

BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND
Pensions registration number: 100541628

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS
2015

**REPORT AND AUDITED FINANCIAL STATEMENTS
2015**

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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 2015.

The year was generally positive for investment returns. Whilst returns on property and equities fell slightly short of their benchmarks, all other asset classes achieved returns at least equal, and in some cases well above, their benchmarks. The Growth Pooled Fund, in which the majority of the Fund's assets are invested, recorded absolute gains of 3.9% against a benchmark of 1.2% and a target of 5.2%.

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

One consequence of the investment review is that the range of pooled funds has been simplified leading to the closure of the Defensive Pooled Fund during the year. Some single asset class pooled funds, such as the Property Pooled Fund and the Hedge Pooled Fund, are now wholly owned by the Growth Pooled Fund with no provision for direct investment into these pooled funds. 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.

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

CHAIRMAN'S INTRODUCTION (CONTINUED)

As stated in the 2014 annual report, we are also implementing a change programme for the administration and trustee services part of our operations, the 'Chrysalis programme'. Part of this project will be the replacement of the current 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 Limited ('RPMI'), our administration business, operates.

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

As part of the Chrysalis programme we have spoken with our many stakeholders, a process that will continue during the implementation, and we will be working to deliver a range of services that meets as many of those needs as possible.

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



John Chilman,
Chairman of the Trustee Company

AUDITED FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Contributions and benefits			
Employees contributions	4	12,843	12,254
Employers contributions	4	24,909	24,678
Benefit Support	4	1,416	1,572
Individual transfers in		5,284	3,101
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Contributions receivable		44,452	41,605
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Pensions		(39,123)	(36,658)
Lump-sum retirement benefits		(11,198)	(9,781)
Individual transfers out		(1,320)	(1,007)
Death benefits		-	(141)
Payments to and on account of leavers		(16)	(18)
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Fund benefits payable		(51,657)	(47,605)
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Administrative expenses	5	(1,273)	(944)
PPF levies		(828)	(839)
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Total withdrawals		(53,758)	(49,388)
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Net withdrawals from dealings with members		(9,306)	(7,783)
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Returns on investments			
Change in market values	6	48,889	97,059
Interest on loans and deposits		14	9
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Net returns on investments		48,903	97,068
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Net increase in the Fund during the year		39,597	89,285
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Net assets at the start of the year		1,037,881	948,596
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Net assets at the end of the year		1,077,478	1,037,881
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The accompanying notes numbered 1 to 9 form an integral part of these audited financial statements. The audited financial statements show the consolidated position of the three sections of the Fund. The extraction accounts of the individual sections are shown in Appendix I.

AUDITED FINANCIAL STATEMENTS


STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2015

	Notes	2015 £000	2014 £000
Investments	6	1,075,070	1,035,698
Net current assets	7	2,408	2,183
Net assets at the end of the year		1,077,478	1,037,881

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



John Chilman
Chairman, Trustee Board



John Mayfield
Director and Chairman, Audit Committee

The Financial Statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustees. They do not take account of the obligations to pay pensions and benefits which fall due at the end of the Fund year. The actuarial position of the Fund which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities, which is summarised on pages 34 to 35 and should be read in conjunction with these financial statements.

The accompanying notes numbered 1 to 9 form an integral part of these audited financial statements. The audited financial statements show the consolidated position of the three sections of the Fund. 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 2015

1. Basis of preparation

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

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

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

2. Transition to FRS 102

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

3. 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 the 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.

**AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2015 (CONTINUED)**

3. Accounting policies (continued)

Investments (continued)

- (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.

Realised and unrealised gains and losses on investments, including income receivable, are dealt with in the pooled fund accounts in the year in which they arise and are reflected in the pooled fund unit prices.

Contributions and benefits

Employee normal contributions are accounted for when deducted from pay. Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions.

Employer augmentation contributions are accounted for in accordance with the agreement under which they are being paid.

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

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

Payments under the Transport Act 1980 are accounted for as they become payable. Amounts receivable to extinguish future liabilities under the Transport Act 1980 are accounted for when the future liability is discharged.

Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustees of his decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.

**AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2015 (CONTINUED)**

3. Accounting policies (continued)

Contributions and benefits (continued)

Under auto-enrolment employers' auto-enrol eligible employees into the pension scheme. The employees can then opt out of the scheme if they wish within one month of being auto-enrolled. Opt outs are accounted for when the Scheme is notified of the opt out.

Administrative expenses

Expenses are accounted for on an accruals basis. The Fund bears all the costs of administration. Direct costs are charged to the section to which they relate. Indirect costs are allocated between sections based on an allocation methodology agreed by the Trustee.

Pension Protection Fund ('PPF') levies

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

Transfer values

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.

Tax

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

AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2015 (CONTINUED)

4. Contributions receivable

	2015	2014
	£000	£000
Members' contributions:		
Normal	12,134	11,546
Additional voluntary (AVCs)	709	708
Employer's contributions:		
Normal	18,867	19,226
Deficit funding	6,042	5,450
Augmentation	-	2
Benefit support:		
Government support	1,411	1,568
Transport for London	5	4
	39,168	38,504

Deficit funding contributions were 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.

5. Administrative expenses

	2015	2014
	£000	£000
Non-recoverable VAT	536	435
Pensions administration	403	252
Actuarial fees	139	94
Trustee governance	89	86
Legal fees	80	56
Audit fees	9	9
Communications	8	3
Other professional fees	8	8
Other overheads	1	1
	1,273	944

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 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 2015 (CONTINUED)

6. Net returns on investments

(a) Value of investments

	Market values at 31.12.14 £000	Purchases at cost £000	Sales proceeds £000	Change in market values £000	Market values at 31.12.15 £000
Pooled funds					
Growth	696,218	2,100	(4,479)	23,831	717,670
Government Bond	52,048	163,612	(2,443)	1,364	214,581
Private Equity	88,631	6,681	(20,237)	15,572	90,647
Infrastructure	31,522	-	(8,860)	6,840	29,502
Index Linked	11,053	-	(1,246)	21	9,828
Illiquid Growth	-	3,942	-	135	4,077
Cash Fund	1,340	-	(47)	4	1,297
Defensive	146,843	1,800	(149,635)	992	-
	1,027,655	178,135	(186,947)	48,759	1,067,602
BRASS and AVCs	7,192	1,566	(2,057)	130	6,831
	1,034,847	179,701	(189,004)	48,889	1,074,433
Other cash and cash instruments	851				637
	1,035,698				1,075,070

BRASS investments include 328,653 units in the PAF (2014: 478,879 units). Further information on the PAF can be found on page 42.

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.

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.

**AUDITED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2015 (CONTINUED)**

6. Net returns on investments (continued)

(a) Value of investments (continued)

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 The Fund investments are shown in the table below.

Pooled Funds	% of pooled fund owned 31.12.15	% of pooled fund owned 31.12.14
Illiquid Growth	11.9	-
Government Bond	11.2	6.2
Index Linked	5.3	5.6
Growth	5.2	5.4
Private Equity	4.0	4.0
Infrastructure	3.1	3.1
Cash	0.5	0.5
Defensive	-	14.4

* The Illiquid Growth Pooled Fund launched December 2015.

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

The total value of the pooled funds used in the percentage calculations only include scheme investments in the pooled funds and so exclude cross-held investments owned by the Growth and Defined Contribution Pooled Funds.

