

BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

Pensions registration number: 100541628

**ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS
2014**

**REPORT AND AUDITED FINANCIAL STATEMENTS
2014**

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CHAIRMAN'S INTRODUCTION

On behalf of your Trustee Board I would like to introduce the Annual Report and Audited Financial Statements of the British Transport Police Superannuation Fund ('the Fund') for the year ended 31 December 2014. This is my first Annual Report as Chairman, and whilst I have been a Trustee Director for a number of years, I look forward to representing you as Chairman of the Trustee in the coming years.

The year was a good one for investment returns. All the main asset classes, with the exception of property, achieved returns at least equal, and in most cases well above, their benchmarks. The Growth Pooled Fund, in which the majority of the Fund's assets are invested, had an excellent year, recording absolute gains of 9.8% against a benchmark of 1.6% and a target of 6.3%.

In 2013, the Trustee initiated a wide-ranging review of its investment governance, covering investment beliefs, structure, and a root-and-branch review of the investment processes underlying the pooled funds. 2014 saw the implementation of many of the initiatives begun in the previous year. As part of these changes, the Trustee decided to combine the work previously done for the Fund by the Investment Committee and Benefits and Funding Committee into a single committee, establishing the new Integrated Funding Committee. A new Railpen Investments Board was also established to manage the pooled funds, bringing increased investment expertise into this Board, which comprises an independent Chairman, two further independent directors, two Trustee directors, and the Chief Executive. The Railpen Investments Board has been delegated the authority to manage the pooled funds on behalf of the Trustee board, while the Trustee Board retains oversight and responsibility for the Fund's assets.

A further consequence of the investment review is that the range of pooled funds has been simplified. As a result of this simplification, some of the single asset class pooled funds, such as commodities and hedge funds, have been wound down or closed. The Trustee believes that multi-asset pools, where the mix of asset classes can be varied depending on market conditions and opportunities, are able to capture returns more efficiently and effectively than single asset pools.

In conjunction with the winding down of the single asset pools, the Trustee devoted a significant amount of time to the development of a strategic plan for the Growth Pooled Fund, given its increasing significance to the Fund as a whole. Furthermore, towards the end of 2014, a strategic plan was approved for a new Illiquid Growth Pooled Fund ahead of its planned launch in 2015. The Illiquid Growth Pool will be the Scheme's new vehicle for investing in private markets and other illiquid return-seeking investments.

Running in parallel with the changes being made to the investment business, we also intend to implement a change programme for the administration and trustee services part of our operations. We have called this the "Chrysalis programme". Part of this project will be the replacement of the current pension administration system, but we intend to deliver much more than that. As the name of the project suggests, this will transform the way in which RPMI, our administration business, operates.

CHAIRMAN'S INTRODUCTION (CONTINUED)

We are making a significant investment in RPMI to ensure that we maintain a service for our members that not only demonstrates excellent value for money, but represents a quality service that meets the needs of the modern world.

On behalf of all the members, employers and my fellow Trustee Directors, I would like to thank Derek Scott, who stepped down as Chairman of the Scheme during 2014, having served in that role since 2007. Derek's contribution, both as Chairman and before that as Trustee Director, has been outstanding. The Scheme has been fortunate that it has been able to benefit enormously from Derek's dedication and knowledge over the years, and I am pleased that the Scheme will continue to draw on Derek's expertise as a Director on the Trustee Board.

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

A handwritten signature in black ink, appearing to read 'John Chilman', with a long horizontal flourish extending to the right.

John Chilman,
Chairman of the Trustee Company

AUDITED FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £000	2013 £000
Contributions and benefits			
Contributions receivable	3	38,504	38,104
Individual transfers in		3,101	4,865
<hr/>			
Contributions receivable		41,605	42,969
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Pensions		(36,658)	(34,754)
Lump-sum retirement benefits		(9,781)	(11,482)
Individual transfers out		(1,007)	(1,406)
Death benefits		(141)	(19)
Payments to and on account of leavers		(18)	(14)
<hr/>			
Fund benefits payable		(47,605)	(47,675)
<hr/>			
Administrative expenses	4	(944)	(971)
PPF levies		(839)	(774)
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Total withdrawals		(49,388)	(49,420)
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Net withdrawals from dealings with members		(7,783)	(6,451)
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Returns on investments			
Change in market values	5	97,059	75,340
Interest on loans and deposits		9	10
<hr/>			
Net returns on investments		97,068	75,350
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Net increase in the Fund during the year		89,285	68,899
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Net assets at the start of the year		948,596	879,697
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Net assets at the end of the year		1,037,881	948,596
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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 2014

	Notes	2014 £000	2013 £000
Investments	5	1,035,698	946,273
Net current assets	6	2,183	2,323
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Net assets at the end of the year		1,037,881	948,596
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Approved by the directors of the Trustee Company on 7 May 2015.



John Chilman
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 2014**

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 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 2014 (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 2014 (CONTINUED)

3. Contributions receivable

	2014	2013
	£000	£000
Members' contributions:		
Normal	11,546	11,743
Additional voluntary (AVCs)	708	657
Employer's contributions:		
Normal	19,226	19,205
Deficit funding	5,450	4,825
Augmentation	2	-
Benefit support:		
Government support	1,568	1,670
Transport for London	4	4
	38,504	38,104

Deficit funding contributions are being paid into the Fund until 31 January 2016 in accordance with the recovery plan, which was agreed in order to improve the Fund's funding position following the 31 December 2012 actuarial valuation.

4. Administrative expenses

	2014	2013
	£000	£000
Non-recoverable VAT	435	418
Pensions administration	252	232
Actuarial fees	94	175
Trustee governance	86	91
Legal fees	56	24
Communications	3	11
Other professional fees	8	10
Audit fees	9	9
Other overheads	1	1
	944	971

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 2014 (CONTINUED)

5. Net returns on investments

(a) Value of investments

	Market values at 31.12.13	Purchases at cost	Sales proceeds	Change in market values	Market values at 31.12.14
	£000	£000	£000	£000	£000
Pooled funds					
Growth	727,654	-	(92,743)	61,307	696,218
Defensive	43,909	96,320	(58)	6,672	146,843
Private Equity	78,751	7,951	(13,947)	15,876	88,631
Government Bond	47,694	-	(228)	4,582	52,048
Infrastructure	28,277	-	(2,332)	5,577	31,522
Index-Linked	10,375	-	(1,972)	2,650	11,053
Cash Fund	647	690	-	3	1,340
	937,307	104,961	(111,280)	96,667	1,027,655
BRASS and AVCs	7,166	2,208	(2,574)	392	7,192
	944,473	107,169	(113,854)	97,059	1,034,847
Other cash and cash instruments	1,800				851
	946,273				1,035,698

BRASS investments include 478,879 units in the PAF. Further information on the PAF can be found on page 37.

(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 2014 (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 31.12.14	% of pooled fund owned 31.12.13
Defensive	14.4	5.2
Government Bond	6.2	6.0
Index-Linked	5.6	6.4
Growth	5.4	6.2
Private Equity	4.0	4.1
Infrastructure	3.1	3.1
Cash Fund	0.5	0.2

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

	2014	2013
	£000	£000
Contributions due from employer	2,314	2,367
PPF levies paid in advance	215	193
Benefit support due	118	223
Investment debtor	1	8
Other charges payable	(89)	(79)
Benefits payable	(105)	(30)
Taxation and social security	(271)	(359)
	2,183	2,323

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 2014 (CONTINUED)**

7. Related party transactions

The Trustee 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 2014 net current assets included a liability of £83,000 in respect of these charges (2013 – a liability of £79,000).

One director of the Trustee 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 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 2014 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.

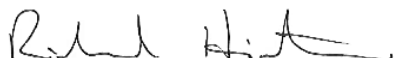
Scope of the audit of the financial statements

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 2014 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.



Richard Hinton

for and on behalf of KPMG LLP, Senior Statutory Auditor

Chartered Accountants

15 Canada Square, Canary Wharf, London, E14 5GL

7 May 2015

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 2014

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 2014. 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	19,226
Deficit contributions	5,450
Member:	
Normal contributions	11,546
Contributions payable under the schedule	36,222

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)	36,222
Other contributions payable under Fund rules:	
Government support	1,568
Members' additional voluntary contributions	709
Transport for London	5
Total contributions reported in the financial statements	<u>38,504</u>

Signed for and on behalf of the Trustee on 7 May 2015.



John Chilman
Chairman, Trustee Board

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 2014 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.

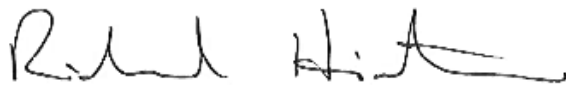
Basis of statement about contributions

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 2014 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.



Richard Hinton
for and on behalf of KPMG LLP, Senior Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL
7 May 2015

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 2015.

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 31.12.14
Railways Pension Scheme	337,048
British Transport Police Force Superannuation Fund	6,147
British Railways Superannuation Fund	3,278
BR (1974) Fund	2,298
	<hr/> 348,771 <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, Industry-Wide DC Employers in the RPS and the principal employers of the other schemes of which the Trustee Company is a trustee are all encouraged to become a member of RHL. The company is owned equally by its guarantor members, irrespective of size. Each member of RHL is committed to contribute a maximum of £1 to its liabilities if it is wound up.

The primary purpose of RHL is to provide governance controls and appoint the directors of the Trustee Company. The Articles of Association set out the procedure for the appointment of directors. The aim is to achieve a balanced representation of the different employers and the members (or their representatives) of the schemes. The directors of RHL and the Trustee Company are the same.

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.

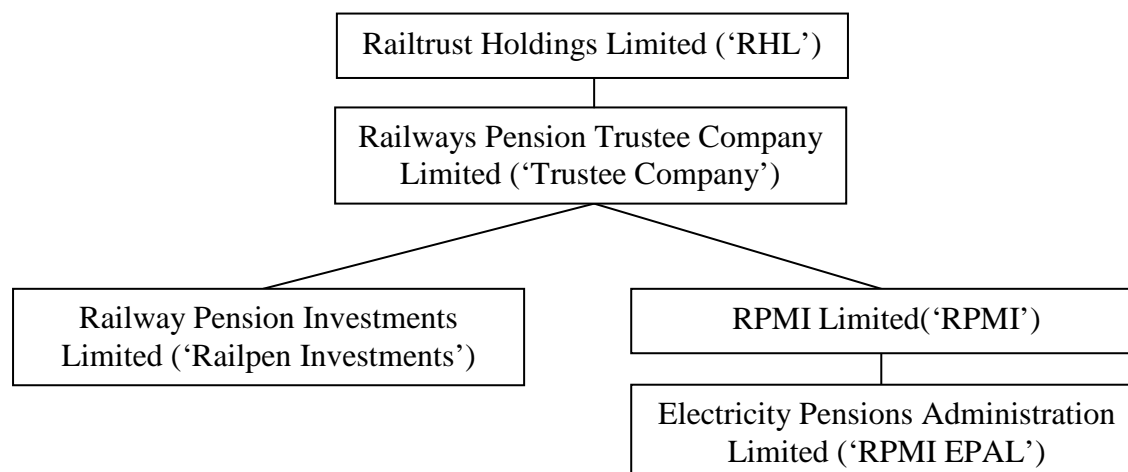
THE TRUSTEE COMPANY (CONTINUED)

The operating subsidiaries

RPMI provides services to the railways pension schemes. RPMI is based in Darlington, London and Coventry, and is responsible for a wide range of services including: pensions administration; communications; scheme accounting; employer covenant assessment; and governance and compliance services. RPMI also provides administration and other services for third-party clients.

