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HILLINGDON
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Pensions Committee

Date:	**WEDNESDAY, 19 JUNE 2013**
Time:	**5.30 PM**
Venue:	**COMMITTEE ROOM 3A - CIVIC CENTRE, HIGH STREET, UXBRIDGE UB8 1UW**
Meeting Details:	Members of the Public and Press are welcome to attend this meeting

Councillors on the Committee

Philip Corthorne (Chairman)
Michael Markham (Vice-Chairman)
Janet Duncan
Raymond Graham
Paul Harmsworth
David Simmonds

Advisory Members

John Holroyd
Andrew Scott

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http://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CId=125&MId=1599&Ver=4

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This Committee

To discharge the functions of the Pensions Committee aimed at improving market governance across the Pension Fund and the operational effectiveness of Investment Strategy.

Terms of Reference

The Constitution defines the terms of reference of the Pensions Committee as:

1. To maintain a business plan for its activity and evaluates progress against this plan.

2. To monitor financial risks, including all investment risks relative to liabilities, within the Pension Committee's risk framework, and reports any issues or breaches to the Pension Committee.

3. To keep asset allocation under review within range guidelines set by the Pension Committee. Within these range guidelines, the Sub-Committee has delegated authority to:

- Increase or decrease the allocation to equities, bonds or property
- Increase or decrease the amounts / proportions of assets in manager mandates
- Increase or decrease the level of currency hedging in place
- Select investments for, or dispose of existing investments in, the "opportunity fund" (5% of assets), using the feeder fund.

4. To consider the framework for the allocation of new money among managers. Similarly, in the event that assets need to be realised, the Sub-Committee also considers this matter.

5. To formally review annually the mandates of the managers, and their adherence to their expected investment process and style. This ensures that the explicit written mandate of each of the Fund's managers is consistent with the Fund's overall objective and is appropriately defined in terms of performance target, risk parameters and timescale.

6. To consider the need for any changes to the investment managers' mandates (e.g. in relation to continuing appropriateness of benchmarks and operating guidelines).

7. To consider the need for any changes to the Fund's investment manager arrangements (e.g. replacement, addition, termination) and makes recommendations to the Pension Committee.

8. In the event of a proposed change of managers, to evaluate the credentials of potential managers. To make recommendations to the Pension Committee in respect of any change of managers.

9. To monitor the investment advice from their investment consultant and investment adviser at least annually. To also review their own decision making process at the same time.

10. To be responsible for maintenance of the Fund’s Statement of investment Principles (SIP).

11. To carry out any additional tasks delegated to it by the Pension Committee.

Agenda

Minutes

PENSIONS COMMITTEE

27 March 2013

Meeting held at Committee Room 3a - Civic Centre, High Street, Uxbridge UB8 1UW

	Committee Members Present: Councillors Richard Lewis (Vice-Chairman – In the Chair), George Cooper, Beulah East, Raymond Graham, Paul Harmsworth and David Simmonds. **Advisory Members/Co-optee Members Present:** John Holroyd. **LBH Officers Present:** Ken Chisholm, Harry Lawson, Nancy LeRoux, Paul Whaymand and Khalid Ahmed. **Also Present:** John Hastings and Scott Jamieson (Advisors)	
37.	**APOLOGIES FOR ABSENCE** Apologies for absence were received from Councillors Janet Duncan (Beulah East substituting) and Philip Corthorne (George Cooper substituting).	**Action by**
38.	**DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING** Councillors George Cooper, Philip Corthorne and Richard Lewis all declared pecuniary interest in all agenda items, they were members of the Local Government Pension Scheme, and remained in the room during the consideration thereof.	**Action by**
39.	**MINUTES OF THE MEETING – 12 DECEMBER 2012** Agreed as an accurate record.	
40.	**TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE** That Agenda Items Items 12 and 13 be considered in private for the reasons stated on the agenda and the rest of the items be considered in public.	**Action by**
41.	**REVIEW ON PERFORMANCE MEASUREMENT OF THE PENSION FUND** Consideration was given to the report on the review of the fund manager performance for the London Borough of Hillingdon Pension Fund for the period ending 31 December 2012. The total value of the	**Action by**

	fund's investments was £678m. Reference was made to this being a better performance than compared to the benchmark. All Managers except UBS Property had outperformed their relative benchmark during the quarter. In relation to UBS Property, this underperformance was being addressed but would take two years from September 2012 to bring back to a positive return. **RESOLVED:** **1. That the report and the performance of the Fund Managers be noted.**	
42.	**RETIREMENT PERFORMANCE STATISTICS AND COST OF EARLY RETIREMENTS MONITOR** Consideration was given to the report which summarised the number of early retirements in the year 2012/2013. The report also provided Members with an update on the current situation on the cost to the fund of early retirements. Members were informed that figures continued to be low and within the parameters. The Committee noted that the costs as a percentage of payroll for the valuation period (April 2011 – 31 March 2014) was 0.59%. **RESOLVED:** **1. That the contents of the report be noted.**	
43.	**PENSIONS ADMINISTRATION PERFORMANCE** Consideration was given to the report which summarised the pension administration performance across key areas of work for the period 1 October 2012 to 31 December 2012. It was noted that performance targets were agreed as part of the service level agreement with Capita and conformed to national targets set for England and Wales. The previous full year performance data was included in the Annual Report for the fund. Members were reminded that Pensions Administration was outsourced to Capita Hartshead as part of the pan London Framework Agreement. This had delivered annual savings in administration costs of 27% to the Pension Fund. Capita Hartshead's performance was reported monthly to the Corporate Pensions Manager who monitored performance against the service level agreement contained within the Framework Agreement. The 3rd quarter performance reports indicated an overall average performance of 97.76% per month over the quarter. Reference was made to performance being higher than when the Pensions Administration was in house. However, there had been problems with with regard to the production of Annual Benefit Statements, although	**Action by**

	officers reported that reassurance had been given that this would improve. Members were informed that CEB had admitted that they had taken too many clients in too short a timeframe, and had initially not had the infrastructure to support them all adequately. **RESOLVED:** **1. That the report be noted.**	
44.	**REVISION TO THE STATEMENT OF INVESTMENT PRINCIPLES** The Committee was informed that as a result of two Additional Fund Managers in December 2012, amendments were required to the Statement of Investment Principles as required by the Local Government Pension Scheme Regulations (Revised) 2009. Members were provided with a summary of the changes. **RESOLVED:** **1. That approval be given to the amendments made to the Revised Statement of Investment Principles (March 2013) reflecting changes in the Fund's appointed Managers and Asset Allocation.**	**Action by**
45.	**PENSION FUND INVESTMENT & THE COUNCIL'S PUBLIC HEALTH RESPONSIBILTIES** Members were informed that from 1 April 2013, responsibility for Public Health would be transferred from the NHS to local authorities. As a result of this change, leading public health bodies were encouraging local authorities to review their investments, particularly in relation to tobacco, claiming there was a potential conflict of interest with local authorities taking on public health duties. The Committee was provided with detailed legal advice from the Borough Solicitor in relation to any potential conflict of interest between the fiduciary responsibilities of this Committee, and the Council's new public heath responsibilities. Discussion took place on the options available to the Committee and officers advised that tobacco investments were in pooled funds, which would make extraction costly. Members asked officers to advise Fund Managers that there should be no new investment in segregated funds in tobacco companies or the related industry. Members asked that a report be submitted to the next meeting on the outcome of these discussions. **RESOLVED:** **1. That the information contained in the report be noted and officers be asked to submit a report to the next meeting of**	**Action By:** **Nancy Leroux**

the Committee on the outcome of the discussions with Fund Managers.

46.	**GOVERNANCE ISSUES AND 2014 SCHEME PROPOSALS**	**Action by:**

An update report was provided on Pension Fund Governance issues and which sought approval to a change to the Internal Disputes Resolution Policy.

Under the Local Government Pension Scheme, all authorities were required to have a 2 stage Internal Disputes Resolution Policy to hear appeals against decisions made in respect of benefits, and to publish this policy.

In line with the majority of the Pan London Framework, the report was requesting that the Director of Operations at Capita be the nominated officer in all Stage 1 appeals. For this Council, it was requested that the Corporate Pensions Manager be the appointed officer for Stage 2 appeals where he or she has had no involvement in the case. If an appellant was not satisfied with a decision made at Stage 2, an application had to be either lodged with the Pensions Regulator to make a determination, or the appellant would have to consider civil proceedings.

RESOLVED:

1. **That approval be given to the changes to the Internal Disputes Resolution Policy and the proposals for the 2014 Local Government Pension Scheme be noted.**

47. DELOITTE – 2012/13 ANNUAL AUDIT PLAN

The report provided details of the initial plans for the audit of the Pension Fund Accounts 2012/13 by Deloitte. Details of the key audit risked were reported and Members were informed that the whole process would be completed by early September.

RESOLVED:

1. **That the details contained in the 2012/13 Annual Audit Plan be noted.**

48. REPORT FROM INVESTMENT SUB-COMMITTEE & UPDATE ON INVESTMENT STRATEGY

This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).

49.	**CORPORATE GOVERNANCE & SOCIALLY RESPONSIBLE INVESTMENT** This item was discussed as a Part II item without the press or public present as the information under discussion contained confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985. This was because it discussed 'information relating to the financial or business affairs of any particular person (including the authority holding that information)' (paragraph 3 of the schedule to the Act).	**Action By:**
	The meeting, which commenced at 5.30 pm, closed at 6.25 pm.	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on 01895 250833. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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Minutes

PENSIONS COMMITTEE

9 May 2013

Meeting held at Council Chamber - Civic Centre,
High Street, Uxbridge UB8 1UW

	Committee Members Present: Councillors Philip Corthorne (Chairman) Michael Markham (Vice-Chairman) Raymond Graham David Simmonds Paul Harmsworth Janet Duncan **LBH Officers Present**: Steven Maiden, Democratic Services Officer	
1.	**APPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN OF PENSIONS COMMITTEE** *(Agenda Item 1)* **RESOLVED: That:** **1. Councillor Corthorne be elected Chairman of the Pensions Committee for the municipal year 2013/2014; and** **2. Councillor Markham be elected as Vice-Chairman of the Pensions Committee for the municipal year 2013/2014.**	**Action by**
2.	**MEMBERSHIP AND APPOINTMENT OF CHAIRMAN OF PENSIONS COMMITTEE - INVESTMENT STRATEGY SUB-COMMITTEE** *(Agenda Item 2)* **RESOLVED: That:** **3. Councillor Corthorne be elected Chairman of the Pensions Committee for the municipal year 2013/2014; and** 4. **Councillor Markham be elected as Vice-Chairman of the Pensions Committee for the municipal year 2013/2014.**	**Action by**
	The meeting, which commenced at 7.30 pm, closed at 7.35 pm.	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Danielle Watson on 01895 257488. Circulation of these minutes is to Councillors, Officers, the Press and Members of the Public.

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REVIEW ON PERFORMANCE MEASUREMENT OF THE PENSION FUND

Contact Officers	Tunde Adekoya, 01895 556350
Papers with this report	Northern Trust Executive Report WM Local Authority Quarter Reports Private Equity Listing Private Equity reports from Adams Street and LGT

SUMMARY

This report reviews the fund manager performance for the London Borough of Hillingdon Pension Fund for the period ending 31 March 2013. The total value of the fund's investments as at the 31 March 2013 was £683m.

RECOMMENDATIONS

That Committee

1. **Notes the contents of this report and the performance of the Fund Managers.**
2. **Notes that the Statement of Investment Principles has been updated to reflect the inclusion of Bearings Asset Management as a Fund Manager.**

1. INFORMATION

The performance of the Fund for the quarter to 31 March 2013 showed an outperformance of 1.01% with a return of 7.84% compared to the benchmark of 6.82%. Four of the eight monitored portfolios outperformed their benchmarks with rest showing figures below their prescribed benchmarks during the quarter. One year figures show returns of 12.33%, an out-performance of 1.68%.

Performance Attribution Relative to Benchmark

	Q1 2013 %	1 Year %	3 Years %	5 Years %	Since Inception %
JP Morgan	(0.50)	0.41	-	-	2.05
M&G	0.98	1.06	-	-	0.07
Ruffer	10.20	10.21	-	-	6.88
SSgA	(0.01)	(0.10)	0.06	-	0.06
SSgA Drawdown	0.13	(1.65)	(0.61)	-	(0.42)
UBS	(0.38)	3.29	0.35	(0.08)	1.06
UBS Property	(0.46)	(1.46)	(0.78)	(1.06)	(0.72)
Total Fund	**1.01**	**1.68**	**1.20**	**(0.42)**	**0.03**

2. MANAGER PERFORMANCE

2.1 Manager: JP Morgan

Performance Objective: The investment objective of the company is to achieve a return of +3% over Libor 3 Month rate.

Approach: The aim of the portfolio is to be diversified across various corporate bonds with an average quality of BBB+ and derivatives may be used to achieve fund objectives.

Performance: To incorporate an element of risk adjusted return, the benchmark has been set to include outperformance of an absolute benchmark, in this case 3 Month Libor, by a further 3%. In relation to this benchmark JP Morgan have outperformed since inception (Nov 2011) by 2.05% and in the quarter under review, underperformed by 0.50% with a return of 0.37% against benchmark return of 0.87%.

2.2 Manager: M&G

Performance Objective: The investment objective of the Prudential/M&G UK Companies Financing Fund LP and M&G Debt Opportunities Fund is to seek to maximise returns consistent with prudent investment management. The Funds aim to provide an absolute return of Libor +4% (net of fees). Additional returns may be achieved through equity participation or success fees.

Approach: The objectives of the Funds are to create attractive levels of current income for investors, while maintaining relatively low volatility of Net Asset Value. The funds were set up to provide medium to long term debt financing to mid-cap UK companies with strong business fundamentals that are facing difficulties refinancing existing loans in the bank market.

Performance

During the quarter under review, M&G investments out-performed its' benchmark of 3 Month LIBOR +4% p.a. target by 0.98% with a portfolio return of 2.09% against benchmark figure of 1.11%. For one year the returns was 5.78% compared to benchmark returns of 4.72%, resulting in out-performance of 1.06%. Since inception at the end of May 2010, the portfolio registers a 4.90% pa return against the benchmark of 4.83% pa, just out-performing the benchmark by (0.07)%. The since inception Internal Rate of Return for this portfolio is now 4.98% and 14.10% respectively.

2.3 Manager: RUFFER

Performance Objective: The overall objective is firstly to preserve the Client's capital over rolling twelve month periods, and secondly to grow the Portfolio at a higher rate (after fees) than could reasonably be expected from the alternative of depositing the cash value of the Portfolio in a reputable United Kingdom bank.

Approach: Ruffer applies active asset allocation that is unconstrained, enabling them to manage market risk and volatility. The asset allocation balances "investments in fear", which should appreciate in the event of a market correction and protect the portfolio value, with "investments in greed", assets that capture growth when conditions are favourable.

There are two tenets that Ruffer believe are central to absolute return investing which are to be agnostic about market direction and also to remove market timing from the portfolio.
Performance: The Ruffer portfolio returned 10.33% during the quarter and against the return of 0.13% for LIBOR 3 Month GBP delivers an outperformance of 10.20%. This further consolidates outperformance of the previous quarter and means that the year to date and 1 year numbers are now ahead of target. This culminates in a since inception return from May 2010 of 6.88% pa, which translates as an excess return of 7.70% against the benchmark of 0.82% pa.

2.5 Manager: SSgA
Performance Objective: To replicate their benchmark indices
Approach: The calculation of the index for passive funds assumes no cost of trading. In order to simply match the index, it is necessary to trade intelligently in order to minimise costs, and where possible, make small contributions to return in order to mitigate the natural costs associated with holding the securities in the index. Activities which SSgA employ to enhance income include; tactical trading around index changing events and stock lending. They also aim to alleviate costs by efficient trading through internal and external crossing networks.
Performance:
The SSGA passively managed portfolio produced a return of 10.32% in the quarter, just (0.01) % behind the benchmark. Both the year to date return and one year figures are just behind their expected targets by (0.01) % and (0.10) % respectively. Positive absolute performance in line with the benchmark is seen in longer periods; with the since inception return of 14.61% pa only 0.06% above the benchmark.

2.6 Manager: UBS
Performance Objective: To seek to outperform their benchmark index by 2% per annum, over rolling three year periods.
Approach: UBS follow a value-based process to identify businesses with good prospects where, for a variety of reasons, the share price is under-estimating the company's true long term value. Ideas come from a number of sources, foremost of which is looking at the difference between current share prices and UBS's price target for individual stocks. The value-based process will work well in market environments where investors are focussing on long term fundamentals.
Performance:

	Q1 2013 %	1 Year %	3 Years %	5 Years %	Since Inception %
Performance	9.94	20.06	9.13	7.87	10.16
Benchmark	10.32	16.77	8.78	7.95	9.10
Excess Return	(0.38)	3.29	0.35	(0.08)	1.06

The UK equity portfolio marginally underperformed the FTSE All-Share index during the quarter, with a return of 9.94% against the index figure of 10.32% culminating in an underperformance of (0.38)%. In terms of attribution, the largest positive contributors were overweight positions in 3i Group, the private equity investor and International Consolidated Airlines Group (formerly British Airways/Iberia). The largest negative contributors were overweight positions in mining stocks Rio Tinto and Anglo American as well as weakness in Lloyds Banking Group at the end of the quarter.

2.7 Manager: UBS Property

Performance Objective: To seek to outperform their benchmark index by 0.75% per annum over rolling three year periods.

Approach: UBS take a top down and bottom up approach to investing in property funds. Initially the top down approach allocates sector and fund type based on the benchmark. The bottom up approach then seeks to identify a range of funds which are expected to outperform the benchmark.

Performance:

	Q1 2013 %	1 Year %	3 Years %	5 Years %	Since Inception %
Performance	0.61	(0.09)	4.56	(2.05)	(0.94)
Benchmark	1.07	1.38	5.35	(0.99)	(0.22)
Excess Return	(0.46)	(1.46)	(0.78)	(1.06)	(0.72)

The UBS Property portfolio made a positive return, with a figure of 0.61%, translating to an underperformance of (0.46) % behind the IPD UK PPFI All Balanced Funds index return of 1.07%. This also feeds into the one year as the portfolio now shows a loss of (0.09) %, which is (1.46) % behind the IPD. All long periods also demonstrate underperformance. and with the exception of the 4.56% pa return over three years, absolute returns are also negative. Since inception, in March 2006, these losses stand at (0.94) % and while the benchmark also falls with (0.22) %, the underperformance is now 72 basis points.

UBS Triton Update

At the end of January unit holders of UBS Triton were notified that the Fund would be liquidated effective 1 August 2013 unless £150 million of redemption requests were withdrawn or equivalent new money is raised by 30 April 2013. Since this announcement, a large investor submitted a redemption request and the queue subsequently increased to 79% of the NAV as at 31 March 2013.

Accordingly the target amount of redemption requests to be withdrawn and/or new money raised now stands at around £300 million. The Manager is exploring a number of avenues with respect to securing the future of the Fund. Several of the proposals received from prospective investors would introduce sufficient capital into the Fund to meet all or a majority of redemption requests. Whilst there is no guarantee an investment will be made, the General Partner believes there is a reasonable prospect of this being achieved. It is expected that discussions will be ongoing beyond 30 April 2013, with a view to completing a transaction on or before 31 July 2013 and therefore enabling UBS Triton to continue as a viable fund. If sufficient new funding is not secured by this date (and/or redemption requests withdrawn) then the fund will be placed into liquidation.

As a result of this latest information the decision was taken to withdraw Hillingdon's redemption notice.

3. ABSOLUTE RETURNS FOR THE QUARTER

	Opening Balance £000's	Appreciation £000's	Income Received £000's	Net Investment	Closing Balance £000's	Active Management Contribution £000's
Adams Street	21,082	1,990	10	(455)	22,627	1,990
JP Morgan	74,704	276	0	0	74,980	(372)
Kempen	-	2,585	0	44,299	46,884	(705)
LGT	17,077	985	0	(776)	17,286	983
Macquarie	6,304	173	0	2,060	8,537	97
M&G	14,930	334	0	1,087	16,351	157
Newton	-	1,449	0	21,370	22,819	(351)
Ruffer	119,176	11,712	599	-	131,487	12,156
SSgA	123,348	12,724	0	0	136,072	(7)
SSgA Drawdown	6,102	61	0	0	6,163	8
SSgA Temporary	62,124	2,136	0	(64,260)	-	-
UBS	123,512	11,243	1,035	0	135,790	(475)
UBS Property	48,951	(264)	564	0	49,251	(226)
Cash	13,618	-	15	(4,000)	9,633	-
Nomura	47	1,815	39	(1,454)	447	(1,296)

The above table provides details on the impact of manager performance on absolute asset values over the quarter based on their mandate benchmarks.

4. M&G Update

M& G UK Companies Fund
The NAV was valued at £949 million on March 31, 2013 compared with £939 million at the end of the previous quarter. The increase resulted from the earned income after fees which were offset by the mark to market value on the interest rate swap. Since inception, the fund has returned 4.98%, compared with 5.11% at the end of the last period. For the first quarter 2013 the fund returned 1.06% compared with 1.39% in the same period last year. The lower yield reflects the roll off of arrangement fees in the fund. At present, all the loans remain marked at par, with a weighted average credit rating of BB.

M&G Debt Opportunities Fund IV
During the quarter under review, one drawdown of £850k for the M&G Debt opportunities fund was made in April 2013, representing 5.67% of our commitments (£15m) to the fund and total drawdown to date of £3.09m. The fund's NAV as at 31 March 2013 was £46.24m with a total return since inception of 14.10%. In the previous three months the fund invested in two corporate issuers. These companies both issue into the leverage loan

market and neither are the “flow names” which are frequently being traded by hedge funds.

Debt Opportunities Fund’s first investment was in February; the Fund bought into the capital structure of a leverage loan issuer that has previously been through a restructuring. M&G has followed this credit for years and is one of the largest lenders to the company. As such, we have a strong relationship with management and know the other lenders well through our position on a lender-led steering group.

The second purchase followed in March where the fund bought into the post-restructuring capital structure of a logistics business. The fund bought into a senior secured leverage loan, which trades with stapled equity interest. Debt Opportunities Fund was able to acquire a reasonable position in the credit due to our strong reputation and good relationship with the seller.

5. Macquarie Update

Overall cost of investment in Infrastructure by the fund was £8.4m as at 31 March 2013. This is spread across three Macquarie funds.

MSIF – Macquarie SBI Infrastructure Fund

The Net Asset Value (“NAV”) of the Fund was USD 516.1 million as at 31 March 2013, an increase of USD 44.7 million from USD 471.4 million as at 31 December 2012.

MSIF issued capital call notices totalling USD 19.3 million in February 2013 to fund MSIF’s commitments to MB Power (Madhya Pradesh) Limited and for payment of management fees. The total capital drawn from MSIF investors as at 31 March 2013 increased to USD 604.1 million (66.39%) from USD 584.8 million (64.27%) as at the previous quarter-end. USD 25.8 million was called from investors in March 2013 for the financial closure of MSIF’s investment into GJEL, which was funded by investors subsequent to the quarter end. At the end of the quarter under review, Hillingdon’s contribution to this fund was $2.6m out of a total commitment of $3.97m.

MEGCIF

At the end of the quarter under review, MEGCIF reached final close of US$870 million, in line with expectations at the beginning of the year. This is one of the largest Greater China-focused infrastructure fund raisings since the global financial crisis and demonstrates the growing international investor appetite for China infrastructure.
Hillingdon’s contribution to this fund as at 31 March 2013 was $1.7m as against a commitment of $4.75m.

MEIF4 - Macquarie European Infrastructure Fund 4

This sought partners’ approval as required under its article of memorandum to extend the final closing date by a month, from 28 March 2013 to 20 April 2013. This approval was received from over 75% of partners and thus implemented. It allowed MEIF4 to five additional Limited Partners commit to the fund. On Tuesday 30 April MEIF4 completed its final closing, taking total commitments to the Fund (including the French FCPR) to €2,745m, with support from 63 investors. The LP commitments vary in size from €3m to

€250m, with 59% coming from EMEA, 22% from North America and 19% from Asia and Australia (including the GP commitment).
To date, the total contribution by the Pension Fund to MEIF4 is Eur3.9m out of EUR16.0m committed to the fund.

6. Other Items

At the end of March 2013, £29.16m (book cost) had been invested in private equity, which equates to 4.29% of the fund against the target investment of 5.00%. In terms of cash movements over the quarter, Adams Street called £636k and distributed £1.4m, whilst LGT called £148k and distributed £1.1m. This trend is set to continue in the next few years as the fund's investments in private equity enters its' vintage years and more distributions will be received as the various funds mature.

The securities lending programme for the quarter resulted in income of £19.6k. Offset against this was £6.9k of expenses leaving a net figure earned of £12.7k. The fund is permitted to lend up to 25% of the eligible assets total and as at 31 December 2012 the average value of assets on loan during the quarter totalled £43.8m representing approximately 18.9% of this total.

The passive currency overlay agreed by Committee was put in place at in May 2010 with 100% Euro and 50% Australian dollars (June 2012) hedges. The latest quarterly roll occurred on the 6 May 2013 and resulted in a realised profit of 455k, with hedged Euro position accounting for £473k of the overall gain. Since inception, the programme has made a net gain of £345k.

For the quarter ending 31 March 2013, Hillingdon returned 7.84%, underperforming against the WM average of 9.00% by (1.16) %. The one year figure shows an underperformance of (1.47) %, returning 12.33% against the WM average return of 13.8%.

FINANCIAL IMPLICATIONS

These are set out in the report

LEGAL IMPLICATIONS

There are no legal implications arising directly from the report

BACKGROUND DOCUMENTS

None

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London Borough of Hillingdon

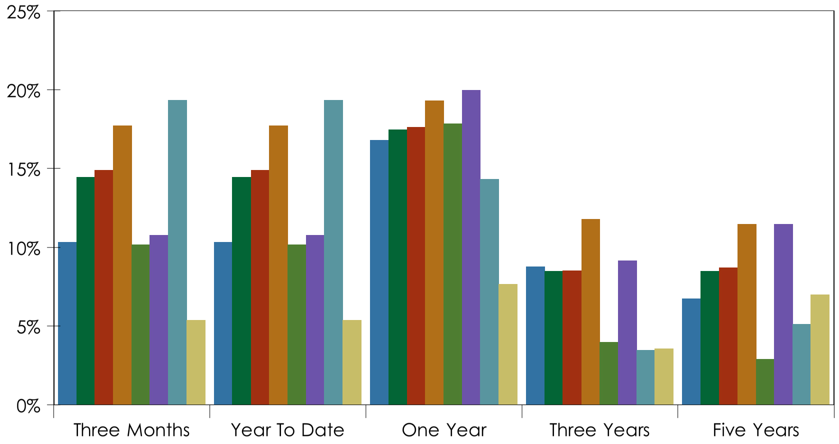
1st Quarter, 2013

Executive Report

Appendix

Equity Index Performance (in GBP)

Performance History



Performance Returns%

	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Share	10.3	10.3	16.8	8.8	6.7
FT: World	14.5	14.5	17.5	8.5	8.5
FT: World ex UK	14.9	14.9	17.6	8.5	8.7
FT: AWI North America	17.7	17.7	19.3	11.8	11.5
FT: Developed Europe ex UK	10.2	10.2	17.8	4.0	2.9
FT: Developed Asia Pac x Jp	10.8	10.8	20.0	9.2	11.4
FT AW: Japan	19.3	19.3	14.3	3.5	5.1
MSCI Emerging Markets GD	5.4	5.4	7.6	3.6	7.0

Europe grabbed the headlines back from the US over quarter one 2013 reminding everyone that it remains the biggest threat to the world economy. Eurozone GDP is down, unemployment is up and the Central Bank confirmed recession and a gloomy outlook. The latest crisis in Cyprus horrified many when faced with the reality that savers could be forced to write off chunks of capital to pay for bad bank debts. However, global stocks were sitting at cyclical highs at the end of the quarter based on renewed optimism over the US economy. 2012 showed itself to be a year of declining correlation amongst risk assets. Investors were willing to take more risk as good companies were bought and those with lower expectations sold. This points to investors being less concerned about geo-political risk and financial instability than they have been in recent times. The only red numbers for quarter one from the major indexes were seen in the Emerging Markets (when viewed in USD), Japan and North America led with strong growth. Globally, Health Care was the strongest sector over both the last quarter and 12 months followed by consumer services. Basic Materials was the biggest loser over Q1 and the year. The price of crude oil futures ended the quarter steady at $111 per barrel. The FTSE World was up by 14.5% (GBP) over quarter one 2013 and is now ahead by 17.5% over one year (GBP).

