

COVID-19: Important message from the Trustees

Dear Member,

Further to my message published on 30th March 2020, I wanted to provide you with a further update and inform you of the steps the Trustees of the Network Rail CARE and NRDC Pension Schemes have taken in regards to the Schemes' investments.

As noted in my previous communication, we, the Trustees, take a long-term outlook for the performance of investments in the Schemes. Your benefits may well accumulate and be paid for many years into the future and it is important that we continue to consider the current crisis in this context before making any changes to our investment strategy. During the past three months, we, along with our advisors, have been carefully monitoring the Schemes' investments with a consideration to the expected relatively short-term nature of the current situation.

COVID-19 and market volatility

The COVID-19 pandemic has impacted all aspects of our lives, and you may be concerned about its impact on your finances. The pandemic has resulted in a lot of market volatility during 2020 so far, with many asset classes moving up and down in value significantly over a short period. We encourage you not to make rushed decisions at this time. While it is always important to think carefully before making any investment decisions, it is particularly important in the current environment.

NRDC Pension Scheme

For the NRDC Pension Scheme, you may be invested in the Scheme's Managed Lifestyle option or within the Scheme's Pick 'n' Mix investment options. The Managed Lifestyle option is designed to gradually move your savings from higher risk investments to lower risk investments as you approach your target retirement date. If you are invested in this option, your investment performance over this period will depend on how far away you are from your target retirement date. If you are invested in any of the Scheme's self-select investment options, your investment performance over this period will depend on your chosen asset class(es). Please remember, past performance is not a guide to future returns.

If you have chosen the NRDC Property Fund, this Fund has been temporarily suspended to dealing by its investment managers as a result of ongoing uncertainty of property valuations in the current environment. You will therefore be unable to direct money to or withdraw money from this Fund until further notice. Future contributions have temporarily redirected to the NRDC Cash Fund. I appreciate this will be frustrating for those of you invested in this Fund, however this step has been taken by the investment managers to protect the best interests of investors.

Network Rail CARE Pension Scheme

In regard to the Network Rail CARE Pension Scheme, when the last Actuarial Valuation was completed in 2016, the CARE Scheme was 115% funded with a surplus of circa £25 million. We are currently in the process of working through the 2019 Actuarial Valuation with our advisors, and although the assumptions used in valuing the Scheme's liabilities will be reflective of conditions at 31st December 2019 (pre COVID-19), there will no doubt be some considerations made as to how the Scheme has been impacted by the current situation and the Scheme's current funding level.

That said, the Scheme's investment strategy has allowed it to weather this challenging period relatively well.

- The Scheme's liability hedging assets help to protect against adverse movements in liabilities due to changes in interest rates and inflation. This means that while the value of the Scheme liabilities has risen over 2020 so far, this portion of the investment strategy has increased by a very similar amount too.
- Diversification – meaning not having all of your eggs in one basket – has also helped, as not all asset classes (for example company bonds) have fallen as much as stocks and shares over this period.
- Being able to react quickly and be dynamic has also helped. Before the worst of the market falls, a significant portion of our assets were moved out of risky assets like equity into safer assets such as cash, which helped mitigate against some market falls.

The focus now is on trying to avoid further losses and taking advantage of opportunities to regain ground lost due to COVID-19.

For members invested in the LGIM Managed Property Fund within the CARE Additional Voluntary Contribution (AVC) fund range, this Fund has been temporarily suspended to dealing by its investment manager (LGIM) as a result of ongoing uncertainty of property valuations in the current environment. It is not unusual for these temporary suspensions to occur within property funds from time to time. You will therefore be unable to direct money to or withdraw money from this Fund until further notice. Future contributions have temporarily redirected to the LGIM Cash Fund. As per the NRDC Property Fund mentioned above, this step has been taken by the investment manager to protect the best interests of investors.

Pension scams

Pension scams are always a threat to be wary of. In the current environment, scammers are exploiting the impact of the pandemic and preying on people's concerns to try to get illegal access to their pension savings. Scam tactics to be wary of include:

- Contact out of the blue – by text, phone call, email or at your front door
- Promises of high / guaranteed returns
- Offers or mentions of 'one-off investments', time bound offers, upfront cash incentives, 'free pension reviews', 'legal loopholes' or 'government initiatives'
- Promises to get you access to your pension before the age of 55
- Pressure to act quickly

There are four simple steps you can take to protect yourself from pension scams:

- 1) **Reject unexpected offers.** If you're contacted out of the blue about your pension, chances are it's high risk or a scam
- 2) **Check who you're dealing with.** Check the Financial Services Register (www.register.fca.org.uk) to make sure that anyone offering you advice or other financial services is FCA-authorised
- 3) **Don't be rushed or pressured.** Take your time to make all the checks you need
- 4) **Get impartial information and advice.** The Pensions Advisory Service (www.pensionsadvisoryservice.org.uk; 0800 011 3797) provides free independent and impartial information and guidance.

Next steps

Whilst no action is required by you at this time, as mentioned previously, if you are considering making any changes in relation to your NRDC or CARE AVC savings at this time, we strongly recommend that you still speak to a financial advisor before doing so. Please remember that investing for your retirement is long term and at times, short term volatility can be expected.

If you have any other questions, please contact the Network Rail Pensions Team via email to pensions@networkrail.co.uk. Whilst the team are currently unable to take your telephone calls due to the COVID-19 situation and not being able to work in the office, they will respond to your email either in writing or by calling you.

The Trustees will update you if the situation changes significantly or if we agree with our advisors to make any significant changes to the Schemes' investments. Our priority remains to pay pension benefits both now and in the future to our members.

Kind regards

Anit Chandarana
Chair of Trustees
on behalf of Trustees of the Network Rail CARE and NRDC Pension Schemes