

**BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND**

Pensions registration number: 100541628

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

# BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

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## **CHAIR'S INTRODUCTION**

On behalf of your Trustee Board it gives me great pleasure to introduce the Annual Report and Audited Financial Statements of the British Transport Police Superannuation Fund ('the Fund') for the year ended 31 December 2020.

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

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

### **Investment Performance**

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

The 2020 investment returns were as follows:

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

### **Supporting members and employers**

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

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

The GMP Equalisation work continued in 2020, in partnership with the Trustee's professional advisors. This follows the October 2018 High Court ruling that the Lloyds Banking Group Pension schemes must equalize benefits in this area. This extensive work has involved further analysis of the potential impact at an individual member level with further consideration of the potential methodologies to adopt, considering the best interests of our members.

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

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

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

### **Governance**

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

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

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

### **Ready for the future**

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

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

**Christopher Hannon**  
Chair, Trustee Company  
24 June 2021

## **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 RPMI 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 RPMI's '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 2020. These took place on 26 March, 23 June, 24 September and 24 November, all meetings were held virtually, using the Microsoft Teams video conferencing application.

### **Changes to Committee**

There are 12 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:

- Rachael Etebar was elected as Chair from January 2020;
- Nigel Goodband was elected Deputy Chair from January 2020;
- Peter Kingham replaced Darren Townsend as a Members' appointee, from June 2020;
- Martin Ripley's term in office was extended by one year due to COVID19 restrictions affecting the ability to run a nomination exercise.

A list of the Committee members at 31 December 2020 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 2020

Name	Appointing body	Appointment date	No. of meetings attended	No. of meetings eligible to attend during 2020
H Andrews	BTPA	December 2016	3	4
R Etebar	BTPA	July 2019	4	4
S Field	BTPA	January 2008	4	4
A Hanstock	BTPA	August 2016	3	4
E Norman <sup>1</sup>	BTPA	May 2016	4	4
S McGarel	BTPA	April 2018	4	4
N Goodband	BTP Federation	February 2016	3	4
M Marsahallsay	BTP Federation	June 2017	3	4
P Kingham	BTP Federation	June 2020	3	3
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

Chris Welburn of RPMI is Secretary to the Committee.

### Pension Increases

Pensions increased by 1.7% with effect from 6 April 2020. Pensions in payment and deferment in the Scheme are increased in line with Orders laid by the Government under the Pensions (Increase) Act 1971. This is based on the CPI inflation figure, which measures changes in the prices of goods and services, as at September 2019.

### 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:

RPMI  
Stooperdale Offices  
Brinkburn Road  
Darlington  
DL3 6EH

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

**MANAGEMENT COMMITTEE REPORT (CONTINUED)**

**Membership statistics at 31 December 2020**

	<b>2020</b>	<b>2019</b>
Active members	3,017	2,856
Pensioners	2,806	2,702
Dependant pensioners	444	437
Preserved members	1,171	1,067
Total membership	<b>7,438</b>	<b>7,062</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 Fund for the year ended 31 December 2020 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 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 2020 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the 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 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the 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, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board, Audit and Risk Committee, Case Committee, Defined Contributions Committee, Integrated Funding Committee, Railpen Investment Board, Fair Value Pricing Committee, Remuneration Committee, and the Risk Management Committee minutes.

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

As required by auditing standards, and taking into account our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates) may be in a position to make inappropriate accounting entries.

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

We did not identify any additional fraud risks.

We also performed procedures including:

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

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

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards), and from inspection of the 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.

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

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

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 (or its delegates) and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the schedule of contributions in our statement about contributions on page 24 of the financial statements. For the late contributions matters discussed in the Trustee's report and Appendix B, we assessed disclosures against our understanding from accounting records and regulatory correspondence.

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

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

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

### **Other information**

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

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

## **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

28 June 2021

## AUDITED FINANCIAL STATEMENTS

### FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £000	2019 £000
<b>Contributions and benefits</b>			
Members' contributions	3	13,419	12,973
Employer's contributions	3	18,887	18,252
Benefit support	3	915	997
Individual transfers in		1,394	2,466
		<b>34,615</b>	<b>34,688</b>
Pensions		(48,314)	(45,728)
Lump-sum retirement benefits		(9,110)	(9,275)
Individual transfers out		(135)	(449)
Death benefits		(457)	(276)
Payments to and on account of leavers		(3)	-
		<b>(58,019)</b>	<b>(55,728)</b>
Administrative expenses	4	(520)	2,387
PPF levies		(1,860)	(1,515)
<b>Net withdrawals from dealings with members</b>		<b>(25,784)</b>	<b>(20,168)</b>
<b>Returns on investments</b>			
Change in market values	5	122,049	177,592
Interest on loans and deposits		20	14
<b>Net returns on investments</b>		<b>122,069</b>	<b>177,606</b>
Net increase in the Fund during the year		96,285	157,438
Net assets at the start of the year		1,440,014	1,282,576
<b>Net assets at the end of the year</b>		<b>1,536,299</b>	<b>1,440,014</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 2020

	Notes	2020 £000	2019 £000
Pooled funds	5	1,515,680	1,426,661
Securities directly held by the Fund	5	7,784	7,451
Other cash and cash instruments		13,080	840
Current assets	6	666	5,821
Current liabilities	7	(911)	(759)
<b>Net assets at the end of the year</b>		<b>1,536,299</b>	<b>1,440,014</b>

Approved by the directors of the Trustee Company on 24 June 2021.

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**Christopher Hannon**  
Chair, Trustee Company

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**Meliha Duymaz Oludipe**  
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 41 to 42 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 2020**

**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 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 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' 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 have been increased.

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

**2. 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.
- (b) BRASS AVC investments in pooled investment vehicles are stated at fair values at the year-end date as advised by the manager. The PAF is 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 are, however, guaranteed by Aviva to receive at least £1 per unit upon retirement or on earlier death. Members leaving before age 55 may receive a discounted value depending on their age.

**AUDITED FINANCIAL STATEMENTS  
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2020 (CONTINUED)**

**2. Accounting policies (continued)**

- (c) Loans and deposits and current assets and liabilities are included at book cost, which the Trustee considers to be a reasonable estimate of accounting fair value.

**Change in market value**

Change in market value mainly 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.

**Administrative expenses**

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

**Pension Protection Fund levies**

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

**AUDITED FINANCIAL STATEMENTS**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2020 (CONTINUED)**

**2. Accounting policies (continued)**

**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>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Members' contributions:</b>		
Normal	12,535	12,129
Additional voluntary (AVCs)	884	844
	<b>13,419</b>	<b>12,973</b>
<b>Employer's contributions:</b>		
Normal	18,887	18,252
	<b>18,887</b>	<b>18,252</b>
<b>Benefit support:</b>		
Government support	910	992
Transport for London	5	5
	<b>915</b>	<b>997</b>
	<b>33,221</b>	<b>32,222</b>

**4. Administrative expenses**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Pensions administration	(279)	(295)
Actuarial fees	(131)	(227)
Trustee governance	(79)	(98)
Legal fees	(58)	(44)
Other professional fees	(22)	(13)
Communications	(18)	(11)
Audit fees	-	(10)
Irrecoverable VAT	67	3,085
	<b>(520)</b>	<b>2,387</b>



**AUDITED FINANCIAL STATEMENTS  
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2020 (CONTINUED)**

**4. Administrative expenses (continued)**

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 RPMI and are allocated according to the membership of each scheme or section of the railways pension schemes.

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

The Trustee has made a claim to recover this VAT from HMRC on behalf of the Fund. HMRC withdrew their objection to the claim in November 2019 and agreement of the amount repayable was reached in December 2019. The Fund was subsequently reimbursed £3,152,869 in November 2020.

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 2020 (CONTINUED)**

**5. Net returns on investments**

**(a) Value of investments**

	<b>Value at 31 December 2019 £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 2020 £000</b>
<b>Pooled funds</b>					
Growth	952,969	22	(25,652)	76,906	1,004,245
Illiquid Growth	104,111	17,307	-	9,158	130,576
Private Equity	93,189	43	(16,333)	26,257	103,156
Long Term Income	92,984	24,130	-	5,017	122,131
Short Duration Index Linked Bond	89,934	-	(11,325)	1,219	79,828
Government Bond	75,442	1,800	(13,717)	1,891	65,416
Infrastructure	12,791	-	(8,021)	380	5,150
Long Duration Index Linked Bond	5,107	-	(768)	716	5,055
Cash Fund	134	-	(11)	-	123
	<b>1,426,661</b>	<b>43,302</b>	<b>(75,827)</b>	<b>121,544</b>	<b>1,515,680</b>
<b>Directly held securities</b>					
BRASS AVCs	7,451	1,611	(1,783)	505	7,784
	<b>1,434,112</b>	<b>44,913</b>	<b>(77,610)</b>	<b>122,049</b>	<b>1,523,464</b>
Cash and other assets	5,902				12,835
	<b>1,440,014</b>				<b>1,536,299</b>

BRASS AVCs investments include 41,582 units in the PAF (2019: 49,316 units). Further information on the PAF can be found on page 12.

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 RPMI.

