership issues, including climate change.

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

Member views
The 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 seventy-five percent of scheme members belong to a section with a Pensions or Management Committee.

Over 2020, RPMI Railpen's Sustainable Ownership team discussed the Sustainable Ownership annual report with a number of these committees. Issues discussed included decarbonisation of the portfolio, the process for ascertaining thematic priorities and the voting policy, as well as RPMI Railpen's approach to gender and ethnic diversity at portfolio companies. In light of these discussions as well as market developments, RPMI Railpen has in 2020 instituted a new 'materiality matrix' for ascertaining thematic priorities and has incorporated new lines on ethnic and gender diversity into its engagement and voting priorities for 2021 and beyond.

It has been agreed that in 2021, a key theme of member-facing communications will be the Trustee's and RPMI Railpen's work on climate change. One newsletter has already been sent out (February 2021) with others scheduled for regular intervals throughout the year. The Trustee hopes that this will be an effective mechanism to encourage member engagement on sustainable ownership issues and to feed through their views.

Voting and engagement policy
The Trustee delegates the exercise of voting rights and engagement activity to RPMI Railpen, as part of the delegation of its investment powers. The discharge of voting rights is managed by RPMI Railpen's in-house Sustainable Ownership team according to agreed policies which 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 which is in line with beneficiaries' best interests. This is why we were one of the first UK occupational pension schemes to publish a corporate governance and voting policy and to introduce voting for all UK equities in 1992. Voting was gradually phased in across all developed markets and the policy is to vote the entire equity portfolio globally.

Over the last few years, RPMI Railpen has been internalising the management of assets, including much of the listed equity portfolio. This has built on the principles established by the Trustee in the Investment Transformation Programme undertaken from 2013-15 including ensuring greater internal control of stewardship decisions and voting activities. Where there are listed equity holdings in mandates or funds which are externally-managed, the Trustee appreciates that RPMI Railpen as far as possible seeks to direct votes or influence the voting approach. The voting policies followed by the external asset managers is outlined below.

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

Manager	Pooled or Segregated	Voting approach
Legal and General (Passive Equity)	CSUF/Pooled	RP directs UK votes; LGIM Voting Policy ex-UK
AQR (Multi-Factor Equity)	Segregated	RPMI Railpen directs all votes
Blakeney (Frontier Equity – listed and private)	Fund	Blakeney Voting Policy

However, RPMI Railpen on behalf of the Trustee has negotiated with LGIM the ability to direct the votes on its UK holdings, despite being in a pooled arrangement. The Trustee is supportive of this arrangement, recognising that the RPMI Railpen Sustainable Ownership and Investment Teams have extensive UK expertise and that as a UK pension scheme, the Trustee also has a particular interest in exercising its influence as a steward over its UK holdings.

Engagement
In line with the Shareholder Rights Directive II ('SRD II') in 2020 the Trustee further expanded its policy on stewardship and manager incentivisation to make clear how the Trustee delegates to RPMI Railpen engagement activities (as well as the exercise of voting rights attaching to investments) which includes (but is not limited to) engagement with the fund managers, investee companies and other stakeholders about matters including performance, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance.

As part of the changes, the Trustee and RPMI Railpen published an Engagement Policy in March 2020. This will be updated in 2021 to include thematic engagement priorities and some more details about the work RPMI Railpen undertakes on the Trustee's and beneficiaries' behalf. The Trustee is supportive of RPMI Railpen's approach to deciding its thematic engagement priorities, which have been informed by discussions with the Trustee and the Pension Committees and with reference to the Trustee's Investment Beliefs.

The Trustee and the RIB regularly review RPMI Railpen's engagement activity through the reporting arrangements and opportunities for discussion outlined previously, and is satisfied by the approach RPMI Railpen takes to its individual and collective engagement activity. The Trustee is supportive of the approach taken by RPMI Railpen 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 as approach.

The Trustee is pleased that RPMI Railpen was one of only three asset owner signatories in 2020 to produce a draft Stewardship Code to the FRC as part of its Early Reporting Review, and that several aspects of the submission were picked as examples of best practice in the FRC's subsequent report. In 2021, RPMI Railpen will be producing an updated version of Code response to the more stretching requirements under the new Code.

The Trustee also recognises that engagement with policymakers on responsible investment issues is important in order to ensure the implementation of system-level solutions to system-level challenges such as climate change and Covid-19. We are therefore pleased that RPMI Railpen continues to actively participate in policy debates on issues which are material to the portfolio and aligned with core engagement themes. In 2020 this included contributing to the government's *Pensions Climate Risk Industry Group (PCRIG)* and also submitting a response to the Department for Work and Pensions (DWP) consultation *Taking action on climate risk: improving governance and reporting by occupational pension schemes.*

Voting

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

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

- RPMI Railpen – the bulk of voting in respect of listed equity (and any other voting, where it occurs) is implemented by RPMI Railpen's in-house team.
- LGIM (Passive Equity Fund) – for ex-UK votes only as RPMI Railpen has the facility to exercise proxy voting rights for UK holdings directly.
- Blakeney (Emerging Markets Equity – the Frontier Equity Fund) – this has a small amount of assets under management and we are no longer invested in this strategy at the time of publication.

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

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

- Votes in companies where RPMI Railpen holds over 5% or the equivalent local reporting trigger;
- Votes at companies where the vote was escalated to the Chief Investment Officer (CIO) for decision;
- Votes on issues which have the potential to substantially impact financial or stewardship outcomes;
- Votes against the Report and Accounts/Chair of the Board;
- Votes aligned with RPMI Railpen's priority corporate governance or sustainability themes. For 2020, this included:
    - The impact of Covid-19 on companies, their workforce and their AGMs
    - Remuneration
    - Auditor tenure
    - Board Diversity
    - Climate disclosure and targets; and
- Votes in support of high-profile shareholder resolutions.

The Trustee is comfortable that this approach reflects our own understanding of what might constitute a most significant vote and will continue to engage with RPMI Railpen on voting priorities in 2021. We have also selected those votes from external managers which we consider to be most significant from the Scheme's perspective.

Voting behaviour – RPMI Railpen

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

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

- Glass Lewis
- PIRC
- MSCI
- Carbon Tracker
- The Transition Pathway Institute
- Climate Action 100+

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

RPMI Railpen puts in place its own custom voting policy with specific voting instructions for the proxy provider to apply to all markets globally. RPMI Railpen also engages with ISS' and other providers' annual consultations on voting guidelines to raise standards across the industry.

The Trustee is comfortable that RPMI Railpen takes a robust approach to voting, in a way which is aligned with our engagement objectives and expertise, our voting beliefs and objectives, and those E, S and G issues which are most material to the portfolio and beneficiaries' outcomes.

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:

- RPMI Railpen using its voting rights/ influence to vote against executive remuneration packages where the quantum and approach were insufficiently aligned with the long-term interests of shareholders and other stakeholders
- RPMI Railpen demonstrating significant levels of support for shareholder resolutions which sought to ensure better disclosure and activity on issues including climate change and the rights of indigenous communities.

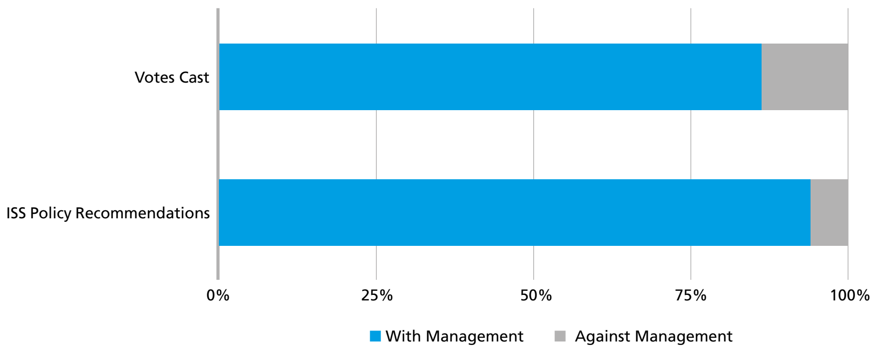
The Trustee is prepared to challenge RPMI Railpen's voting activity and approach, although to date we have not felt the need to do so. The Trustee continues to monitor RPMI Railpen's voting activity through the regular reporting we receive and look forward to further conversations on the evolution of RPMI Railpen's voting approach in 2021.

Stewardship Report | Railway Pension Investments Ltd

Meeting Overview

Catagory	Number
Votable Meetings	2,169
Meetings Voted	2,165
Proxy Contests Voted	1
Meetings with Against Management Votes	1,348
Meetings with Against ISS Votes	1,064

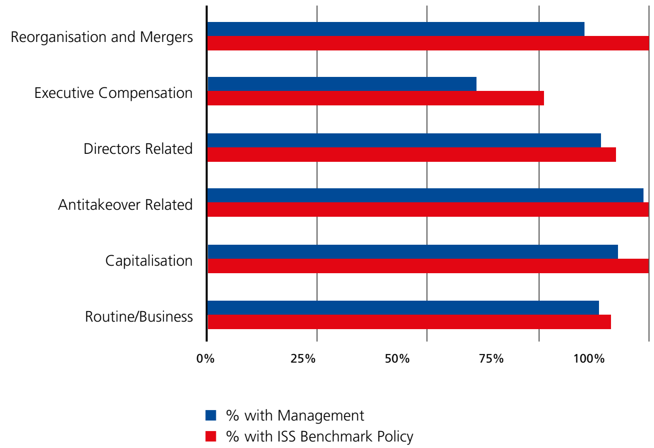
Alignment with Management



- Comparing vote cast alignment with management recommendations highlights similarities and differences between your governance philosophies and the investee's approach to key corporate governance issues.
- The votes cast on Railway Pension Investments Ltd ballots during the reporting period are aligned with management recommendations in 86% of cases, while the ISS Benchmark Policy recommendations are at 94% alignment with management recommendations.

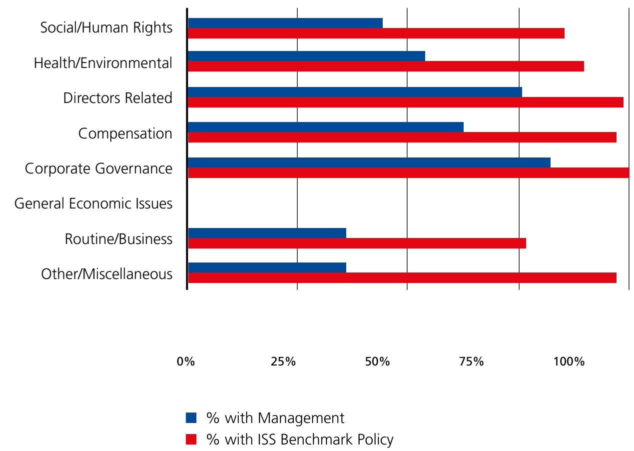
Votes Cast on Management Proposal Catagories

- Comparing votes cast to management and ISS Benchmark Policy recommendations across the major proposal categories provides insight into the positioning of votes on proposals submitted by management against these benchmarks.
- Votes cast during the reporting period were least in line with management on Executive Compensation matters, where only 61% of votes followed management recommendations.
- Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines.



Votes Cast on Shareholder Proposal Categories

- Votes cast on shareholder proposals, in opposition to management, reflect Railway Pension Investments Ltd support for proposals submitted by shareholders.
- During the reporting period, Railway Pension Investments Ltd has shown the highest level of support for shareholder proposals related to Other/Miscellaneous, Routine/ Business, at 64% and the lowest level of support for shareholder proposals related to Corporate Governance, with 18% of proposals supported in this category.
- Across categories, votes cast on shareholder proposal show the closest alignment to the ISS Benchmark Policy guidlines.



Most significant votes – RPMI Railpen

Amazon, Inc.
What the vote was about: Executive remuneration and shareholder proposals requesting further disclosure on material ESG risks.

Issue: Amazon is held in Railpen's active strategy. Ahead of the May 2020 AGM, we identified concerns around Amazon's compensation report and the Board's approach to Covid-19. The company has repeatedly been criticised for unsafe working conditions in its fulfilment centres, linked to the inadequate provision of PPE and lack of transparency around the number of employees who have contracted Covid-19. In addition, we recognised that multiple high-profile shareholder resolutions would be on the ballot.

Why most significant: Remuneration as a priority theme; high-profile shareholder resolutions; Covid-19 as a priority theme.

Approach: Members of the Sustainable Ownership Team and the Investment Team decided to engage with the company together, aiming to highlight our concerns and understand Amazon's perspective. Where our concerns were inadequately addressed through company responses and engagement, we considered diverting from management's recommendations at the AGM.

Outcomes and next steps: Discussions confirmed that the $57 million bonus reported for NEO Mr. Blackburn primarily related to the accounting effects of an amendment to his previously awarded restricted stock units. Therefore, we felt comfortable supporting the compensation report in line with 97.5% of votes cast.

Having evaluated the purpose and content of each shareholder proposal, we decided to support eight of the 12 proposals on the agenda (items 5-9 and 14-16). The eight proposals were backed by compelling rationale and aligned with our engagement objectives. Items 9 and 14 focused on strengthening Amazon's governance structures in line with shareholder interests. Other resolutions encouraged Amazon to improve its disclosure of material ESG risks, including food wastage (item 5), responsible technology (items 6 and 7), supply chain management (items 8 and 15), and lobbying (item 16). While none of the resolutions passed, several (items 5-8 and 14-16) received over 30% support from shareholders, which served as a strong signal to the board.

There was some evidence that Amazon's efforts to protect its workforce were evolving and there had been multiple learning points. For example, Amazon representatives noted that questions were sent to subsections of the workforce on a daily basis via the employee connection programme. Real time responses were reported to management and said to be invaluable when assessing workforce sentiment.

However, we continued to feel that there was a disparity between the views expressed by management and those 'on the ground'. Additional disclosure on the impact of Amazon's efforts to protect its workforce, alongside the effectiveness of board-level oversight, was felt to be likely to provide meaningful insight to shareholders and reinforce accountability for worker safety.

We have continued to engage directly with Amazon over the 2021 voting season, highlighting the new lines on workforce issues in our 2021 Voting Policy update and discussing our concerns regarding the Amazon campaign against unionisation of some of its workers.

IP Group
What the vote was about: Executive remuneration and board diversity.

Issue: IP Group, a UK-based intellectual property commercialisation company, is held in RPMI Railpen's active strategy. At the May 2019 AGM RPMI Railpen voted against IP Group's remuneration policy and report, as the exceptional limit on the executive long-term incentive plan (LTIP) was considered to be excessive at 400% of base salary. In addition, we voted against the Chair due to low gender diversity on the Board. We informed the company of our intentions in advance of the vote.

Why most significant: We hold a significant proportion of the market cap; remuneration as a key theme; diversity as a key theme.

Approach: As the company's largest shareholder, we seek to engage with Board members on corporate governance and sustainability topics. We have been in dialogue with the company with a view to encourage remuneration practices and director appointments that we can support.

Outcome and next steps: Over the year, we were pleased to see the introduction of a 300% cap on the LTIP and the appointment of two highly skilled female directors to the Board. Following IP Group's implementation of these positive changes, we were able to support all resolutions on the agenda at the June 2020 AGM. This example demonstrates the effectiveness of voting sanctions and constructive engagement when combined.

The Toronto-Dominion Bank
What the vote was about: Setting appropriate greenhouse gas emissions targets.

Issue: In 2020, SumOfUs filed a shareholder resolution requesting Toronto-Dominion Bank to adopt quantitative time-bound targets for reducing greenhouse gas emissions (GHG) associated with the Bank's lending activities, and issue an annual report on progress.

Why most significant: Climate as a priority theme; high-profile shareholder resolutions.

Approach: We are generally supportive of requests to set appropriate GHG emission targets and publish insightful disclosures, which enable shareholders to monitor the effectiveness of the company's environmental strategy. Indeed, we expect our portfolio companies to disclose their response to climate risk when material to the company's business model and operations. In this case, Toronto-Dominion Bank is exposed to systemic risks posed by climate change and the transition to a low carbon economy through the companies that it underwrites and finances. The Bank had previously published a TCFD report and the Risk Committee remains responsible for overseeing climate-related risks. However, we felt that the introduction of clear targets would ensure the development of appropriate limits on financing highly-carbon intensive sectors and companies. Therefore, we decided to support the shareholder resolution.

Outcomes and next steps: While the resolution did not pass, with a support level of 17.8%, we were pleased to see the Bank's subsequent commitment to net-zero emissions associated with its operations and financing activities by 2050. We will continue monitoring the Bank's introduction of interim targets and progress against them.

Biffa plc
What the vote was about: Board diversity (gender) and re-election of the Chair of the Nominations Committee.

Issue: The board of Biffa plc is made up of seven directors, two of whom are women, and none of whom are ethnic minorities. Diversity is a key component of successful and high performing boards. It enables members to constructively challenge management decisions and to be more open to innovative ideas, reducing the risk of 'group-think'.

Why most significant: Board diversity as a priority theme; high level of dissent at the meeting.

Approach: RPMI Railpen believes that nominations committees should widen the pool of talent taking into account aspects such as the age, gender, and ethnicity of candidates as well as their educational and professional experience. Where a company provides inadequate disclosure on diversity, including omission of targets to be met, and/or diversity in all aspects has not been sufficiently addressed, RPMI Railpen will withhold support on the re-election of the Chair of the nomination committee, the Chair of the board or other directors standing for election. In the UK, where a board has less than 33% gender diversity, we consider it to fall short of sufficient diversity and will place an against vote.

At the time of Biffa plc's 2020 AGM, one of the Board's seven directors was female (14%), making the company's approach to diversity appear tokenistic. Railpen therefore voted against the re-election of Chair Kenneth Lever. Railpen had also voted against this item at the 2018 and 2019 AGMs.

Outcomes and next steps: The item received a dissent level of 33.1% from shareholders, and while there may have been additional factors at play, board diversity continues to rise up investors' agendas in terms of voting decisions. Biffa plc appointed a second female NED in April 2021, a decision which we welcome. Railpen continues to engage with key holdings on gender and ethnic diversity, and through consistent voting we continue to hold companies to account on this issue.

Total SE
What the vote was about: Setting appropriate greenhouse gas emissions targets.

Issue: In 2020, 11 investors co-filed a shareholder resolution at Total requesting the introduction and publication of GHG emission targets (scope 1, 2 and 3) aligned with the Paris agreement. This was the first climate resolution to be filed at a French company. We are generally supportive of industry and policymaker momentum towards offering further opportunities for shareholders to explicitly express support for, or sanction of, corporate behaviour on climate change issues.

Why most significant: Climate as a priority theme; high-profile shareholder resolutions.