Railway Pension Investments Limited ('Railpen Investments') carries out investment management for the Trustee of the Railways Pension Scheme under an Investment Management Agreement. Railpen Investments is authorised by the Financial Conduct Authority ('FCA'), which permits it to carry out regulated investment business for the Trustee.

The structure of the Trustee group as at 31 December 2014



Employer director appointment procedure

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

Nominating constituency	Number of Directors
Passenger train operating companies	3
Network Rail	2
Freight train operating companies and support services	2
All employers (including above)	1

THE TRUSTEE COMPANY (CONTINUED)

Employer director appointment procedure (continued)

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

The chart, right, shows the current employer directors as at the end of December 2014, their date of retirement by rotation, and deemed nominating constituency.

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

Employee director appointment procedure

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

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

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

The chart, below, shows the current employee Trustee directors as at the end of December 2014, their date of retirement by rotation, and deemed nominating constituency.

THE TRUSTEE COMPANY (CONTINUED)

Employee director appointment procedure (continued)

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)	2020
Dave Gott	National Union of Rail, Maritime and Transport Workers ('RMT') and the Management Committee of the British Railways Superannuation Fund	2018
Charles Harding	Confederation of Shipbuilding and Engineering Unions ('CSEU')	2020
John Mayfield	Retired Railway Officers' Society ('RROS')	2020
Stephen Richards	Transport Salaried Staffs' Association ('TSSA')	2018
Gary Towse	British Railways Superannuation Fund Management Committee ('BRSF')	2016
Dave Tyson	Associated Society of Locomotive Engineers & Firemen ('ASLEF')	2016

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 6 and 20 Board and Committee meetings in 2014. Attendance is reported to the Board and published in this Report and Accounts.

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

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 1.9% during 2014 (2013 – 2.7% change).

	2014	2013	% Change
Active Members	2,806	2,774	1.2
Pensioners	2,645	2,561	3.3
Preserved pensioners	696	696	-
Total membership at end of year	6,147	6,031	1.9

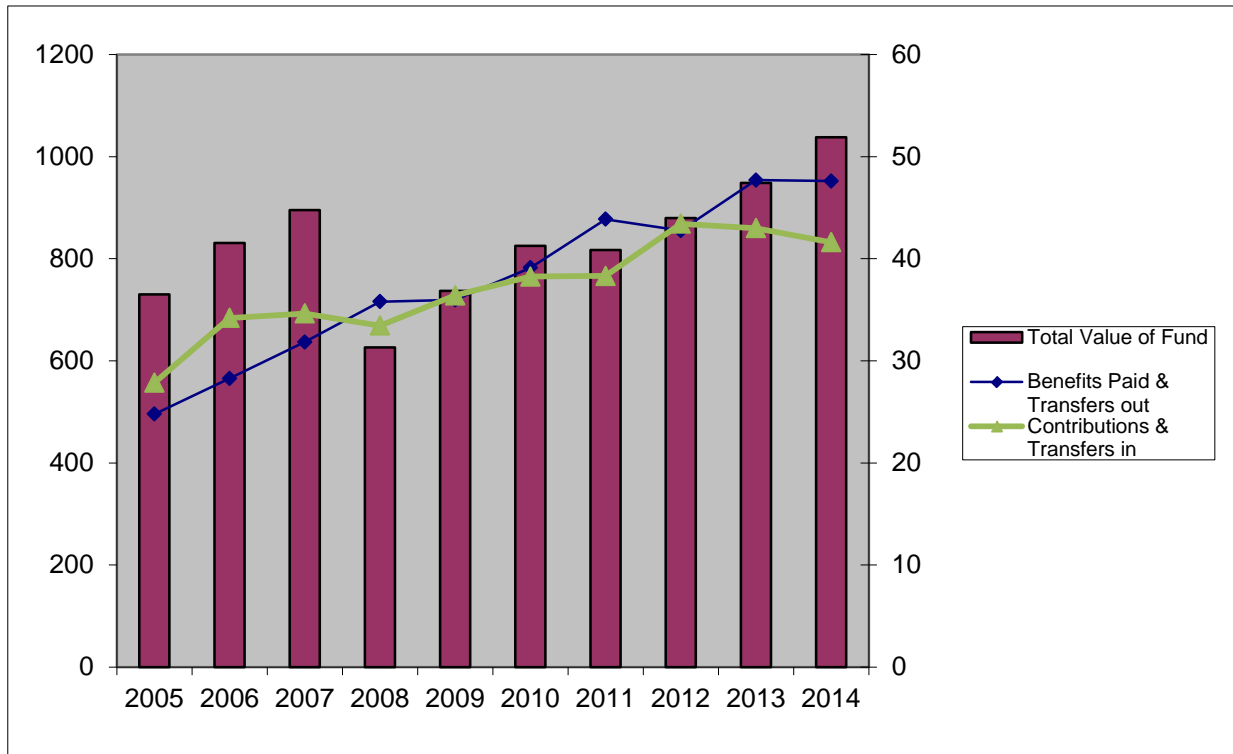
Financial information

During the year the net return on investments of the Fund as a whole was a gain of £97.1m (2013 – gain of £75.3m).

The Fund paid benefits of £46.6m in 2014 (2013 – £46.3m) and received contributions of £38.5m (2013 – £38.1m). Allowing for transfer values and expenses, there was a net withdrawal from dealings with members of £7.8m (2013– net withdrawal of £6.5m).

TRUSTEE COMPANY REPORT (CONTINUED)

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



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 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 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 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 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 four meetings of the full Management Committee in 2014. These took place on 11 March, 3 June, 9 September and 2 December. There were no meetings of the Valuation Working Party during 2014. During 2014 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 2014.

During the year the following changes to the Committee membership took place:

- Claire Davis joined the Committee as an employer-appointed member in January 2014;
- Elizabeth Pike passed away in March 2014. Elizabeth's successor at the British Transport Police Authority, Charlotte Vitty, was appointed to the Committee to fill the vacancy left by Elizabeth, in December 2014;
- Alan Pacey retired as a member-nominated Committee member in July 2014;
- Lew Adams retired as an employer-appointed Committee member in July 2014;
- Roger Randall attended his last meeting as a member-nominated Committee member in December 2014, although he will formally remain a Committee member until his replacement is appointed to the Committee at the first meeting of 2015; and
- A list of Committee members at 31 December 2014 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 2014

Name	Appointing body	Appointment date	No. of meetings eligible to attend during 2013	No. of meetings attended
Mr S Field	British Transport Police Authority	Jan 2008	4	4
Ms C Davis	British Transport Police Authority	January 2014	4	2
Mr P Jackson	British Transport Police Authority	June 2013	4	1
Ms C Vitty	British Transport Police Authority	December 2014	1	1
Vacancy	British Transport Police Authority			
Vacancy	British Transport Police Authority			
Mr P Holden	Member representative appointed by Chief Constable after consultation with the ranks not represented by the BTP Federation	March 2009	4	3
Mr G Lewis (Chairman)	BTP Federation	May 2011	4	4
Mr R Randall	BTP Federation	May 2002	4	4
Mr J Bryant	Pensioner elected	April 2007 to March 2017	4	4
Mr E R Lightfoot	Pensioner elected	August 2005 to July 2015	4	4
Mr G Poyser	BTP Federation	July 2012	4	4

(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 2.7% with effect from 1 April 2014. This is based on the Consumer Price Index ('CPI') inflation figure as at September 2013. 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 2015 was 1.2%, based on CPI at September 2014.

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.btp pensions.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 and its subsidiary, RPMI, to ensure that established standards of service were maintained at cost competitive rates.

Membership statistics at 31 December 2014

	2014	2013
Active members	2,806	2,774
Pensioners	2,645	2,561
Preserved pensioners	696	696
Total membership	6,147	6,031

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.

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.

Funding update as at 31 December 2013

The funding update as at 31 December 2013 indicated that the estimated funding level of the 1970 Contributory Section remained broadly unchanged compared to the 2012 valuation, with a small increase in the value of the deficit. The 1968 and 1970 Preserved Sections remained in surplus at 31 December 2013.

The financial position of the 1970 Contributory Section deteriorated primarily due to an increase in the expected level of future price inflation, although this was offset to a large extent by investment performance over 2013, higher expected investment returns in the future and additional contributions made by the Authority.

ACTUARY'S REPORT (CONTINUED)

Funding update as at 31 December 2013 (continued)

The Fund's financial position is due to be reviewed at the next funding update as at 31 December 2014. The Fund's financial position and its contribution requirements will be reviewed more formally at the next actuarial valuation of the Fund, due as at 31 December 2015.

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 2015

Punter Southall
11 Strand
London
WC2N 5HR

INVESTMENT REPORT

Introduction

In 2013 the Trustee commissioned a review, the Investment Transformation Programme ('ITP'), to look at how the schemes' assets are invested. The review was conducted with the assistance of Roger Urwin of Towers Watson, a globally recognised expert in improving investment governance and decision making, and thoroughly addressed both these aspects.

The overall objective of the ITP is to deliver better long - term outcomes for all stakeholders, by ensuring the assets are managed efficiently and effectively. This review has led to a number of changes being implemented in overall governance and the structure of the investment arrangements during 2014 and beyond.

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

The Railpen Investments Board 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 is regulated by the Financial Conduct Authority as an Occupational Pension Scheme firm. It is responsible for managing the pooled fund assets – including relationships with external managers – as well as taking some significant investment decisions directly.

Investment management arrangements

The assets of the Scheme are invested through a number of pooled investment funds, each with a different risk and return profile. These funds are managed as if they are internal unit trusts and each pooled fund is approved by HM Revenue and Customs. 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 sections to hold a broader range of investments more efficiently than may have been possible through direct ownership.

The range of pooled funds has been reviewed and simplified as part of the ITP to ensure it is flexible enough to be tailored to the needs and particular circumstances of individual Sections, while also allowing assets to be invested as much as possible on a consistent basis as if a single scheme.

