

BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

Pensions registration number: 100541628

**ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS
2013**

**REPORT AND AUDITED FINANCIAL STATEMENTS
2013**

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CHAIRMAN'S INTRODUCTION

On behalf of your Trustee Board I introduce the Annual Report and Audited Financial Statements of the British Transport Police Force Superannuation Fund ('the Fund') for the year ended 31 December 2013.

Investment returns in 2013 were reasonably strong. The Growth (Pooled) Fund, in which over three-quarters of the Fund's assets are now invested, performed well both in absolute terms (8.6%) and against benchmark (3.5%), propelled by another "double digit" year for the equities in which more than 40% of that fund is invested. The Growth Fund will not, however, match the performance of equities; rather, it is designed to balance out the risks and volatile returns associated with single-asset strategies by investing in a wide range of assets, targeting a long-term return of 5% per annum above UK RPI inflation. On an annualised basis, however, the Growth Fund is only 3.2% ahead of UK RPI inflation since its establishment in July 2010.

In contrast to the favourable returns from most pooled funds, defensive assets did not have a positive year. Index linked bonds returned 2.4%, while government bonds were almost flat at only 0.1%.

In May, new pooled funds were launched for the BRASS additional voluntary contribution arrangements within the Fund, into which most legacy BRASS assets were transferred. As well as offering choice for members, the new BRASS funds are combined with the option of two so-called "lifestyle strategies" which aim to match members' age and time to retirement with an appropriate level of risk. Under a lifestyle strategy, savings are automatically reallocated within the available funds in order to reduce risk as members approach their target retirement age.

Late in 2012, your Trustee announced that it intended to perform a wide-ranging review of investment decision-making. After some preliminary investigations, work commenced in earnest in May 2013, with the assistance of external advisors. The first phase, lasting until August 2013, included a re-examination of the Trustee's investment beliefs and an appraisal of the governance structure at both Trustee Company and operating executive levels. The second phase, ending in December 2013, consisted of a more substantive review of the workings of the investment process through pooled funds.

The actions agreed during the first two phases will be implemented in a third and final phase, which commenced in January 2014. Key to this phase will be engagement and consultation with pensions committees, employers, and other stakeholders, while the Trustee Company develops proposals concerning investment strategy and the range of pooled funds.

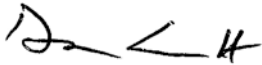
I would like to use this section of the annual report to thank the staff of RPMI who have again provided an excellent service in supporting the Fund throughout the year.

Finally, on a personal note, after 17 years as Trustee Director – and the last seven as Chairman – I'll be stepping down from my current role at the start of the summer. I'm past halfway in my final six-year term of office, which ends in 2016, so this is an appropriate time to pass the baton over to John Chilman.

CHAIRMAN'S INTRODUCTION (CONTINUED)

John has more than 20 years' experience in pensions. He will be taking over as Trustee Chairman from 1 June and, together with the other members of your Trustee Board, will continue to safeguard the interests of the railways pension schemes and provide support to all members, past and present.

I wish John the very best of luck and know he will enjoy the full support of your Board in meeting the various challenges to be faced.

A handwritten signature in black ink, appearing to read 'Derek Scott', written in a cursive style.

Derek Scott
Chairman of the Trustee Company

AUDITED FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £000	2012 £000
Contributions and benefits			
Contributions receivable	3	38,104	38,870
Individual transfers in		4,865	4,563
<hr/>			
Contributions receivable		42,969	43,433
<hr/>			
Pensions		(34,754)	(32,732)
Lump-sum retirement benefits		(11,482)	(7,559)
Individual transfers out		(1,406)	(2,373)
Death benefits		(19)	(71)
Payments to and on account of leavers		(14)	(26)
<hr/>			
Fund benefits payable		(47,675)	(42,761)
<hr/>			
Administrative expenses	4	(971)	(1,101)
PPF levies		(774)	(652)
<hr/>			
Total withdrawals		(49,420)	(44,514)
<hr/>			
Net withdrawals from dealings with members		(6,451)	(1,081)
<hr/>			
Returns on investments			
Change in market values	5	75,340	63,535
Interest on loans and deposits		10	7
<hr/>			
Net returns on investments		75,350	63,542
<hr/>			
Net increase in the Fund during the year		68,899	62,461
<hr/>			
Net assets at the start of the year		879,697	817,236
<hr/>			
Net assets at the end of the year		948,596	879,697

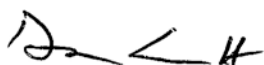
The accompanying notes numbered 1 to 8 form an integral part of these audited financial statements. The audited financial statements show the consolidated position of the three sections of the BTPFSF. The extraction accounts of the individual sections are shown in Appendix I.

AUDITED FINANCIAL STATEMENTS

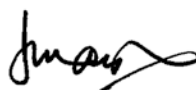
NET ASSETS STATEMENT AS AT 31 DECEMBER 2013

	Notes	2013 £000	2012 £000
Investments	5	946,273	877,586
Net current assets	6	2,323	2,111
<hr/>			
Net assets at the end of the year		948,596	879,697
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Approved by the directors of the Trustee Company on 7 May 2014.



Derek Scott
Chairman, Trustee Board



John Mayfield
Director and Chairman, Audit Committee

The audited financial statements summarise the transactions and net assets of all the sections of the Fund. They do not take account of the obligations to pay pensions and other benefits in the future. The ability to pay future pensions is addressed in the actuarial review of the Fund, which is summarised on pages 28 to 30 and should be read in conjunction with these financial statements.

The accompanying notes numbered 1 to 8 form an integral part of these audited financial statements. The audited financial statements show the consolidated position of the three sections of the BTPFSF. The extraction accounts of the individual sections are shown in Appendix I.

AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013

1. Basis of preparation

The audited financial statements have been prepared in accordance with applicable United Kingdom law, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and with the guidelines set out in the Statement of Recommended Practice, 'Financial Reports of Pension Schemes (revised May 2007)'.

2. Accounting policies

The principal accounting policies of the Fund are as follows:

Investments

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

- (a) The majority of the assets of the Fund are invested in a portfolio of pooled funds, which operate as internal unit trusts for 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 Fund in each pooled fund at the year end. Unit prices reflect the valuations of the underlying assets held by the pooled funds and include income receivable on investments held. Further details of the pooled fund investment accounting policies are set out in the pooled fund accounts in Appendix L.
- (b) Additional voluntary contribution ('AVC') investments (BRASS) in pooled investment vehicles are stated at market values at the year-end date as advised by the manager. The Pension Assured Fund ('PAF') is valued as a whole by reference to the market values of assets within the fund as advised by the provider, Aviva. Members holding units in the PAF aged 55 or 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) Loans and deposits and net current assets/(liabilities) are included at book cost, which the Trustee Company considers to be a reasonable estimate of accounting fair value.

Change in market values

Change in market values mainly comprises gains and/or losses on investments arising in the year and reinvested investment income.

Investment income arising from the underlying investments of pooled investment vehicles is reinvested within the pooled funds, reflected in the unit prices and reported within change in market values.

**AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013 (CONTINUED)**

Change in market values (continued)

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

Contributions, including AVCs, and benefits are accounted for in the year in which they fall due.

Benefits are accounted for from the period in which the member notifies the Trustee of his/her decision on the type or amount of benefit to be taken or, if there is no member choice, from the date of retirement or leaving.

Administrative expenses

All administrative expenses are accounted for in the year in which they fall due.

Pension Protection Fund ('PPF') levies

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

Transfer values

All transfer values are determined on the advice of the Fund Actuary. Individual transfers in or out are accounted for when received or paid, which is normally when member liability is accepted or discharged. Group transfers are accounted for in accordance with the terms of the transfer agreement.

Benefit support

Amounts receivable as benefit support under the Transport Act 1980 to extinguish future liabilities are accounted for when the future liability is discharged.

AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013 (CONTINUED)

3. Contributions receivable

	2013	2012
	£000	£000
Members' contributions:		
Normal	11,743	12,028
Additional voluntary (AVCs)	657	647
Employer's contributions:		
Normal	19,205	19,386
Deficit funding	4,825	5,083
Benefit support:		
Government support	1,670	1,719
Transport for London	4	7
	38,104	38,870

Deficit funding contributions are being paid into the Fund until 31 March 2019 in accordance with the recovery plan, which was agreed in order to improve the Fund's funding position following the 31 December 2009 actuarial valuation.

4. Administrative expenses

	2013	2012
	£000	£000
Non-recoverable VAT	418	480
Pensions administration	232	376
Actuarial fees	175	30
Trustee governance	91	56
Legal fees	24	121
Communications	11	21
Other professional fees	10	6
Audit fees	9	7
Other overheads	1	4
	971	1,101

Pensions administration expenses cover the processing of member and pensioner transactions and preparation of financial statements and other reports. These activities are carried out by RPMI 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 funds and disclosed separately in the pooled fund accounts in Appendix L.

AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013 (CONTINUED)

5. Net returns on investments

(a) Value of investments

	Market values at 31.12.12	Purchases at cost	Sales proceeds	Change in market values	Market values at 31.12.13
	£000	£000	£000	£000	£000
Pooled funds					
Growth	707,541	6,243	(45,454)	59,324	727,654
Private Equity	76,706	4,218	(13,129)	10,956	78,751
Government Bond	45,128	3,185	(44)	(575)	47,694
Defensive	-	44,000	-	(91)	43,909
Infrastructure	26,421	-	(3,109)	4,965	28,277
Index-Linked	10,937	-	(829)	267	10,375
Cash Fund	1,313	-	(668)	2	647
	<hr/> 868,046	<hr/> 57,646	<hr/> (63,233)	<hr/> 74,848	<hr/> 937,307
 BRASS and AVCs	 7,053	 6,291	 (6,670)	 492	 7,166
	<hr/> 875,099	<hr/> 63,937	<hr/> (69,903)	<hr/> 75,340	<hr/> 944,473
 Other cash and cash instruments	 2,487				 1,800
	<hr/> <hr/> 877,586				<hr/> <hr/> 946,273

BRASS investments include 1,787,871 units in the PAF. Further information on the PAF can be found on page 35.

(b) Analysis of the Fund's pooled fund investments

Income from pooled fund investments is capitalised within the price of the pooled fund units and, therefore, reflected within the market values of investments in note 5(a). Although income is not distributed, the pooled fund regulations allow the Fund to extract its share of pooled fund income at no cost by selling units at zero spread. The income withdrawn from the pooled funds in this way can then be used to pay benefits.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

5. Net returns on investments (continued)

(b) Analysis of the Fund's pooled fund investments (continued)

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.

Further analysis of investments, charges and fees for each pooled fund is provided in an extract in the pooled fund accounts in Appendix L. The percentages of the pooled funds' assets that relate to BTPFSF investments are shown in the table below.

Pooled Funds	% of pooled fund owned 31.12.13	% of pooled fund owned 31.12.12
Growth	6.2	7.5
Private Equity	4.1	4.1
Government Bond*	6.0	6.8
Defensive	5.2	-
Infrastructure	3.1	3.1
Index-Linked	6.4	6.8
Cash Fund*	0.2	1.1

* 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 BRASS pooled funds.

6. Net current assets

	2013	2012
	£000	£000
Contributions due from employer	2,367	2,349
PPF levies paid in advance	193	195
Benefit support due	223	105
Investment debtor	8	-
Benefits payable	(30)	(64)
Other charges payable	(79)	(98)
Taxation and social security	(359)	(376)
	2,323	2,111

Contributions due from the employer were paid in accordance with the due date in the schedule of contributions in force at the year-end.

**AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2013 (CONTINUED)**

7. Related party transactions

The Trustee Company and its subsidiaries provide services to the Fund. The charges, including those payable to external service providers, are detailed in note 4. At 31 December 2013 net current assets included a liability of £79,000 in respect of these charges (2012 – a liability of £98,000).

One director of the Trustee Company is a member of the Fund and is also a non-executive director of RPMI. No other directors of RPMI are members of the Fund. Certain directors of the Trustee Company and its subsidiaries receive remuneration, which is disclosed in the financial statements of those companies. The Fund bears its share of this remuneration. Contributions are paid in accordance with the schedule of contributions.

8. Employer-related investments

There was no self investment at any time during the year, or during the previous year.

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

We have audited the financial statements of the Fund for the year ended 31 December 2013 set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 18, 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.

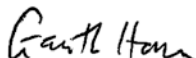
Scope of the audit of the financial statements

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 Fund during the Fund year ended 31 December 2013 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



Gareth Horner
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, Canary Wharf, London, E14 5GL
7 May 2014

TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS AND SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR

Statement of Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund and the dates on or before which such contributions are to be paid.

Trustee's Summary of Contributions payable under the schedules in respect of the Fund year ended 31 December 2013

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Fund under the schedule of contributions certified by the Actuary in respect of the Fund year ended 31 December 2013. The Fund Auditor reports on contributions payable under the schedule in the Auditors' Statement about Contributions.

Contributions payable under the schedule in respect of the Fund year	£'000
Employer:	
Normal contributions	19,205
Deficit contributions	4,825
Member:	
Normal contributions	11,743
Contributions payable under the schedule	<u>35,773</u>

TRUSTEE'S RESPONSIBILITIES IN RESPECT OF CONTRIBUTIONS AND SUMMARY OF CONTRIBUTIONS PAYABLE IN THE YEAR (CONTINUED)

Reconciliation of contributions

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

	£'000
Contributions payable under the Schedule (as above)	35,773
Other contributions payable under Fund rules:	
Government support	1,670
Members' additional voluntary contributions	657
Transport for London	4
Total contributions reported in the financial statements	<u>38,104</u>

Signed for and on behalf of the Trustee on 7 May 2014.



Derek Scott
Chairman

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS, MADE UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE TRUSTEE, OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND ('the Fund')

We have examined the summary of contributions payable under the schedule of contributions to the Fund in respect of the Fund year ended 31 December 2013 which is set out on pages 14 and 15.

This statement is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our 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 statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee, as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As described on page 14, the Trustee is responsible, under the Pensions Act 2004, for ensuring that there is prepared, maintained and from time to time revised, a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The Trustee has a general responsibility for procuring that contributions are made to the Fund in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid to the Fund and to report our opinion to you. We read the Trustee's report and the other information in the annual report and consider whether it is consistent with the summary of contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions to the Fund and to report our opinion to you.

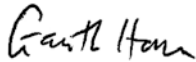
Basis of statement about contributions

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the relevant requirements. For this purpose, the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments. Our statement about contributions is required to refer to those exceptions which come to our attention in the course of our work.

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS, MADE UNDER REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR) REGULATIONS 1996, TO THE TRUSTEE, OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND ('the Fund') (CONTINUED)

Statement about contributions payable under the schedule

In our opinion contributions for the Fund year ended 31 December 2013 as reported in the summary of contributions and payable under the schedule have in all material respects been paid at least in accordance with the schedule of contributions certified by the Actuary at Appendix G.



Gareth Horner
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG
15 Canada Square
Canary Wharf
London E14 5GL
7 May 2014

STATEMENT OF TRUSTEE RESPONSIBILITIES IN RELATION TO FINANCIAL STATEMENTS

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 Fund members, beneficiaries and certain other parties, audited financial statements for each Fund year which:

- show a true and fair view in accordance with UK GAAP of the financial transactions of the Fund during the Fund year and of the amount and disposition at the end of the Fund year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Fund year; and
- 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 Fund prescribed by pensions legislation, which they 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 Fund 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 7 May 2014.

THE TRUSTEE COMPANY

Railways Pension Trustee Company Limited

The Railways Pension Trustee Company Limited ('Trustee Company') is the trustee to four railway industry pension schemes. Two of these schemes are open to new members: the Railways Pension Scheme ('RPS') and the British Transport Police Superannuation Fund ('BTPFSF'). 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.