Approach: As with other resolutions, RPMI Railpen will consider on a case-by-case basis whether to support a climate resolution on criteria which include whether it conflicts with other climate resolutions, whether it clearly links to internationally agreed targets and agreements and whether the aspiration sought is consistent with the company's long-term success. In this case, we welcomed Total's ambition to achieve net-zero GHG emissions (scope 1 and 2) by 2050, but felt that a more detailed action plan - integrating clear intermediary targets and planned measures to achieve those targets - would enable investors to assess the company's progress. Consequently, RPMI Railpen voted for the shareholder resolution in line with 16.8% of votes cast.

Outcome and next steps: Although the resolution did not pass, it served as a strong signal of shareholder dissatisfaction to the Board. RPMI Railpen continues to support work to engage with Total as part of Climate Action 100+ - including as part of a smaller group of investors engaging with Total on its approach to Paris-aligned accounts.

Barclays plc
What the vote was about: The provision of financial services to non-Paris-aligned companies.

Issue: ShareAction and others had filed a shareholder resolution calling for Barclays to phase out the provision of financial services to companies within the energy and utilities sectors that are not aligned with the Paris Agreement. RPMI Railpen offered our support for this resolution. Following investor pressure – including from RPMI Railpen – Barclays filed a counter resolution in which they stated an ambition to become Net Zero by 2050 and to set a strategy, with targets, to transition to align itself with the goals and timelines of the Paris Agreement. ShareAction did not withdraw their resolution in response as they believed theirs was the stronger approach.

Why most significant: Climate change as a key theme; a high-profile or controversial vote; escalated to the CIO.

Approach: RPMI Railpen agreed that we could not support both as such an approach would be unproductive: each proposal set out different actions, and Barclays were unlikely to be able to comply with both should the two resolutions pass. Discussions, including with other investor bodies, demonstrated a positive and deep level of commitment from Barclays to achieving its Net Zero target by 2050.

Outcome and next steps: RPMI Railpen decided to support Barclays' resolution and to continue to engage as part of collaborative organisations such as the Investor Forum and CA100+ to support it in further delineating its strategy. This was approved by the RPMI Railpen CIO. Barclays' resolution was supported by 99.9% of shareholders, while the ShareAction resolution achieved 23% support. RPMI Railpen in 2021 continues to urge companies to place climate-related resolutions on the ballot as we believe this is one of the most effective ways of ensuring accountability and provides an important opportunity for shareholders to publicly demonstrate their support.

Tesco plc
What the vote was about: Executive remuneration (approach and alignment).

Issue: Due to the implementation of the Shareholder Rights Directive II (SRD II), we saw a heightened level of remuneration report and policy votes across European markets during 2020. Therefore, RPMI Railpen maintained a particular focus on remuneration trends over the most recent AGM season. Multiple UK companies faced high levels of dissent against their remuneration reports, amid wider scrutiny of executive pay due to the impact of Covid-19 on furlough and unemployment rates. For example, 67% of votes cast were against Tesco's remuneration report.

Why most significant: Remuneration as a priority theme.

Approach: Like other investors, we were disappointed to see that Tesco retrospectively adjusted the comparator group attached to the Performance Share Plan's relative TSR performance condition, which is weighted at 50% of the award. We felt that the company's rationale did not justify the significant uplift to the outgoing CEO's payout. Consequently, RPMI Railpen voted against the report. Our vote was instructed uniformly across internally and externally managed shares.

Outcome and next steps: Tesco has since engaged with several large investors, and we hope that shareholder feedback will be considered when the company reviews its remuneration policy prior to the 2021 AGM. We will monitor announcements in relation to this issue.

Voting behaviour and most significant votes – external managers

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

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

LGIM

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

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

LGIM has told RPMI Railpen that in relation to its priority themes of Board composition and Climate Change, there will be in-depth information in its next Active Ownership report. This will include firm-wide data and also case studies on these themes. On RPMI Railpen's priority theme of Covid-19, LGIM has said that its new public vote policies – not published at time of writing – would focus on Covid-19, and that engagement information on this theme will also be included in the Active Ownership report.

This provides additional comfort to the Trustee that our external managers' approach to voting and engagement is aligned with our priorities.

Please note that the information and rationale provided on LGIM's Most Significant Votes as follows has been edited for length. The full details can be found in their Active Ownership report 2020 and their Quarterly Stewardship reports online.

North America Equity Index Fund	
What was the total size of the fund as at 31/12/2020?	£ 40,200,472,501
What was the number of equity holdings in the fund as at 31/12/2020?	644
What was the value of the Scheme holdings in the fund as at 31/12/2020?	£ 84,898,296
What was the proportion of the Scheme holdings as a % of the total fund as at 31/12/2020?	0.21%
How many meetings were you eligible to vote at over the year to 31/12/2020?	804
How many resolutions were you eligible to vote on over the year to 31/12/2020?	9,634
What % of resolutions did you vote on for which you were eligible?	100.00%
Of the resolutions on which you voted, what % did you vote with management?	72.31%
Of the resolutions on which you voted, what % did you vote against management?	27.65%
Of the resolutions on which you voted, what % did you abstain from?	0.04%
In what % of meetings, for which you did vote, did you vote at least once against management?	7.68%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.28%

FTSE World Equity Index Fund (GBP Hedged)	
What was the total size of the fund as at 31/12/2020?	£1,367,479,166
What was the number of equity holdings in the fund as at 31/12/2020?	2,617
What was the value of the Scheme holdings in the fund as at 31/12/2020?	£285,191,103
What was the proportion of the Scheme holdings as a % of the total fund as at 31/12/2020?	20.86%
How many meetings were you eligible to vote at over the year to 31/12/2020?	3,310
How many resolutions were you eligible to vote on over the year to 31/12/2020?	39,613
What % of resolutions did you vote on for which you were eligible?	99.50%
Of the resolutions on which you voted, what % did you vote with management?	81.55%
Of the resolutions on which you voted, what % did you vote against management?	17.92%
Of the resolutions on which you voted, what % did you abstain from?	0.53%
In what % of meetings, for which you did vote, did you vote at least once against management?	5.97%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	0.32%

North America Equity Index Fund

The Procter & Gamble Company (P&G)

What the vote was about: Report on the effort to eliminate deforestation.

Issue: PandG uses both forest pulp and palm oil as raw materials within its household goods products. The company has only obtained certification from the Roundtable on Sustainable Palm Oil for one third of its palm oil supply, despite setting a goal for 100% certification by 2020. Two of their Tier 1 suppliers of palm oil were linked to illegal deforestation. Finally, the company uses mainly Programme for the Endorsement of Forest Certification (PEFC) wood pulp rather than Forestry Stewardship Council (FSC) certified wood pulp.

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

Approach: LGIM engaged with PandG to hear its response to the concerns raised and the requests raised in the resolution. Following a round of extensive engagement on the issue, LGIM decided to support the resolution.

Outcome and next steps: The resolution received the support of 67.68% of shareholders (including LGIM). LGIM will continue to engage with PandG on the issue and will monitor its CDP disclosure for improvement.

FTSE World Equity Index – UK Hedged

Qantas Airways Limited

What the vote was about: Executive Remuneration

Issue: The Covid-19 crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to executive its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the Covid-19 crisis on the company's stakeholders was appropriately reflected in the executive pay package. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the LTIP, in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained. We voted against resolution 3 to signal our concerns.

Why the Trustee considers this to be most significant: Executive remuneration as a priority theme; Covid-19 as a priority theme.

Approach: The Covid-19 crisis has had an impact on the Australian airline company's financials. In light of this, the company raised significant capital to be able to execute its recovery plan. It also cancelled dividends, terminated employees and accepted government assistance. The circumstances triggered extra scrutiny from LGIM as we wanted to ensure the impact of the Covid-19 crisis on the company's stakeholders was appropriately reflected in the executive pay package. We supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained. We voted against resolution 3 to signal our concerns.

Outcome and next steps: About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger stance on the topic of executive remuneration, in our view. We will continue our engagement with the company.

Blakeney

Blakeney has the authority to vote its clients' holdings – including those of RPMI Railpen – and exercises its votes in line with its Proxy Voting Policy, which it states reflects its fiduciary duty to vote in the best interests of its clients. Blakeney has stated that they consider and vote on each proposal with the objective of maximising long-term investment returns for clients and do not rely on a third-party proxy adviser.

RPMI Railpen, on behalf of the Trustee, has had sight of Blakeney Management's Proxy Voting Policy and is comfortable that its approach to corporate governance and capital structure and allocation are aligned with RPMI Railpen's own.

Blakeney submitted the following information on its voting behaviour and one "most significant vote" after receiving information regarding Railpen's most significant vote criteria. Our holding in this fund was liquidated in February 2021. In 2020 this fund was in run-off and had around £500k AUM.

Blakeney

VOTING STATISTICS (APPLICABLE TO THE SCHEME'S REPORTING PERIOD)	RESPONSE	ADDITIONAL COMMENTS
How many meetings were you eligible to vote at?	3	
How many resolutions were you eligible to vote on?	44	
What % of resolutions did you vote on for which you were eligible?	100%	
Of the resolutions on which you voted, what % did you vote with management?	73%	
Of the resolutions on which you voted, what % did you vote against management?	27%	
Of the resolutions on which you voted, what % did you abstain from voting?	0%	
In what % of meetings, for which you did vote, did you vote at least once against management?	33%	
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	N/A	For the three meetings held no proxy advisers were used
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	N/A	

Frontier Equity Fund

Notore Chemicals

What the vote was about: Increase in share capital.

Issue: Three special resolutions were tabled: 1) Increase in the Authorised Share Capital; 2) Approval of amendment of memorandum and articles of association of the company; 3) Capital raise.

Why the Trustee considers this to be most significant: An issue or vote which has the potential to substantially impact the financial outcome.

Approach: Blakeney Management voted against management on the special resolutions as the increase in share capital was viewed as too dilutive and would be of significant detriment to existing shareholders.

Outcome and next steps: All resolutions were passed.

External manager accountability

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

In 2020, RPMI Railpen held regular meetings with external managers to discuss their approach to ESG integration and stewardship, where relevant and ensure that as far as possible, their views align with the Trustee's own policies. This included discussions around Railpen's three exclusion lists:

- Companies with exceptionally poor governance and conduct
- Companies which derive a particular proportion of their revenues from thermal coal mining, thermal coal power generation or tar sands (exploration, production and services)
- Companies involved in the manufacture of indiscriminate weaponry (cluster bombs, incendiaries, mine dispersers and anti-personnel devices) in line with the Convention on Cluster Munitions

In 2020, these exclusions lists were updated in the Autumn. Prior to excluding specific companies, the RIB is notified of and approves all companies on the final list. These lists are then sent to the relevant external managers to ask them to divest as soon as is practicable but by a given deadline.

RPMI Railpen reports to the Trustee on these matters and the Trustee is comfortable that its policies are being implemented in this regard.

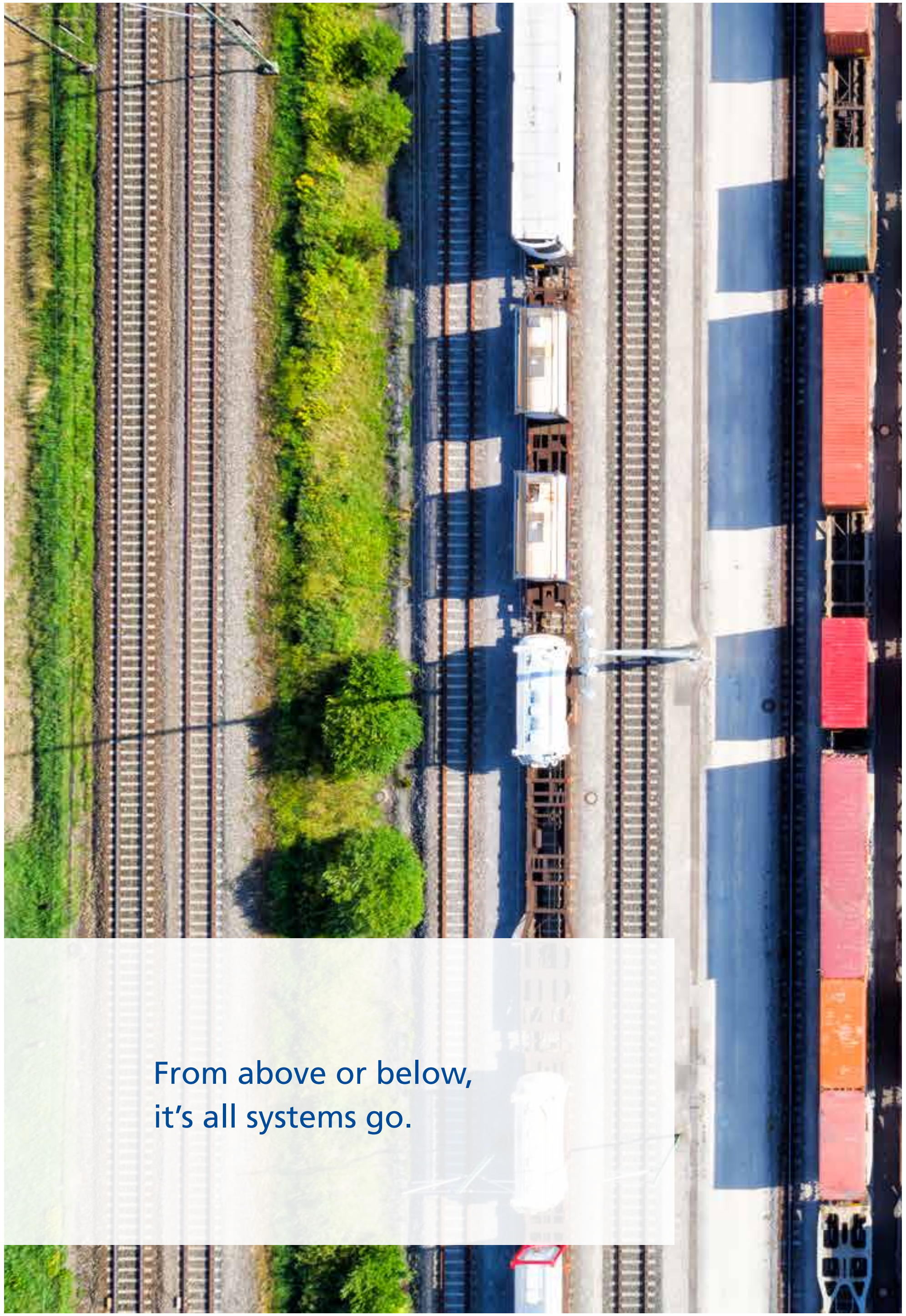
Staying resilient by transporting different types of freight during the pandemic.

Glossary of common terms

Moving fuel, building materials and food straight down the line.

Glossary of common terms

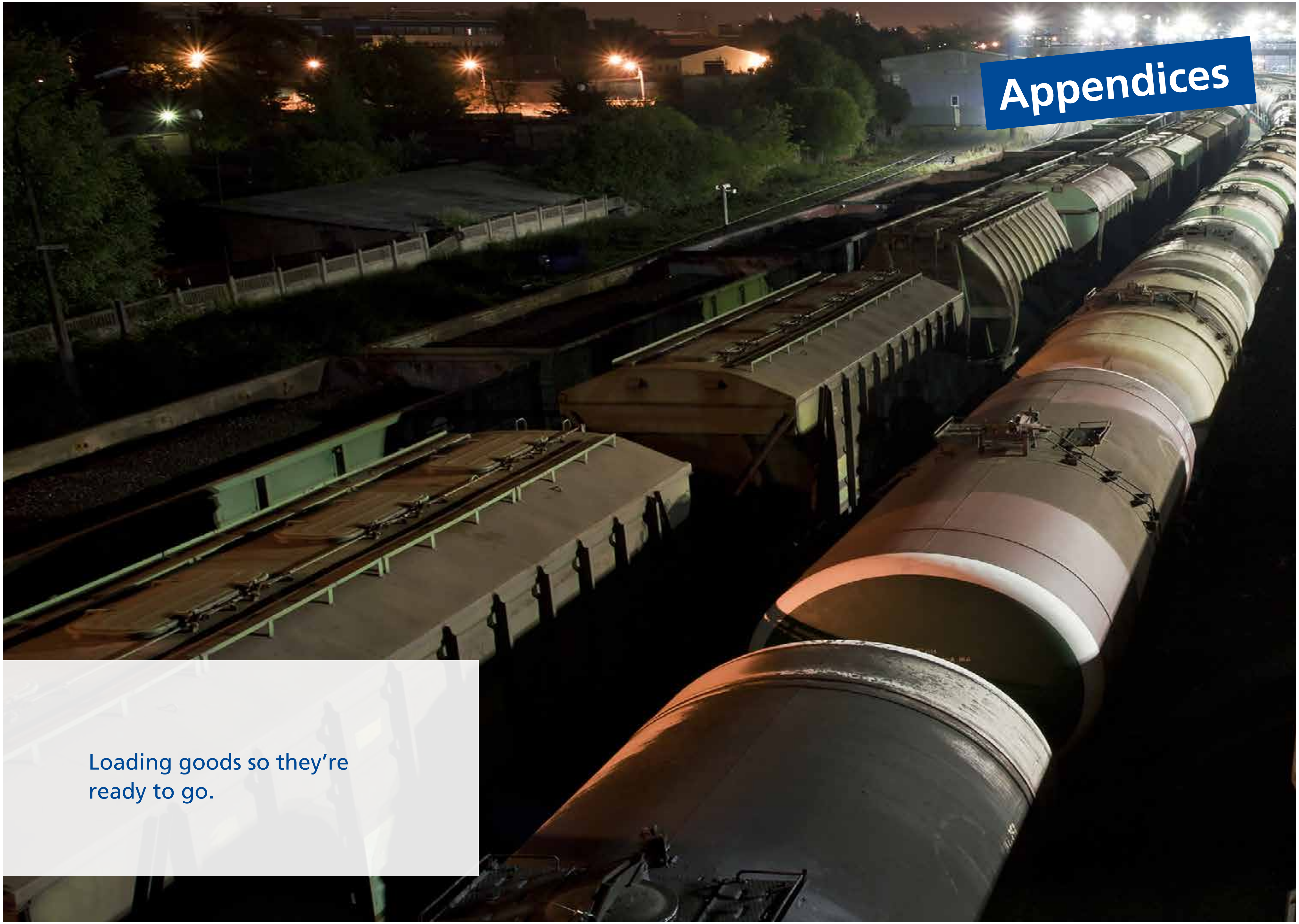
Abbreviation	Description
AAF	Audit and Assurance Faculty
ACCA	Association of Chartered Certified Accountants
AMC	Annual Management Charges
ARC	Audit and Risk Committee
ARP	Alternative Risk Premia
ASB	Accounting Standards Board
ASLEF	Associated Society of Locomotive Engineers & Firemen
AVC	Additional Voluntary Contribution
AVC Extra	AVC arrangement for RPS
BRASS AVC	AVC arrangement for RPS
BRB	British Railways Board
BRSF	British Railways Superannuation Fund
BTPA	British Transport Police Authority
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
CSEU	Confederation of Shipbuilding and Engineering Unions
DC	Defined Contribution
DC Arrangements	Defined Contribution Arrangements
DCC	Defined Contribution Committee
DfT	Department for Transport
DWP	Department for Work and Pensions
ECB	European Central Bank
ESG	Economic, social and governance
FCA	Financial Conduct Authority
FGP	Fundamental Growth Portfolio
FRS	Financial Reporting Standard
FX	Foreign exchange
GMP	Guaranteed Minimum Pension
ICAEW	Institute of Chartered Accountants in England and Wales
IFC	Integrated Funding Committee
IoD	Institute of Directors
ISAE	International Standard on Assurance Engagement
ITP	Investment Transformation Programme
IWDC	RPS Industry Wide Defined Contribution Section
LIBOR	London Interbank Offered Rate
Omnibus	Section open to employers with fewer than 50 employees
OTC	Over-the-counter
PAF	Pension Assured Fund
Pensioners’ Federation	British Transport Pensioners’ Federation
PPF	Pension Protection Fund
PQM	Pension Quality Mark
PRI	Principles for Responsible Investment
PRP	Pensionable Restructuring Premiums
RHL	Railtrust Holdings Limited
RIB	Railpen Investment Board
RMC	Risk Management Committee
RPMI	RPMI Limited
RRL	Return, risk and liquidity
RMT	National Union of Rail, Maritime and Transport Workers
RPMI Railpen	Railway Pension Investments Limited
RPS	Railways Pension Scheme
RROS	Retired Railway Officers’ Society
S2P	Second state pension
s75	Section 75 employer debt
SEE	Social, environmental and ethical



