



2015 Annual Report and
Audited Financial Statements



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Chairman's

introduction



“ On behalf of your Trustee Board I would like to introduce the Annual Report and Audited Financial Statements of the Railways Pension Scheme (*'the Scheme'*) for the year ended 31 December 2015. ”

The year was a mixed one for investment returns. Returns on property and equity fell slightly short of their benchmarks; however all other asset classes achieved returns at least equal, and in some cases well above, their benchmarks. The Growth Pooled Fund, in which the majority of the Scheme's assets are invested, recorded absolute gains of 3.9% against a benchmark of 1.2% and a target of 5.2%. The Scheme's second largest pooled fund investment, the Private Equity Pooled Fund, recorded an excellent annual gain of 16.6%, against a benchmark of 3.8% and target of 4.8%. Of the asset classes designed to generate return, the Passive Equity Pooled Fund generated returns of 1.1% almost meeting its benchmark and target return of 1.3%. However the Property Pooled Fund failed to reach its benchmark, but still managed to return a strong 11.4% during the year.

In 2013, the Trustee initiated a wide-ranging review of its investment governance, covering investment beliefs, structure, and a root-and-branch review of the investment processes underlying the pooled funds. 2015 saw the continued implementation of many of the initiatives begun in the previous years. In 2014, as part of these changes, a new Railpen Investments Board was established to manage the pooled funds on behalf of the Trustee Board, while the Trustee Board retains oversight and responsibility for the Scheme's assets. The Railpen Investments Board approves Strategic Plans for each of the pooled funds at the end of each year. These provide a road map for the direction of each portfolio over the coming year and the resources to be applied to it.

A consequence of the investment review is that the range of pooled funds has been simplified, to ensure they meet the needs of individual Sections whilst also allowing assets to be invested, as far as possible, as if the RPS were a single, undivided scheme. As a result of this simplification the Defensive Pooled Fund was closed during the year and some single asset class pooled funds, such as the Property Pooled Fund and the Hedge Pooled Fund, are now wholly owned by the Growth Pooled Fund with no provision for Sections to invest in these pooled funds directly. The Trustee believes that multi-asset pools, where the mix of asset classes can be varied depending on market conditions and opportunities, are able to capture returns more efficiently and effectively than single asset pools.

As part of the simplification of the range of pooled funds, the Private Equity Pooled Fund will be wound up, although due to the nature of the investments in this pooled fund, this will take several years. The Illiquid Growth Pooled Fund was launched in 2015 and this will be the Scheme's new vehicle for investing in private markets and other illiquid return-seeking investments in the future.

During 2015, significant progress was made in reducing the numbers and scope of external firms managing Scheme money, with an associated reduction in cost. Equity investment was increasingly carried out through Alternative Risk Premia Strategies, which identify underlying drivers of return and build portfolios cheaply and systematically. Some bond strategies were also simplified, with in-house purchase of government bonds to hold long-term.

As stated in the 2014 annual report, we are also implementing a change programme for the administration and trustee services part of our operations, the 'Chrysalis programme'. Part of this project will be the replacement of the current pensions administration system, but we intend to deliver much more than that. As the name of the project suggests, this will transform the way in which RPMI, our administration business, operates.

2015 saw an increase in Chrysalis programme activity at RPMI as we approach the launch of the first of the three programme phases in mid-2016. We are making a significant investment in RPMI to ensure that we maintain a service for our members that not only demonstrates excellent value for money, but represents a quality service that meets the needs of the modern world.

As part of the Chrysalis programme we have spoken with our many stakeholders, a process that will continue during the implementation, and we will be working to deliver a range of services that meets as many of those needs as possible. We have to be mindful that the Scheme covers a wide variety of organisations, from the very large, to those with only a handful of members, so the Trustee's role is to ensure that a high-quality and cost-effective service is delivered for all sponsoring employers.

I would like to take this opportunity to record my gratitude to all who have served as Trustee Directors during the year. The wide range of their knowledge and expertise is invaluable in ensuring that your Trustee continues to have a broad understanding of the railway industry and that it represents effectively the interests of the many stakeholders.

The UK pension landscape continues to be varied and changeable, especially in the defined contribution sections of the Scheme, and I look forward to working with my fellow directors and the staff at RPMI in meeting these and the other challenges ahead.

John Chilman
Chairman of the Trustee Company



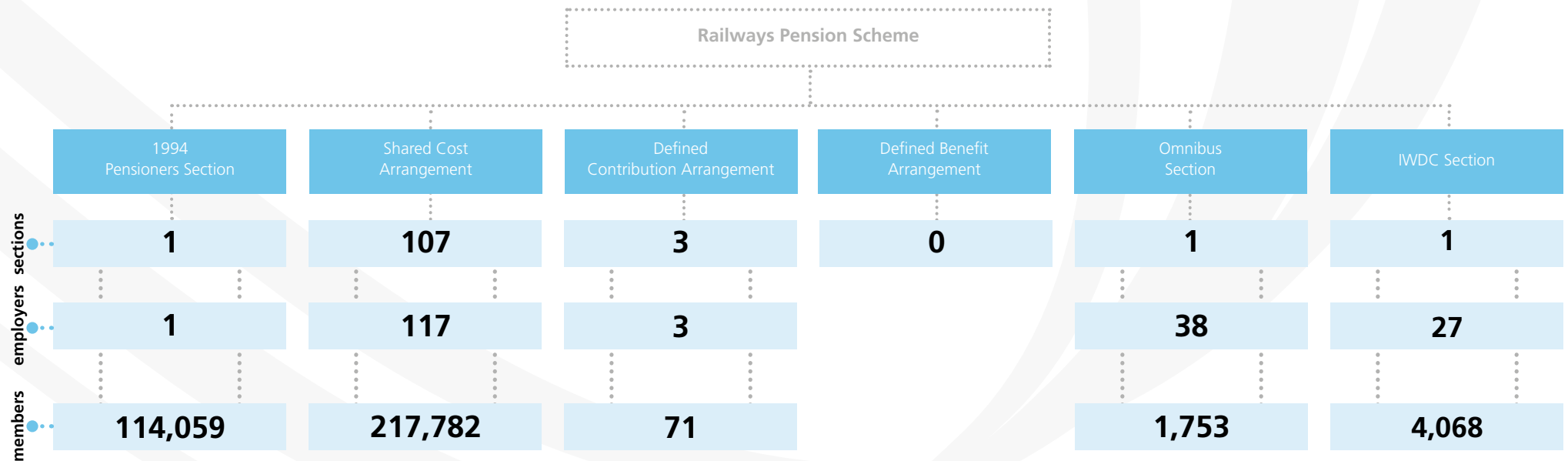
**The Railways
Pension Scheme**

3.5m passengers travel by train in the UK every day.

The Railway Touring Company

The Railways Pension Scheme ('RPS') is the largest of the four pension schemes managed by the Trustee Company ('Trustee'). It is one of the largest schemes in the UK and provides pensions for 157 (2014: 152) companies operating within the privatised railway industry.

The RPS comprises six parts: the 1994 Pensioners Section, the Shared Cost Arrangement, the Defined Contribution Arrangement, the Defined Benefit Arrangement, the Omnibus Section and the Industry-Wide Defined Contribution ('IWDC') Section. Employers may participate in more than one arrangement and in more than one section of the Shared Cost Arrangement. There are 113 sections (2014: 110 sections) across the six parts of the RPS as illustrated below:



Advantages of an industry-wide scheme

The industry-wide structure allows the assets to be combined into 'pooled funds'. These investment funds are significantly larger than would be possible were sections to invest their assets separately, resulting in several advantages for the schemes and sections.

For example, the asset allocation needs of sections can be considered separately from the appointment and monitoring of individual investment managers. The size of the pooled funds also allows all sections to benefit from economies of scale in investment management costs and access to a wide range of investments. Sections wishing to invest in pooled funds in the first instance, where possible, buy pooled fund units from sections wishing to sell, thus avoiding some of the external investment transaction costs.

The industry-wide nature of the Scheme can simplify the movement of employees between railway companies, allowing them to change employers while remaining in the same pension scheme.

The Trustee provides high-quality pensions services through its experienced administration, investment, secretariat, pensions policy, communications and finance teams, benchmarked in terms of quality standards against other providers.

A summary of the main provisions of the Scheme is shown in Appendix G.

The 1994 Pensioners Section

Pensioners and preserved pensioners in the BR Pension Scheme on 30 September 1994 were transferred into a separate section of the RPS – the 1994 Pensioners Section. Later, on 30 December 2000, pensioners and preserved pensioners of the BR Section were also transferred to the 1994 Pensioners Section. The assets and liabilities of another six closed railway pension schemes were also transferred to the 1994 Pensioners Section in 2007, after agreement between the Trustee and the Department for Transport.

The Secretary of State guarantees all past service liabilities and pensions in payment of the 1994 Pensioners Section at 1 August 2007, plus any future annual pension increases awarded to Section members.

The Shared Cost Arrangement

All active members of the BR Pension Scheme were transferred into the Shared Cost Arrangement on 1 October 1994. Transferred members with protected rights have a statutory right to remain in the RPS while they continue to be employed in the railway industry.

A separate section within the Shared Cost Arrangement may be created for each designated employer. Originally, as each BR business was

franchised or sold, a proportionate share of RPS assets was transferred to the new section of the Scheme. Subsequent sales and transfers of parts of businesses can now result in the creation or mergers of sections.

As at 31 December 2015, 93 of the 107 shared cost sections had active members and 45 of these shared cost sections remain open to new members. For open sections, employees of the participating employer who are employed in the railway industry may join the Scheme. New members are not protected under the Railways Act 1993, however, so their pension rights may differ from those who have protected rights. A full list of sections and participating employers is given in Note 11 to the Audited Financial Statements.

The Omnibus Section

Employers with fewer than 50 members are eligible to combine in a multi-employer Omnibus section. Employers may remain in the arrangement if their membership increases above 50. At the end of 2015, 38 employers (2014: 37 employers) were part of the Omnibus section. A full list of participating employers is given in Note 11 to the Audited Financial Statements.

Defined Contribution Sections, other Defined Benefit Arrangements and IWDC Section

Employers may set up a different defined benefit section and/or defined contribution section or they can choose to join the IWDC Arrangement.

The IWDC Arrangement was established on 1 November 2001. The Arrangement aims to provide employers with a flexible defined contribution scheme. At the end of 2015, 27 employers were part of this Arrangement (2014: 22 employers).

At 31 December 2015, there were three defined contribution sections (2014: three sections).

Reporting

There are separate records for each section and each section receives quarterly reports including accounts, investment and administration performance. Each section is independently valued by the Scheme Actuary.

Pensions Committees

The designated employer of each shared cost section may establish a pensions committee to which the Trustee will delegate certain of its powers and duties under Appendix 5 of the Pension Trust, which includes responsibilities such as the determination of incapacity and discretionary benefits. Setting investment strategy can also be vested in the committees under Clause 5G of the Pension Trust, subject to the Trustee's approval. All pensions committees have an equal number of employer and member nominees. The chairmanship alternates annually between the employer and member nominees. The Trustee, however, retains responsibility for supervising how the committees exercise their powers and monitors necessary training undertaken by committee members.

Did you know the longest single train journey in Britain is from Aberdeen to Penzance?

Wikitravel

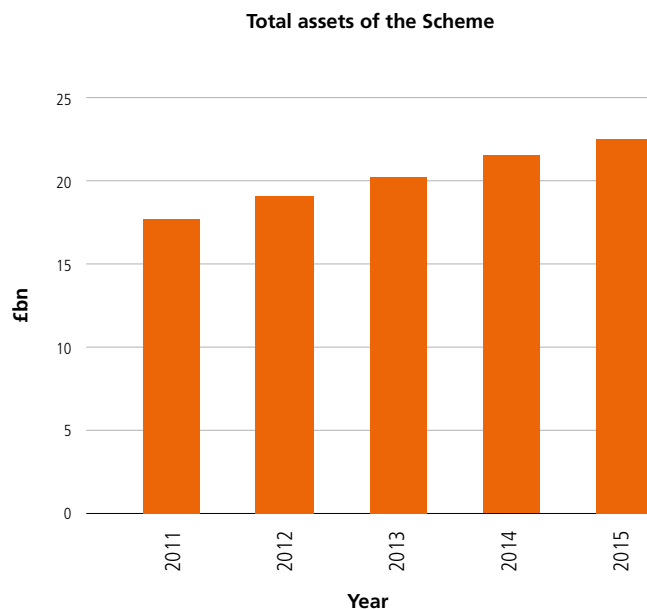
Key statistics

Key statistics

Five-year summary of RPS participation

	2015	2014	2013	2012	2011
Sections	113	110	111	112	111
Employers	186	178	197	199	208
Active membership	90,574	89,336	87,528	85,321	84,411
Preserved membership	106,793	107,714	108,440	109,219	109,088
Pensioners	140,366	139,998	141,472	143,668	145,278
Total membership	337,733	337,048	337,440	338,208	338,777

Five-year summary of net assets of RPS

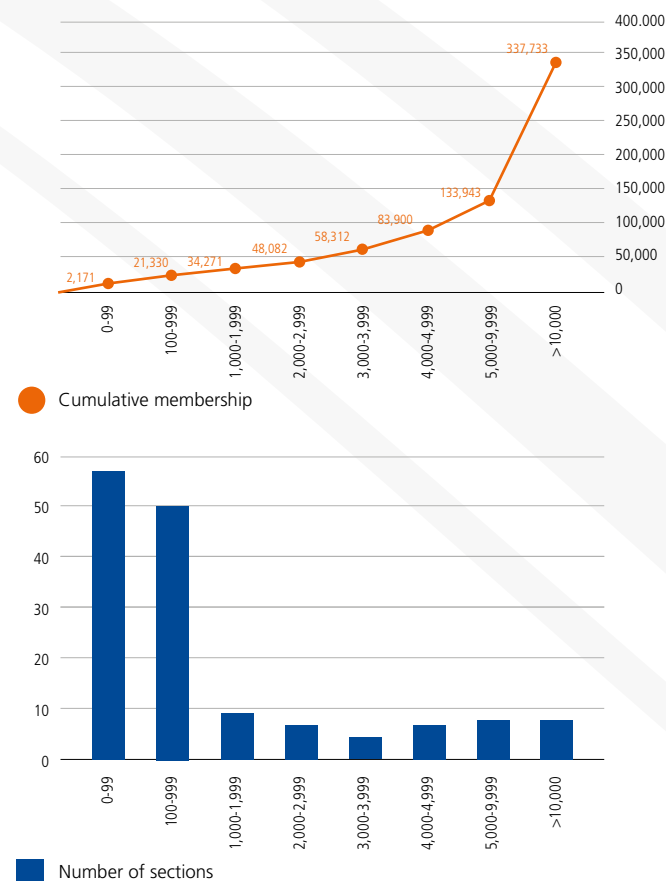


Five-year summary of financial statements of RPS

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Scheme benefits					
Pensions	776	742	725	710	684
Lump sums*	181	182	132	133	129
Death benefits	26	19	22	21	21
Total benefits	983	943	879	864	834
Scheme income					
Employees contributions	292	288	270	263	255
Employers contributions	402	377	366	364	423
Government support	18	21	23	25	25
Total contributions	712	686	659	652	703
Net transfer values	(13)	(215)	(220)	19	32
Admin expenses	(18)	(18)	(20)	(18)	(21)
PPF levies	(27)	(28)	(30)	(29)	(22)
Investment income	241	331	320	265	340
Change in market values & interest	877	1,734	1,377	1,165	(343)
Net increase/ (decrease) in the Scheme	789	1,547	1,207	1,190	(145)
Net assets of Scheme	22,441	21,652	20,105	18,898	17,708

* Lump sums include any taxation where lifetime or annual allowance exceeded.

Comparison of membership of sections



Key statistics for 2015

Total Membership	337,733
Net increase in the Scheme	£789m
Net assets of Scheme	£22,441m



Departures

Platform	Destination	Train	Operator
1001	London	1001	National Express
1002	London	1002	National Express
1003	London	1003	National Express
1004	London	1004	National Express
1005	London	1005	National Express
1006	London	1006	National Express
1007	London	1007	National Express
1008	London	1008	National Express
1009	London	1009	National Express
1010	London	1010	National Express
1011	London	1011	National Express
1012	London	1012	National Express
1013	London	1013	National Express
1014	London	1014	National Express
1015	London	1015	National Express
1016	London	1016	National Express
1017	London	1017	National Express
1018	London	1018	National Express
1019	London	1019	National Express
1020	London	1020	National Express

15:49:58

Audited

financial statements

Audited

financial statements

Fund account for the year ended 31 December 2015

	Notes	2015 DB £m	2015 DC £m	2015 Total £m	2014 Total £m
Contributions and benefits					
Employees Contributions	4	289	3	292	288
Employers Contributions	4	416	4	420	398
Individual transfers in		11	-	11	14
		716	7	723	700
Pensions		(776)	-	(776)	(742)
Group transfers out	5	(6)	-	(6)	(211)
Lump-sum retirement benefits		(180)	-	(180)	(181)
Death benefits		(26)	-	(26)	(19)
Individual transfers out		(17)	(1)	(18)	(18)
Taxation where lifetime or annual allowance exceeded		(1)	-	(1)	(1)
		(1,006)	(1)	(1,007)	(1,172)
Administrative expenses	6	(18)	-	(18)	(18)
PPF levies		(27)	-	(27)	(28)
Total withdrawals		(1,051)	(1)	(1,052)	(1,218)
Net (withdrawals)/ additions from dealings with members		(335)	6	(329)	(518)
Returns on investments					
Change in market values	7	1,118	-	1,118	2,065
Net returns on investments		1,118	-	1,118	2,065
Net increase in the Scheme during the year		783	6	789	1,547
Net assets at the start of the year		21,607	45	21,652	20,105
Net assets at the end of the year		22,390	51	22,441	21,652

The notes numbered 1 to 11 form an integral part of these audited financial statements.

Statement of net assets (available for benefits) as at 31 December 2015

	Notes	2015 DB £m	2015 DC £m	2015 Total £m	2014 Total £m
Investments	7	22,423	51	22,474	21,686
Current Assets		12	-	12	22
Current liabilities	8	(45)	-	(45)	(56)
Net assets at the end of the year	11	22,390	51	22,441	21,652

The notes numbered 1 to 11 form an integral part of these audited financial statements.

The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee on an aggregate basis as this is a multi-employer scheme with financially ring fenced sections.

They do not take account of the obligations to pay pensions and benefits which fall due at the end of the Scheme year. The actuarial position of the Scheme which does take account of such obligations is dealt with in the Report on Actuarial Liabilities, which is summarised on pages 48 to 50 and should be read in conjunction with these financial statements. Benefits payable for the 1994 Pensioners Section and the BR Section are backed by Crown Guarantees.

Approved by the Directors of the Trustee Company on 12 May 2016.

John Chilman
Chairman, Trustee Board

John Mayfield
Director and Chairman, Audit Committee

Notes to the audited financial statements for the year ended 31 December 2015

1. Basis of preparation

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised November 2014), with the exception of the disclosures regarding the fair value hierarchy of financial instruments.

The fair value hierarchy disclosures have been prepared in accordance with the amendments made to FRS 102 in March 2016. The amendments are required to be adopted for accounting periods beginning on or after 1 January 2017. The Scheme has chosen to adopt the amendments early for the current accounting period ending 31 December 2015.

This is the first year that FRS 102 and the Revised SORP have been applied to the Scheme's financial statements.

2. Transition to FRS 102

Under the transition to FRS 102 no restatements of assets have been required.

3. Accounting policies

The financial statements have been prepared on an accruals basis. The principal accounting policies of the Scheme are as follows:

Investments

Investments are included in the financial statements at the year-end using the following valuation bases:

- a. The majority of the assets of the Scheme are invested in a portfolio of pooled funds, which operate as internal unit trusts for those railway 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 Scheme in each pooled fund at the year-end. Unit prices reflect the fair 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 extracts from the pooled fund accounts in Appendix J.

The assets are held in a portfolio of pooled funds valued at their bid price or last traded price at the year-end date, as advised by the investment manager.

- b. The Trustee holds assets invested separately from the main Scheme to secure additional benefits on a defined contribution ('DC') basis. Members participating in these arrangements each receive an annual statement confirming the amounts held in their account and the movements in the year.

Additional Voluntary Contribution ('AVC') investments (BRASS) in pooled investment vehicles are stated at fair value at the year-end date as advised by the manager. The Pension

Assured Fund ('PAF') is valued as a whole by reference to the fair value of assets within the fund as advised by the provider, Aviva. Members holding units in the PAF aged 55 or more 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.

- c. Substitution orders refer to deferred payments due under the Transport Act 1980, and are valued as certified by the Scheme Actuary. The Scheme Actuary is James Wintle, of Towers Watson Limited. The Government Actuary, Martin Clarke, is joint Actuary for the 1994 Pensioners Section and the BR Section.
- d. Loans and deposits and net current assets/ (liabilities) are included at book cost, which the Trustee considers to be a reasonable estimate of accounting fair value.

Change in market values

Change in market values mainly comprise 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 fair values.

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

Employee 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.

Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plan under which they are being paid.

Employer s75 debt contributions are accounted for when a reasonable estimate of the amount due can be determined.

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

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

Administrative expenses

Expenses are accounted for on an accruals basis. The Scheme 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 ('PPF') levies

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

Transfer values

Transfer values, including PPF transfers, are determined on the advice of the Scheme Actuary and, where applicable, the PPF. Individual transfers in or out are accounted for when received or paid, which is normally when member liability is accepted or discharged. Group transfers are accounted for in accordance with the terms of the transfer agreement. Transfer of undertakings (protection of employment) ('TUPE') and other intra-RPS transfers are settled by a mixture of pooled fund units and cash pro rata to the asset mix of the transferring section.

Tax

The Railways Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

4. Contributions receivable

	2015 DB £m	2015 DC £m	Total £m
Members' contributions			
Normal	209	2	211
Additional voluntary contributions	58	1	59
Deficit funding	22	-	22
Employers' contributions			
Normal	317	4	321
Deficit funding	65	-	65
Government support	18	-	18
BRASS matching	13	-	13
Augmentation	3	-	3
	705	7	712

	2014 DB £m	2014 DC £m	Total £m
Members' contributions			
Normal	204	2	206
Additional voluntary contributions	62	-	62
Deficit funding	20	-	20
Employers' contributions			
Normal	311	4	315
Deficit funding	45	-	45
Government support	21	-	21
BRASS matching	14	-	14
Augmentation	3	-	3
	680	6	686

Deficit funding contributions are being paid into the Scheme by both employees and employers, in accordance with recovery plans to improve the funding position of sections of the Scheme.

Further information on contribution rates can be found in the Actuary's Report on pages 46 to 47. Information on late payments during the year can be found on pages 55 to 56. Further information on government support can be found on page 45.

5. Group transfers out

Group transfers out of £6m in 2015 related to transfers of RPS assets to the PPF in relation to members of the Jarvis Facilities, Fastline and Relayfast sections as well as the Catalis Ltd, Western Track Engineering Ltd, Bridgen Holdings Ltd and Vital Rail Limited employers within the Omnibus section.

6. Administrative expenses

	2015 £m	2014 £m
Pensions administration	10	10
Actuarial fees	2	3
Trustee governance	2	2
Other professional fees	1	-
Other overheads	1	1
Legal fees	1	1
Communications	1	1
	18	18

Pensions administration charges cover the processing of member transactions and preparation of financial statements and other reports. These activities are carried out by RPMI Limited ('RPMI') and are allocated according to the membership of each section.

Administration and trustee governance expenses do not include investment management fees and costs, which are deducted from the unit prices of pooled fund investments and disclosed separately in the pooled fund accounts in Appendix J.

