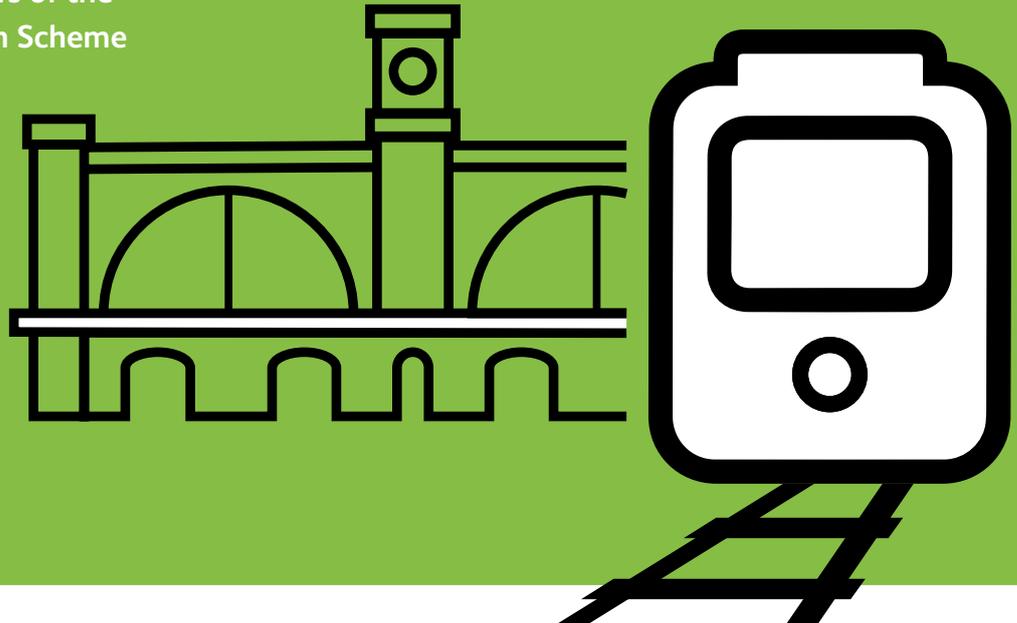


November 2023

LOOKING FORWARD

The newsletter for members of the
Network Rail CARE Pension Scheme



Welcome

Welcome to your 2023 issue of *Looking Forward*, the newsletter for members of the Network Rail CARE Pension Scheme.

I'd like to remind you about our member portal, provided by the Scheme administrator, WTW. If you haven't yet registered to use the portal, let me encourage you to do so. Whether retirement is a long way off for you or just around the corner, it's a great way to keep track of your NR CARE pension and includes some useful tools to help you plan for your retirement. There are more details about this on page 4.

If you have additional voluntary contributions (AVCs), we've recently made some changes to the investment options you can choose, adding new fund choices and updating existing ones to provide more of an environmental, social and governance (ESG) focus to your investments. There is more information about this on page 5.

The year in the financial markets has been dominated by volatility once again, with high inflation, war in Ukraine and the gilts crisis of September 2022 all taking their toll on market performance. You can read more about the Scheme's year in the Investment update on page 12.

While the Scheme's assets reduced during the gilts crisis, so too did the cost of providing the pensions (known as the Scheme's liabilities). The Trustee is currently reviewing the funding position of the Scheme as part of the triennial actuarial valuation and will be able to update you on this in due course. However, it's worth remembering that your benefit entitlement is set by the rules of the Scheme rather than being linked to market conditions.

I hope you enjoy reading this issue of *Looking Forward* and find it useful. If you have any questions, please get in touch using the contact details on the back page.



Samantha Pitt
Chair of the Trustee



At a glance



As at 31 December 2022, the Scheme was worth **£251.5 million**



During the year, the Scheme paid benefits to members worth **£6.2 million**



Membership has increased to **11,564 members**

Look inside

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Noticeboard

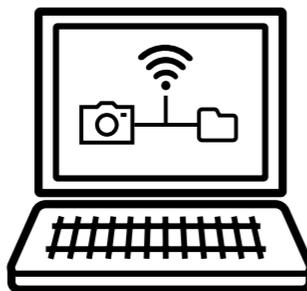
Your pension at your fingertips: 24/7

You can use the secure member portal provided by WTW, the Scheme administrator, to keep track of your pension at any time.

Simply log in to your account at <https://epa.towerswatson.com/accounts/nwr/> where you can:

- view and update your personal details
- review and make changes to your AVC investments
- use the retirement planning tools
- request a cash equivalent transfer value
- request a retirement quote
- check and update your expression of wish.

