

RAILWAYS PENSION TRUSTEE COMPANY LIMITED (“THE TRUSTEE”)

STATEMENT OF INVESTMENT PRINCIPLES (“SIP”)

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, Railway Pension Investments Limited (“RPIL”), before adopting this SIP. The Trustee has two wholly-owned operating subsidiaries, Railpen Limited (“Railpen”) and RPIL, to which it delegates the day-to-day operation of the Schemes.

Responsibilities and Process

4. The Trustee is responsible under the Pensions Act 1995 for determining the overarching investment principles used across the Schemes. These are outlined in this document, and supporting documents which can be found online at <https://www.railpen.com/investing/>. Investment strategy for the DB elements of each Scheme and/or Section is set taking account of, amongst other factors, the funding level and specific liability profile of that Scheme and/or Section. The Trustee has a sub-committee, the Integrated Funding Committee (“IFC”), responsible for carrying out this work. The performance objectives and asset allocation strategies for each Scheme and/or Section are included in their respective individual Investment Policy Document. See Schedules 2 and 3 for details of the Trustee’s investment strategy in respect of the Schemes’ DC elements.
5. In the case of Sections where the employer has elected to establish a “Pensions Committee”, and those Schemes where a Management Committee has been established, the power to set investment strategy lies with the committees (with the exception at the time of adoption of this SIP, of the British Transport Police Force Superannuation Fund, RPS Govia Thameslink Railway Section and RPS London Overground Section). In the case of these committees, the Trustee retains legal responsibility for implementation of investment policy and ensuring that any policy adopted and set out in the relevant Investment Policy Document complies with the statutory requirements. This function has been delegated in turn by the Trustee to RPIL.
6. The SIP is reviewed following each triennial actuarial valuation and following any significant change in investment policy. The Trustee will consult with the relevant employers about any changes to the SIP. However, the employers have agreed that where changes are proposed to any specific Investment Policy Document, the Trustee only needs to consult with the employers which participate in the Scheme and/or Section to which that Document relates.

Investment Beliefs

7. The Trustee has agreed core beliefs that set out a clear view on investment philosophy and Scheme governance. These beliefs are used to inform the investment process used across the Schemes. The Trustee reviews the Investment Beliefs annually and they are available to view online at <https://www.railpen.com/investing/how-we-invest/beliefs/>.

Investment Objectives

8. The Trustee's mission is to pay members' pensions securely, affordably and sustainably. It achieves this through investing the assets of each Scheme and each Section in a way that enables them to be used to pay the benefits promised when they fall due, whilst balancing this against the cost that must be met by the employers and members.
9. To facilitate achieving this objective, the Trustee adopts an integrated approach to covenant, funding and investment policy in respect of the Scheme's DB elements. Due to the different maturity profiles of the liabilities of the individual Schemes and Sections, along with the strength of covenant of each sponsoring employer and any other specific characteristics, investment strategies and therefore expected investment returns will vary widely. Investment objectives therefore have to be set separately for each Scheme and/or Section, with a consistent framework used for evaluation. The agreed investment strategy framework takes into account risk, return needs (to meet funding objectives), maturity, covenant and liquidity needs, to enable ranges to be set for diversified growth and defensive assets for each Scheme and/or Section.
10. The investment strategy framework outlines the expected investment strategy for each Scheme and broad Section groupings (effectively grouped by covenant strength and how mature a Section is classified as). The individual components of the framework are considered as follows:
 - 10.1. The framework is formulated in terms of time to how mature a Section is classified as, using the following phases:
 - Non-maturing;
 - Semi-mature (over 15 years to significant maturity);
 - Mature (10 to 15 years to significant maturity);
 - Very mature (less than 10 years to significant maturity);
 - At long-term goal.
 - 10.2. **Non-maturing Sections:** the framework focuses on achieving appropriate risk-adjusted returns to meet each section's investment and funding objectives, and bears in mind contribution rate affordability.
 - 10.3. **Maturing Sections:**
 - 10.3.1. The framework assumes buyout is the long-term goal for maturing non-Covenant 1 Sections.
 - 10.3.2. Allocations to illiquid assets are reduced as Sections mature whilst targeting higher levels of interest rate and inflation hedging.
 - 10.3.3. The framework assumes that Sections de-risk as they become more mature.
 - 10.3.4. At the point of being fully funded on a low dependency basis the framework reflects a "buyout-ready" investment strategy, with assets expected to be invested such that

there is high resilience to investment risk and low (but not zero) dependency on the Employer.

11. Within the framework, asset allocations are expressed as ranges, providing a helpful guideline whilst also encouraging Section-specific advice. The return on the portfolio, in aggregate, will take into account the discount rate adopted for funding purposes for the respective Scheme and/or Section.

