

2014

years of the RPS

2014 Annual Report and
Audited Financial Statements

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Chairman's

introduction



“

On behalf of your Trustee Board, I would like to introduce the Annual Report and Audited Financial Statements of the Railways Pension Scheme ('the Scheme' or 'RPS') for the year ended 31 December 2014.

”

John Chilman
Chairman of the Trustee Company

Chairman's introduction

This is my first Annual Report as Chairman, and whilst I have been a Trustee Director for a number of years, I look forward to representing you as Chairman of the Trustee in the coming years.

The year was a good one for investment returns. All the main asset classes, with the exception of property, achieved returns at least equal, and in most cases well above, their benchmarks. The Growth Pooled Fund, in which the majority of the Scheme's assets are invested, had an excellent year, recording absolute gains of 9.8% against a benchmark of 1.6% and a target of 6.3%. The Scheme's second largest pooled fund investment, the Private Equity Pooled Fund, recorded an annual gain of 19.1%, against a benchmark of 11.2% and target of 12.2%. Of the asset classes designed to generate return, only the Property Pooled Fund failed to reach its benchmark, yet still managed to return an exceptional 16.6% during the year, and is still ahead of its benchmark over five years.

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

A further consequence of the investment review is that the range of pooled funds has been simplified, to ensure they meet the needs of individual sections whilst also allowing assets to be invested, as far as possible, as if the RPS were a single, undivided scheme. As a result of this simplification, some of the single asset class pooled funds, such as commodities and hedge funds, have been wound down or closed. The Trustee believes that multi-asset pools, where the mix of asset classes can be varied depending on market conditions and opportunities, are able to capture returns more efficiently and effectively than single asset pools.

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

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

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

The ways in which businesses and their customers interact with one another are constantly changing and the Scheme needs to keep pace with this. 2014 saw the 20th anniversary of the Scheme and, as you will see from the theme of the Report & Accounts this year, many things have changed over that period. By investing in RPMI we will ensure the Scheme remains fit for the next 20 years. We have spoken with our many stakeholders, a process that will continue during the implementation, and we will be working to deliver a range of services that meets as many of those needs as possible. We have to be mindful that the Scheme covers a wide variety of organisations, from the very large, to those with only a handful of members, so the Trustee's role is to ensure that a high-quality and cost-effective service is delivered for all sponsoring employers.

The Scheme carries out actuarial valuations every three years, the main purpose of which is to determine the future contribution rates for each section. The draft results of the valuation of the Scheme as at 31 December 2013 were issued in May 2014. These showed that about 25% of the Shared Cost sections are fully funded on a technical provision basis at the valuation date. For the other sections, the sponsoring employers will need to agree with the Trustee a plan to eliminate the shortfall. The 1994 Pensioners Section benefits from a Government guarantee, and since the valuation of this section revealed a deficit, the Trustee will agree with the Secretary of State how the shortfall will be met. We have made excellent progress with 72 out of 105 sections' valuations being completed within the statutory deadline of 31 March 2015, with a further six proposals agreed, pending final documentation sign-off.

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

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

During 2014, the government announced extremely wide-ranging changes to the UK pension landscape. These changes will be felt especially acutely in the defined contribution sections of the Scheme and I look forward to working with my fellow directors and the staff at RPMI in meeting these and the other challenges ahead.

Before 1994

things looked like this...



- May 1992 – Queen's speech promised that:

"Legislation will be introduced to enable the private sector to operate rail services"

- May 1992 – 'Paving' Bill introduced to confer on the BR Board "powers to participate in the implementation of proposals for the transfer of their commercial activities to the private sector and proposals for the establishment of new arrangements with respect to their other functions."

- July 1992 – White Paper 'New opportunities for the railways: the privatisation of British Rail' published outlining proposals for privatising British Rail.

- October 1992 – 'The Franchising of Passenger Rail Services' (consultation document) stated:

"Privatisation will not affect pensions already paid from or preserved in British Rail schemes. After privatisation, employees will be entitled to preserve pension rights already accrued in these schemes. Alternatively, they will have the opportunity to transfer their accrued pension into a broadly comparable scheme in their new employment."

The paper also stated that discussion was underway to ensure that: *"the rights enjoyed now by pensioners and members are not undermined by privatisation."*

- January 1993 – The British Coal and British Rail (Transfer Proposals) Act 1993 (Royal Assent 18 January 1993) enabled the government to sell elements of British Rail to the private sector.

- May 1993 – The Government gave way on indefeasible right. In a statement in the House of Commons, the Secretary of State for Transport, John MacGregor, commented:

"I have decided that there should be set up, under the powers granted in the Railways Bill, a joint industry pension scheme for the railways [...] Existing employees' rights will be protected by statutory orders made under the Railways Bill. The benefits offered to employees must be no less favourable than those in the existing scheme."



- October 1993 – The government wrote a solvency guarantee into the Railways Bill.
- November 1993 – The British Rail Board commissioned a legal and actuarial report to recommend to Government the structure and content of the joint industry scheme.



- November 1993 – The Railways Act 1993 received Royal Assent.
- April 1994 – Many of the principal changes from The Railways Act 1993 were brought into effect. British Rail was restructured into a body known as Railtrack and a separate operating company that would run all other services until they were sold or franchised. Railtrack became a separate government-owned company on 1 April 1994.

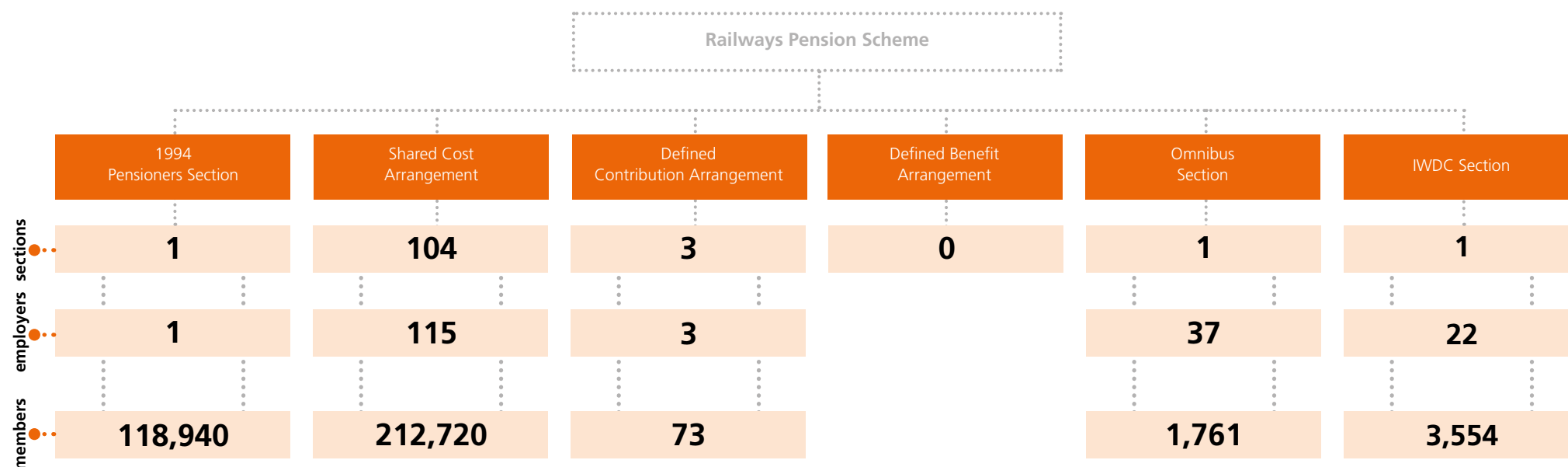


- October 1994 – The Railways Pension Scheme (RPS) was established. Pensioners and deferred members of the former BR Pension Scheme were transferred into the new '1994 Pensioners' section of the RPS while active members became part of the Shared Cost Arrangement. The six members of the Shared Cost Arrangement included: BR, Railtrack, European Passenger Services, TransMark, CAMAS and Pensions Management.

Pension Scheme

The RPS is the largest of the four pension schemes managed by the Trustee Company ('Trustee'). It is one of the largest schemes in the UK and provides pensions for 152 (2013 – 156) companies operating within the privatised railway industry.

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



Advantages of an industry-wide scheme

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

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

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

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

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

The 1994 Pensioners Section

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

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

The Shared Cost Arrangement

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

A separate section within the Shared Cost Arrangement may be created for each designated

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

As at 31 December 2014, 93 of the 104 shared cost sections had active members and 45 of these shared cost sections remain open to new members. For open sections, employees of the participating employer who are employed in the railway industry may join the Scheme. New members are not protected under the Railways Act 1993, however, so their pension rights may differ from those who have protected rights. A full list of sections and participating employers is given in Note 10 to the Audited Financial Statements.

The Omnibus Section

Employers with fewer than 50 members are eligible to combine in a multi-employer Omnibus Section. Employers may remain in the arrangement if their membership increases above 50. At the end of 2014, 37 employers (2013 – 40 employers) were part of the Omnibus Section. A full list of participating employers is given in Note 10 to the Audited Financial Statements.

Defined Contribution Sections, other Defined Benefit Arrangements and IWDC Section

Employers may set up a different defined benefit section and/or defined contribution section or they can choose to join the IWDC Section. The IWDC Section was established on 1 November 2001. The

Section aims to provide employers with a flexible defined contribution scheme. At the end of 2014, 22 employers were part of this Section (2013 – 20 employers).

At 31 December 2014, there were three defined contribution sections (2013 – three sections).

Reporting

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

Pensions Committees

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

Key statistics

Five-year summary of RPS participation

	2014	2013	2012	2011	2010
Sections	110	111	112	111	109
Employers	178	197	199	208	212
Active membership	89,336	87,528	85,321	84,411	84,304
Preserved membership	107,714	108,440	109,219	109,088	109,138
Pensioners	139,998	141,472	143,668	145,278	145,118
Total membership	337,048	337,440	338,208	338,777	338,560

Five-year summary of net assets of RPS

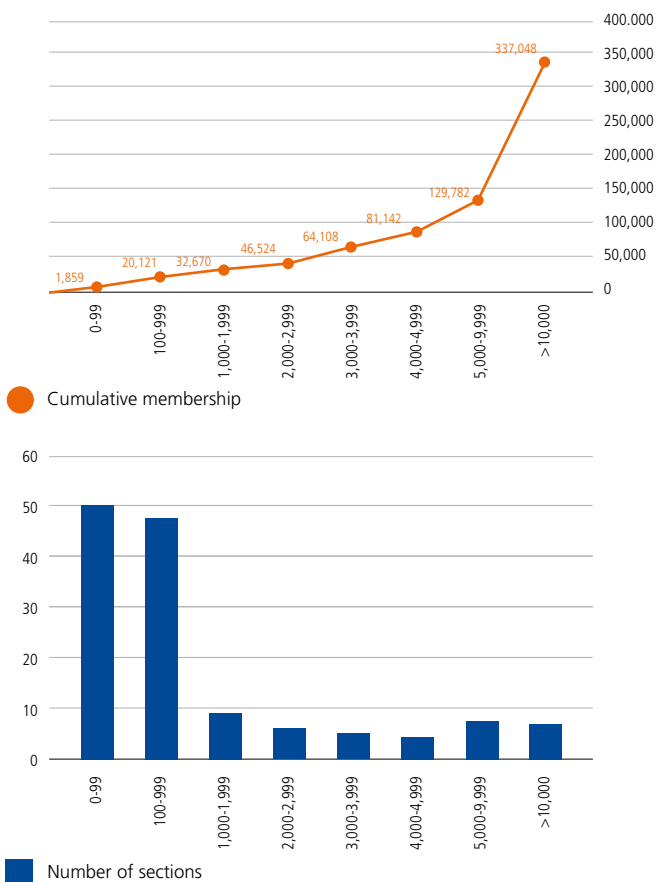


Five-year summary of financial statements of RPS

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Scheme benefits					
Pensions	742	725	710	684	664
Lump sums	182	132	133	129	170
Death benefits	19	22	21	21	19
Total benefits	943	879	864	834	853
Contributions income					
Employees	288	270	263	255	255
Employers	377	366	364	423	374
Government	21	23	25	25	26
Total contributions	686	659	652	703	655
Net transfer values ¹	(215)	(220)	19	32	37
Admin expenses (including PPF)	(46)	(50)	(47)	(43)	(56)
Investment income	331	320	265	340	286
Change in market values & interest	1,734	1,377	1,165	(343)	1,416
Net increase/ (decrease) in the Scheme	1,547	1,207	1,190	(145)	1,485
Net assets of Scheme	21,652	20,105	18,898	17,708	17,853

¹Net transfer values out includes £176m of RPS assets transferred to the PPF in 2014.

Comparison of membership of sections



Key statistics for 2014

Total Membership	337,048
Net increase in the Scheme	£1,547m
Net assets of Scheme	£21,652m

Audited financial statements

Fund account for the year ended 31 December 2014

	Notes	2014 £m	2013 £m
Contributions and benefits			
Contributions	3	686	659
Individual transfers in		14	19
		700	678
Pensions		(742)	(725)
Group transfers out	4	(211)	(229)
Lump-sum retirement benefits		(182)	(132)
Death benefits		(19)	(22)
Individual transfers out		(18)	(10)
		(1,172)	(1,118)
Administrative expenses	5	(18)	(20)
PPF levies		(28)	(30)
Total withdrawals		(1,218)	(1,168)
Net withdrawals from dealings with members		(518)	(490)
Returns on investments			
Change in market values	6	2,065	1,697
Net returns on investments		2,065	1,697
Net increase in the Scheme during the year		1,547	1,207
Net assets at the start of the year		20,105	18,898
Net assets at the end of the year		21,652	20,105

Net assets statement as at 31 December 2014

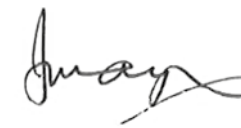
	Notes	2014 £m	2013 £m
Investments	6	21,686	20,122
Net current liabilities	7	(34)	(17)
Net assets at the end of the year	10	21,652	20,105

The audited financial statements summarise the transactions and net assets of the Scheme. They do not take account of the obligations to pay pensions and other benefits in the future. The ability to pay future pensions is addressed in the Actuary's Report, which is summarised on page 38 and should be read in conjunction with these financial statements. Benefits payable for the 1994 Pensioners Section and the BR Section are backed by Crown Guarantees.

Approved by the Directors of the Trustee Company on 7 May 2015.



John Chilman
Chairman, Trustee Board



John Mayfield
Director and Chairman, Audit Committee

The notes numbered 1 to 10 form an integral part of these audited financial statements

Notes to the audited financial statements for the year ended 31 December 2014

1. Basis of preparation

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

2. Accounting policies

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

Investments

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

- a. The majority of the assets of the Scheme are invested in a portfolio of pooled funds, which operate as internal unit trusts for those railway pension schemes under the control of the Trustee. Pooled fund unit holdings are valued on the basis of the unit prices of the units held by the Scheme in each pooled fund at the year-end. Unit prices reflect the market valuations of the underlying assets held by the pooled funds and include income receivable on investments held. Further details of the pooled fund investment accounting policies are set out in the extracts from the pooled fund accounts in Appendix J.

- b. The Trustee holds assets invested separately from the main Scheme to secure additional benefits on a defined contribution ('DC') basis. Members participating in these arrangements each receive an annual statement confirming the amounts held to their account and the movements in the year. The assets are held in a portfolio of pooled funds valued at their bid price or last traded price at the year-end date, as advised by the investment manager.

Additional Voluntary Contribution ('AVC') investments (BRASS) in pooled investment vehicles are stated at market value at the year-end date as advised by the manager. The Pension Assured Fund ('PAF') is valued as a whole by reference to the market value of assets within the fund as advised by the provider, Aviva. Members holding units in the PAF aged 55 or more are, however, guaranteed by Aviva to receive at least £1 per unit upon retirement or on earlier death. Members leaving before age 55 may receive a discounted value depending on their age.

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

Change in market values

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

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

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

Contributions and benefits

Contributions, including AVCs, and benefits are accounted for in the year in which they fall due. Payments under the Transport Act 1980 are accounted for as they become payable. Amounts receivable to extinguish future liabilities under the Transport Act 1980 are accounted for when the future liability is discharged.

Benefits payable are accounted for from the period in which the members notify the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, from the date of retirement or leaving.

Administrative expenses

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

Pension Protection Fund ('PPF') levies

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

Transfer values

Transfer values, including PPF transfers, are determined on the advice of the Scheme Actuary and, where applicable, the PPF. Individual transfers in or out are accounted for when received or paid, which is normally when member liability is accepted or discharged. Group transfers are accounted for in accordance with the terms of the transfer agreement.

Transfer of undertakings (protection of employment) ('TUPE') and other intra-RPS transfers are settled by a mixture of pooled fund units and cash pro rata to the asset mix of the transferring section.

3. Contributions receivable

	2014 £m	2013 £m
Members' contributions		
Normal	206	196
Additional voluntary contributions	62	52
Deficit funding	20	22
Employers' contributions		
Normal	315	298
Deficit funding	45	51
Government support	21	23
BRASS matching	14	15
Augmentation	3	2
	686	659

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

Further information on contribution rates can be found in the Actuary's Report on page 38. Information on late payments during the year can be found on page 41. Further information on government support can be found on page 37.

4. Group transfers out

Group transfers out of £211m in 2014, related to transfers of RPS assets to the PPF in relation to members of the Jarvis Facilities Section of the RPS along with Omnibus Section members previously employed by Vital Rail Limited.

5. Administrative expenses

	2014 £m	2013 £m
Pensions administration	10	12
Actuarial fees	3	3
Trustee governance	2	2
Other overheads	1	1
Legal fees	1	1
Communications	1	1
	18	20

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

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

6. Investments

	Market values at 31.12.13 £m	Purchases at cost £m	Sales Proceeds £m	Change in market values £m	Market values at 31.12.14 £m
Pooled funds					
Growth	10,915	151	(40)	1,068	12,094
Private Equity	1,891	166	(314)	395	2,138
Equities	1,213	1	(105)	77	1,186
Infrastructure	867	1	(73)	171	966
Defensive	801	29	(5)	45	870
Government Bond	733	20	(55)	70	768
Non-Government Bond	724	5	(99)	58	688
Cash Fund	266	-	-	-	266
Passive Equity	68	171	-	11	250
Index Linked	135	1	(5)	37	168
Property	248	-	(146)	34	136
Hedge Funds	79	-	(82)	3	-
LDI	41	-	(49)	8	-
Commodities	27	-	(27)	-	-
	18,008	545	(1,000)	1,977	19,530
Securities directly held by schemes					
BRASS (AVC) and DC	1,389	615	(646)	62	1,420
Substitution orders	596	11	-	26	633
	19,993	1,171	(1,646)	2,065	21,583
Other cash and cash instruments	129				103
	20,122				21,686

BRASS investments include 202,623,892 units in the PAF. Further information on the PAF can be found on page 37.

Income from pooled fund investments is capitalised within the price of the pooled fund units and, therefore, reflected within the market values of investments (see page 12). Although income is not distributed, the pooled fund regulations allow the Scheme to extract its share of pooled fund income at no cost, by selling units at zero spread. The income withdrawn from the pooled funds in this way can then be used to pay benefits.

Investment administration includes the cost of selecting and monitoring the investment managers and custodians and the preparation of pooled fund accounts. These activities are carried out by RPMI.

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

	% of pooled fund owned 31.12.14	% of pooled fund owned 31.12.13
Pooled Funds		
Growth	93.9	93.2
Private Equity	96.0	96.0
Equities	96.6	96.6
Infrastructure	95.2	95.2
Defensive	85.6	94.8
Government Bond	90.7	91.9
Non-Government Bond	96.6	96.9
Cash Fund	91.5	90.8
Passive Equity	100.0	100.0
Index Linked	85.1	83.7
Property	98.4	96.0
Hedge Funds	-	75.9
LDI	-	100.0
Commodities	-	100.0
Cashflow matching	-	89.8

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

7. Net current (liabilities)/ assets

	2014 £m	2013 £m
Contributions due from employers	21	22
PPF levies	2	1
Administration expenses	(2)	(3)
Benefits payable	(6)	(4)
Taxation and social security	(6)	(7)
Assets payable to the PPF	(43)	(26)
	(34)	(17)

£43m of assets payable to the PPF shown in the table above relate to illiquid assets that remain invested in the pooled funds but whose ownership has transferred to the PPF. These assets relate to the Jarvis Facilities, Fastline and Relayfast Sections as well as the Catalis Ltd, Western Track Engineering Ltd, Bridgen Holdings Ltd and Vital Rail Limited employers within the Omnibus Section.

At the year-end, £150,000 of contributions on the schedules of contributions were not paid by their due date. Of this amount, £83,000 has since been paid and £67,000 remains outstanding.

8. Related party transactions

The Trustee and its subsidiaries, RPMI and Railpen Investments, provide services to the Scheme (explained on page 22). The charges payable, and those of external service providers, are detailed in note 5. At 31 December 2014, net current liabilities included a liability of £2.5m in respect of these charges (2013 – a liability of £2.7m).

At 31 December 2014, eight directors of the Trustee were members of the Scheme and two of these directors were also Non-Executive Directors of RPMI and/or Railpen Investments. All Executive Directors of RPMI and Railpen Investments are also members of the Scheme. All directors receive benefits on the same basis as other members of the Scheme. Certain directors of the Trustee Company and its subsidiaries receive remuneration, which is disclosed in the financial statements of those companies. The Scheme bears its share of this remuneration through recharges.

9. Employer-related investments

As at 31 December 2014, investments in employers amounted to no greater than 5% of the assets of the Scheme, and, for any single section, the investment in its sponsoring company was not greater than 5% of the assets of the section.

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

10. Net assets at the end of the year

The net assets of each section of the Scheme at 31 December 2014 are shown below.

