

**BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND**

Pensions registration number: 100541628

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

# BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

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## **CHAIR'S INTRODUCTION**

The Trustee Board works to pay members' benefits securely, affordably and sustainably. This mission guides everything we do, and all Trustees are united in delivering it.

As lives and the global economy continue to be affected by both COVID-19 and recent political unrest around the world, we understand that the security and comfort that can come from our members' pension planning have never been more important.

Therefore, I am pleased to present the Annual Report and Audited Financial Statements of the British Transport Police Force Superannuation Fund ('the Fund') for the year ended 31 December 2021, on behalf of your Trustee Board.

### **Investment performance**

Last year was a good year for many of our investments. The 1970 Contributory Section has assets of £1,722.3m, increasing from £1,483.3m at the end of 2020. The Growth Pooled Fund, which represents approximately 67% of Section assets, returned 16.2%. Its sister fund, the Illiquid Growth Fund, holds private investments. It returned 33.8%. In last year's report, I noted our progress in developing the Long Term Income Fund and it returned 5.4%. Overall, the Section returned 17.8% net of all fees, and over the past 10 years, the return was 9.4% p.a.

The 1970 Preserved Section assets decreased from £20.8m to £20.5m, and the 1968 Section Benefit payments remained at £2.8m. Overall, over the three Sections, benefits exceeded contributions by approximately £23.1m. This means that investment returns have delivered £261.8m. This demonstrates just how important investment returns are to members and employers.

For the past few years, the investment environment has enabled careful and skilful investors to find opportunities to make good returns. Going forward, this may be much harder, and we may be entering a structurally tougher period.

A number of factors have come together that now makes it reasonably likely that we will experience higher interest rates and higher inflation than we have become used to. Historically, this can result in a less friendly backdrop for real economic growth, corporate profits and financial market returns. It will be important for us to maintain investment discipline and our long-term focus.

Our recently updated Investment Beliefs will be helpful in navigating these challenges, and at a time of ongoing technological change and growth in sectors such as renewable energy, there will be plenty of opportunities for us to deploy capital that will enable us to produce attractive financial returns, while making a positive impact to the world and communities that our members will retire into.

### **Supporting members and employers**

Following the successful migration onto a new platform in 2020, we have introduced several system developments in 2021 as part of a continuous improvement programme and to reflect fund changes resulting from Trustee decisions, employer requests and legislative developments.

The content of the members' digital support has been expanded and enhanced to include member guidance, video education and new modelling tools. These improvements have helped support significant growth in the number of members registered on the portal and, in turn, the volume of transactions members conduct online. This work has been recognised through member communication industry awards. All employers are now using the employer portal to update data and contributions alongside data interfaces for larger sections.

## **CHAIR'S INTRODUCTION (CONTINUED)**

### **Supporting members and employers (continued)**

We have maintained our high levels of service throughout 2021, notwithstanding the challenges of operating during the pandemic and some very material increases in member activity volumes reflective of wider pensions' market experience and initiatives within the Rail industry. We have also supported employers who have carried out significant change projects, in part, as a result of COVID-19.

This is part of a journey for us as we continue to invest in our people, processes and technology to maintain a quality service for our members that retains its long-term focus, but is agile in the face of any industry, employer and global changes.

The GMP Equalisation work continued in 2021 in partnership with the Trustee's professional advisors. This follows the October 2018 High Court ruling that the Lloyds Banking Group Pension schemes must equalise benefits in this area. This extensive work has involved Trustees deciding on the method of equalisation to be adopted and the procurement of external professional support for the related calculations. This work will continue over the next few years.

### **Governance**

We marked the retirement of David Tyson from the Board in 2021. Having served as a Trustee Director for more than 20 years, David made an enormous contribution to the Trustee, not least as a stalwart member of the Trustee's Integrated Funding Committee and its predecessors.

We also said farewell to Michael Lynch and Meliha Duymaz - both made a significant positive impact on the Board during their appointments of five years each. The Board and I are grateful to all three outgoing directors for their insight and commitment to the Fund on behalf of the rail industry and our members.

In their place, we have welcomed Fatima Hassan as an Employer Director nominated by Network Rail, Micheal Cash and Howard Kaye as Employee Directors nominated by National Union of Rail, Maritime and Transport Workers ('RMT') and the Associated Society of Locomotive Engineers and Firemen ('ASLEF'), respectively. We are already benefiting from the diversity of experience, skills and perspectives they bring to the Board, and we look forward to working with them all in the coming years.

The Trustee has also focused on its approach to Diversity, Inclusion and Succession planning over the course of 2021. A new working group was founded to consider and drive positive action to ensure the makeup of the Trustee Board reflects the diversity of the members it serves. Trustee Board discussions and decisions are important to the hundreds of thousands of members and pensioners within the Fund. The more varied the backgrounds, experiences and skills of the Board are, the richer those discussions will be.

2021 was another challenging year for us all. I want to thank the commitment of everyone involved with the Fund – on the Trustee Board, at Railpen Limited ('Railpen'), and our advisors – for continuing to adapt to our 'new normal' and focusing steadfastly on delivering secure, sustainable benefits for members regardless of the environment in which we find ourselves.

The Trustee continues to meet often to discharge its duties, making good use of technology for online meetings, and it was encouraging to reintroduce in-person meetings for the Board in 2021.

## **CHAIR'S INTRODUCTION (CONTINUED)**

**Governance** (continued)

### **Ready for the future**

As we look forward to 2022, the Board remains focussed on our mission to pay members' benefits securely, affordably, and sustainably for the long-term.

**Christopher Hannon**  
Chair, Trustee Company

## **MANAGEMENT COMMITTEE REPORT**

### **Responsibilities**

The Trustee has delegated powers to the Management Committee (the 'Committee') to make day-to-day management decisions. The Committee has in turn agreed to sub-delegate to Railpen many activities to ensure the smooth running of the Fund and these activities are covered in the Delegated Authorities Agreement. The Committee has agreed, through Railpens 'Guide to Services', a Service Level Agreement which sets out the scope of the service and the performance targets the Committee and members can expect.

### **Meetings**

There were four meetings of the Committee in 2021. These took place on 3 March 2021, 14 June 2021, 29 September 2021 and 25 November 2021 and all meetings were held virtually, using the Microsoft Teams video conferencing application.

### **Changes to Committee**

There are twelve Committee members. Six members of the Committee are appointed by the principal employer, the British Transport Police Authority ('BTPA'). Three members of the Committee are appointed by the British Transport Police Federation ('BTP Federation'), two members are elected by the pensioners and one is appointed by the Chief Constable after consultation with representatives of the ranks not represented by the British Transport Police Federation.

During the year the following changes to the Committee membership took place:

- William Jordan was elected as Chair from January 2021;
- Rachael Etebar was elected Deputy Chair from January 2021;
- Adrian Hanstock stepped down in November 2021 and Alistair Sutherland was elected to replace Adrian Hanstock but has not yet joined the Committee; and
- Martin Ripley was re-appointed in July 2021 for a 5 year term in office.

A list of the Committee members, as at 31 December 2021, is shown in the following table, together with details of the number of meetings, which each attended during the year.

## MANAGEMENT COMMITTEE REPORT (CONTINUED)

### Committee members at 31 December 2021

Name	Appointing body	Appointment date	Number of meetings attended	Number of meetings eligible to attend during 2021
H Andrews	BTPA	December 2016	3	4
R Etebar	BTPA	July 2019	4	4
S Field	BTPA	January 2008	4	4
E Norman	BTPA	May 2016	4	4
S McGarel	BTPA	April 2018	4	4
N Goodband	BTP Federation	February 2016	2	4
M Marsahallsay	BTP Federation	June 2017	4	4
P Kingham	BTP Federation	June 2020	3	4
P Holden	Pensioner elected	March 2017	4	4
M Ripley	Pensioner elected	July 2015	4	4
Supt W Jordan	Member representative appointed by Chief Constable after consultation with the ranks not represented by the BTP Federation	July 2018	4	4
Alistair Sutherland	BTPA	November 2021	0	1

Chris Welburn of Railpen is Secretary to the Committee, with Steve Birks of Railpen as Acting Secretary in his absence.

### Pension increases

Pensions increased by 0.5% with effect from 12 April 2021. Pensions in payment and deferment in the Fund 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 2020.

### Communications

The Committee is keen to ensure that members are kept up to date with news and developments, and to achieve this aim it regularly reviews the communications plan. Annual Pension Estimates are sent to contributing members each year, usually in October, and these members also receive a 'Focus' newsletter three times a year. Pensioners receive the 'Penfriend' newsletter twice a year, in spring and winter. Members who no longer contribute but who have deferred benefits in the Fund receive a yearly edition of 'Extra'.

To supplement these publications, a variety of useful information continues to be available at [www.btppensions.co.uk](http://www.btppensions.co.uk) and members may always contact the fund's administrators at:

Railpen  
Stooperdale Offices  
Brinkburn Road  
Darlington  
DL3 6EH

Members can phone the Customer Services helpline on 0800 012 1117 or email [csu@railpen.com](mailto:csu@railpen.com).

**MANAGEMENT COMMITTEE REPORT (CONTINUED)**

**Membership statistics at 31 December 2021**

	<b>2021 Number</b>	<b>2020 Number</b>
Active members	3,069	3,017
Pensioners	2,980	2,806
Dependant pensioners	432	444
Preserved members	1,141	1,171
Total membership	<b>7,622</b>	<b>7,438</b>

# **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND ('the Fund')**

## **Opinion**

We have audited the financial statements of the British Transport Police Force Superannuation Fund ("the Fund") for the year ended 31 December 2021 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the Fund year ended 31 December 2021 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 Fund year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund 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 Fund, and as they have concluded that the Fund'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 Fund and analysed how those risks might affect the Fund'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 Fund'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 Fund will continue in operation.

## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND ('the Fund') (CONTINUED)**

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of the Trustee, the Business Assurance team and inspection of policy documentation, as to the Fund's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Fund's channel for "whistleblowing", 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, Asset Management Committee, Fair Value Pricing Committee, Remuneration and Nomination Committee, and the Fund's breach log.

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

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or their delegates) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as valuation of Level 3 pooled funds.

On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension fund 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-closing year end journal entries.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential 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 Fund'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 Fund is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Fund's procedures for complying with regulatory requirements and reading the minutes of Trustee meetings.

## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND ('the Fund') (CONTINUED)**

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 Fund 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 Fund 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 Fund'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 Fund's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as 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, the actuarial certification of the schedule of contributions, the Investment Report 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND ('the Fund') (CONTINUED)**

### **Trustee's responsibilities**

As explained more fully in their statement set out on page 24, the Fund 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 Fund'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 Fund, 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](http://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 Fund 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 Fund 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 Fund Trustee, for our audit work, for this report, or for the opinions we have formed.

**Iryndeeep Kaur-Delay**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London  
E14 5GL

4 July 2022

## AUDITED FINANCIAL STATEMENTS

### FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
<b>Contributions and benefits</b>			
Members' contributions	3	13,719	13,419
Employer's contributions	3	19,097	18,887
Benefit support	3	783	915
Individual transfers in		1,444	1,394
		<b>35,043</b>	<b>34,615</b>
Pensions		(48,684)	(48,314)
Lump-sum retirement benefits		(7,733)	(9,110)
Individual transfers out		(195)	(135)
Death benefits		(333)	(457)
Payments to and on account of leavers		(32)	(3)
		<b>(56,977)</b>	<b>(58,019)</b>
Administrative expenses	4	(689)	(520)
PPF levies		(2,021)	(1,860)
<b>Net withdrawals from dealings with members</b>		<b>(24,644)</b>	<b>(25,784)</b>
<b>Returns on investments</b>			
Change in market values	5	242,404	122,049
Interest on loans and deposits		(1)	20
<b>Net returns on investments</b>		<b>242,403</b>	<b>122,069</b>
Net increase in the Fund during the year		217,759	96,285
Net assets at the start of the year		1,536,299	1,440,014
<b>Net assets at the end of the year</b>		<b>1,754,058</b>	<b>1,536,299</b>

The accompanying notes numbered 1 to 11 form an integral part of these audited financial statements. The audited financial statements show the consolidated position of the three sections of the Fund. The extraction accounts of the individual sections are shown in Appendix H.

## AUDITED FINANCIAL STATEMENTS

### STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Pooled funds	5	1,738,515	1,515,680
Securities directly held by the Fund	5	8,508	7,784
Other cash and cash instruments		7,434	13,080
Current assets	6	647	666
Current liabilities	7	(1,046)	(911)
<b>Net assets at the end of the year</b>		<b>1,754,058</b>	<b>1,536,299</b>

Approved by the directors of the Trustee Company on 29 June 2022.

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**Christopher Hannon**  
Chair, Trustee Company

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**Richard Goldson**  
Director and Chair, Audit and Risk Committee

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. They do not take account of the obligations to pay pensions and benefits, which fall due at the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities, which is summarised on pages 40 to 41 and should be read in conjunction with these financial statements.

The accompanying notes numbered 1 to 11 form an integral part of these audited financial statements. The audited financial statements show the consolidated position of the three sections of the Fund. The extraction accounts of the individual sections are shown in Appendix H.

**AUDITED FINANCIAL STATEMENTS**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2021**

**1. Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards, including Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland and with the guidance set out in the Statement of Recommended Practice ('SORP'). The Fund is established as Trust under English law. The address for any enquiries about the Fund can be found in Appendix K.

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 Fund including future plans.

With the ongoing market developments caused by COVID-19, the Trustee has reassessed these factors and has concluded that a going concern basis is still appropriate. The reassessment was completed with reference to the Fund's investment and contributions income, benefits paid and return on investments. The Fund 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 sponsoring employer is a government body, classed as an essential service provider and is relatively unaffected by COVID-19. As such, the risk that the employer fails to make contributions payments on time is extremely low. Benefits payable are modest in relation to Fund assets and as part of COVID-19 contingency planning, cash levels in all section accounts were increased.

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

**2. Accounting policies**

The principal accounting policies of the Fund are as follows:

**Investments**

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

- (a) The majority of the assets of the Fund are invested in a portfolio of pooled funds, which operate as internal unit trusts for the railways pension schemes under the control of the Trustee. Pooled fund unit holdings are valued on the basis of the unit prices of the units held by the Fund in each pooled fund at the year end. Unit prices reflect the 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 pooled fund accounts in Appendix L.

**AUDITED FINANCIAL STATEMENTS  
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2021 (CONTINUED)**

**2. Accounting policies (continued)**

**Investments (continued)**

- (b) BRASS AVC investments in pooled investment vehicles are stated at fair values at the year-end date as advised by the manager. The Pension Assured Fund ('PAF') was formally closed in late 2021, and members were transferred to an equivalent Railpen fund. Previously, this was valued as a whole by reference to the market values of assets within the fund as advised by the provider, Aviva. Members holding units in the PAF aged 55 or over were; however, guaranteed by Aviva to receive at least £1 per unit upon retirement or on earlier death. Members leaving before age 55 potentially received a discounted value, dependent on their age.
- (c) Loans and deposits 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 comprises gains and/or losses on investments arising in the year and reinvested investment income.

Investment income arising from the underlying investments of pooled investment vehicles is reinvested within the pooled funds, reflected in the unit prices and reported within change in market value.

Realised and unrealised gains and losses on 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**

Member normal contributions are accounted for when deducted from pay. Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions.

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

Payments under the Transport Act 1980 are accounted for as they become payable. Amounts receivable as benefit support 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 Fund. The employees can then opt out of the Fund if they wish within one month of being auto-enrolled. Opt outs are accounted for when the Fund is notified of the opt out.

**AUDITED FINANCIAL STATEMENTS  
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2021 (CONTINUED)**

**2. Accounting policies (continued)**

**Administrative expenses**

Expenses are accounted for on an accruals basis. The Fund bears all the costs of administration. Direct costs are charged to the Fund to which they relate. Indirect costs are allocated between Funds 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**

All transfer values are determined on the advice of the Fund Actuary. Individual transfers in or out are accounted for when received or paid, which is normally when member liability is accepted or discharged.

**Tax**

The British Transport Police Superannuation Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund 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.

**3. Contributions receivable**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Members' contributions:</b>		
Normal	12,744	12,535
Additional voluntary (AVCs)	975	884
	<b>13,719</b>	<b>13,419</b>
<b>Employer's contributions:</b>		
Normal	19,097	18,887
	<b>19,097</b>	<b>18,887</b>
<b>Benefit support:</b>		
Government support	778	910
Transport for London	5	5
	<b>783</b>	<b>915</b>
	<b>33,599</b>	<b>33,221</b>

**AUDITED FINANCIAL STATEMENTS  
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2021 (CONTINUED)**

**4. Administrative expenses**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Pensions administration	(315)	(279)
Actuarial fees	(55)	(131)
Trustee governance	(106)	(79)
Legal fees	(160)	(58)
Other professional fees	(38)	(22)
Communications	-	(18)
Audit fees	(15)	-
Irrecoverable VAT	-	67
	<b>(689)</b>	<b>(520)</b>

‘Pensions administration’ expenses cover the processing of member and pensioner transactions and preparation of financial statements and other reports. These activities are carried out by Railpen and are allocated according to the membership of each scheme or section of the railways pension schemes.

Administration and ‘Trustee governance’ expenses do not include investment management fees and costs, which are deducted from the unit prices of pooled funds and disclosed separately in the pooled fund accounts in Appendix L.

**AUDITED FINANCIAL STATEMENTS  
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2021 (CONTINUED)**

**5. Net returns on investments**

**(a) Value of investments**

	<b>Value at 31 December 2020 £000</b>	<b>Purchases at cost £000</b>	<b>Sales proceeds £000</b>	<b>Change in market value £000</b>	<b>Value at 31 December 2021 £000</b>
<b>Pooled funds</b>					
Growth	1,004,245	-	(6,725)	161,076	1,158,596
Illiquid Growth	130,576	7,040	-	38,713	176,329
Long Term Income	122,131	14,804	-	5,708	142,643
Private Equity	103,156	221	(24,807)	33,709	112,279
Short Duration Index Linked Bond	79,828	3,400	(9,995)	3,543	76,776
Government Bond	65,416	4,400	(5,448)	(1,636)	62,732
Long Duration Index Linked Bond	5,055	221	(480)	209	5,005
Infrastructure	5,150	-	(1,250)	132	4,032
Cash Fund	123	-	-	-	123
	<b>1,515,680</b>	<b>30,086</b>	<b>(48,705)</b>	<b>241,454</b>	<b>1,738,515</b>
<b>Directly held securities</b>					
BRASS AVCs	7,784	2,256	(2,482)	950	8,508
	<b>1,523,464</b>	<b>32,342</b>	<b>(51,187)</b>	<b>242,404</b>	<b>1,747,023</b>
Cash and other assets	12,835				7,035
	<b>1,536,299</b>				<b>1,754,058</b>

BRASS AVCs investments include 0 units in the PAF (2020: 41,582 units). Further information on the PAF can be found on page 14.

Income from pooled fund investments is capitalised within the price of the pooled fund units and, therefore, reflected within the market value of investments in the table above. Although income is not distributed, the pooled fund regulations allow the Fund 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 Railpen and Railway Pension Investments Limited ('RPIL').

**AUDITED FINANCIAL STATEMENTS  
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2021 (CONTINUED)**

**5. Net returns on investments (continued)**

**(a) Value of investments (continued)**

Further analysis of investments, charges and fees for each pooled fund is provided in an extract in the pooled fund accounts in Appendix L. The percentages of the pooled funds' assets that relate to the Fund investments are shown in the table below:

<b>Pooled Funds</b>	<b>% of pooled fund owned 31 December 2021</b>	<b>% of pooled fund owned 31 December 2020</b>
Long Term Income	10.8	11.0
Short Duration Index Linked Bond	8.4	11.0
Illiquid Growth	6.7	6.8
Growth	4.8	4.8
Private Equity	4.2	4.2
Government Bond	4.1	4.8
Infrastructure	3.1	3.1
Long Duration Index Linked Bond	2.5	2.7
Cash	0.2	0.2

The total value of the pooled funds used in the percentage calculations only include Fund investments in the pooled funds and so exclude cross held investments owned by the Growth and Defined Contribution pooled funds.