In most cases, the pooled funds are multi-asset 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 single asset pools. They enable RPS sections to hold a managed portfolio of assets rather than a fixed allocation, which consequently should have a less volatile return profile.

INVESTMENT REPORT (CONTINUED)

Investment management arrangements (continued)

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

During 2014, as part of the ITP and in consultation with stakeholders, the range of pooled funds available to Sections was significantly amended. As a result, a number of the existing pooled funds have been or are in the process of being wound down. The transition to the new arrangements is being managed to reduce, as far as possible, transition costs. The most significant activities during 2014 for the Pooled Funds were:

- agreeing the new pooled fund range consisting of the Growth Pool, the Illiquid Growth Pool, the Long Term Income Pool, the De-risking Platform (including bond funds) and the Passive Equity Pool.
- managing the transition including the closure of the Commodities Pool and the planned closure of the Hedge Fund Pool, Defensive Pool and Property Pool to Sections, with the Private Equity and Infrastructure Pools continuing to be managed in run-off;
- transitioning the Global Equity Pool to a passively managed basis and removing the Growth Pool's large cross-holding. This involved terminating a number of active equity managers, along with the remaining fund of hedge funds relationship;
- agreeing the strategic portfolios for the Growth Pool and the Illiquid Growth Pool with the Railpen Investments Board.

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 government bonds and non-government bonds on the De-risking Platform and a 50% hedge of the overseas currency exposure of the Global Equity Pooled Fund, excluding emerging markets. The Growth Pool may actively vary the extent of its currency hedging over time. All other pooled funds are unhedged.

INVESTMENT REPORT (CONTINUED)

Investment strategy

As a result of the governance review undertaken during the ITP, the Trustee agreed to set up an Integrated Funding Committee. This is the Trustee body that sets investment strategy for all Sections without a Pensions Committee and reviews and approves strategies determined by Pensions Committees. In setting strategies for Sections, the profile of the liabilities, along with the covenant strength and views of the sponsoring employer, are taken into account as part of an integrated approach to funding.

Furthermore, the Trustee sets principles for the key aspects of Section investment strategy, namely the expected return, risk and liquidity ('RRL') of investments. This is referred to as the RRL framework and takes into account covenant strength and maturity of pension liabilities. The Integrated Funding Committee uses these principles in assessing and agreeing the investment strategy for any individual Section.

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

Following the 2013 valuation, RPMI has been working with the Integrated Funding Committee to agree investment strategies for Sections as part of the valuation proposals.

Liquidity of investments

Investments described in the financial statements as 'quoted' or 'exchange traded' are either listed on a recognised investment exchange, or traded in a secondary market where prices are usually readily available from a broker, dealer, industry group or other pricing service, and where those prices are representative of actual market transactions on an arm's length basis. These investments are assumed to be realisable at accounting fair value although, on occasion, markets may experience reduced liquidity, in which case it may not always be possible to realise such assets at short notice at prices at least equal or close to accounting fair value.

Investments described as 'unquoted' in the financial statements – mainly property, private equity (including infrastructure), over-the-counter ('OTC') derivatives and hedge funds – are unlisted and there is no organised public market for such instruments. These investments are carried at estimated fair values in accordance with the Trustee's accounting policies, as set out in the notes to the financial statements. These asset classes are generally less liquid than quoted or exchange traded investments, either because of the lack of an organised public market, the nature of the instruments or contractual arrangements. For these reasons, it is not usually possible to realise part or all of such assets at short notice.

INVESTMENT REPORT (CONTINUED)

Economic commentary provided by RPMI

Economic divergences within the developed world widened noticeably over the course of 2014. While hopes of a broad based global recovery had briefly been raised in 2013, over the past 12 months the US and now the UK have outperformed other developed economies, notably the Eurozone, by a significant margin. Central bank policy in these territories also highlighted the different trajectories. While the Federal Reserve completed its bond buying programme in October, the ECB launched its first round of quantitative easing in January 2015 in a last gasp attempt to ignite growth and inflation.

The cool down in Emerging Markets continued in 2014; Brazil entered recession, Russia entered a financial crisis while China continued to transition to structurally lower growth rates. The near 50% collapse in the oil price in the second half of the year and hefty falls in the prices other industrial commodities have also hurt a number of commodity-producing emerging markets.

Both equity and fixed interest markets posted gains in 2014 in a good year for investors. The MSCI World Index – a measure of equity prices in developed markets – returned 7.7% in local currency price terms, led for a second consecutive year by US equities which appreciated by 11.4%. Emerging Market stocks by contrast underperformed for the second year running, returning 2.6%. The underperformance was even more acute for investors based in developed markets as emerging market currencies depreciated over the same period.

Perhaps the move that surprised investors most in 2014 was the significant fall in long dated government yields, as markets priced in lower real short rates and lower future inflation. The US and German 10 year government yields fell by around 0.8% and 1.4% respectively to 2.2% and 0.5%. However such low interest rates, while typically positive for both bond and equity investors in the short run, might not be considered a bullish signal for either economic strength or asset returns over the longer term.

Investment performance

The Growth Pooled Fund invests in a wide range of return-seeking assets with flexible allocations. The composition of the asset portfolio of the Growth Pooled Fund reflects analysis of the prospective reward and potential investment risk of these assets. The aim is to produce high long-term real returns over a rolling 5 to 10 year period with a target return of +4% per annum above UK RPI.

The largest portfolio allocation in the Growth Pooled Fund is to global equities and over the year the allocation increased from 43% to around 56%. Other asset segments in the Fund include property, emerging market bonds and hedge funds. The Fund also has a leveraged allocation to US Treasury futures contracts which potentially provide some protection in the event of an equity market downturn. The Fund return in 2014 of 9.8% was ahead of its target return.

INVESTMENT REPORT (CONTINUED)

Investment performance (continued)

The Private Equity Pooled Fund provides exposure to a highly diversified range of private equity investments. It is made up of a series of sub-funds, each representing a different vintage of private equity investment. The Fund produced an aggregate return of 19.1% in 2014, ahead of its quoted equity benchmark return. Due to the unquoted nature of these investments, there is often a significant time lag for revised information on underlying investments to flow through to the Fund valuation.

The Infrastructure Pooled Fund delivered a positive return of 20.7% for the year, significantly ahead of the RPI benchmark. As most of these investments are unquoted, there is often a significant time lag for revised information on underlying investments to flow through to the Fund valuation.

The return of 9.9% for the Government Bond Pooled Fund reflected the aggregate decline in yields of government debt for developed markets over the year and was in-line with the benchmark. Global investment grade corporate bonds slightly lagged government bonds in 2014 and the Non-Government Bond Pooled Fund produced a return of 8.4%, marginally ahead of benchmark. The Index Linked Gilt Pooled Fund had a return of 27.3% in 2014 as gilt yields fell to record lows. This fund is managed on a passive basis.

The Defensive Pooled Fund was set up 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 2014 there were allocations to the Non-Government Bond Pooled Fund, Government Bond Pooled Fund and cash. The Fund's 12-month return of 5.6% was ahead of the long-term target and benchmark.

Information on the returns of all Pooled Funds, including those which have closed can be found in Appendix L.

Section returns

There was a clear divergence in returns from the sections of the Fund in 2014, 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 10.3% net of fees and costs. Over a 3 year period the investment return was 8.9% per annum, while over a 10 year time horizon the return was 5.9% 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 15.1% for 2014 net of fees and costs, with positive returns from all Pooled Funds held and especially strong returns from the Index Linked Pooled Fund. Over a 3 year period the investment return was 7.6% per annum, while over a 10 year time horizon the return was 6.8% per annum. The 1968 Section had a return of 16.3% in 2014, 7.9% per annum over 3 years and 6.9% per annum over 10 years.

INVESTMENT REPORT (CONTINUED)

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. 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 retains the right, however, to recall securities if an important vote is scheduled.

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. RPMI regularly monitors investment manager activity to ensure that statutory limits on self investment are not breached.

INVESTMENT REPORT (CONTINUED)

BRASS (AVC)

British Transport Police Force Superannuation Fund holding at 31.12.14 = £6.5m
Total value of fund at 31.12.14 = £1,380m

AVC investments (BRASS and AVC Extra)

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

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

A further fund, the Pension Assured Fund ('PAF'), has been closed to new members since April 2003 and to new contributions since June 2007.

The Trustee may from time to time change the range of funds made available to the members.

The investment benchmarks for the self-select funds in the RPMI Pension Saver Fund Range are shown in the table below:

Fund	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 +4% p.a.)
Index-Linked and Global Bond Fund	Composite comprising Index-Linked Gilt and corporate bond indices
Deposit Fund	7 Day Sterling London Interbank Bid Rate (LIBID)

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APPENDIX A

PRINCIPAL ADVISERS TO THE TRUSTEE COMPANY AND MANAGEMENT COMMITTEE

Fund and investment administrator

RPMI

Manager of investment of managers

Railpen Investments

Actuary

Elizabeth Battams, Punter Southall Limited

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 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.

Late payment of contributions

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

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

The employer participates in the Trustee'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 2014 there were £nil of late payment of contributions (2013: £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 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's property lawyers or the Network Rail property deeds depository.

In the case of investments managed by US fund of hedge fund managers, the Trustee has appointed The Bank of New York Mellon as the independent fund administrator to ensure that underlying hedge fund entitlements are properly monitored and accounted for, through effective and rigorous reporting and controls.

Core administrative functions performed by the custodians include the following:

- settlement of transactions;
- registration and 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, 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 are required to publish an AAF 01/06, ISAE 3402 or similar document in other jurisdictions. This is a report on the custodian's internal controls which is made available to third parties and is reviewed by the custodian's reporting accountant in accordance with guidance issued by the Audit and Assurance facility of the Institute of Chartered Accountants in England and Wales in its technical release AAF 01/06 'Assurance reports on internal controls of service organisations made available to third parties', or ISAE 3402 (formerly SAS70 as amended following the introduction of the Sarbanes-Oxley Act of 2002, the US equivalent issued by the Auditing Standards Board of the American Institute of Certified Public Accountants ('AICPA') as a Statement on Auditing Standards).

Although not a regulatory requirement, this constitutes best practice and the Trustee will not appoint a custodian that does not produce a report of this type. These reports are reviewed by RPMI's business assurance team and external audit as part of the ongoing monitoring of custodians.

APPENDIX D RESPONSIBLE INVESTMENT

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 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 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 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 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.

APPENDIX D RESPONSIBLE INVESTMENT (CONTINUED)

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

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 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 consider repeating this annually.

Voting and engagement

Although the Trustee'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. In addition to the monitoring of the activities performed by fund managers and other intermediaries, the Trustee, through RPMI 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.

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

Voting is a key step in engagement, and the Trustee has voted on all resolutions at all annual and extraordinary general meetings of UK companies in which it has holdings since 1992. 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.

