



RAIL JOURNEYS
OF THE WORLD

2013

Annual Report and
Audited Financial
Statements

2013



The theme for this year's annual report and accounts is rail journeys of the world. Find out more about each journey at the back of this booklet.

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Chairman's Introduction



“

Late in 2012, your Trustee announced that it intended to perform a wide-ranging review of investment decision-making. After some preliminary investigations, work commenced in earnest in May 2013

”

On behalf of your Trustee Board I introduce the Annual Report and Audited Financial Statements of the Railways Pension Scheme ('the Scheme') for the year ended 31 December 2013.

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

Property and hedge funds also had good years, returning 11.5% and 10.6% respectively, both ahead of benchmark. Of the return-seeking assets, only commodities had a disappointing year. The asset class is extremely volatile, and the negative return of minus 8.4% (0.6% below benchmark) was reflective of falls in commodity markets generally. Since its establishment, however, the return of the Commodities (Pooled) Fund remains ahead of benchmark.

In contrast to the favourable returns from most pooled funds, defensive assets did not have a positive year. Index linked bonds returned 2.4%, while government bonds were almost flat at only 0.1%. The return on corporate bonds was minus 1%, reflecting generally rising yields over the year, and was also slightly below benchmark, though performance remains above benchmark since inception.

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

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

Chairman's Introduction

The actions agreed during the first two phases will be implemented in a third and final phase, which commenced in January 2014. Key to this phase will be engagement and consultation with pensions committees, employers, and other stakeholders, while the Trustee Company develops proposals concerning investment strategy and the range of pooled funds. The results of the 2013 actuarial valuation of the Scheme will also form an important part of these deliberations.

The latest triennial valuation of the Scheme is now underway, measuring the funding position of each section of the Scheme as at 31 December 2013. Whilst indicative results for most sections were provided to sponsoring employers in early 2014, the first set of draft results will not be available until shortly after these audited accounts are published. When the Actuary calculates the valuation results he will take into consideration a number of variables, including expected future investment returns, benefit payments, contribution payments and demographic factors. Due to a combination of these factors, many sections are expected to have a funding deficit at the current valuation which will require the sponsoring employers of those sections to agree a suitable recovery plan with your Trustee Company. Whilst these recovery plans

can result in increased contributions or changes to the sections' benefit structures, the Trustee Company will only agree to these changes if they are in the interests of all of the affected sections' stakeholders. Members of the 1994 Pensioners Section and the BR Section of the Scheme should take comfort in the protection offered to them under the Crown Guarantee provided to their sections.

Following on from our successes in previous years, I am pleased to report that your Scheme was presented with the 'Defined Benefits Communications (Private Sector)' award at the Professional Pensions Scheme of the Year awards during 2013 and I would like to use this section of the annual report to thank the staff of RPMI who have again provided an excellent service in supporting the Scheme throughout the year.

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

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

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



Derek Scott
Chairman of the Trustee Company



Following on from our successes in previous years, I am pleased to report that your Scheme was presented with the **'Defined Benefits Communications (Private Sector)' award** at the Professional Pensions Scheme of the Year awards during 2013'.



Moscow

Ekaterinburg

Novosibirsk

Irkutsk

Ulaanbaatar

Beijing

Vladivostok

RUSSIA

MONGOLIA

CHINA

TRANS-SIBERIAN
RAILWAY

2013

The Railways Pension Scheme

The Railways Pension Scheme ('RPS') is an industry-wide pension scheme created to provide funded pension arrangements in the privatised multi-employer railway industry. It was created on 1 October 1994. Active members, preserved pensioners and pensioners of the BR Pension Scheme were transferred into the RPS on that date.

The RPS is the largest of the four pension schemes managed by the Trustee Company. It is one of the largest schemes in the UK and provides pensions for 156 (2012 – 162) 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 Section. Employers may participate in more than one arrangement and in more than one section of the Shared Cost Arrangement.

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 Company 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 Company 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 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 2013, 93 of the 105 shared cost sections had active members and 45 of these 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 Railways Pension Scheme

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 2013, 40 employers (2012 – 42 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 Industry-Wide Defined Contribution Section

Employers may set up a different defined benefit section and/or defined contribution section or they can choose to join the Industry-Wide Defined Contribution Section. The Industry-Wide Defined

Contribution Section was established on 1 November 2001. The section aims to provide employers with a flexible defined contribution scheme. At the end of 2013, 20 employers were part of this section (2012 – 14 employers).

At 31 December 2013, there were three defined contribution sections (2012 – three sections) but no other defined benefit arrangements (2012 – none).

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.

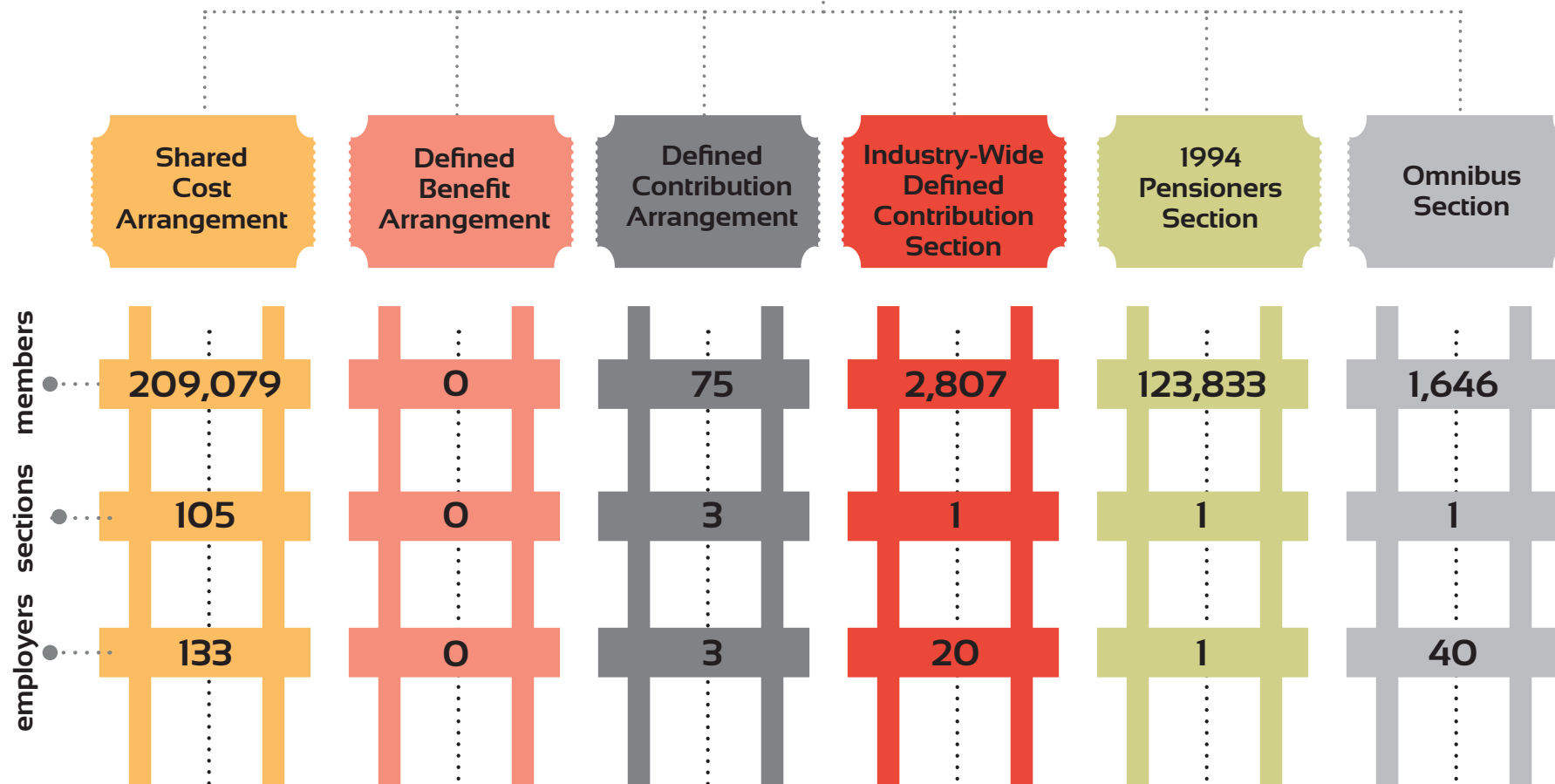
Pensions Committees

The designated employer of each shared cost section may establish a pensions committee to which the Trustee Company 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 Company'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 Company, however, retains responsibility for supervising how the committees exercise their powers and monitors necessary training undertaken by committee members.

“ The Trustee Company 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. ”



The Railways Pension Scheme



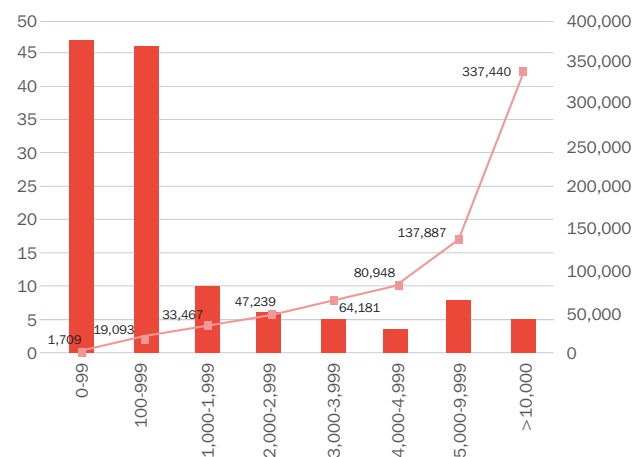
• Adjusting for those employers that participate in more than one section or arrangement, the number of employers across the RPS reduces from 197 above to 156.

Key Statistics

Five-year summary of RPS participation

	2013	2012	2011	2010	2009
Sections	111	112	111	109	107
Employers	197	199	208	212	217
Active membership	87,528	85,321	84,411	84,304	86,747
Preserved membership	108,440	109,219	109,088	109,138	108,252
Pensioners	141,472	143,668	145,278	145,118	144,340
Total membership	337,440	338,208	338,777	338,560	339,339

Comparison of membership of sections



■ Number of sections ■ Cumulative membership

Five-year summary of financial statements of RPS

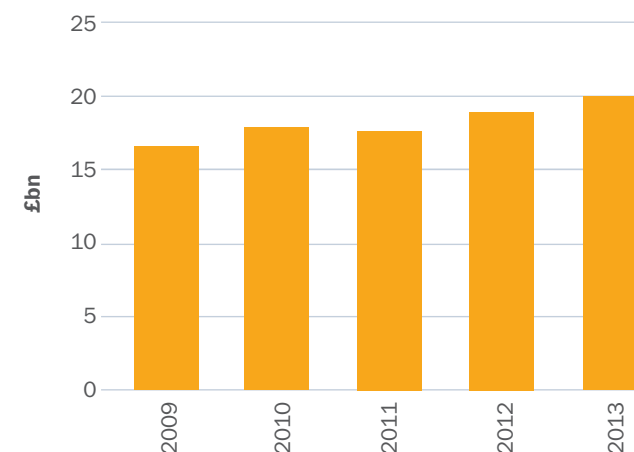
	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Scheme benefits					
Pensions	725	710	684	664	648
Lump sums	132	133	129	170	165
Death benefits	22	21	21	19	22
Total benefits	879	864	834	853	835
Contributions income					
Employees	270	263	255	255	248
Employers	366	364	423	374	361
Government	23	25	25	26	28
Total contributions	659	652	703	655	637
Net transfer values ¹	(220)	19	32	37	10
Admin expenses (including PPF)	(50)	(47)	(43)	(56)	(33)
Change in market values & interest ²	1,697	1,430	(3)	1,702	2,313
Net increase/ (decrease) in the Scheme	1,207	1,190	(145)	1,485	2,092
Net assets of Scheme	20,105	18,898	17,708	17,853	16,368

¹Net transfer values out includes £229m of RPS assets transferred to the PPF in 2013.

²Change in market values & interest includes £320m of investment income in 2013 (2012 - £265m).

Five-year summary of net assets of RPS

Total assets of the Scheme



Key statistics for 2013

Total Membership

337,440

Net increase in the Scheme

£1,207m

Net assets of Scheme

£20,105m

Audited Financial Statements

Fund account for the year ended 31 December 2013

	Notes	2013 £m	2012 £m
Contributions and benefits			
Contributions	3	659	652
Individual transfers in		19	27
		678	679
Pensions			
Group transfers out	4	(725)	(710)
Lump-sum retirement benefits		(229)	-
Death benefits		(132)	(133)
Individual transfers out		(22)	(21)
		(10)	(8)
		(1,118)	(872)
Administrative expenses			
PPF levies	5	(20)	(18)
		(30)	(29)
Total withdrawals		(1,168)	(919)
Net withdrawals from dealings with members		(490)	(240)
Returns on investments			
Change in market values	6	1,697	1,430
Net returns on investments		1,697	1,430
Net increase in the Scheme during the year		1,207	1,190
Net assets at the start of the year		18,898	17,708
Net assets at the end of the year		20,105	18,898

Net assets statement as at 31 December 2013

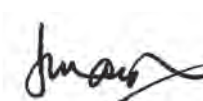
	Notes	2013 £m	2012 £m
Investments	6	20,122	18,891
Net current (liabilities)/assets	7	(17)	7
Net assets at the end of the year	10	20,105	18,898

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 2014.



Derek Scott
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.

Audited Financial Statements

Notes to the audited financial statements for the year ended 31 December 2013

1. Basis of preparation

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

2. Accounting policies

The 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 I.

b. The Trustee Company 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, Trevor Llanwarne (who will be succeeded by Martin Clarke during 2014), 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 Company 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

	2013 £m	2012 £m
Members' contributions		
Normal	196	201
Additional voluntary (including BRASS AVCs)	52	48
Deficit funding	22	14
Employers' contributions		
Normal	298	306
Deficit funding	51	39
Government support	23	25
BRASS matching	15	16
Augmentation	2	3
	659	652

Deficit funding contributions are being paid into the Scheme by both employees and employers until January 2028, or earlier, 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.

Audited Financial Statements

4. Group transfers out

Group transfers out of £229m in 2013 relate to transfers of RPS assets to the Pension Protection Fund ('PPF') in relation to members of the Relayfast and Fastline sections of the RPS along with Omnibus section members previously employed by Bridgen Holdings Limited, Catalis Limited and Western Track Engineering Limited.

5. Administrative expenses

	2013 £m	2012 £m
Pensions administration	12	10
Actuarial fees	3	2
Trustee governance	2	2
Other overheads	1	2
Legal fees	1	1
Communications	1	1
	20	18

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 I.

6. Investments

	Market values at 31/12/12 £m	Purchases at cost £m	Sales Proceeds £m	Change in market values £m	Market values at 31/12/13 £m
Pooled Funds					
Growth	8,647	1,534	(56)	790	10,915
Private Equity	1,805	7	(170)	249	1,891
Equities	2,424	-	(1,596)	385	1,213
Infrastructure	810	-	(95)	152	867
Defensive	680	139	(10)	(8)	801
Government Bond	605	157	(21)	(8)	733
Non-Government Bond	606	192	(73)	(1)	724
Cash Fund	102	662	(499)	1	266
Property	449	-	(229)	28	248
Index Linked	127	23	(18)	3	135
Hedge Funds	115	47	(92)	9	79
Passive Equity	62	-	(10)	16	68
LDI	112	-	(61)	(10)	41
Commodities	41	20	(31)	(3)	27
Cashflow matching	275	-	(275)	-	-
	16,860	2,781	(3,236)	1,603	18,008
Securities directly held by schemes					
BRASS (AVC) and DC	1,335	741	(754)	67	1,389
Substitution orders	556	13	-	27	596
	18,751	3,535	(3,990)	1,697	19,993
Other cash and cash instruments	140				129
	18,891				20,122

BRASS investments include 716,363,318 units in the PAF. Further information on the PAF can be found on page 37.

Audited Financial Statements

6. Investments (cont.)

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 13). 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 I. The percentages of the pooled funds' assets that relate to RPS investments are shown in the table below.

	% of pooled fund owned 31/12/13	% of pooled fund owned 31/12/12
Pooled Funds		
Growth	93.2	91.8
Private Equity	96.0	95.9
Equities*	96.6	98.3
Infrastructure	95.2	95.3
Defensive	94.8	100.0
Government Bond*	91.9	90.7
Non-Government Bond*	96.9	95.7
Cash Fund*	90.8	92.1
Property*	96.0	97.7
Index Linked	83.7	78.9
Hedge Funds*	75.9	83.5
Passive Equity	100.0	100.0
LDI	100.0	100.0
Commodities*	100.0	100.0
Cashflow matching	89.8	90.7

* 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

	2013 £m	2012 £m
Contributions due from employers	22	21
PPF levies	1	3
Administration expenses	(3)	(3)
Benefits payable	(4)	(8)
Taxation and social security	(7)	(6)
Assets payable to the PPF	(26)	-
	(17)	7

£26m 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 Fastline and Relayfast sections as well as the Catalis Ltd, Western Track Engineering Ltd and Bridgen Holdings Ltd employers within the Omnibus section.

£241,000 of unpaid contributions at the year-end that are on the schedules of contributions were not paid by their due date. Of these, £184,000 has since been paid and £57,000 remains outstanding. The £57,000 of outstanding contributions relate to contributions due from Railcare Limited who went into administration during 2013. An application has been made to the insolvency practitioner to pay these contributions on the employer's behalf.

8. Related party transactions

The Trustee Company and its subsidiaries, RPMI and Railpen Investments, provide services to the Scheme (explained on page 24). The charges payable, and those of external service providers, are detailed in note 5. At 31 December 2013, net current assets included a liability of £2.7m in respect of these charges (2012 – a liability of £2.7m).

At 31 December 2013, eight directors of the Trustee Company were members of the Scheme and two of these directors were also Non-Executive Directors of RPMI. 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 2013, 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.