(b) Investments fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets and liabilities that the entity can access at the measurement date
- Level 2 Inputs other than the quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability)

The Fund's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

AUDITED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2015 (CONTINUED)

6. Net returns on investments (continued)

(b) Investments fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Market values at 31.12.15
	£000	£000	£000	£000
Pooled funds				
Growth	-	717,670	-	717,670
Government Bond	-	214,581	-	214,581
Private Equity	-	-	90,647	90,647
Infrastructure	-	-	29,502	29,502
Index Linked	-	9,828	-	9,828
Illiquid Growth	-	-	4,077	4,077
Cash	-	1,297	-	1,297
	-	943,376	124,226	1,067,602
BRASS and AVCs	-	6,831	-	6,831
Cash and other assets	637	-	-	637
	637	950,207	124,226	1,075,070

	Level 1	Level 2	Level 3	Market values at 31.12.14
	£000	£000	£000	£000
Pooled funds				
Growth	-	696,218	-	696,218
Defensive	-	146,843	-	146,843
Private Equity	-	-	88,631	88,631
Government Bond	-	52,048	-	52,048
Infrastructure	-	-	31,522	31,522
Index Linked	-	11,053	-	11,053
Cash Fund	-	1,340	-	1,340
	-	907,502	120,153	1,027,655
BRASS and AVCs	-	7,192	-	7,192
Cash and other assets	851	-	-	851
	851	914,694	120,153	1,035,698

**AUDITED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2015 (CONTINUED)**

6. Net returns on investments (continued)

(b) Investments fair value hierarchy (continued)

The above analysis has been performed by reference to the legal nature of the pooled funds invested in (i.e. unauthorised, unquoted unit trusts) and not by reference to the underlying investments in the pooled funds. Details of the underlying pooled funds' assets and liabilities are provided in Appendix L.

(c) Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

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

AUDITED FINANCIAL STATEMENTS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
DECEMBER 2015 (CONTINUED)

7. Net current assets

	2015	2014
	£000	£000
Contributions due from employer	2,428	2,314
PPF levies paid in advance	204	215
Benefit support due	219	118
Investment debtor	51	1
Other charges payable	(81)	(89)
Benefits payable	(15)	(105)
Taxation and social security	(398)	(271)
	2,408	2,183

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

8. 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 2015 net current assets included a liability of £81,000 in respect of these charges (2014: a liability of £83,000).

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.

9. Employer-related investments

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

INDEPENDENT AUDITOR'S REPORT

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 2015 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 21, the Trustee is responsible for the preparation of financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2015, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



Richard Hinton

for and on behalf of KPMG LLP, Senior Statutory Auditor

Chartered Accountants,

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

12 May 2016

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 2015

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 2015. 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	2015
	£'000
Employer:	
Normal contributions	18,867
Deficit contributions	6,042
Member:	
Normal contributions	12,134
Contributions payable under the schedule	<u>37,043</u>

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

Reconciliation of contributions

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

	2015
	£'000
Contributions payable under the Schedule (as above)	37,043
Other contributions payable under Fund rules:	
Government support	1,411
Members' additional voluntary contributions	709
Transport for London	5
Total contributions reported in the financial statements	<u>39,168</u>

Signed for and on behalf of the Trustee on 12 May 2016.



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 to the fund in respect of the Fund year ended 31 December 2015 which is set out in the Trustee's report page 17.

This statement is made solely to the Fund 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 Fund 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 Fund Trustee, as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities, the Trustee is responsible for ensuring that there are prepared, maintained, and from time to time revised, schedule of contributions and payment schedules showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employers and the active members of the Fund. In view of the complexity of the arrangements and the number of employers participating in the Fund, the Trustee has decided to maintain schedules of contributions relevant to each of the participating employers and sections of the Fund. The Trustee has a general responsibility for procuring that contributions are made to the Fund in accordance with those schedules of contributions as if the Pensions Acts 1995 and 2004 applied to those individual sections and employers, or, where there is no applicable schedule, in accordance with the Fund rules and the recommendations of the Actuary.

The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Fund by the employer in accordance with the schedule of contributions. It is our responsibility to provide a statement about contributions paid under the schedule of contributions to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient 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 schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Fund and the timing of those payments under the schedule of contributions.

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 (CONTINUED)

Statement about contributions payable under the schedules

In our opinion contributions for the Scheme year ended 31 December 2015 as reported in the summary of contributions and payable under the schedules have in all material respects been paid at least in accordance with the schedules of contributions certified by the Actuary, the payment schedules or the Fund rules and the recommendations of the Actuary.



Richard Hinton
for and on behalf of KPMG LLP, Senior Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL
12 May 2016

STATEMENT OF TRUSTEE 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 12 May 2016.

THE TRUSTEE COMPANY

Railways Pension Trustee Company Limited

The Railways Pension Trustee Company Limited ('Trustee') is the Trustee to four railway industry pension schemes. Two of these schemes are open to new members: the RPS and the British Transport Police Force Superannuation Fund. All the pension schemes participate in the pooled fund structure.

Trust law, the Pensions Acts and the Companies Acts govern the activities of the Trustee 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 31.12.15
Railways Pension Scheme	337,733
British Transport Police Force Superannuation Fund	6,382
British Railways Superannuation Fund	3,066
BR (1974) Fund	2,066
	<hr/> 349,247 <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. 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 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.

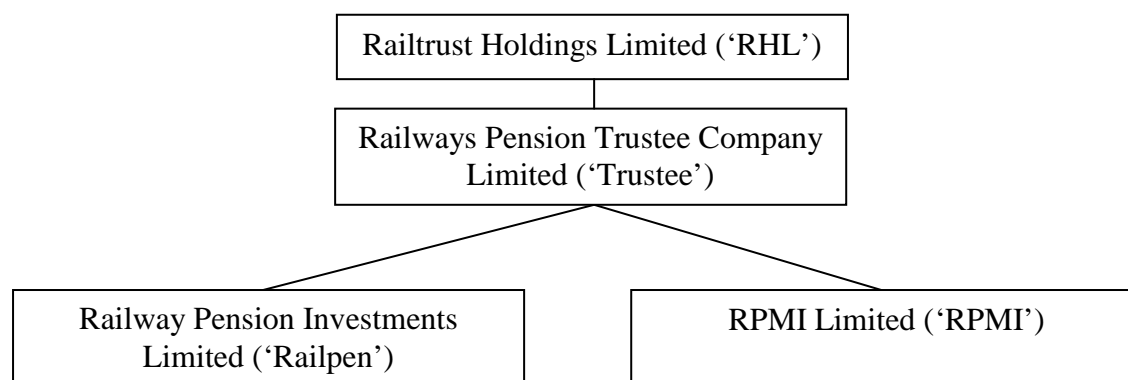
THE TRUSTEE COMPANY (CONTINUED)

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') carries out investment management for the Trustee of the railways pension schemes 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 2015



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

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

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

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

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

Employee director appointment procedure

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

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

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

THE TRUSTEE COMPANY (CONTINUED)

Employee director appointment procedure (continued)

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

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

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

Governance

The Trustee places great emphasis on maintaining high standards of fiduciary governance. Governance means having the people, structure and processes in place to provide the foundation for the efficient operation and effective decision-making of the Trustee Board.

The experience and skills of Trustee Directors are the cornerstones of the Board's effective ways of working. Directors attended up to 23 Board and Committee meetings in 2015. Attendance is reported to the Board and published in this Report and Accounts.

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 3.8% during 2015 (2014: 1.9% increase).

	2015	2014	% Change
Active Members	2,931	2,806	4.4
Pensioners	2,756	2,645	4.2
Preserved pensioners	695	696	-
Total membership at end of year	6,382	6,147	3.8