UK GDP dropped by 0.3% in the fourth quarter of 2012. UK retail sales grew at their fastest rate in more than three years in February. The UK service sector also grew at its fastest pace for five months. That followed a January in which industrial production unexpectedly fell. Predictions of a property rally following mortgage subsidies unveiled in the budget helped lift housebuilding firms to pre-credit crunch levels. HSBC is poised to unveil one of the biggest profits in the history of banking, expected to be in excess of $20bn and in spite of the $1.9bn fine paid to the US to settle claims of money laundering for drug cartels and terrorists. The EU clampdown on banker's bonuses enjoyed the unusual status of being seen by many as an attack on the UK but one largely supported by the British public. Unemployment was slightly up at the end of the year at 7.9%. Telecoms was the strongest sector over the quarter following consecutive quarters as weakest, now replaced at the bottom by Basic Materials. The FTSE All Share was up 10.3% (GBP) over the first quarter and remains ahead over one year, now by 16.8% (GBP).

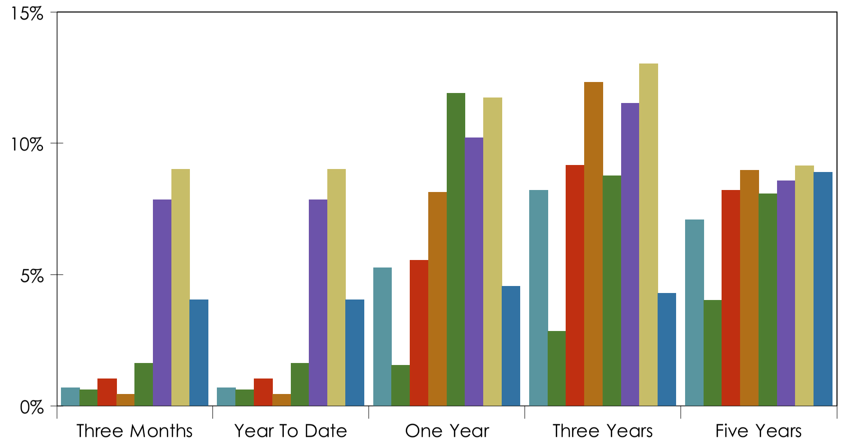
Eurozone GDP was confirmed at -0.6% for quarter four 2012. The ECB is predicting a drop of -0.5% for 2013 increased from -0.3%. Unemployment now stands at 19m (11.9%) having grown by 1.9m over one year. People have been caught attempting to flee Cyprus with suitcases full of notes by both sea and air. The tiny nation became the first in the Eurozone to apply capital controls limiting transactions and transfers to try to protect the banks which were closed for almost two weeks. The strength of the Euro has hindered the competitiveness of European industry according to the chief executives of L'Oreal and Michelin. Since August it has risen by 7% against the dollar and 28% against Yen. PSA Peugeot Citroen posted a record EUR 5bn loss for 2012 and its financing arm received a EUR 1.2bn government lifeline. In contrast BMW unveiled a 5.9% rise in pre-tax profits for 2012 as it benefitted from booming sales in US and China. Germany supplanted the UK as the most sought-after region for European property investment although London remains the most popular city. The FTSE Developed Europe ex UK index returned 10.2% (GBP) over quarter one and 17.8% (GBP) over the year.

Ending March, the S&P 500 surpassed its closing high set in 2007 (before the onset of the financial crisis) returning from the low of the period recorded in March 2009. The US services sector grew at its fastest pace in a year in February. House prices, new home sales and consumer sales were all up over Q1 suggesting the US economy is gathering some momentum. US payrolls grew in March but at a slower rate, although overall unemployment has fallen to 7.7%. The Fed stress tests identified Goldman Sachs as one of the weaker financial firms on Wall Street but were positive for Citigroup who announced plans for a $1.2bn share buyback. Apple's fall from grace continued as Google climbed to 2/3 of their rivals worth from just 1/3 six months ago. Apple's shares are now 40% below their highs. US Q4 GDP finally settled on an expansion of 0.1% although it looked like being -0.1% down for several weeks. The FTSE North America index returned 17.7% (GBP) over the first quarter and 19.3% (GBP) for the year.

Haruhiko Kuroda, the new governor of the bank of Japan is expected to try to boost growth and inflation through monetary stimulus. Japanese Q4 GDP was confirmed at +0.2% but CPI continued to decline as factory output dropped and despite a 15% decrease in the value of Yen. Sony plans to launch its PS4 games console at Christmas in a bid to challenge Microsoft's Xbox and offset continuing losses on its TV business. The FTSE Japan returned 19.3% (GBP) for quarter one and the FTSE Developed Asia Pacific ex Japan returned 10.8% (GBP). Brazil and China agreed a $30bn currency swap that will guarantee smooth trade between the countries regardless of the global economy. China's economy returned its slowest growth in more than a decade over 2012 as demand was sapped by the lumbering global economy with recession in the Eurozone key. However Q4 itself showed positive signs from the increased construction activity, rising house prices and positive quarterly growth year on year. South Korea's Samsung, the world's largest electronics company by sales, expects to issue strong Q1 operating profits of $7.7bn, up 53% year on year. Gold concluded a second consecutive quarterly loss for the first time since 2001, ending March at $1,600 per ounce. The MSCI Emerging Markets index returned 5.4% (GBP) for the first quarter and 7.6% (GBP) for the year.

Fixed Income Index Performance (in GBP)

Performance History



Performance Returns %

	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Stock Index	0.7	0.7	5.3	8.2	7.1
FTSE All Stock 0-5 Yr. Gilts	0.6	0.6	1.6	2.9	4.0
FTSE All Stock 5-15 Yr. Gilts	1.0	1.0	5.5	9.2	8.2
FTSE All Stock > 15 Yr. Gilts	0.5	0.5	8.1	12.3	9.0
ML STG N-Gilts All Stocks	1.6	1.6	11.9	8.8	8.1
FTSE Index Linked	7.9	7.9	10.2	11.5	8.6
FTSE Index Linked 5+ yrs	9.0	9.0	11.7	13.0	9.1
JPM GBI Global	4.0	4.0	4.6	4.3	8.9

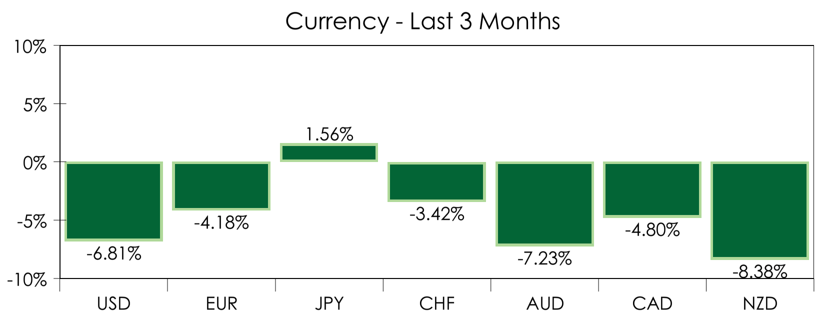
The global economy started 2013 with a marked improvement in risk sentiment on 2012, as the US averted the fiscal cliff with a partial deal while fears of a Greek debt default and a forced exit from the Eurozone, receded on the European Central Bank's (ECB) pledge last year to support the euro "no matter what". This saw global equity markets soar to post crisis highs while benchmark government bond yields rose modestly. However global investors grew more cautious in March, reacting to the revival of European sovereign debt concerns. Italy's inconclusive election in February remained at impasse and Cyprus eventually agreed a EUR10bn bailout rescue package with international lenders. The global economy maintained steady growth through Q1 2013 with the JPMorgan Global Manufacturing & Services Purchasing Manager's Index (PMI) posting 53.1 in March, up marginally from February. Stronger output growth was seen in China, Japan and the UK, while growth slowed in the US, Germany, India, Brazil, Russia and Ireland. In a bold attempt to end nearly 2 decades of deflation, the new governor of the Bank of Japan (BoJ), Haruhiko Kuroda announced an aggressive expansion to its asset purchase programme which will double its holdings of long-term government bonds to JPY270trn (US$2.72trn, STG1.78trn) over the next 2 years. China's official PMI for services climbed to 55.6 in March on the back of a buoyant construction sector. For the first quarter 2013, the JPM Global Govt Bond index has returned +4.0% (GBP), while the Barclays Capital Global Aggregate Corporate Bond index delivered +5.8% (GBP).

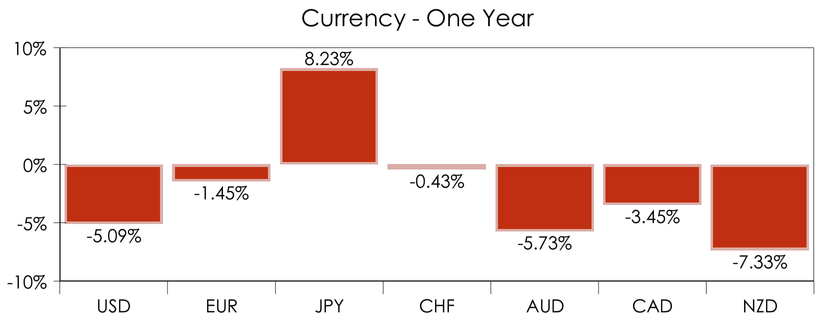
In the UK the Monetary Policy Committee (MPC) continued to hold the Bank rate at 0.5%, and QE unchanged at £375bn as surveys in March came in with mixed data. The manufacturing PMI improved to 48.3 but still indicates contraction in the sector while the services survey increased to a seven month high of 52.4. Exports remain weak due to subdued demand but collectively the UK appears to have narrowly avoided a triple dip recession. The Chancellor George Osborne presented his fiscally neutral Budget in March, in which he indicated that national debt would rise to 85.6% of GDP in 2016/17 and not drop until 2017/18. The Office for Budget Responsibility (OBR) has halved its forecast for GDP growth in 2013 to 0.6%, down from 1.2% in December. Housing received a boost with a new guarantee scheme for mortgage lending, enabling first time buyers without a 20% deposit to take out a mortgage. Chancellor Osborne also changed the Bank of England's (BoE) inflation remit to allow greater latitude on deviations of inflation from its 2% target but also suggesting that the MPC consider using "explicit forward guidance", effectively pledging to hold bank rates very low for a specified period. Gilt yields have been volatile over the quarter, hitting a 12 month high of 2.2% in February as ratings agency Moody's downgraded the UK's AAA sovereign credit rating, down to AA1 and investors began to question the UK's safe haven status. The inconclusive Italian election and the Cypriot banking crisis saw gilt and large corporate yields fall sharply. Over the quarter the benchmark 10-year gilt yield rose from 1.85% at the end of December, reaching 2.20% mid-February before falling back to close at 1.78%. The FTSE All Stock Gilt index returned +0.7% (GBP) for the quarter while the ML Sterling Non Gilts gained +1.6% (GBP).

Although the European Central Bank (ECB) left interest rates unchanged at 0.75%, ECB President Draghi indicated that potential for an interest rate cut was rising, saying that the ECB was "ready to act" as economic weakness increasingly impacts core Eurozone countries. Evidence of the fragile nature of the economy came in the March data. At the start of the year, sentiment towards the Eurozone was improving but the Italian election stalemate and Cyprus's bailout has undermined that confidence. Lack of progress in forming a new government impacted Italy's 5yr treasury sale and spreads between Italian 10-yr bonds and German 10-yr bunds widened to 3 month highs. Cyprus narrowly avoided a collapse of its banking system, agreeing a last minute EUR10bn bailout rescue package with the 'troika' - the heads of the EU, ECB and the International Monetary Fund (IMF) but was forced to introduce capital controls. The Markit Eurozone Composite PMI declined to 46.5 in March compared to 47.9 in February and shows that output has fallen in 18 of the past 19 months. Out of the four largest euro nations, France saw the steepest downturn in activity for four years while Germany has slowed to near stagnation. The German IFO business climate survey fell from 104.6 in February to 103.6 for the first time in six months adding to signs that the German economy is losing momentum. The benchmark German Bund 10-year yield rose over the quarter from 1.32% at year-end but closed slightly down at 1.29%. The iTraxx Europe 5yr CDS index, representative of 125 investment grade entities, tightened slightly from 117.5 at the end of December to close the quarter at 115.9. The JPM European Govt Bond index returned -0.5% (EUR) for Q1 while the Barclay Capital Euro Aggregate Credit index posted +0.4% (EUR).

The Federal Open Market Committee (FOMC) meeting in March left policy unchanged with asset purchases at $85bn of mortgage backed and long term US Treasuries per month while interest rates remain exceptionally low being linked to the unemployment rate falling below 6.5%. Unemployment has fallen to 7.7%, a five year low. Fourth quarter annualised GDP growth was revised up from +0.1% to +0.4% while the OECD's estimate of annualised growth of +3.5% for Q1 2013 looks on target based on current surveys. This has prompted speculation that the Fed would start to slow the scale and pace of its QE programme before the end of the year. However the Conference Board Index of consumer attitudes fell sharply in March as the sequester of $85bn of federal budget cuts came into force at the beginning of the month on top of the New Year tax rises. US Treasuries gained throughout March as resurgent fears over the Eurozone helped bonds claw back losses from January and February, to end the quarter only slightly weaker after a turbulent start to the year when investors were betting on a strengthening economy. The 10-year benchmark Treasury yield rose from 1.76% over the quarter to over 2% before closing at 1.85%. This saw the JPM US Govt Bond index down for the quarter at -0.2% (USD) while the Barclay Capital US Aggregate Corporate Bond index lost -0.1% (USD) over the same period.

Currency Performance (in GBP)





	Three Months	Year To Date	One Year	Three Years	Five Years
United States dollar	-6.81	-6.81	-5.09	0.03	-5.38
European Union euro	-4.18	-4.18	-1.45	1.78	-1.18
Japanese yen	1.56	1.56	8.23	0.24	-6.52
Swiss franc	-3.42	-3.42	-0.43	-3.49	-6.25
Australian dollar	-7.23	-7.23	-5.73	-4.21	-8.04
Canadian dollar	-4.80	-4.80	-3.45	0.08	-5.58
New Zealand dollar	-8.38	-8.38	-7.33	-5.51	-6.66

The first quarter of 2013 saw a strengthening of the Dollar against the Euro, Sterling and Yen. The Yen, in turn, lost ground against the Dollar, Euro and Sterling. Japan's Prime Minister Shinzo Abe has for the first time raised the possibility that the world's third-largest economy could struggle to achieve the target of 2% inflation within two years that he has made a pillar of his economic policy. In an exchange with Seiji Maehara, an opposition politician and former economy minister, Mr Abe said the Bank of Japan should not pursue the inflation target "at all costs". Since Mr Abe swept to victory in December on a platform of aggressive monetary and fiscal stimulus to overturn more than a decade of deflation, the Yen has fallen steeply against leading currencies, sending the stock market higher. The Australian dollar rose against the US dollar, Euro and Sterling this quarter. Q1 2013 saw the Australian prime minister, Julia Gillard, set to sign a currency deal enabling the Australian dollar to be converted directly into the Chinese yuan, slashing costs for thousands of businesses. The Australian dollar is the third country, after the US and Japan, to secure such an agreement with China, which is Australia's top trading partner. The Chinese Yuan closed the quarter flat against the Dollar at 0.1608 US Dollars. In China's foreign exchange spot market, the yuan is allowed to rise or fall by only 1% from the central parity rate each trading day.

In the UK, Q1 2013 saw Sterling weaken against the Dollar and Euro strengthen against the Yen. The governor of the Bank of England called for more monetary stimulus for the second successive month in March. The Monetary Policy Committee voted nine-nil in favour of maintaining interest rates at 0.5%, and six-three in favour of maintaining the size of the asset purchasing programme at £375bn. The annual rate of inflation in the UK, as measured by the consumer price index, rose to 2.8% in February, up 0.1% from the November figure of 2.7%. The largest upward contributions to the change in the CPI measure of inflation came from domestic fuel bill increases and prices for cameras and games, where competition has abated. Unemployment in the UK rose by 7,000 to 2.52 million in the 3 months to January 2013. The jobless rate remained 7.8%. The number of young people aged 16-24 without a job rose to 993,000 over the three months, taking the youth unemployment rate to 21.2%. House prices rose for the fourth successive quarter according to the figures released by mortgage lender Halifax. Prices in the first three months of the year were up 1.2% on the previous quarter and up 1.1% on the same period in 2012. The average price of a UK home is now £163,943, more than £35,000 below the peak seen in August 2007. Sterling closed the quarter down against the Dollar and Euro by 6.8% and 4.2% respectively and up against the Yen by 1.6%.

In the US, in early March, US president Barack Obama signed into effect a wave of steep spending cuts which he has warned could damage the US economy. The cuts, drawn up 2 years ago, will take $85bn from the US federal budget this year. The IMF has warned that the cuts could slow global economic growth. US consumer confidence fell sharply in March, a closely-watched report has suggested. The Conference Board's index of consumer attitudes fell by 7.0 points from 66.7 in December to 59.7 in March. The research group primarily blamed the fall on US federal budget cuts that came into force at the start of March. For the first time since 2006, quarterly home price movements in the US remained positive over winter. The latest Home Data Index report from real estate firm Clear Capital shows that in the first 3 months of 2013 prices increased nationally by 0.9% and the firm forecasts further growth of 1.7% over the remainder of the year. Prices are up 6.5% over the last 12 months. The US un-employment rate reduced from 7.8% in December to 7.6% in March, its lowest monthly jobless rate since December 2008. This figure looks a little misleading since, in March alone, half a million people dropped out of the labour force, creating the illusion of falling unemployment with the drop related to so many people having given up looking for jobs. The teenage unemployment rate stands at 24.2%. The number of unemployed in the US now stands at 11.7 million. The US trade deficit stood at $43.0bn in February 2013. Exports stood at $186.0 billion, strengthened by the exports of industrial goods (up 4.5% from January) and cars (up 1.6%). Meanwhile, imports held steady at $228.9 billion. US imports of foreign cars rose 4.3% between January and February to reach $24.8 billion. On a 12 month basis, the US trade deficit has dropped by 3.5%. The Dollar ended the quarter up against the Euro, Sterling and Yen by 2.6%, 6.8% and 8.4% respectively.

In the Euro area, the Euro strengthened against the Sterling and Yen this quarter but lost ground against the Dollar. The big news in Europe was the Cyprus bail out and investor haircuts where investors with more than EUR 100,000 face the reality of losing 60% of their bank deposits. The single currency is still perceived as largely overvalued despite having weakened quite considerably since a five month high at $1.3648 early in February. The single currency traded at $1.2855 just after the Cyprus bailout. The governing council of the European Central Bank held interest rates unchanged at 0.75% in February, for the ninth month in a row. The jobless in the 17-country region reached a new high of 12.0% in February, the highest since the launch of Europe's monetary union in 1999. The unemployment figures come as manufacturing output data showed a further contraction in production in March compared with February, a negative change that suggests unemployment could deteriorate further. Greece and Spain remain the countries with the worse unemployment rates at over 26%. In Cyprus, unemployment rose from 10.2% to 14.0% over the 12 months to February 2013, a rise that highlights the devastating impact of the debt crisis on the small island that was bailed out by international creditors in late March. The Euro ended the quarter up against the Sterling and Yen by 4.2% and 5.7% respectively and down against the Dollar by 2.6%.

Scheme Performance

Equity markets across the world continued to rise during the first quarter of 2013 with developed markets posting double digit growth; Gilts and Corporates saw modest rises, with Index-Linked Gilts once again leading the way. Against this backdrop the London Borough of Hillingdon returned 7.84% beating the Total Plan benchmark of 6.82% by 95 basis points. In monetary terms this is a growth in assets of £49.5 million and the value of the combined scheme now stands at £680.3 million as at 31st March 2013. During this period the £64 million in the temporary SSGA account along with £4 million from Cash was used to fund the two new mandates (Kempen & Newton), while Macquarie and M&G also received some additional funds. Looking further into the analysis the main factor was the outperformance of Ruffer coupled with the Global Equity managers, although this was slightly offset by Private Equity. In allocation terms most mandates are in line with the neutral position with the only impacts coming from the small value in Nomura and the noise caused by the transition between the global equity mandates

The good result this period feeds into the longer numbers, producing an outperformance of 1.52% over the year with returns of 12.33 % versus 10.64%. Over the year Ruffer continues to be the main driver with selection effects in UBS also notable, while the main detractor was once again Private Equity assets. Similar to the quarter, allocation is fairly balanced with just a small negative impact coming from underweighting UBS. The 3 year numbers show a 1.13% relative return, but then underperformance is still seen for the 5 year period. However, since inception in September 1995, the Fund is now ahead of target by 3 basis points with an annualised return of 6.78% against 6.74%.

Manager Performance

JP Morgan

In the latest quarter JP Morgan investments grew a further 0.37%, although compared to the 0.87% target of the 3 Month LIBOR + 3% translates as a -0.49% relative underperformance, the lowest of all mandates. Over the last year they remain ahead of the target with a return of 4.12% against the benchmark of 3.71%, while since inception (November 2011) the return increases further to 5.87% and this is 1.98% ahead of target on a relative annualised basis.

Macquarie

In contrast to the previous two quarters the Macquarie portfolio posted a positive return at 3.69%, which means for the last twelve months they see flat growth. Since inception in September 2010 they've delivered six negative quarterly returns out of ten, leading to an annualised loss of -9.20%.

At present no benchmark has been applied to this mandate.

M&G Investments

Over the first quarter of 2013, M&G produced a 2.09%, which in contrast to the previous quarter is an outperformance of 0.97% when compared to the 3 Month LIBOR +4% p.a. Over the last year the account registers 5.78% against 4.72% whilst since inception at the end of May 2010, the portfolio return falls to 4.90% pa return whilst the benchmark is 4.83% pa. While the since inception Internal Rate of Return for this portfolio moves further ahead of the target with a figure of 5.74% opposed to the comparator of 4.72%.

Ruffer

The Ruffer portfolio produced its highest absolute return since inception with 10.33%, also the highest for all mandates this period and against the return of 0.13% for LIBOR 3 Month GBP delivers an outperformance of 10.19%. This feeds into all longer periods, so over the last twelve month post a return of 11.03% against 0.82 for the target, resulting in the 10.13% outperformance. While since the inception of the fund in May 2010 eight out of eleven quarters show positive returns and lead to figures of 7.70% versus 0.82% per annum, which translates as a relative return of 6.83%.

Manager Performance

Private Equity

The private equity assets, consisting of funds with Adam Street and LGT, produced good growth returning 9.62% and 5.78% respectively in the latest quarter. This results in the one year figures demonstrating positive absolute returns with Adam Street on 14.98% and LGT with 10.99%. Over the longer periods, the outlook over which private equity investments should be measured, returns drop slightly but remain fairly high with Adam Street falling to 11.70% for three years and LGT with 10.79% for the same period. However, since their respective inceptions in May 2004 and January 2005, while LGT posts 8.63% pa, Adam Street drops to 1.87% pa.

At present no benchmark has been applied to these mandates.

SSGA

The SSGA passively managed portfolio produced a return of 10.32% in the quarter which exactly matched the benchmark; further analysis confirms the passive nature with all categories aligned with their respective indices. So over the year they produce an 15.82% return, which is just 9 basis points behind target, while over 3 years the per annum return falls to 8.74% which sits just 5 basis points above the benchmark. Since inception (November 2008) a return of 14.61% pa is also 5 basis points above the benchmark, but the passive nature is best demonstrated by the 3 year R squared and beta figures of 1, while the tracking error is just 0.16.

SSGA Drawdown

The SSGA Drawdown fund posted 0.99% in the latest period with the blended benchmark showing 0.86%, breaking the run of underperformance. Then for the one year period they demonstrate the lowest relative return with 1.56%, however, these results are entirely due to the mandate being over 60% in the liquidity fund for much of the year as opposed to the 50/50 split of the benchmark. Similar results are seen in all longer periods, although since inception the weights average out over time and the gap over longer periods closes slightly with the funds annualised return of 5.04% against 5.46% for the benchmark.

SSGA Global Equity

During January 2013, the temporary SSGA Global Equity account was terminated and the investment used to fund two new mandates. Kempen was funded with £44 million and is measured against the MSCI All World Index and Newton received £21 million and is measured against the FTSE World Index +2%.

UBS

UBS UK Equity produced a return of 9.94%, although this is 35 basis points short of the FTSE All Share figure of 10.32%. Looking into the attribution analysis, asset allocation was the main driver with the large underweight of Consumer Goods leading to -0.73% slightly offset by underweighting Basic Materials (0.25%) and overweight in Consumer Services (0.24%). Whilst within stock selection value added by Oil & Gas and Financials stocks is countered by underperformance in Industrials. These results were not enough to drag the one year numbers down and demonstrate the highest absolute return with 20.06% and the second highest relative figure of 2.82%. This outperformance is attributable to selection effects and again it's Financials (1.69%) and Oil & Gas (1.17%) which lead the way. This is offset by negative asset allocation with underweight in Consumer Goods still the most significant decision (-1.03%). UBS maintain this outperformance over three years but across longer periods they start to fall below the benchmark, although they still demonstrate outperformance since inception with figures of 10.16% versus 9.10% on an annualised basis.

UBS Property

The UBS Property portfolio offset some of the previous quarter's losses with a return of 0.61%, although it still fell behind the IPD UK PPFI All Balanced Funds index at 1.07%. This also feeds into the one year as the portfolio now shows a loss of-0.09%, which is -1.44% behind the IPD. All long periods also demonstrate underperformance and with the exception of the 4.56% pa return over three years, absolute returns are also negative. Since inception, in March 2006, these losses stand at -0.94% and while the benchmark also falls with -0.22%, the underperformance is now 72 basis points.