Audited Financial Statements

10. Net assets at the end of the year

The net assets of each section of the Scheme at 31 December 2013 are shown below:

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £m
*1994 Pensioners	The Secretary of State for Transport	123,833	3,641
Abellio	Abellio Transport Holdings Ltd	38	4
Alpha Trains	Alpha Trains (UK) Ltd	27	7
Alstom Railways	Alstom Ltd	2,089	148
AMCO	Amalgamated Construction Ltd	17	1
Amev Rail	Amev Rail Ltd	2,509	165
Angel Trains	Angel Trains Ltd	237	42
Anglia Railways	Abellio Greater Anglia Ltd	904	76
Arriva Trains Wales	Arriva Trains Wales/Trenau Arriva Cymru Ltd	3,420	228
Atkins Ltd	Atkins Ltd	877	192
ATOC Ltd	ATOC Ltd	357	41
Atos	ATOS IT Services UK Ltd	1,271	227
ATOS Worldline UK Ltd	ATOS Worldline UK Ltd	166	1
Babcock Rail Ltd	Babcock Rail Ltd First Engineering Holdings Ltd First Projects Ltd	2,367	214
Balfour Beatty	Balfour Beatty Group Ltd Balfour Beatty Rail Ltd	3,213	272
BAM Nuttall	BAM Nuttall Ltd	11	1
Bombardier Transportation (Signal) UK	Bombardier Transportation UK Ltd	372	37
Bombardier Transportation c2c	Bombardier Transportation UK Ltd	167	6
Bombardier Transportation UK	Bombardier Transportation UK Ltd Bombardier Transportation (Rolling Stock) UK Ltd	1,220	105

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £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	875	116
British Transport Police	British Transport Police Authority	3,302	86
BT	British Telecommunications plc	325	13
BUPA Occupational Health	Occupational Health Care Ltd	98	9
c2c Rail	c2c Rail Ltd	1,560	80
Carillion Rail (Centrac)	Carillion Construction Ltd	372	32
Carillion Rail (GTRM)	Carillion Construction Ltd	4,006	227
Carlisle Cleaning Services Ltd	Carlisle Cleaning Services Ltd	67	2
Chiltern Railway Co. Ltd (Maintenance)	The Chiltern Railway Company Ltd	238	15
Clientlogic	Clientlogic (UK) Ltd	65	3
Colas Rail	Colas Rail Ltd	2,203	147
COMATEC	*** COMATEC UK Ltd	32	1
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 English, Welsh & Scottish Railway Holdings Ltd English, Welsh & Scottish Railway International Ltd	10,369	1,010

Audited Financial Statements

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £m
DeltaRail Group (Link)	DeltaRail Group Ltd	206	31
DeltaRail Group (Rail)	DeltaRail Group Ltd	274	65
DeltaRail Group (TCI)	DeltaRail Group Ltd	127	25
East Coast Main Line	East Coast Main Line Company Ltd	7,436	379
East Midlands	East Midlands Trains Ltd	4,100	260
Environmental Scientifics Group	Environmental Scientifics Group Ltd ESG Asbestos Ltd	299	24
Eurostar	Eurostar International Ltd	4,055	302
Eversholt Rail (UK) Ltd	Eversholt Rail (UK) Ltd	115	35
First Capital Connect	First Capital Connect Ltd	5,338	284
First Great Western	First Greater Western Ltd	11,045	613
First ScotRail	First ScotRail Ltd	7,887	501
Freightliner	Freightliner Ltd Freightliner Heavy Haul Ltd Freightliner Maintenance Ltd Management Consortium Bid Ltd	3,162	287
GB Railways	GB Railfreight Ltd	313	35
Global Crossing	Level 3 Communications UK Ltd	234	38
Great Eastern Railway	Abellio Greater Anglia Ltd	2,312	178
Halcrow Rail	Halcrow Group Ltd	244	41
HS1	HS1 Ltd	35	7
Hull Trains	Hull Trains Company Ltd	61	6

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £m
Interfleet Technology	Interfleet Technology Ltd	339	46
Island Line	Stagecoach South Western Trains Ltd	89	5
ISS Transport Services	ISS Facility Services Ltd ISS Support Services Ltd ISS Transport Services Ltd	209	6
** Jarvis Facilities	Jarvis Rail Ltd Fastline Ltd Jarvis plc	1,821	197
Lionverge	Lionverge Civils Ltd	109	5
London & South Eastern Railway Ltd	London & South Eastern Railway Ltd	8,795	521
London and North Western Railway	London and North Western Railway Company Ltd	67	7
London Eastern Railway (West Anglia)	Abellio Greater Anglia Ltd	1,190	90
London Midland	London & Birmingham Railway Ltd	5,463	333
London Overground	London Overground Rail Operations Ltd	1,384	75
London Underground	London Underground Ltd	42	1
Merseyrail	Merseyrail Electrics 2002 Ltd	2,292	134
MITIE Facilities Services	MITIE Facilities Services Ltd	45	1
Mouchel Parkman Rail Ltd	*** Mouchel Rail Ltd	7	1
National Express Services Ltd	***National Express Services Ltd	144	2

Audited Financial Statements

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £m
Network Rail	Network Rail Infrastructure Ltd	43,414	4,641
New Cross Country Trains	XC Trains Ltd	3,845	257
Northern (ex North East)	Northern Rail Ltd	5,060	343
Northern (ex North West)	Northern Rail Ltd	4,606	281
Omnibus	Aggregate Industries UK Ltd Amec Group Ltd 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 *** Mouchel Rail Ltd NG Bailey Facilities Services Ltd O2 Unify Limited Orient Express Services Ltd Phoenix IT Services Ltd *** Puccino's Ltd Rail Management Services Ltd	1,646	111

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £m
Omnibus (continued)	Railways Vehicle Engineering Ltd Rentokil Initial Facilities Services (UK) Ltd Signet Solutions Ltd Sodexo Ltd Stagecoach Supertram Maintenance Ltd Staveley Industries plc Telent Technology Services Ltd TeleTech UK Ltd **Vital Rail Ltd Voestalpine VAE UK Ltd VolkerRail Specialist Businesses Ltd Vossloh Cogifer UK Ltd Weatheralls Management Services Ltd Weedfree Ltd West Coast Railway Company Ltd Wetton Cleaning Services Ltd		
Owen Williams Railways	Amey OWR Ltd	332	56
Porterbrook	Porterbrook Leasing Company Ltd Porterbrook Maintenance Ltd	166	33
Qjump	Qjump Ltd	125	3
Rail Gourmet UK Ltd	Rail Gourmet UK Ltd Rail Gourmet Waterloo International Ltd	451	28
**Railcare (2007)	Railcare Ltd	340	39

Audited Financial Statements

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £m
RPMI	RPMI Ltd	647	56
RSSB	Rail Safety and Standards Board Ltd	425	66
Scott Wilson	URS Infrastructure and Environment UK Ltd	212	42
Serco	Serco Ltd	568	53
Serco (UK) Services Ltd	Serco (UK) Services Ltd	6	0.1
Siemens	Siemens plc	91	6
Siemens Enterprise Communications Ltd	Unify Enterprise Communications Ltd	5	1
Signalling Solutions Ltd	Signalling Solutions Ltd	53	7
South West Trains	Stagecoach South Western Trains Ltd	10,892	597
Southern	Southern Railway Ltd	9,808	439
Specialist Computer Centres	Specialist Computer Centres plc	33	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	553	38
Thales Information Systems	Thales Information Systems Ltd	29	4
Thales Transport and Security	Thales Transport and Security Ltd Thales Corporate Services Ltd Thales UK Ltd	1,998	247

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £m
The Chiltern Railway Company	The Chiltern Railway Company Ltd	1,236	88
The QSS Group Ltd	The QSS Group Ltd RIQC Ltd	75	8
Torrent Trackside Ltd	Torrent Trackside Ltd	8	1
TransPennine Express (Former Arriva Trains Northern)	First/Keolis Transpennine Ltd	854	66
TransPennine Express (Former North Western Trains)	First/Keolis Transpennine Ltd	640	42
Unipart Rail - NRS	Unipart Rail Ltd	617	54
Unipart Rail - Railpart	Unipart Rail Ltd	356	44
Unisys	Unisys Ltd	30	2
UPS	UPS Ltd	357	33
Voith	Voith Industrial Services Ltd	21	1
Voyages-sncf UK Ltd	Voyages-sncf UK Ltd	40	7
Wabtec Rail Ltd	Wabtec Rail Ltd	10	1
West Coast Traincare	Alstom Ltd	1,048	100
West Coast Trains Ltd	West Coast Trains Ltd	7,152	444
Westinghouse Rail Systems	Siemens Rail Automation Holdings Ltd	912	140
Wrexham, Shropshire & Marylebone Railway Company	*** Wrexham, Shropshire & Marylebone Railway Company Ltd	32	1
		334,558	20,068

Audited Financial Statements

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £m
Defined contribution arrangement			
c2c Rail Ltd	c2c Rail Ltd	18	0.02
Wales and West Passenger Trains Ltd	Wales and West Passenger Trains Ltd	2	0.004
West Anglia Great Northern Railway	West Anglia Great Northern Railway Ltd	55	0.2

Section	Employer	Total membership as at 31/12/13	Net assets at 31/12/13 £m
Industry-Wide Defined Contribution Section	Abellio Greater Anglia Ltd	2,807	37
	Babcock Rail 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		
	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			
	337,440	20,105	

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 2013

***Denotes employers that were in administration or no longer trading at 31 December 2013

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 2013 set out on pages 11 to 19. 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 23, 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

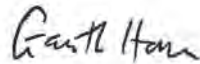
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

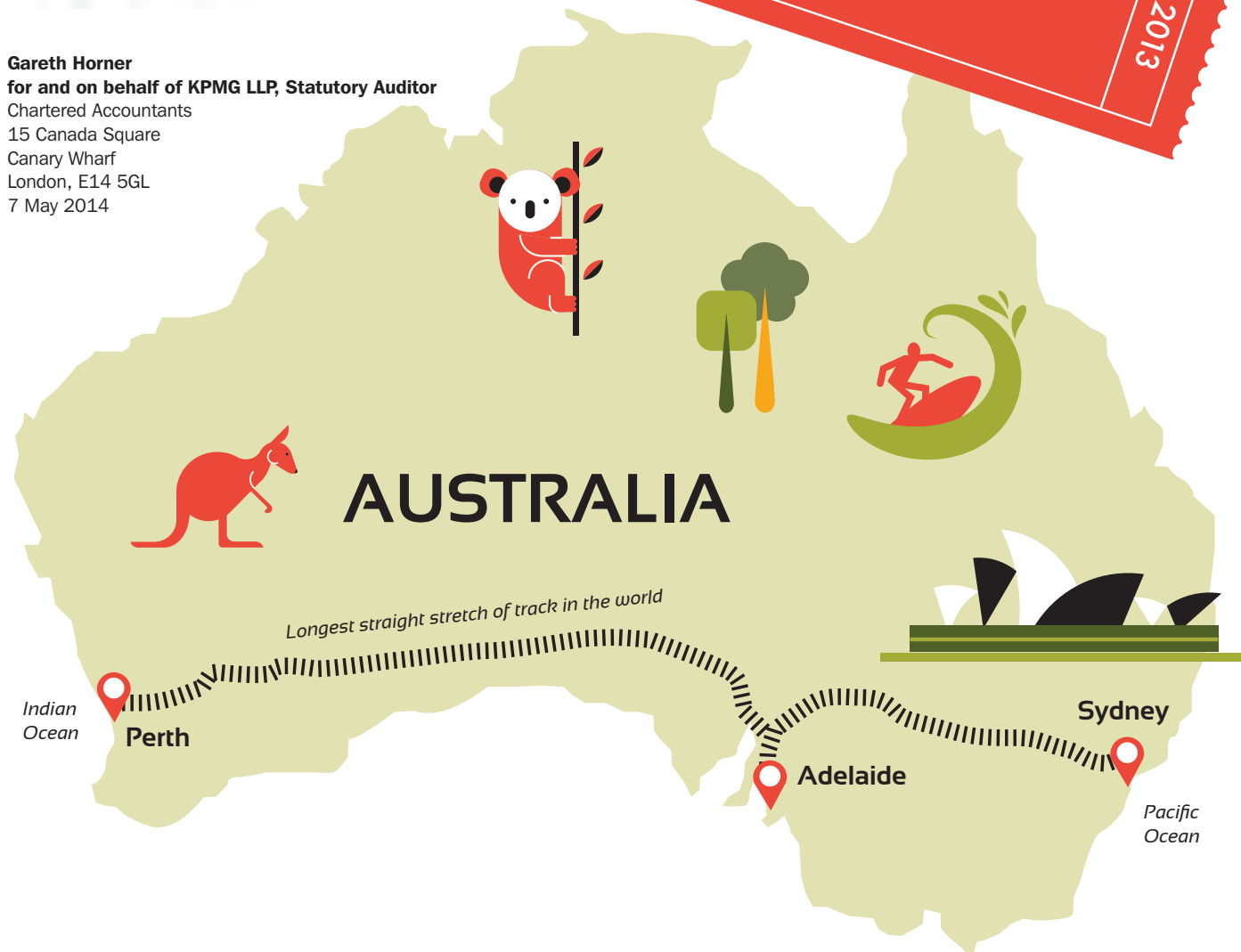
In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 December 2013, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the 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.



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



Trustee Company's 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 approaching 200 participating employers. The impracticality of agreeing one schedule means that the Trustee has decided to maintain schedules of contributions and payment schedules draw 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 Trustees 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 2013

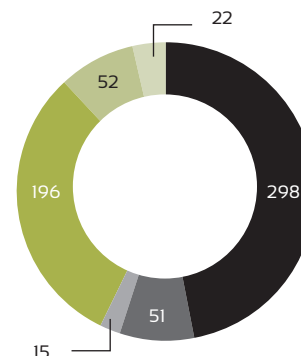
This summary of contributions has been prepared on behalf of, and is the responsibility of, the Trustee.

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 2013. The Scheme Auditor reports on contributions payable under the schedules in the Auditors' Statement about Contributions.

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

Derek Scott
Chairman

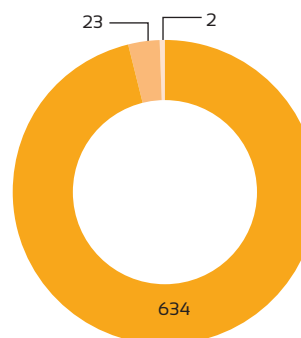
Contributions payable under the schedules in respect of the Scheme year



	£m
Employer:	
Normal contributions	298
Deficit contributions	51
BRASS matching contributions	15
Member:	
Normal contributions	196
Additional voluntary contributions	52
Deficit contributions	22
Contributions payable under the schedules	634

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)	634
Contributions payable under the section rules and recommendations of the Scheme Actuary:	
Government support	23
Augmentation	2
Total contributions reported in the financial statements	659

Independent Auditor's statement...

...about contributions to the Trustee of the RPS

We have examined the summary of contributions to the RPS for the Scheme year ended 31 December 2013 which is set out in the Trustee's Report on page 21.

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

Respective responsibilities of Trustee and Auditor

As explained more fully in the Statement of Trustee's responsibilities, the Trustee is responsible for ensuring that there are prepared, maintained, and from time to time revised, schedule of contributions and payment schedules showing the rates and due dates of certain contributions payable towards the 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.

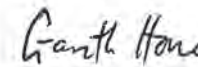
The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions and payment schedules. It is our responsibility 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 2013 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.



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

“ 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. ”



Statement of Trustee Company responsibilities...

...in relation to Audited Financial Statements

The audited financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice ('UK GAAP'), are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to 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 Company approved this report on 7 May 2014.

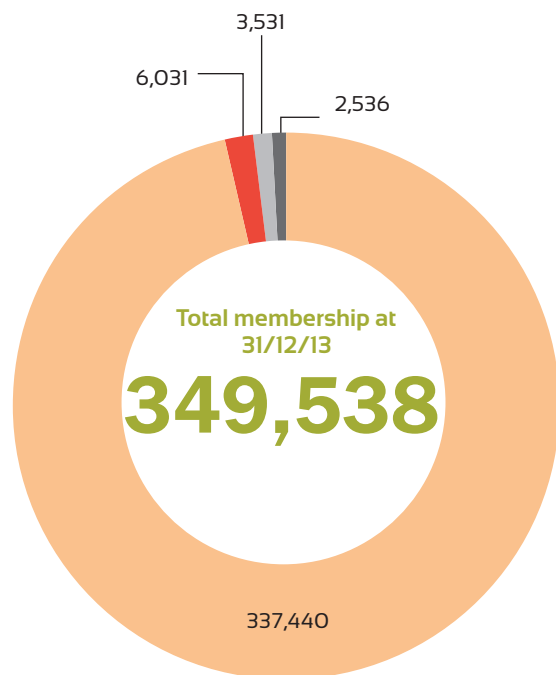


The Trustee Company Annual Report

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 and the principal employers of the other schemes of which the Trustee Company is a trustee are all encouraged to become a member of RHL. The company is owned equally by its guarantor members, irrespective of size. Each member of RHL is committed to contribute a maximum of £1 to its liabilities if it is wound up.

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

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

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

Total membership at 31/12/13

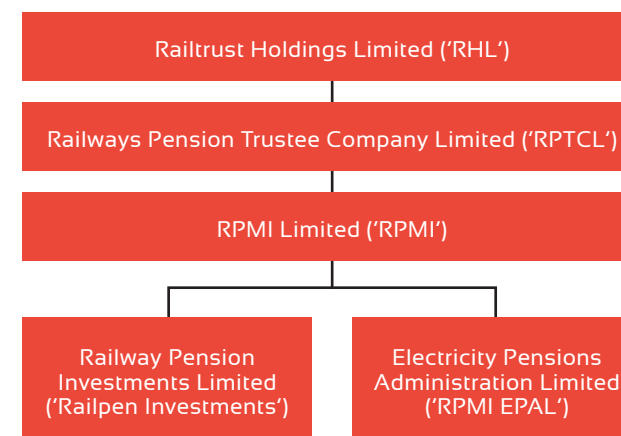
■ Railways Pension Scheme	337,440
■ British Transport Police Force Superannuation Fund	6,031
■ British Railways Superannuation Fund	3,531
■ BR (1974) Fund	2,536

The operating subsidiaries

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

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

The structure of the Trustee group as at 31 December 2013



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

The Trustee Company Annual Report









Employer director appointment procedure

The current procedure, which was introduced in 2010, is based on industry sub-sector constituencies. The nominating constituency groups and the number of directors to be appointed by each constituency are set out in the table below:

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

The voting arrangements recognise all members while giving the most emphasis to active members. If there are more nominations than vacancies, voting within the constituency groups is on the basis of the number of employee members, deferred pensioners and pensioners associated with the employer. There is one vote for each active member and half a vote for each pensioner and deferred pensioner. The 'All Employers' group continues to be one employer, one vote.

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

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









Employee director appointment procedure

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

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

In all cases, if there are more nominations than vacancies, a secret ballot is held of all active members or pensioners, as appropriate, in the 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 2013, their date of retirement by rotation, and deemed nominating constituency.

Name	Nominating constituency	Date of Retirement by Rotation
 Mick Cash	National Union of Rail, Maritime and Transport Workers ('RMT')	2016
 Tony Cotgreave	British Transport Pensioners' Federation (Pensioners' Federation)	2014
 Dave Gott	National Union of Rail, Maritime and Transport Workers ('RMT') and the Management Committee of the British Railways Superannuation Fund	2018
 Charles Harding	Confederation of Shipbuilding and Engineering Unions ('CSEU')	2014
 John Mayfield	Retired Railway Officers' Society ('RROS')	2014
 Stephen Richards	Transport Salaried Staffs' Association ('TSSA')	2018
 Gary Towse	British Railways Superannuation Fund Management Committee ('BRSF')	2016
 Dave Tyson	Associated Society of Locomotive Engineers & Firemen ('ASLEF')	2016

The Trustee Company Annual Report

Governance

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

The experience and skills of Trustee Directors are the cornerstones of the Board's effective ways of working. Directors attended between 10 and 20 Board and Committee meetings in 2013. Attendance is reported to the Board 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 Company's requirements within six months of appointment. A wide range of training is offered by external providers and RPMI, including Trustee Knowledge and Understanding ('TKU') Training. Equally as important is training on the unique characteristics and complexity of the railways pension schemes. To further support Trustee Directors, there is a dedicated area of the RPMI website which provides one easily accessible location for information relevant to their role.

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 I.

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 are expected to transfer to the PPF in 2014.

During 2013 the Railcare Limited (2007) section and Vital Rail Ltd which participates in the Omnibus Section have also 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 Company's Directors as at 31 December 2013

1. Derek Scott (Chairman of the Trustee)

Derek is a Scottish chartered accountant specialising in professional trusteeships and 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 he is also a former Government-appointed trustee of the Mineworkers' Pension Scheme (2004-2008). 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.

2. Mick Cash (Chairman of the Executive Committee)

Mick is Senior Assistant 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 Rail (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. John Chilman (Chairman of the Investment Committee)

John is Director of Reward & Pensions at FirstGroup plc. 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 and a Non-Executive Director of RPMI in 2009.

4. 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, nominated by the British Transport Pensioners' Federation and the Retired Railway Officers' Society. Tony was appointed as a Trustee Company director in June 2005.

The Trustee Company Annual Report

5. Richard Goldson OBE (Chairman of the RPMI Board)

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 and re-elected for further terms in 2004 and 2010. 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 its Board. Since January 2014, Richard has also been a Trustee Director of the Campaign for Better Transport, the charity which campaigns for sustainable transport

6. Dave Gott

Dave joined British Rail in 1980 and works in the signalling 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 and re-elected in 2012.

7. 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 appointed a director of the Trustee Company in 2008.

8. Chris Hannon (Chairman of the Benefits & 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.

9. 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.

10. 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 and a former director of Railnews Limited. He was a member of the 1994 Pensioners Section Pensions Committee from 1994 to 1997 and was appointed as a director of the Trustee Company in 1996.

11. 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 Chief Financial Officer 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.

12. 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 Origin Pensions Committee.

13. David Simpson

David joined the rail industry in 1986 as a BR Management Trainee and since then has worked in a variety of operational roles across the UK, including in East Anglia and the Midlands. In 2005, he moved to Scotland where he is Network Rail's Route Managing Director. He was appointed a director of the Trustee Company in 2010 and resigned as a Trustee Director on 20 January 2014.

14. 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 as 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.