	Total membership at 31.12.13
Railways Pension Scheme	337,440
British Transport Police Force Superannuation Fund	6,031
British Railways Superannuation Fund	3,531
BR (1974) Fund	2,536
	<hr/> 349,538 <hr/>

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 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.

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.

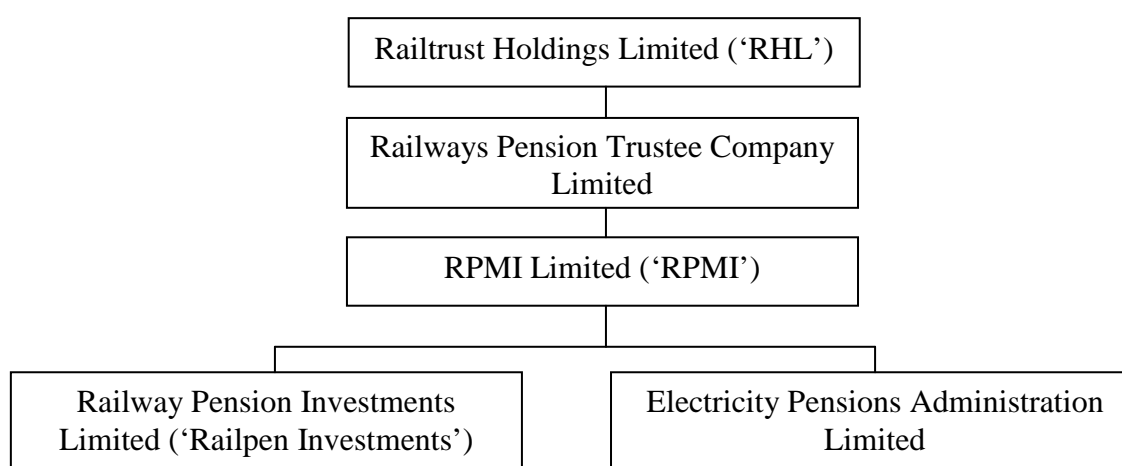
THE TRUSTEE COMPANY (CONTINUED)

The operating subsidiaries

RPMI provides services to the railways pension schemes. RPMI is based in Darlington, Coventry and London and is responsible for a wide range of services including: pensions administration; communication with members and stakeholders; strategic investment advice; contribution collection; treasury management; investment, company and scheme accounting; employer covenant assessment; and business assurance, company secretarial, governance, legal, responsible investment, technical, pensions policy and compliance services. RPMI is also authorised by the Financial Conduct Authority ('FCA') to carry out third-party administration services for insurance companies and others.

RPMI's wholly owned subsidiary, Railway Pension Investments Limited ('Railpen Investments'), carries out investment management for the Trustee of the Railways Pension Scheme. Railpen Investments is an FCA authorised body which permits it to carry out regulated investment business for the Trustee.

The structure of the Trustee group as at 31 December 2013



On 27 February 2014 ownership of Railpen Investments was transferred to RPTCL.

Employer director appointment procedure

The current procedure, which was introduced in 2010, 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 TRUSTEE COMPANY (CONTINUED)

Employer director appointment procedure (continued)

The voting arrangements recognise all members 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. There is one vote for each active member and half a vote for each pensioner and deferred pensioner. The 'All Employers' group continues to be one employer, one vote.

The following chart shows the current employer Trustee directors as at the end of December 2013, their date of retirement by rotation and deemed nominating constituency.

Name	Nominating Constituency	Date of Retirement by Rotation
Derek Scott (Chairman) ¹	All employers	2016
John Chilman	Passenger train operating companies	2018
Richard Goldson	Passenger train operating companies	2016
John Hamilton	Passenger train operating companies	2014
Chris Hannon	Network Rail	2018
Russell Mears	Freight train operating companies and support services	2016
David Simpson ²	Network Rail	2014
John Wilson	Freight train operating companies and support services	2014

¹Derek Scott is retiring as Trustee Chairman during June 2014. He will remain as a Trustee Director but will be replaced as Chairman by John Chilman. Derek has been a Trustee Director since 1997 and Chairman since 2007.

²David Simpson resigned from the Trustee Board in January 2014.

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 railway pension schemes. The successful nominees will be those with the most votes.

THE TRUSTEE COMPANY (CONTINUED)

Employee director appointment procedure (continued)

The following chart shows the current employee Trustee directors as at the end of December 2013, their date of retirement by rotation and deemed nominating constituency.

Name	Nominating Constituency	Date of Retirement by Rotation
Mick Cash	National Union of Rail, Maritime and Transport Workers ('RMT')	2016
Tony Cotgreave	British Transport Pensioners' Federation ('Pensioners' Federation')	2014
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')	2014
John Mayfield	Retired Railway Officers' Society ('RROS')	2014
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

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 between 10 and 20 Board and Committee meetings in 2013. Attendance is reported to the Board.

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 Company'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 RPMI website which provides one easily accessible location for information relevant to their role.

TRUSTEE COMPANY REPORT

Creation of the British Transport Police Authority

The principal employer of the Fund is the British Transport Police Authority, which was established by statute to supersede the Strategic Rail Authority ('SRA') with effect from 1 July 2004. The SRA was the principal employer for the period 1 February 2001 to 30 June 2004, superseding the British Railways Board ('BRB').

Membership

Total membership increased by 2.7% during 2013 (2012 – 0% change).

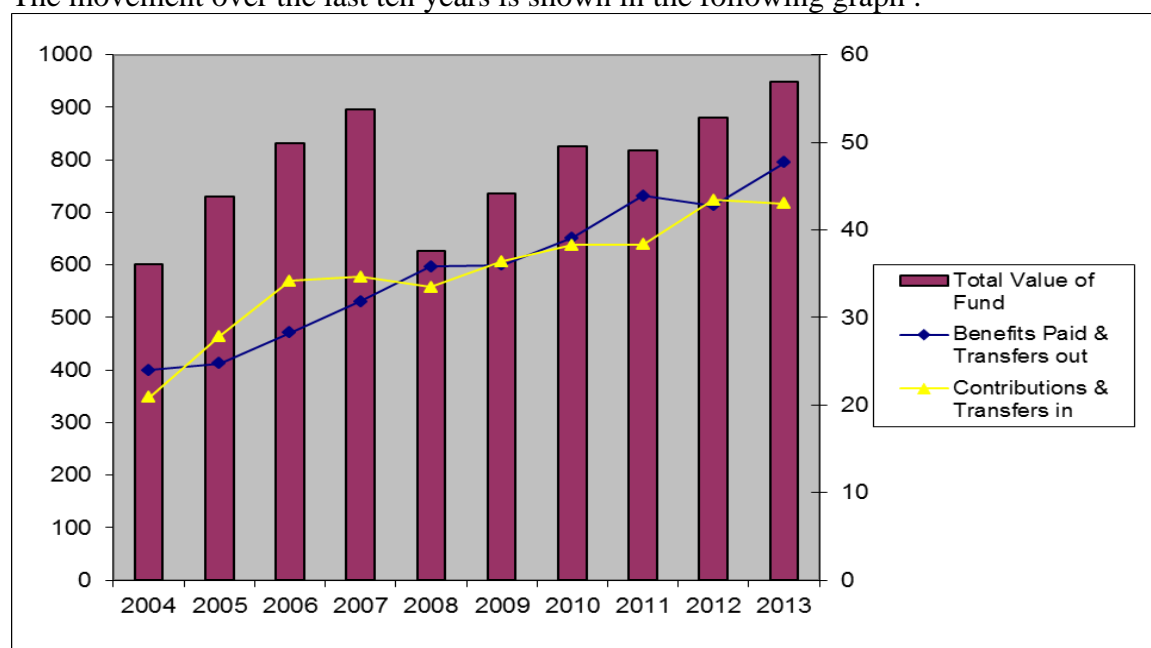
	2013	2012	% Change
Active Members	2,774	2,727	1.7
Pensioners	2,561	2,453	4.4
Preserved pensioners	696	690	0.9
Total membership at end of year	6,031	5,870	2.7

Financial information

During the year the net return on investments of the Fund as a whole was a gain of £75.3m (2012 – gain of £63.5m).

The Fund paid benefits of £46.3m in 2013 (2012 – £40.4m) and received contributions of £38.1m (2012 – £38.9m). Allowing for transfer values and expenses, there was a net withdrawal from dealings with members of £6.5m (2012 – net withdrawal of £1.1m).

The movement over the last ten years is shown in the following graph :



TRUSTEE COMPANY REPORT (CONTINUED)

Actuarial valuation

The most recent valuation of the Fund was carried out at 31 December 2012 by the Fund Actuary Elizabeth Battams of Punter Southall Limited. Information about the results of the valuation can be found in the Actuary's Report on pages 28 – 30 and the summary funding statement in Appendix H.

Safe custody of assets

The Trustee Company gives particular attention to the safekeeping of its assets, including the efficiency of transaction settlement, income collection, foreign exchange dealing and tax records. The appointed custodian supplies the Trustee Company with reports, attested by their external auditors, on the effectiveness of internal controls. Regular visits are made to the custodian and an independent custody-efficiency monitoring service is retained. Foreign exchange dealing is also monitored.

Operational risk

The Trustee Company was one of the first UK corporate trustees to introduce a risk management process. The risk management process, which has been reviewed during the year, identifies risks, assesses their potential impact and likelihood and determines the appropriate action to reduce their likelihood and consequences. The risk management process is explained in more detail in Appendix E.

MANAGEMENT COMMITTEE REPORT

Responsibilities

The Trustee Company has delegated powers to the Management Committee to make day-to-day management decisions. The Committee has in turn agreed to sub-delegate to RPMI many activities to ensure the smooth running of the Fund. The Committee has agreed a Service Level Agreement with RPMI which sets out the scope of the service and the performance targets the Committee and members can expect. The Committee is pleased to report that the majority of service targets were achieved throughout the year.

Meetings

There were five meetings of the full Management Committee in 2013. These took place on 24 January, 30 April, 5 July, 19 September and 28 November. In addition, there were four meetings of the Valuation Working Party which took place on 6 March, 30 April, 5 July and 19 September. During 2013 Committee members also participated in training as part of a commitment to meet the Pensions Regulator's Trustee Knowledge and Understanding requirements.

Changes to Committee

There are 12 Committee members. Six members of the Committee are appointed by the principal employer, the British Transport Police Authority. Three members of the Committee are appointed by the British Transport Police Federation, two members are elected by the pensioners and one is appointed by the Chief Constable after consultation with representatives of the ranks not represented by the British Transport Police Federation.

George Lewis and Elizabeth Pike were elected Chairman and Deputy Chairman respectively for 2013.

During the year there were two changes to the Committee. Paul Jackson joined the Committee, filling the employer vacancy caused by Francesca Okosi's resignation in 2012 and Will Tucker resigned from the Committee. A replacement for Mr Tucker has been identified and will be in place for the first meeting of 2014.

A list of Committee members at 31 December 2013 is shown in the following table, together with details of the number of meetings which each attended during the year.

MANAGEMENT COMMITTEE REPORT (CONTINUED)

Committee members at 31 December 2013

Name	Appointing body	Appointment date	No. of meetings eligible to attend during 2013	No. of meetings attended
Mr L Adams	British Transport Police Authority	July 2005	5	3
Mr S Field	British Transport Police Authority	Jan 2008	5	4
Mr A Pacey	British Transport Police Authority	September 2010	5	4
Ms E Pike (Deputy Chairman)	British Transport Police Authority	September 2004	5	4
Mr P Jackson	Employer	June 2013	3	1
Mr P Holden	Member representative appointed by Chief Constable after consultation with the ranks not represented by the BTP Federation	March 2009	5	4
Mr G Lewis (Chairman)	BTP Federation	May 2011	5	4
Mr R Randall	BTP Federation	May 2002	5	5
Mr J Bryant	Pensioner elected	April 2007 to March 2017	5	5
Mr E R Lightfoot	Pensioner elected	August 2005 to July 2015	5	4
Mr G Poyser	BTP Federation	July 2012	5	5

(The above statistics do not include attendance at meetings of the Valuation Working Party.)

Chris Welburn of RPMI is Secretary to the Management Committee.

Pension Increases

Pensions increased by 2.2% with effect from 1 April 2013. This is based on the Consumer Price Index (CPI) inflation figure as at September 2012. Pensions in payment and deferment in the Fund are increased in line with Orders laid by the Government under the Pensions (Increase) Act 1971. The increase at April 2014 was 2.7%, based on CPI at September 2013.

MANAGEMENT COMMITTEE REPORT (CONTINUED)

Communications

The Committee is keen to ensure that members are kept up to date with news and developments and to achieve this aim it regularly reviews the communications plan. Annual Pension Estimates are sent to contributing members each year, usually in September, and these members also receive a 'Focus' newsletter three times a year. Pensioners receive the 'Penfriend' newsletter twice a year, in spring and winter. Members who no longer contribute but who have deferred benefits in the Fund receive a yearly edition of 'Extra'.

To supplement these publications, for those who have internet access, a variety of useful information continues to be available at www.btppensions.co.uk and members may always contact the Fund Secretary, Chris Welburn, at:

RPMI
PO Box 300
Darlington
DL3 6YJ

Or by phoning the Customer Services helpline on 0800 2 34 34 34
Or by email to: csu@rpmico.uk

Budget

The Committee was consulted on the budget for the services of the Trustee Company and its subsidiary, RPMI, to ensure that established standards of service were maintained at cost competitive rates.

Membership statistics at 31 December 2013

	2013	2012
Active members	2,774	2,727
Pensioners	2,561	2,453
Preserved pensioners	696	690
Total membership	6,031	5,870

ACTUARY'S REPORT

The purpose of the Fund

The assets of the British Transport Police Force Superannuation Fund, plus future contributions and future investment returns, will be needed to pay the benefits as they emerge in the years ahead. The main purpose of the Fund is therefore to provide security for the benefits promised in the future to all members and their dependants.

Actuarial valuations

Actuarial valuations of the Fund, involving projections of future income and outgoings, are made periodically to assess the sufficiency of the assets and contribution rates. The projections involve many assumptions, the most important of which are concerned with the extent to which the average future rate of investment return will exceed average future rates of pay and pension increases. Assumptions also have to be made about the ages at which the members will qualify for the various benefits on termination of service and the periods for which pensioners and their dependants will survive to draw their pensions.

The estimated future payments are summarised as "present values"; these may be thought of as the sums which, if invested at the valuation date at the rate of return assumed to be earned on investments, would exactly provide the projected benefit payments as they fall due (if all assumptions were borne out in practice). The valuation result then discloses a funding shortfall or surplus, according to whether the present value of the future payments exceeds, or is less than, the market value of the assets of the Fund. The rates of contribution required to finance new accruals of benefit are calculated by a similar method.

The Fund's rules require a separate actuarial valuation to be made of the 1968 Section and the 1970 Section. Within each section separate valuations are required in respect of benefits for periods of membership up to 14 September 1970 and after that date (known as 'preserved or historic benefits' and 'contributory benefits' respectively).

To satisfy the requirements of the Pensions Act 2004, as well as carrying out full valuations every three years, an annual interim update is made for each Section.

The 31 December 2012 valuation

The latest formal valuation of the Fund was carried out as at 31 December 2012.

For the contributory benefits part of the 1970 Section the Trustee adopted different assumed investment returns before and after retirement to reflect its intention to move towards assets that more closely match the liabilities as more members retire. The main financial assumptions for this section were that on average, the investment return earned on assets before retirement would exceed salary increases by 3.1% per annum and the investment return earned on assets after retirement would exceed pension increases by 3.6% per annum.

ACTUARY'S REPORT (CONTINUED)

The 31 December 2012 valuation (continued)

For the preserved benefits part of the 1970 Section an investment return, in excess of pension increases, of 1.2% per annum was assumed. This reflected a proposed change in the assets to have a higher proportion invested in assets that more closely match the liabilities. For the 1968 Section an investment return, in excess of pension increases, of 2.0% per annum was assumed.