If you've lost or forgotten your login information, use the 'User ID reminder' or 'Reset your password' links and follow the on-screen prompts. If you're still having problems logging in, you can email WTW at NetworkRailPensions@willistowerswatson.com



Update your expression of wish online

Knowing who's important to you is important to us. An up to date expression of wish tells the Trustee who you would like to receive your pension benefits in the event of your death. It helps us pay the right people without additional delay to your loved ones. It's important to review your wishes every year and whenever your circumstances change, such as if you get married or divorced, enter or leave a civil partnership, or have a child. Please use the member portal to make any changes to your nominated beneficiaries or simply to reconfirm your existing nominations.

New investment options for your AVCs

In September, we made some changes to the investment options for your AVCs, adding two new funds:

- the Infrastructure Equity Fund aims to track the performance of the FTSE Developed Core Infrastructure Index to within 1 % p.a. for two years out of three
- the Positive Impact Equity Fund aims to contribute to a more sustainable and inclusive world by investing in companies whose products or services contribute to impact themes addressing critical social or environmental challenges, measured over at least a five-year period.

We've also made some changes to the investment strategy in the Global Equity Fund, which seeks to maximise exposure to positive environmental, social and governance (ESG) factors, while minimising carbon exposure. You can find out more about all these funds from the detailed factsheets on the Scheme's microsite hosted by Legal & General at www.legalandgeneral.com/workplace/n/network-rail/helpful-resources/document-library-page/



Scan me!

Moneyhelper



MoneyHelper is the government's financial information and guidance service. It's the easy way to get free, trusted help for your money and pension choices. Easy to use, MoneyHelper is available online and over the phone and provides clear guidance, as well as pointers to trusted services if you need more support. Go to www.moneyhelper.org.uk

Scheme funding

The most recent actuarial valuation of the Scheme, looking at the position as at 31 December 2022, is currently in progress. This is a complex process and the results are not yet available, so there is no funding update in this issue of *Looking forward*. We will bring you a report next year.

To complete the valuation, the actuary compares the value of the Scheme's assets with the estimated value of the promises to pay members' pensions (the Scheme's liabilities). The funding level is the percentage of the liabilities that can be covered by the assets. If the funding level is over 100%, the Scheme has a surplus, if it is under 100%, there is a shortfall.

Pension increases

Pensions in payment are reviewed on 1 April each year in line with the Rules of the Scheme. Benefits built up before 31 March 2016 are increased by the Retail Prices Index (RPI) capped at 5%; while benefits built up from 1 April 2016 are increased by the Consumer Prices Index (CPI) capped at 5%, based on the index figure for the previous September.

From 1 April 2023, the increase for pre-April 2016 benefits was 5% and for post-April 2016 benefits, it was 5%. There were no discretionary increases during the year.



Could you be a Trustee director?

In 2024, there will be an opportunity to put yourself forward for election to the Trustee board, as there will be a vacancy for a member-nominated director (MND), when our current MND, Robert Arnold's first four-year term of office comes to an end.

Looking after the Scheme

Pension schemes are required by law to allow their members to have a say in selecting and appointing at least one-third of the Trustee directors. Network Rail goes further than this as half of the Trustee board is member nominated, with three Trustee directors being nominated by RMT, TSSA and Unite and a fourth by employed members of NRDC and CARE and CARE pensioners.

What does a Trustee director do?

The Trustee board is responsible for the proper running of the Scheme, from the collection of contributions to the investment of assets and payment of benefits. Being a Trustee director is a responsible and important role. All the Trustee directors:

- attend quarterly Trustee meetings and any additional sub-committee meetings
- prepare for meetings by reading through the agenda papers in advance
- participate in meetings by asking questions and contributing to the discussions and decisions
- learn about and keep up to date with the trust deed and rules
- make sure that the Scheme is managed effectively and in line with the regulator's Codes of practice and pensions legislation
- act with integrity at all times and represent the interests of all the Scheme's members.

Who can be a Trustee director?

Being a Trustee director is open to any member of the Scheme who is dedicated to looking after the interests of the members, and who is willing and able to learn all that is required to fulfil the duties and responsibilities of the role.



It's a rewarding role

We asked Robert Arnold, our current MND, to tell us more about being a Trustee director: 'It involves a lot of reading and keeping informed on matters relating to the running of schemes, whether that's digesting information in board papers, committee papers, emails or advisory updates. I attend meetings and ensure I contribute to the best of my ability to get the right outcomes for our members.'