APPENDIX D RESPONSIBLE INVESTMENT (CONTINUED)

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:

- 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 introduced 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'). We have seen this in full operation with effect from the 2014 AGM voting season.

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. RPMI 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 Sustainable Investment and Finance Association ('UKSIF'), 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.

APPENDIX D
RESPONSIBLE INVESTMENT (CONTINUED)

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

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

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

Pooled fund equity holdings

The largest ten equity holdings within the pooled fund investments as at 31 December 2014 were as follows:

	£m
Nestle	42.84
British American Tobacco	31.18
Time Warner	30.27
Reckitt Benckiser Group	27.60
Accenture	26.82
Proctor & Gamble	26.60
Unilever	24.54
Sanofi	22.54
Microsoft	21.70
SAP	20.36

Environmental and social issues

The Trustee has clear views on environmental and social issues and, while it considers that the board of directors should be accountable primarily to its shareholders, it recognises that it is very much in the shareholders' own interests that directors should also consider the significance of other stakeholders to the company's long-term prosperity.

APPENDIX E RISK STATEMENT

The following risk management process operated throughout the year-ended 31 December 2014.

Risk policy

The Trustee has overall responsibility for internal control and risk management. It is committed to identifying, evaluating and managing risk, and to implementing and maintaining control procedures to reduce significant risks to an acceptable level, taking note of the guidance and principles of the UK Corporate Governance Code issued in September 2012 and the guidance within the Pension Regulator's Code of Practice on Internal Controls.

The objective of the Trustee's risk policy is to limit the exposure of the Scheme, and the assets that it is responsible for safeguarding, to business, financial, operational, compliance and other risks. Implementation of the risk policy is delegated to the boards of the operating companies. The risk policy is reviewed regularly by management and annually by the Trustee and provides a framework for managing risk on a day-to-day basis.

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

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

Risk identification and management

Risks are identified and regularly reviewed by management and directors in a formal process facilitated by the Business Assurance team, which is separate from operational management. Risks are evaluated by considering the likelihood of occurrence and the significance of the consequent impact on the business if they occur.

The risks identified, together with action plans for their management (including responsibilities and target dates for completion), are recorded in the risk register of the Trustee and each operating company, RPMI and Railpen 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.

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.

APPENDIX E RISK STATEMENT (CONTINUED)

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

First line of defence:

This refers to the day to day controls that have been designed into systems and processes and the day to day line management and supervision that ensures compliance and identifies breakdowns or other unexpected events or errors. These processes are supported by documented policies and procedures or in some cases specific projects.

Second line of defence:

This describes the committees and functions that provide oversight of the effective operation of the internal control environment and will include those receiving reports and management information concerning key business activities, for example, the Executive Leadership team, the Operational Leadership team and the Board. The second line is re-enforced by the monitoring functions of risk management through the Risk Management Committee 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 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 2014. The report sets out a description of the relevant control objectives and procedures which operated during the period. These have been independently evaluated under the guidelines of the International Standard on Assurance Engagements 3402 (ISAE 3402) and the Institute of Chartered Accountants in England & Wales Technical Release, ‘Assurance reports on internal controls of service organisations made available to third parties (AAF 01/06)’.

Internal audit services are provided to the Trustee by the in-house Business Assurance team. The Business Assurance Manager reports to the Chief Executive of the Trustee 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 Director of Finance and Corporate Services 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 managed, as well as the effectiveness of the internal controls associated with these significant risks.

APPENDIX E
RISK STATEMENT (CONTINUED)

Because of the limitations that are inherent in any system of internal control, the Trustee's risk management process is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and therefore can only provide reasonable, not absolute, assurance against material misstatement or loss.

**APPENDIX F
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

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 formal valuation was as at 31 December 2012. In the intervening years between formal valuations an annual funding update is completed and the results of the annual funding update at 31 December 2013 have recently been published. This statement summarises the results and conclusions of the funding update at 31 December 2013 and a copy of the full Report 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 and annual funding update of the 1968 Section of the Fund showed that on 31 December 2012 and 31 December 2013 the Fund's financial position was as follows:

	31 December 2012	31 December 2013
1968 Section's liabilities:	£2.3 million	£2.2 million
1968 Section's assets:	£2.8 million	£2.7 million
Funding surplus:	£0.5 million	£0.5 million

The funding surplus 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.

Change in funding position

The latest funding update as at 31 December 2013 indicated that the estimated funding level has remained broadly the same since the actuarial valuation at the end of 2012. Investment returns were broadly in line with expectations and higher expected investment returns in the future offset the fact that a pension increase (that is not funded for) was awarded.

1970 Preserved Section

The latest valuation and annual funding update of the Preserved part of the 1970 Section of the Fund showed that as at 31 December 2012 and 31 December 2013 the Fund's financial position was as follows:

	31 December 2012	31 December 2013
1970 Preserved Section's liabilities:	£38.1 million	£35.9 million
1970 Preserved Sections' assets (including Government support):	£39.7 million	£37.5 million
Funding surplus:	£1.6 million	£1.6 million

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.

Change in funding position

The latest funding update as at 31 December 2013 indicated that the estimated funding level has remained the same since the actuarial valuation at the end of 2012. This is mainly due to a slight profit in investment performance and higher expected investment returns in the future being offset by an increase in expected future price inflation.

APPENDIX H
SUMMARY FUNDING STATEMENT (CONTINUED)

1970 Contributory Section

The latest valuation and annual funding update of the Contributory part of the 1970 Section of the Fund showed that as at 31 December 2012 and 31 December 2013 the Fund's financial position was as follows:

	31 December 2012	31 December 2013
1970 Contributory Section's liabilities:	£864 million	£937 million
1970 Contributory Section's assets (excluding BRASS):	£846 million	£916 million
Funding shortfall:	£18 million	£21 million

The above result meant that at both dates 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 calculated at 31 December 2012 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

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 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.

Change in funding position

The estimated funding level has remained the same since the 2012 statement, with a slight increase in the value of the deficit. This is due mainly to an increase in the expected level of future price inflation, although this has been offset to a large extent by investment performance over the year, higher expected investment returns in the future and the deficit contributions made by the Authority.

APPENDIX H SUMMARY FUNDING STATEMENT (CONTINUED)

Solvency position if the Fund were to be wound up

The latest 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.

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:

Renaissance
12 Dingwall Road
Croydon
Surrey
CR0 2NA

APPENDIX H
SUMMARY FUNDING STATEMENT (CONTINUED)

Data Protection Act - 'Fair Processing Notice'

For the purposes of the Data Protection Act 1998 the Trustee is a data controller. Recent guidance from the Information Commissioners Office (ICO) has resulted in our actuaries, Punter Southall Limited, being classed as a joint data controller with the Trustee when providing actuarial services. The Trustee may also appoint other third parties to assist them with the operation of the Fund.

As a member of the Fund you agree to provide personal data to the Trustee and consent to the processing and disclosure of this data to the British Transport Police Authority and such professionals and other third parties that the Trustee has chosen to assist with this. The data will be held during your membership of the Fund or any longer period necessary to answer questions relating to your benefits.

Under the Act members are entitled to request a copy of the information being held by writing to RPMI using the contact details below.

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@rpmi.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 2014

	2014	2013
	£000	£000
Benefits payable	229	228
Administrative expenses	3	3
	232	231
Net withdrawals from dealings with members	(232)	(231)
Net returns on investments	419	121
Net movement in the Fund during the year	187	(110)
Net assets at the start of the year	2,705	2,815
Net assets at the end of the year	2,892	2,705

	2014	2013
	£000	£000
Investments	2,896	2,709
Current liabilities	(4)	(4)
Net assets at the end of the year	2,892	2,705

APPENDIX I
FUND SECTION EXTRACTION ACCOUNTS (CONTINUED)

British Transport Police 1970 Section Current (unaudited)

Fund account for the year ended 31 December 2014

	2014	2013
	£000	£000
Contributions and benefits		
Contributions receivable	36,932	36,430
Transfer values	3,101	4,865
	40,033	41,295
Benefits payable	42,913	42,395
Transfer values	1,007	1,406
Administrative expenses	1,641	1,583
	45,561	45,384
Net additions/(withdrawals) from dealings with members	(5,528)	(4,089)
Net returns on investments	93,336	74,183
Net movement in the Fund during the year	87,808	70,094
Net assets at the start of the year	922,835	852,741
Net assets at the end of the year	1,010,643	922,835

Net assets statement as at 31 December 2014

	2014	2013
	£000	£000
Investments	1,008,502	920,650
Current assets	2,141	2,185
Net assets at the end of the year	1,010,643	922,835

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

British Transport Police 1970 Section Historic (unaudited)

Fund account for the year ended 31 December 2014

	2014	2013
	£000	£000
Contributions and benefits		
Benefit support	1,572	1,674
	1,572	1,674
Benefits payable	3,456	3,646
Administrative expenses	139	159
	3,595	3,805
Net withdrawals from dealings with members	(2,023)	(2,131)
Net returns on investments	3,313	1,046
Net movement in the Fund during the year	1,290	(1,085)
Net assets at the start of the year	23,056	24,141
Net assets at the end of the year	24,346	23,056

Net assets statement as at 31 December 2014

	2014	2013
	£000	£000
Investments	24,300	22,914
Current assets	46	142
	24,346	23,056
Net assets at the end of the year	24,346	23,056

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 2.7% from April 2014 based on the rate of inflation as measured by the Consumer Prices Index ('CPI') in September 2013. The increase from April 2015 was 1.2% based on CPI at September 2014.

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
7th Floor
Exchange House
Exchange Square
London
EC2A 2NY

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:

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: 0300 123 1047
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: 0845 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 POOLED FUND ACCOUNTS

INTRODUCTION TO THE POOLED FUND ACCOUNTS

This appendix represents a consolidated summary of the Annual Report and non-statutory audited Accounts of the pooled funds of the railways pension schemes for the year ended 31 December 2014.

The total valuation of the pooled assets as at 31 December 2014 was £22,023.27m (2013 - £19,871.97m). There are in addition £909.16m (2013 - £1,431.54m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £22,932.43m (2013 - £21,303.51m).

The pooled funds operate as internal unit trusts. They comprise a key element of the arrangements that the Trustee has put in place for the investment of schemes' and sections' assets and provide the railways pension schemes with a means to invest in a wide range of asset classes.

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

In July 2014 the Liquid Growth Pooled Fund was wound up and assets transferred into the Growth Pooled Fund. At the same time, the DC Long Term Growth Pooled fund, the sole unit holder of the Liquid Growth Pooled Fund, transferred its holding from the Liquid Growth Pooled Fund to the Growth Pooled Fund.

All assets within the Commodities Pooled Fund were liquidated during the year and the pooled fund was wound up on 31 December 2014.