In all sections the existing assets were brought into account at their market value.

Allowance was made in the valuation of the preserved benefits part of the 1970 Section for future payments of Government support on the assumption that they would continue to be made on the present basis.

Results of the 2012 valuation

The 2012 valuation of the 1968 Section revealed a funding surplus which was sufficient to cover the relevant proportion of future pension increases, as required under Section 56 of the Transport Act 1980.

The valuation of the 1970 Preserved Section also revealed a funding surplus. This was carried forward as a contingency reserve.

The valuation of the 1970 Contributory Section revealed a funding deficit of £18 million. It also indicated that the joint rate of contribution required from the members and the employers to fund new benefits building up in this section was 38.6% of Scheme Salary a year for members who joined before 1 April 2007 and 23.4% of Pensionable Salary a year for members who joined after 31 March 2007.

The Trustee and Authority agreed that the expenses of running the Fund would be met from the ongoing contributions. In addition, the deficit would be met partly by maintaining the ongoing contribution rates at 40% of Scheme Salary a year (16% from members and 24% from the employer) for entrants before 1 April 2007 and 30% of Pensionable Salary a year (10% from members and 20% from the employer) for later entrants. The balance of the deficit will be funded by additional employer only payments of just over £5 million per annum increasing each April at an agreed rate. Based on these contributions it was expected at the valuation date that the deficit will be removed by January 2016.

ACTUARY'S REPORT (CONTINUED)

Actuarial statements

A formal statement regarding the valuation, confirming that the calculation of the Fund's Technical Provisions was made in accordance with the Pensions Act 2004 has been prepared and appears in Appendix F. A further certificate reproduced in Appendix G confirms that the contributions shown in the Schedule of Contributions are such that the Statutory Funding Objective can be expected to be met over the period the Schedule is in force (until 28 February 2019).

Elizabeth Battams FIA
Scheme Actuary to the Fund

January 2014

Punter Southall
11 Strand
London
WC2N 5HR

INVESTMENT REPORT

Introduction

The Trustee is responsible for ensuring that investment strategies are agreed for the Fund. It does this with advice from its executive arm, RPML, and using its Investment Committee (supported by the Management Committee) and the Benefits and Funding Committee. The policies that control how the assets of the Fund are invested are set out in Statements of Investment Principles; copies are available on request.

The Trustee's Investment Committee also has delegated authority for most of the Trustee's investment responsibilities; it decides on appropriate investment policies and management arrangements. It has appointed Railpen Investments as its provider of investment management services. In this capacity, Railpen Investments is regulated by the Financial Conduct Authority as an Occupational Pension Scheme firm. It acts both as a manager of managers, whilst also taking some significant investment decisions directly.

Investment Management Arrangements

The assets of the Fund 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. Only railways pension schemes may invest in these pooled funds. Each section holds units in some or all of the pooled funds. The use of these pools enables the Fund to hold a broader range of investments more efficiently than may have been possible through direct ownership.

In most cases, each pooled fund covers a single asset class. However there are also a number of multi-asset pooled funds where the mix of asset classes is variable depending on market conditions and opportunities, which these funds seek to exploit in order to capture returns more efficiently and effectively than the single asset pools. They enable the Fund to hold a managed portfolio of assets rather than a fixed allocation, which consequently should have a less volatile return profile.

Each pooled fund has a performance benchmark and risk parameters within which additional returns may be targeted. Single asset pooled funds are managed largely by external fund management companies selected by Railpen Investments and are actively managed where the opportunities for additional returns are deemed to outweigh the additional costs; that is, the fund management companies try to add value in addition to the benchmark returns. Where active management is considered less likely to be successful, passive management, that is index-tracking, is utilised to ensure the most cost-effective approach. In order to align more closely the interests of the managers with those of the Fund, a significant proportion of active managers' fees vary according to their performance against their benchmark.

During 2013, the specifications of a number of the pooled funds were refined and their management arrangements revised, to ensure they remain fit for purpose in meeting the Fund's needs. The most significant activities were:

INVESTMENT REPORT (CONTINUED)

Investment Management Arrangements (continued)

- the introduction of a new tranche of the Private Equity Pooled Fund;
- the continued implementation of additional specific Growth Pool manager mandates and direct positions including the appointment of Dimensional, Epoch and Invesco and the increase in mandate size of Legal and General and Blackrock Advisors;
- a number of changes in the roster of managers.

Exposure to overseas currency risk is controlled by the use of currency hedging. This process removes some of the volatility of sterling returns inherent in investing in overseas markets. There is full hedging of foreign exchange exposure in the Government Bond Pooled Fund. The Growth Pool may actively vary the extent of its currency hedging over time. All other pooled funds are unhedged.

Investment strategy

The Trustee's Investment Committee sets investment strategy; the Benefits and Funding Committee reviews and approves strategies determined by the Investment Committee. In setting strategies the profile of the liabilities, along with the covenant strength and views of the sponsoring employer, are taken into account.

Strategy is set as a risk budget, where risk is taken to be the expected volatility of returns relative to long-dated index-linked gilts (a proxy for the pension liabilities). The risk budgeting approach facilitates a more flexible approach to asset allocation, which means that prevailing market conditions can be taken into account when managing the level of volatility risk. The Fund's strategy is implemented through investment in the appropriate mix of the pooled funds operated by RPMI for the Trustee. For those adopting risk budgeting or wanting to introduce a degree of dynamic asset allocation into their strategy, investment is usually made in the Growth Pooled Fund, which invests in a range of return-seeking assets.

Economic commentary provided by RPMI

2013 produced growing evidence that an inflection point in the global economy may have passed. The economic data during the second half of the year improved markedly even if the recovery remains a shallow one and policymakers continue to tread very carefully.

The nascent recovery has been led by the US, which has consistently outperformed the rest of the OECD. Fears of a meltdown in Europe have largely subsided, despite continued difficulties in the periphery, while fears about a 'hard landing' in China have also receded somewhat. Meanwhile, some of the early optimism engendered in Japan by 'Abenomics' appears to have worn off.

Central banks remain highly accommodative although have recently taken their first steps to normalising policy, for example, Fed tapering. The timeline for rate rises is somewhat unclear with central banks stepping back from initial forward guidance thresholds.

INVESTMENT REPORT (CONTINUED)

Economic commentary provided by RPMI (continued)

Return-seeking assets and equity markets posted strong gains in 2013, rising even in advance of the improvement in data. The MSCI World Index – a measure of equity prices in developed markets – returned 26% in local currency price terms, led by US stocks which returned 30% (S&P 500). Emerging Market stocks, however, were left behind, finishing broadly flat. As would be expected, credit spreads also benefitted in this environment, tightening significantly. The impact on overall yield levels was offset by higher interest rates which increased last year as investors digested better economic data and the onset of Fed tapering.

Investment performance

The global economy gathered momentum throughout 2013, led by improvements in the economic data from the US. Central Banks around the world continued to take a highly accommodative stance to monetary policy, which supported the performance of riskier assets like equities. Bond markets in countries perceived as a safe haven (e.g. the USA and UK) saw a modest rise in yields for government and investment grade debt. Meanwhile bond yields fell in some European countries viewed as riskier credits (e.g. Italy and Spain), as worries about the Eurozone receded.

The Growth Pooled Fund invests in a wide range of return-seeking assets with flexible allocations based on a risk budget range and a target level of long-term return. Global equities continue to be the largest asset class holding in the Fund. The allocation increased over the 12 months from 34% to around 43% as the economic outlook improved. Other significant asset segments in the Fund include non-government bonds, property, commodities, fund-of-hedge-funds, absolute return, emerging market debt and reinsurance.

The Growth Pooled Fund targets a long-term real return of 5% above UK RPI inflation over a market cycle. The return in 2013 was 8.6%, which was ahead of its target return. The key driver of returns during this period was the allocation to equity markets.

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 Private Equity Pooled Fund produced a return of 11.4% in 2013, behind its quoted equity benchmark return. Because of 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. Therefore, due to this lag, the return for 2013 has not fully captured the rally in equity markets.

The Infrastructure Pooled Fund delivered a positive return of 21.3% for the year, significantly ahead of the RPI benchmark. This Fund is in its divestment period and during 2013 the Fund returned £100m back to investors as underlying investments were realised.

INVESTMENT REPORT (CONTINUED)

Investment performance (continued)

The Defensive Pooled Fund was set up in 2012 as a transitional vehicle to facilitate risk reduction for Sections. The Fund has flexible allocations based on a risk budget range and a target level of longer-term return. It invests in assets which are defensive in nature and as at the end of 2013 holdings consisted of the Non-Government Bond Pooled Fund, Government Bond Pooled Fund, a portfolio of securitised debt and cash. The Fund's 12-month return of negative 1.1% was below the long-term target and benchmark.

The return of negative 1.0% for the Government Bond Pooled Fund reflected the aggregate rise in yields of government debt over the year and was slightly below the benchmark. The strongest return within the defensive assets in 2013 came from the Index Linked Pooled Fund at 2.4%.

Section returns

There was a clear divergence in returns from the sections of the Fund in 2013, reflecting the different liability profiles and asset strategies. The 1970 Contributory Section, with its liabilities predominantly in respect of serving members, has a large allocation to return-seeking assets, and a smaller allocation to bonds. The investment return for the year was 8.7% net of fees and costs. Over a 3 year period the investment return was 5.2% per annum, while over a 10 year time horizon the return was 6.1% per annum.

The other two sections are much more mature (i.e. their liabilities are in respect of pensioners and deferred pensioners). As a result they have a much higher allocation to bonds and a lower allocation to return-seeking assets. The return for the 1970 Preserved Section was 4.4% for 2013 net of fees and costs, with the strong returns from the Growth Pooled Fund offset by a low return from the Index Linked Pooled Fund and a slightly negative return from the Government Bond Pooled Fund. Over a 3 year period the investment return was 6.0% per annum, while over a 10 year time horizon the return was 6.3% per annum. The 1968 Section achieved similar performance with returns of 4.3% in 2013, 6.0% per annum over 3 years and 6.3% per annum over 10 years.

Securities lending

Securities lending forms part of the arrangements sanctioned by the regulatory authorities to maintain an orderly and more liquid securities market. With the approval of the Investment Committee, and 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 Fund receives collateral, in the form of cash or other securities, that meet standards set on behalf of the Trustee Company. As a result of operating these securities lending arrangements, the Fund receives revenues. The custodians also operate indemnification programmes which protect the Fund against defaulting borrowers. The Fund retains economic exposure to the lent securities, for example by receiving dividends, but loses voting rights temporarily. The Trustee Company retains the right, however, to recall securities if an important vote is scheduled.

INVESTMENT REPORT (CONTINUED)

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 job and part of their pension at the same time, should the employer's business fail.

Investment decisions on the purchase and sale of employer-related investments are taken by external investment managers acting within discretions given to them by the Trustee Company. RPMI regularly monitors investment manager activity to ensure that statutory limits on self investment are not breached.

BRASS (AVC)

British Transport Police Force Superannuation Fund holding at 31.12.13 = £6.6m
Total value of fund at 31.12.13 = £1,358m

The main AVC arrangement for the RPS, known as 'BRASS', is administered by RPMI and invested in several different investment vehicles. Acting on advice from their professional investment advisers, Towers Watson, the Trustee made a number of changes to the range of available funds in 2013.

At 31 December 2013, the greater part of the fund was invested in the Pension Assured Fund ('PAF') with underlying investments managed by Aviva Investors and Legal & General. Units in the PAF are guaranteed by Aviva to be worth at least £1 each to the unit holders at age 55 or on earlier death. Members retiring before age 55 may receive a discounted value depending on their age. Aviva is responsible for provision of the guarantee and the overall management of the PAF, including the issue of bonus units, asset allocation, pricing and administration of dealing in the units, subject to monitoring by RPMI. Approximately 80% of the underlying assets are invested in a long-term bond fund and a cash portfolio, with the majority of the balance in an actively managed global equity fund. The fund has been closed to contributions since 2007 and implementation of a planned transfer of part of the fund was completed in the first quarter of 2014. This transfer was done for the benefit of members and was based on advice from Towers Watson.

The new BRASS investment fund range was launched in May 2013 and consists of two lifestyle strategies (Long Term Growth and Global Equity) and five self-select funds: Global Equity Fund, Aggregate Bond Fund, Long Term Growth Fund, Index-Linked and Global Bond Fund and Deposit Fund. The Trustee may from time to time change the range of funds made available to the members.

The investment benchmarks for the BRASS funds other than the PAF are shown in the table on the next page:

INVESTMENT REPORT (CONTINUED)

BRASS (AVC) (continued)

Fund	Benchmark
Global Equity Fund	Composite comprising regional equity indices
Aggregate Bond Fund	Composite comprising government and corporate bond indices
Long Term Growth Fund	UK RPI (with a long term target out-performance of UK RPI +5% 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)

APPENDICES

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APPENDIX A

PRINCIPAL ADVISERS TO THE TRUSTEE COMPANY AND MANAGEMENT COMMITTEE

Fund and investment administrator

RPMI, Stooperdale Offices, Brinkburn Road, Darlington, DL3 6EH

Manager of investment of managers

Railpen Investments, 2nd Floor, Camomile Court, 23 Camomile Street, London, EC3A 7LL

Actuary

Arthur F Zegleman, Towers Watson Limited (until March 2013)

Elizabeth Battams, Punter Southall Limited (from March 2013)

External Auditors

KPMG LLP

Solicitors

Herbert Smith Freehills, Linklaters, DWF, Eversheds, Maclay Murray & Spens, Simmons & Simmons.

Principal Custodian

The Bank of New York Mellon

Clearing Bankers

The Royal Bank of Scotland plc

APPENDIX B PAYMENT OF CONTRIBUTIONS

Due dates for payment of contributions

The Trustee Company collects contributions from every employer participating in the Fund. Under the provisions of the Pensions Act 1995 it is the responsibility of each employer to pay contributions on time. Following the first valuation performed under the new scheme specific funding regime, the Trustee Company is required to prepare, maintain and monitor a schedule of contributions setting out the dates by which contributions should be received. These dates then become the legal due dates for application of the Pensions Act 1995.

The schedule sets out as a percentage of pay the rate of contributions payable to the Fund by the employers and members, and also shows the dates on which the contributions are due.

The schedule of contributions that the Trustee Company has prepared for the Fund require payment to be made by the due date set out in the rules, which is seven working days after the relevant members are paid (compared to the 19th day of the following month under legislation).

The Fund Actuary conducts an actuarial valuation of the Fund every three years. The valuation must be signed off within 15 months of the valuation date. The schedule of contributions must be prepared within 12 weeks of the sign off and must be signed by both the Principal Employer and the Trustee Company.

Late payment of contributions

The Trustee Company is required by law to report to the Pensions Regulator late payments of contributions which are of material significance.

The Trustee Company takes the collection of contributions very 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 Company are reported in accordance with both applicable law and The Pensions Regulator's recommendations.

The employer participates in the Trustee Company's direct debit arrangements for normal contributions and AVCs paid by the employer, which greatly reduces the risk of the employer failing to pay contributions on time.

During 2013 there were £nil of late payment of contributions (2012: £nil).

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 Company 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's.

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 Company'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 Company 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 safe keeping;
- 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 Company, 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.

APPENDIX C
CUSTODY ARRANGEMENTS (CONTINUED)

In addition, all custodians appointed by the Trustee Company 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 Company 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.

APPENDIX D RESPONSIBLE INVESTMENT

Responsible investment encompasses corporate governance, shareholder engagement and social, environmental and ethical ('SEE') considerations, now more generically described as environmental, social and governance ('ESG') issues. Trustees of UK occupational pension schemes are required by law to address in their schemes' Statements of Investment Principles ('SIP') the extent (if at all) to which SEE considerations are taken into account in the selection, retention and realisation of investments and their policy (if any) directing the exercise of rights (including voting rights) attached to investments. The Trustee Company believes that companies with robust corporate governance structures and interested and involved shareholders are more likely to achieve superior long-term financial performance than those without. We recognise that investors have responsibilities as well as rights and this includes taking ESG issues into consideration in investment decision making.