Section	Employer	Total membership as 31.12.14	Net assets at 31.12.14 £m
*1994 Pensioners	The Secretary of State for Transport	118,940	3,589
Abellio	Abellio Transport Holdings Ltd	40	5
Alpha Trains	Alpha Trains (UK) Ltd	27	7
Alstom Railways	Alstom Transport UK Ltd	2,070	157
AMCO	Amalgamated Construction Ltd	17	1
Amey Rail	Amey Rail Ltd	2,485	178
Angel Trains	Angel Trains Ltd	236	48
Anglia Railways	Abellio Greater Anglia Ltd	921	85
Arriva Trains Wales	Arriva Trains Wales/Trenau Arriva Cymru Ltd	3,542	259
Atkins Ltd	Atkins Ltd	874	206
ATOC Ltd	ATOC Ltd	404	46
Atos	ATOS IT Services UK Ltd Atos UK International IT Services Limited	1,113	200
Babcock Rail Ltd	Babcock Rail Ltd First Engineering Holdings Ltd First Projects Ltd	2,388	231
Balfour Beatty	Balfour Beatty Group Employment Ltd	3,182	293
BAM Nuttall	BAM Nuttall Ltd	11	2
Bombardier Transportation (Signal) UK	Bombardier Transportation UK Ltd	371	41
Bombardier Transportation c2c	Bombardier Transportation UK Ltd	166	7
Bombardier Transportation UK	Bombardier Transportation UK Ltd Bombardier Transportation (Rolling Stock) UK Ltd	1,190	109

Section	Employer	Total membership as 31.12.14	Net assets at 31.12.14 £m
*BR	The Secretary of State for Transport BRB (Residuary) Ltd Channel Tunnel Rail Link Ltd London & Continental Railways Ltd London Underground Ltd Scottish Ministers	879	124
British Transport Police	British Transport Police Authority	3,613	101
BT	British Telecommunications plc	323	15
BUPA Occupational Health	Occupational Health Care Ltd	98	9
Carillion Rail (Centrac)	Carillion Construction Ltd	367	34
Carillion Rail (GTRM)	Carillion Construction Ltd	4,036	242
Carlisle Cleaning Services Ltd	Carlisle Cleaning Services Ltd	66	2
Chiltern Railway Co. Ltd (Maintenance)	The Chiltern Railway Company Ltd	252	17
Clientlogic	Clientlogic (UK) Ltd	63	3
Colas Rail	Colas Rail Ltd	2,231	159
COMATEC	*** COMATEC UK Ltd	30	2
CSC Computer Sciences	CSC Computer Sciences Ltd	10	1
DB Schenker Rail	DB Schenker Rail (UK) Ltd Axiom Rail (Cambridge) Ltd Engineering Support Group Ltd DB Schenker Rail (UK) Holdings Limited English, Welsh & Scottish Railway International Ltd	10,634	1,094
DeltaRail Group (Link)	DeltaRail Group Ltd	203	33
DeltaRail Group (Rail)	DeltaRail Group Ltd	273	70
DeltaRail Group (TCI)	DeltaRail Group Ltd	125	27
East Coast Main Line	East Coast Main Line Company Ltd	7,564	425

Section	Employer	Total membership as 31.12.14	Net assets at 31.12.14 £m
East Midlands	East Midlands Trains Ltd	4,178	286
Environmental Scientifics Group	Environmental Scientifics Group Ltd ESG Asbestos Ltd	296	26
Eurostar	Eurostar International Ltd	4,069	335
Eversholt Rail (UK) Ltd	Eversholt Rail (UK) Ltd	116	37
First Great Western	First Greater Western Ltd	11,872	691
First ScotRail	First ScotRail Ltd	8,161	564
Freightliner	Freightliner Ltd Freightliner Heavy Haul Ltd Freightliner Maintenance Ltd Management Consortium Bid Ltd	3,340	320
GB Railways	GB Railfreight Ltd	343	44
Global Crossing	Level 3 Communications UK Ltd	234	40
Govia Thameslink Railway	Govia Thameslink Railway Limited	5,534	321
Great Eastern Railway	Abellio Greater Anglia Ltd	2,343	197
Halcrow Rail	Halcrow Group Ltd	243	44
HS1	HS1 Ltd	35	7
Hull Trains	Hull Trains Company Ltd	85	7
Interfleet Technology	Interfleet Technology Ltd	338	50
Island Line	Stagecoach South Western Trains Ltd	89	6
ISS Transport Services	ISS Facility Services Ltd ISS Support Services Ltd ISS Transport Services Ltd	207	6
Lionverge	Lionverge Civils Ltd	109	5
London & South Eastern Railway Ltd	London & South Eastern Railway Ltd	9,119	589
London and North Western Railway	London and North Western Railway Company Ltd	67	8

Section	Employer	Total membership as 31.12.14	Net assets at 31.12.14 £m
London Eastern Railway (West Anglia)	Abellio Greater Anglia Ltd	1,196	101
London Midland	London & Birmingham Railway Ltd	5,657	372
London Overground	London Overground Rail Operations Ltd	1,430	90
London Underground	London Underground Ltd	42	1
Merseyrail	Merseyrail Electrics 2002 Ltd	2,337	151
MITIE Facilities Services	MITIE Facilities Services Ltd	44	1
Mouchel Parkman Rail Ltd	*** Mouchel Rail Ltd	5	1
National Express Services Ltd	***National Express Services Ltd	144	3
Network Rail	Network Rail Infrastructure Ltd	44,463	5,164
New Cross Country Trains	XC Trains Ltd	3,907	292
Northern (ex North East)	Northern Rail Ltd	5,217	315
Northern (ex North West)	Northern Rail Ltd	4,751	386
NXET Trains Limited	NXET Trains Limited	1,555	90
Omnibus	Aggregate Industries UK Ltd Belmond (UK) Limited Bombardier Transportation UK Ltd CapGemini UK plc Cats Solutions Ltd Colas Rail Ltd Crossrail Ltd CSC Computer Sciences Ltd DHL Services Ltd EB Central Services Ltd Forth and Oban Ltd Harsco Rail Ltd Interserve (Facilities Management) Ltd Keolis (UK) Ltd Lorne Stewart plc Manpower UK Ltd MITIE Technician Facilities Management Ltd	1,761	129

Section	Employer	Total membership as 31.12.14	Net assets at 31.12.14 £m
	NG Bailey Facilities Services Ltd North South Communications Limited O2 Unify Limited Phoenix IT Services Ltd Rail Management Services Ltd Railways Vehicle Engineering Ltd Signet Solutions Ltd Sodexo Ltd Stagecoach Supertram Maintenance Ltd Staveley Industries plc Telent Technology Services Ltd TeleTech UK Ltd Voestalpine VAE UK Ltd VolkerRail Specialist Businesses Limited Vossloh Cogifer UK Ltd Weedfree Ltd West Coast Railway Company Ltd Wetton Cleaning Services Ltd		
Owen Williams Railways	Amey OWR Ltd	331	57
Porterbrook	Porterbrook Leasing Company Ltd Porterbrook Maintenance Ltd	168	36
Qjump	Qjump Ltd	124	3
Rail Gourmet UK Ltd	Rail Gourmet UK Ltd Rail Gourmet Waterloo International Ltd	432	29
Railcare (2007)	**Railcare Ltd	339	42
RPMI	RPMI Ltd	679	63
RSSB	Rail Safety and Standards Board Ltd	461	74
Scott Wilson	URS Infrastructure and Environment UK Ltd	213	44
Serco	SERCO Limited	566	57
Serco (UK) Services Ltd	Serco (UK) Services Ltd	6	0.1
Siemens	Siemens plc	90	7
Signalling Solutions Ltd	Signalling Solutions Ltd	58	8

Section	Employer	Total membership as 31.12.14	Net assets at 31.12.14 £m
South West Trains	Stagecoach South Western Trains Ltd	11,191	669
Southern	Southern Railway Ltd	10,166	498
Specialist Computer Centres	Specialist Computer Centres plc	32	3
Swirl Service Group	ISS Facility Services Ltd ISS Support Services Ltd ISS Transport Services Ltd	9	0.1
Tata Steel UK Ltd	Tata Steel UK Ltd Tata Steel UK Rail Consultancy Ltd	552	41
Thales Information Systems	Thales UK Ltd	23	4
Thales Transport and Security	Thales Transport and Security Ltd Thales UK Ltd Thales Ground Transportation Systems UK Ltd	1,984	261
The Chiltern Railway Company	The Chiltern Railway Company Ltd	1,278	100
The QSS Group Ltd	The QSS Group Ltd RIQC Ltd	73	9
Torrent Trackside Ltd	Torrent Trackside Ltd	10	1
TransPennine Express (Former Arriva Trains Northern)	First/Keolis Transpennine Ltd	923	77
TransPennine Express (Former North Western Trains)	First/Keolis Transpennine Ltd	719	50
Unify Enterprise Communications Ltd	Unify Enterprise Communications Ltd	5	1
Unipart Rail - NRS	Unipart Rail Ltd	615	58
Unipart Rail - Railpart	Unipart Rail Ltd	356	47
Unisys	Unisys Ltd	30	3
UPS	UPS Ltd	351	38
Voith	Voith Industrial Services Ltd	21	1
Voyages-sncf UK Ltd	Voyages-sncf UK Ltd	40	9

Section	Employer	Total membership as 31.12.14	Net assets at 31.12.14 £m
Wabtec Rail Ltd	Wabtec Rail Ltd	10	1
West Coast Traincare	Alstom Transport UK Limited	1,042	108
West Coast Trains Ltd	West Coast Trains Ltd	7,388	498
Westinghouse Rail Systems	Siemens Rail Automation Holdings Ltd	910	158
Worldline UK Ltd	Worldline UK Ltd	166	47
Wrexham, Shropshire & Marylebone Railway Company	*** Wrexham, Shropshire & Marylebone Railway Company Ltd	29	1
		333,421	21,604

Section	Employer	Total membership as 31.12.14	Net assets at 31.12.14 £m
Defined contribution arrangement			
c2c Rail Ltd		18	0.02
Wales and West Passenger Trains Ltd		2	0.004
West Anglia Great Northern Railway		53	0.2

Section	Employer	Total membership as 31.12.14	Net assets at 31.12.14 £m
Industry-Wide Defined Contribution Section	Abellio Greater Anglia Ltd Babcock Rail Ltd East Coast Main Line Company Ltd East Midlands Trains Ltd Eversholt Rail (UK) Ltd First/Keolis Transpennine Ltd Freightliner Ltd GB Railfreight Ltd Hull Trains Company Ltd London Eastern Railway Ltd Northern Rail Ltd Porterbrook Leasing Company Ltd Qjump Ltd Rail Gourmet UK Ltd Rail Gourmet Waterloo International Ltd RPMI Ltd Southern Railway Ltd Swietelsky Construction Company Ltd Stagecoach South Western Trains Ltd Tata Steel UK Ltd The Chiltern Railway Company Ltd Unipart Rail Ltd VolkerRail Limited	3,554	48
		337,048	21,652

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

* Denotes sections with a Crown Guarantee

** Denotes sections/employers that were in a PPF assessment period at 31 December 2014

*** Denotes employers that were in administration or no longer trading at 31 December 2014

Independent

Auditor's report

Independent Auditor's report to the Trustee of the RPS

We have audited the financial statements of the RPS for the year ended 31 December 2014 set out on pages 10 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 19, the Trustee is responsible for the preparation of financial statements which give a true and fair view in accordance with UK Generally Accepted Accounting Practice.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2014, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.



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

responsibilities

...in respect of the contributions and summary of contributions payable in the year

Statement of Trustee's responsibilities in respect of contributions

The Trustee is responsible under pensions legislation for ensuring that there are prepared, maintained and from time to time revised schedules of contributions and payment schedules showing the rates of contributions payable towards the Scheme by or on behalf of the employers and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme has over 100 sections and 178 participating employers. The impracticality of agreeing one schedule means that the Trustee has decided to maintain schedules of contributions and payment schedules drawn up in accordance with the Pensions Acts 2004 and 1995 respectively, relevant to each of the sections of the Scheme.

The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedules of contributions, or where no schedule is in place, in accordance with the Scheme rules and recommendation of the Scheme Actuary. Where breaches of the schedules occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Trustee's summary of contributions payable under the schedules in respect of the Scheme year ended 31 December 2014

This summary of contributions has been prepared on behalf of, and is the responsibility of, the Trustee.

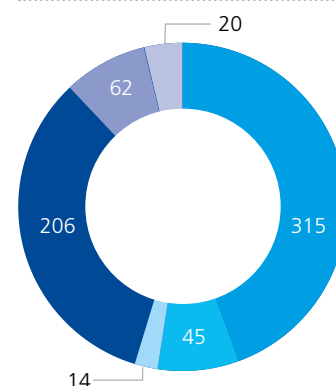
It sets out the employer and member contributions payable to the Scheme under the schedules of contributions certified by the Scheme Actuary and the payment schedules in respect of the Scheme year ended 31 December 2014. The Scheme Auditor reports on contributions payable under the schedules in the Auditors' Statement about Contributions.

Signed on behalf of the Trustee on 7 May 2015.



John Chilman
Chairman, Trustee Board

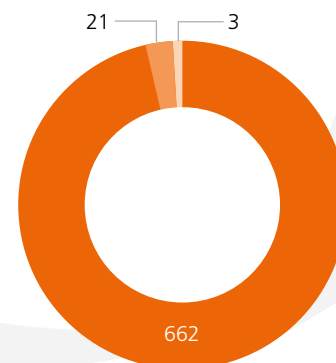
Contributions payable under the schedules in respect of the Scheme year



	£m
Employer:	
Normal contributions	315
Deficit contributions	45
BRASS matching contributions	14
Member:	
Normal contributions	206
Additional voluntary contributions	62
Deficit contributions	20
Contributions payable under the schedules	662

Reconciliation of contributions

Reconciliation of contributions payable under the schedules to contributions reported in the financial statements in respect of the Scheme year:



	£m
Contributions payable under the schedules (as above)	662
Contributions payable under the section rules and recommendations of the Scheme Actuary:	
Government support	21
Augmentation	3
Total contributions reported in the financial statements	686

Independent

Auditor's Statement

...about contributions to the Trustee of the RPS

We have examined the summary of contributions to the RPS in respect of the Scheme year ended 31 December 2014 which is set out in the Trustee's report pages 22-34.

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

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities, the Trustee is responsible for ensuring that there are prepared, maintained, and, from time to time, revised schedules of contributions and payment schedules showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employers and the active members of the Scheme. In view of the complexity of the arrangements and the number of employers participating in the Scheme, the Trustee has decided to maintain schedules of contributions and payment schedules relevant to each of the participating employers and sections of the Scheme. The Trustee has a general responsibility for procuring that contributions are made to the Scheme in accordance with those

schedules of contributions and payment schedules as if the Pensions Acts 1995 and 2004 applied to those individual sections and employers, or, where there is no applicable schedule, in accordance with the Scheme rules and the recommendations of the Actuary.

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

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions and payment schedules. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions and payment schedules.

Statement about contributions payable under the schedules

In our opinion contributions for the Scheme year ended 31 December 2014 as reported in the summary of contributions and payable under the schedules have in all material respects been paid at least in accordance with the schedules of contributions certified by the Actuary, the payment schedules or the Scheme rules and the recommendations of the Actuary.



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

Statement of Trustee

Company responsibilities

...in relation to audited financial statements



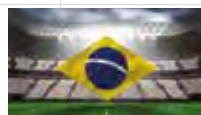
Nelson Mandela was elected president of post-apartheid era.



The Channel Tunnel opened on 6 May 1994.



Brazil won the FIFA World Cup, held in the USA, beating Italy 3-2 in the final.



Sony launched its first ever PlayStation console in Japan.



New Sunday trading laws.



John Major was Prime Minister of the UK and Bill Clinton was President of the USA.



A First Class stamp cost 25p.

1994

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

- show a true and fair view in accordance with UK GAAP of the financial transactions of the Scheme during the Scheme year, and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The Trustee is also responsible for making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is consistent with the financial statements it accompanies.

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

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

Approval of the accounts

The financial statements have been prepared and audited in accordance with regulations made under sections 41 (1) and (6) of the Pensions Act 1995. The directors of the Trustee approved this report on 7 May 2015.

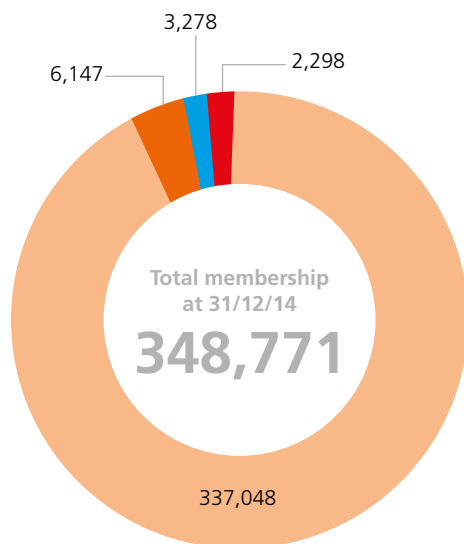
The Trustee Company

Annual Report

Railways Pension Trustee Company Limited

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

Trust law, the Pensions Acts and the Companies Acts govern the activities of the Trustee Company as a corporate trustee. The Trustee Company has overall fiduciary responsibility for the effective operation of the schemes, including administration of benefits, collection of contributions, payment of pensions and the investment and safe custody of assets. It must act fairly in the interests of active members, deferred pensioners, pensioners and employers.



Railtrust Holdings Limited

The Trustee Company is owned by Railtrust Holdings Limited ('RHL'), a company limited by guarantee. Designated employers of sections in the RPS, Omnibus employers in the RPS, Industry-Wide DC employers in the RPS and the principal employers of the other schemes of which the Trustee Company is a trustee are all encouraged to become a member of RHL. The company is owned equally by its guarantor members, irrespective of size. Each member of RHL is committed to contribute a maximum of £1 to its liabilities if it is wound up.

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

Total membership at 31.12.14

Railways Pension Scheme	337,048
British Transport Police Force Superannuation Fund	6,147
British Railways Superannuation Fund	3,278
BR (1974) Fund	2,298

Total 348,771

There are 16 directors in total, eight elected by the members of RHL ('employer directors') and eight on behalf of the members of the railways pension schemes ('employee directors'). Six of the employee directors are nominated on behalf of the employee members and two on behalf of the pensioner members (including deferred pensioners). Roughly a third of the directors retire by rotation every two years. The term of office is six years.

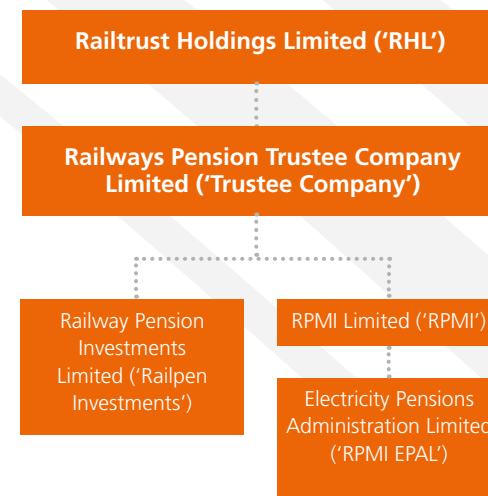
Trustee directors are non-executive and are entitled to emoluments which are disclosed in the financial statements of RHL.

The operating subsidiaries

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

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

The structure of the Trustee group as at 31 December 2014











Employer director appointment procedure

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

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

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

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

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








Employee director appointment procedure

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

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

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

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

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

Governance

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

The experience and skills of Trustee Directors are the cornerstones of the Board's effective ways of working. Directors attended between six and 20 Board and Committee meetings in 2014. Attendance is reported to the Board and published in this Report and Accounts.

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

Exposure of investments

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

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

Pension Protection Fund ('PPF')

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

Insolvent employers

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

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

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

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

In addition to the above companies, there are some other participating employers within the RPS that are no longer trading or who are in administration. Further details are given in Note 10 of the Audited Financial Statements.

The Trustee Directors as at 31 December 2014

1. John Chilman (Chairman of the Trustee)

John is Director of Reward & Pensions at FirstGroup plc. John became Chairman of the Trustee in 2014. A Chartered Accountant by qualification, he has worked for a number of large companies, including PricewaterhouseCoopers, South Western Electricity, Shell and HBOS in pensions, financial and commercial roles. John has pensions experience dating back 20 years and is a trustee of FirstGroup pension arrangements in the USA and Canada. John was appointed as a director of the Trustee Company in 2007.

2. Mick Cash (Chairman of the Executive Committee)

Mick Cash is the General Secretary of the RMT. He joined British Rail in October 1978 and left railway employment to become a full time Union official in April 2002. Mick sits on the Network Rail Pensions Committee and was

previously a member of the Carillion GTRM Pensions Committee. He is also a Trustee of the Network Rail Defined Contribution and CARE Schemes. Mick was appointed as a Trustee Company director in 2004.

3. Tony Cotgreave

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

4. Richard Goldson OBE

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

5. Dave Gott

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

6. John Hamilton

John is a Chartered Accountant and is the Group Taxation Director and the Director of Pensions and Employee Benefits at Stagecoach Group plc, where he is also an experienced trustee of the group's pension scheme. John was initially appointed a director of the Trustee Company in 2008.

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

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

8. Charles Harding

Charles joined British Rail at Crewe ETD as an Engineer in 1989 and currently works for a major rail freight operator. Charles has been a Senior CSEU Representative since 1998 and is a Lead Railway Organiser for Unite the Union.

Charles was appointed as a director of the Trustee Company in 2007.

9. John Mayfield (Chairman of the Audit Committee)

John worked as the British Railways Board's Chief Internal Auditor and then as Finance Director at the British Rail Property Board until he retired in 1993. He is a past president of the Retired Railway Officers' Society. He was a member of the 1994 Pensioners Section Pensions Committee from 1994 to 1996 and was appointed as a director of the Trustee Company in 1996.