7. Investments

(a) Value of investments

DB Section	Market values at 31.12.14 fm	Purchases at cost fm	Sales Proceeds fm	Change in market values fm	Market values at 31.12.15 fm
Pooled funds					
Growth	12,094	560	(62)	420	13,012
Private Equity	2,138	5	(354)	387	2,176
Government Bond	768	918	(16)	6	1,676
Infrastructure	966	-	(271)	210	905
Global Equity	1,186	-	(433)	34	787
Passive Equity	250	457	-	(16)	691
Non Government Bond	688	11	(124)	5	580
Cash	266	-	-	1	267
Index Linked	168	-	(12)	-	156
Illiquid Growth	-	29	-	1	30
Property	136	-	(127)	10	19
Defensive	870	-	(883)	13	-
	19,530	1,980	(2,282)	1,071	20,299
Securities directly held by schemes					
BRASS (AVC)	1,376	165	(195)	24	1,370
Substitution orders	633	11	-	23	667
	21,539	2,156	(2,477)	1,118	22,336
Other cash and cash instruments	103				87
	21,642				22,423
DC Section					
DC Pooled Funds	44	9	(4)	-	49
Other cash and cash instruments	-				2
	44				51

BRASS investments include 193,129,074 units in the PAF (2014: 202,623,892 units). Further information on the PAF can be found on page 45.

The number of passenger journeys in 2014/15 increased from 1.3bn to 1.4bn, up 4.5% on the previous year

Office of Rail and Road

(a) Value of investments (continued)

Income from pooled fund investments is capitalised within the price of the pooled fund units and, therefore, reflected within the fair values of investments (see page 15). Although income is not distributed, the pooled fund regulations allow the Scheme 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 and Railpen Investments ('Railpen').

Further analysis of investments, charges and fees for each pooled fund is provided in the pooled fund accounts in Appendix J. The percentages of the pooled funds' assets that relate to RPS investments are shown in the table right.

	% of pooled fund owned by the RPS 31.12.15	% of pooled fund owned by the RPS 31.12.14
Pooled Funds		
Property	100.0	98.4
Passive Equity	100.0	100.0
Non Government Bond	96.8	96.6
Private Equity	96.0	96.0
Infrastructure	95.3	95.2
Global Equity	95.2	96.6
Growth	94.2	93.9
Cash	92.3	91.5
Illiquid Growth*	88.1	-
Government Bond	87.5	90.7
Index Linked	84.7	85.1
Defensive**	-	85.6

* The Illiquid Growth Pooled Fund launched December 2015.

** The Defensive Pooled Fund was wound up in December 2015.

The total value of the pooled funds used in the percentage calculations only include Scheme investments in the pooled funds and so exclude cross-held investments owned by the Growth, Defensive and DC pooled funds.

(b) 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 Scheme 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 Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored

by the Trustee through regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set in Appendix J.

(c) 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 Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

(c) Investments fair value hierarchy (continued)

DB Section	Level 1 £m	Level 2 £m	Level 3 £m	Total 31.12.15 £m
Pooled funds				
Growth	-	13,012	-	13,012
Private Equity	-	-	2,176	2,176
Government Bond	-	1,676	-	1,676
Infrastructure	-	-	905	905
Global Equity	-	787	-	787
Passive Equity	-	691	-	691
Non Government Bond	-	580	-	580
Cash	-	267	-	267
Index Linked	-	156	-	156
Illiquid Growth	-	-	30	30
Property	-	19	-	19
	-	17,188	3,111	20,299
Securities directly held by schemes				
BRASS (AVC)	-	1,370	-	1,370
Substitution orders	-	-	667	667
	-	18,558	3,778	22,336
DC Section				
	£m	£m	£m	Total 31.12.15 £m
DC pooled funds	-	49	-	49

DB Section	Level 1 £m	Level 2 £m	Level 3 £m	Total 31.12.14 £m
Pooled funds				
Growth	-	12,094	-	12,094
Private Equity	-	-	2,138	2,138
Global Equity	-	1,186	-	1,186
Infrastructure	-	-	966	966
Defensive	-	870	-	870
Government Bond	-	768	-	768
Non Government Bond	-	688	-	688
Cash	-	266	-	266
Passive Equity	-	250	-	250
Index Linked	-	168	-	168
Property	-	136	-	136
	-	16,426	3,104	19,530
Securities directly held by schemes				
BRASS (AVC)	-	1,376	-	1,376
Substitution orders	-	-	633	633
	-	17,802	3,737	21,539
DC Section				
	£m	£m	£m	Total 31.12.14 £m
DC pooled funds	-	44	-	44

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 J.



There were 2,552 passenger stations in Great Britain in 2014/15.

Office of Rail and Road



8. Net current (liabilities)/ assets

	2015 £m	2014 £m
Contributions due from employers	11	21
PPF levies	7	2
Administration expenses	(2)	(2)
Benefits payable	(4)	(6)
Taxation and social security	(8)	(6)
Assets payable to the PPF	(37)	(43)
	(33)	(34)

£37m of assets payable to the PPF shown in the table above relate to illiquid assets that remain invested in the pooled funds but whose ownership has transferred to the PPF. These assets relate to the Jarvis Facilities, Fastline and Relayfast sections as well as the Catalis Ltd, Western Track Engineering Ltd, Bridgen Holdings Ltd and Vital Rail Limited employers within the Omnibus section.

At the year-end £229,000 of contributions on the schedules of contributions were not paid by their due date. Of this amount, £229,000 has since been paid and nothing remains outstanding.

9. Related party transactions

The Trustee and its subsidiaries, RPMI and Railpen, provide services to the Scheme (explained on pages 28 to 30). The charges payable, and those of external service providers, are detailed in note 6. At 31 December 2015, net current assets included a liability of £2.3m in respect of these charges (2014: a liability of £2.5m).

At 31 December 2015, eight directors of the Trustee were members of the Scheme and two of these directors were also Non-Executive Directors of RPMI and Railpen. All Executive Directors of RPMI and Railpen are also members of the Scheme. Contributions received in respect of Trustee directors who are members of the Scheme have been made in accordance with the Trust Deed and Rules. All directors receive benefits on the same basis as other members of the Scheme. Certain directors of the Trustee and its subsidiaries receive remuneration, which is disclosed in the financial statements of those companies. The Scheme bears its share of this remuneration through recharges.

10. Employer-related investments

As at 31 December 2015, investments in employers amounted to no greater than 5% of the assets of the Scheme, and, for any single section, the investment in its sponsoring company was not greater than 5% of the assets of the section.

Investment securities issued by HM Government are excluded from the definition of employer-related investments for the purposes of these audited financial statements.

11. Net assets at the end of the year

The net assets of each section of the Scheme at 31 December 2015 are shown below.

Section	Employer	Total membership as at 31.12.15	Net assets as at 31.12.15 £m
Shared Cost Arrangement			
*1994 Pensioners	The Secretary of State for Transport	114,059	3,397
Abellio	Abellio Transport Holdings Ltd	40	6
Abellio Scotrail	Abellio ScotRail Ltd	8,213	599
Alpha Trains	Alpha Trains (UK) Ltd	27	8
Alstom Railways	Alstom Transport UK Ltd	2,325	155
AMCO	Amalgamated Construction Ltd	17	1
Amey Rail	Amey Services Ltd	2,462	182
Angel Trains	Angel Trains Ltd	238	51
Anglia Railways	Abellio Greater Anglia Ltd	940	89
Arriva Trains Wales	Arriva Trains Wales/Trenau Arriva Cymru Ltd	3,656	280
Atkins Ltd	Atkins Ltd	866	212
ATOC Ltd	ATOC Ltd	439	49
Atos	ATOS IT Services UK Ltd Atos UK International IT Services Limited	1,107	200
Babcock Rail Ltd	Babcock Rail Ltd First Engineering Holdings Ltd First Projects Ltd	2,330	230
Balfour Beatty	Balfour Beatty Group Employment Ltd	3,151	293
BAM Nuttall	BAM Nuttall Ltd	10	1
Bombardier Transportation (Signal) UK	Bombardier Transportation UK Ltd	374	41
Bombardier Transportation c2c	Bombardier Transportation UK Ltd	167	7
Bombardier Transportation UK	Bombardier Transportation UK Ltd Bombardier Transportation (Rolling Stock) UK Ltd	1,186	110
*BR	The Secretary of State for Transport BRB (Residuary) Ltd Channel Tunnel Rail Link Ltd London & Continental Railways Ltd London Underground Ltd Scottish Ministers	887	127
British Transport Police	British Transport Police Authority	4,017	112
BT	British Telecommunications plc	321	15
BUPA Occupational Health	Occupational Health Care Ltd	98	10
Carillion Rail (Centrac)	Carillion Construction Ltd	368	34
Carillion Rail (GTRM)	Carillion Construction Ltd	4,021	246
Carlisle Cleaning Services Ltd	Carlisle Cleaning Services Ltd	64	2
Chiltern Railway Co. Ltd (Maintenance)	The Chiltern Railway Company Ltd	262	19
Clientlogic	Clientlogic (UK) Ltd	63	3
Colas Rail	Colas Rail Ltd	2,255	163
COMATEC	*** COMATEC UK Ltd	30	1
CSC Computer Sciences	CSC Computer Sciences Ltd	10	1
DB Schenker Rail	DB Schenker Rail (UK) Ltd DB Schenker Rail Services Ltd Engineering Support Group Ltd DB Schenker Rail (UK) Holdings Limited English, Welsh & Scottish Railway International Ltd	10,637	1,116
DeltaRail Group (Link)	DeltaRail Group Ltd	201	33
DeltaRail Group (Rail)	DeltaRail Group Ltd	273	71

Section	Employer	Total membership as at 31.12.15	Net assets as at 31.12.15 £m
DeltaRail Group (TCI)	DeltaRail Group Ltd	125	27
East Coast Main Line	East Coast Main Line Company Ltd	7,724	454
East Midlands	East Midlands Trains Ltd	4,296	301
Environmental Scientifics Group	Environmental Scientifics Group Ltd ESG Asbestos Ltd	296	27
Eurostar	Eurostar International Ltd	4,250	355
Eversholt Rail (UK) Ltd	Eversholt Rail (UK) Ltd	117	37
First Great Western	First Greater Western Ltd	12,192	749
Freightliner	Freightliner Ltd Freightliner Heavy Haul Ltd Freightliner Maintenance Ltd Management Consortium Bid Ltd	3,423	342
GB Railfreight	GB Railfreight Ltd	383	50
Global Crossing	Level 3 Communications UK Ltd	233	41
Govia Thameslink Railway (Southern & Gatwick Express Section)	Govia Thameslink Railway Limited	10,359	535
Govia Thameslink Railway	Govia Thameslink Railway Limited	5,804	341
Great Eastern Railway	Abellio Greater Anglia Ltd	2,045	193
Halcrow Rail	Halcrow Group Ltd	244	45
HS1	HS1 Ltd	35	8
Hull Trains	Hull Trains Company Ltd	86	7
Island Line	Stagecoach South Western Trains Ltd	90	6
ISS Transport Services	ISS Facility Services Ltd	207	7
Lionverge	Lionverge Civils Ltd	106	5
London & South Eastern Railway Ltd	London & South Eastern Railway Ltd	9,418	625
London and North Western Railway	London and North Western Railway Company Ltd	66	8

Section	Employer	Total membership as at 31.12.15	Net assets as at 31.12.15 £m
London Eastern Railway (West Anglia)	Abellio Greater Anglia Ltd	936	92
London Midland	London & Birmingham Railway Ltd	5,798	394
London Overground	London Overground Rail Operations Ltd	1,921	117
London Underground	London Underground Ltd	45	2
Merseyrail	Merseyrail Electrics 2002 Ltd	2,394	162
MITIE Facilities Services	MITIE Facilities Services Ltd	44	1
Mouchel Parkman Rail Ltd	*** Mouchel Rail Ltd	5	1
MTR Crossrail	MTR Corporation (Crossrail) Limited	415	18
National Express Services Ltd	***National Express Services Ltd	143	3
Network Rail	Network Rail Infrastructure Ltd	45,152	5,453
New Cross Country Trains	XC Trains Ltd	4,047	313
Northern (ex North East)	Northern Rail Ltd	5,369	414
Northern (ex North West)	Northern Rail Ltd	4,957	338
NXET Trains Limited	NXET Trains Limited	1,600	95
Omnibus	2E2 UK Ltd Aggregate Industries UK Ltd Belmond (UK) Limited Bombardier Transportation UK Ltd CapGemini UK plc Carnforth Railway Restoration & Engineering Services Ltd Cats Solutions Ltd Colas Rail Ltd Computacenter (UK) Ltd Crossrail Ltd CSC Computer Sciences Ltd Daisy IT Services Ltd DHL Services Ltd EB Central Services Ltd Forth and Oban Ltd	1,753	141

Section	Employer	Total membership as at 31.12.15	Net assets as at 31.12.15 £m
	Harsco Rail Ltd Interserve (Facilities Management) Ltd Interserve FS (UK) Ltd Keolis (UK) Ltd Lorne Stewart plc Manpower UK Ltd MITIE Technician Facilities Management Ltd NG Bailey Facilities Services Ltd ***North South Communications Limited O2 Unify Limited Rail Management Services Ltd Railways Vehicle Engineering Ltd Signet Solutions Ltd Sodexo Ltd Stagecoach Supertram Maintenance Ltd Staveley Industries plc Telent Technology Services Ltd TeleTech UK Ltd Voestalpine VAE UK Ltd VolkerRail Specialist Businesses Limited Vossloh Cogifer UK Ltd Weedfree Ltd Wetton Cleaning Services Ltd		
Owen Williams Railways	Amey Services Ltd	325	60
Porterbrook	Porterbrook Leasing Company Ltd Porterbrook Maintenance Ltd	169	38
Qjump	Qjump Ltd	123	4
Rail Gourmet UK Ltd	Rail Gourmet UK Ltd Rail Gourmet Waterloo International Ltd	430	29
Railcare (2007)	**Railcare Ltd	332	40
RPMI	RPMI Ltd	692	67
RSSB	Rail Safety and Standards Board Ltd	537	78

Section	Employer	Total membership as at 31.12.15	Net assets as at 31.12.15 £m
Scott Wilson	AECOM Infrastructure & Environment UK Ltd	214	45
Serco	SERCO Limited	564	58
Serco Caledonian Sleepers Ltd	Serco Caledonian Sleepers Ltd	100	5
Serco (UK) Services Ltd	Intelenet Global BPO (UK) Ltd	6	0.1
Siemens	Siemens plc	91	7
Signalling Solutions Ltd	Signalling Solutions Ltd	83	10
SNC-Lavalin Rail & Transit	SNC-Lavalin Rail & Transit Ltd	335	51
South West Trains	Stagecoach South Western Trains Ltd	11,391	713
Specialist Computer Centres	Specialist Computer Centres plc	31	3
Swirl Service Group	ISS Facility Services Ltd	8	0.1
Tata Steel UK Ltd	Tata Steel UK Ltd Tata Steel UK Rail Consultancy Ltd	552	42
Thales Information Systems	Thales UK Ltd	22	4
Thales Transport and Security	Thales Transport and Security Ltd Thales UK Ltd Thales Ground Transportation Systems UK Ltd Thales Rail Signalling Solutions	1,970	272
The Chiltern Railway Company	The Chiltern Railway Company Ltd	1,362	109
The QSS Group Ltd	The QSS Group Ltd RIQC Ltd	73	9
Torrent Trackside Ltd	Torrent Trackside Ltd	10	1
TransPennine Express (Former Arriva Trains Northern)	First/Keolis Transpennine Ltd	962	84
TransPennine Express (Former North Western Trains)	First/Keolis Transpennine Ltd	745	56
Unify Enterprise Communications Ltd	Unify Enterprise Communications Ltd	5	1

Section	Employer	Total membership as at 31.12.15	Net assets as at 31.12.15 £m
Unipart Rail - NRS	Unipart Rail Ltd	610	59
Unipart Rail - Railpart	Unipart Rail Ltd	355	48
Unisys	Unisys Ltd	30	3
UPS	UPS Ltd	350	38
Voith	Voith Industrial Services Ltd	21	1
Voyages-sncf UK Ltd	Voyages-sncf UK Ltd	40	9
Wabtec Rail Ltd	Wabtec Rail Ltd	10	1
West Coast Traincare	Alstom Transport UK Limited	1,038	110
West Coast Trains Ltd	West Coast Trains Ltd	7,717	534
Westinghouse Rail Systems	Siemens Rail Automation Holdings Ltd	905	179
Worldline IT Services UK Ltd	Worldline IT Services UK Ltd	166	50
Wrexham, Shropshire & Marylebone Railway Company	*** Wrexham, Shropshire & Marylebone Railway Company Ltd	28	1
		333,594	22,390

Section	Employer	Total membership as at 31.12.15	Net assets as at 31.12.15 £m
Defined contribution arrangement			
c2c Rail Ltd		18	0.02
Wales and West Passenger Trains Ltd		2	0.005
West Anglia Great Northern Railway		51	0.2

Section	Employer	Total membership as at 31.12.15	Net assets as at 31.12.15 £m
Industry-Wide Defined Contribution Section	Abellio Greater Anglia Ltd	4,068	51
	Babcock Rail Ltd		
	East Coast Main Line Company Ltd		
	East Midlands Trains Ltd		
	Eversholt Rail (UK) Ltd		
	First/Keolis Transpennine Ltd		
	Freightliner Ltd		
	GB Railfreight Ltd		
	Global Travel Ventures Ltd		
	Hull Trains Company Ltd		
	London Eastern Railway Ltd		
	MTR Corporation (Crossrail) Ltd		
	Northern Rail Ltd		
	Porterbrook Leasing Company Ltd		
	Qjump Ltd		
	Rail Gourmet UK Ltd		
	Rail Gourmet Waterloo International Ltd		
	RPMI Ltd		
	Southern Railway Ltd		
	Swietelsky Construction Company Ltd		
Stagecoach South Western Trains Ltd			
Tata Steel UK Ltd			
Tedipay (UK) Ltd			
The Chiltern Railway Company Ltd			
Tram Operations Ltd			
Unipart Rail Ltd			
VolkerRail Limited			
		337,733	22,441

For those sections that have more than one participating employer, the designated employer is shown in bold.

* Denotes sections with a Crown Guarantee

** Denotes sections/employers that were in a PPF assessment period at 31 December 2015

*** Denotes employers that were in administration or no longer trading at 31 December 2015



Independent

Auditor's report

Independent

Auditor's report

Independent Auditor's report to the Trustee of the RPS

We have audited the financial statements of the RPS for the year ended 31 December 2015 set out on pages 11 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the 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 Scheme Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 26, the Trustee is responsible for the preparation of financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's ('APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2015, 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 Scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; 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.

Richard Hinton

for and on behalf of KPMG LLP, Senior Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL

12 May 2016



Statement of Trustee

Company responsibilities

...in relation to audited financial statements

Statement of Trustee

Company responsibilities

...in relation to audited financial statements



The London and South East sector accounted for 69.4% of all passenger journeys in Great Britain in Q4 2015.

Office of Rail and Road

The audited financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP'), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view in accordance with UK GAAP of the financial transactions of the Scheme during the Scheme year, and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to 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. The Trustee is also responsible for making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

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 has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

Approval of the accounts

The financial statements have been prepared and audited in accordance with regulations made under sections 41 (1) and (6) of the Pensions Act 1995. The directors of the Trustee Company approved this report on 12 May 2016.



The Trustee Company

Annual Report

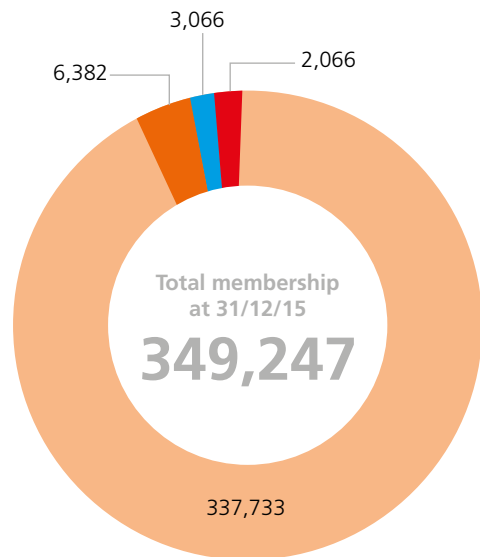
The Trustee Company

Annual Report

Railways Pension Trustee Company Limited

The Railways Pension Trustee Company Limited is the Trustee to 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 Company as a corporate trustee. The Trustee Company 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, deferred pensioners, pensioners and employers.



Railtrust Holdings Limited

The Trustee Company is owned by Railtrust Holdings Limited ('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 Company 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 Company. 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 Company are the same.

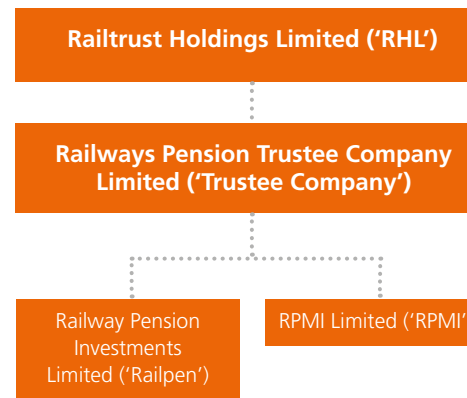
Total membership at 31.12.15

Railways Pension Scheme	337,733
British Transport Police Force Superannuation Fund	6,382
British Railways Superannuation Fund	3,066
BR (1974) Fund	2,066
Total	349,247

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 deferred pensioners). 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 structure of the Trustee group as at 31 December 2015



Operating Companies

RPTCL has two wholly-owned operating subsidiaries, RPMI and Railpen, to which it delegates the day-to-day operation of the schemes. Investment management of scheme assets is carried out by 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 2015 are set out below:

RPMI

RPMI employs some 300 staff across three offices in Coventry, Darlington and London.

RPMI carries out activities on behalf of RPTCL, including:

- Administration and payment of pensions;
- Advisory and support services for the Trustee Board, its committees and RPS Pensions Committees;
- Commission and oversight of work of external suppliers such as actuaries and lawyers;
- Preparation and maintenance of accounts for schemes, pooled funds and sections; and
- Arrangement of safe custody of scheme assets.

RPMI also provides personnel and other resources such as investment systems to Railpen so that Railpen can carry out its role as FCA-authorised fund manager of Trustee assets.

In addition RPMI provides administration services to pension schemes not connected with RPTCL or the railways industry. It does so in order to generate revenue and preserve and extend its economies of scale, and to ensure its services remain competitive.

RPMI Board

RPMI's activities are overseen by the RPMI Board, whose membership in 2015 was as follows:

Name	Position
Richard Goldson ¹ (Chair to 31 August 2015)	Trustee Director
Babloo Ramamurthy (Chair from 1 September 2015)	Independent Director
John Hamilton	Trustee Director
Chris Hitchen	Chief Executive
Frank Johnson ²	Executive Director
David Maddison	Deputy Chief Executive
Simon Richards ³	Executive Director
David Teasdale ⁴	Executive Director
Gary Towse	Trustee Director
David Tyson	Trustee Director

Notes

1. Richard Goldson resigned from the RPMI Board on 31 December 2015.
2. Frank Johnson resigned from the RPMI Board on 3 July 2015.
3. Simon Richards joined the RPMI Board on 1 July 2015.
4. David Teasdale resigned from the Board on 30 April 2015.

The RPMI Board has two formal sub-committees; a Mutual Committee, which oversees the correct allocation of costs, revenues and distributions between Trustee business and non-Trustee business; and a Remuneration Committee, which oversees pay and reward issues in RPMI and sets pay for Executive Directors and senior officers.

RPMI activities

A significant priority for the RPMI Board in 2015 was a project, codenamed Chrysalis, to replace the pensions administration system which RPMI uses for railways schemes. During the year, Tata Consulting Services were appointed to provide the new system. The project is expected to complete in 2017 and to result in an enhanced range of services becoming available as well as an opportunity to realise operating efficiencies.

Significant RPMI resources were required to manage Chrysalis. The RPMI Board spent considerable time therefore ensuring that regular business continued to be concluded satisfactorily. In practice service standards were maintained and RPMI's financial performance, excluding the Chrysalis project, was ahead of targets for the year.

Railpen

Railpen is authorised by the Financial Conduct Authority (FCA) to carry out investment management and related activities on behalf of its client, RPTCL. An Investment Management Agreement between RPTCL and Railpen sets out the terms of RPTCL's delegation to Railpen.

Railpen does not employ its own staff. Rather, staff and other resources are procured from RPMI. Railpen's access to these resources is set out in secondment letters for key individuals and in a service agreement between the two companies.