General principles

The Trustee Company seeks to promote best practice in responsible investment, voting and engagement by:

- maintaining communications with investee companies, other investors in those companies, and those shaping the debate on corporate governance policy;
- widening the scope of the corporate governance debate to company strategy and shareholder value and contributing at a market level by responding to relevant consultations and other policy development activities;
- promoting compliance with the UK Corporate Governance Code and the UK Stewardship Code, and other statements of recognised best practice in other markets;
- supporting improvements in the quality and clarity of company reporting;
- encouraging best practice in stewardship as a responsible investor; and
- working with other institutional investors to achieve these ends.

Wherever possible, the Trustee Company endeavours, through its external fund managers or directly, to resolve areas of disagreement with the companies in which it invests prior to annual general meetings and strongly supports the principle of comply or explain.

UK Stewardship Code

The Trustee Company 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, which 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 our own SIPs, and to publish a compliance statement. Our full statement on how we apply the Code and its seven principles, together with our approach to responsible investment, can be found on our website at www.rpmi.co.uk

APPENDIX D RESPONSIBLE INVESTMENT (CONTINUED)

We encourage our external fund managers to make an AAF 01/06 report on Stewardship Code compliance and to obtain an independent audit opinion which can be disclosed to clients as recommended in the guidance to Principle 7 of the Stewardship Code. The Trustee Company wishes to lead by example on this and has obtained an independent audit opinion on aspects of its own Stewardship Code compliance as at 30 September 2012 which is available to members on request. It will repeat this periodically.

Voting and engagement

Although the Trustee Company's external UK-based fund managers are expected to advise and report on governance issues, and to engage proactively with companies in line with the Stewardship Code, full voting authority ultimately rests with the Trustee Company. In addition to the monitoring of the activities performed by fund managers and other intermediaries, the Trustee Company, through Railpen Investments, will undertake 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.

UK voting and engagement alliance

Since 2010, Railpen Investments has worked with the Universities Superannuation Scheme, another major UK pension fund with a strong commitment to responsible investment, to establish a voting and engagement alliance through a joint UK corporate governance and voting policy which was last updated in December 2013 and will continue to be regularly refreshed in light of major governance developments. It can be found on our website at www.rpmi.co.uk

The 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. Our policy document aims to deal with issues that are either not covered by the Code, require greater emphasis or are specifically left open for shareholders to resolve with company boards. This should help investment managers and company directors to understand our views on these issues.

UK voting disclosure

We publicly disclose on our website www.rpmi.co.uk our voting record in respect of all UK company meetings held after 1 January 2010, subject to a waiting period of three months from the end of the month in which the meeting is held, so that we can balance transparency without undermining our ongoing dialogue with companies.

Executive remuneration

Executive remuneration continues to be a major focus of our voting and engagement work. We expect to see significant alignment between the interests of directors and shareholders and urge companies to adopt:

APPENDIX D RESPONSIBLE INVESTMENT (CONTINUED)

- a simple and transparent structure which provides for a basic salary at market levels;
- a deferred element of the remuneration package; and
- the use of rigorous performance targets for annual bonuses and longer-term incentives, appropriate to the company and its sector, which do not encourage excessive risk taking and provide for clawback.

The regulatory authorities in the UK and elsewhere are imposing their own requirements for the deferral of annual bonuses as part of their perceived need for more prudent regulation. The UK Government consulted extensively on executive pay reform and will be introducing a binding shareholder vote on forward looking future remuneration policy (“future policy report”) from October 2013 in addition to the existing advisory vote on the retrospective implementation of the policy (“implementation report”).

Overseas markets

In addition to our activities in the UK, active voting and engagement has been extended selectively to overseas markets since 2006 and currently extends to the USA, Continental Europe, Japan, Singapore, Australia and Hong Kong. Self-standing policies for several of our overseas markets can be found on our website www.rpmi.co.uk

Collaborative Engagement

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

These include, but are not limited to, the NAPF, the International Corporate Governance Network, the UK Corporate Governance Forum, the UK Social Investment Forum, the Global Investors Governance Network, the Working Group of the International Integrated Reporting Council and various other investor corporate governance bodies, including the Council of Institutional Investors in the USA, Eumedion in the Netherlands, the Australian Council of Super Investors and the Asian Corporate Governance Association in the Far East. We are also members of Institutional Investors Group on Climate Change.

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
- Forest Footprint Disclosure Project

As well as taking part in UNPRI activities, we also encourage our external fund managers to become asset manager signatories.

APPENDIX D
RESPONSIBLE INVESTMENT (CONTINUED)

Pooled fund equity holdings

The largest ten equity holdings within the pooled fund investments as at 31 December 2013 were as follows:

	£m
Nestle	34.40
British American Tobacco	28.67
Sanofi	26.64
SAP	25.33
Unilever	24.04
Accenture	23.01
Reckitt Benckiser Group	22.40
Bank of New York Mellon	20.64
Imperial Tobacco Group	20.54
Mondelez International	19.30

APPENDIX E RISK STATEMENT

The following risk management process operated throughout the year-ended 31 December 2013.

Risk policy

The Trustee Company 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 Company's risk policy is to limit the exposure of the Fund, 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 Company and provides a framework for managing risk on a day-to-day basis.

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

The Trustee Company 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 Company.

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 Investments. 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.

APPENDIX E RISK STATEMENT (CONTINUED)

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 committees receiving reports and management information concerning key business activities, for example, the Executive Management Group 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 2012. 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 Company 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 Risk Management Committee is chaired by the Finance Director and includes representatives of executive management and is open to Trustee Directors. It meets regularly with the Business Assurance team with the external auditors in attendance, to consider the significant risks and assess how they have been identified, evaluated and

APPENDIX E
RISK STATEMENT (CONTINUED)

managed, as well as the effectiveness of the internal controls associated with these significant risks.

Because of the limitations that are inherent in any system of internal control, the Trustee Company'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
ACTUARY'S STATEMENT**

Actuarial statement made for the purposes of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Name of fund

British Transport Police Force Superannuation Fund

Calculation of Technical Provisions

I certify that, in my opinion, the calculation of the Fund's Technical Provisions as at 31 December 2012 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Fund and set out in the Statement of Funding Principles dated 15 January 2014.

Elizabeth Battams
Fellow of the Institute and Faculty of Actuaries
Scheme Actuary
Punter Southall
11 Strand
London
WC2N 5HR

27 February 2014

**APPENDIX G
ACTUARY'S CERTIFICATE**

Actuary's certificate of Schedule of Contributions

Name of fund:

British Transport Police Force Superannuation Fund

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of the contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected at 31 December 2012 to be met by the end of the period specified in the recovery plan dated 15 January 2014.
2. I also certify that any rates of contributions forming part of this schedule which the scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the schedule, the statement of funding principles and any recovery plan.

Adherence to statement of funding principles

3. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 15 January 2014.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Fund's liabilities by the purchase of annuities, if the Fund were to be wound up.

Elizabeth Battams
Fellow of the Institute and Faculty of Actuaries
Scheme Actuary
Punter Southall
11 Strand
London
WC2N 5HR

27 February 2014

APPENDIX H

SUMMARY FUNDING STATEMENT

The Fund Trustee is required to produce and provide to members a regular 'Summary Funding Statement' intended to include important financial information concerning the Fund. This latest statement covers the period to 31 December 2012.

Planning for the future

A pension scheme is a long-term arrangement, designed to pay pensions over many years. For a shared cost arrangement, such as the British Transport Police Force Superannuation Fund, it is a partnership between the employer and pension scheme members. The Trustee Company looks after the assets of the Fund, which are built up by contributions and investment returns and are used to pay benefits in the future.

Many members will not take their benefits until some time in the future and pensions will continue to be paid over many years. This means that to work out the appropriate amount of assets that the Fund should hold now we need to make a number of assumptions about the future – such as the life expectancy of the members and the investment returns that may be achieved on the Fund's investments.

However, what actually happens in the future may be very different from the assumptions made now; and because pensions are paid over such a long time, the Trustee Company, the employer and the members can make changes over time so that pensions can be paid when they fall due.

The Fund has a formal financial assessment (an actuarial valuation) at least once every three years. The latest valuation was as at 31 December 2012 and its results have recently been published. This statement summarises the results and conclusions and a copy of the full Report on the valuation is available on request from RPMI at the address at the end of the statement.

The Fund includes two sections – the 1968 Section (which is a small historical section) and the 1970 Section. The 1970 Section is itself divided into the preserved benefits part (a closed part comprising pensions in payment) and the contributory benefits part (the open part of the Fund).

The main purpose of an actuarial valuation is to work out the rate of future contributions which must be paid to the Fund. The 2012 actuarial valuation (the results of which are summarised below) concluded that no contributions were required for the 1968 Section and the Preserved part of the 1970 Section but that additional contributions to the Contributory part of the 1970 Section were still needed to remove a deficit.

APPENDIX H
SUMMARY FUNDING STATEMENT (CONTINUED)

Funding positions assuming that the Fund will continue

1968 Section

The latest actuarial valuation of the 1968 Section of the Fund showed that on 31 December 2012:

The value of the 1968 Section's liabilities was:	£2.3 million
The 1968 Section's assets were valued at:	£2.8 million
This means that there was a funding surplus of:	£0.5 million

The funding level at this valuation has improved since the previous actuarial assessment at the end of 2011. This is mainly due to better than expected asset returns over the year and an increase in the future expected return on assets.

The funding surplus at 31 December 2012 has been allocated to provide for future pension increases, as required under Section 56 of the Transport Act 1980.

No contributions are required for the 1968 Section of the Fund.

1970 Preserved Section

The latest valuation of the Preserved part of the 1970 Section of the Fund showed that as at 31 December 2012:

The value of the 1970 Preserved Section's liabilities was:	£38.1 million
The 1970 Preserved Section's assets (including Government support) were valued at:	£39.7 million
This means that there was a funding surplus of:	£1.6 million

The funding level at this valuation improved since the previous actuarial assessment at the end of 2011, mainly due to better than expected asset returns over the year and an increase in the future expected return on assets. As a result of the improved funding position, the Trustee and the Authority took the opportunity to build an allowance for de-risking of assets into the expected investment return. This should mean that the funding position is less volatile in future.

The result meant that the assets were enough, at 31 December 2012, to cover 107% of the benefits that would need to be paid in the future. No contributions are required for this part of the 1970 Section.

1970 Contributory Section

The latest valuation of the Contributory part of the 1970 Section of the Fund showed that as at 31 December 2012:

APPENDIX H SUMMARY FUNDING STATEMENT (CONTINUED)

The value of the 1970 Contributory Section's liabilities was:	£864 million
The 1970 Contributory Section's assets(excluding BRASS) were valued at:	£846 million
This means that there was a funding shortfall of:	£18 million

The above result meant that the assets were enough to cover 98% of the benefits that would need to be paid in the future.

The joint normal rates of contributions needed to fund the accrual of benefits and administration expenses over the period to the next valuation date are:

- 40.6% of Scheme Salary for members who joined prior to 1 April 2007
- 25.4% of Pensionable Salary for members who joined after 31 March 2007

The funding level has improved since the 2011 statement, due mainly to better than expected asset returns over the year and deficit contributions paid by the Authority. The Trustee and the Authority also agreed to build in some allowance for de-risking of assets as more members retire. However, a funding shortfall remains.

To address the shortfall, a Recovery Plan has been agreed between the Trustee and the Authority. Under this plan, in addition to continuing joint contributions at the current rates of 40% of Scheme Salaries for members who joined the Fund prior to 1 April 2007 and 30% of Pensionable Salaries for subsequent entrants, the Authority will fund all of the additional cost of funding the deficit by making a series of monthly lump sum contributions from 1 January 2013 until 31 January 2016. These contributions started at the rate of £425,000 per month and will increase each April, broadly in line with inflation.

Contributions at these levels are expected to bring the funding position back into balance by the date of the last payment, but will in any event be reassessed at the next formal valuation due at 31 December 2015.

As the Authority is funding all of the additional lump sum contributions, it has been agreed that it will have a first call on any future surplus that might arise. In those circumstances the funding surplus, up to the amount of the additional lump sum contributions paid, would be used to reduce the Authority's future payments to the Fund.

Solvency position if the Fund were to be wound up

The actuarial valuation of the Fund at 31 December 2012 also estimated the amount an insurer might charge if the Fund were to cease at that date and benefits secured with them. On this basis the assets were estimated to cover around 45% of the benefits that would need to be paid in the future. This is lower than the ongoing funding level described earlier as insurers are obliged to take a very cautious view of the future and wish to make a profit. By contrast, the ongoing funding valuation assumes that your employer will carry on in business and continue to support its funding of the Fund. This buy out figure is an estimate only and does not represent the actual amount that would need to be paid to any specific insurer to secure the benefits.

APPENDIX H SUMMARY FUNDING STATEMENT (CONTINUED)

The Trustee is required by law to provide you with this information on the Fund's solvency position. It does not imply that there is any intention, on the part of either the Authority or the Trustee Company, to wind up the Fund.

Investment of the Fund's assets

The assets for the British Transport Police Force Superannuation Fund are invested in funds in which only railways pension schemes may invest. The Fund has its own investment strategy which determines how assets are invested in each of the pooled investment funds. This investment strategy is kept under regular review by the Trustee Company.

Payments to the employer

We are legally required to inform you of any payments that have been made to your Employer from the Fund in the last 12 months.

There have been no such payments.

Pension Protection Fund

The Government established the Pension Protection Fund (PPF) to pay compensation to members of defined benefit pension schemes (like the British Transport Police Force Superannuation Fund) if employers become insolvent and if there are not enough assets in the pension schemes. In these situations, the PPF will take over the pension schemes' assets and provide benefits to the schemes' members. However, the benefits provided by the PPF would in almost all cases be lower than the pensions that members would have received from the scheme that has been taken over.

Further information and guidance is available on the PPF's website at www.pensionprotectionfund.org.uk.

Or you can write to the PPF at:

Knollys House
7 Addiscombe Road
Croydon
Surrey
CR0 6SR

APPENDIX H
SUMMARY FUNDING STATEMENT (CONTINUED)

If you would like more information

If you have a question about the Fund or the information in this statement, please contact RPMI by:

Phone: 0800 2 343434

Email: csu@rpm.co.uk

Post: Customer Services, RPMI, PO Box 300, Darlington, DL3 6YJ

Website: www.railwaypensions.co.uk

Please remember to let RPMI know if you change your address.

