

BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

Pensions registration number: 100541628

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
2018**

BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS 2018

Contents:

	Page
Chair's Introduction	1
Management Committee Report	3
Independent Auditor's Report	6
Audited Financial Statements	9
Independent Auditor's Statement about Contributions	19
Trustee's responsibilities in respect of contributions and summary of contributions payable in the year	20
Statement of Trustee responsibilities in relation to Audited Financial Statements	21
The Trustee Company	22
Trustee Company Report	26
The Trustee Investment Report	28
Report on Actuarial Liabilities	34
Glossary of Common Terms	36
Appendices	38

CHAIR'S INTRODUCTION

On behalf of your Trustee Board it gives me great pleasure to introduce the Annual Report and Audited Financial Statements of the British Transport Police Superannuation Fund ('the Fund') for the year ended 31 December 2018. This is my first Annual Report as Chair, and whilst I have been a Trustee director for a number of years, I look forward to representing you as Chair of the Trustee in the coming years.

The year was a mixed one for investment returns. The Growth Pooled Fund, which is the largest investment of the Fund, recorded absolute losses of 4.6% against an inflation based comparator gain of 6.8% following a challenging year for global equities and UK retail property. However the Fund's second largest investment, the Private Equity Pooled Fund, recorded annual gains of 32.0%, well ahead of its comparator of minus 3.8%. The Infrastructure and Illiquid Growth pooled funds also delivered returns substantially ahead of their comparators during the year. The Fund also has a holding in the Long Term Income Pooled Fund. This pooled fund recorded losses of 2.3%, which was behind its comparator of 2.7%, however due to the unquoted nature of underlying investments there is a time lag for revised information on underlying investments to flow through to the valuation of this pooled fund. The Short Duration Index Linked Bond Pooled Fund, launched in 2017, delivered returns of 1.7% which was slightly behind its comparator return of 1.8% whilst the Fund's other significant holding, the Government Bond Pooled Fund, delivered a return of 0.7% in line with its comparator

2018 saw the continued implementation of many of the initiatives begun in previous years as we increased our in-house trading capability – particularly in respect of equities and property. We have increased our allocation to Alternative Risk Premia ('ARP') strategies which identify underlying drivers of return and build portfolios cheaply and systematically and we have also gradually increased our allocation to the Fundamental Growth Portfolio ('FGP'), a concentrated portfolio investing in industry leading, innovative companies with sustainable structural earnings growth. As a result, we now manage over 25%, or £3.2bn, of our equities in-house providing the Fund with a saving in management fees compared to the use of external management. This year also saw us begin to reshape our property portfolio as we seek to increase the profitability of the portfolio. Within the Illiquid Growth Pooled Fund, we made an investment in Capital Constellation a joint venture that provides seed capital to emerging private equity managers.

As stated in prior years annual reports, we are also implementing a change programme for administration and trustee services, 'Chrysalis'. This programme includes the replacement of the current pension administration system, but is intended to deliver much more than that. It will transform the way in which RPMI, our administration business, operates. Throughout Chrysalis we have engaged our many stakeholders, including a Trustee Advisory Board devised to represent the views of the members and employers participating in the railway pension schemes. We always remain aware that the railways pension schemes cover a wide variety of organisations, from the very large, to those with only a handful of members, so the Trustee's role is to ensure that a high-quality and cost-effective service is delivered for all sponsoring employers.

I am pleased to announce that we have now launched the third and final stage of the programme, and we will now begin the process of transferring all active and preserved members onto the new system through a phased implementation. We will continue engaging with members, employers and other stakeholders as we deliver this exciting change, and keep investing in RPMI to maintain a quality service for our members that demonstrates excellent value for money, and meets the needs of the modern world.

CHAIR'S INTRODUCTION (CONTINUED)

In October 2018 the High Court ruled that the Lloyds Banking Group Pension Schemes must equalise benefits to allow for inequalities that have arisen from the calculation of, and payment terms of, Guaranteed Minimum Pension ('GMP'). The Trustee is in the early stages of assessing the impact on the Fund and it is likely to be some time before this is complete. The Trustees are working closely with our professional advisors, including the scheme actuary and legal advisors, to quantify the impact of the ruling. Initial best estimates indicate that the increase in pension obligations will not be significant for the Fund. Any adjustments necessary will be recognised in the relevant financial statements.

At the time of writing, uncertainty still surrounds Brexit. The Trustee has however undertaken scenario modelling, using the Bank of England's three Brexit scenarios: Remain, Orderly Exit ('soft Brexit') and Disorderly Exit ('hard Brexit'), to assess the potential impact of the UK's exit from the European Union on capital values, exchange rates and liquidity. The Trustee has ensured that contingency plans have been prepared to cover these scenarios and I look forward to working with my fellow Trustee directors and the staff at RPMI in meeting any challenges Brexit may bring.

On behalf of all the members, employers and my fellow Trustee directors, I would like to thank John Chilman, who stepped down as Chair of the Scheme in March 2019, having served in that role since 2014. John's contribution, both as Chair and before that as Trustee director, has been outstanding. The Scheme has been fortunate that it has been able to benefit enormously from John's dedication, passion and knowledge over the years, and I am pleased that the Scheme will continue to draw on John's expertise as he takes up his new position as Chief Executive of RPMI in June.

Stephen Richards retired from the Trustee Board in June 2018 and I would like record both mine and the Trustee Board's gratitude for his significant contribution to the Fund during his 25 years' service. I would also like to take this opportunity to record my gratitude to all the Trustee directors who have served during the year. The demands on Trustee directors' time continues to increase in order to meet regulatory changes and compliance requirements, whilst ensuring that pensions can continue to be provided securely, sustainably and affordably. The wide range of individual Trustee directors' knowledge and expertise is invaluable in ensuring that your Trustee continues to have a broad understanding of the railway industry that can represent effectively the interests of its many stakeholders



Christopher Hannon
Chair, Trustee Company

MANAGEMENT COMMITTEE REPORT

Responsibilities

The Trustee has delegated powers to the Management Committee (the '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 and these activities are covered in the Delegated Authorities Agreement. 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.

Meetings

There were four meetings of the Committee in 2018. These took place on 20 March, 14 June, 14 September and 12 December.

During 2018 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.

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

- Nigel Goodband was elected as Deputy Chair from January 2018;
- Sarah McGarel replaced Charlotte Vitty as an employer-appointed member at the June meeting;
- Sarah McGarel was elected as Chair from June 2018; and;
- William Jordan replaced John McBride as the Member representative appointed by the Chief Constable at the September meeting.

A list of the Committee members at 31 December 2018 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 2018

Name	Appointing body	Appointment date	No. of meetings eligible to attend during 2018	No. of meetings attended
H Andrews	BTPA	March 2017	4	3
M Daniels	BTPA	October 2015	4	2
S Field	BTPA	January 2008	4	4
A Hanstock	BTPA	September 2016	4	3
E Norman*	BTPA	June 2016	4	2
S McGarel	BTPA	April 2018	3	3
N Goodband	BTP Federation	June 2016	4	4
M Marsahallsay	BTP Federation	September 2017	4	3
D Townsend	BTP Federation	March 2015	4	2
P Holden	Pensioner elected	June 2017	4	4
M Ripley	Pensioner elected	September 2015	4	4
Supt W Jordan	Member representative appointed by Chief Constable after consultation with the ranks not represented by the BTP Federation	July 2018	2	2

*Ms Norman commenced maternity leave ahead of the September 2018 meeting.

Chris Welburn of RPMI is Secretary to the Committee.

Pension Increases

Pensions increased by 3% with effect from 1 April 2018. This was based on the CPI inflation figure as at September 2017.

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 October, 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, a variety of useful information continues to be available at www.btppensions.co.uk and members may always contact the fund's administrators at:

RPMI
PO Box 300
Darlington
DL3 6YJ

Members can phone the Customer Services helpline on 0800 234 3434 or email: csu@rpmico.uk. Pensioners can phone RPMI Administration Services on 0800 012 1117 or email: csu@rpmico.uk

MANAGEMENT COMMITTEE REPORT (CONTINUED)

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 2018

	2018	2017
Active members	2,944	2,940
Pensioners	2,632	2,549
Dependant pensioners	438	452
Preserved members	968	864
Total membership	<u>6,982</u>	<u>6,805</u>

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

Opinion

We have audited the financial statements of the Fund for the year ended 31 December 2018 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Fund during the fund year ended 31 December 2018 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the fund year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the fund in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Trustee, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Fund's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Fund's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Fund, and as they have concluded that the Fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

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

Going concern (continued)

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Fund, including the impact of Brexit, and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Fund will continue in operation.

Other information

The trustee is responsible for the other information, which comprises the trustee's report (including the report on actuarial liabilities and the summary of contributions) and the Chair's Introduction. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee responsibilities

As explained more fully in their statement set out on page 21, the Fund trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Fund, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Fund trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit 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 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 Fund trustee, for our audit work, for this report, or for the opinions we have formed.



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

17 May 2019

AUDITED FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £000	2017 £000
Contributions and benefits			
Members' contributions	3	12,977	12,877
Employer's contributions	3	18,289	18,237
Benefit support	3	1,092	1,190
Individual transfers in		816	1,954
		33,174	34,258
Pensions		(43,595)	(41,594)
Lump-sum retirement benefits		(9,284)	(10,888)
Individual transfers out		(178)	(301)
Death benefits		(489)	(179)
Payments to and on account of leavers		(71)	(46)
		(53,617)	(53,008)
Administrative expenses	4	(539)	(1,158)
PPF levies		(1,376)	(1,057)
Total withdrawals		(55,532)	(55,223)
Net withdrawals from dealings with members		(22,358)	(20,965)
Returns on investments			
Change in market values	5	(5,460)	104,745
Interest on loans and deposits		13	1
Net returns on investments		(5,447)	104,746
Net (decrease)/increase in the Fund during the year		(27,805)	83,781
Net assets at the start of the year		1,310,381	1,226,600
Net assets at the end of the year		1,282,576	1,310,381

The accompanying notes numbered 1 to 10 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 H.

AUDITED FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS) AS AT 31 DECEMBER 2018

	Notes	2018 £000	2017 £000
Pooled funds	5	1,273,138	1,300,566
Securities directly held by the Fund	5	6,879	7,438
Other cash and cash instruments		626	104
Current assets	6	2,783	2,757
Current liabilities	7	(850)	(484)
Net assets at the end of the year		1,282,576	1,310,381

Approved by the directors of the Trustee Company on 15 May 2019.



Christopher Hannon
Chair, Trustee Company



John Mayfield
Director and Chair, Audit and Risk Committee

The Financial Statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Trustee. 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 10 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 H.

AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018

1. Basis of preparation

The Financial Statements have been prepared in accordance with applicable accounting standards, including Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland and with the guidance set out in the Statement of Recommended Practice ('SORP')

2. Accounting policies

The principal accounting policies of the Fund are as follows:

Investments

Investments are included in the audited financial statements at the year-end at fair value (unless explicitly stated) 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 railways 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 K.
- (b) BRASS AVC investments in pooled investment vehicles are stated at fair values at the year-end date as advised by the manager. The PAF is valued as a whole by reference to the market values of assets within the fund as advised by the provider, Aviva. Members holding units in the PAF aged 55 or more are, however, guaranteed by Aviva to receive at least £1 per unit upon retirement or on earlier death. Members leaving before age 55 may receive a discounted value depending on their age.
- (c) Loans and deposits and current assets and liabilities are included at book cost, which the Trustee considers to be a reasonable estimate of accounting fair value.

Change in market value

Change in market value 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 value.

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.

**AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (CONTINUED)**

2. Accounting policies (continued)

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.

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

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

Under auto-enrolment, employers' may auto-enrol or contractually-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 Fund 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 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.

Tax

The British Transport Police Superannuation Fund is a registered pension scheme for tax purposes under the Finance Act 2004. The Fund is therefore exempt from taxation except for certain withholding and capital gains taxes relating to overseas investment income and capital gains. 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 2018 (CONTINUED)

3. Contributions receivable

	2018	2017
	£000	£000
Members' contributions:		
Normal	12,152	12,096
Additional voluntary (AVCs)	825	781
	12,977	12,877
Employer's contributions:		
Normal	18,289	18,237
Benefit support:		
Government support	1,087	1,185
Transport for London	5	5
	32,358	32,304

4. Administrative expenses

	2018	2017
	£000	£000
Pensions administration	(296)	(305)
Irrecoverable VAT	(82)	(583)
Actuarial fees	(64)	(119)
Trustee governance	(63)	(97)
Other professional fees	(12)	(9)
Audit fees	(9)	(9)
Communications	(7)	(6)
Legal fees	(5)	(29)
Other expenses	(1)	(1)
	(539)	(1,158)

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 scheme or section of the railways pension schemes.