During the period from July to November 2014, the assets under active management within the Global Equity Pooled Fund were transferred into the Growth Pooled Fund with the Growth Pooled Fund selling its cross holding in the Global Equity Pooled Fund in parallel with this transfer. The Global Equity Pooled Fund is now passively managed.

The remaining LDI Pooled Fund units were redeemed in June 2014, although the pooled fund remains available for investment.

The final distribution from the Cashflow Matching Pooled Fund was made in February 2014 and the pooled fund was wound up.

Also as part of the investment review, the Trustee agreed to begin winding down the Hedge Fund Pooled Fund and to start working towards a position where the Growth Pooled Fund is the only unit holder of the Property Pooled Fund. These, and other transitional activities, will continue into 2015.

The table on page 70 summarises the investments of each of these pooled funds as at 31 December 2014. The notes on pages 74 to 94 analyse the total pooled assets of £22,023.27m 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 76 to 78, and the unit prices on pages 75 to 76.

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 67 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.

INTRODUCTION TO THE POOLED FUND ACCOUNTS (Continued)

The economic exposure of pooled fund assets (continued)

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 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 £1.38m 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 2014

	Segregated investments	Futures	Swaps	Options	CDS	Pooled investment vehicles	FX	Total
	£m	£m	£m	£m	£m	£m	£m	£m
UK equities	257.22	202.03	-	-	-	511.97	-	971.22
Overseas equities	2,888.79	1,280.06	-	0.01	-	3,848.63	27.77	8,045.26
Property	1,778.18	-	-	-	-	20.82	-	1,799.00
Private equity	-	-	-	-	-	2,155.06	0.19	2,155.25
Hedge funds	-	-	-	-	-	1,629.82	(6.61)	1,623.21
Infrastructure	-	-	-	-	-	958.98	(0.01)	958.97
UK Index linked securities	15.29	-	-	-	-	206.62	-	221.91
Overseas Index linked securities	28.22	-	-	-	-	-	0.13	28.35
UK public sector bonds	79.01	16.42	-	-	-	-	-	95.43
UK non-public sector bonds	139.38	-	-	-	-	-	-	139.38
Overseas public sector bonds	1,702.12	3,244.59	-	-	-	-	30.76	4,977.47
Overseas non-public sector bonds	1,209.51	-	-	-	1.38	134.33	2.88	1,348.10
Cash	4,371.38	(4,712.91)	(0.39)	0.33	-	-	0.31	(341.28)
Other investment assets and liabilities	1.00	-	-	-	-	-	-	1.00
Total	12,470.10	30.19	(0.39)	0.34	1.38	9,466.23	55.42	22,023.27

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'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 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 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 has authorised the use of derivatives by investment managers as part of the investment strategy. Derivatives may only be used by investment managers where they are specifically permitted in the investment management agreement, and each manager must comply with the Trustee's approved derivatives policy.

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

Unit transactions

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

FUND STATEMENT AS AT 31 DECEMBER 2014

	Equities	Fixed interest securities	Index linked securities	UK property	Pooled investment vehicles	Derivative assets	Derivative liabilities	Cash deposits and cash instruments	Other assets	Other liabilities	Cross holdings	Net assets attributable to unit holders
Pooled Fund	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Growth	3,078.62	849.07	28.22	-	4,241.89	114.59	(33.12)	2,344.34	26.56	(14.49)	2,845.37	13,481.05
Private Equity	11.48	-	-	-	2,120.02	0.03	(0.01)	94.22	1.37	(0.80)	-	2,226.31
Property	-	-	-	1,778.18	8.59	-	-	231.59	15.27	(25.63)	-	2,008.00
Global Equity	44.73	0.03	-	-	1,152.09	17.82	(17.58)	185.26	0.76	(5.73)	-	1,377.38
Non Government Bond	11.17	1,230.50	-	-	-	19.11	(14.16)	55.75	18.33	(26.63)	-	1,294.07
Defined Contribution	-	-	-	-	5.55	-	-	445.39	0.49	(1.50)	774.83	1,224.76
Government Bond	-	1,050.42	9.74	-	-	17.78	(6.00)	18.08	9.24	(5.47)	-	1,093.79
Defensive	-	-	-	-	-	0.66	(0.35)	508.42	0.16	(0.06)	508.22	1,017.05
Infrastructure	-	-	-	-	958.98	-	(0.01)	55.04	0.02	(0.11)	-	1,013.92
Hedge Funds	-	-	-	-	528.74	0.82	(12.64)	142.71	10.89	(1.67)	-	668.85
Cash	-	-	-	-	-	-	-	290.39	0.10	(0.03)	-	290.46
Passive Equity	-	-	-	-	249.31	-	-	0.04	-	(0.03)	-	249.32
Index Linked	-	-	-	-	206.62	-	-	0.15	-	(0.04)	-	206.73
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(4,128.42)	(4,128.42)
Total	3,146.00	3,130.02	37.96	1,778.18	9,471.79	170.81	(83.87)	4,371.38	83.19	(82.19)	-	22,023.27
%	14.28	14.21	0.17	8.07	43.01	0.78	(0.38)	19.85	0.38	(0.37)		100.00

Analysis of cross holdings

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

The accounting policies on pages 68 to 69 and the notes on pages 74 to 90 form part of these accounts.

FUND STATEMENT AS AT 31 DECEMBER 2014

MOVEMENT IN UNIT HOLDERS' FUNDS

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

Approved on behalf of the Trustee Company on 7 May 2015.

John Chilman
Chairman,
Trustee Board



John Mayfield
Director and Chairman,
Audit Committee



The accounting policies on pages 68 to 69 and the notes on pages 74 to 90 form part of these accounts.

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	883.75	608.82	18.67	-	2,943.46	37.95	(0.47)	197.86	32.61	(4.98)	6,996.62	11,714.29
Global Equity	1,658.35	3.39	-	-	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	11.34	1,687.09	-	-	-	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	2,554.09	3,455.31	34.62	1,516.68	9,367.07	202.21	(43.31)	2,718.86	168.44	(102.00)	-	19,871.97
%	12.85	17.39	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	£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 68 to 69 and the notes on pages 74 to 90 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

The accounting policies on pages 68 to 69 and the notes on pages 74 to 90 form part of these accounts.

CONSOLIDATED NOTES TO THE FUND STATEMENT

1.1 Fund statement as at 31 December 2014	Note	2014 £m	2013 £m
Assets			
Equities			
UK quoted		253.13	355.52
UK unquoted		0.13	0.13
Overseas quoted		2,888.79	2,191.68
Overseas unquoted		3.95	6.76
		3,146.00	2,554.09
Fixed interest securities			
UK quoted – public sector		79.01	68.56
UK quoted – non public sector		70.55	124.47
UK unquoted – non public sector		68.83	26.61
Overseas quoted – public sector		1,702.12	1,783.43
Overseas quoted – non public sector		1,123.72	1,430.13
Overseas quoted – non public sector		85.79	22.11
		3,130.02	3,455.31
Indexed linked securities			
UK quoted – public sector		9.74	10.99
Overseas quoted – public sector		28.22	23.42
Overseas quoted – non public sector		-	0.21
		37.96	34.62
UK Property			
		1,778.18	1,516.68
Pooled investment vehicles			
UK unquoted – property partnerships		8.59	20.23
UK unquoted – unitised insurance policies		3,665.57	2,713.98
UK unquoted – partnerships		612.91	651.80
UK unquoted – other managed funds		98.05	92.28
UK quoted – other managed funds		-	79.63
Overseas quoted – hedge funds		-	78.49
Overseas quoted – other managed funds		808.20	910.30
Overseas unquoted – partnerships		2,844.40	2,438.07
Overseas unquoted – hedge funds		921.92	1,601.30
Overseas unquoted – unit trusts		-	94.56
Overseas unquoted – other managed funds		512.15	686.43
		9,471.79	9,367.07
Derivative contracts			
Forwards – OTC		-	0.03
Futures – exchange traded	1.5	37.10	20.83
Swaps – OTC	1.5	4.13	1.51
Options – OTC	1.5	0.34	0.05
FX contracts – OTC	1.5	129.24	179.79
		170.81	202.21
Cash deposits and cash instruments			
	1.6	4,371.38	2,718.86
Other assets			
Other investment assets	1.7	74.48	161.66
Current assets	1.9	7.55	6.78
		82.03	168.44
Total assets		22,188.17	20,017.28

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.1 Fund statement as at 31 December 2014 (Continued)	Note	2014 £m	2013 £m
Liabilities			
Derivative contracts			
Futures – exchange traded	1.5	(6.91)	(9.26)
Swaps – OTC	1.5	(3.14)	(1.53)
FX contracts – OTC	1.5	(73.82)	(32.52)
		(83.87)	(43.31)
Other liabilities			
Other investment liabilities	1.8	(33.05)	(57.16)
Current liabilities	1.10	(47.98)	(44.84)
		(81.03)	(102.00)
Total liabilities		(164.90)	(145.31)
Net assets attributable to unit holders		22,023.27	19,871.97
1.2 Pooled fund unit prices as at 31 December		2014 £/unit	2013 £/unit
Cash Pooled Fund		10.20	10.16
Commodities Pooled Fund (Until December 2014)		-	13.46
Global Equity Pooled Fund		69.40	65.04
Government Bond Pooled Fund		12.37	11.29
Growth Pooled Fund		13.84	12.61
Hedge Funds Pooled Fund		15.79	15.01
Index Linked Pooled Fund		69.19	54.31
Infrastructure Pooled Fund		11.60	9.58
Non Government Bond Pooled Fund		12.95	11.97
Property Pooled Fund		76.64	65.98
Defensive Pooled Fund		10.66	10.10
Passive Equity Pooled Fund		14.10	12.83
Liquid Growth Pooled Fund (Until July 2014)		-	10.36
Cash Flow Matching Pooled Fund (Until February 2014)		-	7.31
Private Equity Pooled Fund			
Direct Investment Pooled Fund 1995		5,194.36	5,221.57
Direct Investment Pooled Fund 1997		188.23	193.22
Direct Investment Pooled Fund 1998 (Until July 2014)		-	13.05
Direct Investment Pooled Fund 1999		41.79	26.47
Direct Investment Pooled Fund 2000		19.09	17.16
Private Equity Pooled Fund 2001		34.24	28.89
Private Equity Pooled Fund 2004		28.72	27.01
Private Equity Pooled Fund 2005		26.28	23.98
Private Equity Pooled Fund 2007		17.18	14.30
Private Equity Pooled Fund 2009		20.93	51.38
Private Equity Pooled Fund 2011		13.34	9.88
Private Equity Pooled Fund 2013 (From January 2014)		9.75	-