15. Dave Tyson

Dave 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 Pensions Committees. He is the former president of ASLEF's Executive upon which he served between 1994 and 2004.

16. John Wilson

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.

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The Trustee Company's Directors

Trustee board and committee meetings attended:



11
11



10
13



13
13



18
18



10
10



13
13



13
15



18
20

Derek Scott

Chairman of the Trustee

Appointed by:

All employers

Term of office ending:

2016

Mick Cash

Chairman of the Executive Committee

Nominated by:

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

Term of office ending:

2016

John Chilman

Chairman of the Investment Committee

Appointed by:

Passenger Train Operating Companies

Term of office ending:

2018

Tony Cotgreave

Nominated by:

British Transport Pensioners' Federation

Term of office ending:

2014

Richard Goldson OBE

Chairman of the RPMI Board

Appointed by:

Passenger Train Operating Companies

Term of office ending:

2016

Dave Gott

Nominated by:

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

Term of office ending:

2018

John Hamilton

Appointed by:
Passenger Train Operating Companies

Term of office ending:

2014

Chris Hannon

Chairman of the Benefits & Funding Committee

Appointed by:

Network Rail

Term of office ending:

2018

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12
16



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12



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16



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13



18
20



12
15



20
21

Charles Harding

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

**Term of office
ending:**
2014

John Mayfield

**Chairman of the
Audit Committee**

Nominated by:
Retired Railway
Officers' Society

**Term of office
ending:**
2014

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

David Simpson

Nominated by:
Network Rail

Term of office ending:
2014

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

John Wilson

Appointed by:
Freight Train
Operating
Companies &
Support Services

















**Term of office
ending:**
2014

The Trustee Company Annual Report

Membership and activities of board and principal committees as at 31 December 2013

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 below.

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

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

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







A short report has been prepared on each of the Trustee Board's principal committees of 2013 which provides an overview of the main activities of those committees during the year. The reports also

list all meetings which Committee and Board members were eligible to attend, except for the Trustee Investment Monitoring Meetings of which there were two during the year. 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.

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 2013 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	2	2
 Russell Mears	2	2
 David Simpson	1	2
 Gary Towse	1	2

In addition to the above scheduled Audit Committee meetings, there were also three Risk Management Committee 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 Company 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 2013, the Committee met on two occasions. It considered the Annual Report of Business Assurance covering its internal audit and assurance activities during 2012, received reports on the progress of the 2013 internal audit plans, and considered and approved the internal audit plan for 2014. In addition, the Committee received and approved the Business Assurance Strategy and Audit Charter and considered reports from Business Assurance summarising the activities of the Risk Management Committee 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 Risk Management Committee, which meets three times a year and is attended by representatives of the Audit Committee.

Financial reporting matters considered by the Committee in 2012 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 2012 Report and Financial Statements and the External Audit Strategy for 2013. In addition, the Committee considered the requirements of the current Statement of Recommended Practice (SORP) disclosure requirements and reviewed current guidance relating to Audit Committee reporting.

The Trustee Company Annual Report

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 Company 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 Company'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 12.









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 2012 to 31 December 2012, Trustee expenses, Trustee hospitality and gifts, authorised signatories, the Pension Regulator's DC Code of Practice Checklist and how RPMI achieves value for money in its provision of administration services.

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.

Benefits and Funding Committee

The main responsibilities of the Benefits and Funding Committee ('B&F') are to manage the actuarial valuation process for the RPS and decide on contributions, benefits and other changes to sections in the railway industry pension schemes. 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	4	5
 John Hamilton	5	5
 Charles Harding	3	5
 Russell Mears	5	5
 Stephen Richards	5	5
 Dave Tyson	3	5
 John Wilson	5	5

Valuation

The actuarial valuation of the Railways Pension Scheme as at 31 December 2010 is substantially complete. The few sections which had not completed their valuation by the end of 2012 have now agreed proposals with the Trustee and formal documentation is completed for all except three sections.

During 2013, the B&F, in conjunction with the Scheme Actuary, developed the approach which is proposed to be adopted for the forthcoming actuarial valuation at 31 December 2013. This is a major undertaking which is required every three years. 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 Trustee and Scheme Actuary issued a joint consultation document at the end of September 2013 to employers and Pensions Committees seeking views on the proposals. This was reinforced with consultation forums which took place in October and November 2013.

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.

The B&F agreed the results of the annual funding update at 31 December 2012. These results have been sent to employers and show the change in funding position since the 2010 valuation.

Employer covenant

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

For the 2010 valuation, the B&F 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 with a potential value of in excess of £600m.

As well as assessing employer strength for valuation purposes, the B&F also considered the impact of various corporate transactions. In many cases, the B&F 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 B&F 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 B&F 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 B&F 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.

The Trustee Company Annual Report

During 2013, our relationship with the Pensions Regulator has continued to develop. The Regulator's representatives have a better understanding of the complexity and the atypical shared cost nature of the RPS. This has helped the Regulator's funding team when it becomes involved with the Scheme in considering whether individual sections remain appropriately funded. We have kept them aware of the approach we have taken to the valuation of the Scheme, and sought their views on the proposed approach for the 2013 actuarial valuation.

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 table, below:

Member	Number of meetings attended	Number of meetings eligible to attend
 Stephen Richards (Chairman)	6	6
 Tony Cotgreave	6	6
 Dave Gott	6	6
 Derek Scott	6	6
 David Simpson	5	6
 John Wilson	5	6

In 2013, the Case Committee held six scheduled meetings and one special meeting.

As at 31 December 2013, the Case Committee had responsibility for 85 sections of the Railways Pension Scheme.







During 2013, the Case Committee considered and made decisions on 182 cases which can be categorised as follows:

- 45 applications and reviews of incapacity benefits
- 59 applications for payment of lump sum death benefit
- 18 applications for spouse's, children's and dependant's pensions

- 17 appeals under stage 2 of the internal disputes resolution procedure
- 13 applications to re-join the Railways Pension Scheme
- 12 applications for early payment of preserved benefits
- 5 reviews of eligible dependant's pension after being in payment 10 years
- 13 Clause 7E - forfeiture of benefits cases

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, 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 2013 is shown in the following table:

Member	Number of meetings attended	Number of meetings eligible to attend
 John Wilson (Chairman)	5	5
 Chris Hannon	5	5
 Charles Harding	3	5
 Russell Mears	4	5
 Gary Towse	4	5
 Dave Tyson	4	5

The DCC was established at the beginning of 2013 as the Trustee recognised that it was important to spend more time dedicated to the schemes' AVC and DC arrangements. The DCC receives regular reports on the administration and investment performance of these arrangements and considers the best ways to support members to achieve good outcomes at retirement. To do this, it oversees the types of investments offered, the options available to turn DC funds into retirement income, and how the scheme is communicated to members. The Committee monitors how members choose to invest their funds and how they engage with their pension savings to encourage them to make the best decisions for their circumstances and to plan for their future.

During the year, the DCC has overseen the transition of members' funds (other than the BRASS Pension Assured Fund) into a new range of investment funds. It is anticipated that the majority of the assets in the Pension Assured Fund will be transferred early in 2014. We have also seen the automatic enrolment of many new members into the IWDC Section following a change in pensions legislation. The DCC has received briefings on changes to the law and participated in several government consultations, as well as receiving training on the governance of DC pension arrangements; the Rules governing the Trustee's DC arrangements; ways in which members can be supported as they approach retirement; alternative approaches to investment in the early stages of retirement; and the Pensions Regulator's new DC Code of Practice and Guidance.

The DCC is very pleased to report that in March 2013 the RPS IWDC Section was awarded Pension Quality Mark READY status. The Pension Quality Mark (PQM) was set up in 2009 by the National Association of Pension Funds and is a standard that recognises high quality DC schemes through an assessment of their governance, communications and contribution levels. 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 contribution standards.

The DCC continues to monitor the best practices in DC scheme governance, administration and investment to help members aim for the best outcomes for them at retirement.









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.

The Trustee Company Annual Report

Membership and attendance during 2013 by Committee members are shown in the table below:

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

*External nomination

¹ Dave Gott was appointed to the Committee on 20 March 2013

² Charles Harding retired from the Committee on 20 March 2013

Richard Goldson, as Chairman of the RPMI Board, is invited to attend meetings of the Executive Committee. He attended all 3 meetings held in 2013.

Transparency and accountability between RPMI and the Trustee Company 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 2013 are Richard Goldson (Non-Executive Chairman of the Board of RPMI), John Chilman, Gary Towse and David Tyson.

The main task for the Committee in 2013 was a review of the charges from RPMI to the RPS. Charges are reviewed every two or three years. The Trustee Company agreed that there should be no increase in RPMI administration charges for the two years 2014-2015, with the expectation this would continue also into 2016.










The next charging review will be in 2016.

Investment Committee

The main responsibilities of the Investment Committee are to consider the investment strategy, risk-budgeting and asset allocation for the RPS and to review and monitor the performance of the pooled funds and the underlying investment managers and the custodian.

The Investment Committee met on seven occasions in 2013. This was an increase on 2012, reflecting the increased volume of work, notably in respect of a detailed review of investment governance and decision-making within the rail schemes which is commented on further below. Five of the meetings followed an established pattern and two were added specifically to examine proposals arising from this governance review. In addition to the above meetings, a Trustee workshop was held in the autumn focusing on the governance review.

The membership and attendance of the Committee is shown in the table below:

Member	Number of meetings attended	Number of meetings eligible to attend
 John Chilman (Chairman)	5	5
 Tony Cotgreave	5	5
 Richard Goldson	5	5
 Chris Hannon	4	5
 Chris Hitchen*	5	5
 Virginia Holmes*	5	5
 John Mayfield	5	5
 Peter Stanyer*	5	5
 Gary Towse	5	5

* External Appointees

Overall investment governance – the Committee considered, in late 2012, an outline proposal for undertaking a detailed review of investment decision-making within the rail schemes, based in

part on a high level study carried out by independent consultants. A more detailed proposal was approved by the Committee at its first meeting in 2013 and the resulting review commenced in May 2013. The review is split into three phases. Phase 1 (May – August 2013) included a re-evaluation of the Trustee's investment beliefs (see below) and an examination of the governance structure at both the trustee and operating company level. Phase 2 (September – December 2013) comprised a more fundamental evaluation of the processes and operations employed in the investment process. The focus of Phase 3 (commenced January 2014) is to implement the agreed outcomes from the earlier two phases. This will include informal engagement with employers, Pensions Committees and other stakeholders and, in due course, formal consultation as proposals are developed in relation to the pooled fund range.

The Committee is indebted to a sub-committee which was established specifically to oversee Phases 1 and 2 of the governance review and which met frequently through the second half of 2013.

Investment Beliefs – an early strand of work in the governance review was to re-examine the Trustee's investment beliefs which built on the work, including a trustee workshop, carried out in 2012. Further work was carried out by both the Committee and the RPMI Executive, the outputs of which formed the backbone of the beliefs exercise carried out in the summer of 2013.

Investment Strategy – one of the Committee's main tasks is to review section-specific investment strategy. 2013 was a relatively quiet year as much of the work considering strategies, in response to the 2010 actuarial valuation, took place in 2011 and 2012. In forming its view, the Committee examines the risk (volatility) and return expectations relative to liabilities (referred to as 'risk-budgeting') informed by matters such as the valuation results, employer covenant and section maturity. The Committee continued to apply a number of policies in the setting of strategies, originally adopted in 2012, in order to ensure consistency across sections.

Work also commenced on the development of 'liquidity budgets' examining each section's liability cash flow patterns against the liquidity of its investments, the further development of which is now encompassed within the governance review. The Committee also considered key financial assumptions looking ahead to the 2013 valuation.

The Trustee Company Annual Report

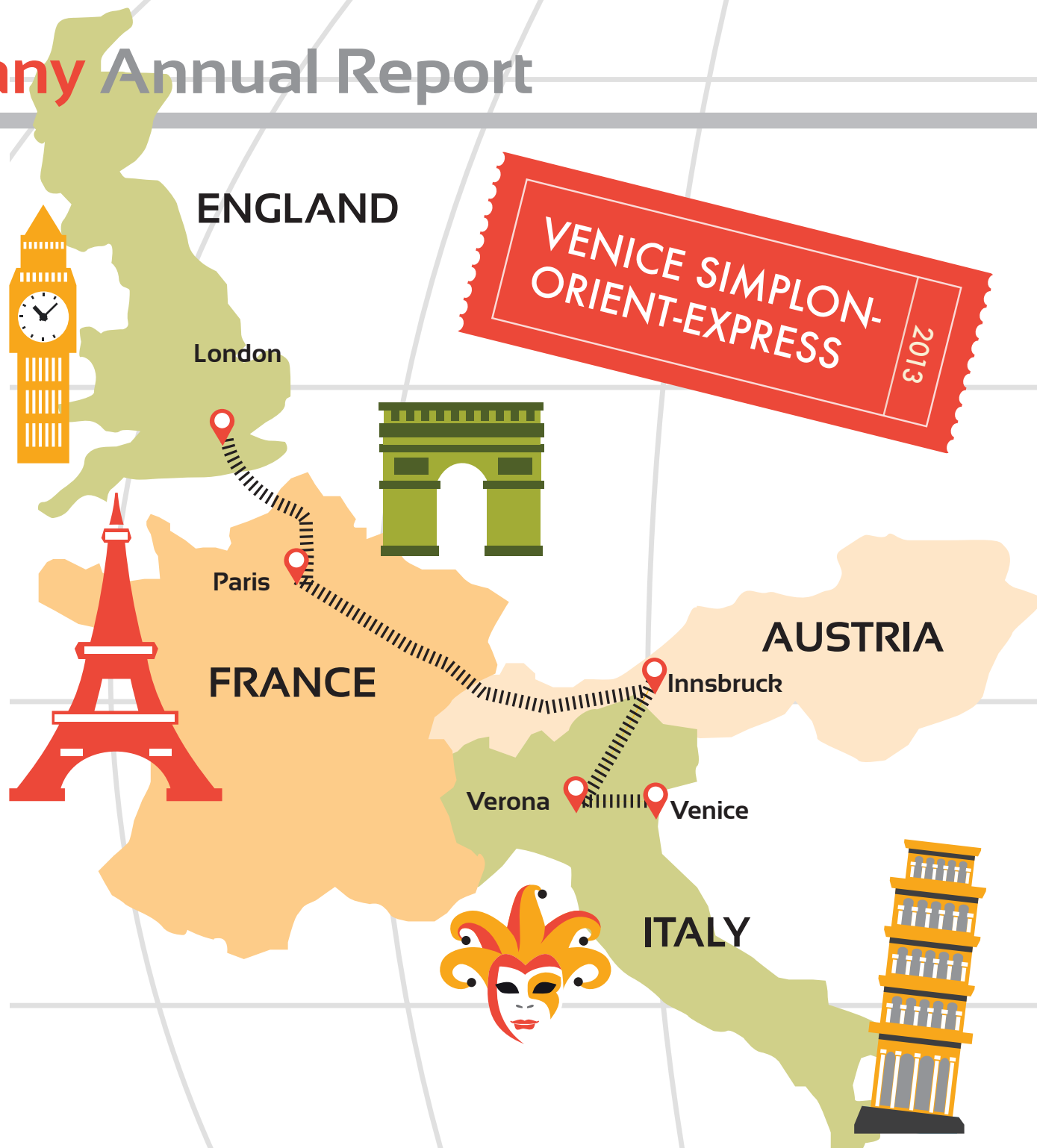
Pooled Funds – the Committee continued to receive periodic economic and market updates which allowed it to consider its overall strategy in light of recent events and emerging trends. These updates provided the general context against which decisions were made, such as modifications to the characteristics of pooled funds and strategic asset allocation considerations for the Growth and Defensive Pooled Funds.

RPMI Railpen manages the Growth Pool and decides its asset allocation, in light of the economic and market updates referred to above, within delegated authority limits set by the Committee. The Committee also sets the range of permissible assets for the Fund and proposed ranges when considering risk and asset allocation within the fund.

The Committee also considered a report summarising the results of an annual review of the services provided by the Trustee's global custodian, Bank of New York Mellon.

Investment Managers – manager appointments are determined by RPMI Railpen under an investment management agreement with the Trustee, but with the Committee commenting on significant manager appointments and terminations. In addition, there was one 'Trustee Monitoring Meeting' at which Trustee Directors met a selection of the Scheme's external fund managers and two further meetings where Pensions Committee representatives were given the opportunity to meet the RPMI Railpen senior team and a selection of managers.

Corporate Governance – the Investment Committee oversees the extensive governance activities undertaken by the Scheme globally. In this regard, the Committee sets the policies to be pursued and received regular reports on key issues arising from AGM activity in the main global markets in which the Scheme has investments. The Committee also undertook an annual review of its Stewardship Compliance Statement and its UK Corporate Governance Policy.



Investment Report

Introduction

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

Investment management arrangements

The assets of the 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.

In most cases, each pooled fund covers a single asset class. However there are also a number of multi-asset pooled funds where the mix of asset classes is variable depending on market conditions and opportunities, which these funds seek to exploit in order to capture returns more efficiently and effectively than the single asset pools. They enable 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. Single asset pooled funds are managed largely by external fund management companies selected by Railpen Investments and are actively managed where the opportunities for additional

returns are deemed to outweigh the additional costs; that is, the fund management companies try to add value in addition to the benchmark returns. Where active management is considered less likely to be successful, passive management, that is index-tracking, is utilised to ensure the most cost-effective approach. In order to align more closely the interests of the managers with those of the Scheme, a significant proportion of active managers' fees vary according to their performance against their benchmark.

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

- the introduction of a new tranche of the Private Equity Pooled Fund;
- the implementation of a change in the investment management approach of the Hedge Fund Pooled Fund away from funds of funds towards a mixed model including some direct hedge fund exposure. This resulted in the termination of Rock Creek Group, a reduction in the mandate size of Grosvenor and the increase in the mandate size of Blackstone;
- the continued implementation of additional specific Growth Pool manager mandates and direct positions, including the appointment of Dimensional, Epoch and Invesco and the increase in mandate size of Legal and General and Blackrock Advisors;
- the management of a significant reduction in the size of the Global Equity Pooled Fund, as sections sold equities prior to moving into the Growth Pool, Edinburgh Partners and River and Mercantile were terminated as part of this process;
- a number of changes in the roster of managers.

Exposure to overseas currency risk is controlled by the use of currency hedging. This process removes some of the volatility of sterling returns inherent in investing in overseas markets. There is full hedging of foreign exchange exposure in the Hedge Fund, Government Bond and Non-Government Bond Pooled Funds 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

The Trustee's Investment Committee sets investment strategy for all sections without a Pensions Committee; the Benefits and Funding Committee reviews and approves strategies determined by Pensions Committees or the Investment Committee. 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.

The majority of sections' strategy is set as a risk budget, where risk is taken to be the expected volatility of returns relative to long-dated index-linked gilts (a proxy for the pension liabilities). The risk budgeting approach facilitates a more flexible approach to asset allocation, which means that prevailing market conditions can be taken into account when managing the level of volatility risk. Each section's strategy is implemented through investment in the appropriate mix of the pooled funds operated by RPMI for the Trustee. For those adopting risk budgeting or wanting to introduce a degree of dynamic asset allocation into their strategy, investment is usually made in the Growth Pooled Fund, which invests in a range of return-seeking assets. Those sections which do not set a risk budget adopt a fixed asset allocation approach.

Following the 2010 valuation the Trustee agreed a consistent approach to setting strategy across sections according to the covenant rating and maturity. Strategies were agreed for the majority of Sections by the end of 2012 and the Trustee's principles were applied to the few remaining sections which finalised their funding plans over 2013. The Trustee continued to adopt a policy of de-risking where there is the scope and the desire to do so and, accordingly, a number of sections were de-risked somewhat during the year. In some cases a policy of dynamic de-risking was adopted in order to reduce risk in response to funding level improvements.

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.

Investment Report

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

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

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

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

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

Investment performance

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

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

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

The Global Equity Pooled Fund provides diversified exposure to global equities and uses a blend of active and passive management. The Global Equity Pooled Fund produced a return of 23.5% in 2013, which was comfortably ahead of the benchmark and target for this Fund.