From 1 March 2018, RPMI no longer raise VAT only invoices to employers who are unable to recover VAT, resulting in a reduction in the irrecoverable VAT expense in 2018.

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 K.

**AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (CONTINUED)**

5. Net returns on investments

(a) Value of investments

	Value at 31 December 2017 £000	Purchases at cost £000	Sales proceeds £000	Change in market value £000	Value at 31 December 2018 £000
Pooled funds					
Growth	881,661	-	(17,180)	(40,008)	824,473
Private Equity	91,561	388	(17,737)	22,075	96,287
Short Duration Index Linked Bond	33,335	71,971	(13,064)	2,098	94,340
Illiquid Growth	52,700	19,688	-	10,478	82,866
Government Bond	178,933	-	(100,642)	142	78,433
Long Term Income	37,325	42,562	-	(2,334)	77,553
Infrastructure	18,914	-	(7,617)	2,451	13,748
Long Duration Index Linked Bond	6,005	-	(621)	(79)	5,305
Cash Fund	132	-	-	1	133
	1,300,566	134,609	(156,861)	(5,176)	1,273,138
Directly held securities					
BRASS AVCs	7,438	1,641	(1,916)	(284)	6,879
	1,308,004	136,250	(158,777)	(5,460)	1,280,017
Cash and other assets	2,377				2,559
	1,310,381				1,282,576

BRASS AVCs investments include 88,095 units in the PAF (2017: 103,370 units). Further information on the PAF can be found on page 11.

Income from pooled fund investments is capitalised within the price of the pooled fund units and, therefore, reflected within the market value of investments in the table above. 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 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (CONTINUED)**

5. 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 K. 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 December 2018	% of pooled fund owned 31 December 2017
Short Duration Index Linked Bond	11.9	29.6
Long Term Income	11.7	11.3
Illiquid Growth	7.9	11.2
Government Bond	5.4	9.1
Growth	4.9	4.9
Private Equity	4.1	4.1
Infrastructure	3.1	3.1
Long Duration Index Linked Bond	2.8	2.9
Cash	0.1	0.1

The total value of the pooled funds used in the percentage calculations only include scheme investments in the pooled funds and so exclude cross held investments owned by the 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 AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (CONTINUED)

5. Net returns on investments (continued)

(b) Investments fair value hierarchy (continued)

At 31 December 2018	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled funds				
Growth	-	824,473	-	824,473
Private Equity	-	-	96,287	96,287
Short Duration Index Linked Bond	-	94,340	-	94,340
Illiquid Growth	-	-	82,866	82,866
Government Bond	-	78,433	-	78,433
Long Term Income	-	-	77,553	77,553
Infrastructure	-	-	13,748	13,748
Long Duration Index Linked Bond	-	5,305	-	5,305
Cash	-	133	-	133
	-	1,002,684	270,454	1,273,138
BRASS and other AVCs	-	6,879	-	6,879
Cash and other assets	2,559	-	-	2,559
	2,559	1,009,563	270,454	1,282,576

At 31 December 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Pooled funds				
Growth	-	881,661	-	881,661
Private Equity	-	-	91,561	91,561
Short Duration Index Linked Bond	-	33,335	-	33,335
Illiquid Growth	-	-	52,700	52,700
Government Bond	-	178,933	-	178,933
Long Term Income	-	-	37,325	37,325
Infrastructure	-	-	18,914	18,914
Long Duration Index Linked Bond	-	6,005	-	6,005
Cash	-	132	-	132
	-	1,100,066	200,500	1,300,566
BRASS and other AVCs	-	7,438	-	7,438
Cash and other assets	2,377	-	-	2,377
	2,377	1,107,504	200,500	1,310,381

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 K.

**AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (CONTINUED)**

5. Net returns on investments (continued)

(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 out in Appendix E.

6. Current assets

	2018	2017
	£000	£000
Contributions due from employer	2,347	2,348
PPF levies paid in advance	357	281
Benefit support due	79	110
Investment debtor	-	18
	2,783	2,757

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

AUDITED FINANCIAL STATEMENTS
NOTES TO THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2018 (CONTINUED)

7. Current liabilities

	2018	2017
	£000	£000
Taxation and social security	(414)	(389)
Investment creditor	(307)	-
Benefits payable	(82)	(15)
Other charges payable	(47)	(80)
	(850)	(484)

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 2018 current liabilities included a liability of £33,000 in respect of these charges (2017: a liability of £68,000).

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

10. Contingent liabilities

In October 2018 the High Court ruled that the Lloyds Banking Group Pension Schemes must equalise benefits between females and males who have GMP because of contracted out benefits. This ruling has an impact on the Fund in terms of the historical benefits paid to pensioners. As discussed within the Chair's Introduction, the Trustee is still in the process of reaching a reliable estimate for the impact of this ruling.

INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS TO THE TRUSTEE, OF THE BRITISH TRANSPORT POLICE FORCE SUPERANNUATION FUND ('the Fund')

Statement about contributions

We have examined the summary of contributions payable under the schedule of contributions to the Fund in respect of the Fund year ended 31 December 2018 which is set out on page 20.

In our opinion contributions for the Fund year ended 31 December 2018 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 31 December 2016.

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.

Respective responsibilities of the Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 21, the Fund's trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Fund by or on behalf of the employer and the active members of the Fund. The trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Fund 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 the Fund and to report our opinion to you

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Fund's trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Fund's 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's trustee, for our work, for this statement, or for the opinions we have formed.



Fang Fang Zhou
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

17 May 2019

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 Fund’s 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. The Fund’s Trustee is also responsible for keeping records of contributions received in respect of any active member of the Fund and for procuring that contributions are made to the Fund in accordance with the schedule.

Trustee’s Summary of Contributions payable under the schedules in respect of the Fund year ended 31 December 2018

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 2018. 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	2018 £000
Member:	
Normal contributions	12,152
Employer:	
Normal contributions	18,289
Contributions payable under the schedule	<hr/> 30,441 <hr/>

Reconciliation of contributions

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

	2018 £000
Contributions payable under the Schedule (as above)	30,441
Other contributions payable under Fund rules:	
Government support	1,087
Members’ AVCs	825
Transport for London	5
Total contributions reported in the financial statements	<hr/> 32,358 <hr/>

Signed for and on behalf of the Trustee on 15 May 2019.



Christopher Hannon
Chair, Trustee Company

STATEMENT OF TRUSTEE RESPONSIBILITIES IN RELATION TO AUDITED FINANCIAL STATEMENTS

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, 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 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 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:

- assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intend to wind up the Fund, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Fund prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as is reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

THE TRUSTEE COMPANY

Railways Pension Trustee Company Limited

The Trustee is the trustee of four railway industry pension schemes. Two of these schemes are open to new members: the RPS and the British Transport Police Force Superannuation Fund.

Trust law, the Pensions Acts and the Companies Acts govern the activities of the Trustee as a corporate trustee. The Trustee 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, preserved members, pensioners and employers.

Pension schemes for which the Trustee is the trustee

Membership statistics at 31 December

	2018 No.	2017 No.
Railways Pension Scheme	344,095	340,419
British Transport Police Force Superannuation Fund	6,982	6,805
British Railways Superannuation Fund	2,384	2,595
BR (1974) Fund	1,406	1,604
	354,867	351,423

Railtrust Holdings Limited

The Trustee is owned by 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 is a trustee are all encouraged to become a member of RHL. RHL 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.

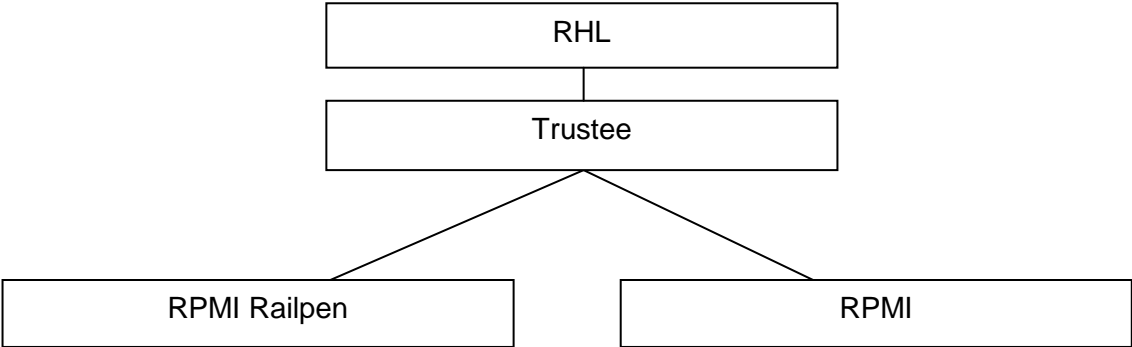
The primary purpose of RHL is to provide governance controls and appoint the directors of the Trustee. The Articles of Association set out the procedure for the appointment of directors. The aim is to achieve a balanced representation of the different employers and the members (or their representatives) 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 preserved members). 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 structure of the Trustee group as at 31 December 2018



Operating Companies

The Trustee has two wholly-owned operating subsidiaries, RPMI and RPMI Railpen, to which it delegates the day-to-day operation of the railway pension schemes. Investment management of the scheme assets is carried out by RPMI Railpen, which is regulated by the FCA. All other activities are carried out by RPMI.

Employer director appointment procedure

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

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

The voting arrangements for the electoral groups reflect the schemes’ membership, while giving the most emphasis to active members. If there are more nominations than vacancies, voting within the electoral groups is on the basis of the number of employee members, preserved members and pensioners associated with each employer.

Each member of RHL has one vote for each active member and half a vote for each pensioner and preserved member in its schemes and sections. Voting in the ‘All Employers’ group is on the basis of one employer, one vote.

THE TRUSTEE COMPANY (CONTINUED)

Employer director appointment procedure (continued)

The chart, below, shows the current employer directors as at the end of December 2018, their date of retirement by rotation, and nominating constituency.

Name	Nominating Constituency	Date of retirement by rotation
Christopher Hannon (Chair from 19 March 2019) ¹	Freight train operating companies and support services	2022
John Chilman (Chair until 19 March 2019) ²	Passenger train operating companies	2024
Meliha Duymaz Oludipe	Network Rail	2020
Mark Engelbretson	Network Rail	2024
John Hamilton	Passenger train operating companies	2020
Richard Jones	All employers	2022
Christine Kernoghan	Passenger train operating companies	2022
John Wilson	Freight train operating companies and support services	2020

- 1. Christopher Hannon was appointed as Chair with effect from 19 March 2019
- 2. John Chilman resigned as Chair and a Trustee director with effect from 19 March 2019

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. Other organisations the directors consider to be representative of the employees may also be included.

Nominations for the two directors representing the pensioner members (including preserved members) are sought from the British Transport Pensioners’ Federation, the Retired Railway Officers’ Society, the railway trade unions and the British Transport Police Federation. Other organisations the directors consider to be representative of the pensioners may also be included.

In all cases, if there are more nominations than vacancies, a secret ballot is held of all active members or pensioners (including preserved members), 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 table below shows the current employee Trustee directors as at the end of December 2018, their date of retirement by rotation, and nominating organisation.

Name	Nominating Constituency	Date of retirement by rotation
Anthony Cotgreave ¹	Pensioners' Federation	2020
Gerard Doherty ²	Transport Salaried Staffs' Association	2024
David Gott	RMT and the Management Committee of the BRSF	2024
Charles Harding	CSEU	2020
Michael Lynch	RMT	2022
John Mayfield	RROS	2020
Gary Towse	Management Committee of the BRSF and British Transport Police Federation	2022
David Tyson	ASLEF	2022

1. Anthony Cotgreave has tendered his resignation from the Board with effect from 30 June 2019
2. Gerard Doherty was appointed on 20 June 2018

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 20 Board and Committee meetings in 2018, in addition to various workshops, strategy events, and training seminars. Attendance is reported to the Board.

Directors have a comprehensive training programme on appointment and throughout their tenure. They complete Training Skills Analyses and have individual, tailor-made training programmes, as well as a programme of training and workshops designed to support the Board as a whole and facilitate effective succession planning based on the Board's Skills Matrix. All Trustee directors must complete a minimum standard which meets the Pensions Regulator's requirements prior to appointment. A wide range of training is offered by external providers and RPMI, including TKU Training. Equally as important is training on the unique characteristics and complexity of the railways pension schemes. To further support Trustee directors, all information relevant to their role is easily accessible to them electronically in one convenient place, alongside all Board and Committee papers.

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 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 BRB.

For and on behalf of the Trustee:



Christopher Hannon
Chair, Trustee Company
15 May 2019

TRUSTEE COMPANY REPORT

Membership

Total membership increased by 2.6% during 2018 (2017: 5.1% increase).