Management of Pooled Funds

12. The Trustee is responsible for investing the Scheme's assets in the best interests of members and beneficiaries and it exercises its powers of investment in accordance with the trust deed and rules of each Scheme and applicable law.
13. The Schemes and Sections invest in a number of HMRC approved pooled funds (the "Pooled Funds") operated by RPIL on behalf of the Trustee. These funds are used to construct each investment portfolio agreed under the investment strategy framework and are intended to accommodate the differing investment requirements of the Schemes and Sections.
14. As such, each Pooled Fund has distinct return, risk and liquidity characteristics and is either multi-asset or single-asset class by design. The Trustee recognises that the use of a range of traditional and alternative asset classes with distinct return drivers may offer diversifying characteristics. Accordingly, the default offering is to use predominantly multi-asset Pooled Funds which invest in a wide range of assets and strategies. However, Pensions Committees and/or employers can request to make use of other Pooled Funds offered by the Trustee consistent with the agreed investment strategy. The investment performance of each Pooled Fund is measured against an agreed objective and the objective and investment guidelines for each Pooled Fund are set out in the Pooled Fund Policy document and Pooled Fund Directive document.
15. Under the investment strategy framework, the proportion of the Scheme and/or Section assets to be held in a particular Pooled Fund is not fixed and may, therefore, be changed from time to time by the Trustee (or Railpen Limited under delegated authority) in order to comply with the framework in the manner the Trustee considers appropriate. Where the rules of a Scheme or a Section require the investment policy to establish the proportion of Scheme and/or Section assets to be held in each of the Pooled Funds, that policy will be recorded in the relevant Investment Policy Document.
16. The Trustee regularly reviews the Pooled Fund range and is free to change the range of Pooled Funds, the associated objectives and investment guidelines from time to time, as it considers appropriate, in accordance with the rules of the Schemes.
17. The investment of the assets within each Pooled Fund, including day-to-day investment decisions, are delegated under an Investment Management Agreement to RPIL, the internal manager for the railway pension schemes, or to fund managers appointed by RPIL (together the "Fund Managers"). The Investment Management Agreement sets out the parameters and policies within which RPIL operates.
18. The investment arrangements are overseen by the Asset Management Committee (AMC) (a Committee within RPIL) who ensure adherence to the Trustees' investment policy. More information on the delegated structure can be found at: <https://www.railpen.com/about-us/our-governance/>. The Trustee reviews and monitors performance (and fees) to ensure that the activities of RPIL continue to be aligned with the Trustee's investment policy.
19. In turn, RPIL is responsible for ensuring that the Fund Managers invest scheme assets in line with the Trustee's investment policy and that the Fund Managers' approaches to stewardship and environmental, social and governance (ESG) integration, including climate change, align

where relevant with the Trustee's investment beliefs and with the Trustee's own approaches to stewardship and ESG integration (including climate change), which are detailed below. This includes assessing how the relevant Fund Manager makes investment decisions based on the medium to long-term financial and non-financial performance of investee companies and engages with investee companies to improve their performance.

20. RPIL reviews and monitors the contractual arrangements with Fund Managers, including their remuneration and length of appointment, on at least an annual basis through relationship meetings and investment reporting to ensure that they are consistent with the Trustee's investment policy and that Fund Managers' investment decisions and approach are aligned with the Trustee's investment policy and role as a responsible investor. More information on how RPIL ensures that remuneration structures are aligned with the long-term perspective of beneficiaries can be found within our Voting Policy reports on the Railpen website: <https://www.railpen.com/knowledge-hub/reports/>.
21. The Trustee is satisfied that RPIL has the appropriate knowledge and experience for managing the investments of the Schemes and it carries out its role in accordance with the criteria for investment set out in "Investment Regulations", the principles contained in this SIP, the Trustee's investment policy and any applicable investment guidelines and restrictions agreed with the Trustee.
22. The multi-asset Pooled Funds are managed in accordance with the Investment Risk Guiding Principles and Risk Limits, agreed on a regular basis with the AMC. The single-asset Pooled Funds are managed to specific objectives with permitted tolerances. Where relevant, RPIL and the Fund Managers are responsible for deviations from agreed asset allocations within delegated authority limits. Active management is not used by default but will be considered when it is judged to be the most efficient implementation of a given strategy.
23. RPIL and the Fund Managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation, the Pooled Fund Policy document and Pooled Fund Directive. This includes the power to rebalance funds from available cash or make transfers in order to keep within stipulated asset allocations or restrictions.
24. In addition to the Pooled Funds, the Schemes and Sections may invest assets with an insurance company regulated by the Prudential Regulation Authority in order to accomplish a transfer of risk.