10. Russell Mears

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

11. Stephen Richards (Chairman of the Case Committee)

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

12. Derek Scott

Derek is a Scottish Chartered Accountant specialising in professional trusteeships who has also held a number of non-executive directorships. His other industry-wide, multi-employer scheme experience includes chairing the Stagecoach Group Pension Scheme since

1987, and as a former Government-appointed trustee of the Mineworkers' Pension Scheme between 2004 and 2008. Derek was a member of the NAPF investment council from 1998 to 2006 and Vice Chairman for 2005 and 2006. He was first elected as a Trustee Company director in 1997 and chaired the Trustee Company board between 2007 and 2014.

13. Gary Towse

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

14. Dave Tyson

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

15. Ian Wilson

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

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

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

The Trustee Company's Directors



6
7

John Chilman

Chairman of the Trustee

Appointed by:
Passenger Train
Operating Companies

Term of office ending:
2018



7
16

Mick Cash

Chairman of the Executive Committee

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

Term of office ending:
2016



16
19

Tony Cotgreave

Nominated by:
British Transport
Pensioners'
Federation

Term of office ending:
2020



6
6

Richard Goldson OBE

Appointed by:
Passenger Train
Operating Companies

Term of office ending:
2016



11
14

Dave Gott

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

Term of office ending:
2018



14
18

John Hamilton

Appointed by:
Passenger Train
Operating Companies

Term of office ending:
2020



17
18

Chris Hannon

Chairman of the Integrated Funding Committee

Appointed by:
Network Rail

Term of office ending:
2018



10
12

Charles Harding

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

Term of office ending:
2020

**John Mayfield**

Chairman of the Audit Committee

Nominated by:
Retired Railway Officers' Society

Term of office ending:
2020

Russell Mears

Nominated by:
Freight Train Operating Companies & Support Services

Term of office ending:
2016

Stephen Richards

Chairman of the Case Committee

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

Term of office ending:
2018

Derek Scott

Appointed by:
All employers

Term of office ending:
2016

Gary Towse

Nominated by:
British Railways Superannuation Fund Management Committee

Term of office ending:
2016

Dave Tyson

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

Term of office ending:
2016

Ian Wilson

Appointed by:
Network Rail

Term of office ending:
2020

John Wilson

Chairman of the Defined Contribution Committee

Appointed by:
Freight Train Operating Companies & Support Services

Term of office ending:
2020

Trustee board and committee meetings attended:



Number of meetings attended



Number of meetings eligible to attend

Membership and activities of board and principal committees as at 31 December 2014

















There were some significant changes in governance arrangements during 2014 as part of the ongoing Investment Transformation Programme (ITP). Specifically, in relation to the governance framework, the Trustee believes that creating the right structures for decision-making will help ensure coherent and effective implementation of the Trustee's core investment beliefs.

The Trustee accordingly decided to change the Committee structure to facilitate a more integrated approach to strategic investment decisions. Following a period of transition, a new Trustee Integrated Funding Committee ('IFC') was created in March 2014 combining both Funding and Investment and replacing the separate Investment Committee and Benefits and Funding Committee.

Alongside this change, oversight of investment implementation was placed in the hands of a new Railpen Investments Board ('RIB').

The Trustee Board maintains oversight of the RPS and has delegated certain functions to five principal committees.

Attendance at the Trustee Board is shown in the table to the right.

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






¹Ian Wilson was appointed as a Trustee Director on 3 April 2014. He replaced David Simpson who resigned in January 2014.

A short report has been prepared on each of the Trustee Board's principal committees which provide an overview of the main activities of each committee during the year. The reports also list all meetings which Committee and Board members were eligible to attend. Total attendance figures are greater than the sum of Board and Committee attendances disclosed in the following pages for some Trustee Directors, as the totals include attendance statistics for one Investment Committee and three Benefits and Funding Committee meetings prior to those Committees being wound up. All Trustee Directors may, and some often do, attend meetings of the Trustee Board's Committees in addition to those of which they are formally members. In addition to formal meetings, Trustee Directors also attended several workshops, training events, and investment review meetings throughout the year.

Audit Committee

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

The Audit Committee comprises six directors of the Trustee Board, and includes members with appropriate accounting qualifications and experience. External auditors and the Business Assurance team attend meetings at the invitation of the Committee, and relevant directors and officers of RPMI and Railpen Investments also attend as appropriate. Membership and attendance during 2014 are shown in the following table:

Member	Number of meetings attended	Number of meetings eligible to attend
 John Mayfield (Chairman)	2	2
 Tony Cotgreave	2	2
 John Hamilton	1	2
 Russell Mears	1	2
 Gary Towse	2	2

There was a vacancy on the Committee during 2014 following David Simpson's resignation from the Trustee Board.

Ian Wilson was appointed to the Committee on 1 January 2015.

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

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

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

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

During 2014, the Committee met on two occasions. It considered the Annual Report of Business Assurance covering its internal audit and assurance activities during 2013, received reports on the progress of the 2014 internal audit plans, and considered and approved the internal audit plan for 2015.

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

The Audit Committee co-ordinates and monitors the risk management process, ensuring that it is effective in identifying, evaluating and managing the key risks faced by the Trustee. On a day-to-day basis, this is delegated to members of the RMC, which met four times during 2014 and is attended by representatives of the Audit Committee.

Financial reporting matters considered by the Committee in 2014 included the Annual Report and Financial Statements of Railtrust Holdings and the Trustee Company, the operating companies (RPMI and Railpen Investments), railways pension schemes and pooled funds. The Committee also received and considered the Report by the External Auditor on the 2013 Report and Financial Statements and the External Audit Strategy for 2014. In addition, the Committee received and considered update reports on the Statement of Recommended Practice (SORP) Financial Reports of Pension Schemes, which was revised during 2014.

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









More detail on the specific valuation principles adopted for each category of investments can be found in the accounting policies set out on page 11.

Other matters considered by the Committee were the Internal Control Assurance Report (ISAE 3402 and AAF 01/06) prepared for the pensions administration business of RPMI for the period from 1 January 2013 to 31 December 2013, Trustee expenses, authorised signatories, an analysis of pooled fund costs, VAT and pension schemes, the provision of legal and actuarial services, and the EU Statutory Audit Directive. The Committee also receives reports of any significant security incidents or frauds and will consider any governance issues arising from external or internal reports via the Policy for Confidential Reporting of Concerns. There were no reports received under the Confidential Reporting of Concerns Policy. At each meeting of the Committee, private discussions are held in a closed session with the external auditors and the Business Assurance manager.

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

Integrated Funding Committee

The Committee was established on 26 March 2014 to manage and agree integrated funding plans for the railways pension schemes and their sections, incorporating consideration of employer covenant, investment strategy and funding issues. It determines the allocation of individual schemes' and sections' assets to the Trustee's pooled funds and decides on changes to schemes' and sections' benefit structures. The membership and attendance of the Committee during the year is shown in the following table:

Member	Number of meetings attended	Number of meetings eligible to attend
 Chris Hannon (Chairman)	5	5
 Mick Cash	1	5
 Tony Cotgreave	5	5
 John Hamilton	4	5
 Russell Mears	4	5
 Stephen Richards	3	5
 David Tyson	5	5
 John Wilson	2	5

Valuation

The actuarial valuation of the Railways Pension Scheme as at 31 December 2013 is well underway. Following the consultation exercise started towards the end of 2013, the assumptions were settled and used to produce indicative draft results by the end of February 2014 and full draft results by the end of May 2014.

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

The Committee has developed an integrated approach which addresses funding, investment and employer covenant matters. In the second half of the year, the Committee agreed integrated funding proposals with many employers.

A report from the Scheme Actuary is included on page 38 which refers to the requirement to produce individual Statements of Funding Principles and Schedules of Contributions for each section as at 31 December 2010. The individual actuarial certificates of the latest completed valuation for each section have not been included in the annual report but are available on request from RPMI.

Employer covenant

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

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

As well as assessing employer strength for valuation purposes, the Committee also considered the impact of various corporate transactions. In many cases, the Committee pursued and agreed mitigation arrangements with the employers which resulted in additional covenant enhancements for specific sections of the Scheme including guarantees and similar arrangements.

Rule changes

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

The Omnibus Section is a section for non-associated employers where the assets and liabilities are pooled for investment and funding purposes. The Committee has considered the debts arising when Omnibus employers no longer have active members in the Section. This has resulted in payments being made into the Section.







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

Investments

The Committee reviews section-specific investment strategy and allocation to Pooled Funds. As part of the integrated funding approach, the Committee considers strategy within a Return/Risk/Liquidity framework. This allows for individual section characteristics, such as maturity, strength of employer covenant and tolerance for illiquidity. Investment strategies are considered as part of valuation proposals.

Case Committee

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

Member	Number of meetings attended	Number of meetings eligible to attend
 Stephen Richards (Chairman)	6	6
 Tony Cotgreave	5	6
 Dave Gott	3	6
 Derek Scott	6	6
 Ian Wilson ¹	3	4
 John Wilson	6	6

¹Ian Wilson was appointed to the Committee on 3 April 2014.

In 2014, the Case Committee held six scheduled meetings and one special meeting.

As at 31 December 2014, the Case Committee had responsibility for 83 sections of the Railways Pension Scheme.






During 2014, the Case Committee considered and made decisions on 154 cases which can be categorised as follows:

- 58 applications and reviews of incapacity benefits
- 57 applications for payment of lump sum death benefit
- 12 applications for spouse's, children's and dependant's pensions
- 9 appeals under stage 2 of the internal disputes resolution procedure
- 1 application to re-join the Railways Pension Scheme
- 4 applications for early payment of preserved benefits

- 7 reviews of eligible dependant's pension after being in payment ten years
- 5 Clause 7E - forfeiture of benefits cases
- 1 request to unwind the transfer of benefits

Defined Contribution Committee

The purpose of the Defined Contribution Committee ('DCC') is to ensure appropriate management and governance of the additional voluntary contribution ('AVC') and defined contribution ('DC') arrangements of the railways pension schemes. These include BRASS, AVC Extra, the RPS Industry-Wide Defined Contribution ('IWDC') Section and the RPS Defined Contribution Arrangement (collectively the 'DC arrangements'), all of which are overseen by the DCC and now offer the same suite of investment funds to members. The membership and attendance of the Committee during 2014 is shown in the following table:

Member	Number of meetings attended	Number of meetings eligible to attend
 John Wilson (Chairman)	4	4
 Chris Hannon	4	4
 Charles Harding	3	4
 Russell Mears	2	4
 Gary Towse	4	4

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

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

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

Having taken professional advice, the DCC oversaw the transfer of more than £495m and over 31,000 members out of the historic BRASS Pension Assured Fund ('PAF') in March 2014. Most members below age 50 transferred to the default Long-Term Growth Lifestyle Strategy and those over age 54 transferred to the Deposit Fund. The DCC decided that these funds were likely to be more appropriate for members because they would provide better opportunities for investment returns for younger members and better value for money for those closer to retirement. Members between ages 50 and 54 were given the option to opt-in to the transfer exercise. The DCC has also implemented a rolling process of transfers for members out of the PAF and into the Deposit Fund after they have passed their 54th birthday. The DCC has been pleased by the low number of members who chose to opt out of these bulk transfer exercises and the number of members not included automatically who chose to opt in.

In 2014, the DCC also began a strategic review of the Trustee's DC investments and this will continue into 2015 to ensure that the options available, including default options, remain appropriate for members' needs. Incorporated in this review will be the objectives, risks and expected returns of the arrangements and the efficiency of the implementation of the investment strategies.

During the year, the DCC has carried out a full review of the Trustee's DC arrangements against the Pensions Regulator's Code of Practice 13 on the governance and administration of occupational defined contribution trust-based schemes, which came into force in November 2013. The DCC seeks to deliver good outcomes for its members and believes that its commitment to maintaining compliance with the Regulator's Code of Practice will assist in this objective. The Trustee's first annual governance statement is included at Appendix H.

The DCC has been closely monitoring developments in legislation, government policy and industry best practice in relation to the government's 'freedom and choice in pensions' and 'better workplace pensions' initiatives, and the announcements made by the Chancellor in his Budget 2014 speech. Further developments and legislation are expected in 2015 and the DCC will continue to engage with policymakers via consultation responses, and review as appropriate the operation of the railways pension schemes to ensure that they remain both compliant and attractive to employers and members.

The RPS IWDC Section retained its Pension Quality Mark (PQM) READY status following a reassessment in September 2014. As a PQM READY scheme, the Trustee and RPMI have demonstrated excellence in the IWDC Section's governance standards (including trustee training), the range of investment options and its charges. The Section has also been recognised for its clear and comprehensive suite of member communications in both print and digital media. This means that any employer that wishes to obtain the PQM or PQM PLUS standard in respect of its own participation in the Section only has to meet the minimum contribution standards.








Executive Committee

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

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

Transparency and accountability between RPMI and the Trustee is ensured through a governance structure that involves four Trustee Directors as Non-Executive Directors of RPMI. The terms of reference of the Executive Committee ensure that no more than two members of the Executive Committee are also Non-Executive Directors of RPMI. In addition, the Chairman of the Executive Committee cannot be a Non-Executive Director of RPMI.

Trustee Directors who were Non-Executive Directors of RPMI during 2014 are Richard Goldson (Non-Executive Chairman of the Board of RPMI), John Chilman, John Hamilton, Gary Towse and David Tyson. John Hamilton replaced John Chilman during the year. Attendance during 2014 is shown in the table below:

Member	Number of meetings attended	Number of meetings eligible to attend
 Mick Cash (Chairman)	3	3
 John Chilman ¹	1	1
 Dave Gott	3	3
 John Hamilton	2	3
 Rob Holden ^{*2}	0	1
 Chris Tingle *	3	3
 Gary Towse	2	2

*External nomination

¹John Chilman resigned from the Committee on 1 June 2014.

²Rob Holden resigned from the Committee on 7 March 2014.

Richard Goldson, as Chairman of the RPMI Board, is invited to attend meetings of the Executive Committee. He attended all three meetings held in 2014.

The main task for the Committee in 2014 was reviewing the work of the ongoing Chrysalis programme at RPMI, to update the range of services offered and increase the level of choice for employers. The project is also aimed at improving the operational effectiveness of RPMI to improve member experience.

Railpen Investments Board ('RIB')

There were some significant changes in governance arrangements during 2014 as part of the ongoing Investment Transformation Programme (ITP). Specifically, in relation to the governance framework, the Trustee believes that creating the right structures for decision-making will help ensure coherent and effective implementation of the Trustee's core investment beliefs.

The Trustee accordingly decided to change the Committee structure to facilitate a more integrated approach to strategic investment decisions. Following a period of transition, a new Trustee Integrated Funding Committee ('IFC') was created part-way through 2014 combining both Funding and Investment and replacing the separate Investment Committee and Benefits and Funding Committee. This is commented on separately in the IFC section of this Report and Accounts.

Alongside the above change, oversight of investment implementation was placed in the hands of a new Railpen Investments Board ('RIB'). Membership of RIB comprises three independent directors, two Trustee directors, who were previously members of the Investment Committee, and the Chief Executive.

As a result of the IFC and RIB developments outlined above, the Investment Committee only met once in 2014. To ensure a smooth transition, however, RIB met on 11 occasions in 2014, comprising formal meetings and workshops/strategy sessions. The number of meetings is expected to reduce in 2015.

The more significant matters that RIB considered in 2014 are summarised below.

ITP

RIB oversees the work of ITP, receiving monthly progress reports, to ensure implementation of this important change programme remains on track and delivers the expected benefits. To assist the Board in this activity, an independent 'healthcheck' was carried out and reported back to RIB in the third quarter of 2014. This confirmed that good progress has been made to date across many fronts, and provides a solid foundation to continue the work of the ITP into 2015. This oversight extends to review of the transition to a new pooled fund range that commenced in the second half of the year following completion of a consultation exercise with Pensions Committees in the summer of 2014. These are commented on further below.

Strategic investment plans

In the early part of 2014, RIB devoted much time to the development of a strategic plan for the Growth Pooled Fund, given its significance to Trustee asset allocation. As at 31 December 2014 the Growth Fund was £13.5 billion and represented two thirds of total assets. It was acknowledged at that time that this would be a transitional strategic plan which would develop over the course of the year and further changes were made in the fourth quarter when considering and approving the strategic plan for 2015. Towards the end of the year, a strategic plan for 2015 was also reviewed and approved by RIB in relation to the new Illiquid Growth Pooled Fund ahead of the launch of this new fund in 2015. At its first meeting in 2015, RIB will be considering a plan for the Long Term Income Pooled Fund that will also be launched.

Pooled Fund transitions

As outlined above, the ITP has resulted in a significant amount of transition in the second half of 2014, both within the Growth Pool and across the broader Pooled Fund range. In addition to the closing of funds no longer offered as part of the Pooled Fund range, the existing single-asset bond funds (Government Bonds, Non-Government Bonds and Index-linked Bonds) are being moved over to the De-Risking Platform as sub-funds. When managing the transition, the investment has taken into account the fact that section strategies are being revised as a result of the 2013 valuation. The transition was also managed so as to control costs, while maintaining investment exposure of the pooled funds that were being wound up. At times, for example with the closure of the Global Equity Pooled Fund ('EQPF'), this has involved a phased approach which takes into account the Growth Pooled Fund's cross-holdings in other Trustee pooled funds. This has resulted in significantly lower transition costs than had the EQPF simply been liquidated.

Value chain

A major area for discussion by the Board has been activity relating to the value chain, namely the responsibilities and mandates, including fee structures exercised by all those in the investment process, to ensure value for money. In view of the significance of this item to the success of ITP, RIB received updates on progress at each meeting. The main initiatives to date have focused on:

- cost awareness – developing better cost transparency, reporting and understanding. As part of this, RIB reviewed the detailed work undertaken by the Executive to identify 'baseline' costs, including costs related to segregated accounts, RPM related fees and pooled vehicles' direct and indirect fees including Private Equity, Infrastructure, Hedge Funds, etc.;
- value-add model – implementing and refining the model across all prospective and incumbent mandates. Initiatives in this area have included increased use of so-called 'smart beta' strategies which are rules-based investment strategies that explain a significant proportion of traditional active management added value but at lower cost levels. In addition, the restructuring of the Hedge Fund Pooled Fund has significantly reduced fees from external fund-of-fund managers; and
- Railpen brand – how Railpen perceives itself and how it would like to be perceived by the marketplace.

Investment risk

RIB has been actively considering investment risk and has endorsed the executive's ambition that, in time, risk will become a fully integrated, management, front office activity whilst ensuring that an appropriate degree of independence is retained. Key to the successful development of this activity is the implementation of enhanced systems capability. This is a major area of ITP focus in 2015. Other aspects of the ITP work continuing into 2015 include consideration of managing more activity directly rather than through external agents, which is another example of our value chain initiatives.



1994

7 sections

Four arrangements (1994 Pensioners, Shared Cost Arrangement, Defined Benefit and Defined Contribution)



RAILTRACK



CAMAS



eps

formerly TransMark

Pensions Management



1996

65 sections



System changes implemented to cater for the 'Millennium time bomb'

1999

106 sections



Omnibus section introduced (for smaller employees)



2001

Industry-Wide Defined Contribution (IWDC) arrangement introduced.

2002/3

Recognised by Professional Pensions magazine as Industry-Wide Scheme of the Year



2004

RPS hits highest number of participating employers at 232



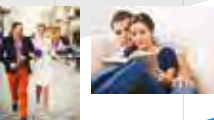
2006

Significant pension reforms with HMRC's limits replaced by Lifetime and Annual Allowances



2007

Introduction of civil partnership provisions



2008

Transfer of minor funds into the 1994 Pensioners Section



2011

Awarded 'Best Trustee Training Plan - RPS' at the Engaged Investor Trustee Awards



2012

Largest number of sections at 112



2014

Implementation of same-sex marriage provisions



110 sections

Five arrangements (1994 Pensioners, Shared Cost Arrangement, Defined Benefit, Defined Contribution and IWDC)

20 years of the RPS

Investment Report

Introduction

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

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

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

The Railpen Investments Board also has delegated authority for most of the Trustee's investment responsibilities; it decides on appropriate investment policies and management arrangements. It has appointed Railpen Investments as its provider of investment management services. In this capacity, Railpen is regulated by the Financial

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

Investment management arrangements

The assets of the Scheme are invested through a number of pooled investment funds, each with a different risk and return profile. These funds are managed as if they are internal unit trusts and each pooled fund is approved by HM Revenue and Customs. Only railways pension schemes may invest in these pooled funds. Each section holds units in some or all of the pooled funds. The use of these pools enables sections to hold a broader range of investments more efficiently than may have been possible through direct ownership.

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

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

Each pooled fund has a performance benchmark and risk parameters within which additional returns may be targeted. Within the pooled funds, Railpen Investments makes use of internal and external

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

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

- agreeing the new pooled fund range consisting of the Growth Pool, the Illiquid Growth Pool, the Long Term Income Pool, the De-risking Platform (including bond funds) and the Passive Equity Pool;
- managing the transition, including the closure, of the Commodities Pool and the planned closure of the Hedge Fund Pool, Defensive Pool and Property Pool to sections, with the Private Equity and Infrastructure Pools continuing to be managed in run-off;

- transitioning the Global Equity Pool to a passively managed basis and removing the Growth Pool's large cross-holding. This involved terminating a number of active equity managers, along with the remaining fund of hedge funds relationship; and
- agreeing the strategic portfolios for the Growth Pool and the Illiquid Growth Pool with the Railpen Investments Board.

Exposure to overseas currency risk is controlled by the use of currency hedging. This process removes some of the volatility of sterling returns inherent in investing in overseas markets. There is full hedging of foreign exchange exposure in government bonds and non-government bonds on the De-risking Platform and a 50% hedge of the overseas currency exposure of the Global Equity Pooled Fund, excluding emerging markets. The Growth Pool may actively vary the extent of its currency hedging over time. All other pooled funds are unhedged.