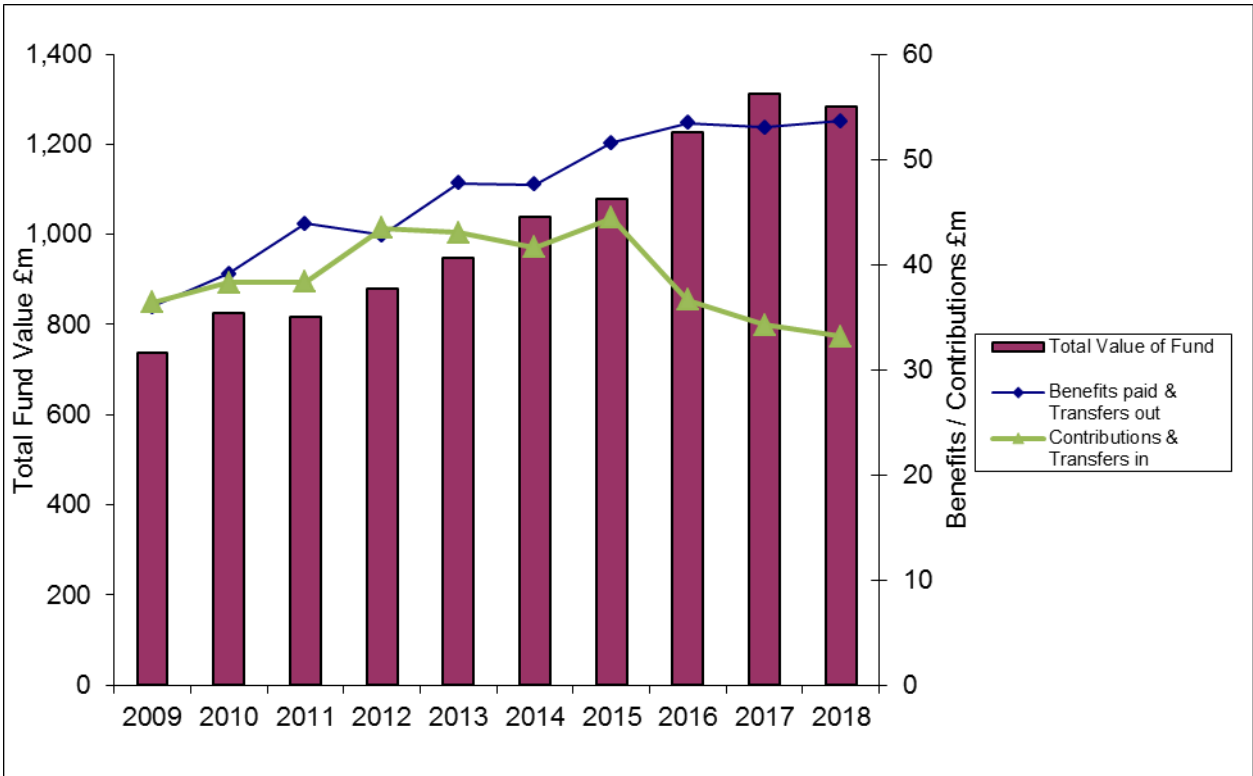
	2018	2017	% Increase/ (decrease)
Active members	2,944	2,940	0.1
Pensioners	2,632	2,549	3.3
Dependent pensioners	438	452	(3.1)
Preserved members	968	864	12.0
Total membership at end of year	6,982	6,805	2.6

Financial information

During the year the net return on investments of the Fund as a whole was a loss of £5.5m (2017: gain of £104.7m).

The Fund paid benefits of £53.6m in 2018 (2017: £53.0m) and received contributions of £32.3m (2017: £32.3m). Allowing for transfer values and expenses, there was a net withdrawal from dealings with members of £22.4m (2017: net withdrawal of £20.9m).

The movements over the last ten years are shown in the following graph:



TRUSTEE COMPANY REPORT (CONTINUED)

Actuarial valuation

The most recent valuation of the Fund was carried out at 31 December 2015 by the Fund Actuary Adam Stanley of XPS Pensions Group. This was completed and signed off on 30 December 2016. Information about the results of the valuation can be found in the report on Actuarial Liabilities on pages 34 to 35 and the summary funding statement in Appendix G.

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.

THE TRUSTEE INVESTMENT REPORT

Introduction

The Trustee is responsible for ensuring that suitable investment strategies are agreed for the Fund. The policies that guide how the assets of the Fund are invested are set out in the SIP. An overview of the provisions of the SIP is available on request.

The mission of the railway pension schemes is to pay members' pensions securely, affordably and sustainably. To achieve these aims the assets of the Fund are invested to generate strong returns over the long term.

Investment strategy for the Fund is set taking account of, amongst other factors, the specific liability profile of the Fund. The Trustee has a sub-committee, the Integrated Funding Committee, responsible for carrying out this work, sometimes working with the Pensions Committee where established with delegated investment responsibilities.

Investment management arrangements

The assets of the Fund are invested through a number of pooled investment funds managed by RPMI Railpen, 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 HMRC. The Fund holds units in some of the pooled funds. The use of these pools enables the Fund to hold a broader range of investments more efficiently than may have been possible through direct ownership.

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 the 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.

RPMI Railpen sets strategic portfolios for each of the multi-asset pooled funds on an annual basis. Each pooled fund has at least one performance comparator and risk parameters within which additional returns may be targeted. Within the pooled funds, RPMI Railpen is able to make use of internal and external fund management capabilities and both passive and active management as appropriate.

The use of external active management has declined substantially within the Fund. In addition, fee structures in public markets have increasingly moved to flat fees with fewer performance related payments. In private markets, fees are being reduced through an increase in co-investments and bespoke arrangements.

The focus for pooled fund management in 2018 has been efficient implementation of investments consistent with the agreed strategic portfolios. This included further developing the in-house asset management capabilities of RPMI Railpen, notably in equities and property.

Within the Growth Pooled Fund, RPMI Railpen has increased the allocation to internally managed portfolios for ARP strategies. These portfolios systematically target investment in equities that exhibit risk premia factors with an economic or behavioral rationale that are expected to provide additional returns over the long-term. Also within the equity portion, RPMI Railpen has gradually increased the allocation to the FGP, a concentrated portfolio investing in industry leading, innovative companies with sustainable structural earnings growth.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Investment management arrangements (continued)

Within the property allocation, the in-house team have undertaken significant numbers of new lettings, lease renegotiations and rent reviews to increase the profitability of the portfolio. They have also completed a number of purchases and sales of UK commercial property.

The De-risking Fund Platform has a range of sub-funds with specific characteristics. These include the Government Bond Pooled Fund, Long Duration Index Linked Bond Pooled Fund and Short Duration Index Linked Bond Pooled Fund. There have been no material changes to the De-risking Fund Platform and the focus remains on simple and effective implementation mainly by the in-house team.

The Illiquid Growth Pooled Fund made further allocations during the course of the year, with a particular emphasis on opportunistic investments focused on the communication and innovation sectors. The largest commitment in 2018 was to Capital Constellation, a joint venture with two other large investors to provide seed capital to emerging private equity managers. The in-house team continues to build exposure to private debt (lending to private companies) and manage significant distributions from legacy investments in the Private Equity and Infrastructure pooled funds.

The Long Term Income Pooled Fund made a number of new allocations in 2018, the largest of which was in a secondary portfolio of infrastructure debt assets which provide good diversification to existing investments.

Investment strategy

The Integrated Funding Committee (IFC) is a sub-committee of the Trustee Board, and, with input from the Scheme Actuary and RPMI, sets investment strategy for the Fund as part of the valuation process. In setting the strategy, 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 risk management approach to funding.

The Fund's strategy is implemented through investment in the appropriate mix of the pooled funds operated by RPMI Railpen for the Trustee. Investment in return-seeking assets is made through the Growth Pooled Fund with a portion held in illiquid assets where appropriate. The Fund uses a mix of the Government bond funds, Cash Fund and Long Term Income Fund for defensive assets.

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

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Economic commentary

Whilst 2017 saw a global growth environment, 2018 was a year in which growth expectations fell and disparities between countries began to emerge. The Chinese economy grew at its slowest annual rate since 1990 whilst the consensus for US growth expectations is for a slowdown in 2019 and 2020. These factors coupled with a year of political turmoil and trade tensions resulted in a period of poor returns for risk (return-seeking) assets across the board and the return of market volatility.

In 2018, the US Federal Reserve ('The Fed') raised interest rates four times as it had promised on the back of strong employment figures and a growing economy. The Fed rate stood at 2.5% at year end. The Bank of England raised interest rates once during 2018 to 0.75% and the ECB refinancing rate remains at 0.0%. The ECB brought to an end its net asset purchases in December although it will reinvest principal payments from maturing securities.

The impact of this quantitative tightening remains unclear for markets but poses significant risks going into 2019. The Fed said it will likely hike interest rates twice more in 2019, but market pricing shows that some market participants doubt this. What is clear is that central banks have significantly less firepower to use in a negative growth scenario than they have previously.

There was divergence in global bond yields over 2018. The US remains well ahead of the UK, Eurozone and Japan in terms of their monetary tightening cycle and government bond yields reflected this. US yields rose 0.3% to 2.7%, UK yields were broadly flat finishing the year at 1.3% whilst the German 10 year yield fell to 0.2%. In November the spread between US and German yields reached its widest in three decades.

Global equities struggled in 2018. In February, trading strategies based on algorithms were blamed for increased volatility in equity markets. However, worse was to come in the fourth quarter as equities suffered their worst quarterly fall in seven years on the back of poorer outlooks for global growth and trade tensions, combined with a backdrop in which monetary stimulus may no longer come to the rescue. In net local currency terms, the global equity market, represented by the MSCI All Countries World Index, was down 7.7% over the year, and emerging markets equities were down 10.1%. Corporate bond investors also suffered with the US corporate high yield index down 2.1%.

Of the major currencies, in trade weighted terms the Pound and Euro were down 2.6% and 2.4% in 2018 whilst the US Dollar rallied 4.4%. Despite all the negative geopolitical news, gold fell 1.5% over the year.

Finally, 2018 shed no light on the United Kingdom's potential exit from the European Union. However, scenario modelling has been undertaken to assess the potential impact of Brexit. Based on the Bank of England's three Brexit scenarios, the potential impact on capital values, exchange rates and liquidity has been analysed, and contingency plans prepared.

Investment performance

The Growth Pooled Fund, the largest of the pooled funds managed by RPMI Railpen, invests in a wide range of return-seeking assets. The asset allocation of the Growth Pooled Fund is flexible and will vary, taking into account changing market valuations, consistent with the Trustee's investment beliefs. The aim is to produce an investment return in excess of inflation over the long run 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 TRUSTEE INVESTMENT REPORT (CONTINUED)

Investment performance (continued)

The largest portfolio allocation in the Growth Pooled Fund is to global equities and over the year the allocation remained around 65%. Other asset classes held within the Growth Pooled Fund include property, fixed income (high yield and emerging market debt) and total return assets. The Growth Pooled Fund also continues to have an allocation to US government bonds, a position that 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 2018 of -4.6% was below the RPI+4% comparator return and slightly behind the return for the reference portfolio. Over the past 3 years, the Growth Pooled Fund return of 7.6% per annum was ahead of the RPI+4% comparator and the reference portfolio.

The Private Equity Pooled Fund provides exposure to a highly diversified range of private market investments. It is made up of a series of sub-funds, each representing a different vintage of private equity investment. The Private Equity Pooled Fund produced an aggregate return of 32.0% in 2018 and 21.8% per annum over the past 3 years. The Infrastructure Pooled Fund delivered a return of 13.9% for the year and 12.4% per annum over the past 3 years. As most of the investments in the pooled funds are unquoted, there is often a significant time lag for revised information on underlying investments to flow through to the pooled fund valuations.

The Private Equity and Infrastructure pooled funds are closed to new investments although they still have some existing commitments being drawn down. New investments in private markets are made by the Illiquid Growth Pooled Fund and the Long Term Income Pooled Fund. These funds are still in the early stages of committing capital for investment.

The De-risking Fund Platform has a range of sub-funds with specific characteristics. These include the Government Bond Pooled Fund, Non Government Bond Pooled Fund, Long Duration Index Linked Bond Pooled Fund and Short Duration Index Linked Bond Pooled Fund.

The Government Bond Pooled Fund is a UK government bond portfolio, managed internally by RPMi Railpen on a buy and maintain basis. The Government Bond Pooled Fund achieved a return of 0.7% for the year and 2.2% per annum over the past 3 years.

The Long Duration Index Linked Bond Pooled Fund invests in UK inflation-linked government bonds and is managed internally by RPMi Railpen on a buy and maintain basis. The Fund achieved a return of -1.4% for the year and 10.3% per annum over the past 3 years.