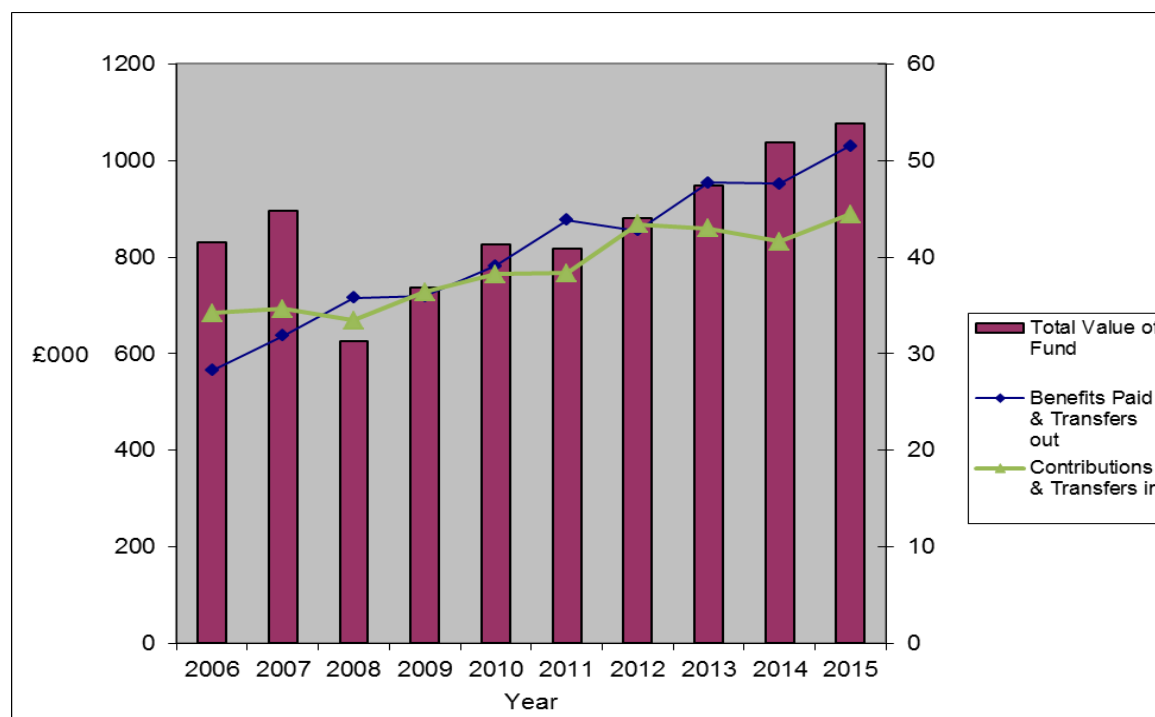
Financial information

During the year the net return on investments of the Fund as a whole was a gain of £48.9m (2014: gain of £97.1m).

The Fund paid benefits of £50.3m in 2015 (2014: £46.6m) and received contributions of £38.2m (2014: £38.5m). Allowing for transfer values and expenses, there was a net withdrawal from dealings with members of £9.3m (2014: net withdrawal of £7.8m).

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 31 – 33 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, through RPMI's 'Guide to Services', a Service Level Agreement 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 2015. These took place on 19 March, 2 June, 8 September and 26 November. During 2015 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 Charlotte Vitty were elected Chairman and Deputy Chairman respectively for 2015.

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

- Claire Davis left the Committee as an employer-appointed member in March 2015;
- Brian Phillpot, Mark Newton and Stephen Flynn joined the Committee as employer-appointed members in March 2015;
- Darren Townsend joined the Committee as a member-nominated member in March 2015;
- Ted Lightfoot left the Committee as a member-nominated member in September 2015;
- Martyn Ripley joined the Committee as a member-nominated member in September 2015;
- Stephen Flynn left the Committee as an employer-appointed member in September 2015;
- Marie Daniels and Steve Holmes joined the Committee as employer-appointed members in November 2015; and
- George Lewis left the Committee as a member-nominated member in November 2015.

A list of Committee members at 31 December 2015 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 2015

Name	Appointing body	Appointment date	No. of meetings eligible to attend during 2015	No. of meetings attended
Mr S Field	British Transport Police Authority	Jan 2008	4	4
Ms C Vitty	British Transport Police Authority	September 2014	4	4
Mr B Phillpott	British Transport Police Authority	February 2015	4	2
Mr M Newton	British Transport Police Authority	February 2015	4	1
Mr S Holmes	British Transport Police Authority	October 2015	1	1
Ms M Daniels	British Transport Police Authority	October 2015	1	1
Mr P Holden	Member representative appointed by Chief Constable after consultation with the ranks not represented by the BTP Federation	March 2009	4	4
Mr G Poyser	BTP Federation	July 2012	4	3
Mr D Townsend	BTP Federation	March 2015	4	3
Mr J Bryant	Pensioner elected	April 2004	4	4
Mr M Ripley	Pensioner elected	September 2015	2	2
Vacancy	BTP Federation			

Chris Welburn of RPMI is Secretary to the Management Committee.

Pension Increases

Pensions increased by 1.2% with effect from 1 April 2015. This is based on the Consumer Price Index ('CPI') inflation figure as at September 2014. There was no change in pensions payable from April 2016. Pensions in payment and deferment in the Fund are increased in line with Orders laid by the Government under the Pensions (Increase) Act 1971.

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.btpensions.co.uk and members may always contact the fund's administrators 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@rpm.co.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 2015

	2015	2014
Active members	2,931	2,806
Pensioners	2,293	2,172
Dependant pensioners	463	473
Preserved pensioners	695	696
Total membership	6,382	6,147

ACTUARY'S REPORT

The purpose of the Fund

The assets of the 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, which involve projections of the Fund's future expected income and outgoings, are made periodically to assess the sufficiency of the assets and contribution rates. The projections rely on a number of 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 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 using a similar method.

The Fund's rules require a separate actuarial valuation to be made of the 1968 Section and the 1970 Section (Appendix 11 of the 1970 Section's Rules and Clause 31 of the 1968 Section's Rules). 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 funding update is made for each Section.

The 31 December 2012 valuation

The latest actuarial valuation of the Fund was carried out as at 31 December 2012 (the 2012 valuation).

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 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 of the Fund the existing assets were taken at their market value.

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

Results of the 2012 valuation

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

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

The valuation of the 1970 Contributory Section revealed a funding level of 98% and a funding deficit of £18 million. It also indicated that the joint rate of contribution required from the members and the Authority 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 Authority) for entrants before 1 April 2007 and 30% of Pensionable Salary a year (10% from members and 20% from the Authority) for later entrants. Since the 2012 valuation, the split of contributions for the joiners after 1 April 2007 changed to be 12% from the members and 18% from the Authority. In addition, for new entrants after the 1 April 2015, the level of benefits accruing changed. The Trustee and Authority agreed to pay ongoing contribution rates at 25% of Scheme Salary a year (10% from members and 15% from the Authority) for such members.

The balance of the deficit will be funded by additional Authority only payments of just over £5 million per annum increasing each April at an agreed rate. Based on these contributions it was expected at the valuation date that the deficit will be removed by January 2016.

ACTUARY'S REPORT (CONTINUED)

Funding update as at 31 December 2014

The funding update as at 31 December 2014 indicated a worsening of the estimated funding position of the 1970 Contributory Section compared to the 2012 valuation, showing a funding level of 95% and a funding deficit of £57 million. The 1968 and 1970 Preserved Sections remained in surplus at 31 December 2014.

The financial position of the 1970 Contributory Section deteriorated primarily due to an increase in the expected level of future price inflation and lower expected investment returns in the future (which increase the target level of assets needed to provide benefits). This was offset to a large extent by investment performance over 2013 and 2014 and additional contributions made by the Authority.

The Fund's financial position and its contribution requirements will be reviewed at the next formal 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).

Adam Stanley FIA
Scheme Actuary to the Fund

January 2016

Punter Southall
Tempus Court
Onslow Street
Guildford
GU1 4SS

REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustee and the Authority as set out in the Statement of Funding Principles. This is available to Fund members on request.

The most recent full actuarial valuation of the Fund was carried out as at 31 December 2012. The three sections of Fund were assessed separately and the results are set out below:

1970 Contributory Section

The value of the Technical Provisions was: £864 million

The value of the assets at that date was: £846 million

1970 Preserved Section

The value of the Technical Provisions was: £22.6 million

The value of the assets at that date was: £24.2 million

Note that the value of the Technical Provisions shown above is after making allowance for the expected Transport Act receipts.

1968 Section

The value of the Technical Provisions was: £2.3 million

The value of the assets at that date was: £2.8 million

As at the date of the valuation, the surplus was sufficient to cover the relevant proportion of future pension increases, as required under Section 56 of the Transport Act 1980.

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount rates: these were set by assessing the returns expected with a probability of 60% using a stochastic model and based on an agreed investment portfolio for each section. The relevant investment portfolios were:

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Significant actuarial assumptions (continued)

1970 Contributory section: different rates applied before and after retirement:

Before retirement: 100% of assets assumed to be invested in return seeking assets giving a discount rate of 7.1% per annum at 31 December 2012

After retirement: 70% of assets assumed to be invested in return seeking assets and 30% in matching assets, giving a discount rate of 5.8% per annum at 31 December 2012.

1970 Preserved section: 25% of assets assumed to be invested in return seeking assets and 75% in matching assets, giving a discount rate of 3.4% per annum at 31 December 2012.

1968 Section: 42.5% of assets assumed to be invested in return seeking assets and 57.5% in matching assets, giving a discount rate of 4.2% per annum at 31 December 2012.