During 2015, the membership of RIB was as follows:

Name	Position
Paul Trickett (Chair)	Independent Director
Richard Goldson	Trustee Director
Chris Hitchen	Chief Executive
Angeliem Kemna	Independent Director
John Mayfield	Trustee Director
Peter Stanyer ¹	Independent Director
Karl Sternberg	Independent Director

Notes

1. Peter Stanyer resigned from the RIB on 30 September 2015.

Activity of Railpen

Under its Investment Management Agreement with RPTCL, Railpen is responsible for managing the investments of the pooled funds into which Scheme assets are grouped. RIB is responsible to the Trustee Board for the investment performance of the pooled funds, with appropriate emphasis on achieving long-term objectives consistent with actuarial funding requirements. The Growth Fund, which represents approximately two-thirds of Scheme assets, has a long-term performance objective of achieving 4% per annum above the Retail Prices Index (RPI). Growth Fund performance is also checked against a passive Reference Portfolio (75% equities, 25% bonds) to provide shorter term information on progress. RIB expects that over time, the Growth Fund return needs to exceed that of the Reference Portfolio by 1% per annum over time to achieve its long-term performance objective. Other pooled funds have performance objectives tailored to their roles in meeting the needs of stakeholders. Further details can be found in Appendix J.

RIB approves Strategic Plans for each of the pooled funds at the end of each year. These provide a road map for the direction of each portfolio over the coming year and the resources to be applied to it.

RIB delegates the day-to-day management of the pooled funds to its executive team. During 2015, work was done to ensure roles and accountabilities within that team were clear, with three broad areas each reporting to an Investment Director – strategy, management of public market portfolios and management of private market portfolios. The Investment Directors are responsible to RIB through the Chief Executive. These roles and accountabilities are expected to evolve further in 2016.

During 2015, significant progress was made in reducing the numbers and scope of external firms managing Scheme money, with an associated reduction in cost. Equity investment was increasingly carried out through Alternative Risk Premia Strategies, which identify underlying drivers of return and build portfolios cheaply and systematically. Some bond strategies were also simplified, with in-house purchase of government bonds to hold long-term. The approach to private markets was changed from broad market coverage to concentration on areas and partners where the Scheme's capital and approach was of particular value to potential partners.

A new Chief Operating Officer, Investments, was recruited by RPMI to oversee an overhaul of investment systems and support for investment decision-making. This investment continues in 2016 and will include new tools for risk measurement, portfolio management and performance attribution.

Significant energy was expended during 2015 on developing a distinctive asset owner culture, with focus on taking ownership, collaboration and a pioneering spirit. A 'health check' carried out mid-year showed marked improvements in culture and leadership capabilities over the previous year. RIB continues to sponsor and oversee the development of Railpen as a world-class asset owner in order to meet the Scheme's objectives.



At 1,977 feet 4 inches (602.69 m) Gloucester has the second longest railway platform in Great Britain, just behind Colchester at 2,034 ft.

Wikipedia










Employer director appointment procedure

The appointment procedure for employer directors is based on industry sub-sector constituencies. The nominating constituency groups and the number of directors to be appointed by each constituency are set out in the table below:

Nominating Constituency	Number of Directors
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 industry sub-sector constituencies reflect the schemes' membership, while giving the most emphasis to active members. If there are more nominations than vacancies, voting within the constituency groups is on the basis of the number of employee members, deferred pensioners and pensioners associated with the employer. Each member of RHL has one vote for each active member and half a vote for each pensioner and deferred pensioner in its schemes and sections. Voting in the 'All Employers' group is on the basis of one employer, one vote.

The chart, below, shows the current employer directors as at the end of December 2015, their date of retirement by rotation, and deemed nominating constituency.

Name	Nominating Constituency	Date of Retirement by Rotation
 John Chilman (Chairman)	Passenger train operating companies	2018
 Richard Goldson	Passenger train operating companies	2016
 John Hamilton	Passenger train operating companies	2020
 Chris Hannon	Network Rail	2018
 Russell Mears	Freight train operating companies and support services	2016
 Ian Wilson**	Network Rail	2020
 John Wilson	Freight train operating companies and support services	2020
Vacancy*	All employers	2022

* Derek Scott resigned from the boards of RHL and the Trustee Company with effect from 31 December 2015. As his term of office was due to end in 2016, his replacement will be appointed until 2022.

** Ian Wilson left the boards of RHL and the Trustee Company on 11 March 2016.





Employee director appointment procedure

Nominations for the six directors representing the employee members are sought from the railway trade unions, the British Transport Police Federation, and Pensions and Management Committees.

Nominations for the two directors representing the pensioner members (including deferred pensioners) are sought from the British Transport Pensioners' Federation, the Retired Railway Officers' Society, the railway trade unions and the British Transport Police Federation.

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

The chart, below, shows the current employee Trustee directors as at the end of December 2015, their date of retirement by rotation, and deemed nominating constituency.

Name	Nominating Constituency	Date of Retirement by Rotation
 Tony Cotgreave	British Transport Pensioners' Federation (Pensioners' Federation)	2020
 Dave Gott	National Union of Rail, Maritime and Transport Workers ('RMT') and the Management Committee of the British Railways Superannuation Fund	2018
 Charles Harding	Confederation of Shipbuilding and Engineering Unions ('CSEU')	2020
 Mick Lynch*	National Union of Rail, Maritime and Transport Workers ('RMT')	2022
 John Mayfield	Retired Railway Officers' Society ('RROS')	2020
 Stephen Richards	Transport Salaried Staffs' Association ('TSSA')	2018
 Gary Towse	British Railways Superannuation Fund Management Committee ('BRSF')	2016
 Dave Tyson	Associated Society of Locomotive Engineers & Firemen ('ASLEF')	2016

* Mick Lynch was appointed to the boards of RHL and the Trustee Company with effect from 23 October 2015, following the retirement of Mick Cash on 30 September 2015. As Mick's term of office would have ended in 2016, Mick has been appointed until 2022.

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 23 Board and Committee meetings in 2015. Attendance is reported to the Board and published in this Report and Accounts on pages 36 to 41.

Directors have a comprehensive training programme on appointment and throughout their tenure. They complete Training Skills Analyses and have individual, tailor-made training programmes. Our objective is that all Trustee Directors complete a minimum standard which meets the Pensions Regulator's and the Trustee's requirements within six months of appointment. A wide range of training is offered by external providers and RPMI, including Trustee Knowledge and Understanding ('TKU') Training. Equally as important is training on the unique characteristics and complexity of the railways pension schemes. To further support Trustee Directors, there is a dedicated area of the RPS website which provides one easily accessible location for information relevant to their role.

Exposure of investments

RPS assets are invested in a number of pooled investment vehicles that operate as internal unit trusts. These offer the RPS the ability to invest in a wide range of investments including UK and foreign equity, bonds, hedge funds, private equity,

property and infrastructure. Each of these types of investments has its own risks associated with it. Therefore the asset classes that the RPS is invested in are closely monitored to ensure that assets are not exposed to unnecessary risk as a result of investment choices. Further details of pooled fund investment exposures can be found within the consolidated pooled fund accounts in Appendix J.

Pension Protection Fund ('PPF')

The PPF became operational on 6 April 2005 and impacts upon most defined benefit schemes in the UK which have to pay levies to the PPF. The PPF will pay compensation to members of eligible defined benefit schemes when there is a qualifying insolvency event in relation to the employer, and where there are insufficient assets in the pension scheme to cover PPF levels of compensation. Schemes or sections with a Crown Guarantee are ineligible to join the PPF and therefore do not pay the PPF levy.

Insolvent employers

During November 2010, the PPF confirmed that the Fastline, Jarvis Facilities Limited and Relayfast Group Sections of the RPS entered a PPF assessment period as a result of the insolvency of the Jarvis Group in March 2010. In addition, three employers in the Omnibus Section also entered a PPF assessment period during 2010, due to the companies entering administration. These three employers are: Catalis Limited; Bridgen Holdings Limited; and Western Track Engineering Limited.

All the members associated with the above employers transferred to the PPF in early 2013, with the exception of the members of the Jarvis Facilities Limited Section, who transferred to the PPF in 2014.

During 2013 Vital Rail Ltd which participated in the Omnibus Section entered a PPF assessment period. All the members associated with Vital Rail Limited transferred to the PPF in December 2014.

During 2013 the Railcare Limited (2007) section entered a PPF assessment period. The Trustee is assisting the members and the PPF in this process and it is expected that the members associated with these employers will enter the PPF in due course.

In addition to the above companies, there are some other participating employers within the RPS that are no longer trading or who are in administration. Further details are given in Note 11 of the Audited Financial Statements.

The Trustee Directors as at 31 December 2015

1. John Chilman (Chairman of the Trustee)

John is Director of Reward & Pensions at FirstGroup plc. A Chartered Accountant by qualification, he has worked for a number of large companies, including PricewaterhouseCoopers, South Western Electricity, Shell and HBOS in pensions, financial and commercial roles. John has pensions experience dating back 25 years and is a trustee of FirstGroup pension arrangements in the USA and Canada. John was elected as a director of the Trustee Company in 2007, re-elected in 2012 and was appointed as the Chairman in 2014.

2. Tony Cotgreave

Tony was employed in the railway industry for 39 years until retiring in 1990. He has been a member of the 1994 Pensioners Section Pensions Committee since 1997 representing the British Transport Pensioners Federation and the Retired Railway Officers Society. Tony was appointed as a Trustee Company Director in June 2005.

3. Richard Goldson OBE (Chairman of the RPMI Board until 1 September 2015)

Richard was, until 31 March 2011, a non-Executive Director of the Office of Rail Regulation. Since 1 April 2011, he has been a Specialist Adviser to the House of Commons Transport Committee. In his earlier career, he spent 36 years working in the railway industry, including, for the final nine years, with National Express Group plc as Rail Development Director. He was a member of the BR Pensions Committee from its inception until 1997 and was elected as an employer director of the Trustee Company in 1998 and re-elected in 2004 and 2010. He is also a Trustee of the Railway Benefit Fund, one of the industry's leading charities. Richard was appointed as a Non-Executive Director of RPMI and Chairman of the Board from 2009 to 2015. Since January 2014, Richard has also been a Trustee Director of the Campaign for Better Transport, the charity which campaigns for sustainable transport. In 2015 Richard was appointed as a Non-Executive Director of the Railpen Investments Board

4. Dave Gott

Dave joined British Rail in 1980 and worked in the signalling grades in the Lincoln/Retford areas. He was elected to the BRSF Management Committee in 2001 and elected to the Network Rail Pensions Committee in 2005. Dave was appointed as a director of the Trustee Company in 2007 and re-elected in 2012.

5. John Hamilton

John is a Chartered Accountant and is the Group Taxation Director and the Director of Pensions and Employee Benefits at Stagecoach Group plc, where he is also an experienced trustee of the group's pension scheme. John was initially appointed a director of the Trustee Company in 2008, and was re-elected for another six year term in 2014. In 2015 John was appointed as a Non-Executive Director of RPMI.

6. Chris Hannon (Chairman of the Integrated Funding Committee)

Chris is Head of Pensions at Network Rail where he is responsible for the management and operation of its defined benefit and defined contribution pension schemes. In that role he also supports the Trustee board of the in-house pension arrangements and serves on the Network Rail Pensions Committee. He has over 30 years of company pensions experience and, prior to joining Network Rail in 2004, has held management and trustee supporting roles with several private sector employers, including Safeway Supermarkets plc and Thomas Cook Group. Chris was appointed a director of the Trustee Company in 2005 and a Non-Executive Director of RPMI in January 2016.

7. Charles Harding

Charles has been a Senior CSEU Representative for over 20 years and was employed as an engineer by a leading rail freight company till 2015. He is a member of Unite the Union. Charles was appointed as a director of the Trustee Company in 2007.

8. Mick Lynch

Mick is the Assistant General Secretary of the RMT, Britain's largest rail union. Before being elected as a union official in 2015 he worked for 22 years for Eurostar in fleet engineering. He was appointed as a director of the Trustee Company in 2015. Mick has served on the Eurostar Pensions Committee since it was established and is a member of the Network Rail Pensions Committee.

9. John Mayfield (Chairman of the Audit Committee)

John worked as the British Railways Board's Chief Internal Auditor and then as Finance Director at the British Rail Property Board until he retired in 1993. He is a past president of

the Retired Railway Officers' Society. He was a member of the 1994 Pensioners Section Pensions Committee from 1994 to 1996 and was appointed as a director of the Trustee Company in 1996.

10. Russell Mears

Russell joined Railfreight Distribution in 1993 after qualifying as a Chartered Accountant with Kingston Smith. He has since held a variety of senior financial posts within the Freightliner Group becoming CFO in January 2005. He subsequently stepped up to the role of CEO in October 2013. Russell was appointed as a director of the Trustee Company in July 2010.

11. Stephen Richards (Chairman of the Case Committee)

Stephen joined the rail industry in 1972. He has been the Transport Salaried Staffs' Association nominated Director of the Trustee Company and its predecessor since February 1993. Stephen is also a member of the Atos Pensions Committee.

12. Derek Scott

Derek is a Scottish chartered accountant specialising in professional trusteeships who has also held a number of non-executive directorships. His other industry-wide, multi-employer scheme experience includes chairing the Stagecoach Group Pension Scheme since 1987, and as a former Government-appointed trustee of the Mineworkers' Pension Scheme between 2004 and 2008. Derek was a member of the NAPF (now PLSA) investment council from 1998 to 2006 and vice chairman for 2005 and 2006. He was first elected as a Trustee Company director in 1997 and chaired the Trustee Company board between 2007 and 2014.

13. Gary Towse

Gary joined the British Transport Police in 1974 and served in the South East Area. He was a Committee member of the British Transport Police Force Superannuation Fund from 1992 to 2006. He was elected the Treasurer of the British Transport Police Federation between 1996 and 2006. Gary was appointed as a director of the Trustee Company in 2004 and a Non-Executive Director of RPMI in 2009.

14. Dave Tyson

David was appointed as a Trustee Company director in February 2001 and a Non-Executive Director of RPMI in 2009. He is a train driver based at Norwich, where he joined the railway industry in 1980. He has served on the BR, Anglia and 1994 Pensioners Section Pensions Committees. He is the former president of ASLEF's Executive which he served upon between 1994 and 2004.

15. Ian Wilson

Ian Wilson is the Director of Business Support Services at Network Rail where he is responsible for the delivery of shared services across the company. Prior to joining Network Rail in 2013, Ian worked in the global IT industry for over 20 years holding senior finance and business services roles. Ian is a Chartered Accountant and was appointed a director of the Trustee Company in 2013.

16. John Wilson (Chairman of the Defined Contribution Committee)

John is an Actuary and was formerly employed by British Rail where he worked with others in establishing the Railways Pension Scheme. He has nearly 40 years' experience advising companies about their pension arrangements. John has been a member of the Pensions Committees of several sections of the RPS. He was appointed a director of the Trustee Company in 2008.

The Trustee Company's Directors



11 11

John Chilman

Chairman of the Trustee

Appointed by:
Passenger Train Operating Companies

Term of office ending:
2018



20 23

Tony Cotgreave

Nominated by:
British Transport Pensioners' Federation

Term of office ending:
2020



5 5

Richard Goldson OBE

(Chairman of the RPMI Board until 1 September 2015)

Appointed by:
Passenger Train Operating Companies

Term of office ending:
2016



13 13

Dave Gott

Nominated by:
National Union of Rail, Maritime & Transport Workers (RMT) and British Railways Superannuation Fund (BRSF) Management Committee

Term of office ending:
2018



14 19

John Hamilton

Appointed by:
Passenger Train Operating Companies

Term of office ending:
2020



21 21

Chris Hannon

Chairman of the Integrated Funding Committee

Appointed by:
Network Rail

Term of office ending:
2018



8 11

Charles Harding

Nominated by:
Confederation of Shipbuilding & Engineering Unions (CSEU)

Term of office ending:
2020



1 1

Mick Lynch

Appointed by:
National Union of Rail, Maritime & Transport Workers (RMT)

Term of office ending:
2022



7 | 7

John Mayfield

Chairman of the Audit Committee

Nominated by:
Retired Railway Officers' Society

Term of office ending:
2020



12 | 21

Russell Mears

Nominated by:
Freight Train Operating Companies & Support Services

Term of office ending:
2016



21 | 23

Stephen Richards

Chairman of the Case Committee

Nominated by:
Transport Salaried Staffs' Association ('TSSA')

Term of office ending:
2018



8 | 11

Derek Scott

Appointed by:
All employers

Term of office ending:
2016 (Retired 31 December 2015)



11 | 13

Gary Towse

Nominated by:
British Railways Superannuation Fund Management Committee

Term of office ending:
2016



17 | 21

Dave Tyson

Nominated by:
Associated Society of Locomotive Engineers and Firemen ('ASLEF')

Term of office ending:
2016



12 | 13

Ian Wilson

Appointed by:
Network Rail

Term of office ending:
2020 (Resigned 11 March 2016)



23 | 27

John Wilson

Chairman of the Defined Contribution Committee

Appointed by:
Freight Train Operating Companies & Support Services


















Term of office ending:
2020

Trustee board and committee meetings attended:

 Number of meetings attended  Number of meetings eligible to attend

Membership and activities of board and principal committees as at 31 December 2015

Attendance at the Trustee Board is shown in the table below.

Member	Number of meetings attended	Number of meetings eligible to attend
 John Chilman (Chairman)	5	5
 Mick Cash ¹	1	4
 Tony Cotgreave	3	5
 Richard Goldson	5	5
 Dave Gott	5	5
 John Hamilton	4	5
 Chris Hannon	5	5
 Charles Harding	3	5
 Mick Lynch ²	1	1
 John Mayfield	5	5
 Russell Mears	3	5
 Stephen Richards	5	5
 Derek Scott ³	3	5
 Gary Towse	5	5
 David Tyson	4	5
 Ian Wilson ⁴	5	5
 John Wilson	4	5

¹Mick Cash retired as a Trustee Director on 30 September 2015

²Mick Lynch was appointed as a Trustee Director on 23 October 2015

³Derek Scott retired as a Trustee Director on 31 December 2015

⁴Ian Wilson resigned as a Trustee Director on 11 March 2016

A short report has been prepared on each of the Trustee Board's principal committees which provides an overview of the main activities of each committee during the year. The reports also list all meetings which Committee and Board members were eligible to attend. All Trustee Directors may, and some often do, attend meetings of the Trustee Board's Committees in addition to those of which they are formally members.







Shippea Hill railway station, in Cambridgeshire, had just 22 passengers in 2014/15, while London Waterloo had nearly 99.2 million passengers over the same period.

Office of Rail and Road

Audit Committee

The purpose of the Audit Committee is to decide, consider and report on matters relating to the appointment of external auditors, financial reporting arrangements, the work of external audit and Business Assurance and internal control systems

The Audit Committee comprises six directors of the Trustee Board, and includes members with appropriate accounting qualifications and experience. External auditors and the Business Assurance team attend meetings at the invitation of the Committee, and relevant directors and officers of RPMI and Railpen also attend as appropriate. Membership and attendance during 2015 are shown in the following table:

Member	Number of meetings attended	Number of meetings eligible to attend
 John Mayfield (Chairman)	2	2
 John Chilman	2	2
 Charles Harding	2	2
 Russell Mears	1	2
 Gary Towse	1	2
 Ian Wilson	2	2

In addition to the above scheduled Audit Committee meetings, there were also five Risk Management Committee ('RMC') meetings during the year that all Audit Committee members were eligible to attend.

The key responsibilities of the Audit Committee are outlined in a formal Terms of Reference which is regularly reviewed and updated and includes:

- appointment of the external auditor;
- reviewing the adoption of accounting principles and policies;
- reviewing aspects of the annual accounts;
- reviewing the scope and plans of external audit and Business Assurance; and
- overseeing the control and risk management systems of the Trustee and operating companies.

The Committee meets at least twice a year to discuss, consider and review the audit work of the external auditors, financial reporting arrangements, the work of the RPMI Business Assurance team and general internal control issues. The Committee also reviews the Annual Report and Audited Financial Statements prior to Board approval.

During 2015, the Committee met on two occasions. It considered the Annual Report of Business Assurance covering its internal audit and assurance activities during 2014, received reports on the progress of the 2015 internal audit plans, and considered and approved the internal audit plan for 2016.

In addition, the Committee received and considered reports from Business Assurance summarising the activities of the RMC and its work in facilitating the Trustee's risk management process.

The Audit Committee co-ordinates and monitors the risk management process, ensuring that it is effective in identifying, evaluating and managing the key risks faced by the Trustee. On a day-to-day basis, this is delegated to members of the RMC, which met five times during 2015 and is attended by representatives of the Audit Committee.

Financial reporting matters considered by the Committee in 2015 included the Annual Report and Financial Statements of Railtrust Holdings and the Trustee Company, the operating companies (RPMI and Railpen Investments), railways pension schemes and pooled funds. The Committee also received and considered the Report by the External Auditor on the 2014 Report and Financial Statements and the External Audit Strategy for 2015.

As part of these reviews, the Audit Committee has specifically considered the processes that enable reliable and relevant valuations of the Scheme's assets. The Trustee retains BNY Mellon to provide the valuation of quoted securities, and an independent property valuer for UK properties. BNY Mellon in turn relies, wherever possible, on independent sources of data, ensuring that the vast majority of the Scheme's assets are priced completely independently of the fund managers' valuations. In addition, as part of the audit of the year-end financial statements, the external auditors perform their own independent valuation of scheme assets and compare this to the Trustee's valuation, reporting any material discrepancies to the Audit Committee. The Audit Committee is satisfied that these arrangements are robust.









More detail on the specific valuation principles adopted for each category of investments can be found in the accounting policies set out on pages 13 to 14.

Other matters considered by the Committee were the Internal Control Assurance Report (ISAE 3402 and AAF 01/06) prepared for the pensions administration business of RPMI for the period from 1 January 2015 to 31 December 2015, Trustee expenses, Trustee Hospitality & Gifts Policy, an analysis of pooled fund costs, and the provision of legal and actuarial services. The Committee also receives reports of any significant security incidents or frauds and will consider any governance issues arising from external or internal reports via the Policy for Confidential Reporting of Concerns. There were no reports received under the Confidential Reporting of Concerns Policy. At each meeting of the Committee, private discussions are held in a closed session with the external auditors and the Head of Business Assurance.

The Audit Committee is satisfied that it has received sufficient, reliable and timely information to satisfy itself that the control and risk management systems are operating effectively.

Integrated Funding Committee

The Committee was established in 2014 to manage and agree integrated funding plans for the railways pension schemes and their sections, incorporating consideration of employer covenant, investment strategy and funding issues. It determines the allocation of individual schemes' and sections' assets to the Trustee's pooled funds and decides on changes to schemes' and sections' benefit structures. The membership and attendance of the Committee during the year is shown in the following table:

Member	Number of meetings attended	Number of meetings eligible to attend
 Chris Hannon (Chairman)	12	12
 Mick Cash	0*	11
 Tony Cotgreave	11	12
 John Hamilton	8	12
 Russell Mears	7	12
 Stephen Richards	10	12
 David Tyson	9	12
 John Wilson	10	12

*Following his election as General Secretary of the RMT it became difficult for Mick Cash to attend Trustee and Committee meetings, particularly the Integrated Funding Committee (IFC) which met 12 times during the year. Whilst he did not attend any IFC meetings during 2015 Mick did arrange for an alternate member to attend in his place and all of the meetings were quorate. Mick resigned from the Trustee Board in September 2015 and was succeeded by Mick Lynch.

Valuation

Each of the 105 sections of the RPS as at 31 December 2013 is treated as a separate entity with its own valuation results. This valuation falls under the Pensions Act 2004, and means that agreement on the valuation results is needed from each sponsoring employer.

The Committee has developed an integrated approach which addresses funding, investment and employer covenant matters. The Committee has agreed integrated funding proposals with most employers.

A report from the Scheme Actuary is included on pages 46 to 47, which refers to the requirement to produce individual Statements of Funding Principles and Schedules of Contributions for each section as at 31 December 2013. The individual actuarial certificates of the latest completed valuation for each section have not been included in the annual report but are available on request from RPMI.