The Short Duration Index Linked Bond Pooled Fund was launched in October 2017. It is managed internally by RPMi Railpen on a buy and maintain basis. The Fund achieved a return of 1.7% for the year.

Information on the returns of all pooled funds can be found in Appendix K.

Section returns

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 0.2% net of fees and costs. Over a 3 year period the investment return was 8.1% per annum, while over a 10 year time horizon the return was 8.2% per annum.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

Section returns (continued)

The other two sections are much more mature (i.e. their liabilities are in respect of pensioners and preserved members). As a result, they have a higher allocation to bonds and a lower allocation to return-seeking assets. The return for the 1970 Preserved Section was 0.3% for 2018 net of fees and costs. Over a 3 year period the investment return was 5.7% per annum, while over a 10 year time horizon the return was 7.4% per annum. The 1968 Section had a return of -2.4% in 2018, 7.7% per annum over 3 years and 8.2% 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. 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 other securities and/or cash that meet standards set on behalf of the Trustee. For any cash received as security the Agent Lender arranges for these to be reverse repurchased, and replaced by the appropriate securities.

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. A permanent restriction is in place that ensures that shares held in companies that are sponsoring employers of the railways pension schemes are not included in the lending programme.

Government support

The Transport Act 1980 provides financial support for the BRB's historical obligations. These obligations are met partly in cash and partly by means of substitution orders from the Government.

Self-investment

The Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005 require investments to be diversified so that the failure of one does not affect the security of members' benefits as a whole. Investments in employers' businesses are also restricted to avoid the prospect of the employees losing their jobs and part of their pensions at the same time, should their employer's business fail.

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.

THE TRUSTEE INVESTMENT REPORT (CONTINUED)

BRASS AVC investments (excludes IWDC and DC arrangement)

The Fund holding in the DC Pooled Fund as at 31 December 2018 was £6.9m (2017: £7.4m).

The total value of these pooled funds as at 31 December 2018 was £1,446.6m (2017: £1,540.5m).

The AVC arrangements for the Fund, known as ‘BRASS’ and ‘AVC Extra’, are administered by RPMI. BRASS is open to all contributing members of the Fund. AVC Extra is the second contribution top-up arrangement for contributing members of the Fund.

In setting the range of investment options, the Trustee considered members’ objectives as being defined by the expected:

- Level of outcome (long-term return)
- Variability of outcome (long-term risk)
- Volatility of journey, in particular as the members’ target retirement age approaches (short-term risk)

The investment fund series for these arrangements is the RPMI Pension Saver Fund Range.

The Trustee has made lifestyle options available to members. One of the lifestyle options operates as a default vehicle, should a member not wish to make their own selection from the available fund range, and is designed to be appropriate for a typical member.

These lifestyle options offer a changing asset mix over time designed to meet a typical member’s perceived changing financial needs as they move through their working life and approach retirement. This is achieved by switching from return seeking assets, which aim for long-term growth in excess of inflation, to lower risk assets as a member approaches their target retirement age.

The Long Term Growth Lifestyle is the default option for BRASS, while the Global Equity Lifestyle is the default option for AVC Extra.

Five self-select funds are also available: Global Equity Fund, Long Term Growth Fund, Index Linked and Global Bond Fund, Aggregate Bond Fund and Deposit Fund.

A further fund, the 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 comparators for the self-select funds in the RPMI Pension Saver Fund Range are shown in the table below:

Fund	Comparator
Global Equity Fund	FTSE World index (Developed markets hedged into £)
Aggregate Bond Fund	Composite comprising British Government and global corporate bond indices
Long Term Growth Fund	UK RPI plus 4% p.a.
Index Linked and Global Bond Fund	Composite comprising Index Linked Gilt and corporate bond indices
Deposit Fund	1 Month Sterling London Interbank Offer Rate (LIBOR)

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 British Transport Police 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 2015. The three sections of Fund were assessed separately and a summary of the results are set out below:

1970 Contributory Section

The value of the Technical Provisions was: £1,030 million

The value of the assets at that date was: £1,045 million

1970 Preserved Section

The value of the Technical Provisions was: £19.7 million

The value of the assets at that date was: £22.7 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: £2.1 million

The value of the assets at that date was: £2.7 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.

- **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 7.5% per annum at 31 December 2015.
 - After retirement: 65% of assets assumed to be invested in return seeking assets and 35% in matching assets, giving a discount rate of 5.8% per annum at 31 December 2015.

REPORT ON ACTUARIAL LIABILITIES (CONTINUED)

Significant actuarial assumptions (continued)

- **1970 Preserved section:** 100% of assets assumed to be invested in matching assets giving a discount rate of 2.5% per annum at 31 December 2015.
- **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 4.7% per annum at 31 December 2015.

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 3.3% per annum as at 31 December 2015.

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 in 2006. Improvements in longevity have been allowed for from 2006 in line with the CMI 2014 model with a long term rate of improvement of 1.5% per annum.

GLOSSARY OF COMMON TERMS

Abbreviation	Description
AAF	Audit and Assurance Faculty
ACCA	Association of Chartered Certified Accountants
AMC	Annual Management Charges
ARC	Audit and Risk Committee
ARP	Alternative Risk Premia
ASB	Accounting Standards Board
ASLEF	Associated Society of Locomotive Engineers & Firemen
AVC	Additional Voluntary Contribution
AVC Extra	AVC arrangement for RPS
BRASS AVC	AVC arrangement for RPS
BRB	British Railways Board
BRSF	British Railways Superannuation Fund
BTPA	British Transport Police Authority
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
CSEU	Confederation of Shipbuilding and Engineering Unions
DC Arrangements	Defined Contribution Arrangements
DCC	Defined Contribution Committee
DfT	Department for Transport
DWP	Department for Work and Pensions
ECB	European Central Bank
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FGP	Fundamental Growth Portfolio
FRS	Financial Reporting Standard
Fund	British Transport Police Force Superannuation Fund
FX	Foreign exchange
GMP	Guaranteed Minimum Pension
ICAEW	Institute for Chartered Accountants in England and Wales
IFC	Integrated Funding Committee
IoD	Institute of Directors
ISAE	International Standard on Assurance Engagement
ITP	Investment Transformation Programme
IWDC	RPS Industry Wide Defined Contribution Section
LIBOR	London Interbank Offered Rate
Omnibus	Section open to employers with fewer than 50 employees
OTC	Over the counter
PAF	Pension Assured Fund
Pensioners' Federation	British Transport Pensioners' Federation
PPF	Pension Protection Fund
PQM	Pension Quality Mark
PRI	Principles for Responsible Investment
PRP	Pensionable Restructuring Premiums
RHL	Railtrust Holdings Limited
RIB	Railpen Investment Board
RMC	Risk Management Committee
RPMI	RPMI Limited
RRL	Return, risk and liquidity
RMT	National Union of Rail, Maritime and Transport Workers
RPMI Railpen	Railway Pension Investments Limited
RPS	Railways Pension Scheme
RROS	Retired Railway Officers' Society
S2P	Second state pension

GLOSSARY OF COMMON TERMS (CONTINUED)

Abbreviation	Description
s75	Section 75 employer debt
SEE	Social, environmental and ethical
SIP	Statement of Investment Principles
TKU	Trustee Knowledge and Understanding
TOC	Train Operating Company
TPA	Transport Professionals Association
TPAS	The Pensions Advisory Service
Trustee	Railways Pension Trustee Company
TSSA	Transport Salaried Staffs' Association
TUPE	Transfer of undertakings (protection of employment)

APPENDICES

	Page
Appendix A Principal advisers to the Trustee and Management Committee	39
Appendix B Payment of contributions	40
Appendix C Custody arrangements	41
Appendix D Sustainable Ownership	42
Appendix E Risk statement	44
Appendix F Actuary's certificate	46
Appendix G Summary funding statement	47
Appendix H Fund section extraction accounts	51
Appendix I Summary of the main provisions of the Fund	54
Appendix J Where to go for help	57
Appendix K Pooled fund accounts	59

APPENDIX A

PRINCIPAL ADVISERS TO THE TRUSTEE AND MANAGEMENT COMMITTEE

Fund and investment administrator

RPMI

Investment manager and manager of investment managers

RPMI Railpen

Actuary

Adam Stanley, XPS Pensions Group

External Auditor

KPMG LLP

Legal Advisors

Linklaters

Pinsent Masons

Sackers

Simmons & Simmons

Slaughter and May

Principal Custodian

BNY Mellon

Tax Advisors

PwC

Clearing Bankers

The Royal Bank of Scotland plc

APPENDIX B

PAYMENT OF CONTRIBUTIONS

Due dates for payment of contributions

The Trustee 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 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 2018 there were £nil of late payment of contributions (2017: £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, which make up the various quoted securities portfolios managed by the investment fund managers including RPMI Railpen. This is in accordance with the Pensions Act 1995 which requires trustees, 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.

Core administrative functions performed by the custodians include the following:

- settlement of transactions;
- registration and safekeeping;
- collection of income (dividends and interest) arising from investments;
- tax recovery;
- processing corporate actions, including proxy voting where applicable;
- reporting;
- cash management;
- foreign exchange; and
- appointing and operating through sub-custodians in overseas markets.

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.

In the case of hedged fund investments managed by US fund of hedge fund managers, the Trustee has appointed BNY 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.

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 custodians. The verification of assets is also conducted by reference to independent records held by the custodians. Great emphasis is placed on asset safety.

In addition, all custodians appointed by the Trustee are required to publish an AAF 01/06, ISAE 3402 or similar document in other jurisdictions. This is a report on the custodian's internal controls, which is made available to third parties, and is reviewed by the custodian's reporting accountant, in accordance with guidance issued by the Audit and Assurance faculty of the ICAEW 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 ASB 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 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 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 extra-financial or 'ESG' factors.

Sustainable Ownership is RPMI Railpen's approach to incorporating sustainability considerations into the investments we manage on behalf of our beneficiaries. This is underlined by the Trustees' related investment belief:

'Environmental, social and governance ('ESG') factors materially impact long-term investment returns and must be taken into account.'

Our Sustainable Ownership activities span three key areas:

Integration of ESG considerations in portfolio management

Our goal is to incorporate ESG considerations into the portfolios we manage on behalf our beneficiaries. We apply a Sustainable Ownership framework to all our investments, which considers the impact of extra-financial factors through four lenses:

- Improves investment returns
- Reduces investment risk
- Impacts the reputation of the Trustee as a responsible investor
- Impacts the world the beneficiaries of the Fund retire into

We believe that incorporating these lenses into our investment process increases our chances of achieving our mission to pay members' pensions securely, affordably and sustainably.

Active ownership

As a responsible asset owner, we believe that companies with robust corporate governance structures are more likely to achieve superior long-term financial performance and will manage their risks and opportunities effectively. Thoughtful voting alongside constructive engagement with portfolio companies supports our objective of enhancing the long-term investment returns for our beneficiaries.

We are proud supporters of the International Corporate Governance Network ('ICGN'), whose mission is to promote effective standards of corporate governance and investor stewardship worldwide. The eight ICGN Global Governance Principles serve as a primary standard for well-governed companies, and we have adopted these as the baseline for our global voting policy.

Our global voting policy reflects Railpen's three key voting and engagement themes:

- Board composition and effectiveness
- Remuneration
- Shareholder rights and disclosure

APPENDIX D (CONTINUED)

SUSTAINABLE OWNERSHIP (CONTINUED)

Active ownership (continued)

Railpen is a lead participant in a range of investor networks, alliances and trade bodies, such as the UK Investor Forum. By working with other leading investors, including bondholders, we can exert more influence on the issues that we care about.

Longer term risks and opportunities

As long-term investors, we monitor risks and opportunities over the timeframe we will be paying members' pensions. We expect the companies we invest in to also take a long-term strategic view of potential risks and opportunities. Climate change remained a key focus area in 2018 as well as governance and conduct themes.

Pooled fund equity holdings

The largest ten direct equity holdings within the pooled fund investments as at 31 December 2018 were as follows:

	£m
Pfizer	114.46
Amazon	112.54
VISA	105.64
Roche Holding	90.89
United Healthcare	87.27
Home Depot	86.00
Apple	85.13
Alphabet	76.68
Accenture	76.36
Johnson & Johnson	72.08

More detail on our Sustainable Ownership activities can be found in our Sustainable Ownership Annual Report, which can be found at www.rpmirailpen.co.uk/sustainable-ownership.

APPENDIX E

RISK STATEMENT

The following risk management process operated throughout the year ended 31 December 2018.

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 April 2016 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 Fund, and the assets that it is responsible for safeguarding, to business, financial, operational, compliance and other risks. Implementation of the risk policy is delegated to the boards of the operating companies. The risk policy is reviewed regularly by management and annually by the Trustee 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.