**AUDITED FINANCIAL STATEMENTS  
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2020 (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 2020</b>	<b>% of pooled fund owned 31 December 2019</b>
Short Duration Index Linked Bond	11.0	11.6
Long Term Income	11.0	11.4
Illiquid Growth	6.8	6.8
Government Bond	4.8	5.4
Growth	4.8	4.9
Private Equity	4.2	4.2
Infrastructure	3.1	3.1
Long Duration Index Linked Bond	2.7	2.9
Cash	0.2	0.3

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 categories as follows:

**AUDITED FINANCIAL STATEMENTS**  
**NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**31 DECEMBER 2020 (CONTINUED)**

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

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

<b>At 31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Pooled funds</b>				
Growth	-	1,004,245	-	1,004,245
Private Equity	-	-	103,156	103,156
Short Duration Index Linked Bond	-	79,828	-	79,828
Illiquid Growth	-	-	130,576	130,576
Government Bond	-	65,416	-	65,416
Long Term Income	-	-	122,131	122,131
Infrastructure	-	-	5,150	5,150
Long Duration Index Linked Bond	-	5,055	-	5,055
Cash	-	123	-	123
	<b>-</b>	<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>
<b>At 31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Pooled funds</b>				
Growth	-	952,969	-	952,969
Private Equity	-	-	93,189	93,189
Short Duration Index Linked Bond	-	89,934	-	89,934
Illiquid Growth	-	-	104,111	104,111
Government Bond	-	75,442	-	75,442
Long Term Income	-	-	92,984	92,984
Infrastructure	-	-	12,791	12,791
Long Duration Index Linked Bond	-	5,107	-	5,107
Cash	-	134	-	134
	<b>-</b>	<b>1,123,586</b>	<b>303,075</b>	<b>1,426,661</b>
BRASS and other AVCs	-	7,451	-	7,451
Cash and other assets	5,902	-	-	5,902
	<b>5,902</b>	<b>1,131,037</b>	<b>303,075</b>	<b>1,440,014</b>

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

**AUDITED FINANCIAL STATEMENTS  
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2020 (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>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
VAT refund due from HMRC	-	3,085
Contributions due from employer	59	2,274
PPF levies paid in advance	491	386
Administrative Expenses paid in advance	30	-
Benefit support due	86	76
	<b>666</b>	<b>5,821</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 2020 (CONTINUED)**

**7. Current liabilities**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Taxation and social security	(449)	(413)
Investment creditor	(4)	(23)
Benefits payable	(378)	(231)
Other charges payable	(80)	(92)
	<b>(911)</b>	<b>(759)</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 2020 current liabilities included a liability of £77,567 in respect of these charges (2019: a liability of £70,000).

Two directors of the Trustee are members of the Fund and one is also a non-executive director of RPMI. No other directors of RPMI or RPMI Railpen 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.

## **AUDITED FINANCIAL STATEMENTS**

### **NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

#### **11. Subsequent events: COVID-19 impact**

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

# **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 schedule of contributions to the British Transport Police Force Superannuation Fund in respect of the Fund year ended 31 December 2020 which is set out on page 24.

In our opinion, except for the departure described in the basis for qualified statement about contributions section of our report, contributions for the Fund year ended 31 December 2020 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 30 December 2016.

## **Basis for qualified statement about contributions**

As explained in the Trustee's report on page 47, 36 employer contributions in respect of July, August, September, October, and November 2020, totalling £9,222,222 were paid between 1 and 30 days later than required under the schedule of contributions.

## **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 schedule 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 schedule of contributions

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

As explained more fully in the Statement of Trustee's Responsibilities set out on page 24, 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 schedule of contributions to the Fund and to report our opinion to you.



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

**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  
28 June 2021

## 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 schedule in respect of the Fund year ended 31 December 2020

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 schedule of contributions certified by the Actuary on 30 December 2016 in respect of the Fund year ended 31 December 2020. The Fund Auditor reports on contributions payable under the schedule in the Auditors' Statement about Contributions.

<b>Contributions payable under the schedule in respect of the Fund year</b>	<b>2020 £000</b>
<b>Member:</b>	
Normal contributions	12,535
<b>Employer:</b>	
Normal contributions	18,887
<b>Contributions payable under the schedule</b>	<b>31,422</b>

### Reconciliation of contributions

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

	<b>2020 £000</b>
Contributions payable under the Schedule (as above)	31,422
Other contributions payable under Fund rules:	
Government support	910
Members' AVCs	884
Transport for London	5
<b>Total contributions reported in the financial statements</b>	<b>33,221</b>

Signed for and on behalf of the Trustee on 24 June 2021.

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

- assessing the 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 it either intends to wind up the Fund, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which it should ensure is fair and impartial.

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

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

## 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

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

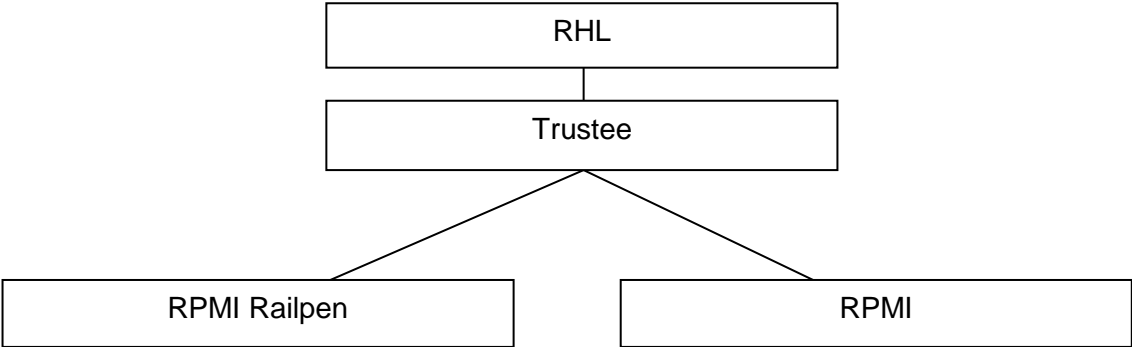
The primary purpose of RHL is to provide governance controls and appoint the directors of the Trustee. The Articles of Association set out the procedure for the appointment of directors. The aim is to achieve a balanced representation of the different employers and the members (or their representatives)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

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

**THE TRUSTEE COMPANY (CONTINUED)**

The structure of the Trustee group as at 31 December 2020



**Operating Companies**

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

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

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

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

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

**Employee director appointment procedure**

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

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

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

**THE TRUSTEE COMPANY (CONTINUED)**

**Employee director appointment procedure (continued)**

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

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

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

**Governance**

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

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

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

**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 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 BRB.

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

### **Event after the balance sheet date**

On 11 March 2020, the World Health Organization declared a global pandemic relating to the coronavirus, COVID-19 and recommended containment and mitigation measures worldwide. During 2020 the pandemic had a significant impact on the global economy, stock markets and people's daily lives.

For the purpose of this report, and the Fund annual financial statements for 2020, the impact of COVID-19 is limited. The Fund provides pensions for the British Transport Police, a Government body. The Fund is administered by RPM Limited who has responded to this impact by deploying the relevant business continuity plan. Investment income is generated from the underlying investments of pooled funds. The Fund invests in a diverse range of funds in order to ensure the impact on the pooled funds is minimised during periods of significant market volatility such as this. As the Fund's sponsoring employer is a Government body, the risk of contributions failing to be paid over on time is very low. The Trustee has put contingency plans in place to ensure we have liquidity to meet cash outflows.

The Fund incurs costs mainly in relation to benefits paid to members. These costs are covered by contributions into the Fund and are modest in relation to the total Fund assets. The amount of cash held in section accounts has been increased to ensure that for operational or pooled fund liquidity reasons the Fund is able to meet benefits as they fall due for a period of at least 3 months. This cash position is being assessed on a rolling basis and the Trustee will respond to any change in this position as appropriate.

The Trustee has considered the Fund's financial and liquidity position for at least 12 months after this report. In addition, the Trustee is satisfied that it has the ability and intention to continue to operate the pension arrangement of the RPS. As such, the Trustee has concluded the Fund is a going concern and has prepared the financial statements on this basis as explained in note 1 to the financial statements.

For and on behalf of the Trustee:

**Christopher Hannon**  
Chair, Trustee Company  
24 June 2021



**TRUSTEE COMPANY REPORT**

**Membership**

Total membership increased by 5.3% during 2020 (2019: 1.1% increase).

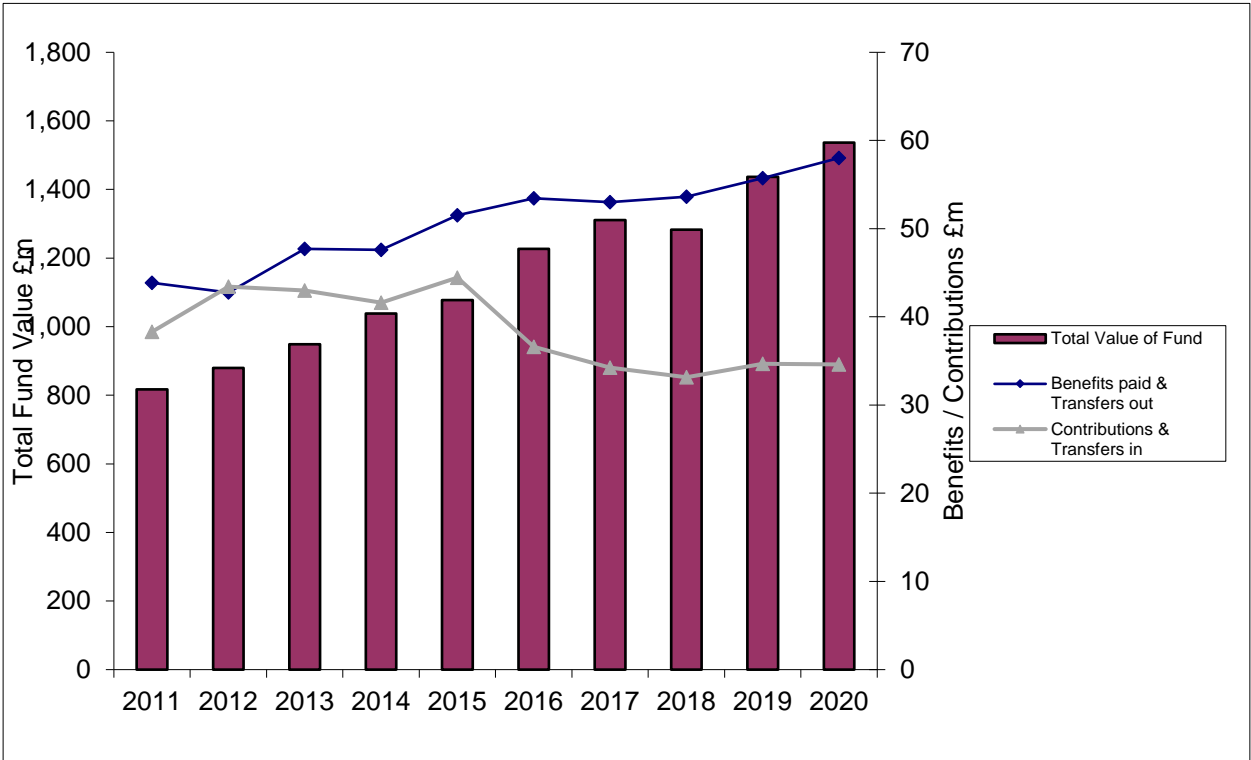
	<b>2020</b>	<b>2019</b>	<b>% Increase</b>
Active members	3,017	2,856	5.6
Pensioners	2,806	2,702	3.8
Dependent pensioners	444	437	1.6
Preserved members	1,171	1,067	9.7
<b>Total membership at end of year</b>	<b>7,438</b>	<b>7,062</b>	<b>5.3</b>

**Financial information**

During the year the net return on investments of the Fund as a whole was a gain of £122.0m (2019: gain of £177.6m).