**(b) 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).

The Fund's investment assets have been fair valued using the above hierarchy levels as follows:

**AUDITED FINANCIAL STATEMENTS**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2021 (CONTINUED)**

**5. Net returns on investments (continued)**

**(b) Investments fair value hierarchy (continued)**

<b>At 31 December 2021</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Pooled funds</b>				
Growth	-	1,158,596	-	1,158,596
Illiquid Growth	-	-	176,329	176,329
Long Term Income	-	-	142,643	142,643
Private Equity	-	-	112,279	112,279
Short Duration Index Linked Bond	-	76,776	-	76,776
Government Bond	-	62,732	-	62,732
Long Duration Index Linked Bond	-	5,005	-	5,005
Infrastructure	-	-	4,032	4,032
Cash	-	123	-	123
	-	<b>1,303,232</b>	<b>435,283</b>	<b>1,738,515</b>
BRASS and other AVCs	-	8,508	-	8,508
Cash and other assets	7,035	-	-	7,035
	<b>7,035</b>	<b>1,311,740</b>	<b>435,283</b>	<b>1,754,058</b>
<b>At 31 December 2020</b>	<b>Level 1 £000</b>	<b>Level 2 £000</b>	<b>Level 3 £000</b>	<b>Total £000</b>
<b>Pooled funds</b>				
Growth	-	1,004,245	-	1,004,245
Illiquid Growth	-	-	130,576	130,576
Long Term Income	-	-	122,131	122,131
Private Equity	-	-	103,156	103,156
Short Duration Index Linked Bond	-	79,828	-	79,828
Government Bond	-	65,416	-	65,416
Infrastructure	-	-	5,150	5,150
Long Duration Index Linked Bond	-	5,055	-	5,055
Cash	-	123	-	123
	-	<b>1,154,667</b>	<b>361,013</b>	<b>1,515,680</b>
BRASS and other AVCs	-	7,784	-	7,784
Cash and other assets	12,835	-	-	12,835
	<b>12,835</b>	<b>1,162,451</b>	<b>361,013</b>	<b>1,536,299</b>

The above analysis has been performed with reference to the nature of the pooled funds in which the Fund is invested (i.e. unauthorised, unquoted funds) and not by reference to the underlying investments of the pooled funds. Details of the underlying pooled funds' assets and liabilities are provided in Appendix L.

**AUDITED FINANCIAL STATEMENTS  
 NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
 31 DECEMBER 2021 (CONTINUED)**

**5. Net returns on investments (continued)**

**(c) Investment risks**

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

**Credit risk:** this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

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

The Fund 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 Fund’s strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund’s 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 are set out in Appendix L.

**6. Current assets**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Contributions due from employer	26	59
PPF levies paid in advance	510	491
Administrative Expenses paid in advance	34	30
Benefit support due	77	86
	<b>647</b>	<b>666</b>

Contributions due from the employer were paid in accordance with the due date in the Schedule of Contributions in force at the year end.

**AUDITED FINANCIAL STATEMENTS**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2021 (CONTINUED)**

**7. Current liabilities**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Taxation and social security	(433)	(449)
Investment creditor	(4)	(4)
Benefits payable	(546)	(378)
Other charges payable	(63)	(80)
	<b>(1,046)</b>	<b>(911)</b>

**8. Related party transactions**

The Trustee and its subsidiaries provide services to the Fund. The charges, including those payable to external service providers, are detailed in note 4. At 31 December 2021, current liabilities included a liability of £29,784 in respect of these charges (2020: a liability of £77,567).

Two directors of the Trustee are members of the Fund, and one is also a non-executive director of Railpen. No other directors of Railpen or RPIL are members of the Fund. Certain directors of the Trustee and its subsidiaries receive remuneration, which is disclosed in the financial statements of those companies. The Fund bears its share of this remuneration. Contributions are paid in accordance with the Schedule of Contributions.

**9. Employer-related investments**

There was no self-investment at any time during the year, or during the previous year. Investment securities issued by HM Government are excluded from the definition of employer-related investments for the purposes of these audited financial statements.

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

**11. Subsequent events**

Following Russia's invasion of Ukraine, which commenced in February 2022, the directors have proactively considered the potential impact on the railways pension schemes. Although the railways pension schemes do not have any significant exposure to investments in Russia, and this is not therefore likely to have a material impact on the financial statements, Railpen has supplemented its existing compliance and monitoring resources by forming a Taskforce to monitor compliance with the new and evolving restrictions and rules that governments around the world put in place.

# **INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE, OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND ("the Fund")**

## **Statement about contributions**

We have examined the summary of contributions payable under the schedules of contributions to the British Transport Police Force Superannuation Fund ("the Fund") in respect of the Fund year ended 31 December 2021, which is set out on page 23.

In our opinion contributions for the Fund year ended 31 December 2021, as reported in the summary of contributions and payable under the schedules of contributions have in all material respects been paid from 1 January 2021 to 12 December 2021 at least in accordance with the schedule of contributions certified by the Actuary on 31 December 2016 and subsequently at least in accordance with the schedule of contributions certified by the Actuary on 13 December 2021.

## **Scope of work**

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedules of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the schedules of contributions.

## **Respective responsibilities of Trustee and Auditor**

As explained more fully in the Statement of Trustee's Responsibilities set out on page 23, the Fund's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedules of contributions to the Fund and to report our opinion to you.

## **The purpose of our work and to whom we owe our responsibilities**

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

**Iryndeeep Kaur-Delay**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
4 July 2022

**TRUSTEE’S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS AND SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR**

**Statement of Trustee’s responsibilities in respect of contributions**

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

**Trustee’s Summary of Contributions payable under the schedules in respect of the Fund year ended 31 December 2021**

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Fund under the schedules of contributions certified by the Actuary on 30 December 2016 and 13 December 2021, in respect of the Fund year ended 31 December 2021. The Fund Auditor reports on contributions payable under the schedules in the Auditors’ Statement about Contributions.

<b>Contributions payable under the schedules in respect of the Fund year</b>	<b>2021 £000</b>
<b>Member:</b>	
Normal contributions	12,744
<b>Employer:</b>	
Normal contributions	19,097
<b>Contributions payable under the schedules</b>	<u><b>31,841</b></u>

**Reconciliation of contributions**

Reconciliation of contributions payable under the schedules of contributions reported in the financial statements in respect of the Fund year:

	<b>2021 £000</b>
Contributions payable under the Schedules (as above)	31,841
Other contributions payable under Fund rules:	
Government support	778
Members’ AVCs	975
Transport for London	5
<b>Total contributions reported in the financial statements</b>	<u><b>33,599</b></u>

Signed for and on behalf of the Trustee on 29 June 2022.

**Christopher Hannon**  
Chair, Trustee Company

## Statement of Trustee's responsibilities for the financial statements

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

(i) show a true and fair view of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund 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 Trustees have 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. They are also responsible for:

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

The Trustees also have certain responsibilities in respect of contributions which are set out in the statement of Trustees' responsibilities accompanying the Trustees' summary of contributions.

The Trustees are responsible for 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, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

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

## THE TRUSTEE COMPANY

### Railways Pension Trustee Company Limited

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

	<b>2021</b>	<b>2020</b>
	<b>Number</b>	<b>Number</b>
Railways Pension Scheme	349,915	347,385
British Transport Police Force Superannuation Fund	7,622	7,438
British Railways Superannuation Fund	1,818	1,971
BR (1974) Fund	1,089	1,190
	<b>360,444</b>	<b>357,984</b>

### Railtrust Holdings Limited

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.

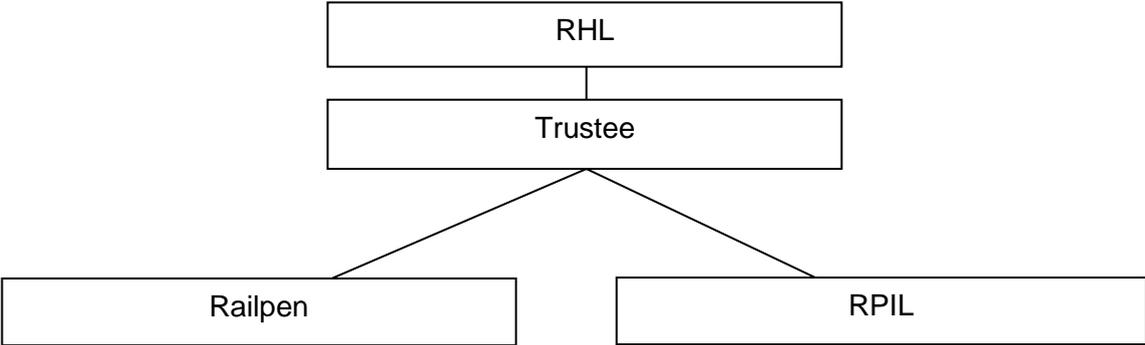
The primary purpose of RHL is to provide governance controls and appoint the directors of the Trustee. The Articles of Association set out the procedure for the appointment of directors. The aim is to achieve a balanced representation of the different employers and the members (or their representatives) 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). Approximately, one third of the directors retire by rotation every two years. The term of office is six years.

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

**THE TRUSTEE COMPANY (CONTINUED)**

**The structure of the Trustee group as at 31 December 2021**



**Operating Companies**

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

**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:

<b>Electoral Group</b>	<b>Number of Directors</b>
Passenger train operating companies	3
Network Rail	2
Freight train operating companies and support services	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 TRUSTEE COMPANY (CONTINUED)

### Employer director appointment procedure (continued)

The chart, below, shows the Employer Directors during 2021, 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 <sup>1</sup>	Network Rail	2026
Mark Engelbretson	Network Rail	2024
Adam Golton	Passenger train operating companies	2026
Fatima Hassan <sup>2</sup>	Network Rail	2026
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 resigned from the Board on 30 June 2021.
2. Fatima Hassan was appointed to the Board on 18 August 2021.

### Employee director appointment procedure

Nominations for each of the six Employee Directors to be appointed by the active members are sought from all of the railway trade unions, the British Transport Police Federation, and Pensions and Management Committees. Other organisations the directors consider to be representative of the employees may also be included.

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

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

## THE TRUSTEE COMPANY (CONTINUED)

### Employee director appointment procedure (continued)

The chart below shows the Employee Directors during 2021, their date of retirement by rotation, and nominating organisation.

Name	Nominating Constituency	Date of retirement by rotation
Michael Cash <sup>1</sup>	National Union of Rail, Maritime and Transport Workers	2028
Gerard Doherty	Transport Salaried Staffs' Association	2024
Richard Goldson	Retired Railway Officers' Society	2026
David Gott	National Union of Rail, Maritime and Transport Workers and the Management Committee of the British Railways Superannuation Fund	2024
Charles Harding	Confederation of Shipbuilding and Engineering Unions	2026
Peter Holden	British Transport Pensioners' Federation	2026
Michael Lynch <sup>2</sup>	National Union of Rail, Maritime and Transport Workers	2022
Howard Kaye <sup>3</sup>	Associated Society of Locomotive Engineers and Firemen	2028
Gary Towse	British Transport Police Federation and the Management Committee of the British Railways Superannuation Fund	2022
David Tyson <sup>4</sup>	Associated Society of Locomotive Engineers and Firemen	2022

1. Michael Cash was appointed to the Board on 1 November 2021.
2. Michael Lynch resigned from the Board on 24 June 2021.
3. Howard Kaye was appointed to the Board on 7 December 2021.
4. David Tyson resigned from the Board on 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.

All Trustee Directors must complete a Fit and Proper Person check prior to their appointment. This takes into account the individual's honesty, integrity and financial soundness, competence, and conduct, in line with guidance issued by the Pensions Regulator for schemes that are authorised master trusts. Directors make an annual declaration of their fitness and propriety, and the formal checks are repeated every three years and on reappointment to the Trustee Board.

The experience and skills of Trustee Directors are the cornerstones of the Board's effective ways of working. Directors attended up to twenty-one Board and Committee meetings in 2021, in addition to various workshops, strategy events, and training seminars.

## **THE TRUSTEE COMPANY (CONTINUED)**

### **Governance (continued)**

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 and at three-yearly intervals. A wide range of training is offered by external providers and Railpen, including training on the unique characteristics and complexity of the railways pension schemes. To further support Trustee Directors, information relevant to their role is easily accessible to them electronically in one convenient place, alongside all Board and Committee papers.

### **Creation of the British Transport Police Authority**

The principal employer of the Fund is the British Transport Police Authority, which was established by statute to supersede the Strategic Rail Authority ('SRA') with effect from 1 July 2004. The SRA was the principal employer for the period 1 February 2001 to 30 June 2004, superseding the British Railways Board ('BRB').

### **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 L.

For and on behalf of the Trustee:

**Christopher Hannon**  
Chair, Trustee Company  
29 June 2022

**TRUSTEE COMPANY REPORT**

**Membership**

Total membership increased by 2.6% during 2021 (2020: 5.3% increase).

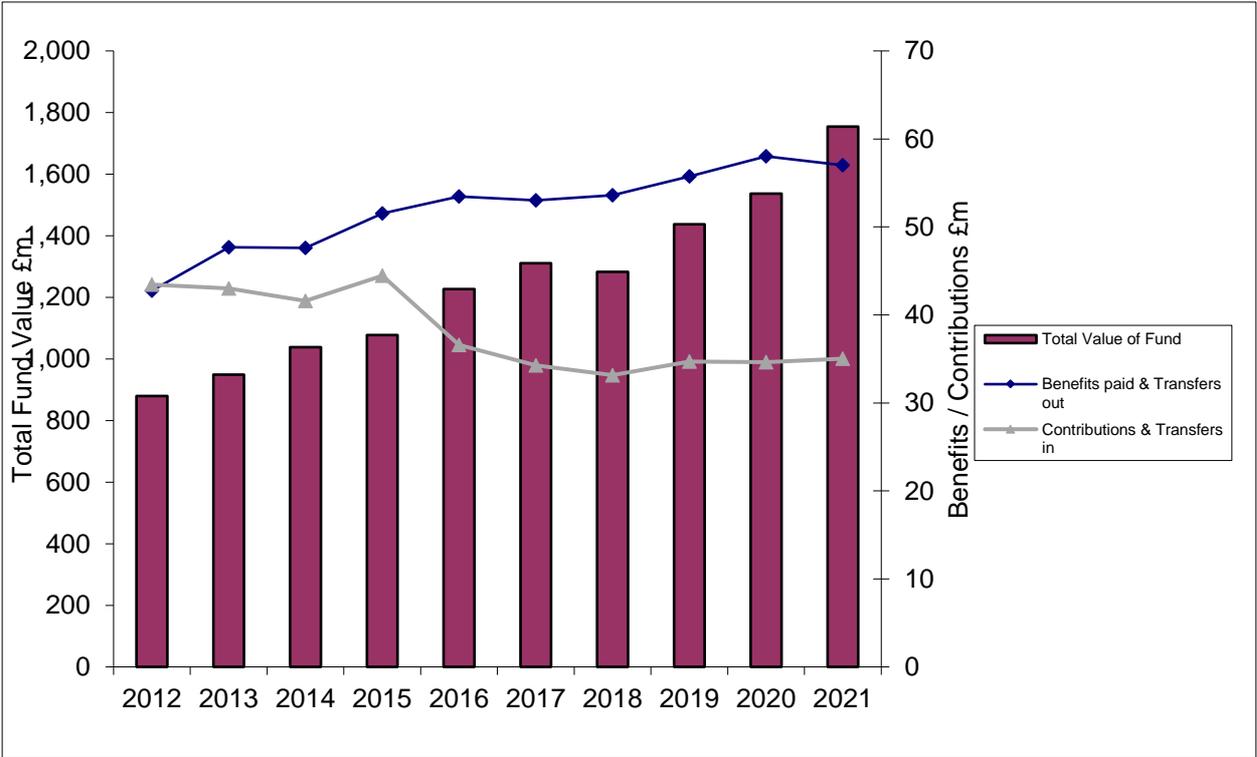
	2021	2020	% Increase/ (decrease)
Active members	3,076	3,017	2.0
Pensioners	2,891	2,806	3.0
Dependent pensioners	431	444	(2.9)
Preserved members	1,232	1,171	5.2
<b>Total membership at end of year</b>	<b>7,630</b>	<b>7,438</b>	<b>2.6</b>

**Financial information**

During the year, the net return on investments of the Fund, as a whole, was a gain of £242.4m (2020: gain of £122.0m).

The Fund paid benefits of £57.0m in 2021 (2020: £58.0m) and received contributions of £33.6m (2020: £33.2m). Allowing for transfer values and expenses, there was a net withdrawal from dealings with members of £24.6m (2020: net withdrawal of £25.8m).

The movements over the last ten years are shown in the following graph:



## **TRUSTEE COMPANY REPORT (CONTINUED)**

### **Actuarial valuation**

The most recent valuation of the Fund was carried out at 31 December 2015 by the Fund Actuary Adam Stanley of XPS Pensions Group. This was completed and signed off on 30 December 2016. Information about the results of the valuation can be found in the report on Actuarial Liabilities on pages 40 to 41 and the Summary Funding Statement in Appendix G. Further valuations are due as at 31 December 2018 and 31 December 2021. The Pensions Regulator is aware that the Trustee and the British Transport Police Authority are discussing the methodology and assumptions that should be used for these valuations.

### **Safe custody of assets**

The Trustee gives particular attention to the safekeeping of its assets, including the efficiency of transaction settlement, income collection, foreign exchange dealing and tax records. The appointed custodian supplies the Trustee with reports, attested by their external auditors, on the effectiveness of internal controls. Regular visits are made to the custodian and an independent custody-efficiency monitoring service is retained. Foreign exchange dealing is also monitored.

### **Operational risk**

The Trustee was one of the first UK corporate trustees to introduce a risk management process. The risk management process, which has been reviewed during the year, identifies risks, assesses their potential impact and likelihood and determines the appropriate action to reduce their likelihood and consequences. The risk management process is explained in more detail in Appendix E.

## **THE TRUSTEE INVESTMENT REPORT**

### **Introduction**

The Trustee is responsible for ensuring that suitable investment strategies are agreed for the Fund. The policies that guide how the assets of the Fund are invested are set out in the Statement of Investment Principles ('SIP'). An overview of the provisions of the SIP is available on request.

The mission of the Fund is to pay members' pensions securely, affordably and sustainably. To achieve these aims the assets of the Fund are invested to generate appropriate returns over the long-term.

Investment strategy is set taking account of, amongst other factors, the specific liability profile of the Fund. The Trustee has a sub-committee, the Integrated Funding Committee (IFC), responsible for carrying out this work, sometimes working with a Pensions Committee where established, with delegated investment responsibilities.

The Trustee has a wholly owned operating subsidiary, Railpen, to which it delegates the day-to-day operation of the Fund.

### **Fund returns**

The 1970 Contributory Section, with its liabilities predominantly in respect of serving members, has a large allocation to the Growth Pooled Fund, and smaller allocations to the Illiquid Growth Pooled Fund, the Private Equity Fund, the Long Term Income Pooled Fund, and UK government bonds. The investment return for the year was 17.8% net of fees and costs. Over a 3 year period, the investment return was 12.7% per annum, while over a 10 year time horizon, the return was 9.4% per annum.

The other two sections are much more mature (i.e. their liabilities are in respect of pensioners and deferred pensioners). As a result, they have higher allocations to bonds. The return for the 1970 Preserved Section was 4.2% for 2021 net of fees and costs. Over a 3 year period, the investment return was 3.5% per annum, while over a 10 year time horizon the return was 5.1% per annum. The 1968 Section had a return of 8.1% in 2021, 9.6% per annum over 3 years and 7.7% per annum over 10 years.

### **Investment management arrangements**

The assets of the Fund are invested through a number of pooled investment funds managed by Railpen, each with a different risk and return profile. These funds are managed as internal unit trusts and each pooled fund is approved by HMRC. The Fund holds units in some or all of the pooled funds. The use of these pooled funds enables The Fund to hold a broader range of investments more efficiently than is possible through direct ownership.

The range of pooled funds allows tailoring to the needs and particular circumstances of the Fund.

In many cases the pooled funds are multi-asset, where the mix of asset classes can be varied according to market conditions and opportunities. They enable the Fund to hold a managed portfolio of assets rather than a fixed allocation. This should result in a less volatile return profile.

## **THE TRUSTEE INVESTMENT REPORT (CONTINUED)**

### **Investment management arrangements (continued)**

Each pooled fund has a return comparator and risk parameters within which returns are targeted. Within the pooled funds, Railpen is able to make use of internal and external fund management capabilities and employs both active and more passive implementation styles.