The Private Equity Pooled Fund provides exposure to a highly diversified range of private equity investments. It is made up of a series of sub-funds, each representing a different vintage of private equity investment.

The Private Equity Pooled Fund produced a return of 11.4% in 2013, behind its quoted equity benchmark return. Because of the unquoted nature of these investments, there is often a significant time lag for revised information on underlying investments to flow through to the Fund valuation. Therefore, due to this lag, the return for 2013 has not fully captured the rally in equity markets.

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

The Property Pooled Fund also achieved a positive result in absolute and relative terms, with an overall return of 11.5%.

The Hedge Funds Pooled Fund had a positive return of 10.6% in 2013, which was also ahead of the benchmark return. Commodity returns were volatile over the period. The Commodities Pooled Fund generated a negative return of 3.5% in 2013 and was slightly behind the benchmark return for this Fund.

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

The return of negative 1.0% for the Government Bond Pooled Fund reflected the aggregate rise in yields of government debt over the year and was slightly below the benchmark. The Non-Government Bond Pooled Fund produced a return of 0.1%, while the strongest return within the defensive assets in 2013 came from the Index Linked Pooled Fund at 2.4%.

Section returns

There is a range of investment strategies amongst RPS sections, reflecting the diversity in terms of liability profiles and employer covenants. In 2013, the investment return produced by section assets ranged between 0% and 14%, although most section returns were in a narrower range of 6% to 9%. This reflected the diversity of returns seen in the major asset classes over the year.

Over a three-year period, the investment returns of RPS sections ranged from 3% to 7% per annum, while over a five-year time horizon, the range of returns was 7% to 10% per annum. Over a ten-year time horizon, however, the range of returns was 5% to 9%.

Investment Report

Securities lending

Securities lending forms part of the arrangements sanctioned by the regulatory authorities to maintain an orderly and more liquid securities market. With the approval of the Investment Committee, and subject to the agreements in place and the constraints on certain portfolios, custodians are able to make a proportion of securities they hold available for lending to securities houses with short-term requirements. The lending does not impact on the fund managers' investment activities. In place of the lent securities, the Scheme receives collateral in the form of cash or other securities that meet standards set on behalf of the Trustee Company. As a result of operating these securities lending arrangements, the 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 Company 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 Company. 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 31/12/13 = £1,351m
Total value of fund at 31/12/13 = £1,358m

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

At 31 December 2013, the greater part of the fund was invested in the Pension Assured Fund ('PAF') with underlying investments managed by Aviva Investors and Legal & General. Units in the PAF are guaranteed by Aviva to be worth at least £1 each to the unit holders at age 55 or on earlier death. Members retiring before age 55 may receive a discounted value depending on their age. Aviva is responsible for provision of the guarantee and the overall management of the PAF, including the issue of bonus units, asset allocation, pricing and administration of dealing in the units, subject to monitoring by RPMI.

Approximately 80% of the underlying assets are invested in a long-term bond fund and a cash portfolio, with the majority of the balance in an actively managed global equity fund. The fund has been closed to contributions since 2007 and implementation of a planned transfer of part of the fund was completed in the first quarter of 2014. This transfer was done for the benefit of members and was based on advice from Towers Watson.

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

The investment benchmarks for the BRASS funds other than the PAF are shown in the table 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 +5% p.a.)
Index-Linked and Global Bond Fund	Composite comprising Index-Linked Gilt and corporate bond indices
Deposit Fund	7 Day Sterling London Interbank Bid Rate (LIBID)



Actuary's Report

The 31 December 2010 valuation

During the year work has continued to progress on seeking to finalise the actuarial valuation of the Railways Pension Scheme as at 31 December 2010. This is the sixth valuation of the Scheme, the previous valuation having been carried out as at 31 December 2007. As for the 2007 valuation, the 2010 valuation has been 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. The Trustee and I consulted widely on the methodology and the large number of assumptions needed to do this. Ultimately it is necessary to reach agreement on these matters with the Designated Employer of each section.

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. At the time of writing, the 2010 valuation, including the formal documentation, has been completed for 99 Shared Cost sections and for the 1994 Pensioners section. Furthermore, agreement has been reached between the Trustee and Designated Employer for the three remaining sections and the formal documentation for these is expected to be completed shortly. This will formally conclude the 2010 valuation process.

For the sections for which the 2010 valuation has been finalised, the assets cover their funding target by 97% on average. Of these sections, 35 hold assets of more than 100% of their funding target and 17 sections have made changes to the benefits to be accrued for future service.

The 2011 and 2012 annual updates

In order to satisfy the requirements of the Pensions Act 2004, an interim funding update needs to be completed for each shared cost section for each year in which a full actuarial valuation is not completed. The assumptions and methodology for the annual update do not need to be formally agreed between the Trustee and Designated Employers. The assumptions used are set using a consistent approach with that used at the most recent full valuation

and with the Statement of Funding Principles. For each section a short report is issued which sets out how the funding position may have changed since the last assessment.

At the time of writing, the annual updates as at 31 December 2011 and 31 December 2012 have been completed for all but one of the sections for which the 2010 valuation has been completed. These updates showed that for most sections funding levels have reduced by between 5% and 15% since 31 December 2010. This is mainly a result of returns on most asset classes being lower than anticipated in the valuation. In addition, changes in the outlook for future investment returns and contribution payments had an impact on the results.

No formal action is required to be taken by the Trustee or Designated Employers following these annual updates; in particular, the Schedule of Contributions agreed for each section following the 31 December 2010 valuation remains in force and does not need to be reviewed until the next full actuarial valuation of the RPS as at 31 December 2013.

In addition, initial actuarial valuations have been completed for four new sections of the RPS: as at 31 December 2011 for the Hull Trains section and the London and North Western Railway section, and as at 31 December 2012 for the Voith section and the Amco section.

The 31 December 2013 valuation

At the same time, work for the formal actuarial valuation as at 31 December 2013 has begun and the process of consulting with relevant parties is well progressed. Indicative results for most sections were issued at the end of February and the formal draft results will follow at the end of May. While the final position will not be known for all sections until relevant discussions are concluded, some preliminary observations are possible.

Various changes to the assumptions are expected as detailed during the consultation process. The expected impact of these changes on funding levels since the last actuarial valuation is likely to vary between sections depending on their covenant category and membership profile.

Overall I expect that the funding levels disclosed by the draft results will be close to or only slightly lower than the corresponding funding level from the 2010 valuation for many sections, especially for larger sections with stronger covenant ratings. However, other sections may see a more significant reduction in funding level and it is expected that most sections will remain less than fully funded (i.e. with assets less than liabilities). In addition, the Government's decision to remove the option for schemes to contract out of the State Second Pension from 2016 may lead to further changes to benefits for future service for many sections. Both aspects will need to be reflected in the final contribution arrangements agreed as part of the valuation process in due course.

Defined Contribution arrangements

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

James C Wintle

Actuary to the Railways Pension Scheme

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10 April 2014

Appendices

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Appendix A: Principal advisers to the Trustee Company

Scheme and investment administrator	RPMI, Stooperdale Offices, Brinkburn Road, Darlington, DL3 6EH
Manager of investment managers	Railpen Investments, 2nd Floor, Camomile Court, 23 Camomile Street, London, EC3A 7LL
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



Appendix B: Payment of contributions

Participating employers

The Trustee Company collects contributions from most employers participating in the Scheme. As at the year-end, there were 156 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 Company 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 Company 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 Company 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 Company 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 Company.

Sections in the Defined Contribution (money purchase) Arrangement and the Industry-Wide Defined Contribution Section

As at 31 December 2013, there were 23 employers actively contributing to the Defined Contribution Arrangement and the Industry-Wide Defined Contribution 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 Company 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 Company is required by law to report to the Pensions Regulator late payments of contributions which are of material significance.

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

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

During 2013, there were 163 instances of late payment of contributions with a total value of £1.6m, which represents 0.3% of contributions payable under the schedules of contributions. The largest individual amount was £190,000 which was paid one day after the due date.



Appendix C: Custody arrangements

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

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

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

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

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

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

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

“ As part of the services provided to the Trustee Company, RPMI reviews the effectiveness of custody arrangements on a regular basis. ”

Appendix D: Responsible investment

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

General principles

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

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

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

UK Stewardship Code

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

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

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

Voting and engagement

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

UK voting and engagement alliance

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

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

UK voting disclosure

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

Executive remuneration

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

- 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.

Appendix D: Responsible investment

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

Overseas markets

In addition to our activities in the UK, active voting and engagement has been extended selectively to overseas markets since 2006 and currently extends to the USA, Continental Europe, Japan, Singapore, Australia and Hong Kong. Self-standing policies for several of our overseas markets can be found on our website at 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 Social Investment Forum, the Global Investors Governance Network, the Working Group of the International Integrated Reporting Council and various other investor corporate governance bodies, including the Council of Institutional Investors in the USA, Eumedion in the Netherlands, the Australian Council of Super Investors and the Asian Corporate Governance Association in the Far East. We are also members of Institutional Investors Group on Climate Change.

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

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

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

Pooled fund equity holdings

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

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

“ The Trustee Company considers that its fund managers and other intermediaries have a major role to play in ensuring that companies are run in a manner consistent with clients' best interests ”

Appendix E: Risk statement

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

Risk policy

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

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

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

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

Risk identification and management

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

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

include implementing or adapting internal controls, risk transfer, risk sharing and contingency planning. These actions are monitored by the Business Assurance team.

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

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

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

First line of defence:

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

Second line of defence:

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

Third line of defence:

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

The effectiveness of the internal controls is examined by the internal audit plan, which focuses on the significant risks in the risk registers and covers all major activities of the Trustee Company and operating companies. The internal audit plan is approved by the

Audit Committee. Internal audit output, in terms of any significant findings or risks identified, together with planned actions to mitigate them, are reported to the Audit Committee.

In respect of the pensions administration service provided by RPMI, an internal controls assurance report has been prepared for the year ended 31 December 2012. The report sets out a description of the relevant control objectives and procedures which operated during the period. These have been independently evaluated under the guidelines of the International Standard on Assurance Engagements 3402 (ISAE 3402) and the Institute of Chartered Accountants in England & Wales Technical Release, 'Assurance reports on internal controls of service organisations made available to third parties (AAF 01/06)'.

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

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

Appendix F: Statement of Investment Principles

Under the Pensions Act 1995 (as amended) and the Occupational Pension Schemes (Investment) Regulations 2005 the Trustee Company 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 Company 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 Company 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 Company 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 Company will only consult with employers participating in that particular section.

An overview of the provisions in the Scheme and section SIPs is set out below.

Investment objectives

The Trustee Company'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 Company 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 Company. 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 above. 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 Company (or RPMI under delegated authority) in order to comply with the risk budget in the manner the Trustee Company 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, is included in an appendix to the overarching Scheme SIP and is also set out in the pooled fund accounts in Appendix I.

Asset management

The investment of the assets within each pooled fund is delegated to fund managers appointed by Railway Pension Investments Limited ('Railpen'). There are a number of managers within most pooled funds, in order to attempt to diversify the risk of underperformance attached to any individual fund manager.

Where the Trustee Company or 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.

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, 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 Company 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 Company, the Pensions Committees (where appropriate) and the relevant employer.

Risk management

The Trustee Company 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 Company's Annual Report on pages 30-31.

RPMI advises the Trustee Company 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.

Appendix F: Statement of Investment Principles

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 Company'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 Company 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 set out in appendices to the overarching SIP, although the offering is reviewed regularly and may be changed from time to time. The range of funds offers diversification by both region and asset class.

Costs

The Trustee Company aims to implement Scheme and section strategy in the most efficient manner possible, using internal resources wherever appropriate. Fees to external fund managers are either ad valorem or performance-related (or some combination), depending on mandate specifics. Railpen has a policy of concluding fee negotiations as far as possible prior to awarding mandates, but thereafter fee levels are kept under regular review and renegotiated from time to time.

Transaction costs incurred by the investment managers are monitored by an independent third party or parties on behalf of RPMI. In addition, RPMI requires its UK fund managers to comply with the Investment Management Association's Pension Fund Disclosure Code (2007) and its overseas fund managers to demonstrate similar standards of disclosure.

Socially responsible investment

The Trustee Company expects Railpen's fund managers to take into account social, environmental and ethical considerations in selecting, retaining and realising investments, where these factors are likely, in the fund manager's view, to have a material impact on the performance of the portfolio.

Policy on corporate governance and voting

The Trustee Company attaches particular importance to the maintenance of good standards of corporate governance by companies in which it invests. The Trustee Company believes that institutional investors have a general fiduciary responsibility to ensure that investments are managed in the long term interest of their beneficiaries and asserts that shareholder value can be improved through constructive consultation and engagement with companies and wider corporate governance initiatives.

The Trustee Company has corporate governance policies for various markets and expects its fund managers in those markets to comply with the relevant policy. A copy of these policies is available to members on request. As part of these policies, the Trustee Company supports the principles, as revised from time to time, in the UK Stewardship Code published by the Financial Reporting Council and expects similar standards to be followed by UK and overseas fund managers. Railpen requires managers to report regularly on their compliance with these policies and to provide post-hoc quarterly reports on voting and other significant matters.

Through RPMI, the Trustee Company will take further action in relation to individual companies, whether independently or with other parties, where it considers it in the best interests of beneficiaries to do so. The Trustee Company endeavours to vote on all resolutions at all Annual and Extraordinary General Meetings of UK companies in which it has holdings and has done so since 1992. It has now extended voting selectively to overseas markets.

“ The Trustee Company attaches particular importance to the maintenance of good standards of corporate governance by companies in which it invests ”

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 Industry-Wide Defined Contribution 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 below. 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.

Defined contribution sections

Industry-Wide Defined Contribution 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 5% of pensionable pay, and retirement ages range from 60 to 65. Lump sums are 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 2.2% with effect from 8 April 2013. This is based on the Consumer Price Index (CPI) inflation figure as at September 2012. The increase from April 2014 was 2.7%. Pensions in payment and deferment in the Fund are increased in line with Orders laid by the Government under the Pensions (Increase) Act 1971.



Contributions

Contributions are based on section pay which is generally pensionable pay, plus any pensionable restructuring premiums ('PRPs') less 1½ times the basic State Pension for a single person. Pensionable pay is basic pay plus, where appropriate, pensionable allowances, excluding PRPs.

PRPs are earnings which, as part of an agreement with the employer to restructure pay, become pensionable for future service only from the date that pay was restructured. Pensionable pay and PRPs are re-assessed on the first Monday in July each year, based on the member's section pay on the previous 1 April. Contribution rates are subject to review at each actuarial valuation.

Additional voluntary contributions

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

BRASS is the AVC arrangement for the Shared Cost sections. There are limits to the maximum amount that can be paid into BRASS. If members want to pay more than the maximum BRASS limit they can do so by paying the excess into AVC Extra. AVC Extra contributions are invested in the same way as contributions to the Defined Contribution sections.

Death in service

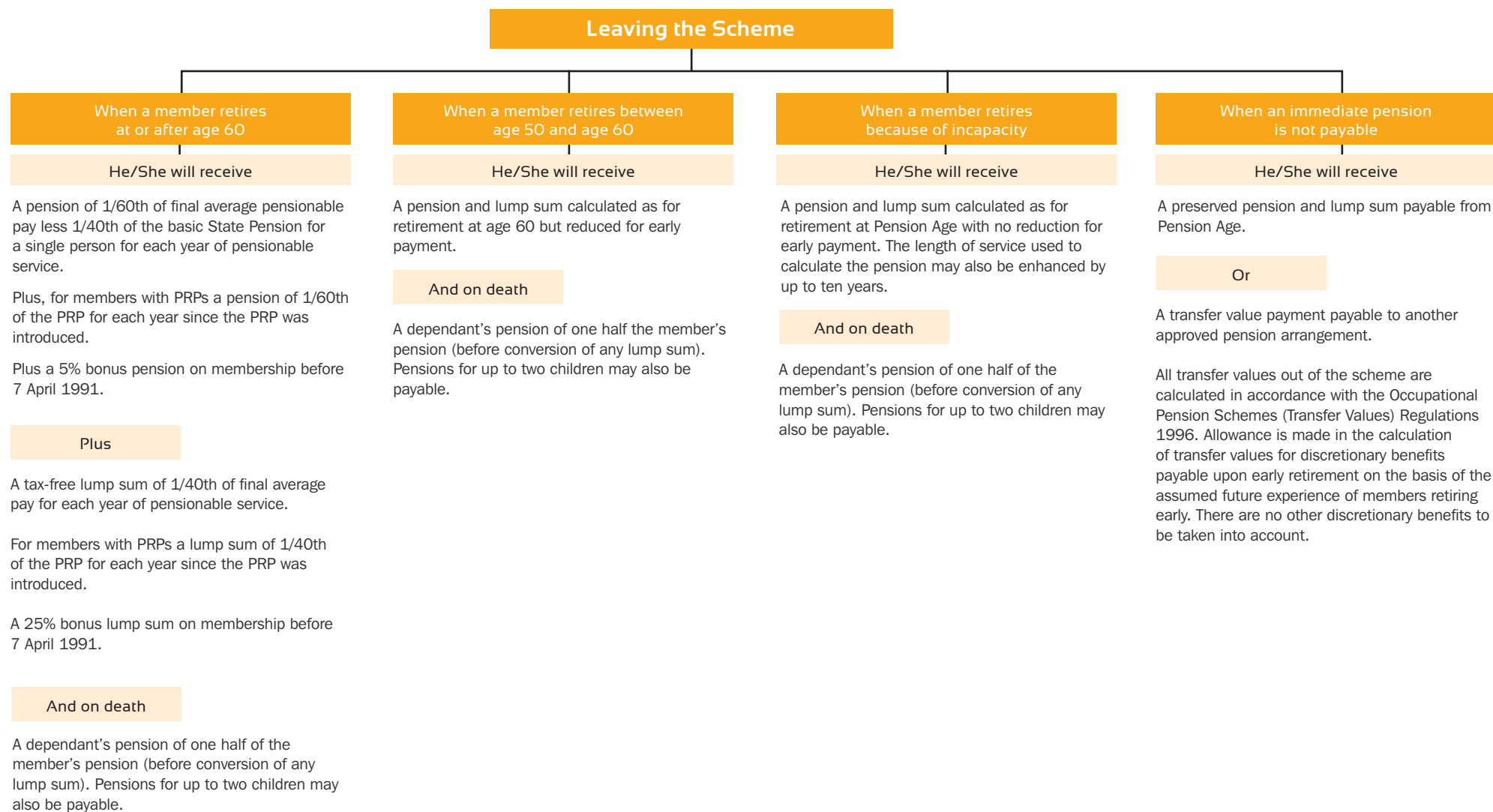
Nominated dependants or personal representatives will receive: A lump-sum death benefit of four times final average pensionable pay plus any PRPs.

Plus

A dependant's pension of one half of the pension the member would have received had he/she retired due to incapacity at the date of death. Pensions for up to two children may also be payable.

Full details of the provisions of the Scheme can be found in the Pension Trust and Rules.

Appendix G: Summary of the main provisions of the Scheme



Appendix H: Where to go for help

Trustee Company and Railpen Investments

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

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

RPMI

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

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

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

The Pensions Advisory Service ('TPAS')

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

TPAS Headquarters
11 Belgrave Road
London
SW1V 1RB

T: 0845 601 2923
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

Pension Tracing Service

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

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

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

T: 08456 002 537
W: www.gov.uk/find-lost-pension

RPS Registration number: 100541628

Appendix I: 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 2013.

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

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

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

The table on page 54 summarises the investments of each of these pooled funds as at 31 December 2013. The notes on pages 60 to 85 analyse the total pooled assets of £19,871.97m into the categories required by the SORP. The net asset value of each pooled fund at the end of the current and prior years is set out on pages 62 to 63, and the unit prices on page 61.

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 52 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 on page 52, 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 £0.22m is the best measure of the economic exposure of CDSs, as disclosed in the table on page 52.