The Fund paid benefits of £58.0m in 2020 (2019: £55.7m) and received contributions of £33.2m (2019: £32.2m). Allowing for transfer values and expenses, there was a net withdrawal from dealings with members of £25.8m (2019: net withdrawal of £20.2m).

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 41 to 42 and the summary funding statement in Appendix G.

### **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 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 strong returns over the long term.

Investment strategy for the Fund 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, responsible for carrying out this work, sometimes working with the Pensions Committee where established with delegated investment responsibilities.

The Trustee has two wholly owned operating subsidiaries, RPMI and RPMI Railpen, to which it delegates the day-to-day operation of the 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 Long Term Income Pooled Fund and UK government bonds. The investment return for the year was 7.6% net of fees and costs. Over a 3 year period the investment return was 6.8% per annum, while over a 10 year time horizon the return was 7.5% 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 3.8% for 2020 net of fees and costs. Over a 3 year period the investment return was 2.2% per annum, while over a 10 year time horizon the return was 5.7% per annum. The 1968 Section had a return of 9.7% in 2020, 6.0% per annum over 3 years and 7.9% per annum over 10 years.

### **Investment management arrangements**

The assets of the Fund are invested through a number of pooled investment funds managed by RPMI Railpen, each with a different risk and return profile. These funds are managed as if they are internal unit trusts and each pooled fund is approved by HMRC. 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 may have been possible through direct ownership.

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 Fund.

In many cases, the pooled funds are multi-asset where the mix of asset classes can be varied according to market conditions and opportunities. These funds seek to capture returns more efficiently and effectively than single asset pools. They enable the Fund to hold a managed portfolio of assets rather than a fixed allocation, which consequently should have 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 may be targeted. Within the pooled funds, RPMI Railpen is able to make use of internal and external fund management capabilities, and passive and active management, as appropriate.

The use of external active management has declined substantially within the Fund over the past few years. In addition, fee structures in public markets have increasingly moved to flat fees with fewer performance related payments. In private markets, fees are being reduced through an increase in co-investments and bespoke arrangements.

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

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

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

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

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

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

### **Investment strategy**

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

## THE TRUSTEE INVESTMENT REPORT (CONTINUED)

### Economic commentary

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

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

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

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

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

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

## THE TRUSTEE INVESTMENT REPORT (CONTINUED)

### Investment performance

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

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

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

The Private Equity Pooled Fund provides exposure to a highly diversified range of private market investments. It is made up of a series of sub-funds, each representing a different vintage of private equity investment. The Private Equity Pooled Fund produced an aggregate return of 18.0% in 2020 and 19.1% per annum over the past 3 years.

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

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

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

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

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

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

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

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

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

The Non-Government Bond Pooled Fund is managed on a buy and maintain portfolio by an external fund manager and achieved a return of 6.3% for the year and 5.0% per annum over the past 3 years.

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

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

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

RPMI 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 2020 was £7.8m (2019: £7.4m).

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

The AVC arrangements for the Fund, known as 'BRASS' and 'AVC Extra', are administered by RPMI. 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)
- Volatility of journey, in particular as the members' target retirement age approaches (short-term risk)

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

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

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

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

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

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

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

## THE TRUSTEE INVESTMENT REPORT (CONTINUED)

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

The investment comparators for the self-select funds in the RPMI 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 RPI plus 4% p.a.
Index Linked and Global Bond Fund	50% Bloomberg Barclays Global Aggregate Corporate Index; 50% FTSE Actuaries UK Conventional Gilts Over 15 years Index (overseas investments currency hedged into UK Sterling)
Deposit Fund	1 Month Sterling London Interbank Offer Rate (LIBOR)

## 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

Abbreviation	Description
AAF	Audit and Assurance Faculty
ACCA	Association of Chartered Certified Accountants
AMC	Annual Management Charges
ARC	Audit and Risk Committee
ARP	Alternative Risk Premia
ASB	Accounting Standards Board
ASLEF	Associated Society of Locomotive Engineers & Firemen
AVC	Additional Voluntary Contribution
AVC Extra	AVC arrangement for RPS
BRASS AVC	AVC arrangement for RPS
BRB	British Railways Board
BRSF	British Railways Superannuation Fund
BTPA	British Transport Police Authority
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
CSEU	Confederation of Shipbuilding and Engineering Unions
DC 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
RPMI	RPMI Limited
RRL	Return, risk and liquidity
RMT	National Union of Rail, Maritime and Transport Workers
RPMI Railpen	Railway Pension Investments Limited
RPS	Railways Pension Scheme
RROS	Retired Railway Officers' Society
S2P	Second state pension

**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**

RPMI

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

RPMI Railpen

Aviva

#### **Actuary**

Adam Stanley, XPS Pensions Group

#### **External Auditor**

KPMG LLP

#### **Legal Advisors**

Linklaters

Pinsent Mason

Sackers

Slaughter and May

#### **Principal Custodian**

BNY Mellon

#### **Tax Advisors**

PwC

EY

#### **Clearing Banker**

National Westminster Bank



## **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 2020, there were 36 instances of late payment of contributions with a total value of £9.2m, which represents 29.28% of contributions payable under the schedules of contributions. The largest individual amount was £990k, which was paid 7 days after the due date. None of the 36 instances of late payment were reported 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 RPMI Railpen. This is in accordance with the Pensions Act 1995 which requires trustees, rather than the employer or the fund manager or some other party, to make the appointment.

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

Core administrative functions performed by the custodians include the following:

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

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

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

As part of the services provided to the Trustee, RPMI Railpen 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 corporate governance. Trustees of UK occupational pension schemes are required by law to address in their SIP how they consider factors that are likely to have a financially material impact on investment returns, including environmental, social and governance (ESG) factors. This includes the policy directing the exercise of rights attached to investments including voting rights as well as engagement with issuers of debt and equity.

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

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

Our Sustainable Ownership activities span three key areas:

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

#### **Integration in portfolio management**

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

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

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

#### **Active ownership**

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

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

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

## 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 and workforce engagement, and how we consider voting where our expectations are not met.

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

#### Longer term risks and opportunities

As long-term investors, we monitor risks and opportunities over the timeframe we will be paying members' pensions. We expect the companies we invest in to also take a long-term strategic view of potential risks and opportunities. In 2020, climate change remained a key focus area: we published our first standalone Climate-related Disclosure and also set up a Climate Working Group, chaired by our Chief Investment Officer, and with representatives from across the Fiduciary and Investment functions. Governance and conduct issues remained core investment themes.

#### Pooled fund equity holdings

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

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

More detail on our Sustainable Ownership activities can be found in our Sustainable Ownership Annual Report, which can be found at [www.rpmirailpen.co.uk/sustainable-ownership](http://www.rpmirailpen.co.uk/sustainable-ownership).

## **APPENDIX E**

### **RISK STATEMENT**

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

#### **Risk policy**

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

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

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

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

#### **Risk identification and management**

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

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

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

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

## **APPENDIX E (CONTINUED)**

### **RISK STATEMENT (CONTINUED)**

#### **First line of defence:**

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

#### **Second line of defence:**

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

#### **Third line of defence:**

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

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

In respect of the pensions administration service provided by RPMI, an internal controls assurance report has been prepared for the year ended 31 December 20120. The report sets out a description of the relevant control objectives and procedures which operated during the period. These have been independently evaluated under the guidelines of the International Standard on Assurance Engagements 3402 (ISAE 3402) and the ICAEW Technical Release, 'Assurance reports on internal controls of service organisations made available to third parties (AAF 01/20)'.