Employer covenant

A key factor when considering each valuation is the strength of the sponsoring statutory employer, and the Committee has the challenging task of assessing this for all the sponsoring employers in the RPS. In undertaking this work, the Committee continues to be advised by an experienced in-house team within RPMI.

For the 2013 valuation, and previously, the Committee has agreed a range of covenant enhancement proposals with employers to improve their covenant assessments. These include a range of guarantees, loan subordination agreements, and security over assets and other arrangements.

As well as assessing employer strength for valuation purposes, the Committee also considered the impact of various corporate transactions and, where appropriate, agreed mitigation or covenant support arrangements with the employers.

Rule changes

During the year, the Committee agreed a range of benefit and contribution changes for individual sections of the RPS. Each proposal from an employer, after review by Pensions Committees where applicable, is considered in detail and the impact on funding and contributions addressed. Where such proposals are approved, changes are then reflected in the Rules of the section.







The Committee also progressed the changes to arrangements for specific sections resulting from corporate reorganisations within groups of sponsoring employers or changes to franchises affecting train operating companies.

Investments

The Committee reviews section-specific investment strategy and allocations to Pooled Funds. As part of the integrated funding approach, the Committee considers strategy within a risk, return and liquidity framework. This allows for individual section characteristics, such as maturity, strength of employer covenant and tolerance for illiquidity, to be taken into account when deciding the appropriate asset allocation. Investment strategies are thus considered as part of overall valuation proposals.

Case Committee

The Case Committee meets to consider decisions on case work applications from individual members, where the decision-making powers have not been delegated to a Pensions Committee or to RPMI. The membership and attendance of the Committee during the year is shown in the following information.

Member	Number of meetings attended	Number of meetings eligible to attend
 Stephen Richards (Chairman)	6	6
 Tony Cotgreave	6	6
 Dave Gott	6	6
 Derek Scott	5	6
 Ian Wilson	5	6
 John Wilson	5	6

In 2015, the Case Committee held six scheduled meetings.

As at 31 December 2015, the Case Committee had responsibility for 84 sections of the Railways Pension Scheme.







During 2015, the Case Committee considered and made decisions on 148 cases which can be categorised as follows:

- 40 applications and reviews of incapacity benefits
- 61 applications for payment of lump sum death benefit
- 12 applications for spouse's, children's and dependant's pensions
- 14 appeals under stage 2 of the internal disputes resolution procedure
- 1 application to re-join the Railways Pension Scheme
- 10 applications for early payment of preserved benefits
- 7 reviews of eligible dependant's pension after being in payment 10 years
- 3 Clause 7E - forfeiture of benefits cases



Defined Contribution Committee

The purpose of the Defined Contribution Committee ('DCC') is to ensure appropriate management and governance of the additional voluntary contribution ('AVC') and defined contribution ('DC') arrangements of the railways pension schemes. These include BRASS, AVC Extra, the RPS Industry-Wide Defined Contribution ('IWDC') Section and the RPS Defined Contribution Arrangement (collectively the 'DC arrangements'). The membership and attendance of the Committee during 2015 is shown in the following table:

Member	Number of meetings attended	Number of meetings eligible to attend
 John Wilson (Chairman)	4	4
 John Chilman	4	4
 Chris Hannon	4	4
 Charles Harding	3	4
 Gary Towse	3	4
 David Tyson	4	4

The Trustee Board has delegated to the DCC responsibility for ensuring that the DC arrangements can deliver good outcomes for members at retirement, and finding the best ways to support members to achieve their objectives.

The DCC receives regular reports on the administration of the DC arrangements and reviews RPMI's administration service levels and the timeliness with which employers remit contributions and data. It sets and monitors the implementation of the Communication Strategy for the DC arrangements and approves RPMI's IWDC Section Guide to Services.

The DCC is responsible for evaluating the investment performance of the DC arrangements and ensuring that the investment goals, objectives and administration standards of the DC funds are appropriate. It evaluates the performance of the underlying investments to ensure that they are fit for purpose. To do this, it oversees the types of investments offered including the default options, the options available at retirement, and how issues relating to the DC arrangements are communicated to members. The DCC monitors members' investment choices to encourage them to make the best decisions for their circumstances and to plan for their future. The same suite of investment funds is offered to new members of all the DC arrangements.

In 2015 the DCC concluded a strategic review of the Trustee's DC investments, which began in 2014, to ensure that the options available, including default options, remain appropriate for members' needs. This review concluded that, based on detailed analysis of the membership profile and the size of members' DC funds, the objectives, risks and expected returns of the arrangements remain appropriate. However, the Trustee keeps DC investments under regular review and will continue to monitor members' investment choices during their scheme membership and their benefit choices at retirement, particularly in light of the pensions freedoms introduced from April 2015.

Full encashment of their Personal Retirement Account has been made available to members of the IWDC Section and AVC Extra, and other benefit options, including annuities and income drawdown, can be accessed via an external transfer. The Trustee and RPMI have published a number of 'Read as you need' guides to help members understand the new pension freedoms. In the first quarter of 2015 the Committee oversaw the tender process and appointed a new Independent Financial Advisor (IFA) to support DC members.

During the year, the DCC has carried out a full review of the Trustee's DC arrangements against the Pensions Regulator's Code of Practice 13 on the governance and administration of occupational defined contribution trust-based schemes. The DCC seeks to deliver good outcomes for its members and believes that its commitment to maintaining compliance with the Regulator's Code of Practice will assist in this objective. An assessment of the extent to which the DC arrangements represent good value for members has also been undertaken. The Trustee Chairman's first annual statement on governance is included at Appendix H, in line with new legislative requirements.

Further developments and legislation are expected in 2016 and the DCC will continue to engage with policymakers via consultation responses, and review as appropriate the operation of the railways pension schemes to ensure that they remain both compliant and attractive to employers and members.

The RPS IWDC Section retained its Pension Quality Mark (PQM) READY status following a reassessment in June 2015. As a PQM READY scheme, the Trustee and RPMI have demonstrated excellence in the IWDC Section's governance standards (including trustee training), the range of investment options and its charges. The Section has also been recognised for its clear and comprehensive suite of member communications in both print and digital media. In November 2015 the first participating employer in the Section was awarded Pension Quality Mark PLUS (PQM PLUS) status.







Executive Committee (Disbanded on 16 September 2015)

The Executive Committee was disbanded during the year. The main responsibility of the Executive Committee was to provide oversight of the operations and management of RPMI on behalf of its shareholder and parent, the Trustee Company. It also served as the remuneration/nomination committee for Executive Directors of RPMI.

The work of the Executive Committee included: approving the appointment and terms and conditions of employment of the directors of RPMI (other than the Chief Executive which is reserved for the Trustee Company); overseeing the financial performance of RPMI and reviewing the service provided to railways pension schemes; and ensuring that stakeholders' views were taken into account and acted upon.

Transparency and accountability between RPMI and the Trustee was ensured through a governance structure that involved four Trustee Directors as Non-Executive Directors of RPMI. The terms of reference of the Executive Committee ensured that no more than two members of the Executive Committee were also Non-Executive Directors of RPMI. In addition, the Chairman of the Executive Committee could not be a Non-Executive Director of RPMI.

Trustee Directors who were Non-Executive Directors of RPMI during 2015 were Richard Goldson (Non-Executive Chairman of the Board of RPMI), John Hamilton, Gary Towse and David Tyson. Executive Committee attendance during 2015 is shown in the table below:

Member	Number of meetings attended	Number of meetings eligible to attend
 Mick Cash (Chairman)	2	2
 Dave Gott	2	2
 John Hamilton	2	2
 Russell Mears	1	2
 Gary Towse	2	2
 Chris Tingle*	2	2

*External nomination

Babloo Rathamurty, as Chairman of the RPMI Board, was invited to attend meetings of the Executive Committee. He attended all three meetings held in 2015.

The main task for the Committee in 2015 was reviewing the work of the ongoing Chrysalis programme at RPMI, to update the range of services offered and increase the level of choice for employers. The project will improve the operational effectiveness of RPMI and enhance the member experience.

Future structure

The roles performed by the Executive Committee have been reallocated as follows:

The Trustee Board will have oversight of the operation and management of RPMI, receiving a report to each meeting from the RPMI Chairman on historic and planned activity, financial performance and oversight of RPMI performance against Business Plan and Key Performance Indicators.

The Trustee Board will also approve the appointment, terms and remuneration of the:

- Chief Executive
- RPTCL Company Secretary
- Executive Directors of RPMI and Railpen
- Trustee Non-Executive Directors of RPMI and Railpen
- Independent Non-Executive Directors of RPMI and Railpen

The Trustee will appoint a panel with delegated authority to make these appointments.

The RPMI Remuneration Committee ('REMCO') was established in 2015. The Committee will agree salary reviews and variable pay awards for the Chief Executive and Executive Directors and oversee the overall RPMI process of pay and reward.

Service provision will be looked at as part of the Trustee Case Committee, with the Guide to Services to be considered annually, which is aligned with this Committee's existing responsibility for reviewing quarterly administration service levels.



The Trustee's
Investment Report

Introduction

The Trustee is responsible for ensuring that investment strategies are agreed for all sections of the RPS. It does this with advice from its executive arm, RPMI, and using Railpen and the Integrated Funding Committee (sometimes working with a Pensions Committee where established with delegated investment responsibilities). The policies that guide how the assets of each section of the RPS invested are set out in Statements of Investment Principles and Funding Principles; copies are available on request. An overview of the provisions of the Statements of Investment Principles is shown in Appendix F.

Railpen has delegated authority for most of the Trustee's investment responsibilities; it decides on appropriate investment policies and management arrangements. The Trustee has also appointed Railpen as its provider of investment management services. In this capacity, Railpen is regulated by the Financial Conduct Authority as an Occupational Pension Scheme firm. It is responsible for managing the pooled fund assets – including relationships with external managers – as well as taking some significant investment decisions directly.

Investment management arrangements

The assets of the Scheme are invested through a number of pooled investment funds, 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 HM Revenue and Customs. Each section holds units in some or all of the pooled funds. The use of these pools enables sections 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 individual sections, while also allowing Scheme assets to be invested as much as possible on a consistent basis as if a single pension fund.

In most 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 RPS sections to hold a managed portfolio of assets rather than a fixed allocation, which consequently should have a less volatile return profile.

Railpen sets strategic portfolios for each of the multi-asset pooled funds on an annual basis. Each pooled fund has a performance benchmark and risk parameters within which additional returns may be targeted. Within the pooled funds, Railpen makes use of internal and external fund management capabilities and both passive and active management.

Active management is considered only where the opportunities for additional returns are deemed to outweigh the additional costs; that is, the fund management companies try to add value after fees in addition to the benchmark returns. Passive management, that is index-tracking, is utilised elsewhere to ensure the most cost-effective and efficient approach. The use of passive management has progressively increased within the Scheme. In order to align more closely the interests of the managers with those of the Scheme, a significant proportion of active managers' fees vary according to their performance against their benchmark. External fund management companies are selected by Railpen.

Over 2015 changes were implemented to the management of fixed income assets in order to control costs in a low return environment. Firstly Railpen took over the management of governments bonds. Secondly, an external manager was appointed to manage all investment grade credit on a buy and hold basis. The previous approach for managing credit required regular rebalancing to a corporate bond benchmark incurring higher costs.

2015 also saw the launch of the Illiquid Growth Pooled Fund. The Illiquid Growth Fund will operate as an evergreen fund with the flexibility to allocate to private equity, private debt and opportunistic investments. Sections may allocate to Illiquid Growth as part of their return-seeking asset portfolio depending on their tolerance for illiquidity.

The Long Term Income Pooled Fund will hold assets which are generally expected to offer UK inflation linkage, distributable income and be sterling denominated. Sections may allocate to the Long Term Income Pooled Fund alongside their government bond exposure as part of their defensive assets.

Investment strategy

The Integrated Funding Committee is the body that sets investment strategy for all sections without a Pensions Committee and reviews and approves strategies requested by Pensions Committees. In setting strategies for sections, 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 approach to funding.

Furthermore, the Trustee sets principles for the key aspects of section 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 Integrated Funding Committee uses these principles in assessing and agreeing the investment strategy for any individual section.

Each section's strategy is implemented through investment in the appropriate mix of the pooled funds operated by RPMI for the Trustee. Investment in return-seeking assets is usually made through the Growth Pooled Fund with the De-risking Platform used for defensive assets. The exact mix of pooled funds used for investment strategy is determined for most sections by RPMI.

RPMI works with the Integrated Funding Committee to agree investment strategies for sections 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), over-the-counter ('OTC') derivatives and hedge funds – are unlisted and there is no organised public market for such instruments. These investments are carried at estimated fair values in accordance with the Trustee Company'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.

Economic commentary

In 2015 the global economy grew at no more than a moderate pace (3.0% estimated). Emerging Markets growth declined for the fifth consecutive year while the slow and steady recovery in Developed Markets (2.0% estimated GDP growth) lengthened by a further year. Europe showed the greatest relative improvement, in particular during the first six months, which coincided with the ECB's announcement of a bond purchase programme. Meanwhile in the US, which has benefitted from a far stronger recovery, the Federal Reserve became the first major central bank to begin raising interest rates.

China continues to show clear signs of a material slowdown and the policymaker response until now has failed to reassure investors. The impact of a less dynamic Chinese economy has been felt most acutely in commodity markets, which fell sharply for the second consecutive year in 2015. Lower commodity prices have in turn hurt a number of other Emerging Markets, many of which are also suffering from significant appreciation of the US dollar.

Neither equity nor bond market investors were well rewarded in 2015. The MSCI World Index – a measure of equity prices in developed markets – returned 0.2% in local currency price terms, falling sharply in the summer but recovering these losses towards the end of the year. Equity markets also had to digest a fall in company earnings over 2015, due largely to weakness in the Energy sector. Emerging Market stocks underperformed for the third year running, returning -8.0% in local terms and even less for overseas investors due to currency moves. Fixed income investors also experienced disappointing returns - government bond yields moved higher over the period and credit spreads widened.

Although equity markets ended the year broadly flat, one feature of the year was the return of volatility to financial markets in mid-2015 as investors became increasingly concerned about China and potential contagion. Recent years have been unusually benign for a range of financial assets; the configuration of easy monetary policy, low inflation and moderate growth has been positive for both equities and bonds. As this backdrop inevitably evolves, 2015 could in hindsight be seen as the start of a more challenging environment for investment returns.

Investment performance

The Growth Pooled Fund invests in a wide range of return-seeking assets with flexible allocations. The asset allocation of the portfolio will vary, taking into account changing market valuations. The aim is to produce an investment return in excess of inflation over a rolling five to ten-year period with a target return of +4% per annum above UK RPI. A reference portfolio of market indices (75% equities, 25% bonds) is also used as a comparator.

The largest portfolio allocation in the Growth Pooled Fund is to global equities and over the year

the allocation increased from 56% to 65%. Other asset segments in the Fund include property, fixed income and total return assets. The Fund also has a leveraged allocation to US Treasury futures contracts, which provides diversification and is expected to offer a potential buffer in the event of a significant equity market downturn.

The Growth Pooled Fund return in 2015 of 3.9% was below the RPI+4% target return, but ahead of the return for the reference portfolio.

The Passive Equity Pooled Fund is invested in line with a global index weighted by market capitalisation and produced a return of 1.1% in 2015. The Global Equity Pooled Fund had a return for the year of 2.0%, fractionally behind its benchmark which is based on fixed weights in major geographic regions.

The Private Equity and Infrastructure Pooled Funds each predominantly invest in a diversified range of investments in private markets. Both of these pooled funds are closed to new investments and future investments in private markets will be made by the recently established Illiquid Growth Pooled Fund.

The Private Equity Pooled Fund provides exposure to a highly diversified range of private equity investments. It is made up of a series of sub-funds, each representing a different vintage of private equity investment. The Fund produced an aggregate return of 16.6% in 2015, ahead of the return from its quoted equity benchmark. Due to the unquoted nature of these investments, there is often a significant time lag for revised information on underlying investments to flow through to the Fund valuation.

The Infrastructure Pooled Fund delivered a positive return of 27.9% for the year, significantly ahead of the RPI benchmark. As most of these investments are unquoted, there is often a significant time lag

for revised information on underlying investments to flow through to the Fund valuation.

The Property Pooled Fund also achieved a positive result in absolute terms, with an overall return of 11.4%, although this was lower than the IPD universe benchmark.

Changes took place in the management arrangements of the Government Bond Pooled Fund and the Non Government Bond Pooled Fund during the final quarter of the year.

The Government Bond Pooled Fund changed from an actively managed global government bond portfolio to a UK only government bond portfolio, managed on a buy and maintain basis. The Fund achieved a return of 1.6%, in-line with its comparator.

The Non Government Bond Pooled Fund changed from an actively managed portfolio to a portfolio managed on a buy and maintain basis. The Fund achieved a return of 1.1%, which was higher than the return of its comparator.

The Index Linked Pooled Fund is managed on a passive basis and had a return of -0.2% in 2015.

Information on the returns of all pooled funds, including those which have closed, can be found in Appendix J.

Section returns

There is a diverse range of different investment strategies amongst RPS Sections, reflecting differences in terms of Section liability profiles and employer covenants. In 2015, the investment return produced by Section assets ranged between 0% and 7%, net of fees and costs. This range reflected the diversity of returns seen in the major asset classes over the year. The returns for most Sections were in a narrower range from 4% to 6%.

Over a three-year period, the investment returns of RPS Sections ranged from 6% to 10% per annum, while over a five-year time horizon the range of returns was 5% to 8% per annum. Over a ten-year time horizon, the range of returns was 4% to 8% per annum, with most Section returns in a narrower range from 4% to 5% per annum.

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, custodians are 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 Scheme receives collateral in the form of cash or other securities that meet standards set on behalf of the Trustee. As a result of operating these securities lending arrangements, the Scheme receives revenues. The custodians also operate indemnification programmes which protect the Scheme against defaulting borrowers. The Scheme retains 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.

Government support

The Transport Act 1980 provides financial support for the British Railways Board'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.

The RPS is in a special position. It is a multi-employer scheme for non-associated employers, with actuarially independent sections. The rules for self-investment therefore apply on a section-by-section basis.

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.

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

The Scheme holdings in BRASS (AVC) Pooled Funds as at 31 December 2015 was £1,366m. Total value of these Pooled Funds as at 31 December 2015 was £1,372m.

AVC investments (BRASS and AVC Extra)

The AVC arrangements for the RPS, known as 'BRASS' and 'AVC Extra', are administered by RPMI.

The investment fund series for these arrangements is the RPMI Pension Saver Fund Range. This consists of two lifestyle strategies – BRASS Long Term Growth and Global Equity - and five self-select funds - Global Equity Fund, Long Term Growth Fund, Index Linked and Global Bond Fund, Aggregate Bond Fund and Deposit Fund.

A further fund, the Pension Assured Fund ('PAF'), 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 investment benchmarks for the self-select funds in the RPMI Pension Saver Fund Range are shown in the table below:

Fund	Comparator
Global Equity Fund	FTSE ALL World index
Aggregate Bond Fund	Composite comprising British Government and global corporate bond indices
Long Term Growth Fund	UK RPI (with a long-term target out-performance of UK RPI +4% p.a.)
Index Linked and Global Bond Fund	Composite comprising Index Linked Gilt and corporate bond indices
Deposit Fund	7 Day Sterling London Interbank Bid Rate (LIBID)

The UK has the 18th largest railway network in the world, and one of the busiest in Europe, representing more than 20 per cent of all the continent's passenger journeys every year.

Office of Rail and Road

A photograph of a person's legs from the knees down, wearing blue denim jeans and red high-top sneakers with white laces and white soles. The person is sitting on a blue suitcase. The background is a blurred train platform with a white wall and a train passing by. A blue banner with white text is overlaid on the bottom left.

Actuary's
Report

The 31 December 2013 valuation

Actuarial valuations of the Sections of the Railways Pension Scheme have been carried out as at 31 December 2013. The previous valuation for most Sections was carried out as at 31 December 2010. As for the 2010 valuations, the current valuations are being carried out to satisfy the scheme funding regulations in addition to the requirements of the Scheme's Trust Deed and Rules.

The main purpose of the valuations is to set the future contributions to be paid into each Section. To conduct the valuations it is first necessary to project the assets and liabilities of each Section into the future. A large number of assumptions therefore need to be made and the Trustee and I have consulted widely on the assumptions and methodology for these valuations. Ultimately it is necessary to reach agreement on these matters with the Designated Employer of each Section.

Defined Benefit Arrangements

Separate valuations are required for each Section of the Shared Cost Arrangement and for the Omnibus and 1994 Pensioners Sections (which sit outside the Shared Cost Arrangement of the Scheme).

The formal documentation required to complete the valuation for each Section includes a Statement of Funding Principles (which sets out the Statutory Funding Objective for the Section), a valuation report, a Recovery Plan (for those Sections with an overall valuation shortfall) and a Schedule of Contributions.

At the time of writing, the 2013 valuations, including all the formal documentation, had been completed for 92 Shared Cost Sections and for the

Omnibus and 1994 Pensioners Section. The average funding level, which is the extent to which the assets cover the funding target, for the Sections for which the 2013 valuation has been finalised is 94.3%. Of these Sections, 27 have a funding level above 100%.

Discussions are under way with the relevant parties to reach agreement and therefore finalise the valuation and all necessary formal documentation for the remaining 11 Shared Cost Sections as soon as possible. We are working closely with the Trustee and employers to try to find appropriate solutions for each individual Section.

Defined Contribution Arrangements

The Scheme also contains the Defined Contribution Arrangement and the Industry Wide Defined Contribution Section. A valuation is not required for these.

The 31 December 2014 annual update

In order to satisfy the requirements of the Pensions Act 2004, an interim funding update needs to be completed for each Shared Cost Section in each year in which a full actuarial valuation is not completed. The assumptions and methodology for the annual update do not need to be formally agreed between the Trustee and Designated Employers. The assumptions used are set using a consistent approach with that used at the most recent full valuation and with the Statement of Funding Principles. For each Section a short report is issued which sets out how the funding position may have changed since the last assessment.

At time of writing, the annual update as at 31 December 2014 has been completed for 93

Sections, that is for the 92 Shared Cost Sections for which the 2013 valuation has been completed, as well as the Omnibus Section. These showed that for most Sections funding levels have decreased slightly. This is mainly a result of changes to assumed future investment returns. In addition, the difference between actual and assumed investment returns over the period and contribution payments had an impact on the results.

No formal action is required to be taken by the Trustee or Designated Employers following this annual update; in particular, the Schedule of Contributions agreed for each Section following the 31 December 2013 valuation remains in force and is not required to be reviewed again until the next full actuarial valuation of the Sections of the RPS as at 31 December 2016.

Future actuarial assessments

Another interim funding update will be carried out as at 31 December 2015. The results of this exercise will be prepared and communicated during 2016. Furthermore, initial actuarial valuations will be completed as at 31 December 2015 for three new Sections of the RPS: the MTR Crossrail Section, the Caledonian Sleeper Section and the Knorr-Bremse Railway Services Limited Section.

Planning and preparation is already under way for the next formal actuarial valuations, which will be undertaken as at 31 December 2016.

James C Wintle

Actuary to the Railways Pension Scheme
Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ



**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 Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

Most of the Sections of the Railways Pension Scheme are subject to the Pensions Act 2004, the exceptions to this being the 1994 Pensioners Section and BR Shared Cost Section. However, the valuations for these two Sections are still carried out in a consistent manner with the requirements of the Act.

At the time of writing, the results of the most recent full actuarial valuations for the 105 Sections are summarised in the following table:

Date of valuation	Number of Sections	Composite value of the Sections' Technical Provisions (£m)	Composite value of the Sections' assets (£m)
31 December 2010	11	1,185	1,157
31 December 2013	94	19,277	17,824

In addition, initial actuarial valuations are being undertaken as at 31 December 2015 for 3 Sections which have been established since 31 December 2013 but where no formal actuarial valuations have yet taken place.

Method

The 'standard' method and significant actuarial assumptions used to determine the technical provisions for Sections as at 31 December 2013 are as follows. Some Sections will have different assumptions to those set out below - all assumptions adopted are set out in each Section's Statement of Funding Principles. The actuarial method to be used in the calculation of the technical provisions is the Projected Accrued Benefit Method.