Risk identification and management

Risks are identified and regularly reviewed by management and directors in a formal process. 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 RPMI Railpen. Actions include implementing or adapting internal controls, risk transfer, risk sharing and contingency planning. These actions are monitored by the Business Assurance team.

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

First line of defence:

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

Second line of defence:

This describes the committees and functions that provide oversight of the effective operation of the internal control environment and will include those receiving reports and management information concerning key business activities, for example, the Senior 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.

APPENDIX E (CONTINUED)

RISK STATEMENT (CONTINUED)

Third line of defence:

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

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

In respect of the pensions administration service provided by RPMI, an internal controls assurance report has been prepared for the year ended 31 December 2017. 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 ICAEW 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 Head of Business Assurance reports to the Chief Executive and has unrestricted access to the Chair of ARC and the Trustee Board Chair should the need arise. Internal audit activity is governed by the Audit Charter, which is reviewed periodically by ARC.

RMC is chaired by the Chief Operating Officer, Investments, 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 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 on 31 December 2015 to be met by the end of the period specified in the schedule of contributions prepared on 12 December 2016.
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 prepared on 12 December 2016.

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 scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Adam Stanley
Fellow of the Institute and Faculty of Actuaries
Scheme Actuary
Punter Southall
Tempus Court
Onslow Road
Guildford
GU1 4SS

30 December 2016

APPENDIX G

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 2015 and its results have recently been published. This statement summarises the results and conclusions and a copy of the full Report on the valuation is available on request from RPMI at the address at the end of the statement.

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

The main purpose of an actuarial valuation is to work out the rate of future contributions which must be paid to the Fund. The 2015 actuarial valuation (the results of which are summarised below) concluded that both the 1968 Section and the 1970 Section were in surplus at the valuation date and so no additional contributions were required above those required to fund future pension accrual.

Funding positions assuming that the Fund will continue

1968 Section

The latest actuarial valuation of the 1968 Section of the Fund showed that as at 31 December 2015:

The value of the 1968 Section’s liabilities was:	£2.1 million
The 1968 Section’s assets were valued at:	£2.7 million
This means that there was a funding surplus of:	£0.6 million

APPENDIX G (CONTINUED)

SUMMARY FUNDING STATEMENT (CONTINUED)

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 funding level at this valuation has improved slightly since the previous actuarial assessment at the end of 2014. This is mainly due to an increase in the future expected return on assets, offset partially by lower than expected investment returns over the year and the fact that a unfunded pension increase was awarded.

1970 Preserved Section

The latest valuation of the Preserved part of the 1970 Section of the Fund showed that as at 31 December 2015:

The value of the 1970 Preserved Section's liabilities was:	£32.0 million
The 1970 Preserved Section's assets (including Government support) were valued at:	£35.0 million
This means that there was a funding surplus of:	£3.0 million

The result meant that the assets were enough to cover 109% of the benefits that would need to be paid in the future. No contributions are required for this part of the 1970 Section.

Change in funding position

The funding level at this valuation improved slightly since the previous actuarial assessment at the end of 2014, mainly due to a higher number of deaths than assumed, offset partially by lower future expected investment returns.

1970 Contributory Section

The latest valuation of the Contributory part of the 1970 Section of the Fund showed that as at 31 December 2015:

The value of the 1970 Contributory Section's liabilities was:	£1,030 million
The 1970 Contributory Section's assets (excluding BRASS) were valued at:	£1,045 million
This means that there was a funding surplus of:	£15 million

The above result meant that the assets were enough to cover 101% of the benefits that would need to be paid in the future.

APPENDIX G (CONTINUED)

SUMMARY FUNDING STATEMENT (CONTINUED)

The current joint rates of contributions payable to fund the accrual of benefits and administration expenses are:

- 40% of Scheme Salary for members who joined prior to 1 April 2007
- 30% of Pensionable Salary for members who joined after 31 March 2007 but before 1 April 2015
- 25% of Pensionable Salary for members who joined after 1 April 2015

As part of the formal valuation the current joint rates of contributions were certified as being sufficient to fund the future accrual of benefits and administration expenses over the period to the next valuation date. The funding position and the cost of benefits accruing will in any event be reassessed at the next formal valuation due at 31 December 2018.

Change in funding position

The estimated funding level has increased from 95% to 101% since the annual funding update at the end of 2014, moving from a deficit of £57m to a surplus of £15m. This is mainly due to an increase in future expected investment returns, offset to some extent by lower than expected investment returns over the year.

Solvency position if the Fund were to be wound up

The latest actuarial valuation of the Fund at 31 December 2015 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 40% 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, 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.

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 G (CONTINUED)

SUMMARY FUNDING STATEMENT (CONTINUED)

Pension Protection Fund

The Government established the 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:

12 Dingwall Road
Croydon
Surrey
CR0 2NA

If you would like more information

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

Customer Services
RPMI
PO Box 300
Darlington
DL3 6YJ

T: 0800 2343434
E: csu@rpm.co.uk
W: www.btp pensions.co.uk

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

APPENDIX H

FUND SECTION EXTRACTION ACCOUNTS

British Transport Police 1968 Section (unaudited)

Fund account for the year ended 31 December 2018

	2018	2017
	£000	£000
Contributions and benefits		
Benefits payable	(208)	(211)
Administrative expenses	(5)	(4)
Net withdrawals from dealings with members	(213)	(215)
Net returns on investments	(68)	176
Net movement in the Section during the year	(281)	(39)
Net assets at the start of the year	2,972	3,011
Net assets at the end of the year	2,691	2,972

Net assets statement as at 31 December 2018

	2018	2017
	£000	£000
Investments	2,693	2,974
Current assets	1	1
Current liabilities	(3)	(3)
Net assets at the end of the year	2,691	2,972

The fund section extraction accounts are prepared by RPMI. They are not independently audited. The fund as a whole is independently audited.

APPENDIX H (CONTINUED)**FUND SECTION EXTRACTION ACCOUNTS (CONTINUED)****British Transport Police 1970 Section Current (unaudited)****Fund account for the year ended 31 December 2018**

	2018	2017
	£000	£000
Contributions and benefits		
Contributions receivable	31,266	31,114
Transfer values	816	1,954
	32,082	33,068
Benefits payable	(50,747)	(49,823)
Transfer values	(178)	(301)
Administrative expenses	(1,808)	(2,061)
	(52,733)	(52,185)
Net withdrawals from dealings with members	(20,651)	(19,117)
Net returns on investments	(5,617)	104,439
Net movement in the Section during the year	(26,268)	85,322
Net assets at the start of the year	1,284,134	1,198,812
Net assets at the end of the year	1,257,866	1,284,134
	2018	2017
	£000	£000
Net assets statement as at 31 December 2018		
Investments	1,255,919	1,281,872
Current assets	2,688	2,662
Current liabilities	(741)	(400)
Net assets at the end of the year	1,257,866	1,284,134

The fund section extraction accounts are prepared by RPMI. They are not independently audited. The fund as a whole is independently audited.

APPENDIX H (CONTINUED)**FUND SECTION EXTRACTION ACCOUNTS (CONTINUED)****British Transport Police 1970 Section Historic (unaudited)****Fund account for the year ended 31 December 2018**

	2018	2017
	£000	£000
Contributions and benefits		
Benefit support	1,092	1,190
	1,092	1,190
Benefits payable	(2,484)	(2,673)
Administrative expenses	(102)	(150)
	(2,586)	(2,823)
Net withdrawals from dealings with members	(1,494)	(1,633)
Net returns on investments	238	131
Net movement in the Section during the year	(1,256)	(1,502)
Net assets at the start of the year	23,275	24,777
Net assets at the end of the year	22,019	23,275
	2018	2017
	£000	£000
Net assets statement as at 31 December 2018		
Investments	22,031	23,262
Current assets	96	124
Current liabilities	(108)	(111)
Net assets at the end of the year	22,019	23,275

The fund section extraction accounts are prepared by RPMI. They are not independently audited. The fund as a whole is independently audited.

APPENDIX I

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 increased by 3% with effect from 6 April 2018. This is based on the CPI inflation figure as at September 2017. Pensions in payment and deferment in the Fund are increased in line with Orders laid by the Government under the Pensions (Increase) Act 1971.

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 I (CONTINUED)

SUMMARY OF THE MAIN PROVISIONS OF THE FUND (CONTINUED)

New members post 1 April 2007

Active member

Contributions

Contributions are based on pensionable salary, which is basic salary plus, where appropriate, pensionable allowances such as London Weighting.

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:

- a) on leaving the Fund;
or
- b) at maximum pension age of 60 or 65 depending on rank.

Additional voluntary contributions ('AVC')

Current members can pay extra contributions through BRASS and AVC Extra to secure additional benefits.

Death in service

Nominated dependants or personal representatives will receive:

A lump-sum death benefit of four times pensionable salary averaged over 12 months.

Plus

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.

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

APPENDIX I (CONTINUED)

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

If the member has 2 or more years' service, either:

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 J

WHERE TO GO FOR HELP

Trustee and RPMI Railpen

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

T: 020 7330 6800

E: enquiries@rpmico.uk

W: www.rpmico.uk

RPMI

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

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

T: 0800 2343434 (Customer Services Team)

E: csu@rpmico.uk

W: www.railwayspensions.co.uk

The Pensions Advisory Service ('TPAS')

TPAS is an independent voluntary organisation with local advisers who are experts in pension matters. TPAS can be contacted either through any local Citizens Advice Bureau or at the following address:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

T: 0800 011 3797

Online enquiry: www.pensionsadvisoryservice.org.uk/contacting-us/online-enquiry-form

W: www.pensionsadvisoryservice.org.uk

APPENDIX J (CONTINUED)

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
10 South Colonnade
Canary Wharf
London
E14 4PU

T: 0800 917 4487

E: enquiries@pensions-ombudsman.org.uk

W: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

T: 0345 600 0707

E: customersupport@tpr.gov.uk

W: 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

T: 0800 731 0193

W: www.gov.uk/find-lost-pension

Fund Registration number: 100541628

APPENDIX K

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 2018. The non-statutory accounts have been prepared in accordance with UK Generally Accepted Accounting Practice (including FRS 102) and with the guidance set out in the Statement of Recommended Practice (the 'SORP').

The total valuation of the pooled assets as at 31 December 2018 was £27,243.31m (2017: £28,110.64m). There are in addition £987.49m (2017: £920.16m) of assets held directly by the railways pension schemes not included in the pooled fund arrangements, bringing total assets to £28,230.80m (2017: £29,030.80m).

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.

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 the railways pension schemes whilst also allowing assets to be invested, as far as possible, as if they belonged to a single pension fund.

The focus for pooled fund management in 2018 has been efficient implementation of investments consistent with the agreed strategic portfolios. This included further developing the in-house asset management capabilities of RPMI Railpen, particularly in equities and property.

Property management was brought in-house towards the end of 2017 to facilitate better control of assets and generate cost efficiencies. Throughout 2018 in-house management have completed a number of purchases and sales of UK commercial property as they reshape the portfolio reducing the pooled funds exposure to retail assets. They have also undertaken significant numbers of new lettings, lease renegotiations and rent reviews to increase the profitability of the portfolio.

Also within the Growth Pooled Fund, RPMI Railpen has increased the allocation to internally managed portfolios for Alternative Risk Premia ('ARP') strategies. These portfolios systematically target investment in equities that exhibit risk premia factors with an economic or behavioral rationale that are expected to provide additional returns over the long-term. Also within the equity portion, RPMI Railpen has gradually increased the allocation to the Fundamental Growth Portfolio ('FGP'), a concentrated portfolio investing in industry leading, innovative companies with sustainable structural earnings growth.

The Illiquid Growth Pooled Fund made further allocations during the course of the year, with a particular emphasis on opportunistic investments focused on the communication and innovation sectors. The largest commitment in 2018 was to Capital Constellation, a joint venture with two other large investors to provide seed capital to emerging private equity managers. The in-house team continues to build exposure to private debt (lending to private companies) and manage significant distributions from legacy investments in the Private Equity and Infrastructure Funds.

The Long Term Income Pooled Fund made a number of new allocations in 2018, the largest of which was in a secondary portfolio of infrastructure debt assets which provide good diversification to existing investments.

APPENDIX K (CONTINUED)

INTRODUCTION TO THE POOLED FUND ACCOUNTS (CONTINUED)

During the year the Trustee approved an expansion of the stock lending programme in order to generate additional income for the railways pension schemes. Borrowers must meet the Trustee's collateral specifications and a permanent restriction is in place that ensures that shares held in companies that are sponsoring employers of the Railways Pension Scheme are not included in the lending programme.

The table on page 64 summarises the investments of each of these pooled funds as at 31 December 2018. The notes on pages 68 to 87 analyse the total pooled assets of £27,243.31m 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 69 and 70, and the unit prices on page 69.