Investment strategy

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

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

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

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

Liquidity of investments

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

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

Economic commentary provided by RPMI

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

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

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

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

Investment performance

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

The largest portfolio allocation in the Growth Pooled Fund is to global equities and over the year the allocation increased from 43% to around 56%. Other asset segments in the Fund include property, emerging market bonds and hedge funds.

The Fund also has a leveraged allocation to US Treasury futures contracts which potentially provide some protection in the event of an equity market downturn. The Fund return in 2014 of 9.8% was ahead of its target return.

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

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

The Global Equity Pooled Fund had a return for the year of 6.9%, slightly ahead of its benchmark which is based on fixed weights in major geographic regions. The Passive Equity Pooled Fund is invested in line with a global index weighted by market capitalisation and produced a return of 9.4% in 2014.

The Property Pooled Fund also achieved a positive result in absolute terms, with an overall return of 16.7%, although this was lower than the IPD universe benchmark.

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

The Defensive Pooled Fund was set up as a transitional vehicle to facilitate risk reduction for sections. The Fund has flexible allocations based on a risk budget range and a target level of longer-term return. It invests in assets which are defensive in nature and as at the end of 2014 there were allocations to the Non-Government Bond Pooled Fund, Government Bond Pooled Fund and cash. The Fund's 12-month return of 5.6% was ahead of the long-term target and benchmark.

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

Section returns

There is a range of different investment strategies amongst RPS sections, reflecting the diversity in terms of liability profiles and employer covenants. In 2014, the investment return produced by section assets ranged between 8% and 27%, net of fees and costs. This reflected the diversity of returns seen in the major asset classes over the year with the high outlying returns produced by a few sections that only invest in the Index Linked Gilt Pooled Fund. However, most section returns were in a narrower range of 10% to 12%.

Over a three-year period, the investment returns of RPS sections ranged from 7% to 12% per annum, while over a five-year time horizon, the range of returns was 6% to 11% per annum. Over a ten-year time horizon, the range of returns was 5% to 10% per annum.

Securities lending

Securities lending forms part of the arrangements sanctioned by the regulatory authorities to maintain an orderly and more liquid securities market. Subject to the agreements in place and the constraints on certain portfolios, custodians are able to make a proportion of securities they hold available for lending to securities houses with short-term requirements. The lending does not impact on the fund managers' investment activities. In place of the lent securities, the Scheme receives collateral in the form of cash or other securities that meet standards set on behalf of the Trustee. As a result of operating these securities lending arrangements, the Scheme receives revenues. The custodians also operate indemnification programmes which protect the Scheme against defaulting borrowers. The Scheme retains economic exposure to the lent securities, for example by receiving dividends, but loses voting rights temporarily. The Trustee retains the right, however, to recall securities if an important vote is scheduled.

Government support

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

Self-investment

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

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

Investment decisions on the purchase and sale of employer-related investments are taken by external investment managers acting within discretions given to them by the Trustee.

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

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

Railways Pension Scheme holding at 31.12.14 = £1,374m
Total value of fund at 31.12.14 = £1,380m

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

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

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

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

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

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

Actuary's Report

The 31 December 2013 valuation

An actuarial valuation of the Railways Pension Scheme as at 31 December 2013 is currently in progress. This is the seventh valuation of the Scheme, the previous valuation having been carried out as at 31 December 2010. As for the 2010 valuation, the current valuation is being carried out to satisfy the scheme funding regulations in addition to the requirements of the Scheme's Trust Deed and Rules.

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

Defined Benefit arrangements

Separate valuations are required for each section of the Shared Cost Arrangement and for the 1994 Pensioners Section (which sits outside the Shared Cost Arrangement of the Scheme). During 2014, detailed reports were issued showing the draft valuation results and other relevant information for all the relevant sections. These reports were issued in May 2014 to give as much time as possible to finalise the valuation by the statutory deadline of 31 March 2015.

These draft results showed that around a quarter of the Shared Cost sections are expected to have more assets than funding liabilities (that is, a funding level of at least 100%) at the valuation date. For the remaining sections a plan to remove the shortfall (that is, the gap between the assets and the liabilities) will need to be agreed between the Trustee and the Designated Employer.

The formal documentation required to complete the valuation for each section includes a Statement of Funding Principles (which sets out the Statutory Funding Objective for the section), a valuation report, a Recovery Plan (for those sections with an overall valuation shortfall) and a Schedule of Contributions. Of those 72 sections (including the Omnibus Section) that have now finalised their valuations, 48 had assets that were lower than their funding liabilities and so a Recovery Plan was agreed as part of the valuation process. For those sections yet to complete the valuation process, discussions are under way with relevant parties to finalise the valuation, the contributions and the necessary formal documentation for all Shared Cost sections.

The draft results of the 1994 Pensioners Section disclosed a shortfall. The valuation of this Section is exempt from the requirements of the scheme funding regulations as it benefits from a Government guarantee. However, in accordance with the Rules, the Trustee and the Secretary of State will need to agree how the shortfall will be met. I shall act jointly with the Government Actuary to finalise the valuation and the necessary formal documentation.

Defined Contribution arrangements

The RPS encompasses the Defined Contribution Arrangement and the IWDC Section. These arrangements are excluded from the valuation and annual updates.

The 31 December 2014 annual update

An interim funding update as at 31 December 2014 is in its early stages. This will provide an approximate indication of the likely movement of each section's funding position over the year. The results of this exercise will be reported to the Trustee and employers during 2015.

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

17 April 2015

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Appendix A:

Principal advisers to the Trustee Company

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



Payment of contributions

Participating employers

The Trustee collects contributions from most employers participating in the Scheme. As at the year-end, there were 152 participating employers. Each one may operate from several distinct locations, each with its own payroll department and combination of weekly, fortnightly, four-weekly and calendar-monthly paid employees. As a result, the Trustee deals with employers based at approximately 170 different addresses and 200 distinct payroll combinations.

Due dates for payment of contributions

Under the provisions of the Pensions Act 1995, it is the responsibility of each employer to pay contributions on time. The Trustee is required to prepare, maintain and monitor schedules setting out the dates by which contributions should be received. These dates then become the legal due dates for application of the Pensions Act 1995.

Sections in the Shared Cost Arrangement

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

The schedules of contributions that the Trustee has prepared for the Scheme require payment to be made by the due date set out in the Rules, which is seven working days after the relevant members are paid (compared to the 19th day of the following month under legislation). The Scheme Actuary revalues the Scheme every three years. The valuation and schedules of contributions must be signed off within 15 months of the valuation date. The schedules of contributions must be signed by both the Designated Employer and the Trustee.

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

As at 31 December 2014, there were 25 employers actively contributing to the Defined Contribution Arrangement and the IWDC Section. Collection of contributions from these employers is governed by a payment schedule. This is similar to a schedule of contributions, and again sets out as a percentage of pay, the rate of contributions payable to the Scheme by the employers and members, and the dates on which the contributions are due. Payment schedules do not have to be certified by the Scheme Actuary, but must be prepared by the Trustee and revised from time to time as circumstances require. Once put in place, the employer must pay contributions by the date shown in the schedule.

Late payment of contributions

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

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

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

During 2014, there were 298 instances of late payment of contributions with a total value of £3.2m, which represents 0.5% of contributions payable under the schedules of contributions. The largest individual amount was £211,000 which was paid eight days after the due date. Of the 298 instances of late payment, 26 were reported to the Pensions Regulator totalling £65,000.

Appendix C:

Custody arrangements

The law of trust imposes a fiduciary duty on trustees to safeguard assets and this has been reinforced by the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005. The Trustee has appointed custodians to hold the assets, including cash, that make up the various quoted securities portfolios managed by the investment fund managers. This is in accordance with the Pensions Act 1995 which requires trustees, rather than the employer or the fund manager or some other party, to make the appointment.

The custodians are responsible for the administration and safekeeping of the assets. Safekeeping can be defined as the preservation of assets under a system of control that ensures that assets are only released with proper authorisation, and that the custodian's clients' investments are legally segregated from those of the custodian.

Other arrangements which seek to ensure asset safety, and to protect evidence of title, are in place for certain asset classes such as hedge funds and property. In the case of property, freehold and leasehold property is normally registered at HM Land Registry, where appropriate, and copies of all title documents are held by the Trustee's property lawyers or the Network Rail property deeds depository.

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

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

As part of the services provided to the Trustee, RPMI reviews the effectiveness of custody arrangements on a regular basis. This includes monitoring the efficiency of transaction settlement, income collection, tax recovery, foreign exchange performance and the appointment and management of overseas sub-custodians. The verification of assets is also conducted by reference to independent records held by the custodians. Great emphasis is placed on asset safety.

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

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

Responsible investment

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

General principles

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

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

- encouraging best practice in stewardship as a responsible investor; and
- working with other institutional investors to achieve these ends.

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

UK Stewardship Code

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

We expect our external fund managers, where relevant, to comply with the Code and its principles, which have also been incorporated in our own SIPs, and to publish a compliance statement. Our full statement on how we apply the Code and its seven principles, together with our approach to responsible investment, can be found on our website at www.rpmi.co.uk

We encourage our external fund managers to make an AAF 01/06 report on Stewardship Code compliance and to obtain an independent audit opinion which can be disclosed to clients as recommended in the guidance to Principle 7 of the

Stewardship Code. The Trustee wishes to lead by example on this and has obtained an independent audit opinion on aspects of its own Stewardship Code compliance as at 30 September 2012 which is available to members on request. It will consider repeating this annually.

Voting and engagement

Although the Trustee's external UK-based fund managers are expected to advise and report on governance issues, and to engage proactively with companies in line with the Stewardship Code, full voting authority ultimately rests with the Trustee. In addition to the monitoring of the activities performed by fund managers and other intermediaries, the Trustee, through Railpen Investments, will undertake further engagement activities in relation to individual companies, whether independently or with other parties, where it considers it in the best interests of beneficiaries to do so.

We have a number of corporate governance policies in place to cover the many markets in which we invest. The UK policy applies to all UK listed companies including those that participate as employers in railway industry pension schemes. It draws heavily on the UK Corporate Governance Code and we expect companies to comply with the Code or explain any departures. Our policy document aims to deal with issues that are either not covered by the Code, require greater emphasis or are specifically left open for shareholders to resolve with company boards. This should help investment managers and company directors to understand our views on these issues.

UK voting disclosure

Voting is a key step in engagement, and the Trustee has voted on all resolutions at all annual and extraordinary general meetings of UK companies in which it has holdings since 1992. We publicly disclose on our website www.rpmi.co.uk our voting record in respect of all UK company meetings held after 1 January 2010, subject to a waiting period of three months from the end of the month in which the meeting is held, so that we can balance transparency without undermining our ongoing dialogue with companies.

Executive remuneration

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

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

The regulatory authorities in the UK and elsewhere are imposing their own requirements for the deferral of annual bonuses as part of their perceived need for more prudent regulation. The UK Government consulted extensively on executive pay reform and introduced a binding shareholder vote on forward looking future remuneration policy

('future policy report') from October 2013 in addition to the existing advisory vote on the retrospective implementation of the policy ('implementation report'). We have seen this in full operation with effect from the 2014 AGM voting season.

Overseas markets

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

Collaborative engagement

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

These include, but are not limited to, the NAPF, the International Corporate Governance Network, the UK Corporate Governance Forum, the UK Sustainable Investment and Finance Association ('UKSIF'), the Global Investors Governance Network, the Working Group of the International Integrated Reporting Council and various other investor corporate governance bodies, including the Council of Institutional Investors in the USA,

Eumedion in the Netherlands, the Australian Council of Super Investors and the Asian Corporate Governance Association in the Far East. We are also members of Institutional Investors Group on Climate Change.

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

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

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

Pooled fund equity holdings

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

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

Environmental and social issues

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

Risk statement

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

Risk policy

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

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

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

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

Risk identification and management

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

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

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

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

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

First line of defence:

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

Second line of defence:

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

Third line of defence:

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

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

In respect of the pensions administration service provided by RPMI, an internal controls assurance report has been prepared for the year ended 31 December 2014. The report sets out a description of the relevant control objectives and procedures which operated during the period. These have been independently evaluated under the guidelines of the International Standard on Assurance Engagements 3402 (ISAE 3402) and the Institute of Chartered Accountants in England & Wales Technical Release, 'Assurance reports on internal controls of service organisations made available to third parties (AAF 01/06)'.

Internal audit services are provided to the Trustee by the in-house Business Assurance team. The Business Assurance Manager reports to the Chief Executive of the Trustee Company and the Audit Committee, and has unrestricted access to the Chairman of the Audit Committee and the Trustee Board Chairman should the need arise. Internal audit activity is governed by the Audit Charter, which is reviewed periodically by the Audit Committee. The RMC is chaired by the Director of Finance and Corporate Services and includes representatives of executive management and is open to Trustee Directors. It meets regularly with the Business Assurance team with the external auditors in attendance, to consider the significant risks and assess how they have been identified, evaluated and managed, as well as the effectiveness of the internal controls associated with these significant risks.

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

Appendix F:

Statement of Investment Principles

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

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

An overview of the provisions in the Scheme and section SIPs is set out as follows. The current SIP was adopted in May 2013 and a review of the SIP is taking place in 2015.

Investment objectives

The Trustee's primary objective is to ensure that the assets of each section are sufficient to pay the benefits promised when they fall due, and to endeavour to achieve this at affordable cost to the employers and members. Due to the diverse maturities of the sections and the differing strength of covenant of each sponsoring employer, investment strategies will vary widely. Investment objectives therefore have to be set separately for each section.

In setting the investment strategy, the Trustee recognises that the use of a range of asset classes may offer diversifying characteristics. This makes it possible to increase portfolio efficiency, achieving potentially higher returns without a proportionate increase in overall risk for the portfolio.

The Trustee's preferred approach is to define the asset allocation according to expected volatility of returns compared to liabilities. When setting the target and risk range for each section, the Trustee takes into account maturity, liability profile and strength of the employer's covenant (and that of the Secretary of State at the Department for Transport in the case of the 1994 Pensioners Section). For a section which has adopted this so-called 'risk budgeting' approach, details of targets and risk budgets are set out in the relevant section's SIP.

Where a Pensions Committee has decided not to adopt a risk budgeting approach, the asset allocation for the relevant section is still driven by the maturity, liability profile and strength of covenant of the sponsoring employer(s), and the strategic asset allocation is recorded in the relevant SIP for the section.

Pooled funds

The sections invest in a number of pooled funds which are operated by RPMI on behalf of the Trustee. These funds offer diversification by risk and return characteristics and by asset class and are reviewed regularly by the Trustee. The investment performance of each pooled fund is measured against an agreed benchmark.

Implementation of a section's investment policy may be achieved by means of either the risk budgeting or strategic asset allocation approaches described earlier. Where a risk budgeting approach is followed, the proportion of the section assets held in a particular pooled fund may be changed from time to time by the Trustee (or RPMI under delegated authority) in order to comply with the risk budget in the manner the Trustee considers appropriate. In other words, the proportion is inherently flexible and the actual proportion invested in each pooled fund may change as a result of changes to risk, or for other reasons.

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

Asset management

The investment of the assets within each pooled fund is delegated under an investment management agreement to a wholly owned subsidiary of the Trustee, Railway Pension Investments Limited ('Railpen'), or to fund managers appointed by Railpen (together the 'Fund Managers'). Where Railpen believes that the returns achieved through active management over the medium term will exceed those from passive management then active management may be adopted.

Railpen and the fund managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation and pooled fund prospectuses. This includes the power to rebalance funds from available cash or make transfers in order to keep within stipulated asset allocations or restrictions. Where relevant, Railpen and the fund managers are responsible for implementing short-term tactical shifts in asset allocation around their agreed investment benchmarks.

Performance measurement

During the year under review, the Trustee retained WM Performance Services to independently calculate the performance of each section and each pooled fund. WM Performance Services also calculates the performance of the portfolios of each fund manager appointed by Railpen.

Investment performance and compliance with operating parameters are monitored by Railpen. Quarterly and cumulative reports on investment performance and activity are produced and distributed to the Trustee, the Pensions Committees (where appropriate) and the relevant employer.

Risk management

The Trustee recognises that there are various investment related risks to which any pension scheme is exposed, and has taken the following steps to manage those risks.

An Audit Committee has been established, which has specific responsibilities including review of financial control and risk management systems. Further information on the Audit Committee can be found in the Trustee's Annual Report on page 29.

An Integrated Funding Committee has been established which has specific responsibilities including agreeing integrated funding plans for each scheme and section, incorporating consideration of investment strategy, and monitoring performance against their agreed funding plans.

RPMI advises the Trustee and Pensions Committees on asset allocation and risk-budgeting strategies. In doing so, RPMI considers the risk of the scheme or section failing to meet its own objectives.

The Railpen Investment Board has been established with specific responsibilities including oversight of the management of the Pooled Funds.

Risks within the Pooled Funds are also monitored by Railpen. Due consideration is given to the risk profile of individual managers in deciding the size of the mandate. One measure of manager risk is the expected deviation in manager performance (the so-called 'tracking error') relative to the manager's benchmark. This risk is managed by Railpen through monitoring the actual deviation of returns and by modelling the behaviour of manager portfolios using risk management tools.

It is the Trustee's policy to separate, as far as practicable, the management and custody of assets, in order to reduce the risk of misuse. RPMI manages custodian risk by monitoring the custodians' and other administrators' activities. Custodian risk is measured by assessing the credit-worthiness of the custodian banks and by setting service objectives that relate to the ability of the organisations to perform their functions.

Railpen authorises the use of derivatives by its fund managers and has a derivatives policy which specifies acceptable parameters for the use of these instruments. Investment managers are required to comply with this policy under the terms of their mandates.

RPMI estimates cash flow requirements and compares it with cash levels in order to limit the impact of cash flow requirements on the investment policy.

Defined contribution assets

The Trustee is responsible for providing appropriate fund choices for the investment of defined contribution assets. This includes members' additional voluntary contributions ('AVCs') and contributions in respect of members of the Industry-Wide Defined Contribution arrangement. The range of funds available is reviewed regularly and may be changed from time to time in accordance with applicable rules of the schemes.

Costs

The Trustee aims to implement Scheme and section strategy in the most efficient manner possible, using internal resources wherever appropriate. Fees payable to external fund managers and costs relating to the investment, management, custody and realisation of Pooled Fund assets are kept under regular review. The Trustee recognises that strict control of costs is important in contributing to good investment returns.

Appendix G:

Summary of the main provisions of the Scheme

Introduction

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

The members of each of the sections of the Shared Cost and the Defined Contribution Arrangements of the RPS are contracted-out of the State Second Pension ('S2P'). Members of the IDWC Section are not contracted-out of S2P.

Rules specific to sections

A broad outline of the main provisions of sections that have adopted the Shared Cost Arrangement is given below. However, some employers have introduced rules specific to their section only which override the summary given. Each section's rules are available from RPMI to members of that section upon request.