The use of external active management has declined substantially over the past decade. External fee structures for public markets have increasingly moved to flat fees with fewer performance related payments. In private markets, fees are being reduced through an increase in co-investments and bespoke arrangements. The combination of these factors has resulted in a significant reduction in expenses.

The focus for pooled fund management in 2021 has been the efficient implementation of investments.

Within the Growth Pooled Fund, Railpen launched its third internally managed fundamental equity strategy. This focuses on mid and small-sized companies. The one remaining external quantitative equity mandate was terminated. An allocation was made to Chinese government bonds. Within the property allocation, we completed a number of new lettings, lease negotiations, and transactions.

Within the Illiquid Growth Pooled Fund, the largest new deployment of capital was to a debt mandate focusing on the banking industry. The in-house team continued to manage significant distributions from legacy investments in the Private Equity and Infrastructure Pooled Funds.

The Long Term Income Pooled Fund made a number of new investments in 2021, including exposures to new sectors, namely energy-from-waste and supermarkets.

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.

More broadly, over the year Railpen completed the internalisation of its trading desk.

## **THE TRUSTEE INVESTMENT REPORT (CONTINUED)**

### **Investment strategy**

The IFC is responsible for setting the Fund's investment strategy. In setting strategies for the Fund, 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 the Fund's 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 the Fund. Railpen works with the IFC to agree investment strategies for the Fund 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), and OTC derivatives – are unlisted and for some, there is no organised public market. These investments are carried at estimated fair values in accordance with the Trustee's accounting policies, as set out in the notes to the financial statements. These asset classes are generally less liquid than quoted or exchange traded investments, either because of the lack of an organised public market, the nature of the instruments or contractual arrangements. For these reasons, it is not usually possible to realise part or all of such assets at short notice.

## THE TRUSTEE INVESTMENT REPORT (CONTINUED)

### Economic commentary

The year was influenced by the persistence of the COVID-19 pandemic, continued fiscal and monetary stimulus, higher than expected inflation, and supply chain disruptions.

Amidst the rollout of vaccination programmes, most developed countries saw strict lockdowns reimposed during the first quarter as new variants of the virus emerged. The differing pace of vaccinations and different approaches to contain the virus meant the economic recovery was not equal across geographies. As many economies started to reopen, the second quarter proved a positive period for investment returns, price inflation, economic activity, and corporate earnings, all of which persisted over the summer months. At the G7 meeting in June, leaders reinforced their commitment to fiscal support and low interest rates. The accommodative monetary policy strengthened consumption trends and generated a positive market environment with growth expectations improving globally. September was marked by a clear change in tone, as concerns around inflation intensified and serious imbalances in supply and demand started to become apparent. Gas prices soared in Europe and the UK, forcing a number of energy suppliers into liquidation. In China, a liquidity crisis hit the second largest property developer in the country. The fourth quarter was characterised by record-breaking inflation, increased geopolitical risk following escalating tensions between Russia and Ukraine, and the first monetary tightening moves from central banks in years.

Over the course of 2021, consumer prices for all items, as captured by the Consumer Prices Index (CPI), rose by 5.4% in the UK, 5.0% in the Euro area, and 7.0% in the US. The Bank of England raised the base interest rate to 0.25% in December, and signalled additional, gradual rate rises over the course of 2022. In the US, the Federal Reserve asset buying programme was scaled back in November and is set to come to an end by early 2022, with interest rates expected to rise soon after.

Equities closed the year on a positive note, with the MSCI All Countries World Index advancing 20.9% in local currency terms. Developed countries performed strongly as investors focused on economic resilience and corporate earnings despite the emergence of the new variants of the coronavirus. Emerging markets lagged behind, with Turkey and Russia amongst the weakest performers. Meanwhile, government bond yields mildly rose over the year. The UK ten-year government bond yield rose from 0.2% to 1.0% and the US ten-year government bond yield rose from 0.9% to 1.5%. The German ten-year yield remained in negative territory, moving from -0.6% to -0.2%. The Pound Sterling appreciated 6% against the Euro over the year, but depreciated by 1% versus the US Dollar. Energy commodities performed particularly well over the year, notably crude oil and natural gas, which gained 55% and 47% respectively. On the other hand, precious metals were challenged, with gold losing 3% and silver losing 11% over the year.

## THE TRUSTEE INVESTMENT REPORT (CONTINUED)

### Investment performance

The Growth Pooled Fund, the largest of the pooled funds managed by 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 CPI +4% per annum. The largest portfolio allocation in the Growth Pooled Fund is to global equities and over the year the allocation increased from 70% to 74%. Other asset classes held within the Growth Pooled Fund include property, fixed income (high yield credit and emerging market debt) and diversifying assets. The Growth Pooled Fund return in 2021 was 16.2%. Over the past 3 years, the Growth Pooled Fund return of 14.2% per annum was well ahead of the comparator.

The Passive Equity Pooled Fund is invested in line with a global index weighted by market capitalisation and produced a return of 22.9% in 2021 and 19.9% 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 15.8%, and 14.5% 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 year of private equity investment. The Private Equity Pooled Fund produced an aggregate return of 60.3% in 2021 and 27.1% per annum over the past 3 years.

The Infrastructure Pooled Fund delivered a return of 3.4% for the year and 3.4% per annum over the past 3 years.

The Private Equity and Infrastructure pooled funds are closed to new investments. 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 33.8% for the year and 13.2% per annum over the past 3 years.

The Long Term Income Pooled Fund delivered a return of 5.4% for the year and 3.0% 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 Railpen on a buy and maintain basis. The Government Bond Pooled Fund returned -2.5% for the year and 0.6% per annum over the past 3 years.

The Non-Government Bond Pooled Fund is managed on a buy and maintain basis by an external fund manager and returned -0.6% for the year, and 5.7% 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 Railpen on a buy and maintain basis. The Fund achieved a return of 3.8% for the year, and 8.9% per annum over the past 3 years.

## **THE TRUSTEE INVESTMENT REPORT (CONTINUED)**

### **Investment performance (continued)**

The Short Duration Index Linked Pooled Fund was launched in October 2017. It is managed internally by Railpen on a buy and maintain basis. The Fund achieved a return of 4.3% for the year, and 2.3% per annum over the past 3 years.

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

### **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.

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.

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

## **THE TRUSTEE INVESTMENT REPORT (CONTINUED)**

### **BRASS AVC investments (excludes IWDC and DC arrangement)**

The Fund's holding in the DC Pooled Fund as at 31 December 2021, was £8.5m (2020: £7.8m).

The total value of these pooled funds as at 31 December 2021, was £1,860.1m (2020: £1,694.7m).

The AVC arrangements for the Fund, known as 'BRASS' and 'AVC Extra', are administered by Railpen. BRASS is open to all contributing members of the Fund. AVC Extra is the second contribution top-up arrangement for contributing members of the Fund.

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); and
- Volatility of journey, in particular as the members' target retirement age approaches (short-term risk).

The investment fund series for these arrangements is the Railpen 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.

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

**THE TRUSTEE INVESTMENT REPORT (CONTINUED)**

**BRASS AVC investments (excludes IWDC and DC arrangement) (continued)**

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

<b>Fund</b>	<b>Comparator</b>
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 CPI plus 4% p.a.
Index Linked and Global Bond Fund	50% Bloomberg Barclays Global Aggregate Corporate Index; 50% Bloomberg Barclays UK Government Inflation-Linked Over 15 years Index (overseas investments currency hedged into UK Sterling)
Deposit Fund	1 Month Sterling Overnight Index Average (SONIA)

## REPORT ON ACTUARIAL LIABILITIES

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 British Transport Police Authority, as set out in the Statement of Funding Principles. This is available to Fund members on request.

The most recent full actuarial valuation of the Fund was carried out, as at 31 December 2015. The three sections of Fund were assessed separately and a summary of the results are set out below:

### 1970 Contributory Section

The value of the Technical Provisions was: £1,030 million  
The value of the assets at that date was: £1,045 million

### 1970 Preserved Section

The value of the Technical Provisions was: £19.7 million  
The value of the assets at that date was: £22.7 million

Note that the value of the Technical Provisions shown above is after making allowance for the expected Transport Act receipts.

### 1968 Section

The value of the Technical Provisions was: £2.1 million  
The value of the assets at that date was: £2.7 million

As at the date of the valuation, the surplus was sufficient to cover the relevant proportion of future pension increases, as required under Section 56 of the Transport Act 1980.

The method and significant actuarial assumptions used to determine the Technical Provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

#### Method

The actuarial method to be used in the calculation of the Technical Provisions is the Projected Unit Method.

#### Significant actuarial assumptions

**Discount rates:** these were set by assessing the returns expected with a probability of 60% using a stochastic model and based on an agreed investment portfolio for each section.

- **1970 Contributory section:** different rates applied before and after retirement:
  - Before retirement: 100% of assets assumed to be invested in return seeking assets giving a discount rate of 7.5% per annum at 31 December 2015.
  - After retirement: 65% of assets assumed to be invested in return seeking assets and 35% in matching assets, giving a discount rate of 5.8% per annum at 31 December 2015.

## REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

### Significant actuarial assumptions (continued)

- **1970 Preserved section:** 100% of assets assumed to be invested in matching assets giving a discount rate of 2.5% per annum at 31 December 2015.
- **1968 Section:** 42.5% of assets assumed to be invested in return seeking assets and 57.5% in matching assets, giving a discount rate of 4.7% per annum at 31 December 2015.

**Future Retail Prices inflation:** based on the Bank of England inflation yield curve at the duration of the liabilities (17 years). This gave an expectation of future increases in the Retail Prices Index of 3.3% per annum, as at 31 December 2015.

**Future Consumer Prices inflation:** in line with increases in future Retail Prices inflation less an adjustment equal to 0.8% per annum.

**Pension increases:** in line with the assumption for future Consumer Prices inflation.

**Pay increases:** general pay increases of 1.0% per annum above the future Retail Prices inflation plus a promotional salary scale. Allowance is made for agreed short term pay increases.

**Mortality after retirement:** standard tables S1PA with a reduction in mortality rates of 9% at each age for both males and females to apply in 2006. Improvements in longevity have been allowed for from 2006, in line with the CMI 2014 model, with a long-term rate of improvement of 1.5% per annum.

## GLOSSARY OF COMMON TERMS

<b>Abbreviation</b>	<b>Description</b>
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 Arrangements	Defined Contribution Arrangements
DCC	Defined Contribution Committee
DfT	Department for Transport
DWP	Department for Work and Pensions
ECB	European Central Bank
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FGP	Fundamental Growth Portfolio
FRS	Financial Reporting Standard
Fund	British Transport Police Force Superannuation Fund
FX	Foreign exchange
GMP	Guaranteed Minimum Pension
ICAEW	Institute for 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
Railpen	Railpen Limited
RRL	Return, risk and liquidity
RMT	National Union of Rail, Maritime and Transport Workers
RPIL	Railway Pension Investments Limited
RPS	Railways Pension Scheme
RROS	Retired Railway Officers' Society
S2P	Second state pension

**GLOSSARY OF COMMON TERMS (CONTINUED)**

<b>Abbreviation</b>	<b>Description</b>
s75	Section 75 employer debt
SEE	Social, environmental and ethical
SIP	Statement of Investment Principles
SRA	Strategic Rail Authority
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

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## **APPENDIX A**

### **PRINCIPAL ADVISERS TO THE TRUSTEE AND MANAGEMENT COMMITTEE**

#### **Fund and investment administrator**

Railpen Limited (formerly RPMI Limited)

#### **Investment manager and manager of investment managers**

Railway Pension Investments Limited

Aviva

#### **Actuary**

Adam Stanley, XPS Pensions Group

#### **External auditor**

KPMG LLP

#### **Legal advisers**

Linklaters

Pinsent Masons

Sackers

Slaughter and May

#### **Principal Custodian**

BNY Mellon

#### **Clearing Banker**

National Westminster Bank

#### **Tax Advisers**

PwC

EY

## **APPENDIX B**

### **PAYMENT OF CONTRIBUTIONS**

#### **Due dates for payment of contributions**

The Trustee collects contributions from every employer participating in the Fund. Under the provisions of the Pensions Act 1995, it is the responsibility of each employer to pay contributions on time. Following the first valuation performed under the new scheme specific funding regime, the Trustee is required to prepare, maintain and monitor a schedule of contributions 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.

The schedule sets out as a percentage of pay the rate of contributions payable to the Fund by the employers and members, and also shows the dates on which the contributions are due.

The schedule of contributions that the Trustee has prepared for the Fund 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 22<sup>nd</sup> day of the following month under legislation).

The Fund Actuary conducts an actuarial valuation of the Fund every three years. The valuation must be signed off within 15 months of the valuation date. The schedule of contributions must be prepared within 12 weeks of the sign off and must be signed by both the Principal Employer and the Trustee.

#### **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.

The employer participates in the Trustee's direct debit arrangements for normal contributions and AVCs paid by the employer, which greatly reduces the risk of the employer failing to pay contributions on time.

During 2021, there were 20 instances of late payment of contributions with a total value of £0.2m, which represents 0.49% of contributions payable under the schedules of contributions. The largest individual amount was £34k, which was paid 1 day after the due date. We were not required to report these cases to the Pensions Regulator.

## APPENDIX C

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

In addition, all custodians appointed by the Trustee are required to publish an AAF 01/06, ISAE 3402 or similar document in other jurisdictions. This is a report on the custodian's internal controls, 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).

## **APPENDIX C (CONTINUED)**

### **CUSTODY ARRANGEMENTS (CONTINUED)**

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

#### Introduction

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

Sustainable Ownership is Railpen's approach to incorporating sustainability considerations into the investments we manage on behalf of our beneficiaries. This is underlined by the Trustee's related investment belief:

"Incorporating and acting upon climate risk and other environmental, social and governance factors are significant drivers of investment outcomes and part of our fiduciary duty".

Our Sustainable Ownership activities span three key areas:

ESG integration;  
Active ownership; and  
The climate transition.

#### Integration in portfolio management

We believe that ESG factors have a bearing on investment outcomes. ESG factors can affect business fundamentals and, as a result, asset values. It is important for investment managers to consider the magnitude, nature, timing, and likelihood of the ESG risk associated with an asset or portfolio of assets through rigorous analysis and cross-team collaboration.

Railpen's investment processes integrate ESG into the portfolios we manage on behalf our beneficiaries. This is a joint endeavour for the Sustainable Ownership and Investment Management teams. Analysis of a particular company can result in a number of decisions:

- To invest (or not) in the company;
- To hold and engage to improve ESG performance; or
- To sell a security, where the ESG risk proves to be unmanageable.

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

#### Active ownership

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

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

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

**APPENDIX D (CONTINUED)**

**SUSTAINABLE OWNERSHIP (CONTINUED)**

**Active ownership (continued)**

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

Railpen is a lead participant in a range of investor networks, alliances and trade bodies, such as the UK Investor Forum, the Pensions and Lifetime Savings Association (PLSA), the UN-supported Principles for Responsible Investment (UNPRI), the Workforce Disclosure Initiative (WDI) and Climate Action 100+. We also work towards creating a supportive regulatory and policy environment for sustainable ownership. By working with policymakers and other leading investors, including bondholders, we can exert more influence on the issues that we care about.

**The climate transition**

As long-term investors, we monitor risks and opportunities over the timeframe we will be paying members' pensions. We expect the companies we invest in to also take a long-term strategic view of potential risks and opportunities. In particular, we recognise that this long-term investment horizon exposes members' savings to the impacts of climate change. In 2021, Railpen committed to achieving Net Zero by 2050 or sooner, across both our investment portfolio and the emissions associated with our corporate footprint. We will achieve this both through decarbonising our investment portfolio (primarily through our Net Zero engagement plan, but also excluding companies where necessary) and investing in climate solutions.

**Pooled fund equity holdings**

The largest ten direct equity holdings within the pooled fund investments as at 30 December 2021, were as follows:

	<b>£m</b>
Thermo Fisher Scientific Inc	275.7
Microsoft Corp	272.3
Accenture PLC	265.5
Danaher Corp	246.2
Roche Holding AG	232.7
Visa Inc	227.5
Nestle SA	209.9
Alphabet Inc	204.0
IP Group PLC	201.0
Texas Instruments Inc	201.0

More detail on our Sustainable Ownership activities is contained in our Sustainable Ownership Review, which can be found at: [www.railpen.com/sustainable-ownership](http://www.railpen.com/sustainable-ownership).

## **APPENDIX E**

### **RISK STATEMENT**

The Trustee and its two operating subsidiaries, Railpen and RPIL continued to enhance our approach to enterprise risk management in the year ended 31 December 2021.

A new enterprise risk management system has been introduced from February 2021, which enables full visibility and ownership of risks across the organisation and ensures a consistent approach to identification, assessment, response and management of risks.

An enhanced enterprise risk governance framework was approved at board-level in quarter three, which formally articulates our approach to enterprise risk management and by the end of the year, all our colleagues were trained on the enhanced approach.

#### **Our enterprise risk management framework**

We manage a wide range of enterprise risks in achieving the Trustee's mission to pay members' benefits securely, affordably and sustainably and we have a comprehensive framework to manage the enterprise risks we face.

This framework includes policies, processes and governance arrangements, all designed to identify, assess, monitor and manage risk across the business. The framework 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.

Our approach to enterprise risk management is embedded throughout the organisation and consists of the following eight interrelated components:

#### **1. Governance and culture**

Risk governance and culture is about ensuring that everyone understands their roles and responsibilities under our 'Three Lines of Defence' model for the management of risk. This is supported by framework and policy documentation and risk committees.

The Trustee Board has primary responsibility for the enterprise risk governance framework, but delegates the activities associated with this to board-level and executive-level risk committees. The Three Lines of Defence model in operation is summarised as follows:

The first line represents the management functions that own and manage day-to-day business activities, operating practises and their related risks, and internal controls – supported by policies, directives and procedures.

Second line independently perform risk and internal control and compliance oversight, challenging and advising the first line on their risk and compliance management practices.

Representing the third line, internal audit services are provided to the Trustee by our in-house Internal Audit team. Through the delivery of internal audit and assurance services, Internal Audit provide an independent assessment of the adequacy of internal controls across all business areas.

## **APPENDIX E (CONTINUED)**

### **1. Governance and culture (continued)**

In respect of the pensions administration service provided by Railpen Limited, an internal controls assurance report has been prepared for the year ended 31 December 2021. 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)'.

### **2. Strategy and risk appetite**

We define risk appetite as the types and amount of risk that we are prepared to assume in order to achieve our strategic goals. This component ensures that enterprise risk management is aligned with our strategic goals and risk appetite.

### **3. Risk identification**

Risks to the achievement of our purpose, related strategic goals and objectives must be recorded in our enterprise risk management system, assigned an appropriate owner, and then mapped to one of our five principal enterprise risk categories of governance, strategic, operational, legal, conduct and regulatory, and financial.

### **4. Risk assessment**

How material the risk is to the achievement of objectives is assessed on two dimensions, the likelihood of their occurrence and their impact.

### **5. Risk response**

The materiality assessment will drive the response and determine how the risk is prioritised and managed in line with appetite. Depending on the risk appetite, there are five responses as follows – mitigate, accept, transfer, avoid, exploit.

### **6. Internal control**

Current controls are recorded against identified risks in our enterprise risk management system and appropriately assessed and these feed assurance work.

### **7. Information and reporting**

This component ensures relevant enterprise risk information is identified, recorded, monitored and reported in a form and timeframe that enable governing bodies to adequately discharge their responsibilities. We use several tools for risk monitoring and reporting, including risk registers and incident logs.

### **8. Review and revision**

Our approach to enterprise risk management must continue to evolve to support the ongoing needs of our business and stakeholders and we commit to at least an annual review of our framework and policy documentation.

## **APPENDIX F**

### **ACTUARY'S CERTIFICATE**

#### **Actuary's certificate of Schedule of Contributions**

**Name of fund:** British Transport Police Force Superannuation Fund

#### **Adequacy of rates of contributions**

1. I certify that, in my opinion, the rates of the contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2015 to be met by the end of the period specified in the schedule of contributions prepared on 12 December 2016.
2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

#### **Adherence to statement of funding principles**

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles prepared on 12 December 2016.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

**Adam Stanley**  
**Fellow of the Institute and Faculty of Actuaries**  
Scheme Actuary  
XPS  
Tempus Court  
Onslow Road  
Guildford  
GU1 4SS

30 December 2016

## **APPENDIX G**

### **SUMMARY FUNDING STATEMENT**

#### **Planning for the future**

A pension scheme is a long-term arrangement, designed to pay pensions over many years. For a shared cost arrangement, such as the British Transport Police Force Superannuation Fund, it is a partnership between the employer and pension scheme members. The Trustee looks after the assets of the Fund, which are built up by contributions and investment returns and are used to pay benefits in the future.