Active Contribution

By Manager

	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 01/13	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 02/13	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 03/13	Active Contribution 1Q 2013
Adam Street	2.54	-	2.54	-	525,559.65	4.75	-	4.75	-	1,007,402.09	2.06	-	2.06	-	456,834.74	1,989,796.48
JP Morgan	0.28	0.29	-0.01	-0.01	-9,616.64	-0.18	0.29	-0.47	-0.47	-353,118.66	0.28	0.29	-0.01	-0.01	-9,517.50	-372,252.80
Kempen	-	-	-	-	0.00	4.29	4.84	-0.54	-0.52	-252,380.71	1.57	2.53	-0.96	-0.93	-452,212.19	-704,592.90
LGT	5.51	-	5.51	-	936,888.52	1.14	-	1.14	-	200,792.41	-0.88	-	-0.88	-	-153,976.08	983,704.84
Macquarie	7.26	0.29	6.97	6.95	440,340.93	-2.13	0.29	-2.41	-2.40	-212,036.28	-1.23	0.29	-1.52	-1.51	-131,682.83	96,621.82
M&G Investments	0.86	0.37	0.49	0.49	78,653.76	0.00	0.37	-0.37	-0.36	-59,372.73	1.22	0.37	0.85	0.84	137,262.60	156,543.63
Newton	-	-	-	-	0.00	3.08	4.59	-1.51	-1.44	-342,954.10	1.89	1.93	-0.04	-0.04	-8,225.73	-351,179.83
Nomura	3.30	-	3.30	-	64,956.84	-75.14	-	-75.14	-	-1,367,365.44	1.45	-	1.45	-	6,377.40	-1,296,031.20
Ruffer	5.74	0.04	5.70	5.70	6,795,399.27	1.75	0.04	1.70	1.70	2,149,054.35	2.55	0.04	2.50	2.50	3,211,742.68	12,156,196.30
SSGA	5.75	5.76	-0.00	-0.00	-4,745.08	2.71	2.70	0.01	0.01	14,707.60	1.56	1.57	-0.01	-0.01	-17,112.69	-7,150.17
SSGA Drawdown	-0.60	-0.49	-0.10	-0.10	-6,294.64	0.60	0.50	0.10	0.10	5,857.96	1.00	0.86	0.14	0.14	8,552.72	8,116.04
UBS	6.62	6.37	0.24	0.23	320,158.80	2.07	2.28	-0.21	-0.21	-283,791.20	1.03	1.40	-0.38	-0.37	-511,147.98	-474,780.38
UBS Property	0.26	0.39	-0.13	-0.13	-62,162.64	0.07	0.32	-0.24	-0.24	-120,466.41	0.28	0.37	-0.09	-0.09	-43,192.53	-225,821.58

Total Fund Market Value at Qtr End: £680.3 M

Scheme Performance

	Market Value £m	% of Fund	Three Months Portfolio	Three Months Benchmark	Three Months Excess Return	Three Months Relative Return	Year To Date Portfolio	Year To Date Benchmark	Year To Date Excess Return	Year To Date Relative Return	One Year Portfolio	One Year Benchmark	One Year Excess Return	One Year Relative Return
London Borough of Hillingdon	680.3	100.00	7.84	6.82	1.01	0.95	7.84	6.82	1.01	0.95	12.33	10.64	1.68	1.52

By Manager

	Market Value £m	% of Fund	Three Months Portfolio	Three Months Benchmark	Three Months Excess Return	Three Months Relative Return	Year To Date Portfolio	Year To Date Benchmark	Year To Date Excess Return	Year To Date Relative Return	One Year Portfolio	One Year Benchmark	One Year Excess Return	One Year Relative Return
Adam Street	22.6	3.33	9.62	-	-	-	9.62	-	-	-	14.98	-	-	-
JP Morgan	75.0	11.02	0.37	0.87	-0.50	-0.49	0.37	0.87	-0.50	-0.49	4.12	3.71	0.41	0.40
LGT	17.3	2.54	5.78	-	-	-	5.78	-	-	-	10.99	-	-	-
Macquarie	8.5	1.25	3.69	0.87	2.82	2.79	3.69	0.87	2.82	2.79	-0.01	-	-	-
M&G Investments	16.4	2.40	2.09	1.11	0.98	0.97	2.09	1.11	0.98	0.97	5.78	4.72	1.06	1.01
Ruffer	131.5	19.33	10.33	0.13	10.20	10.19	10.33	0.13	10.20	10.19	11.03	0.82	10.21	10.13
SSGA	136.1	20.00	10.32	10.32	-0.01	-0.01	10.32	10.32	-0.01	-0.01	15.82	15.92	-0.10	-0.09
SSGA Drawdown	6.2	0.91	0.99	0.86	0.13	0.13	0.99	0.86	0.13	0.13	4.39	6.05	-1.65	-1.56
UBS	135.8	19.96	9.94	10.32	-0.38	-0.35	9.94	10.32	-0.38	-0.35	20.06	16.77	3.29	2.82
UBS Property	49.3	7.24	0.61	1.07	-0.46	-0.46	0.61	1.07	-0.46	-0.46	-0.09	1.38	-1.46	-1.44

Total Fund Market Value at Qtr End: £680.3 M

Scheme Performance

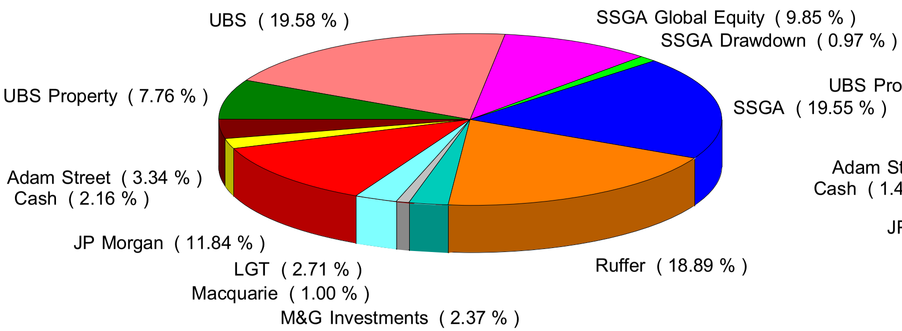
	Three Years				Five Years					Inception To Date			
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
London Borough of Hillingdon	7.09	5.89	1.20	1.13	5.07	5.49	-0.42	-0.40	30/09/95	6.78	6.74	0.03	0.03

By Manager

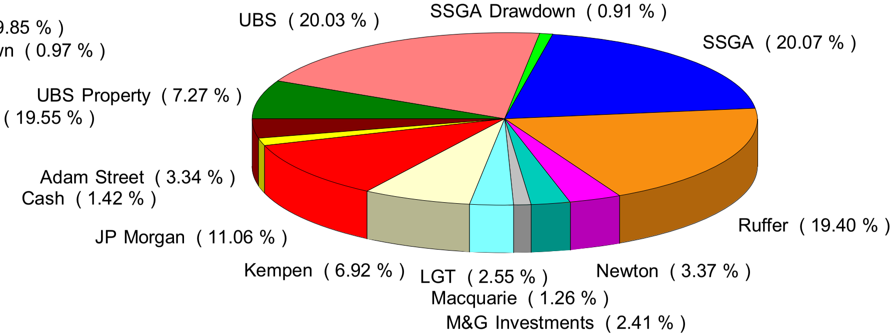
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
Adam Street	11.70	-	-	-	11.14	-	-	-	31/01/05	1.87	-	-	-
JP Morgan	-	-	-	-	-	-	-	-	08/11/11	5.87	3.82	2.05	1.98
LGT	10.79	-	-	-	5.25	-	-	-	31/05/04	8.63	-	-	-
Macquarie	-	-	-	-	-	-	-	-	30/09/10	-9.20	-	-	-
M&G Investments	-	-	-	-	-	-	-	-	31/05/10	4.90	4.83	0.07	0.07
Ruffer	-	-	-	-	-	-	-	-	28/05/10	7.70	0.82	6.88	6.83
SSGA	8.74	8.68	0.06	0.05	-	-	-	-	30/11/08	14.61	14.55	0.06	0.05
SSGA Drawdown	3.90	4.50	-0.61	-0.58	-	-	-	-	30/06/09	5.04	5.46	-0.42	-0.39
UBS	9.13	8.78	0.35	0.32	7.87	7.95	-0.08	-0.07	31/12/88	10.16	9.10	1.06	0.97
UBS Property	4.56	5.35	-0.78	-0.74	-2.05	-0.99	-1.06	-1.07	31/03/06	-0.94	-0.22	-0.72	-0.72

Total Fund Market Value at Qtr End: £680.3 M

Weighting at Beginning of Period



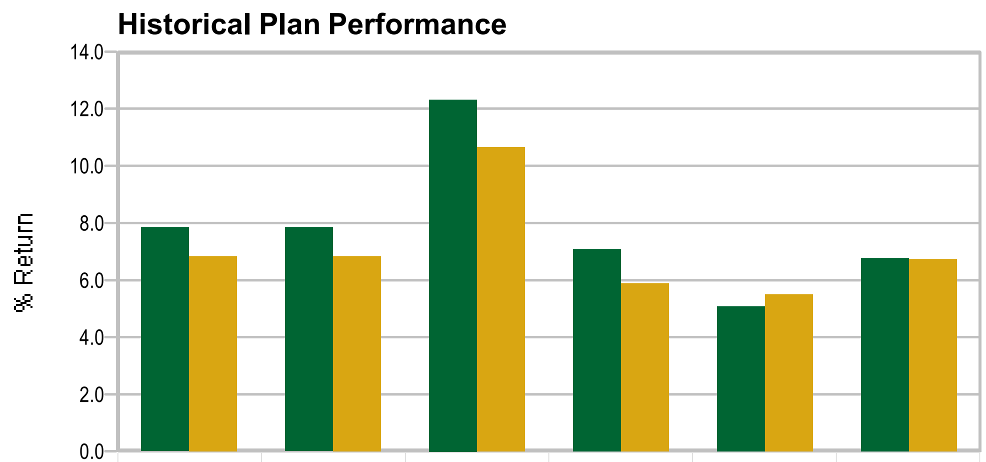
Weighting at End of Period



	Opening Market Value £(000)	% of Fund	Net Investment £(000)	Appreciation £(000)	Income Received £(000)	Closing Market Value £(000)	% of Fund
London Borough of Hillingdon	631,719	100.00	-954	47,267	2,264	680,295	100.00
Adam Street	21,082	3.34	-455	1,990	10	22,629	3.33
Cash	13,618	2.16	-4,000	0	15	9,634	1.42
JP Morgan	74,704	11.83	0	276	0	74,981	11.02
Kempen		0.00	44,299	2,585	0	46,884	6.89
LGT	17,077	2.70	-776	985	0	17,286	2.54
Macquarie	6,304	1.00	2,060	173	0	8,536	1.25
M&G Investments	14,930	2.36	1,087	334	0	16,351	2.40
Newton		0.00	21,370	1,449	0	22,819	3.35
Nomura	47	0.01	-1,454	1,815	39	447	0.07
Ruffer	119,176	18.87	0	11,712	599	131,488	19.33
SSGA	123,348	19.53	0	12,724	0	136,072	20.00
SSGA Drawdown	6,102	0.97	0	61	0	6,163	0.91
SSGA Global Equity	62,124	9.83	-64,260	2,136	0	0	0.00
UBS	123,512	19.55	0	11,243	1,035	135,790	19.96
UBS Property	48,951	7.75	-0	-264	564	49,251	7.24

London Borough of Hillingdon

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	7.84	7.84	12.33	7.09	5.07	6.78
Benchmark	6.82	6.82	10.64	5.89	5.49	6.74

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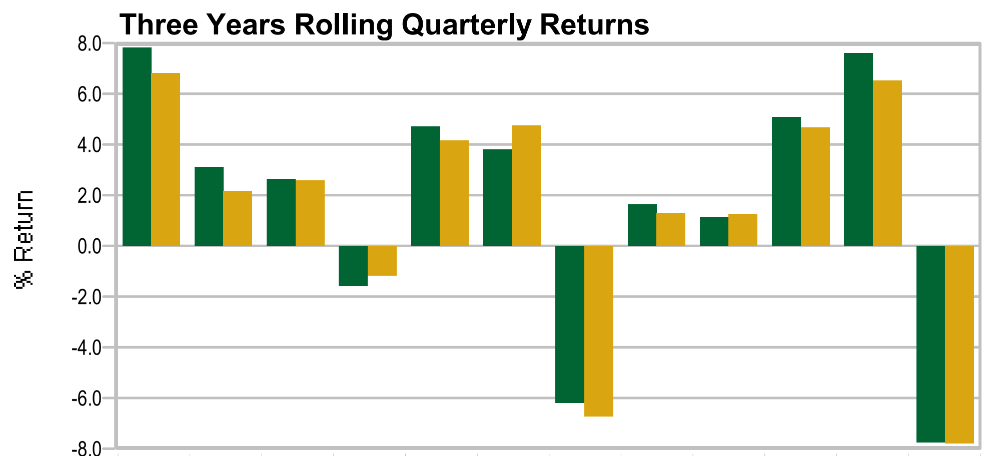
Three Years Rolling Quarterly Returns

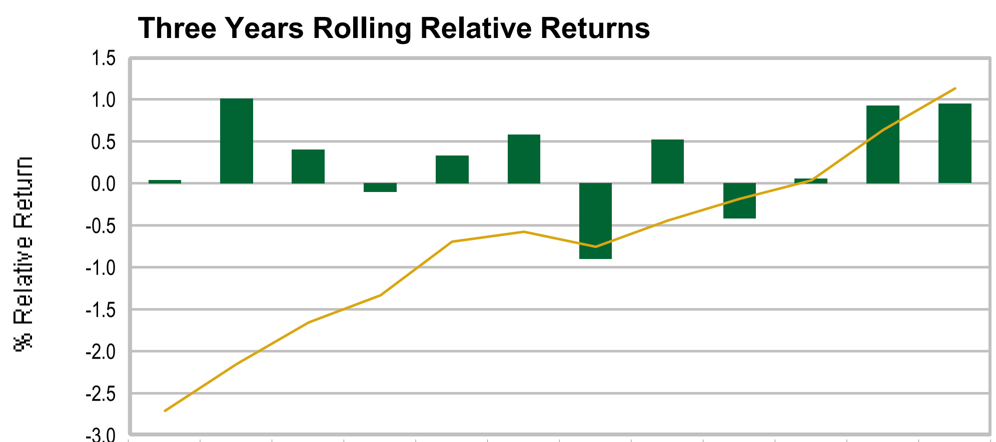


	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	7.84	3.12	2.64	-1.59	4.71	3.82	-6.20	1.64	1.15	5.08	7.60	-7.77
Benchmark	6.82	2.18	2.58	-1.18	4.16	4.76	-6.74	1.31	1.26	4.67	6.52	-7.81

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	7.09	5.89
Standard Deviation	7.19	6.74
Relative Return	1.13	
Tracking Error	1.32	
Information Ratio	0.91	
Beta	1.05	
Alpha	0.92	
R Squared	0.97	
Sharpe Ratio	0.82	0.70
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	631,719	
Net Investment £(000)	-954	
Income Received £(000)	2,264	
Appreciation £(000)	47,267	
Closing Market Value (£000)	680,295	

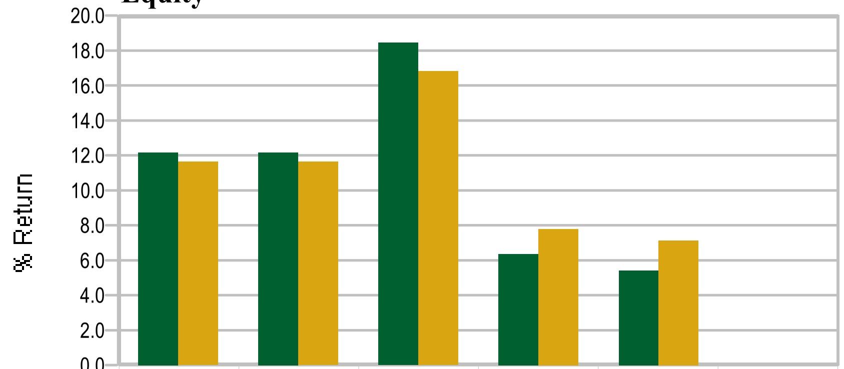
Three Years Rolling Relative Returns



	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	0.04	1.01	0.40	-0.11	0.33	0.58	-0.90	0.52	-0.42	0.06	0.93	0.95
3Y Relative	-2.71	-2.15	-1.66	-1.34	-0.70	-0.58	-0.75	-0.45	-0.19	0.04	0.64	1.13

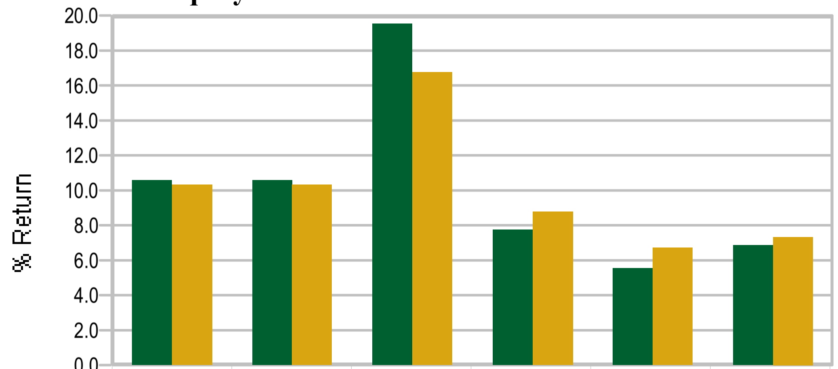
London Borough of Hillingdon

Equity



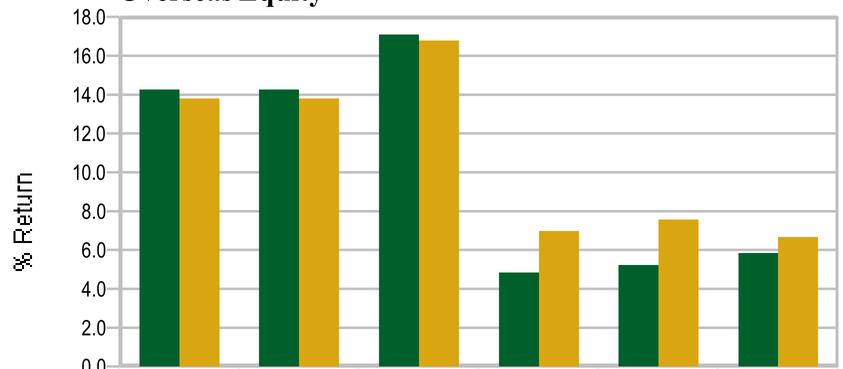
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	12.17	12.17	18.47	6.37	5.42	-
B'Mark	11.64	11.64	16.81	7.78	7.14	-

UK Equity



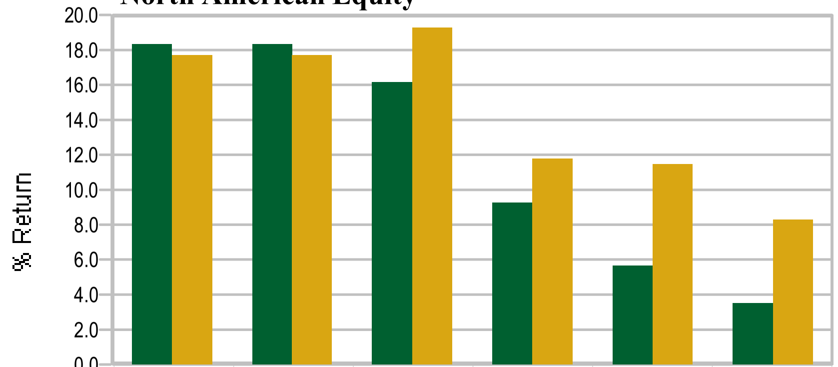
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	10.59	10.59	19.53	7.74	5.54	6.85
B'Mark	10.32	10.32	16.77	8.78	6.74	7.33

Overseas Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	14.26	14.26	17.08	4.82	5.22	5.83
B'Mark	13.78	13.78	16.78	6.96	7.55	6.66

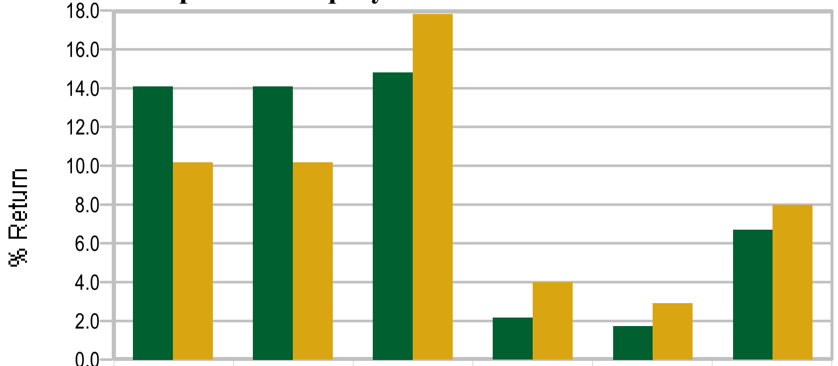
North American Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	18.33	18.33	16.15	9.27	5.67	3.51
B'Mark	17.71	17.71	19.28	11.78	11.47	8.30

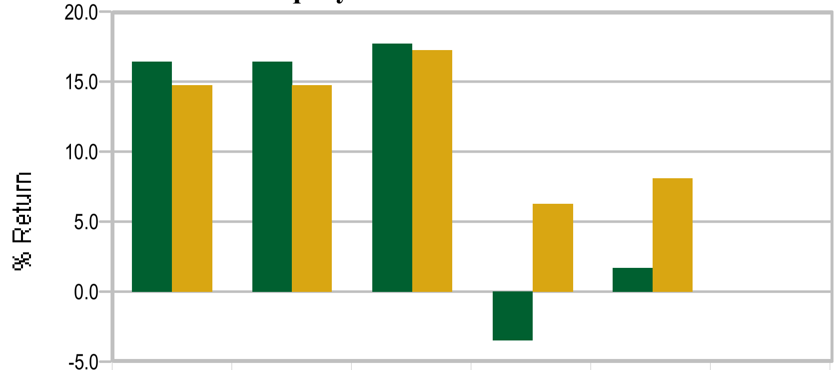
London Borough of Hillingdon

Europe ex UK Equity



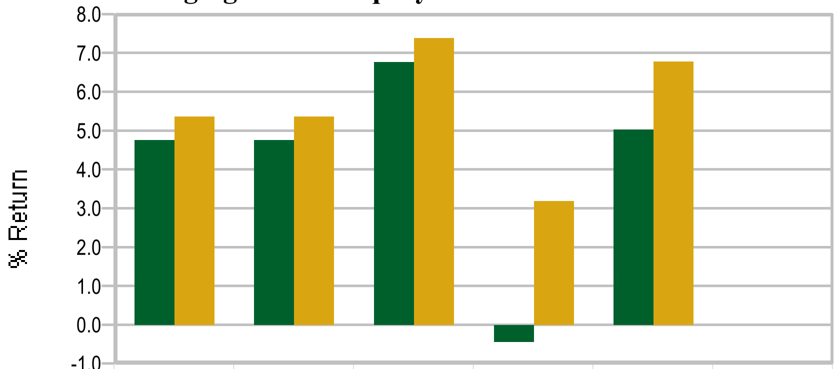
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	14.11	14.11	14.83	2.15	1.74	6.70
B'Mark	10.16	10.16	17.82	3.99	2.90	7.98

Asia Pacific Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	16.42	16.42	17.73	-3.48	1.68	-
B'Mark	14.76	14.76	17.28	6.28	8.09	-

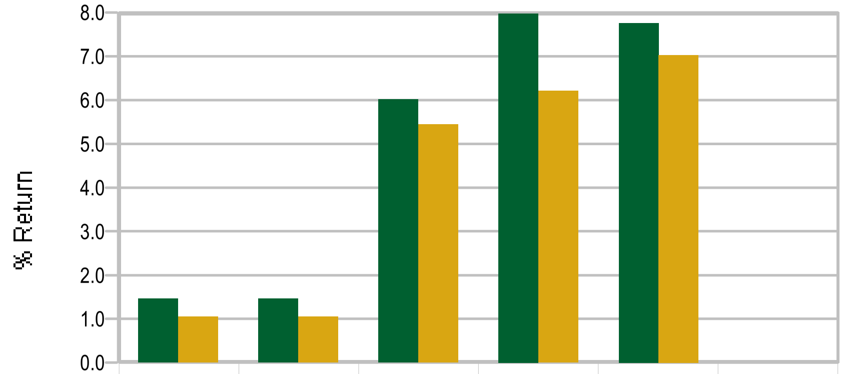
Emerging Market Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.76	4.76	6.77	-0.44	5.02	-
B'Mark	5.37	5.37	7.39	3.19	6.78	-

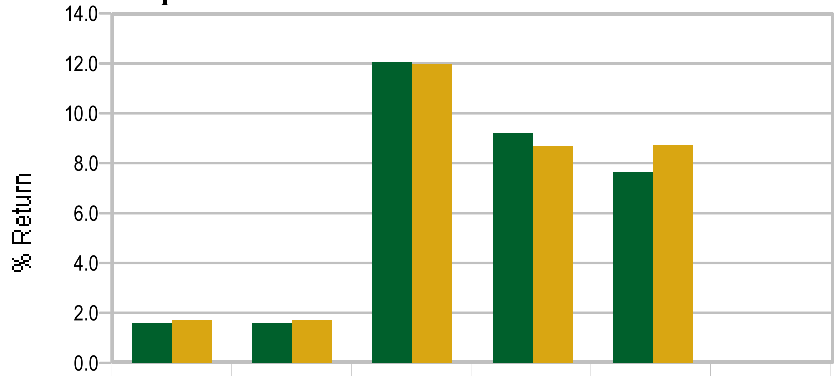
London Borough of Hillingdon

Fixed Income



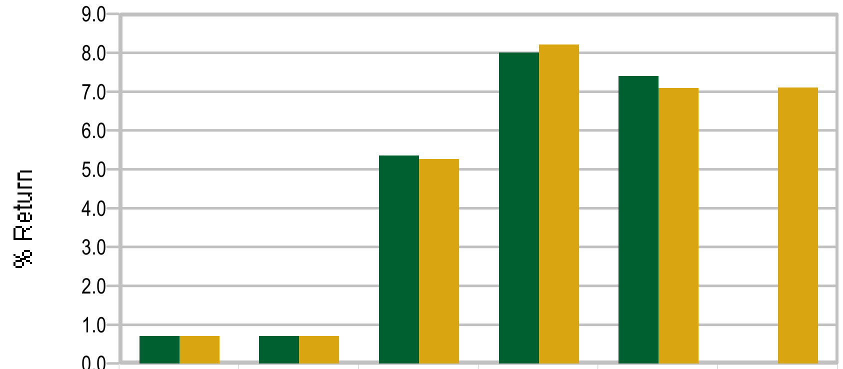
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.46	1.46	6.02	7.98	7.77	-
B'Mark	1.05	1.05	5.45	6.21	7.04	-

Corporate Bonds



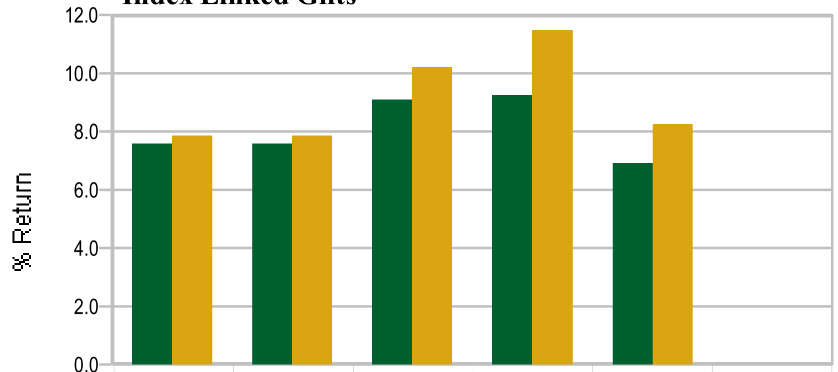
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.61	1.61	12.03	9.21	7.64	-
B'Mark	1.72	1.72	11.99	8.70	8.73	-

Government Bonds



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.71	0.71	5.36	8.01	7.40	-
B'Mark	0.70	0.70	5.25	8.21	7.09	7.10

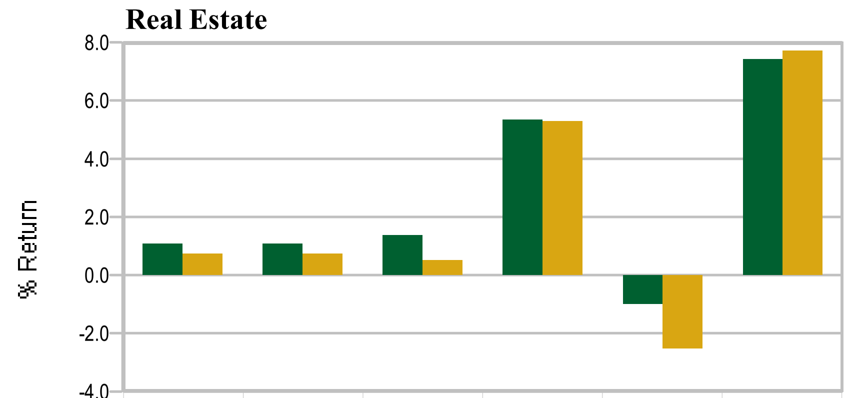
Index Linked Gilts



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	7.59	7.59	9.09	9.25	6.91	
B'Mark	7.86	7.86	10.21	11.48	8.24	

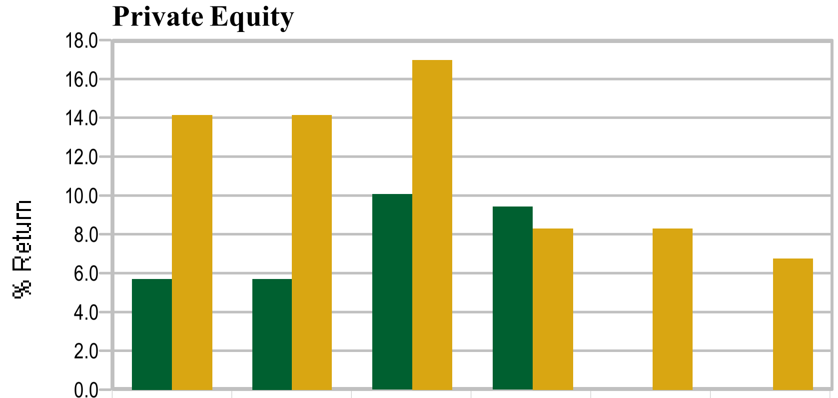
London Borough of Hillingdon

Real Estate



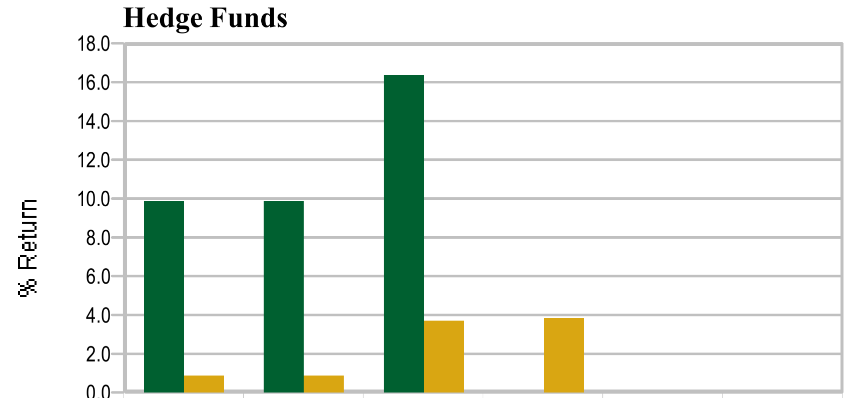
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.74	0.74	0.51	5.28	-2.52	7.70
B'Mark	1.07	1.07	1.38	5.35	-0.99	7.42