Significant actuarial assumptions

Discount rates: dual discount rates which differ depending on the Covenant Category of the Section. The nominal discount rates assumed for each covenant category are summarised in the following table:

Covenant category	Pre-retirement discount rate % per annum	Post-retirement discount rate % per annum
Open TOC Sections	7.33	6.04
Other Covenant Category 1 Sections	7.33	5.52
Open Covenant Category 2 Sections	6.55	5.26
Closed Covenant Category 2 Sections	6.30	5.01
Covenant Category 3 Sections	5.78	4.75
Covenant Category 4 Sections	5.01	4.23
Covenant Category 5 Sections	4.23	3.46
Covenant Category 6 Sections	Gilts	Gilts

Future Retail Price inflation: 3.20% per annum

Future Consumer Price inflation: 2.40% per annum

Pension increases: derived from the assumption for future consumer price inflation allowing for the caps and floors on pension increases according to the provisions in each Section's rules.

Pay increases: general pay increases of 3.20% per annum for the first 5 years and general pay increases of 4.23% thereafter. Promotional pay increases of 0.4% per annum.

Mortality: for the period in deferment and retirement the following has been assumed.

The mortality base table assumptions for each group of members (before allowance for postcode mortality effects) are summarised in the following table:

Group	Pension/Pensionable pay	Table	Multiplier
Male age pensioners Low pension amounts	Current pension < £10,300 Pensionable pay < £35,000	S1 normal males heavy	96%
Male age pensioners High pension amounts	Current pension ≥ £10,300 Pensionable pay ≥ £35,000	S1 normal males	93%
Female age pensioners Low pension amounts	Current pension < £3,700 Pensionable pay < £35,000	S1 normal females heavy	118%
Female age pensioners High pension amounts	Current pension ≥ £3,700 Pensionable pay ≥ £35,000	S1 normal females	108%
Male ill-health pensioners	All	S1 ill-health males	148%

Group	Pension/ Pensionable pay	Table	Multiplier
Female ill-health pensioners	All	S1 ill-health females	154%
Widows Low pension amounts	Current pension < £3,700 Pensionable pay < £35,000	S1 normal widows heavy	112%
Widows High pension amounts	Current pension ≥ £3,700 Pensionable pay ≥ £35,000	S1 normal widows	108%
Widowers	All	S1 normal males	80%

Notes:

- S1 refers to the SAPS (self-administered pension schemes) mortality tables published by the CMI on 31 October 2008 based on their mortality investigation over the period 2000-2006.
- The SAPS 'heavy' tables are based on mortality experience for pensioners and dependants with relatively low pension amounts.
- 'Normal' refers to pension scheme members who did not retire on grounds of ill health.

The two male age pensioners groups have then been further segmented into the three postcode groups. The resulting base table multipliers for each of the six postcode/amounts groups are as follows:

Postcode group	Low pension amounts S1 normal males heavy	High pension amounts S1 normal males
1 (light)	87%	89%
2 (medium)	89%	92%
3 (heavy)	105%	109%

Future mortality improvements

Allowance for future improvements in mortality from 2011 onwards has been made in line with the 2013 version of the 'CMI core projection' model published by the Institute and Faculty of Actuaries, assuming a long-term improvement rate of 1.5% pa. For the period 2002 to 2010 allowance for future improvements in mortality has been made in line with the 2012 version of the 'CMI core projection' model.

In the 19th century, the poorest passengers travelled in open-air carriages, with no protection from the elements or the hot cinders flying from the locomotive. This sad state of affairs thankfully ended with the 1844 Railway Act, meaning that all 3rd class passengers were at least guaranteed a roof over their heads and an oil lamp in each carriage.

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Appendix A:

Principal advisers to the Trustee Company

Appendix A:

Principal advisers to the Trustee Company

Scheme and investment administrator	RPMI
Manager of investment managers	Railpen
Actuaries	James Wintle, Willis Towers Watson Martin Clarke, the Government Actuary (joint actuary for the 1994 Pensioners Section and BR Section)
External auditor	KPMG LLP
Solicitors	Herbert Smith Freehills, Linklaters, DWF, Eversheds, Maclay Murray & Spens, Simmons & Simmons
Principal Custodians	The Bank of New York Mellon
Clearing Bankers	The Royal Bank of Scotland Group plc



Willis Towers Watson



Simmons & Simmons

Linklaters

mms | Maclay Murray & Spens LLP





Appendix B:

Payment of contributions

Appendix B:

Payment of contributions

Participating employers

The Trustee collects contributions from most employers participating in the Scheme. As at the year-end, there were 157 participating employers. Each one may operate from several distinct locations, each with its own payroll department and combination of weekly, fortnightly, four-weekly and calendar-monthly paid employees. As a result, the Trustee deals with employers based at approximately 170 different addresses and 200 distinct payroll combinations.

Due dates for payment of contributions

Under the provisions of the Pensions Act 1995, it is the responsibility of each employer to pay contributions on time. The Trustee is required to prepare, maintain and monitor schedules 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.

Sections in the Shared Cost Arrangement

The Trustee is required to maintain a schedule of contributions for every section of the Scheme. This schedule sets out as a percentage of pay, the rate of contributions payable to the Scheme by the employers and members, and also shows the dates on which the contributions are due. Each schedule must be certified by the Scheme Actuary as being sufficient to ensure that the funding objective will continue to be met for the next five years, or will be met by the end of the recovery period.

The schedules of contributions that the Trustee has prepared for the Scheme 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 22nd day of the following month under legislation, if paid by BACS, otherwise the 19-day rule applies). The Scheme Actuary revalues the Scheme every three years. The valuation and schedules of contributions must be signed off within 15 months of the valuation date. The schedules of contributions must be signed by both the Designated Employer and the Trustee.

Sections in the Defined Contribution (money purchase) Arrangement and the IWDC Section

As at 31 December 2015, there were 30 employers actively contributing to the Defined Contribution Arrangement and the IWDC Section. Collection of contributions from these employers is governed by a payment schedule. This is similar to a schedule of contributions, and again sets out as a percentage of pay, the rate of contributions payable to the Scheme by the employers and members, and the dates on which the contributions are due. Payment schedules do not have to be certified by the Scheme Actuary, but must be prepared by the Trustee and revised from time to time as circumstances require. Once put in place, the employer must pay contributions by the date shown in the schedule.

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.

Employers are encouraged to participate in the Trustee's direct debit arrangements for all invoiced amounts, which greatly reduces the risk of an employer failing to pay contributions on time.

During 2015, there were 312 instances of late payment of contributions with a total value of £6.0m, which represents 0.8% of contributions payable under the schedules of contributions. The largest individual amount was £530,000, which was paid 54 days after the due date. Of the 312 instances of late payment 29 were reported to the Pensions Regulator totalling £318,000.



Appendix C:

Custody arrangements

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, that make up the various quoted securities portfolios managed by the investment fund managers. 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.

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 or the Network Rail property deeds depository.

In the case of investments managed by US fund of hedge fund managers, the Trustee has appointed The Bank of New York 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. 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.

As part of the services provided to the Trustee, RPMI 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 facility of the Institute of Chartered Accountants in England and Wales 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).

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 RPMI's Business Assurance team and external audit as part of the ongoing monitoring of custodians.



The Stockton and Darlington Railway was the first in the world to use steam locomotives in 1825.

Encyclopedia Britannica

Appendix D:

Sustainable Ownership

Appendix D:

Sustainable Ownership

Introduction

The Trustee, on behalf of the RPS, 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 Statement of Investment Principles ('SIP') the extent to which social, environmental and ethical (SEE) considerations are taken into account in the selection, retention and realisation of investments. This includes their policy directing the exercise of rights (including voting rights) attached to investments. These factors are commonly referred to as ESG (environmental, social and governance) factors.

Building on this, a new investment framework on Sustainable Ownership has been developed during 2015. This considers the impact of ESG factors, where they potentially have material impact on the long term performance of the investments of the RPS.

One of the Trustee's core investment beliefs relates to Sustainable Ownership. This states that companies with robust corporate governance structures and engaged shareholders are more likely to achieve superior long-term financial performance and will manage all of their risks and opportunities appropriately, including those related to environmental and social factors.

Integration of ESG factors into investment process

Sustainable Ownership encompasses long-term, finance-driven strategies that integrate extra-financial ESG factors into investment arrangements. Such an approach aims to anticipate and address the *internal* investment implications of Sustainable Ownership factors *prior* to them occurring.

To develop this further, an investment function on Sustainable Ownership was established in January 2015 to implement the integration of ESG factors into the investment arrangements of the RPS.

A Sustainable Ownership framework has been developed that considers the impact of ESG factors through four lenses as set out below:

- Improve the returns of the RPS;
- Harm the returns of the RPS;
- Impact the reputation of the Trustee as a responsible investor (both positively and negatively); and
- Impact the world the beneficiaries of the RPS retire into.

Sustainable Ownership factors will be integrated more systematically into portfolio management in future years. This will start with a process that identifies a Sustainable Ownership theme and then considers the impact of this factor on the investment portfolio and within asset classes. In 2015, the impact of climate change on the equities portfolio was considered and Railpen signed the Montreal Pledge, an annual commitment to measure and disclose the carbon footprint of part or all of the equities portfolio managed on behalf of the RPS.

Measurement of carbon footprint and Montreal Pledge statement

As a signatory of the Montreal Pledge, the Trustee, through Railpen, is committed to annual measurement and disclosure of the carbon footprint of the Scheme's equities portfolio. Trucost was commissioned in 2015 to conduct an analysis of both passive and active elements of the Scheme's listed equity portfolio, using holdings data as at 31 August 2015. The results will be

factored into engagement with external fund managers and with specific companies held in the equity portfolio going forward. More information on the measurement of the carbon footprint is available on the RPMI website.

UK Stewardship Code

The Trustee considers that its fund managers and other intermediaries have a major role to play in ensuring that companies are run in a manner consistent with clients' best interests. We support, and encourage our fund managers to adopt, the Financial Reporting Council's UK Stewardship Code, updated in September 2012. This sets out seven principles on how institutional investors can enhance the quality of engagement with investee companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

We expect our external fund managers, where relevant, to comply with the Code and its principles, which have also been incorporated in the Trustee's SIP, and to publish a compliance statement. Our full statement on how we apply the UK Stewardship Code and the Japan Stewardship Code of which we are also signatories, can be found on our website.

The Trustee obtains an independent audit opinion on aspects of its own Stewardship Code compliance on a regular basis and this opinion is available to members on request.

Voting

Full voting authority ultimately rests with the Trustee. In addition to the monitoring of the activities performed by fund managers and other

intermediaries, the Trustee, through Railpen, undertakes further engagement activities in relation to individual companies, whether independently or with other parties, where it considers it in the best interests of beneficiaries to do so.

We have a number of corporate governance policies in place to cover the many markets in which we invest. The UK policy applies to all UK listed companies including those that participate as employers in railway industry pension schemes. It draws heavily on the UK Corporate Governance Code and we expect companies to comply with the Code or explain any departures.

Voting is a key step in engagement, and the Trustee has voted on all resolutions at all annual and extraordinary general meetings of UK companies in which it has holdings since 1992, being one of the first UK pension funds to introduce an active UK voting and engagement policy at that time. We publicly disclose on our website our voting record in respect of all UK company meetings held after 1 January 2010.

In addition to our activities in the UK, active voting and engagement has been extended to overseas markets since 2006 and currently extends to the USA, Continental Europe, Japan, Singapore, Australia and Hong Kong. We disclose our voting records for Japanese companies from December 2014 onwards and these, together with self-standing policies for several overseas markets can be found on our website.

Collaborative engagement

Railpen is an active and lead participant in several national, regional and global investor networks, alliances and trade bodies in line with the active ownership principles outlined in the UK Stewardship Code. We work informally with other investors, including other pension funds around the world, and benefit from the local market expertise that they bring to our own thinking on ESG matters.

These include, but are not limited to:

- UK's PLSA
- International Corporate Governance Network (ICGN),
- UK Corporate Governance Forum
- UK Sustainable Investment and Finance Association ('UKSIF')
- Working Group of the International Integrated Reporting Council
- Council of Institutional Investors (CII) in the US
- Australian Council of Superannuation Investors (ACSI),
- Eumedion in the Netherlands, and
- the Asian Corporate Governance Association in the Far East.

We are members of Institutional Investors Group on Climate Change (IIGCC).

In addition, we are asset owner signatories to the following major responsible investor initiatives:

- UN Principles for Responsible Investment ('UNPRI')
- Extractive Industries Transparency Initiative
- Carbon Disclosure Project (CDP)
- Montreal Pledge

Pooled fund equity holdings

The largest ten direct equity holdings within the pooled fund investments as at 31 December 2015 were as follows:

	£m
Apple	37.47
ExxonMobil	36.71
Nestle	31.38
McDonalds	30.55
Pfizer	30.18
Johnson & Johnson	28.01
Proctor & Gamble	26.79
UnitedHealth Group	25.36
Colgate-Palmolive	25.05
AT&T	24.78





Appendix E:

Risk statement

The following risk management process operated throughout the year-ended 31 December 2015.

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 September 2012 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.

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 01/06, ISAE 3402 or equivalent style reports), on the effectiveness of internal controls, although investment managers are under no regulatory obligation to do so. The internal audit plan includes a rolling programme to review the internal control environment of all of the investment managers retained by the Trustee.

Risk identification and management

Risks are identified and regularly reviewed by management and directors in a formal process facilitated by the Business Assurance team, which is separate from operational management. 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 risk register of the Trustee and each operating company, RPMI and Railpen. Actions include implementing or adapting internal controls, risk transfer, risk sharing and contingency planning. These actions are monitored by the Business Assurance team.

In support of the risk registers and as an aide to managing risk, a controls assurance map has been developed for each identified risk.

The assurance map identifies all the controls supporting a particular risk and the source and quality of assurance provided by each control. The process provides the means to identify and address any gaps in the risk management process and provides comfort that risks are being managed and reported on. In addition, unnecessary duplication will become apparent.

The approach is based upon the 'three lines of defence' model as outlined below.

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 Organisational Leadership Team and the Board. The second line is re-enforced by the monitoring functions of risk management through the RMC 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 Company and operating companies. The internal audit plan is approved by the Audit Committee. Internal audit output, in terms of any significant findings or risks identified, together with planned actions to mitigate them, are reported to the Audit Committee.

In respect of the pensions administration service provided by RPMI, an internal controls assurance report has been prepared for the year ended 31 December 2015. 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 Institute of Chartered Accountants in England & Wales Technical Release, 'Assurance reports on internal

controls of service organisations made available to third parties (AAF 01/06)'.

Internal audit services are provided to the Trustee by the in-house Business Assurance team. The Business Assurance Manager reports to the Chief Executive of the Trustee Company and the Audit Committee, and has unrestricted access to the Chairman of the Audit Committee and the Trustee Board Chairman should the need arise. Internal audit activity is governed by the Audit Charter, which is reviewed periodically by the Audit Committee.

The RMC is chaired by the Director of Trustee and Client Services and includes representatives from the executive management of RPMI. Trustee Directors have an open invite to attend the meetings of the RMC. It meets regularly with the Business Assurance team and external auditors in attendance, to consider the significant risks and assess how they have been identified, evaluated and managed, as well as the effectiveness of the internal controls associated with these significant risks.

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 or loss.



Appendix F:

Statement of Investment Principles

Under the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005, the Trustee is required, following consultation with the employers, to maintain a Statement of Investment Principles ('SIP') for the Scheme. Each section of the Scheme has a unique combination of assets, liabilities and strength of employer covenant. In addition, some sections have established Pensions Committees, which in most cases have the power to set investment strategy – although the Trustee retains legal responsibility for implementation of investment policy and for ensuring the policy complies with statutory requirements.

In order to deal with the large diversity of sections, the Trustee has developed an overarching SIP, supplemented by an individual investment policy document for every section. These are reviewed following each triennial actuarial valuation and following any significant change in the investment policy of the Scheme or of a section. The Trustee will consult with the relevant employers about any changes, but where changes are only in relation to a section-specific SIP, the employers have agreed that the Trustee will only consult with employers participating in that particular section.

An overview of the provisions in the Scheme SIP is set out as follows. The current SIP was adopted in July 2015.

Investment beliefs

The Trustee has agreed investment beliefs that set out a clear view on investment philosophy, governance and policy. These beliefs are used to inform the investment process used across the Scheme.

Investment objectives

The Trustee's primary objective is to ensure that the assets of each Section are sufficient to pay the benefits promised when they fall due, and to endeavour to achieve this at affordable cost to the employers and members.

To facilitate achieving this objective, the Trustee adopts an integrated approach to funding and investment policy. Due to the different maturity profiles of the liabilities of the individual Sections, along with the strength of covenant of each sponsoring employer and any other specific characteristics, investment strategies and therefore expected investment returns will vary widely. Investment objectives therefore have to be set separately for each Section, with a consistent framework used for evaluation. The agreed approach takes account of return, risk and liquidity requirements (within a 'RRL framework'), to enable suitable investment strategies to be adopted for each Section.

The RRL framework is set out for the IFC and RPMI as part of 'The Trustee's guiding principles for the Integrated Funding Committee'. These principles outline the expected investment strategy for broad Section groupings (effectively grouped by covenant strength and maturity profile). With these principles in mind, the individual components of the RRL framework are considered as follows:

- Expected investment return is considered taking into account risk and affordability, making use of the pooled fund range to accommodate individual 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;

- Investment risk is considered using several measures with a focus on downside risk, consistent with the Trustee's belief that investment risk is multi-faceted. The primary risk measure will differ according to covenant rating;
- Liquidity requirements are evaluated with reference to a number of criteria including maturity, size and cash-flow projections.

The resultant portfolios and investment strategy for each Section are expressed as a mix of return-seeking, defensive and matching assets. Each of these portfolios, in aggregate, is expected to generate a long-term return that will match or exceed the discount rates used in the funding assumptions for the respective Section.

Management of pooled funds

The Sections invest in a number of HMRC approved pooled funds (the 'pooled funds') operated by RPMI on behalf of the Trustee. These funds are used to construct each investment portfolio agreed under the RRL framework and are intended to accommodate the differing investment requirements of the Sections.

As such, 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 risk premia and return drivers may offer diversifying characteristics. Accordingly, the default offering is to use multi-asset pooled funds which invest in a wide range of assets and strategies. However,

Pensions Committees and/or employers can request to make use of other pooled funds offered by the Trustee consistent with the agreed investment strategy. The investment performance of each pooled fund is measured against an agreed objective and the objective and investment guidelines for each pooled fund are set out in the individual fund product particulars.

Under the RRL framework, the proportion of the Section assets to be held in a particular pooled fund is not fixed and may, therefore, be changed from time to time by the Trustee (or RPMI under delegated authority) in order to comply with the RRL framework in the manner the Trustee considers appropriate. Where the rules of a Section require the investment policy to establish the proportion of Section assets to be held in each of the pooled funds, that policy will be recorded in the relevant Investment Policy Document.

The Trustee regularly reviews the pooled fund range and is free to change the range of pooled funds, the associated benchmarks and investment guidelines from time to time, as it considers appropriate, in accordance with the rules of the Scheme.

The investment of the assets within each pooled fund is delegated under an Investment Management Agreement to a wholly owned subsidiary of the Trustee, Railpen, or to fund managers appointed by Railpen (together the 'fund managers'). The investment arrangements are overseen by RIB.

The multi-asset pooled funds are managed within a strategic risk premia framework, agreed on a regular basis with the RIB. The single-asset pooled funds are managed to specific benchmarks with permitted tolerances. Where relevant, Railpen and the fund managers are responsible for deviations from agreed asset allocations within delegated authority limits. Active management is not used by default but will be considered when it is judged to be the most efficient implementation of a given risk premium.

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 fund particulars. This includes the power to rebalance funds from available cash or make transfers in order to keep within stipulated asset allocations or restrictions.

Details of the pooled funds operating during the year, including their benchmarks and performance information, are set out in the pooled fund accounts in Appendix J.

Performance measurement

The performance of each Section, and the investment performance of the portfolios of Railpen and the fund managers, are independently measured for the Trustee. Also, investment performance of each Section is monitored by RPMI and reported to the IFC, the Pensions Committees (where appropriate) and the relevant employer. The RIB monitors the performance of Railpen and the fund managers against long-term performance objectives and compliance with operating parameters.

Risk management

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:

- an Integrated Funding Committee with specific responsibilities including agreeing integrated funding plans for each Section, using the RRL framework (as described in paragraphs 8, 9 and 13), and monitoring performance against their agreed funding plans;
- an Audit Committee with specific responsibilities including review of financial control and risk management systems;
- appointing a global custodian to hold assets and RPMI monitoring the custodian's service provision and credit-worthiness;
- appointing the RIB with specific responsibilities including oversight of the management of the pooled funds;
- the establishment of the Railpen Investment Risk Committee to oversee monitoring of investment and operational risks.

Defined contribution assets

The Trustee is responsible for providing appropriate fund choices for the investment of defined contribution ('DC') assets. This includes members' additional voluntary contributions ('AVCs') and contributions in respect of members of the defined contribution schemes ('DC Schemes')

including the Industry-Wide Defined Contribution Section ('IWDC') and the Defined Contribution Arrangement.

The range of funds made available for the DC Fund arrangements is reviewed regularly and may be changed by the Trustee from time to time in accordance with applicable rules of the Scheme. The intention is to ensure an investment philosophy consistent across both defined benefit and defined contribution arrangements to the extent possible.

Costs

The Trustee recognises that strict control of costs is important in contributing to good investment returns. As such, RPMI and Railpen are asked to ensure that all aspects of cost from the responsibilities and mandates exercised by those involved in the investment process, both internal and external, are kept under regular review. The aim is to implement Section strategy in the most efficient manner possible, using internal resources wherever appropriate. Investments within the pooled funds are considered in terms of the most efficient way to access desired risk premia. As part of this process, fees payable to external fund managers and costs relating to the investment, management, custody and realisation of pooled fund assets are kept under regular review.

Social, environmental and ethical considerations

As a long-term investor and asset owner the Trustee recognises the need to consider sustainable ownership issues across the portfolios. It expects Railpen and fund managers as appropriate to take into account non-financial and extra-financial considerations in selecting, retaining and realising

investments, where these factors are likely, in Railpen and the fund manager's view, to have a material impact on the performance of the portfolio either now or in the future. In addition, the Trustee takes into account the fund manager's policies in relation to sustainable ownership when making new fund manager appointments.

Policy on corporate governance and voting

The Trustee attaches particular importance to the maintenance of good standards of corporate governance by companies in which it invests.

The Trustee has corporate governance policies for various markets and expects fund managers in those markets to comply with the relevant policy. As part of these policies, the Trustee supports the principles, as revised from time to time, in the UK Stewardship Code published by the Financial Reporting Council and expects similar standards to be followed by UK and overseas fund managers. Railpen requires fund managers to report regularly on their compliance with these policies and to provide post-hoc quarterly reports on voting and other significant matters. Railpen will also review and consider endorsing other international stewardship codes.

The Trustee, through RPMI, will take further action in relation to individual companies, whether independently or with other parties, where it considers it in the best interests of beneficiaries to do so. The Trustee endeavours to vote on all resolutions at all Annual and Extraordinary General Meetings of UK companies in which it has holdings. It has now extended voting selectively to overseas markets.

In 2013, the UK topped Europe's seven major railways for punctuality, reliability, information during journeys and accessibility.

European Commission survey

Appendix G:

Summary of the main provisions of the Scheme

Appendix G:

Summary of the main provisions of the Scheme

The RPS is a registered Scheme under the Finance Act 2004. All railway employees are eligible to join the Scheme if allowed by their contract of employment.

Members of each of the sections of the Shared Cost and the DC Arrangements of the RPS were contracted-out of the State Second Pension ('S2P') until the option to contract-out was abolished, which was from 6 April 2012 for DC schemes and from 6 April 2016 for defined benefit schemes. The IWDC Section has never been contracted-out of S2P.