APPENDIX K (CONTINUED)

INTRODUCTION TO THE POOLED FUND ACCOUNTS (CONTINUED)

ACCOUNTING POLICIES

Investments

Investments are held at fair value. The principal bases of investment valuation adopted by the pooled funds are set out below:

- a. 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.
- b. Fixed interest securities are stated at their 'clean' prices, with accrued income accounted for within investment income.
- c. Unquoted securities, including most investments in private equity and infrastructure, are included at the Trustee's estimate of accounting fair value based on advice from the investment managers or other third party advisors.
- d. 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.
- e. The pooled investment vehicle managed by OneFamily Lifetime Mortgages Limited held by the Long Term Income Pooled Fund is stated at amortised cost.
- f. 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, Knight Frank and CBRE. Knight Frank and CBRE have experience in the locations and class of investment properties held by the Trustee.
- g. 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 third party vendors, 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.
- h. Forward foreign exchange contracts are valued at the forward rate at the year end date.
- i. All gains and losses arising on derivative contracts are reported within change in market value of investments during the year.
- j. Loans and deposits, current assets and current liabilities are included at book cost, which the Trustee considers represents a reasonable estimate of fair value.

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.

APPENDIX K (CONTINUED)

INTRODUCTION TO THE POOLED FUND ACCOUNTS (CONTINUED)

ACCOUNTING POLICIES (continued)

Investment income

Investment income is included in the accounts on the following bases:

- a. Dividends from quoted equities are accounted for when the security is declared ex-div.
- b. Interest is accrued on a daily basis.
- c. Property rental income is accounted for on an accruals basis in accordance with the terms of the lease.
- d. Commission recapture and stock lending commission are accounted for on a receivable basis.
- e. 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.
- f. 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.
- g. 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).

APPENDIX K (CONTINUED)

INTRODUCTION TO THE POOLED FUND ACCOUNTS (CONTINUED)

ACCOUNTING POLICIES (continued)

Unit transactions

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

APPENDIX K (CONTINUED)

FUND STATEMENT AS AT 31 DECEMBER 2018

	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	8,967.01	129.32	1,346.61	-	3,814.71	24.17	(167.21)	1,453.90	43.76	(19.12)	2,098.71	17,691.86
Private Equity	-	-	-	-	2,262.82	0.01	-	91.25	0.04	(0.88)	-	2,353.24
Property	-	-	-	1,916.67	-	-	-	179.61	38.57	(36.18)	-	2,098.67
Government Bond	-	1,365.14	-	-	-	-	-	82.11	7.90	(0.47)	-	1,454.68
Defined Contribution	-	43.11	-	-	206.34	-	-	258.38	1.07	(1.32)	887.98	1,395.56
Illiquid Growth	135.77	6.68	-	-	876.39	0.01	-	31.54	0.03	(0.44)	-	1,049.98
Passive Equity	-	-	-	-	803.37	-	-	0.31	-	(0.26)	-	803.42
Short Duration Index Linked Bond	-	-	763.36	-	-	-	-	28.37	0.59	(0.13)	-	792.19
Long Term Income	-	54.06	-	-	596.89	-	-	12.91	1.98	(0.27)	-	665.57
Global Equity	-	-	-	-	563.23	0.71	(5.20)	104.49	0.09	(0.35)	-	662.97
Infrastructure	-	-	-	-	435.76	-	-	6.65	-	(0.20)	-	442.21
Non Government Bond	-	407.92	-	-	-	0.23	(9.20)	23.40	5.08	(0.37)	-	427.06
Long Duration Index Linked Bond	-	-	195.58	-	-	-	-	2.31	0.14	(0.08)	-	197.95
Cash	-	-	-	-	-	-	-	194.59	0.12	(0.07)	-	194.64
Cross Holdings											(2,986.69)	(2,986.69)
Total	9,102.78	2,006.23	2,305.55	1,916.67	9,559.51	25.13	(181.61)	2,469.82	99.37	(60.14)	-	27,243.31
%	33.41	7.36	8.46	7.04	35.09	0.10	(0.67)	9.07	0.36	(0.22)	-	100.00

Analysis of cross holdings

	Growth	Long Duration Index Linked Bond	Property	Private Equity	Non Government Bond	Total Cross Holdings
Pooled Fund	£m	£m	£m	£m	£m	£m
Growth	-	-	2,098.67	0.04	-	2,098.71
Defined Contribution	853.25	11.72	-	-	23.01	887.98
Total	853.25	11.72	2,098.67	0.04	23.01	2,986.69

The accounting policies on pages 61 to 63 and the notes on pages 68 to 87 form part of these accounts.

APPENDIX K (CONTINUED)

FUND STATEMENT AS AT 31 DECEMBER 2018

MOVEMENT IN UNIT HOLDERS' FUNDS

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Reinvested net income	Change in cross holdings	Total unit holders' funds
Pooled Fund	£m	£m	£m	£m	£m	£m	£m
Growth	18,992.36	253.19	(696.11)	(1,107.28)	249.70	-	17,691.86
Private Equity	2,255.27	6.52	(444.10)	537.42	(1.87)	-	2,353.24
Property	1,964.68	31.00	-	10.34	92.65	-	2,098.67
Government Bond	1,961.32	288.73	(803.72)	(18.99)	27.34	-	1,454.68
Defined Contribution	1,460.26	179.76	(183.63)	(59.94)	(0.89)	-	1,395.56
Illiquid Growth	469.05	485.00	(24.60)	121.77	(1.24)	-	1,049.98
Passive Equity	909.88	1.84	(35.80)	(71.41)	(1.09)	-	803.42
Short Duration Index Linked Bond	112.81	735.78	(74.28)	(1.68)	19.56	-	792.19
Long Term Income	329.90	374.33	(18.33)	(19.49)	(0.84)	-	665.57
Global Equity	795.79	-	(74.83)	(58.33)	0.34	-	662.97
Infrastructure	608.37	-	(245.00)	79.23	(0.39)	-	442.21
Non Government Bond	622.62	17.49	(194.85)	(37.87)	19.67	-	427.06
Long Duration Index Linked Bond	221.39	13.65	(33.95)	(7.18)	4.04	-	197.95
Cash	302.82	133.05	(242.89)	-	1.66	-	194.64
Cross Holdings	(2,895.88)	-	-	-	-	(90.81)	(2,986.69)
Total	28,110.64	2,520.34	(3,072.09)	(633.41)	408.64	(90.81)	27,243.31

65

Approved on behalf of the Trustee Company on 15 May 2019

Christopher Hannon
Chair,
Trustee Company



John Mayfield
Director and Chair,
Audit and Risk Committee



The accounting policies on pages 61 to 63 and the notes on pages 68 to 87 form part of these accounts.

APPENDIX K (CONTINUED)

FUND STATEMENT AS AT 31 DECEMBER 2017

	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	7,925.31	701.99	381.04	-	4,846.99	98.55	(11.17)	3,054.93	50.69	(20.69)	1,964.72	18,992.36
Private Equity	1.48	-	-	-	2,161.20	0.07	(0.01)	88.10	5.33	(0.90)	-	2,255.27
Property	-	-	-	1,818.41	-	-	-	178.04	41.31	(73.08)	-	1,964.68
Government Bond	-	1,763.51	-	-	-	-	-	187.09	11.41	(0.69)	-	1,961.32
Defined Contribution	-	83.54	-	-	216.41	-	-	230.24	0.73	(1.82)	931.16	1,460.26
Passive Equity	-	-	-	-	909.83	-	-	0.58	-	(0.53)	-	909.88
Global Equity	-	-	-	-	677.97	11.71	(1.90)	108.56	0.07	(0.62)	-	795.79
Non Government Bond	-	587.45	-	-	-	5.85	(0.16)	23.22	6.87	(0.61)	-	622.62
Infrastructure	-	-	-	-	602.95	-	-	5.72	-	(0.30)	-	608.37
Illiquid Growth	69.71	2.08	-	-	335.74	-	-	62.06	0.02	(0.56)	-	469.05
Long Term Income	-	0.77	-	-	305.91	-	-	23.39	0.03	(0.20)	-	329.90
Cash	-	-	-	-	-	-	-	302.83	0.08	(0.09)	-	302.82
Long Duration Index Linked Bond	-	-	221.03	-	-	-	-	0.35	0.16	(0.15)	-	221.39
Short Duration Index Linked Bond	-	-	111.48	-	-	-	-	1.25	0.09	(0.01)	-	112.81
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(2,895.88)	(2,895.88)
Total	7,996.50	3,139.34	713.55	1,818.41	10,057.00	116.18	(13.24)	4,266.36	116.79	(100.25)	-	28,110.64
%	28.45	11.17	2.54	6.47	35.78	0.41	(0.05)	15.18	0.41	(0.36)	-	100.00

66

Analysis of cross holdings

	Growth	Long Duration Index Linked Bond	Property	Private Equity	Non Government Bond	Total Cross Holdings
Pooled Fund	£m	£m	£m	£m	£m	£m
Growth	-	-	1,964.68	0.04	-	1,964.72
Defined Contribution	895.01	13.11	-	-	23.04	931.16
Total	895.01	13.11	1,964.68	0.04	23.04	2,895.88

The accounting policies on pages 61 to 63 and the notes on pages 68 to 87 form part of these accounts.

APPENDIX K (CONTINUED)

FUND STATEMENT AS AT 31 DECEMBER 2017

MOVEMENT IN UNIT HOLDERS' FUNDS

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Reinvested net income	Change in cross holdings	Total unit holders' funds
Pooled Fund	£m	£m	£m	£m	£m	£m	£m
Growth	17,015.30	291.94	(289.79)	1,793.96	180.95	-	18,992.36
Private Equity	2,488.69	42.45	(415.53)	141.63	(1.97)	-	2,255.27
Property	2,071.32	10.00	(130.00)	(69.79)	83.15	-	1,964.68
Government Bond	2,059.17	110.50	(215.06)	(23.24)	29.95	-	1,961.32
Defined Contribution	1,349.49	162.58	(176.90)	126.77	(1.68)	-	1,460.26
Passive Equity	780.55	0.27	(16.18)	146.15	(0.91)	-	909.88
Global Equity	757.65	-	(86.54)	124.18	0.50	-	795.79
Non Government Bond	626.59	25.07	(60.05)	9.57	21.44	-	622.62
Infrastructure	908.12	0.30	(334.80)	35.41	(0.66)	-	608.37
Illiquid Growth	282.83	155.50	-	33.06	(2.34)	-	469.05
Long Term Income	102.17	225.63	(0.03)	3.06	(0.93)	-	329.90
Cash	320.39	0.33	(18.70)	-	0.80	-	302.82
Long Duration Index Linked Bond	225.68	1.81	(11.95)	5.28	0.57	-	221.39
Short Duration Index Linked Bond	-	112.90	-	(0.33)	0.24	-	112.81
Cross Holdings	(2,903.89)	-	-	-	-	8.01	(2,895.88)
Total	26,084.06	1,139.28	(1,755.53)	2,325.71	309.11	8.01	28,110.64

The accounting policies on pages 61 to 63 and the notes on pages 68 to 87 form part of these accounts.