**APPENDIX I
FUND SECTION EXTRACTION ACCOUNTS**

British Transport Police 1968 Section (unaudited)

Fund account for the year ended 31 December 2013

	2013	2012
	£000	£000
Benefits payable	228	225
Administrative expenses	3	3
	231	228
Net withdrawals from dealings with members	(231)	(228)
Net returns on investments	121	99
Net movement in the Fund during the year	(110)	(129)
Net assets at the start of the year	2,815	2,944
Net assets at the end of the year	2,705	2,815

	2013	2012
	£000	£000
Investments	2,709	2,819
Current liabilities	(4)	(4)
Net assets at the end of the year	2,705	2,815

**APPENDIX I
FUND SECTION EXTRACTION ACCOUNTS (CONTINUED)**

British Transport Police 1970 Section Current (unaudited)

Fund account for the year ended 31 December 2013

	2013	2012
	£000	£000
Contributions and benefits		
Contributions receivable	36,430	37,144
Transfer values	4,865	4,563
	41,295	41,707
Benefits payable	42,395	36,347
Transfer values	1,406	2,373
Administrative expenses	1,583	1,610
	45,384	40,330
Net additions/(withdrawals) from dealings with members	(4,089)	1,377
Net returns on investments	74,183	62,579
Net movement in the Fund during the year	70,094	63,956
Net assets at the start of the year	852,741	788,785
Net assets at the end of the year	922,835	852,741

Net assets statement as at 31 December 2013

	2013	2012
	£000	£000
Investments	920,650	850,647
Current assets	2,185	2,094
Net assets at the end of the year	922,835	852,741

**APPENDIX I
FUND SECTION EXTRACTION ACCOUNTS (CONTINUED)**

British Transport Police 1970 Section Historic (unaudited)

Fund account for the year ended 31 December 2013

	2013	2012
	£000	£000
Contributions and benefits		
Benefit support	1,674	1,726
	1,674	1,726
Benefits payable	3,646	3,816
Administrative expenses	159	140
	3,805	3,956
Net withdrawals from dealings with members	(2,131)	(2,230)
Net returns on investments	1,046	864
Net movement in the Fund during the year	(1,085)	(1,366)
Net assets at the start of the year	24,141	25,507
Net assets at the end of the year	23,056	24,141

Net assets statement as at 31 December 2013

	2013	2012
	£000	£000
Investments	22,914	24,120
Current assets	142	21
Net assets at the end of the year	23,056	24,141

APPENDIX J

SUMMARY OF THE MAIN PROVISIONS OF THE FUND

Tax status

The Fund is a registered fund under the Finance Act 2004.

Contracting-out

The members of the Fund are contracted-out from the State Second Pension.

Eligibility

All police officers who are not within two years of their maximum pension age (60 or 65 depending on rank) when they join the service are eligible to join the Fund if allowed by their contract of employment.

Transport Act 1980

The Transport Act 1980 provides financial support for the employer's historical obligations. These obligations are met by the payment to the Fund of a fixed proportion, determined by the Secretary of State, of the relevant obligations as they fall due. This proportion is 65.99% of supportable Fund expenditure as it occurs.

Historic obligations relate to preserved membership which is membership prior to 14 September 1970 credited to members on joining the Fund at that time.

Pension increases

Pensions in payment and preserved pensions were increased by 2.2% from April 2013 based on the rate of inflation as measured by the Consumer Prices Index ('CPI') in September 2012. The increase from April 2014 was 2.7% based on CPI at September 2013.

Benefit structure from April 2007

From 1 April 2007 a revised benefit structure was introduced for new members and is shown in the following table. Details of the old benefit structure are available on request from RPMI.

APPENDIX J
SUMMARY OF THE MAIN PROVISIONS OF THE FUND (CONTINUED)

New members post 1 April 2007

Active member

Contributions	Additional voluntary contributions ('AVC')	Death in service
<p>Contributions are based on pensionable salary, which is basic salary plus, where appropriate, pensionable allowances such as London Weighting.</p> <p>Pensionable salary is re-assessed on the first Monday in January each year, based on the member's salary on the previous 1 November. Contributions cease when the first of the following occurs:</p> <ul style="list-style-type: none">a) on leaving the Fund; orb) at maximum pension age of 60 or 65 depending on rank.	<p>Current members can pay extra contributions through AVC Extra to secure additional benefits.</p>	<p>Nominated dependants or personal representatives will receive:</p> <p>A lump-sum death benefit of four times pensionable salary averaged over 12 months.</p> <p>Plus</p> <p>A dependant's pension of one half of the pension the member would have received had he/she retired due to incapacity at the date of death. Pensions for children may also be payable.</p>

Full details of the provisions of the Fund can be found in the Trust Deed and Rules.

APPENDIX J
SUMMARY OF THE MAIN PROVISIONS OF THE FUND
(CONTINUED)

Leaving the Fund

When a member retires at or after age 55

He/she will receive

A pension of 1/70th of average pensionable salary for each year of membership, up to 35 years.

Plus

A tax-free lump sum of 4/70th of average pensionable salary during the last 12 months for each year of membership, up to 35 years. Lump sums can be converted into pension on a cost neutral basis.

And on death

A dependant's pension of one half the member's pension (before conversion of any lump sum). Pensions for children may also be payable.

When a member retires because of incapacity

He/she will receive

Incapacity retirement benefits, with no reduction for early payment, can be granted at the Management Committee's discretion to members retiring on the grounds of incapacity who have completed at least five years' membership. The length of membership used to calculate the pension may also be enhanced in certain circumstances.

And on death

A dependant's pension of one half of the member's pension (before conversion of any lump sum). Pensions for children may also be payable.

When an immediate pension is not payable

He/she will receive either

If the member has 2 or more years service:

A preserved pension and lump sum payable from age 65, or from age 55 at a reduced amount.

Or

A transfer value payment payable to another approved pension arrangement.

If the member has less than 2 years service:

A refund of contributions less tax and other deductions.

Transfer values

All transfer values out of the Fund are paid in full and are calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996. Allowance is made in the calculation of transfer values for discretionary benefits payable upon early retirement, on the basis of the assumed future experience of members retiring early. There are no other discretionary benefits to be taken into account.

Full details of the provisions of the Fund can be found in the Trust Deed and Rules.

**APPENDIX K
WHERE TO GO FOR HELP**

Trustee Company and Railpen Investments

Company Secretary
Railways Pension Trustee Company Limited
2nd Floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

Tel: 020 7220 5000
Email: enquiries@rpmico.uk
Website address: www.rpmico.uk

RPMI

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

Paul Faulkner
Head of Rail Administration
RPMI
Stooperdale Offices
Brinkburn Road
Darlington
DL3 6EH

Tel: 0800 2 343434 (Customer Services Team)
E-mail: csu@rpmico.uk
Website address: 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

Tel: 08456 012 923
Online enquiry: www.pensionsadvisoryservice.org.uk/online-enquiry
Website address: www.pensionsadvisoryservice.org.uk

APPENDIX K WHERE TO GO FOR HELP (CONTINUED)

Pensions Ombudsman

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

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

Tel: 020 7630 2200

Email: enquiries@pensions-ombudsman.org.uk

Website address: 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

Tel: 0870 600 0707

E-mail: customersupport@tpr.gov.uk

Website address: www.thepensionsregulator.gov.uk

Pension Tracing Service

Information about UK schemes (including a contact address) is provided to the Department for Work and Pensions ('DWP') Pension Tracing Service. This enables members to trace benefits from previous employers' schemes.

The DWP's Pension Tracing Service can be contacted at the following address:

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

Tel: 08456 002 537

Website address: www.gov.uk/find-lost-pension

Fund Registration number: 100541628

APPENDIX L

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 2013.

The total valuation of the pooled assets as at 31 December 2013 was £19,871.97m (2012 - £18,078.58m). There are in addition £1,431.54m (2012 - £1,957.93m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £21,303.51m (2012 - £20,036.51m).

The pooled funds operate as internal unit trusts. They comprise a key element of the arrangements that the Trustee Company 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.

In May 2013 two segments of the Defined Contribution Pooled Fund, the Brass Growth Pooled Fund and the Brass Cautious Pooled Fund, were closed and five new segments were opened. Assets were transitioned from the Growth and Cautious segments into the new segments with externally managed BRASS 2 assets also being brought in-house to be invested in the Defined Contribution Pooled Fund. The only externally managed BRASS 2 fund now remaining is the Pension Assured Fund.

The table on page 70 summarises the investments of each of these pooled funds as at 31 December 2013. The notes on pages 74 to 94 analyse the total pooled assets of £19,871.97m 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 pages 77 to 78, and the unit prices on pages 75 to 77.

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 66 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 below, 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.

Credit default swaps ("CDSs") are contracts whereby, in exchange for a stream of income, one party agrees to make payments to another in the event of the insolvency (or other suitably defined credit event) of the issuer of the 'reference security' that is the subject of the contract. In this respect CDSs are somewhat similar to insurance arrangements, since they allow the buyer to reduce credit risk in exchange for an annual fee. The market value of a CDS is the fair value of the contract, which reflects the market's best estimate of the likelihood of the relevant future credit event occurring on the reference security. As part of the efficient management of bond

INTRODUCTION TO THE POOLED FUND ACCOUNTS (Continued)

The economic exposure of pooled fund assets (continued)

portfolios, fund managers are allowed to enter into CDSs in order to reduce costs or generate additional return, and in view of this the Trustee considers that the accounting fair value of £0.22m is the best measure of the economic exposure of CDSs, as disclosed in the table below.

INTRODUCTION TO THE POOLED FUND ACCOUNTS (Continued)

THE ECONOMIC EXPOSURE OF POOLED FUND ASSETS AS AT 31 DECEMBER 2013

	Segregated investments	Futures	Swaps	Options	Forwards	CDS	Pooled investment vehicles	FX	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
UK equities	347.03	-	-	-	-	-	505.68	-	852.71
Overseas equities	2,181.51	261.65	-	-	-	-	3,005.05	61.04	5,509.25
Property	1,516.68	-	-	-	-	-	29.17	-	1,545.85
Private equity	0.65	-	-	-	-	-	1,918.90	-	1,919.55
Commodities	-	252.55	-	-	-	-	-	-	252.55
Hedge funds	-	-	-	-	-	-	2,511.22	43.86	2,555.08
Infrastructure	-	-	-	-	-	-	890.57	-	890.57
UK index linked securities	10.99	-	-	-	-	-	173.07	-	184.06
Overseas index linked securities	23.63	-	-	-	-	-	-	0.04	23.67
Liability driven investments	-	-	-	-	-	-	40.34	-	40.34
UK public sector bonds	68.56	9.28	-	-	57.27	-	-	-	135.11
UK non-public sector bonds	153.20	-	-	-	-	-	-	-	153.20
Overseas public sector bonds	1,778.02	(290.50)	-	-	-	-	-	14.48	1,502.00
Overseas non-public sector bonds	1,480.44	-	-	-	-	0.22	293.06	27.90	1,801.62
Cash	2,718.75	(221.41)	(0.24)	0.05	(57.24)	-	-	(0.05)	2,439.86
Other assets and liabilities	66.55	-	-	-	-	-	-	-	66.55
Total	10,346.01	11.57	(0.24)	0.05	0.03	0.22	9,367.06	147.27	19,871.97

INTRODUCTION TO THE POOLED FUND ACCOUNTS (Continued)

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 Company'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.
- (vi) Exchange traded derivatives are stated at market values 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 Company 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.

Foreign currencies

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

INTRODUCTION TO THE POOLED FUND ACCOUNTS (Continued)

ACCOUNTING POLICIES (continued)

Investment income

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.
- (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.

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 Company on behalf of the Property Pooled Fund, and hence fall to be subsidiary undertakings of the pooled fund. In accordance with the SORP, they have been included in the pooled fund accounts on a full consolidation basis.

Derivative contracts: objectives and policies

The Trustee Company 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 Company's approved derivatives policy.

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

INTRODUCTION TO THE POOLED FUND ACCOUNTS (Continued)

ACCOUNTING POLICIES (continued)

Unit transactions

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

FUND STATEMENT AS AT 31 DECEMBER 2013

	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	883.76	608.82	18.67	-	2,943.45	37.95	(0.47)	197.86	32.61	(4.98)	6,996.62	11,714.29
Global Equity	1,644.78	16.96	-	-	1,777.60	59.79	(10.75)	334.22	4.57	(3.27)	-	3,823.90
Private Equity	0.65	-	-	-	1,918.90	0.01	(0.06)	50.85	0.18	(1.01)	-	1,969.52
Non Government Bond	-	1,698.43	-	-	-	43.41	(16.82)	82.06	69.49	(24.90)	-	1,851.67
Property	-	-	-	1,516.68	20.23	-	-	215.75	15.07	(30.81)	-	1,736.92
Hedge Funds	-	-	-	-	1,148.71	33.98	-	182.05	20.13	(3.34)	-	1,381.53
Cash	-	-	-	-	-	-	-	1,210.58	0.47	(0.16)	-	1,210.89
Government Bond	-	943.10	15.95	-	-	18.47	(10.46)	25.52	25.11	(31.82)	-	985.87
Infrastructure	-	-	-	-	890.57	-	-	19.10	0.04	(0.15)	-	909.56
Defensive	-	-	-	-	94.56	3.19	-	94.45	0.02	(0.05)	652.28	844.45
Defined Contribution	-	-	-	-	3.93	-	-	218.80	0.40	(0.51)	456.20	678.82
Commodities	-	212.91	-	-	214.93	4.75	(4.75)	41.59	0.24	(0.54)	-	469.13
Liquid Growth	-	-	-	-	76.57	0.66	-	45.41	0.10	(0.03)	184.29	307.00
Index Linked	-	-	-	-	169.14	-	-	0.14	-	(0.04)	-	169.24
LDI	-	-	-	-	40.34	-	-	0.11	-	(0.06)	-	40.39
Passive Equity	-	-	-	-	68.13	-	-	0.05	-	(0.02)	-	68.16
Cashflow Matching	-	-	-	-	-	-	-	0.32	0.01	(0.31)	-	0.02
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(8,289.39)	(8,289.39)
Total	2,529.19	3,480.22	34.62	1,516.68	9,367.06	202.21	(43.31)	2,718.86	168.44	(102.00)	-	19,871.97
%	12.73	17.51	0.17	7.63	47.14	1.02	(0.22)	13.68	0.85	(0.51)	-	100.00

Analysis of cross holdings

	Liquid Growth	Global Equity	Index Linked	Hedge Funds	Property	Private Equity	Government Bond	Non Government	Commodities	Cash	Total Cross Holdings
Pooled Fund	£m	£m		£m	£m	£m	£m	£m	£m	£m	£m
Growth	-	2,367.92	-	1,231.26	1,440.42	0.06	-	790.72	430.69	735.55	6,996.62
Defensive	-	-	-	-	-	-	187.97	280.40	-	183.91	652.28
Defined Contribution	307.00	130.81	7.16	-	-	-	-	11.23	-	-	456.20
Liquid Growth	-	68.42	-	46.28	37.42	-	-	21.12	11.05	-	184.29
Total	307.00	2,567.15	7.16	1,277.54	1,477.84	0.06	187.97	1,103.47	441.74	919.46	8,289.39

The accounting policies on pages 67 to 69 and the notes on pages 74 to 94 form part of these accounts.

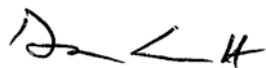
FUND STATEMENT AS AT 31 DECEMBER 2013

MOVEMENT IN UNIT HOLDERS' FUNDS

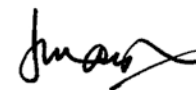
	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Reinvested income	Change in cross holdings	Total unit holders' funds
Pooled Fund	£m	£m	£m	£m	£m	£m	£m
Growth	9,420.31	1,714.56	(275.26)	805.54	49.14	-	11,714.29
Global Equity	4,716.66	561.98	(2,363.65)	869.47	39.44	-	3,823.90
Private Equity	1,882.15	118.53	(290.58)	263.68	(4.26)	-	1,969.52
Non Government Bonds	1,590.77	791.66	(533.08)	(54.24)	56.56	-	1,851.67
Property	1,598.67	215.04	(241.56)	82.89	81.88	-	1,736.92
Hedge Funds	1,231.73	359.79	(331.85)	129.04	(7.18)	-	1,381.53
Cash	984.62	1,711.55	(1,489.32)	-	4.04	-	1,210.89
Government Bonds	828.09	219.10	(50.24)	(34.29)	23.21	-	985.87
Infrastructure	849.84	-	(100.00)	160.07	(0.35)	-	909.56
Defensive	680.09	187.06	(14.39)	(8.23)	(0.08)	-	844.45
Defined Contribution	92.86	714.96	(143.51)	14.05	0.46	-	678.82
Commodities	455.08	137.64	(76.30)	(45.86)	(1.43)	-	469.13
Liquid Growth	-	301.53	(0.31)	5.47	0.31	-	307.00
Index Linked	165.72	31.02	(31.08)	3.81	(0.23)	-	169.24
LDI	111.87	-	(61.35)	(23.53)	13.40	-	40.39
Passive Equity	62.08	-	(10.05)	16.23	(0.10)	-	68.16
Cashflow Matching	302.81	1.00	(304.07)	(4.43)	4.71	-	0.02
Cross Holdings	(6,894.77)	-	-	-	-	(1,394.62)	(8,289.39)
Total	18,078.58	7,065.42	(6,316.60)	2,179.67	259.52	(1,394.62)	19,871.97

Approved on behalf of the Trustee Company on 7 May 2014.