Future Retail Prices inflation: based on the Bank of England inflation yield curve at the duration of the liabilities (17 years). This gave an expectation of future increases in the Retail Prices Index of 3.0% per annum as at 31 December 2012.

Future Consumer Prices inflation: in line with increases in future Retail Prices inflation less an adjustment equal to 0.8% per annum.

Pension increases: in line with the assumption for future Consumer Prices inflation.

Pay increases: general pay increases of 1.0% per annum above the future Retail Prices inflation plus a promotional salary scale. Allowance is made for agreed short term pay increases.

Mortality after retirement: standard tables S1PA with a reduction in mortality rates of 9% at each age for both males and females to apply from 2006. Improvements in longevity have been allowed for from 2006 in line with the CMI 2011 model with a long term rate of improvement of 1.25% per annum.

INVESTMENT REPORT

Introduction

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

Railpen also has delegated authority for most of the Trustee's investment responsibilities; it decides on appropriate investment policies and management arrangements and is the 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 Fund are invested through a number of pooled investment funds, each with a different risk and return profile. These funds are managed as if they are internal unit trusts and each pooled fund is approved by HM Revenue and Customs. Each section holds units in some or all of the pooled funds. The use of these pools enables sections to hold a broader range of investments more efficiently than may have been possible through direct ownership.

The range of pooled funds has been reviewed and simplified in recent years to ensure it is flexible enough to be tailored to the needs and particular circumstances of individual sections, while also allowing Fund assets to be invested as much as possible on a consistent basis as if a single pension fund.

In most cases, the pooled funds are multi-asset where the mix of asset classes can be varied according to market conditions and opportunities. These funds seek to capture returns more efficiently and effectively than single asset pools. They enable the Fund to hold a managed portfolio of assets rather than a fixed allocation, which consequently should have a less volatile return profile.

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

INVESTMENT REPORT (CONTINUED)

Investment management arrangements (continued)

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

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

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

Investment strategy

The Integrated Funding Committee is the body that sets investment strategy for all sections without a Pensions Committee and reviews and approves strategies requested by Pensions Committees. In setting strategies for sections, the profile of the liabilities, along with the covenant strength and views of the sponsoring employer, are taken into account as part of an integrated approach to funding.

Furthermore, the Trustee sets principles for the key aspects of section investment strategy, namely the expected return, risk and liquidity ('RRL') of investments. This is referred to as the

RRL framework and takes into account covenant strength and maturity of pension liabilities. The Integrated Funding Committee uses these principles in assessing and agreeing the investment strategy for any individual section.

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

RPMI works with the Integrated Funding Committee to agree investment strategies for sections as part of the actuarial valuation proposals.

INVESTMENT REPORT (CONTINUED)

Liquidity of investments

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

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

Economic commentary

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

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

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

INVESTMENT REPORT (CONTINUED)

Economic commentary (continued)

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

Investment performance

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

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

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

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

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 Private Equity Fund produced an aggregate return of 16.6% in 2015, ahead of the return from its quoted equity benchmark. Due to the unquoted nature of these investments, there is often a significant time lag for revised information on underlying investments to flow through to the Private Equity Fund valuation.

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

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

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

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

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

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

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

Section returns

There was a clear divergence in returns from the sections of the Fund in 2015, 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 4.8% net of fees and costs. Over a 3 year period the investment return was 7.9% per annum, while over a 10 year time horizon the return was 4.4% per annum.

INVESTMENT REPORT (CONTINUED)

Section returns (continued)

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 1.1% for 2015 net of fees and costs. Over a 3 year period the investment return was 6.7% per annum, while over a 10 year time horizon the return was 5.8% per annum. The 1968 Section had a return of 1.5% in 2015, 7.2% per annum over 3 years and 6.0% per annum over 10 years.

Securities lending

Securities lending forms part of the arrangements sanctioned by the regulatory authorities to maintain an orderly and more liquid securities market. With the approval of the Investment Committee, and subject to the agreements in place and the constraints on certain portfolios, custodians are able to make a proportion of securities they hold available for lending to securities houses with short-term requirements. The lending does not impact on the fund managers' investment activities. In place of the lent securities, the Fund receives collateral, in the form of cash or other securities, that meet standards set on behalf of the Trustee. 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)

The Fund holding of BRASS (AVC) as at 31 December 2015 was £6.0m. The total value of BRASS (AVC) funds at 31 December 2015 were £1,372m.

AVC investments (BRASS and AVC Extra)

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

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

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

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

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

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

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APPENDIX A

PRINCIPAL ADVISERS TO THE TRUSTEE COMPANY AND MANAGEMENT COMMITTEE

Fund and investment administrator

RPMI

Investment manager

Railpen

Actuary

Adam Stanley, Punter Southall Limited

External Auditors

KPMG LLP

Legal Advisors

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 22nd 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 extremely seriously, and also maintains a dialogue with the Pensions Regulator from whom it seeks advice on best practice. Breaches of the regulations deemed significant by the Trustee are reported in accordance with both applicable law and The Pensions Regulator's recommendations.

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 2015 there were £nil of late payment of contributions (2014: £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 SUSTAINABLE OWNERSHIP

Introduction

The Trustee, on behalf of the Fund has a long history as an active and engaged shareholder, with a strong heritage in corporate governance. Trustees of UK occupational pension schemes are required by law to address in their Statement of Investment Principles ('SIP') the extent to which social, environmental and ethical (SEE) considerations are taken into account in the selection, retention and realisation of investments. This includes their policy directing the exercise of rights (including voting rights) attached to investments. These factors are commonly referred to as ESG (environmental, social and governance) factors.

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

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

Integration of environmental, social and governance ('ESG') factors into investment process

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

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

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

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

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

APPENDIX D SUSTAINABLE OWNERSHIP (CONTINUED)

Measurement of carbon footprint and Montreal Pledge statement

As a signatory of the Montreal Pledge, the Trustee, through Railpen, is committed to annual measurement and disclosure of the carbon footprint of the Fund's equities portfolio. Trucost was commissioned in 2015 to conduct an analysis of both passive and active elements of the Fund's listed equity portfolio, using holdings data as at 31 August 2015. The results will be factored into engagement with external fund managers and with specific companies held in the equity portfolio going forward. More information on the measurement of the carbon footprint is available on the RPMI website.

UK Stewardship Code

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

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

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

Voting

Full voting authority ultimately rests with the Trustee. In addition to the monitoring of the activities performed by fund managers and other intermediaries, the Trustee, through Railpen, undertakes further engagement activities in relation to individual companies, whether independently or with other parties, where it considers it in the best interests of beneficiaries to do so.

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

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

In addition to our activities in the UK, active voting and engagement has been extended to overseas markets since 2006 and currently extends to the USA, Continental Europe, Japan, Singapore,

APPENDIX D SUSTAINABLE OWNERSHIP (CONTINUED)

Australia and Hong Kong. We disclose our voting records for Japanese companies from December 2014 onwards and these, together with self-standing policies for several overseas markets can be found on our website.

Collaborative engagement

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

These include, but are not limited to:

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

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

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

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

Pooled fund equity holdings

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

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

APPENDIX E RISK STATEMENT

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

Risk policy

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

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

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

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

Risk identification and management

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

The risks identified, together with action plans for their management (including responsibilities and target dates for completion), are recorded in the risk register of the Trustee and each operating company, RPMI and Railpen. Actions include implementing or adapting internal controls, risk transfer, risk sharing and contingency planning. These actions are monitored by the Business Assurance team.

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

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

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

APPENDIX E RISK STATEMENT (CONTINUED)

First line of defence:

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

Second line of defence:

This describes the committees and functions that provide oversight of the effective operation of the internal control environment and will include those receiving reports and management information concerning key business activities, for example, the Organisational Leadership Team and the Board. The second line is re-enforced by the monitoring functions of risk management through the RMC and the Compliance team.

Third line of defence:

This describes the independent assurance provided by internal audit, external audit and / or any other independent source of assurance, for example internal control reporting.

The effectiveness of the internal controls is examined by the internal audit plan, which focuses on the significant risks in the risk registers and covers all major activities of the Trustee Company and operating companies. The internal audit plan is approved by the Audit Committee. Internal audit output, in terms of any significant findings or risks identified, together with planned actions to mitigate them, are reported to the Audit Committee.