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT

1.1 Fund statement as at 31 December 2018	Note	2018 £m	2017 £m
Assets			
Equities			
UK quoted		362.45	354.56
UK unquoted		135.86	69.80
Overseas quoted		8,604.47	7,572.14
		9,102.78	7,996.50
Fixed interest securities			
UK quoted - public sector		1,537.57	2,238.60
UK quoted - non-public sector		114.72	128.63
UK unquoted - non-public sector		0.77	0.77
Overseas quoted - non-public sector		346.49	769.26
Overseas unquoted - non-public sector		6.68	2.08
		2,006.23	3,139.34
Indexed linked securities			
UK quoted - public sector		958.94	332.51
Overseas quoted - public sector		1,346.61	381.04
		2,305.55	713.55
UK Property		1,916.67	1,818.41
Pooled investment vehicles	1.5	9,559.51	10,057.00
Derivative contracts			
Futures - exchange traded	1.6	24.17	35.05
FX contracts - OTC	1.6	0.96	81.13
		25.13	116.18
Other investment assets	1.7	87.26	102.21
Current assets	1.8	12.11	14.36
		99.37	116.57
Cash deposits and cash instruments	1.9	2,469.82	4,266.36
Total assets		27,485.06	28,223.91
Liabilities			
Derivative contracts			
Futures - exchange traded	1.6	(35.89)	(7.41)
FX contracts - OTC	1.6	(145.72)	(5.83)
		(181.61)	(13.24)
Other investment liabilities	1.10	(2.08)	(38.40)
Current liabilities	1.11	(58.06)	(61.63)
		(60.14)	(100.03)
Total liabilities		(241.75)	(113.27)
Net assets attributable to unit holders		27,243.31	28,110.64

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.2 Pooled fund unit prices as at 31 December	2018 £/unit	2017 £/unit
Growth Pooled Fund	17.82	18.69
Property Pooled Fund	92.16	87.59
Government Bond Pooled Fund	13.40	13.30
Illiquid Growth Pooled Fund	14.47	12.42
Passive Equity Pooled Fund	17.03	18.59
Short Duration Index Linked Bond Pooled Fund	10.16	9.99
Long Term Income Pooled Fund	8.28	8.48
Global Equity Pooled Fund	90.70	98.76
Infrastructure Pooled Fund	20.95	18.03
Non Government Bond Pooled Fund	14.11	14.51
Long Duration Index Linked Bond Pooled Fund	92.65	93.95
Cash Pooled Fund	10.37	10.31

Private Equity Pooled Fund

Direct Investment Pooled Fund 1995*	-	5,090.68
Direct Investment Pooled Fund 1997*	-	180.31
Direct Investment Pooled Fund 1999*	-	39.07
Direct Investment Pooled Fund 2000	14.43	15.62
Private Equity Pooled Fund 2001	50.15	41.27
Private Equity Pooled Fund 2004	38.29	36.68
Private Equity Pooled Fund 2005	42.67	36.87
Private Equity Pooled Fund 2007	33.78	27.64
Private Equity Pooled Fund 2009	38.57	31.59
Private Equity Pooled Fund 2011	32.04	24.08
Private Equity Pooled Fund 2013	21.78	16.21

* These pooled funds were closed on 20 December 2018 and the remaining assets distributed to the unit holders

Defined Contribution Pooled Fund

DC Global Equity Fund	14.15	15.44
DC Long Term Growth Fund	14.51	15.24
DC Deposit Fund	10.17	10.12
DC Index Linked and Global Bond Fund	13.87	14.17
DC Aggregate Bond Fund	13.03	13.21

1.3 Value of the Pooled Funds	2018 £m	2017 £m
Growth Pooled Fund	17,691.86	18,992.36
Private Equity Pooled Fund**	2,353.24	2,255.27
Property Pooled Fund	2,098.67	1,964.68
Government Bond Pooled Fund	1,454.68	1,961.32
Defined Contribution Pooled Fund**	1,395.56	1,460.26
Illiquid Growth Pooled Fund	1,049.98	469.05
Passive Equity Pooled Fund	803.42	909.88
Short Duration Index Linked Bond Pooled Fund	792.19	112.81
Long Term Income Pooled Fund	665.57	329.90
Global Equity Pooled Fund	662.97	795.79
Value of the Pooled Funds carried forward	28,968.14	29,251.32

** See breakdown into pooled fund segments below.

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.3 Value of the Pooled Funds (Continued)	2018 £m	2017 £m
Value of the Pooled Funds brought forward	28,968.14	29,251.32
Infrastructure Pooled Fund	442.21	608.37
Non Government Bond Pooled Fund	427.06	622.62
Long Duration Index Linked Bond Pooled Fund	197.95	221.39
Cash Pooled Fund	194.64	302.82
Cross holdings		
Property Pooled Fund	(2,098.67)	(1,964.68)
Growth Pooled Fund	(853.25)	(895.01)
Non Government Bond Pooled Fund	(23.01)	(23.04)
Long Duration Index Linked Bond Pooled Fund	(11.72)	(13.11)
Private Equity Pooled Fund	(0.04)	(0.04)
Net assets attributable to unit holders	27,243.31	28,110.64
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995***	-	0.15
Direct Investment Pooled Fund 1997***	-	0.20
Direct Investment Pooled Fund 1999***	-	0.22
Direct Investment Pooled Fund 2000	3.39	6.36
Private Equity Pooled Fund 2001	40.27	51.14
Private Equity Pooled Fund 2004	29.47	37.74
Private Equity Pooled Fund 2005	62.98	82.24
Private Equity Pooled Fund 2007	841.14	880.94
Private Equity Pooled Fund 2009	239.04	234.51
Private Equity Pooled Fund 2011	853.16	731.38
Private Equity Pooled Fund 2013	283.79	230.39
	2,353.24	2,255.27
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	854.34	895.88
DC Deposit Fund	299.48	311.20
DC Global Equity Fund	195.70	206.87
DC Index Linked and Global Bond Fund	23.57	26.09
DC Aggregate Bond Fund	22.47	20.22
	1,395.56	1,460.26

*** These pooled funds were closed on 20 December 2018 and the remaining assets distributed to the unit holders.

APPENDIX K (CONTINUED)**CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)****1.4 Investment income**

	2018	2017
	£m	£m
Dividends from equities	232.86	176.25
Income from fixed interest securities	53.59	83.68
Income from index linked securities	64.97	11.46
Income from pooled investment vehicles	3.74	0.01
Income from stock lending	1.43	0.52
Income from UK property	107.90	97.21
Interest from cash deposits	16.35	12.11
Other income	1.43	5.58
	482.27	386.82
Irrecoverable withholding tax	(11.30)	(7.39)
Total income	470.97	379.43
Administration, custody and other expenses	(25.66)	(24.08)
Investment management fees - base	(7.39)	(15.31)
Investment management fees - performance	-	(0.01)
RPMI fees	(28.06)	(30.61)
Irrecoverable VAT	(0.27)	(0.30)
Tax	(0.95)	(0.01)
	(62.33)	(70.32)
Reinvested net income (accrued in unit prices)	408.64	309.11

1.5 Pooled investment vehicles

The pooled funds had holdings in pooled investment vehicles at the year end that can be analysed as follows:

	2018	2017
	£m	£m
UK unquoted - unitised insurance policies	2,891.00	4,354.98
UK unquoted - partnerships	1,084.19	861.24
UK unquoted - other managed funds	607.34	638.91
UK quoted - other managed funds	72.44	83.64
Overseas unquoted - partnerships	3,598.68	2,902.36
Overseas unquoted - other managed funds	1,217.63	1,115.03
Overseas unquoted - hedge funds	88.23	100.84
	9,559.51	10,057.00

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.5 Pooled investment vehicles (Continued)

The pooled funds are the sole investor in thirteen (2017: eleven) pooled investment vehicles included within the above analysis. The assets underlying these sole investor pooled investment vehicles are:

	2018 £m	2017 £m
Fixed interest securities	336.33	149.29
Insurance	108.74	184.81
Private equity	63.06	164.04
Royalties	125.09	104.95
	633.22	603.09

1.6 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 treasury notes	Mar 2019	517.25	24.17	-
S&P indices	Mar 2019	696.05	-	(19.10)
Japanese topix index	Mar 2019	190.58	-	(11.13)
MSCI EM indices	Mar 2019	429.40	-	(5.01)
Euro Stoxx index	Mar 2019	24.83	-	(0.56)
Other equity indices	Mar 2019	3.26	-	(0.09)
		1,861.37	24.17	(35.89)

Included within cash balances is £92.73m in respect of initial and variation margins deposited with brokers regarding open futures contracts at the year end.

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				
US dollar / Sterling	Jan – Feb 2019	216.70	169.36	0.61
Sterling / Euro	Feb 2019	76.37	84.78	0.14
Sterling / Canadian dollar	Feb 2019	4.11	6.94	0.12
Other	Jan – Feb 2019			0.09
				0.96

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.6 Derivative contracts (continued)

Forward foreign exchange ('FX') contracts (continued)

Type of contract	Settlement Date	Currency bought million	Currency sold million	Value at year end £m
Liabilities				
Sterling / US dollar	Jan – Apr 2019	6,205.99	8,067.60	(110.02)
Sterling / Euro	Jan – Feb 2019	1,095.43	1,238.52	(17.65)
Sterling / Japanese yen	Jan – Feb 2019	293.80	42,362.04	(9.59)
US dollar / Japanese yen	Feb 2019	250.36	28,066.00	(4.89)
Other	Jan – Feb 2019			(3.57)
				(145.72)

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.

Included within net assets is £151.77m of cash in respect of collateral deposited with counterparties relating to open FX contracts at the year end.

1.7 Other investment assets

	2018 £m	2017 £m
Asset in respect of investment settlements	4.05	24.64
Investment income accrued	34.31	36.83
Recoverable tax	17.91	11.24
Rent receivable	30.99	29.50
	87.26	102.21

1.8 Current assets

	2018 £m	2017 £m
Asset in respect of unit trades	2.61	0.59
Trade debtors	7.19	11.45
Tax	0.34	0.34
VAT and other	1.97	1.98
	12.11	14.36

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.9 Cash deposits and cash instruments

	2018 £m	2017 £m
Cash held in liquidity funds	1,873.98	4,028.32
Cash held at brokers in respect of futures margin	92.73	130.72
Cash at bank	351.34	105.52
Cash collateral held by counterparties	151.77	1.80
	2,469.82	4,266.36

1.10 Other investment liabilities

	2018 £m	2017 £m
Liability in respect of investment settlements	(1.37)	(37.81)
Tax payable	(0.71)	(0.59)
	(2.08)	(38.40)

1.11 Current liabilities

	2018 £m	2017 £m
Accrued management fees and expenses	(20.50)	(24.89)
Property income received in advance	(21.32)	(22.44)
Trade creditors	(8.78)	(6.49)
Liability in respect of unit trades	(2.02)	(2.40)
Tax	(4.89)	(4.35)
VAT and other	(0.55)	(1.06)
	(58.06)	(61.63)

1.12 Stock lending

The Trustee has given 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 and a permanent restriction is in place that ensures that shares held in companies that are sponsoring employers of the Railway Pension Scheme are not included in the lending programme.

Further details on the stock lending policy can be found on page 32.

At 31 December 2018, the market valuation of stock that had been lent in the market was £2,520.22m (2017: £196.70m).

Collateral held in respect of the stock on loan at 31 December 2018 had a total value of £2,725.32m (2017: £206.30m).

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.13 Reconciliation of investments held at beginning and end of year

	Value at 31 December 2017	Units issued/ (redeemed)	Net income	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Value at 31 December 2018
	£m	£m	£m	£m	£m	£m	£m
Directly held assets							
Equities	7,996.50	-	-	8,238.18	(6,622.20)	(509.70)	9,102.78
Fixed interest securities	3,139.34	-	-	1,122.30	(2,214.73)	(40.68)	2,006.23
Index linked securities	713.55	-	-	1,783.63	(172.20)	(19.43)	2,305.55
Pooled investment vehicles	10,057.00	-	-	3,049.81	(4,133.81)	586.51	9,559.51
UK property	1,818.41	-	-	135.11	(47.19)	10.34	1,916.67
	23,724.80	-	-	14,329.03	(13,190.13)	27.04	24,890.74
Derivatives							
Futures	27.64	-	-	377.79	(145.71)	(271.44)	(11.72)
FX contracts	75.30	-	-	2,091.44	(1,847.23)	(464.27)	(144.76)
	102.94	-	-	2,469.23	(1,992.94)	(735.71)	(156.48)
Cross holdings	2,895.88	-	-	79.17	(48.90)	60.54	2,986.69
Other							
Cash and current assets	4,282.90	(551.75)	408.64	(16,877.43)	15,231.97	14.72	2,509.05
	31,006.52	(551.75)	408.64	-	-	(633.41)	30,230.00
Cross holdings	(2,895.88)						(2,986.69)
Net Assets	28,110.64						27,243.31

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.14 Transaction costs

Included within the pooled funds' purchases and sales in note 1.13 are direct transaction costs of £19.66m (2017: £13.16m) comprising mainly of fees, commissions, stamp duty land tax and legal fees. Included within pooled funds' expenses in note 1.4 are direct transaction costs of £1.25m (2017: £0.05m) relating to legal and due diligence fees.

Together these costs are attributable to the key asset classes as follows:

	Fees	Commission	Stamp duty land tax	Legal and other	Total
Year to 31 December 2018	£m	£m	£m	£m	£m
Equities	4.46	3.67	-	-	8.13
Futures	-	0.41	-	-	0.41
Pooled investment vehicles	-	2.61	-	1.40	4.01
UK property	-	-	7.35	1.01	8.36
	4.46	6.69	7.35	2.41	20.91

	Fees	Commission	Stamp duty land tax	Legal and other	Total
Year to 31 December 2017	£m	£m	£m	£m	£m
Equities	3.22	3.10	-	-	6.32
Futures	-	0.59	-	-	0.59
Pooled investment vehicles	-	4.72	-	1.27	5.99
UK property	-	-	0.05	0.26	0.31
	3.22	8.41	0.05	1.53	13.21

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.