Derek Scott
Chairman



John Mayfield
Director and Chairman,
Audit Committee



The accounting policies on pages 67 to 69 and the notes on pages 74 to 94 form part of these accounts.

FUND STATEMENT AS AT 31 DECEMBER 2012

	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	310.22	557.58	29.83	-	1,536.10	29.00	(2.60)	763.45	86.56	(52.35)	6,162.52	9,420.31
Global Equity	2,470.07	10.28	-	-	1,893.81	33.90	(10.70)	324.20	11.04	(15.94)	-	4,716.66
Private Equity	4.74	-	-	-	1,805.80	0.02	(0.01)	72.18	0.08	(0.66)	-	1,882.15
Property	-	-	-	1,552.68	18.47	-	-	64.35	18.58	(55.41)	-	1,598.67
Non Government Bond	-	1,393.04	-	-	-	25.31	(7.60)	163.51	18.44	(1.93)	-	1,590.77
Hedge Funds	-	-	-	-	1,067.82	18.88	(0.32)	111.18	39.08	(4.91)	-	1,231.73
Cash	-	-	-	-	-	-	-	984.18	0.51	(0.07)	-	984.62
Infrastructure	19.73	-	-	-	806.84	0.50	(0.28)	22.98	0.20	(0.13)	-	849.84
Government Bond	-	795.59	-	-	-	13.51	(6.71)	18.87	8.25	(1.42)	-	828.09
Defensive	-	-	-	-	-	-	-	20.16	0.06	(0.01)	659.88	680.09
Commodities	-	283.83	-	-	123.84	5.43	(5.67)	47.38	0.72	(0.45)	-	455.08
Cashflow Matching	-	199.15	-	-	-	-	-	101.52	2.56	(0.42)	-	302.81
Index Linked	-	-	-	-	165.62	-	-	0.13	-	(0.03)	-	165.72
LDI	-	-	-	-	111.48	-	-	0.45	-	(0.06)	-	111.87
Defined Contribution	-	-	-	-	-	-	-	20.61	0.02	(0.14)	72.37	92.86
Passive Equity	-	-	-	-	62.08	-	-	0.01	-	(0.01)	-	62.08
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(6,894.77)	(6,894.77)
Total	2,804.76	3,239.47	29.83	1,552.68	7,591.86	126.55	(33.89)	2,715.16	186.10	(133.94)	-	18,078.58
%	15.51	17.92	0.17	8.59	41.99	0.70	(0.19)	15.02	1.03	(0.74)	-	100.00

Analysis of cross holdings

Pooled Fund	Global Equity	Hedge Funds	Property	Non Government Bond	Cash	Commodities	Government Bond	Index Linked	Total Cross Holdings
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Growth	2,226.16	1,085.01	1,128.44	600.70	711.44	410.77	-	-	6,162.52
Defensive	-	-	-	345.14	162.61	-	152.13	-	659.88
Defined Contribution	24.80	9.19	10.54	12.26	-	2.90	8.45	4.23	72.37
Total	2,250.96	1,094.20	1,138.98	958.10	874.05	413.67	160.58	4.23	6,894.77

The accounting policies on pages 67 to 69 and the notes on pages 74 to 94 form part of these accounts.

FUND STATEMENT AS AT 31 DECEMBER 2012

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
Pooled Fund	£m	£m	£m	£m	£m	£m	£m
Growth	7,035.15	2,086.09	(358.59)	619.41	38.25	-	9,420.31
Global Equity	6,456.55	639.42	(3,061.06)	621.88	59.87	-	4,716.66
Private Equity	1,840.08	125.12	(178.03)	99.65	(4.67)	-	1,882.15
Property	1,555.21	0.09	(20.57)	(11.19)	75.13	-	1,598.67
Non Government Bond	1,071.55	407.24	(11.34)	77.71	45.61	-	1,590.77
Hedge Funds	1,129.40	135.76	(116.56)	91.91	(8.78)	-	1,231.73
Cash	189.09	1,047.57	(255.18)	-	3.14	-	984.62
Infrastructure	765.63	-	-	84.08	0.13	-	849.84
Government Bond	907.02	59.93	(192.01)	28.84	24.31	-	828.09
Defensive	-	691.99	(24.20)	12.30	-	-	680.09
Commodities	394.16	81.85	(1.51)	(18.25)	(1.17)	-	455.08
Cashflow Matching	510.26	177.00	(386.15)	(12.82)	14.52	-	302.81
Index Linked	187.99	1.17	(20.44)	(2.79)	(0.21)	-	165.72
LDI	149.64	-	(44.52)	(37.67)	44.42	-	111.87
Defined Contribution	67.61	29.37	(9.73)	5.58	0.03	-	92.86
Passive Equity	-	60.75	-	1.34	(0.01)	-	62.08
Cross Holdings	(5,293.30)	-	-	-	-	(1,601.47)	(6,894.77)
Total	16,966.04	5,543.35	(4,679.89)	1,559.98	290.57	(1,601.47)	18,078.58

The accounting policies on pages 67 to 69 and the notes on pages 74 to 94 form part of these accounts.

CONSOLIDATED NOTES TO THE FUND STATEMENT

1.1 Fund statement as at 31 December 2013	Note	2013 £m	2012 £m
Assets			
Equities			
UK quoted		346.90	390.13
UK unquoted		0.13	0.13
Overseas quoted		2,175.40	2,406.47
Overseas unquoted		6.76	8.03
		2,529.19	2,804.76
Fixed interest securities			
UK quoted – public sector		68.56	273.51
UK quoted – non public sector		126.59	122.13
UK unquoted – non public sector		26.61	-
Overseas quoted – public sector		1,778.02	1,349.56
Overseas quoted – non public sector		1,458.33	1,494.27
Overseas quoted – non public sector		22.11	-
		3,480.22	3,239.47
Indexed linked securities			
UK quoted – public sector		10.99	-
UK quoted – non public sector		-	1.04
Overseas quoted – public sector		23.42	28.52
Overseas quoted – non public sector		0.21	0.27
		34.62	29.83
UK Property			
		1,516.68	1,552.68
Pooled investment vehicles			
UK unquoted – property partnerships		20.23	18.47
UK unquoted – unitised insurance policies		2,713.98	2,110.35
UK unquoted – other partnerships		651.80	591.87
UK unquoted – other managed funds		92.28	85.85
Overseas quoted – hedge funds		78.64	0.21
Overseas quoted – other managed funds		989.92	497.48
Overseas unquoted – partnerships		2,445.62	2,351.14
Overseas unquoted – hedge funds		1,653.20	1,360.34
Overseas unquoted – unit trusts		94.56	-
Overseas unquoted – other managed funds		626.83	576.14
		9,367.06	7,591.86
Derivative contracts			
Forwards – OTC	1.5	0.03	0.27
Futures – exchange traded	1.5	20.83	9.19
TBA contracts – OTC		-	1.33
Swaps – OTC	1.5	1.51	2.43
Swaps – exchange traded		-	0.77
Options – OTC	1.5	0.05	0.28
Options – exchange traded		-	0.01
FX contracts – OTC	1.5	179.79	112.27
		202.21	126.55

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.1 Fund statement as at 31 December 2013 (Continued)	Note	2013 £m	2012 £m
Cash deposits and cash instruments	1.6	2,718.86	2,715.16
Other assets			
Other investment assets	1.7	161.66	156.42
Current assets	1.9	6.78	8.93
		168.44	165.35
Total assets		20,017.28	18,225.66
Liabilities			
Derivative contracts			
Forwards – OTC	1.5	-	(0.21)
Futures – exchange traded	1.5	(9.26)	(7.39)
TBA contracts – OTC		-	(0.16)
Swaps – OTC	1.5	(1.53)	(1.98)
Options – OTC	1.5	-	(0.06)
FX contracts – OTC	1.5	(32.52)	(24.09)
		(43.31)	(33.89)
Other liabilities			
Other investment liabilities	1.8	(57.16)	(61.54)
Current liabilities	1.10	(44.84)	(51.65)
		(102.00)	(113.19)
Total liabilities		(145.31)	(147.08)
Net assets attributable to unit holders		19,871.97	18,078.58

1.2 Pooled fund unit prices as at 31 December	2013 £/unit	2012 £/unit
Cash Pooled Fund	10.16	10.13
Commodities Pooled Fund	13.46	14.76
Global Equity Pooled Fund	65.04	52.90
Government Bond Pooled Fund	11.29	11.43
Growth Pooled Fund	12.61	11.62
Hedge Funds Pooled Fund	15.01	13.63
Index Linked Pooled Fund	54.31	53.19
Infrastructure Pooled Fund	9.58	8.02
Non Government Bond Pooled Fund	11.97	12.00
Property Pooled Fund	65.98	59.76
Defensive Pooled Fund	10.10	10.21
Passive Equity Pooled Fund	12.83	10.14
Liquid Growth Pooled Fund (From May 2013)	10.36	-

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

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

	2013 £/unit	2012 £/unit
Cashflow Matching Pooled Fund		
Cashflow Matching 2012 Pooled Fund (Until March 2013)	-	10.21
Cashflow Matching 2013 Pooled Fund	7.31	10.40
	2013 £/unit	2012 £/unit
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	5,221.57	292.42
Direct Investment Pooled Fund 1997	193.22	156.01
Direct Investment Pooled Fund 1998	13.05	12.97
Direct Investment Pooled Fund 1999	26.47	11.73
Direct Investment Pooled Fund 2000	17.16	16.20
Private Equity Pooled Fund 2001	28.89	22.99
Private Equity Pooled Fund 2004	27.01	23.53
Private Equity Pooled Fund 2005	23.98	20.74
Private Equity Pooled Fund 2007	14.30	12.65
Private Equity Pooled Fund 2009	51.38	13.73
Private Equity Pooled Fund 2011	9.88	9.62
	2013 £/unit	2012 £/unit
Liability Driven Investment Pooled Fund		
LDI Nominal 2025 Pooled Fund	13.13	21.04
LDI Nominal 2030 Pooled Fund	13.73	20.98
LDI Nominal 2035 Pooled Fund	14.52	20.43
LDI Nominal 2040 Pooled Fund	15.80	20.00
LDI Nominal 2045 Pooled Fund	15.89	18.89
LDI Nominal 2050 Pooled Fund	16.18	17.98
LDI Nominal 2055 Pooled Fund	16.34	17.33
LDI Nominal 2060 Pooled Fund	16.72	17.21
LDI RPI 2015 Pooled Fund	10.95	11.19
LDI RPI 2020 Pooled Fund	14.51	15.74
LDI RPI 2025 Pooled Fund	15.27	19.02
LDI RPI 2030 Pooled Fund	16.04	18.99
LDI RPI 2035 Pooled Fund	17.85	18.45
LDI RPI 2040 Pooled Fund	18.40	17.46
LDI RPI 2045 Pooled Fund	18.19	16.64
LDI RPI 2050 Pooled Fund	18.23	16.14
LDI RPI 2055 Pooled Fund	18.57	15.74
LDI RPI 2060 Pooled Fund	18.89	15.46

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

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

	2013 £/unit	2012 £/unit
Defined Contribution Pooled Fund		
Brass Pooled Fund (Cautious) (Until May 2013)	-	12.37
Brass Pooled Fund (Growth) (Until May 2013)	-	12.37
DC Global Equity Fund (From May 2013)	11.04	-
DC Long Term Growth Fund (From May 2013)	10.35	-
DC Deposit Fund (From May 2013)	10.02	-
DC Index Linked and Global Bond Fund (From May 2013)	9.77	-
DC Aggregate Bond Fund (From May 2013)	9.71	-

1.3 Value of the Pooled Funds

	2013 £m	2012 £m
Growth Pooled Fund	11,714.29	9,420.31
Global Equity Pooled Fund	3,823.90	4,716.66
Private Equity Pooled Fund*	1,969.52	1,882.15
Non Government Bond Pooled Fund	1,851.67	1,590.77
Property Pooled Fund	1,736.92	1,598.67
Hedge Funds Pooled Fund	1,381.53	1,231.73
Cash Pooled Fund	1,210.89	984.62
Government Bond Pooled Fund	985.87	828.09
Infrastructure Pooled Fund	909.56	849.84
Defensive Pooled Fund	844.45	680.09
Defined Contribution Pooled Fund	678.82	92.86
Commodities Pooled Fund	469.13	455.08
Liquid Growth Pooled Fund	307.00	-
Index Linked Pooled Fund	169.24	165.72
Liability Driven Investment Pooled Fund*	40.39	111.87
Passive Equity Pooled Fund	68.16	62.08
Cashflow Matching Pooled Fund*	0.02	302.81
	28,161.36	24,973.35
Cross holdings		
Global Equity Pooled Fund	(2,567.15)	(2,250.96)
Property Pooled Fund	(1,477.84)	(1,138.98)
Hedge Funds Pooled Fund	(1,277.54)	(1,094.20)
Non Government Bond Pooled Fund	(1,103.47)	(958.10)
Cash Pooled Fund	(919.46)	(874.05)
Commodities Pooled Fund	(441.74)	(413.67)
Liquid Growth Pooled Fund	(307.00)	-
Government Bond Pooled Fund	(187.97)	(160.58)
Index Linked Pooled Fund	(7.16)	(4.23)
Private Equity Pooled Fund	(0.06)	-
	19,871.97	18,078.58

* See breakdown into pooled fund segments below.

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.3 Value of the pooled funds (continued)	2013 £m	2012 £m
Cashflow Matching Pooled Fund		
Cashflow Matching 2012 Pooled Fund (Until March 2013)	-	98.99
Cashflow Matching 2013 Pooled Fund	0.02	203.82
	0.02	302.81
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	0.15	0.01
Direct Investment Pooled Fund 1997	0.22	0.18
Direct Investment Pooled Fund 1998	0.14	8.13
Direct Investment Pooled Fund 1999	0.15	0.64
Direct Investment Pooled Fund 2000	28.52	36.78
Private Equity Pooled Fund 2001	181.33	218.09
Private Equity Pooled Fund 2004	94.91	101.55
Private Equity Pooled Fund 2005	328.24	335.05
Private Equity Pooled Fund 2007	1,008.20	987.13
Private Equity Pooled Fund 2009	171.57	132.55
Private Equity Pooled Fund 2011	156.09	62.04
	1,969.52	1,882.15
Liability Driven Investment Pooled Fund		
LDI Nominal 2025 Pooled Fund	0.15	0.79
LDI Nominal 2030 Pooled Fund	1.28	4.68
LDI Nominal 2035 Pooled Fund	2.00	7.01
LDI Nominal 2040 Pooled Fund	5.28	14.31
LDI Nominal 2045 Pooled Fund	4.35	11.31
LDI Nominal 2050 Pooled Fund	4.37	10.63
LDI Nominal 2055 Pooled Fund	3.53	8.10
LDI Nominal 2060 Pooled Fund	6.39	13.91
LDI RPI 2015 Pooled Fund	0.46	1.83
LDI RPI 2020 Pooled Fund	2.07	6.41
LDI RPI 2025 Pooled Fund	2.78	9.69
LDI RPI 2030 Pooled Fund	2.74	9.44
LDI RPI 2035 Pooled Fund	2.62	7.60
LDI RPI 2040 Pooled Fund	0.62	1.86
LDI RPI 2045 Pooled Fund	0.42	1.17
LDI RPI 2050 Pooled Fund	0.37	0.97
LDI RPI 2055 Pooled Fund	0.33	0.78
LDI RPI 2060 Pooled Fund	0.63	1.38
	40.39	111.87

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.4 Investment income

	2013 £m	2012 £m
Dividends from equities	68.07	104.86
Income from fixed interest securities	126.37	116.62
Income from index linked securities	1.71	0.67
Income from UK property	94.09	87.14
Interest from cash deposits	10.21	11.27
Income from pooled investment vehicles	29.69	45.22
Other income	4.69	3.14
	334.83	368.92
Irrecoverable withholding tax	(3.86)	(2.90)
Total income	330.97	366.02
Administration, custody and other expenses	(19.37)	(17.07)
Investment management fees – base	(33.08)	(35.51)
Investment management fees – performance	(3.11)	(11.65)
RPMI fees	(15.70)	(13.49)
Tax	(0.01)	(0.01)
	(71.27)	(77.73)
Minority interest	(0.18)	2.28
Reinvested income (accrued in unit price)	259.52	290.57

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:

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.5 Derivative contracts (Continued)

Futures (Continued)

Type of future	Economic exposure at year end £m	Asset value at year end £m	Liability value at year end £m
MSCI EM index	75.98	1.99	-
US S&P index	48.66	1.92	-
Commodities	252.55	4.75	(4.75)
Eurostoxx index	29.67	1.61	-
Swiss market index (“SMI”)	8.85	0.34	-
Japanese Topix	89.93	3.37	-
Euribor	(9.69)	0.22	-
Australian government bonds	(16.57)	0.05	-
UK government bonds	9.28	0.43	(0.06)
Canadian government bonds	(277.40)	0.17	(1.04)
Japanese government bonds	41.82	0.24	-
German government bonds	6.51	1.10	(0.45)
US government bonds	(30.08)	4.29	(2.93)
Italian government bonds	(3.33)	0.02	-
French government bonds	(1.76)	-	(0.01)
Other equity indices	8.56	0.33	(0.02)
	232.98	20.83	(9.26)

Included within net assets is £162.10m cash, £165.72m US Treasury bills, £3.63m US Treasury bonds and £47.18m US Treasury notes in respect of initial and variation margins arising on open futures contracts at the year end. The duration of futures is between one and eighteen months.