In respect of the pensions administration service provided by RPMI, an internal controls assurance report has been prepared for the year ended 31 December 2015. The report sets out a description of the relevant control objectives and procedures which operated during the period. These have been independently evaluated under the guidelines of the International Standard on Assurance Engagements 3402 (ISAE 3402) and the Institute of Chartered Accountants in England & Wales Technical Release, 'Assurance reports on internal controls of service organisations made available to third parties (AAF 01/06)'.

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

APPENDIX E
RISK STATEMENT (CONTINUED)

Third line of defence (continued)

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

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

**APPENDIX F
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 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 sometime 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, 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 2014 have recently been published. This statement summarises the results and conclusions of the funding update at 31 December 2014 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.

For the avoidance of doubt, this statement does not take into account the new section of the Fund for members who join after 1 April 2015.

APPENDIX H
SUMMARY FUNDING STATEMENT (CONTINUED)

Funding positions assuming that the Fund will continue

1968 Section

The latest actuarial valuation and annual funding updates of the 1968 Section of the Fund showed that on the relevant date the Fund's financial position was as follows:

	31 December 2012 £m	31 December 2013 £m	31 December 2014 £m
1968 Section's liabilities:	£2.3	£2.2	£2.3
1968 Section's assets:	£2.8	£2.7	£2.9
Funding surplus:	£0.5	£0.5	£0.6

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 2014 indicated that the estimated funding level has increased slightly since the annual funding update at the end of 2013. Investment returns over the year have been better than expected, offsetting a reduction in future expected investment returns and the fact that a pension increase (that is not funded for) was awarded.

1970 Preserved Section

The latest valuation and annual funding updates of the Preserved part of the 1970 Section of the Fund showed that on the relevant date the Fund's financial position was as follows:

	31 December 2012 £m	31 December 2013 £m	31 December 2014 £m
1970 Preserved Section's liabilities:	£38.1	£35.9	£35.3
1970 Preserved Section's assets (including Government support):	£39.7	£37.5	£38.2
Funding surplus:	£1.6	£1.6	£2.9

The result meant that the assets were enough to cover 104% of the benefits that would need to be paid in the future at both 31 December 2012 and 2013, and 108% of the benefits that would need to be paid in the future at 31 December 2014 (in all cases after taking credit of Government support). No contributions are required for this part of the 1970 Section.

Change in funding position

The latest funding update as at 31 December 2014 indicated that the estimated funding level has improved since the annual funding update at the end of 2013.

APPENDIX H
SUMMARY FUNDING STATEMENT (CONTINUED)

This is mainly due to better than assumed investment performance and a decrease in the level of expected future price inflation, being partially offset by lower expected investment returns in the future.

1970 Contributory Section

The latest valuation and annual funding updates of the Contributory part of the 1970 Section of the Fund showed that as at 31 December 2012, 31 December 2013 and 31 December 2014 the Fund's financial position was as follows:

	31 December 2012 £m	31 December 2013 £m	31 December 2014 £m
1970 Contributory Section's liabilities:	£864	£937	£1,060
1970 Contributory Section's assets (excluding BRASS):	£846	£916	£1,003
Funding shortfall:	£18	£21	£57

The above result meant that at 31 December 2012 and at 31 December 2013 the assets were enough to cover 98% of the benefits that would need to be paid in the future, and enough to cover 95% of the benefits that would need to be paid in the future at 31 December 2014.

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 that began on 1 January 2013 and will continue 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 were expected at the 31 December 2012 valuation to bring the funding position back into balance by the date of the last payment. The funding position and the cost of benefits accruing 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.

APPENDIX H

SUMMARY FUNDING STATEMENT (CONTINUED)

Change in funding position

The estimated funding level has decreased from 98% to 95% since the annual funding update at the end of 2013, with an increase in the value of the deficit from £21m to £57m. This is due mainly to lower expected investment returns in the future, although this has been offset to some extent by a decrease in the expected level of future price inflation, the investment performance over the year and the deficit contributions made by the Authority.

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 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.

APPENDIX H

SUMMARY FUNDING STATEMENT (CONTINUED)

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

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.btpensions.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 2015

	2015	2014
	£000	£000
Benefits payable	(230)	(229)
Administrative expenses	(5)	(3)
	(235)	(232)
Net withdrawals from dealings with members	(235)	(232)
Net returns on investments	46	419
Net movement in the Fund during the year	(189)	187
Net assets at the start of the year	2,892	2,705
Net assets at the end of the year	2,703	2,892

	2015	2014
	£000	£000
Investments	2,706	2,896
Current liabilities	(3)	(4)
Net assets at the end of the year	2,703	2,892

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

British Transport Police 1970 Section Current (unaudited)

Fund account for the year ended 31 December 2015

	2015	2014
	£000	£000
Contributions and benefits		
Contributions receivable	37,752	36,932
Transfer values	5,284	3,101
	43,036	40,033
Benefits payable	(46,867)	(42,913)
Transfer values	(1,320)	(1,007)
Administrative expenses	(1,940)	(1,641)
	(50,127)	(45,561)
Net additions withdrawals from dealings with members	(7,091)	(5,528)
Net returns on investments	48,538	93,336
Net movement in the Fund during the year	41,447	87,808
Net assets at the start of the year	1,010,643	922,835
Net assets at the end of the year	1,052,090	1,010,643

Net assets statement as at 31 December 2015

	2015	2014
	£000	£000
Investments	1,049,819	1,008,502
Current assets	2,271	2,141
Net assets at the end of the year	1,052,090	1,010,643

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

British Transport Police 1970 Section Historic (unaudited)

Fund account for the year ended 31 December 2015

	2015	2014
	£000	£000
Contributions and benefits		
Benefit support	1,416	1,572
	1,416	1,572
Benefits payable	(3,240)	(3,456)
Administrative expenses	(156)	(139)
	(3,396)	(3,595)
Net withdrawals from dealings with members	(1,980)	(2,023)
Net returns on investments	319	3,313
Net movement in the Fund during the year	(1,661)	1,290
Net assets at the start of the year	24,346	23,056
Net assets at the end of the year	22,685	24,346

Net assets statement as at 31 December 2015

	2015	2014
	£000	£000
Investments	22,545	24,300
Current assets	140	46
Net assets at the end of the year	22,685	24,346

APPENDIX J SUMMARY OF THE MAIN PROVISIONS OF THE FUND

Tax status

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

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 1.2% from April 2015 based on the rate of inflation as measured by the Consumer Prices Index ('CPI') in September 2014. There was no change in pensions payable from April 2016 .

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@rpmi.co.uk
Website address: www.rpmi.co.uk

RPMI

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

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

Tel: 0800 2 343434 (Customer Services Team)
E-mail: csu@rpmi.co.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 9
Mail Handling Site A
Wolverhampton
WV98 1LU

Tel: 08456 002 537
Website address: www.gov.uk/find-lost-pension

Fund Registration number: 100541628

APPENDIX L

INTRODUCTION TO THE POOLED FUND ACCOUNTS

This appendix represents a consolidated summary of the Annual Report and non-statutory audited Accounts of the pooled funds of the railways pension schemes for the year ended 31 December 2015.

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

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

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

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

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

The table on page 70 summarises the investments of each of these pooled funds as at 31 December 2015. The notes on pages 77 to 96 analyse the total pooled assets of £22,819.98m into the categories required by the SORP. The net asset value of each pooled fund at the end of the current and prior years is set out on pages 79 and 80, and the unit prices on page 78 and 79.

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 43 presents an alternative classification of the pooled fund assets, which is intended to complement the analysis given in the accounts, and give an understanding of the underlying economic exposure of the pooled funds.

Foreign exchange ('FX') contracts are used either to hedge overseas investments in the pooled funds, as an active investment decision designed to generate investment return in sterling or to settle investment transactions. In the table below, the net asset value of those contracts used to hedge investments held at the year end has been shown against the asset category they are designed to hedge; the net asset value of other FX contracts has been shown against cash.