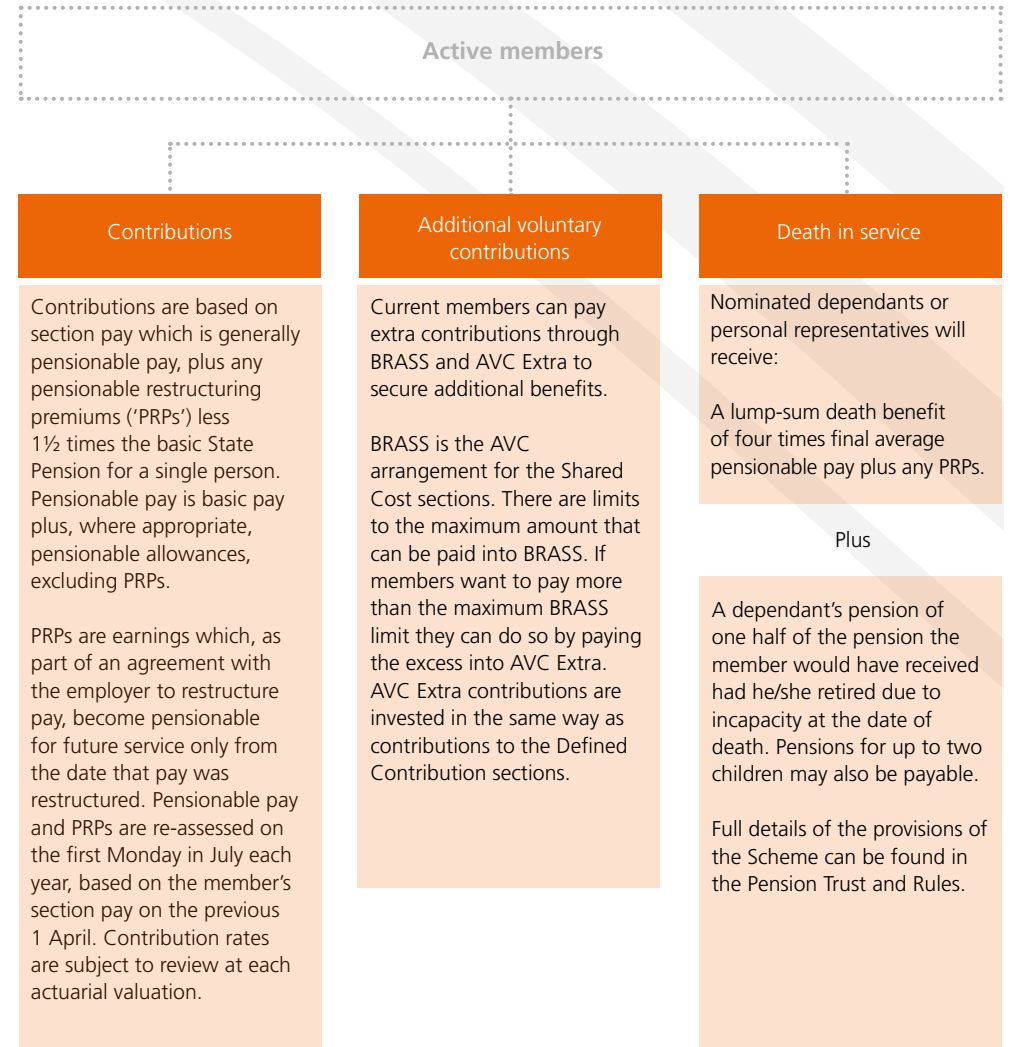
The outline of the main provisions of sections covers the standard situation whereby a section remains ongoing with a solvent employer backing the section. In the rare event of the employers in a section suffering a qualifying insolvency event, the benefits available from that section will depend on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

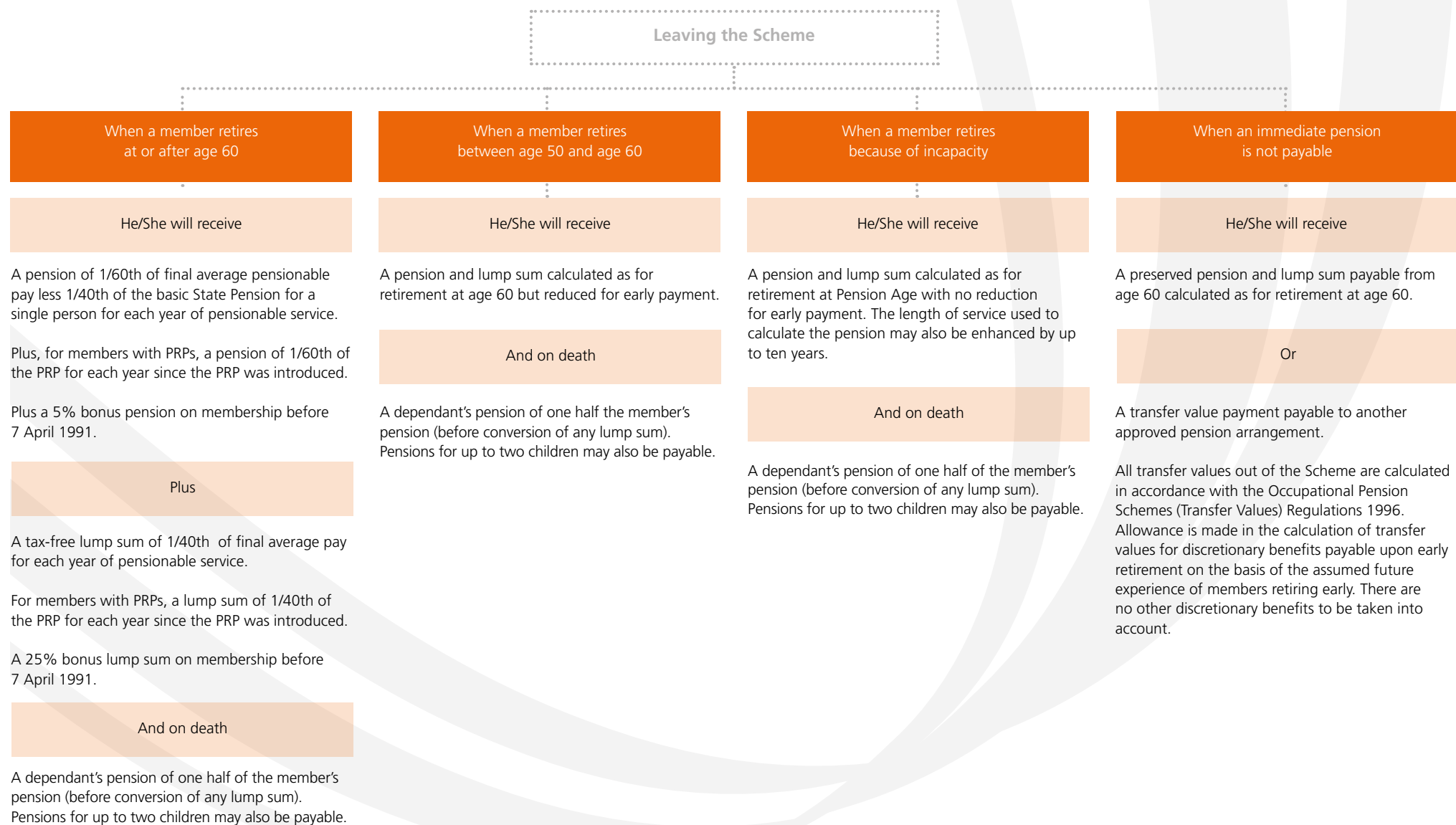
IWDC Section

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

Pension increases

Pensions increased by 2.7% with effect from 8 April 2014. This is based on the Consumer Price Index (CPI) inflation figure as at September 2013. The increase from April 2015 was 1.2%. Pensions in payment and deferment in the Fund are increased in line with Orders laid by the Government under the Pensions (Increase) Act 1971.





Appendix H:

Governance statement for the Industry-Wide Defined Contribution Section of the Railways Pension Scheme

As Trustee of the Industry-Wide Defined Contribution Section of the Railways Pension Scheme, we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's:

- Code of practice 13: Governance and administration of occupational defined contribution trust-based schemes
- Regulatory guidance for defined contribution schemes.

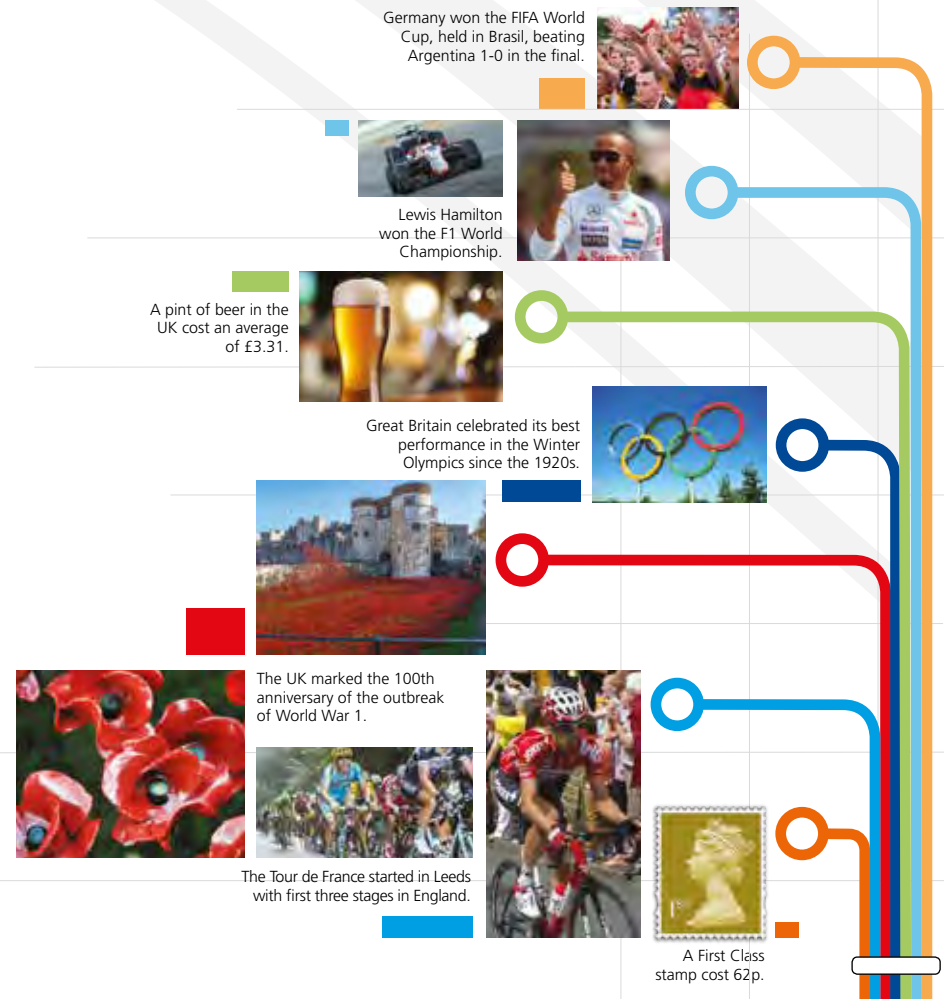
These are underpinned by 31 DC quality features.

A report to identify and evaluate the internal controls in place has been produced by the Business Assurance team at RPMI using the assurance framework set out in the Technical Release 'TECH 07/14AAF: Assurance reporting on master trusts' produced by the Institute of Chartered Accountants in England and Wales.

There is considerable overlap in the master trust assurance framework with internal controls that we already have in place, especially the controls relating to administration and information technology which have been subject to independent verification.

Based on our assessment, we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of the DC quality features, which the Pensions Regulator believes will help deliver better outcomes for members at retirement.

We are confident that the Industry-Wide Defined Contribution Section complies with relevant trust and pensions law. In addition, we seek to achieve and maintain best practice in the areas we believe are most important to and will have most positive impact on our members.



Where to go for help

Trustee Company and Railpen Investments

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

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

RPMI

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

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

T: 0800 2 343434 (Customer Services Team)
E: csu@rpm.co.uk
W: www.railwayspensions.co.uk

The Pensions Advisory Service ('TPAS')

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

TPAS Headquarters
11 Belgrave Road
London
SW1V 1RB

T: 0300 123 1047
Online enquiry:
www.pensionsadvisoryservice.org.uk/online-enquiry
W: www.pensionsadvisoryservice.org.uk

Pensions Ombudsman

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

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

T: 020 7630 2200
E: enquiries@pensions-ombudsman.org.uk
W: www.pensions-ombudsman.org.uk

The Pensions Regulator

The Pensions Regulator can be contacted at the following address:

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW

T: 0870 606 0707
E: customersupport@tpr.gov.uk
W: www.thepensionsregulator.gov.uk

Pensions Tracing Service

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

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

The Pension Service
Mail Handling Site A
Wolverhampton
WV98 1LU

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

RPS Registration number: 100541628

Appendix J:

Pooled fund accounts

Introduction to the pooled fund accounts

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

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

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

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

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

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

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

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

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

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

The table on page 55 summarises the investments of each of these pooled funds as at 31 December 2014. The notes on pages 61-85 analyse the total pooled assets of £22,023.27m into the categories required by the SORP. The net asset value of each pooled fund at the end of the current and prior years is set out on pages 63-64, and the unit prices on page 62.

The economic exposure of pooled fund assets

The use of derivatives and pooled investment vehicles by pension schemes can make it difficult for a reader of pension scheme accounts to gain an insight into the economic exposures of schemes' investment portfolios and the related risks and rewards. Based on guidance prepared by the Pensions Research Accountants Group, the table on page 53 presents an alternative classification of the pooled fund assets, which is intended to complement the analysis given in the accounts, and give an understanding of the underlying economic exposure of the pooled funds.

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

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

in order to reduce costs or generate additional return, and in view of this the Trustee considers that the accounting fair value of £1.38m is the best measure of the economic exposure of CDSs, as disclosed in the table opposite.

The economic exposure of pooled fund assets as at 31 December 2014

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

Accounting Policies

Investments

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

- (i) Listed investments are stated at the bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.
- (ii) Fixed interest securities are stated at their 'clean' prices, with accrued income accounted for within investment income.
- (iii) Unquoted securities, including most investments in private equity and infrastructure (both direct and via managed funds), are included at the Trustee's estimate of accounting fair value based on advice from the investment managers.
- (iv) Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price, where there are no bid/offer spreads, as provided by the investment managers.
- (v) Properties are included at open market value as at the year end date determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued by independent external valuers, DTZ. DTZ are Chartered Surveyors and members of the Royal Institution of Chartered Surveyors.

(vi) Exchange traded derivatives are stated at market values determined using market quoted prices. Over the counter ('OTC') derivatives are stated at the Trustee Company's estimate of accounting fair value based on advice from Markit, external valuers retained by the Trustee through BNY Mellon, who provide a valuation service independent of the fund managers, using pricing models and relevant market data at the year end date.

(vii) Forward foreign exchange contracts are valued at the forward rate at the year end date.

(viii) All gains and losses arising on derivative contracts are reported within change in market value of investments during the year.

(ix) Foreign investments, debtors, creditors, cash and cash equivalents have been translated into sterling at the exchange rates ruling at the fund statement date.

Foreign currencies

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

Investment income

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

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

(iii) Property rental income is accounted for on an accruals basis in accordance with the terms of the lease.

(iv) Sub-underwriting, commission recapture and stocklending commission are accounted for on a receivable basis.

(v) Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

(vi) Investment income arising from the underlying investments of pooled investment vehicles is reinvested within the pooled investment vehicles, reflected in the unit price and reported within the change in market value.

(vii) Income has been accumulated within the unit prices of the pooled funds and no income distributions have been made to the participating schemes.

Subsidiaries and consolidation

Several properties in the Property Pooled Fund are owned by means of an exempt unauthorised unit trust, English limited partnerships, Jersey unit trusts and a number of companies.

In all cases, the share capital or units in all the entities in question are held either directly or indirectly for the beneficial entitlement of the Property Pooled Fund. All the entities are controlled by the Trustee on behalf of the Property Pooled Fund, and hence fall to be subsidiary undertakings of the pooled fund. In accordance with the SORP, they have been included in the pooled fund accounts on a full consolidation basis.

Derivative contracts: objectives and policies

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

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

Unit transactions

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

Fund statement as at 31 December 2014

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

Appendix J: Pooled Fund Accounts

Analysis of Cross Holdings

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

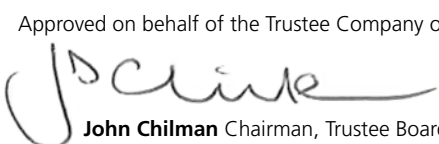
The accounting policies on pages 54 and the notes on pages 61-85 form part of these accounts.

Movement in unit holders' funds

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

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

The accounting policies on page 54 and the notes on pages 61-85 form part of these accounts.


John Chilman Chairman, Trustee Board


John Mayfield Director and Chairman, Audit Committee

Appendix J: Pooled Fund Accounts

Fund statement as at 31 December 2013

	Equities	Fixed interest securities	Index linked securities	UK property	Pooled investment vehicles	Derivative assets	Derivative liabilities	Cash deposits and cash instruments	Other assets	Other liabilities	Cross Holdings	Net assets attributable to unit holders
Pooled Fund	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Growth	883.75	608.82	18.67	-	2,943.46	37.95	(0.47)	197.86	32.61	(4.98)	6,996.62	11,714.29
Global Equity	1,658.35	3.39	-	-	1,777.60	59.79	(10.75)	334.22	4.57	(3.27)	-	3,823.90
Private Equity	0.65	-	-	-	1,918.90	0.01	(0.06)	50.85	0.18	(1.01)	-	1,969.52
Non Government Bond	11.34	1,687.09	-	-	-	43.41	(16.82)	82.06	69.49	(24.90)	-	1,851.67
Property	-	-	-	1,516.68	20.23	-	-	215.75	15.07	(30.81)	-	1,736.92
Hedge Funds	-	-	-	-	1,148.71	33.98	-	182.05	20.13	(3.34)	-	1,381.53
Cash	-	-	-	-	-	-	-	1,210.58	0.47	(0.16)	-	1,210.89
Government Bond	-	943.10	15.95	-	-	18.47	(10.46)	25.52	25.11	(31.82)	-	985.87
Infrastructure	-	-	-	-	890.57	-	-	19.10	0.04	(0.15)	-	909.56
Defensive	-	-	-	-	94.56	3.19	-	94.45	0.02	(0.05)	652.28	844.45
Defined Contribution	-	-	-	-	3.93	-	-	218.80	0.40	(0.51)	456.20	678.82
Commodities	-	212.91	-	-	214.93	4.75	(4.75)	41.59	0.24	(0.54)	-	469.13
Liquid Growth	-	-	-	-	76.57	0.66	-	45.41	0.10	(0.03)	184.29	307.00
Index Linked	-	-	-	-	169.14	-	-	0.14	-	(0.04)	-	169.24
LDI	-	-	-	-	40.34	-	-	0.11	-	(0.06)	-	40.39
Passive Equity	-	-	-	-	68.13	-	-	0.05	-	(0.02)	-	68.16
Cashflow Matching	-	-	-	-	-	-	-	0.32	0.01	(0.31)	-	0.02
Cross Holdings	-	-	-	-	-	-	-	-	-	-	(8,289.39)	(8,289.39)
Total	2,554.09	3,455.31	34.62	1,516.68	9,367.07	202.21	(43.31)	2,718.86	168.44	(102.00)	-	19,871.97
%	12.85	17.39	0.17	7.63	47.14	1.02	(0.22)	13.68	0.85	(0.51)		100.00

The accounting policies on page 54 and the notes on pages 61-85 form part of these accounts.

Analysis of Cross Holdings

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

The accounting policies on page 54 and the notes on pages 61-85 form part of these accounts.

Movement in unit holders' funds

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

The accounting policies on page 54 and the notes on pages 61-85 form part of these accounts.

1.1 Fund statement as at 31 December 2014

Assets	Notes	2014 £m	2013 £m
Equities			
UK quoted		253.13	355.52
UK unquoted		0.13	0.13
Overseas quoted		2,888.79	2,191.68
Overseas unquoted		3.95	6.76
		3,146.00	2,554.09
Fixed interest securities			
UK quoted – public sector		79.01	68.56
UK quoted – non public sector		70.55	124.47
UK unquoted – non public sector		68.83	26.61
Overseas quoted – public sector		1,702.12	1,783.43
Overseas quoted – non public sector		1,123.72	1,430.13
Overseas unquoted – non public sector		85.79	22.11
		3,130.02	3,455.31
Indexed linked securities			
UK quoted – public sector		9.74	10.99
Overseas quoted – public sector		28.22	23.42
Overseas quoted – non public sector		-	0.21
		37.96	34.62
UK Property		1,778.18	1,516.68
Pooled investment vehicles			
UK unquoted – property partnerships		8.59	20.23
UK unquoted – unitised insurance policies		3,665.57	2,713.98
UK unquoted – partnerships		612.91	651.80
UK unquoted – other managed funds		98.05	92.28
UK quoted – other managed funds		-	79.63
Overseas quoted – hedge funds		-	78.49
Overseas quoted – other managed funds		808.20	910.30
Overseas unquoted – partnerships		2,844.40	2,438.07
Overseas unquoted – hedge funds		921.92	1,601.30
Overseas unquoted – unit trusts		-	94.56
Overseas unquoted – other managed funds		512.15	686.43
		9,471.79	9,367.07

Assets	Notes	2014 £m	2013 £m
Derivative contracts			
Forwards – OTC		-	0.03
Futures – exchange traded	1.5	37.10	20.83
Swaps – OTC	1.5	4.13	1.51
Options – OTC	1.5	0.34	0.05
FX contracts – OTC	1.5	129.24	179.79
		170.81	202.21
Cash deposits and cash instruments	1.6	4,371.38	2,718.86
Other assets			
Other investment assets	1.7	74.48	161.66
Current assets	1.9	7.55	6.78
		82.03	168.44
Total assets		22,188.17	20,017.28
Liabilities			
Derivative contracts			
Futures – exchange traded	1.5	(6.91)	(9.26)
Swaps – OTC	1.5	(3.14)	(1.53)
FX contracts – OTC	1.5	(73.82)	(32.52)
		(83.87)	(43.31)
Other liabilities			
Other investment liabilities	1.8	(33.05)	(57.16)
Current liabilities	1.10	(47.98)	(44.84)
		(81.03)	(102.00)
Total liabilities		(164.90)	(145.31)
Net assets attributable to unit holders		22,023.27	19,871.97

1.2 Pooled fund unit prices as at 31 December

	2014 £/unit	2013 £/unit
Cash Pooled Fund	10.20	10.16
Commodities Pooled Fund (Until December 2014)	-	13.46
Global Equity Pooled Fund	69.40	65.04
Government Bond Pooled Fund	12.37	11.29
Growth Pooled Fund	13.84	12.61
Hedge Funds Pooled Fund	15.79	15.01
Index Linked Pooled Fund	69.19	54.31
Infrastructure Pooled Fund	11.60	9.58
Non Government Bond Pooled Fund	12.95	11.97
Property Pooled Fund	76.64	65.98
Defensive Pooled Fund	10.66	10.10
Passive Equity Pooled Fund	14.10	12.83
Liquid Growth Pooled Fund (Until July 2014)	-	10.36
Cash Flow Matching Pooled Fund (Until February 2014)	-	7.31
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	5,194.36	5,221.57
Direct Investment Pooled Fund 1997	188.23	193.22
Direct Investment Pooled Fund 1998 (Until July 2014)	-	13.05
Direct Investment Pooled Fund 1999	41.79	26.47
Direct Investment Pooled Fund 2000	19.09	17.16
Private Equity Pooled Fund 2001	34.24	28.89
Private Equity Pooled Fund 2004	28.72	27.01
Private Equity Pooled Fund 2005	26.28	23.98
Private Equity Pooled Fund 2007	17.18	14.30
Private Equity Pooled Fund 2009	20.93	51.38
Private Equity Pooled Fund 2011	13.34	9.88
Private Equity Pooled Fund 2013 (From January 2014)	9.75	-

	2014 £/unit	2013 £/unit
Defined Contribution Pooled Fund		
DC Global Equity Fund	11.76	11.04
DC Long Term Growth Fund	11.33	10.35
DC Deposit Fund	10.04	10.02
DC Index Linked and Global Bond Fund	11.46	9.77
DC Aggregate Bond Fund	11.31	9.71
Liability Driven Investment Pooled Fund		
LDI Nominal 2025 Pooled Fund (Until July 2014)	-	13.13
LDI Nominal 2030 Pooled Fund (Until July 2014)	-	13.73
LDI Nominal 2035 Pooled Fund (Until July 2014)	-	14.52
LDI Nominal 2040 Pooled Fund (Until July 2014)	-	15.80
LDI Nominal 2045 Pooled Fund (Until July 2014)	-	15.89
LDI Nominal 2050 Pooled Fund (Until July 2014)	-	16.18
LDI Nominal 2055 Pooled Fund (Until July 2014)	-	16.34
LDI Nominal 2060 Pooled Fund (Until July 2014)	-	16.72
LDI RPI 2015 Pooled Fund (Until July 2014)	-	10.95
LDI RPI 2020 Pooled Fund (Until July 2014)	-	14.51
LDI RPI 2025 Pooled Fund (Until July 2014)	-	15.27
LDI RPI 2030 Pooled Fund (Until July 2014)	-	16.04
LDI RPI 2035 Pooled Fund (Until July 2014)	-	17.85
LDI RPI 2040 Pooled Fund (Until July 2014)	-	18.40
LDI RPI 2045 Pooled Fund (Until July 2014)	-	18.19
LDI RPI 2050 Pooled Fund (Until July 2014)	-	18.23
LDI RPI 2055 Pooled Fund (Until July 2014)	-	18.57
LDI RPI 2060 Pooled Fund (Until July 2014)	-	18.89

1.3 Value of the Pooled Funds

	2014 £m	2013 £m
Growth Pooled Fund	13,481.05	11,714.29
Private Equity Pooled Fund*	2,226.31	1,969.52
Property Pooled Fund	2,008.00	1,736.92
Global Equity Pooled Fund	1,377.38	3,823.90
Non Government Bond Pooled Fund	1,294.07	1,851.67
Defined Contribution Pooled Fund*	1,224.76	678.82
Government Bond Pooled Fund	1,093.79	985.87
Defensive Pooled Fund	1,017.05	844.45
Infrastructure Pooled Fund	1,013.92	909.56
Hedge Funds Pooled Fund	668.85	1,381.53
Cash Pooled Fund	290.46	1,210.89
Passive Equity Pooled Fund	249.32	68.16
Index Linked Pooled Fund	206.73	169.24
Commodities Pooled Fund (Until December 2014)	-	469.13
Liquid Growth Pooled Fund (Until July 2014)	-	307.00
Liability Driven Investment Pooled Fund* (Until July 2014)	-	40.39
Cashflow Matching Pooled Fund (Until February 2014)	-	0.02
	26,151.69	28,161.36
Cross Holdings		
Property Pooled Fund	(1,870.36)	(1,477.84)
Hedge Funds Pooled Fund	(668.85)	(1,277.54)
Growth Pooled Fund	(603.73)	-
Non Government Bond Pooled Fund	(581.45)	(1,103.47)
Government Bond Pooled Fund	(246.97)	(187.97)
Global Equity Pooled Fund	(148.07)	(2,567.15)
Index Linked Pooled Fund	(8.93)	(7.16)
Private Equity Pooled Fund	(0.06)	(0.06)
Cash Pooled Fund	-	(919.46)
Commodities Pooled Fund	-	(441.74)
Liquid Growth Pooled Fund	-	(307.00)
Net assets attributable to unit holders	22,023.27	19,871.97

* See breakdown into pooled fund segments.