Collateral deposited by counterparties with the Trustee Company in respect of futures contracts at the year end date amounted to £110.02m cash. Contingent collateral received in this way is not reported within the pooled fund’s net assets.

Swaps: Swap contracts are arrangement in which the parties agree to exchange one stream of cashflows for another. The details of swap contracts in place at the year end date are as follows:

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.5 Derivative contracts (Continued)

Swaps (Continued)

Type of Swap	Duration (years)	Nominal amount £m	Asset value at year end £m	Liability value at year end £m
OTC				
Credit default swaps	0 to 5	73.82	0.81	(0.77)
Credit default swaps	5 to 10	26.57	0.25	-
Credit default swaps	35 to 40	0.58	0.04	-
Credit default swaps	45 to 50	4.43	-	(0.11)
Interest rate swaps	0 to 5	199.60	0.22	(0.21)
Interest rate swaps	5 to 10	23.17	0.11	(0.44)
Interest rate swaps	10 to 15	2.52	0.07	-
Interest rate swaps	25 to 30	1.38	0.01	-
			1.51	(1.53)

Under the terms of swaps, 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 swap contracts the Trustee Company had deposited £0.52m of US Treasury bills and £1.38m of cash collateral at the year end. These amounts are included in the net assets of the pooled funds at the year end.

Collateral deposited by counterparties with the Trustee Company in respect of swap contracts at the year end date amounted to £7.76m cash, £1.51m US Treasury bonds, £0.12m US Treasury bills and £0.44m US Treasury notes. Contingent collateral received in this way is not reported within the pooled funds' net assets.

Forwards: Forward contracts are non-standardised OTC 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 forward contracts at the year end date are as follows:

Type of forward	Economic exposure at year end £m	Asset value at year end £m	Liability value at year end £m
UK government bonds	57.27	0.03	-
		57.27	0.03
		57.27	0.03

Under the terms of forward 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 forward contracts the Trustee Company had neither deposited nor received collateral at the year end.

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.5 Derivative contracts (Continued)

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				
Interest rate swaps	Bought	87.34	0.05	-
			0.05	-

The above options expire between nine months of the year end date.

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

Type of contract	Currency bought million	Currency sold million	Value at year end £m
Assets			
Sterling / Yen	628.20	102,586.80	38.63
Sterling / Australian dollar	105.72	181.76	7.81
Sterling / Canadian dollar	35.12	58.93	1.66
Sterling / Hong Kong dollar	56.38	694.95	2.25
Sterling / US dollar	5,228.59	8,466.16	115.98
Sterling / Singapore dollar	31.11	61.74	1.57
Sterling / Euro	283.21	336.05	3.59
Other			8.33
			179.79

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.5 Derivative contracts (Continued)

Forward foreign exchange (“FX”) contracts (Continued)

Type of contract	Currency bought million	Currency sold million	Value at year end £m
Liabilities			
US dollar / South Korean won	141.38	152,650.00	(2.09)
Yen / Sterling	30,027.77	176.13	(3.60)
US dollar / Sterling	1,304.03	795.06	(7.67)
Indian rupee / US dollar	103,136.37	8.63	(0.10)
Sterling / Euro	196.92	162.79	(1.08)
US dollar / Euro	594.28	438.55	(12.30)
Australian dollar / Sterling	54.30	30.18	(0.96)
Other			(4.72)
			(32.52)

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 Company had received £0.38m cash, £0.25m French Treasury bonds and £0.14m French Treasury notes 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 £1.56m UK Treasury bonds and £1.15m German Government bonds in respect of collateral arising on open FX contracts at the year end.

Most FX contracts will settle by April 2014.

1.6 Cash deposits and cash instruments

Included within cash balances is £52.17m in respect of repo transactions (2012 - £103.72m). A repo is a contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price.

1.7 Other investment assets

	2013 £m	2012 £m
Asset in respect of investment transactions	104.85	102.38
Investment income accrued	46.98	41.46
Recoverable tax	0.92	2.20
Rent receivable	8.91	10.38
	161.66	156.42

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.8 Other investment liabilities

	2013 £m	2012 £m
Liability in respect of investment transactions	(56.81)	(61.33)
Tax payable	(0.35)	(0.21)
	<u>(57.16)</u>	<u>(61.54)</u>

1.9 Current assets

	2013 £m	2012 £m
Asset in respect of unit trades	0.42	0.27
Trade debtors	3.67	5.70
Tax	2.23	2.47
Other	0.46	0.49
	<u>6.78</u>	<u>8.93</u>

1.10 Current liabilities

	2013 £m	2012 £m
Accrued management fees and expenses	(13.93)	(16.30)
Property income received in advance	(17.82)	(20.72)
Trade creditors	(6.99)	(8.13)
Liability in respect of unit trades	(0.39)	(0.22)
Tax	(4.29)	(4.30)
Other	(1.42)	(1.98)
	<u>(44.84)</u>	<u>(51.65)</u>

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 Company's collateral specifications

At 31 December 2013, the market valuation of stock that had been lent in the market was £208.60m (2012 - £450.38m).

Collateral held in respect of the stock on loan at 31 December 2013 had a total value of £213.99m (2012 - £462.55m).

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.12 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2012	Units issued/ (redeemed)	Income	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2013
	£m	£m	£m	£m	£m	£m	£m
Directly held assets							
Equities	2,804.76	-	-	2,206.92	(2,976.57)	494.08	2,529.19
Fixed interest securities	3,239.47	-	-	4,879.11	(4,434.09)	(204.27)	3,480.22
Index linked securities	29.83	-	-	45.88	(34.56)	(6.53)	34.62
Pooled investment vehicles	7,591.86	-	-	4,160.38	(3,251.25)	866.07	9,367.06
UK property	1,552.68	-	-	19.24	(133.44)	78.20	1,516.68
	15,218.60	-	-	11,311.53	(10,829.91)	1,227.55	16,927.77
Derivatives							
Forwards	0.06	-	-	4.58	(4.12)	(0.49)	0.03
Futures	1.80	-	-	78.86	(111.97)	42.88	11.57
TBAs	1.17	-	-	1.36	(9.30)	6.77	-
Swaps	1.22	-	-	12.11	(12.51)	(0.84)	(0.02)
Options	0.23	-	-	3.99	(2.27)	(1.90)	0.05
FX contracts	88.18	-	-	7,453.54	(7,550.60)	156.15	147.27
	92.66	-	-	7,554.44	(7,690.77)	202.57	158.90
Cross holdings	6,894.77	-	-	2,713.98	(2,045.95)	726.59	8,289.39
Other							
Cash and current assets	2,767.32	748.82	259.52	(21,579.95)	20,566.63	22.96	2,785.30
	24,973.35	748.82	259.52	-	-	2,179.67	28,161.36
Cross holdings	(6,894.77)						(8,289.39)
Net Assets	18,078.58						19,871.97

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.13 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:

	2013 £m	2012 £m
Blackrock Investment Management	3,198.16	3,573.28
Legal & General Investment Management	2,206.53	997.48
Orchard Street	1,694.43	1,577.47
Wellington Management Int	1,630.92	1,433.75
Blackstone Alternative Asset Management	1,248.30	617.76
Lazard Asset Management	958.33	644.67
Railpen Investments	790.95	827.60
Rogge Global Partners	610.72	337.55
Unigestion	367.26	272.83
Pacific Investment Management Co	351.52	436.77
Credit Suisse	343.97	320.48
Horsley Bridge Partners	288.78	256.57
Morgan Stanley Investment Management	278.04	267.47
William Blair & Company	277.30	273.38
Longview Partners	265.96	312.18
Goldman Sachs Asset Management	249.01	216.98
Grosvenor Capital Management	248.42	451.31
HarbourVest Partners	241.95	243.15
Cinven	239.70	250.85
J P Morgan Asset Management	238.48	507.98
Bridgewater	235.99	222.81
Neuberger Berman Europe	227.43	331.09
Alinda Capital Partners	219.29	225.18
Standard Life Investments	205.19	193.17
Southeastern Asset Management	174.11	217.50
Arcus Infrastructure Partners	167.85	127.52
Aberforth Partners	151.84	194.40
New Finance Capital	136.44	123.84
Invesco Asset Management	134.15	52.66
Taiyo	134.12	166.62
Dimensional Fund Advisors Ltd (from August 2013)	132.76	-
Apax Partners	132.75	140.24
Blakeney General Partners	128.30	110.29
Marathon Asset Management	122.06	96.25
Pantheon Ventures	116.61	130.47
Epoch Investment Partners (from August 2013)	111.08	-
AQR Capital Management (from December 2013)	110.43	-
Adams Street Partners	108.59	107.31
Graham Capital	108.16	69.14
CoreCommodity Management, LLC (from February 2013)	105.24	-
Carried forward	18,691.12	16,128.00

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.13 Investment managers during the year (continued)

	2013 £m	2012 £m
Brought forward	18,691.12	16,128.00
Newton Investment Management	79.68	75.10
Innisfree	78.60	61.85
Ardevora	77.34	55.16
Bain Capital	61.11	49.48
Warburg Pincus	55.33	59.83
EQT Funds Management	55.00	48.46
Henderson Equity Partners	54.57	38.60
Intermediate Capital Group (from December 2013)	54.48	-
Aspect Capital	52.06	39.27
Insight Investment	49.28	120.38
Indicus Advisors	48.07	50.74
Edgbaston Investment Partners	32.94	30.73
Columbia Capital	30.25	17.70
Headland Capital Partners	29.81	33.55
Oaktree Capital Management	29.16	41.50
Scale Ventures Partners	22.70	20.90
Balderton Capital	22.68	17.70
Sequoia Capital	21.92	12.18
Khosla Ventures	21.74	15.33
Great Hill Partners	21.68	12.57
Archer Capital	20.40	38.63
Sankaty Advisors	16.49	23.27
Hony Capital	16.40	17.21
Ares Management	16.06	8.63
Westbridge Capital Partners	16.00	9.87
Institutional Venture Partners	15.87	9.27
Anacap Financial Partners	15.43	11.77
Accel Partners	15.15	8.48
KPS Capital Partners	13.35	10.99
Morningside Ventures	12.98	5.45
Innova	12.43	7.19
Highland Capital Partners	12.12	9.18
Domain Partners	10.99	8.71
Charlesbank Capital Partners	10.12	6.51
Navis Capital Partners	9.45	7.60
CI Capital Investors	8.26	5.98
Southern Cross Group	7.28	4.50
Clearsight Investments	6.43	2.03
Thoma Bravo (from August 2013)	5.66	-
H.I.G. Capital (from January 2013)	5.05	-
Bessemer Venture Partners	4.76	2.38
Carried forward	19,835.44	17,126.68

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.13 Investment managers during the year (continued)

	2013 £m	2012 £m
Brought forward	19,835.44	17,126.68
Index Ventures	4.69	1.86
Andreessen Horowitz	4.00	1.42
Capital Dynamics	3.58	4.77
Abry Partners	3.55	2.13
Berkshire Partners	3.25	1.79
General Atlantic (from May 2013)	3.02	-
ClearVue Partners (from December 2013)	2.94	-
Scale Venture Partners (from July 2013)	1.66	-
Innovation Works (from January 2013)	1.63	-
CP2	1.31	48.33
Triton Partners (from July 2013)	1.14	-
Peak Rock Capital	0.59	0.12
Bridges Community Ventures	0.27	0.37
Governance For Owners Group	0.14	1.05
Edinburgh Partners (until July 2013)	-	292.46
Rock Creek Group (until January 2013)	-	197.40
River and Mercantile Asset Management (until June 2013)	-	183.66
Relational Investors (until July 2013)	-	16.54
	19,871.97	17,878.58

1.14 Benchmarks and targets

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

	2013 %	2012 %
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
	100.0	100.0

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.

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.14 Benchmarks and targets (continued)

The performance of each annual segment of the Cashflow Matching Pooled Fund is measured against a customised benchmark designed to reflect the specific maturity profiles of that segment.

The performance of the LDI Pooled Fund is measured against the liability profile of the sections investing in the pooled fund.

The performance of the DC Global Equity Fund is measured against the Global Equity Pooled Fund benchmark.

