



Thought piece

03 December 2014

Trustee governance for the railways pension schemes



Jenifer Goodchild
Head of Trustee Governance

The Railways Pension Trustee Company places great emphasis on good governance. Its processes and structures have evolved over time to address the changing demands of the railways pension schemes and to meet the expectations of stakeholders and the Pensions Regulator. Further change is inevitable as the pensions landscape continues to develop, but the Trustee has demonstrated on many occasions its willingness to adapt to new challenges.

The largest of the Trustee's schemes, the Railways Pension Scheme (RPS), is a £20bn, sectionalised, multi-employer scheme for the UK rail industry. With over 100 separate sections and about 175 participating employers, the Trustee faces the mammoth task of maintaining the cohesion of the scheme on the one hand, and meeting the diverse needs of all its stakeholders on the other. Managing a scheme as complex as the RPS is no easy task but the Trustee successfully navigates a course between an inflexible 'one size fits all' approach and the unworkable prospect of coping with more than 100 different bespoke approaches. This is helped in no small part by clearly defined governance structures and delegated responsibilities.

Good pension scheme governance is essential to support timely, effective decision-making. Having the right governance structures in place helps the Trustee to manage its schemes efficiently and to ensure that meetings are appropriately focused. It also helps balance section-specific matters with issues affecting the whole of the RPS and the Trustee's other schemes. Good governance means having in place:

- the right people with the right skills, experience, and knowledge (supported by appropriate training) for the role they are fulfilling;
- delivering the above through the right representation of sponsoring employers and scheme members;
- appropriate delegation to committees to support decision-making at the right level, leaving the board free to concentrate on strategic and policy matters; and
- sufficient support in place to bring issues to the Trustee's attention at the right time and to implement its decisions.

To address the changing demands of the railways pension schemes and the rail industry, both the make-up of the board and its committee structure have evolved in the twenty years since the

Please contact the RPMI Press Office on:

t: 01325 342852 during normal working hours
m: 07824 804843 for out of hours enquiries
e: press.office@rpm.co.uk



...continued

privatisation of the rail industry. All sixteen trustee directors are elected, and the electoral college system for employer-nominated directors has evolved with the rail industry, so that it broadly reflects the split between the different industry sectors and their relative sizes. The early addition of pensioner trustee directors also ensured that all sections of the membership are fully represented on the board.

The Trustee has five committees and two subsidiary companies, which provide various services to the railways pension schemes, including: administration; accounting and payroll; investment advice and fund management; pensions policy, technical and legal support; communications; employer covenant assessment; and governance and compliance services. The Trustee's committees are:

- **Audit**, which oversees the Trustee's risk management framework and the production of the report and accounts;
- **Case**, which exercises the Trustee's discretions over members' benefits;
- **Defined Contribution**, which focuses on matters specifically relating to the RPS Industry-Wide Defined Contribution (IWDC) Section and the Trustee's Additional Voluntary Contribution (AVC) arrangements;
- **Executive**, which oversees the operations of the Trustee's subsidiaries, RPMI and Railpen Investments; and
- **Integrated Funding**, which agrees integrated funding plans for each section of the RPS and considers matters specific to individual sections.

The integrated funding committee is a good example of how the Trustee has adapted its approach to meet the changing needs of the scheme and the regulatory environment. The committee brings together funding strategy, investment strategy and employer covenant assessment in one place to agree a bespoke integrated funding plan for each section which reflects its maturity profile, requirement for investment returns, ability to tolerate investment risk, liquidity requirements, and the affordability of contributions for the sponsoring employer and members, bearing in mind that the RPS is funded on a shared cost basis. All the section-specific integrated funding plans are managed within a framework agreed by the trustee board that can be applied consistently across the whole of the RPS.

In order to support a fully-integrated approach, RPMI deploys a multi-disciplinary team of pensions, investment and finance professionals who work closely with each other and with the Trustee to facilitate effective discussions with sponsoring employers, led by dedicated client services managers.

The Trustee has also established the defined contribution committee to ensure that sufficient time and attention are given to the particular needs of its £40m IWDC Section and £1.2bn AVC arrangements. This committee has proved especially effective in considering and responding to the changes in the DC pensions landscape brought about by automatic enrolment and evolving government policy on DC pensions, particularly in relation to multi-employer schemes like the RPS.

The Trustee's governance structure sets out clearly the roles and responsibilities of the board and each of its committees and subsidiaries. It also ensures that strategic decisions are taken by the board, so that the policy framework is owned by all trustees and operational or section-specific decisions are delegated appropriately to facilitate timely management of the railways pension schemes on a day-to-day basis.