Private Equity



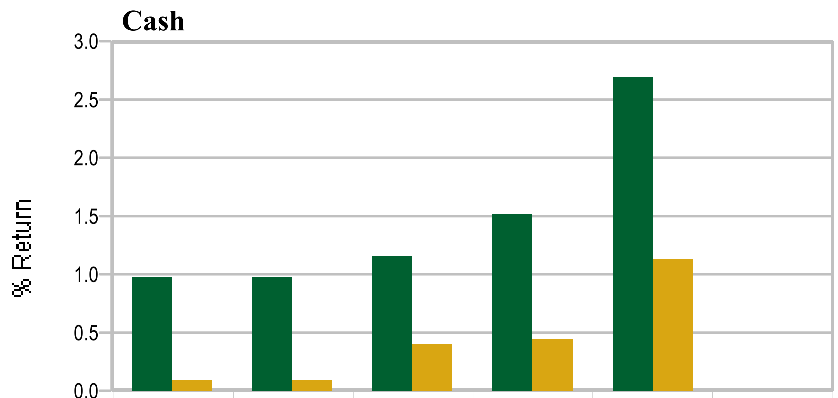
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	5.70	5.70	10.06	9.42	-	-
B'Mark	14.15	14.15	16.99	8.32	8.31	6.77

Hedge Funds



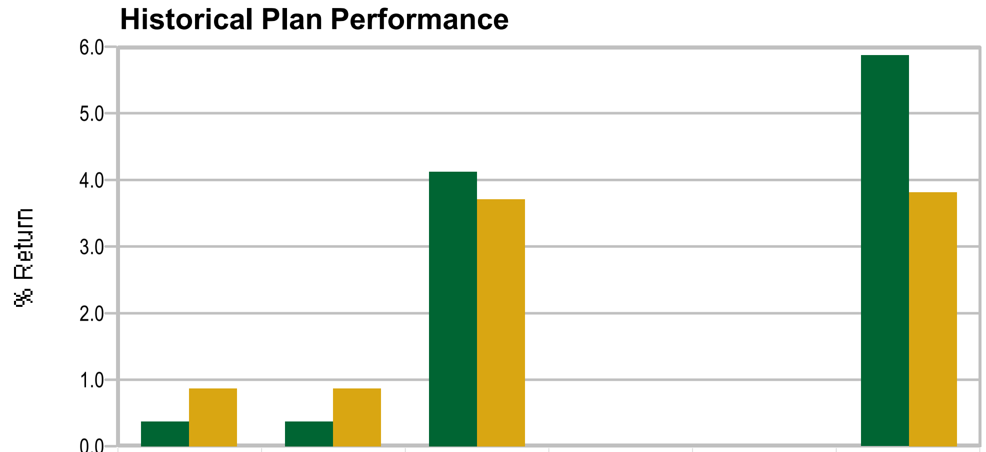
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	9.89	9.89	16.36	-	-	-
B'Mark	0.87	0.87	3.71	3.82	-	-

Cash

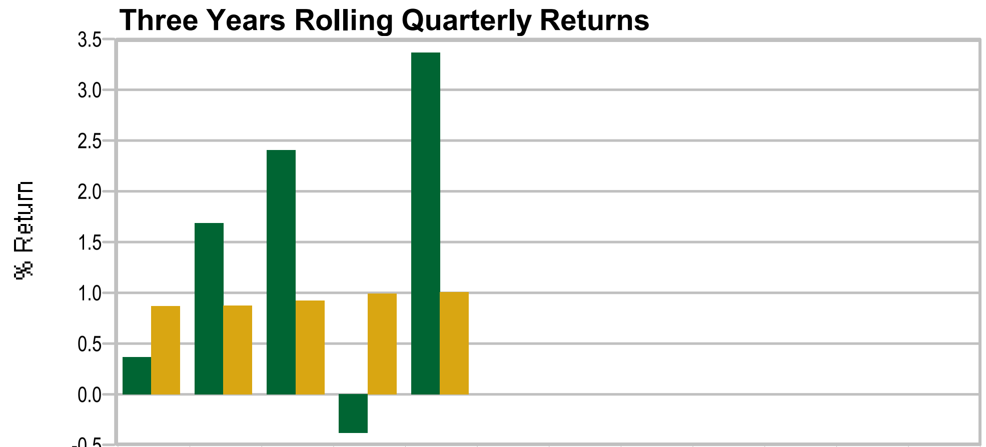


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.97	0.97	1.16	1.52	2.70	-
B'Mark	0.09	0.09	0.40	0.44	1.13	-

JP Morgan



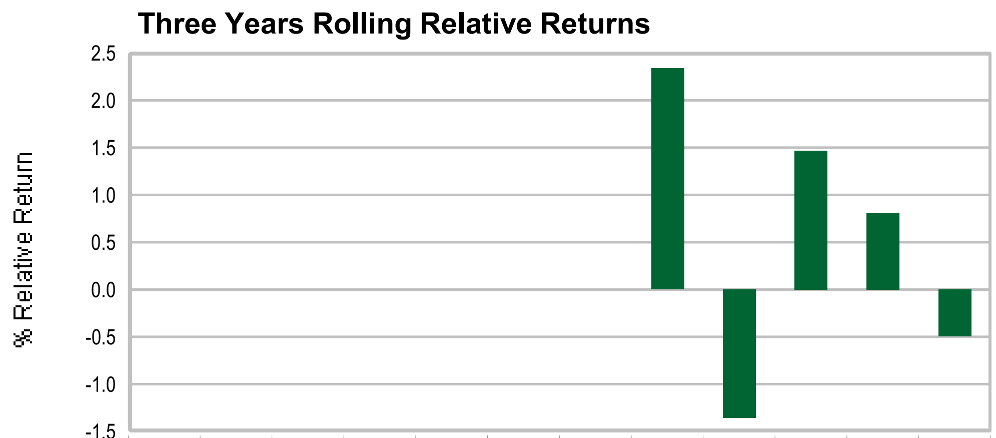
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.37	0.37	4.12	-	-	5.87
Benchmark	0.87	0.87	3.71	-	-	3.82



	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	0.37	1.69	2.41	-0.38	3.37	-	-	-	-	-	-	-
Benchmark	0.87	0.88	0.93	0.99	1.01	-	-	-	-	-	-	-

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	11.0	
Inception Date	Nov-2011	
Opening Market Value (£000)	74,704	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	276	
Closing Market Value (£000)	74,981	



	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	-	-	-	-	-	-	-	2.34	-1.36	1.47	0.81	-0.49
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

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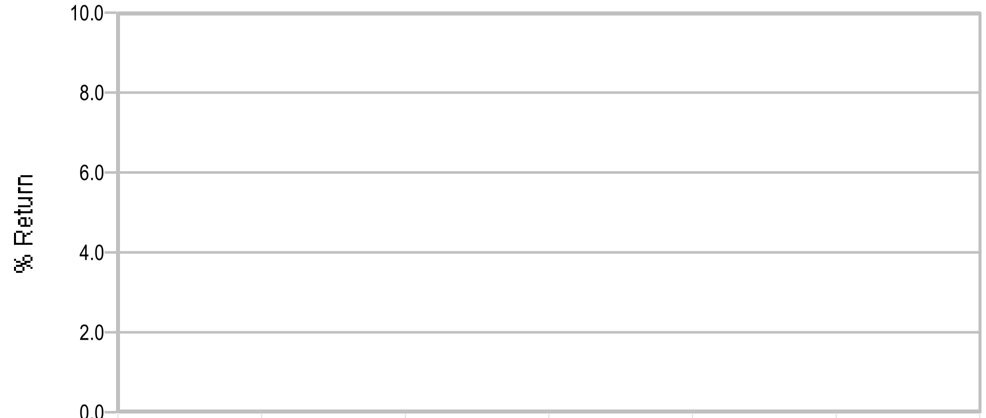
Marathon

Historical Plan Performance

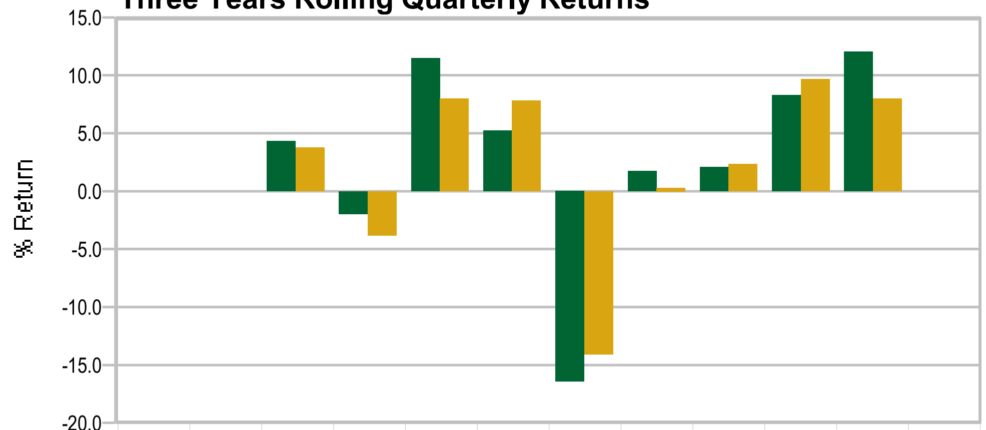


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund			3.03	-	-	7.89
Benchmark	-	-	-	-	-	-

Risk Statistics - 3 years

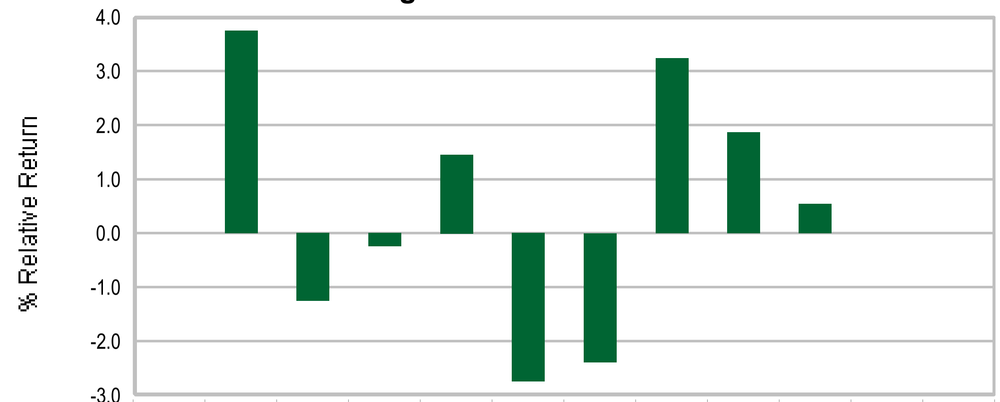
	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	0.0	
Inception Date	Jun-2010	
Opening Market Value (£000)	0	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	0	
Closing Market Value (£000)	0	

Three Years Rolling Quarterly Returns



	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund		0.76	4.34	-2.00	11.50	5.27	-16.43	1.77	2.10	8.28	12.07	-
Benchmark	-	-	3.77	-3.80	8.00	7.85	-14.06	0.31	2.36	9.66	8.02	-

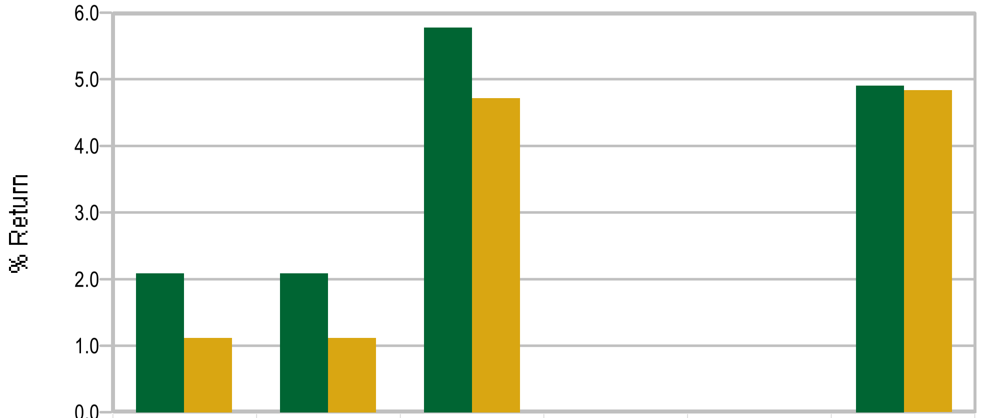
Three Years Rolling Relative Returns



	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	-	3.74	-1.26	-0.25	1.46	-2.75	-2.39	3.24	1.87	0.55	-	-
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

M&G Investments

Historical Plan Performance

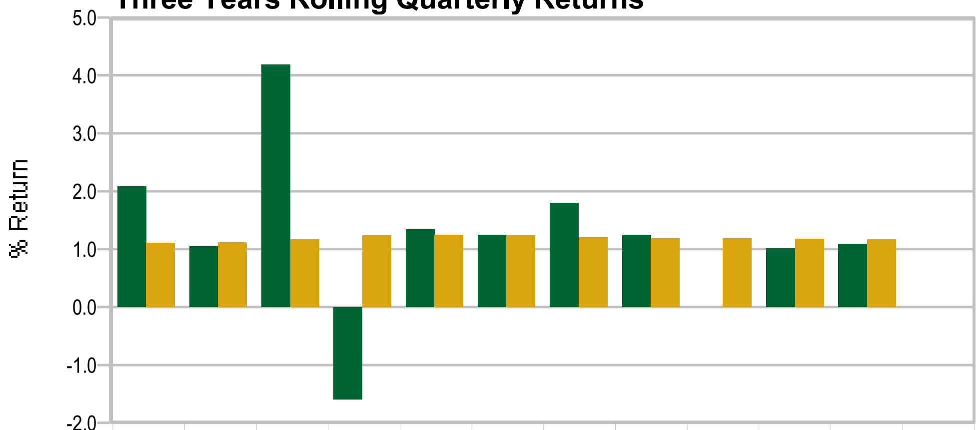


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.09	2.09	5.78	-	-	4.90
Benchmark	1.11	1.11	4.72	-	-	4.83

Risk Statistics - 3 years

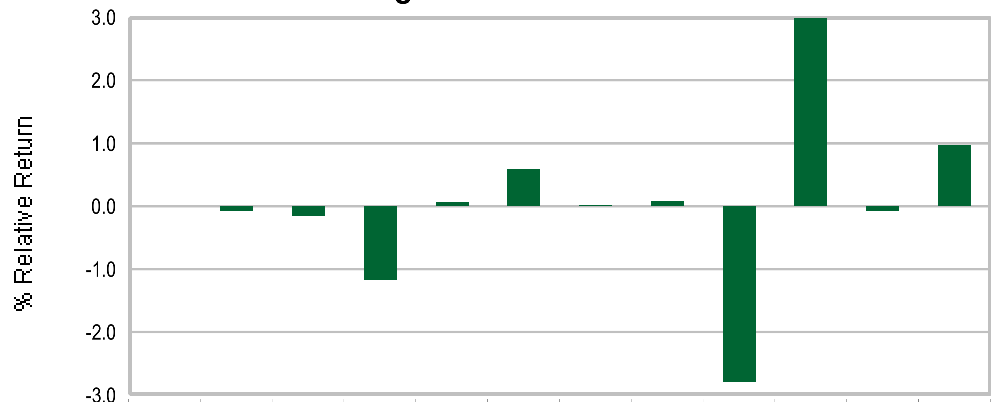
	Fund	B'mark
Performance Return		
Standard Deviation		
Relative Return		
Tracking Error		
Information Ratio		
Beta		
Alpha		
R Squared		
Sharpe Ratio		
Percentage of Total Fund	2.4	
Inception Date	May-2010	
Opening Market Value (£000)	14,930	
Net Investment £(000)	1,087	
Income Received £(000)	0	
Appreciation £(000)	334	
Closing Market Value (£000)	16,351	

Three Years Rolling Quarterly Returns



	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	2.09	1.05	4.19	-1.59	1.34	1.25	1.80	1.25	0.00	1.01	1.09	-
Benchmark	1.11	1.12	1.17	1.23	1.25	1.24	1.21	1.19	1.18	1.17	1.17	-

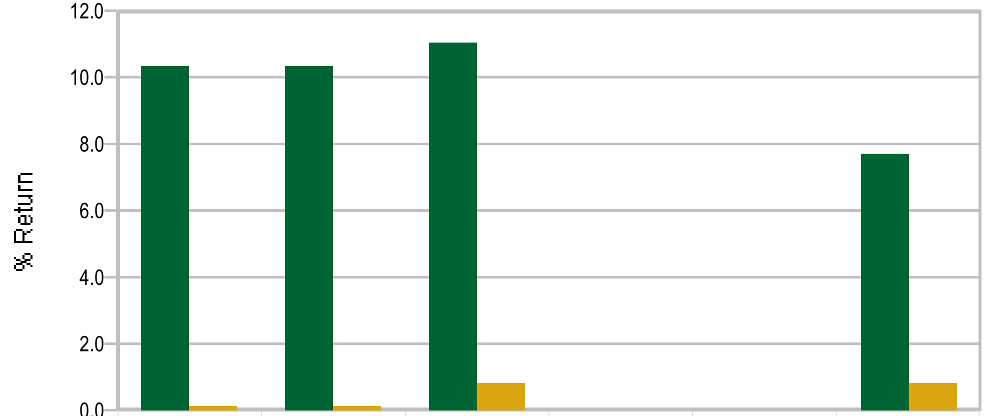
Three Years Rolling Relative Returns



	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	-	-0.08	-0.16	-1.17	0.06	0.59	0.01	0.08	-2.79	2.99	-0.07	0.97
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

Ruffer

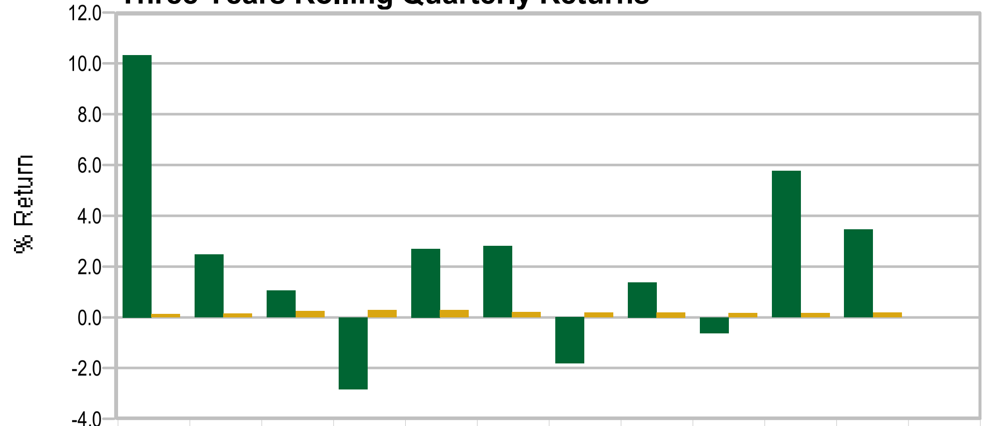
Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	10.33	10.33	11.03	-	-	7.70
Benchmark	0.13	0.13	0.82	-	-	0.82

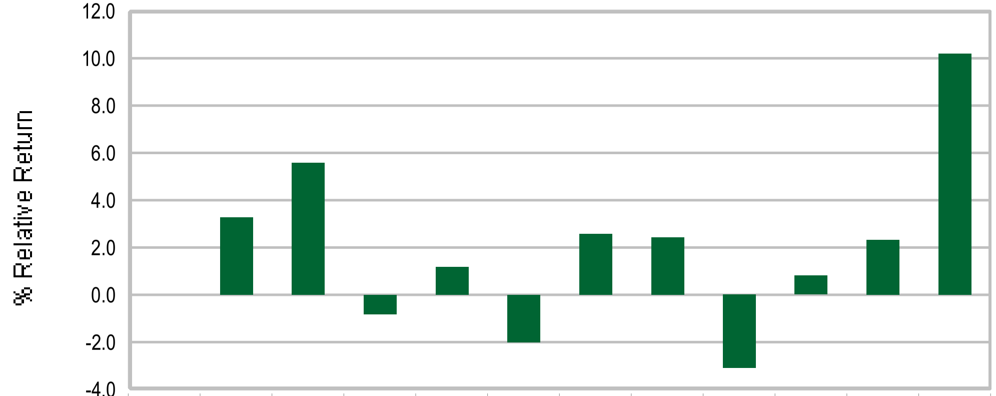
Risk Statistics - 3 years	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	19.3	
Inception Date	May-2010	
Opening Market Value (£000)	119,176	
Net Investment £(000)	0	
Income Received £(000)	599	
Appreciation £(000)	11,712	
Closing Market Value (£000)	131,488	

Three Years Rolling Quarterly Returns



	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	10.33	2.49	1.06	-2.83	2.70	2.81	-1.82	1.39	-0.64	5.77	3.47	-
Benchmark	0.13	0.15	0.26	0.28	0.28	0.22	0.19	0.20	0.18	0.18	0.18	-

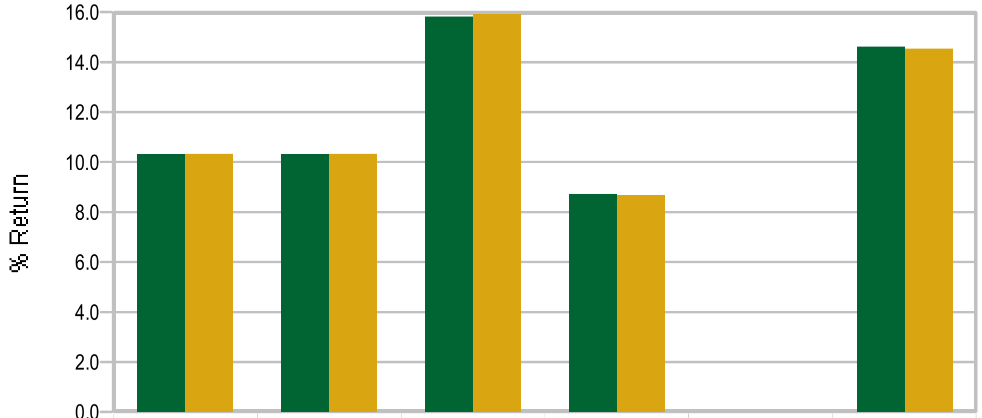
Three Years Rolling Relative Returns



	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	-	3.28	5.58	-0.82	1.18	-2.01	2.58	2.42	-3.10	0.80	2.33	10.19
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

SSGA

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	10.32	10.32	15.82	8.74	-	14.61
Benchmark	10.32	10.32	15.92	8.68	-	14.55

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	8.74	8.68
Standard Deviation	9.98	10.06
Relative Return	0.05	
Tracking Error	0.16	
Information Ratio	0.37	
Beta	0.99	
Alpha	0.11	
R Squared	1.00	
Sharpe Ratio	0.76	0.75
Percentage of Total Fund	20.0	
Inception Date	Nov-2008	
Opening Market Value (£000)	123,348	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	12,724	
Closing Market Value (£000)	136,072	

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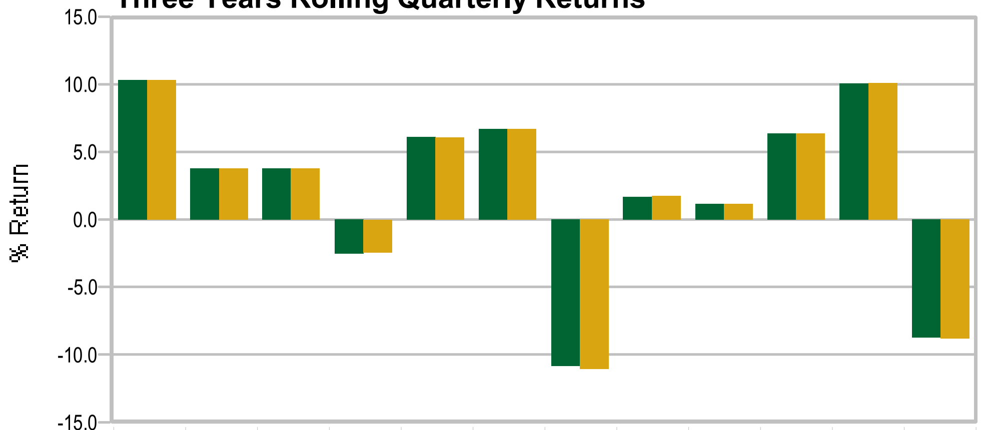
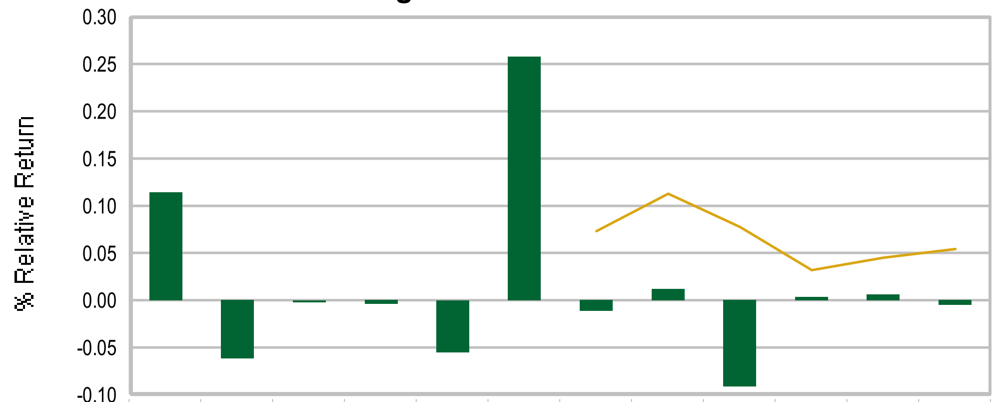
Three Years Rolling Quarterly Returns



	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	10.32	3.80	3.77	-2.53	6.11	6.71	-10.84	1.69	1.19	6.36	10.06	-8.72
Benchmark	10.32	3.79	3.77	-2.44	6.09	6.73	-11.07	1.75	1.20	6.36	10.13	-8.82

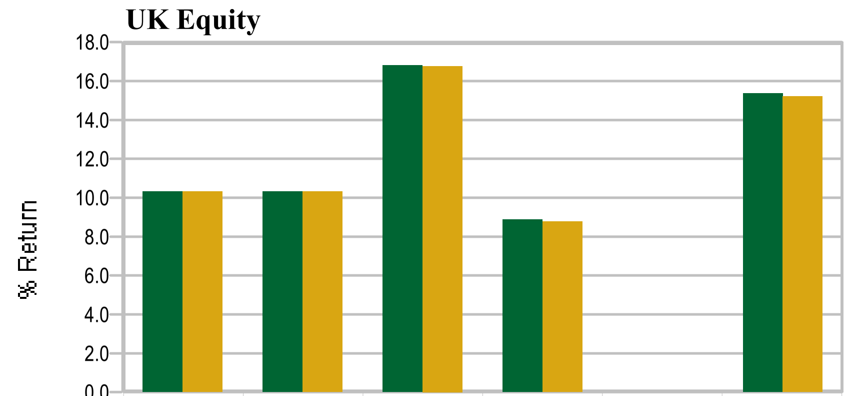
Three Years Rolling Relative Returns



	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	0.11	-0.06	-0.00	-0.00	-0.06	0.26	-0.01	0.01	-0.09	0.00	0.01	-0.01
3Y Relative	-	-	-	-	-	-	0.07	0.11	0.08	0.03	0.05	0.05