Rules specific to sections

A broad outline of the main provisions of sections that have adopted the Shared Cost Arrangement is given below. However, some employers have introduced rules specific to their section only which override the summary given. Each section's rules are available from RPMI to members of that section upon request and are summarised in each section's Guide for Members booklet, which is available in the members' area of the Scheme's website

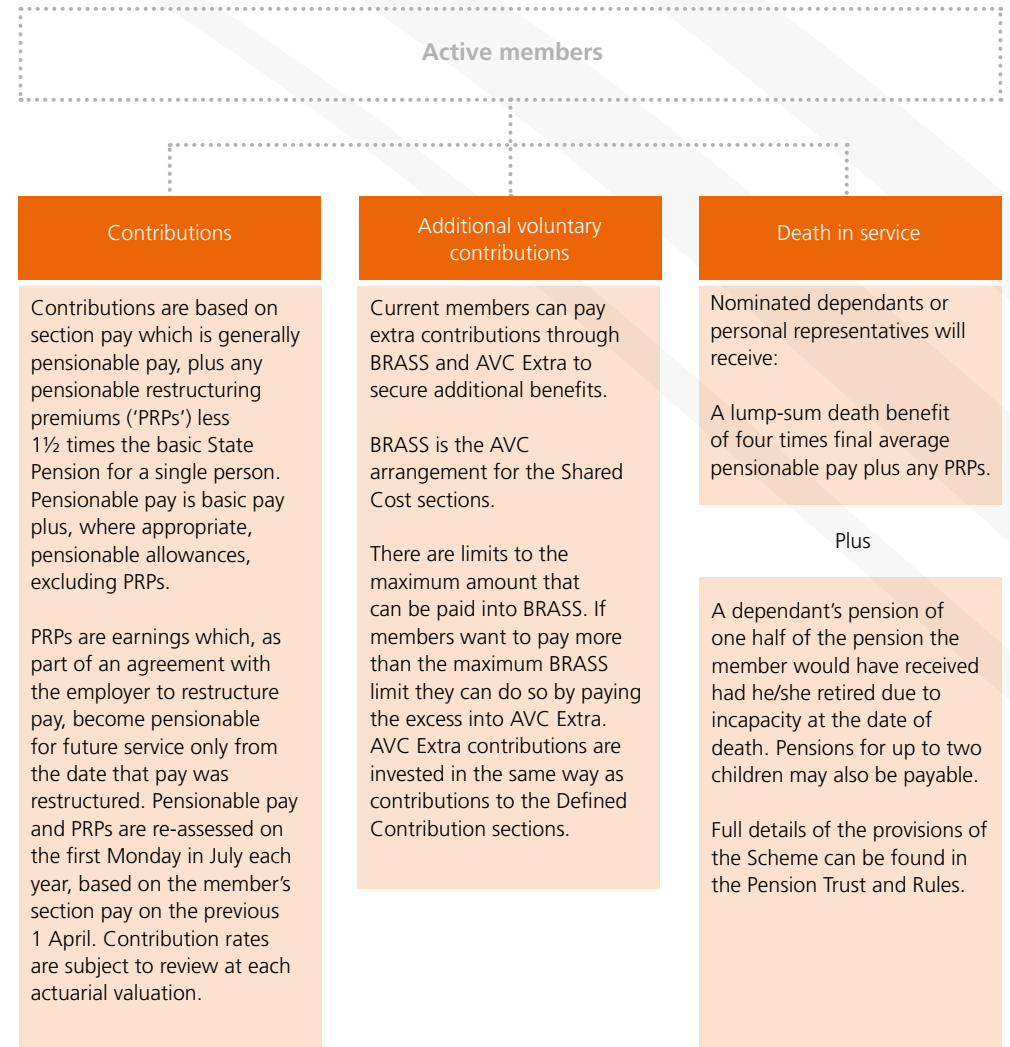
The outline of the main provisions of sections covers the standard situation whereby a section remains ongoing with a solvent employer backing the section. In the event of the employers in a section suffering a qualifying insolvency event, the benefits available from that section will depend on the assets in the section. If there are insufficient assets available to secure a minimum level of benefits, the PPF will pay compensation to members. In these situations, the PPF will take over the pension scheme's assets and provide the compensation to the scheme's members. The compensation provided by the PPF would in many cases be lower than the pensions that members could have received from the scheme that has been taken over.

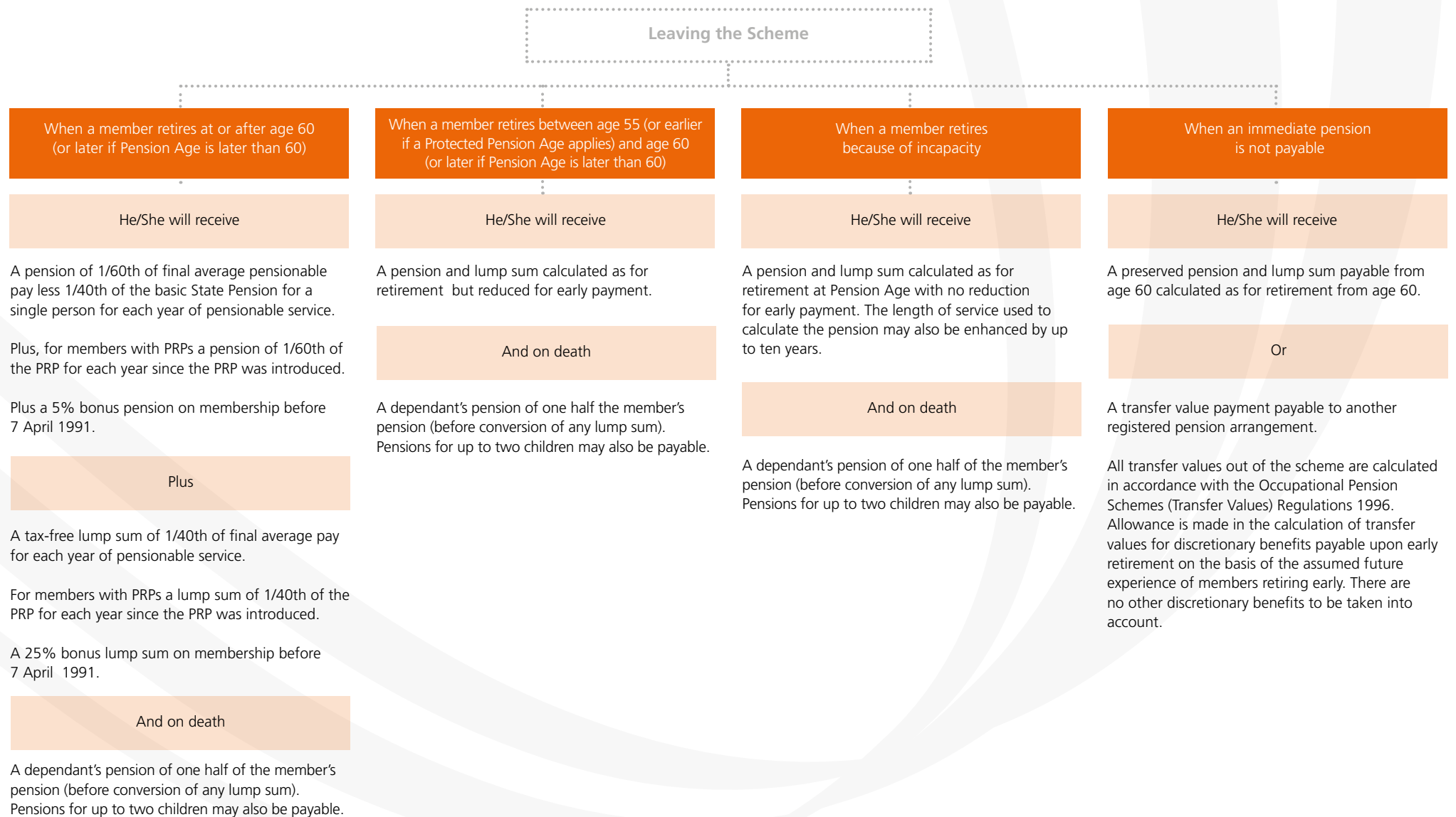
IWDC Section

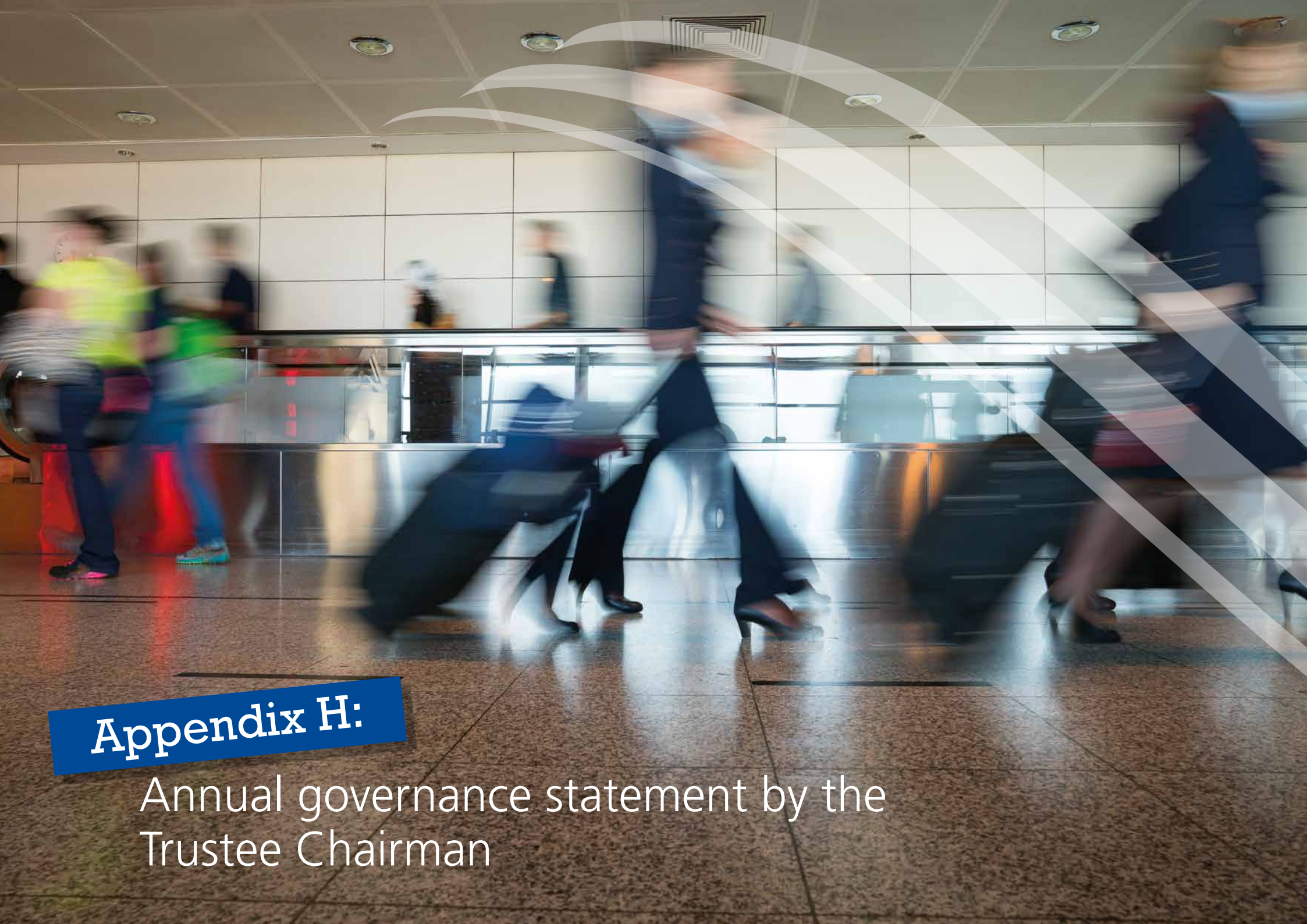
IWDC Section participating employers can choose their contribution rates, normal retirement date and amount of lump sum on death in service. Contributions range from upwards of 2% of pensionable pay, and retirement ages range from 60 to 65. Lump sums are either one times pensionable pay or four times pensionable pay on death in service. At retirement, members use their accumulated funds to provide an annuity purchased from an insurance company under an open market option, or they can transfer their funds to a specialist drawdown provider. They can also take tax-free cash up to the HM Revenue & Customs limit, or take 100% of their funds as a partially-taxed lump sum direct from the scheme. The remaining members within the DC Arrangement are all preserved pensioners.

Pension increases

Pensions increased by 1.2% with effect from 6 April 2015. This is based on the Consumer Price Index (CPI) inflation figure as at September 2014. There was no change in pensions payable from April. Pensions in payment and deferment in the Fund are increased in line with Orders laid by the Government under the Pensions (Increase) Act 1971.







Appendix H:

Annual governance statement by the
Trustee Chairman

Introduction

New governance rules apply to defined contribution pension arrangements, including the Defined Contribution Arrangement and Industry-Wide Defined Contribution Section of the Railways Pension Scheme, and the Scheme's Additional Voluntary Contribution arrangements, BRASS and AVC Extra (collectively the 'DC Arrangements') from 6 April 2015. These were designed to help members achieve a good outcome from their pension savings.

As the Trustee Chairman, I have to provide you with a yearly statement which explains what steps have been taken by the Trustee Board, with help from our professional advisers, to meet the new governance standards. The law sets out what information has to be included in my statement and this is covered in sections 2 to 6 below.

The Trustee is committed to having high governance standards and we have a number of dedicated sub-committees which meet regularly to monitor the controls and processes in place in connection with the DC Arrangements' investments and administration. More information about the sub-committees is on pages 36 to 41 of the Annual Report.

I welcome this opportunity to explain what the Trustee does to ensure the DC Arrangements are run as effectively as they can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do let us know.

Default investment arrangement

The default investment arrangements are provided for members who join the DC Arrangements and do not choose an investment option. Members can also choose to invest in one of the default arrangements which are set up by the Trustee. Currently more than half of members have some or all of their contributions invested in the default arrangements.

Setting an appropriate investment strategy

The Trustee is responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangements.

We have chosen the following Lifestyle Strategies, top right, as the default investment options.

DC Arrangement	Growth Portfolio	Portfolio at Target Retirement Age	Length of Switching Period
Industry-Wide Defined Contribution Section and Defined Contribution Arrangement	100% Long-Term Growth Fund	25% Deposit Fund 75% Aggregate Bond Fund	10 Years
BRASS	100% Long-Term Growth Fund	100% Deposit Fund	5 Years
AVC Extra	100% Global Equity Fund	25% Deposit Fund 75% Aggregate Bond Fund	10 Years

Details of the investment strategy and investment objectives of the default arrangements are recorded in a document called the Statement of Investment Principles. This document is included as an appendix to the Annual Report and an extract from the schedules relating specifically to the DC Arrangements is appended to this Statement.

When deciding on the investment strategy, the Trustee recognises that the majority of members do not take active investment decisions and instead invest in the default option. Therefore, the Trustee's primary objective in deciding on an investment strategy is to ensure that the strategy is appropriate for a typical member, taking into account their age and planned retirement date. When choosing the default strategy, it is the Trustee's policy to consider a range of asset classes, together with their expected returns and the expected volatility of those returns, the suitability of styles of investment management, and the need for diversification. The Trustee also recognises that there are various investment and operational risks, and gives qualitative and quantitative consideration to such risks.

All day-to-day investment functions are delegated to a wholly-owned subsidiary of the Trustee, Railpen, or to fund managers appointed by Railpen, which is regulated by the Financial Conduct Authority. As a long-term investor and asset owner, the Trustee recognises the need to consider sustainable ownership issues across the portfolios. It expects Railpen and any appointed fund managers, as appropriate, to take into account nonfinancial and extra-financial considerations in selecting, retaining and realising investments, where these factors are likely, in Railpen and the fund manager's view, to have a material impact on the performance of the portfolio either now or in the future. In addition, the Trustee takes into account the fund manager's policies in relation to sustainable ownership when making new fund manager appointments.

Reviewing the default investment arrangement

The Trustee is expected to:

- review the investment strategy and objectives of the default investment arrangements at regular intervals, and at least once every 3 years; and
- take into account the needs of the membership when designing the default arrangements.

The Trustee's Defined Contribution Committee reviews the investment objectives and the performance of the default arrangement at least once a year, on the advice of RPMI, the Trustee's investment advisers. RPMI is a wholly-owned subsidiary of the Trustee. The Committee also carries out a more in-depth review of the DC investment options offered to members every three years.

In the last Scheme year we have reviewed the default investment arrangements. To fulfil our fiduciary duty to act in members' best interests, we first confirmed our understanding of the key features of the current and expected membership. We used this information to develop an understanding of their needs, attitudes and expectations. This enabled us to make assumptions as to what members' reasonable expectations could be.

We considered members' attitudes to risk and their retirement expectations and analysed different lifestyle strategies and revisions to the funds in the default investment arrangement, before deciding on what changes would be appropriate at this time. Investment modelling of a variety of different investment strategies contributed to our decision-making process.

As a result of this review, we have decided not to make any changes to the current DC investment strategies and the funds' objectives at this time. However, a facility has been made available to all members who want to take their entire savings in one lump sum at retirement. We have also identified some future actions and projects that are expected to feed into the next strategic review scheduled to begin in 2017.

Over the last couple of years we carried out a review of investment governance, covering investment beliefs, structure, and the investment processes underlying the pooled funds. We are beginning to see the benefits of this work. Last year we saw the implementation of many of the initiatives which resulted in pooled funds being simplified, allowing us to capture returns more efficiently and effectively. The DC funds are invested alongside the Scheme's defined benefit arrangements, using the same pooled funds. This means that DC members benefit from the same investment opportunities as members of the defined benefit arrangements.

The Trustee is monitoring the use of the default investment strategies and the choices being made by members when benefits come into payment. This will help to inform us about changes which may be appropriate in future.

Charges and transaction costs paid by members

We are required to explain the charges and transaction costs (i.e. the costs of buying and selling investments) which are paid by members rather than the employer.

Where information about the member costs and charges is not available we have to make this clear,

together with an explanation of what steps we are taking to obtain the missing information.

During the last Scheme year the level of charges applicable to the funds under the DC Arrangements, including the funds which are part of the default lifestyle strategies, were:

DC fund	2015 fees (%)
DC Long Term Growth Fund	0.75
DC Global Equity Fund	0.27
DC Aggregate Bond Fund	0.44
DC Index Linked and Global Bond Fund	0.37
DC Deposit Fund	0.25
BRASS Pension Assured Fund	0.73

It has not been possible to obtain complete information about transaction costs in relation to the funds offered. As this is a new statutory requirement which came into force in April 2015, this is a difficulty faced by many pension schemes. We have written to the fund managers to obtain this information. Some of this information is currently only disclosed in published annual accounts, and we expect it to be available later in 2016. We are reviewing our processes for monitoring transaction costs and will be discussing with the fund managers their ability to provide this information more quickly.

The Trustee minimises transaction costs arising from buying and selling assets as far as possible through the pooling arrangements within the railways pension schemes. Where we can, we match members and sections that wish to sell units in a particular fund with those who wish to buy them,

so it is not necessary to trade assets in the markets. There are strict policies and procedures in place to ensure that any trading costs are spread fairly between all Scheme participants

The Trustee has recently completed an investment governance review. Key objectives of this process were to manage and control costs, and to implement investment strategies in the most efficient way possible. RPMI Railpen is continuing to make improvements in these important areas to ensure that Scheme members get the best possible returns from their investments after all fees and transaction costs have been accounted for.

Good value for members

When assessing the charges and transaction costs which are payable by members, the Trustee is required to consider the extent to which the investment options and the benefits offered by the DC Arrangements represent good value for members when compared to other options available in the market.

There is no legal definition of 'good value' and so the process of determining good value for members is a subjective one. We have received advice on how to assess good value from our advisers, and considered regulatory guidance.

As a starting point to assessing good value, we have compared the level of charges in each fund with the levels of return they have delivered to members. We have also considered how the charges borne by members (the costs of membership) compare against the services and benefits provided by the DC Arrangements (the benefits of membership). The benefits of membership include, amongst other things: the design of the default arrangement and how this reflects the interests of members; the range of investment options and strategies; the efficiency of administration processes and the extent to which RPMI as administrator met and exceeded its service level standards for the scheme year; the quality of communications delivered to members; and the quality of support services and Scheme Governance.

Based on our assessment, we concluded that the DC Arrangements represent fair value for members. While some areas offer excellent value, work is ongoing to improve efficiency, cost-effectiveness, and service in other areas. In all of the areas the Trustee has identified for improvement, plans are already in place to make the necessary changes. In future statements, we expect to be able to report that the DC Arrangements offer good or excellent value for members overall. This reflects the commitment of both RPMI and Railpen to continuous improvement on behalf of the Trustee and Scheme members.

Core financial transactions

The Trustee is required to report to you about the processes and controls in place in relation to the 'core financial transactions.' The law specifies that these include the following:

- investing contributions;
- transferring assets related to members in or out;
- transferring assets between different investments; and
- making payments to or on behalf of members.

We must ensure that these important financial transactions are processed promptly and accurately. In practice we delegate responsibility for this to the Scheme administrator. Our Scheme administration is delivered by RPMI, a wholly-owned subsidiary of the Trustee.

The Scheme administrator provides regular reports to the Defined Contribution Committee of the Trustee Board, which allows us to assess how quickly and effectively the Scheme's core financial transactions are completed. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

I am pleased that in the last Scheme year there have been no material administration service issues which need to be reported here by the Trustee. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with promptly and accurately.

In addition, noting that we need accurate member data to process contributions and payments correctly, the Defined Contribution Committee

receives an annual report from RPMI on the accuracy and completeness of member data in our records. We are pleased to report that no errors or omissions were identified in this year's report that would affect the calculation or payment of members' benefits. The quality of member data was found to be of a very high standard.

Trustee Knowledge and Understanding

The law requires the Trustee Board to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. We take our training and development responsibilities seriously and keep a record of the training completed by each member of the board. This training record is reviewed annually to identify any gaps in the knowledge and understanding across the board as a whole. This allows us to work with our professional advisers to fill in any gaps.

All newly appointed Trustee Directors are expected to complete a minimum standard of training within six months of joining the Trustee Board. Most Trustee Directors have completed the Trustee Toolkit made available by the Pensions Regulator, and the majority of Trustee Directors hold the Award in Pension Trusteeship, which is awarded following an examination set by the Pensions Management Institute, the professional body for the pensions industry.

As a result of the training activities which have been completed by the Trustee Directors, individually and collectively as a board, and taking into account the professional advice available to the Trustee, I am confident that the combined knowledge and understanding of the board enables us to exercise properly our functions as the Trustee of the DC Arrangements and the RPS generally.

Additional governance requirements for multi-employer schemes

The Trustee is required to comply with additional governance standards because it is used by non-associated employers from across the rail industry. These are designed to offer additional protections for members and ensure that the Trustee acts in your best interests.

The Trustee Board has considered these requirements and determined that all Trustee Directors, including the Chairman, can be classed as 'non-affiliated trustees' for the purpose of the legislation. This means that we have considered carefully any links that Trustee Directors may have with companies providing services to the Scheme, and reviewed the procedures in place for managing any conflicts of interest that may arise. We have also reviewed our appointment process to ensure that it is open and transparent and allows representation on the Trustee Board from across the rail industry. We will ensure that non-affiliated Trustee Directors, including the Chairman, are always in the majority on the Trustee Board.

One Employee Trustee Director was appointed during the Scheme year, in accordance with the governing documents of Railtrust Holdings, the Trustee Company's parent company. Nominations were sought from all of the rail Trade Unions and the Scheme's Pensions Committees, and Mick Lynch was elected following an open and transparent appointment process.

The Trustee is keen to hear members' views about the Scheme, the benefits it offers, the investment options available to you, and your plans for how you intend to use your funds to provide an income in retirement. We encourage members to make their views known via the Scheme's website, and

through the surveys that accompany your annual newsletter and retirement statements. All Trustee Directors are happy to hear from members and we are keen to share your views with the Trustee Board. Please contact us, or get in touch with RPMI, if you have any comments that will help us ensure that the DC Arrangements continue to meet your needs.

Defined contribution schemes and additional voluntary contribution arrangements

Introduction

This Schedule is appended to and should be read in conjunction with the Statement of Investment Principles ('SIP') adopted by the Trustee, as amended from time to time.