The benchmarks and targets of all other pooled funds as at 31 December 2013 are shown in the table below:

Pooled fund	Benchmark	Long term target
Growth	Retail Price Index	Benchmark + 5% pa
Private Equity	MSCI All countries world index	Benchmark + 1% pa
Non Government Bond	Barclays Capital Global Aggregate Corporate Index (hedged)	Benchmark + 0.75% pa
Property	Investment Property Databank All Properties Index	Benchmark + 1% pa
Hedge Funds	SONIA 3 month swap rate. The 3 month SONIA swap rate represents a sterling overnight index average rate for brokered unsecured overnight trades between banks.	Benchmark + 3.5% pa
Cash	7 Day Sterling London Inter-Bank Intra Day Interest Rate	Benchmark
Government Bond	Citigroup World Government Bond Index – ex Japan (hedged)	Benchmark + 0.5% pa
Infrastructure	Retail Price Index	Benchmark + 4% pa
Defensive	Retail Price index	Benchmark + 4.0% pa
Commodities	Composite benchmark comprising: 75% DJ AIG Commodities Index 25% S&P GSCI Petroleum index	Benchmark
Liquid Growth	Retail Price Index	Benchmark + 5.0% pa
Index Linked	FTSE UK gilts – Index Linked > 15 years Index	Benchmark
Passive 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

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.14 Benchmarks and targets (continued)

Pooled fund	Benchmark	Long term target
DC Aggregate Bond	Composite benchmark comprising: 50% Citigroup World Government Bond Index – ex Japan (hedged) 50% Barclays Global Aggregate Corporation (hedged) Index	Benchmark

1.15 Performance

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

Pooled fund	Actual 2013 (%)	Target 2013 (%)	Bench 2013 (%)	Actual last 5 years ¹ (%)	Target last 5 years ¹ (%)	Bench last 5 years ¹ (%)
Growth ²	8.6	7.7	2.7	6.9	8.6	3.6
Global Equity	23.5	20.5	20.0	13.8	13.0	12.5
Private Equity	11.4	22.2	21.2	10.8	13.9	12.9
Non Government Bond	0.1	1.0	0.2	5.3	5.4	4.6
Property	11.5	11.9	10.9	9.4	8.5	7.5
Hedge Funds	10.6	3.9	0.4	8.2	4.2	0.7
Cash	0.4	0.4	0.4	0.5	0.4	0.4
Government Bond	(1.0)	0.0	(0.5)	3.7	4.0	3.5
Infrastructure	15.8	6.7	2.7	(0.5)	7.5	3.5
Defensive	(1.1)	3.2	2.7	0.7	3.7	3.2
Commodities	(8.4)	(7.8)	(7.8)	6.9	5.3	5.3
Liquid Growth ³	1.6	4.9	1.6	1.6	4.9	1.6
Index Linked	2.4	2.2	2.2	9.3	9.1	9.1
LDI	(8.9)	n/a	n/a	12.6	n/a	n/a
Passive Equity	26.7	26.8	26.8	23.5	23.5	23.5
DC Long Term Growth ³	1.9	1.6	1.6	1.9	1.6	1.6
DC Deposit ³	0.2	0.1	0.1	0.2	0.1	0.1
DC Global Equity ³	7.7	6.3	6.3	7.7	6.3	6.3
DC Aggregate Bond ³	(4.6)	(4.9)	(4.9)	(4.6)	(4.9)	(4.9)
DC Index Linked and Global Bond ³	(5.5)	(5.4)	(5.4)	(5.5)	(5.4)	(5.4)

¹ For pooled funds that have been existence for less than five years, the figures given in the table are since the inception of the pooled fund.

² The allocation of the Growth Pooled Fund throughout the year to 31 December 2013 between asset classes is shown in the table below.

³ Since inception in May 2013.

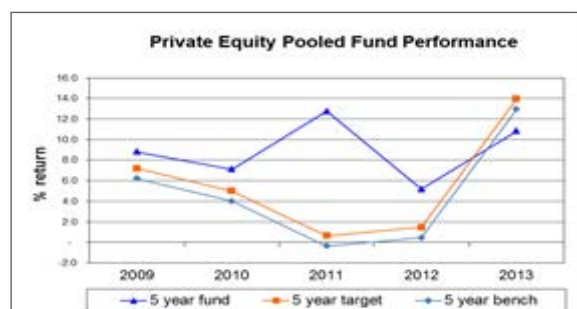
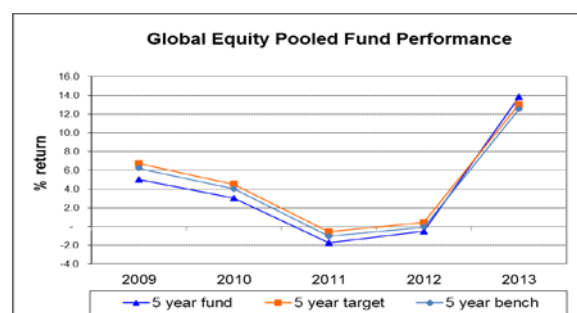
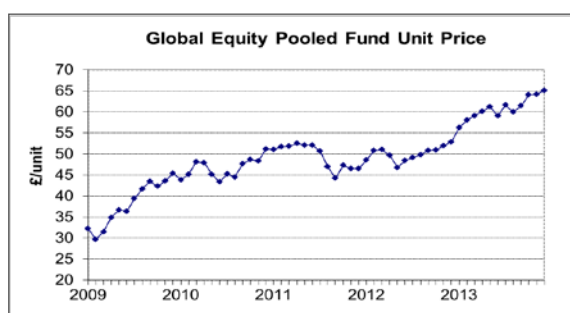
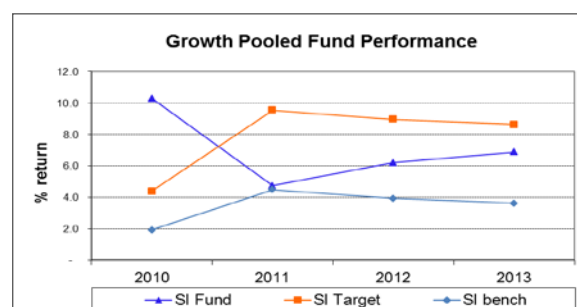
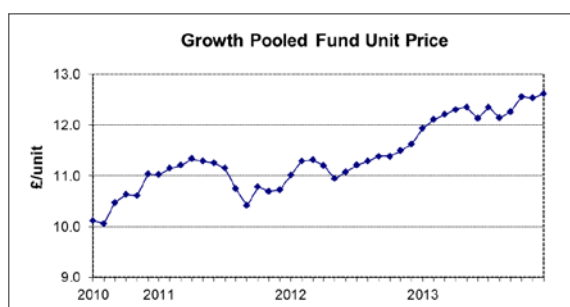
CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.15 Performance (Continued)

Allocation of Growth Pooled Fund by asset class throughout 2013

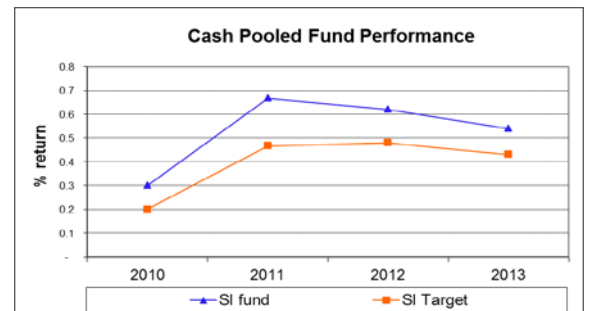
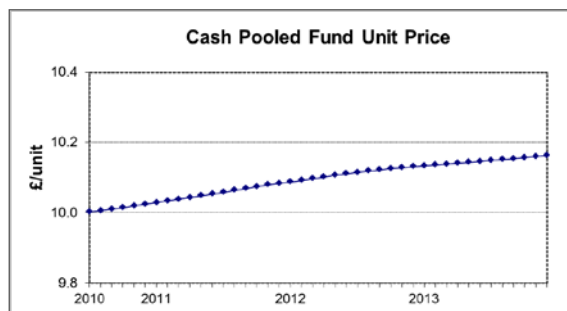
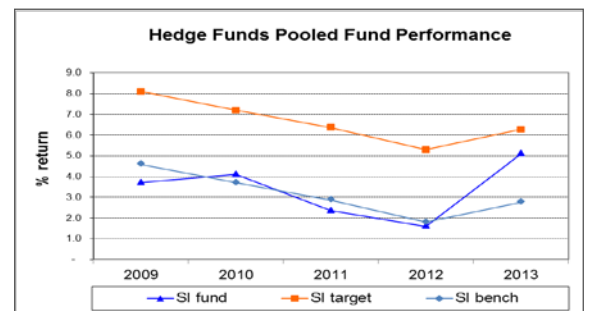
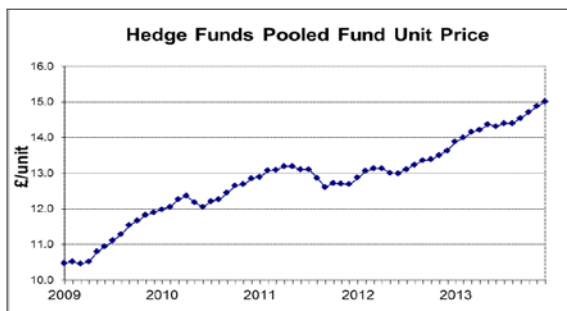
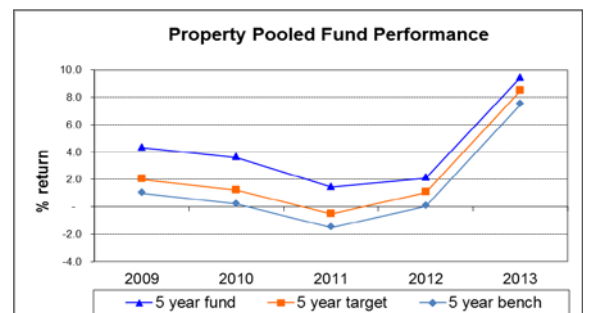
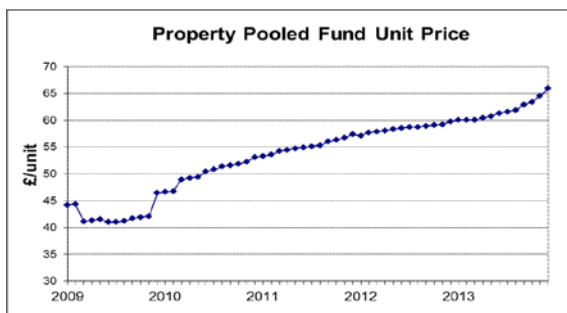
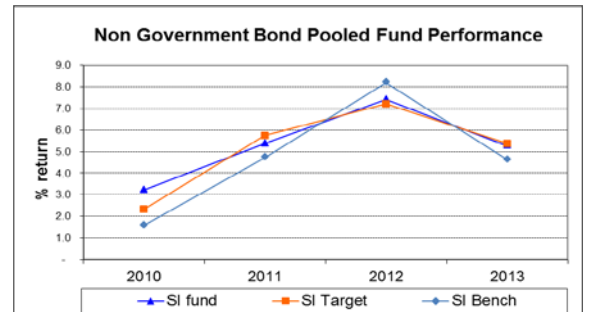
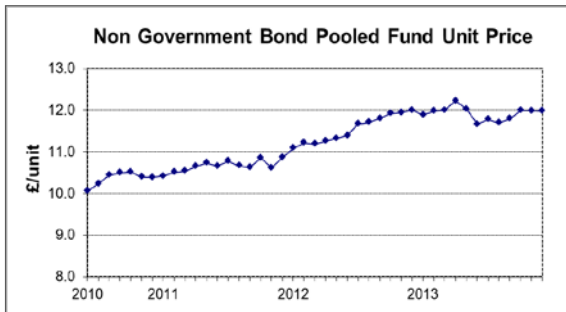
	Highest proportion of the Growth Pooled Fund (%)	Lowest proportion of the Growth Pooled Fund (%)	Average proportion of the Growth Pooled Fund (%)
Equities	42.5	35.1	39.5
Hedge Funds	17.7	17.1	17.3
Bond	13.9	11.3	12.6
Cash	15.0	7.9	11.6
Property	12.4	11.5	11.9
Commodities	4.5	3.7	4.1
Other	3.3	2.9	3.0
			100.0

The graphs below illustrate the movement in the unit price and annualised performance of each pooled fund over the last five years, or since inception where the fund has been in existence for less than 5 years.



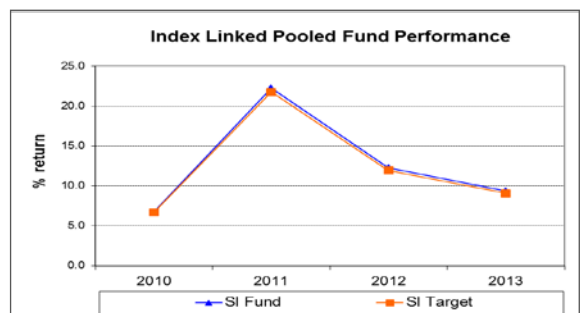
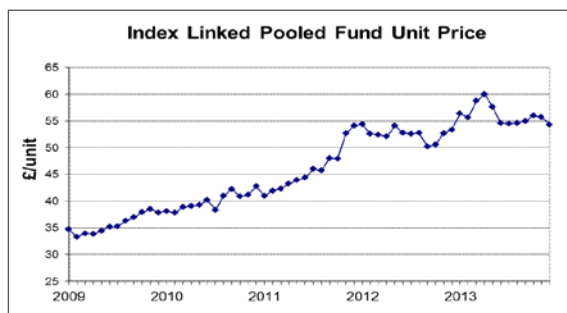
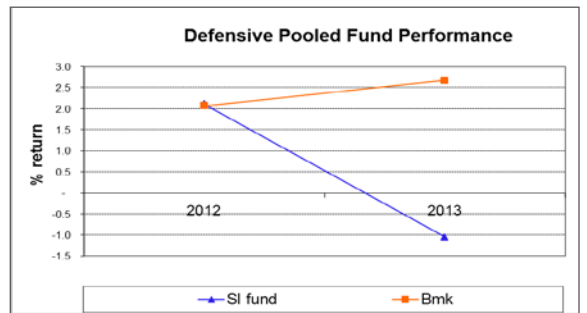
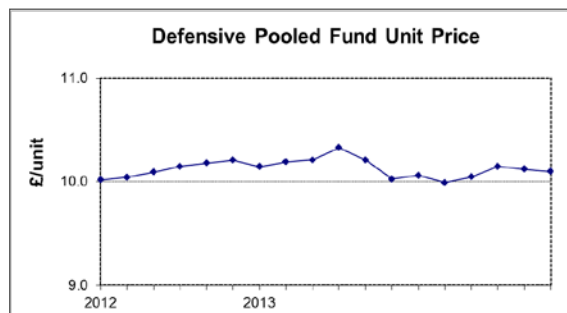
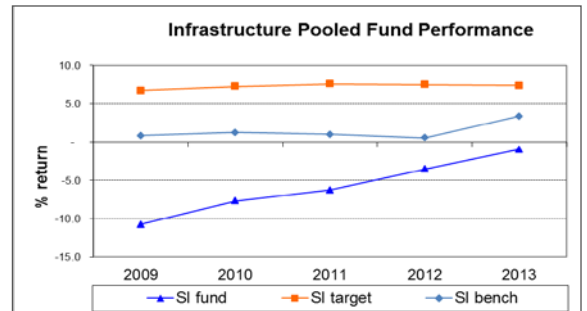
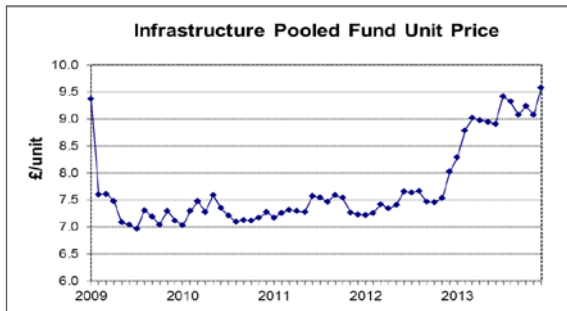
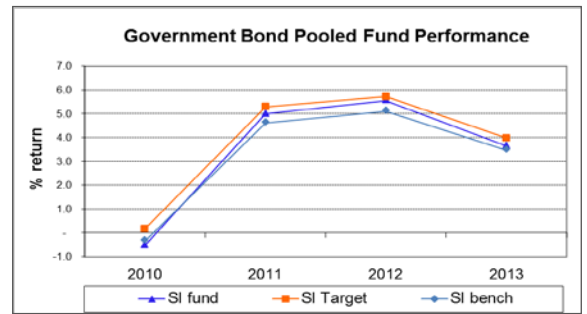
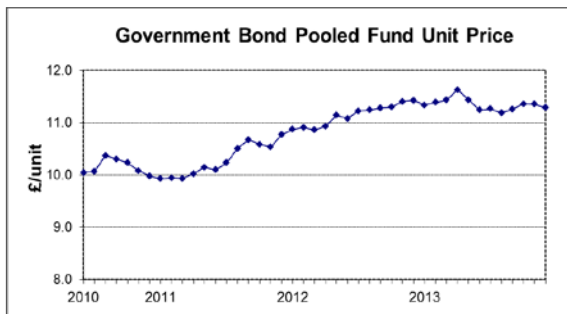
CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.15 Performance (continued)



CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.15 Performance (continued)



CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.15 Performance (continued)