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

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

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

## **APPENDIX F**

### **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 RPMI 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:

	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2017</b>
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:

	<b>31 December 2015</b>	<b>31 December 2016</b>	<b>31 December 2017</b>
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 RPMI at:

Customer Services  
RPMI  
Stooperdale Offices  
Brinkburn Road  
Darlington  
DL3 6EH

**T:** 0800 2343434  
**E:** [csu@rpmico.uk](mailto:csu@rpmico.uk)  
**W:** [www.btp pensions.co.uk](http://www.btp pensions.co.uk)

Please remember to let RPMI 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 2020

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Benefits</b>		
Benefits payable	(200)	(203)
Administrative expenses	(20)	2
<b>Net withdrawals from dealings with members</b>	<b>(220)</b>	<b>(201)</b>
Net returns on investments	259	295
<b>Net movement in the Section during the year</b>	<b>39</b>	<b>93</b>
Net assets at the start of the year	2,785	2,691
<b>Net assets at the end of the year</b>	<b>2,824</b>	<b>2,785</b>

#### Net assets statement as at 31 December 2020

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Investments	2,796	2,776
Current assets	36	12
Current liabilities	(8)	(3)
<b>Net assets at the end of the year</b>	<b>2,824</b>	<b>2,785</b>

The fund section extraction accounts are prepared by RPMI. 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 2020**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Contributions and benefits</b>		
Contributions receivable	32,306	31,221
Transfer values	1,394	2,404
	<b>33,700</b>	<b>33,625</b>
Benefits payable	(55,576)	(52,806)
Transfer values	(135)	(449)
Administrative expenses	(2,247)	899
	<b>(57,958)</b>	<b>(52,356)</b>
<b>Net withdrawals from dealings with members</b>	<b>(24,258)</b>	<b>(18,731)</b>
Net returns on investments	121,001	176,740
<b>Net movement in the Section during the year</b>	<b>96,743</b>	<b>158,009</b>
Net assets at the start of the year	1,415,875	1,257,866
<b>Net assets at the end of the year</b>	<b>1,512,618</b>	<b>1,415,875</b>
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Net assets statement as at 31 December 2020</b>		
Investments	1,500,405	1,410,401
Current assets	13,040	6,153
Current liabilities	(827)	(679)
<b>Net assets at the end of the year</b>	<b>1,512,618</b>	<b>1,415,875</b>

The fund section extraction accounts are prepared by RPMI. 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 2020

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Contributions and benefits</b>		
Benefit support	915	1,064
	<b>915</b>	<b>1,064</b>
Benefits payable	(2,108)	(2,270)
Administrative expenses	(113)	(30)
	<b>(2,221)</b>	<b>(2,300)</b>
<b>Net withdrawals from dealings with members</b>	<b>(1,306)</b>	<b>(1,236)</b>
Net returns on investments	809	571
<b>Net movement in the Section during the year</b>	<b>(497)</b>	<b>(665)</b>
Net assets at the start of the year	21,354	22,019
<b>Net assets at the end of the year</b>	<b>20,857</b>	<b>21,354</b>
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Net assets statement as at 31 December 2020</b>		
Investments	20,263	20,935
Current assets	670	503
Current liabilities	(76)	(84)
<b>Net assets at the end of the year</b>	<b>20,857</b>	<b>21,354</b>

The fund section extraction accounts are prepared by RPMI. 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 increased by 1.7% with effect from 6 April 2020. 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 as at September 2019.

#### **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 RPMI.

## 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 relevant schemes (broadly, schemes providing DC benefits other than AVCs), the online publication requirement will apply as soon as the accounts have been signed any time after 1 October 2020 (but in any event no later than 1 October 2021).

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

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

This Implementation Statement is included in the Scheme's Annual Report and Accounts for the period ending 31st December 2020 and covers the year 2020.

#### The Trustee's review of the SIP in 2020

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

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

- How the arrangement with any asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's investment policies;
- How that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with issuers of debt or equity in order to improve their performance in the medium to long-term;

## **APPENDIX J (CONTINUED)**

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

#### **The Trustee's review of the SIP in 2020 (continued)**

- How the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's investment policies;
- How the Trustee monitors portfolio turnover costs (i.e. the costs incurred as a result of buying, selling, lending or borrowing investments) incurred by the asset manager, and how they define and monitor targeted portfolio turnover or turnover range;
- The duration of the arrangement with the asset manager;
- How the Trustee monitors the capital structure of the companies they invest in;
- How the Trustee manages actual and potential conflicts of interest in relation to their stewardship activities; and
- How the Trustee monitors and engages with other persons with an interest in companies they invest in.

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

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

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

#### **How the SIP has been followed during the year**

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

#### **The kinds of investments to be held by the Scheme and the balance between different kinds of investments**

The SIP sets out the investment objectives for the Schemes and Sections, and how these are implemented using the Trustee's Pooled Funds.

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

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

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

## **APPENDIX J (CONTINUED)**

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

#### **The kinds of investments to be held by the Scheme and the balance between different kinds of investments (continued)**

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

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

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

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

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

The Trustee is satisfied that RPMI Railpen has the appropriate knowledge and experience for managing the investments of the Schemes and it carries out its role in accordance with the criteria for investment set out in "Investment Regulations", the principles contained in the SIP, the Trustee's investment policy and any applicable investment guidelines and restrictions agreed with the Trustee. The Trustee maintains oversight through regular meetings with the Chair of RIB and updates from RPMI Railpen officers, and remains satisfied with the implementation of the investment policy.

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

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

- maintaining a Trustee risk register;
- an Integrated Funding Committee ('IFC') with specific responsibilities including agreeing integrated funding plans for each Scheme and/or Section, using the RRL framework and monitoring performance against their agreed funding plans;
- an Audit and Risk Committee 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;

## **APPENDIX J (CONTINUED)**

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

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

- appointing a global custodian to hold assets and RPMI Railpen monitoring the custodian's service provision and credit-worthiness;
- appointing the Railpen Investments Board (RIB) with specific responsibilities including oversight of the management of the Pooled Funds; and
- the establishment of the Investment Risk Committee and Operational Risk Committee to oversee monitoring of investment and operational risks.

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

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

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

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

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

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

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

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Sustainable Ownership Governance and Trustee Framework

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

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

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

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

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

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

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

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

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



## **APPENDIX J (CONTINUED)**

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

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

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

#### **ESG integration**

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

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

The Trustee also expects that RPMI Railpen will provide regular reporting on its ESG integration activities to the Board. In 2020, the Trustee received quarterly reports from the Sustainable Ownership team on key activities and outcomes but has decided in 2021 that this should be supplemented by integrated reporting on ESG integration and active ownership metrics as part of the new Investment and Risk Reporting that is received by the RIB. This will enable the Trustee to more effectively monitor and understand the work that RPMI Railpen is undertaking on its behalf.

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

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

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

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

## **APPENDIX J (CONTINUED)**

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

#### **ESG integration (continued)**

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

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

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

#### **Non-financial matters**

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

#### **Member views**

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

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

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

**APPENDIX J (CONTINUED)**

**IMPLEMENTATION STATEMENT (continued)**

**Voting and engagement policy**

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

The Trustee strongly believes that thoughtful voting alongside constructive engagement can influence corporate behaviour in a way which is in line with beneficiaries’ best interests. This is why we were one of the first UK occupational pension schemes to publish a corporate governance and voting policy and to introduce voting for all UK equities in 1992. Voting was gradually phased in across all developed markets and the policy is to vote the entire equity portfolio globally.

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

In the table 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.

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

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

**Engagement**

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Engagement (continued)

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

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

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

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

#### Voting

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

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

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Voting (continued)

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

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

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

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

#### Voting behaviour – RPMI Railpen

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

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

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

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

**APPENDIX J (CONTINUED)**

**IMPLEMENTATION STATEMENT (continued)**

**Voting behaviour – RPMI Railpen (continued)**

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

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

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

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

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

**Stewardship Report | Railway Pension Investments Ltd**

Reporting Period: 01-Jan-2020 to 31-Dec-2020

**Meeting Overview**

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

**Alignment with Management**

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



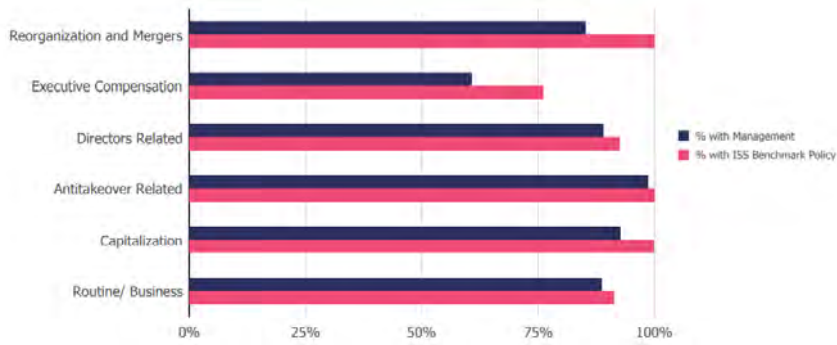
**APPENDIX J (CONTINUED)**

**IMPLEMENTATION STATEMENT (continued)**

**Voting behaviour – RPMI Railpen (continued)**

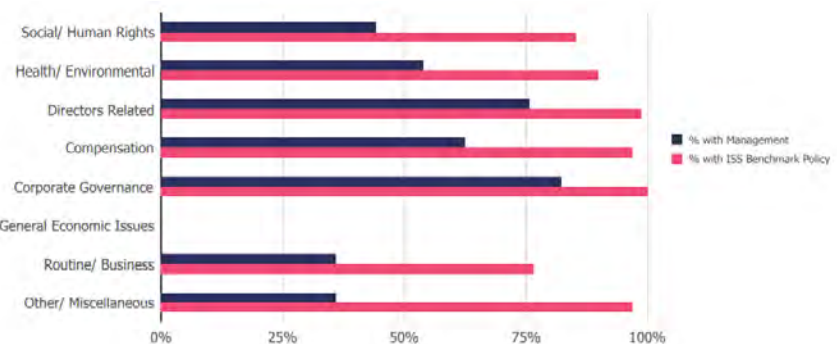
**Votes Cast on Management Proposal Categories**

- 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 Executive Compensation matters, where only 61% of votes followed management recommendations.
- Across categories, votes cast on management proposals show the closest alignment to the ISS Benchmark Policy guidelines.