	2014 £m	2013 £m
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	0.15	0.15
Direct Investment Pooled Fund 1997	0.21	0.22
Direct Investment Pooled Fund 1998 (Until July 2014)	-	0.14
Direct Investment Pooled Fund 1999	0.23	0.15
Direct Investment Pooled Fund 2000	24.01	28.52
Private Equity Pooled Fund 2001	152.25	181.33
Private Equity Pooled Fund 2004	78.53	94.91
Private Equity Pooled Fund 2005	279.57	328.24
Private Equity Pooled Fund 2007	1,056.91	1,008.20
Private Equity Pooled Fund 2009	239.88	171.57
Private Equity Pooled Fund 2011	343.32	156.09
Private Equity Pooled Fund 2013 (From January 2014)	51.25	-
	2,226.31	1,969.52
Liability Driven Investment Pooled Fund		
LDI Nominal 2025 Pooled Fund (Until June 2014)	-	0.15
LDI Nominal 2030 Pooled Fund (Until June 2014)	-	1.28
LDI Nominal 2035 Pooled Fund (Until June 2014)	-	2.00
LDI Nominal 2040 Pooled Fund (Until June 2014)	-	5.28
LDI Nominal 2045 Pooled Fund (Until June 2014)	-	4.35
LDI Nominal 2050 Pooled Fund (Until June 2014)	-	4.37
LDI Nominal 2055 Pooled Fund (Until June 2014)	-	3.53
LDI Nominal 2060 Pooled Fund (Until June 2014)	-	6.39
LDI RPI 2015 Pooled Fund (Until June 2014)	-	0.46
LDI RPI 2020 Pooled Fund (Until June 2014)	-	2.07
LDI RPI 2025 Pooled Fund (Until June 2014)	-	2.78
LDI RPI 2030 Pooled Fund (Until June 2014)	-	2.74
LDI RPI 2035 Pooled Fund (Until June 2014)	-	2.62
LDI RPI 2040 Pooled Fund (Until June 2014)	-	0.62
LDI RPI 2045 Pooled Fund (Until June 2014)	-	0.42
LDI RPI 2050 Pooled Fund (Until June 2014)	-	0.37
LDI RPI 2055 Pooled Fund (Until June 2014)	-	0.33
LDI RPI 2060 Pooled Fund (Until June 2014)	-	0.63
	-	40.39

1.3 Value of the Pooled Funds

	2014 £m	2013 £m
Defined Contribution Pooled Fund		
DC Long Term Growth Fund	606.66	308.54
DC Deposit Fund	441.01	216.56
DC Global Equity Fund	148.36	131.32
DC Index Linked and Global Bond Fund	17.79	14.41
DC Aggregate Bond Fund	10.94	7.99
	1,224.76	678.82

1.4 Investment income

	2014 £m	2013 £m
Dividends from equities	78.40	68.07
Income from fixed interest securities	138.98	126.37
Income from index linked securities	1.78	1.71
Income from UK property	83.38	94.09
Interest from cash deposits	17.54	10.21
Income from pooled investment vehicles	19.09	29.69
Other income	2.03	4.69
	341.20	334.83
Irrecoverable withholding tax	(5.53)	(3.86)
Total income	335.67	330.97
Administration, custody and other expenses	(19.68)	(19.37)
Investment management fees – base	(36.05)	(33.08)
Investment management fees – performance	(11.12)	(3.11)
RPMI fees	(17.72)	(15.70)
Tax	(0.50)	(0.01)
	(85.07)	(71.27)
Minority interest	0.10	(0.18)
Reinvested income (accrued in unit price)	250.70	259.52

1.5 Derivative contracts

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

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

Included within net assets is £107.63m cash, £0.13m US Treasury bills, £2.82m US Treasury bonds and £0.18m US Treasury notes in respect of initial and variation margins arising on open futures contracts at the year end. The duration of futures is between one and 18 months.

Collateral deposited by counterparties with the Trustee in respect of futures contracts at the year end date amounted to £34.61m cash. Contingent collateral received in this way is not reported within the pooled fund's net assets.

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

Type of swap	Duration (years)	Nominal amount £m	Asset value at year end £m	Liability value at year end £m
OTC				
Credit default swaps	0 to 5	35.27	1.58	(1.15)
Credit default swaps	5 to 10	(1.28)	1.22	(0.16)
Credit default swaps	30 to 35	1.90	-	(0.05)
Credit default swaps	35 to 40	0.67	0.02	-
Credit default swaps	45 to 50	4.02	-	(0.08)
Interest rate swaps	0 to 5	142.03	0.85	(0.64)
Interest rate swaps	5 to 10	12.76	0.46	(0.68)
Interest rate swaps	10 to 15	15.58	-	(0.38)
			4.13	(3.14)

Under the terms of swaps, each party may be required to place collateral with the other according to whether the outstanding position is a profit or a loss. Under the terms of the above swap contracts, the Trustee had deposited £0.92m of US Treasury bills, £0.21m US Treasury bonds, £0.63m US Treasury notes and £2.88m of cash collateral at the year end. These amounts are included in the net assets of the pooled funds at the year end.

Collateral deposited by counterparties with the Trustee in respect of swap contracts at the year end date amounted to £2.59m cash and £0.53m US Treasury bonds. Contingent collateral received in this way is not reported within the pooled funds' net assets.

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

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

The above options expire between four and ten years of the year end date.

Appendix J: Pooled Fund Accounts

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

Type of contract	Currency bought million	Currency sold million	Value at year end £m
Assets			
Sterling / Yen	736.12	132,996.10	24.19
US dollar / Sterling	4,544.36	2,857.08	57.95
Sterling / AU dollar	50.05	92.99	1.40
Sterling / Euro	829.58	1,053.67	11.27
Sterling / Swiss franc	63.33	96.40	1.06
Sterling / US dollar	524.59	815.89	1.32
US dollar / Hungarian forint	38.64	9,635.86	1.10
US dollar / Mexican peso	40.98	563.95	1.80
US dollar / Romanian leu	47.71	170.97	1.02
US dollar / Euro	1,086.46	874.62	17.96
Other			10.17
			129.24
Liabilities			
Sterling / US dollar	4,263.97	6,717.61	(45.10)
US dollar / South Korean won	52.25	34.51	(0.77)
Yen / Sterling	79,427.13	434.04	(9.01)
Mexican peso / US dollar	776.76	54.62	(1.24)
Euro / US dollar	96.22	118.47	(1.31)
AU dollar / Sterling	66.56	35.76	(0.89)
US dollar / Sterling	792.29	509.79	(1.28)
Euro / Sterling	339.15	267.97	(4.61)
Other			(9.61)
			(73.82)

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

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

All FX contracts will settle by April 2015.

1.6 Cash deposits and cash instruments

Included within cash balances is £29.65m in respect of repo transactions (2013 - £52.17m). A repo is a contract in which the seller of securities, such as Treasury Bills, agrees to buy them back at a specified time and price.

1.7 Other investment assets

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

1.8 Other investment liabilities

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

1.9 Current assets

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

1.10 Current liabilities

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

1.11 Stocklending

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

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

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

1.12 Reconciliation of investments held at beginning and end of year

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

1.13 Investment managers during the year

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

	2014	2013	Brought forward	21,386.75	18,261.91
	£m	£m			
Railpen Investments*	3,759.42	790.95	Dalmore (from March 2014)	35.04	-
Legal & General Investment Management	3,165.91	2,206.53	Accel Partners	35.01	15.15
Blackrock Investment Management	2,104.71	3,198.16	Scale Venture Partners	33.34	24.36
Orchard Street	1,968.95	1,694.43	Great Hill Partners	33.16	21.68
Wellington Management Int	1,611.26	1,630.92	Westbridge Capital Partners	30.99	16.00
Lazard Asset Management	1,172.52	958.33	Institutional Venture Partners	27.73	15.87
Rogge Global Partners	480.85	610.72	Hony Capital	27.48	16.40
Unigestion	462.41	367.26	Oaktree Capital Management	26.49	29.16
AQR Capital Management	445.07	110.43	Archer Capital	25.59	20.40
Horsley Bridge Partners	358.12	288.78	Balderton Capital	25.01	22.68
Dimensional Fund Advisors Ltd	325.71	132.76	Anacap Financial Partners	22.87	15.43
Grosvenor Capital Management	323.98	248.42	Headland Capital Partners	22.24	29.81
Longview Partners	313.60	265.96	KPS Capital Partners	20.60	13.35
Morgan Stanley Investment Management	312.94	278.04	Ares Management	19.88	16.06
William Blair & Company	310.60	277.30	Sankaty Advisors	19.72	16.49
Pacific Investment Management Co	290.86	351.52	Navis Capital Partners	16.69	9.45
Goldman Sachs Asset Management	288.12	249.01	Highland Capital Partners	16.59	12.12
Alinda Capital Partners	253.33	219.29	Charlesbank Capital Partners	15.33	10.12
Bridgewater	246.19	235.99	Domain Partners	15.32	10.99
Credit Suisse	241.37	343.97	Southern Cross Group	14.10	7.28
HarbourVest Partners	219.18	241.95	Clearsight Investments	13.43	6.43
Standard Life Investments	200.45	205.19	General Atlantic	12.33	3.02
Arcus Infrastructure Partners	197.27	167.85	Insight Investment	12.23	49.28
Edgbaston Investment Partners	186.41	32.94	CI Capital Investors	11.77	8.26
Intermediate Capital Group	160.04	54.48	H.I.G. Capital	11.64	5.05
Cinven	153.26	239.70	Innova	11.49	12.43
Epoch Investment Partners	148.67	111.08	Thoma Bravo	9.71	5.66
Invesco Asset Management	142.71	134.15	Bessemer Venture Partners	9.47	4.76
Blakeney General Partners	137.10	128.30	Innovation Works	8.64	1.63
Apax Partners	134.68	132.75	Andreessen Horowitz	8.37	4.00
Taiyo	129.62	134.12	Index Ventures	7.96	4.69
Marathon Asset Management	126.13	122.06	ClearVue Partners	7.86	2.94
Graham Capital	122.69	108.16	Berkshire Partners	5.93	3.25
Pantheon Ventures	105.37	116.61	Abry Partners	4.60	3.55
Adams Street Partners	104.63	108.59	Capital Dynamics	4.50	3.58
Innisfree	91.24	78.60	Aberforth Partners	4.01	151.84
Blackstone Alternative Asset Management	74.18	1,248.30	Triton Partners	3.87	1.14
Ardevora	74.05	77.34	Peak Rock Capital	3.61	0.59
EQT Funds Management	59.50	55.00	General Catalyst (from January 2014)	1.55	-
Bain Capital	58.50	61.11	Bridges Community Ventures	0.23	0.27
Sequoia Capital	57.05	21.92	Governance For Owners Group	0.14	0.14
Morningside Ventures	53.79	12.98	J P Morgan Asset Management (until May 2014)	-	238.48
Warburg Pincus	49.73	55.33	Neuberger Berman Europe (until August 2014)	-	227.43
Henderson Equity Partners	46.82	54.57	Southeastern Asset Management (until August 2014)	-	174.11
Indicus Advisors	43.20	48.07	New Finance Capital (until August 2014)	-	136.44
Columbia Capital	39.11	30.25	CoreCommodity Management, LLC (until June 2014)	-	105.24
Khosla Ventures	35.45	21.74	Newton Investment Management (until June 2014)	-	79.68
			Aspect Capital (until March 2014)	-	52.06
			CP2 (until June 2014)	-	1.31
Carried forward	21,386.75	18,261.91		22,023.27	19,871.97

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

1.14 Benchmarks and targets

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

	2014 %	2013 %
FTSE All World North America Index	25.0	25.0
FTSE All Share Index	20.0	20.0
FTSE All World Developed Europe (ex UK) Index	20.0	20.0
FTSE All World Developed Asia Pacific (ex Japan) Index	20.0	20.0
MSCI Emerging Markets Free (net dividends reinvested) Index	15.0	15.0
	100.0	100.0

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

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

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

The benchmarks and targets of all other pooled funds as at 31 December 2014 are shown in the table right:

Pooled fund	Benchmark	Long term target
Growth	Retail Price Index	Benchmark + 5% pa until 30 June 2014 then Benchmark + 4% pa
Private Equity	MSCI All countries world index	Benchmark + 1% pa
Property	Investment Property Databank All Properties Index	Benchmark + 1% pa
Non Government Bond	Barclays Capital Global Aggregate Corporate Index (hedged)	Benchmark + 0.75% pa
Government Bond	Citigroup World Government Bond Index – ex Japan (hedged)	Benchmark + 0.5% pa
DC Long Term Growth	Retail Price Index	Benchmark
DC Deposit	7 Day Sterling London Inter-Bank Intra Day Interest Rate	Benchmark
DC Index Linked and Global Bond	Composite benchmark comprising: 50% FTSE UK gilts index Linked> 15 years Index 50% Barclays Global Aggregate Corporation (hedged) Index	Benchmark
DC Aggregate Bond	Composite benchmark comprising: 50% FTSE British Government over 15 years index 50% Barclays Global Aggregate Corporation (hedged) Index	Benchmark
Hedge Funds	SONIA 3 month swap rate. The 3 month SONIA swap rate represents a sterling overnight index average rate for brokered unsecured overnight trades between banks.	Benchmark + 3.5% pa
Defensive	Retail Price index	Benchmark + 0.5% pa
Infrastructure	Retail Price Index	Benchmark + 4% pa
Cash	7 Day Sterling London Inter-Bank Intra Day Interest Rate	Benchmark

Pooled fund	Benchmark	Long term target
Passive Equity	FTSE All world Index developed Markets (hedged)	Benchmark
Index Linked	FTSE UK gilts – Index Linked > 15 years Index	Benchmark
Commodities	Composite benchmark comprising: 75% DJ AIG Commodities Index 25% S&P GSCI Petroleum index	Benchmark
Liquid Growth	Retail Price Index	Benchmark + 5.0% pa

1.15 Performance

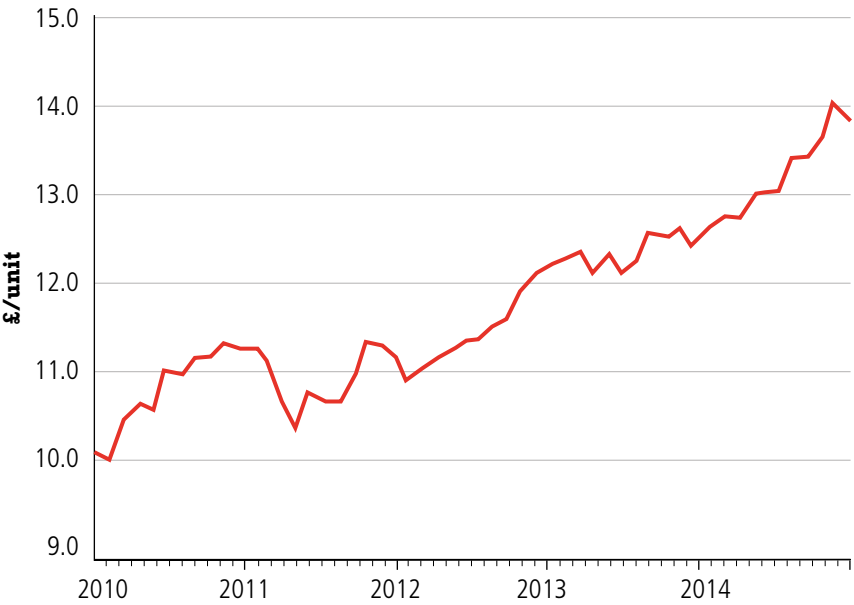
The return of each pooled fund as measured by WM Performance Services and RPMI is shown in the table below:

Pooled fund	Actual 2014 (%)	Target 2014 (%)	Bench 2014 (%)	Actual last 5 years ¹ (%)	Target last 5 years ¹ (%)	Bench last 5 years ¹ (%)
Growth	9.8	6.3	1.6	7.6	8.1	3.2
Private Equity	19.1	12.2	11.2	13.8	10.7	9.7
Property	16.7	20.3	19.3	11.4	11.9	10.9
Global Equity	6.9	6.9	6.4	9.3	8.8	8.3
Non Government Bond	8.4	8.7	7.9	7.0	7.1	6.3
Government Bond	9.9	10.4	9.9	5.0	5.4	4.9
Defensive	5.6	2.1	1.6	2.7	3.2	2.7
Infrastructure	20.7	5.6	1.6	9.5	7.4	3.4
Hedge Funds	5.8	3.9	0.4	6.7	4.0	0.5
Cash	0.5	0.3	0.3	0.6	0.4	0.4
Passive Equity	9.8	9.9	9.9	17.1	17.2	17.2
Index Linked	27.3	27.3	27.3	13.1	12.9	12.9
Commodities ²	2.1	(19.3)	(19.3)	6.1	0.2	0.2
Liquid Growth ²	3.5	3.1	1.0	4.1	6.9	1.9
LDI ²	21.0	n/a	n/a	15.4	n/a	n/a
DC Long Term Growth	9.6	1.6	1.6	6.8	3.2	3.2
DC Deposit	0.4	0.3	0.3	0.4	0.6	0.6
DC Global Equity	6.5	6.4	6.4	8.7	13.1	13.1
DC Aggregate Bond	16.8	16.8	16.8	6.8	11.1	11.1
DC Index Linked and Global Bond	17.3	17.3	17.3	6.3	10.9	10.9

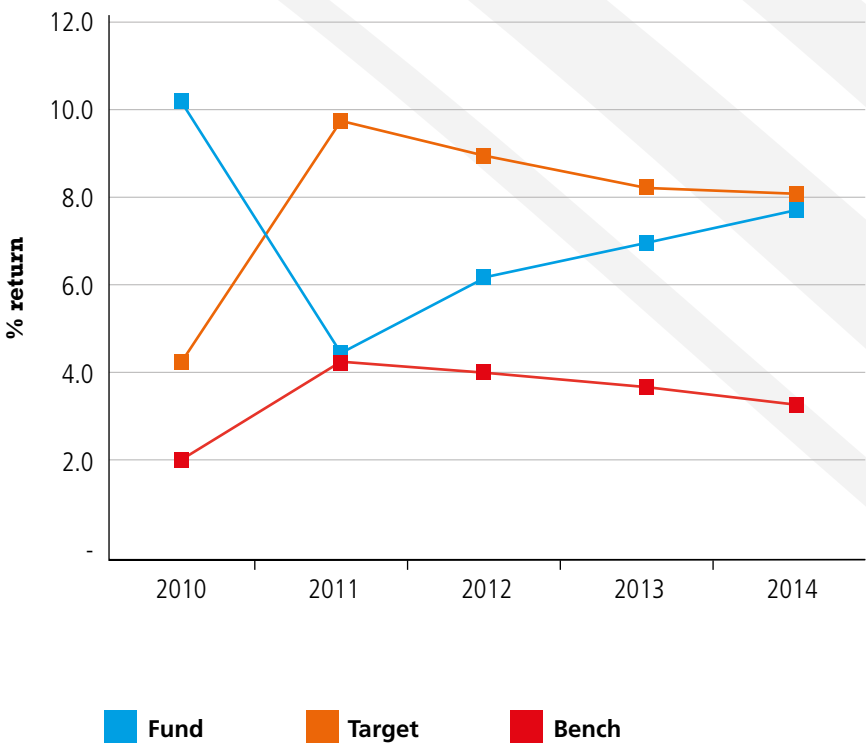
¹ For pooled funds that have been existence for less than five years, the figures given in the table are since the inception of the pooled fund. ² Until pooled fund wound up.