Many members will not take their benefits until sometime in the future and pensions will continue to be paid over many years. This means that to work out the appropriate amount of assets that the Fund should hold now we need to make a number of assumptions about the future – such as the life expectancy of the members and the investment returns that may be achieved on the Fund's investments.

However, what actually happens in the future may be very different from the assumptions made now; and because pensions are paid over such a long time, the Trustee, the employer and the members can make changes over time so that pensions can be paid when they fall due.

The Fund has a formal financial assessment (an actuarial valuation) at least once every three years. The latest formal valuation was as at 31 December 2015. In the intervening years between formal valuations, an annual funding update is completed and the results of the update at 31 December 2017 have recently been published. This statement summarises the results and conclusions of the funding update at 31 December 2017, and a copy of the full report is available on request from Railpen at the address at the end of this statement.

The Fund includes two sections – the 1968 Section (which is a small historical section) and the 1970 Section. The 1970 Section is itself divided into the preserved benefits part (a closed part comprising pensions in payment) and the contributory benefits part (the open part of the Fund).

The main purpose of an actuarial valuation is to work out the rate of future contributions which must be paid to the Fund. The 2015 actuarial valuation (the results of which are summarised below) concluded that both the 1968 Section and the 1970 Section were in surplus at the valuation date and so no deficit contributions were required.

## APPENDIX G (CONTINUED)

### SUMMARY FUNDING STATEMENT (CONTINUED)

#### Funding positions assuming that the Fund will continue

##### 1968 Section

The latest actuarial valuation and the annual funding updates of the 1968 Section of the Fund showed that on the relevant dates the Fund's financial position was as follows:

	31 December 2015	31 December 2016	31 December 2017
The value of the 1968 Section's liabilities was:	£2.1 million	£2.2 million	£1.9 million
The 1968 Section's assets were valued at:	£2.7 million	£3.0 million	£3.0 million
This means that there was a funding surplus of:	£0.6 million	£0.8 million	£1.1 million

The funding surplus has been allocated to provide for future pension increases, as required under Section 56 of the Transport Act 1980.

No contributions are required for the 1968 Section of the Fund.

##### Change in funding position

The funding level at this valuation has improved since the annual funding update at the end of 2016. This is mainly due to higher than expected investment returns over the year, partially offset by the fact that a pension increase (that is not funded for) was awarded.

##### 1970 Preserved Section

The latest valuation and annual funding updates of the Preserved part of the 1970 Section of the Fund showed that on the relevant dates the Fund's financial position was as follows:

	31 December 2015	31 December 2016	31 December 2017
1970 Preserved Section's liabilities:	£32.0 million	£32.4 million	£31.0 million
1970 Preserved Section's assets (including Government support):	£35.0 million	£36.8 million	£34.7 million
This means that there was a funding surplus of:	£3.0 million	£4.4 million	£3.7 million

## APPENDIX G (CONTINUED)

### SUMMARY FUNDING STATEMENT (CONTINUED)

The result meant that the assets were enough, as at 31 December 2017, to cover 112% of the benefits that would need to be paid in the future.

No contributions are required for this part of the 1970 Section.

#### Change in funding position

The funding level at this valuation slightly deteriorated since the annual funding update at the end of 2016. This is mainly due to a reduction in future expected investment returns, partially offset by actual investment returns in the past being higher than expected.

#### 1970 Contributory Section

The latest valuation and annual funding updates of the Contributory part of the 1970 Section of the Fund showed that on the relevant dates the Fund's financial position was as follows:

	31 December 2015	31 December 2016	31 December 2017
1970 Contributory Section's liabilities:	£1,030 million	£1,178 million	£1,221 million
1970 Contributory Section's assets (excluding Brass):	£1,045 million	£1,192 million	£1,277 million
This means that there was a funding surplus of:	£15 million	£14 million	£56 million

The above result meant that at 31 December 2015, and at 31 December 2016, the assets were enough to cover 101% of the benefits that would need to be paid in the future, and enough to cover 105% of the benefits that would need to be paid in the future, at 31 December 2017.

The joint normal rates of contributions payable are set out below. As at 31 December 2015, these were calculated to be sufficient to fund the accrual of benefits and administration expenses over the period to the next valuation date.

40% of Fund Salary for members who joined prior to 1 April 2007.

30% of Pensionable Salary for members who joined after 31 March 2007 but before 1 April 2015.

25% of Pensionable Salary for members who joined after 1 April 2015.

The funding position and the cost of benefits accruing will in any event be reassessed at the next formal valuation, as at 31 December 2018.

## **APPENDIX G (CONTINUED)**

### **SUMMARY FUNDING STATEMENT (CONTINUED)**

#### **Change in funding position**

The estimated funding level has improved from 101% to 105% since the annual funding update at the end of 2016, moving from a surplus of £14m to a surplus of £56m. The investment returns over the year have been higher than expected, together with a reduction in the future expected price inflation, partially offset by a reduction in the future expected investment returns.

#### **Solvency position if the Fund were to be wound up**

The latest actuarial valuation of the Fund at 31 December 2015, also estimated the amount an insurer might charge if the Fund were to cease at that date and benefits secured with them. On this basis the assets were estimated to cover around 40% of the benefits that would need to be paid in the future. This is lower than the ongoing funding level described earlier as insurers are obliged to take a very cautious view of the future and wish to make a profit. By contrast, the ongoing funding valuation assumes that your employer will carry on and continue to support its funding of the Fund. This buy out figure is an estimate only and does not represent the actual amount that would need to be paid to any specific insurer to secure the benefits.

The Trustee is required by law to provide you with this information on the Fund's solvency position. It does not imply that there is any intention, on the part of either the Authority or the Trustee Company, to wind up the Fund.

#### **Investment of the Fund's assets**

The assets for the British Transport Police Force Superannuation Fund are invested in funds in which only railways pension schemes may invest. The Fund has its own investment strategy which determines how assets are invested in each of the pooled investment funds. This investment strategy is kept under regular review by the Trustee Company.

#### **Payments to the employer**

We are legally required to inform you of any payments that have been made to your Employer from the Fund in the last 12 months.

There have been no such payments.

## **APPENDIX G (CONTINUED)**

### **SUMMARY FUNDING STATEMENT (CONTINUED)**

#### **Pension Protection Fund**

The Government established the PPF to pay compensation to members of defined benefit pension schemes (like the British Transport Police Force Superannuation Fund) if employers become insolvent and if there are not enough assets in the pension schemes. In these situations, the PPF will take over the pension schemes' assets and provide benefits to the schemes' members. However, the benefits provided by the PPF would in almost all cases be lower than the pensions that members would have received from the scheme that has been taken over.

Further information and guidance is available on the PPF's website at:

[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

Or you can write to the PPF at:

12 Dingwall Road  
Croydon  
Surrey  
CR0 2NA

#### **If you would like more information**

If you have a question about the Fund or the information in this statement, please contact Railpen at:

Director of Rail Administration  
Railpen  
Stooperdale Offices  
Brinkburn Road  
Darlington  
DL3 6EH

**T:** 0800 2343434 (Customer Services Team)  
**E:** [csu@railpen.com](mailto:csu@railpen.com)  
**W:** [www.btp pensions.co.uk](http://www.btp pensions.co.uk)

Please remember to let Railpen know if you change your address.

## APPENDIX H

### FUND SECTION EXTRACTION ACCOUNTS

#### British Transport Police 1968 Section (unaudited)

#### Fund account for the year ended 31 December 2021

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Benefits</b>		
Benefits payable	(197)	(200)
Administrative expenses	(5)	(20)
<b>Net withdrawals from dealings with members</b>	<b>(202)</b>	<b>(220)</b>
Net returns on investments	217	259
<b>Net movement in the Section during the year</b>	<b>15</b>	<b>39</b>
Net assets at the start of the year	2,824	2,785
<b>Net assets at the end of the year</b>	<b>2,839</b>	<b>2,824</b>

#### Net assets statement as at 31 December 2021

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Investments	2,807	2,796
Current assets	34	36
Current liabilities	(2)	(8)
<b>Net assets at the end of the year</b>	<b>2,839</b>	<b>2,824</b>

The fund section extraction accounts are prepared by Railpen. They are not independently audited. The fund as a whole is independently audited.

**APPENDIX H (CONTINUED)****FUND SECTION EXTRACTION ACCOUNTS (CONTINUED)****British Transport Police 1970 Section Current (unaudited)****Fund account for the year ended 31 December 2021**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Contributions and benefits</b>		
Contributions receivable	32,816	32,306
Transfer values	1,444	1,394
	<b>34,260</b>	<b>33,700</b>
Benefits payable	(54,744)	(55,576)
Transfer values	(195)	(135)
Administrative expenses	(2,599)	(2,247)
	<b>(57,538)</b>	<b>(57,958)</b>
<b>Net withdrawals from dealings with members</b>	<b>(23,278)</b>	<b>(24,258)</b>
Net returns on investments	241,348	121,001
<b>Net movement in the Section during the year</b>	<b>218,070</b>	<b>96,743</b>
Net assets at the start of the year	1,512,618	1,415,875
<b>Net assets at the end of the year</b>	<b>1,730,688</b>	<b>1,512,618</b>
	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Net assets statement as at 31 December 2021</b>		
Investments	1,723,920	1,500,405
Current assets	7,738	13,040
Current liabilities	(970)	(827)
<b>Net assets at the end of the year</b>	<b>1,730,688</b>	<b>1,512,618</b>

The fund section extraction accounts are prepared by Railpen. They are not independently audited. The fund as a whole is independently audited.

**APPENDIX H (CONTINUED)**

**FUND SECTION EXTRACTION ACCOUNTS (CONTINUED)**

**British Transport Police 1970 Section Historic (unaudited)**

**Fund account for the year ended 31 December 2021**

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Contributions and benefits</b>		
Benefit support	783	915
	<b>783</b>	<b>915</b>
Benefits payable	(1,841)	(2,108)
Administrative expenses	(106)	(113)
	<b>(1,947)</b>	<b>(2,221)</b>
<b>Net withdrawals from dealings with members</b>	<b>(1,164)</b>	<b>(1,306)</b>
Net returns on investments	838	809
<b>Net movement in the Section during the year</b>	<b>(326)</b>	<b>(497)</b>
Net assets at the start of the year	20,857	21,354
<b>Net assets at the end of the year</b>	<b>20,531</b>	<b>20,857</b>
	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
<b>Net assets statement as at 31 December 2021</b>		
Investments	20,296	20,263
Current assets	309	670
Current liabilities	(74)	(76)
<b>Net assets at the end of the year</b>	<b>20,531</b>	<b>20,857</b>

The fund section extraction accounts are prepared by Railpen. They are not independently audited. The fund as a whole is independently audited.

## **APPENDIX I**

### **SUMMARY OF THE MAIN PROVISIONS OF THE FUND**

#### **Tax status**

The Fund is a registered fund under the Finance Act 2004.

#### **Eligibility**

All police officers who are not within two years of their maximum pension age (60 or 65 depending on rank) when they join the service are eligible to join the Fund if allowed by their contract of employment.

#### **Transport Act 1980**

The Transport Act 1980 provides financial support for the employer's historical obligations. These obligations are met by the payment to the Fund of a fixed proportion, determined by the Secretary of State, of the relevant obligations as they fall due. This proportion is 65.99% of supportable Fund expenditure as it occurs.

Historic obligations relate to preserved membership which is membership prior to 14 September 1970, credited to members on joining the Fund at that time.

#### **Pension increases**

Pensions in the defined benefit schemes increased by 0.5% with effect from 12 April 2021. 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 2020.

#### **Benefit structure from April 2007**

From 1 April 2007, a revised benefit structure was introduced for new members and is shown in the following table. Details of the old benefit structure are available on request from Railpen.

## APPENDIX I (CONTINUED)

### SUMMARY OF THE MAIN PROVISIONS OF THE FUND (CONTINUED)

#### New members post 1 April 2007

##### Active member

###### Contributions

Contributions are based on pensionable salary, which is basic salary plus, where appropriate, pensionable allowances such as London Weighting.

Pensionable salary is re-assessed on the first Monday in January each year, based on the member's salary on the previous 1 November. Contributions cease when the first of the following occurs:

- a) on leaving the Fund;  
or
- b) at maximum pension age of 60 or 65 depending on rank.

###### Additional voluntary contributions ('AVC')

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

###### Death in service

Nominated dependants or personal representatives will receive:

A lump-sum death benefit of four times pensionable salary averaged over 12 months.

###### 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 children may also be payable.

Full details of the provisions of the Fund can be found in the Trust Deed and Rules.

## APPENDIX I (CONTINUED)

### SUMMARY OF THE MAIN PROVISIONS OF THE FUND (CONTINUED)

#### Leaving the Fund

##### **When a member retires at or after age 55 he/she will receive**

A pension of 1/70<sup>th</sup> of average pensionable salary for each year of membership, up to 35 years.

##### **Plus**

A tax-free lump sum of 4/70<sup>th</sup> of average pensionable salary during the last 12 months for each year of membership, up to 35 years. Lump sums can be converted into pension on a cost neutral basis.

##### **And on death**

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

##### **When a member retires because of incapacity he/she will receive**

Incapacity retirement benefits, with no reduction for early payment, can be granted at the Management Committee's discretion to members retiring on the grounds of incapacity who have completed at least five years' membership. The length of membership used to calculate the pension may also be enhanced in certain circumstances.

##### **And on death**

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

##### **When an immediate pension is not payable he/she will receive**

##### **If the member has 2 or more years' service, either:**

A preserved pension and lump sum payable from age 65, or from age 55 at a reduced amount.

##### **Or**

A transfer value payment payable to another approved pension arrangement.

##### **If the member has less than 2 years service:**

A refund of contributions less tax and other deductions.

##### **Transfer values**

All transfer values out of the Fund are paid in full and 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.

Full details of the provisions of the Fund can be found in the Trust Deed and Rules.

## APPENDIX J

### IMPLEMENTATION STATEMENT (forming part of the Trustee Company Annual Report)

#### Introduction

Railways Pension Trustee Company Limited is the trustee body (the 'Trustee') for the railways pension schemes (the 'Schemes') namely: the Railways Pension Scheme, 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 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 2021 and covers the year 2021.

#### The Trustee's review of the SIP in 2021

The SIP was not changed over 2021. It was last reviewed over the summer of 2020 and a revised SIP was adopted by the Trustee on 17 September 2020. The current version of the SIP is available on the website: <https://www.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 Schemes 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.

## **APPENDIX J (CONTINUED)**

### **IMPLEMENTATION STATEMENT (continued)**

#### **How the SIP has been followed during the year (continued)**

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 are therefore 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 is expressed as a mix of growth and defensive assets.

The Trustee was satisfied that the RRL framework remained appropriate over 2021, but as part of their governance responsibilities, is reviewing the investment strategy setting process, including a review of the pooled fund range. This is likely to result in changes to both the investment strategy setting process and the Pooled Fund range.

The Trustee's pooled funds are used to construct each investment strategy 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 RPIL, the internal manager for the Schemes, or to fund managers appointed by RPIL (together the 'fund managers'). The investment arrangements are overseen by the Asset Management Committee (the 'AMC') who ensure adherence to the Trustee's investment policy. Railpen supplies personnel and infrastructure to RPIL to enable it to manage the schemes' assets.

The Trustee Board and the AMC received a report in Q1 2021 on the annual review of the Pooled Funds. The Trustee concluded that the Pooled Fund range had performed as expected and was managed effectively; however, they requested a review of the Investment Beliefs to make them more risk-focused. This review has been undertaken and the updated Beliefs published in December 2021.

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.

The Trustee is 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.

A review of the DC fund range was undertaken over 2020 and 2021. The review covered all of the investment funds offered; the default investment strategies, alternative lifestyle arrangements, and the range of self-select funds. The Trustee is currently in the final stages of implementing the resultant changes.

## **APPENDIX J (CONTINUED)**

### **IMPLEMENTATION STATEMENT (continued)**

#### **How the SIP has been followed during the year (continued)**

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 the SIP, the Trustee’s investment policy and any applicable investment guidelines and restrictions agreed with the Trustee. The Trustee maintains oversight through regular meetings with the Chair of the AMC and updates from RPIL officers, and remains satisfied with the implementation of the investment policy.

#### **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 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 RPIL monitoring the custodian’s service provision and credit-worthiness;
- appointing the Asset Management Committee (‘AMC’) with specific responsibilities including oversight of the management of the pooled funds; and
- internal Investment Risk and Operational Risk Committees to oversee the 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 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.

## **APPENDIX J (CONTINUED)**

### **IMPLEMENTATION STATEMENT (continued)**

#### **Risks – including the ways these are to be measured and managed – and the expected return on investments (continued)**

The AMC monitors the performance of RPIL against long-term performance objectives and compliance with operating parameters to ensure the investment approach aligns with the Trustee's investment policy and beliefs. RPIL is responsible for monitoring the performance of the fund managers against long-term performance objectives and compliance with operating parameters to ensure alignment with the Trustee's investment policy and beliefs.

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

#### **The realisation of investments and monitoring of costs**

RPIL and the fund managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments 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. RPIL 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 focuses 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.

As explained in last year's Implementation Statement, the Trustee delegates investment powers to RPIL under the terms of the Investment Management Agreement ('IMA') which sets out the parameters and policies within which RPIL operates. The Trustee reviews and monitors performance (and fees) to ensure that the activities of RPIL continue to be aligned with the Trustee's investment policy.

As mentioned above, in 2021 the Trustee worked with RPIL on a new set of Investment Beliefs that could better reflect changes in its approach to investment. Several Beliefs are relevant to RPIL's work on Sustainable Ownership including: the need to exploit the advantages of long-term, focused investment decision-making; the critical role managing asset-liability risk plays in a scheme's long-term success; and the importance of choosing and structuring investments in a way which is aligned to a scheme's long-term objectives. The fourth of the Investment Beliefs focuses specifically on the Trustee's approach to Sustainable Ownership:

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Sustainable Ownership Governance and Trustee Framework (continued)

*Environmental, social and governance ('ESG') factors affect corporate financial performance, asset values and asset-liability risk. Well-informed and financially material ESG analysis, as part of a holistic investment process, supports the identification and ultimately the pricing of ESG risk and opportunity. Constructive engagement combined with thoughtful voting can protect and enhance investment value.*

*A long investment horizon exposes a pension scheme to societal and systemic risks, such as climate change. These risks are growing and need to be managed. Capital allocation by investors and corporates makes a difference in how these risks play out. RPIL has a responsibility to make a scheme's assets resilient to systemic threats and position portfolios for long-term opportunities. We believe it is possible and necessary to deliver the returns the schemes need, whilst positively contributing to the world our members retire into.*

The Trustee is confident that these new Beliefs will better support the RPIL team to: focus on ESG issues as a financially material factor; emphasise the materiality of ESG issues to scheme liabilities as well as assets; include both bottom-up but also top-down or systemic ESG approaches, in recognition of the Trustee's role as a universal asset owner; focus on capital allocation and not just engagement; and fulfil its role in having a positive impact on the world members retire into.

In 2021, the Trustee also established the Asset Management Committee ('AMC') to replace the Railpen Investment Board to oversee the management of the Pooled Funds by its wholly owned subsidiary RPIL, including sustainable ownership activities. The AMC oversees the performance of RPIL and external managers on a regular basis. The membership of the AMC includes two Trustee NEDs or Trustee Directors, one Railpen iNED, two independent investment experts and the Railpen Chief Executive Officer.

The Trustee has established a sub-committee, the Defined Contribution Committee ('DCC'), to provide oversight of the performance of the DC funds. This includes consideration of the appropriateness of the range of available self-select funds and the suitability and composition of any sustainable or values-based/ethical funds.

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

In 2021, the Trustee worked with the RPIL team to undertake two half-day training sessions on i) ESG including climate change, fiduciary duty and ii) climate change specifically. Given the lockdowns in place at the time, the training sessions were delivered in virtual format, using multi-media, polling, interactive activities, and discussions with climate scientists and other external speakers. Topics covered included stewardship, Net Zero, regulation, climate science and climate impacts on covenant strength.