INTRODUCTION TO THE POOLED FUND ACCOUNTS (CONTINUED)

THE ECONOMIC EXPOSURE OF POOLED FUND ASSETS AS AT 31 DECEMBER 2015

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

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, who have recent experience in the locations and class of investment properties held by the Trustee.
- (vi) Exchange traded derivatives are stated at fair value determined using market quoted prices. Over the counter ('OTC') derivatives are stated at the Trustee Company's estimate of accounting fair value based on advice from Markit, external valuers retained by the Trustee through BNY Mellon, who provide a valuation service independent of the fund managers, using pricing models and relevant market data at the year end date.
- (vii) Forward foreign exchange contracts are valued at the forward rate at the year end date.
- (viii) All gains and losses arising on derivative contracts are reported within change in market value of investments during the year.
- (ix) Foreign investments, debtors, creditors, cash and cash equivalents have been translated into sterling at the exchange rates ruling at the fund statement date.

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. They have been included in the pooled fund accounts on a full consolidation basis. This consolidation is done voluntarily as this is not a requirement of the SORP.

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 2015

	Equities	Fixed interest securities	Index linked securities	UK property	Pooled investment vehicles	Derivative assets	Derivative liabilities	Cash deposits and cash instruments	Other assets	Other liabilities	Cross holdings	Net assets attributable to unit holders
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Pooled Fund												
Growth	4,024.13	1,167.67	11.71	-	4,142.32	23.57	(52.49)	2,850.78	44.34	(25.65)	2,312.52	14,498.45
Private Equity	0.29	-	-	-	2,188.74	0.01	(0.06)	77.06	0.21	(1.39)	-	2,265.31
Property	-	-	-	1,890.93	0.50	-	-	342.34	20.21	(33.38)	-	2,220.60
Government Bond	-	1,828.09	-	-	-	-	-	78.77	11.72	(1.06)	-	1,917.52
Defined Contribution	-	-	-	-	160.13	-	-	359.11	0.63	(0.68)	713.03	1,232.22
Infrastructure	-	-	-	-	890.87	-	-	58.53	0.01	(0.49)	-	948.92
Global Equity	-	-	-	-	805.45	3.31	(10.90)	30.53	0.33	(0.75)	-	827.97
Passive Equity	-	-	-	-	690.47	-	-	0.49	-	(0.38)	-	690.58
Non Government Bond	1.86	613.54	-	-	-	0.54	(14.94)	7.88	8.07	(1.12)	-	615.83
Cash	-	-	-	-	-	-	-	288.71	0.11	(0.15)	-	288.67
Index Linked	-	-	-	-	194.44	-	-	0.08	-	(0.12)	-	194.40
Hedge Funds	-	-	-	-	101.43	-	-	0.26	9.13	(0.14)	-	110.68
Illiquid Growth	-	-	-	-	39.29	0.04	-	0.11	-	(5.06)	-	34.38
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(3,025.55)	(3,025.55)
Total	4,026.28	3,609.30	11.71	1,890.93	9,213.64	27.47	(78.39)	4,094.65	94.76	(70.37)	-	22,819.98
%	17.6	15.8	0.1	8.3	40.4	0.1	(0.3)	17.9	0.4	(0.3)	-	100

Analysis of cross holdings

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

The accounting policies on pages 71 to 72 and the notes on pages 77 to 96 form part of these accounts.

FUND STATEMENT AS AT 31 DECEMBER 2015

MOVEMENT IN UNIT HOLDERS' FUNDS

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

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

John Chilman
Chairman,
Trustee Board



John Mayfield
Director and Chairman,
Audit Committee



The accounting policies on pages 71 to 72 and the notes on pages 77 to 96 form part of these accounts.

FUND STATEMENT AS AT 31 DECEMBER 2014

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

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 71 to 72 and the notes on pages 77 to 96 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

The accounting policies on pages 71 to 72 and the notes on pages 77 to 96 form part of these accounts.

CONSOLIDATED NOTES TO THE FUND STATEMENT

1.1 Fund statement as at 31 December 2015	Note	2015 £m	2014 £m
Assets			
Equities			
UK quoted		265.60	251.45
UK unquoted		0.09	0.13
Overseas quoted		3,742.50	2,874.25
Overseas unquoted		18.09	20.71
		4,026.28	3,146.54
Fixed interest securities			
UK quoted – public sector		1,829.39	79.01
UK quoted – non public sector		49.39	70.55
UK unquoted – non public sector		149.51	68.83
Overseas quoted – public sector		633.89	1,702.12
Overseas quoted – non public sector		804.26	1,123.18
Overseas unquoted – non public sector		142.86	85.79
		3,609.30	3,129.48
Indexed linked securities			
UK quoted – public sector		-	9.74
Overseas quoted – public sector		11.71	28.22
		11.71	37.96
UK Property		1,890.93	1,778.18
Pooled investment vehicles			
UK unquoted – property partnerships		0.50	8.59
UK unquoted – unitised insurance policies		5,316.46	3,665.57
UK unquoted – partnerships		575.48	612.91
UK unquoted – other managed funds		-	98.05
UK quoted – other managed funds		22.87	-
Overseas quoted – other managed funds		198.46	808.20
Overseas unquoted – partnerships		2,829.84	2,844.40
Overseas unquoted – hedge funds		254.70	921.92
Overseas unquoted – other managed funds		15.33	512.15
		9,213.64	9,471.79
Derivative contracts			
Futures – exchange traded	1.5	15.16	37.10
Swaps – OTC		-	4.13
Options – OTC	1.5	0.01	0.34
FX contracts – OTC	1.5	12.30	129.24
		27.47	170.81
Cash deposits and cash instruments	1.6	4,094.65	4,371.38
Other assets			
Other investment assets	1.7	85.43	74.48
Current assets	1.9	9.33	7.55
		94.76	82.03
Total assets		22,968.74	22,188.17

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.1 Fund statement as at 31 December 2015 (continued)	Note	2015 £m	2014 £m
Total assets brought forward		22,968.74	22,188.17
Liabilities			
Derivative contracts			
Futures – exchange traded	1.5	(8.35)	(6.91)
Swaps – OTC		-	(3.14)
FX contracts – OTC	1.5	(70.04)	(73.82)
		(78.39)	(83.87)
Other liabilities			
Other investment liabilities	1.8	(12.67)	(33.05)
Current liabilities	1.10	(57.70)	(47.98)
		(70.37)	(81.03)
Total liabilities		(148.76)	(164.90)
Net assets attributable to unit holders		22,819.98	22,023.27
1.2 Pooled fund unit prices as at 31 December		2015 £/unit	2014 £/unit
Cash Pooled Fund		10.23	10.20
Global Equity Pooled Fund		70.57	69.40
Government Bond Pooled Fund		12.55	12.37
Growth Pooled Fund		14.32	13.84
Hedge Funds Pooled Fund		16.39	15.79
Illiquid Growth Pooled Fund (from April 2015)		10.34	-
Index Linked Pooled Fund		69.03	69.19
Infrastructure Pooled Fund		14.54	11.60
Non Government Bond Pooled Fund		13.03	12.95
Property Pooled Fund		84.77	76.64
Passive Equity Pooled Fund		14.21	14.10
Defensive Pooled Fund (until December 2015)		-	10.66
Private Equity Pooled Fund			
Direct Investment Pooled Fund 1995		5,148.26	5,194.36
Direct Investment Pooled Fund 1997		186.05	188.23
Direct Investment Pooled Fund 1999		41.23	41.79
Direct Investment Pooled Fund 2000		19.01	19.09
Private Equity Pooled Fund 2001		35.18	34.24
Private Equity Pooled Fund 2004		32.93	28.72
Private Equity Pooled Fund 2005		29.62	26.28
Private Equity Pooled Fund 2007		20.68	17.18
Private Equity Pooled Fund 2009		24.18	20.93
Private Equity Pooled Fund 2011		17.13	13.34
Private Equity Pooled Fund 2013		11.53	9.75