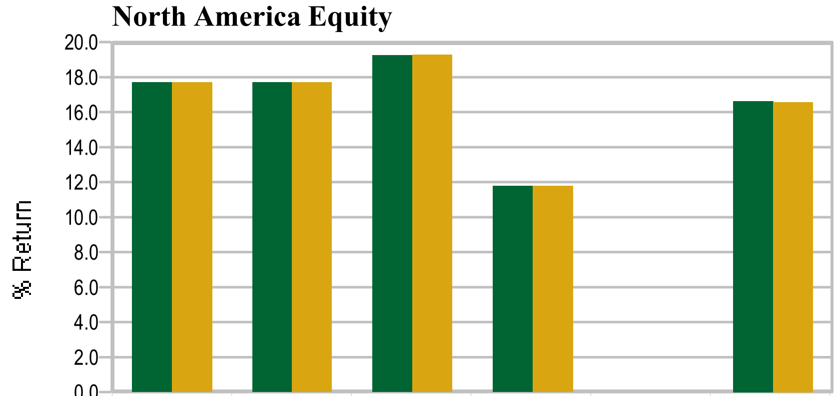
SSGA

UK Equity



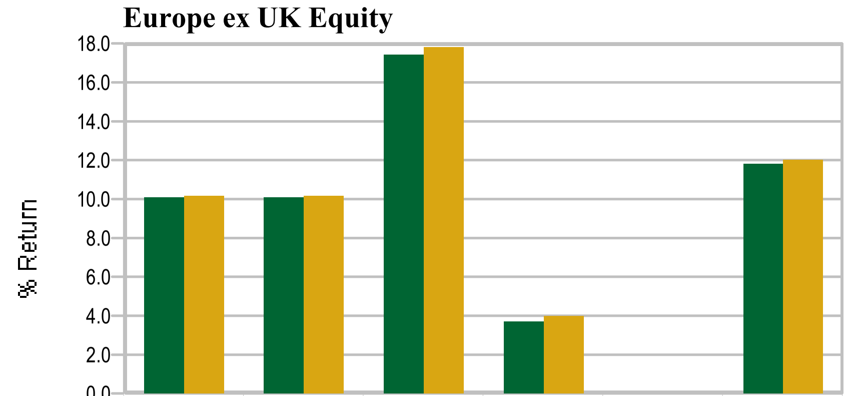
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	10.33	10.33	16.81	8.88	-	15.36
B'Mark	10.32	10.32	16.77	8.78	-	15.22

North America Equity



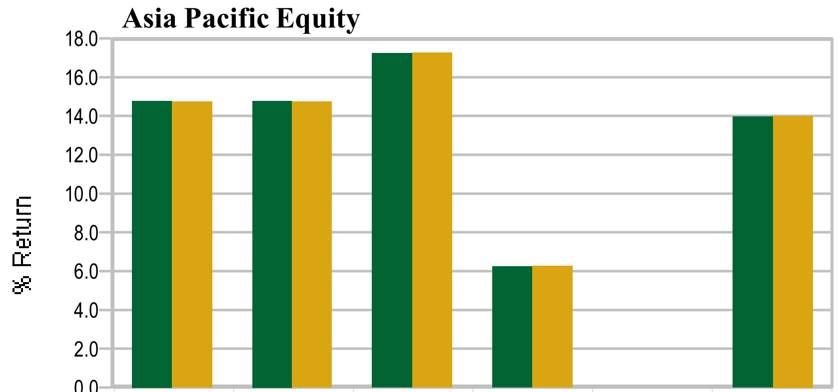
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	17.71	17.71	19.24	11.78	-	16.63
B'Mark	17.71	17.71	19.28	11.79	-	16.59

Europe ex UK Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	10.08	10.08	17.43	3.70	-	11.81
B'Mark	10.16	10.16	17.82	3.99	-	12.01

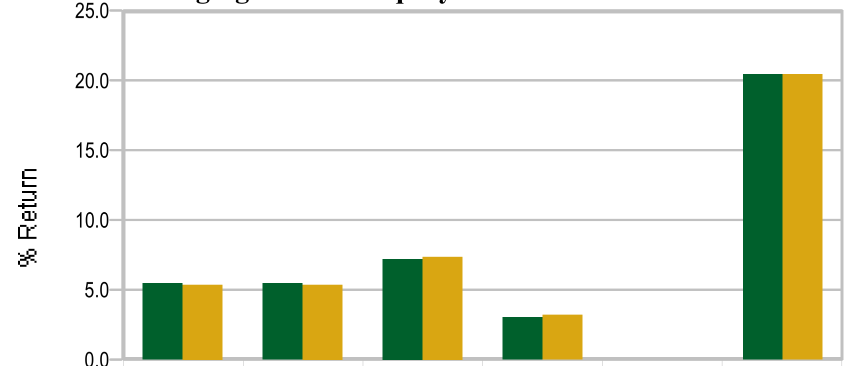
Asia Pacific Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	14.78	14.78	17.25	6.25	-	13.96
B'Mark	14.76	14.76	17.28	6.28	-	14.01

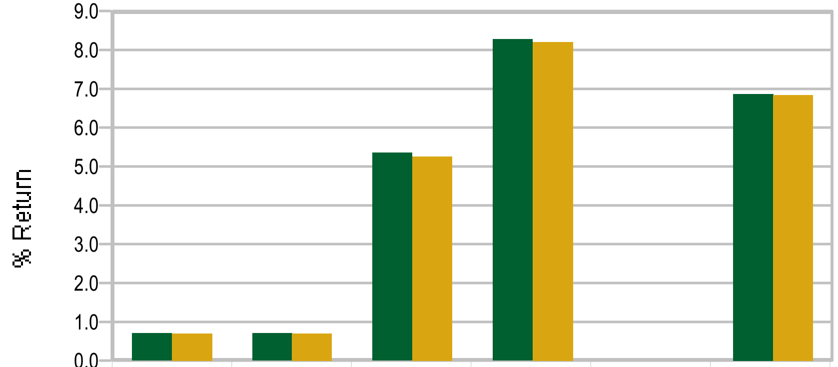
SSGA

Emerging Markets Equity



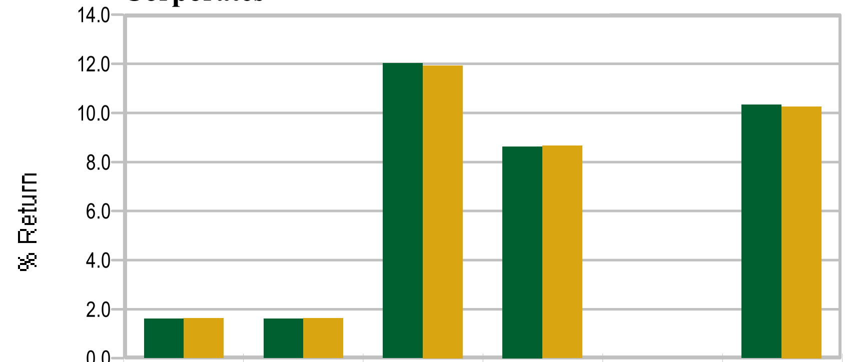
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	5.47	5.47	7.19	3.05	-	20.46
B'Mark	5.37	5.37	7.39	3.19	-	20.44

Government Bonds



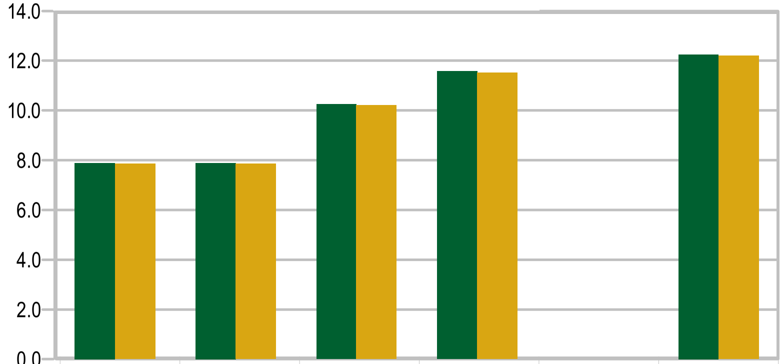
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.71	0.71	5.36	8.27	-	6.87
B'Mark	0.70	0.70	5.25	8.21	-	6.84

Corporates



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.61	1.61	12.03	8.63	-	10.33
B'Mark	1.63	1.63	11.94	8.66	-	10.25

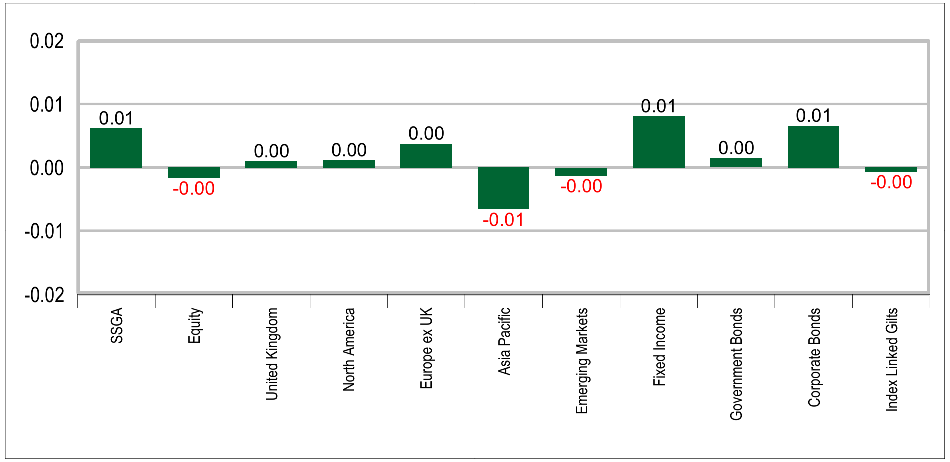
Index Linked Gilts



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	7.89	7.89	10.24	11.57	-	12.25
B'Mark	7.86	7.86	10.21	11.52	-	12.20

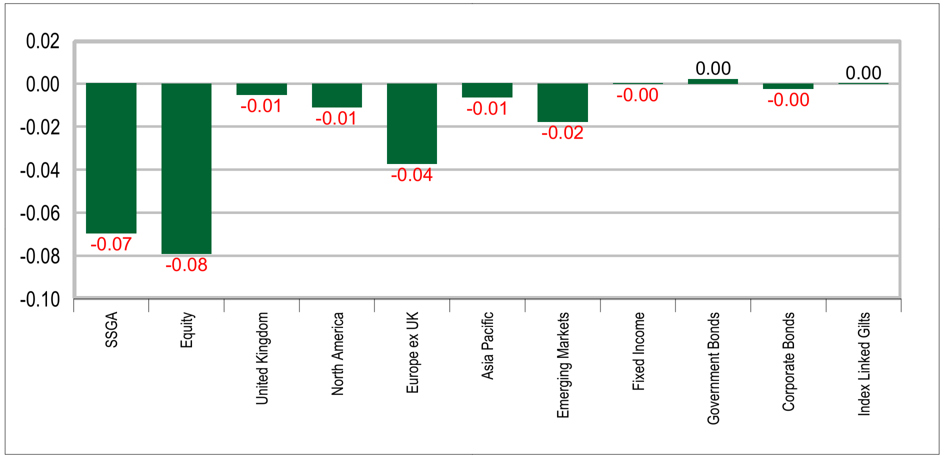
SSGA

Relative Contribution - Three Months



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Currency Effect	Relative Contribution
SSGA	3.80	3.79	0.01	0.00	0.60	-0.59	0.01
Equity	4.00	-	4.00	0.00	0.65	-0.65	-0.00
United Kingdom	3.83	3.82	0.00	-0.00	0.00	-0.00	0.00
North America	-0.80	-0.79	-0.02	0.00	-0.01	0.01	0.00
Europe ex UK	8.03	8.00	0.03	0.00	-0.01	0.01	0.00
Asia Pacific	5.22	5.28	-0.06	-0.00	0.71	-0.71	-0.01
Emerging Markets	5.05	5.06	-0.02	-0.00	-0.04	0.04	-0.00
Fixed Income	1.78	-	1.78	0.00	-0.05	0.06	0.01
Government Bonds	-0.34	-0.41	0.07	0.00	0.00	-0.00	0.00
Corporate Bonds	2.15	2.07	0.08	-0.00	-0.05	0.06	0.01
Index Linked Gilts	4.26	4.27	-0.00	-0.00	-0.00	0.00	-0.00

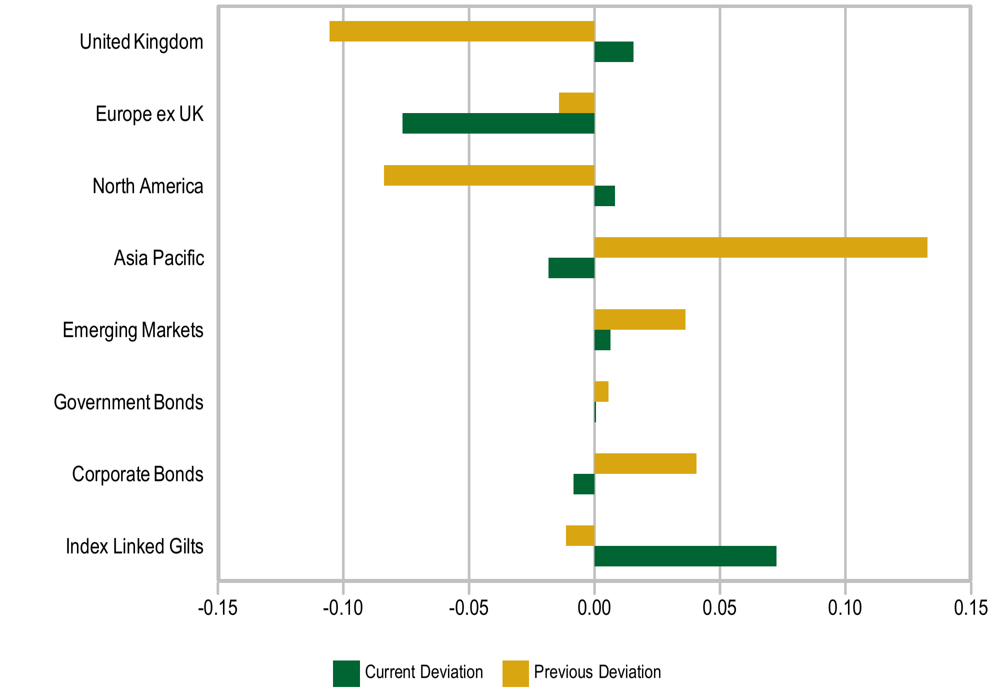
Relative Contribution - One Year



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Currency Effect	Relative Contribution
SSGA	11.40	11.48	-0.07	-0.01	0.49	-0.55	-0.07
Equity	12.63	-	12.63	-0.01	0.84	-0.89	-0.08
United Kingdom	12.36	12.30	0.05	-0.02	0.02	-0.00	-0.01
North America	10.67	10.73	-0.05	0.00	0.01	-0.02	-0.01
Europe ex UK	16.87	17.27	-0.35	-0.00	0.02	-0.05	-0.04
Asia Pacific	11.14	11.18	-0.03	0.01	0.96	-0.97	-0.01
Emerging Markets	12.37	12.76	-0.35	-0.00	-0.17	0.15	-0.02
Fixed Income	11.59	-	11.59	-0.00	-0.35	0.35	-0.00
Government Bonds	2.80	2.70	0.10	0.00	0.00	-0.00	0.00
Corporate Bonds	13.17	13.07	0.09	-0.00	-0.35	0.35	-0.00
Index Linked Gilts	0.67	0.63	0.04	0.00	0.00	-0.01	0.00

SSGA

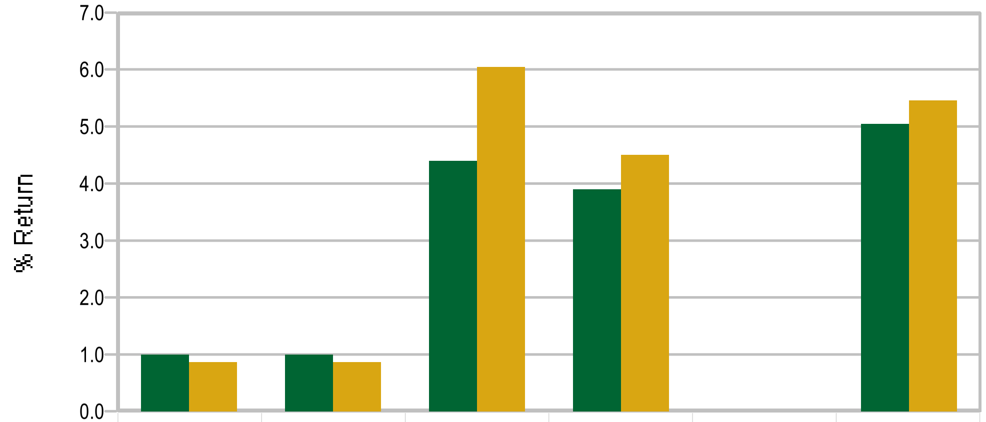
By Sector



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
United Kingdom	44.02	43.89	44.00	0.02	44.00	-0.11
Europe ex UK	10.92	10.99	11.00	-0.08	11.00	-0.01
North America	11.01	10.92	11.00	0.01	11.00	-0.08
Asia Pacific	10.98	11.13	11.00	-0.02	11.00	0.13
Emerging Markets	3.01	3.04	3.00	0.01	3.00	0.04
Government Bonds	1.50	1.51	1.50	0.00	1.50	0.01
Corporate Bonds	8.49	8.54	8.50	-0.01	8.50	0.04
Index Linked Gilts	10.07	9.99	10.00	0.07	10.00	-0.01

SSGA Drawdown

Historical Plan Performance

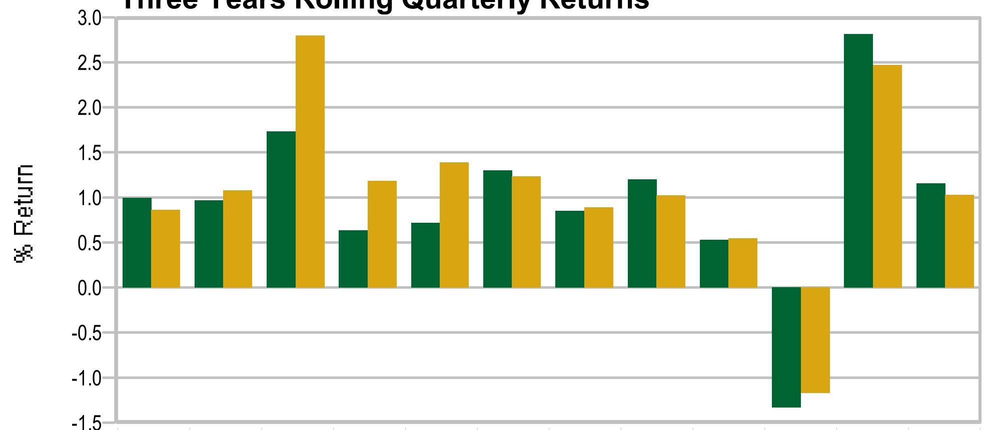


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.99	0.99	4.39	3.90	-	5.04
Benchmark	0.86	0.86	6.05	4.50	-	5.46

Risk Statistics - 3 years

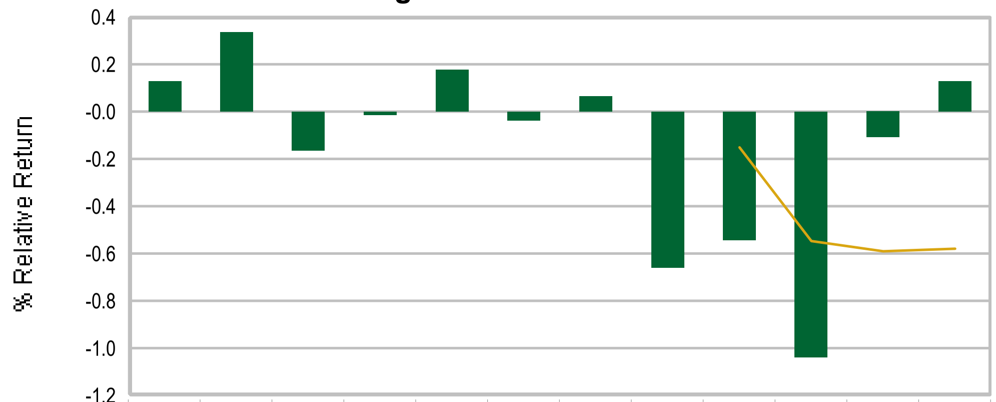
Risk Statistics - 3 years	Fund	B'mark
Performance Return	3.90	4.50
Standard Deviation	2.29	2.34
Relative Return	-0.58	
Tracking Error	0.77	
Information Ratio	-0.78	
Beta	0.93	
Alpha	-0.35	
R Squared	0.89	
Sharpe Ratio	1.19	1.42
Percentage of Total Fund	0.9	
Inception Date	Jun-2009	
Opening Market Value (£000)	6,102	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	61	
Closing Market Value (£000)	6,163	

Three Years Rolling Quarterly Returns



	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	0.99	0.97	1.73	0.64	0.72	1.30	0.85	1.20	0.53	-1.34	2.81	1.16
Benchmark	0.86	1.08	2.80	1.19	1.39	1.23	0.89	1.02	0.55	-1.17	2.47	1.03

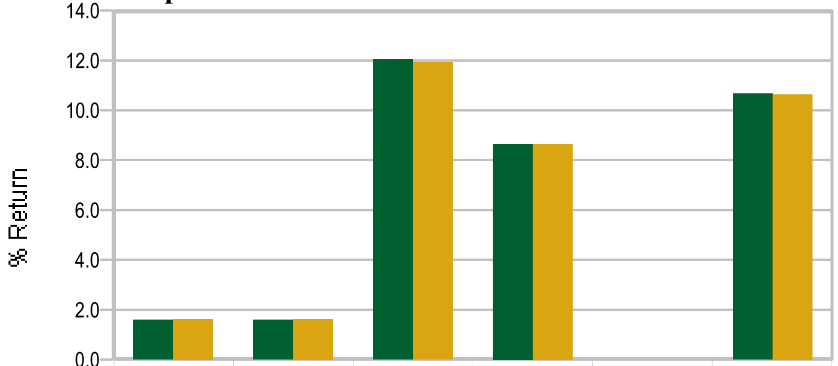
Three Years Rolling Relative Returns



	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	0.13	0.34	-0.17	-0.01	0.18	-0.04	0.07	-0.66	-0.54	-1.04	-0.11	0.13
3Y Relative	-	-	-	-	-	-	-	-	-0.15	-0.55	-0.59	-0.58

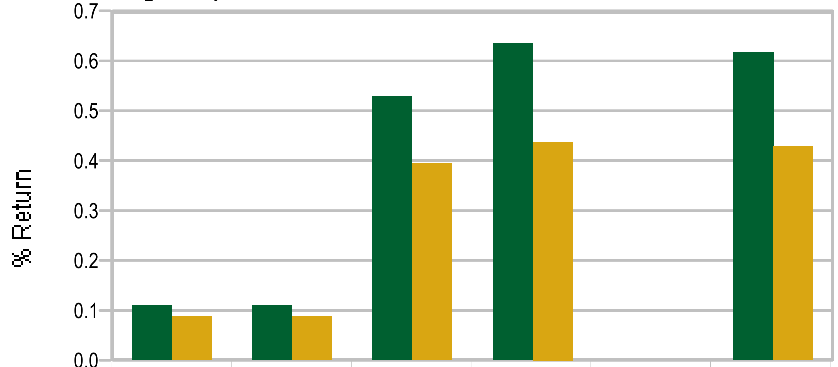
SSGA Drawdown

Corporate Bond Fund



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.60	1.60	12.05	8.66	-	10.67
B'Mark	1.63	1.63	11.94	8.66	-	10.65

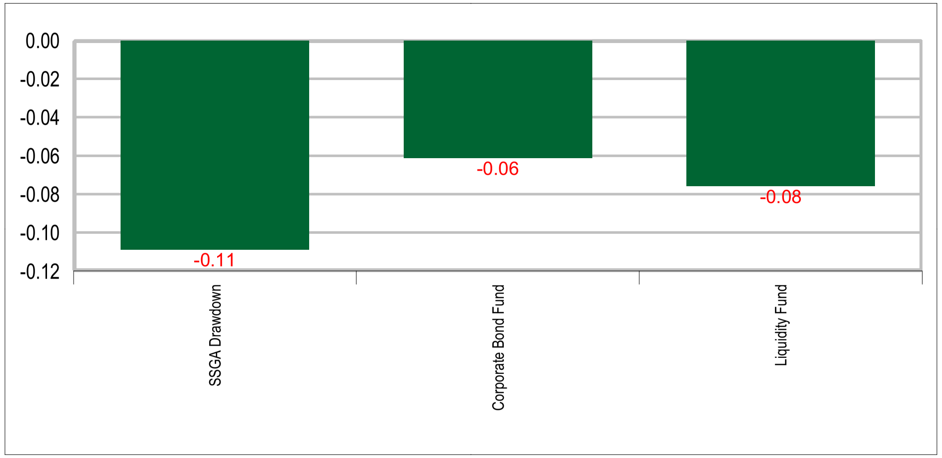
Liquidity Fund



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.11	0.11	0.53	0.63	-	0.62
B'Mark	0.09	0.09	0.40	0.44	-	0.43

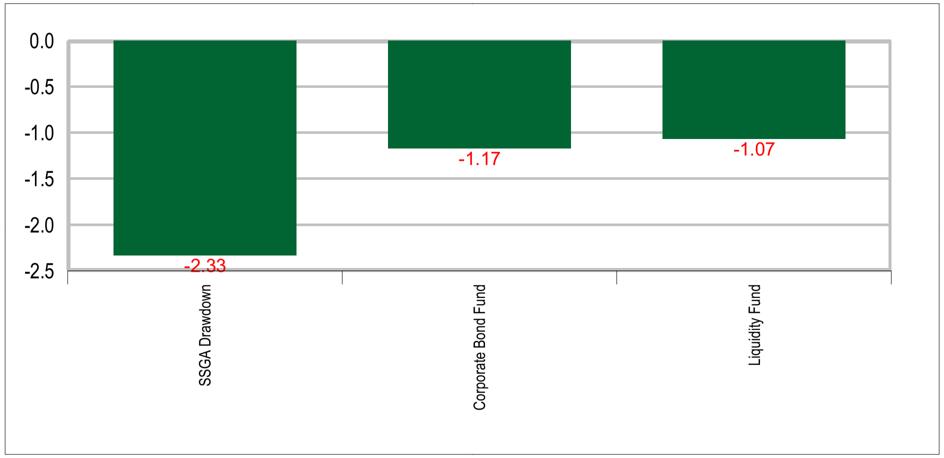
SSGA Drawdown

Relative Contribution - Three Months



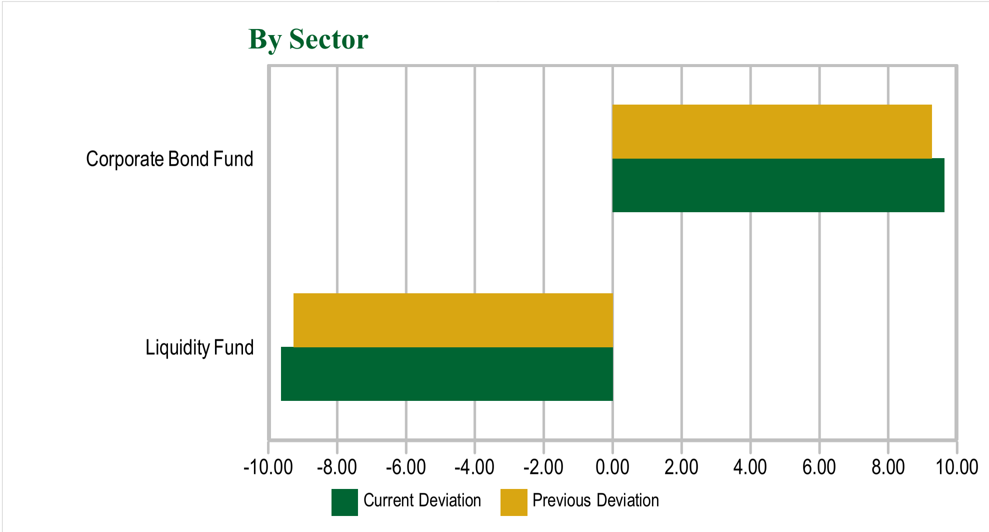
	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
SSGA Drawdown	0.97	1.08	-0.11	-0.18	0.04	-0.11
Corporate Bond Fund	2.13	2.07	0.06	-0.09	0.03	-0.06
Liquidity Fund	0.11	0.09	0.02	-0.09	0.01	-0.08

Relative Contribution - One Year



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
SSGA Drawdown	4.11	6.60	-2.33	-2.41	0.19	-2.33
Corporate Bond Fund	13.21	13.07	0.13	-1.21	0.04	-1.17
Liquidity Fund	0.62	0.43	0.20	-1.21	0.15	-1.07