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.2 Pooled fund unit prices as at 31 December (continued)	2014 £/unit	2013 £/unit
Defined Contribution Pooled Fund		
DC Global Equity Fund	11.76	11.04
DC Long Term Growth Fund	11.33	10.35
DC Deposit Fund	10.04	10.02
DC Index Linked and Global Bond Fund	11.46	9.77
DC Aggregate Bond Fund	11.31	9.71
Liability Driven Investment Pooled Fund		
LDI Nominal 2025 Pooled Fund (Until July 2014)	-	13.13
LDI Nominal 2030 Pooled Fund (Until July 2014)	-	13.73
LDI Nominal 2035 Pooled Fund (Until July 2014)	-	14.52
LDI Nominal 2040 Pooled Fund (Until July 2014)	-	15.80
LDI Nominal 2045 Pooled Fund (Until July 2014)	-	15.89
LDI Nominal 2050 Pooled Fund (Until July 2014)	-	16.18
LDI Nominal 2055 Pooled Fund (Until July 2014)	-	16.34
LDI Nominal 2060 Pooled Fund (Until July 2014)	-	16.72
LDI RPI 2015 Pooled Fund (Until July 2014)	-	10.95
LDI RPI 2020 Pooled Fund (Until July 2014)	-	14.51
LDI RPI 2025 Pooled Fund (Until July 2014)	-	15.27
LDI RPI 2030 Pooled Fund (Until July 2014)	-	16.04
LDI RPI 2035 Pooled Fund (Until July 2014)	-	17.85
LDI RPI 2040 Pooled Fund (Until July 2014)	-	18.40
LDI RPI 2045 Pooled Fund (Until July 2014)	-	18.19
LDI RPI 2050 Pooled Fund (Until July 2014)	-	18.23
LDI RPI 2055 Pooled Fund (Until July 2014)	-	18.57
LDI RPI 2060 Pooled Fund (Until July 2014)	-	18.89
1.3 Value of the Pooled Funds	2014 £m	2013 £m
Growth Pooled Fund	13,481.05	11,714.29
Private Equity Pooled Fund*	2,226.31	1,969.52
Property Pooled Fund	2,008.00	1,736.92
Global Equity Pooled Fund	1,377.38	3,823.90
Non Government Bond Pooled Fund	1,294.07	1,851.67
Defined Contribution Pooled Fund*	1,224.76	678.82
Government Bond Pooled Fund	1,093.79	985.87
Defensive Pooled Fund	1,017.05	844.45
Infrastructure Pooled Fund	1,013.92	909.56
Hedge Funds Pooled Fund	668.85	1,381.53
Cash Pooled Fund	290.46	1,210.89
Passive Equity Pooled Fund	249.32	68.16
Index Linked Pooled Fund	206.73	169.24
Commodities Pooled Fund (Until December 2014)	-	469.13
Liquid Growth Pooled Fund (Until July 2014)	-	307.00
Liability Driven Investment Pooled Fund* (Until July 2014)	-	40.39
Cashflow Matching Pooled Fund (Until February 2014)	-	0.02
	26,151.69	28,161.36

* See breakdown into pooled fund segments below.

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.3 Value of the Pooled Funds (Continued)	2014	2013
	£m	£m
Cross holdings		
Property Pooled Fund	(1,870.36)	(1,477.84)
Hedge Funds Pooled Fund	(668.85)	(1,277.54)
Growth Pooled Fund	(603.73)	-
Non Government Bond Pooled Fund	(581.45)	(1,103.47)
Government Bond Pooled Fund	(246.97)	(187.97)
Global Equity Pooled Fund	(148.07)	(2,567.15)
Index Linked Pooled Fund	(8.93)	(7.16)
Private Equity Pooled Fund	(0.06)	(0.06)
Cash Pooled Fund	-	(919.46)
Commodities Pooled Fund	-	(441.74)
Liquid Growth Pooled Fund	-	(307.00)
	<hr/>	<hr/>
Net assets attributable to unit holders	22,023.27	19,871.97
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	0.15	0.15
Direct Investment Pooled Fund 1997	0.21	0.22
Direct Investment Pooled Fund 1998 (Until July 2014)	-	0.14
Direct Investment Pooled Fund 1999	0.23	0.15
Direct Investment Pooled Fund 2000	24.01	28.52
Private Equity Pooled Fund 2001	152.25	181.33
Private Equity Pooled Fund 2004	78.53	94.91
Private Equity Pooled Fund 2005	279.57	328.24
Private Equity Pooled Fund 2007	1,056.91	1,008.20
Private Equity Pooled Fund 2009	239.88	171.57
Private Equity Pooled Fund 2011	343.32	156.09
Private Equity Pooled Fund 2013 (From January 2014)	51.25	-
	<hr/>	<hr/>
	2,226.31	1,969.52
Liability Driven Investment Pooled Fund		
LDI Nominal 2025 Pooled Fund (Until June 2014)	-	0.15
LDI Nominal 2030 Pooled Fund (Until June 2014)	-	1.28
LDI Nominal 2035 Pooled Fund (Until June 2014)	-	2.00
LDI Nominal 2040 Pooled Fund (Until June 2014)	-	5.28
LDI Nominal 2045 Pooled Fund (Until June 2014)	-	4.35
LDI Nominal 2050 Pooled Fund (Until June 2014)	-	4.37
LDI Nominal 2055 Pooled Fund (Until June 2014)	-	3.53
LDI Nominal 2060 Pooled Fund (Until June 2014)	-	6.39
LDI RPI 2015 Pooled Fund (Until June 2014)	-	0.46
LDI RPI 2020 Pooled Fund (Until June 2014)	-	2.07
LDI RPI 2025 Pooled Fund (Until June 2014)	-	2.78
LDI RPI 2030 Pooled Fund (Until June 2014)	-	2.74
LDI RPI 2035 Pooled Fund (Until June 2014)	-	2.62
LDI RPI 2040 Pooled Fund (Until June 2014)	-	0.62
LDI RPI 2045 Pooled Fund (Until June 2014)	-	0.42
LDI RPI 2050 Pooled Fund (Until June 2014)	-	0.37
LDI RPI 2055 Pooled Fund (Until June 2014)	-	0.33
LDI RPI 2060 Pooled Fund (Until June 2014)	-	0.63
	<hr/>	<hr/>
	-	40.39

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.3 Value of the Pooled Funds (Continued)	2014	2013
	£m	£m
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	606.66	308.54
DC Deposit Fund	441.01	216.56
DC Global Equity Fund	148.36	131.32
DC Index Linked and Global Bond Fund	17.79	14.41
DC Aggregate Bond Fund	10.94	7.99
	1,224.76	678.82
1.4 Investment income	2014	2013
	£m	£m
Dividends from equities	78.40	68.07
Income from fixed interest securities	138.98	126.37
Income from index linked securities	1.78	1.71
Income from UK property	83.38	94.09
Interest from cash deposits	17.54	10.21
Income from pooled investment vehicles	19.09	29.69
Other income	2.03	4.69
	341.20	334.83
Irrecoverable withholding tax	(5.53)	(3.86)
Total income	335.67	330.97
Administration, custody and other expenses	(19.68)	(19.37)
Investment management fees – base	(36.05)	(33.08)
Investment management fees – performance	(11.12)	(3.11)
RPMI fees	(17.72)	(15.70)
Tax	(0.50)	(0.01)
	(85.07)	(71.27)
Minority interest	0.10	(0.18)
Reinvested income (accrued in unit price)	250.70	259.52

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	257.12	6.06	-
US S&P index	836.09	14.49	-
FTSE index	202.03	6.03	-
Korean KOSPI index	6.65	-	(0.25)
Swiss performance index	10.93	0.37	-
Japanese Topix	163.45	-	(3.68)
Hong Kong Hang Seng index	5.82	0.05	-
Australian government bonds	1.30	0.10	(0.01)
UK government bonds	16.42	0.82	(0.14)
Canadian government bonds	40.76	1.46	(0.17)
Japanese government bonds	(43.22)	-	(0.26)
German government bonds	132.56	0.28	(1.68)
US government bonds	3,113.19	7.44	(0.72)
	4,743.10	37.10	(6.91)

Included within net assets is £107.63m cash, £0.13m US Treasury bills, £2.82m US Treasury bonds and £0.18m 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 in respect of futures contracts at the year end date amounted to £34.61m 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:

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	35.27	1.58	(1.15)
Credit default swaps	5 to 10	(1.28)	1.22	(0.16)
Credit default swaps	30 to 35	1.90	-	(0.05)
Credit default swaps	35 to 40	0.67	0.02	-
Credit default swaps	45 to 50	4.02	-	(0.08)
Interest rate swaps	0 to 5	142.03	0.85	(0.64)
Interest rate swaps	5 to 10	12.76	0.46	(0.68)
Interest rate swaps	10 to 15	15.58	-	(0.38)
			4.13	(3.14)

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.5 Derivative contracts (Continued)

Swaps (Continued)

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 had deposited £0.92m of US Treasury bills, £0.21m US Treasury bonds, £0.63m US Treasury notes and £2.88m 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 in respect of swap contracts at the year end date amounted to £2.59m cash and £0.53m US Treasury bonds. Contingent collateral received in this way is not reported within the pooled funds' net assets.

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

Type of option	Bought or Sold	Notional value £m	Asset value at year end £m	Liability value at year end £m
OTC options				
Equity	Bought	0.01	0.01	-
Interest rate swaps	Bought	125.48	0.33	-
			0.34	-

The above options expire between four and ten years 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	736.12	132,996.10	24.19
US dollar / Sterling	4,544.36	2,857.08	57.95
Sterling / AU dollar	50.05	92.99	1.40
Sterling / Euro	829.58	1,053.67	11.27
Sterling / Swiss franc	63.33	96.40	1.06
Sterling / US dollar	524.59	815.89	1.32
US dollar / Hungarian florit	38.64	9,635.86	1.10
US dollar / Mexican peso	40.98	563.95	1.80
US dollar / Romanian leu	47.71	170.97	1.02
US dollar / Euro	1,086.46	874.62	17.96
Other			10.17
			129.24

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			
Sterling / US dollar	4,263.97	6,717.61	(45.10)
US dollar / South Korean won	52.25	34.51	(0.77)
Yen / Sterling	79,427.13	434.04	(9.01)
Mexican peso / US dollar	776.76	54.62	(1.24)
Euro / US dollar	96.22	118.47	(1.31)
AU dollar / Sterling	66.56	35.76	(0.89)
US dollar / Sterling	792.29	509.79	(1.28)
Euro / Sterling	339.15	267.97	(4.61)
Other			(9.61)
			(73.82)

Under the terms of FX contracts, each party may be required to place collateral with the other according to whether the outstanding position is a profit or a loss. Under the terms of the above FX contracts the Trustee had received £3.10m cash in respect of collateral at the year end. Contingent collateral received in this way is not reported within the pooled fund's net assets.

Included within net assets is £0.91m cash and £0.63m US Treasury notes in respect of collateral arising on open FX contracts at the year end.