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.2 Pooled fund unit prices as at 31 December (continued)	2015 £/unit	2014 £/unit
Defined Contribution Pooled Fund		
DC Global Equity Fund	11.83	11.76
DC Long Term Growth Fund	11.72	11.33
DC Deposit Fund	10.07	10.04
DC Index Linked and Global Bond Fund	11.50	11.46
DC Aggregate Bond Fund	11.34	11.31
1.3 Value of the Pooled Funds	2015 £m	2014 £m
Growth Pooled Fund	14,498.45	13,481.05
Private Equity Pooled Fund*	2,265.31	2,226.31
Property Pooled Fund	2,220.60	2,008.00
Government Bond Pooled Fund	1,917.52	1,093.79
Defined Contribution Pooled Fund*	1,232.22	1,224.76
Infrastructure Pooled Fund	948.92	1,013.92
Global Equity Pooled Fund	827.97	1,377.38
Passive Equity Pooled Fund	690.58	249.32
Non Government Bond Pooled Fund	615.83	1,294.07
Cash Pooled Fund	288.67	290.46
Index Linked Pooled Fund	194.40	206.73
Hedge Funds Pooled Fund	110.68	668.85
Illiquid Growth Pooled Fund (from April 2015)	34.38	-
Defensive Pooled Fund (until December 2015)	-	1,017.05
	25,845.53	26,151.69
Cross holdings		
Property Pooled Fund	(2,201.79)	(1,870.36)
Growth Pooled Fund	(687.20)	(603.73)
Hedge Funds Pooled Fund	(110.68)	(668.85)
Non Government Bond Pooled Fund	(16.27)	(581.45)
Index Linked Pooled Fund	(9.56)	(8.93)
Private Equity Pooled Fund	(0.05)	(0.06)
Government Bond Pooled Fund	-	(246.97)
Global Equity Pooled Fund	-	(148.07)
Net assets attributable to unit holders	22,819.98	22,023.27

* See breakdown into pooled fund segments below.

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.3 Value of the Pooled Funds (continued)	2015 £m	2014 £m
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	0.15	0.15
Direct Investment Pooled Fund 1997	0.21	0.21
Direct Investment Pooled Fund 1999	0.23	0.23
Direct Investment Pooled Fund 2000	16.36	24.01
Private Equity Pooled Fund 2001	95.96	152.25
Private Equity Pooled Fund 2004	67.23	78.53
Private Equity Pooled Fund 2005	197.34	279.57
Private Equity Pooled Fund 2007	1,002.56	1,056.91
Private Equity Pooled Fund 2009	251.34	239.88
Private Equity Pooled Fund 2011	508.72	343.32
Private Equity Pooled Fund 2013	125.21	51.25
	2,265.31	2,226.31
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	687.93	606.66
DC Deposit Fund	357.32	441.01
DC Global Equity Fund	154.75	148.36
DC Index Linked and Global Bond Fund	19.53	17.79
DC Aggregate Bond Fund	12.69	10.94
	1,232.22	1,224.76
1.4 Investment income		
	2015 £m	2014 £m
Dividends from equities	103.23	78.40
Income from fixed interest securities	120.60	138.98
Income from index linked securities	0.76	1.78
Income from UK property	85.38	83.38
Interest from cash deposits	22.48	17.54
Income from pooled investment vehicles	12.69	19.09
Income from preferred securities	0.54	-
Other income	3.31	2.03
	348.99	341.20
Irrecoverable withholding tax	(5.07)	(5.53)
Total income	343.92	335.67
Administration, custody and other expenses	(19.53)	(19.68)
Investment management fees – base	(27.33)	(36.05)
Investment management fees – performance	(5.73)	(11.12)
RPMI fees	(38.02)	(17.72)
Tax	(0.02)	(0.50)
	(90.63)	(85.07)
Minority interest	(0.21)	0.10
Reinvested income (accrued in unit price)	253.08	250.70

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.5 Derivative contracts

Futures: Future contracts are standardised, transferable, exchange traded contracts that require delivery of a commodity, bond, currency or stock index, at a specified price, on a specified future date. The details of open futures contracts at the year end are as follows:

Type of future	Duration	Notional value at year end £m	Asset value at year end £m	Liability value at year end £m
US government bonds	Mar 2016	2,473.94	0.93	-
S&P indices	Mar 2016	894.61	1.50	(0.08)
Hong Kong Hang Seng index	Jan 2016	175.37	-	(3.71)
German government bonds	Mar 2016	162.46	4.46	-
Swiss market index	Mar 2016	102.46	4.43	-
Japanese Topix index	Mar 2016	88.97	-	(1.52)
MSCI EM indices	Mar 2016	73.88	-	(2.71)
FTSE index	Mar 2016	68.00	3.15	-
Other equity indices	Jan - Mar 2016	220.39	0.69	(0.33)
		4,260.08	15.16	(8.35)

Included within cash balances is £172.78m in respect of initial and variation margins deposited with brokers regarding open futures contracts at the year end.

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

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

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.5 Derivative contracts (continued)

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

Type of contract	Settlement Date	Currency bought million	Currency sold million	Value at year end £m
Assets				
Euro / US dollar	Jan 2016	200.00	211.42	3.97
US dollar / Sterling	Jan - Feb 2016	130.99	86.22	2.65
Sterling / Euro	Jan - Feb 2016	272.86	368.35	1.11
Yen / Sterling	Feb 2016	2,568.02	13.91	0.58
US dollar / Nigerian naira	Feb - Jul 2016	17.63	3,819.91	0.56
US dollar / Brazil real	Jan 2016	31.63	122.32	0.52
US dollar / South Africa rand	Jan 2016	16.60	245.87	0.52
Nigerian naira / US dollar	Mar - Jul 2016	2,155.90	8.51	0.52
Polish zloty / Euro	Jan 2016	149.95	34.49	0.33
US dollar / South Korea won	Feb 2016	14.39	16,398.68	0.30
Other	Jan - Nov 2016			1.24
				12.30

Type of contract	Settlement Date	Currency bought million	Currency sold million	Value at year end £m
Liabilities				
Sterling / US dollar	Jan - May 2016	1,577.64	2,393.74	(46.26)
Sterling / Yen	Jan - Apr 2016	397.20	72,588.53	(13.70)
Sterling / Euro	Jan - Feb 2016	474.84	652.53	(6.23)
Brazil real / US dollar	Jan 2016	176.65	45.91	(0.86)
Sterling / AU dollar	Feb 2016	14.35	30.51	(0.68)
Sterling / Swiss franc	Feb 2016	18.73	28.17	(0.39)
Sterling / Hong Kong dollar	Feb 2016	8.92	105.44	(0.31)
Other	Jan - Dec 2016			(1.61)
				(70.04)

Under the terms of FX contracts, each party may be required to place collateral with the other according to whether the outstanding position is a profit or a loss. Under the terms of the above FX contracts the Trustee had received £1.06m cash in respect of collateral at the year end. Contingent collateral received in this way is not reported within the pooled fund's net assets.

Included within net assets is £31.93m of cash in respect of collateral deposited with counterparties relating to open FX contracts at the year end.

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.6 Cash deposits and cash instruments

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

1.7 Other investment assets

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

1.8 Other investment liabilities

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

1.9 Current assets

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.10 Current liabilities

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

1.11 Stock lending

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

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

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.12 Reconciliation of investments held at beginning and end of year

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.13 Transaction costs

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

	Fees	Commission	Stamp duty land tax	Legal	Total
Year to 31 December 2015	£m	£m	£m	£m	£m
Equities	2.33	3.46	-	-	5.79
Fixed interest securities	-	0.04	-	-	0.04
UK property	-	-	6.23	2.40	8.63
Futures	-	2.01	-	-	2.01
	2.33	5.51	6.23	2.40	16.47

	Fees	Commission	Stamp duty land tax	Legal	Total
Year to 31 December 2014	£m	£m	£m	£m	£m
Equities	1.04	2.04	-	-	3.08
Fixed interest securities	-	0.07	-	-	0.07
UK property	-	-	3.64	0.75	4.39
Futures	-	0.58	-	-	1.58
	1.04	2.70	3.64	0.75	8.12

Transaction costs are also borne by the pooled funds in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

1.14 Investment fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets and liabilities that the entity can access at the measurement date
- Level 2: Inputs other than the quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.14 Investment fair value hierarchy (continued)

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

At 31 December 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	4,006.11	-	20.17	4,026.28
Fixed interest securities	2,592.89	722.15	294.26	3,609.30
Index linked securities	11.71	-	-	11.71
Pooled investment vehicles	221.33	5,304.76	3,687.55	9,213.64
UK property	-	-	1,890.93	1,890.93
Derivatives				
Futures	6.81	-	-	6.81
Options	-	-	0.01	0.01
FX contracts	-	(57.74)	-	(57.74)
Other				
Cash and current assets	4,119.04	-	-	4,119.04
	10,957.89	5,969.17	5,892.92	22,819.98
At 31 December 2014				
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Directly held assets				
Equities	3,121.37	-	25.17	3,146.54
Fixed interest securities	2,092.64	877.72	159.12	3,129.48
Index linked securities	37.96	-	-	37.96
Pooled investment vehicles	935.92	4,220.33	4,315.54	9,471.79
UK property	-	-	1,778.18	1,778.18
Derivatives				
Futures	30.19	-	-	30.19
Swaps	-	0.99	-	0.99
Options	-	0.33	0.01	0.34
FX contracts	-	55.42	-	55.42
Other				
Cash and current assets	4,372.38	-	-	4,372.38
	10,590.46	5,154.79	6,278.02	22,023.27

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.15 Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The pooled funds have exposure to these risks because of the investments they make to implement their investment strategies. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the pooled funds' strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the pooled funds' investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the pooled funds' exposures to credit and market risks is set out below.