Glossary of common terms

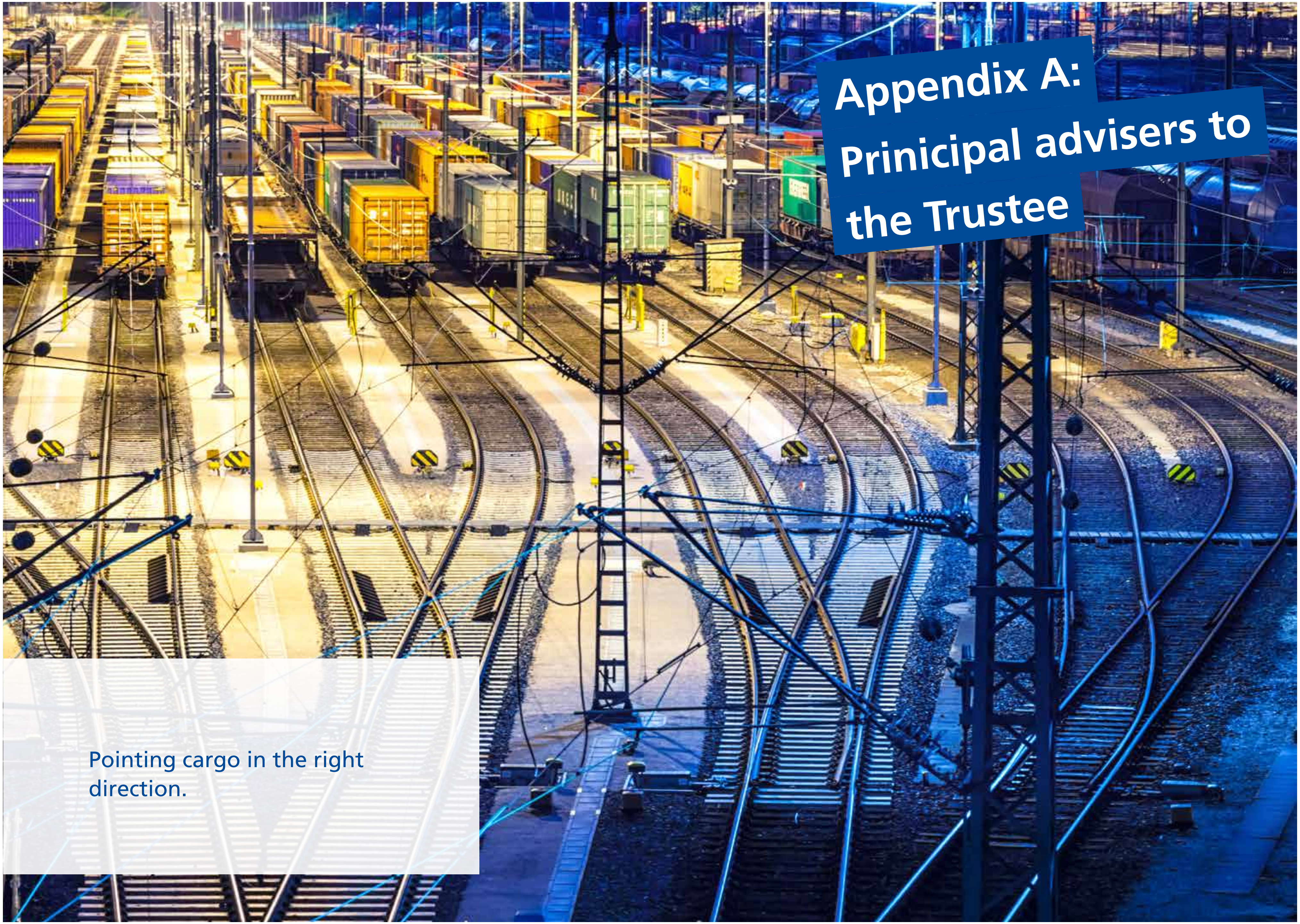
SIP	Statement of Investment Principles
TKU	Trustee Knowledge and Understanding
TOC	Train Operating Company
TPA	Transport Professionals Association
TPAS	The Pensions Advisory Service
Trustee	Railways Pension Trustee Company
TSSA	Transport Salaried Staffs' Association
TUPE	Transfer of undertakings (protection of employment)

Appendices



Loading goods so they're ready to go.

Appendix A: Prinicipal advisers to the Trustee



Pointing cargo in the right direction.

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

Appendix B : Payment of contributions

Transporting fuel, food, and building materials to where they are needed.

Participating employers

The Trustee collects contributions from most employers participating in the Scheme. As at the year end, there were 147 participating employers. Each one may operate from several distinct locations, each with its own payroll department and combination of weekly, fortnightly, four-weekly and calendar-monthly paid employees. As a result, the Trustee deals with employers based at approximately 170 different addresses and 200 distinct payroll combinations.

Due dates for payment of contributions

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

Sections in the Shared Cost Arrangement

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

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

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

As at 31 December 2020, there were 31 employers actively contributing to the Defined Contribution Arrangement and the IWDC Section. Collection of contributions from these employers is governed by a payment schedule. This is similar to a schedule of contributions, and again sets out as a percentage of pay, the rate of contributions payable to the Scheme by the employers and members, and the dates on which the contributions are due. Payment schedules do not have to be certified by the Scheme Actuary, but must be prepared by the Trustee and revised from time to time as circumstances require. Once put in place, the employer must pay contributions by the date shown in the schedule.

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

Late payment of contributions

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

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

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

Appendix C: Custody arrangements

Food, fuel, and building materials being stored until the go-ahead.

Custody arrangements

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

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

Core administrative functions performed by the custodians include the following:

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

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

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

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

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

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

Appendix D: Sustainable Ownership

Supplying renewable, clean energy - fuel for the future.

Introduction

The Trustee, on behalf of the Fund, has a long history as an active and engaged shareholder, with a strong heritage in corporate governance. 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 RPMI 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:

'Environmental, social and governance factors materially impact long-term investment returns and must be taken into account.'

Our Sustainable Ownership activities span three key areas:

- ESG integration
- Active ownership
- Longer-term risks and opportunities

1. Integration in portfolio management
Our goal is to incorporate ESG considerations into the portfolios we manage on behalf our beneficiaries. We apply a Sustainable Ownership framework to our investment strategy, which considers the impact of extra-financial factors through four lenses:

- Improves investment returns
- Reduces investment risk
- Impacts the reputation of the Trustee as a responsible investor
- Impacts the world the beneficiaries of the Fund retire into

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

2. 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 with portfolio companies supports our objective of enhancing the long-term investment returns for our beneficiaries.

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

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

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

RPMI Railpen is a lead participant in a range of investor networks, alliances and trade bodies, such as the UK Investor Forum, the Pensions and Lifetime Savings Association (PLSA), the UN-supported Principles for Responsible Investment (UNPRI) 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.

3. Longer term risks and opportunities
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 2020, climate change remained a key focus area: we published our first standalone Climate-related Disclosure and also set up a Climate Working Group, chaired by our Chief Investment Officer, and with representatives from across the Fiduciary and Investment functions. Governance and conduct issues remained core investment themes.

Pooled fund equity holdings

The largest ten direct equity holdings within the pooled fund investments as at 31 December 2020 were as follows:

	£m
Amazon	253.1
Taiwan Semiconductor Manufacturing Co.	216.6
Roche	198.6
Thermo Fisher Scientific	176.8
Nestle SA	173.4
Visa Inc	168.5
Procter & Gamble Co.	168.4
Microsoft Corp	166.6
IP Group PLC	160.8
Facebook Inc	155.9

More detail on our Sustainable Ownership activities can be found in our Sustainable Ownership annual report, which can be found at **www.rpmirailpen.co.uk/sustainable-ownership**.

Appendix E: Risk statement

Transporting cars around the globe.

The following risk management process operated throughout the year ended 31 December 2020.

Risk policy

The Trustee has overall responsibility for internal control and risk management. It is committed to identifying, evaluating and managing risk, and to implementing and maintaining control procedures to reduce significant risks to an acceptable level, taking note of the guidance and principles of the UK Corporate Governance Code issued in July 2018 and the guidance within the Pension Regulator's Code of Practice on Internal Controls.

The objective of the Trustee's risk policy is to limit the exposure of the Scheme, and the assets that it is responsible for safeguarding, to business, financial, operational, compliance and other risks. Implementation of the risk policy is delegated to the boards of the operating companies. The risk policy is reviewed regularly by management and annually by the Trustee and provides a framework for managing risk on a day-to-day basis. Risks are taken into account in all decision making.

> The risk policy covers all aspects of the Trustee operations and includes the use of third-party service providers.

The Trustee strongly encourages its investment managers to publish internal control assurance reports, (AAF 01/20, ISAE 3402 or equivalent style reports), on the effectiveness of internal controls, although investment managers are under no regulatory obligation to do so.

Risk identification and management

Risks are identified and regularly reviewed by management and directors in a formal process. Risks are evaluated by considering the likelihood of occurrence and the significance of the consequent impact on the business if they occur.

The risks identified, together with action plans for their management (including responsibilities and target dates for completion), are recorded in the various risk registers of the Trustee and each operating company, RPMI and RPMI Railpen. Actions include implementing or adapting internal controls, risk transfer, risk sharing and contingency planning. These actions are monitored by the Business Assurance team. During 2020, we started a project to move all Operational risk recording and management to a dedicated risk management platform 'JCAD'. This replaced a number of spreadsheets, and matures our risk management. This work was completed in February 2021.

We also made some governance changes during 2020. The RMC was disbanded and its role effectively delegated to two bodies. A newly formed Risk Community Forum, attended by our in-house risk experts and chaired by the Chief Financial Officer was established. Its purpose is to identify live risks that need escalation to the various boards. This is firstly reported to ExCom, the senior management team within the business. ExCom is accountable to the boards for the day to day management of risk.

Fundamentally, our approach is based upon the 'three lines of defence' model as outlined below.

First line of defence:
This refers to the day-to-day controls that have been designed into systems and processes and the day-to-day line management and supervision that ensures compliance and identifies breakdowns or other unexpected events or errors. These processes are supported by documented policies and procedures or in some cases specific projects.

Second line of defence:
This describes the committees and functions that provide oversight of the effective operation of the internal control environment and will include those receiving reports and management information concerning key business activities, for example, the Senior Leadership Team and the Board. The second line is re-enforced by the monitoring functions of risk management through a dedicated Risk Community Forum, the ExCom and the Compliance team.

Third line of defence:
This describes the independent assurance provided by internal audit, external audit and/or any other independent source of assurance, for example internal control reporting.

The effectiveness of the internal controls is examined by the internal audit plan, which focuses on the significant risks in the risk registers and covers all major activities of the Trustee and operating companies. The internal audit plan is approved annually by ARC. Internal audit output, in terms of any significant findings or risks identified, together with planned actions to mitigate them, are reported to the ARC.

In respect of the pensions administration service provided by RPMI, an internal controls assurance report has been prepared for the year ended 31 December 2020. The report sets out a description of the relevant control objectives and procedures which operated during the period. These have been independently evaluated under the guidelines of the International Standard on Assurance Engagements 3402 (ISAE 3402) and the ICAEW Technical Release, 'Assurance reports on internal controls of service organisations made available to third parties (AAF 01/20)'.

Internal audit services are provided to the Trustee by the in-house Business Assurance team. The Head of Business Assurance reports to the Chief Executive and has unrestricted access to the Chair of the ARC and the Trustee Board Chair should the need arise. Internal audit activity is governed by the Business Assurance Charter, which is reviewed annually by the ARC.

The Risk Community Forum is chaired by the Chief Financial Officer, RPMI, and includes the various risk experts from across the business.. This group reviews and discusses live issues and agrees what if anything needs escalation to the ExCom and various boards.

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

Appendix F: Summary of the main provisions of the Scheme

Freight containers stacked up until they are needed.

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

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

Rules specific to sections

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

The outline of the main provisions of sections covers the standard situation whereby a section remains ongoing with a solvent employer backing the section. In the event of the employers in a section suffering a qualifying insolvency event, the benefits available from that section will depend on the assets in the section. If there are insufficient assets available to secure a minimum level of benefits, the PPF will pay compensation to members. In these situations, the PPF will take over the pension scheme's assets and provide the compensation to the scheme's members. The compensation provided by the PPF would in many cases be lower than the pensions that members could have received from the scheme that has been taken over.

IWDC Section

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

Pension increases

Pensions increased by 1.7% with effect from 6 April 2020. 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 2019.

Active members

Contributions

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

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

Additional Voluntary Contributions

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

BRASS is the AVC arrangement for the Shared Cost sections.

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

Death in service

Nominated dependants or personal representatives will receive:

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

Plus

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

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

Leaving the Scheme

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

He/She will receive

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

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

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

Plus

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

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

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

And on death

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

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

He/She will receive

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

And on death

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

When a member retires because of incapacity

He/She will receive

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

And on death

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

When an immediate pension is not payable

He/She will receive

A preserved pension and lump sum payable from age 60 calculated as for retirement from age 60.

Or

A transfer value payment payable to another registered pension arrangement.

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

Appendix G: Defined Contribution Chair's statement

Remaining calm and carrying on.

This statement explains how the Trustee Board has met the legal requirements for running the Industry Wide Defined Contribution Section of the Railways Pension Scheme (the 'IWDC Section') in the following areas in the year from 1 January 2020 to 31 December 2020 ('the Scheme year').

- Funds for members who don't choose their investments (the "default" investment arrangement);
- the requirements for processing financial transactions;
- Charges and transaction costs paid by members;
- Good value for members;
- Processing core financial transactions; and
- Trustee knowledge and understanding.

It has been a challenging year with the ongoing Covid-19 pandemic in 2020. However, with a successful business continuity plan and implementation, RPMI was able to operate at near normal capacity during 2020, with the majority of employees working remotely, adhering to the government Covid-19 guidance. The Trustee has adapted well to working remotely to carry out its duties effectively and has ensured, through RPMI, that the high standard service levels to scheme members and employers have been maintained throughout the year.

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

The Trustee has chosen a default investment arrangement for members who do not choose their own funds. Members can also choose to invest in the default investment arrangement, an alternative lifestyle arrangement or self-select from the investment funds offered.

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

- To generate long-term growth in excess of inflation over members' working lifetimes. The IWDC Section may be a member's main form of retirement saving and so the default investment arrangement aims to seek growth, with some volatility mitigation through diversification, by investing in the Long-Term Growth Fund during the earlier years.

- To reduce investment risk for members as they approach retirement by switching to less volatile funds. This is achieved by switching from return seeking assets, which aim for long-term growth in excess of inflation, to lower risk assets as a member approaches their nominated target retirement age. The "at retirement" portfolio has been constructed on the basis that members will take 25% of their funds as a tax-free lump sum and buy an annuity with the rest.

The default arrangement for the IWDC Section is shown below:

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

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

Reviewing the default investment arrangements

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

The last formal investment strategy review was completed in March 2020, having been considered by the Trustee's Defined Contribution Committee ('DCC') on 18 March 2020 and the full Trustee Board on 19 March 2020. The formal investment strategy review was based on reporting and advice from RPMI Railpen, which built on the findings of the membership review conducted in 2019. The DCC meeting on 18 March 2020 also included an in-depth performance review, involving an assessment of performance against investment objectives as well as against appropriate peers where possible. The investment strategy and performance reviews were comprehensive, covering all of the investment funds offered, including those in the default investment arrangement and the alternative lifestyle arrangement.

Following the investment strategy review, the Trustee intends to make some changes to the investment funds. Within the self-select fund range, the Aggregate Bond Fund is to be replaced by a fixed interest gilts fund, while the Index Linked and Global Bond Fund is to be replaced by an index-linked gilts fund. Three further self-select funds are to be offered: a corporate bond fund, a Sharia fund and an ethical/sustainable fund. Please note that these new fund names are illustrative only at this stage.

In addition, the Trustee intends to make changes to the default investment arrangement to reflect that members are expected to draw from their pension pots more flexibly in the future. Investments in the earlier years will continue to be made in the Long-Term Growth Fund, however the "at retirement" portfolio will change to 25% Long-Term Growth Fund, 50% corporate bond fund and 25% fixed interest gilts fund. The switching period will remain at 10 years. There are to be two other lifestyle arrangements made available to members in addition to the default investment arrangement.

The implementation of these investment strategy changes is being worked through and further communications regarding timescales and the associated implications will be provided to members in due course. In the meantime, the Trustee remains comfortable with the performance of the existing investment funds and believes that the default investment arrangement's performance is consistent with the aims and objectives set out in the Trustee's Statement of Investment Principles. The next formal investment strategy review will take place no later than March 2023.

In addition to the in-depth performance review, the DCC monitored the performance of the investment funds offered, including those in the default investment arrangement, at each of its quarterly meetings during the Scheme year (18 March 2020, 9 June 2020, 22 September 2020 and 9 December 2020). This monitoring considered each fund's performance against its aims and objectives over various time periods to the previous quarter end. No issues were identified by the DCC as a result of this regular monitoring of performance.