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

Growth Pooled Fund Unit Price



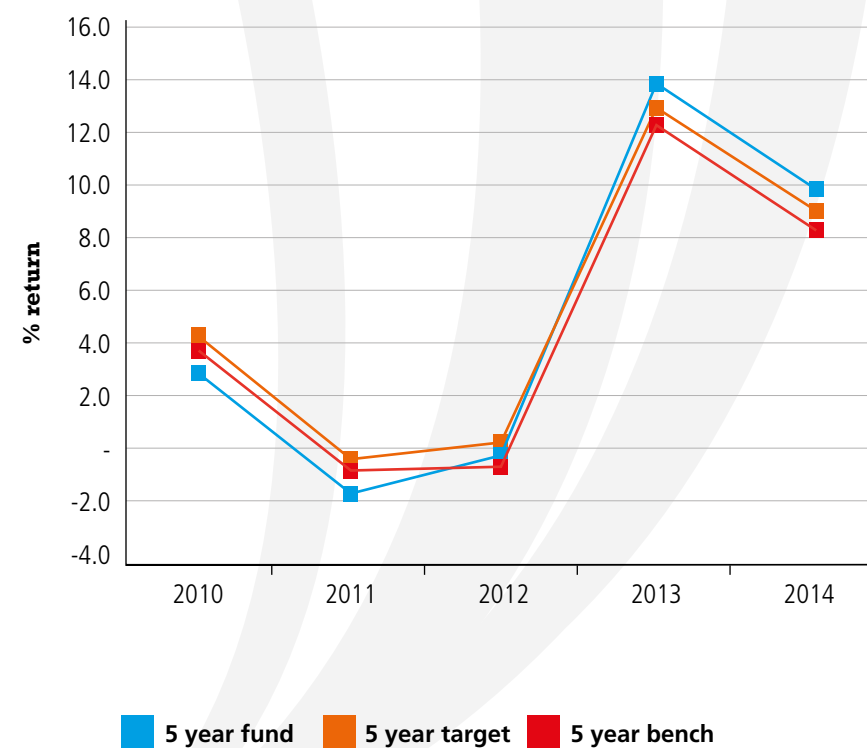
Growth Pooled Fund Performance Since Inception



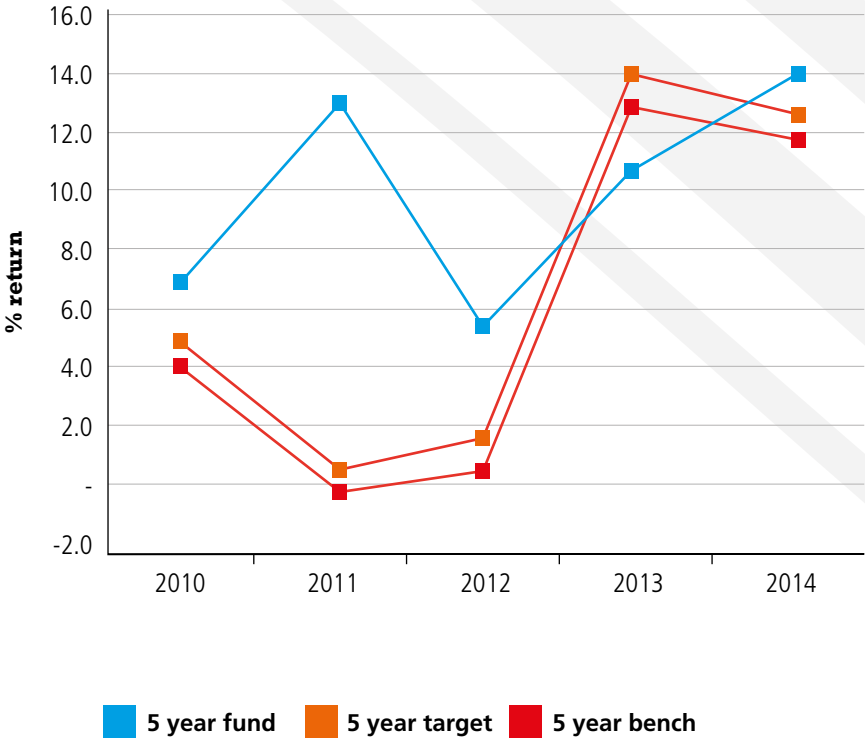
Global Equity Pooled Fund Unit Price



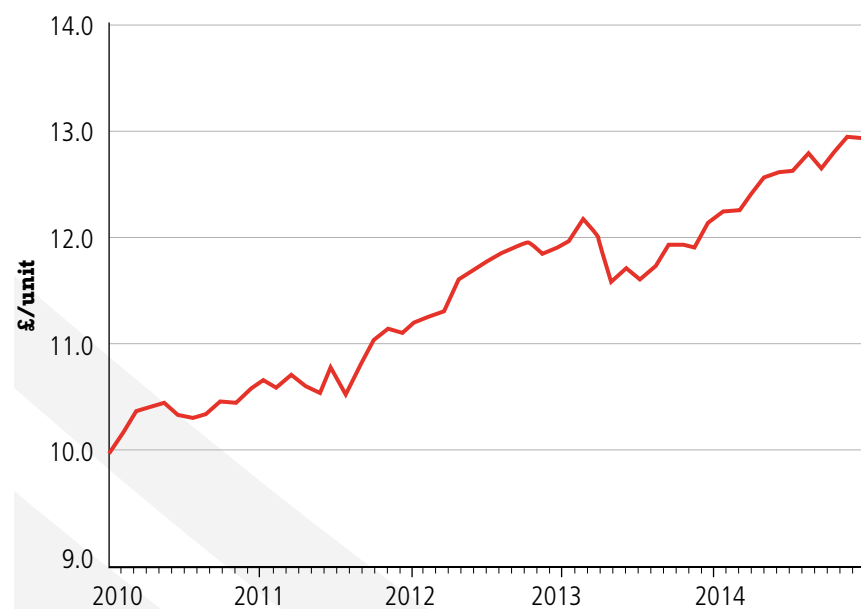
Global Equity Pooled Fund Performance



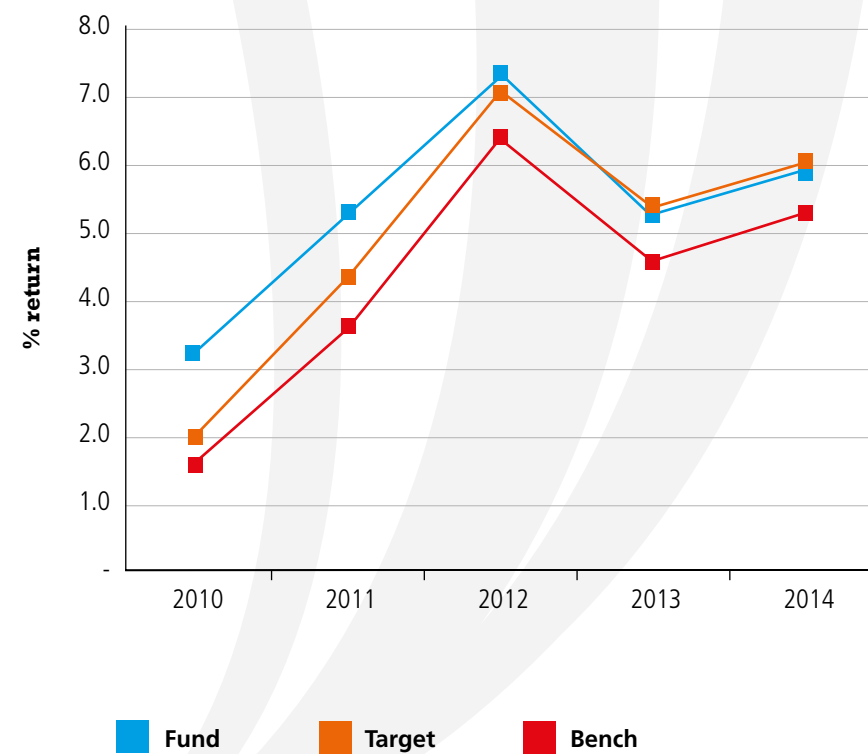
Private Equity Pooled Fund Performance



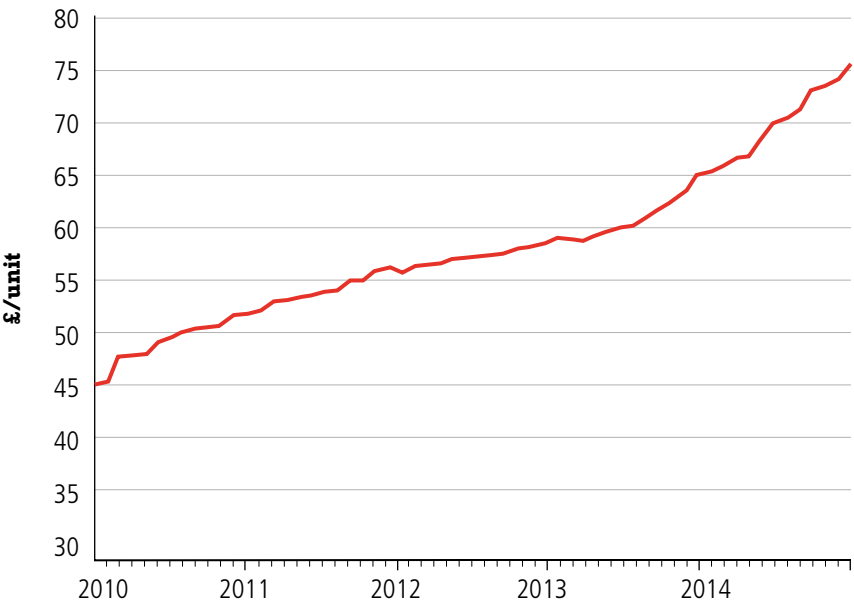
Non Government Bond Pooled Fund Unit Price



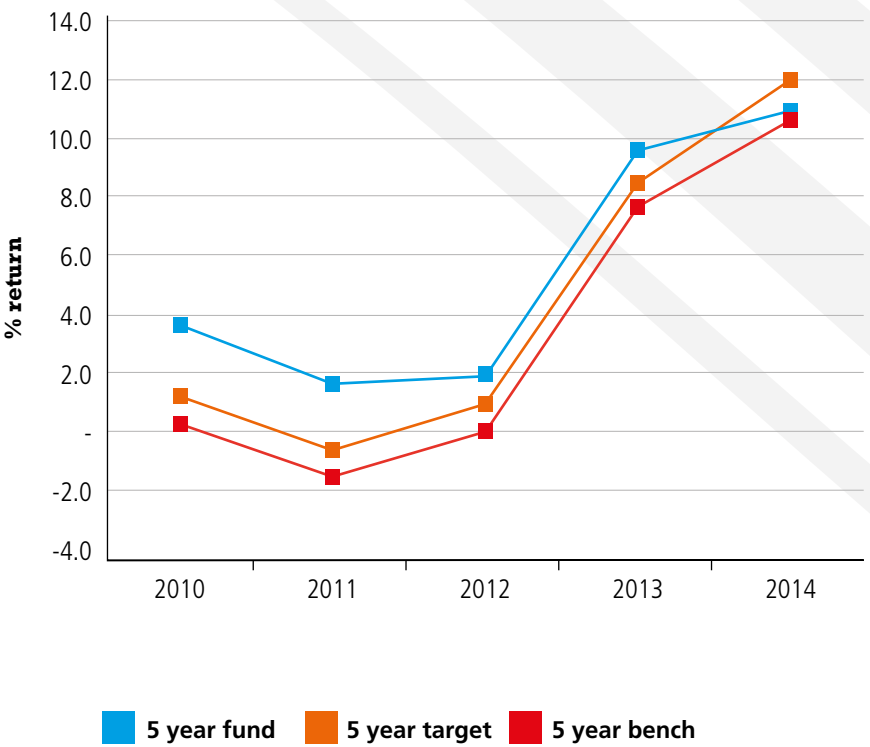
Non Government Bond Pooled Fund Performance Since Inception



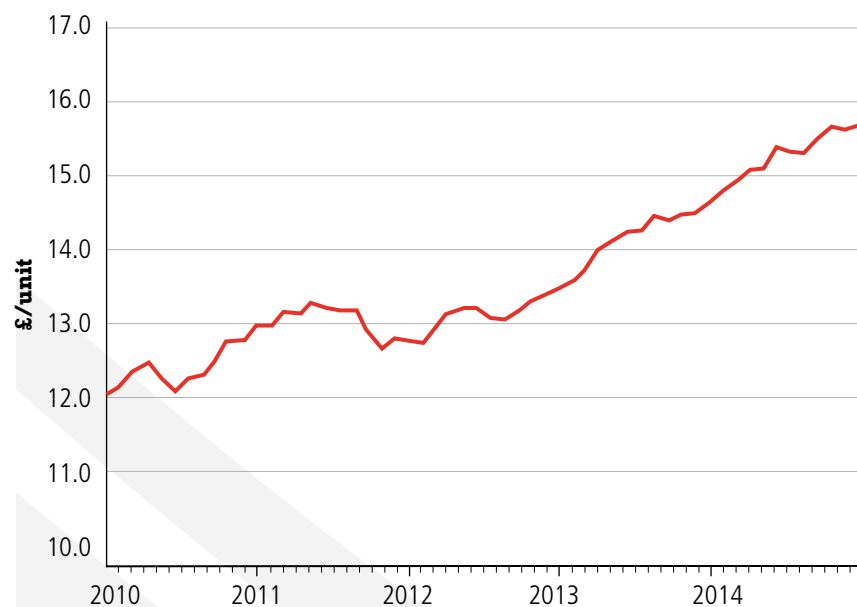
Property Pooled Fund Unit Price



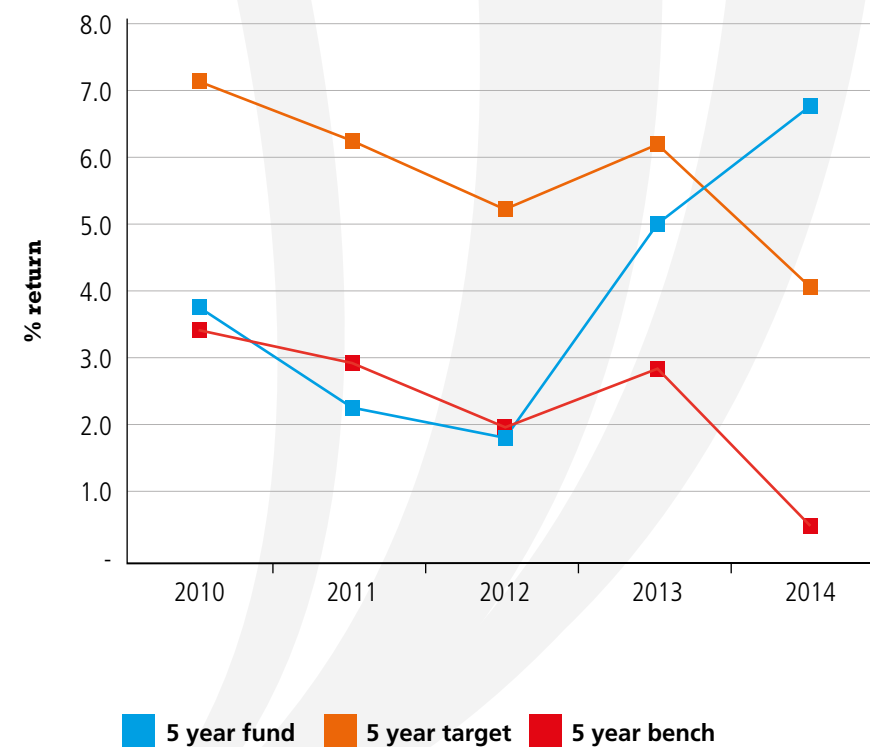
Property Pooled Fund Performance



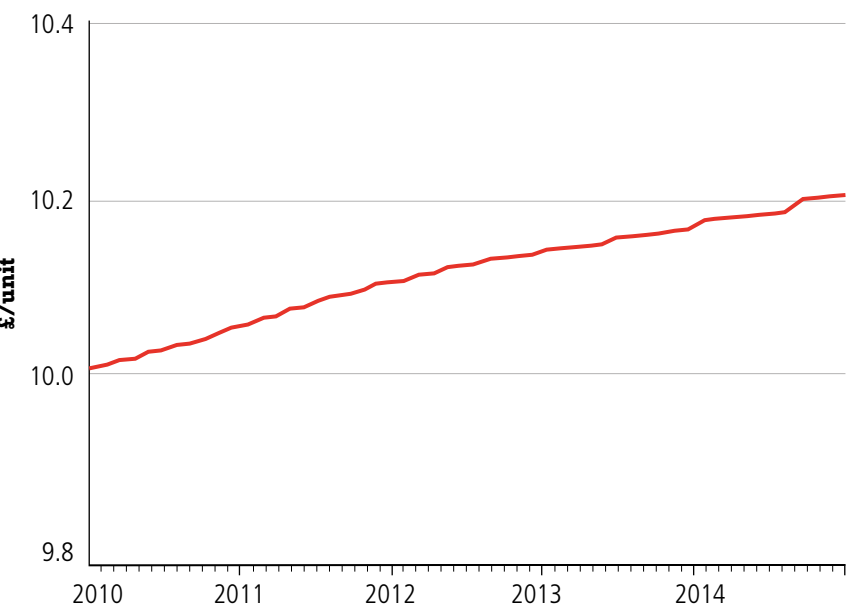
Hedge Funds Pooled Fund Unit Price



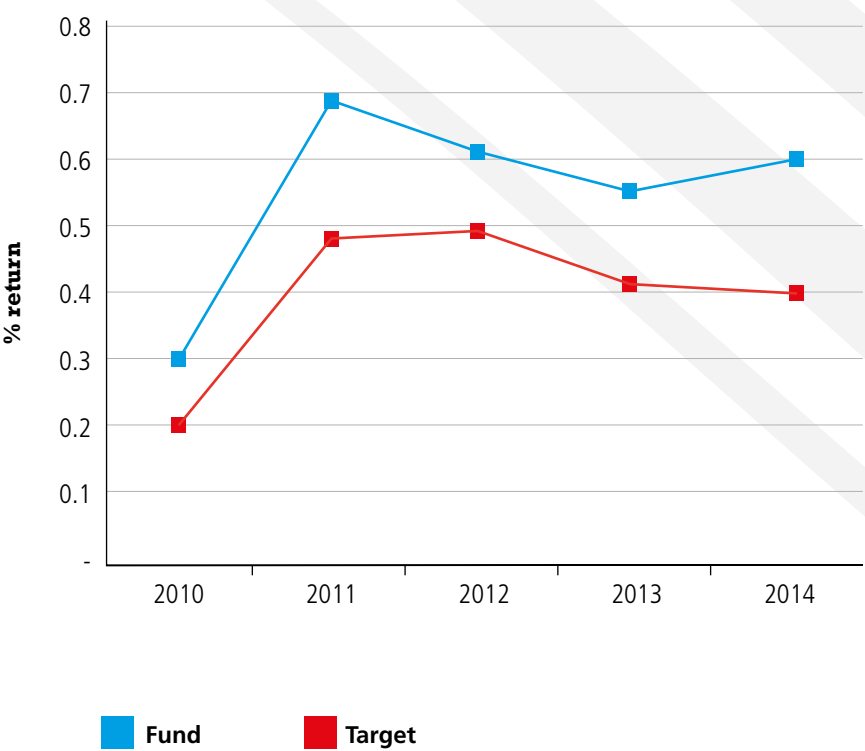
Hedge Funds Pooled Fund Performance



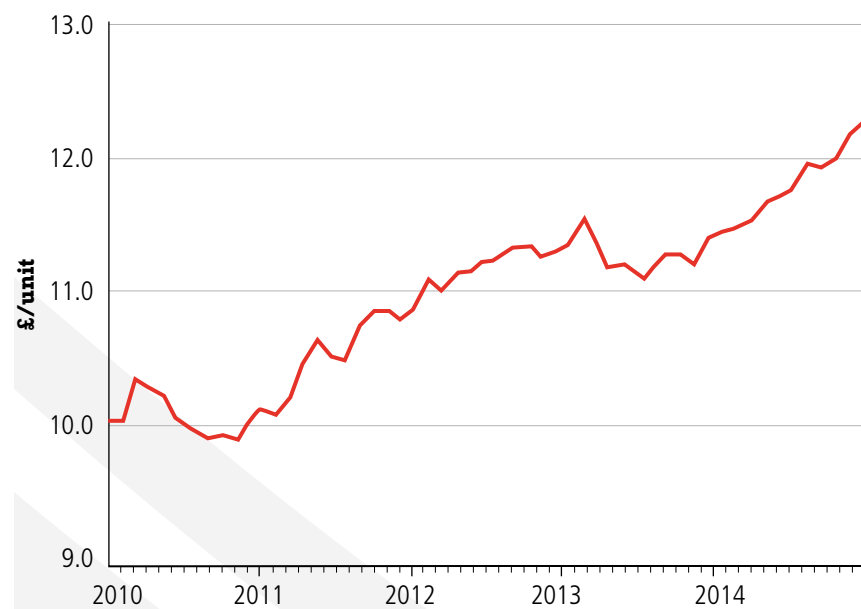
Cash Pooled Fund Unit Price



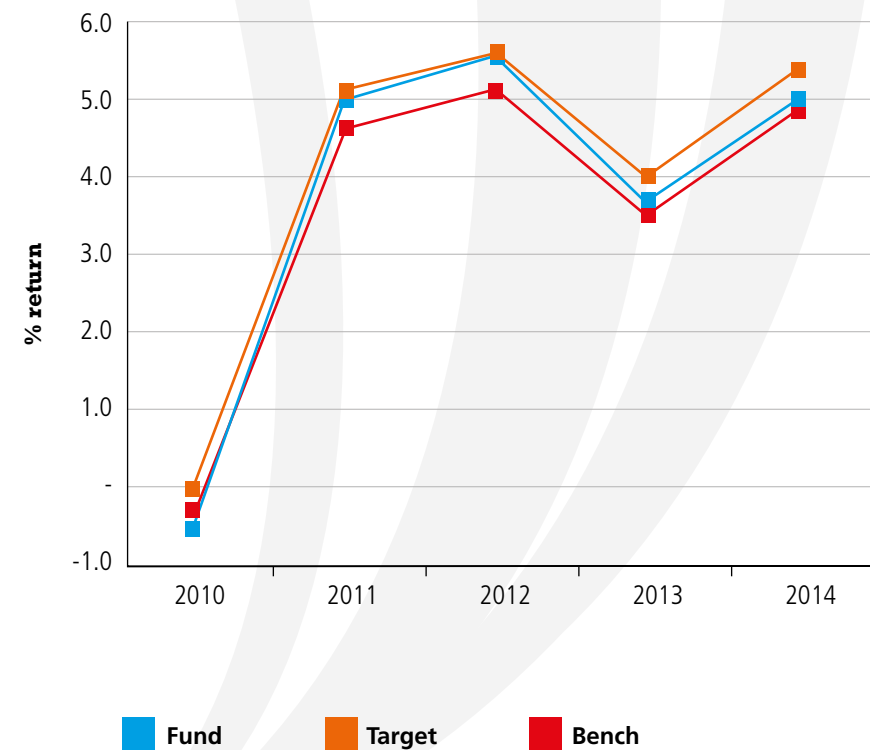
Cash Pooled Fund Performance Since Inception