**Votes Cast on Shareholder Proposal Categories**

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



**Most significant votes – RPMI Railpen**

**Amazon, Inc.**

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

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

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

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

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most significant votes – RPMI Railpen (continued)

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

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

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

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

#### **IP Group**

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

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

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

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

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



## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most significant votes – RPMI Railpen (continued)

##### The Toronto-Dominion Bank

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

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

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

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

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

##### Biffa plc

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

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

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

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

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most significant votes – RPMI Railpen (continued)

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

#### Total SE

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

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

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

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

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

#### Barclays plc

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

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

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

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Most significant votes – RPMI Railpen (continued)

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

#### Tesco plc

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

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

**Why most significant:** Remuneration as a priority theme.

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

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

#### Voting behaviour and most significant votes – external managers

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

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

## **APPENDIX J (CONTINUED)**

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

#### **Voting behaviour and most significant votes – external managers (continued)**

##### **LGIM**

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

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

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

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

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Voting behaviour and most significant votes – external managers (continued)

#### LGIM (continued)

### North America Equity Index Fund

What was the total size of the fund as at 31/12/2020?	£	40,200,472,501
What was the number of equity holdings in the fund as at 31/12/2020?		644
What was the value of the scheme holdings in the fund as at 31/12/2020?	£	84,898,296
What was the proportion of the scheme holdings as a % of the total fund as at 31/12/2020?		0.21%
How many meetings were you eligible to vote at over the year to 31/12/2020?		804
How many resolutions were you eligible to vote on over the year to 31/12/2020?		9634
What % of resolutions did you vote on for which you were eligible?		100.00%
Of the resolutions on which you voted, what % did you vote with management?		72.31%
Of the resolutions on which you voted, what % did you vote against management?		27.65%
Of the resolutions on which you voted, what % did you abstain from?		0.04%
In what % of meetings, for which you did vote, did you vote at least once against management?		7.68%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.	
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)		0.28%

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Voting behaviour and most significant votes – external managers (continued)

#### LGIM (continued)

### FTSE World Equity Index Fund (GBP Hedged)

What was the total size of the fund as at 31/12/2020?	£	1,367,479,166
What was the number of equity holdings in the fund as at 31/12/2020?		2617
What was the value of the scheme holdings in the fund as at 31/12/2020?	£	285,191,103
What was the proportion of the scheme holdings as a % of the total fund as at 31/12/2020?		20.86%
How many meetings were you eligible to vote at over the year to 31/12/2020?		3310
How many resolutions were you eligible to vote on over the year to 31/12/2020?		39613
What % of resolutions did you vote on for which you were eligible?		99.50%
Of the resolutions on which you voted, what % did you vote with management?		81.55%
Of the resolutions on which you voted, what % did you vote against management?		17.92%
Of the resolutions on which you voted, what % did you abstain from?		0.53%
In what % of meetings, for which you did vote, did you vote at least once against management?		5.97%
Which proxy advisory services does your firm use, and do you use their standard voting policy or created your own bespoke policy which they then implemented on your behalf?	LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and we do not outsource any part of the strategic decisions. To ensure our proxy provider votes in accordance with our position on ESG, we have put in place a custom voting policy with specific voting instructions. For more details, please refer to the Voting Policies section of this document.	
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)		0.32%

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Voting behaviour and most significant votes – external managers (continued)

##### LGIM (continued)

**Fund:** North America Equity Index Fund

**Name of company:** The Procter & Gamble Company (P&G)

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

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

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

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

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

**Fund:** FTSE World Equity Index – UK Hedged

**Name of company:** Qantas Airways Limited

**What the vote was about:** Executive Remuneration

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

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

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

## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Voting behaviour and most significant votes – external managers (continued)

##### LGIM (continued)

long-term incentive plan (LTIP), in light of the pandemic. However, our concerns as to the quantum of the 2021 LTIP grant remained. We voted against resolution 3 to signal our concerns

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

##### Blakeney

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

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

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

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



## APPENDIX J (CONTINUED)

### IMPLEMENTATION STATEMENT (continued)

#### Voting behaviour and most significant votes – external managers (continued)

##### Blakeney (continued)

**Fund:** Frontier Equity Fund

**Name of company:** Notore Chemicals

**What the vote was about:** Increase in share capital.

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

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

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

**Outcome and next steps:** All resolutions were passed.

##### External manager accountability

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

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

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

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

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

## **APPENDIX K**

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

#### **Trustee and RPMI Railpen**

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

**T:** 020 7330 6800  
**E:** [csu@rpmico.co.uk](mailto:csu@rpmico.co.uk)  
**W:** [www.rpmico.co.uk](http://www.rpmico.co.uk)

#### **RPMI**

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

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

**T:** 0800 2343434 (Customer Services Team)  
**E:** [csu@rpmico.co.uk](mailto:csu@rpmico.co.uk)  
**W:** [www.railwayspensions.co.uk](http://www.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 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**

### **POOLED FUND ACCOUNTS**

#### **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 2020. The non-statutory accounts have been prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102) and with the guidance set out in the Statement of Recommended Practice (the 'SORP').

The total valuation of the pooled assets as at 31 December 2020 was £32,686.02m (2019: £30,542.20m). There are in addition £1,125.82m (2019: £1,006.60m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £33,811.84m (2019: £31,548.80m).

The pooled funds operate as internal unit trusts. They comprise a key element of the arrangements that the Trustee has put in place for the investment of schemes' and sections' assets and provide the railways pension schemes with a means to invest in a wide range of asset classes.

The range of pooled funds has been reviewed and simplified in recent years to ensure it is flexible enough to be tailored to the needs and particular circumstances of the railways pension schemes whilst also allowing assets to be invested, as far as possible, as if they belonged to a single pension fund.

The table on page 94 summarises the investments of each of these pooled funds as at 31 December 2020. The notes on pages 98 to 113 analyse the total pooled assets of £32,686.02m into the categories required by the SORP. The net asset value of each pooled fund at the end of the current and prior years is set out on page 99 and the unit prices on page 98 and 99.

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

### **ACCOUNTING POLICIES**

#### **Investments**

Investments are held at fair value. The principal bases of investment valuation adopted by the pooled funds are set out below:

- a. Listed investments are stated at the bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.
- b. Fixed interest securities are stated at their 'clean' prices, with accrued income accounted for within investment income.
- c. Unquoted securities, including most investments in private equity and infrastructure, are included at the Trustee's estimate of accounting fair value based on advice from the investment managers or other third party advisors.
- d. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price, where there are no bid/offer spreads, as provided by the investment managers.
- e. The pooled investment vehicle managed by OneFamily Lifetime Mortgages Limited held by the Long Term Income Pooled Fund is stated fair value. This asset has been valued independently by Ernst and Young who have used agreed assumptions to model expected cashflows and discount back to valuation date.
- f. Properties are included at open market value as at the year end date determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued by independent external valuers, Knight Frank and CBRE. Knight Frank and CBRE have experience in the locations and class of investment properties held by the Trustee.
- g. Exchange traded derivatives are stated at fair value determined using market quoted prices. Over the counter ('OTC') derivatives are stated at the Trustee Company's estimate of accounting fair value based on advice from third party vendors, external valuers retained by the Trustee through BNY Mellon, who provide a valuation service independent of the fund managers, using pricing models and relevant market data at the year end date.
- h. Forward foreign exchange contracts are valued at the forward rate at the year end date.
- i. All gains and losses arising on derivative contracts are reported within change in market value of investments during the year.
- j. Loans and deposits, current assets and current liabilities are included at book cost, which the Trustee considers represents a reasonable estimate of fair value.

#### **Foreign currencies**

Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

## **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.

#### **Subsidiaries and consolidation**

Several properties in the Property Pooled Fund are owned by means of an exempt unauthorised unit trust, English limited partnerships, Jersey unit trusts and a number of companies.

In all cases, the share capital or units in all the entities in question are held either directly or indirectly for the beneficial entitlement of the Property Pooled Fund. All the entities are controlled by the Trustee on behalf of the Property Pooled Fund, and hence fall to be subsidiary undertakings of the pooled fund. They have been included in the pooled fund accounts on a full consolidation basis. This consolidation is done voluntarily as this is not a requirement of the SORP.

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

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

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

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

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

#### **Unit transactions**

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

## FUND STATEMENT AS AT 31 DECEMBER 2020

	Equities	Fixed interest securities	Index linked securities	UK property	Pooled investment vehicles	Derivative assets	Derivative liabilities	Cash deposits and cash instruments	Other assets	Other liabilities	Cross holdings	Net assets attributable to unit holders
Pooled Fund	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Growth	13,575.87	-	-	-	3,184.94	184.21	(2.24)	2,799.20	36.35	(14.49)	2,136.89	21,900.73
Private Equity	4.14	-	-	-	2,343.19	0.03	-	87.02	0.58	(0.41)	-	2,434.55
Property	-	-	-	1,943.98	-	-	-	89.91	141.52	(38.54)	-	2,136.87
Illiquid Growth	313.39	1.98	-	-	1,395.06	-	-	213.16	2.63	(0.97)	0.55	1,925.80
Defined Contribution	-	-	-	-	303.64	-	-	300.34	1.67	(1.47)	1,155.58	1,759.76
Government Bond	-	1,340.89	-	-	-	-	-	8.13	6.57	(0.20)	-	1,355.39
Long Term Income	48.09	177.53	-	51.90	804.19	-	-	29.29	1.17	(0.90)	-	1,111.27
Passive Equity	-	-	-	-	1,082.25	-	-	0.33	0.03	(0.33)	-	1,082.28
Short Duration Index Linked Bond	-	-	723.21	-	-	-	-	4.43	0.62	(0.11)	-	728.15
Global Equity	-	-	-	-	684.21	-	-	0.26	-	(0.23)	-	684.24
Non Government Bond	-	394.29	-	-	-	7.68	(0.02)	5.95	4.30	(0.16)	-	412.04
Long Duration Index Linked Bond	-	-	203.96	-	-	-	-	1.16	0.08	(0.03)	-	205.17
Infrastructure	-	-	-	-	160.58	-	-	5.00	0.13	(0.06)	-	165.65
Cash	-	-	-	-	-	-	-	77.15	-	(0.01)	-	77.14
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(3,293.02)	(3,293.02)
<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
Pooled Fund	£m	£m	£m	£m	£m	£m	£m
Growth	-	-	-	2,136.87	0.02	-	2,136.89
Defined Contribution	1,108.03	14.70	-	-	-	32.85	1,155.58
Illiquid Growth	-	-	0.10	-	0.45	-	0.55
<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 91 to 93 and the notes on pages 98 to 113 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	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	20,431.35	195.40	(427.08)	1,511.50	189.56	-	21,900.73
Private Equity	2,221.53	1.10	(392.90)	608.55	(3.73)	-	2,434.55
Property	2,120.12	-	-	(65.41)	82.16	-	2,136.87
Illiquid Growth	1,534.51	255.12	(0.24)	128.87	7.54	-	1,925.80
Defined Contribution	1,602.89	234.63	(199.10)	122.43	(1.09)	-	1,759.76
Government Bond	1,395.20	137.23	(213.81)	15.03	21.74	-	1,355.39
Long Term Income	814.88	250.30	(0.30)	46.72	(0.33)	-	1,111.27
Passive Equity	996.52	23.28	(59.23)	123.02	(1.31)	-	1,082.28
Short Duration Index Linked Bond	774.28	37.20	(93.63)	(1.61)	11.91	-	728.15
Global Equity	714.05	-	(76.50)	47.58	(0.89)	-	684.24
Non Government Bond	453.29	23.43	(87.46)	9.19	13.59	-	412.04
Long Duration Index Linked Bond	189.27	3.15	(14.89)	26.23	1.41	-	205.17
Infrastructure	411.41	-	(258.00)	12.26	(0.02)	-	165.65
Cash	50.43	54.40	(27.80)	-	0.11	-	77.14
Cross holdings	(3,167.53)					(125.49)	(3,293.02)
<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>