Charges and transaction costs paid by members

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

During the Scheme year ending 31 December 2020 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	Annual management charge %	Property costs %	Total %
Long Term Growth Fund	0.45	0.07	0.52
Global Equity Fund	0.18	N/A	0.18
Deposit Fund	0.19	N/A	0.19
Aggregate Bond Fund	0.24	N/A	0.24
Index Linked and Global Bond Fund	0.27	N/A	0.27

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

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

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's Fund Managers buy and sell assets within investment funds. Such costs include broker commissions, commissions of futures, transfer taxes, and other fees such as bank fees, search fees, legal fees, and stamp duty.

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

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

DC fund	Average 2020 asset value £m	2020 transaction costs as % of assets value	Cost info available % of asset value
Long Term Growth Fund	68.6	0.08	82
Global Equity Fund	61.0	0.09	100
Deposit Fund	6.5	N/A	N/A
Aggregate Bond Fund	19.6	0.02	100
Index Linked and Global Bond Fund	2.9	N/A	N/A

At the time of writing, February 2021, it is not possible to obtain complete cost information for the year ended December 2020. This is a timing issue as many Fund Managers are unable to provide finalised cost information until months following their year-end. RPMI begin an annual exercise of collating this data in the second quarter of each year. The primary method adopted is using the PLSA Cost Transparency Initiative's templates, which are distributed to managers for completion. If managers do not engage, steps are taken to escalate the issue higher within the organisation. As a contingency method RPMI will source this information from annual reports and audited accounts of the underlying funds, which again will become available as reports are published over the coming months.

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

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

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

Time to retirement years	Fund mix	TER %	Transaction costs %
10	100% Long Term Growth Fund	0.52	0.08
5	60% Long Term Growth Fund 40% Aggregate Bond Fund	0.41	0.05
1	10% Long Term Growth Fund 70% Aggregate Bond Fund 20% Deposit Fund	0.26	0.02

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

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

Good value for members

In order to assess whether the IWDC Section offers good value for members (VFM), a review is performed each year. The annual review described below covers the period from 1 January 2020 to 31 December 2020.

In 2020 the Trustee asked RPMI to consider using an external provider to undertake the DC VFM assessment. Whilst the Trustee felt the existing process was robust and extremely valuable, the Trustee also felt that an external provider could offer true independence, expertise and market insight. RPMI engaged with the market and provided a recommendation in September 2020, which culminated in the appointment of Willis Towers Watson. Analysis was undertaken by them in late 2020 and early 2021, with the final of the assessment provided in February 2021.

As part of the assessment, Willis Towers Watson reviewed the Trustee's existing value for member's framework and concluded that it is well structured and aligned with both the Pensions Regulator's guidance and the approach they typically follow when undertaking value for members exercises on behalf of clients. They blended the Trustee's framework with theirs, which focuses on three areas of assessment:

- member need
- scope of services
- performance of services

Wills Towers Watson were of the view that the Trustee had already undertaken a significant amount of work as part of its value for members framework. Their assessment looked to build on it with a particular focus on benchmarking the services members receive under the IWDC Section against their research of the wider market and experience supporting trustees of other DC arrangements. To support the process, Willis Towers Watson provided a breakdown of the information and data items required to undertake the assessment.

In accordance with the Pensions Regulator's expectations, Willis Towers Watson compared the IWDC Section's member borne charges with other scheme charges through benchmarking analysis and industry survey data. Additionally, to get the most accurate assessment of the charges against the master-trust market, they approached the leading master-trust providers on a 'no names' basis to obtain live quotes based on the IWDC Section's characteristics.

For context it is worth noting that the IWDC scheme has been strengthened further throughout 2020, and offers members a number of benefits:

- the range of investment options and strategies, which are currently being refined through the investment strategy review;
- the efficiency of administration processes, strengthened by a new system;
- a wider degree of online functionality for members
- the quality of communications and guidance products delivered to members including modelling tools; and
- the quality of support services and Scheme governance.

Willis Towers Watson concluded that the Trustee has a very well-established administration platform and governance framework and that this sets the foundations for a well-run Master-trust that offers employers within the railways industry access to a good quality DC arrangement. Their analysis indicates that the charges compare favourably to the DC provider market, particularly when this is distilled to compare on a 'like for like' investment basis. In particular they highlighted that the current charges for accessing a passive global equity fund are closer to what they would typically expect for an unbundled DC arrangement, where the costs of administration, governance and communication are met by the sponsoring employer. This demonstrates the value offered by the IWDC arrangement.

Their review identified several areas of the current Scheme design that require some development in order to improve member value but acknowledged, in the main, these have already been recognised, with enhancements either having been delivered at the end of the reporting period or on the horizon. From the detail shared with Willis Towers Watson, they envisage that the communication, at-retirement and online developments, when launched, will enhance the member value proposition. The DC modeller and online video content which went live at the end of the reporting period have already begun this process, as can be demonstrated by the increase in online member activity.

Overall, Willis Towers Watson believe the current structure of the Scheme offers adequate value, with service performance offering good value. On balance, they would rate overall member value as 'good', with the favourable charge structure, robust administration and net performance of the Long-term Growth Fund key determinants informing their view. Some areas, including governance and the performance of the administration team, were rated as 'excellent'. Other areas were rated as 'adequate', but it was acknowledged that initiatives are underway to strengthen those areas. In particular, investment fund choices were seen as the area where the Scheme was behind other arrangements. It was acknowledged that the in-flight fund review seeks to remedy this.

Willis Towers Watson further felt the Scheme is well placed to deliver improved member value from next year, assuming performance continues at the same level and the planned structural and strategic investment enhancements are successfully implemented.

Processing core financial transactions

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

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

Service Level Agreements ('SLAs') are in place for all of these core financial transactions. The DCC received quarterly updates on these key process activities throughout the year. Within the administration report there is narrative which highlights any core financial transaction issues to the Trustee. During 2020, a phased approach was applied to the migration of members onto a new platform. During this migration, a freeze on certain transactions was placed to best prepare the data for the migration. Members were financially compensated where a delay of investment resulted in a loss as a result of the freeze period.

Subsequent to the migrations, the quarterly administration report setting out delivery of core transactions against agreed service levels has been issued for quarter 4 activity. The aggregate service level for Q4 was met, attaining 97.6%.

New robust controls were employed over core transaction processing including:-

- A dedicated Employer Support function to monitor the receipt of employer contributions and provides support and escalation of errors and late / missing contribution
- Daily reconciliation reports to ensure investment units held in the administration system agrees to the Investment trading platform
- Daily system start-of-day health checks to ensure any system failures or anomalies are identified and rectified immediately
- Functional segregation of duties between the Finance function dealing with cash and the Administration function who execute member transactions
- 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
- Utilisation of an external agency for member and beneficiary identification verification checks
- The core financial transactions are overseen by key controls which are annually tested and reported within the AAF. The testing is carried out by external auditors.

Where necessary ad-hoc reports are commissioned so the DCC can review the progress of any issues raised. The DCC continues to receive additional reports pertaining to the volume of DC contributions held in suspense during 2020. This was to provide oversight of the volume of unreconciled accounting transactions. Following the migration of employer's to the new BaNCS administration system during Q1 and Q2 2020, there was an increase in the volume of transactions in the suspense account primarily as a result of the adopted migration strategy. However, during Q3 and Q4 2020, there was a fall in the number of non-reconciling suspense items to what was considered long-run volume.

Additionally the DCC monitors RPMI's performance and ensures that improvements to processes and controls are implemented where necessary. The DCC monitors this through the provision of the annual Internal Control Assurance Report issued by RPMI, which is available on their website. This report outlines specific control procedures and independently demonstrates the strength of these controls.

The Trustee is satisfied that over the period covered by this statement:

- the administrator was operating appropriate procedures, checks and controls;
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed during the Scheme year

Trustee Knowledge and Understanding ('TKU')

RPMI runs a comprehensive induction programme for new Trustee Directors which ensures that they have good awareness and understanding of the Scheme's governing documentation (including the trust deed and rules, statements of investment principles and funding principles, and relevant policies), scheme funding and investment, pensions and trust law and the role of a trustee. Individuals who have been nominated to become a Trustee Director must complete the Pensions Regulator's Toolkit before they can be appointed as a Trustee Director of the Railways Pension Scheme and this process was completed for two Trustee Directors who were appointed in 2020. The Trustee Toolkit is an online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes. The toolkit includes a series of online learning modules and downloaded resources developed to help trustees meet a minimum level of knowledge and understanding introduced by the Pensions Act 2004. There is also a requirement for current Trustee Directors to refresh the Trustee Toolkit every three years.

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

Existing Trustee Directors received regular training throughout the year, either at quarterly Trustee/ Committee meetings or workshops virtually during 2020. They are also encouraged to attend external online conferences and webinars on specific topics of interest and to increase their general knowledge and understanding.

To further ensure the Trustee meets the required level of knowledge and understanding introduced by the Pensions Act 2004, the Trustee Directors must complete a training needs analysis each year and this was completed in Q1 2020. The analysis is based on the Pensions Regulator's indicative Trustee Knowledge and Understanding syllabus. This is used to assess training needs for the year ahead by identifying particular areas where knowledge is less strong for individuals and for the Board as a whole. Alongside this, the Trustee compiles a skills matrix to detail the relevant skills and experience of each member of the Trustee Board. Together, these demonstrate the strength and depth of expertise that each is able to bring to the role. The annual review of the skills matrix ensures that any gaps are identified and that the necessary additional training and development is undertaken by the relevant Trustee Director. The particular topics identified for further training are built into the training provided by RPMI and also third parties at the Trustee's meetings and workshops throughout the year.

The Trustee Directors all have working knowledge of the Scheme's trust documentation, the latest Statement of Investment Principles which has been reviewed and updated in 2020 in line with the new requirements of the Occupational Pension Scheme Investment and Disclosure (Amendment) Regulations 2019, pensions and trust law, and the principles of pension funding and investment. This is evidenced by the latest completed training needs analysis and supplemented by training for Trustee Directors.

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

- Trustee strategic risks
- Settling the 2019 actuarial valuations
- Investment Risk Governance
- Cyber Security Awareness
- Employer Covenant Training Session – Contingent Assets
- DC investment Training
- Looking to the future of Railpen – Strategy
- Getting to know RPMI Railpen

In addition to this, members of the DCC attended seminars on:

- Master Trust and risk management; and
- Member communication

These topics were identified as appropriate training based on the 2020 training requirements and skills analysis review or were requested on an ad-hoc basis by the Trustee.

The Trustee Directors completed meeting effectiveness questionnaires after selected Trustee Board or Trustee Committee meetings in 2020. Members of the in-house Trustee Governance team discuss the responses with the relevant Chair to seek to improve the operation and running of Trustee meetings.

The Trustee Board is made up of a wide range of Trustee Directors who each possess individual skills and experience that are relevant to the role of Trustee of a Master Trust, like the IWDC Scheme. The Trustee Board is diverse in employment experience and history. Many are long standing Trustee Directors and have served on several of the Trustee's committees and subsidiary boards over the years, including Integrated Funding, Investment, Defined Contribution, Audit & Risk, Railpen and RPMI. They therefore have significant experience of all aspects of the Railways Pension Scheme and its corporate management activities, and this is spread across the whole board rather than concentrated in one or two individuals. The Trustee Directors have a wide range of experience, from working as Pensions Managers for employers in the rail or other large scale industries, to senior financial professionals with large employers. A number of Trustee Directors have a background in trade unions. Many worked on their unions' own schemes and negotiated with employers on pensions and benefits on behalf of their members. In addition, the advisors are available to attend the Trustee meetings when needed to provide guidance on various scheme matters. With a sufficiently diverse Trustee Board, their broad collective business and senior management experience ensures that they are in a position to challenge robustly the advice they receive. In particular, through the trade union representatives, the Board gains insight into the membership's perspective of how the scheme is run and the benefits it offers.

As a result of the training activities which the Trustee Directors have completed, individually and collectively as a Board, the broad range of experience held by Trustee Directors and the annual training analysis, skills matrix review and 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 of the Railways Pensions Scheme and the Railways Pension Scheme generally. The effectiveness and performance of the board as a whole has been measured against the objectives of the Scheme's business plan.

Additional governance requirements for multi-employer schemes

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

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

The Trustee Board has considered these requirements and determined that all Trustee Directors, including the Chair, can be classed as 'non-affiliated trustees' for the purpose of the legislation. This means that we have considered carefully any links that Trustee Directors may have with companies providing services to the Scheme, and reviewed the procedures in place for managing any conflicts of interest that may arise and concluded that all of the Trustee Directors are independent of any undertaking which provides advisory, administration, investment or other services in respect of the IWDC Section, taking account of the matters set out in Regulation 28(3) of the Administration Regulations. We have also reviewed our appointment process to ensure that it is open and transparent and allows representation on the Trustee Board from across the rail industry. We will ensure that non-affiliated Trustee Directors, including the Trustee Chair, are always in the majority on the Trustee Board.

Two non-affiliated Trustee Directors were appointed during the Scheme year and two re-appointed, in accordance with the governing documents of RHL:

- Nominations were sought from all the relevant organisations (including Trade Unions and Pensions Committees as appropriate) as part of the Scheme's process for appointing an Employee Director vacancy in the Pensioner electoral group. There was only one nomination and so Richard Goldson was appointed to the Trustee Board.

- Nominations were sought from all the Passenger Train Operating Companies as part of the Scheme's process for appointing an Employer Director vacancy in the Passenger Train Operating Companies electoral group. Following a ballot exercise Adam Golton was appointed to the Trustee Board.

The appointment of the Employee Director vacancy met the requirements of the Pension Act 2004 for the nomination and selection of Member Nominated Directors.

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

Contacting the Trustee Board

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

IWDC active and preserved members receive the annual Insight newsletter in May each year. The newsletter provided to members in 2020 encourages members to provide feedback via an online survey using a QR code to direct members to the feedback facility. A dedicated online member advisory group has also been established, and promoted through the periodic newsletters and website, giving members the chance to share their views on key topics. This insight is reported to the Trustee and directly shapes the development of member communications, such as investment guides and fund fact sheets.

Alternatively, if members prefer they can contact the member Helpline on the free phone number **0800 012 1117** or email **csu@rpmi.co.uk.** The annual newsletter and bulk member communications refer to the helpline number and email address as standard.

Additionally many Trustee Directors also have regular contact with members through their day-to-day activities, for example as Pensions Managers of participating employers or as Trade Union officials. The Trustee has considered the size, nature and demographics of the Scheme and by providing multiple channels and media through which members may contact the Scheme, in line with its Communications Strategy, the Trustee is satisfied that all members from all sections of the Scheme are encouraged to share their views, in particular in response to key communications or Scheme events.

Christopher Hannon
Chair, Trustee Company

24 June 2021

Enabling passengers to get
where they need to be.

Appendix 1: Statement of Investment Principles

Introduction

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

2. The Schemes are occupational pension schemes providing defined benefit ('DB') and defined contribution ('DC') benefits. The main body of the SIP relates to DB and DC elements of the Schemes (unless otherwise stated), whereas Schedules 2 and 3 apply to the DC elements only.

3. The Trustee has, following consultation with the employers, drawn up this SIP to comply with the requirements of the Pensions Act 1995 (as amended) and subsequent legislation, including The Occupational Pension Schemes (Investment) Regulations 2005 (the "Investment Regulations"). The Trustee has received written advice from the Trustee's wholly owned subsidiary RPMI Railpen before adopting this SIP. The Trustee has two wholly-owned operating subsidiaries, RPMI and RPMI Railpen, to which it delegates the day-to-day operation of the Schemes.

Responsibilities and Process

4. The Trustee is responsible under the Pensions Act 1995 for determining the overarching investment principles used across the Schemes. These are outlined in this document and supporting documents which can be found at: **https://www.rpmirailpen.co.uk/investment/**. Investment strategy for the DB elements of each Scheme and/or Section is set taking account of, amongst other factors, the specific liability profile of that Scheme and/or Section. The Trustee has a sub- committee, the Integrated Funding Committee ("IFC"), responsible for carrying out this work. The performance objectives and asset allocation strategies for each Scheme and/or Section are included in their respective individual Investment Policy Document. See Schedules 2 and 3 for details of the Trustee's investment strategy in respect of the Schemes' DC elements.

5. In the case of Sections where the employer has elected to establish a "Pensions Committee", and those Schemes where a Management Committee has been established, the power to set investment strategy lies with the committees (with the exception at the time of adoption of this SIP, of the British Transport Police Force Superannuation Fund, RPS Govia Thameslink Railway Section and RPS London Overground Section). In the case of these committees, the Trustee retains legal responsibility for implementation of investment policy and ensuring that any policy adopted and set out in the relevant Investment Policy Document complies with the statutory requirements. This function has been delegated in turn by the Trustee to RPMI Railpen.

6. The SIP is reviewed following each triennial actuarial valuation and following any significant change in investment policy. The Trustee will consult with the relevant employers about any changes to the SIP. However, the employers have agreed that where changes are proposed to any specific Investment Policy Document, the Trustee only needs to consult with the employers which participate in the Scheme and/or Section to which that Document relates.

Investment Beliefs

7. The Trustee has agreed core beliefs that set out a clear view on investment philosophy and Scheme governance. These beliefs are used to inform the investment process used across the Schemes. The Trustee reviews the Investment Beliefs annually and they are available to view online at **https://www.rpmirailpen.co.uk/trustees-beliefs/**

Investment Objectives

8. The Trustee's mission is to pay members' pensions securely, affordably and sustainably. It achieves this through investing the assets of each Scheme and each Section in a way that enables them to be used to pay the benefits promised when they fall due, whilst balancing this against the cost that must be met by the employers and members.

9. To facilitate achieving this objective, the Trustee adopts an integrated approach to covenant, funding and investment policy in respect of the DB elements. Due to the different maturity profiles of the liabilities of the individual Schemes and Sections, along with the strength of covenant of each sponsoring employer and any other specific characteristics, investment strategies and therefore expected investment returns will vary widely. Investment objectives therefore have to be set separately for each Scheme and/or Section, with a consistent framework used for evaluation. The agreed approach takes account of return, risk and liquidity requirements (within a "RRL framework"), to enable suitable investment strategies to be adopted for each Scheme and/or Section.

10. The RRL framework outlines the expected investment strategy for each Scheme and broad Section groupings (effectively grouped by covenant strength and maturity profile). The individual components of the RRL framework are considered as follows:

    10.1. Expected investment return is considered taking into account risk and affordability, making use of the Pooled Fund range to accommodate individual Scheme and/or Section requirements. The expected return of the proposed investment strategy is judged over the long-term and evaluated with reference to the financial assumptions adopted by the Trustee. The technical provisions funding basis used in triennial valuations is considered with reference to these expected returns;

    10.2. Investment risk is considered using several measures with a focus on downside risk, consistent with the Trustee's belief that investment risk is multi-faceted. The level of investment risk will take account of the strength of covenant;

    10.3. Liquidity requirements are evaluated with reference to maturity, the strength of covenant of the sponsoring employer and whether the Scheme and/or Section is deemed open or closed to new members.