Key pooled fund statistics as at 31 December 2013

Total assets in pooled funds
£19,871.97m

Assets held by the railways
pension schemes not in the
pooled fund
£1,431.54m

Total assets held by the
railways pension schemes
£21,303.51m

Appendix I: Pooled Fund Accounts

The economic exposure of pooled fund assets as at 31 December 2013

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

Appendix I: Pooled Fund Accounts

Accounting policies

Investments

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

- (i) Listed investments are stated at the bid price or last traded price, depending on the convention of the stock exchange on which they are quoted, at the date of the net assets statement.
- (ii) Fixed interest securities are stated at their 'clean' prices, with accrued income accounted for within investment income.
- (iii) Unquoted securities, including most investments in private equity and infrastructure (both direct and via managed funds), are included at the Trustee Company's estimate of accounting fair value based on advice from the investment managers.
- (iv) Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price, where there are no bid/offer spreads, as provided by the investment managers.
- (v) Properties are included at open market value as at the year end date determined in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards and the Practice Statement contained therein. The properties have been valued by independent external valuers, DTZ. DTZ are Chartered Surveyors and members of the Royal Institution of Chartered Surveyors.
- (vi) Exchange traded derivatives are stated at market values determined using market quoted prices. Over the counter ("OTC") derivatives are stated at the Trustee Company's estimate of accounting fair value based on advice from Markit, external valuers retained by the Trustee Company through BNY Mellon, who provide a valuation service independent of the fund managers, using pricing models and relevant market data at the year end date.
- (vii) Forward foreign exchange contracts are valued at the forward rate at the year end date.
- (viii) All gains and losses arising on derivative contracts are reported within change in market value of investments during the year.
- (ix) Foreign investments, debtors, creditors, cash and cash equivalents have been translated into sterling at the exchange rates ruling at the fund statement date.

Foreign currencies

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

Investment income

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

- (i) Dividends from quoted equities are accounted for when the security is declared ex-div.
- (ii) Interest is accrued on a daily basis.
- (iii) Property rental income is accounted for on an accruals basis in accordance with the terms of the lease.
- (iv) Sub-underwriting, commission recapture and stocklending commission are accounted for on a receivable basis.
- (v) Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.
- (vi) Investment income arising from the underlying investments of pooled investment vehicles is reinvested within the pooled investment vehicles, reflected in the unit price and reported within the change in market value.
- (vii) Income has been accumulated within the unit prices of the pooled funds and no income distributions have been made to the participating schemes.

Subsidiaries and consolidation

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

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

Derivative contracts: objectives and policies

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

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

Unit transactions

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

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

The accounting policies on pages 53 and the notes on pages 60 to 85 form part of these accounts.

Appendix I: Pooled Fund Accounts

Fund statement as at 31 December 2013

Analysis of Cross Holdings

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

The accounting policies on pages 53 and the notes on pages 60 to 85 form part of these accounts

Appendix I: Pooled Fund Accounts

Fund statement as at 31 December 2013

Movement in unit holders' funds

	In issue at start of year	Issued during year	Redeemed during year	Change in market value of investments	Reinvested income	Change in Cross Holdings	Total unit holders' funds
	£m	£m	£m	£m	£m	£m	£m
Pooled Fund							
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 53 and the notes on pages 60 to 85 form part of these accounts.

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



Derek Scott Chairman



John Mayfield Director and Chairman, Audit Committee

Appendix I: Pooled Fund Accounts

Fund statement as at 31 December 2012

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

The accounting policies on page 53 and the notes on pages 60 to 85 form part of these accounts.

Appendix I: Pooled Fund Accounts

Fund statement as at 31 December 2012

Analysis of Cross Holdings

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

The accounting policies on pages 53 and the notes on pages 60 to 85 form part of these accounts.

Appendix I: Pooled Fund Accounts

Fund statement as at 31 December 2012

Movement in unit holders' funds

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

The accounting policies on page 53 and the notes on pages 60 to 85 form part of these accounts.

Appendix I: Pooled Fund Accounts

Consolidated notes to the fund statement

1.1 Fund statement as at 31 December 2013

Assets	Note	2013 £m	2012 £m
Equities			
UK quoted		346.90	390.13
UK unquoted		0.13	0.13
Overseas quoted		2,175.40	2,406.47
Overseas unquoted		6.76	8.03
		2,529.19	2,804.76
Fixed interest securities			
UK quoted – public sector		68.56	273.51
UK quoted – non public sector		126.59	122.13
UK unquoted – non public sector		26.61	-
Overseas quoted – public sector		1,778.02	1,349.56
Overseas quoted – non public sector		1,458.33	1,494.27
Overseas quoted – non public sector		22.11	-
		3,480.22	3,239.47
Indexed linked securities			
UK quoted – public sector		10.99	-
UK quoted – non public sector		-	1.04
Overseas quoted – public sector		23.42	28.52
Overseas quoted – non-public sector		0.21	0.27
		34.62	29.83
UK Property		1,516.68	1,552.68
Pooled investment vehicles			
UK unquoted			
– property partnerships		20.23	18.47
UK unquoted			
– unithised insurance policies		2,713.98	2,110.35
UK unquoted			
– other partnerships		651.80	591.87
UK unquoted			
– other managed funds		92.28	85.85
Overseas quoted			
– hedge funds		78.64	0.21
Overseas quoted			
– other managed funds		989.92	497.48

Assets	Note	2013 £m	2012 £m
Overseas unquoted		2,445.62	2,351.14
– partnerships			
Overseas unquoted		1,653.20	1,360.34
– hedge funds			
Overseas unquoted		94.56	-
– unit trusts			
Overseas unquoted		626.83	576.14
– other managed funds			
		9,367.06	7,591.86
Derivative contracts			
Forwards – OTC	1.5	0.03	0.27
Futures – exchange traded	1.5	20.83	9.19
TBA contracts – OTC		-	1.33
Swaps – OTC	1.5	1.51	2.43
Swaps – exchange traded		-	0.77
Options – OTC	1.5	0.05	0.28
Options – exchange traded		-	0.01
FX contracts – OTC	1.5	179.79	112.27
		202.21	126.55
Cash deposits and cash instruments	1.6	2,718.86	2,715.16
Other assets			
Other investment assets	1.7	161.66	156.42
Current assets	1.9	6.78	8.93
		168.44	165.35
Total assets		20,017.28	18,225.66

Liabilities	Note	2013 £m	2012 £m
Derivative contracts			
Forwards – OTC	1.5	-	(0.21)
Futures – exchange traded	1.5	(9.26)	(7.39)
TBA contracts – OTC		-	(0.16)
Swaps – OTC	1.5	(1.53)	(1.98)
Options – OTC	1.5	-	(0.06)
FX contracts – OTC	1.5	(32.52)	(24.09)
		(43.31)	(33.89)
Other liabilities			
Other investment liabilities	1.8	(57.16)	(61.54)
Current liabilities	1.10	(44.84)	(51.65)
		(102.00)	(113.19)
Total liabilities		(145.31)	(147.08)
Net assets attributable to unit holders		19,871.97	18,078.58

Appendix I: Pooled Fund Accounts

1.2 Pooled fund unit prices as at 31 December

	2013 £/unit	2012 £/unit
Cash Pooled Fund	10.16	10.13
Commodities Pooled Fund	13.46	14.76
Global Equity Pooled Fund	65.04	52.90
Government Bond Pooled Fund	11.29	11.43
Growth Pooled Fund	12.61	11.62
Hedge Funds Pooled Fund	15.01	13.63
Index Linked Pooled Fund	54.31	53.19
Infrastructure Pooled Fund	9.58	8.02
Non Government Bond Pooled Fund	11.97	12.00
Property Pooled Fund	65.98	59.76
Defensive Pooled Fund	10.10	10.21
Passive Equity Pooled Fund	12.83	10.14
Liquid Growth Pooled Fund (From May 2013)	10.36	-
Cashflow Matching Pooled Fund		
Cashflow Matching 2012 Pooled Fund (Until March 2013)	-	10.21
Cashflow Matching 2013 Pooled Fund	7.31	10.40
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	5,221.57	292.42
Direct Investment Pooled Fund 1997	193.22	156.01
Direct Investment Pooled Fund 1998	13.05	12.97
Direct Investment Pooled Fund 1999	26.47	11.73
Direct Investment Pooled Fund 2000	17.16	16.20
Private Equity Pooled Fund 2001	28.89	22.99
Private Equity Pooled Fund 2004	27.01	23.53
Private Equity Pooled Fund 2005	23.98	20.74
Private Equity Pooled Fund 2007	14.30	12.65
Private Equity Pooled Fund 2009	51.38	13.73
Private Equity Pooled Fund 2011	9.88	9.62

	2013 £/unit	2012 £/unit
Liability Driven Investment Pooled Fund		
LDI Nominal 2025 Pooled Fund	13.13	21.04
LDI Nominal 2030 Pooled Fund	13.73	20.98
LDI Nominal 2035 Pooled Fund	14.52	20.43
LDI Nominal 2040 Pooled Fund	15.80	20.00
LDI Nominal 2045 Pooled Fund	15.89	18.89
LDI Nominal 2050 Pooled Fund	16.18	17.98
LDI Nominal 2055 Pooled Fund	16.34	17.33
LDI Nominal 2060 Pooled Fund	16.72	17.21
LDI RPI 2015 Pooled Fund	10.95	11.19
LDI RPI 2020 Pooled Fund	14.51	15.74
LDI RPI 2025 Pooled Fund	15.27	19.02
LDI RPI 2030 Pooled Fund	16.04	18.99
LDI RPI 2035 Pooled Fund	17.85	18.45
LDI RPI 2040 Pooled Fund	18.40	17.46
LDI RPI 2045 Pooled Fund	18.19	16.64
LDI RPI 2050 Pooled Fund	18.23	16.14
LDI RPI 2055 Pooled Fund	18.57	15.74
LDI RPI 2060 Pooled Fund	18.89	15.46
Defined Contribution Pooled Fund		
Brass Pooled Fund (Cautious) (Until May 2013)	-	12.37
Brass Pooled Fund (Growth) (Until May 2013)	-	12.37
DC Global Equity Fund (From May 2013)	11.04	-
DC Long Term Growth Fund (From May 2013)	10.35	-
DC Deposit Fund (From May 2013)	10.02	-
DC Index Linked and Global Bond Fund (From May 2013)	9.77	-
DC Aggregate Bond Fund (From May 2013)	9.71	-

Appendix I: Pooled Fund Accounts

1.3 Value of the Pooled Funds

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

	2013 £m	2012 £m
Cashflow Matching Pooled Fund		
Cashflow Matching 2012 Pooled Fund (Until March 2013)	-	98.99
Cashflow Matching 2013 Pooled Fund	0.02	203.82
	0.02	302.81
Private Equity Pooled Fund		
Direct Investment Pooled Fund 1995	0.15	0.01
Direct Investment Pooled Fund 1997	0.22	0.18
Direct Investment Pooled Fund 1998	0.14	8.13
Direct Investment Pooled Fund 1999	0.15	0.64
Direct Investment Pooled Fund 2000	28.52	36.78
Private Equity Pooled Fund 2001	181.33	218.09
Private Equity Pooled Fund 2004	94.91	101.55
Private Equity Pooled Fund 2005	328.24	335.05
Private Equity Pooled Fund 2007	1,008.20	987.13
Private Equity Pooled Fund 2009	171.57	132.55
Private Equity Pooled Fund 2011	156.09	62.04
	1,969.52	1,882.15

* See breakdown into pooled fund segments right and on next page.

Appendix I: Pooled Fund Accounts

	2013 £m	2012 £m
Liability Driven Investment Pooled Fund		
LDI Nominal 2025 Pooled Fund	0.15	0.79
LDI Nominal 2030 Pooled Fund	1.28	4.68
LDI Nominal 2035 Pooled Fund	2.00	7.01
LDI Nominal 2040 Pooled Fund	5.28	14.31
LDI Nominal 2045 Pooled Fund	4.35	11.31
LDI Nominal 2050 Pooled Fund	4.37	10.63
LDI Nominal 2055 Pooled Fund	3.53	8.10
LDI Nominal 2060 Pooled Fund	6.39	13.91
LDI RPI 2015 Pooled Fund	0.46	1.83
LDI RPI 2020 Pooled Fund	2.07	6.41
LDI RPI 2025 Pooled Fund	2.78	9.69
LDI RPI 2030 Pooled Fund	2.74	9.44
LDI RPI 2035 Pooled Fund	2.62	7.60
LDI RPI 2040 Pooled Fund	0.62	1.86
LDI RPI 2045 Pooled Fund	0.42	1.17
LDI RPI 2050 Pooled Fund	0.37	0.97
LDI RPI 2055 Pooled Fund	0.33	0.78
LDI RPI 2060 Pooled Fund	0.63	1.38
	40.39	111.87

1.4 Investment income

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

Appendix I: Pooled Fund Accounts

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	75.98	1.99	-
US S&P index	48.66	1.92	-
Commodities	252.55	4.75	(4.75)
Eurostoxx index	29.67	1.61	-
Swiss market index ("SMI")	8.85	0.34	-
Japanese Topix	89.93	3.37	-
Euribor	(9.69)	0.22	-
Australian government bonds	(16.57)	0.05	-
UK government bonds	9.28	0.43	(0.06)
Canadian government bonds	(277.40)	0.17	(1.04)
Japanese government bonds	41.82	0.24	-
German government bonds	6.51	1.10	(0.45)
US government bonds	(30.08)	4.29	(2.93)
Italian government bonds	(3.33)	0.02	-
French government bonds	(1.76)	-	(0.01)
Other equity indices	8.56	0.33	(0.02)
	232.98	20.83	(9.26)

Included within net assets is £162.10m cash, £165.72m US Treasury bills, £3.63m US Treasury bonds and £47.18m US Treasury notes in respect of initial and variation margins arising on open futures contracts at the year end. The duration of futures is between one and 18 months.

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

Swaps: Swap contracts are 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	73.82	0.81	(0.77)
Credit default swaps	5 to 10	26.57	0.25	-
Credit default swaps	35 to 40	0.58	0.04	-
Credit default swaps	45 to 50	4.43	-	(0.11)
Interest rate swaps	0 to 5	199.60	0.22	(0.21)
Interest rate swaps	5 to 10	23.17	0.11	(0.44)
Interest rate swaps	10 to 15	2.52	0.07	-
Interest rate swaps	25 to 30	1.38	0.01	-
			1.51	(1.53)

Under the terms of swaps, each party may be required to place collateral with the other according to whether the outstanding position is a profit or a loss. Under the terms of the above swap contracts, the Trustee Company had deposited £0.52m of US Treasury bills and £1.38m of cash collateral at the year end. These amounts are included in the net assets of the pooled funds at the year end.

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

Appendix I: Pooled Fund Accounts

Forwards: Forward contracts are non-standardised OTC contracts that require delivery of a commodity, bond, currency or stock index, at a specified price, on a specified future date. The details of open forward contracts at the year-end date are as follows:

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

Under the terms of forward contracts, each party may be required to place collateral with the other according to whether the outstanding position is a profit or a loss. Under the terms of the above forward contracts, the Trustee Company had neither deposited nor received collateral at the year end.

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				
Interest rate swaps	Bought	87.34	0.05	-
			0.05	-

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

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

Type of contract	Currency bought million	Currency sold million	Value at year end £m
Assets			
Sterling / Yen	628.20	102,586.80	38.63
Sterling / Australian dollar	105.72	181.76	7.81
Sterling / Canadian dollar	35.12	58.93	1.66
Sterling / Hong Kong dollar	56.38	694.95	2.25
Sterling / US dollar	5,228.59	8,466.16	115.98
Sterling / Singapore dollar	31.11	61.74	1.57
Sterling / Euro	283.21	336.05	3.59
Other			8.33
			179.79
Liabilities			
US dollar / South Korean won	141.38	152,650.00	(2.09)
Yen / Sterling	30,027.77	176.13	(3.60)
US dollar / Sterling	1,304.03	795.06	(7.67)
Indian rupee / US dollar	103,136.37	8.63	(0.10)
Sterling / Euro	196.92	162.79	(1.08)
US dollar / Euro	594.28	438.55	(12.30)
Australian dollar / Sterling	54.30	30.18	(0.96)
Other			(4.72)
			(32.52)

Under the terms of FX contracts, each party may be required to place collateral with the other according to whether the outstanding position is a profit or a loss. Under the terms of the above FX contracts, the Trustee Company had received £0.38m cash, £0.25m French Treasury bonds and £0.14m French Treasury notes in respect of collateral at the year end. Contingent collateral received in this way is not reported within the pooled fund's net assets.

Included within net assets is £1.56m UK Treasury bonds and £1.15m German Government bonds in respect of collateral arising on open FX contracts at the year end.

Most FX contracts will settle by April 2014.

1.6 Cash deposits and cash instruments

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

Appendix I: Pooled Fund Accounts

1.7 Other investment assets

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

1.8 Other investment liabilities

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

1.9 Current assets

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

1.10 Current liabilities

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

1.11 Stocklending

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

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

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

Appendix I: Pooled Fund Accounts

1.12 Reconciliation of investments held at beginning and end of year

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

Appendix I: Pooled Fund Accounts

1.13 Investment managers during the year

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

	2013 £m	2012 £m
Blackrock Investment Management	3,198.16	3,573.28
Legal & General Investment Management	2,206.53	997.48
Orchard Street	1,694.43	1,577.47
Wellington Management Int	1,630.92	1,433.75
Blackstone Alternative Asset Management	1,248.30	617.76
Lazard Asset Management	958.33	644.67
Railpen Investments	790.95	827.60
Rogge Global Partners	610.72	337.55
Unigestion	367.26	272.83
Pacific Investment Management Co	351.52	436.77
Credit Suisse	343.97	320.48
Horsley Bridge Partners	288.78	256.57
Morgan Stanley Investment Management	278.04	267.47
William Blair & Company	277.30	273.38
Longview Partners	265.96	312.18
Goldman Sachs Asset Management	249.01	216.98
Grosvenor Capital Management	248.42	451.31
HarbourVest Partners	241.95	243.15
Cinven	239.70	250.85
J P Morgan Asset Management	238.48	507.98
Bridgewater	235.99	222.81
Neuberger Berman Europe	227.43	331.09
Alinda Capital Partners	219.29	225.18
Standard Life Investments	205.19	193.17
Southeastern Asset Management	174.11	217.50
Arcus Infrastructure Partners	167.85	127.52
Aberforth Partners	151.84	194.40
New Finance Capital	136.44	123.84
Invesco Asset Management	134.15	52.66
Taiyo	134.12	166.62
Dimensional Fund Advisors Ltd (from August 2013)	132.76	-
Apax Partners	132.75	140.24
Blakeney General Partners	128.30	110.29
Marathon Asset Management	122.06	96.25
Pantheon Ventures	116.61	130.47
Epoch Investment Partners (from August 2013)	111.08	-
AQR Capital Management (from December 2013)	110.43	-
Adams Street Partners	108.59	107.31
Graham Capital	108.16	69.14
Carried forward	18,585.88	16,328.00

	2013 £m	2012 £m
Brought forward	18,585.88	16,328.00
CoreCommodity Management, LLC (from February 2013)	105.24	-
Newton Investment Management	79.68	75.10
Innisfree	78.60	61.85
Ardevora	77.34	55.16
Bain Capital	61.11	49.48
Warburg Pincus	55.33	59.83
EQT Funds Management	55.00	48.46
Henderson Equity Partners	54.57	38.60
Intermediate Capital Group (from December 2013)	54.48	-
Aspect Capital	52.06	39.27
Insight Investment	49.28	120.38
Indicus Advisors	48.07	50.74
Edgbaston Investment Partners	32.94	30.73
Columbia Capital	30.25	17.70
Headland Capital Partners	29.81	33.55
Oaktree Capital Management	29.16	41.50
Scale Ventures Partners	22.70	20.90
Balderton Capital	22.68	17.70
Sequoia Capital	21.92	12.18
Khosla Ventures	21.74	15.33
Great Hill Partners	21.68	12.57
Archer Capital	20.40	38.63
Sankaty Advisors	16.49	23.27
Hony Capital	16.40	17.21
Ares Management	16.06	8.63
Westbridge Capital Partners	16.00	9.87
Institutional Venture Partners	15.87	9.27
Anacap Financial Partners	15.43	11.77
Accel Partners	15.15	8.48
KPS Capital Partners	13.35	10.99
Morningside Ventures	12.98	5.45
Innova	12.43	7.19
Highland Capital Partners	12.12	9.18
Domain Partners	10.99	8.71
Charlesbank Capital Partners	10.12	6.51
Navis Capital Partners	9.45	7.60
Carried forward	19,802.76	17,311.79

Appendix I: Pooled Fund Accounts

	2013 £m	2012 £m
Brought forward	19,802.76	17,311.79
CI Capital Investors	8.26	5.98
Southern Cross Group	7.28	4.50
Clearsight Investments	6.43	2.03
Thoma Bravo (from August 2013)	5.66	-
H.I.G. Capital (from January 2013)	5.05	-
Bessemer Venture Partners	4.76	2.38
Index Ventures	4.69	1.86
Andreessen Horowitz	4.00	1.42
Capital Dynamics	3.58	4.77
Abry Partners	3.55	2.13
Berkshire Partners	3.25	1.79
General Atlantic (from May 2013)	3.02	-
ClearVue Partners (from December 2013)	2.94	-
Scale Venture Partners (from July 2013)	1.66	-
Innovation Works (from January 2013)	1.63	-
CP2	1.31	48.33
Triton Partners (from July 2013)	1.14	-
Peak Rock Capital	0.59	0.12
Bridges Community Ventures	0.27	0.37
Governance For Owners Group	0.14	1.05
Edinburgh Partners (until July 2013)	-	292.46
Rock Creek Group (until January 2013)	-	197.40
River and Mercantile Asset Management (until June 2013)	-	183.66
Relational Investors (until July 2013)	-	16.54
	19,871.97	18,078.58

1.14 Benchmarks and targets

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

	2013 %	2012 %
FTSE All World North America Index	25.0	25.0
FTSE All Share Index	20.0	20.0
FTSE All World Developed Europe (ex UK) Index	20.0	20.0
FTSE All World Developed Asia Pacific (ex Japan) Index	20.0	20.0
MSCI Emerging Markets Free (net dividends reinvested) Index	15.0	15.0
	100.0	100.0

A passive hedging strategy is employed whereby 50% of the overseas developed markets currency exposure in the pooled fund is hedged back to Sterling.