### Approved on behalf of the Trustee Company on 24 June 2021

Christopher Hannon  
Chair,  
Trustee Company

Meliha Duymaz Oludipe  
Director and Chair,  
Audit and Risk Committee

The accounting policies on pages 91 to 93 and the notes on pages 98 to 113 form part of these accounts.

**FUND STATEMENT AS AT 31 DECEMBER 2019**

	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	11,564.69	-	-	-	3,636.88	300.55	(0.22)	2,763.34	63.02	(17.06)	2,120.15	20,431.35
Private Equity	12.24	-	-	-	2,135.64	-	-	74.61	0.03	(0.99)	-	2,221.53
Property	-	-	-	1,861.12	-	-	-	167.06	125.65	(33.71)	-	2,120.12
Defined Contribution	-	-	-	-	264.30	-	-	292.20	0.84	(1.12)	1,046.67	1,602.89
Illiquid Growth	364.55	12.08	-	-	1,021.50	-	-	133.68	3.23	(1.24)	0.71	1,534.51
Government Bond	-	1,385.88	-	-	-	-	-	1.64	8.11	(0.43)	-	1,395.20
Passive Equity	-	-	-	-	996.51	-	-	0.30	-	(0.29)	-	996.52
Long Term Income	15.73	91.64	-	14.96	665.76	-	-	26.85	0.53	(0.59)	-	814.88
Short Duration Index Linked Bond	-	-	758.42	-	-	-	-	15.39	0.63	(0.16)	-	774.28
Global Equity	-	-	-	-	714.01	-	-	0.32	-	(0.28)	-	714.05
Non Government Bond	-	430.55	-	-	-	2.32	(0.01)	15.61	5.11	(0.29)	-	453.29
Infrastructure	-	-	-	-	326.55	-	-	84.99	0.03	(0.16)	-	411.41
Long Duration Index Linked Bond	-	-	187.64	-	-	-	-	1.59	0.12	(0.08)	-	189.27
Cash	-	-	-	-	-	-	-	50.45	0.04	(0.06)	-	50.43
Cross Holdings											(3,167.53)	(3,167.53)
<b>Total</b>	<b>11,957.21</b>	<b>1,920.15</b>	<b>946.06</b>	<b>1,876.08</b>	<b>9,761.15</b>	<b>302.87</b>	<b>(0.23)</b>	<b>3,628.03</b>	<b>207.34</b>	<b>(56.46)</b>	<b>-</b>	<b>30,542.20</b>
%	39.15	6.29	3.10	6.14	31.96	0.99	-	11.88	0.68	(0.19)	-	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	-	-	-	2,120.12	0.03	-	2,120.15
Defined Contribution	1,004.74	13.37	-	-	-	28.56	1,046.67
Illiquid Growth	-	-	0.24	-	0.47	-	0.71
<b>Total</b>	<b>1,004.74</b>	<b>13.37</b>	<b>0.24</b>	<b>2,120.12</b>	<b>0.50</b>	<b>28.56</b>	<b>3,167.53</b>

The accounting policies on pages 91 to 93 and the notes on pages 98 to 113 form part of these accounts.

## FUND STATEMENT AS AT 31 DECEMBER 2019

### 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
Pooled Fund	£m	£m	£m	£m	£m	£m	£m
Growth	17,691.86	121.83	(555.46)	2,914.80	258.32	-	20,431.35
Private Equity	2,353.24	21.00	(459.26)	309.83	(3.28)	-	2,221.53
Property	2,098.67	-	(110.00)	28.40	103.05	-	2,120.12
Defined Contribution	1,395.56	199.21	(202.00)	209.81	0.31	-	1,602.89
Illiquid Growth	1,049.98	423.10	(-)	55.11	6.32	-	1,534.51
Government Bond	1,454.68	20.78	(104.56)	0.15	24.15	-	1,395.20
Passive Equity	803.42	4.72	(15.41)	205.12	(1.33)	-	996.52
Long Term Income	665.57	96.23	(2.25)	55.97	(0.64)	-	814.88
Short Duration Index Linked Bond	792.19	23.15	(51.01)	(8.23)	18.18	-	774.28
Global Equity	662.97	-	(81.72)	133.47	(0.67)	-	714.05
Infrastructure	442.21	-	(49.00)	18.17	0.03	-	411.41
Non Government Bond	427.06	6.65	(29.87)	33.79	15.66	-	453.29
Long Duration Index Linked Bond	197.95	15.97	(40.03)	12.92	2.46	-	189.27
Cash	194.64	5.02	(150.46)	-	1.23	-	50.43
Cross holdings	(2,986.69)					(180.84)	(3,167.53)
<b>Total</b>	<b>27,243.31</b>	<b>937.66</b>	<b>(1,851.03)</b>	<b>3,969.31</b>	<b>423.79</b>	<b>(180.84)</b>	<b>30,542.20</b>

The accounting policies on pages 91 to 93 and the notes on pages 98 to 113 form part of these accounts.

## CONSOLIDATED NOTES TO THE FUND STATEMENT

1.1 Fund statement as at 31 December 2019	Note	2020 £m	2019 £m
<b>Assets</b>			
Equities		13,941.49	11,957.21
Fixed interest securities		1,914.69	1,920.15
Indexed linked securities		927.17	946.06
UK Property		1,995.88	1,876.08
Pooled investment vehicles	1.5	9,958.06	9,761.15
Derivative contracts			
Futures - exchange traded	1.6	38.78	24.72
FX contracts - OTC	1.6	153.14	278.15
Other assets			
Other investment assets	1.7	99.51	134.67
Current assets	1.8	96.14	72.67
Cash deposits and cash instruments	1.9	3,621.33	3,628.03
<b>Total assets</b>		<b>32,746.19</b>	<b>30,598.89</b>
<b>Liabilities</b>			
Derivative contracts			
Futures - exchange traded	1.6	(0.39)	(0.22)
FX contracts - OTC	1.6	(1.87)	(0.01)
Other liabilities			
Other investment liabilities	1.10	(1.18)	(1.72)
Current liabilities	1.11	(56.73)	(54.74)
<b>Total liabilities</b>		<b>(60.17)</b>	<b>(56.69)</b>
<b>Net assets attributable to unit holders</b>		<b>32,686.02</b>	<b>30,542.20</b>
<b>1.2 Pooled fund unit prices as at 31 December</b>			
		2020 £/unit	2019 £/unit
Growth Pooled Fund		22.83	21.04
Property Pooled Fund		98.79	98.02
Government Bond Pooled Fund		13.99	13.62
Illiquid Growth Pooled Fund		16.49	15.26
Passive Equity Pooled Fund		23.89	21.37
Short Duration Index Linked Bond Pooled Fund		10.43	10.28
Long Term Income Pooled Fund		9.14	8.81
Global Equity Pooled Fund		117.75	109.76
Infrastructure Pooled Fund		21.70	21.93
Non Government Bond Pooled Fund		16.78	15.79
Long Duration Index Linked Bond Pooled Fund		115.22	100.08
Cash Pooled Fund		10.46	10.44
<b>Private Equity Pooled Fund</b>			
Direct Investment Pooled Fund 2000		10.86	11.22
Private Equity Pooled Fund 2001		51.88	41.51
Private Equity Pooled Fund 2004		39.25	38.90
Private Equity Pooled Fund 2005		48.10	44.80
Private Equity Pooled Fund 2007		46.16	37.20
Private Equity Pooled Fund 2009		49.77	41.70
Private Equity Pooled Fund 2011		50.56	36.75
Private Equity Pooled Fund 2013		42.53	29.72

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

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

	2020 £/unit	2019 £/unit
<b>Defined Contribution Pooled Fund</b>		
DC Global Equity Fund	18.54	17.74
DC Long Term Growth Fund	19.79	17.11
DC Deposit Fund	10.25	10.23
DC Index Linked and Global Bond Fund	16.06	15.25
DC Aggregate Bond Fund	16.89	14.58

### 1.3 Value of the Pooled Funds

	2020 £m	2019 £m
Growth Pooled Fund	21,900.73	20,431.35
Private Equity Pooled Fund*	2,434.55	2,221.53
Property Pooled Fund	2,136.87	2,120.12
Illiquid Growth Pooled Fund	1,925.80	1,534.51
Defined Contribution Pooled Fund*	1,759.76	1,602.89
Government Bond Pooled Fund	1,355.39	1,395.20
Long Term Income Pooled Fund	1,111.27	814.88
Passive Equity Pooled Fund	1,082.28	996.52
Short Duration Index Linked Bond Pooled Fund	728.15	774.28
Global Equity Pooled Fund	684.24	714.05
Non Government Bond Pooled Fund	412.04	453.29
Long Duration Index Linked Bond Pooled Fund	205.17	189.27
Infrastructure Pooled Fund	165.65	411.41
Cash Pooled Fund	77.14	50.43
<b>Cross holdings</b>		
Property Pooled Fund	(2,136.87)	(2,120.12)
Growth Pooled Fund	(1,108.03)	(1,004.74)
Non Government Bond Pooled Fund	(32.85)	(28.56)
Long Duration Index Linked Bond Pooled Fund	(14.70)	(13.37)
Private Equity Pooled Fund	(0.47)	(0.50)
Infrastructure Pooled Fund	(0.10)	(0.24)
<b>Net assets attributable to unit holders</b>	<b>32,686.02</b>	<b>30,542.20</b>

\* See breakdown into pooled fund segments below.