The defined contribution schemes ('DC Schemes') are the defined contribution (also known as 'money purchase') pension arrangement of the RPS for rail industry employees. They include the IWDC Section and the Defined Contribution Arrangement.

The additional voluntary contribution ('AVC') arrangements include BRASS and AVC Extra.

Objective

The Trustee recognises that individual members have differing investment needs and these may change during the course of their working lives. It also recognises members have differing attitudes to risk.

The overall objective of the Trustee is to provide 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.

In setting the range of investment options, the Trustee considered member 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 member's target retirement age approaches (short-term risk)

Investment strategy

The Trustee considered a range of asset classes and associated expected returns and volatility of returns, the suitability of styles of investment management, and the need for diversification. The suitability of various lifestyle arrangements was also taken into account in setting the lifestyle and default strategies.

After taking advice, the Trustee has made lifestyle options available to members, matching various degrees of risk. These options offer a changing investment programme 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 nominated target retirement age.

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. The default lifestyle option is designed to be appropriate for a typical member with a predictable target retirement age.

The Defined Contribution Committee of the Trustee Board was established to ensure appropriate management and governance of the BRASS, AVC Extra, and DC Schemes' arrangements.

Specific responsibilities of the Committee include oversight of investment performance and reviewing communications and investment options as appropriate.

Fund choices

The following funds are available to all members of DC Schemes and both AVC arrangements:

- DC Long Term Growth Fund
- DC Global Equity Fund
- DC Aggregate Bond Fund
- DC Index Linked and Global Bond Fund
- DC Deposit Fund

The DC Schemes and AVC arrangements also offer lifestyle options:

- DC Long Term Growth Lifestyle (the default option for the DC Schemes)
- BRASS Long Term Growth Lifestyle (the default option for BRASS)
- Global Equity Lifestyle (the default option for AVC Extra)

The fund range is provided through a 'white-labelled' framework to help accommodate underlying manager changes and future enhancements without undue disruption. Within this structure the Trustee considers suitable pooled funds managed by Railpen where possible.

Certain AVC members may also have holdings in the Pension Assured Fund ('PAF'). However, it is noted that this Fund is not accepting new contributions.

The Trustee expects the long-term return on the DC Long Term Growth Fund and DC Global Equity Fund to exceed price inflation. The long-term returns on the bond and deposit funds are expected to be lower. However, the bond funds are expected to more closely match the price for annuities, giving some protection in the amount of secured pension for members closer to retirement. The DC Deposit Fund is expected to provide protection against changes in short-term nominal capital values, and may be appropriate for members close to their target retirement age that plan to receive part of their retirement benefits in the form of tax-free cash.

Fund on-going charges

The investment managers and RPMI levy a charge on each fund, calculated by reference to the market value of assets under management. These charges are levied on each member's investments and the members incur these fees. They may vary depending on the fund chosen and manager performance; however they are considered by the Trustee to be reasonable.

Risks

There are a number of risks within the DC Schemes and AVC arrangements including:

- Risk of inadequate long-term returns, in particular that fund values don't increase with inflation. To manage this, the Trustee includes funds that have an expected long-term return above inflation, although this is not guaranteed over any given period;
- Risk of deterioration in investment conditions near retirement. To address this the Trustee has made available lower estimated risk funds and lifestyle options that default into lower estimated risk funds as members approach target retirement age;

- Risk of lack of diversification. The DC Long Term Growth Fund is diversified across a range of asset classes and managers. Other funds are diversified by underlying holdings;
- Risk of underlying fund managers and/or Railpen not meeting their objectives. The Defined Contribution Committee provides oversight to the performance of the Funds. RIB oversees the performance of Railpen and fund managers on a regular basis;
- Risk of inappropriate member decisions. This is addressed by:
 - making a default option available which the Trustee believes appropriate for the majority of members;
 - regular member communications; and
 - recommending members seek guidance and independent financial advice where appropriate.

The Trustee also reviews these risks as part of each formal strategy review. These take place at least every 3 years or more frequently if appropriate.

Note: Further information and factsheets for the DC Schemes' and AVC arrangements' funds can be found on the Railway Pensions website www.railwayspensions.co.uk.





Appendix I:

Where to go for help

Trustee Company and Railpen Investments

Company Secretary
Railways Pension Trustee Company Limited
7th Floor
Exchange House
Exchange Square
London
EC2A 2NY

T: 020 7220 5000
E: enquiries@rpmico.uk
W: www.rpmico.uk

RPMI

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

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

T: 0800 2 343434 (Customer Services Team)
E: csu@rpmico.uk
W: 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:

TPAS Headquarters
11 Belgrave Road
London
SW1V 1RB

T: 0300 123 1047

Online enquiry:

www.pensionsadvisoryservice.org.uk/online-enquiry

W: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

If TPAS cannot resolve a complaint or dispute then the Pensions Ombudsman could be contacted at the following address:

The Office of the Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

T: 020 7630 2200
E: enquiries@pensions-ombudsman.org.uk
W: 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: 0870 606 0707
E: customersupport@tpr.gov.uk
W: www.thepensionsregulator.gov.uk

Pensions 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:

The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU

T: 0845 600 2537
W: www.gov.uk/find-lost-pension

RPS Registration number: 100541628



Appendix J:

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 2015.

The total valuation of the pooled assets as at 31 December 2015 was £22,819.98m (2014: £22,023.27m). There are in addition £920.98m (2014: £909.16m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £23,740.96m (2014: £22,932.43m).

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.

As a result of the investment review begun in 2013, the range of pooled funds is being simplified to allow assets to be invested, as far as possible, as if the RPS were a single unified scheme, whilst also allowing the Trustee to meet the needs of individual sections.

As part of this review, the assets within the Defensive Pooled Fund were liquidated during the year and the pooled fund was wound up in December 2015. The Trustee also agreed to wind up the Hedge Fund Pooled Fund and to work towards a position where the Growth Pooled Fund is the only unit holder of the Property Pooled Fund. The winding up of the Hedge Fund Pooled Fund has continued throughout 2015, with assets in the pooled fund reducing by over 80% during the year, and this will continue into 2016. Most of the

remaining sections invested in the Property Pooled Fund redeemed their holdings throughout 2015 and the Growth Pooled Fund became the only unit holder of the Property Pooled Fund in January 2016.

The existing Private Equity Pooled Funds are also being wound up, although this will take several years due to the nature of the investments within these pooled funds. New investment in private markets will be made through the Illiquid Growth Pooled Fund which was launched in 2015.

The table on page 82 summarises the investments of each of these pooled funds as at 31 December 2015. The notes on pages 88 to 101 analyse the total pooled assets of £22,819.98m 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 90, and the unit prices on page 89.

The economic exposure of pooled fund assets

The use of derivatives and pooled investment vehicles by pension schemes can make it difficult for a reader of pension scheme accounts to gain an insight into the economic exposures of schemes' investment portfolios and the related risks and rewards. Based on guidance prepared by the Pensions Research Accountants Group, the table on page 80 presents an alternative classification of the pooled fund assets, which is intended to complement the analysis given in the accounts, and give an understanding of the underlying economic exposure of the pooled funds.

Foreign exchange ('FX') contracts are used either to hedge overseas investments in the pooled funds, as an active investment decision designed to generate investment return in sterling or to settle investment transactions. In the table on page 80, the net asset

value of those contracts used to hedge investments held at the year end has been shown against the asset category they are designed to hedge; the net asset value of other FX contracts has been shown against cash.

The economic exposure of pooled fund assets as at 31 December 2015

	Segregated investments	Futures	Options	Pooled investment vehicles	FX	Total
	£m	£m	£m	£m	£m	£m
UK equities	265.69	-	-	347.49	-	613.18
Overseas equities	3,760.59	1,792.02	0.01	4,982.70	(32.39)	10,502.93
Property	1,890.93	-	-	12.61	(0.03)	1,903.51
Private equity	-	-	-	2,267.39	(5.18)	2,262.21
Hedge funds	-	-	-	511.87	(1.13)	510.74
Infrastructure	-	-	-	890.87	-	890.87
UK Index linked securities	-	-	-	194.44	-	194.44
Overseas Index linked securities	11.71	-	-	-	(0.03)	11.68
UK public sector bonds	1,829.39	-	-	6.27	-	1,835.66
UK non-public sector bonds	198.90	-	-	-	-	198.90
Overseas public sector bonds	633.89	2,474.88	-	-	(8.85)	3,099.92
Overseas non-public sector bonds	947.12	-	-	-	(15.19)	931.93
Cash	4,094.54	(4,260.09)	-	-	-	(165.55)
Other investment assets and liabilities	29.56	-	-	-	-	29.56
Total	13,662.32	6.81	0.01	9,213.64	(62.80)	22,819.98

Accounting Policies

Investments

The principal bases of investment valuation adopted by the pooled funds for the investments within them are set out below:

- (i) 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.
- (ii) Fixed interest securities are stated at their 'clean' prices, with accrued income accounted for within investment income.
- (iii) Unquoted securities, including most investments in private equity and infrastructure (both direct and via managed funds), are included at the Trustee's estimate of accounting fair value based on advice from the investment managers.
- (iv) 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.
- (v) 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, DTZ. DTZ are Chartered Surveyors and members of the Royal Institution of Chartered Surveyors, who have recent experience in the locations and class of investment properties held by the Trustee.
- (vi) 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 Markit, 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.
- (vii) Forward foreign exchange contracts are valued at the forward rate at the year end date.
- (viii) All gains and losses arising on derivative contracts are reported within change in market value of investments during the year.
- (ix) Foreign investments, debtors, creditors, cash and cash equivalents have been translated into sterling at the exchange rates ruling at the fund statement date.
- (iii) Property rental income is accounted for on an accruals basis in accordance with the terms of the lease.
- (iv) Sub-underwriting, commission recapture and stocklending commission are accounted for on a receivable basis.
- (v) 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.
- (vi) 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.
- (vii) Income has been accumulated within the unit prices of the pooled funds and no income distributions have been made to the participating schemes.

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.

Investment income

Dividend and interest income is included in the accounts on the following bases:

- (i) Dividends from quoted equities are accounted for when the security is declared ex-div.
- (ii) Interest is accrued on a daily basis.

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).

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.

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.

Appendix J: Pooled fund accounts

Fund statement as at 31 December 2015

	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
Pooled Fund												
Growth	4,024.13	1,167.67	11.71	-	4,142.32	23.57	(52.49)	2,850.78	44.34	(26.10)	2,312.52	14,498.45
Private Equity	0.29	-	-	-	2,188.74	0.01	(0.06)	77.06	0.66	(1.39)	-	2,265.31
Property	-	-	-	1,890.93	0.50	-	-	342.34	20.21	(33.38)	-	2,220.60
Government Bond	-	1,828.09	-	-	-	-	-	78.77	11.72	(1.06)	-	1,917.52
Defined Contribution	-	-	-	-	160.13	-	-	359.11	0.63	(0.68)	713.03	1,232.22
Infrastructure	-	-	-	-	890.87	-	-	58.53	0.01	(0.49)	-	948.92
Global Equity	-	-	-	-	805.45	3.31	(10.90)	30.53	0.33	(0.75)	-	827.97
Passive Equity	-	-	-	-	690.47	-	-	0.49	-	(0.38)	-	690.58
Non Government Bond	1.86	613.54	-	-	-	0.54	(14.94)	7.88	8.07	(1.12)	-	615.83
Cash	-	-	-	-	-	-	-	288.71	0.11	(0.15)	-	288.67
Index Linked	-	-	-	-	194.44	-	-	0.08	-	(0.12)	-	194.40
Hedge Funds	-	-	-	-	101.43	-	-	0.26	9.13	(0.14)	-	110.68
Illiquid Growth	-	-	-	-	39.29	0.04	-	0.11	-	(5.06)	-	34.38
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(3,025.55)	(3,025.55)
Total	4,026.28	3,609.30	11.71	1,890.93	9,213.64	27.47	(78.39)	4,094.65	95.21	(70.82)	-	22,819.98
%	17.6	15.8	0.1	8.3	40.4	0.1	(0.3)	17.9	0.4	(0.3)	-	100

Fund statement as at 31 December 2015

Analysis of Cross Holdings

	Growth	Index Linked	Hedge Funds	Property	Private Equity	Non Government	Total Cross Holdings
Pooled Fund	£m	£m	£m	£m	£m	£m	£m
Growth	-	-	110.68	2,201.79	0.05	-	2,312.52
Defined Contribution	687.20	9.56	-	-	-	16.27	713.03
Total	687.20	9.56	110.68	2,201.79	0.05	16.27	3,025.55

The accounting policies on pages 81 and the notes on pages 88 to 101 form part of these accounts.

Appendix J: Pooled fund accounts

Fund statement as at 31 December 2015

Movement in unit holders' funds

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Reinvested income	Change in Cross Holdings	Total unit holders' funds
	£m	£m	£m	£m	£m	£m	£m
Pooled Fund							
Growth	13,481.05	1,001.90	(451.71)	343.26	123.95	-	14,498.45
Private Equity	2,226.31	129.82	(492.95)	406.28	(4.15)	-	2,265.31
Property	2,008.00	128.89	(129.19)	143.73	69.17	-	2,220.60
Government Bonds	1,093.79	1,122.79	(311.44)	(12.80)	25.18	-	1,917.52
Defined Contribution	1,224.76	169.37	(184.14)	21.65	0.58	-	1,232.22
Infrastructure	1,013.92	-	(285.00)	221.60	(1.60)	-	948.92
Global Equity	1,377.38	3.13	(595.21)	39.44	3.23	-	827.97
Passive Equity	249.32	457.17	(0.10)	(14.64)	(1.17)	-	690.58
Non Government Bond	1,294.07	44.33	(734.63)	(22.09)	34.15	-	615.83
Cash	290.46	-	(2.69)	-	0.90	-	288.67
Index Linked	206.73	1.02	(13.25)	0.34	(0.44)	-	194.40
Hedge Funds	668.85	-	(565.17)	6.45	0.55	-	110.68
Illiquid Growth	-	66.49	(33.24)	1.22	(0.09)	-	34.38
Defensive	1,017.05	1.80	(1,032.71)	11.04	2.82	-	-
Cross Holdings	(4,128.42)	-	-	-	-	1,102.87	(3,025.55)
Total	22,023.27	3,126.71	(4,831.43)	1,145.48	253.08	1,102.87	22,819.98

Approved on behalf of the Trustee Company on 12 May 2016.

The accounting policies on page 81 and the notes on pages 88 to 101 form part of these accounts.

John Chilman Chairman, Trustee Board

John Mayfield Director and Chairman, Audit Committee

Fund statement as at 31 December 2014

	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	3,078.62	849.07	28.22	-	4,241.89	114.59	(33.12)	2,344.34	26.56	(14.49)	2,845.37	13,481.05
Private Equity	11.48	-	-	-	2,120.02	0.03	(0.01)	94.22	1.37	(0.80)	-	2,226.31
Property	-	-	-	1,778.18	8.59	-	-	231.59	15.27	(25.63)	-	2,008.00
Global Equity	44.73	0.03	-	-	1,152.09	17.82	(17.58)	185.26	0.76	(5.73)	-	1,377.38
Non Government Bond	11.71	1,229.96	-	-	-	19.11	(14.16)	55.75	18.33	(26.63)	-	1,294.07
Defined Contribution	-	-	-	-	5.55	-	-	445.39	0.49	(1.50)	774.83	1,224.76
Government Bond	-	1,050.42	9.74	-	-	17.78	(6.00)	18.08	9.24	(5.47)	-	1,093.79
Defensive	-	-	-	-	-	0.66	(0.35)	508.42	0.16	(0.06)	508.22	1,017.05
Infrastructure	-	-	-	-	958.98	-	(0.01)	55.04	0.02	(0.11)	-	1,013.92
Hedge Funds	-	-	-	-	528.74	0.82	(12.64)	142.71	10.89	(1.67)	-	668.85
Cash	-	-	-	-	-	-	-	290.39	0.10	(0.03)	-	290.46
Passive Equity	-	-	-	-	249.31	-	-	0.04	-	(0.03)	-	249.32
Index Linked	-	-	-	-	206.62	-	-	0.15	-	(0.04)	-	206.73
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(4,128.42)	(4,128.42)
Total	3,146.54	3,129.48	37.96	1,778.18	9,471.79	170.81	(83.87)	4,371.38	83.19	(82.19)	-	22,023.27
%	14.28	14.21	0.17	8.07	43.01	0.78	(0.38)	19.85	0.38	(0.37)	-	100.00

Fund statement as at 31 December 2014

Analysis of Cross Holdings

	Global Equity	Growth	Index Linked	Hedge Funds	Property	Private Equity	Government Bond	Non Government	Total Cross Holdings
Pooled Fund	£m	£m	£m	£m	£m	£m	£m	£m	£m
Growth	-	-	-	668.85	1,870.36	0.06	-	306.10	2,845.37
Defensive	-	-	-	-	-	-	246.97	261.25	508.22
Defined Contribution	148.07	603.73	8.93	-	-	-	-	14.10	774.83
Total	148.07	603.73	8.93	668.85	1,870.36	0.06	246.97	581.45	4,128.42

The accounting policies on pages 81 and the notes on pages 88 to 101 form part of these accounts.

Fund statement as at 31 December 2014

Movement in unit holders' funds

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Reinvested income	Change in Cross Holdings	Total unit holders' funds
	£m	£m	£m	£m	£m	£m	£m
Pooled Fund							
Growth	11,714.29	847.00	(250.99)	1,088.71	82.04	-	13,481.05
Private Equity	1,969.52	174.19	(327.81)	414.62	(4.21)	-	2,226.31
Property	1,736.92	217.71	(226.37)	208.70	71.04	-	2,008.00
Global Equity	3,823.90	82.53	(2,767.75)	213.72	24.98	-	1,377.38
Non Government Bonds	1,851.67	54.04	(741.99)	72.39	57.96	-	1,294.07
Defined Contribution	678.82	605.95	(124.30)	64.58	(0.29)	-	1,224.76
Government Bonds	985.87	82.92	(71.62)	72.24	24.38	-	1,093.79
Defensive	844.45	127.41	(6.80)	51.33	0.66	-	1,017.05
Infrastructure	909.56	0.03	(75.03)	179.62	(0.26)	-	1,013.92
Hedge Funds	1,381.53	47.87	(816.50)	63.70	(7.75)	-	668.85
Cash	1,210.89	59.36	(982.43)	-	2.64	-	290.46
Passive Equity	68.16	170.59	(0.11)	10.82	(0.14)	-	249.32
Index Linked	169.24	1.03	(9.11)	45.80	(0.23)	-	206.73
Commodities	469.13	10.70	(490.86)	11.88	(0.85)	-	-
Liquid Growth	307.00	253.02	(577.27)	16.66	0.59	-	-
LDI	40.39	0.16	(48.99)	8.29	0.15	-	-
Cashflow Matching	0.02	-	(0.01)	-	(0.01)	-	-
Cross Holdings	(8,289.39)	-	-	-	-	4,160.97	(4,128.42)
Total	19,871.97	2,734.51	(7,517.94)	2,523.06	250.70	4,160.97	22,023.27

The accounting policies on page 81 and the notes on pages 88 to 101 form part of these accounts.

1.1 Fund statement as at 31 December 2015

Assets	Note	2015 £m	2014 £m
Equities			
UK quoted		265.60	251.45
UK unquoted		0.09	0.13
Overseas quoted		3,742.50	2,874.25
Overseas unquoted		18.09	20.71
	1.12	4,026.28	3,146.54
Fixed interest securities			
UK quoted – public sector		1,829.39	79.01
UK quoted – non public sector		49.39	70.55
UK unquoted – non public sector		149.51	68.83
Overseas quoted – public sector		633.89	1,702.12
Overseas quoted – non public sector		804.26	1,123.18
Overseas unquoted – non public sector		142.86	85.79
	1.12	3,609.30	3,129.48
Index linked securities			
UK quoted – public sector		-	9.74
Overseas quoted – public sector		11.71	28.22
	1.12	11.71	37.96
UK Property	1.12	1,890.93	1,778.18
Pooled investment vehicles			
UK unquoted – property partnerships		0.50	8.59
UK unquoted – unitised insurance policies		5,316.46	3,665.57
UK unquoted – partnerships		575.48	612.91
UK unquoted – other managed funds		-	98.05
UK quoted – other managed funds		22.87	-
Overseas quoted – other managed funds		198.46	808.20
Overseas unquoted – partnerships		2,829.84	2,844.40
Overseas unquoted – hedge funds		254.70	921.92
Overseas unquoted – other managed funds		15.33	512.15
	1.12	9,213.64	9,471.79

Assets	Note	2015 £m	2014 £m
Derivative contracts			
Futures – exchange traded	1.5	15.16	37.10
Swaps – OTC		-	4.13
Options – OTC	1.5	0.01	0.34
FX contracts – OTC	1.5	12.30	129.24
		27.47	170.81
Cash deposits and cash instruments	1.6	4,094.65	4,371.38
Other assets			
Other investment assets	1.7	85.43	74.48
Current assets	1.9	9.33	7.55
		94.76	82.03
Total assets		22,968.74	22,188.17
Liabilities			
Derivative contracts			
Futures – exchange traded	1.5	(8.35)	(6.91)
Swaps – OTC		-	(3.14)
FX contracts – OTC	1.5	(70.04)	(73.82)
		(78.39)	(83.87)
Other liabilities			
Other investment liabilities	1.8	(12.67)	(33.05)
Current liabilities	1.10	(57.70)	(47.98)
		(70.37)	(81.03)
Total liabilities		(148.76)	(164.90)
Net assets attributable to unit holders		22,819.98	22,023.27

1.2 Pooled fund unit prices as at 31 December 2015

	2015 £/unit	2014 £/unit
Cash Pooled Fund	10.23	10.20
Global Equity Pooled Fund	70.57	69.40
Government Bond Pooled Fund	12.55	12.37
Growth Pooled Fund	14.32	13.84
Hedge Funds Pooled Fund	16.39	15.79
Illiquid Growth Pooled Fund (from April 2015)	10.34	-
Index Linked Pooled Fund	69.03	69.19
Infrastructure Pooled Fund	14.54	11.60
Non Government Bond Pooled Fund	13.03	12.95
Property Pooled Fund	84.77	76.64
Passive Equity Pooled Fund	14.21	14.10
Defensive Pooled Fund (until December 2015)	-	10.66
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	5,148.26	5,194.36
Direct Investment Pooled Fund 1997	186.05	188.23
Direct Investment Pooled Fund 1999	41.23	41.79
Direct Investment Pooled Fund 2000	19.01	19.09
Private Equity Pooled Fund 2001	35.18	34.24
Private Equity Pooled Fund 2004	32.93	28.72
Private Equity Pooled Fund 2005	29.62	26.28
Private Equity Pooled Fund 2007	20.68	17.18
Private Equity Pooled Fund 2009	24.18	20.93
Private Equity Pooled Fund 2011	17.13	13.34
Private Equity Pooled Fund 2013	11.53	9.75

	2015 £/unit	2014 £/unit
Defined Contribution Pooled Fund		
DC Global Equity Fund	11.83	11.76
DC Long Term Growth Fund	11.72	11.33
DC Deposit Fund	10.07	10.04
DC Index Linked and Global Bond Fund	11.50	11.46
DC Aggregate Bond Fund	11.34	11.31

1.3 Value of the pooled funds

	2015 £m	2014 £m
Growth Pooled Fund	14,498.45	13,481.05
Private Equity Pooled Fund*	2,265.31	2,226.31
Property Pooled Fund	2,220.60	2,008.00
Government Bond Pooled Fund	1,917.52	1,093.79
Defined Contribution Pooled Fund*	1,232.22	1,224.76
Infrastructure Pooled Fund	948.92	1,013.92
Global Equity Pooled Fund	827.97	1,377.38
Passive Equity Pooled Fund	690.58	249.32
Non Government Bond Pooled Fund	615.83	1,294.07
Cash Pooled Fund	288.67	290.46
Index Linked Pooled Fund	194.40	206.73
Hedge Funds Pooled Fund	110.68	668.85
Illiquid Growth Pooled Fund (from April 2015)	34.38	-
Defensive Pooled Fund (until December 2015)	-	1,017.05
	25,845.53	26,151.69
Cross Holdings		
Property Pooled Fund	(2,201.79)	(1,870.36)
Growth Pooled Fund	(687.20)	(603.73)
Hedge Funds Pooled Fund	(110.68)	(668.85)
Non Government Bond Pooled Fund	(16.27)	(581.45)
Index Linked Pooled Fund	(9.56)	(8.93)
Private Equity Pooled Fund	(0.05)	(0.06)
Government Bond Pooled Fund	-	(246.97)
Global Equity Pooled Fund	-	(148.07)
Net assets attributable to unit holders	22,819.98	22,023.27

* See breakdown into pooled fund segments.