The target for the Global Equity Pooled Fund is to beat this benchmark by 0.5% over the long term.

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

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

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

Appendix I: Pooled Fund Accounts

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

Pooled fund	Benchmark	Long-term target
Growth	Retail Price Index	Benchmark + 5% pa
Private Equity	MSCI All Countries World Index	Benchmark + 1% pa
Non Government Bond	Barclays Capital Global Aggregate Corporate Index (hedged)	Benchmark + 0.75% pa
Property	Investment Property Databank All Properties Index	Benchmark + 1% pa
Hedge Funds	SONIA 3 month swap rate. The 3 month SONIA swap rate represents a sterling overnight index average rate for brokered unsecured overnight trades between banks.	Benchmark + 3.5% pa
Cash	7 Day Sterling London Inter-Bank Intra Day Interest Rate	Benchmark
Government Bond	Citigroup World Government Bond Index – ex Japan (hedged)	Benchmark + 0.5% pa
Infrastructure	Retail Price Index	Benchmark + 4% pa
Defensive	Retail Price Index	Benchmark + 4.0% pa
Commodities	Composite benchmark comprising: 75% DJ AIG Commodities Index 25% S&P GSCI Petroleum Index	Benchmark
Liquid Growth	Retail Price Index	Benchmark + 5.0% pa
Index Linked	FTSE UK gilts – Index Linked > 15 years Index	Benchmark
Passive Equity	FTSE All world Index developed Markets (hedged)	Benchmark
DC Long Term Growth	Retail Price Index	Benchmark
DC Deposit	7 Day Sterling London Inter-Bank Intra Day Interest Rate	Benchmark
DC Index Linked and Global Bond	Composite benchmark comprising: 50% FTSE UK gilts index Linked > 15 years Index 50% Barclays Global Aggregate Corporation (hedged) Index	Benchmark
DC Aggregate Bond	Composite benchmark comprising: 50% Citigroup World Government Bond Index – ex Japan (hedged) 50% Barclays Global Aggregate Corporation (hedged) Index	Benchmark

1.15 Performance

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

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

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

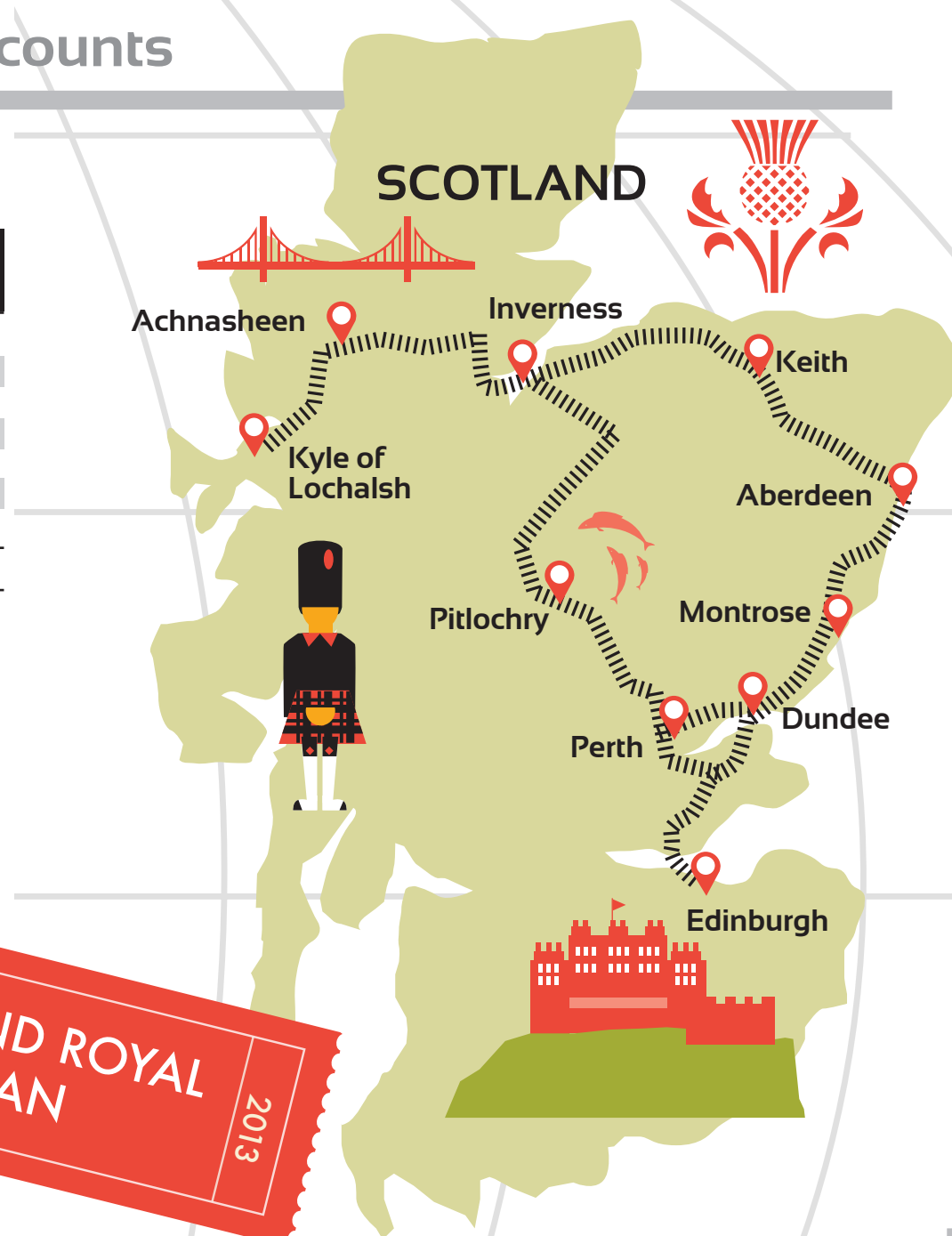
² The allocation of the Growth Pooled Fund throughout the year to 31 December 2013 between asset classes is shown in the table on next page.

³ Since inception in May 2013.

Appendix I: Pooled Fund Accounts

Allocation of Growth Pooled Fund by asset class throughout 2013

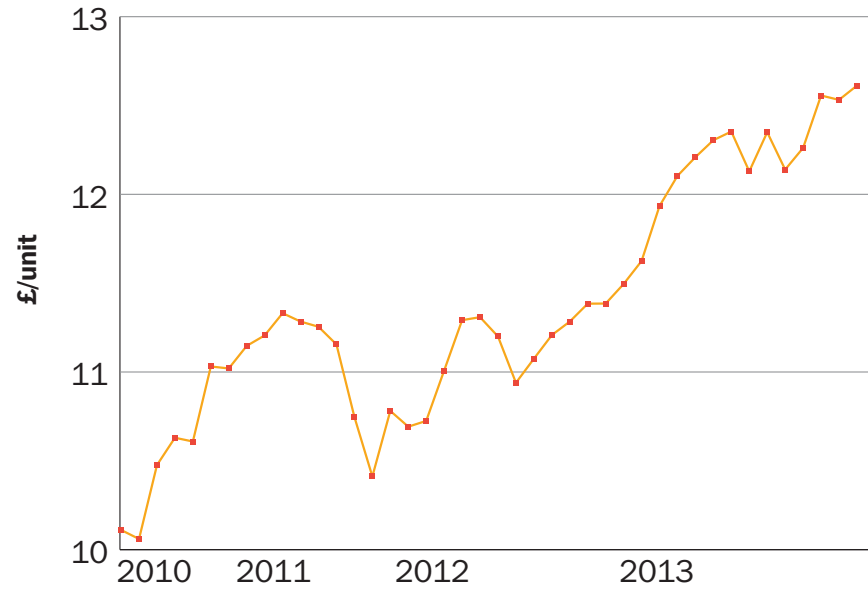
	Highest proportion of the Growth Pooled Fund (%)	Lowest proportion of the Growth Pooled Fund (%)	Average proportion of the Growth Pooled Fund (%)
Equities	42.5	35.1	39.5
Hedge Funds	17.7	17.1	17.3
Bond	13.9	11.3	12.6
Cash	15.0	7.9	11.6
Property	12.4	11.5	11.9
Commodities	4.5	3.7	4.1
Other	3.3	2.9	3.0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