#### Private Equity Pooled Fund

Direct Investment Pooled Fund 2000	2.05	2.42
Private Equity Pooled Fund 2001	18.12	27.00
Private Equity Pooled Fund 2004	20.97	23.23
Private Equity Pooled Fund 2005	41.70	45.48
Private Equity Pooled Fund 2007	701.01	718.02
Private Equity Pooled Fund 2009	214.09	208.51
Private Equity Pooled Fund 2011	1,008.00	847.70
Private Equity Pooled Fund 2013	428.61	349.17
	<b>2,434.55</b>	<b>2,221.53</b>

#### Defined Contribution Pooled Fund

DC Long Term Growth Fund	1,110.13	1,006.49
DC Deposit Fund	297.98	288.96
DC Global Equity Fund	285.29	250.15
DC Index Linked and Global Bond Fund	37.01	26.97
DC Aggregate Bond Fund	29.35	30.32
	<b>1,759.76</b>	<b>1,602.89</b>

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.4 Investment income

	2020 £m	2019 £m
Dividends from equities	256.91	273.04
Income from fixed interest securities	42.06	43.97
Income from index linked securities	14.28	42.03
Income from pooled investment vehicles	5.07	4.99
Income from securities lending	2.86	4.13
Income from UK property	102.27	120.01
Interest from cash deposits	9.25	26.71
Other income	0.79	2.19
	<b>433.49</b>	<b>517.07</b>
Irrecoverable withholding tax	(16.23)	(14.38)
<b>Total income</b>	<b>417.26</b>	<b>502.69</b>
Administration, custody and other expenses	(50.60)	(30.55)
Investment management fees	(2.12)	(6.06)
RPML fees	(43.19)	(41.16)
Irrecoverable VAT	(0.67)	(0.25)
Tax	(0.03)	(0.88)
	<b>(96.61)</b>	<b>(78.90)</b>
<b>Reinvested net income</b> (accrued in unit prices)	<b>320.65</b>	<b>423.79</b>

### 1.5 Pooled investment vehicles

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

	2020 £m	2019 £m
UK unquoted - unitised insurance policies	2,207.88	2,361.08
UK unquoted - partnerships	1,088.24	1,067.51
UK unquoted - other managed funds	174.90	694.47
UK quoted - other managed funds	-	-
Overseas unquoted - partnerships	4,349.93	3,639.00
Overseas unquoted - other managed funds	2,098.41	1,946.71
Overseas unquoted - hedge funds	38.70	52.38
	<b>9,958.06</b>	<b>9,761.15</b>

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.5 Pooled investment vehicles (Continued)

The pooled funds are the sole investor in sixteen (2019: seventeen) pooled investment vehicles included within the above analysis. The assets underlying these sole investor pooled investment vehicles are:

	2020 £m	2019 £m
Fixed interest securities	369.81	378.93
Insurance	369.06	347.20
Private equity	243.11	270.31
Royalties	186.95	107.59
	<b>1,168.93</b>	<b>1,104.03</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 2021	(344.58)	8.23	
MSCI EM index	Mar 2021	(833.09)	26.52	
Japanese topix index	Mar 2021	(154.00)	4.03	
Euro Stoxx index	Mar 2021	(40.45)	-	(0.39)
		<b>(1,372.12)</b>	<b>38.78</b>	<b>(0.39)</b>

Included within cash balances is £78.72m in respect of initial and variation margins deposited with brokers regarding open futures contracts at the year end.

**Forward foreign exchange ('FX') contracts:** The pooled funds had open FX contracts at the year end as follows:

Type of contract	Settlement Date	Currency bought million	Currency sold million	Value at year end £m
<b>Assets</b>				
Sterling / US dollar	Jan – Apr 2021	5,056.35	(6,716.66)	144.77
Sterling / Euro	Jan - Feb 2021	314.28	(346.08)	4.30
Euro / US dollar	Feb 2021	214.00	(256.46)	4.07
				<b>153.14</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 / Euro	Jan 2021	526.44	(590.00)	(1.85)
US dollar / Sterling	Jan 2021	0.75	(0.57)	(0.02)
				<b>(1.87)</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 £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

	2020 £m	2019 £m
Asset in respect of investment settlements	1.15	22.80
Investment income accrued	27.33	36.27
Recoverable tax	21.88	21.28
Rent receivable	49.15	54.32
	<b>99.51</b>	<b>134.67</b>

### 1.8 Current assets

	2020 £m	2019 £m
Asset in respect of unit trades	1.68	0.68
Trade debtors	92.01	70.84
Tax	0.95	0.44
VAT and other	1.50	0.72
	<b>96.14</b>	<b>72.68</b>

### 1.9 Cash deposits and cash instruments

	2020 £m	2019 £m
Cash held in liquidity funds	3,147.53	3,444.14
Cash held at brokers in respect of futures margin	78.72	64.08
Cash at bank	395.07	117.99
Cash collateral held by counterparties	0.01	1.82
	<b>3,621.33</b>	<b>3,628.03</b>



## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.10 Other investment liabilities

	2020 £m	2019 £m
Liability in respect of investment settlements	-	(0.08)
Tax payable	(1.18)	(1.64)
	<u>(1.18)</u>	<u>(1.72)</u>

### 1.11 Current liabilities

	2020 £m	2019 £m
Accrued management fees and expenses	(18.92)	(20.38)
Property income received in advance	(14.86)	(19.97)
Trade creditors	(11.59)	(9.81)
Liability in respect of unit trades	(1.30)	(0.95)
Tax	(8.92)	(2.79)
VAT and other	(1.14)	(0.84)
	<u>(56.73)</u>	<u>(54.74)</u>

### 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 38.

At 31 December 2020, the market valuation of securities that had been lent in the market was £2,016.56m (2019: £2,028.56m).

Collateral held in respect of the securities on loan at 31 December 2020 had a total value of £2,136.35m (2019: £2,167.59m).

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

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

	Value at 31 December 2019	Units issued/ (redeemed)	Net income	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2020
	£m	£m	£m	£m	£m	£m	£m
<b>Directly held assets</b>							
Equities	11,957.21	-	-	7,973.33	(7,284.90)	1,295.85	13,941.49
Fixed interest securities	1,920.15	-	-	496.40	(540.88)	39.02	1,914.69
Index linked securities	946.06	-	-	107.24	(150.75)	24.62	927.17
Pooled investment vehicles	9,761.15	-	-	1,746.44	(2,656.16)	1,106.63	9,958.06
UK property	1,876.08	-	-	268.52	(80.39)	(68.33)	1,995.88
	<b>26,460.65</b>	-	-	<b>10,591.93</b>	<b>(10,713.08)</b>	<b>2,397.79</b>	<b>28,737.29</b>
<b>Derivatives</b>							
Futures	24.50	-	-	253.43	(510.07)	270.53	38.39
FX contracts	278.14	-	-	1,965.89	(1,904.85)	(187.91)	151.27
	<b>302.64</b>	-	-	<b>2,219.32</b>	<b>(2,414.92)</b>	<b>82.62</b>	<b>189.66</b>
<b>Cross holdings</b>	3,167.53	-	-	33.65	(15.25)	107.09	3,293.02
<b>Other</b>							
Cash and current assets	3,778.91	(635.70)	320.65	(12,844.90)	13,143.25	(3.14)	3,759.07
	<b>33,709.73</b>	<b>(635.70)</b>	<b>320.65</b>				<b>35,979.04</b>
<b>Cross holdings</b>	(3,167.53)						(3,293.02)
<b>Net Assets</b>	<b>30,542.20</b>						<b>32,686.02</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 £18.60m (2019: £11.88m) comprising mainly of fees, commissions, stamp duty land tax and legal fees. Included within pooled funds' expenses in note 1.4 are direct transaction costs of £0.70m (2019: £0.95m) relating to legal and due diligence fees.