Performance Measurement

25. The performance of each Scheme and/or Section, and the investment performance of the portfolios of RPIL and the Fund Managers, are measured for the Trustee. Also, investment performance of each Scheme and/or Section are monitored by RPIL and reported to the IFC, the Pensions Committees (where appropriate) and the relevant employers. AMC monitors the performance of RPIL against long-term performance objectives and compliance with operating parameters to ensure the investment approach aligns with the Trustee's investment policy and beliefs. RPIL is responsible for monitoring the performance of the Fund Managers against long-term performance objectives and compliance with operating parameters to ensure alignment with the Trustee's investment policy and beliefs.

Risk Management

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

- 26.2. an Integrated Funding Committee with specific responsibilities including agreeing integrated funding plans for each Scheme and/or Section, using the investment strategy framework (as described in paragraphs 9, 10, 11 and 15), and monitoring performance against their agreed funding plans;
- 26.3. an Audit and Risk Committee with specific responsibilities including review of financial control and risk management systems;
- 26.4. appointing a global custodian to hold assets and RPIL monitoring the custodian's service provision and credit-worthiness;
- 26.5. appointing the AMC with specific responsibilities including oversight of the management of the Pooled Funds;
- 26.6. the establishment of the Railpen Enterprise Risk Committee and the Investment Risk Committee to oversee monitoring of operational and investment risks respectively.

Defined Contribution Assets

27. The Schemes provide DC benefits in the form of additional voluntary contributions ("AVCs") in the defined benefit Sections and the Industry-Wide Defined Contribution ("IWDC") Section, a standalone DC Section of the Railways Pension Scheme. The IWDC Section is the authorised master trust within the Railways Pension Scheme. The Trustee is responsible for investing DC assets in the best interests of members and beneficiaries, providing appropriate fund choices and ensuring good value for members. The Trustee's strategy and approach to the DC elements are set out in Schedules 2 and 3, to the extent they differ to the Scheme's DB elements.
28. The range of funds made available for the DC fund arrangements is reviewed regularly and may be changed by the Trustee from time to time in accordance with applicable rules of the Schemes. The intention is to ensure an investment philosophy consistent across both defined benefit and defined contribution arrangements to the extent possible.
29. Further information on AVC Funds can be found in Schedule 2 and further information on the IWDC Section can be found in Schedule 3.

Costs

30. The Trustee recognises that strict control of costs is important in contributing to good investment returns. As such, RPIL and Railpen are asked to ensure that all aspects of cost from the responsibilities and mandates exercised by those involved in the investment process, both internal and external, are kept under regular review. The aim is to implement Scheme and/or Section strategy in the most efficient manner possible, using internal resources wherever appropriate. Investments within the Pooled Funds are considered in terms of the most efficient way to access desired return drivers. As part of this process, fees payable to external Fund Managers and costs relating to the investment, management, custody and realisation of Pooled Fund assets are kept under regular review.
31. RPIL and Railpen give full transparency to the Trustee on the underlying costs making up the annual management charges including, but not limited to, investment management costs, internal staff costs, legal costs and IT costs. The Trustee also monitors the level of transaction costs incurred by the funds on a yearly basis. These costs include, but are not limited to, broker commissions, commissions of futures, transfer taxes, and other fees such as bank fees, search fees, legal fees, and stamp duty. More information on the breakdown of costs can be found in the annual report and accounts published on the Railpen website

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 (including climate change) integration and Stewardship (including engagement and voting)