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Sustainable Ownership Governance and Trustee Framework (continued)

In 2021, the Trustee and the DCC worked with the wider RPIL team, to consider the creation of a 'Socially Responsible Equity Fund' which launched in Q2 2022, and which screens out exposure to companies in sectors such as controversial and nuclear weapons, tobacco, gambling, thermal coal and oil sands. The Trustee has discussed the fund's approach extensively with the DCC, while members were also consulted on the appropriate terminology for the fund, and is comfortable that this is an appropriate ethical option for members.

The Trustee is satisfied that RPIL is taking an approach to sustainable ownership that aligns with its own and in the best interests of the members of the railways pension schemes. We note that Railpen won the *Investment & Pensions Europe (IPE) ESG Award 2021* for its work on its Net Zero roadmap, its approach to voting and its work on workforce issues.

#### ESG Integration

In our SIP, we explained that we recognise our 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. We also explained that these factors include, but are not limited to, environmental, social and governance factors, including but not limited to climate change.

The Trustee has ensured that RPIL is aware of its views on the materiality of ESG factors to the portfolio, not only in RPIL's own in-house Sustainable Ownership approach, but also in its selection, monitoring of and engagement with any external fund managers.

The Trustee also expects that RPIL will provide regular reporting on its ESG integration activities to the Board. In 2021, the Trustee asked RPIL to provide integrated reporting on ESG integration and active ownership metrics, activities and outcomes as part of the Investment and Risk Reports which are received by the AMC. The reports received have been helpful in ensuring the Trustee can more effectively monitor and understand the work that RPIL 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. It is comfortable with RPIL's ongoing approach to exclusions on the basis of:

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

The first two factors have financially material relevance, while the last exclusion list on indiscriminate weaponry reflects reputational risk factors. In 2021, the RPIL team worked on updating the exclusions approaches, to ensure the work undertaken continues to align with market best practice and better reflects the Trustee's approach to ESG risk. These new methodologies will then be used to make recommendations for exclusion to the Asset Management Committee in 2022. The Trustee is comfortable with the work undertaken to improve RPIL's exclusion approaches, which we believe will help RPIL more efficiently protect and enhance the value of members' savings.

## **APPENDIX J (CONTINUED)**

### **IMPLEMENTATION STATEMENT (continued)**

#### **ESG Integration (continued)**

In line with the Trustee's views on the inherent affinity between investing in real assets and sustainable ownership, in 2021, RPIL continued its 2020 work to strengthen and formalise its approach to conducting in-depth assessments of ESG and reputational risk across the Long-Term Income Fund ('LTIF') portfolio. This included creating new tools such as a 'Materiality Map' to identify the most material ESG issues and beginning the assessment of LTIF's directly-held assets against the Sustainable Development Goals ('SDGs'). In 2022, RPIL will design a reporting dashboard to formalise the most relevant sustainable ownership metrics for LTIF.

In 2021, the Trustee continued to intensify its focus on climate change. As we set out in the SIP and in our updated Investment Beliefs, the Trustee recognises climate change as a financially material issue across both its assets and its liabilities. The Trustee was supportive of the June 2021 publication of RPIL's Net Zero commitment by 2050 or sooner and of the detailed roadmap for doing so which accompanied the commitment's launch. We particularly welcomed the emphasis on structured and robust stewardship activity to enable decarbonisation of the portfolio in a way which also achieves real world impact. The progress of this work in 2021 and further details of the Trustee's approach to climate change are outlined in the 2021 RPS Taskforce on Climate-related Financial Disclosures ('TCFD') report, as referenced in the 2021 RPS Reports and Accounts.

#### **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 sixteen 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 2021, RPIL's Sustainable Ownership team discussed its work with several of these Committees. Issues discussed included: the 2021 Voting Policy (updates and impacts); the use of benchmarks for measuring the effectiveness of RPIL's sustainable ownership activities; the Just Transition; and the extent to which RPIL's voting decisions diverge from those of its proxy advisers. In light of these and other factors, RPIL in 2021, committed to undertake an annual internal AGM Review, incorporated a criterion on the Just Transition into its in-house model of assessment of companies' climate change approaches and pressed ahead to refine KPIs and success measures across major Sustainable Ownership workstreams.

RPIL also instituted a Sustainable Ownership Client Forum ('SOCF') in 2021, to complement the interaction with Pension Committees. The SOCF consists of ten pension committee members, and two Trustee Directors are invited to each meeting. In 2021, items discussed included: how RPIL engages with portfolio companies; executive remuneration; and thematic engagement across the quantitative strategies ('QS') portfolio.

## **APPENDIX J (CONTINUED)**

### **IMPLEMENTATION STATEMENT (continued)**

#### **Member views (continued)**

The Trustee was also pleased to note RPIL's 2021 Sustainable Ownership Membership Engagement project, where RPIL sought to engage directly with the wider membership to understand their views on ESG issues and how they like to be communicated with. The team did this through a multi-phase approach consisting of i) publishing a member-dedicated, easily readable and accessible Sustainable Ownership Review, ii) conducting a member survey on sustainable ownership topics and iii) holding focused member roundtables run by an external facilitator. The feedback will be incorporated into RPIL's member communications on its integration, stewardship and climate work from 2022 onwards. We welcome RPIL's commitment to listening to member views, gain comfort from the findings that the issues that members care most about are already priorities for RPIL's sustainable ownership work and hope that the feedback will help further enhance the two-way dialogue on sustainable ownership issues such as through our member newsletters, social media channels and dedicated member portal, all of which frequently discuss initiatives such as our Net Zero roadmap, or our Stewardship Report.

#### **Voting and Engagement Policy**

The Trustee delegates the exercise of voting rights and engagement activity to RPIL, as part of the delegation of its investment powers. The discharge of voting rights is managed by RPIL's in-house Sustainable Ownership team according to agreed policies that seek to hold companies to account against best-practice standards of corporate governance.

The Trustee strongly believes that thoughtful voting alongside constructive engagement can influence corporate behaviour in a way that is in line with beneficiaries' best interests. This is why 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, RPIL has continued to internalise the management of assets, including much of the listed equity portfolio. This has built on the principles established by the Trustee in the Investment Transformation Programme undertaken 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 RPIL as far as possible seeks to direct votes or influence the voting approach.

In the table below, 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.

**APPENDIX J (CONTINUED)**

**IMPLEMENTATION STATEMENT (continued)**

**Voting and Engagement Policy (continued)**

In early 2021, RPIL wound up its holdings with two external managers upon which the Trustee reported in last year’s Implementation Statement: a segregated mandate with AQR and a holding in a frontier equity fund run by Blakeney. Over the scheme year, RPIL also agreed a Chinese A-shares equities mandate with Baillie Gifford and worked to incorporate its expectations on integration and stewardship into the Investment Management Agreement. This included an agreement that RPIL would be responsible for exercising all votes on the Trustee’s behalf within the mandate, but would maintain a dialogue with Baillie Gifford to share insights from each manager’s engagements and research to help inform voting decisions. The Trustee supports this approach, which is in line with our view that voting is an important stewardship tool and should be undertaken in a way that aligns with the engagement approach and priorities.

As described in last year’s Implementation Statement, RPIL – on behalf of the Trustee – had negotiated with Legal and General Investment Management (‘LGIM’) the ability to direct the votes on its UK holdings, despite being in a pooled arrangement. The Trustee continues to be supportive of this arrangement, recognising that the RPIL Sustainable Ownership and Investment Management Teams have extensive UK expertise and that as a UK pension scheme, the Trustee also has a particular interest in exercising its influence as a steward over its UK holdings.

<b>Manager</b>	<b>Pooled or Segregated</b>	<b>Voting approach</b>
Legal and General (Passive Equity)	CSUF/Pooled	RPIL directs all UK votes; LGIM Voting Policy ex-UK
Baillie Gifford (China A Shares)	Segregated	RPIL directs all votes
Blakeney (Frontier Equity Fund – 2 listed holdings and private) <sup>1</sup>	Fund	Blakeney Voting Policy

**Engagement**

The Trustee delegates to RPIL 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.

The Trustee and the AMC regularly review RPIL’s engagement activity through the reporting arrangements and opportunities for discussion outlined previously, and are satisfied by the approach RPIL takes to its individual and collective engagement activity. The Trustee is supportive of the approach taken by RPIL in becoming a signatory to the UK Stewardship Code, engaging with its external fund managers to encourage them to adopt practices in line with the spirit of this Code.

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<sup>1</sup> Please note: this fund has been winding down since 2015 and RPIL received its final redemption of £62,000 in July 2021.

## **APPENDIX J (CONTINUED)**

### **IMPLEMENTATION STATEMENT (continued)**

#### **Engagement (continued)**

The Trustee is pleased that in 2021, RPIL was one of the first wave of signatories to the 2020 Stewardship Code and that several excerpts from its report were used as examples of best practice in the FRC's subsequent report on effective stewardship reporting. We also note the positive reception to the report across the industry. Although we recognise that RPIL worked to make the Report as accessible as possible, while also meeting FRC expectations, we welcomed its decision to condense the 60-page Stewardship Code report into a member- dedicated, easily readable and accessible Sustainable Ownership Review.

We expect RPIL to continue to use its influence, both directly and in collaboration with other investors and organisations<sup>2</sup> with companies and policymakers to support long-term value creation across the portfolio in the interests of members. We welcome RPIL's commitment to engage with companies both on stock-specific ESG issues and on thematic or system-wide areas of concern. While we recognise the continued focus on engagement with its largest holdings, the Trustee is supportive of RPIL's shift in recent years to dedicating greater resource to thematic stewardship across four priority areas: Worth of the Workforce; Responsible Technology; Sustainable Financial Markets; and the Climate Transition. As RPIL's assets under management continue to grow, we believe engaging on system-wide issues which affect our whole portfolio reflects our role as a universal owner of assets. Further details of RPIL's approach to engagement in 2021, including case studies, can be found in the 2021 Stewardship Report: <https://www.railpen.com/knowledge-hub/reports/stewardship-report-2021/>.

The Trustee recognises that an important part of thematic stewardship is engagement with policymakers to ensure the implementation of system-level solutions to system-level challenges such as climate change, COVID-19 or income inequality. We are therefore pleased that RPIL continues to actively participate in policy debates on issues which are material to the portfolio and aligned with core engagement themes. In 2021, this included active participation in the government's Occupational Pension Stewardship Council ('OPSC'), where RPIL is part of the core Engagement Group and also chairs one of the sub-committees, and formally contributing to policy debates on issues such as: changes to the UK Listings Regime; the Department for Work and Pensions ('DWP')'s Call for Evidence on social issues; climate reporting across the investment chain.

#### **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 RPIL 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. RPIL's votes are exercised in line with the Voting Policy although the team also uses its professional judgement and intelligence on individual voting decisions.

In 2021, RPIL updated its Voting Policy to better align its voting with engagement priorities on Net Zero, freedom of association and labour relations, and dual-class share structures. The Trustee supports these developments, further information on which is outlined below.

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<sup>2</sup> This includes Climate Action 100+, the Workforce Disclosure Initiative, the coalition on Cybersecurity, the Amsterdam coalition on Remuneration, the 30% Investors Club and others. The full list of groups in which RPIL were participants over the scheme year can be found in the 2021 Stewardship Report on pp.74-76.

## **APPENDIX J (CONTINUED)**

### **IMPLEMENTATION STATEMENT (continued)**

#### **Voting (continued)**

##### **2022/2023 RPIL Voting Policy update**

Every year, RPIL's Sustainable Ownership team leads a post-season voting policy review with a view to defining the implementation for the following cycle.

Updates to each year's voting policy are informed by the following inputs:

- The list of observed issues and suggestions from the recent AGM season;
- Any changes in RPIL's thematic engagement priorities;
- Updates to the benchmark positions of RPIL's proxy advice providers; and
- Market developments and trends.

The proposals, if taken forward, may require a change to the text of the voting policy and/or a change to the underlying voting policy application. We then publish the updated text on our website and send it on to our external managers and our largest direct holdings, requesting a pre-AGM meeting to discuss our voting priorities.

The global voting policy for 2022/2023 was reviewed in Q3 2021. It was agreed that new areas would include:

##### **Net Zero alignment**

"In light of RPIL's own recent Net Zero commitment and roadmap, our voting policy highlights our Net Zero alignment expectations, including how we will assess progress against milestones and where we will escalate to a voting sanction (against the Chair of the Board and/or of any appropriate Committees, or the Report and Accounts as relevant) on climate risk and transition considerations."

##### **Workforce voice and representation**

"We believe that the inclusion of workforce perspectives at Board level can align the interest of shareholders, management and workers over the long-term. We recognise that there are multiple mechanisms through which this can be achieved, including the appointment of a workforce director. We are likely to vote in support of the appointment of workforce directors at portfolio companies, where there is evidence of a thoughtful and relevant approach. Where the right to freedom of association appears to have been curtailed, we may vote against the adoption of the Report and Accounts or the director we deem responsible."

##### **Ethnic diversity**

"Diversity is a key component of successful and high-performing Boards. As flagged in last year's update, from this year RPIL will – for the US and UK markets – consider voting against the Chair of the Nomination Committee, or relevant Directors, at the largest and most well-established companies where Boards do not have at least one ethnically diverse representative."

##### **Minority shareholder rights**

"Differential voting rights dilute the ability of minority shareholders to effectively scrutinise companies. We will continue to support moves to a one-share, one-vote arrangement, but will also be intensifying our engagement with companies and policymakers on this issue in 2022."

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (CONTINUED)

#### Voting (continued)

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

- **RPIL** – the bulk of voting in respect of listed equity (and any other voting, where it occurs) is implemented by RPIL’s in-house team.
- **LGIM (Passive Equity Fund)** – for ex-UK votes only as RPIL has the facility to exercise proxy voting rights for UK holdings directly.
- **Blakeney (Frontier Equity Fund)** – there was no proxy voting activity in 2021 as a decision was made in late 2020 to close down the old strategy through a liquidation process after which funds were returned to investors.

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

In particular, we considered RPIL’s policy on what they consider a most significant vote. In determining what might constitute a most significant vote, RPIL considers criteria provided by the PLSA in its Vote Reporting Template but also its own and these may include:

- Votes in companies where RPIL holds over 5% or the equivalent local reporting trigger;
- Votes at companies where the vote was escalated to the Chief Investment Officer (‘CIO’) for decision;
- Votes on issues which have the potential to substantially impact financial or stewardship outcomes;
- Votes against the Report and Accounts/Chair of the Board;
- Votes aligned with RPIL’s priority corporate governance or sustainability themes. For 2021, this included:
  - Workforce treatment and voice;
  - Remuneration, including fair pay;
  - Auditor tenure, remuneration and approach to climate accounting;
  - Board composition and diversity;
  - Climate disclosure and targets; and
- Votes on high-profile shareholder or management resolutions.

The Trustee is comfortable that this approach reflects our own understanding of what might constitute a most significant vote and will continue to engage with RPIL on voting priorities in 2022. We have also selected those votes from external managers which we consider to be most significant from the Scheme’s perspective.

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Voting Behaviour

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

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

- Glass Lewis
- Pensions & Investments Research Consultants ("PIRC")
- Morgan Stanley Capital International ("MSCI")
- Chartered Institute of Securities and Investments ("ACSI")
- Carbon Tracker
- The Transition Pathway Institute
- Climate Action 100+

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

RPIL puts in place its own custom voting policy with specific voting instructions for the proxy provider to apply to all markets globally. The Trustee was pleased to note that the 2021 update to the Voting Policy (which is implemented in voting decisions from January 2022 onwards) included new lines on Net Zero voting, workforce voice and engagement, and minority shareholder rights. We believe these reflect our own understanding of the most material issues across the portfolio. We note that RPIL also engages with ISS' and other providers' annual consultations on voting guidelines to raise standards across the industry.

The Trustee is comfortable that RPIL takes a robust approach to voting, in a way that is aligned with our engagement objectives and expertise, our voting beliefs and objectives, and those ESG issues that are most material to the portfolio and beneficiaries' outcomes. The Trustee particularly welcomes the fact that RPIL does not look to 'follow the herd' on voting decisions, using its judgement to vote for or against a resolution where its proxy advisers may recommend an alternative voting decision.

Although it is too simplistic to equate a vote against management with effective stewardship and robust voting approaches, the Trustee was particularly pleased to note that:

- RPIL continues to use its voting rights to vote against executive remuneration packages where the quantum and approach were insufficiently aligned with the long-term interests of shareholders and other stakeholders.
- RPIL demonstrated significant levels of support for shareholder resolutions which sought to ensure better disclosure and activity on issues such as climate change, fair pay and the rights of indigenous communities.

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 RPIL on voting priorities in 2022. We have also selected those votes from external managers which we consider to be most significant from the Scheme's perspective.

# APPENDIX J (CONTINUED)

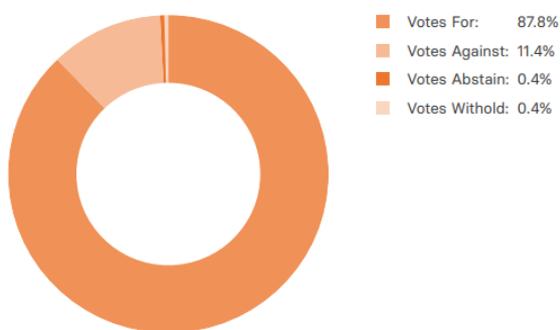
## IMPLEMENTATION STATEMENT (continued)

### Voting Behaviour (continued)

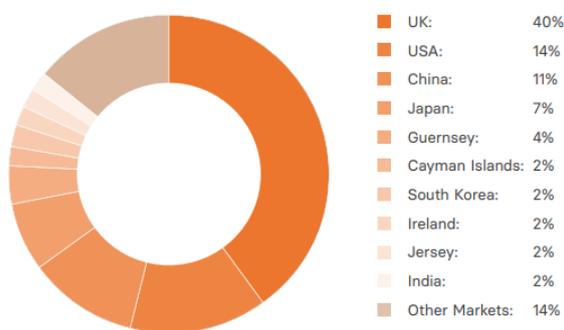
#### 2021 Voting Statistics

Number of meetings voted	1,678
Percentage of meetings voted	99.06%
Percentage of meetings with at least one vote against, withhold or abstain	58.26%

#### Voting Outcomes

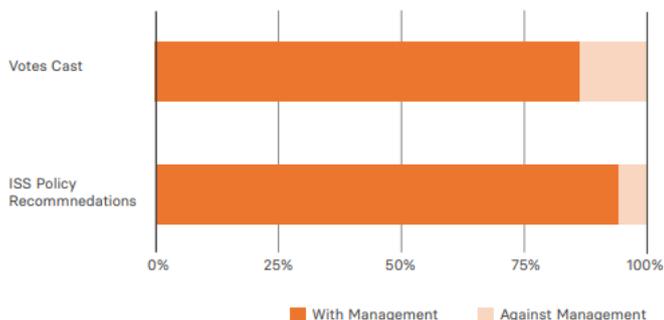


#### Meetings voted by market



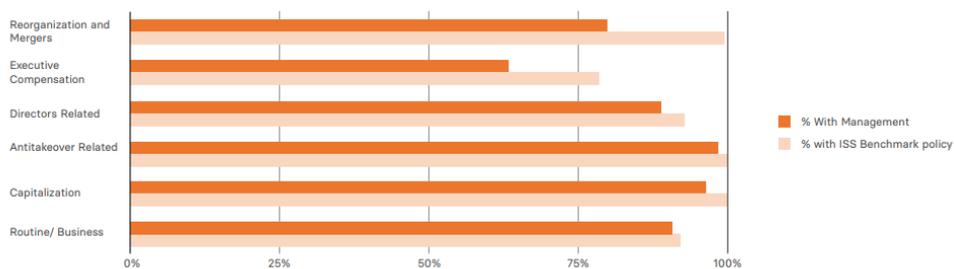
#### Alignment with Management

- 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 recommendation in 88% of cases, while the ISS Benchmark Policy recommendations are at 95% alignment with management recommendations.