'It's a great development opportunity for individuals from all types of backgrounds. Don't dismiss the opportunity because you're concerned you don't get it all straight away. Part of being a Trustee director is continuously learning and there's so much support on hand. It's such a worthwhile experience both for an individual and their employer, a brilliant way to advance professionally and be exposed to exciting, varied activities. Most of all, the satisfaction you get from helping members is incomparable.'

'I'd say that being a Trustee director is a big commitment, but do I have any regrets? No, I absolutely love it!'

If you're interested in putting yourself forward to become a Trustee director, please keep an eye out for further details in the coming months.

Looking after the Scheme

The Network Rail CARE Scheme is a trust-based scheme, which is run by a trustee company called Network Rail Pension Trustee Limited.

Your Trustee Directors

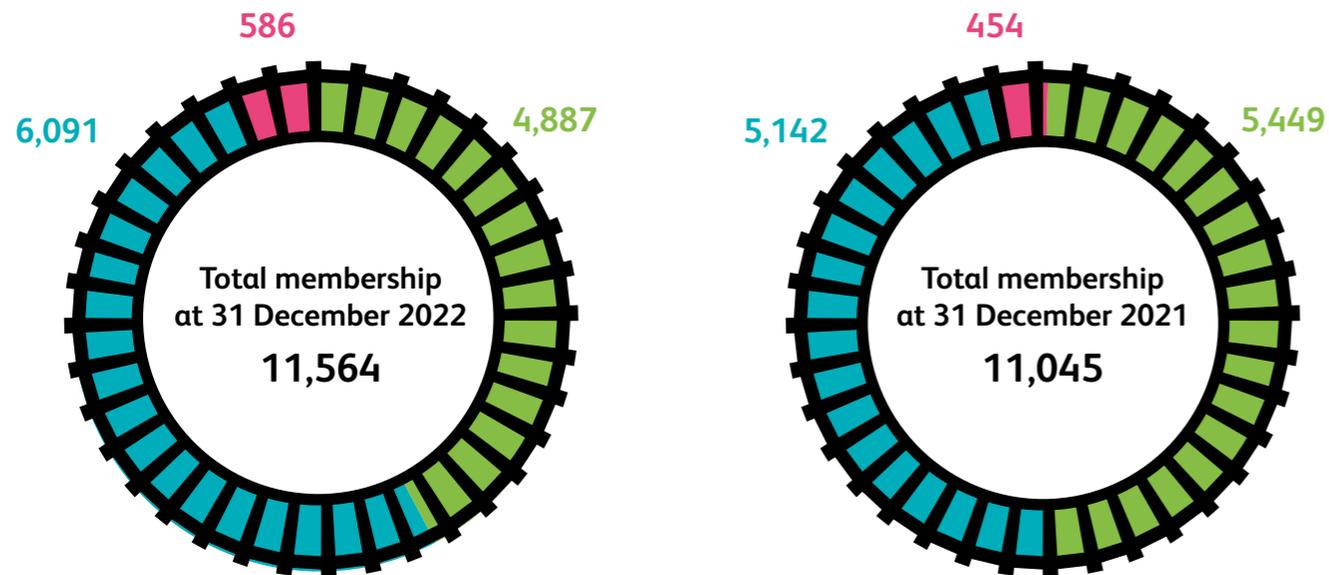
| | |
|--------------------------------|--|
| Independent chair | Samantha Pitt Law Debenture Pension Trust Corporation Ltd |
| Appointed by Network Rail | Tim Craddock HR Director, Eastern Region Mark Engelbretson Director of Pensions, Network Rail Louise Kavanagh Chief of Staff |
| Nominated by the Trades Unions | Paul Norris Rail, Maritime and Transport Union (RMT) Gary Adams Transport Salaried Staffs' Association (TSSA) Andrew Fielding (to September 2023) Vacancy (from October 2023) Unite Union |
| Member nominated | Robert Arnold Attribution Controller, Network Rail |

Advisers to the Trustee

| | |
|--------------------------|--|
| Auditor | RSM UK Audit Ltd |
| Investment adviser | Schroders Solutions |
| Legal adviser | Mayer Brown International LLP |
| Secretary to the Trustee | Peter Barnes Pensions Manager, Network Rail |

Scheme membership

You are one of 11,564 members in the Scheme. The charts below show a breakdown of the membership at 31 December 2022, and how it has changed compared with the previous year.



Active members

are those currently building up benefits in the Scheme.

Deferred members

are former employees or opted-out members who have not yet taken their Scheme benefits.