11. The resultant portfolios and investment strategy for each Scheme and/or Section are expressed as a mix of return-seeking, defensive and matching assets. Each of these portfolios, in aggregate, is expected to generate a long-term return that will match or exceed the discount rates used in the funding assumptions for the respective Scheme and/or Section.

Management of Pooled Funds

12. The Trustee is responsible for investing the Scheme's assets in the best interests of members and beneficiaries and it exercises its powers of investment in accordance with the trust deed and rules of each Scheme and applicable law.

13. The Schemes and Sections invest in a number of HMRC approved pooled funds (the "Pooled Funds") operated by RPMI Railpen on behalf of the Trustee. These funds are used to construct each investment portfolio agreed under the RRL framework and are intended to accommodate the differing investment requirements of the Schemes and Sections.

14. As such, each Pooled Fund has distinct return, risk and liquidity characteristics and is either multi-asset or single-asset class by design. The Trustee recognises that the use of a range of traditional and alternative asset classes with distinct return drivers may offer diversifying characteristics. Accordingly, the default offering is to use predominantly multi-asset Pooled Funds which invest in a wide range of assets and strategies. However, Pensions Committees and/or employers can request to make use of other Pooled Funds offered by the Trustee consistent with the agreed investment strategy. The investment performance of each Pooled Fund is measured against an agreed objective and the objective and investment guidelines for each Pooled Fund are set out in the individual fund product particulars.

15. Under the RRL framework, the proportion of the Scheme and/or Section assets to be held in a particular Pooled Fund is not fixed and may, therefore, be changed from time to time by the Trustee (or RPMI Railpen under delegated authority) in order to comply with the RRL framework in the manner the Trustee considers appropriate. Where the rules of a Scheme or a Section require the investment policy to establish the proportion of Scheme and/or Section assets to be held in each of the pooled funds, that policy will be recorded in the relevant Investment Policy Document.

16. The Trustee regularly reviews the Pooled Fund range and is free to change the range of Pooled Funds, the associated objectives and investment guidelines from time to time, as it considers appropriate, in accordance with the rules of the Schemes.

17. The investment of the assets within each Pooled Fund, including day-to-day investment decisions, are delegated under an Investment Management Agreement to RPMI Railpen, the internal manager for the railway pension schemes, or to Fund Managers appointed by RPMI Railpen (together the "Fund Managers"). The investment arrangements are overseen by the Railpen Investments Board ('RIB') who ensure adherence to the Trustees' investment policy. More information on the delegated structure can be found in the annual report and accounts under **https://www.rpmirailpen.co.uk/report-accounts/.**

18. The Trustee delegates investment powers to RPMI Railpen under the terms of the Investment Management Agreement which sets out the parameters and policies within which RPMI Railpen operates. The Trustee reviews and monitors performance (and fees) to ensure that the activities of RPMI Railpen continue to be aligned with the Trustee's investment policy. More information on RPMI Railpen's obligations to disclose information to the Trustee under the Shareholder Rights Directive (SRD II) can be found on the RPMI Railpen website under **https://www.rpmirailpen.co.uk/shareholder-rights-directive-ii/.**

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

20. RPMI Railpen reviews and monitors the contractual arrangements with Fund Managers, including their remuneration and length of appointment, on at least an annual basis through relationship meetings and investment reporting to ensure that they are consistent with the Trustee's investment policy and that Fund Managers' investment decisions and approach are aligned with the Trustee's investment policy and role as a responsible investor. More information on how RPMI Railpen ensures that remuneration structures are aligned with the long-term perspective of beneficiaries can be found on the RPMI Railpen website under **https://www.rpmirailpen.co.uk/shareholder-rights-directive-ii/.**

21. The Trustee is satisfied that RPMI Railpen has the appropriate knowledge and experience for managing the investments of the Schemes and it carries out its role in accordance with the criteria for investment set out in "Investment Regulations", the principles contained in this SIP, the Trustee's investment policy and any applicable investment guidelines and restrictions agreed with the Trustee.

22. The multi-asset Pooled Funds are managed within a strategic framework, agreed on a regular basis with the RIB. The single-asset Pooled Funds are managed to specific objectives with permitted tolerances. Where relevant, RPMI Railpen and the Fund Managers are responsible for deviations from agreed asset allocations within delegated authority limits. Active management is not used by default but will be considered when it is judged to be the most efficient implementation of a given strategy.

23. RPMI Railpen and the Fund Managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and product particulars. This includes the power to rebalance funds from available cash or make transfers in order to keep within stipulated asset allocations or restrictions.

24. In addition to the pooled funds, the Schemes and Sections may invest assets with an insurance company regulated by the Prudential Regulation Authority in order to accomplish a transfer of risk.

Performance Measurement

25. The performance of each Scheme and/or Section, and the investment performance of the portfolios of RPMI Railpen and the Fund Managers, are measured for the Trustee. Also, investment performance of each Scheme and/or Section are monitored by RPMI Railpen and reported to the IFC, the Pensions Committees (where appropriate) and the relevant employers. RIB monitors the performance of RPMI Railpen against long-term performance objectives and compliance with operating parameters to ensure the investment approach aligns with the Trustee's investment policy and beliefs. RPMI Railpen is responsible for monitoring the performance of the Fund Managers against long-term performance objectives and compliance with operating parameters to ensure alignment with the Trustee's investment policy and beliefs. For further information on how RPMI Railpen ensures that Fund Managers' remuneration structures are aligned with the Trustee's investment policy, see **https://www.rpmirailpen.co.uk/shareholder-rights-directive-ii/.**

Risk Management

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

    26.1. an Integrated Funding Committee with specific responsibilities including agreeing integrated funding plans for each Scheme and/or Section, using the RRL framework (as described in paragraphs 9, 10 and 15), and monitoring performance against their agreed funding plans;

    26.2. an Audit and Risk Committee ('ARC') with specific responsibilities including review of financial control and risk management systems;

    26.3. appointing a global custodian to hold assets and RPMI Railpen monitoring the custodian's service provision and credit-worthiness;

    26.4. appointing the Railpen Investments Board with specific responsibilities including oversight of the management of the Pooled Funds;

    26.5. the establishment of the Investment Risk Committee and Operational Risk Committee to oversee monitoring of investment and operational risks.

Defined Contribution Assets

27. The Schemes provide DC benefits in the form of Additional Voluntary Contributions ('AVCs'), commonly known as BRASS, in the defined benefit Sections and the Industry Wide Defined Contribution Section ('IWDC'), a standalone DC Section of the Railways Pension Scheme. The IWDC Section is the authorised master trust within the Railways Pension Scheme. The Trustee is responsible for investing DC assets in the best interests of members and beneficiaries, providing appropriate fund choices and ensuring good value for members. The Trustee's strategy and approach to the DC elements are set out in Schedules 2 and 3, to the extent they differ to the DB elements.

28. The range of funds made available for the DC fund arrangements is reviewed regularly and may be changed by the Trustee from time to time in accordance with applicable rules of the Schemes. The intention is to ensure an investment philosophy consistent across both defined benefit and defined contribution arrangements to the extent possible.

29. Further information on AVC Funds can be found in Schedule 2 and further information on the IWDC Section can be found in Schedule 3.

Costs

30. The Trustee recognises that strict control of costs is important in contributing to good investment returns. As such, RPMI and RPMI Railpen are asked to ensure that all aspects of cost from the responsibilities and mandates exercised by those involved in the investment process, both internal and external, are kept under regular review. The aim is to implement Scheme and/or Section strategy in the most efficient manner possible, using internal resources wherever appropriate. Investments within the pooled funds are considered in terms of the most efficient way to access desired return drivers. As part of this process, fees payable to external Fund Managers and costs relating to the investment, management, custody and realisation of Pooled Fund assets are kept under regular review.

31. RPMI and RPMI Railpen give full transparency to the Trustee on the underlying costs making up the annual management charges including, but not limited to, investment management costs, internal staff costs, legal costs and IT costs. The Trustee also monitors the level of transaction costs incurred by the funds on a yearly basis. These costs include, but are not limited to, broker commissions, commissions of futures, transfer taxes, and other fees such as bank fees, search fees, legal fees, and stamp duty. More information on the breakdown of costs can be found in the annual report and accounts published on the RPMI Railpen website **https://www.rpmirailpen.co.uk/report-accounts/.**

32. The Trustee does not have a target portfolio turnover range but instead reviews costs in conjunction with net of fees performance figures for the pooled funds and Fund Managers are encouraged to take a long-term approach to investing in order to align with the Trustees' investment beliefs and investment policy.

Environmental, social and governance considerations

33. The Trustee recognises its legal duty to consider factors that are likely to have a financially material impact on investment returns over the period during which benefits will need to be funded by the Schemes' investments.

34. These factors include, but are not limited to, environmental, social and governance (ESG) factors, including, but not limited to climate change.

35. The Trustee expects RPMI Railpen and Fund Managers to take account of ESG factors in the selection, retention and realisation of investments. In addition, RPMI Railpen takes into account the Fund Managers' policies in relation to ESG factors when selecting Fund Managers and also monitors Fund Managers' compliance with such policies.

36. The Trustee will continue to monitor and assess ESG factors and the risks and opportunities arising from them, as follows:

    36.1. the Trustee will undertake annual training on ESG considerations in order to understand fully how ESG factors including climate change could impact investments;

    36.2. the Trustee will require RPMI Railpen and Fund Managers to provide information annually about their ESG policies and how they integrate ESG into their investment processes.

Non-financial matters

37. The Trustee will consider factors that are expected to have a material financial impact on investments. Non-financial matters may be considered on a case-by-case basis in relation to the selection, retention and realisation of investments where the Trustee has reasonable cause to believe that scheme members would share concerns that such matters would have a materially detrimental impact on the good reputation of the Schemes and potentially lead to a material risk of financial detriment to the Schemes.

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

Voting and Engagement Policy

39. The Trustee believes that companies with robust corporate governance structures are more likely to achieve superior long-term financial performance and will manage their risks and opportunities effectively. It signals its expectations to companies through RPMI Railpen's voting and engagement activities.

40. RPMI Railpen's global voting policy sets out expectations for issuers, and may be read in conjunction with RPMI Railpen's engagement policy and other market specific guidance, which can be found on RPMI Railpen's website under **https://www.rpmirailpen.co.uk/active-ownership/**. Thoughtful voting alongside constructive engagement with portfolio companies supports the Trustee's investment objectives.

41. RPMI Railpen, on behalf of the Trustee, is a signatory to the UK Stewardship Code, and engages with its external Fund Managers to encourage them to adopt practices in line with the spirit of this Code as appropriate. Compliance with the UK Stewardship Code can be found on the RPMI Railpen website at **https://www.rpmirailpen.co.uk/active-ownership/.**

42. The Trustee expects RPMI Railpen to:

    42.1. exercise rights attaching to investments and to undertake engagement activities in accordance with RPMI Railpen's global voting policy and current best practice, including the UK Stewardship Code;

    42.2. select Fund Managers which have appropriate ESG policies and to monitor their compliance with those policies;

    42.3. evaluate all financially material considerations, including ESG factors (including, but not limited to, climate change) as part of the decision-making process around its stewardship activities;

    42.4. provide, at least annually, details of its ESG policies and stewardship activities and those of Fund Managers.

43. The Trustee's delegation to RPMI Railpen of the exercise of rights attaching to investments and engagement activities includes the delegation of the functions of engaging with and the monitoring of "relevant persons", including (but not limited to) the Fund Managers and, if applicable, investee companies and other stakeholders about "relevant matters", including (but not limited to) matters concerning investee companies, including their performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance. RPMI Railpen exercises these functions in line with RPMI Railpen's global voting policy and current best practice, including the UK Stewardship Code.

44. The Trustee expects RPMI Railpen to update the Trustee periodically (and at least annually) on its ESG policies and its stewardship activities and on those of Fund Managers.

Adopted by the Trustee on 17 September 2020

Schedule 1

Railways Pension Schemes

This Schedule lists the Schemes for which the Railways Pension Trustee Company Ltd (RPTCL) is 'The Trustee':

Railways Pension Scheme ('RPS')
British Railways Superannuation Fund ('BRSF')
British Transport Police Force Superannuation Fund ('BTPFSF')
BR (1974) Fund

Schedule 2

Additional Voluntary Contribution (AVC) Funds

1. Introduction
This Schedule is appended to and should be read in conjunction with the Statement of Investment Principles ('SIP') adopted by the Railways Pension Trustee Company Limited ('the Trustee') for the railway pension schemes (the 'Schemes'), as amended from time to time. Items in the SIP which also apply to the AVC funds include the majority of the requirements of section 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005. This Schedule covers any additional requirements of the Investment Regulations in respect of the AVC funds which are not covered in the main body of the SIP.

The main AVC arrangement is open to all contributing members of the defined benefit Sections of the Railways Pension Scheme and is known as BRASS. It is also open to members of the British Transport Police Force Superannuation Fund who joined before 1st April 2007 and eligible members of the British Railways Superannuation Fund.

AVC Extra is the second contribution top-up arrangement for contributing members of the defined benefits Sections (other than the Network Rail Section) of the Railways Pension Scheme and members of the British Transport Police Force Superannuation Fund who joined before 1st April 2007.

2. Objective
The Trustee recognises that individual members have differing investment needs and these may change during the course of their working lives. It also recognises members have differing attitudes to risk.

The overall objective of the Trustee is to provide a range of funds suitable for members to invest their AVC contributions. For members who do not wish to make their own investment choice, the Trustee makes available a default option.

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

- Level of outcome (long-term return)
- Variability of outcome (long-term risk)
- Volatility of journey, in particular as the member's target retirement age approaches (short-term risk)

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

After taking advice, the Trustee has made lifestyle options available to members, matching various degrees of risk. These options offer a changing investment programme designed to meet a typical member's perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from return seeking assets, which aim for long-term growth in excess of inflation, to lower risk assets as a member approaches their nominated target retirement age.

One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range. The default lifestyle option is designed to be appropriate for a typical member with a predictable target retirement age.

The Defined Contribution Committee ('DCC') of the Trustee Board was established to ensure appropriate management and governance of the BRASS, AVC Extra, and Industry Wide Defined Contribution Section ('IWDC') arrangements. Specific responsibilities of the Committee include oversight of investment performance and reviewing communications and investment options as appropriate.

4. Fund choices
The following "self-select" funds are available to all BRASS and AVC Extra members:

- Long Term Growth Fund
- Global Equity Fund
- Aggregate Bond Fund
- Index Linked and Global Bond Fund
- Deposit Fund

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

- Long Term Growth Lifestyle (the default option for BRASS)
- Global Equity Lifestyle (the default option for AVC Extra)

The fund range is provided through a "white-labelled" framework to help accommodate underlying manager changes and future enhancements without undue disruption. Within this structure the Trustee considers suitable pooled funds managed by RPMI Railpen where possible.

BRASS members may also have holdings in the Pension Assured Fund ("PAF"). However, it is noted that this Fund is not accepting new contributions.

The Trustee expects the long-term return on the Long Term Growth Fund and Global Equity Fund to exceed price inflation. The long-term returns on the bond and deposit funds are expected to be lower. However, the bond funds are expected to more closely match the price for annuities, giving some protection in the amount of secured pension for members closer to retirement. The Deposit Fund is expected to provide protection against changes in short-term nominal capital values, and may be appropriate for members close to their target retirement age that plan to receive part of their retirement benefits in the form of tax-free cash.

5. Default arrangements
The aim of the default arrangements for each of the BRASS and AVC Extra arrangements is to generate long-term growth in excess of inflation over members' working lifetimes.

The BRASS arrangement is a "top-up" or additional benefit to the main Scheme DB benefit, and as such the default aims to seek growth with some volatility mitigation due to diversification by investing in the Long-Term Growth Fund during the earlier years. The "at retirement" portfolio has been constructed on the basis that BRASS members will draw 100% of their benefits as cash. The asset allocation therefore de-risks to the Deposit Fund over the five years prior to target retirement age. This default strategy is intended to ensure that assets are invested in the best interests of relevant members and beneficiaries in BRASS.

The AVC Extra arrangement is a further "top-up" arrangement, and as such the default invests in the Global Equity Fund in the earlier years. The "at retirement" portfolio has been constructed on the basis that AVC Extra members will take 25% of their funds as a tax-free lump sum and buy an annuity with the rest. The asset allocation therefore de-risks to 25% in the Deposit Fund and 75% in the Aggregate Bond fund over the ten years prior to target retirement. This default strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries in AVC Extra.

The DCC reviews the default investment strategy and the performance of the default arrangement (including investment return net of costs) of BRASS and AVC Extra at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members. This review is carried out in conjunction with a review of the IWDC Section.

6. Fund annual charges
The Fund Managers, RPMI Railpen and RPMI levy a charge on each fund, calculated by reference to the market value of assets under management. These charges are levied on each member's investments and the members incur these fees. They may vary depending on the fund chosen and manager performance, however they are considered by the Trustee to be reasonable.

7. Risks
There are a number of risks within the BRASS and AVC Extra arrangements including:

- Risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation although this is not guaranteed over any given period;
- Risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age;
- Risk of lack of diversification. The Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings;
- Risk of underlying Fund Managers and/or RPMI Railpen not meeting their objectives. The Defined Contribution Committee provides oversight to the performance of the funds. The RIB oversees the performance of RPMI Railpen and the Fund Managers on a regular basis; and
- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

The Trustee also reviews these risks as part of each formal strategy review (to coincide with review of the default strategies and arrangements). These take place at least every 3 years or more frequently if appropriate, and without delay after any significant change in investment policy.

Note: Further information and factsheets for the BRASS and AVC Extra funds (including their asset allocation, risks, expected return and diversification) can be found on the Railway Pensions website **www.railwayspensions.co.uk/in-the-scheme/brass-section/my-fund-choices.**

Schedule 3

Defined Contribution Schemes

1. Introduction
This Schedule is appended to and should be read in conjunction with the Statement of Investment Principles ('SIP') adopted by the Railways Pension Trustee Company Limited ('the Trustee') for the railway pension schemes (the 'Schemes'), as amended from time to time. Items in the SIP which also apply to the AVC funds include the majority of the requirements of section 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005. This Schedule covers any additional requirements of the Investment Regulations in respect of the Industry Wide Defined Contribution Section ('IWDC Section') which are not covered in the main body of the SIP.

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

2. Objective

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

The overall objective of the Trustee is to provide a range of funds suitable for members to invest their contributions. For members who do not wish to make their own investment choice, the Trustee makes available a default option.

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

- Level of outcome (long-term return)
- Variability of outcome (long-term risk)
- Volatility of journey, in particular as the member's target retirement age approaches (short-term risk)

3. Investment Strategy

The Trustee considered a range of asset classes and associated expected returns and volatility of returns, the suitability of styles of investment management, and the need for diversification.

The suitability of various lifestyle arrangements was also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle options available to members, matching various degrees of risk. These options offer a changing investment programme designed to meet a typical member's perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from return seeking assets, which aim for long-term growth in excess of inflation, to lower risk assets as a member approaches their nominated target retirement age.