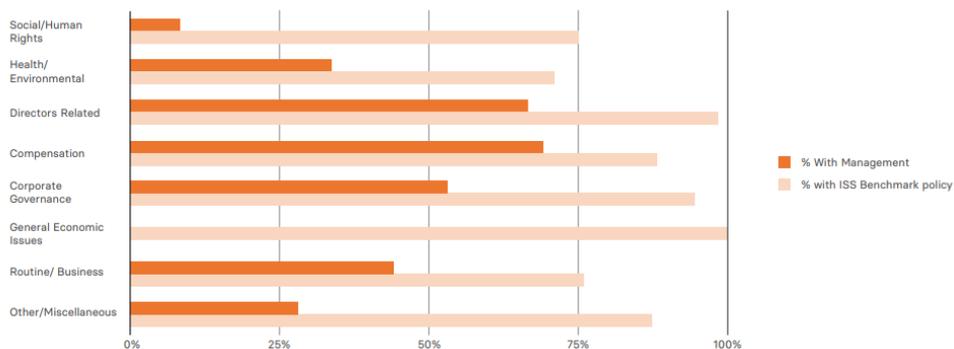
#### Votes cast on management proposal categories

- 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 Other/Misc matters where only 55% 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 management 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 general Economic Issues, at 100% and the lowest level of support for shareholder proposals related to Compensation, with 31% of proposals supported in this category.
- Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines.



## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most significant votes – RPIL

For ease of reading, the Trustee has decided to group the following 'Most Significant Votes' by company and issue. In a couple of instances, several votes cast pertained to a specific issue at a particular company. This means that although there are six RPIL case studies below, they cover 11 'Most Significant Votes' undertaken by RPIL in 2021.

When reading the below, it should be noted that where a resolution fails to garner a simple majority of votes cast, it will usually fail. If it obtains >50% of the votes cast, it will usually pass. The level of impact the result has will vary according to e.g. whether the vote was binding or advisory.

#### **Name of Company: Rio Tinto Plc ('Rio Tinto')** **09/04/2021**

**What the votes were about:** Approving the Remuneration Report; Director elections (Chair of the Sustainability Committee and the Chair of the Remuneration Committee/Senior Independent Director).

**Issue:** Rio Tinto is held in both our internal quantitative strategies portfolio and through the LGIM fund. Following the company's destruction of two ancient Aboriginal cultural heritage sites in May 2020, an internal review found that the CEO was one of three executives ultimately responsible for failures in risk oversight. In response the Remuneration Committee decided that the CEO would not receive a bonus pay-out and a malus reduction of £1 million would be applied to his 2016 LTIP award.

**Why most significant:** Remuneration as a priority theme; high-profile management resolution.

**Approach:** While RPIL's exposure to mining companies is limited, due to the exclusion of companies deriving over 30% of their revenue from thermal coal and tar sands extraction, we decided to address this sector-wide risk by becoming a signatory of an investor initiative targeting over 70 mining companies to review their policies and processes underpinning relationships with Indigenous peoples.

For Rio Tinto specifically, we were concerned by the absence of meaningful disclosure on the methodology used to determine the £1 million reduction. We were also disappointed that the Remuneration Committee failed to exercise further downward discretion on a FY2020 LTIP pay-out that was significantly larger than the FY2019 pay-out, and still treated the CEO as an eligible leaver.

**Outcomes and next steps:** We directed a vote against the company's remuneration report and abstained on the Chair of the Remuneration Committee's re-election. Furthermore, we voted against the Chair of the Sustainability Committee in light of Rio Tinto's broader failures in risk oversight, including the lack of adequate controls to properly manage relationships with indigenous communities.

Over 60% of votes cast against the remuneration report, with a lower dissent level of 4.9% against the Remuneration Committee Chair and 26.5% against the Sustainability Committee Chair. Rio Tinto has since announced its intention to reflect on shareholder feedback and apply the Remuneration Policy's newly introduced ESG metrics, particularly in relation to heritage management.

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most Significant Votes – RPIL (continued)

We will review progress at the 2022 AGM and continue supporting the investor initiative on mining companies' approach to Indigenous peoples. If progress is deemed to be insufficient, we will assess escalation options for Rio Tinto during our next Governance and Conduct Zero-Weight exclusion cycle.

#### **Name of Company: Nestlé**

**15/04/2021**

**What the votes were about:** Approval of the Report and Accounts; Re-appointment of the Auditor (climate accounting).

**Issue:** Nestlé is a major holding in our internal, active fundamental equities portfolio and we are engaged in an ongoing dialogue on the company's approach to ESG issues. Nestlé has made significant progress on front-end climate reporting in its Annual Report. However, as a globally significant GHG emitter (particularly on Scope 3 emissions), we were concerned that the company had not yet incorporated material information about climate-related issues into their financial statements, despite engagements on the topic from RPIL and others in recent years. We also wanted to see an explicit discussion of climate change by the auditor in its Key Audit Matters report.

**Why most significant:** Climate as a priority theme; Audit and climate accounting as a priority theme; a large position in our fundamental equities portfolio.

**Approach:** We had arranged a pre-AGM engagement to discuss Nestlé's Climate Action Plan, amongst other issues, and RPIL's expectation that climate change risks should be reflected in the financial accounts and narrative reporting. In this meeting, we were pleased by the genuine commitment and enthusiasm to go further by Nestlé. We had also engaged collectively with Nestlé as part of the CA100+ lead investors group, which played a significant role in the company's decision to allow a vote on its climate strategy at the 2021 AGM.

**Outcomes and next steps:** We decided to vote against the auditors but, in recognition of the progress made by Nestlé on front-end reporting and the positive engagements and conversations on climate accounting specifically, abstained on the Report and Accounts.

We informed Nestlé of our voting intention in advance of the meeting. The Report and Accounts passed with 99.5% of the vote while the auditor was ratified with 99.1% of the vote. We believe that this is in part because much of the investor community has historically not given climate accounting the attention it deserved. We will continue to engage with Nestlé and other major holdings in our portfolio on climate accounting, as well as seeking to raise awareness across the industry and with UK policymakers of the materiality of the issue to meaningful company activity on climate change. This includes as a lead investor on climate accounting specifically as part of the CA100+ initiative.

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most Significant Votes – RPIL (continued)

##### Name of Company: Microsoft Corporation

01/12/2021

**What the votes were about:** Director elections (CEO/Chair and the Chair of the Nomination Committee/Lead Independent Director), shareholder resolution on the effectiveness of Microsoft's sexual harassment policies.

**Issue:** Microsoft is a major holding in our Fundamental Equities portfolio. We have previously engaged constructively on a number of issues, including workforce disclosure, how they have supported their workforces during COVID-19 and our longstanding support for their separation of the CEO/Chair role. However, in 2021 it was announced that CEO Satya Nadella would become Executive Chair and we were also concerned by a lack of transparency over allegations that Bill Gates enabled a culture of harassment.

**Why most significant:** A high-profile shareholder resolution; workforce treatment as a priority theme; a large position in our fundamental equities portfolio.

**Approach:** We actively discourage the combination of the Chair and Chief Executive roles, as this can compromise the independent oversight of management and diminish the representation of shareholders' interests at Board-level. This is a long-standing RPIL principle and has been part of our Voting Policy since 1992. We send our Voting Policy to all our major holdings, such as Microsoft, each year. The elevation of Satya Nadella to Executive Chair took place shortly after a 2021 discussion with Microsoft where we had explicitly expressed our support for the split CEO/Chair role. We subsequently flagged our concerns, including in sending our 2022 Voting Policy update where we specifically requested a meeting to discuss this issue.

**Outcomes and next steps:** Our custom policy recommended a vote against Satya Nadella's election. However, in recognition of his fundamental importance to the company's strategy we softened our stance to an abstention this year. However, we decided to vote against the Chair of the Nomination Committee/Lead Independent Director in light of their central role in the leadership transition, as well as concerns around the lack of transparency to shareholders and others over the Bill Gates affair.

We also supported the shareholder resolution requesting a report on the effectiveness of Microsoft's workplace sexual harassment policies. Despite Microsoft's belief that a report on sexual harassment policies was unnecessary, we believed the company needed to go further to address the findings of independent investigations and the public reporting on Bill Gates' case.

The shareholder resolution passed with 78% support. The level of dissent against Satya Nadella was low at 5.3%, with 8.6% of votes directed against the Nomination Committee Chair.

We will continue to seek to engage with Microsoft on these issues.

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most Significant Votes – RPIL (continued)

**Name of Company: Amazon.com, Inc. ('Amazon')**

**26/05/2021**

**What the vote was about:** Adoption of a policy to include hourly employees as Director candidates.

**Issue:** Amazon is a major holding in our fundamental equities portfolio. We have previously engaged constructively on a number of issues, including on workforce health and safety, diversity and inclusion, and fair pay. We had also closely monitored Amazon's activity during the 2021 union drive in Bessemer and discussed mechanisms for dialogue with the workforce. We consider workforce relations to be a financially material issue at Amazon.

**Why most significant:** Workforce as a priority theme; a high-profile shareholder resolution; a large position in our fundamental equities portfolio.

**Approach:** We held a number of engagements with Amazon and in light of the increasingly productive dialogue – including on remuneration – we were supportive of many of management's proposals and voted against some shareholder proposals. However, while recognising that Amazon's Directors are collectively responsible for workforce engagement, we continued to feel that a Director with real-world experience of working conditions at Fulfilment Centres would bring a different and valuable perspective to the Board.

**Outcomes and next steps:** We discussed the resolution with Amazon and noted that the resolution did not prescribe the appointment of a worker to the Board, but rather that such a worker be considered in the recruitment process. We also noted in our engagement that Director recruitment is currently not advertised amongst Amazon's broader workforce. We therefore decided to vote in favour of the proposal around inclusion of hourly employees as Director candidates. We informed Amazon of our voting intention on this and other resolutions in advance of the meeting.

The shareholder resolution failed to pass, with dissent at 17.5%. We will continue to engage with Amazon on this issue and will also be prioritising engagement on workforce directors across our portfolio – including outlining what 'good practice' looks like from the investor perspective – in 2022.

**Name of Company: JD Wetherspoon Plc ('JD Wetherspoon')**

**18/11/2021**

**What the vote was about:** Director election (CEO/Chair), treatment of the workforce and gender diversity.

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most Significant Votes – RPIL (continued)

**Issue:** JD Wetherspoon is a holding in the passive equity pooled fund managed by LGIM, but as a UK holding, we take and implement the voting decision. Although we have not engaged directly given the small size of our holding, we have frequently voted against the company on a number of corporate governance and other issues, such as the combined Chair/CEO role – where it is an outlier for its market – its remuneration report and policy, and its approach to political donations. Over 2020 and 2021, we had been concerned at the company’s approach to payment of its workforce and its suppliers during the first wave of the pandemic, as well as its approach to workforce health and safety generally. We also noted that minimal progress had been made on gender diversity, with no plan outlined for doing so.

**Why most significant:** Workforce as a priority theme; Abstention or vote against the Chair; Board composition and diversity as a priority theme.

**Approach:** As we have a passive and relatively small holding, we did not seek to engage directly with the company as we carefully prioritise resource for engagement. Instead, we decided that exercising our vote appropriately in the first instance would constitute a proportionate approach. We placed the company on a ‘watchlist’ to ensure that we could dedicate the appropriate time to considering how best to exercise our vote. Our policy recommended several votes against directors for lack of independence and excessive tenure. However, there was no clear priority mechanism for expressing our concerns about workforce treatment. We also wanted to escalate on our long-standing concerns around the lack of progress on gender diversity.

**Outcomes and next steps:** We discussed the issue internally and agreed that the resolution around electing the Chair of the Board (also the CEO, Tim Martin) would be the most appropriate mechanism for expressing our dissatisfaction both on workforce treatment and on gender diversity at the board level. However, we also recognised that the CEO is core to the company’s strategy at what continues to be a difficult time for the hospitality industry. Our policy recommended that we vote in favour of the Chair/CEO, but we overrode the policy and decided to abstain on his re-election.

Mr Martin was re-elected. We note that in 2021, the company selected two workforce directors for the first time, in what was widely viewed as an attempt to improve its relationships with the workforce. However, we have concerns around the nomination process and how effective it will be in enabling effective resolution of longstanding concerns around board composition and the workforce dialogue.

Although JD Wetherspoon is not a specific priority from a stock-specific risk perspective, RPIL will be focusing particularly on company approaches to workforce directors as one of our thematic stewardship priorities under “Worth of the Workforce”. It is therefore likely that we will seek to engage with JD Wetherspoon, and other companies considering or implementing workforce directors, as part of our ongoing work on this issue in 2022.

**Name of Company: BHP Group Limited ('BHP')**

**11/11/2021**

**What the vote was about:** BHP’s Climate Transition Plan

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most Significant Votes – RPIL (continued)

**Issue:** BHP Group Limited is a holding in our quantitative strategies portfolio. 2021 had seen intense voting activity on climate change with a record number of climate resolutions placed both by management and by shareholders. BHP management put its Climate Transition Action Plan to a vote at the 2021 AGM.

**Why most significant:** Climate as a priority theme; A high-profile management resolution.

**Approach:** As a response to the surge in climate voting activity, and in light of the need to ensure a coherent and consistent approach to 'Say on Climate' resolutions, RPIL pulled together comprehensive internal voting guidance to support analysts across the Sustainable Ownership team in assessing whether or not to support a climate resolution. We assessed BHP's plans through application of our internal framework, evaluating the climate transition plan on criteria including: the level of detail in the climate strategy; how climate change is incorporated into the financial accounts and capital allocation plans; and alignment to the goal of limiting global warming to 1.5 degrees; the degree of progress against its peers on climate change.

**Outcomes and next steps:** Our internal assessment found that BHP's climate transition plan: lacked a detailed climate strategy and capital allocation information; failed to align its targets and emissions intensity with the goal of limiting global warming to 1.5 degrees; was insufficiently specific on items such as future capital expenditure, internal carbon assumptions and emissions calculations; and needed to go further in applying the TCFD recommendations to its reporting. We therefore voted against the Climate Transition Plan.

The resolution passed with 84.9% of the votes cast in favour. We will continue to collaboratively engage with BHP through CA100+ to help steer its transition to net zero. Furthermore, the RPIL 2022 Voting Policy update, published December 2021, built upon our work on Say on Climate and net zero assessments during the AGM season to provide further details around our approach to net zero voting as part of our Net Zero Plan.

#### Voting Behaviour And Most Significant Votes – External Managers

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

The following Most Significant Votes represent RPIL'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.

## **APPENDIX J (CONTINUED)**

### **IMPLEMENTATION STATEMENT (continued)**

#### **Legal and General Investment Management ('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 RPIL of LGIM's approach to stewardship and engagement, which includes regular meetings and liaison on RPIL's key engagement themes and voting policy lines, is appropriate to the mandate and arrangement. We believe that activities where LGIM and RPIL jointly engage – for instance on issues such as climate through Climate Action 100+ - are an additional demonstration of the alignment of voting approach.

LGIM told RPIL in a dedicated meeting on sustainable ownership in 2021 that they would continue to focus on thematic engagement, including on the priority issues of biodiversity – broadening out from their 2020 work on deforestation – and board composition (with a particular focus on board diversity). RPIL, on behalf of the Trustee, will continue to engage with LGIM to better understand its approach to stewardship and in particular how it i) connects its assessment of portfolio companies' carbon emissions to its climate engagement targets and ii) tracks engagement progress and monitors outcomes. LGIM publishes an annual Active Ownership report which, together with the intelligence from RPIL's engagements with LGIM, provides additional comfort to the Trustee that our external managers' approach to voting and engagement is aligned with our priorities on issues such as climate change and fair treatment of the workforce.

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### LGIM (continued)

North America Equity Index Fund	
What was the total size of the fund as at 31/12/2021?	£16,494,699,375 <sup>3</sup>
What was the number of equity holdings in the fund as at 31/12/2021?	642
How many meetings were you eligible to vote at over the year to 31/12/2021?	638
How many resolutions were you eligible to vote on over the year to 31/12/2021?	7846
What % of resolutions did you vote on for which you were eligible?	99.73%
Of the resolutions on which you voted, what % did you vote with management?	70.95%
Of the resolutions on which you voted, what % did you vote against management?	28.98%
Of the resolutions on which you voted, what % did you abstain from?	0.06%
In what % of meetings, for which you did vote, did you vote at least once against management?	94.20%
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)	22.91%

<sup>3</sup> Please note that this is total fund size and not Railpen's holding within the fund.

APPENDIX J (CONTINUED)

IMPLEMENTATION STATEMENT (continued)

LGIM (continued)

**Europe (ex UK) Equity Index Fund**

What was the total size of the fund as at 31/12/2021?	£ 12,959,059,605 <sup>4</sup>
What was the number of equity holdings in the fund as at 31/12/2021?	488
How many meetings were you eligible to vote at over the year to 31/12/2021?	463
How many resolutions were you eligible to vote on over the year to 31/12/2021?	7,665
What % of resolutions did you vote on for which you were eligible?	99.97%
Of the resolutions on which you voted, what % did you vote with management?	82.19%
Of the resolutions on which you voted, what % did you vote against management?	17.45%
Of the resolutions on which you voted, what % did you abstain from?	0.37%
In what % of meetings, for which you did vote, did you vote at least once against management?	75.38%
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)	8.10%

<sup>4</sup> Please note, this is the total fund size and not Railpen's holding within the fund.

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### LGIM (continued)

##### **Fund: Europe (ex UK) Equity Index Fund**

**Name of company:** Atlas Copco AB

**What the vote was about:** Election of directors (Chairman of the Board) and gender diversity.

**Issue and approach:** LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf. For 10 years, LGIM has been using our position to engage with companies on this issue. As part of LGIM's efforts to influence investee companies on having greater gender balance, LGIM expects companies in well-governed markets to have at least 30% women on their boards.

**Why the Trustee considers this to be most significant:** Board diversity as a priority theme; the holding is also one which we hold in our fundamental equities portfolio.

**Outcome and next steps:** 98.1% of shareholders supported the resolution to elect Hans Straberg as Board Chairman.

##### **Fund: North America Equity Index Fund – GBP Currency Hedged**

**Name of company:** General Electric

**What the vote was about:** Climate reporting and progress towards Net Zero.

**Issue and approach:** LGIM is committed to addressing the issue of climate change and believes that climate change and the transition to a low-carbon future presents both risks and opportunities for investee companies. At the company's 2021 AGM, a shareholder resolution was filed requesting that the company report on its progress towards achieving a target of net zero greenhouse gas emissions by 2050. LGIM voted against the director's election.

**Why the Trustee considers this to be most significant:** Climate change as a priority theme

**Outcome and next steps:** The board and an overwhelming majority of 97.6% of investors supported the shareholder resolution.

##### **Fund: Europe (ex UK) Equity Index Fund**

**Name of company:** Teleperformance SE

**What the vote was about:** Election of directors (Daniel Julien)

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### LGIM (continued)

**Issue and approach:** LGIM has a longstanding policy advocating for the separation of the roles of CEO and board chair. Since 2015, LGIM has supported shareholder proposals seeking the appointment of independent board chairs, and since 2020, has voted against all combined board chair/CEO roles. Furthermore, LGIM has published a guide for boards on the separation of the roles of chair and CEO (available on our website), and has reinforced its position on leadership structures across stewardship activities e.g. via individual corporate engagements and director conferences. LGIM voted against the director's election.

**Why the Trustee considers this to be most significant:** The holding is also one which we hold in our fundamental equities portfolio.

**Outcome and next steps:** 76.8% of shareholders supported the resolution.

#### External manager accountability

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

In 2021, RPIL refreshed its approach to reviewing managers and created a new Manager Assessment Framework. This framework was created to better align the scoring process with that of the Manager Monitoring team and clearly highlight areas of differentiation and misalignment. Areas of focus in the framework include: the depth of a manager's integration of ESG into their investment beliefs, governance and culture; the quality of their ESG resources and tools; the quality of the governance and decision-making on active ownership, including engagement; and the extent of their Net Zero alignment, including the approach to climate stewardship. While the framework was rolled out across all growth managers in 2021, it will be tailored for application to private markets managers in 2022.

As part of the roll-out of this framework, in 2021, RPIL held regular meetings with external managers to discuss their approach to ESG integration and stewardship, where relevant and to ensure that as far as possible, their views align with the Trustee's own policies. This included discussions around RPIL's three exclusion lists, their Net Zero commitment and roadmap and the newly updated Voting Policy, which is sent to all relevant external managers to provide additional understanding of RPIL's core engagement and voting priorities. The Trustee regularly discusses RPIL's approach to external managers and we are comfortable that the actions taken align with our beliefs in this regard.