Pensioners

including dependants are in receipt of their benefits.

Report and accounts for the 12 months to 31 December 2022

The information on these pages is a summary taken from the Scheme's formal report and accounts, which have been independently audited by RSM UK Audit LLP. If you would like to see a copy of the full report, you can find it on the Scheme website.

| Financial highlights | 31 Dec 2022 £'000 | 31 Dec 2021 £'000 |
|-------------------------------------|----------------------|----------------------|
| Net assets at the start of the year | 459,889 | 381,608 |
| Money in less money out | 29,795 | 30,527 |
| Net return on investments | (238,128) | 47,754 |
| Net assets at the end of the year | 251,556 | 459,889 |

During the year, the fund decreased in value by £208.3 million (2021: increase of £78.2 million). You can find out more about the reasons for this in the investment update on page 12.

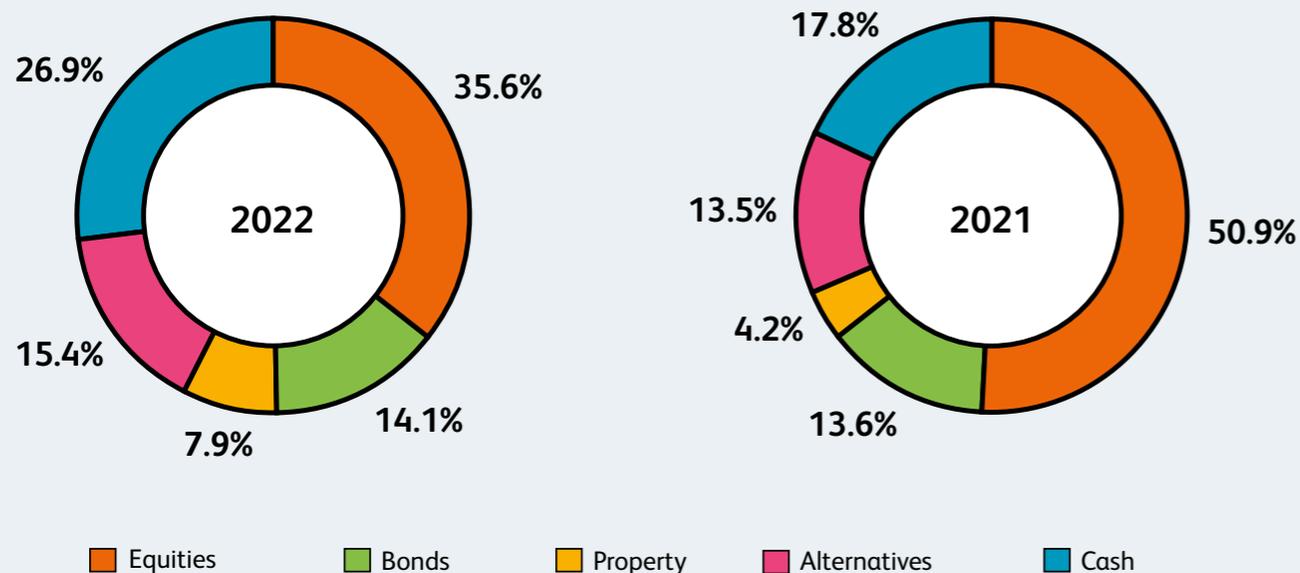


| | 31 Dec 2022 £'000 | 31 Dec 2021 £'000 |
|---------------------------------------|----------------------|----------------------|
| Money in | | |
| Members' normal contributions | 622 | 612 |
| Members' AVCs | 2,820 | 2,321 |
| SMART contributions | 14,133 | 14,053 |
| Employer's normal contributions | 22,183 | 22,038 |
| Death benefits from insurance company | 390 | 511 |
| Individual transfers in | 939 | 1,780 |
| Total | 41,087 | 41,315 |
| Money out | | |
| Benefits paid to members | (6,174) | (3,898) |
| Transfers out | (1,567) | (2,477) |
| Life assurance premiums | (1,364) | (2,615) |
| Administration expenses | (2,187) | (1,798) |
| Total | (11,292) | (10,788) |

Investment update

How are the assets invested?

The charts show how the assets of the Investment Fund were allocated as at 31 December 2022 compared with 31 December 2021.



Figures may not sum to 100% due to rounding.

Managing the investments

The Trustee has delegated the day-to-day management of the investments to Schroders Solutions. Given the challenging market conditions in 2022, Schroders took several actions to reduce risk within the Scheme's growth assets over the course of the year.