All FX contracts will settle by April 2015.

1.6 Cash deposits and cash instruments

Included within cash balances is £29.65m in respect of repo transactions (2013 - £52.17m). 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

	2014 £m	2013 £m
Asset in respect of investment transactions	14.61	104.85
Investment income accrued	49.81	46.98
Recoverable tax	1.21	0.92
Rent receivable	8.85	8.91
	74.48	161.66

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.8 Other investment liabilities

	2014 £m	2013 £m
Liability in respect of investment transactions	(31.49)	(56.81)
Tax payable	(1.56)	(0.35)
	<u>(33.05)</u>	<u>(57.16)</u>

1.9 Current assets

	2014 £m	2013 £m
Asset in respect of unit trades	1.00	0.42
Trade debtors	5.48	3.67
Tax	0.88	2.23
Other	0.19	0.46
	<u>7.55</u>	<u>6.78</u>

1.10 Current liabilities

	2014 £m	2013 £m
Accrued management fees and expenses	(19.64)	(13.93)
Property income received in advance	(17.33)	(17.82)
Trade creditors	(6.29)	(6.99)
Liability in respect of unit trades	(1.69)	(0.39)
Tax	(0.48)	(4.29)
Other	(2.55)	(1.42)
	<u>(47.98)</u>	<u>(44.84)</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's collateral specifications

At 31 December 2014, the market valuation of stock that had been lent in the market was £409.85m (2013 - £208.60m).

Collateral held in respect of the stock on loan at 31 December 2014 had a total value of £422.94m (2013 - £213.99m).

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.12 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2013	Units issued/ (redeemed)	Income	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2014
	£m	£m	£m	£m	£m	£m	£m
Directly held assets							
Equities	2,554.09	-	-	3,688.32	(3,382.40)	285.99	3,146.00
Fixed interest securities	3,455.31	-	-	3,984.34	(4,404.38)	94.75	3,130.02
Index linked securities	34.62	-	-	49.69	(49.48)	3.13	37.96
Pooled investment vehicles	9,367.07	-	-	3,880.90	(4,799.22)	1,023.04	9,471.79
UK property	1,516.68	-	-	124.94	(70.80)	207.36	1,778.18
	16,927.77	-	-	11,728.19	(12,706.28)	1,614.27	17,563.95
Derivatives							
Forwards	0.03	-	-	0.10	(0.04)	(0.09)	-
Futures	11.57	-	-	69.48	(154.60)	103.74	30.19
Swaps	(0.02)	-	-	15.70	(14.53)	(0.16)	0.99
Options	0.05	-	-	0.86	(0.98)	0.41	0.34
FX contracts	147.27	-	-	1,749.97	(2,007.54)	165.72	55.42
	158.90	-	-	1,836.11	(2,177.69)	269.62	86.94
Cross holdings	8,289.39	-	-	1,310.15	(6,084.79)	613.67	4,128.42
Other							
Cash and current assets	2,785.30	(4,783.43)	250.70	(14,874.45)	20,968.76	25.50	4,372.38
	28,161.36	(4,783.43)	250.70	-	-	2,523.06	26,151.69
Cross holdings	(8,289.39)						(4,128.42)
Net Assets	19,871.97						22,023.27

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:

	2014	2013
	£m	£m
Railpen Investments*	3,759.42	790.95
Legal & General Investment Management	3,165.91	2,206.53
Blackrock Investment Management	2,104.71	3,198.16
Orchard Street	1,968.95	1,694.43
Wellington Management Int	1,611.26	1,630.92
Lazard Asset Management	1,172.52	958.33
Rogge Global Partners	480.85	610.72
Unigestion	462.41	367.26
AQR Capital Management	445.07	110.43
Horsley Bridge Partners	358.12	288.78
Dimensional Fund Advisors Ltd	325.71	132.76
Grosvenor Capital Management	323.98	248.42
Longview Partners	313.60	265.96
Morgan Stanley Investment Management	312.94	278.04
William Blair & Company	310.60	277.30
Pacific Investment Management Co	290.86	351.52
Goldman Sachs Asset Management	288.12	249.01
Alinda Capital Partners	253.33	219.29
Bridgewater	246.19	235.99
Credit Suisse	241.37	343.97
HarbourVest Partners	219.18	241.95
Standard Life Investments	200.45	205.19
Arcus Infrastructure Partners	197.27	167.85
Edgbaston Investment Partners	186.41	32.94
Intermediate Capital Group	160.04	54.48
Cinven	153.26	239.70
Epoch Investment Partners	148.67	111.08
Invesco Asset Management	142.71	134.15
Blakeney General Partners	137.10	128.30
Apax Partners	134.68	132.75
Taiyo	129.62	134.12
Marathon Asset Management	126.13	122.06
Graham Capital	122.69	108.16
Pantheon Ventures	105.37	116.61
Adams Street Partners	104.63	108.59
Innisfree	91.24	78.60
Blackstone Alternative Asset Management	74.18	1,248.30
Ardevora	74.05	77.34
EQT Funds Management	59.50	55.00
Bain Capital	58.50	61.11
Sequoia Capital	57.05	21.92
Morningside Ventures	53.79	12.98
Warburg Pincus	49.73	55.33
Henderson Equity Partners	46.82	54.57
Indicus Advisors	43.20	48.07
Columbia Capital	39.11	30.25
Khosla Ventures	35.45	21.74
Carried forward	21,386.75	18,261.91

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.13 Investment managers during the year (continued)	2014 £m	2013 £m
Brought forward	21,386.75	18,261.91
Dalmore (from March 2014)	35.04	-
Accel Partners	35.01	15.15
Scale Venture Partners	33.34	24.36
Great Hill Partners	33.16	21.68
Westbridge Capital Partners	30.99	16.00
Institutional Venture Partners	27.73	15.87
Hony Capital	27.48	16.40
Oaktree Capital Management	26.49	29.16
Archer Capital	25.59	20.40
Balderton Capital	25.01	22.68
Anacap Financial Partners	22.87	15.43
Headland Capital Partners	22.24	29.81
KPS Capital Partners	20.60	13.35
Ares Management	19.88	16.06
Sankaty Advisors	19.72	16.49
Navis Capital Partners	16.69	9.45
Highland Capital Partners	16.59	12.12
Charlesbank Capital Partners	15.33	10.12
Domain Partners	15.32	10.99
Southern Cross Group	14.10	7.28
Clearsight Investments	13.43	6.43
General Atlantic	12.33	3.02
Insight Investment	12.23	49.28
CI Capital Investors	11.77	8.26
H.I.G. Capital	11.64	5.05
Innova	11.49	12.43
Thoma Bravo	9.71	5.66
Bessemer Venture Partners	9.47	4.76
Innovation Works	8.64	1.63
Andreessen Horowitz	8.37	4.00
Index Ventures	7.96	4.69
ClearVue Partners	7.86	2.94
Berkshire Partners	5.93	3.25
Abry Partners	4.60	3.55
Capital Dynamics	4.50	3.58
Aberforth Partners	4.01	151.84
Triton Partners	3.87	1.14
Peak Rock Capital	3.61	0.59
General Catalyst (from January 2014)	1.55	-
Bridges Community Ventures	0.23	0.27
Governance For Owners Group	0.14	0.14
J P Morgan Asset Management (until May 2014)	-	238.48
Neuberger Berman Europe (until August 2014)	-	227.43
Southeastern Asset Management (until August 2014)	-	174.11
New Finance Capital (until August 2014)	-	136.44
CoreCommodity Management, LLC (until June 2014)	-	105.24
Newton Investment Management (until June 2014)	-	79.68
Aspect Capital (until March 2014)	-	52.06
CP2 (until June 2014)	-	1.31
	22,023.27	19,871.97

*Included within the £3,759.42m is £3,173.04m invested in a Blackrock Liquidity Fund (2013 - £480.13m)

CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

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:

	2014 %	2013 %
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.

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 2014 are shown in the table below:

Pooled fund	Benchmark	Long term target
Growth	Retail Price Index	Benchmark + 5% pa until 30 June 2014 then Benchmark + 4% pa
Private Equity	MSCI All countries world index	Benchmark + 1% pa
Property	Investment Property Databank All Properties Index	Benchmark + 1% pa
Non Government Bond	Barclays Capital Global Aggregate Corporate Index (hedged)	Benchmark + 0.75% pa
Government Bond	Citigroup World Government Bond Index – ex Japan (hedged)	Benchmark + 0.5% pa
DC 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)

DC Aggregate Bond	Composite benchmark comprising: 50% FTSE British Government over 15 years index 50% Barclays Global Aggregate Corporation (hedged) Index	Benchmark
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
Defensive	Retail Price index	Benchmark + 0.5% pa
Infrastructure	Retail Price Index	Benchmark + 4% pa
Cash	7 Day Sterling London Inter-Bank Intra Day Interest Rate	Benchmark
Passive Equity	FTSE All world Index developed Markets (hedged)	Benchmark
Index Linked	FTSE UK gilts – Index Linked > 15 years Index	Benchmark
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

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 2014 (%)	Target 2014 (%)	Bench 2014 (%)	Actual last 5 years¹ (%)	Target last 5 years¹ (%)	Bench last 5 years¹ (%)
Growth	9.8	6.3	1.6	7.6	8.1	3.2
Private Equity	19.1	12.2	11.2	13.8	10.7	9.7
Property	16.7	20.3	19.3	11.4	11.9	10.9
Global Equity	6.9	6.9	6.4	9.3	8.8	8.3
Non Government Bond	8.4	8.7	7.9	7.0	7.1	6.3
Government Bond	9.9	10.4	9.9	5.0	5.4	4.9
Defensive	5.6	2.1	1.6	2.7	3.2	2.7
Infrastructure	20.7	5.6	1.6	9.5	7.4	3.4
Hedge Funds	5.8	3.9	0.4	6.7	4.0	0.5
Cash	0.5	0.3	0.3	0.6	0.4	0.4
Passive Equity	9.8	9.9	9.9	17.1	17.2	17.2
Index Linked	27.3	27.3	27.3	13.1	12.9	12.9
Commodities ²	2.1	(19.3)	(19.3)	6.1	0.2	0.2
Liquid Growth ²	3.5	3.1	1.0	4.1	6.9	1.9
LDI ²	21.0	n/a	n/a	15.4	n/a	n/a
DC Long Term Growth	9.6	1.6	1.6	6.8	3.2	3.2
DC Deposit	0.4	0.3	0.3	0.4	0.6	0.6
DC Global Equity	6.5	6.4	6.4	8.7	13.1	13.1
DC Aggregate Bond	16.8	16.8	16.8	6.8	11.1	11.1
DC Index Linked and Global Bond	17.3	17.3	17.3	6.3	10.9	10.9