33. The Trustee recognises its legal duty to consider factors that are likely to have a financially material impact on investment returns over the period during which benefits will need to be funded by the Schemes' investments.
34. These factors include, but are not limited to, environmental, social and governance (ESG) factors, including, but not limited to, climate change.
35. The Trustee requires RPIL and Fund Managers to take account of ESG factors including climate change in the selection, retention and realisation of investments. In addition the Trustee requires RPIL to take into account the quality of stewardship and ESG integration (including climate change) when selecting Fund Managers, and to monitor relevant Fund Managers' stewardship and ESG integration (including climate change) during the investment period.
36. The Trustee will continue to monitor and assess ESG factors (including climate change) and the risks and opportunities arising from them, as follows:
- 36.1. the Trustee will undertake annual training on ESG considerations in order to understand fully how ESG factors including climate change could impact investments;
- 36.2. the Trustee will require RPIL and Fund Managers to provide regular information on their approaches to stewardship and ESG integration (including climate change).
37. The Trustee believes that companies with robust corporate governance structures are more likely to achieve superior long-term financial performance and will manage their risks and opportunities effectively. It signals its expectations to, and seeks to influence, companies through RPIL's stewardship activities, including engagement and voting.
38. The Trustee expects RPIL to exercise rights attaching to investments and to undertake engagement activities in accordance with RPIL's global voting policy and current best practice, including the UK Stewardship Code.
39. RPIL's global voting policy sets out expectations for issuers. Constructive engagement with portfolio companies and policy makers, alongside thoughtful voting, supports the Trustee's investment objectives.
40. Acting on the Trustee's behalf, RPIL is currently focussed on the following stewardship priorities: climate change; workforce treatment; responsible uses of technology, and; supporting more sustainable financial markets. The Trustee believes that these issues are stewardship priorities because they are financially material to all or a significant proportion of the Schemes' investments.
41. RPIL and the Trustee jointly issue an annual report on stewardship activities which seeks to achieve compliance with the UK Stewardship Code. RPIL, on behalf of the Trustee, engages with external Fund Managers to encourage them to adopt practices in line with the spirit of this Code as appropriate. Compliance with the UK Stewardship Code can be found on the

Railpen website at <https://www.railpen.com/knowledge-hub/reports>.

Non-financial matters

42. Non-financial matters may be considered on a case-by-case basis in relation to the selection, retention and realisation of investments where the Trustee has reasonable cause to believe that members would share concerns that such matters would be inconsistent with the values or good reputation of the Schemes and would not involve a significant financial detriment to the Schemes.
43. The Trustee will review its policy on non-financial matters in conjunction with its regular review of the SIP.

Adopted by the Trustee on 8 December 2022

Schedule 1

RAILWAYS PENSION SCHEMES

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

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

Schedule 2

ADDITIONAL VOLUNTARY CONTRIBUTION (“AVC”) FUNDS

1. Introduction

This Schedule is appended to and should be read in conjunction with the Statement of Investment Principles (“SIP”) adopted by the Railways Pension Trustee Company Limited (“the Trustee”) for the 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 1 April 2007, and eligible members of the British Railways Superannuation Fund.

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

2. Objective

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

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

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

3. Investment strategy

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

After taking advice, the Trustee has made lifestyle options available to members, which aim to reflect various retirement options. These options offer a changing investment programme designed to meet a typical member’s perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from a higher-risk fund into lower-risk funds as a member approaches their nominated target retirement age.

One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range. The default lifestyle option is designed to be

appropriate for a typical member with a predictable target retirement age.

The Defined Contribution Committee (“DCC”) of the Trustee Board was established to ensure appropriate management and governance of the BRASS, AVC Extra, and Industry-Wide Defined Contribution Section arrangements. Specific responsibilities of the DCC include oversight of investment performance and reviewing communications and investment options as appropriate.

4. Fund choices

The following “self-select” funds are available to all BRASS and AVC Extra members:

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

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

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

The fund range is provided through a “white-labelled” framework to help accommodate underlying manager changes and future enhancements without undue disruption. Within this structure the Trustee considers suitable pooled funds managed by RPIL where possible.

Further information and factsheets for the BRASS and AVC Extra funds (including their asset allocation, risks and returns) can be found on the Railways Pensions website at <https://member.railwayspensions.co.uk/in-the-scheme/brass/my-fund-choices>.

5. Default arrangements

The aim of the default arrangements for each of the BRASS and AVC Extra arrangements is to generate long-term growth in excess of inflation over members’ working lifetimes.

The BRASS arrangement is a “top-up” or additional benefit to the main Scheme DB benefit, and as such the default aims to seek growth with some volatility mitigation due to diversification by investing in the Long-Term Growth Fund during the earlier years. The “at retirement” portfolio has been constructed on the basis that BRASS members are expected to draw their benefits as cash. The asset allocation de-risks to a 10% allocation in the Long Term Growth Fund, a 75% allocation in the UK Government Fixed Interest Gilt Fund and a 15% allocation in the Corporate Bond Fund over the ten years prior to target retirement age. This default strategy is intended to ensure that assets are invested in the best interests of relevant members and beneficiaries in BRASS.

The AVC Extra arrangement is a further “top-up” arrangement, and as such the default invests in the Long Term Growth Fund in the earlier years. The “at retirement” portfolio has been constructed on the basis that AVC Extra members are expected to flexibly draw their benefits. The asset allocation de-risks to a 25% allocation in the Long Term Growth Fund, a 50% allocation in the UK Government Fixed Interest Gilt Fund and a 25% allocation in the Corporate Bond Fund over the ten years prior to target retirement age. This default strategy is intended to ensure that assets are invested in the best interests of relevant members and beneficiaries in AVC Extra.