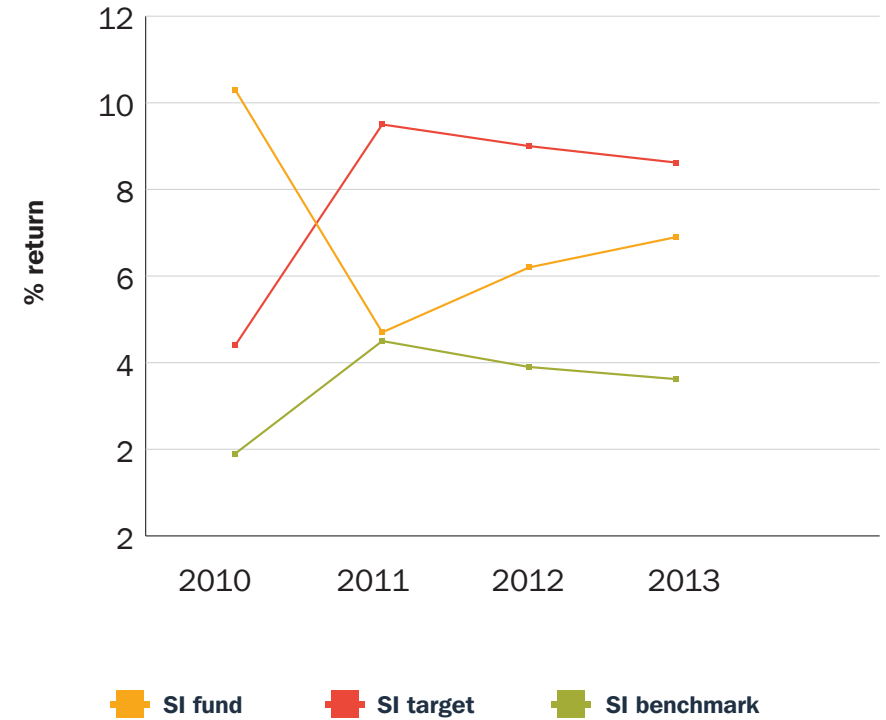
Appendix I: Pooled Fund Accounts

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

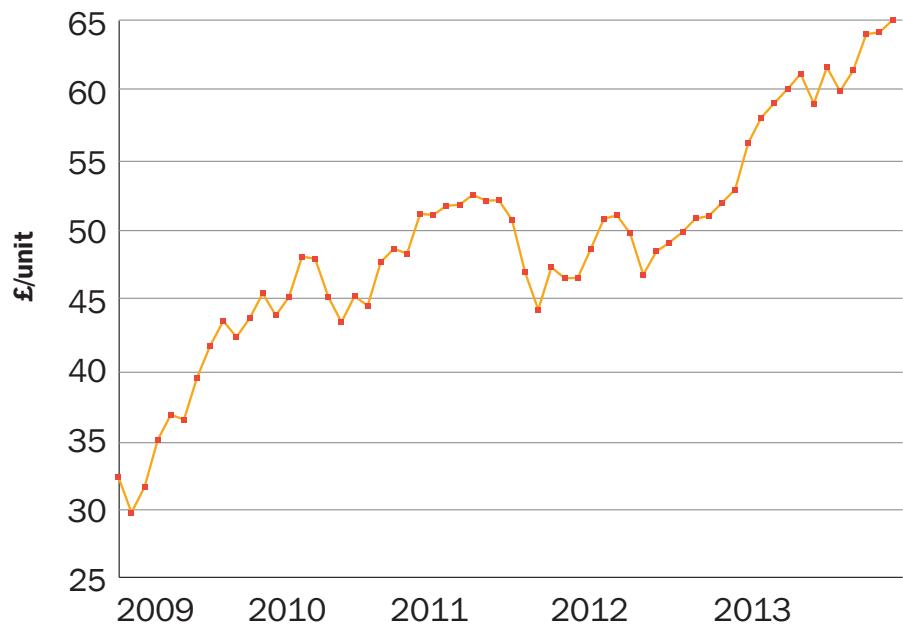
Growth Pooled Fund Unit Price



Growth Pooled Fund Performance



Global Equity Pooled Fund Unit Price

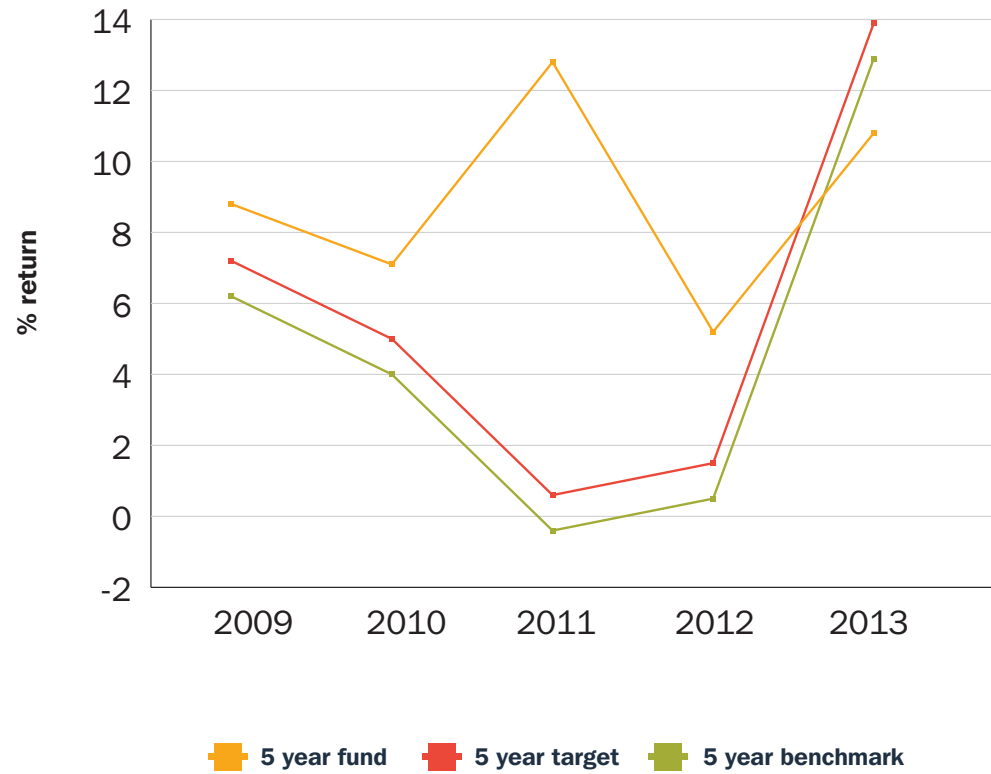


Global Equity Pooled Fund Performance

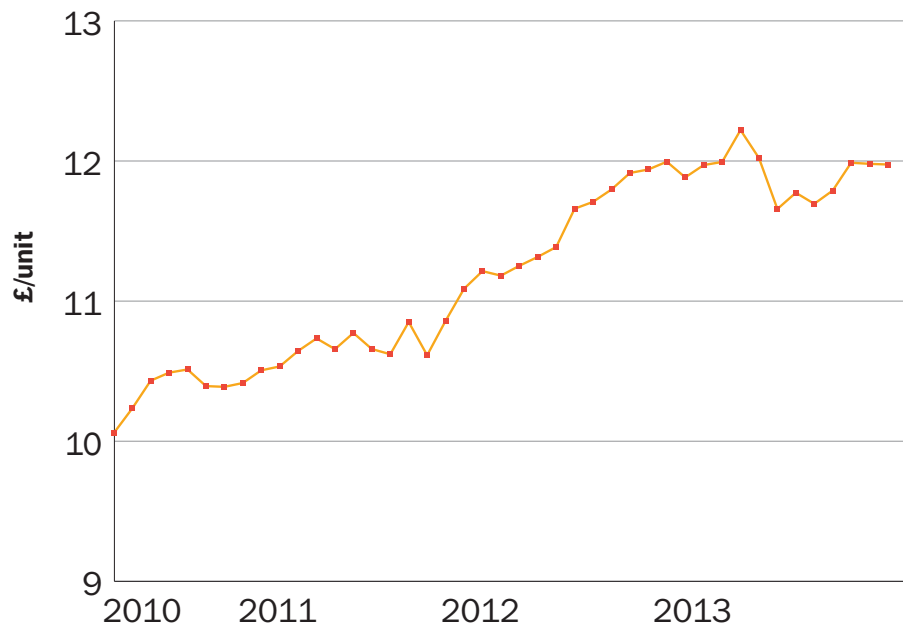


Appendix I: Pooled Fund Accounts

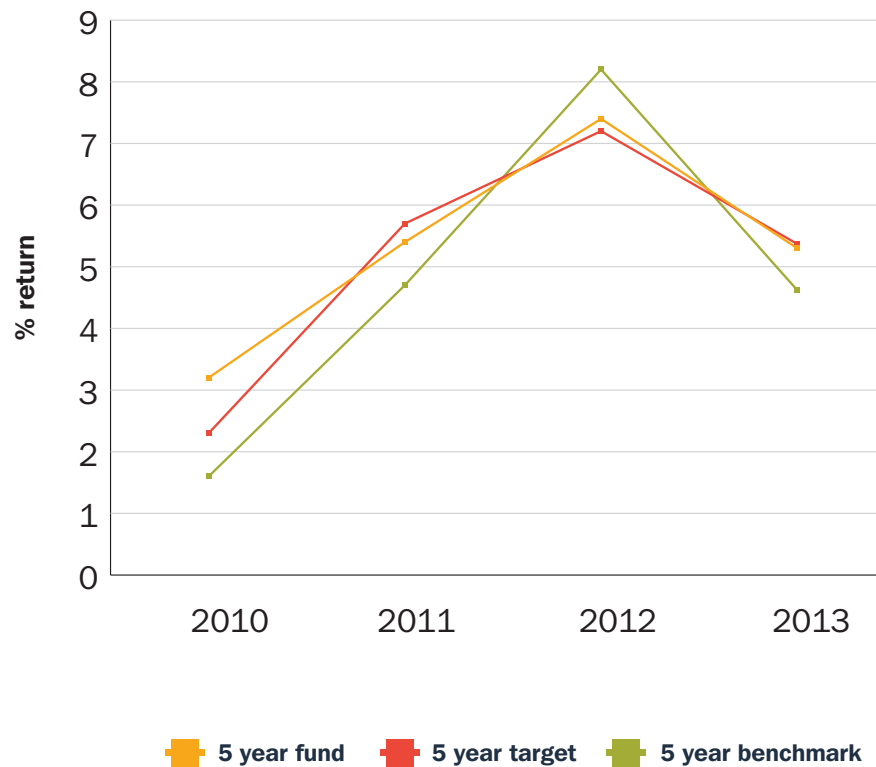
Private Equity Pooled Fund Performance



Non Government Bond Pooled Fund Unit Price

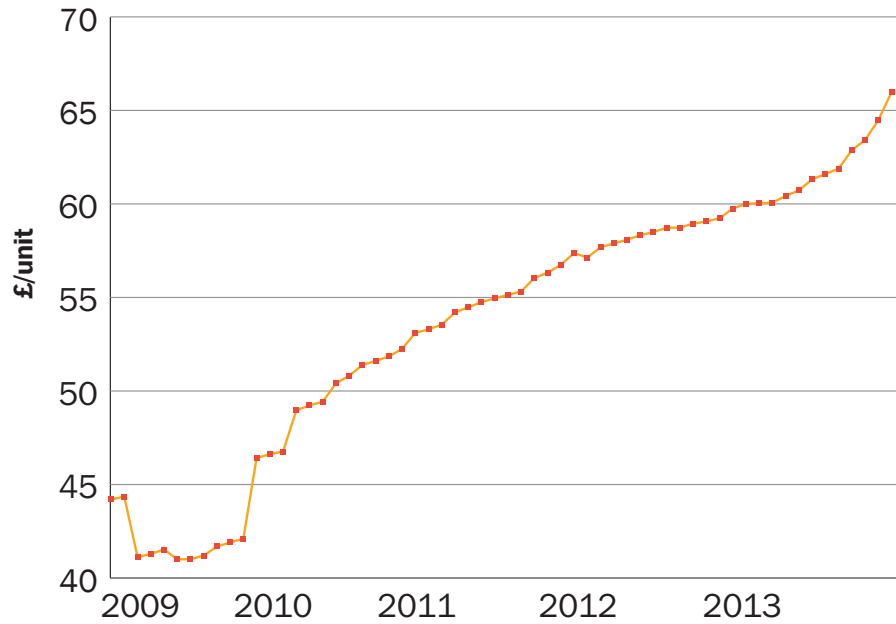


Non Government Bond Pooled Fund Performance

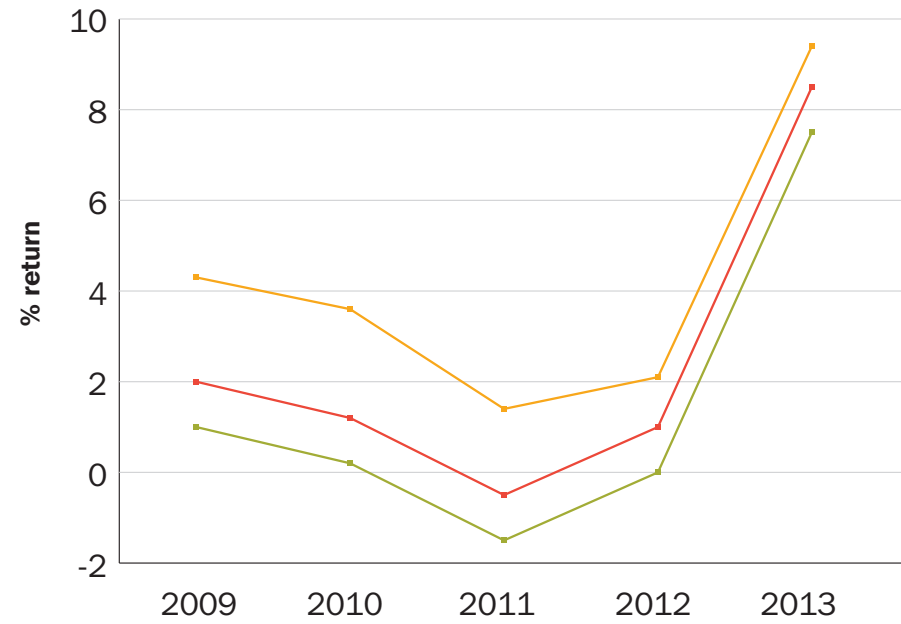


Appendix I: Pooled Fund Accounts

Property Pooled Fund Unit Price

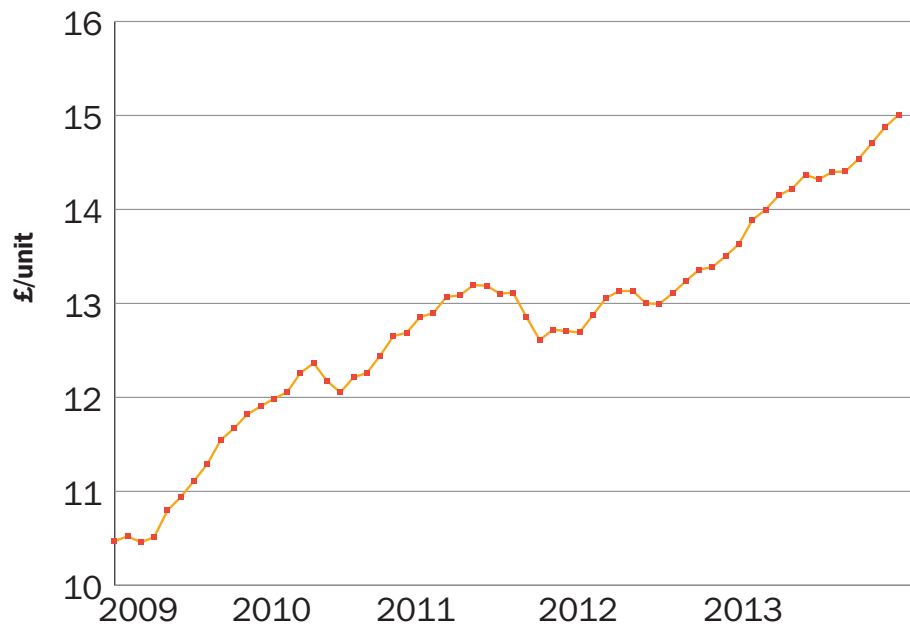


Property Pooled Fund Performance

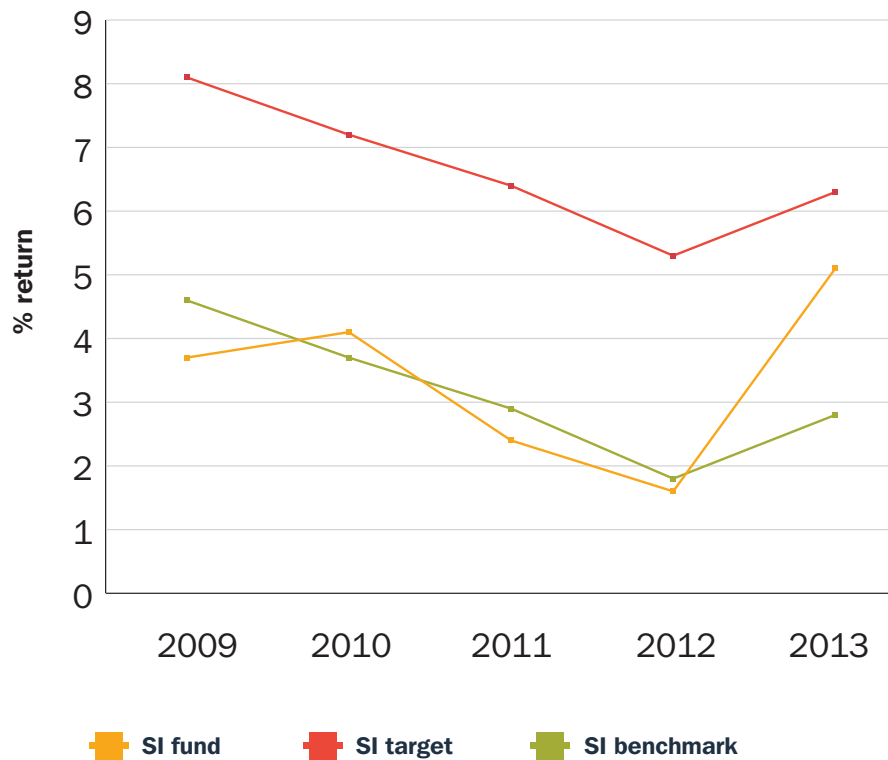


■ SI fund ■ SI target ■ SI benchmark

Hedge Funds Pooled Fund Unit Price

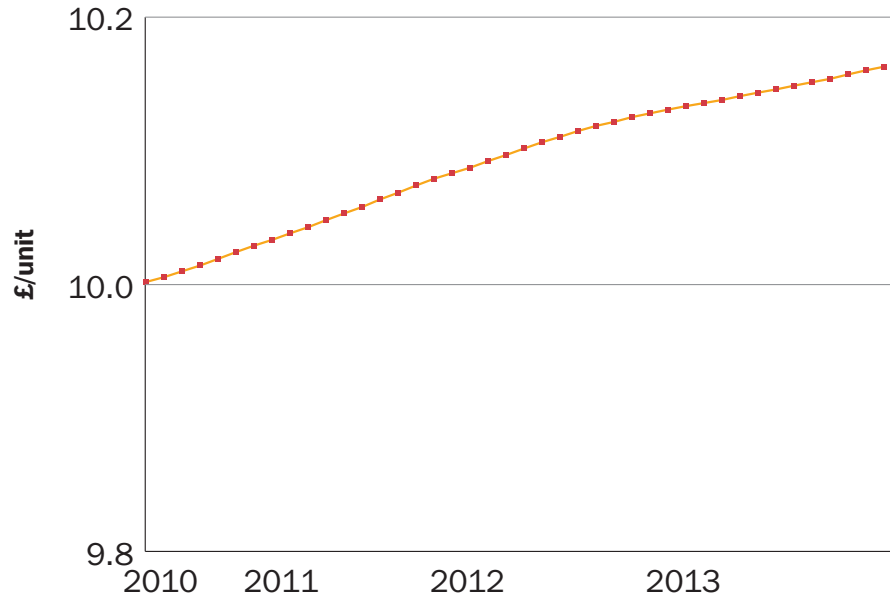


Hedge Funds Pooled Fund Performance

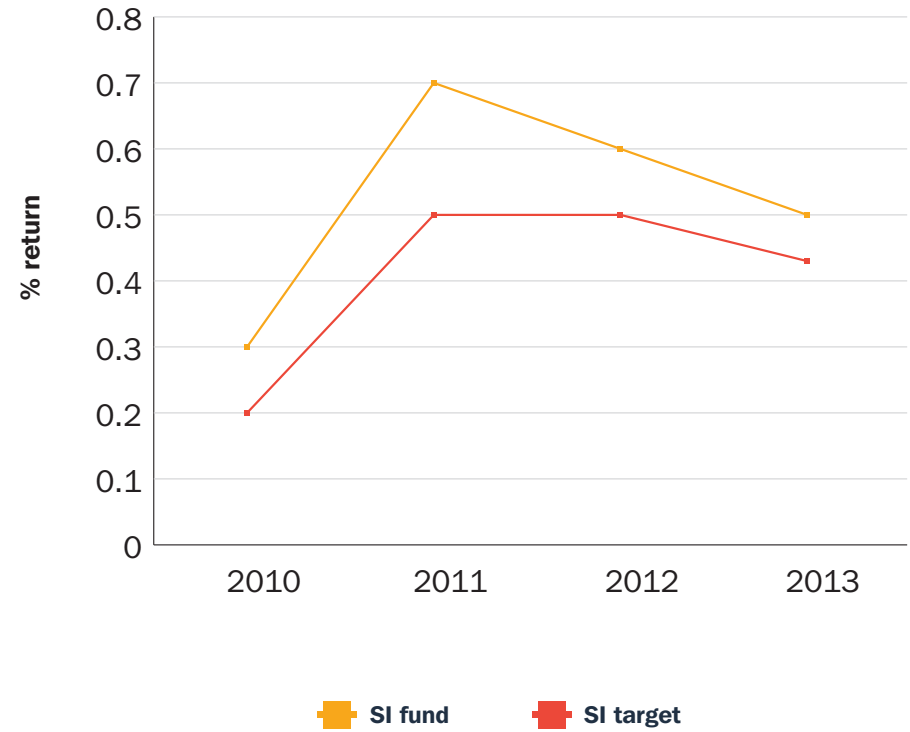


Appendix I: Pooled Fund Accounts

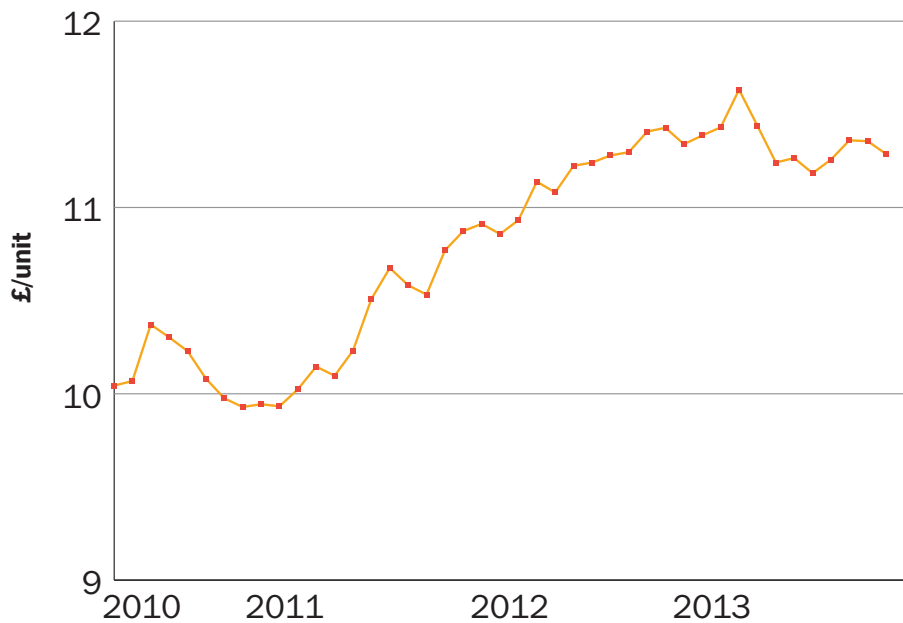
Cash Pooled Fund Unit Price



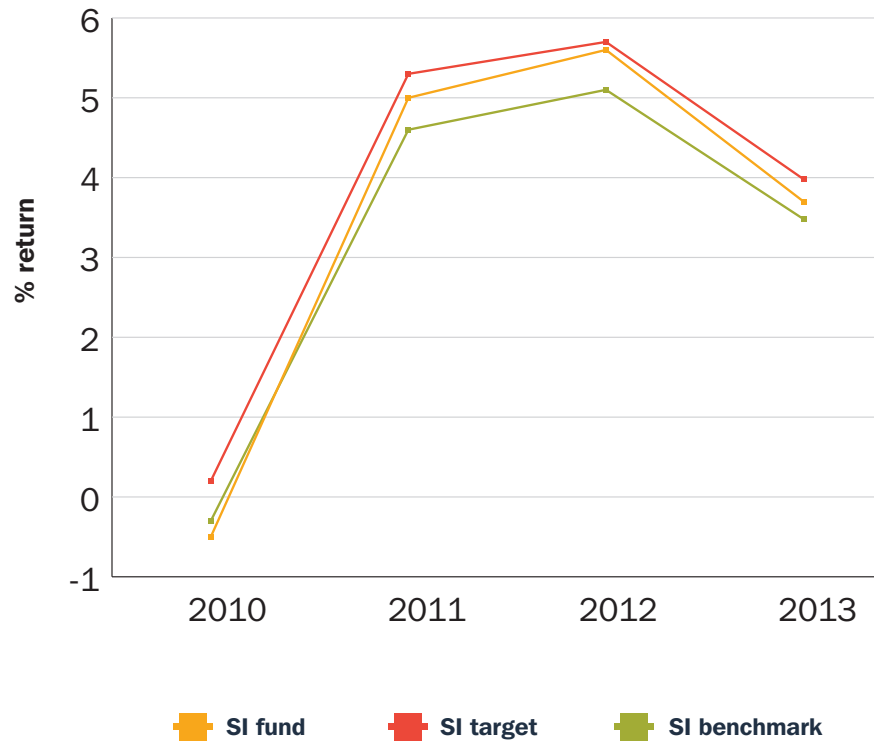
Cash Pooled Fund Performance



Government Bond Pooled Fund Unit Price

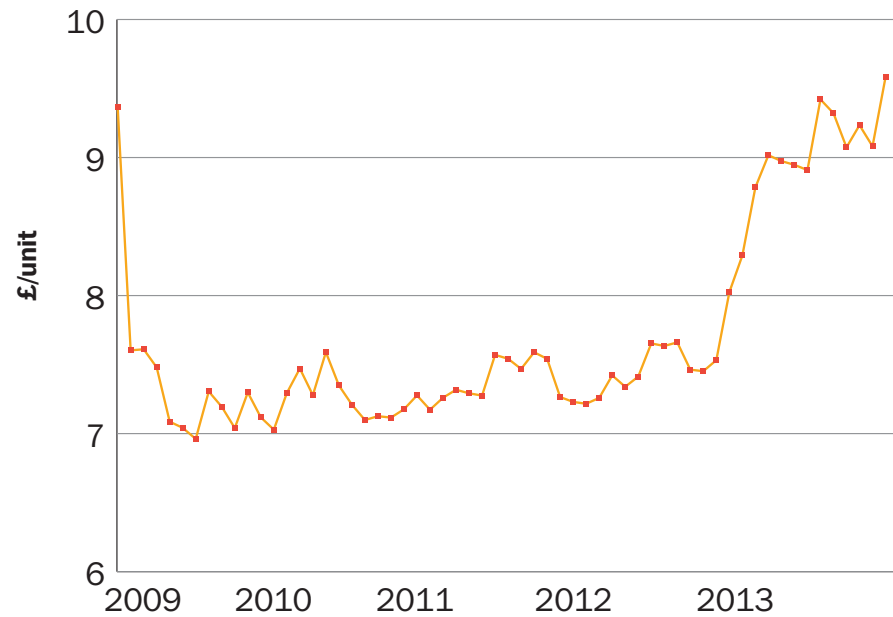


Government Bond Pooled Fund Performance

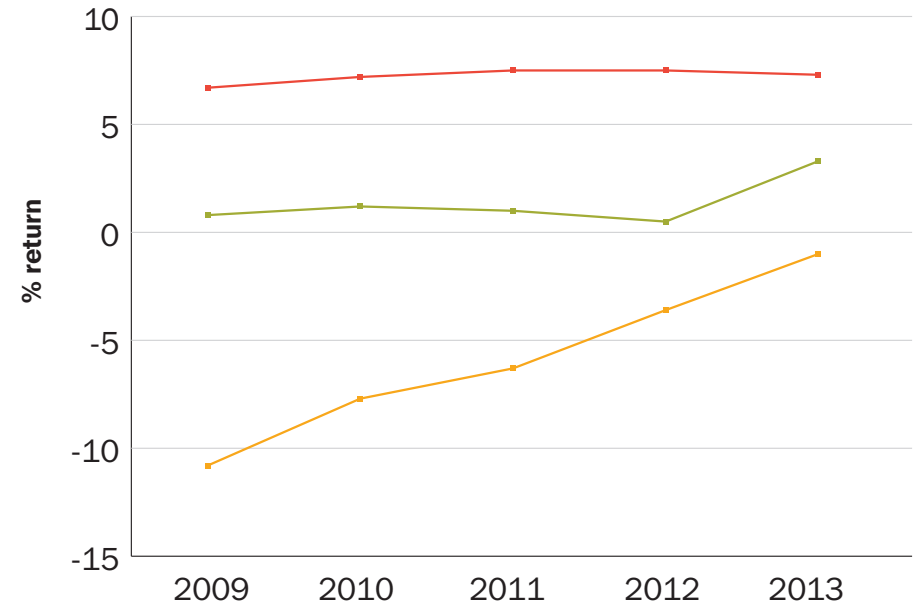


Appendix I: Pooled Fund Accounts

Infrastructure Pooled Fund Unit Price

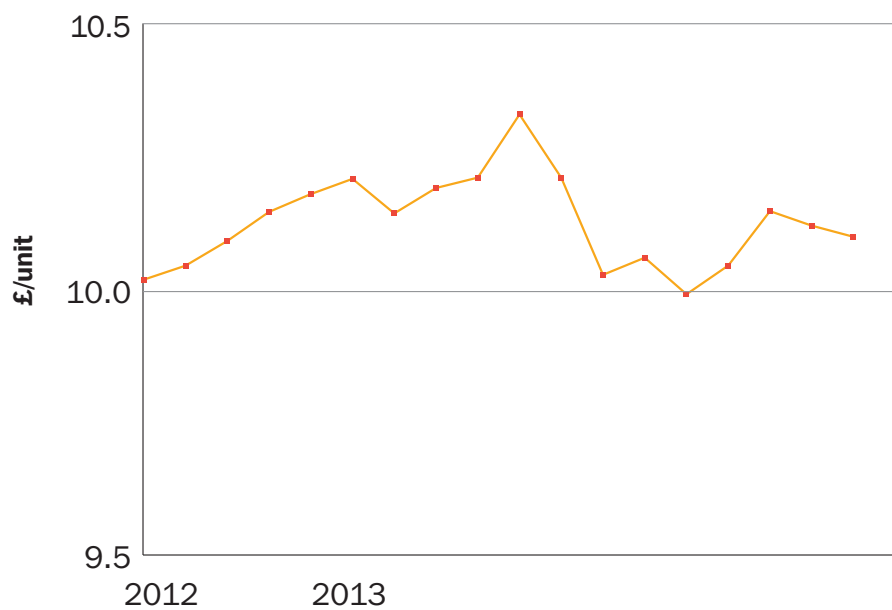


Infrastructure Pooled Fund Performance

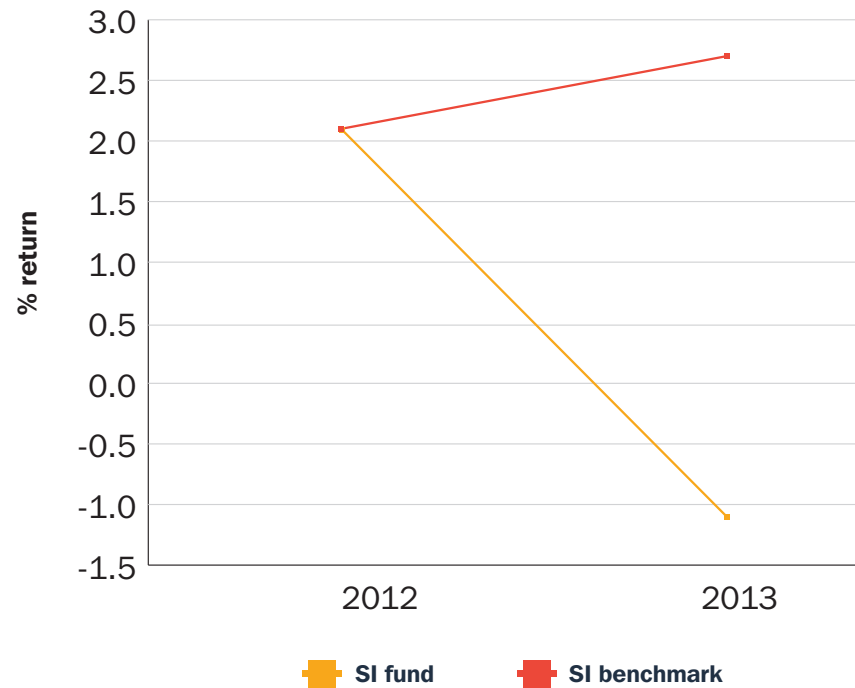


■ SI fund ■ SI target ■ SI benchmark

Defensive Pooled Fund Unit Price

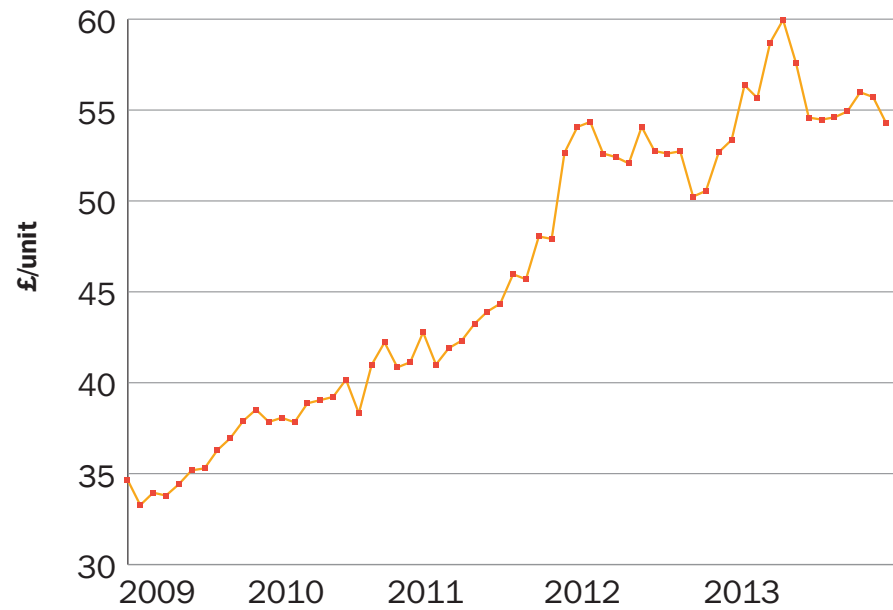


Defensive Pooled Fund Performance



Appendix I: Pooled Fund Accounts

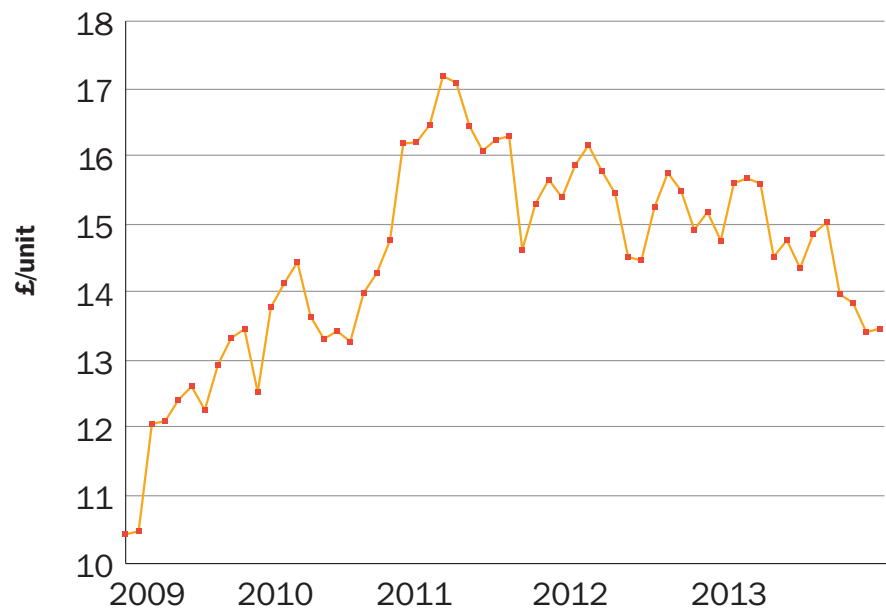
Index Linked Pooled Fund Unit Price



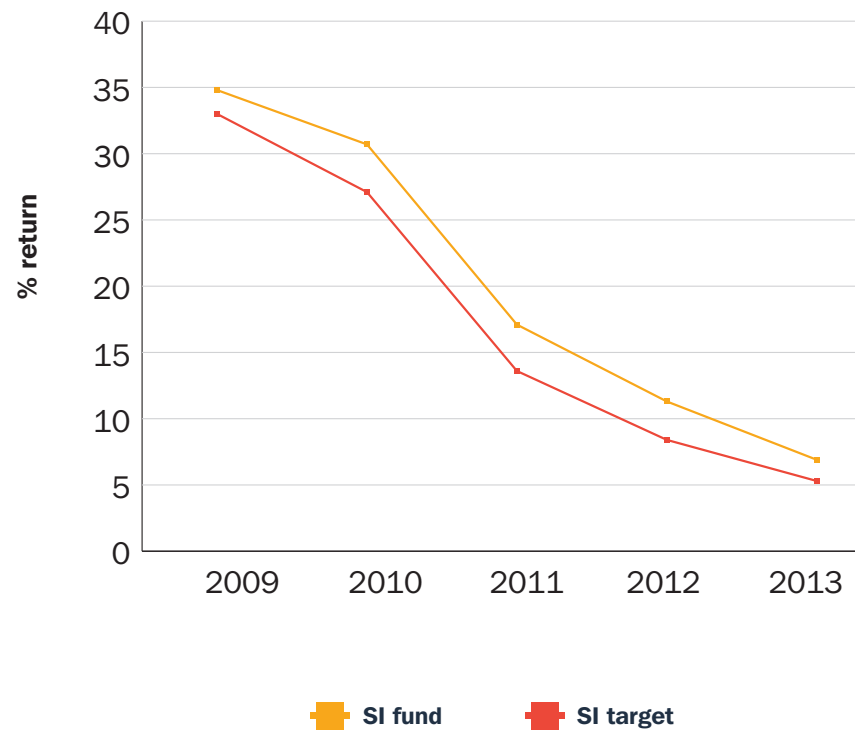
Index Linked Pooled Fund Performance



Commodities Pooled Fund Unit Price

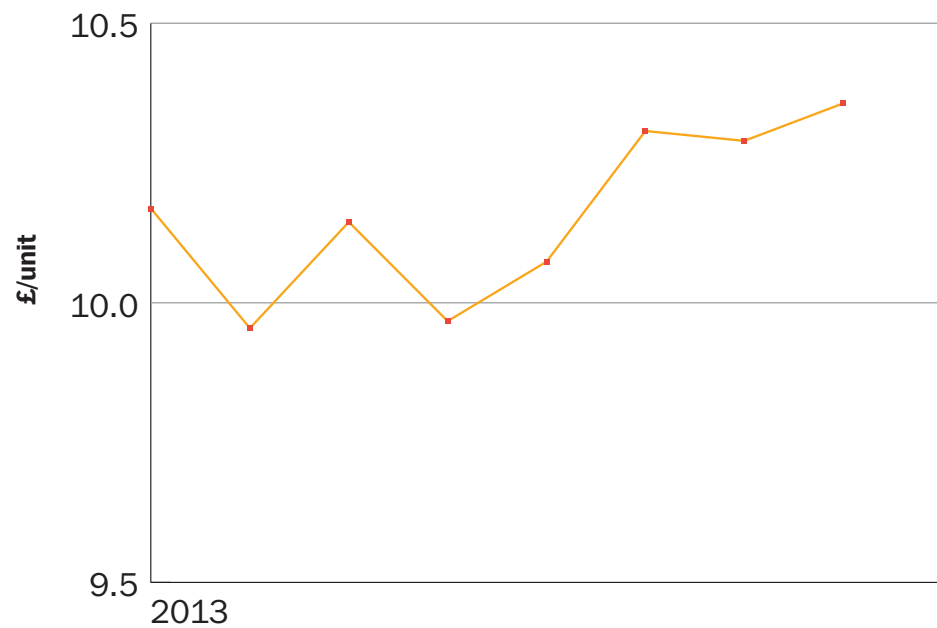


Commodities Pooled Fund Performance

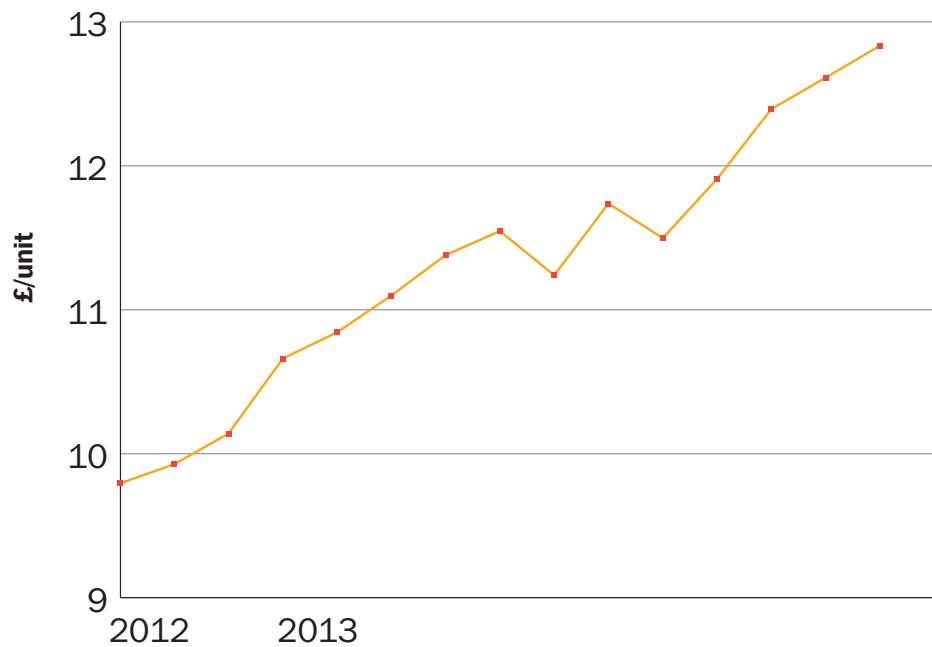


Appendix I: Pooled Fund Accounts

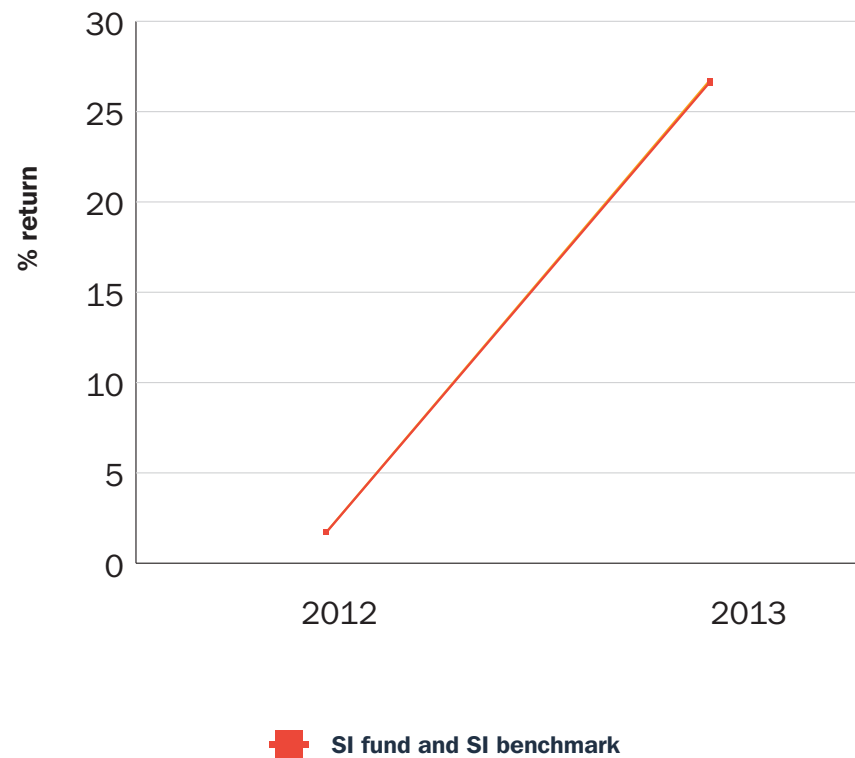
Liquid Growth Pooled Fund Unit Price