## **APPENDIX J (CONTINUED)**

### **IMPLEMENTATION STATEMENT (continued)**

#### **External manager accountability (continued)**

The Trustee believes that explicit incorporation of expectations on sustainable ownership into the legal documents governing the relationship between the client and its asset manager is one of the most effective ways to ensure managers' activities align with our objectives, philosophy and beliefs. We therefore welcomed RPIL's work in 2021 on its Investment Management Agreement (IMA) with Baillie Gifford which not only outlined the voting and engagement roles and responsibilities mentioned previously, but also set out requirements and timescales for reporting on climate and metrics and ESG incidents as well as requirements around RPIL's exclusions policy and lists. Timely, relevant data is vital for ensuring ESG risks and opportunities are well-managed and also ensures the Trustee can meet its own reporting requirements.

#### **Stock lending**

The Trustee believes that members benefit from the additional income stream that derives from participating in stock-lending programmes and also that stock-lending has benefits for market liquidity and efficiency. Funds participate in various stock lending programmes administered by RPIL's Middle Office.

The stock lending programme is governed by RPIL's Securities Lending Policy which is owned by the Public Markets team. Only securities which are very liquid are lent out and only in markets with more established governance procedures.

RPIL's participation is subject to an overriding requirement that:

- No more than 90% of its total exposure should be out on loan at any one time. This means that there will always be a residual holding that can be voted.
- In addition RPIL will recall stock to vote in exceptional circumstances where, for example, there is an important issue of principle or the voting outcome is believed to be close.
- RPIL also has a standing instruction in place for a full recall of all Japanese stock out on loan ahead of the voting season.
- As Eumedion members, RPIL recalls its lent shares before the voting record date for a general meeting of a Dutch listed investee company, if the agenda for that general meeting contains one or more significant matters.

For 2022, RPIL has agreed that none of its Fundamental Growth Portfolio holdings will be eligible for the securities lending programme. This will enable RPIL to use the full weight of its vote and influence on companies where there is a significant proportion of assets and where consequently there is significant value-at-risk.

There are daily checks on RPIL's total exposure and weekly reports from Middle Office to the Sustainable Ownership team. This supports RPIL in monitoring what shares are out on loan and therefore what voting rights can be exercised at any given time.

## **APPENDIX K**

### **WHERE TO GO FOR HELP**

#### **Trustee and RPIL**

Company Secretary  
Railways Pension Trustee Company Limited  
100 Liverpool Street  
London  
EC2M 2AT

**T:** 020 7330 6800

**E:** [enquiries@railpen.com](mailto:enquiries@railpen.com)

**W:** [www.railpen.com](http://www.railpen.com)

#### **Railpen**

Further information about the Scheme and individual entitlements can be obtained from:

Director of Rail Administration  
Railpen  
Stooperdale Offices  
Brinkburn Road  
Darlington  
DL3 6EH

**T:** 0800 012 1117 (Customer Services Team)

**E:** [csu@railpen.com](mailto:csu@railpen.com)

**W:** <https://member.railwayspensions.co.uk/>

#### **The Pensions Advisory Service ('TPAS')**

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](http://www.pensionsadvisoryservice.org.uk/contacting-us/online-enquiry-form)

**W:** [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

## **APPENDIX K (CONTINUED)**

### **WHERE TO GO FOR HELP (CONTINUED)**

#### **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](mailto:enquiries@pensions-ombudsman.org.uk)

**W:** [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.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 7060

**E:** [customersupport@tpr.gov.uk](mailto:customersupport@tpr.gov.uk)

**W:** [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

#### **Pension Tracing Service**

Information about UK schemes (including a contact address) is provided to the Department for Work and Pensions ('DWP') Pension Tracing Service. This enables members to trace benefits from previous employers' schemes.

The DWP's Pension Tracing Service can be contacted at the following address:

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](http://www.gov.uk/find-lost-pension)

Fund Registration number: 100541628

## APPENDIX L

### INTRODUCTION TO THE POOLED FUND ACCOUNTS

This appendix represents a consolidated summary of the Annual Report and non-statutory audited accounts of the pooled funds of the railways pension schemes for the year ended 31 December 2021. 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').

These non-statutory financial statements have been audited at the request of the Trustee. The pooled funds are Common Investment Funds, in which only the railways pension schemes can invest. They are set up and operated under regulations approved by HMRC and the Trustee. Although there is no legal requirement to obtain audited accounts for the pooled funds in isolation, the accounts are included in the Fund financial statements in order to satisfy the disclosure requirements of the SORP, and therefore must comply with the disclosure requirements of the SORP. These consolidated non-statutory pooled fund accounts are also prepared and audited as a separate document in order to provide a basis for the preparation of the Fund financial statements, and are approved by the Audit and Risk Committee.

The Trustee places significant emphasis on maintaining high standards of fiduciary governance, and regards the annual audit of the pooled funds as a key component in the furthering of this aim. In addition to providing assurance that the non-statutory financial statements are fairly stated, the audit process assesses and improves internal systems and controls, which are of critical importance to the fulfilment of the Trustee's responsibilities for the effective investment and safeguarding of members' assets. The audit is deemed central to the credibility of the Railways Pension Scheme, with its significant membership base, and provides reassurance in the context of the funds' scale and their material impact on the Fund financial statements.

The total valuation of the pooled assets as at 31 December 2021, was £37,653.92m (2020: £32,686.02m). There are in addition £988.35m (2020: £1,125.82m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £38,642.27m (2020: £33,811.84m).

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 97 summarises the investments of each of these pooled funds, as at 31 December 2021. The notes on pages 101 to 117 analyse the total pooled assets of £37,653.92m 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 102, and the unit prices on page 101 and 102.

## **INTRODUCTION TO THE POOLED FUND ACCOUNTS (CONTINUED)**

### **ACCOUNTING POLICIES**

#### **Investments**

Investments are held at fair value. Comparative disclosures have been updated to conform with the current year presentation. 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 cash flows 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.

## **INTRODUCTION TO THE POOLED FUND ACCOUNTS (CONTINUED)**

### **ACCOUNTING POLICIES (continued)**

#### **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 securities 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.

#### **Changes in market value of investments**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

#### **Subsidiaries and consolidation**

Several properties in the Property Pooled Fund are owned by means of an exempt unauthorised unit trust, English limited partnerships, Jersey unit trusts and a number of companies. Subsidiary structures have also been established for specific investments held by the Long Term Income Pooled Fund and the Private Equity Pooled Fund.

In all cases, the share capital or units in all the entities in question are held either directly or indirectly for the beneficial entitlement of the funds named above. All the entities are controlled by the Trustee on behalf of the funds, 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.

## **INTRODUCTION TO THE POOLED FUND ACCOUNTS (CONTINUED)**

### **ACCOUNTING POLICIES (continued)**

#### **Derivative contracts: objectives and policies**

The Trustee has authorised the use of derivatives by investment managers as part of the investment strategy. Derivatives may only be used by investment managers where they are specifically permitted in the investment management agreement, and each manager must comply with the Trustee's approved derivatives policy.

Investment in derivative instruments may be made only in so far as they contribute to a reduction of risk, or facilitate efficient portfolio management (including the reduction of cost or the generation of additional capital or income).

At the statement date, the only OTC derivatives held were forward foreign exchange contracts. The value at statement date is the gain or loss that would arise from closing out the contract at the statement date by entering into an equal and opposite contract at that date.

At the statement date the only exchange traded derivatives held were futures. These are valued as the sum of the daily mark-to-market, which is a calculated difference between the settlement price at the reporting date and the inception date.

#### **Unit transactions**

Units issued and redeemed during the year are shown on a gross basis and include in-specie transfers between sections and pooled funds.

**FUND STATEMENT AS AT 31 DECEMBER 2021**

	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
<b>Pooled Fund</b>												
Growth	16,246.95	0.08	-	-	3,168.01	73.16	(40.61)	3,489.77	62.21	(19.04)	2,223.70	25,204.23
Private Equity	2.04	-	-	-	2,504.40	0.01	-	163.79	-	(0.83)	-	2,669.41
Property	-	-	-	2,078.82	-	-	-	119.63	62.12	(36.90)	-	2,223.67
Illiquid Growth	450.73	-	-	-	2,117.14	-	-	51.82	0.01	(1.43)	0.64	2,618.91
Defined Contribution	-	-	-	-	369.26	-	-	425.72	0.75	(0.75)	1,288.06	2,083.04
Government Bond	-	1,516.20	-	-	-	-	-	2.56	6.14	(0.23)	-	1,524.67
Long Term Income	47.12	178.44	-	136.44	874.79	-	-	77.72	9.59	(0.40)	-	1,323.70
Passive Equity	-	-	-	-	1,074.59	-	-	0.47	-	(0.67)	-	1,074.39
Short Duration Index	-	-	917.82	-	-	-	-	0.84	0.66	(0.14)	-	919.18
Linked Bond	-	-	-	-	-	-	-	-	-	-	-	-
Global Equity	-	-	-	-	699.73	-	-	0.02	-	(0.20)	-	699.55
Non-Government Bond	-	391.88	-	-	-	6.71	(0.03)	9.06	4.11	(0.18)	-	411.55
Long Duration Index	-	-	214.06	-	-	-	-	0.07	0.08	(0.04)	-	214.17
Linked Bond	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	125.81	-	-	3.95	-	(0.08)	-	129.68
Cash	-	-	-	-	-	-	-	70.19	-	(0.02)	-	70.17
Cross holdings	-	-	-	-	-	-	-	-	-	-	(3,512.40)	(3,512.40)
<b>Total</b>	<b>16,746.84</b>	<b>2,086.60</b>	<b>1,131.88</b>	<b>2,215.26</b>	<b>10,933.73</b>	<b>79.88</b>	<b>(40.64)</b>	<b>4,415.61</b>	<b>145.67</b>	<b>(60.91)</b>	<b>0.00</b>	<b>37,653.92</b>
%	44.48%	5.54%	3.01%	5.88%	29.04%	0.21%	(0.11)%	11.73%	0.38%	(0.16)%	0.00%	100%

**Analysis of cross holdings**

	Growth	Long Duration Index Linked Bond	Infrastructure	Property	Private Equity	Non-Government Bond	Total Cross Holdings
	£m	£m	£m	£m	£m	£m	£m
<b>Pooled Fund</b>							
Growth	-	-	-	2,223.67	0.03	-	2,223.70
Defined Contribution	1,236.95	14.43	-	-	-	36.68	1,288.06
Illiquid Growth	-	-	0.08	-	0.56	-	0.64
<b>Total</b>	<b>1,236.95</b>	<b>14.43</b>	<b>0.08</b>	<b>2,223.67</b>	<b>0.59</b>	<b>36.68</b>	<b>3,512.40</b>

The accounting policies on pages 94 to 96 and the notes on pages 101 to 117 form part of these accounts.

## FUND STATEMENT AS AT 31 DECEMBER 2021

### 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
<b>Pooled Fund</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Growth	21,900.73	361.66	(561.13)	3,248.90	254.07	-	<b>25,204.23</b>
Private Equity	2,434.55	3.24	(618.94)	856.06	(5.50)	-	<b>2,669.41</b>
Property	2,136.87	-	(230.00)	242.61	74.19	-	<b>2,223.67</b>
Illiquid Growth	1,925.80	120.51	-	577.86	(5.26)	-	<b>2,618.91</b>
Defined Contribution	1,759.76	441.94	(353.25)	236.92	(2.33)	-	<b>2,083.04</b>
Government Bond	1,355.39	273.78	(67.95)	(56.03)	19.48	-	<b>1,524.67</b>
Long Term Income	1,111.27	160.00	-	43.46	8.97	-	<b>1,323.70</b>
Passive Equity	1,082.28	-	(233.88)	227.70	(1.71)	-	<b>1,074.39</b>
Short Duration Index Linked Bond	728.15	246.16	(93.39)	(5.26)	43.52	-	<b>919.18</b>
Global Equity	684.24	-	(85.57)	101.89	(1.01)	-	<b>699.55</b>
Non-Government Bond	412.04	64.54	(62.78)	(15.25)	13.00	-	<b>411.55</b>
Long Duration Index Linked Bond	205.17	16.75	(16.91)	3.03	6.13	-	<b>214.17</b>
Infrastructure	165.65	-	(40.20)	4.60	(0.37)	-	<b>129.68</b>
Cash	77.14	-	(6.90)	-	(0.07)	-	<b>70.17</b>
Cross holdings	(3,293.02)	-	-	-	-	(219.38)	<b>(3,512.40)</b>
<b>Total</b>	<b>32,686.02</b>	<b>1,688.58</b>	<b>(2,370.90)</b>	<b>5,466.49</b>	<b>403.11</b>	<b>(219.38)</b>	<b>37,653.92</b>

### Approved on behalf of the Trustee Company on 29 June 2022

Christopher Hannon  
Chair,  
Trustee Company

Richard Goldson  
Director and Chair,  
Audit and Risk Committee

The accounting policies on pages 94 to 96 and the notes on pages 101 to 117 form part of these accounts.

**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
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Pooled Fund</b>												
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)
<b>Total</b>	<b>13,941.49</b>	<b>1,914.69</b>	<b>927.17</b>	<b>1,995.88</b>	<b>9,958.06</b>	<b>191.92</b>	<b>(2.26)</b>	<b>3,621.33</b>	<b>195.65</b>	<b>(57.91)</b>	<b>-</b>	<b>32,686.02</b>
%	42.65	5.86	2.84	6.11	30.47	0.59	(0.01)	11.08	0.59	(0.18)	-	100.00

**Analysis of cross holdings**

	Growth	Long Duration Index Linked Bond	Infrastructure	Property	Private Equity	Non-Government Bond	Total Cross Holdings
	£m	£m	£m	£m	£m	£m	£m
<b>Pooled Fund</b>							
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
<b>Total</b>	<b>1,108.03</b>	<b>14.70</b>	<b>0.10</b>	<b>2,136.87</b>	<b>0.47</b>	<b>32.85</b>	<b>3,293.02</b>

The accounting policies on pages 94 to 96 and the notes on pages 101 to 117 form part of these accounts.

## FUND STATEMENT AS AT 31 DECEMBER 2020

### MOVEMENT IN UNIT HOLDERS' FUNDS

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Reinvested net income	Change in cross holdings	Total unit holders' funds
<b>Pooled Fund</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Growth	20,431.35	195.40	(427.08)	1,511.50	189.56	-	<b>21,900.73</b>
Private Equity	2,221.53	1.10	(392.90)	608.55	(3.73)	-	<b>2,434.55</b>
Property	2,120.12	-	-	(65.41)	82.16	-	<b>2,136.87</b>
Illiquid Growth	1,534.51	255.12	(0.24)	128.87	7.54	-	<b>1,925.80</b>
Defined Contribution	1,602.89	234.63	(199.10)	122.43	(1.09)	-	<b>1,759.76</b>
Government Bond	1,395.20	137.23	(213.81)	15.03	21.74	-	<b>1,355.39</b>
Long Term Income	814.88	250.30	(0.30)	46.72	(0.33)	-	<b>1,111.27</b>
Passive Equity	996.52	23.28	(59.23)	123.02	(1.31)	-	<b>1,082.28</b>
Short Duration Index Linked Bond	774.28	37.20	(93.63)	(1.61)	11.91	-	<b>728.15</b>
Global Equity	714.05	-	(76.50)	47.58	(0.89)	-	<b>684.24</b>
Non-Government Bond	453.29	23.43	(87.46)	9.19	13.59	-	<b>412.04</b>
Long Duration Index Linked Bond	189.27	3.15	(14.89)	26.23	1.41	-	<b>205.17</b>
Infrastructure	411.41	-	(258.00)	12.26	(0.02)	-	<b>165.65</b>
Cash	50.43	54.40	(27.80)	-	0.11	-	<b>77.14</b>
Cross holdings	(3,167.53)					(125.49)	<b>(3,293.02)</b>
<b>Total</b>	<b>30,542.20</b>	<b>1,215.24</b>	<b>(1,850.94)</b>	<b>2,584.36</b>	<b>320.65</b>	<b>(125.49)</b>	<b>32,686.02</b>

The accounting policies on pages 94 to 96 and the notes on pages 101 to 117 form part of these accounts.

## CONSOLIDATED NOTES TO THE FUND STATEMENT

1.1 Fund statement as at 31 December 2021	Note	2021 £m	2020 £m
<b>Assets</b>			
Equities		16,746.84	13,941.49
Fixed interest securities		2,086.60	1,914.69
Indexed linked securities		1,131.88	927.17
UK Property		2,215.26	1,995.88
Pooled investment vehicles	1.5	10,933.73	9,958.06
Derivative contracts			
Futures - exchange traded	1.6	20.29	38.78
FX contracts - OTC	1.6	59.60	153.14
Other assets			
Other investment assets	1.7	117.72	99.51
Current assets	1.8	27.95	96.14
Cash deposits and cash instruments	1.9	4,415.61	3,621.33
<b>Total assets</b>		<b>37,755.48</b>	<b>32,746.19</b>
<b>Liabilities</b>			
Derivative contracts			
Futures - exchange traded	1.6	(3.64)	(0.39)
FX contracts - OTC	1.6	(37.01)	(1.87)
Other liabilities			
Other investment liabilities	1.10	(0.49)	(1.18)
Current liabilities	1.11	(60.42)	(56.73)
<b>Total liabilities</b>		<b>(101.56)</b>	<b>(60.17)</b>
<b>Net assets attributable to unit holders</b>		<b>37,653.92</b>	<b>32,686.02</b>
1.2 Pooled fund unit prices as at 31 December		2021 £/unit	2020 £/unit
Growth Pooled Fund		26.50	22.83
Property Pooled Fund		114.28	98.79
Government Bond Pooled Fund		13.64	13.99
Illiquid Growth Pooled Fund		21.29	16.49
Passive Equity Pooled Fund		29.35	23.89
Short Duration Index Linked Bond Pooled Fund		10.88	10.43
Long Term Income Pooled Fund		9.54	9.14
Global Equity Pooled Fund		136.32	117.75
Infrastructure Pooled Fund		22.19	21.70
Non-Government Bond Pooled Fund		16.68	16.78
Long Duration Index Linked Bond Pooled Fund		119.61	115.22
Cash Pooled Fund		10.45	10.46
<b>Private Equity Pooled Fund</b>			
Direct Investment Pooled Fund 2000		14.06	10.86
Private Equity Pooled Fund 2001		43.58	51.88
Private Equity Pooled Fund 2004		50.22	39.25
Private Equity Pooled Fund 2005		62.48	48.10
Private Equity Pooled Fund 2007		70.95	46.16
Private Equity Pooled Fund 2009		71.42	49.77
Private Equity Pooled Fund 2011		70.11	50.56
Private Equity Pooled Fund 2013		51.67	42.53

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.2 Pooled fund unit prices as at 31 December (continued)

	2021 £/unit	2020 £/unit
<b>Defined Contribution Pooled Fund</b>		
DC Global Equity Fund	24.30	19.79
DC Long Term Growth Fund	21.49	18.54
DC Deposit Fund	10.23	10.25
DC Index Linked and Global Bond Fund	17.17	16.89
DC Aggregate Bond Fund	15.43	16.06

### 1.3 Value of the Pooled Funds

	2021 £m	2020 £m
Growth Pooled Fund	25,204.23	21,900.73
Private Equity Pooled Fund*	2,669.41	2,434.55
Property Pooled Fund	2,223.67	2,136.87
Illiquid Growth Pooled Fund	2,618.91	1,925.80
Defined Contribution Pooled Fund*	2,083.04	1,759.76
Government Bond Pooled Fund	1,524.67	1,355.39
Long Term Income Pooled Fund	1,323.70	1,111.27
Passive Equity Pooled Fund	1,074.39	1,082.28
Short Duration Index Linked Bond Pooled Fund	919.18	728.15
Global Equity Pooled Fund	699.55	684.24
Non-Government Bond Pooled Fund	411.55	412.04
Long Duration Index Linked Bond Pooled Fund	214.17	205.17
Infrastructure Pooled Fund	129.68	165.65
Cash Pooled Fund	70.17	77.14
<b>Cross holdings</b>		
Property Pooled Fund	(2,223.67)	(2,136.87)
Growth Pooled Fund	(1,236.95)	(1,108.03)
Non-Government Bond Pooled Fund	(36.68)	(32.85)
Long Duration Index Linked Bond Pooled Fund	(14.43)	(14.70)
Private Equity Pooled Fund	(0.59)	(0.47)
Infrastructure Pooled Fund	(0.08)	(0.10)
<b>Net assets attributable to unit holders</b>	<b>37,653.92</b>	<b>32,686.02</b>

\* See breakdown into pooled fund segments below.