	2015 £m	2014 £m
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	0.15	0.15
Direct Investment Pooled Fund 1997	0.21	0.21
Direct Investment Pooled Fund 1999	0.23	0.23
Direct Investment Pooled Fund 2000	16.36	24.01
Private Equity Pooled Fund 2001	95.96	152.25
Private Equity Pooled Fund 2004	67.23	78.53
Private Equity Pooled Fund 2005	197.34	279.57
Private Equity Pooled Fund 2007	1,002.56	1,056.91
Private Equity Pooled Fund 2009	251.34	239.88
Private Equity Pooled Fund 2011	508.72	343.32
Private Equity Pooled Fund 2013	125.21	51.25
	2,265.31	2,226.31
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	687.93	606.66
DC Deposit Fund	357.32	441.01
DC Global Equity Fund	154.75	148.36
DC Index Linked and Global Bond Fund	19.53	17.79
DC Aggregate Bond Fund	12.69	10.94
	1,232.22	1,224.76

1.4 Investment income

	2015 £m	2014 £m
Dividends from equities	103.23	78.40
Income from fixed interest securities	120.60	138.98
Income from index linked securities	0.76	1.78
Income from UK property	85.38	83.38
Interest from cash deposits	22.48	17.54
Income from pooled investment vehicles	12.69	19.09
Income from preferred securities	0.54	-
Other income	3.31	2.03
	348.99	341.20
Irrecoverable withholding tax	(5.07)	(5.53)
Total income	343.92	335.67
Administration, custody and other expenses	(19.53)	(19.68)
Investment management fees – base	(27.33)	(36.05)
Investment management fees – performance	(5.73)	(11.12)
RPMI fees	(38.02)	(17.72)
Tax	(0.02)	(0.50)
	(90.63)	(85.07)
Minority interest	(0.21)	0.10
Reinvested income (accrued in unit price)	253.08	250.70

1.5 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
US government bonds	Mar 2016	2,473.94	0.93	-
S&P indices	Mar 2016	894.61	1.50	(0.08)
Hong Kong Hang Seng index	Jan 2016	175.37	-	(3.71)
German government bonds	Mar 2016	162.46	4.46	-
Swiss market index	Mar 2016	102.46	4.43	-
Japanese Topix index	Mar 2016	88.97	-	(1.52)
MSCI EM indices	Mar 2016	73.88	-	(2.71)
FTSE index	Mar 2016	68.00	3.15	-
Other equity indices	Jan - Mar 2016	220.39	0.69	(0.33)
		4,260.08	15.16	(8.35)

Included within cash balances is £172.78m in respect of initial and variation margins arising on open futures contracts at the year end.

Options: Options are contracts which confer to the purchaser the right, but not the obligation, to buy ('call' options) or sell ('put' options) a security, currency, commodity or derivative contract on a specified future date at the price specified in the contract. Options may be either over the counter or exchange traded and may be 'bought', which means they carry the right to buy or sell if exercised by the holder or 'sold', meaning they carry the obligation to buy or sell if exercised by the counterparty. The details of option contracts in place at the year end date are as follows:

Type of option	Bought or Sold	Notional value £m	Asset value at year end £m	Liability value at year end £m
OTC options				
Equity	Bought	0.01	0.01	-
			0.01	-

The above option expires within three years of the year end date.

Appendix J: Pooled fund accounts

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
Assets				
Euro / US dollar	Jan 2016	200.00	211.42	3.97
US dollar / Sterling	Jan - Feb 2016	130.99	86.22	2.65
Sterling / Euro	Jan - Feb 2016	272.86	368.35	1.11
Yen / Sterling	Feb 2016	2,568.02	13.91	0.58
US dollar / Nigerian naira	Feb - Jul 2016	17.63	3,819.91	0.56
US dollar / Brazil real	Jan 2016	31.63	122.32	0.52
US dollar / South Africa rand	Jan 2016	16.60	245.87	0.52
Nigerian naira / US dollar	Mar - Jul 2016	2,155.90	8.51	0.52
Polish zloty / Euro	Jan 2016	149.95	34.49	0.33
US dollar / South Korea won	Feb 2016	14.39	16,398.68	0.30
Other	Jan - Nov 2016			1.24
				12.30
Liabilities				
Sterling / US dollar	Jan - May 2016	1,577.64	2,393.74	(46.26)
Sterling / Yen	Jan - Apr 2016	397.20	72,588.53	(13.70)
Sterling / Euro	Jan - Feb 2016	474.84	652.53	(6.23)
Brazil real / US dollar	Jan 2016	176.65	45.91	(0.86)
Sterling / AU dollar	Feb 2016	14.35	30.51	(0.68)
Sterling / Swiss franc	Feb 2016	18.73	28.17	(0.39)
Sterling / Hong Kong dollar	Feb 2016	8.92	105.44	(0.31)
Other	Jan - Dec 2016			(1.61)
				(70.04)

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 £1.06m 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.

Included within net assets is £31.93m of cash in respect of collateral arising on open FX contracts at the year end.

1.6 Cash deposits and cash instruments

	2015 £m	2014 £m
Cash held in liquidity funds	3,732.08	4,119.41
Cash held at brokers in respect of futures margin	172.78	107.63
Cash at bank	157.86	110.90
Cash collateral held by counterparties	31.93	3.79
Cash in respect of repo transactions	-	29.65
	4,094.65	4,371.38

1.7 Other investment assets

	2015 £m	2014 £m
Asset in respect of investment transactions	24.12	14.61
Investment income accrued	44.91	49.81
Recoverable tax	4.17	1.21
Rent receivable	12.23	8.85
	85.43	74.48

1.8 Other investment liabilities

	2015 £m	2014 £m
Liability in respect of investment transactions	(11.60)	(31.49)
Tax payable	(1.07)	(1.56)
	(12.67)	(33.05)

1.9 Current assets

	2015 £m	2014 £m
Asset in respect of unit trades	0.49	1.00
Trade debtors	5.82	5.48
Tax	1.85	0.88
VAT and other	1.17	0.19
	9.33	7.55

1.10 Current liabilities

	2015 £m	2014 £m
Accrued management fees and expenses	(22.36)	(19.64)
Property income received in advance	(18.27)	(17.33)
Trade creditors	(9.74)	(6.29)
Liability in respect of unit trades	(0.59)	(1.69)
Tax	(2.72)	(0.48)
VAT and other	(4.02)	(2.55)
	(57.70)	(47.98)

1.11 Stocklending

The Trustee Company has given limited approval to custodians to lend stock in the market. A principal condition of this approval is that borrowers must meet the Trustee's collateral specifications

At 31 December 2015, the market valuation of stock that had been lent in the market was £60.00m (2014: £409.85m).

Collateral held in respect of the stock on loan at 31 December 2015 had a total value of £62.10m (2014: £422.94m).

1.12 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2014 £m	Units issued/ (redeemed) £m	Income £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Value at 31 December 2015 £m
Directly held assets							
Equities	3,146.54	-	-	4,285.88	(3,490.60)	84.46	4,026.28
Fixed interest securities	3,129.48	-	-	4,172.37	(3,529.60)	(162.95)	3,609.30
Index linked securities	37.96	-	-	6.99	(29.58)	(3.66)	11.71
Pooled investment vehicles	9,471.79	-	-	5,113.24	(6,039.19)	667.80	9,213.64
UK property	1,778.18	-	-	239.49	(270.39)	143.65	1,890.93
	17,563.95	-	-	13,817.97	(13,359.36)	729.30	18,751.86
Derivatives							
Futures	30.19	-	-	218.06	(348.01)	106.57	6.81
Swaps	0.99	-	-	17.72	(17.23)	(1.48)	-
Options	0.34	-	-	0.95	(1.59)	0.31	0.01
FX contracts	55.42	-	-	2,341.38	(2,502.56)	48.02	(57.74)
	86.94	-	-	2,578.11	(2,869.39)	153.42	(50.92)
Cross holdings	4,128.42	-	-	239.91	(1,592.13)	249.35	3,025.55
Other							
Cash and current assets	4,372.38	(1,704.72)	253.08	(16,635.99)	17,820.88	13.41	4,119.04
	26,151.69	(1,704.72)	253.08	-	-	1,145.48	25,845.53
Cross holdings	(4,128.42)						(3,025.55)
Net Assets	22,023.27						22,819.98

1.13 Transaction costs

Included within the pooled funds' purchases and sales are direct transaction costs of £16.47m (2014: £8.12m) comprising fees, commissions and stamp duty. These costs are attributable to the key asset classes as follows:

Year to 31 December 2015

	Fees	Commission	Stamp duty land tax	Legal	Total
	£m	£m	£m	£m	£m
Equities	2.33	3.46	-	-	5.79
Fixed interest securities	-	0.04	-	-	0.04
UK property	-	-	6.23	2.40	8.63
Futures	-	2.01	-	-	2.01
	2.33	5.51	6.23	2.40	16.47

Year to 31 December 2014

	Fees	Commission	Stamp duty land tax	Legal	Total
	£m	£m	£m	£m	£m
Equities	1.04	2.04	-	-	3.08
Fixed interest securities	-	0.07	-	-	0.07
UK property	-	-	3.64	0.75	4.39
Futures	-	0.58	-	-	0.58
	1.04	2.70	3.64	0.75	8.12

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.

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

At 31 December 2015

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	4,006.11	-	20.17	4,026.28
Fixed interest securities	2,592.89	722.15	294.26	3,609.30
Index linked securities	11.71	-	-	11.71
Pooled investment vehicles	221.33	5,304.76	3,687.55	9,213.64
UK Property	-	-	1,890.93	1,890.93
Derivatives				
Futures	6.81	-	-	6.81
Options	-	-	0.01	0.01
FX contracts	-	(57.74)	-	(57.74)
Other				
Cash and current assets	4,119.04	-	-	4,119.04
	10,957.89	5,969.17	5,892.92	22,819.98

At 31 December 2014

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	3,121.37	-	25.17	3,146.54
Fixed interest securities	2,092.64	877.72	159.12	3,129.48
Index linked securities	37.96	-	-	37.96
Pooled investment vehicles	935.92	4,220.33	4,315.54	9,471.79
UK property	-	-	1,778.18	1,778.18
Derivatives				
Futures	30.19	-	-	30.19
Swaps	-	0.99	-	0.99
Options	-	0.33	0.01	0.34
FX contracts	-	55.42	-	55.42
Other				
Cash and current assets	4,372.38	-	-	4,372.38
	10,590.46	5,154.79	6,278.02	22,023.27

1.15 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 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.

Credit risk

The pooled funds are subject to credit risk as they invest in fixed interest securities, OTC derivatives, have cash balances and undertake stock 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 is analysed below by reference to the credit rating of the securities or the underlying transaction counterparties.

Securities or counterparties deemed to be investment grade generally have an investment rating by a rating firm of BAA3/BBB or higher (depending on the rating firm used), meaning that there is a relatively low risk of default. Ratings below these are classed as non-investment grade as the risk of default is relatively higher. Some of the pooled funds holdings are not rated by a rating firm; generally these are the pooled investment vehicles which the pooled funds are invested in.

Analysis of direct credit risk

	Investment grade £m	Non investment grade £m	Unrated £m	Total £m
At 31 December 2015				
Fixed interest securities	2,930.19	314.13	364.98	3,609.30
Index linked securities	11.71	-	-	11.71
Pooled investment vehicles	-	-	9,213.64	9,213.64
Options - OTC	-	-	0.01	0.01
FX contracts - OTC	(57.78)	-	-	(57.78)
Cash	4,094.65	-	-	4,094.65
Stock lending	60.00	-	-	60.00
	7,038.77	314.13	9,578.63	16,931.53

	Investment grade £m	Non investment grade £m	Unrated £m	Total £m
At 31 December 2014				
Fixed interest securities	2,819.20	151.32	158.96	3,129.48
Index linked securities	30.44	-	7.52	37.96
Pooled investment vehicles	-	-	9,471.79	9,471.79
SWAPs - OTC	0.99	-	-	0.99
Options - OTC	0.33	-	0.01	0.34
FX contracts - OTC	67.24	-	-	67.24
Cash	4,371.38	-	-	4,371.38
Stock lending	409.85	-	-	409.85
	7,699.43	151.32	9,638.28	17,489.03

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 default swaps ('CDSs') are also used to mitigate credit risk. As at 31 December 2015 no CDSs were held. As at 31 December 2014 the notional amount of CDSs entered into was £39.24m, with a market value of £1.38m.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (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.

The credit risk for OTC swaps is reduced by collateral arrangements. As at 31 December 2015 no OTC swaps were held. As at 31 December 2014 there was £2.88m cash, £0.92m US Treasury Bills and £0.21m US Treasury Bonds included in net assets in respect of collateral arising on open swap contracts at the year end. Collateral deposited by counterparties with the Trustee in respect of swap contracts at 31 December 2014 amounted to £2.21m cash and £0.44m US Treasury Bonds. Collateral received in this way is not reported within the pooled fund's net assets.

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 1.5.

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

The pooled funds lend certain fixed interest and equity securities under a Trustee approved stock lending programme. The Trustee manages the credit risk arising from stock lending activities by restricting the amount of overall stock 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 stock lending are provided in note 1.11.

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.

Appendix J: Pooled fund accounts

A summary of pooled investment vehicles by type of arrangement is as follows:

	2015 £m	2014 £m
Unitised insurance policies	5,316.46	3,665.57
Partnerships	3,405.32	3,457.31
Hedge funds	254.70	921.92
Other managed funds	236.66	1,418.40
Property partnerships	0.50	8.59
	9,213.64	9,471.79

Indirect credit risk arises in relation to underlying investments held in fixed interest pooled investment vehicles. The value of fixed interest pooled investment vehicles held at the year end was £200.71m (2014: £346.50m). The underlying investments in these pooled investment vehicles are mainly government issued, which reduces the associated indirect credit risk.

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.

The pooled funds' total net unhedged exposure by major currency at the year end was as follows:

	2015 £m	2014 £m
Currency		
US dollar	5,754.48	6,784.34
Euro	1,249.82	1,691.82
Japanese yen	570.96	510.74
Other	2,495.29	3,347.50
	10,070.55	12,334.40

Interest rate risk

The pooled funds are subject to interest rate risk on fixed interest securities and interest rate swaps held either as segregated investments or through pooled vehicles. At the year end the pooled funds held the following investments that are subject to interest rate risk:

	2015 £m	2014 £m
Direct		
Fixed interest securities	3,609.30	3,129.48
Index linked securities	11.71	37.96
Fixed interest futures	5.39	7.12
Interest rate swaps	-	(0.39)
Options on interest rate swaps ('Swaptions')	-	0.33
Indirect		
Fixed interest pooled investment vehicles	200.71	346.50
	3,827.11	3,521.00

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.

At the year end, the pooled funds' exposure to investments subject to other price risk was:

	2015 £m	2014 £m
Direct		
Equities	4,024.42	3,134.83
UK property	1,890.93	1,778.18
Equity futures	1.42	23.07
Indirect		
Equity pooled investment vehicles	5,330.19	4,360.60
Private equity pooled investment vehicles	3,170.37	3,126.27
Hedge funds	254.70	921.92
UK property pooled investment vehicles	0.50	8.59
Other managed funds	257.17	707.89
	14,929.70	14,061.35

1.16 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:

	2015	2014		21,987.47	18,692.25
	£m	£m			
Railpen*	5,334.85	3,759.41	Great Hill Partners	41.96	33.16
Legal & General Investment Management	5,001.83	3,165.92	Westbridge Capital Partners	40.03	30.99
Orchard Street	1,974.17	1,968.95	Dalmore	39.36	35.04
AQR Capital Management	1,452.33	445.07	Warburg Pincus	37.42	49.73
Blackrock Investment Management	912.03	2,104.71	Scale Venture Partners	35.20	33.34
Unigestion	775.62	462.41	Institutional Venture Partners	35.04	27.73
Northern Trust Asset Management (from August 2015)	714.02	-	Hony Capital	33.70	27.48
Lazard Asset Management	688.76	1,172.52	Columbia Capital	33.11	39.11
Insight Investment	625.59	12.23	Archer Capital	27.80	25.59
Horsley Bridge Partners	441.82	358.12	Anacap Financial Partners	25.21	22.87
Epoch Investment Partners	368.87	148.67	Balderton Capital	25.04	25.01
Longview Partners	337.23	313.60	Charlesbank Capital Partners	24.92	15.33
Dimensional Fund Advisors Ltd	326.30	325.71	Thoma Bravo	23.75	9.71
Intermediate Capital Group	306.28	160.04	EQT Funds Management	22.71	59.50
Alinda Capital Partners	293.51	253.33	General Atlantic	22.39	12.33
Wellington Management Int	266.90	1,611.26	Highland Capital Partners	21.36	16.59
Bridgewater	257.17	246.19	Ares Management	20.10	19.88
Goldman Sachs Asset Management	229.35	288.12	Sankaty Advisors	20.01	19.72
Arcus Infrastructure Partners	224.41	197.27	Clearsight Investments	19.49	13.43
HarbourVest Partners	174.67	219.18	Blakeney General Partners	18.33	137.10
Marathon Asset Management	158.71	126.13	Oaktree Capital Management	18.24	26.49
Grosvenor Capital Management	157.77	323.98	Private Advisors (from December 2015)	16.89	-
Cinven	143.34	153.26	ClearVue Partners	16.44	7.86
Innisfree	119.23	91.24	Navis Capital Partners	16.34	16.69
Apax Partners	102.35	134.68	KPS Capital Partners	15.09	20.60
Sequoia Capital	99.72	57.05	Domain Partners	15.07	15.32
Adams Street Partners	96.23	104.63	Innovation Works	14.90	8.64
Standard Life Investments	88.63	200.45	H.I.G. Capital	13.78	11.64
Morningside Ventures	77.81	53.79	Bessemer Venture Partners	13.68	9.47
Pantheon Ventures	75.77	105.37	Innova	12.60	11.49
Bain Capital	67.78	58.50	Andreessen Horowitz	12.54	8.37
Accel Partners	52.12	35.01	CI Capital Investors	12.11	11.77
Khosla Ventures	42.30	35.45	Headland Capital Partners	11.87	22.24
			Index Ventures	11.31	7.96
			Berkshire Partners	10.36	5.93
	21,987.47	18,692.25	(Carried forward)	22,765.62	19,530.36

*Included in this balance is cash invested in Liquidity Funds totalling £3,193.91m (2014: £3,173.04m)

(Brought forward)	22,765.62	19,530.36
Southern Cross Group	9.47	14.10
Riverside Europe Fund Associates (from December 2015)	7.37	-
WP Global Partners (from November 2015)	6.95	-
Peak Rock Capital	6.43	3.61
General Catalyst	5.50	1.55
Abry Partners	5.24	4.60
Triton Partners	4.48	3.87
Indicus Advisors	3.90	43.20
Capital Dynamics	3.22	4.50
William Blair & Company	1.59	310.60
Bridges Community Ventures	0.12	0.23
Governance For Owners Group	0.09	0.14
Rogge Global Partners (until November 2015)	-	480.85
Morgan Stanley Investment Management (until July 2015)	-	312.94
Pacific Investment Management Co (until November 2015)	-	290.86
Credit Suisse (until March 2015)	-	241.37
Eighbaston Investment Partners (until August 2015)	-	186.41
Invesco Asset Management (until September 2015)	-	142.71
Taiyo (until January 2015)	-	129.62
Graham Capital (until June 2015)	-	122.69
Blackstone Alternative Asset Management (until April 2015)	-	74.18
Ardevora (until June 2015)	-	74.05
Henderson Equity Partners (until November 2015)	-	46.82
Aberforth Partners (until January 2015)	-	4.01
	22,819.98	22,023.27

1.17 Benchmarks and targets

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

	2015	2014
	%	%
FTSE All World North America Index	25.0	25.0
FTSE All Share Index	20.0	20.0
FTSE All World Developed Europe (ex UK) Index	20.0	20.0
FTSE All World Developed Asia Pacific (ex Japan) Index	20.0	20.0
MSCI Emerging Markets Free (net dividends reinvested) Index	15.0	15.0
	100.00	100.00

A passive hedging strategy is employed whereby 50% of the overseas developed markets currency exposure in the pooled fund is hedged back to Sterling. The target for the Global Equity Pooled Fund is to beat this benchmark by 0.5% over the long term.

The benchmarks and targets of all other pooled funds as at 31 December 2015 are shown in the table on page 101.

Pooled fund	Benchmark	Long term target
Growth	Retail Price Index	Benchmark + 4% pa
Private Equity	MSCI All Countries World Index	Benchmark + 1% pa
Property	Investment Property Databank All Properties Index	Benchmark + 1% pa
Non Government Bond	Barclays Capital Global Aggregate Corporate Index (hedged)	Benchmark + 0.75% pa
Government Bond	Citigroup World Government Bond Index – ex Japan (hedged)	Benchmark + 0.5% pa
DC Global Equity	FTSE All World Index Developed Markets (hedged)	Benchmark
DC Long Term Growth	Retail Price Index	Benchmark
DC Deposit	7 Day Sterling London Inter-Bank Intra Day Interest Rate	Benchmark
DC Index Linked and Global Bond	Composite benchmark comprising: 50% FTSE UK gilts index Linked > 15 years Index 50% Barclays Global Aggregate Corporation (hedged) Index	Benchmark
DC Aggregate Bond	Composite benchmark comprising: 50% FTSE British Government over 15 years index 50% Barclays Global Aggregate Corporation (hedged) Index	Benchmark
Hedge Funds	7 Day Sterling London Inter-Bank Intra Day Interest Rate	Benchmark + 3.5% pa
Infrastructure	Retail Price Index	Benchmark + 4% pa
Cash	7 Day Sterling London Inter-Bank Intra Day Interest Rate	Benchmark
Passive Equity	FTSE All World Index Developed Markets (hedged)	Benchmark
Index Linked	FTSE UK gilts – Index Linked > 15 years Index	Benchmark
Illiquid Growth	Retail Price Index	Benchmark + 4-6% pa

1.18 Performance

The return of each pooled fund as measured by State Street Global Services Performance Services and RPMI is shown in the table below:

Pooled fund	Actual 2015 (%)	Target 2015 (%)	Bench 2015 (%)	Actual last 5 years (%)	Target last 5 years (%)	Bench last 5 years (%)
Growth	3.9	5.2	1.2	5.5	7.6	2.7
Private Equity	16.6	4.8	3.8	13.1	9.0	8.0
Property	11.4	14.8	13.8	10.6	11.7	10.7
Government Bond	1.6	2.1	1.6	4.9	5.3	4.8
Infrastructure	27.9	5.2	1.2	14.6	6.7	2.7
Global Equity	2.0	2.6	2.1	7.0	6.8	6.3
Passive Equity ¹	1.1	1.3	1.3	11.8	11.9	11.9
Non Government Bond	1.1	0.8	0.1	4.9	5.3	4.5
Cash	0.5	0.3	0.3	0.5	0.4	0.4
Index Linked	(0.2)	(0.3)	(0.3)	10.2	10.0	10.0
Hedge Funds	4.1	4.0	0.5	5.5	4.0	0.5
Defensive ²	2.1	1.7	1.2	2.7	3.0	2.5
DC Long Term Growth ¹	3.4	1.2	1.2	5.5	1.7	1.7
DC Deposit ¹	0.5	0.3	0.3	0.5	0.4	0.4
DC Global Equity ¹	0.9	2.4	2.4	5.7	6.0	6.0
DC Aggregate Bond ¹	0.4	0.3	0.3	4.4	4.0	4.0
DC Index Linked and Global Bond ¹	0.3	0.1	0.1	4.0	4.0	4.0

¹ 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.

² Until pooled fund wound up.