Credit risk

The pooled funds are subject to credit risk as they invest in fixed interest securities, OTC derivatives, have cash balances and undertake stock lending activities. The pooled funds also invest in pooled investment vehicles and are therefore directly exposed to credit risk in relation to the instruments they holds in the pooled investment vehicles and are indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk is analysed below by reference to the credit rating of the securities or the underlying transaction counterparties.

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.15 Investment risks (continued)

Credit risk (continued)

Analysis of direct credit risk

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

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

Credit risk arising on fixed interest securities is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The pooled funds also invest in high yield and emerging market bonds, some of which are non-investment grade. The Trustee manages the associated credit risk by requesting the investment managers to diversify their portfolios to minimise the impact of default by any one issuer.

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.15 Investment risks (continued)

Credit risk (continued)

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the pooled fund is subject to risk of failure of the counterparty.

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

Credit risk also arises on forward foreign currency contracts. There are collateral arrangements for some of these contracts and all counterparties are required to be at least investment grade. FX collateral balances are detailed in note 1.5.

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

The pooled funds lend certain fixed interest and equity securities under a Trustee approved stock lending programme. The Trustee manages the credit risk arising from stock lending activities by restricting the amount of overall stock that may be lent, only lending to approved borrowers who are rated investment grade, limiting the amount that can be lent to any one borrower and putting in place collateral arrangements. Details regarding stock lending are provided in note 1.11.

The pooled funds holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

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

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.15 Investment risks (continued)

Credit risk (continued)

Indirect credit risk arises in relation to underlying investments held in fixed interest pooled investment vehicles. The value of fixed interest pooled investment vehicles held at the year end was £200.71m (2014: £346.50m).

The underlying investments in these pooled investment vehicles are mainly government issued which reduces the associated indirect credit risk.

Currency risk

The pooled funds are subject to currency risk because some of the pooled funds investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy.

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

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

Interest rate risk

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

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.15 Investment risks (continued)

Other price risk

Other price risk arises principally in relation to the pooled funds investments in directly held equities, equities held in pooled vehicles, equity futures, property, property pooled investment vehicles, hedge funds and private equity.

The pooled funds manage this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

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

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

1.16 Investment managers during the year

The investment managers used by the pooled funds during the year together with their net assets under management at the year-end were as follows:

	2015	2014
	£m	£m
Railpen*	5,334.85	3,759.41
Legal & General Investment Management	5,001.83	3,165.92
Orchard Street	1,974.17	1,968.95
AQR Capital Management	1,452.33	445.07
Blackrock Investment Management	912.03	2,104.71
Unigestion	775.62	462.41
Northern Trust Asset Management (from August 2015)	714.02	-
Lazard Asset Management	688.76	1,172.52
Insight Investment	625.59	12.23
Horsley Bridge Partners	441.82	358.12
Epoch Investment Partners	368.87	148.67
Longview Partners	337.23	313.60
Carried forward	18,627.12	13,911.61

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.16 Investment managers during the year (continued)

	2015	2014
	£m	£m
Brought forward	18,627.12	13,911.61
Dimensional Fund Advisors Ltd	326.30	325.71
Intermediate Capital Group	306.28	160.04
Alinda Capital Partners	293.51	253.33
Wellington Management Int	266.90	1,611.26
Bridgewater	257.17	246.19
Goldman Sachs Asset Management	229.35	288.12
Arcus Infrastructure Partners	224.41	197.27
HarbourVest Partners	174.67	219.18
Marathon Asset Management	158.71	126.13
Grosvenor Capital Management	157.77	323.98
Cinven	143.34	153.26
Innisfree	119.23	91.24
Apax Partners	102.35	134.68
Sequoia Capital	99.72	57.05
Adams Street Partners	96.23	104.63
Standard Life Investments	88.63	200.45
Morningside Ventures	77.81	53.79
Pantheon Ventures	75.77	105.37
Bain Capital	67.78	58.50
Accel Partners	52.12	35.01
Khosla Ventures	42.30	35.45
Great Hill Partners	41.96	33.16
Westbridge Capital Partners	40.03	30.99
Dalmore	39.36	35.04
Warburg Pincus	37.42	49.73
Scale Venture Partners	35.20	33.34
Institutional Venture Partners	35.04	27.73
Hony Capital	33.70	27.48
Columbia Capital	33.11	39.11
Archer Capital	27.80	25.59
Anacap Financial Partners	25.21	22.87
Balderton Capital	25.04	25.01
Charlesbank Capital Partners	24.92	15.33
Thoma Bravo	23.75	9.71
EQT Funds Management	22.71	59.50
General Atlantic	22.39	12.33
Highland Capital Partners	21.36	16.59
Ares Management	20.10	19.88
Sankaty Advisors	20.01	19.72
Clearsight Investments	19.49	13.43
Blakeney General Partners	18.33	137.10
Oaktree Capital Management	18.24	26.49
Private Advisors (from December 2015)	16.89	-
ClearVue Partners	16.44	7.86
Navis Capital Partners	16.34	16.69
KPS Capital Partners	15.09	20.60
Domain Partners	15.07	15.32
Carried forward	22,652.47	19,432.85

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.16 Investment managers during the year (continued)	2015	2014
	£m	£m
Brought forward	22,652.47	19,432.85
Innovation Works	14.90	8.64
H.I.G. Capital	13.78	11.64
Bessemer Venture Partners	13.68	9.47
Innova	12.60	11.49
Andreessen Horowitz	12.54	8.37
CI Capital Investors	12.11	11.77
Headland Capital Partners	11.87	22.24
Index Ventures	11.31	7.96
Berkshire Partners	10.36	5.93
Southern Cross Group	9.47	14.10
Riverside Europe Fund Associates (from December 2015)	7.37	-
WP Global Partners (from November 2015)	6.95	-
Peak Rock Capital	6.43	3.61
General Catalyst	5.50	1.55
Abry Partners	5.24	4.60
Triton Partners	4.48	3.87
Indicus Advisors	3.90	43.20
Capital Dynamics	3.22	4.50
William Blair & Company	1.59	310.60
Bridges Community Ventures	0.12	0.23
Governance For Owners Group	0.09	0.14
Rogge Global Partners (until November 2015)	-	480.85
Morgan Stanley Investment Management (until July 2015)	-	312.94
Pacific Investment Management Co (until November 2015)	-	290.86
Credit Suisse (until March 2015)	-	241.37
Edgbaston Investment Partners (until August 2015)	-	186.41
Invesco Asset Management (until September 2015)	-	142.71
Taiyo (until January 2015)	-	129.62
Graham Capital (until June 2015)	-	122.69
Blackstone Alternative Asset Management (until April 2015)	-	74.18
Ardevora (until June 2015)	-	74.05
Henderson Equity Partners (until November 2015)	-	46.82
Aberforth Partners (until January 2015)	-	4.01
	22,819.98	22,023.27

1.17 Benchmarks and targets

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

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.17 Benchmarks and targets (continued)

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

The benchmarks and targets of all other pooled funds as at 31 December 2015 are shown in the table below:

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

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.18 Performance

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

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

¹ These pooled funds have been in existence for less than five years therefore the figures given in the table are since inception returns rather than five year returns.

² Until pooled fund wound up