One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range. The default lifestyle option is designed to be appropriate for a typical member with a predictable target retirement age.

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

4. Fund choices

The following "self-select" funds are available to all members of IWDC Section:

- Long Term Growth Fund
- Global Equity Fund
- Aggregate Bond Fund
- Index Linked and Global Bond Fund
- Deposit Fund

The IWDC Section also offers two lifestyle options:

- Long Term Growth Lifestyle (the default option)
- Global Equity Lifestyle

The fund range is provided through a "white-labelled" framework to help accommodate underlying manager changes and future enhancements without undue disruption. Within this structure the Trustee considers suitable pooled funds managed by RPMI Railpen where possible.

The Trustee expects the long-term return on the Long Term Growth Fund and Global Equity Fund to exceed price inflation. The long-term returns on the bond and deposit funds are expected to be lower. However, the bond funds are expected to more closely match the price for annuities, giving some protection in the amount of secured pension for members closer to retirement. The Deposit Fund is expected to provide protection against changes in short-term nominal capital values, and may be appropriate for members close to their target retirement age that plan to receive part of their retirement benefits in the form of tax-free cash.

5. Default arrangement

The aim of the default arrangement is to generate long-term growth in excess of inflation over members' working lifetimes. The IWDC Section may be a members' main form of retirement saving and so the Long Term Growth Lifestyle as the "default arrangement" aims to seek growth with some volatility mitigation due to diversification by investing in the Long-Term Growth Fund during the earlier years. The "at retirement" portfolio has been constructed on the basis that DC members will take 25% of their funds as a tax-free lump sum and buy an annuity with the rest, and the asset allocation therefore de-risks to 25% in the Deposit Fund and 75% in the Aggregate Bond fund over the ten years prior to target retirement. This default strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries.

The DCC reviews the default investment strategy and the performance of the default arrangement (including investment return net of costs) at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members. This review is carried out in conjunction with a review of the AVC funds.

6. Fund annual charges

The Fund Managers, RPMI Railpen and RPMI levy a charge on each fund, calculated by reference to the market value of assets under management. These charges are levied on each member's investments and the members incur these fees. They may vary depending on the fund chosen and manager performance, however they are considered by the Trustee to be reasonable.

7. Risks

There are a number of risks within the IWDC Section including:

- Risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation, although this is not guaranteed over any given period;

- Risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age;

- Risk of lack of diversification. The Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings;

- Risk of underlying Fund Managers and/or RPMI Railpen not meeting their objectives. The Defined Contribution Committee provides oversight to the performance of the funds. The RIB oversees the performance of RPMI Railpen and the Fund Managers on a regular basis; and

- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

The Trustee also reviews these risks as part of each formal strategy review (to coincide with review of the default strategies and arrangements). These take place at least every 3 years or more frequently if appropriate, and without delay after any significant change in investment policy.

Note: Further information and factsheets for the IWDC Section funds (including their asset allocation, risks, expected return and diversification) can be found on the Railway Pensions website **www.railwayspensions.co.uk/in-the-scheme/iwdc/all-about-iwdc-investments.**

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

The effect of costs and charges for each of the funds that is open to new contributions is provided in the table below:

Years	Long Term Growth Fund		Global Equity Fund		Aggregate Bond Fund		Index Linked and Global Bond Fund		Deposit Fund	
	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges
1	£7,588	£7,552	£7,557	£7,543	£7,342	£7,323	£7,296	£7,276	£7,266	£7,253
3	£13,140	£12,985	£13,006	£12,942	£12,097	£12,019	£11,909	£11,827	£11,785	£11,733
5	£19,225	£18,878	£18,925	£18,783	£16,948	£16,783	£16,551	£16,379	£16,291	£16,183
10	£37,053	£35,837	£36,002	£35,510	£29,517	£29,010	£28,307	£27,793	£27,533	£27,214
15	£59,219	£56,417	£56,794	£55,672	£42,761	£41,732	£40,324	£39,307	£38,795	£38,174
20	£86,596	£81,244	£81,958	£79,838	£56,736	£55,003	£52,658	£50,983	£50,148	£49,139
25	£120,225	£111,043	£112,258	£108,662	£71,504	£68,880	£65,368	£62,889	£61,660	£60,186
30	£161,342	£146,659	£148,585	£142,898	£87,131	£83,424	£78,516	£75,088	£73,402	£71,390
35	£211,418	£189,066	£191,972	£183,416	£103,689	£98,699	£92,165	£87,650	£85,443	£82,824
40	£272,197	£239,397	£243,624	£231,213	£121,252	£114,776	£106,382	£100,641	£97,855	£94,563
45	£345,755	£298,962	£304,937	£287,439	£139,904	£131,729	£121,237	£114,134	£110,708	£106,679

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

Years	DC Long Term Growth Lifestyle	
	Before charges	After all costs and charges
1	£7,588	£7,552
3	£13,140	£12,985
5	£19,225	£18,878
10	£37,053	£35,837
15	£59,219	£56,417
20	£86,596	£81,244
25	£120,225	£111,043
30	£161,342	£146,659
35	£211,418	£189,066
40	£268,257	£236,217
45	£303,815	£265,286

Notes:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. The starting pot size is assumed to be £5,000.
3. Inflation is assumed to be 2.5% each year.
4. Member is assumed to be aged 20, with a target retirement age of 65.
5. Monthly contributions are assumed to start at £200, increasing at 4% (assumed earnings inflation of 1.5%) each year until target retirement age.
6. The assumed growth rates for each fund are as follows:

Funds	Assumed growth rates	Costs and charges
Long Term Growth Fund	6.00%	0.58%
Global Equity Fund	5.50%	0.24%
Aggregate Bond Fund	2.00%	0.31%
Index Linked and Global Bond Fund	1.25%	0.33%
Deposit Fund	0.75%	0.21%

7. The assumed growth rates, costs and charges for the default arrangements reflect those of the underlying funds that are held at each point in time.
8. Costs and charges include property expenses and transaction costs.
9. Transaction costs are based on an average of the last 5 years, all other costs and charges are forward-looking estimates.
10. Values shown are estimates and are not guaranteed

Appendix H: Where to go for help

Loading and unloading freight containers safely and securely.

Trustee and RPMI Railpen

Company Secretary
Railways Pension Trustee Company Limited
100 Liverpool Street
London
EC2M 2AT

T: 020 7330 6800
E: enquiries@rpmi.co.uk
W: www.rpmi.co.uk

The Pensions Advisory Service

TPAS is an independent voluntary organisation with local advisers who are experts in pension matters. TPAS can be contacted either through any local Citizens Advice Bureau or at the following address:

The Pensions Advisory Service
120 Holborn
London
EC1N 2TD

T: 0800 011 3797

Online enquiry:
www.pensionsadvisoryservice.org.uk/contacting-us/online-enquiry-form
W: www.pensionsadvisoryservice.org.uk

The Pensions Regulator

The Pensions Regulator can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

T: 0345 600 0707
E: customersupport@tpr.gov.uk
W: www.thepensionsregulator.gov.uk

RPMI

Further information about the Scheme and individual entitlements can be obtained from:

Director of Rail Administration
RPMI
Stooperdale Offices
Brinkburn Road
Darlington
DL3 6EH

T: 0800 2 343434 (Customer Services Team)
E: csu@rpmi.co.uk
W: www.railwayspensions.co.uk

Pensions Ombudsman

If TPAS cannot resolve a complaint or dispute then the Pensions Ombudsman could be contacted at the following address:

The Office of the Pensions Ombudsman
10 South Colonnade
Canary Wharf
London
E14 4PU

T: 0800 917 4487
E: enquiries@pensions-ombudsman.org.uk
W: www.pensions-ombudsman.org.uk

Pensions Tracing Service

Information about UK schemes (including a contact address) is provided to the DWP Pension Tracing Service. This enables members to trace benefits from previous employers' schemes.

The DWP's Pension Tracing Service can be contacted at the following address:

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

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

RPS Registration number is: 10203279

Appendix I: Pooled fund accounts

Travellers seeing the world through a train window.

Introduction

This appendix represents a consolidated summary of the annual report and non-statutory audited accounts of the pooled funds of the railways pension schemes for the year ended 31 December 2020. The non-statutory accounts have been prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102) and with the guidance set out in the Statement of Recommended Practice (the 'SORP').

The total valuation of the pooled assets as at 31 December 2020 was £32,686.02m (2019: £30,542.20m). There are in addition £1,125.82m (2019: £1,006.60m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £33,811.84m (2019: £31,548.80m).

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 109 summarises the investments of each of these pooled funds as at 31 December 2020. The notes on pages 115 to 129 analyse the total pooled assets of £32,686.02m 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 117, and the unit prices on page 116.

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 bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.

b. Fixed interest securities are stated at their 'clean' prices, with accrued income accounted for within investment income.

c. Unquoted securities, including most investments in private equity and infrastructure, are included at the Trustee's estimate of accounting fair value based on advice from the investment managers or other third party advisors.

d. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price, where there are no bid/offer spreads, as provided by the investment managers.

e. The pooled investment vehicle managed by OneFamily Lifetime Mortgages Limited held by the Long Term Income Pooled Fund is stated fair value. This asset has been valued independently by Ernst and Young who have used agreed assumptions to model expected cashflows and discount back to valuation date.

f. Properties are included at open market value as at the year end date determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued by independent external valuers, Knight Frank and CBRE. Knight Frank and CBRE have experience in the locations and class of investment properties held by the Trustee.

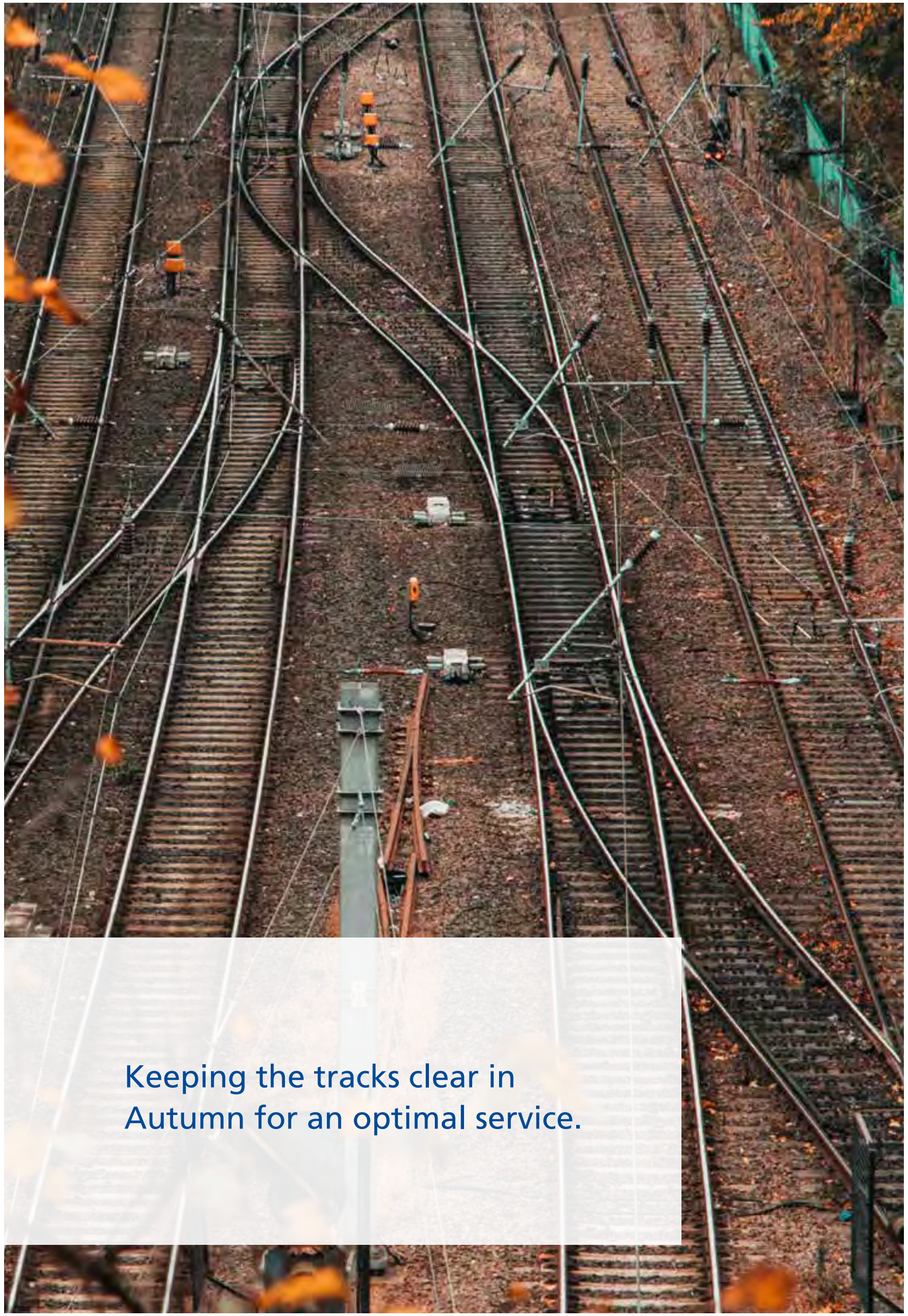
g. Exchange traded derivatives are stated at fair value determined using market quoted prices. Over-the-counter ('OTC') derivatives are stated at the Trustee Company's estimate of accounting fair value based on advice from third party vendors, external valuers retained by the Trustee through BNY Mellon, who provide a valuation service independent of the Fund Managers, using pricing models and relevant market data at the year end date.

h. Forward foreign exchange contracts are valued at the forward rate at the year end date.

i. All gains and losses arising on derivative contracts are reported within change in market value of investments during the year.

j. Loans and deposits, current assets and current liabilities are included at book cost, which the Trustee considers represents a reasonable estimate of fair value.

Foreign currencies
Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.



Investment income

Investment income is included in the accounts on the following bases:

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

b. Interest is accrued on a daily basis.

c. Property rental income is accounted for on an accruals basis in accordance with the terms of the lease.

d. Commission recapture and stock lending commission are accounted for on a receivable basis.

e. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

f. Investment income arising from the underlying investments of pooled investment vehicles is reinvested within the pooled investment vehicles, reflected in the unit price and reported within the change in market value.

g. Income has been accumulated within the unit prices of the pooled funds and no income distributions have been made to the participating schemes.

Subsidiaries and consolidation

Several properties in the Property Pooled Fund are owned by means of an exempt unauthorised unit trust, English limited partnerships, Jersey unit trusts and a number of companies.

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 Property Pooled Fund. All the entities are controlled by the Trustee on behalf of the Property Pooled Fund, and hence fall to be subsidiary undertakings of the pooled fund. They have been included in the pooled fund accounts on a full consolidation basis. This consolidation is done voluntarily as this is not a requirement of the SORP.

Derivative contracts: objectives and policies

The Trustee has authorised the use of derivatives by investment managers as part of the investment strategy. Derivatives may only be used by investment managers where they are specifically permitted in the investment management agreement, and each manager must comply with the Trustee's approved derivatives policy.

Investment in derivative instruments may be made only in so far as they contribute to a reduction of risk, or facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income).

Unit transactions

Units issued and redeemed during the year are shown on a gross basis and include in-specie transfers between sections and pooled funds.

Fund statement as at 31 December 2020

	Equities	Fixed interest securities	Index linked securities	UK property	Pooled investment vehicles	Derivative assets	Derivative liabilities	Cash deposits and cash instruments	Other assets	Other liabilities	Cross holdings	Net assets attributable to unit holders
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	13,575.87	-	-	-	3,184.94	184.21	(2.24)	2,799.20	36.35	(14.49)	2,136.89	21,900.73
Private Equity	4.14	-	-	-	2,343.19	0.03	-	87.02	0.58	(0.41)	-	2,434.55
Property	-	-	-	1,943.98	-	-	-	89.91	141.52	(38.54)	-	2,136.87
Illiquid Growth	313.39	1.98	-	-	1,395.06	-	-	213.16	2.63	(0.97)	0.55	1,925.80
Defined Contribution	-	-	-	-	303.64	-	-	300.34	1.67	(1.47)	1,155.58	1,759.76
Government Bond	-	1,340.89	-	-	-	-	-	8.13	6.57	(0.20)	-	1,355.39
Long Term Income	48.09	177.53	-	51.90	804.19	-	-	29.29	1.17	(0.90)	-	1,111.27
Passive Equity	-	-	-	-	1,082.25	-	-	0.33	0.03	(0.33)	-	1,082.28
Short Duration Index Linked Bond	-	-	723.21	-	-	-	-	4.43	0.62	(0.11)	-	728.15
Global Equity	-	-	-	-	684.21	-	-	0.26	-	(0.23)	-	684.24
Non Government Bond	-	394.29	-	-	-	7.68	(0.02)	5.95	4.30	(0.16)	-	412.04
Long Duration Index Linked Bond	-	-	203.96	-	-	-	-	1.16	0.08	(0.03)	-	205.17
Infrastructure	-	-	-	-	160.58	-	-	5.00	0.13	(0.06)	-	165.65
Cash	-	-	-	-	-	-	-	77.15	-	(0.01)	-	77.14
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(3,293.02)	(3,293.02)
Total	**13,941.49**	**1,914.69**	**927.17**	**1,995.88**	**9,958.06**	**191.92**	**(2.26)**	**3,621.33**	**195.65**	**(57.91)**	**-**	**32,686.02**
%	42.65	5.86	2.84	6.11	30.47	0.59	(0.01)	11.08	0.59	(0.18)	-	100.00

The accounting policies on pages 107 to 108 and the notes on pages 115 to 129 form part of these accounts.

Analysis of cross holdings

	Growth	Long Duration Index Linked Bond	Infrastructure	Property	Private Equity	Non Government Bond	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	-	-	-	2,136.87	0.02	-	2,136.89
Defined Contribution	1,108.03	14.70	-	-	-	32.85	1,155.58
Illiquid Growth	-	-	0.10	-	0.45	-	0.55
Total	**1,108.03**	**14.70**	**0.10**	**2,136.87**	**0.47**	**32.85**	**3,293.02**

The accounting policies on pages 107 to 108 and the notes on pages 115 to 129 form part of these accounts.