Passive Equity Pooled Fund Unit Price



Passive Equity Pooled Fund Performance



Rail journeys of the world

THE TRANS-SIBERIAN RAILWAY

2013

page 6

The longest railway line in the world stretches nearly 9500 km from Moscow to Vladivostok in the Russian Far East. Construction started on the Tsar's orders back in 1891, and the line is still being extended today, connecting Europe at one end with China, Japan and Korea at the other.

VENICE SIMPLON-ORIENT-EXPRESS

2013

page 34

The Venice Simplon-Orient-Express train is a private venture running original carriages from the 1920s and 30s between London and Venice. Once a year, it also retraces the route of the original iconic Express from Paris to Istanbul.

INDIAN PACIFIC

2013

page 20

This epic journey spans the Australian continent between the Indian and Pacific oceans, and has been running for over 40 years. It has carried over three million passengers so far, and follows a spectacular route from Sydney to Adelaide and on to Perth, taking in ancient plains, the wild Outback and the Blue Mountains.

EASTERN & ORIENTAL EXPRESS

2013

page 41

The sister train to Europe's legendary Venice Simplon-Orient-Express offers exotic travel through South East Asia, from Singapore, Thailand and Malaysia, through to Laos. It was built in Japan in 1972 and operated as the Silver Star in New Zealand before being sold to Orient-Express Hotels.

ROCKY MOUNTAINEER

2013

page 23

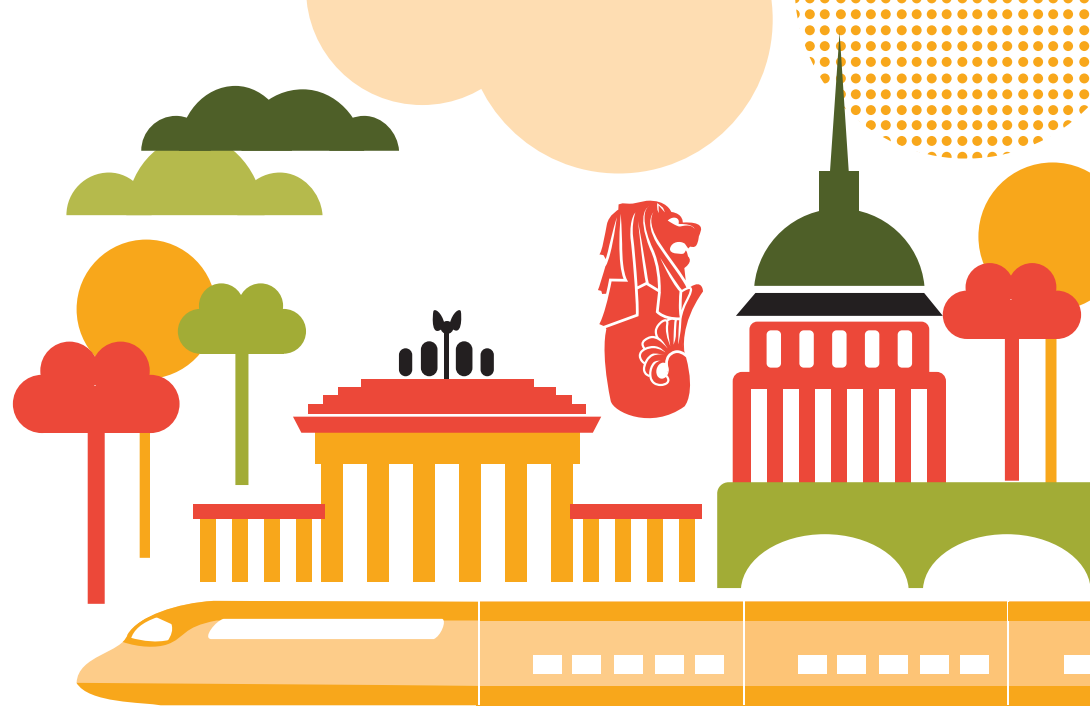
The Canadian tour operator has carried over one million passengers since 1990, and its Rocky Mountain trip between Vancouver and Calgary is considered the most scenic train tour in the country, taking in spectacular mountains, lakes and wilderness. Its first international route – the Coastal Passage - launched in 2013 and connects Seattle in America, to Jasper and Banff.

BELMOND ROYAL SCOTSMAN

2013

page 71

Also run by Orient-Express Hotels, this world-famous train runs exclusive luxury tours through Scotland and the Highlands. Carrying just 36 passengers, the Scotsman aims to recreate the atmosphere of a five-star country house hotel – there's even the option to buy your own family tartan Highland Dress as a memento of your trip.



RAIL JOURNEYS
OF THE WORLD

2013