The DCC reviews the default investment strategy and the performance of the default arrangement (including investment return net of costs) of BRASS and AVC Extra at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members. This review is carried out in conjunction with a review of the IWDC Section.

6. Fund annual charges

The Fund Managers, RPIL and Railpen levy a charge on each fund, calculated by reference to the market value of assets under management. These charges are levied on each member's investments and the members incur these fees. They may vary depending on the fund chosen and manager performance, however they are considered by the Trustee to be reasonable.

7. Risks

There are a number of risks within the BRASS and AVC Extra arrangements including:

- Risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation although this is not guaranteed over any given period;
- Risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age;
- Risk of lack of diversification. The Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings;
- Risk of underlying Fund Managers and/or RPIL not meeting their objectives. The DCC provides oversight to the performance of the funds. The AMC oversees the performance of RPIL and the Fund Managers on a regular basis; and
- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

The Trustee also reviews these risks as part of each formal strategy review (to coincide with review of the default strategies and arrangements). These take place at least every 3 years or more frequently if appropriate, and without delay after any significant change in investment policy.

Schedule 3

INDUSTRY-WIDE DEFINED CONTRIBUTION SECTION

1. Introduction

This Schedule is appended to and should be read in conjunction with the Statement of Investment Principles (“SIP”) adopted by the Railways Pension Trustee Company Limited (“the Trustee”) for the 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 and the Pensions Act 2004 in respect of the Industry Wide Defined Contribution Section (“IWDC Section”) which are not covered in the main body of the SIP.

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

2. Objective

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

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

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

3. Investment strategy

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

After taking advice, the Trustee has made lifestyle options available to members, which aim to reflect various retirement options. These options offer a changing investment programme designed to meet a typical member’s perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from a higher-risk fund into lower-risk funds as a member approaches their nominated target retirement age.

One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range. The default lifestyle option is designed to be appropriate for a typical member with a predictable target retirement age.

The Defined Contribution Committee (“DCC”) of the Trustee Board was established to ensure appropriate management and governance of the DC Schemes’ arrangements. Specific responsibilities of the DCC include oversight of investment performance and reviewing communications and investment options as appropriate.

4. Fund choices

The following “self-select” funds are available to all members of IWDC Section:

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

The IWDC Section also offers three lifestyle options:

- Annuity Purchase Lifestyle
- Flexible Drawdown Lifestyle (the default option)
- Full Cash Withdrawal Lifestyle

The fund range is provided through a “white-labelled” framework to help accommodate underlying manager changes and future enhancements without undue disruption. Within this structure the Trustee considers suitable pooled funds managed by RPIL where possible.

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

5. Default arrangement

The aim of the default arrangement is to generate long-term growth in excess of inflation over members’ working lifetimes.

The IWDC Section may be a members’ main form of retirement saving and so the Long Term Growth Lifestyle as the “default arrangement” aims to seek growth with some volatility mitigation due to diversification by investing in the Long-Term Growth Fund during the earlier years. The “at retirement” portfolio has been constructed on the basis that DC members are expected to flexibly draw their benefits. The asset allocation de-risks to a 25% allocation in the Long Term Growth Fund, a 50% allocation in the UK Government Fixed Interest Gilt Fund and a 25% allocation in the Corporate Bond Fund over the ten years prior to target retirement age. This default strategy is intended to ensure that assets are invested in the best interests of members and beneficiaries.

The DCC reviews the default investment strategy and the performance of the default arrangement (including investment return net of costs) at least every three years and without delay after any significant change in investment policy or the demographic profile of relevant members. This review is carried out in conjunction with a review of the AVC funds.

6. Fund annual charges

The Fund Managers, RPIL and Railpen levy a charge on each fund, calculated by reference to the market value of assets under management. These charges are levied on each member’s investments and the members incur these fees. They may vary depending on the fund chosen and manager performance, however they are considered by the Trustee to be reasonable.

7. Risks

There are a number of risks within the IWDC Section including:

- Risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation, although this is not guaranteed over any given period;
- Risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age;
- Risk of lack of diversification. The Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings;
- Risk of underlying Fund Managers and/or RPIL not meeting their objectives. The DCC provides oversight to the performance of the funds. The AMC oversees the performance of RPIL and the Fund Managers on a regular basis; and
- Risk of inappropriate member decisions. This is addressed by making a default option available which the Trustee believes appropriate for the majority of members.

The Trustee also reviews these risks as part of each formal strategy review (to coincide with review of the default strategies and arrangements). These take place at least every 3 years or more frequently if appropriate, and without delay after any significant change in investment policy.