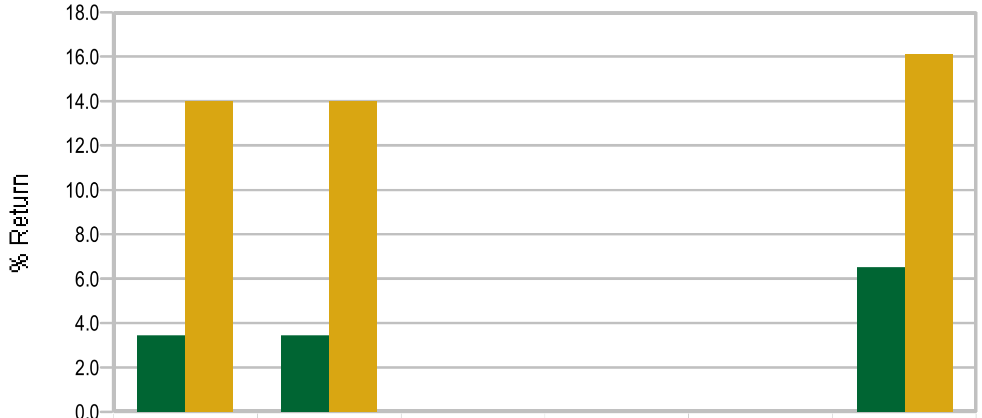
SSGA Drawdown



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Corporate Bond Fund	59.63	59.27	50.00	9.63	50.00	9.27
Liquidity Fund	40.37	40.73	50.00	-9.63	50.00	-9.27

SSGA Global Equity

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.44	3.44	-	-	-	6.52
Benchmark	13.99	13.99	-	-	-	16.11

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	0.0	
Inception Date	Oct-2012	
Opening Market Value (£000)	62,124	
Net Investment £(000)	-64,260	
Income Received £(000)	0	
Appreciation £(000)	2,136	
Closing Market Value (£000)	0	

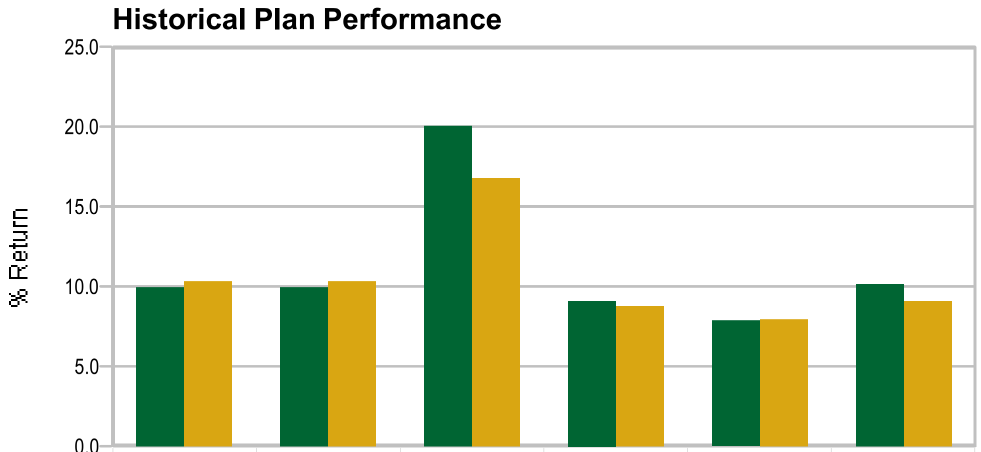
Three Years Rolling Quarterly Returns

	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	3.44	-	-	-	-	-	-	-	-	-	-	-
Benchmark	13.99	-	-	-	-	-	-	-	-	-	-	-

Three Years Rolling Relative Returns

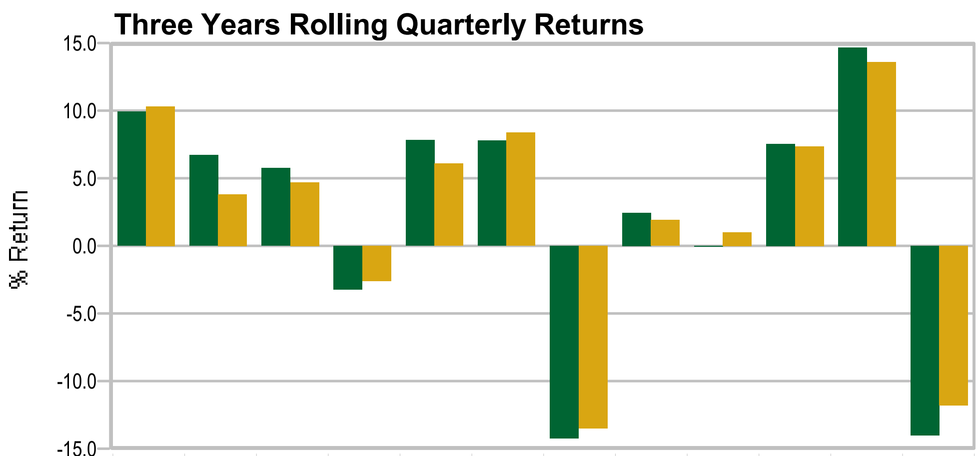
	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	-	-	-	-	-	-	-	-	-	-	1.09	-9.25
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

UBS

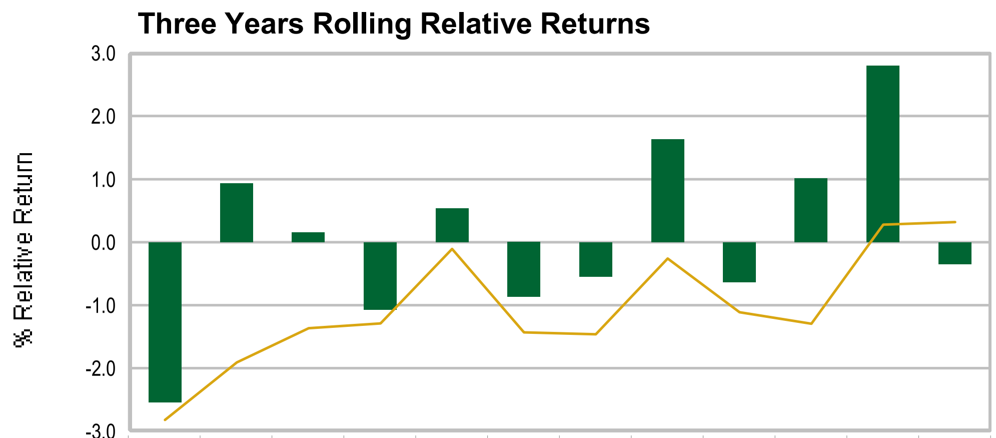


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	9.94	9.94	20.06	9.13	7.87	10.16
Benchmark	10.32	10.32	16.77	8.78	7.95	9.10

Risk Statistics - 3 years	Fund	B'mark
Performance Return	9.13	8.78
Standard Deviation	14.87	13.01
Relative Return	0.32	
Tracking Error	3.57	
Information Ratio	0.10	
Beta	1.12	
Alpha	-0.36	
R Squared	0.95	
Sharpe Ratio	0.54	0.59
Percentage of Total Fund	20.0	
Inception Date	Dec-1988	
Opening Market Value (£000)	123,512	
Net Investment £(000)	0	
Income Received £(000)	1,035	
Appreciation £(000)	11,243	
Closing Market Value (£000)	135,790	



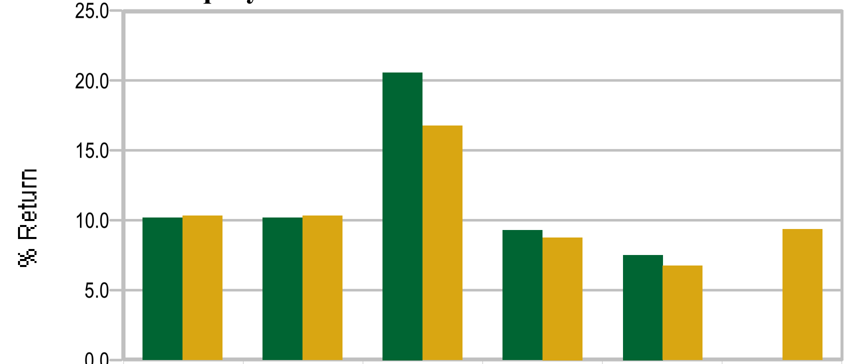
	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	9.94	6.73	5.75	-3.25	7.84	7.80	-14.25	2.46	-0.05	7.55	14.69	-14.05
Benchmark	10.32	3.82	4.70	-2.63	6.10	8.39	-13.50	1.91	1.03	7.38	13.63	-11.80



	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	-2.54	0.93	0.16	-1.07	0.54	-0.87	-0.54	1.63	-0.64	1.01	2.80	-0.35
3Y Relative	-2.82	-1.91	-1.37	-1.29	-0.11	-1.43	-1.46	-0.26	-1.11	-1.29	0.28	0.32

UBS

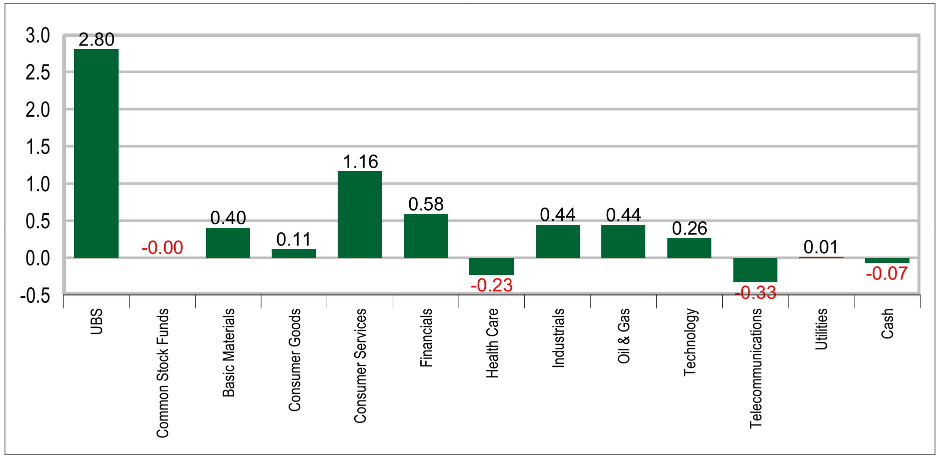
UK Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	10.19	10.19	20.58	9.30	7.52	-
B'Mark	10.32	10.32	16.77	8.78	6.74	9.38

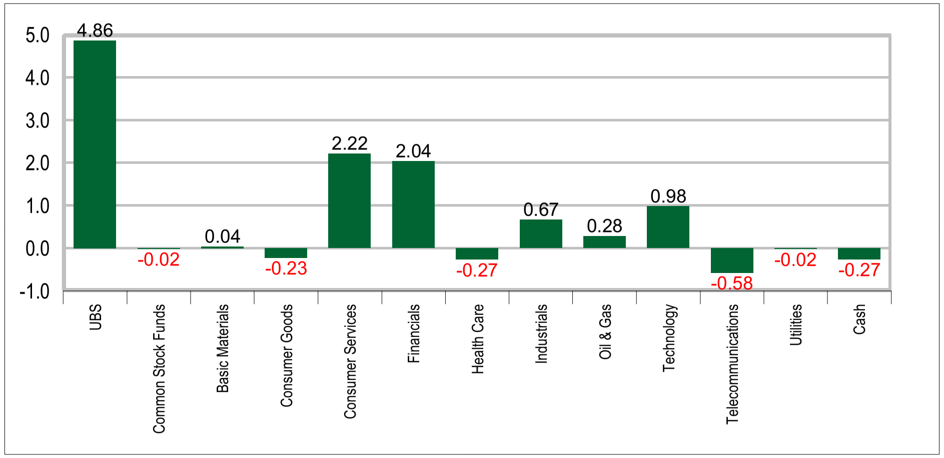
UBS

Relative Contribution - Three Months



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
UBS	6.73	3.82	2.80	-0.60	3.42	2.80
Common Stock Funds	-20.00	-	-20.00	-0.00	0.00	-0.00
Basic Materials	14.51	8.16	5.87	-0.08	0.49	0.40
Consumer Goods	10.51	4.57	5.69	-0.03	0.15	0.11
Consumer Services	12.04	6.69	5.02	0.24	0.92	1.16
Financials	16.73	11.92	4.30	-0.23	0.82	0.58
Health Care	-4.70	-2.87	-1.88	-0.07	-0.16	-0.23
Industrials	7.84	3.77	3.92	-0.00	0.45	0.44
Oil & Gas	-0.73	-3.78	3.17	-0.14	0.58	0.44
Technology	48.87	12.16	32.73	-0.06	0.32	0.26
Telecommunications	-9.81	-7.64	-2.35	-0.16	-0.17	-0.33
Utilities	1.79	1.76	0.03	0.01	-0.00	0.01
Cash	0.05	-	0.05	-0.07	0.00	-0.07

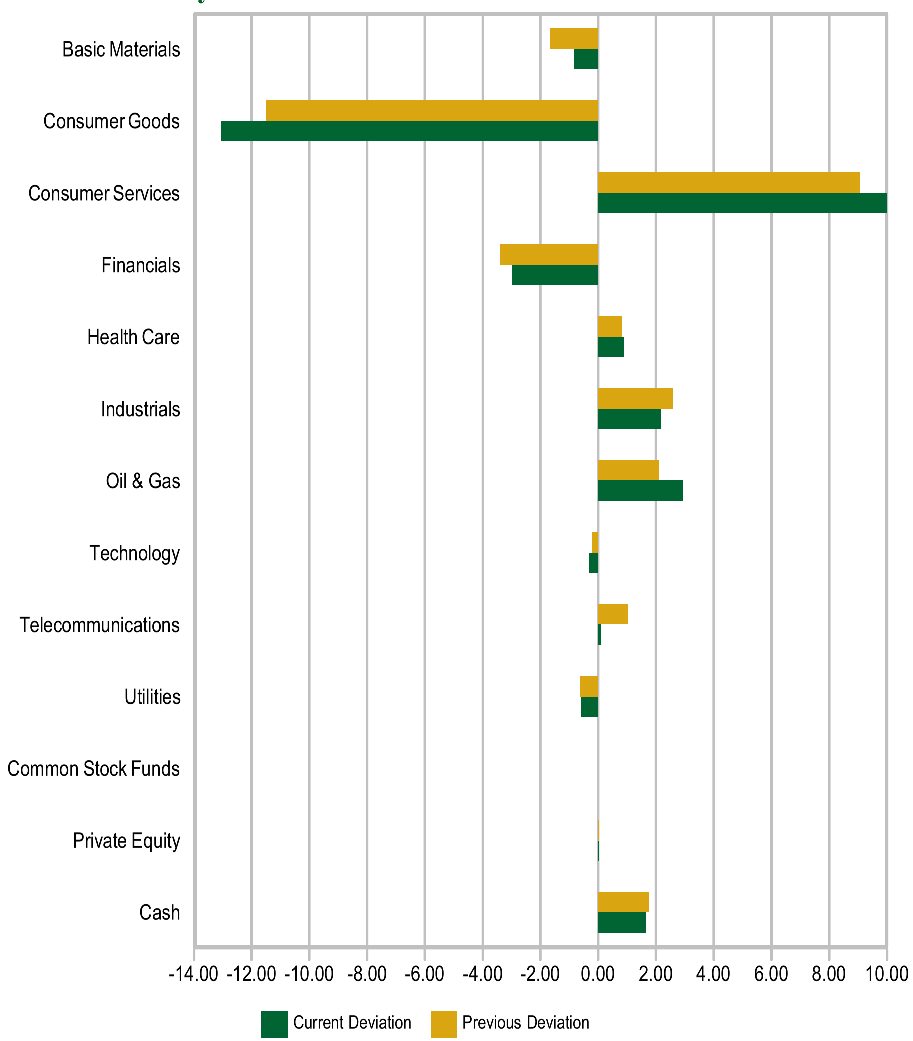
Relative Contribution - One Year



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
UBS	17.76	12.30	4.86	-1.13	6.04	4.86
Common Stock Funds	-27.60	-	-27.60	-0.02	0.00	-0.02
Basic Materials	2.05	4.71	-2.54	0.17	-0.13	0.04
Consumer Goods	27.91	18.04	8.36	-0.47	0.24	-0.23
Consumer Services	31.63	18.16	11.40	0.46	1.75	2.22
Financials	54.07	33.62	15.30	-0.58	2.63	2.04
Health Care	-2.86	-1.51	-1.38	-0.15	-0.12	-0.27
Industrials	27.77	22.53	4.28	0.17	0.50	0.67
Oil & Gas	-4.73	-7.86	3.40	-0.34	0.62	0.28
Technology	138.73	32.10	80.72	0.00	0.98	0.98
Telecommunications	-6.52	-1.30	-5.29	-0.09	-0.49	-0.58
Utilities	17.89	18.25	-0.31	-0.01	-0.01	-0.02
Cash	0.59	-	0.59	-0.27	0.00	-0.27

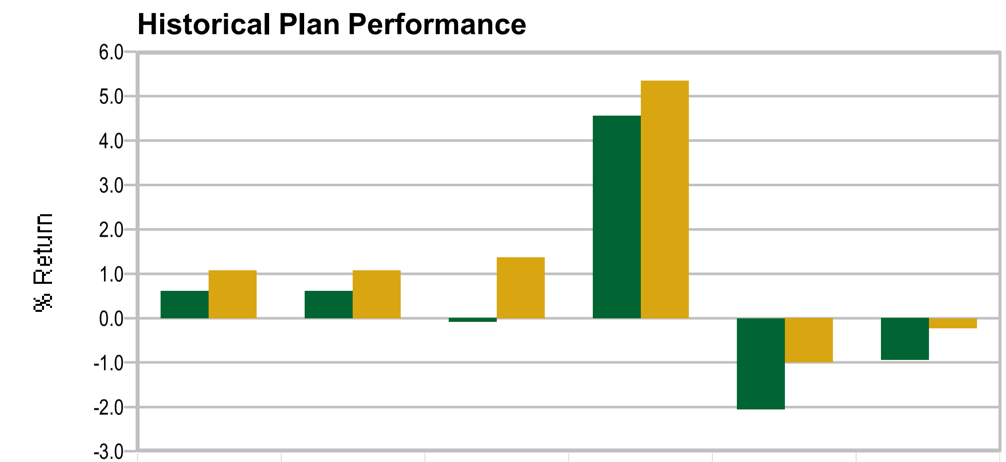
UBS

By Sector



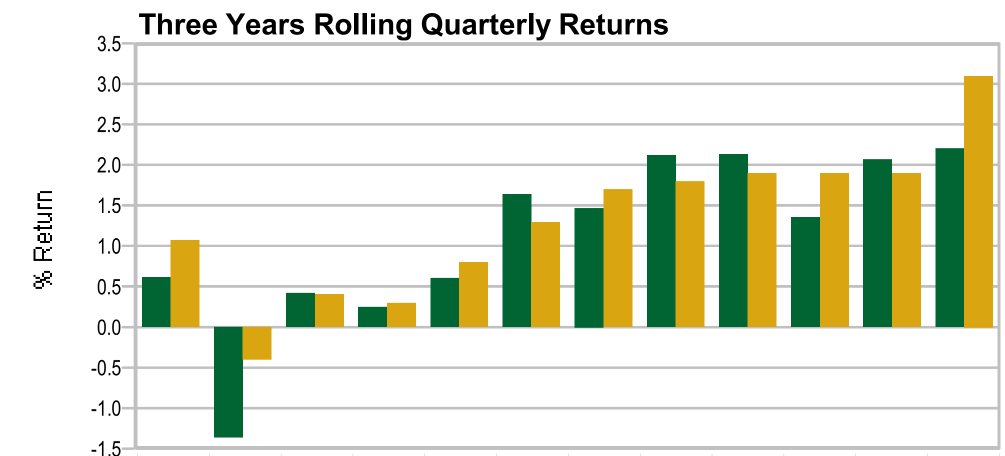
	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Basic Materials	7.93	8.80	8.78	-0.84	10.47	-1.66
Consumer Goods	1.46	2.29	14.51	-13.04	13.77	-11.48
Consumer Services	19.88	18.77	9.90	9.98	9.70	9.08
Financials	20.08	19.56	23.05	-2.97	22.96	-3.41
Health Care	8.13	7.77	7.24	0.90	6.96	0.81
Industrials	11.74	11.61	9.58	2.15	9.02	2.58
Oil & Gas	18.20	18.12	15.27	2.93	16.04	2.08
Technology	1.31	1.33	1.61	-0.30	1.53	-0.20
Telecommunications	6.32	6.68	6.22	0.10	5.64	1.03
Utilities	3.24	3.27	3.84	-0.60	3.90	-0.63
Common Stock Funds	0.00	0.00		0.00		0.00
Private Equity	0.03	0.03		0.03		0.03
Cash	1.68	1.76		1.68		1.76

UBS Property

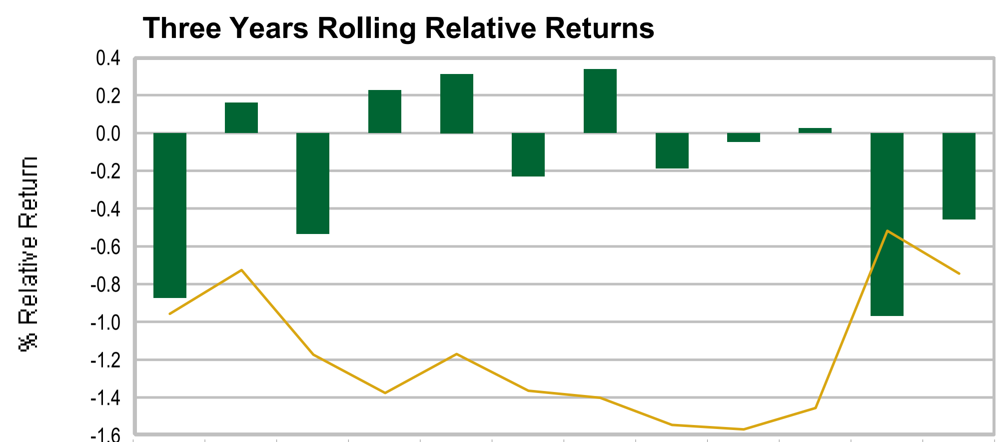


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.61	0.61	-0.09	4.56	-2.05	-0.94
Benchmark	1.07	1.07	1.38	5.35	-0.99	-0.22

Risk Statistics - 3 years	Fund	B'mark
Performance Return	4.56	5.35
Standard Deviation	2.07	1.21
Relative Return	-0.74	
Tracking Error	1.58	
Information Ratio	-0.50	
Beta	1.08	
Alpha	-1.06	
R Squared	0.42	
Sharpe Ratio	1.64	3.45
Percentage of Total Fund	7.2	
Inception Date	Mar-2006	
Opening Market Value (£000)	48,951	
Net Investment £(000)	-0	
Income Received £(000)	564	
Appreciation £(000)	-264	
Closing Market Value (£000)	49,251	

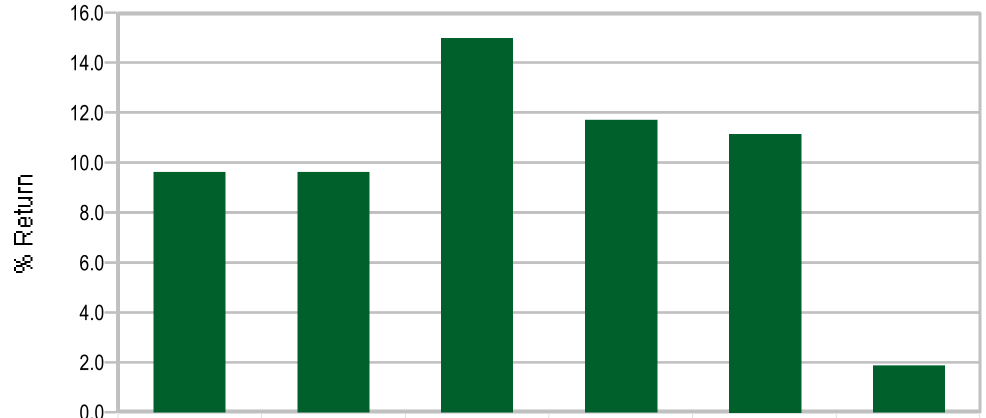


	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	0.61	-1.36	0.43	0.25	0.61	1.64	1.47	2.12	2.13	1.36	2.06	2.20
Benchmark	1.07	-0.40	0.40	0.30	0.80	1.30	1.70	1.80	1.90	1.90	1.90	3.10



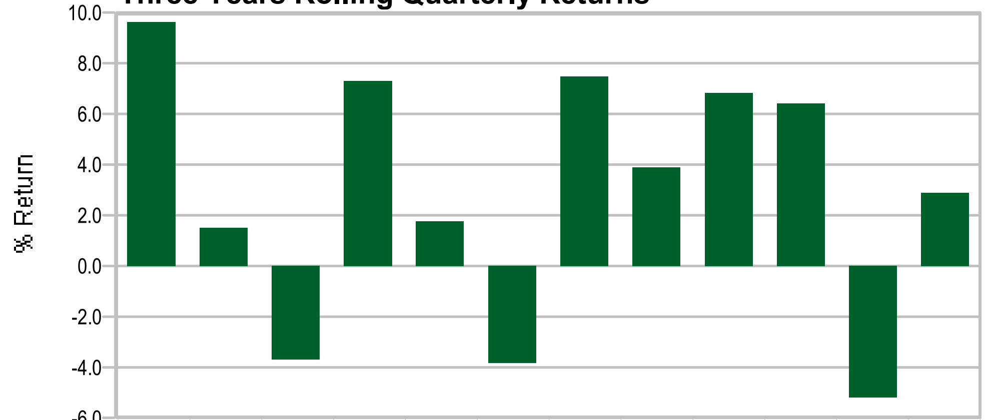
	Q2 10	Q3 10	Q4 10	Q1 11	Q2 11	Q3 11	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13
3M Relative	-0.87	0.16	-0.53	0.23	0.31	-0.23	0.34	-0.19	-0.05	0.03	-0.97	-0.46
3Y Relative	-0.96	-0.72	-1.17	-1.38	-1.17	-1.36	-1.40	-1.55	-1.57	-1.46	-0.52	-0.74

Adam Street



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	9.62	9.62	14.98	11.70	11.14	1.87

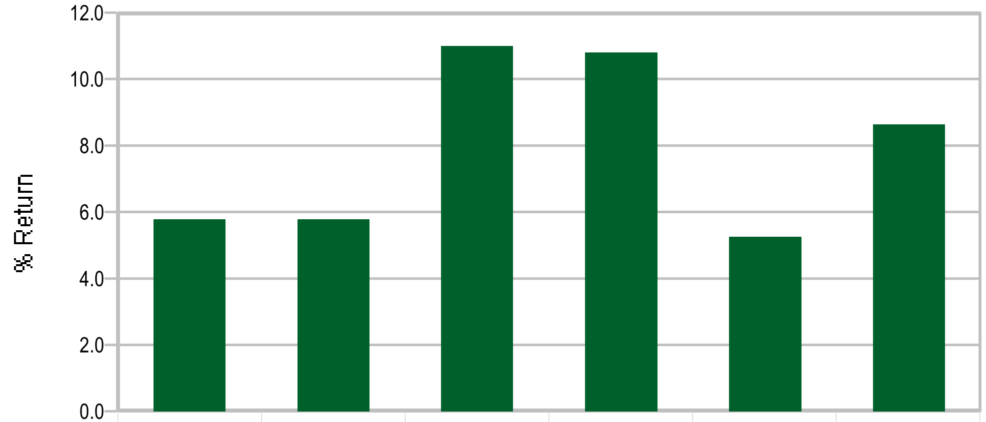
Risk Statistics - 3 years	Fund	B'mark
Performance Return		
Standard Deviation		
Relative Return		
Tracking Error		
Information Ratio		
Beta		
Alpha		
R Squared		
Sharpe Ratio		
Percentage of Total Fund	3.3	
Inception Date	Jan-2005	
Opening Market Value (£000)	21,082	
Net Investment £(000)	-455	
Income Received £(000)	10	
Appreciation £(000)	1,990	
Closing Market Value (£000)	22,629	



	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	9.62	1.51	-3.70	7.29	1.76	-3.83	7.48	3.89	6.83	6.42	-5.19	2.90