The Trustee is responsible for the Scheme's overall investment policy, which is set out in a formal document called the Statement of Investment Principles (SIP). During the year to 31 December 2022, there were no changes to this policy.

Following the end of the Scheme year, the Trustee updated the SIP. If you would like to know more about the Scheme's investments, you can find a copy of the SIP on the Scheme website www.mynrpension.co.uk

The Scheme's year

The overall performance of the Scheme's assets is behind the investment objectives that the Trustee had set for the year to 31 December 2022. It was an exceptionally challenging year for investment markets, which were impacted by a number of geopolitical factors. The war in Ukraine and high inflation both had an adverse effect on market returns across the board.

Added to this, the government's 'mini-budget' caused a gilts crisis in late September 2022, which led to unprecedented volatility in this market and affected pension schemes in particular. Working with the Scheme's investment advisers, the Trustee acted quickly to take decisive action to reduce the Scheme's liability hedging levels from 100% to 70%. The Trustee continues to monitor the investment strategy closely and is well placed to make amendments as necessary.

Investment performance

The Trustee sets an investment target to measure the performance of the Scheme's assets over one year, three years and five years, as shown in the table below.

| | One year % | | Three years % p.a. | | Five years % p.a. | |
|-----------------|------------|--------|--------------------|--------|-------------------|--------|
| | Fund | Target | Fund | Target | Fund | Target |
| Total portfolio | -53.8 | -43.1 | -15.0 | -11.7 | -7.9 | -7.1 |

Pension news

Changes to pensions tax allowances

Increase in the Annual Allowance

Paying into a pension scheme is a tax-efficient way of saving for retirement. However, the government places a limit on the amount of pension contributions you can make in a year that get tax relief. This is called the Annual Allowance (AA) and, in April 2023, it increased from £40,000 to £60,000. There are some exceptions to this standard AA:

- If you have an annual income over £200,000, with an adjusted income of more than £260,000, your AA may be reduced and it could be as low as £10,000. This is called the Tapered Annual Allowance (TAA).
- If you've already accessed any pension savings flexibly, you will have a restricted AA called the Money Purchase Annual Allowance (MPAA). From April 2023, this increased from £4,000 to £10,000.

Removal of the Lifetime Allowance

The government has previously placed a limit, called the Lifetime Allowance (LTA), on the total amount of tax-free pension savings you could build up over your lifetime.



From April 2023, the tax charge for exceeding the LTA has been removed, and the LTA itself will be abolished in April 2024, subject to legislation.

Thinking of taking some tax-free cash at retirement?

When you take your benefits, you can choose to take a tax-free cash lump sum of up to 25% of the value of your pension pot. A limit of £268,275 now applies to this lump sum.

In some circumstances, the value of your tax-free lump sum limit may be higher than this if you've previously applied to HMRC (before March 2023) for 'pension protection'.

Early pension release scams

Pension scams often involve attractive offers that aim to persuade you to transfer your pension pot (or release funds from it). You should be very wary of any scheme offering to help you release cash from your pension before you're 55. It's almost certainly a scam.

Generally, you can only take money from your pension when you're 55 (rising to 57 in 2028) or older, except in certain cases such as poor health. Offers to access your pension early may be called 'pension liberation' or a 'pension loan', as the scammers often claim you can borrow money from your pension fund. You can't.

If you take up the offer, your pension savings will be transferred into a scheme set up by the scam, which will often be based abroad. You may be 'loaned' an amount (often around half of your pension), with the company involved taking a fee, perhaps as much as 30%.



You could also face a tax bill of 55% on what you withdraw, even if:

- you didn't realise you'd broken the tax rules
- you put the money back in your pension
- you've paid fees or charges to the company involved
- you've spent all the money.

Once you've paid the fees and tax, any money remaining will then be invested in high-risk products or projects, like overseas property developments. Sometimes it's simply stolen outright.

To find out more about pension scams and how to protect yourself, see the Financial Conduct Authority's website at www.fca.org.uk/scamsmart

Dashboard delay

The government has announced a further delay to the pensions dashboard project which is now not expected to launch until October 2026.

Staging dates for pension schemes to join the complex programme will be set out in guidance rather than by legislation, allowing the government and the pensions industry to work together more flexibly.



Keep in touch

If you have a question about the Scheme or your benefits, please get in touch with the administrator, WTW, or the Network Rail in-house pensions team.

Email:

NetworkRailPensions@willistowerswatson.com
or pensions@networkrail.co.uk

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<https://epa.towerswatson.com/accounts/nwr/>



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