#### Private Equity Pooled Fund

Direct Investment Pooled Fund 2000	2.54	2.05
Private Equity Pooled Fund 2001	8.49	18.12
Private Equity Pooled Fund 2004	15.27	20.97
Private Equity Pooled Fund 2005	43.81	41.70
Private Equity Pooled Fund 2007	778.73	701.01
Private Equity Pooled Fund 2009	262.78	214.09
Private Equity Pooled Fund 2011	1,103.04	1,008.00
Private Equity Pooled Fund 2013	454.75	428.61
	<b>2,669.41</b>	<b>2,434.55</b>

#### Defined Contribution Pooled Fund

DC Long Term Growth Fund	1,237.92	1,110.13
DC Deposit Fund	423.49	297.98
DC Global Equity Fund	349.35	285.29
DC Index Linked and Global Bond Fund	43.41	29.35
DC Aggregate Bond Fund	28.87	37.01
	<b>2,083.04</b>	<b>1,759.76</b>

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.4 Investment income

	2021 £m	2020 £m
Dividends from equities	284.20	256.91
Income from fixed interest securities	40.87	42.06
Income from index linked securities	50.81	14.28
Income from pooled investment vehicles	20.29	5.07
Income from securities lending	2.45	2.86
Income from UK property	99.22	102.27
Interest from cash deposits	(0.48)	9.25
Other income	3.71	0.79
	<b>501.07</b>	<b>433.49</b>
Irrecoverable withholding tax	(3.22)	(16.23)
<b>Total income</b>	<b>497.85</b>	<b>417.26</b>
Administration, custody and other expenses	(40.23)	(50.60)
Investment management fees	(1.75)	(2.12)
Railpen fees	(52.40)	(43.19)
Irrecoverable VAT	(0.33)	(0.67)
Tax	(0.03)	(0.03)
	<b>(94.74)</b>	<b>(96.61)</b>
<b>Reinvested net income</b> (accrued in unit prices)	<b>403.11</b>	<b>320.65</b>

During the year the billing process to the funds changed, hence expenses comparatives are not directly comparable on a line by line basis.

### 1.5 Pooled investment vehicles

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

	2021 £m	2020 £m
UK unquoted - partnerships	1,208.01	1,088.24
UK unquoted - other managed funds	2,466.55	2,382.78
Overseas quoted – other managed funds	1,251.38	29.53
Overseas unquoted - partnerships	5,635.08	4,349.93
Overseas unquoted - other managed funds	335.51	2,068.88
Overseas unquoted - hedge funds	37.20	38.70
	<b>10,933.73</b>	<b>9,958.06</b>

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.5 Pooled investment vehicles (continued)

The pooled funds are the sole investor in twenty-seven (2020: twenty-eight) pooled investment vehicles included within the above analysis. The assets underlying these sole investor pooled investment vehicles are:

	2021 £m	2020 £m
Fixed interest securities	354.00	369.81
Insurance	42.67	369.06
Private equity	859.87	458.97
Royalties	296.69	186.95
	<b>1,553.23</b>	<b>1,384.79</b>

### 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 £m	Asset value at year end £m	Liability value at year end £m
S&P indices	Mar-22	(965.11)	16.49	-
MSCI EM index	Mar-22	(717.49)	-	(3.64)
Japanese topix index	Mar-22	(159.76)	1.54	-
Euro Stoxx index	Mar-22	(136.97)	2.26	-
		<b>(1,979.33)</b>	<b>20.29</b>	<b>(3.64)</b>

Included within cash balances is £116.70m (2020: £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
<b>Assets</b>				
Sterling / US dollar	Jan-Apr-22	(3,070.13)	3,122.44	52.31
Sterling / Euro	Jan-22	(820.41)	827.70	7.29
				<b>59.60</b>

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.6 Derivative contracts (continued)

#### Forward foreign exchange ('FX') contracts (continued)

Type of contract	Settlement Date	Currency bought million	Currency sold million	Value at year end £m
<b>Liabilities</b>				
Sterling / US dollar	Jan-Apr-22	(3,005.25)	2,972.19	(32.68)
Euro / US dollar	Feb-22	(183.74)	179.80	(3.94)
US Dollar/Sterling	Jan-Feb-22	(73.60)	99.14	(0.39)
				<b>(37.01)</b>

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 £5.04m (2020: £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 investment assets

	2021 £m	2020 £m
Asset in respect of investment settlements	5.46	1.15
Investment income accrued	24.57	27.33
Recoverable tax	37.87	21.88
Rent receivable	49.82	49.15
	<b>117.72</b>	<b>99.51</b>

### 1.8 Current assets

	2021 £m	2020 £m
Asset in respect of unit trades	0.77	1.68
Trade debtors	17.80	92.01
Tax	(4.37)	0.95
VAT and other	13.75	1.50
	<b>27.95</b>	<b>96.14</b>

### 1.9 Cash deposits and cash instruments

	2021 £m	2020 £m
Cash held in liquidity funds	4,179.13	3,147.53
Cash held at brokers in respect of futures margin	116.70	78.72
Cash at bank	119.78	395.07
Cash collateral held by counterparties	-	0.01
	<b>4,415.61</b>	<b>3,621.33</b>

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.10 Other investment liabilities

	2021 £m	2020 £m
Tax payable	(0.49)	(1.18)
	<b>(0.49)</b>	<b>(1.18)</b>

### 1.11 Current liabilities

	2021 £m	2020 £m
Accrued management fees and expenses	(24.76)	(18.92)
Property income received in advance	(16.35)	(14.86)
Trade creditors	(12.29)	(11.59)
Liability in respect of unit trades	(0.68)	(1.30)
Tax	(6.89)	(8.92)
VAT and other	0.55	(1.14)
	<b>(60.42)</b>	<b>(56.73)</b>

### 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 37.

At 31 December 2021, the market valuation of securities that had been lent in the market was £2,325.23m (2020: £2,016.56m).

Collateral held in respect of the securities on loan at 31 December 2021, had a total value of £2,445.53m (2020: £2,136.35m).

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.13 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2020	Units issued/ (redeemed)	Net income	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2021
	£m	£m	£m	£m	£m	£m	£m
<b>Directly held assets</b>							
Equities	13,941.49	-	-	7,172.79	(7,017.45)	2,650.01	16,746.84
Fixed interest securities	1,914.69	-	-	632.29	(394.45)	(65.93)	2,086.60
Index linked securities	927.17	-	-	347.70	(140.76)	(2.23)	1,131.88
Pooled investment vehicles	9,958.06	-	-	3,459.25	(4,536.31)	2,052.73	10,933.73
UK property	1,995.88	-	-	129.41	(153.49)	243.46	2,215.26
	<b>28,737.29</b>	-	-	<b>11,741.44</b>	<b>(12,242.46)</b>	<b>4,878.04</b>	<b>33,114.31</b>
<b>Derivatives</b>							
Futures	38.39	-	-	(267.99)	110.21	136.04	16.65
FX contracts	151.27	-	-	53,690.58	(53,764.75)	(54.51)	22.59
	<b>189.66</b>	-	-	<b>53,422.59</b>	<b>(53,654.54)</b>	<b>81.53</b>	<b>39.24</b>
<b>Cross holdings</b>	3,293.02	-	-	45.11	(315.36)	489.63	3,512.40
<b>Other</b>							
Cash and current assets	3,759.07	(682.32)	403.11	(65,209.14)	66,212.36	17.29	4,500.37
	<b>35,979.04</b>						<b>41,166.32</b>
<b>Cross holdings</b>	(3,293.02)						(3,512.40)
<b>Net Assets</b>	<b>32,686.02</b>						<b>37,653.92</b>

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.14 Transaction costs

Included within the pooled funds' purchases and sales in note 1.13 are direct transaction costs of £9.0m (2020: £18.60m) 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 £1.47m (2020: £0.70m) relating to legal and due diligence fees.

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

	<b>Fees</b>	<b>Commission</b>	<b>Stamp duty land tax</b>	<b>Legal and other</b>	<b>Total</b>
<b>Year to 31 December 2021</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	5.08	3.52	-	1.28	9.88
Futures	-	0.22	-	-	0.22
Fixed Interest Securities	-	-	-	-	-
Pooled investment vehicles	-	-	-	0.19	0.19
UK property	-	-	0.18	-	0.18
	<b>5.08</b>	<b>3.74</b>	<b>0.18</b>	<b>1.47</b>	<b>10.47</b>

	<b>Fees</b>	<b>Commission</b>	<b>Stamp duty land tax</b>	<b>Legal and other</b>	<b>Total</b>
<b>Year to 31 December 2020</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
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
	<b>4.17</b>	<b>4.29</b>	<b>8.89</b>	<b>1.96</b>	<b>19.31</b>

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).

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.15 Investment fair value hierarchy (continued)

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

<b>At 31 December 2021</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Directly held assets</b>				
Equities	16,248.90	47.12	450.82	16,746.84
Fixed interest securities	1,646.46	440.14	-	2,086.60
Index linked securities	1,131.88	-	-	1,131.88
Pooled investment vehicles	-	3,553.18	7,380.55	10,933.73
UK property	-	-	2,215.26	2,215.26
<b>Derivatives</b>				
Futures	16.65	-	-	16.65
FX contracts	-	22.59	-	22.59
<b>Other</b>				
Cash and current assets	4,500.37	-	-	4,500.37
	<b>23,544.26</b>	<b>4,063.03</b>	<b>10,046.63</b>	<b>37,653.92</b>
<b>At 31 December 2020</b>				
	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Directly held assets</b>				
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
<b>Derivatives</b>				
Futures	38.39	-	-	38.39
FX contracts	-	151.27	-	151.27
<b>Other</b>				
Cash and current assets	3,759.07	-	-	3,759.07
	<b>20,058.95</b>	<b>3,649.73</b>	<b>8,977.34</b>	<b>32,686.02</b>

### 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.

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.16 Investment risks (continued)

#### Market risk (continued)

- **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	2021 £m	2020 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Equities	16,746.84	13,941.49	○	◐	Equities	16,746.84
Fixed interest securities	2,086.60	1,914.69	◐	●	Fixed interest securities	2,086.60
Index linked securities	1,131.88	927.17	◐	●	Index linked securities	1,131.88
Pooled investment vehicles	10,933.73	9,958.06	◐	◐	Pooled investment vehicles	10,933.73
UK Property	2,215.26	1,995.88	●	◐	UK Property	2,215.26
Futures	16.65	38.39	○	○	Futures	16.65
FX contracts	22.59	151.27	◐	◐	FX contracts	22.59
Cash and other assets	4,500.37	3,759.07	◐	◐	Cash and other assets	4,500.37
	<b>37,653.92</b>	<b>32,686.02</b>	◐	◐		<b>37,653.92</b>

● Significant exposure	◐ Some exposure	○ No exposure
------------------------	-----------------	---------------

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.16 Investment risks (continued)

#### Credit risk

The pooled funds are subject to credit risk as they invest in fixed interest securities, OTC derivatives, have cash balances and undertake securities lending activities. The pooled funds also invest in pooled investment vehicles and are therefore directly exposed to credit risk in relation to the instruments they hold in the pooled investment vehicles and are indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on fixed interest securities is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds, which are rated at least investment grade. The pooled funds also invest in high yield and emerging market bonds, some of which are non-investment grade. The Trustee manages the associated credit risk by requesting the investment managers to diversify their portfolios to minimise the impact of default by any one issuer.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Pooled Fund is subject to risk of failure of the counterparty. Credit risk also arises on forward foreign currency contracts. There are collateral arrangements for some of these contracts and all counterparties are required to be at least investment grade. FX collateral balances are detailed in note 1.6.

The pooled funds lend certain fixed interest and equity securities under a Trustee approved securities lending programme. The Trustee manages the credit risk arising from securities lending activities by restricting the amount of overall securities that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. Details regarding securities lending are provided in note 1.12.

Cash is held within financial institutions, which are investment grade credit rated.

The pooled funds holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

## **CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)**

### **1.16 Investment risks (continued)**

#### **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.

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 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:

	2021 £m	2020 £m
Railpen*	27,601.94	21,687.76
Legal and General Investment Management	2,306.01	2,207.88
Horsley Bridge Partners	701.51	574.10
Nephila Capital Ltd	642.72	292.62
Sequoia Capital	474.38	384.42
Insight Investment	413.07	420.44
HealthCare Royalty Partners	296.69	186.95
Avenue Capital Group	291.23	192.90
Amplo	256.49	91.44
Macquarie Infrastructure	235.38	230.59
OneFamily Lifetime Mortgages Limited	231.84	246.19
Columbia Capital	219.36	198.62
Morningside Ventures	217.68	233.25
Riverside	204.55	143.52
LocalGlobe	176.48	62.64
CRC LLC	158.87	40.30
Intermediate Capital Group	158.66	174.90
Generate Capital	143.03	65.26
Long Harbour Limited	142.18	154.29
Constellation	124.89	78.96
Motive Partners	123.19	91.30
Westbridge Capital Partners	117.33	80.40
Innisfree Limited	116.50	116.67
The Cranemere Group	104.44	69.28
Varde	100.17	87.81
Accel Partners	100.05	83.84
Greencoat Capital	94.88	84.60
Private Advisors	82.84	43.61
Presidio Investors	81.28	56.41
Orion Energy Partners	78.03	75.24
Khosla Ventures	74.82	49.37
Soundcore Capital Partners	73.63	42.37
Venor Capital Management	69.42	61.70
Bain Capital	68.50	63.19
White Oak	67.52	70.42
Index Ventures	66.74	65.27
WP Global Partners	50.68	72.01
<b>Carried forward</b>	<b>36,466.98</b>	<b>28,880.52</b>

\* Included in this balance is cash invested in Liquidity Funds totalling £4,169.94m (2020: £3,180.03m).

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.17 Investment managers during the year (continued)

	2021 £m	2020 £m
<b>Brought forward</b>	<b>36,466.98</b>	<b>28,880.52</b>
Thoma Bravo	48.58	48.58
Dalmore Capital Limited	47.33	50.62
Blossom Capital	45.48	20.68
Andreessen Horowitz	44.50	25.56
Bessemer Venture Partners	43.54	25.01
Astra Capital	42.83	20.29
Great Hill Partners	42.73	38.13
Credit Suisse ILS Limited	42.67	369.06
HarbourVest Partners	41.43	50.94
Mount Elbert Capital Partners	40.15	30.51
Highland Capital Partners	39.83	38.43
Balderton Capital	38.81	45.33
Pensions Infrastructure Platform	36.97	74.33
Limerston Capital Partners	34.79	25.28
General Atlantic	33.80	41.19
H.I.G. Capital	30.32	43.88
Institutional Venture Partners	29.16	22.40
Apax Partners	27.14	35.13
Adams Street Partners	25.15	37.73
Cinven	24.81	22.88
Blackstone Alternative Asset Management	24.60	1,520.72
Duke Street	23.19	23.86
Clearsight Investments	23.09	24.78
KPS Capital Partners	21.20	40.27
ClearVue Partners	20.48	23.74
Standard Life Investments	20.42	32.07
Pantheon Ventures	19.89	20.06
Scale Venture Partners	19.75	27.77
Anacap Financial Partners	19.48	24.58
Palatine	18.15	14.37
Innovation Works	17.93	30.38
Schroder Adveq	17.80	10.65
Amaranthine Partners LLC	17.04	9.37
General Catalyst	15.41	15.73
Hony Capital	13.43	18.17
Charlesbank Capital Partners	12.44	25.06
Kobalt Music Group	12.02	323.29
Grosvenor Capital Management	10.47	11.71
Berkshire Partners	10.33	13.03
Goldman Sachs Asset Management	9.49	40.90
Navis Capital Partners	9.04	14.47
Triton Partners	9.02	8.01
Ares Management	8.54	11.57
Peak Rock Capital	8.36	11.35
<b>Carried forward</b>	<b>37,608.57</b>	<b>32,242.39</b>

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.17 Investment managers during the year (continued)

	2021 £m	2020 £m
<b>Brought forward</b>	<b>37,608.57</b>	<b>32,242.39</b>
Innova	7.54	12.02
Domain Partners	6.52	8.42
Southern Cross Group	5.83	7.64
Sankaty Advisors	5.16	9.66
Archer Capital	4.81	5.47
Oaktree Capital Management	4.16	3.68
CI Capital Investors	3.76	3.88
Abry Partners	1.99	2.36
Warburg Pincus	1.83	8.37
Semble Partners II LLC	1.64	-
AQR Capital Management	0.87	370.57
Headland Capital Partners	0.84	4.61
EQT Funds Management	0.25	0.27
Governance for Owners Group	0.11	0.09
Arcus Infrastructure Partners	0.04	3.58
Blakeney Management	-	1.03
Owl Rock Capital Advisors	-	1.98
	<b>37,653.92</b>	<b>32,686.02</b>

### 1.18 Performance

Performance is calculated by Railpen based on changes in the relevant pooled fund unit prices, which are net of fees, over the period.

The performance of the Global Equity Pooled Fund is measured against a composite comparator which at the year end comprised:

	2021 %	2020 %
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
	<b>100.00</b>	<b>100.00</b>

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.

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.18 Performance (continued)

The comparators that all other pooled funds were measured against during the year are shown in the table below:

<b>Pooled fund</b>	<b>Comparator</b>
Growth	UK Consumer Price Index +4% from 1 May 2021 (previously UK Retail Prices Index +4%)
Private Equity	MSCI ACWI Index
Property	UK Consumer Prices Index +4% from 1 May 2021 (previously UK Retail Prices Index +4%)
DC Global Equity	FTSE World Developed Markets GBP Hedged
DC Long Term Growth	UK Consumer Price Index +4% from 1 May 2021 (previously UK Retail Prices Index +4%)
DC Deposit	1M Sonia from 01 December 2021 (previously GBP 1M Libor)
DC Index Linked and Global Bond	Composite comparator comprising:  50% Bloomberg Barclays Global Gilts over 15 years Index  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 Consumer Prices Index +6% from 1 May 2021 (previously UK Retail Prices Index +4%)
Government Bond	FTSE World Government Bond Index (WGBI) 3-7 Years GBP
Passive Equity	FTSE World Developed Markets GBP Hedged
Long Term Income	UK Consumer Price Index +1% from 1 May 2021 (previously UK Retail Prices Index)
Short Duration Index Linked Bond	Bloomberg Barclays UK Gilts 1 to 10 Years Index
Infrastructure	UK Retail Prices Index +4%
Non-Government Bond	Bloomberg Barclays Global Aggregate Corporate Index GBP Hedged
Long Duration Index Linked Bond	Bloomberg Barclays UK Gilt 15+ Years Index
Cash	1M SONIA from 1 December 2021 (previously GBP 1M LIBOR)

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.18 Performance (continued)

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

<b>Pooled fund</b>	<b>Actual 2021 (%)</b>	<b>Comparator 2021 (%)</b>	<b>Actual last 5 years (%)</b>	<b>Comparator last 5 years (%)</b>
Growth	16.2	10.8	9.6	7.5
Private Equity	60.3	19.6	24.1	12.3
Property	15.7	10.8	5.6	7.5
Government Bond	(2.5)	(2.8)	0.6	0.6
Illiquid Growth <sup>1</sup>	33.8	12.2	13.3	7.7
Passive Equity	22.9	22.6	13.4	13.0
Short Duration Index Linked Bond <sup>1</sup>	4.3	4.4	2.0	2.3
Long Term Income <sup>1</sup>	5.4	7.3	1.8	3.5
Global Equity	15.8	15.2	10.2	9.8
Infrastructure	3.4	11.9	4.8	7.7
Non-Government Bond	(0.6)	(1.0)	3.9	3.6
Long Duration Index Linked Bond	3.8	4.0	5.5	5.6
Cash	(0.1)	0.1	0.3	0.4
DC Long Term Growth	16.1	10.8	9.5	7.5
DC Deposit Fund	(0.1)	0.1	0.3	0.4
DC Global Equity Fund	22.9	22.6	13.3	13.0
DC Aggregate Bond Fund	(3.9)	(3.9)	4.0	4.0
DC Index Linked and Global Bond	1.7	1.9	4.7	4.8

<sup>1</sup> 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.