LGT

Historical Plan Performance

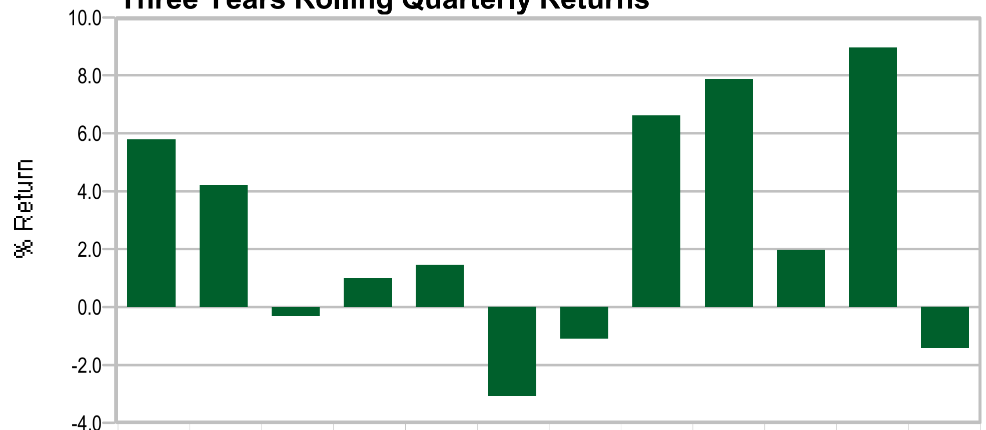


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	5.78	5.78	10.99	10.79	5.25	8.63

Risk Statistics - 3 years

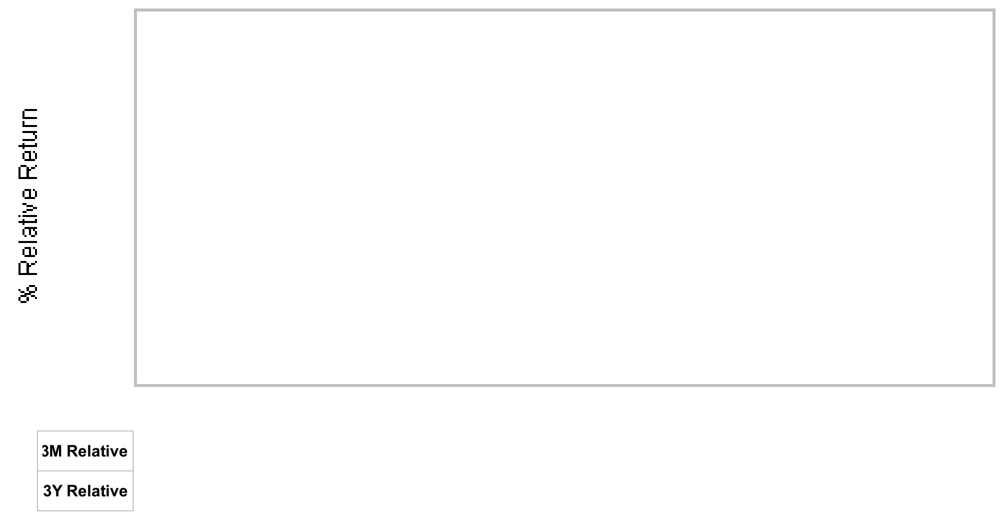
	Fund	B'mark
Performance Return		
Standard Deviation		
Relative Return		
Tracking Error		
Information Ratio		
Beta		
Alpha		
R Squared		
Sharpe Ratio		
Percentage of Total Fund	2.5	
Inception Date	May-2004	
Opening Market Value (£000)	17,077	
Net Investment £(000)	-776	
Income Received £(000)	0	
Appreciation £(000)	985	
Closing Market Value (£000)	17,286	

Three Years Rolling Quarterly Returns



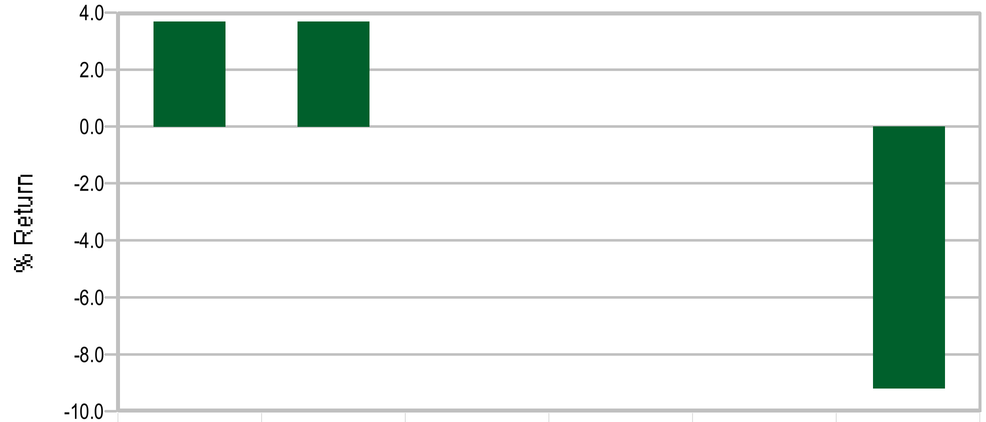
	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	5.78	4.22	-0.30	0.99	1.45	-3.07	-1.10	6.61	7.88	1.99	8.95	-1.42

Three Years Rolling Relative Returns



Macquarie

Historical Plan Performance

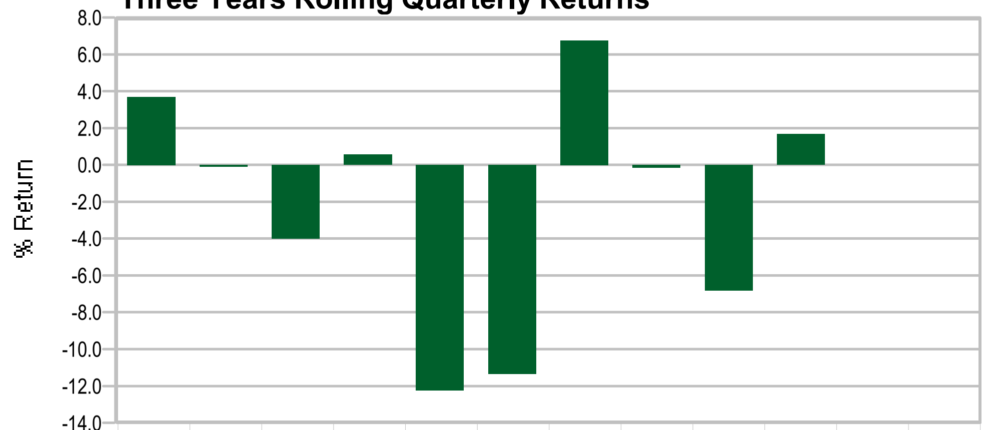


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.69	3.69	-0.01	-	-	-9.20

Risk Statistics - 3 years

	Fund	B'mark
Performance Return		
Standard Deviation		
Relative Return		
Tracking Error		
Information Ratio		
Beta		
Alpha		
R Squared		
Sharpe Ratio		
Percentage of Total Fund	1.3	
Inception Date	Sep-2010	
Opening Market Value (£000)	6,304	
Net Investment £(000)	2,060	
Income Received £(000)	0	
Appreciation £(000)	173	
Closing Market Value (£000)	8,536	

Three Years Rolling Quarterly Returns



	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12	Q4 11	Q3 11	Q2 11	Q1 11	Q4 10	Q3 10	Q2 10
Fund	3.69	-0.10	-4.01	0.56	-12.25	-11.35	6.74	-0.16	-6.81	1.68	-	-

Three Years Rolling Relative Returns

Total Plan Benchmark

27.5	FTSE All Share
2.2	FTSE AW North America
2.2	FTSE AW Developed Europe ex UK
2.2	FTSE AW Developed Asia Pacific
0.4	FTSE All World All Emerging
4.0	FTSE Index Linked Gilts
3.0	IBOXX Sterling Non-Gilts
8.0	IPD UK PPFI All Balanced Funds Index
10.0	MSCI All Countries World ND Index
6.5	MSCI All Countries World Index
30.0	LIBOR 3 Month + 3%
4.0	FT 7 Day LIBID

JP Morgan

100.0 LIBOR 3 Month + 3%

M&G Investments

100.0 LIBOR 3 Month + 4%

Ruffer

100.0 LIBOR 3 Month GBP

SSGA

44.0	FTSE All Share
11.0	FTSE World North America
11.0	FTSE World Europe ex UK
11.0	FTSE Pacific Basin ex Japan
3.0	FTSE All World All Emerging
1.5	FTSE Gilts All Stocks
10.0	FTSE Index Linked Gilts
8.5	ML Sterling Non-Gilts

SSGA Drawdown

50.0	ML Sterling Non-Gilts
50.0	FT 7 Day LIBID

SSGA Global Equity

100.0 FTSE All World

UBS

100.0 FTSE All Share

UBS Property

100.0 IPD UK PPFI All Balanced Funds Index

Tracking Error

$$\sigma_{ER} = \sqrt{\frac{\sum (ER_t - \overline{ER})^2}{T}} \quad \text{for t=1 to T}$$

Annualised tracking error $= \sigma_{ER} \times \sqrt{p}$

Where	Equals
ER	Excess return (Portfolio Return minus Benchmark Return)
$\overline{ER}$	Arithmetic average of excess returns (Portfolio Return minus Benchmark Return)
T	Number of observations
p	Periodicity (number of observations per year)

The tracking error measures the extent to which a portfolio tracks its benchmark. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. The tracking error will always be greater than zero, unless the portfolio is exactly tracking the benchmark.

Information Ratio

Information Ratio $= \dfrac{\overline{ER}}{\sigma_{ER}}$

Annualised Information Ratio = Information Ratio $\times \sqrt{p}$

Where	Equals
$\overline{ER}$	Arithmetic average of excess returns (Portfolio Return minus Benchmark Return)
T	Number of observations
p	Periodicity (number of observations per year)

The information ratio is a measure of risk adjusted return. The higher the information ratio, the higher the risk adjusted return.

Alpha

$$\alpha = \frac{\sum R_{yi}}{n} - \beta \frac{\sum R_{xi}}{n}$$

Where	Equals
R_{xi}	Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)
R_{yi}	Portfolio excess return (Portfolio return minus Risk Free Proxy return)
β	Beta – measure of the sensitivity of a portfolio's rate of return against those of the market
n	Number of observations

The alpha is the value added to the portfolio by the manager – the higher the alpha, the better the manager has done in achieving excess returns.

Beta

$$\beta = \frac{n\sum R_{xi}R_{yi} - \sum R_{xi}\sum R_{yi}}{n\sum (R_{xi})^2 - (\sum R_{xi})^2}$$

Where	Equals
R_{xi}	Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)
R_{yi}	Portfolio excess return (Portfolio return minus Risk Free Proxy return)
β	Beta – measure of the sensitivity of a portfolio's rate of return against those of the market
n	Number of observations

The portfolio's beta is calculated by comparing the portfolio's volatility to the benchmark's volatility over time. The more sensitive a portfolio's returns are to movements in the benchmark, the higher the portfolio's beta will be. A beta greater than one implies the portfolio is more volatile than the benchmark, whilst a beta less than one implies the portfolio is less volatile than the benchmark.

R-Squared

$$r^2 = \frac{(n\sum R_{xi}R_{yi} - \sum R_{xi}\sum R_{yi})}{[n\sum (R_{xi})^2 - (\sum R_{xi})^2][n\sum (R_{yi})^2 - (\sum R_{yi})^2]}$$

Where	Equals
R_{xi}	Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)
R_{yi}	Portfolio excess return (Portfolio return minus Risk Free Proxy return)
n	Number of observations

The R^2 is the square of the correlation co-efficient between the portfolio return and the benchmark return in the above equation and is a measure of the fund's sensitivity to the benchmark, i.e. the percentage of the portfolio's movement that can be explained by movement in the benchmark. The R^2 statistic ranges from 0 to 1 (or 0 to 100%) with a score of 1 indicating that all the portfolio's movement can be explained by the benchmark.

Sharpe Ratio

$$\frac{(R_{ap} - R_{af})}{\sigma_{ap}}$$

Where	Equals
R_{ap}	Annualised (portfolio) rate of return
R_{af}	Annualised risk-free rate of return
σ_{ap}	Annualised portfolio standard deviation

The Sharpe ratio measures the excess return over the risk-free rate per unit of volatility. For a given return, the lower the volatility of the portfolio, the higher the Sharpe ratio.

Price/Earnings Ratio (P/E)
Security Level Calculation:
Current price/Trailing 12 months earning per share
Description:
The price/earnings ratio is a traditional indicator of how much an investor is paying for a company's earning power. Stocks have a p/e greater than the market are usually considered to be growth stocks.

5 Year Earnings Per Share Growth Rate
Security Level Calculation:
None
Description:
This is the percentage change in the annual earning per share growth rate over the last five years of all stock in the portfolio. This measure is usually viewed as agrowth factor. A stock must have been public for at least five years to have this characteristic.

Price to Book Ratio
Security Level Calculation:
Current price/Most recent book value per share
Description:
This is usually considered to be a measure of "value", with stocks having high price to book ratios considered to be undervalued.

Dividend Yield
Security Level Calculation:
Dividend for current fiscal year/Period end closing price
Description:
This measures the annual rate that dividends are being paid by a company, including any extra dividends. High dividend yields can also be an attribute of value stocks.

Debt to Capital
Security Level Calculation:
Long term liabilties, deferred taxes, tax credits, minority interest/Sum of debt, total common equity and total preferred stock
Description:
This measure indicates the amount of leverage (debt) being used. A large debt to capital ratio is usually indicative of a highly leveraged company. Stocks having a zero value are still included in the total portfolio calculation.

Price to Sales Ratio
Security Level Calculation:
Current price/Annual sales per share
Description:
This is used primarily by value managers to identify companies having low profit margins. Value managers use this as another indicator in finding undervalued stocks with the potential for improved profitability.This measure varies in informational value by industry, as different industries have different price to sales ratio expectations.

Return on Equity
Security Level Calculation:
Net profits after taxes/Book value
Description:
This relates a company's profitabaility to it's shareholders equity. A high ROE indicates that the portfolio is invested in companies that have been profitable. This measure is also impacted by financial leverage.

Coupon Rate
Description:
The stated interest rate of a bond. It is a money weighted average for the portfolio.

Years to Maturity
Description:
The average number of years to the maturity date of all bonds held in a portfolio. Often, managers will use the weighted average life for mortgages and mortgage backed securities since most mortgages are prepaid and never reach maturity.

Macaulay Duration
Description:
The mathematical estimate of a fixed income portfolio's sensitivity to a change in interest rates, computed as the weighted average time to receipt of the portfolio's cash flows. The Macaulay duration does not take the impact of embedded options into consideration and this usually results in a higher value than the effective duration.

Yield to Maturity
Description:
This is the rate of return that is expected if a fixed income security is held to maturity. It is essentially an internal rate of return that uses the current market value and all expected interest and principal cash flows.

Moody Quality Rating
Description:
This is a measure of the quality, safety and potentail performance of a bond issue. Also indicates the creditworthiness of a security's issuer. Moody's evalutes the bond issues and assigns a code with Aaa as the highest and C as the lowest.

All MSCI equity characteristic results except for Dividend Yield, Price to Book Value, Price to Cash Earnings and Price Earnings Ratio were calculated by The Northern Trust Company.

Please note that this report has been prepared using best available data. This report may also contain information provided by third parties, derived by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction - Northern Trust assumes no responsibility for the accuracy, timeliness or completeness of any such information. If you have questions regarding third party data or direction as it relates to this report, please contact your Northern Trust relationship team.

LONDON BOROUGH OF HILLINGDON ALTERNATIVE INVESTMENTS SCHEDULE AS AT 31 March 2013

LBH PRIVATE EQUITY FUNDS LGT CAPITAL PARTNERS	COMMITMENTS BASE CURRENCY	% of Fund	CALLED TO DATE	% of Fund	DISTRIBUTIONS RECEIVED	% of Fund	NET CURRENT INVESTMENT	% of Fund	IRR
	£	%	£	%	£	%	£	%	%
	000		000		000		000		Mar-13
Crown Private Equity European Buyout Opport.	11,514	1.69	9,556	1.41	7,413	1.09	2,143	0.32	7.57
Crown Global Secondaries Plc (US$)	1,973	0.29	1,722	0.25	1,310	0.19	412	0.06	5.06
Crown Private Equity European Fund	4,214	0.62	3,693	0.54	1,620	0.24	2,073	0.30	7.14
Crown Private Equity European Buyout Opport. II	8,429	1.24	4,906	0.72	1,180	0.17	3,726	0.55	3.89
Crown Asia-Pacific Private Equity Plc (US$)	1,972	0.29	1,669	0.25	462	0.07	1,207	0.18	7.84
Crown European Middle Market II plc	3,372	0.50	1,472	0.22	312	0.05	1,160	0.17	10.97
Crown Global Secondaries II Plc (US$)	1,447	0.21	1,044	0.15	477	0.07	567	0.08	25.30
TOTAL(S) LGT CAPITAL PARTNERS	**32,921**	**4.84**	**24,062**	**3.54**	**12,774**	**1.88**	**11,288**	**1.66**	
ADAMS STREET PARTNERS	£	%	£	%	£	%	£	%	Dec-12
Adam Street Partnership Fund - 2005 US Fund	9,205	1.35	8,206	1.21	3,286	0.48	4,920	0.72	6.79
Adam Street Partnership Fund - 2005 Non-U.S Fund	3,945	0.58	3,552	0.52	1,176	0.17	2,376	0.35	7.39
Adam Street Partnership Fund - 2006 Non-U.S Fund	2,959	0.44	2,502	0.37	561	0.08	1,941	0.29	6.59
Adam Street Partnership 2006 Direct Fund	986	0.15	944	0.14	147	0.02	797	0.12	2.45
Adam Street Partnership Fund - 2006 US Fund, L.P	5,917	0.87	4,944	0.73	1,708	0.25	3,236	0.48	6.77
Adams Street Direct Co-Investment Fund, L.P.	1,972	0.29	1,884	0.28	331	0.05	1,553	0.23	2.41
Adams Street Partnership 2007 Direct Fund LP	329	0.05	303	0.04	98	0.01	205	0.03	8.51
Adams Street Partnership - 2007 Non -US Fund	1,151	0.17	788	0.12	96	0.01	692	0.10	6.93
Adams Street Partnership - 2007 US Fund	1,808	0.27	1,403	0.21	527	0.08	876	0.13	11.94
Adams Street Partnership - 2009 US Fund	1,019	0.15	437	0.06	82	0.01	355	0.05	19.96
Adams Street Partnership - 2009 Direct Fund	197	0.03	131	0.02	24	0.00	107	0.02	25.73
Adams Street Direct Co-Investment Fund II.	1,644	0.24	801	0.12	240	0.04	561	0.08	31.65
Adams Street 2009 Non-US Emerging Mkt Fund	197	0.03	70	0.01	0	0.00	70	0.01	-3.82
Adams Street Partnership 2009 Non-US Developed Market	592	0.09	203	0.03	20	0.00	183	0.03	16.47
TOTAL(S) ADAMS STREET PARTNERS FUNDS	**31,921**	**4.70**	**26,168**	**3.85**	**8,296**	**1.22**	**17,872**	**2.63**	

FUND VALUE	**679,843**	
COMMITMENT STRATEGY	59,486	8.75%
TO ACHIVE INVESTMENT	33,992	5.00%
CURRENT INVESTMENT BOOK COST	29,160	4.29%
CURRENT INVESTMENT MARKET VALUE	39,915	5.87%

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Portfolio overview – Q1 2013

- Since the last report, net invested capital has decreased as the underlying managers have distributed more capital than they have invested
- Distributions as a proportion of paid-in capital have increased slightly from 0.50x to 0.53x
- Total portfolio gains now amount to Euro 7.4 million, being Euro 20.7 million of NAV less Euro 13.3 million of net invested capital
- The USD strengthened by 2.9% against the Euro in the period which had a small positive effect on portfolio performance

Q1 2013		Net Performance (in millions of Euros)						Cash Multiple		Drawn	
		LBH Commitment	Drawn	Returned	Net	NAV	Gain	D/PI	TV/PI	Gross	Net
Total Euro Exposure		32.7	23.2	-12.5	10.7	16.6	5.9	0.54	1.25	71%	33%
Euro equivalent Dollar Exposure @	1.2814 USD / Euro	6.4	5.3	-2.7	2.6	4.1	1.5	0.51	1.29	82%	41%
Total Exposure (in Euro millions)		**39.1**	**28.5**	**-15.2**	**13.3**	**20.7**	**7.4**	**0.53**	**1.26**	**73%**	**34%**
Q4 2012	1.3193	38.9	28.2	-14.1	14.1	21.1	7.0	0.50	1.25	73%	36%
Q3 2012	1.2863	39.0	27.6	-13.1	14.5	21.0	6.5	0.47	1.24	71%	37%
Q2 2012	1.2686	39.1	27.4	-12.2	15.2	21.2	6.0	0.45	1.22	70%	39%
Q1 2012	1.3329	38.8	26.4	-11.9	14.5	19.9	5.3	0.45	1.20	68%	37%
Q4 2011	1.2949	39.0	25.7	-11.2	14.5	19.6	5.1	0.44	1.20	66%	37%
Q3 2011	1.3387	38.8	24.7	-10.0	14.7	19.9	5.2	0.40	1.21	0%	38%
Q2 2011	1.4510	38.3	23.5	-9.1	14.4	18.8	4.4	0.39	1.19	61%	38%
Q1 2011	1.4158	38.5	22.4	-8.3	14.2	18.4	4.2	0.37	1.19	58%	37%
Q4 2010	1.3384	38.8	22.0	-7.3	14.6	17.5	2.9	0.33	1.13	57%	38%
Q3 2010	1.3633	38.7	20.9	-7.0	13.9	16.2	2.3	0.33	1.11	54%	36%
Q2 2010	1.2257	39.4	19.7	-5.9	13.8	15.5	1.7	0.30	1.08	50%	35%
Q1 2010	1.3509	38.7	18.7	-5.7	13.0	14.2	1.2	0.31	1.06	48%	34%
Q4 2009	1.4341	38.4	18.4	-5.4	13.0	13.6	0.7	0.29	1.04	48%	34%
Q3 2009	1.4643	38.3	17.3	-5.1	12.2	12.1	0.0	0.30	1.00	45%	32%
Q2 2009	1.4033	38.5	16.9	-4.9	12.0	12.3	0.2	0.30	1.02	44%	31%

Q1 figures as of 31 March 2013
D/PI - distributions per unit of paid-in capital; TV/PI - total value per unit of paid-in capital

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London Borough of Hillingdon Pension Fund
Adams Street Partners Update: Fourth Quarter 2012

Industry Update

Since we are reporting year-end 2012 data, let's take a look back at returns for the fourth quarter and the calendar year. The global public stock markets posted mixed returns in the fourth quarter, as evidenced by the Dow Jones Industrial Average trading down 2.5% versus the Japanese Nikkei rising nearly 18%. Although the Nikkei's return was an extreme outlier and was helped by a rapid depreciation in the Japanese yen, its quarterly return was indicative of the volatility experienced in most public markets in 2012. Nearly all of the major market indices were positive for the calendar year as the US (S&P 500 +16%), Europe (MSCI Europe +20%) and Asia (Hang Seng and Nikkei both up 22%) each posted strong returns. However, these returns were not achieved in a smooth upward slope during the year, as periods of volatility followed various worldwide events. During the last 15 to 18 months markets have been disrupted by major elections in the US, France and Japan (among others), an ECB banking and currency crisis, US government political stand-offs (such as the fiscal-cliff and budget sequesters) and a natural disaster striking the world's busiest stock market (Hurricane Sandy). As much as we would like to think the tough issues are behind us, markets will continue to fluctuate as the majority of the world's developed markets debate actions to address budget deficits, banking woes in Europe (most recently Cyprus) continue to strain the Euro, and tensions/conflicts in the middle-east and North Korea escalate. However, the bad news has been somewhat offset by the low interest rate environment in most developed markets, strong corporate profits reported in many organizations globally and a shift into riskier assets by investors as institutions seek greater returns from their portfolios.

Portfolio Statistics as of December 31, 2012

	Inception Date	Committed / Subscription	Drawn / Subscription	Drawn / Committed	Total Value / Drawn	IRR Since Inception*	Public Market	3Q12 Gross IRR
Total Hillingdon Portfolio	**02/2005**	**99%**	**81%**	**82%**	**1.18x**	**6.89%**	**2.98%**	**2.94%**
2005 Subscription	02/2005	100%	88%	88%	1.21x	6.98%	2.89%	2.62%
2006 Subscription	01/2006	100%	83%	83%	1.15x	6.08%	3.00%	2.53%
2007 Subscription	01/2007	100%	73%	73%	1.20x	9.87%	4.72%	3.12%
2009 Subscription	01/2009	78%	42%	54%	1.15x	19.33%	9.92%	4.34%
Direct Co-Investment Fund	09/2006	100%	96%	96%	1.05x	2.41%	0.56%	4.29%
Co-Investment Fund II	01/2009	100%	49%	49%	1.40x	31.65%	9.58%	5.91%

*Gross of client's management fees paid to Adams Street Partners, LLC.

Note: The Public Market is the equivalent return achieved by applying Hillingdon's cash flows to the MSCI World Index.

Main Drivers of Performance

So what does the volatility mean for the private portfolios that we manage on behalf of our clients? Historically, the General Partners (GPs) have been relatively conservative in the valuation of their portfolios and have been much quicker to write down the value of a poor performing portfolio company than to write up a strong performer. Many GPs are now using more sophisticated mark-to-market applications for updating valuations than what had been used in the past, and they normally incorporate some variation of a public market comparable. Over the past dozen years we have observed the quarterly and one-year valuation changes in the private market funds we manage relative to the public markets. The results indicate that although they tend to move directionally consistent with one another, the magnitude of quarterly price changes in the public markets has been larger than those of our private market portfolios – even on an industry by industry basis. This was particularly evident in 2008 as the public markets faltered after Lehman collapsed, while the private market funds were down but less dramatically.

On the other hand, over longer periods of evaluation (3 to 5 years) the returns of our private market portfolios have consistently exceeded public market returns. Although the portfolios have unrealized valuations adjustments over the short-term, longer term period portfolio valuation changes tend to be more meaningful and are often the result of company liquidations in the form of a sale or IPO. In most cases, the holding valuation just prior to an exit event is below the final realized value. As privately held portfolio companies mature, the rates of return realized upon their sale normally exceed public market returns over a comparable time period. Thus, the exceptional returns that are associated with and expected from private equity investments tend to come from realized portfolio company sales, rather than the quarterly fluctuations of intra-period estimates.

Portfolio Outlook

There are several points to note from these observations. Firstly, our private equity funds' performance in shorter periods of high public market volatility has generally been tempered in both directions relative to those of public market returns. Secondly, over longer periods we have outperformed the public markets as investments mature and returns are realized through portfolio company sales. Lastly, quarterly observations of private equity valuation movements generally underestimate the true economic volatility of the investments themselves. This third point applies to many asset classes that report only quarterly mark-to-market valuations and is because intra-period market "noise" is not observable due to the lack of data points. The lack of liquidity that exists in private markets, in addition to appraisal-based valuations, results in a return series that exhibits artificially low volatility over time. Similar characteristics have been observed in real estate, timber, and hedge funds for example. Adams Street Partners' Advanced Analytics Team has incorporated a quantitative methodology for "un-smoothing" quarterly returns in order to more accurately represent intra-period volatility. This framework is being used as part of the team's ongoing research into risk analysis and the interaction of private equity with other asset classes. Even after adjusting for these factors, we expect the volatility of our portfolios to be on par with the public markets.

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WM LOCAL AUTHORITY

QUARTER 1 2013

The following summary is based on 85 funds with a total Market Value of £165,538m.