1.15 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 or 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)

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.15 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 2018	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Directly held assets				
Equities	8,965.60	1.32	135.86	9,102.78
Fixed interest securities	1,859.65	146.58	-	2,006.23
Index linked securities	2,305.55	-	-	2,305.55
Pooled investment vehicles	72.44	4,079.79	5,407.28	9,559.51
UK property	-	-	1,916.67	1,916.67
Derivatives				
Futures	(11.72)	-	-	(11.72)
FX contracts	-	(144.76)	-	(144.76)
Other				
Cash and current assets	2,509.05	-	-	2,509.05
	15,700.57	4,082.93	7,459.81	27,243.31
At 31 December 2017	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Directly held assets				
Equities	7,926.70	-	69.80	7,996.50
Fixed interest securities	2,892.23	247.11	-	3,139.34
Index linked securities	713.55	-	-	713.55
Pooled investment vehicles	83.65	5,818.50	4,154.85	10,057.00
UK property	-	-	1,818.41	1,818.41
Derivatives				
Futures	27.64	-	-	27.64
FX contracts	-	75.30	-	75.30
Other				
Cash and current assets	4,282.90	-	-	4,282.90
	15,926.67	6,140.91	6,043.06	28,110.64

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.16 Investment risks

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

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

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

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

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

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

Credit risk

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

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

Securities or counterparties deemed to be investment grade generally have an investment rating 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.

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.16 Investment risks (continued)

Credit risk (continued)

At 31 December 2018	Investment grade £m	Non investment grade £m	Unrated £m	Total £m
Fixed interest securities	1,993.83	4.95	7.45	2,006.23
Index linked securities	2,305.55	-	-	2,305.55
Pooled investment vehicles	-	-	9,559.51	9,559.51
FX contracts	(144.76)	-	-	(144.76)
Futures	-	-	(11.72)	(11.72)
Cash	2,469.82	-	-	2,469.82
Stock lending	2,520.22	-	-	2,520.22
	9,144.66	4.95	9,555.24	18,704.85

At 31 December 2017	Investment grade £m	Non investment grade £m	Unrated £m	Total £m
Fixed interest securities	2,897.37	237.81	4.16	3,139.34
Index linked securities	713.55	-	-	713.55
Pooled investment vehicles	-	-	10,057.00	10,057.00
FX contracts	75.30	-	-	75.30
Futures	-	-	21.36	21.36
Cash	3,974.25	-	-	3,974.25
Stock lending	192.91	-	-	192.91
	7,853.38	237.81	10,082.52	18,173.71

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 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 1.6.

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 1.12.

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

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.16 Investment risks (continued)

Credit risk (continued)

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:

	2018 £m	2017 £m
Unitised insurance policies	2,891.00	4,354.98
Partnerships	4,682.87	3,763.60
Other managed funds	1,897.41	1,837.58
Hedge funds	88.23	100.84
	9,559.51	10,057.00

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 £1,739.14m (2017: £1,437.63m).

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:

	2018 £m	2017 £m
Currency		
US dollar	6,072.09	6,977.98
Euro	671.59	999.74
Japanese yen	389.22	456.89
Other	2,461.19	2,872.13
	9,594.09	11,306.74

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.16 Investment risks (continued)

Interest rate risk

The pooled funds are subject to interest rate risk on fixed interest securities and index linked securities 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:

	2018 £m	2017 £m
Direct		
Fixed interest securities	2,006.23	3,139.34
Index linked securities	2,305.55	713.55
Fixed interest futures	24.17	(1.52)
Indirect		
Fixed interest pooled investment vehicles	1,727.93	1,427.57
Index linked pooled investment vehicles	11.21	10.06
	6,075.09	5,289.00

Other price risk

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

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

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

	2018 £m	2017 £m
Direct		
Equities	9,102.78	7,996.50
UK property	1,916.67	1,818.41
Equity futures	(35.89)	29.16
Indirect		
Equity pooled investment vehicles	2,952.23	4,428.57
Private equity pooled investment vehicles	3,926.01	2,952.75
Infrastructure pooled investment vehicles	435.76	602.95
Other managed funds	418.14	534.26
Hedge funds	88.23	100.84
	18,803.93	18,463.44

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.17 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:

	2018	2017
	£m	£m
RPMI Railpen*	10,974.69	10,040.38
Northern Trust Asset Management	4,051.16	3,262.06
Legal & General Investment Management	2,625.58	4,039.95
AQR Capital Management	1,904.20	1,880.46
Blackstone Alternative Asset Management	1,129.77	952.64
Horsley Bridge Partners	568.03	464.36
Insight Investment	441.66	636.52
Credit Suisse ILS Limited	362.35	184.81
BlackRock Advisors (UK)	347.49	431.33
Intermediate Capital Group	308.28	301.48
Aspect Capital Limited (from September 2018)	299.06	-
OneFamily Lifetime Mortgages Limited	222.43	149.29
Kobalt Music Group	200.70	103.79
Morningside Ventures	191.07	89.34
Sequoia Capital	190.92	142.14
Macquarie Infrastructure (from December 2018)	184.39	-
Columbia Capital	161.06	64.42
Arcus Infrastructure Partners	152.04	275.58
Goldman Sachs Asset Management	140.53	179.77
Long Harbour	132.62	99.97
Riverside Europe Fund Associates	130.34	82.89
Innisfree Limited	130.05	130.06
HealthCare Royalty Partners	125.09	104.95
Venor Capital Management	115.39	63.33
Maddox Capital	113.90	72.88
Owl Rock Capital Advisors	82.14	39.78
Accel Partners	81.27	74.94
HarbourVest Partners	80.74	116.01
Pensions Infrastructure Platform	76.98	84.53
Bain Capital	74.28	71.76
Orion Energy Partners	61.30	34.12
Westbridge Capital Partners	60.35	66.15
Khosla Ventures	59.58	47.30
Adams Street Partners	59.14	72.72
Duke Street (from January 2018)	57.91	-
White Oak (from January 2018)	55.36	-
Apax Partners	52.90	56.22
Dalmore Capital Limited	52.60	49.09
Pantheon Ventures	50.80	56.66
Standard Life Investments	50.04	61.96
WP Global Partners	48.42	16.26
Great Hill Partners	48.17	45.58
Carried forward	26,254.78	24,645.48

*Included in this balance is cash invested in Liquidity Funds totalling £1,716.76m (2017 : £3,696.19m)

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.17 Investment managers during the year (continued)

	2018	2017
	£m	£m
Brought forward	26,254.78	24,645.48
H.I.G. Capital	44.17	36.89
General Atlantic	41.69	37.67
Constellation (from February 2018)	41.50	-
Thoma Bravo	39.31	41.63
Innovation Works	38.15	29.15
Scale Venture Partners	37.22	32.45
Cinven	36.52	56.01
Highland Capital Partners	36.51	31.71
Grosvenor Capital Management	36.47	44.24
Balderton Capital	33.21	34.74
Warburg Pincus	30.97	35.03
Amplo Partners	29.31	1.48
Index Ventures	27.03	16.25
Hony Capital	26.39	36.26
Charlesbank Capital Partners	25.00	29.04
Private Advisors	24.12	27.96
Andreessen Horowitz	23.87	16.23
Institutional Venture Partners	23.57	29.14
Clearsight Investments	23.54	28.92
KPS Capital Partners	23.39	20.46
Bessemer Venture Partners	22.89	17.51
Ares Management	22.32	26.52
Innova	22.14	22.43
Anacap Financial Partners	21.76	31.19
ClearVue Partners	20.50	22.36
Limerston Capital Partners	18.76	31.37
Mount Elbert (from November 2018)	17.08	-
Domain Partners	16.44	15.52
Sankaty Advisors	15.34	19.90
Navis Capital Partners	15.22	12.52
EQT Funds Management	14.32	8.73
Archer Capital	14.18	17.58
Peak Rock Capital	13.39	16.53
Cranemere (from November 2018)	11.89	-
CI Capital Investors	11.57	13.74
Blakeney General Partners	10.34	12.02
Oaktree Capital Management	10.00	13.29
General Catalyst	9.91	9.88
Triton Partners	9.84	8.40
Berkshire Partners	9.76	12.66
Southern Cross Group	9.60	10.19
Headland Capital Partners	8.38	9.30
Soundcore (from July 2018)	5.58	-
Carried forward	27,227.93	25,562.38

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.17 Investment managers during the year (continued)

	2018 £m	2017 £m
Brought forward	27,227.93	25,562.38
Palatine Private Equity	5.28	3.68
Abry Partners	4.56	4.53
Blossom (from February 2018)	3.30	-
Amaranthine Partners (from June 2018)	1.77	-
Alinda Capital Partners	0.38	11.74
Governance For Owners Group	0.09	0.09
Bridges Community Ventures (value is <£0.01m)	-	0.03
Unigestion (to October 2018)	-	945.60
Russell Investments (to November 2018)	-	915.69
Capital Fund Management (to September 2018)	-	337.43
Wellington Management International (to February 2018)	-	329.47
	27,243.31	28,110.64

1.18 Performance

Performance is calculated by RPMI based on changes in the relevant pooled fund unit prices, which are net of fees, over the period.

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

	2018 %	2017 %
FTSE North America Index	25.00	25.00
FTSE All Share Index	20.00	20.00
FTSE Developed Europe (ex UK) Index	20.00	20.00
FTSE Developed Asia Pacific Index	20.00	20.00
MSCI Emerging Markets Index (50% hedged to GBP)	15.00	15.00
	100.00	100.00

The Global Equity Pooled Fund adopts a passive hedging strategy whereby 50% of the overseas developed markets currency exposure in the pooled fund is hedged back to Sterling.

The comparators that all other pooled funds were measured against during the year are shown in the table below:

Pooled fund	Comparator
Growth	UK Retail Prices Index plus 4%
Private Equity *	MSCI ACWI Index
Property	MSCI UK Monthly Property Index GBP
Government Bond	FTSE World Government Bond Index (WGBI) 3-7 Years GBP

APPENDIX K (CONTINUED)

CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)

1.18 Performance (continued)

Pooled fund	Comparator
DC Global Equity	FTSE Developed Markets GBP Hedged
DC Long Term Growth	Composite comparator comprising: 75% MSCI ACWI Net 50% GBP Hedged 25% FTSE World Government Bond Index (WGBI) 100% GBP Hedged
DC Deposit	GBP 1M Libor
DC Index Linked and Global Bond	Composite comparator comprising: 50% FTSE Actuaries UK Conventional Gilts over 15 years Index 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged
DC Aggregate Bond	Composite comparator comprising: 50% FTSE Actuaries UK Conventional Gilts over 15 years Index 50% Bloomberg Barclays Global Aggregate Corporate GBP Hedged
Infrastructure	UK Retail Prices Index plus 4%
Passive Equity	FTSE Developed Markets GBP Hedged
Non Government Bond	Bloomberg Barclays Global Aggregate Corporate Index GBP Hedged
Cash	GBP 1M Libor
Illiquid Growth	UK Retail Prices Index plus 4%
Long Duration Index Linked Bond	Bloomberg Barclays UK Gilt 15+ Year
Long Term Income	UK Retail Prices Index
Short Duration Index Linked Bond	Bloomberg Barclays UK Gilt 1 to 10 Year

* Prior to February 2018 the comparator of the Private Equity Pooled Fund was MSCI ACWI index plus 1%

The return of each pooled fund as measured by RPMI Railpen is shown in the table below:

Pooled fund	Actual 2018 (%)	Comparator 2018 (%)	Actual last 5 years (%)	Comparator last 5 years (%)
Growth	(4.6)	6.8	7.2	6.6
Private Equity	32.0	(3.8)	20.2	9.9
Property	5.2	6.8	6.9	6.5
Government Bond	0.7	0.7	3.5	3.3
Illiquid Growth ¹	18.7	6.8	12.1	7.2
Passive Equity	(8.3)	(8.7)	5.8	5.5
Short Duration Index Linked Bond ¹	1.7	1.8	1.3	1.6
Long Term Income ¹	(2.3)	2.7	(1.0)	3.4
Global Equity	(8.0)	(8.2)	6.9	6.7
Infrastructure	13.9	6.8	16.2	6.5
Non Government Bond	(2.7)	(2.7)	3.3	3.1
Long Duration Index Linked Bond	(1.4)	(1.6)	11.3	11.3

APPENDIX K (CONTINUED)**CONSOLIDATED NOTES TO THE FUND STATEMENT (CONTINUED)****1.18 Performance (continued)**

Pooled fund	Actual 2018 (%)	Comparator 2018 (%)	Actual last 5 years (%)	Comparator last 5 years (%)
Cash	0.6	0.6	0.4	0.5
DC Long Term Growth	(4.8)	(4.4)	7.0	6.5
DC Deposit	0.5	0.6	0.3	0.5
DC Global Equity	(8.3)	(8.7)	5.1	4.8
DC Aggregate Bond	(1.4)	(1.1)	6.1	6.2
DC Index Linked and Global Bond	(2.1)	(1.9)	7.3	7.3

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.