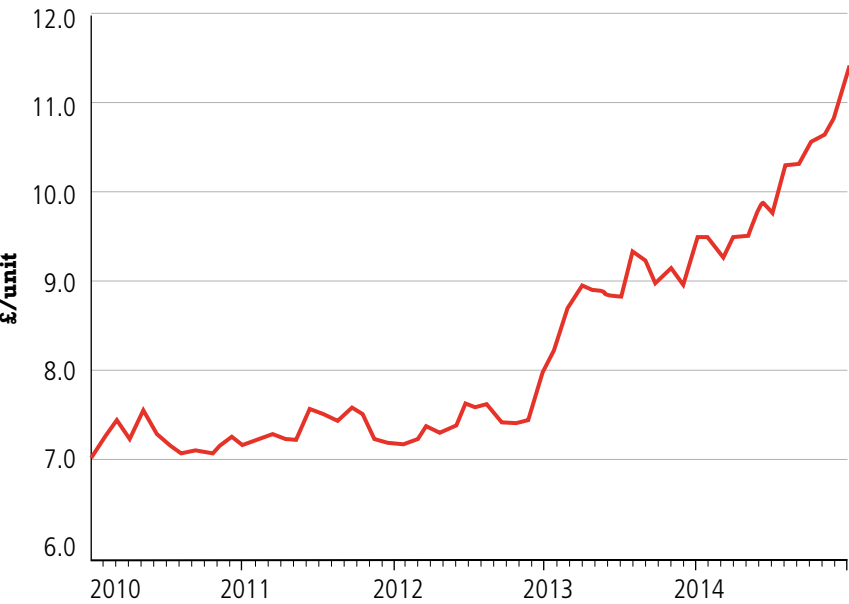
Government Bond Pooled Fund Unit Price



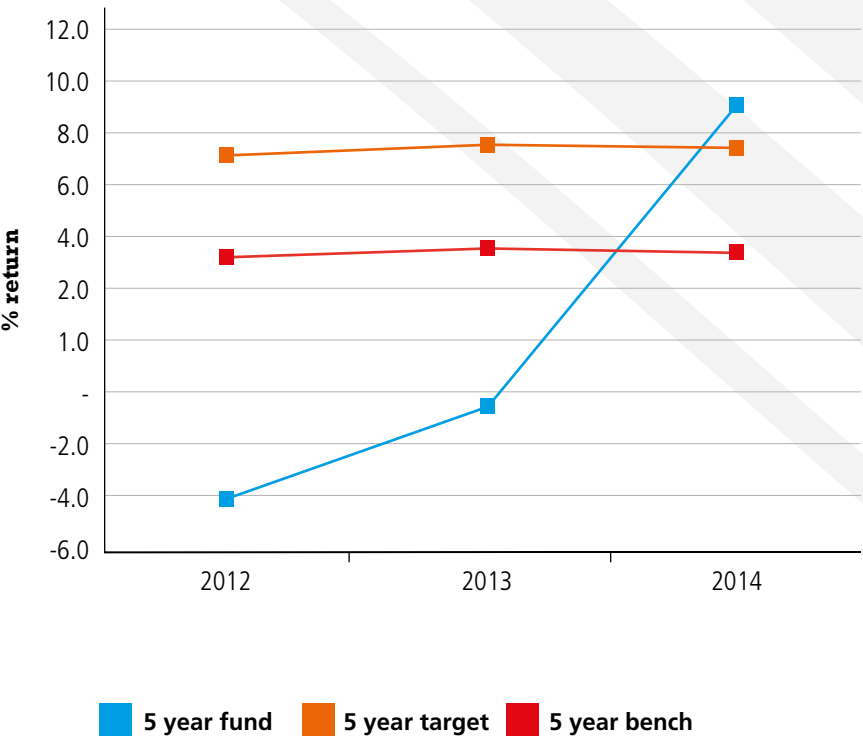
Government Bond Pooled Fund Performance Since Inception



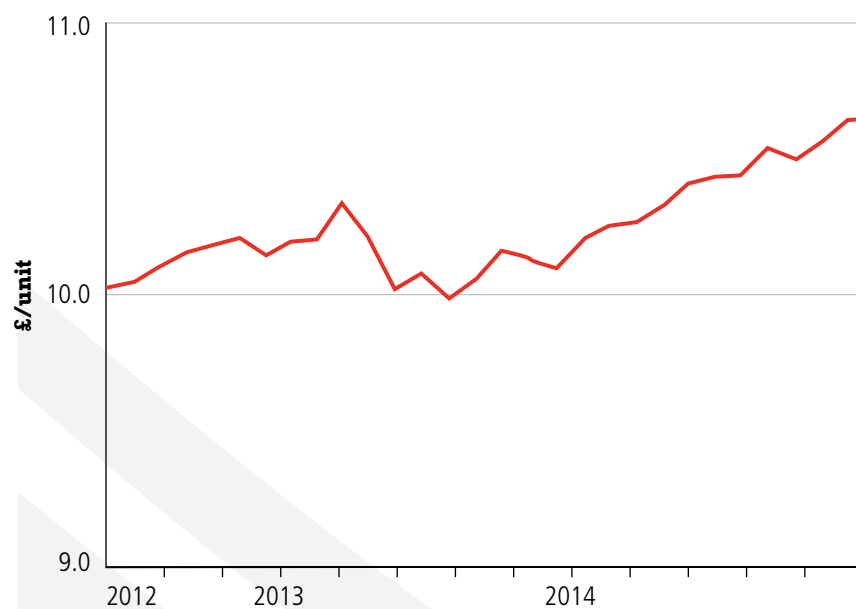
Infrastructure Pooled Fund Unit Price



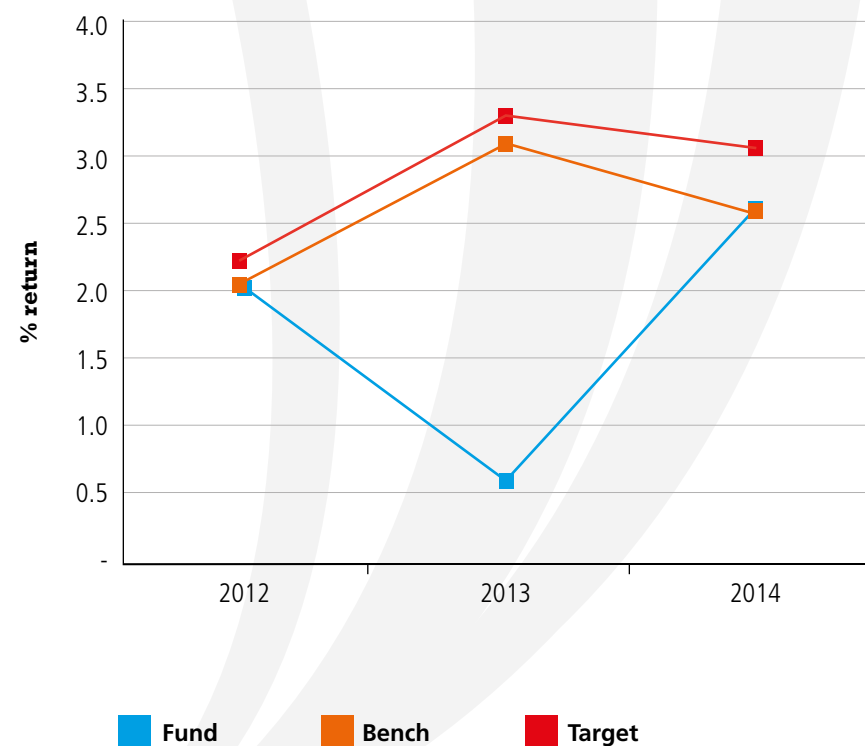
Infrastructure Pooled Fund Performance



Defensive Pooled Fund Unit Price



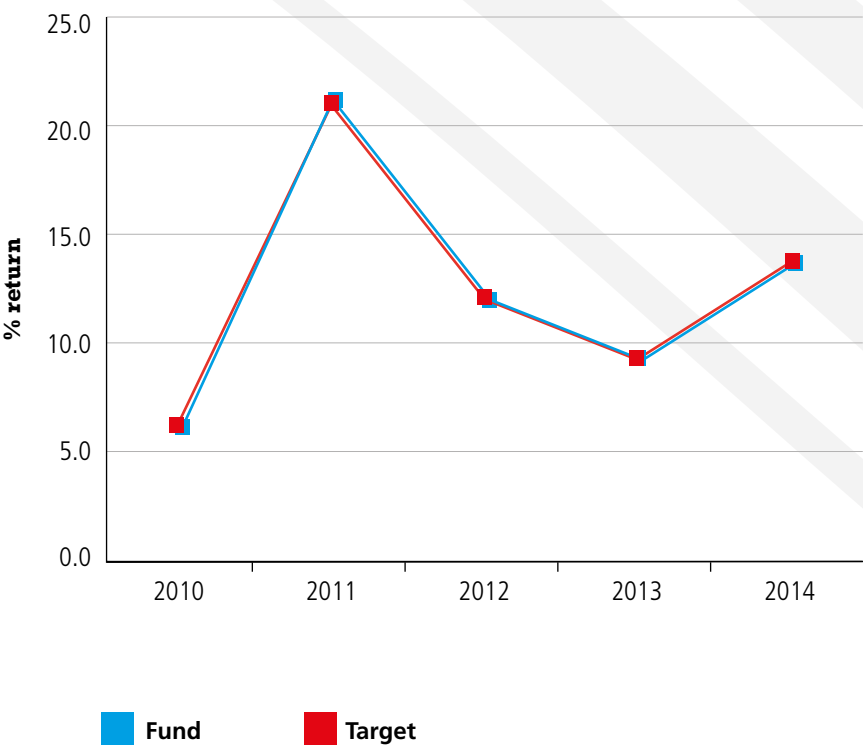
Defensive Pooled Fund Performance Since Inception



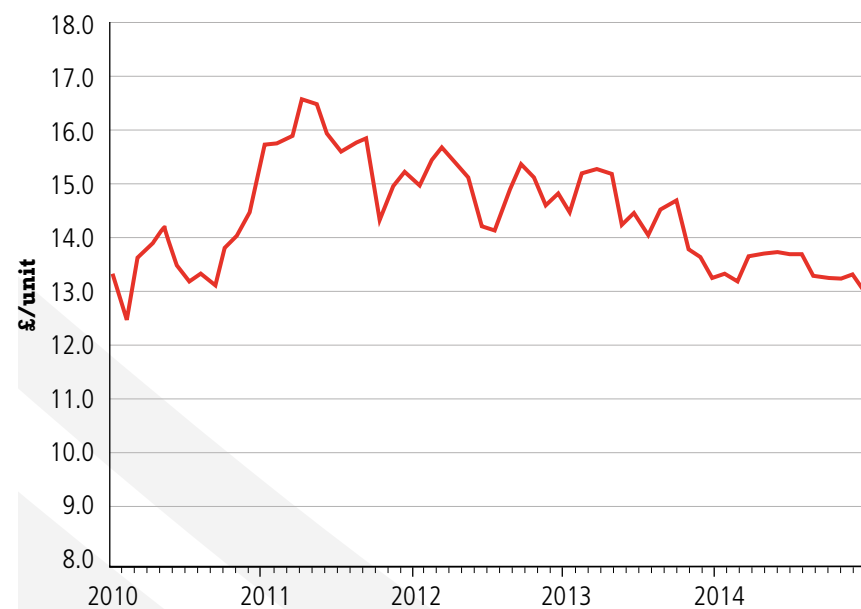
Index Linked Pooled Fund Unit Price



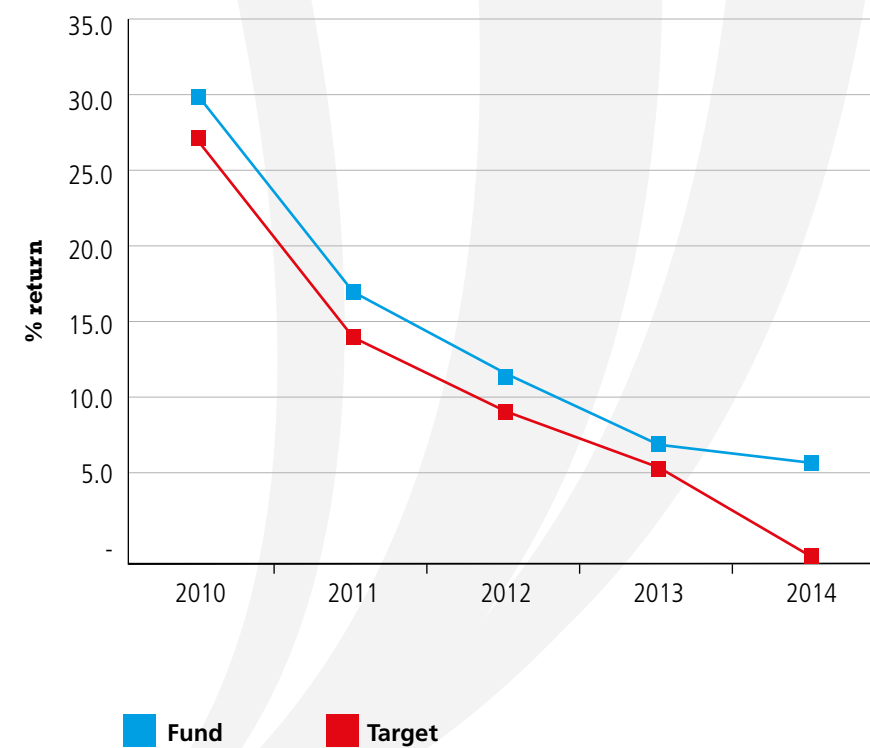
Index Linked Pooled Fund Performance Since Inception



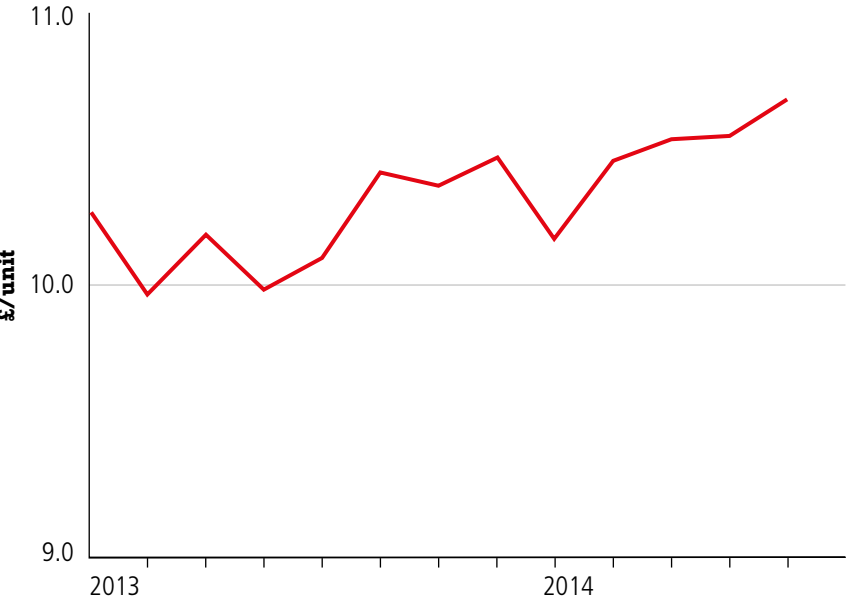
Commodities Pooled Fund Unit Price



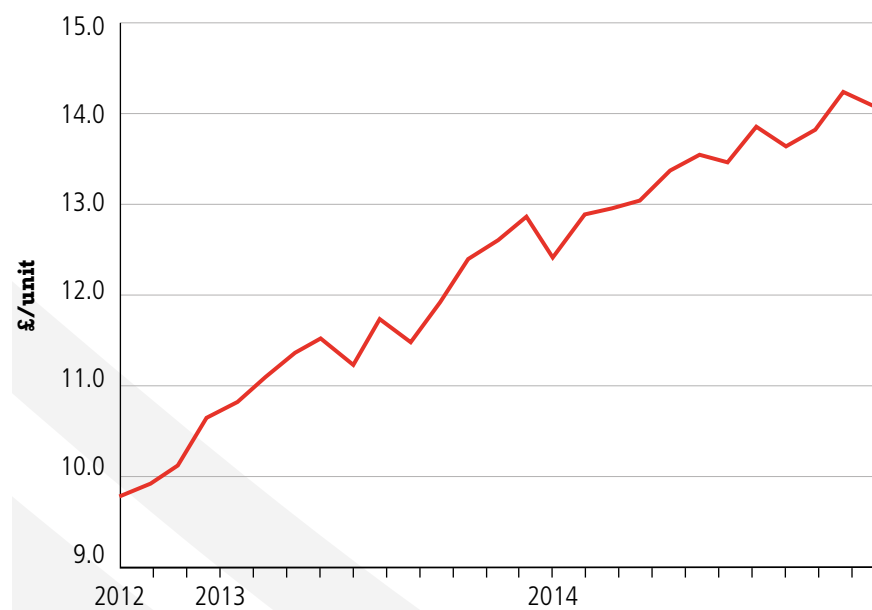
Commodities Pooled Fund Performance Since Inception



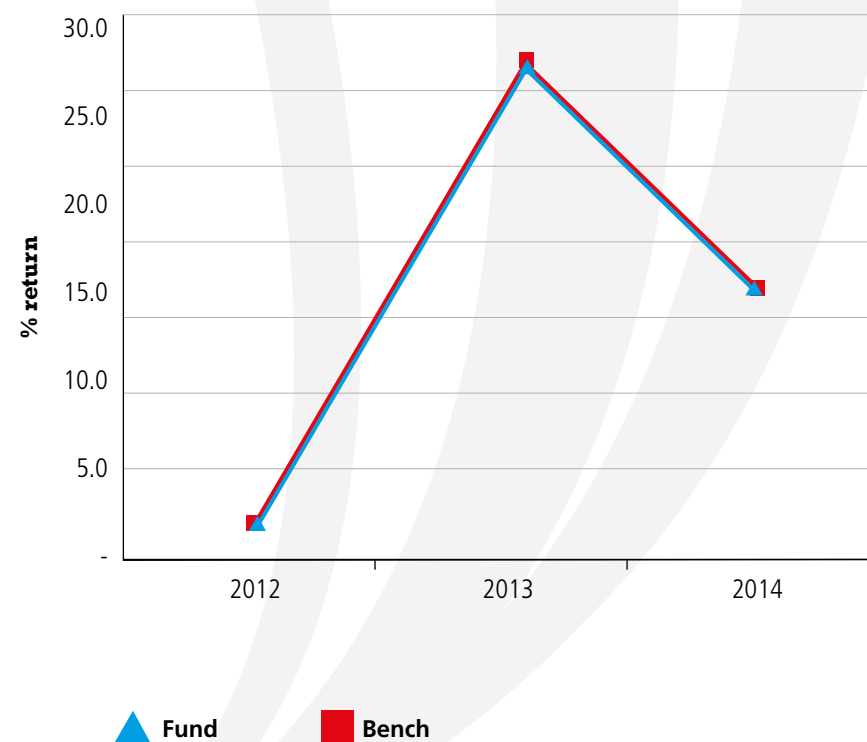
Liquid Growth Pooled Fund Unit Price



Passive Equity Pooled Fund Unit Price



Passive Equity Pooled Fund Performance Since Inception



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