Movement in unit holders' funds

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Net reinvested income	Change in cross holdings	Total unit holders' funds
Pooled Fund	**£m**		**£m**	**£m**	**£m**	**£m**	**£m**
Growth	20,431.35	195.40	(427.08)	1,511.50	189.56	-	21,900.73
Private Equity	2,221.53	1.10	(392.90)	608.55	(3.73)	-	2,434.55
Property	2,120.12	-	-	(65.41)	82.16	-	2,136.87
Illiquid Growth	1,534.51	255.12	(0.24)	128.87	7.54	-	1,925.80
Defined Contribution	1,602.89	234.63	(199.10)	122.43	(1.09)	-	1,759.76
Government Bond	1,395.20	137.23	(213.81)	15.03	21.74	-	1,355.39
Long Term Income	814.88	250.30	(0.30)	46.72	(0.33)	-	1,111.27
Passive Equity	996.52	23.28	(59.23)	123.02	(1.31)	-	1,082.28
Short Duration Index Linked Bond	774.28	37.20	(93.63)	(1.61)	11.91	-	728.15
Global Equity	714.05	-	(76.50)	47.58	(0.89)	-	684.24
Non Government Bond	453.29	23.43	(87.46)	9.19	13.59	-	412.04
Long Duration Index Linked Bond	189.27	3.15	(14.89	26.23	1.41	-	205.17
Infrastructure	411.41	-	(258.00)	12.26	(0.02)	-	165.65
Cash	50.43	54.40	(27.80)	-	0.11	-	77.14
Cross Holdings	(3,167.53)	-				(125.49)	(3,293.02)
Total	**30,542.20**	**1,215.24**	**(1,850.94)**	**2,584.36**	**320.65**	**(125.49)**	**32,686.02**

Approved on behalf of the Trustee Company on 24 June 2021.

Christopher Hannon
Chair, Trustee Company

Meliha Duymaz Oludipe
Director and Chair, Audit and Risk Committee ('ARC')

The accounting policies on pages 107 to 108 and the notes on pages 115 to 129 form part of these accounts.

Fund statement as at 31 December 2019

Pooled Fund	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
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Growth	11,564.69	-	-	-	3,636.88	300.55	(0.22)	2,763.34	63.02	(17.06)	2,120.15	20,431.35
Private Equity	12.24	-	-	-	2,135.64	-	-	74.61	0.03	(0.99)	-	2,221.53
Property	-	-	-	1,861.12	-	-	-	167.06	125.65	(33.71)	-	2,120.12
Defined Contribution	-	-	-	-	264.30	-	-	292.20	0.84	(1.12)	1,046.67	1,602.89
Illiquid Growth	364.55	12.08	-	-	1,021.50	-	-	133.68	3.23	(1.24)	0.7	1,534.51
Government Bond	-	1,385.88	-	-	-	-	-	1.64	8.11	(0.43)	-	1,395.20
Passive Equity	-	-	-	-	996.51	-	-	0.30	-	(0.29)	-	996.52
Long Term Income	15.73	91.64	-	14.96	665.76			26.85	0.53	(0.59)	-	814.88
Short Duration Index Linked Bond	-	-	758.42	-	-	-	-	15.39	0.63	(0.16)	-	774.28
Global Equity	-	-	-	-	714.01	-	-	0.32	-	(0.28)	-	714.05
Non Government Bond	-	430.55	-	-	-	2.32	(0.01)	15.61	5.11	(0.29)	-	453.29
Infrastructure	-	-	-	-	326.55	-	-	84.99	0.03	(0.16)	-	411.41
Long Duration Index Linked Bond	-	-	187.64	-		-	-	1.59	0.12	(0.08)	-	189.27
Cash	-	-	-	-	-	-	-	50.45	0.04	(0.06)	-	50.43
Cross Holdings											(3,167.53)	(3,167.53)
Total	**11,957.21**	**1,920.15**	**946.06**	**1,876.08**	**9,761.15**	**302.87**	**(0.23)**	**3,628.03**	**207.34**	**(56.46)**	**-**	**30,542.20**
%	39.15	6.29	3.10	6.14	31.96	0.99	-	11.88	0.68	(0.19)	-	100.00

The accounting policies on pages 107 to 108 and the notes on pages 115 to 129 form part of these accounts.

Analysis of cross holdings

	Growth	Long Duration Index Linked Bond	Infrastructure	Property	Private Equity	Non Government Bond	Total Cross Holdings
Pooled Fund	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Growth	-	-	-	2,120.12	0.03	-	2,120.15
Defined Contribution	1,004.74	13.37	-	-	-	28.56	1,046.67
Illiquid Growth	-	-	0.24	-	0.47	-	0.71
Total	**1,004.74**	**13.37**	**0.24**	**2,120.12**	**0.50**	**28.56**	**3,167.53**

The accounting policies on pages 107 to 108 and the notes on pages 115 to 129 form part of these accounts.

Movement in unit holders' funds

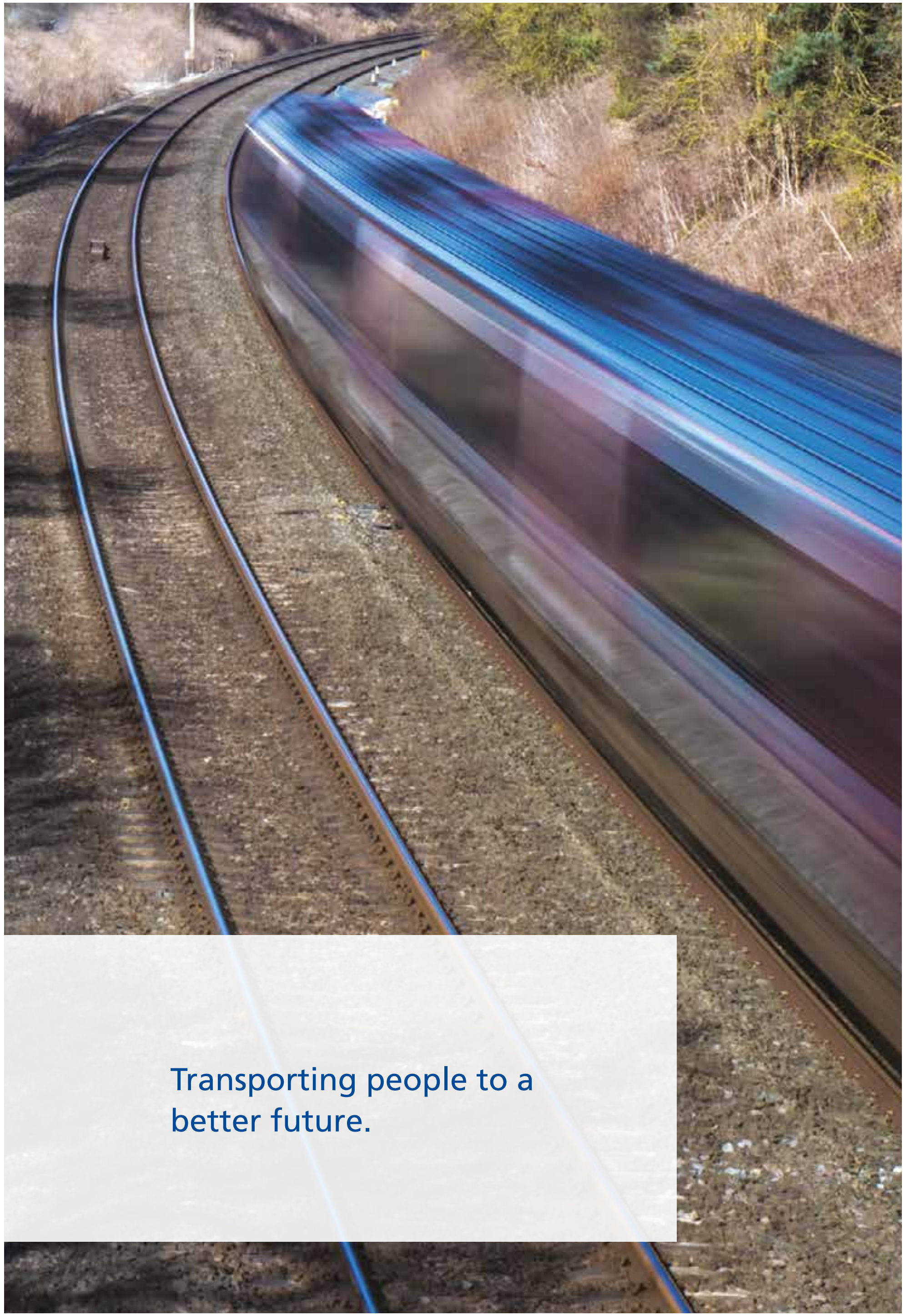
Pooled Fund	In issue at start of year £m	Issued during year	Redeemed during year £m	Change in market value of investments £m	Reinvested net income £m	Change in cross holdings £m	Total unit holders' funds £m
Growth	17,691.86	121.83	(555.46)	2,914.80	258.32	-	20,431.35
Private Equity	2,353.24	21.00	(459.26)	309.83	(3.28)	-	2,221.53
Property	2,098.67	-	(110.00)	28.40	103.05	-	2,120.12
Government Bond	1,454.68	20.78	(104.56)	0.15	24.15	-	1,395.20
Defined Contribution	1,395.56	199.21	(202.00)	209.81	0.31	-	1,602.89
Illiquid Growth	1,049.98	423.10	-	55.11	6.32	-	1,534.51
Passive Equity	803.42	4.72	(15.41)	205.12	(1.33)	-	996.52
Short Duration Index Linked Bond	792.19	23.15	(51.01)	(8.23)	18.18	-	774.28
Long Term Income	665.57	96.23	(2.25)	55.97	(0.64)	-	814.88
Global Equity	662.97	-	(81.72)	133.47	(0.67)	-	714.05
Infrastructure	442.21	-	(49.00)	18.17	0.03	-	411.41
Non Government Bond	427.06	6.65	(29.87)	33.79	15.66	-	453.29
Long Duration Index Linked Bond	197.95	15.97	(40.03)	12.92	2.46	-	189.27
Cash	194.64	5.02	(150.46)	-	1.23	-	50.43
Cross Holdings	(2,986.69)					(180.84)	(3,167.53)
Total	**27,243.31**	**937.66**	**(1,851.03)**	**3,969.31**	**423.79**	**(180.84)**	**30,542.20**

The accounting policies on pages 107 to 108 and the notes on pages 115 to 129 form part of these accounts.

1.1 Fund statements as at 31 December 2020

Assets	Notes	2020 £m	2019 £m
Equities		13,941.49	11,957.21
Fixed interest securities		1,914.69	1,920.15
Indexed linked securities		927.17	946.06
UK Property		1,995.88	1,876.08
Pooled investment vehicles	1.5	9,958.06	9,761.15
Derivative contracts			
Futures - exchange traded	1.6	38.78	24.72
FX contracts - OTC	1.6	153.14	278.15
Other assets			
Other investment assets	1.7	99.51	134.67
Current assets	1.8	96.14	72.67
Cash deposits and cash instruments	1.9	3,621.33	3,628.03
Total assets		**32,746.19**	**30,598.89**

Liabilities	Notes	2020 £m	2019 £m
Derivative contracts			
Futures - exchange traded	1.6	(0.39)	(0.22)
FX contracts - OTC	1.6	(1.87)	(0.01)
Other liabilities			
Other investment liabilities	1.10	(1.18)	(1.72)
Current liabilities	1.11	(56.73)	(54.74)
Total liabilities		**(60.17)**	**(56.69)**
Net assets attributable to unit holders		**32,686.02**	**30,542.20**



Transporting people to a better future.

1.2 Pooled fund unit prices as at 31 December

	2020 £/unit	2019 £/unit
Growth Pooled Fund	22.83	21.04
Property Pooled Fund	98.79	98.02
Government Bond Pooled Fund	13.99	13.62
Illiquid Growth Pooled Fund	16.49	15.26
Passive Equity Pooled Fund	23.89	21.37
Short Duration Index Linked Bond Pooled Fund	10.43	10.28
Long Term Income Pooled Fund	9.14	8.81
Global Equity Pooled Fund	117.75	109.76
Infrastructure Pooled Fund	21.70	21.93
Non Government Bond Pooled Fund	16.78	15.79
Long Duration Index Linked Bond Pooled Fund	115.22	100.08
Cash Pooled Fund	10.46	10.44
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	10.86	11.22
Private Equity Pooled Fund 2001	51.88	41.51
Private Equity Pooled Fund 2004	39.25	38.90
Private Equity Pooled Fund 2005	48.10	44.80
Private Equity Pooled Fund 2007	46.16	37.20
Private Equity Pooled Fund 2009	49.77	41.70
Private Equity Pooled Fund 2011	50.56	36.75
Private Equity Pooled Fund 2013	42.53	29.72
Defined Contribution Pooled Fund		
DC Global Equity Fund	18.54	17.74
DC Long Term Growth Fund	19.79	17.11
DC Deposit Fund	10.25	10.23
DC Index Linked and Global Bond Fund	16.06	15.25
DC Aggregate Bond Fund	16.89	14.58

1.3 Value of the pooled funds

	2020 £m	2019 £m
Growth Pooled Fund	21,900.73	20,431.35
Private Equity Pooled Fund*	2,434.55	2,221.53
Property Pooled Fund	2,136.87	2,120.12
Illquid Growth Pooled Fund	1,925.80	1,602.89
Defined Contribution Pooled Fund	1,759.76	1,534.51
Government Bond Pooled Fund	1,355.39	1,395.20
Long Term Income Pooled Fund	1,111.27	814.88
Passive Equity Pooled Fund	1,082.28	996.52
Short Duration Index Linked Bond Pooled Fund	728.15	774.28
Global Equity Pooled Fund	684.24	714.05
Non Government Bond Pooled Fund	412.04	453.29
Long Duration Index Linked Bond Pooled Fund	205.17	189.27
Infrastructure Pooled Fund	165.65	411.41
Cash Pooled Fund	77.14	50.43
Cross holdings		
Property Pooled Fund	(2,136.87)	(2,120.12)
Growth Pooled Fund	(1,108.03)	(1,004.74)
Non Government Bond Pooled Fund	(32.85)	(28.56)
Long Duration Index Linked Bond Pooled Fund	(14.70)	(13.37)
Private Equity Pooled Fund	(0.47)	(0.50)
Infrastructure Pooled Fund	(0.10)	(0.24)
Net assets attributable to unit holders	**32,686.02**	**30,542.20**

* See breakdown into pooled fund segments, right.

	2020 £m	2019 £m
Private Equity Pooled Fund		
Direct Investment Pooled Fund 2000	2.05	2.42
Private Equity Pooled Fund 2001	18.12	27.00
Private Equity Pooled Fund 2004	20.97	23.23
Private Equity Pooled Fund 2005	41.70	45.48
Private Equity Pooled Fund 2007	701.01	718.02
Private Equity Pooled Fund 2009	214.09	208.51
Private Equity Pooled Fund 2011	1,008.00	847.70
Private Equity Pooled Fund 2013	428.61	349.17
	2,434.55	**2,221.53**
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	1,110.13	1,006.49
DC Deposit Fund	297.98	288.96
DC Global Equity Fund	285.29	250.15
DC Index Linked and Global Bond Fund	37.01	26.97
DC Aggregate Bond Fund	29.35	30.32
	1,759.76	**1,602.89**

1.4 Investment income

	2020 £m	2019 £m
Dividends from equities	256.91	273.04
Income from fixed interest securities	42.06	43.97
Income from index linked securities	14.28	42.03
Income from pooled investment vehicles	5.07	4.99
Income from securities lending	2.86	4.13
Income from UK property	102.27	120.01
Interest from cash deposits	9.25	26.71
Other income	0.79	2.19
	433.49	**517.07**
Irrecoverable withholding tax	(16.23)	(14.38)
Total income	**417.26**	**502.69**
Administration, custody and other expenses	(50.60)	(30.55)
Investment management fees - base	(2.12)	(6.06)
RPMI fees	(43.19)	(41.16)
Irrecoverable VAT	(0.67)	(0.25)
Tax	(0.03)	(0.88)
	(96.61)	**(78.90)**
Reinvested net income (accrued in unit prices)	**320.65**	**423.79**

1.5 Pooled investment vehicles

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

	2020 £m	2019 £m
UK unquoted - unitised insurance policies	2,207.88	2,361.08
UK unquoted - partnerships	1,088.24	1,067.51
UK unquoted - other managed funds	174.90	694.47
UK quoted - other managed funds	-	-
Overseas unquoted - partnerships	4,349.93	3,639.00
Overseas unquoted - other managed funds	2,098.41	1,946.71
Overseas unquoted - hedge funds	38.70	52.38
	9,958.06	**9,761.15**

The pooled funds are the sole investor in sixteen (2019: seventeen) pooled investment vehicles included within the above analysis. The assets underlying these sole investor pooled investment vehicles are:

	2020 £m	2019 £m
Fixed interest securities	369.81	378.93
Insurance	369.06	347.20
Private equity	243.11	270.31
Royalties	186.95	107.59
	1,168.93	**1,104.03**

1.6 Derivative contracts

Futures: Future contracts are standardised, transferable, exchange traded contracts that require delivery of a commodity, bond, currency or stock index, at a specified price, on a specified future date. The details of open futures contracts at the year end are as follows:

Type of future	Duration	Notional value at year end	Asset value at year end	Liability value at year end
		£m	£m	£m
S&P indices	Mar 2021	344.58	8.23	-
MSCI EM indices	Mar 2021	833.09	26.52	-
Japanese topix index	Mar 2021	154.00	4.03	-
Euro Stoxx index	Mar 2021	40.45	-	(0.39)
		1,372.12	**38.78**	**(0.39)**

Included within cash balances is £78.72m in respect of initial and variation margins deposited with brokers regarding open futures contracts at the year end.

Forward foreign exchange ('FX') contracts: The pooled funds had open FX contracts at the year end as follows:

Type of contract	Settlement Date	Currency bought million	Currency sold million	Value at year end £m
Assets				
Sterling / US dollar	Jan – Apr 2021	5,056.35	(6,716.66)	144.77
Sterling / Euro	Jan – Feb 2021	314.28	(346.08)	4.30
Euro / US dollar	Mar 2021	214.00	(256.46)	4.07
				153.14
Liabilities				
Sterling / Euro	Jan 2021	526.44	(590.00)	(1.85)
US dollar / Sterling	Jan 2021	0.75	(0.57)	(0.02)
				(1.87)

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 £103.24m cash in respect of collateral at the year end. Contingent collateral received in this way is not reported within the pooled fund's net assets.

1.7 Other investments assets

	2020 £m	2019 £m
Asset in respect of investment settlements	1.15	22.80
Investment income accrued	27.33	36.27
Recoverable tax	21.88	21.28
Rent receivable	49.15	54.32
	99.51	**134.67**

1.8 Current assets

	2020 £m	2019 £m
Asset in respect of unit trades	1.68	0.68
Trade debtors	92.01	70.84
Tax	0.95	0.44
Vat and other	1.50	0.72
	96.14	**72.68**

1.9 Cash deposits and cash instruments

	2020 £m	2019 £m
Cash held in liquidity funds	3,147.53	3,444.14
Cash held at brokers in respect of futures margin	78.72	64.08
Cash at bank	395.07	117.99
Cash collateral held by counterparties	0.01	1.82
	3,621.33	**3,628.03**

1.10 Other investment liabilities

	2020 £m	2019 £m
Liability in respect of investment settlements	-	(0.08)
Tax payable	(1.18)	(1.64)
	(1.18)	**(1.72)**

1.11 Current liabilities

	2020 £m	2019 £m
Accrued management fees and expenses	(18.92)	(20.38)
Property income received in advance	(14.86)	(19.97)
Trade creditors	(11.59)	(9.81)
Liability in respect of unit trades	(1.30)	(0.95)
Tax	(8.92)	(2.79)
VAT and other	(1.14)	(0.84)
	(56.73)	**(54.74)**

1.12 Securities lending

The Trustee has given approval to custodians to lend securities in the market. A principal condition of this approval is that borrowers must meet the Trustee's collateral specifications and a permanent restriction is in place that ensures that shares held in companies that are sponsoring employers of the Railway Pension Scheme are not included in the lending programme.