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

	<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>
<b>Year to 31 December 2019</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	3.78	3.07	-	-	6.85
Futures	-	0.04	-	-	0.04
Fixed Interest Securities	-	0.30	-	-	0.30
Pooled investment vehicles	-	2.17	0.87	1.07	4.11
UK property	-	-	0.70	0.83	1.53
	<b>3.78</b>	<b>5.58</b>	<b>1.57</b>	<b>1.90</b>	<b>12.83</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 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£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>
<b>At 31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Directly held assets</b>				
Equities	11,575.59	16.98	364.64	11,957.21
Fixed interest securities	1,720.97	199.18	-	1,920.15
Index linked securities	946.06	-	-	946.06
Pooled investment vehicles	198.86	3,827.95	5,734.34	9,761.15
UK property	-	-	1,876.08	1,876.08
<b>Derivatives</b>				
Futures	24.50	-	-	24.50
FX contracts	-	278.14	-	278.14
<b>Other</b>				
Cash and current assets	3,778.91	-	-	3,778.91
	<b>18,244.89</b>	<b>4,322.25</b>	<b>7,975.06</b>	<b>30,542.20</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	2020 £m	2019 £m	Credit risk	Market risk		
				Interest rate risk	Currency risk	Other price risk
Equities	13,941.49	11,957.21	○	○	●	●
Fixed interest securities	1,914.69	1,920.15	◐	●	◐	◐
Index linked securities	927.17	946.06	○	●	○	●
Pooled investment vehicles	9,958.06	9,761.15	◐	◐	●	●
UK Property	1,995.88	1,876.08	●	○	○	●
Futures	38.39	24.50	◐	◐	◐	●
Fx contracts	151.27	278.14	◐	◐	●	○
Cash and other assets	3,759.07	3,778.91	◐	◐	◐	○
	<b>32,686.02</b>	<b>30,542.20</b>	◐	◐	◐	●

● Significant exposure	◐ Some exposure	○ No exposure
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## 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.

#### 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.

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.16 Investment risks (continued)

#### Other price risk

Other price risk arises principally in relation to the pooled funds investments in directly held equities, equities held in pooled vehicles, equity futures, property, property pooled investment vehicles, hedge funds and private equity.

The pooled funds manage this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

### 1.17 Investment managers during the year

The investment managers used by the pooled funds during the year together with their net assets under management at the year end were as follows:

	<b>2020</b>	<b>2019</b>
	<b>£m</b>	<b>£m</b>
RPMI Railpen*	21,687.76	19,580.90
Legal and General Investment Management	2,207.88	2,361.08
Blackstone Alternative asset Management	1,520.72	1,233.12
Horsley Bridge Partners	574.10	535.60
Insight Investment	420.44	466.36
Sequoia Capital	384.42	252.61
AQR Capital Management	370.57	814.89
Credit Suisse ILS Limited	369.06	384.94
Kobalt Music Group	323.29	250.93
Nephila Capital Ltd (From December 2020)	292.62	-
OneFamily	246.19	249.86
Morningside Ventures	233.25	178.96
Macquarie Infrastructure	230.59	212.09
Columbia Capital	198.62	150.15
Avenue Capital	192.90	112.23
HealthCare Royalty Partners	186.95	107.58
Intermediate Capital Group	174.90	216.22
Long Harbour	154.29	147.88
Riverside Europe Fund Associates	143.52	86.80
Innisfree	116.67	129.08
Amplo	91.44	62.04
Motive	91.30	15.55
Varde	87.81	50.82
Greencoat Capital (From May 2020)	84.60	-
Accel Partners	83.84	90.94
Westbridge Capital Partners	80.40	65.61
Constellation	78.96	55.12
Orion Energy Partners	75.24	92.07
Pensions Infrastructure Platform	74.33	75.57
WP Global Partners	72.01	59.18
White Oak	70.42	71.44
Cranemere	69.28	56.73
Index Ventures	65.27	36.46
General Capital	65.26	35.10
<b>Carried forward</b>	<b>31,118.90</b>	<b>28,237.91</b>

\*Included in this balance is cash invested in Liquidity Funds totalling £3,180.03m (2019: £3,587.12m)

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

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

	2020 £m	2019 £m
<b>Brought forward</b>	<b>31,118.90</b>	<b>28,237.91</b>
Bain Capital	63.19	68.84
Local Globe	62.64	21.31
Venor Capital Management	61.70	85.58
Presidio	56.41	49.29
HarbourVest Partners	50.94	64.36
Dalmore	50.62	50.66
Khosla Ventures	49.37	49.55
Thoma Bravo	48.58	50.16
Balderton Capital	45.33	32.10
H.I.G. Capital	43.88	39.18
Private Advisors	43.61	37.92
Soundcore	42.37	16.54
General Atlantic	41.19	36.67
Goldman Sachs Asset Management	40.90	116.99
Christofferson, Robb & Company (From November 2020)	40.30	-
KPS Capital Partners	40.27	27.26
Highland Capital Partners	38.43	33.01
Great Hill Partners	38.13	38.69
Adams Street Partners	37.73	45.78
Apax Partners	35.13	37.45
Standard Life Investments	32.07	36.26
Mount Elbert	30.51	21.47
Innovation Works	30.38	38.67
Scale Venture Partners	27.77	28.88
Andreessen Horowitz	25.56	25.08
Limerston capital Partners	25.28	23.10
Charlesbank Capital Partners	25.06	24.02
Bessemer Venture Partners	25.01	22.08
Clearsight Investments	24.78	21.31
Anacap Financial Partners	24.58	23.35
Duke Street	23.86	62.71
ClearVue Partners	23.74	21.01
Cinven	22.88	27.66
Institutional Venture Partners	22.40	23.41
Blossom	20.68	14.65
Astra Capital	20.29	3.19
Pantheon Ventures	20.06	27.56
Hony Capital	18.17	24.03
General Catalyst	15.73	12.33
Navis Capital Partners	14.47	13.19
Palatine	14.37	9.03
Berkshire Partners	13.03	10.95
Innova	12.02	21.24
Grosvenor Capital Management	11.71	20.63
Ares Management	11.57	16.79
Peak Rock Capital	11.35	10.73
Schroder AdvEq (From January 2020)	10.65	-
Sankaty Advisors	9.66	11.85
<b>Carried forward</b>	<b>32,617.26</b>	<b>29,734.43</b>



## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

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

	2020 £m	2019 £m
<b>Brought forward</b>	<b>32,617.26</b>	<b>29,734.43</b>
Amaranthine Partners	9.37	6.40
Domain Partners	8.42	11.62
Warburg Pincus	8.37	21.70
Triton Partners	8.01	6.84
Southern Cross Group	7.64	9.25
Archer Capital	5.47	8.94
Headland Capital Partners	4.61	9.94
CI Capital Investors	3.88	5.63
Oaktree Capital Management	3.68	5.96
Arcus Infrastructure Partners	3.58	81.79
Abry Partners	2.36	3.36
Owl Rock	1.98	154.74
Blakeney Management	1.03	2.93
EQT Funds Management	0.27	0.27
Governance for Owners Group	0.09	0.11
Aspect Capital Limited (Until March 2020)	-	478.24
BlackRock Advisors (UK) (Until February 2020)	-	0.05
	<b>32,686.02</b>	<b>30,542.20</b>

### 1.18 Performance

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

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

	2020 %	2019 %
FTSE North America Index	25.00	25.00
FTSE All Share Index	20.00	20.00
FTSE Developed Europe (ex UK) Index	20.00	20.00
FTSE Developed Asia Pacific Index	20.00	20.00
MSCI Emerging Markets Index (50% hedged to GBP)	15.00	15.00
	<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 Retail Prices Index plus 4%
Private Equity	MSCI ACWI Index
Property	MSCI UK Monthly Property Index GBP
DC Global Equity Fund	FTSE Developed Markets GBP Hedged
DC Long Term Growth Fund	UK Retail Prices Index plus 4%
DC Deposit	GBP 1M Libor
DC Index Linked and Global Bond	Composite comparator comprising: 50% Bloomberg Barclays Global Gilts over 15 years Index* 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged  *Prior to June 2019 the comparator was; 50% FTSE UK Index Linked Gilts over 15 years Index until 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged
DC Aggregate Bond	Composite comparator comprising: 50% FTSE Actuaries UK Conventional Gilts over 15 years Index 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged
Illiquid Growth	UK Retail Prices Index plus 4%
Government Bond	FTSE World Government Bond Index (WGBI) 3-7 Years GBP
Passive Equity	FTSE Developed Markets GBP Hedged
Long Term Income	UK Retail Prices Index
Short Duration Index Linked Bond	Bloomberg Barclays UK Gilt 1 to 10 Years Index
Infrastructure	UK Retail Prices Index plus 4%
Cash	GBP 1M Libor
Non Government Bond	Bloomberg Barclays Global Aggregate Corporate Index GBP Hedged
Long Duration Index Linked Bond	Bloomberg Barclays UK Gilt 15+ Years Index
Cash	GBP 1M Libor

## CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

### 1.18 Performance (continued)

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

<b>Pooled fund</b>	<b>Actual 2020 (%)</b>	<b>Comparator 2020 (%)</b>	<b>Actual last 5 years (%)</b>	<b>Comparator last 5 years (%)</b>
Growth	8.6	5.2	9.8	6.6
Private Equity	18.0	12.6	18.2	13.9
Property	0.8	5.2	6.6	6.8
Government Bond	2.7	3.1	2.2	2.1
Illiquid Growth <sup>1</sup>	3.8	5.2	8.8	6.6
Passive Equity	11.8	11.5	10.9	10.5
Short Duration Index Linked Bond <sup>1</sup>	1.4	1.7	1.3	1.6
Long Term Income <sup>1</sup>	4.3	1.2	1.0	2.7
Global Equity	7.3	7.4	10.8	10.5
Infrastructure	(1.2)	5.2	8.7	6.6
Non Government Bond	6.3	7.2	5.2	5.0
Long Duration Index Linked Bond	15.1	15.3	10.8	10.9
Cash	15.1	15.3	10.8	10.9
DC Long Term Growth	8.4	5.2	9.6	6.6
DC Deposit Fund	11.6	11.5	10.8	10.5
DC Global Equity Fund	0.2	0.3	0.3	0.5
DC Aggregate Bond Fund	10.7	11.3	8.0	8.1
DC Index Linked and Global Bond Fund	10.1	10.7	7.2	7.3

<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.