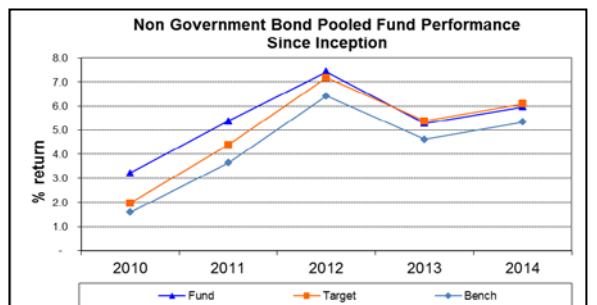
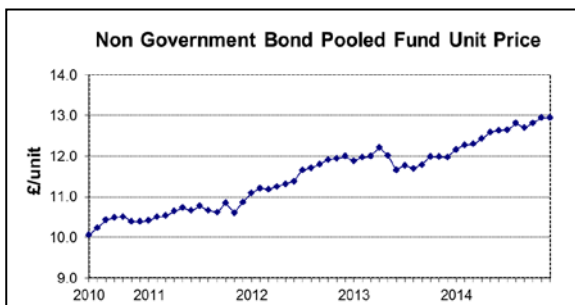
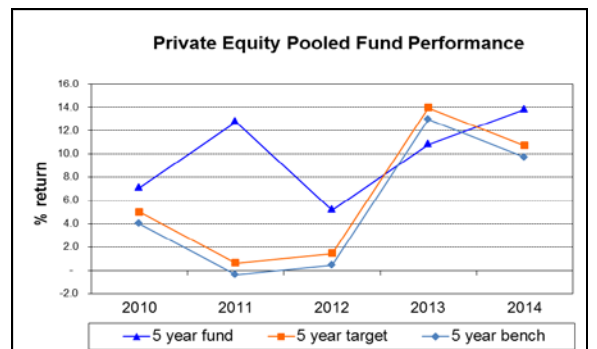
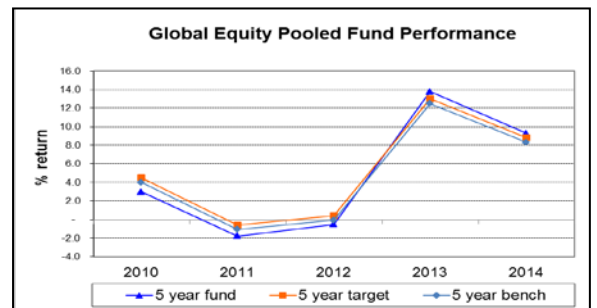
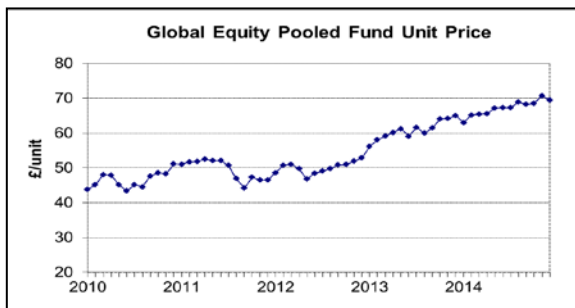
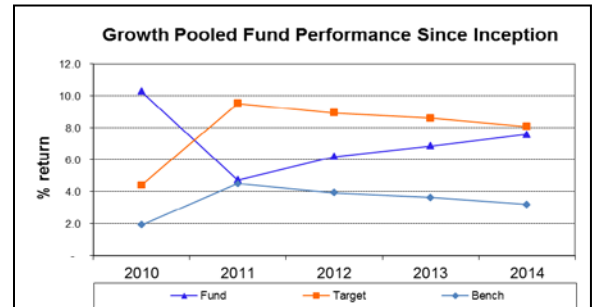
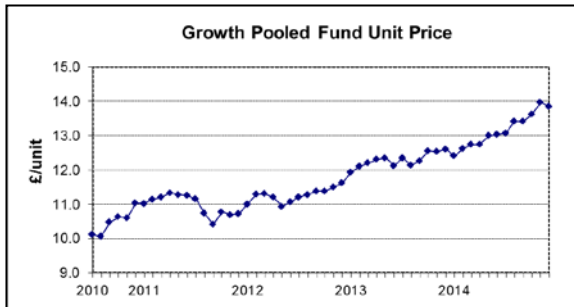
CONSOLIDATED NOTES TO THE FUND STATEMENT (Continued)

1.15 Performance (continued)

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.

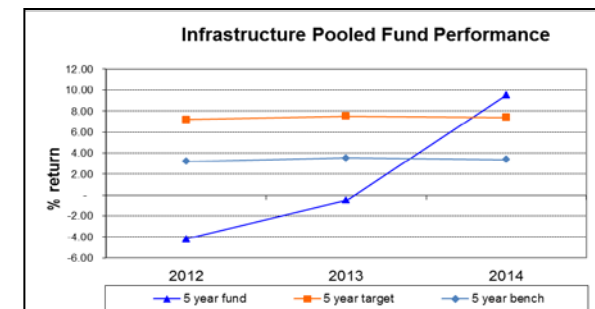
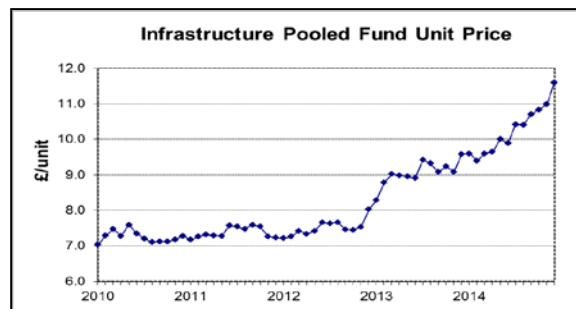
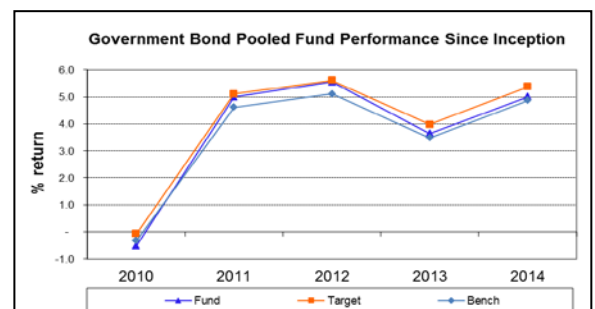
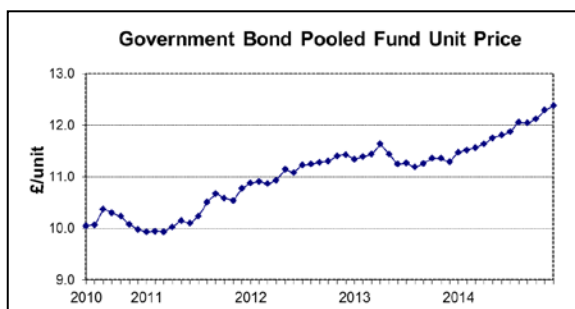
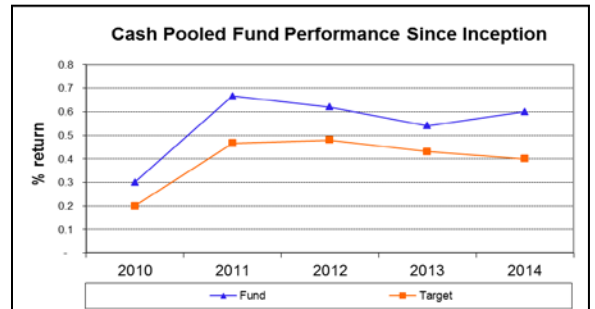
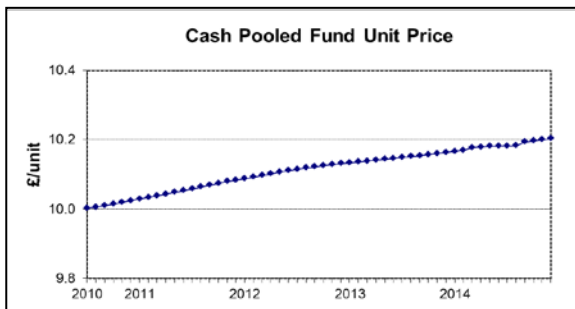
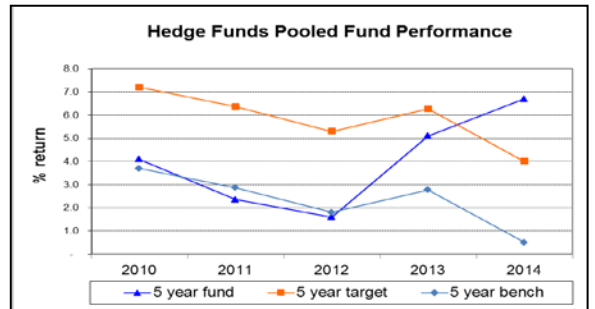
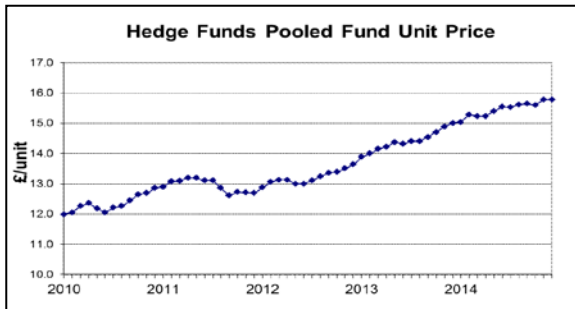
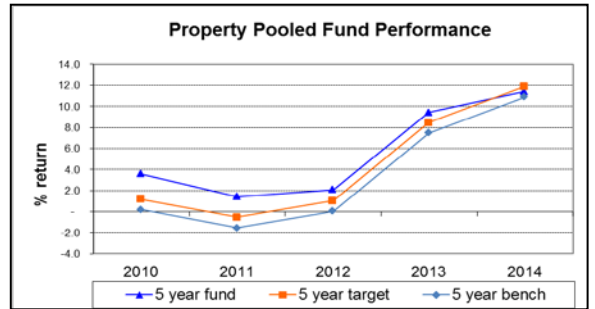
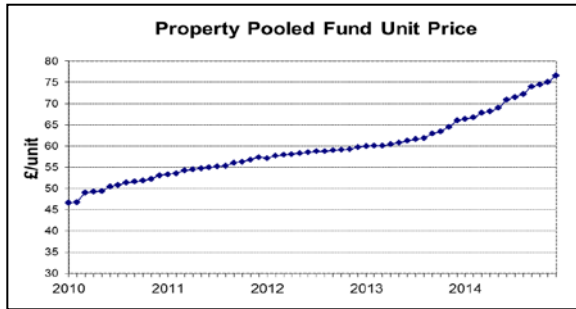
² Until pooled fund wound up.

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)