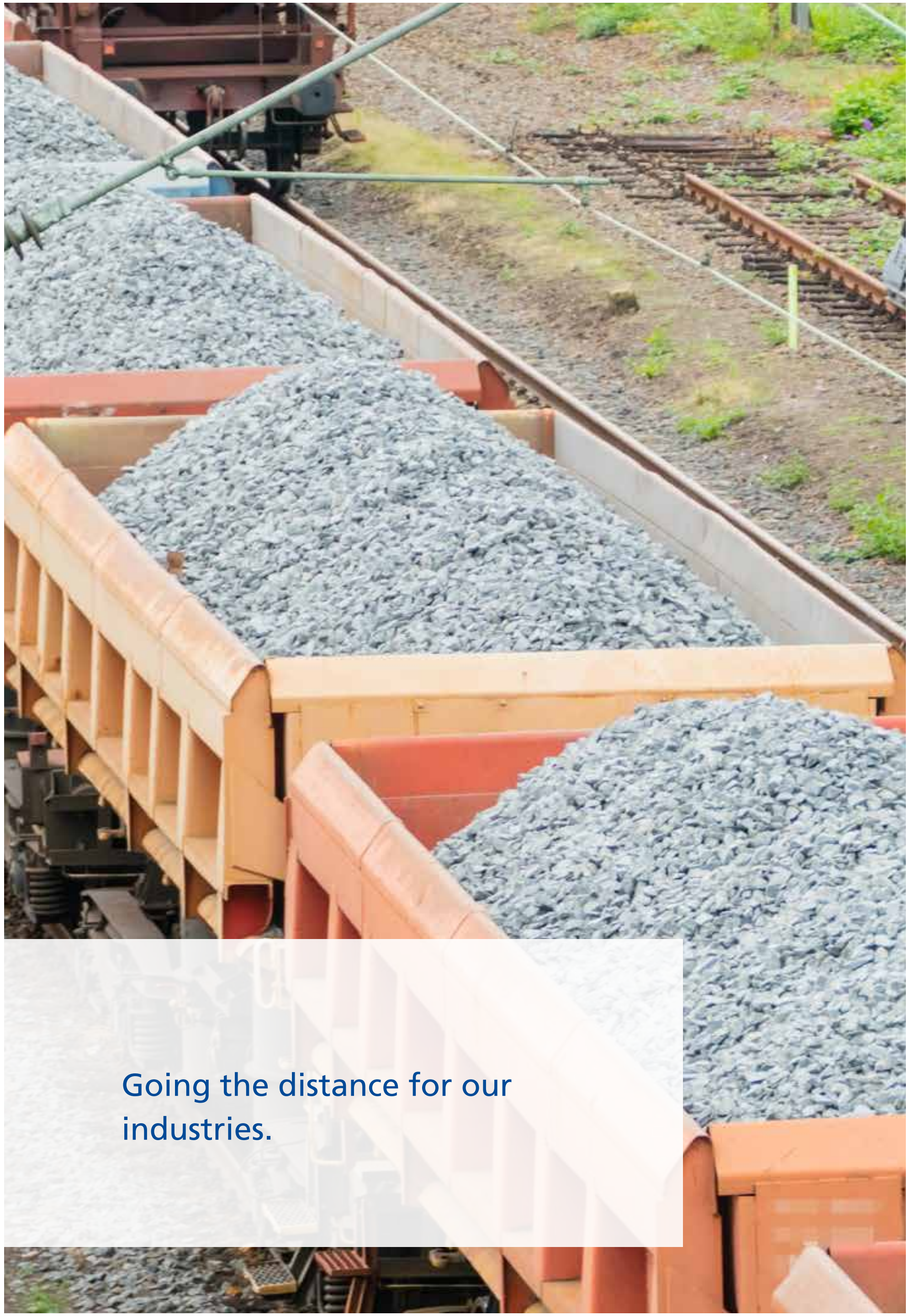
Further details on the securities lending policy can be found on page 51.

At 31 December 2020, the market valuation of securities that had been lent in the market was £2,016.56m (2019: £2,028.56m).

Collateral held in respect of the securities on loan at 31 December 2020 had a total value of £2,136.35m (2019: £2,167.59m).

1.13 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2019	Units issued/ (redeemed)	Net income	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2020
	£m	£m	£m	£m	£m	£m	£m
Directly held assets							
Equities	11,957.21	-	-	7,973.33	(7,284.90)	1,295.85	13,941.49
Fixed interest securities	1,920.15	-	-	496.40	(540.88)	39.02	1,914.69
Index linked securities	946.06	-	-	107.24	(150.75)	24.62	927.17
Pooled investment vehicles	9,761.15	-	-	1,746.44	(2,656.16)	1,106.63	9,958.06
UK property	1,876.08	-	-	268.52	(80.39)	(68.33)	1,995.88
	26,460.65	**-**	**-**	**10,591.93**	**(10,713.08)**	**2,397.79**	**28,737.29**
Derivatives							
Futures	24.50	-	-	253.43	(510.07)	270.53	38.39
FX contracts	278.14	-	-	1,965.89	(1,904.85)	(187.91)	151.27
	302.64	**-**	**-**	**2,219.32**	**(2,414.92)**	**82.62**	**189.66**
Cross holdings	3,167.53	-	-	33.65	(15.25)	107.09	3,293.02
Other							
Cash and current assets	3,778.91	(635.70)	320.65	(12,844.90)	13,143.25	(3.14)	3,759.07
	33,709.73	**(635.70)**	**320.65**	**-**	**-**	**-**	35,979.04
Cross holdings	(3,167.53)						(3,293.02)
Net assets	**30,542.20**						**32,686.02**



1.14 Transaction costs

Included within the pooled funds' purchases and sales in note 1.13 are direct transaction costs of £18.60m (2019: £11.88m) 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 £0.70m (2019: £0.95m) relating to legal and due diligence fees.

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

Year to 31 December 2020	Fees £m	Commission £m	Stamp duty land tax £m	Legal and other £m	Total £m
Equities	4.17	3.69	-	-	7.86
Futures	-	-	-	-	-
Fixed interest securities	-	0.20	-	-	0.20
Pooled investment vehicles	-	0.40	1.83	1.08	3.31
UK property	-	-	7.06	0.88	7.94
	4.17	**4.29**	**8.89**	**1.96**	**19.31**

Year to 31 December 2019	Fees £m	Commission £m	Stamp duty land tax £m	Legal and other £m	Total £m
Equities	3.78	3.07	-	-	6.85
Futures	-	0.04	-	-	0.04
Fixed interest securities	-	0.30	-	-	0.30
Pooled investment vehicles	-	2.17	0.87	1.07	4.11
UK property	-	-	0.70	0.83	1.53
	3.78	**5.58**	**1.57**	**1.90**	**12.83**

Transaction costs are also borne by the pooled funds in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

1.15 Investment fair value hierarchy

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

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

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

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

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

At 31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	13,578.60	48.09	314.80	13,941.49
Fixed interest securities	1,657.64	257.05	-	1,914.69
Index linked securities	927.17	-	-	927.17
Pooled investment vehicles	98.08	3,193.32	6,666.66	9,958.06
UK property	-	-	1,995.88	1,995.88
Derivatives				
Futures	38.39	-	-	38.39
FX contracts	-	151.27	-	151.27
Other				
Cash and current assets	3,759.07	-	-	3,759.07
	20,058.95	**3,649.73**	**8,977.34**	**32,686.02**

At 31 December 2019	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	11,575.59	16.98	364.64	11,957.21
Fixed interest securities	1,720.97	199.18	-	1,920.15
Index linked securities	946.06	-	-	946.06
Pooled investment vehicles	198.86	3,827.95	5,734.34	9,761.15
UK property	-	-	1,876.08	1,876.08
Derivatives				
Futures	24.50	-	-	24.50
FX contracts	-	278.14	-	278.14
Other				
Cash and current assets	3,778.91	-	-	3,778.91
	18,244.89	**4,322.25**	**7,975.06**	**30,542.20**

1.16 Investment risks

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

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

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

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

The pooled funds have exposure to these risks because of the investments they make to implement their investment strategies. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the pooled funds' strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the pooled funds' investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the pooled funds' exposures to credit and market risks is set out below.

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

Strategic asset class groupings	2020 £m	2019 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Equities	13,941.49	11,957.21	🟢	🟢	🔴	🔴
Fixed interest securities	1,914.69	1,920.15	🟠	🔴	🟠	🟠
Index linked securities	927.17	946.06	🟢	🔴	🟢	🔴
Pooled investment vehicles	9,958.06	9,761.15	🟠	🟠	🔴	🔴
UK Property	1,995.88	1,876.08	🔴	🟢	🟢	🔴
Futures	38.39	24.50	🟠	🟠	🟠	🔴
Fx contracts	151.27	278.14	🟠	🟠	🔴	🟢
Cash and other assets	3,759.07	3,778.91	🟠	🔴	🟠	🟠
	32,686.02	**30,542.20**	🟠	🟠	🟠	🔴

🔴 Significant exposure
🟠 Some exposure
🟢 No exposure

Credit risk
The pooled funds are subject to credit risk as they invest in fixed interest securities, OTC derivatives, have cash balances and undertake securities lending activities. The pooled funds also invest in pooled investment vehicles and are therefore directly exposed to credit risk in relation to the instruments they hold in the pooled investment vehicles and are indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on fixed interest securities is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds, which are rated at least investment grade. The pooled funds also invest in high yield and emerging market bonds, some of which are non-investment grade. The Trustee manages the associated credit risk by requesting the investment managers to diversify their portfolios to minimise the impact of default by any one issuer.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Pooled Fund is subject to risk of failure of the counterparty. Credit risk also arises on forward foreign currency contracts. There are collateral arrangements for some of these contracts and all counterparties are required to be at least investment grade. FX collateral balances are detailed in note 1.6.

The pooled funds lend certain fixed interest and equity securities under a Trustee approved securities lending programme. The Trustee manages the credit risk arising from securities lending activities by restricting the amount of overall securities that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. Details regarding securities lending are provided in note 1.12.

Cash is held within financial institutions which are investment grade credit rated.

The pooled funds holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

Currency risk
The pooled funds are subject to currency risk because some of the pooled funds' investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy.

Interest rate risk
The pooled funds are subject to interest rate risk on fixed interest securities and index linked securities held either as segregated investments or through pooled vehicles.

Other price risk
Other price risk arises principally in relation to the pooled funds investments in directly held equities, equities held in pooled vehicles, equity futures, property, property pooled investment vehicles, hedge funds and private equity.

The pooled funds manage this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

1.17 Investment managers during the year

The investment managers used by the pooled funds during the year together with their net assets under management at the year end were as follows:

	2020 £m	2019 £m
RPMI Railpen*	21,687.76	19,580.90
Legal and General Investment Management	2,207.88	2,361.08
Blackstone Alternative asset Management	1,520.72	1,233.12
Horsley Bridge Partners	574.10	535.60
Insight Investment	420.44	466.36
Sequoia Capital	384.42	252.61
AQR Capital Management	370.57	814.89
Credit Suisse ILS Limited	369.06	384.94
Kobalt Music Group	323.29	250.93
Nephila Capital Ltd (From December 2020)	292.62	-
OneFamily	246.19	249.86
Morningside Ventures	233.25	178.96
Macquarie Infrastructure	230.59	212.09
Columbia Capital	198.62	150.15
Avenue Capital	192.90	112.23
HealthCare Royalty Partners	186.95	107.58
Intermediate Capital Group	174.90	216.22
Long Harbour	154.29	147.88
Riverside Europe Fund Associates	143.52	86.80
Innisfree	116.67	129.08
Amplo	91.44	62.04
Motive	91.30	15.55
Varde	87.81	50.82
Greencoat Capital (From May 2020)	84.60	-
Accel Partners	83.84	90.94
Westbridge Capital Partners	80.40	65.61
Constellation	78.96	55.12
Orion Energy Partners	75.24	92.07
Carried forward	**30,702.33**	**27,903.43**

*Included in this balance is cash invested in Liquidity Funds totalling £3,180.03m (2019: £3,587.12m)

	2020 £m	2019 £m
Brought forward	**30,702.33**	**27,903.43**
Pensions Infrastructure Platform	74.33	75.57
WP Global Partners	72.01	59.18
White Oak	70.42	71.44
Cranemere	69.28	56.73
Index Ventures	65.27	36.46
General Capital	65.26	35.10
Bain Capital	63.19	68.84
Local Globe	62.64	21.31
Venor Capital Management	61.70	85.58
Presidio	56.41	49.29
HarbourVest Partners	50.94	64.36
Dalmore	50.62	50.66
Khosla Ventures	49.37	49.55
Thoma Bravo	48.58	50.16
Balderton Capital	45.33	32.10
H.I.G. Capital	43.88	39.18
Private Advisors	43.61	37.92
Soundcore	42.37	16.54
General Atlantic	41.19	36.67
Goldman Sachs Asset Management	40.90	116.99
Christofferson, Robb & Company (From November 2020)	40.30	-
KPS Capital Partners	40.27	27.26
Highland Capital Partners	38.43	33.01
Great Hill Partners	38.13	38.69
Adams Street Partners	37.73	45.78
Apax Partners	35.13	37.45
Standard Life Investments	32.07	36.26
Carried forward	**32,081.69**	**29,175.51**

	2020 £m	2019 £m
Brought forward	**32,081.69**	**29,175.51**
Mount Elbert	30.51	21.47
Innovation Works	30.38	38.67
Scale Venture Partners	27.77	28.88
Andreessen Horowitz	25.56	25.08
Limerston capital Partners	25.28	23.10
Charlesbank Capital Partners	25.06	24.02
Bessemer Venture Partners	25.01	22.08
Clearsight Investments	24.78	21.31
Anacap Financial Partners	24.58	23.35
Duke Street	23.86	62.71
ClearVue Partners	23.74	21.01
Cinven	22.88	27.66
Institutional Venture Partners	22.40	23.41
Blossom	20.68	14.65
Astra Capital	20.29	3.19
Pantheon Ventures	20.06	27.56
Hony Capital	18.17	24.03
General Catalyst	15.73	12.33
Navis Capital Pertners	14.47	13.19
Palatine	14.37	9.03
Berkshire Partners	13.03	10.95
Innova	12.02	21.24
Grosvenor Capital Management	11.71	20.63
Ares Management	11.57	16.79
Peak Rock Capital	11.35	10.73
Schroder Adveq (From January 2020)	10.65	-
Sankaty Advisors	9.66	11.85
Amaranthine Partners	9.37	6.40
Domain Partners	8.42	11.62
Warburg Pincus	8.37	21.70
Triton Partners	8.01	6.84
Carried forward	**32,651.43**	**29,780.99**

	2020 £m	2019 £m
Brought forward	**32,651.43**	**29,780.99**
Southern Cross Group	7.64	9.25
Archer Capital	5.47	8.94
Headland Capital Partners	4.61	9.94
CI Capital Investors	3.88	5.63
Oaktree Capital Management	3.68	5.96
Arcus Infrastructure Partners	3.58	81.79
Abry Partners	2.36	3.36
Owl Rock	1.98	154.74
Blakeney Management	1.03	2.93
EQT Funds Management	0.27	0.27
Governance for Owners Group	0.09	0.11
Aspect Capital Limited (Until March 2020)	-	478.24
BlackRock Advisors (UK) (Until February 2020)	-	0.05
	32,686.02	**30,542.20**

1.18 Performance

Performance is calculated by RPMI 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:

	2020 %	2019 %
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 Retail Prices Index plus 4%
Private Equity	MSCI ACWI Index
Property	MSCI UK Monthly Property Index GBP
DC Global Equity Fund	FTSE Developed Markets GBP Hedged
DC Long Term Growth Fund	UK Retail Prices Index plus 4%
DC Deposit	GBP 1M Libor
DC Index Linked and Global Fund	Composite comparator comprising: 50% Bloomberg Barclays Global Gilts over 15 years Index* 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged *Prior to June 2019 the comparator was; 50% FTSE UK Index Linked Gilts over 15 years Index until 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged
DC Aggregate Bond	Composite comparator comprising: 50% FTSE Actuaries UK Conventional Gilts over 15 years Index 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged
Illiquid Growth	UK Retail Prices Index plus 4%
Government Bond	FTSE World Government Bond Index (WGBI) 3-7 Years GBP
Passive Equity	FTSE Developed Markets GBP Hedged
Long Term Income	UK Retail Prices Index
Short Duration Index Linked Bond	Bloomberg Barclays UK Gilt 1 to 10 Years Index
Infrastructure	UK Retail Prices Index plus 4%
Cash	GBP 1M Libor
Non Government Bond	Bloomberg Barclays Global Aggregate Corporate Index GBP Hedged
Long Duration Index Linked Bond	Bloomberg Barclays UK Gilt 15+ Years Index
Cash	GBP 1M Libor

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

Pooled Fund	Actual 2020 (%)	Comparator 2020 (%)	Actual last 5 years (%)	Comparator last 5 years (%)
Growth	8.6	5.2	9.8	6.6
Private Equity	18.0	12.6	18.2	13.9
Property	0.8	5.2	6.6	6.8
Government Bond	2.7	3.1	2.2	2.1
Illiquid Growth[1]	3.8	5.2	8.8	6.6
Passive Equity	11.8	11.5	10.9	10.5
Short Duration Index Linked Bond[1]	1.4	1.7	1.3	1.6
Long Term Income[1]	4.3	1.2	1.0	2.7
Global Equity	7.3	7.4	10.8	10.5
Infrastructure	(1.2)	5.2	8.7	6.6
Non Government Bond	6.3	7.2	5.2	5.0
Long Duration Index Linked Bond	15.1	15.3	10.8	10.9
Cash	15.1	15.3	10.8	10.9
DC Long Term Growth	8.4	5.2	9.6	6.6
DC Deposit Fund	11.6	11.5	10.8	10.5
DC Global Equity Fund	0.2	0.3	0.3	0.5
DC Aggregate Bond Fund	10.7	11.3	8.0	8.1
DC Index Linked and Global Bond Fund	10.1	10.7	7.2	7.3

[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.