FINAL RESULTS

CATEGORY	ASSET MIX (%)		RETURNS (%)					
	Latest Quarter		Latest Quarter		Fiscal Year to Date		Last 12 Months	
	IMV (%)	FMV (%)	Average	Index	Average	Index	Average	Index
TOTAL EQUITIES	61.7	63.0	12.7	14.0	17.6	17.1	17.6	17.1
GLOBAL POOLED INC UK	4.9	5.3	14.3	14.0	16.2	17.1	16.2	17.1
UK EQUITIES	24.6	24.4	10.9	10.3	18.0	16.8	18.0	16.8
OVERSEAS EQUITIES	32.3	33.3	13.8	14.4	17.5	17.2	17.5	17.2
North America	11.0	11.7	17.7	17.7	19.0	19.3	19.0	19.3
Europe	8.1	8.1	11.9	10.0	20.4	18.0	20.4	18.0
Japan	3.1	3.4	19.6	19.3	15.4	14.3	15.4	14.3
Pacific (ex Japan)	3.5	3.6	10.4	10.1	19.2	18.1	19.2	18.1
Emerging Markets	5.8	5.7	7.5	5.4	10.5	7.4	10.5	7.4
Global ex UK	0.8	0.8	15.6	14.4	18.0	17.2	18.0	17.2
TOTAL BONDS	18.0	17.6	3.8	-	10.5	-	10.5	-
U.K. BONDS	10.8	10.3	2.0	0.7	10.6	5.2	10.6	5.2
OVERSEAS BONDS	2.2	2.3	5.1	0.8	10.0	4.5	10.0	4.5
INDEX LINKED	4.1	4.1	8.3	7.9	11.2	10.2	11.2	10.2
POOLED BONDS	0.8	1.0	2.3	-	8.6	-	8.6	-
TOTAL CASH	3.2	3.2	0.7	0.1	2.8	0.4	2.8	0.4
ALTERNATIVES	7.7	7.5	5.8	-	9.5	-	9.5	-
Total Private Equity	4.2	4.1	6.7	-	11.8	-	11.8	-
Total Hedge Funds	2.4	2.3	5.0	-	7.3	-	7.3	-
Other Alternatives	1.1	1.0	3.9	-	6.1	-	6.1	-
TOTAL POOLED MULTI ASSET	2.0	2.0	6.1	-	9.9	-	9.9	-
TOTAL EX-PROPERTY	91.9	92.4	9.7	8.9	14.7	13.8	14.7	13.8
TOTAL PROPERTY	7.3	6.8	1.3	1.1	2.8	2.5	2.8	2.5
TOTAL ASSETS	100.0	100.0	9.0	8.4	13.8	13.0	13.8	13.0

WM PERFORMANCE SERVICES
A State Street Business

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Retirement Performance Statistics and Cost of Early Retirements Monitor

Contact Officers	Ken Chisholm, 01895 250847
Papers with this report	nil

SUMMARY

This report summarises the number of Early Retirements in the year 2012/2013. Additionally it gives an update on the current situation on the cost to the fund of early retirements.

RECOMMENDATIONS

That the contents of the report be noted.

EARLY RETIREMENT PERFORMANCE STATISTICS

At Committee Meeting on 25th June 2008 it was agreed that as there was no statutory requirement to report figures against the previous BVPI 14 & BVI 15 targets, local performance indicators would be recorded and presented to Committee.

New performance indicators relevant to the revised Performance Indicators will be reported in all future reports to the Committee.

Number of Cases in the year ending 31 March 2013

The table below shows the number of employees, by category, whose LGPS benefits have been put into payment. In the case of redundancy and efficiency this relates to employees over 55 years of age.

	Redundancy	Efficiency	Ill Health	Voluntary over 60
2007/2008	14	2	6	36
2008/2009	19	3	24	29
2009/2010	26	0	12	37
2010/2011	20	0	11	34
2011/2012	65	0	12	24
2012/2013	23	0	6	14

From 1st April 2008, employees retired on the grounds of permanent ill health, have been subject to the "New Scheme" assessment by the Occupational Health Practitioner. There are 3 tiers of enhancement, and theses are:-

- There is no reasonable prospect of the employee obtaining gainful employment* before reaching normal retirement age (age 65). In these cases service is awarded up to age 65
- The employee cannot obtain gainful employment* within a reasonable period** of leaving local government employment***, it is likely that they will be able to obtain gainful employment* before their normal retirement age (age 65). In these cases 25% of their potential service to age 65 is awarded.
- The employee may be capable of obtaining gainful employment* within a reasonable period** of leaving local government employment***. In these cases no additional award of service is applied. The benefits payable are subject to the individual undergoing a medical review after 18 months to ascertain whether the medical condition is such that the employee is still unable to perform the duties of their previous employment. The maximum period that a third tier pension may be paid is 3 years. When the 3 year period has expired the pension will cease. Upon the employee attaining the age of 65, the pension is brought back into payment.

Note: * gainful employment is defined as paid employment for not less than 30 hours in each week for a period of not less than 12 months.
** reasonable period is defined as 3 years.
*** the term local government employment is used to indicate that the employee a member of the Local Government Pension Scheme, not that they work for a local authority.

The Local Government Pension Scheme Regulations 2008 introduced a protection for employees aged 45 and over who were members of the LGPS as at 31st March 2008. The protection ensures that any benefits paid as the result of ill health retirement are at least the same level as any potential benefits under the new regulations.

EARLY RETIREMENT COSTS MONITOR

As a result of a key recommendation by the Audit and Accounts Commission, local authorities were advised to calculate and monitor early retirement costs as they occurred within the LGPS between formal triennial valuations.

The Audit Commission recommended that each administering authority should ask their actuary to provide them with methods for determining early retirement costs. Our actuary, Hymans Robertson, consulted with other actuarial firms to agree a national approach. Our software provider subsequently programmed this into our 'Axis' pension system. As a result, the costs to the fund are automatically calculated each time an early retirement is processed.

This authority took the decision, in agreement with the fund actuary, to increase the employer's contribution rates as prescribed in the last valuation by 1%, effective from 1 April 2011, to meet anticipated early retirement costs. This 1% employer's contribution is locked in to the rate until March 2014.

This report is brought to committee quarterly to report on how the actual costs of early retirements compare to the 1% employer payment, over the 3 year valuation period.

MONITOR

Detail for Valuation Period 01.04.2011 to 31.03.2014

	Capital Cost of early retirement to the fund	Payroll Total	Cost as a % of payroll
2011/12	£1,108K	£102,450	1.08
2012/13	£983K	£95,114	1.03
2013/14			
Average over previous valuation period			0.59

The payroll total figure above is based on the Employers Contributions reported in the Pension Fund Annual Report and Accounts as at 31 March 2013. The figures for 2011/12 have been restated based on this amount following receipt of year end figures.

FINANCIAL IMPLICATIONS

The cost to the pension fund of early retirements on the grounds of ill health, is recorded by the pensions administration system and reported to the scheme Actuary. The cost includes the benefits being paid before the employees normal retirement date and any period of service awarded. Depending on which tier the retirement falls in to, determines the length of service to be awarded. Details of the service to be awarded against each Tier are shown above. All Employers within the fund have a notional budget built in to their Employers Contribution Rate to fund ill health retirements. If the notional figure is exceeded, this will result in an increase to that Employers Contribution Rate, at the next valuation of the fund.

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

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Pensions Administration Performance

Contact Officers	Nancy Leroux, 01895 250353
Papers with this report	

SUMMARY

This report summarises pension administration performance across key areas of work for the period 1 January 2013 to 31 March 2013. Performance targets were agreed as part of the service level agreement with Capita and conform to national targets set for England and Wales. Comparisons, by performance indicator for the year 2012/13 against 2011/12, are included in the Annual Report for the Fund and all show a significant improvement.

RECOMMENDATION

That the contents of the report be noted

INFORMATION

On 1 April 2012, Pensions Administration was outsourced to Capita Employee Benefits (CEB), as part of a pan London Framework Agreement, delivering potential annual savings in administration costs of 27% to the pension Fund. Their performance is reported monthly to the Corporate Pensions Manager who monitors performance against the service level agreement contained within the Framework Agreement.

This is the fourth report since CEB became responsible for pensions administration. Within the framework agreement there is a table of performance targets which CEB report against on a monthly basis. The targets are measured in working days for each function performed as part of the administration function. The contract sets the performance standard at 100% and performance levels are analysed to ensure performance achieves the required level.

- The 4th quarter performance reports indicated an overall average performance of 99.01% per month over the quarter. Actual performance for each month was January - 98.70%, February – 99.12%, March – 99.22%. Details of performance by area are shown in the table below. The monthly performance on reportable areas has improved over the last quarter, Q3 reported 97.76%.

Within the framework contract there is an underperformance "claw back" arrangement, such that should performance across a contractual year fall below 100%, a monthly reduction would be applied to the monthly contract fee. A meeting has been held with the Operations Director of CEB to discuss the level of rebate due as the annual performance of CEB has been below the Framework Agreement level of 100% and CEB are currently calculating the level of rebate to be paid to the Fund. During that meeting it was agreed that going forward, performance would be monitored and assessed on a monthly basis and any rebate calculated and repaid the following month. Future monitoring reports will include the values of any rebates paid.

Issues continue to remain regarding the quality of the data supplied by CEB to the Scheme Actuary. CEB have assured officers that processes are in place to ensure that future data submissions are correct and sent in a timely manner. Data in respect of the 2013 Scheme Valuation is due to be sent to the Actuary by 24 June 2013.

An issue also occurred, as a result of CEB requesting year-end data in a different form to previous years. The instructions were sent by CEB to Employers within the fund in the first week of April, which meant that Employers had already commenced work on submitting data in the previous format. Capita were contacted as soon as this matter was raised with Hillingdon, and the submission date was extended to allow employers to make the necessary adjustments to their data. CEB have been informed that details of annual returns must in future be with our Employers by February of each year. This will be included as part of the contract monitoring process.

The performance report below shows a summary of monthly performance for the fourth quarter of 2012/13.

PENSIONS ADMINISTRATION PEFORMANCE

WORK TASK	ACTION REQUIREMENTS	JANUARY 2013		FEBRUARY 2013		MARCH 2013	
		Number of cases	% completed in target	Number of cases	% completed in target	Number of cases	% completed in target
Condolence Letter	3 Days	14	100	0	-	20	100
Actual Retirement Benefits	3 Days	22	100	20	100	0	-
Letter notifying Dependants Benefits	5 Days	0	-	0	-	0	-
Process Refund	10 Days	1	100	10	100	30	100
Transfers in Actual	10 Days	0	-	0	-	0	-
Transfers in quote	10 Days	7	85.71	0	-	0	-
Answer General Letter	5 Days	127	100	121	97.52	93	98.92
Calc/Notify Deferred	15 Days	36	100	27	96.30	42	100
Estimate of Retirement Benefits	5 Days	45	100	22	100	20	100
Transfers Out Quote	5 Days	13	100	0	-	5	100
Transfers Out Actual	9 Days	2	100	0	-	0	-
New Entrants	20 Days	69	100	16	100	9	100
Added Years	10 Days	12	100	10	100	3	100

Consultation: Taxpayer-funded pensions for councillors and other elected local office holders

Contact Officers	Nancy Leroux, 01895 250353
Papers with this report	None

SUMMARY

This report presents a draft response to the consultation on Councillors continued access to the Local Government Pensions Scheme.

RECOMMENDATIONS

That Committee agree the proposed response to the consultation on 'Taxpayer-funded pensions for councillors and other elected local office holders'.

Information

A consultation on Councillor access to the LGPS was launched on 10 April 2013 and will run until 5 July 2013 (12 weeks). It is a very simple consultation with three options:

• **Option 1:** No access to the new Local Government Pension Scheme from April 2014 through being directly elected to local office. Thus, councillors; elected mayors; the Mayor of London and members of the London Assembly would be excluded from active Scheme membership – **this is the government's preferred position;**

• **Option 2:** Two-tier membership - continued access for 'front bench' councillors only. This option could include just elected mayors (including the Mayor of London) and elected leaders or could encompass all those with a special responsibility allowance (including members of the London Assembly) – the government would welcome views on which councillors and elected local office holders should be eligible if this option were to be pursued;

• **Option 3:** No change. Access to the taxpayer-funded Local Government Pension Scheme remains for all councillors and elected local office holders on the same basis as at present.

Three questions are then asked:

Question 1: Taking account of the issues raised in this consultation document and any other considerations, what option do you prefer and why?

Question 2: Do you have any alternative proposals on councillors and other elected office holders access to the Scheme?

Question 3: If councillors continue to have access, do you agree with the proposed change in contribution rate? If not, what contribution rate would you recommend? (This relates to councillors currently paying 6%, whereas staff pay banded contributions dependent on salary. The consultation sets out a potential range of rates.)

The proposed draft response has been written on behalf of Pensions Committee and supports the retention of access to the LGPS for Councillors. The move to tiered contribution rates is also supported.

FINANCIAL IMPLICATIONS

There are no additional financial implications arising directly from the report. The costs of Councillor's access to the LGPS are already contained within the Council's budget.

LEGAL IMPLICATIONS

There are no legal implications arising directly from the report

Consultation: Taxpayer-funded pensions for councillors and other elected local office holders

Draft Response

Councillor Pensions
Department for Communities and Local Government
Zone 5/F5 Eland House
Bressenden Place
LONDON
SW1E 5DU

19 June 2013

Dear Sirs,

Re: Taxpayer-funded pensions for councillors and other elected local office holders

London Borough of Hillingdon Pensions Committee would like to express their thanks to the Department for Communities and Local Government for the opportunity to respond to the consultation on 'Taxpayer-funded pensions for councillors and other elected local office holders'.

This response addresses the three specific questions asked and expands on the reasoning behind Hillingdon's stance. However, Hillingdon would like to place on record its disappointment with the inaccurate and misleading title of this consultation. Access to the LGPS for Councillors is not taxpayer funded, rather it is subsidised by the taxpayer, as it is for employee members of the scheme. The consultation goes on to refer to Councillors being members of a scheme designed for employees. Whilst the original scheme may have been designed for employees, the specific section to which Councillors contribute is separate from the employees section and has a different benefit regime. It is unfortunate that the tone of this consultation has been shaped by these inaccuracies.

In response to the three specific questions raised, London Borough of Hillingdon responds as follows:

Question 1: Taking account of the issues raised in this consultation document and any other considerations, what option do you prefer and why?

London Borough of Hillingdon firmly supports no change to the current access rights of elected Councillors to the Local Government Pension Scheme and therefore support Option C.

Section 18(3A) of the Local Government and Housing Act 1989 and the Local Authority (Members' Allowances) (England) Regulations 2003 first gave access to the LGPS to Councillors. The Independent Panel for Remuneration of Councillors in London supported access to the LGPS and recommended that the scheme be open to all Councillors under the age of 70. (The Independent Panel reinforced their view in their latest report in April 2010.) Within Hillingdon, the Hillingdon Member's Allowances Scheme was updated to include access to the LGPS for Councillors at Council on 4 December 2003, which allowed access from 1 April 2004 to any Councillor who elected to join the scheme. Currently, within Hillingdon, 25 of the 65 Councillors are active members of the scheme.

One of the original reasons for giving access to the LGPS for Councillors was to make it more financially viable for a broader range of people to be encouraged to enter into local politics and to stand for election to local councils. Also with the ever broadening remit of local authorities, the skills and knowledge base needed to under take the role of a councillor is ever increasing. As a result, it is increasingly difficult to hold special responsibility posts as a councillor and continue in full time employment. The assistance offered through membership of the LGPS goes a small way to compensate for loss of 'employment' pensions whilst undertaking civic duties. In Hillingdon, the take up has been relatively small and mainly by those who have reduced their external working hours to enable them to focus on their local authority work. The overall financial impact of Councillors' pension liabilities is very small in the Hillingdon Fund, to the extent that it is not appropriate to value separately. Hillingdon would dispute the argument that access to the scheme by Councillors has any significant impact on either the affordability or the sustainability of the scheme.

Further, Hillingdon would dispute the view that Councillors allowances have become a form of salary and have had a negative effect on local democracy and the independence of Councillors to represent their communities. Many Hillingdon Councillors are highly educated, professional people, who suffer significant reductions in their income to serve the local population and membership of the LGPS would not be a factor in their decision to stand for election.

Question 2: Do you have any alternative proposals on Councillors and other elected office holders access to the Scheme?

As London Borough of Hillingdon support the continuation of the existing arrangements, they do not propose any alternative.

Question 3: If Councillors continue to have access, do you agree with the proposed change in contribution rate? If not, what contribution rate would you recommend?

London Borough of Hillingdon supports equity and consistency in any approach to pension schemes and would therefore agree with the proposed change in contribution rate. As employees are subject to tiered contribution rates, it is fair that Councillors should be subject to the same approach rather than to retain a flat 6% contribution rate.

The approach by Central Government to this consultation is very inconsistent. The consultation says that Councillors and other directly elected local office holders should not continue to have access to the LGPS, but they immediately qualify this statement by saying that Police and Crime Commissioners – directly elected local office holders – should not be subject to this consultation. Similarly, they express the wish that the Mayor of London and Assembly Members of the Greater London Authority should not have access to the LGPS, but this does not preclude the GLA from then making alternative pension provision for them, which would continue to be taxpayer subsidised and by the tax payers of London Borough of Hillingdon.

Hillingdon are considering the legal position should government go for option A and whether the General Powers set out in the Localism Act 2011 allow councils to set up alternative pension provision by either paying into NEST (the national employer savings trust) or set up its own scheme for councillors through an insurance company or similar and will be working closely with the Local Government Association on this issue. Whilst these powers are very new and relatively untested, the Government should not legislate in a way which will constrain local authorities from using their powers to introduce alternative pension arrangements.

London Borough of Hillingdon would ask that this response is considered seriously and that its views are taken into account when reaching a final decision. The Council looks forward to receiving the results of this consultation in the hope that the status quo will be maintained.

Yours faithfully,

Cllr Philip Corthorne
Chairman Pensions Committee on behalf of and with the agreement of the Pensions Committee of the London Borough of Hillingdon

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Draft Pension Fund Annual Report

Contact Officers	Nancy Leroux, 01895 250353
Papers with this report	None

INFORMATION

The Annual Report for the Pension Fund for 2012/13, which contains the Pension Fund accounts, will be formally released to Deloitte, the Council's external auditors, for audit at the end of June. The report is then brought to Committee along with the audit report in September for signing. A draft copy is, therefore, being brought to Committee in June for comment and review prior to being released to Deloitte. The accounts have yet to be finally reviewed and so are presented to Committee in draft form at this stage. However, they will be fully reviewed prior to the end of June.

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Pension Fund
Annual Report & Accounts
for the year to 31 March 2013

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CONTENTS

PART A – MANAGEMENT AND FINANCIAL PERFORMANCE REPORT

1. Scheme Management and Advisers as at 31 March 2013

Administering Authority	London Borough of Hillingdon
Pension Fund Committee Members as at 31 March 2013	Cllr Philip Corthorne (Chairman) Cllr Richard Lewis (Vice-Chairman) Cllr Paul Harmsworth Cllr Raymond Graham Cllr David Simmons Cllr Janet Duncan John Holroyd (Pensioner/Deferred Rep) Andrew Scott (Active Member Rep)
Corporate Director of Finance	Paul Whaymand
Investment Consultant	Hymans Robertson LLP
Investment Adviser	Scott Jamieson
Fund Managers	Adam Street Partners Fauchier JP Morgan Asset Management Kempen International Investments LGT Capital Partners M&G Investments (Direct Investment) Macquarie Investment Marathon Global Investors Newton Asset Management Ruffer LLP State Street Global Advisors UBS Global Asset Management
Actuary	Hymans Robertson LLP
Legal Services	Raj Alagh, Borough Solicitor LBH
Auditor	Deloitte LLP
Bankers	HSBC Bank Plc Natwest Bank Plc (Capita Employee Benefits)
Custodian for Fund Assets:	Northern Trust Company
AVC Provider	Prudential Assurance Company

Officer Support	Nancy le Roux, Senior Service Manager – Corporate Finance Ken Chisholm, Corporate Pensions Manager Tunde Adekoya, Pension Fund Accountant Harry Lawson, Corporate Accounting Manager
Administration	Capita Employee Benefits

2. Management Report

(a) Introduction

London Borough of Hillingdon is the administering authority for the London Borough of Hillingdon Pension Fund, which is part of the Local Government Pension Scheme (LGPS). All aspects of the fund's management and administration, including investment matters are overseen by the Pensions Committee.

The Pensions Accounting team oversee the accounting and management information requirements of the fund. The day to day management of the investment of the funds is undertaken by independent fund managers. The Pensions Administration of the scheme is performed by Capita Employee Benefits (CEB) on behalf of the London Borough of Hillingdon.

During the year Pensions Committee meet formally on four occasions and the Investment sub-committee also meet four times per year between main committee meetings and on an ad hoc basis as required. Separate meetings are held with Fund Managers to review performance.

b) Membership

The London Borough of Hillingdon Pension Fund is open to employees of the Council, non-teaching staff of local authority schools and certain other bodies eligible to join the Fund.

Membership of the LGPS is not compulsory, although employees are automatically admitted to the fund unless they elect otherwise. On 1 February 2013, 530 employees were brought in to the scheme in line with the Governments Workplace Auto Enrolment legislation. Of those, around 50% have remained in the scheme. Within Hillingdon Council, of the 6,902 employees who were eligible to join the scheme as at 31 March 2013, 5,257 were scheme members, which equates to 76% of the workforce.

Over the last few years total membership of the fund has grown steadily as shown in the table below.

5 Year Analysis of Fund Membership

Membership type	2008/09	2009/10	2010/11	2011/12	2012/13	5 year movement
Active	6,249	6,235	6,039	5,948	6,213	-0.58%
Pensioner	4,832	4,991	5,187	5,378	5,498	+13.78%
Deferred	4,541	4,772	4,890	5,492	5,883	+29.55%
Total Membership	**15,622**	**15,988**	**16,116**	**16,818**	**17,594**	**+12.62%**

Early Retirement

The total number of scheme members who retired on the grounds of redundancy or efficiency of the service is given below, together with the number of scheme members who retired on the grounds of permanent ill health. The figures are as at 31 March of each year.

Type of Retirement	2008/09	2009/10	2010/11	2011/12	2012/13
Redundancy or Efficiency	32	21	26	65	23
Ill Health	20	15	13	12	6
Total	**52**	**36**	**39**	**77**	**29**

The age and membership profile as at 31 March 2013 is shown below-

Age Band	Active	Deferred	Pensioner/Dependent	Total
0 -5	0	0	0	0
6 – 10	0	0	2	2
11 – 15	0	0	18	18
16 – 20	48	41	23	112
21 – 25	246	209	3	458
26 – 30	391	421	0	812
31 – 35	499	492	0	991
36 – 40	695	645	4	1,344
41 – 45	1,042	945	20	2,007
46 – 50	1,222	1,148	48	2,418
51 – 55	983	1,082	115	2,180
56 – 60	726	755	367	1,848
61 – 65	313	135	1,299	1,747
66 – 70	45	8	1,109	1,162
71 – 75	3	2	927	932
76 – 80	0	0	736	736
81 – 85	0	0	479	479
86 – 90	0	0	247	247
91 – 95	0	0	88	88
96 – 100	0	0	13	13
Over 100	0	0	0	0
Total	**6,213**	**5,883**	**5,498**	**17,594**

(c) Key Performance Data

All LGPS funds measure performance against key industry performance indicators. Targets are set at the start of each year and reported quarterly to Pensions Committee. The table below details Hillingdon's performance against target for the year to 31 March 2013 compared to the 2011/12 year:

Performance Indicator	Hillingdon Target	2011/12 Performance %	2012/13 Performance %
Letter detailing transfer in quote	10 days	76.20	98.81
Letter detailing transfer out quote	10 days	46.28	99.31
Process refund & issue payment	5 days	67.57	97.22
Letter notifying estimate of benefit	10 days	88.92	97.85
Letter notifying actual benefit	5 days	79.51	95.21

Letter acknowledging death	5 days	98.17	99.48
Letter notifying amount of dependant's benefit	5 days	72.56	100
Calculate & notify deferred benefits	10 days	54.04	95.65

Performance has improved in all reportable cases over the last year. Hillingdon monitors the performance of CEB on a daily basis, and we aim to continue to improve the services offered to all scheme members.

(d) Employer Contributions

In addition to Hillingdon Council, there are several other employers who have been admitted to the London Borough of Hillingdon Pension Fund. Their employer rate of contributions is set as part of the triennial valuation of the fund. Their current employer contribution rates and the total contributions paid by each Employer in 2012/13 are shown in the table below.

Employer	Total Contributions £	Employer Contribution Rate %
Barnhill Community School	270,085.55	26.30
Belmore Primary School	124,831.13	24.50
Bishop Ramsey School	157,252.52	20.70
Bishopshalt School	233,660.58	28.50
Coteford Junior School	57,979.04	32.20
Cranford Park School	148,837.65	29.90
Douay Martyrs School	193,393.54	32.60
Eden Academy	356,907.38	30.00
Genuine Dining Ltd	54,037.93	21.00
Greenwich Leisure	85,261.82	16.80
Guru Nanak Academy	215,272.02	22.90
Harefield Academy	139,259.97	14.00
Haydon School	272,977.54	16.40
Heathrow Travel care	11,051.82	19.10
Hewens Academy	145,442.56	19.90
Hillingdon & Ealing Citizens Advice	37,609.64	16.60
LBDS Frays Academy	140,146.64	29.10
Look Ahead Housing Care	26,414.50	23.00
London Housing Consortium	109,862.52	20.10
Mitie Cleaning	30,998.20	21.00
Mitie Facilities Management	75,933.12	21.00
Northwood School	74,144.91	25.10
Queensmead School	114,258.40	20.00
Stag Security Services	1,230.24	24.00
Stockley Academy	164,137.10	18.50
Swakeleys Academy	139,125.94	17.80
Uxbridge College	702,085.26	16.80
Uxbridge High School	165,765.45	19.80
Vyners Academy	165,347.02	27.20
Willows Academy	52,045.06	21.60

Wood End Park School	143,274.12	28.90
Total	**4,608,629.17**	

(e) Impact of Contributions received and Benefits paid on cash flow

Total contributions received during the year were £31.8m, an increase of £1.3m over 2011/12, however this was offset by the value of transfer payments into the scheme during the year which fell by £3.4m. However, benefits and leaver payments made were £33.4m, a reduction of £2.1m on last year. The overall deficit was just over £1.2m, a very slight reduction from £1.3m in 2011/12.

The impact of auto-enrolment was very slight for 2012/13 as it impacted only on contributions for February and March. However, going forward employer contributions are expected to be just over £1m higher due to auto-enrolment.

(f) Administrative expenses

Overall administration expenses reduced for the year by £163k, just over 21%. This can be almost entirely attributed to the reduction in costs through the outsourcing of the administration function to Capita.

3. Risk Management

As part of the governance arrangements of the Pension Fund, it is a requirement to recognise and monitor the key risks facing the Pension Fund. These risks fall under several categories – financial, demographic, regulatory, and administrative and governance risks.

A risk report, including the latest risk register and showing the status and direction of each risk, is maintained and updated monthly and reported to Pension Committee on an exception basis. A brief narrative description of each risk is set out below. Further detail on the risks and the mitigating actions are included in the Funding Strategy Statement in Section G of this report.

Key Risk 1 – Financial Risks - a team of experienced officers and advisors support the Pensions' Committee who ensure the monitoring of all financial risks for impact. The financial risks cover all aspects of the funds investment strategy, the impact of changes on the returns on investments, the impact of active manager performance, and the impact of pay and price inflation. Currently only the risk of the fund's investment returns failing to match arising liabilities is reported corporately to the Council.

Key Risk 2 – Demographic Risks - The risk of pensioners living longer is the key risk in this area. Active monitoring of retirement patterns allow additional employer contributions to be requested if required.

Key Risk 3 – Regulatory Risks - Changing regulations remain a long-term risk to the fund; however, Hillingdon fully participates in consultation exercises where their influence can impact on this risk.

Key Risk 4 – Governance Risks - These risks relate mainly to an employer failing to notify the administering authority of changes to their structure or operation. Good employer communication is vital to keep this risk under control and future changes to the officer support to the fund will help further mitigate these risks.

PART B – INVESTMENT POLICY AND PERFORMANCE REPORT

Investment Commentary for the year to 31 March 2013

General background

Equity markets performed strongly over the 12 months to 31 March 2013. This positive tone contrasted with mixed developments on the economic front, continuing difficulties associated with the financial crisis and debt ‘overhangs’ in the US and Europe.

Optimism over global economic growth prospects deteriorated progressively over the period, with mixed data in the UK and much of Europe falling into recession. Although the US exhibited consistent growth, policy makers remained cautious. Initiatives taken by central banks in the US, Europe and Japan differed in nature and size. In the US, activity was principally focused on stimulating economic growth. In other regions, it was designed to counter deflationary forces.

In the UK, the Governor of the Bank of England forecast a period of persistently low economic growth, citing problems in the Eurozone as a contributory factor. The Chancellor of the Exchequer presented his March 2013 budget against a background of downward revisions to economic growth forecasts and a cut in the country’s credit rating. With rising debt, austerity remains the order of the day. The budget incorporated further unpopular cuts in public spending.

Key events over the 12 month period were:

Global Economy

- Policy makers in the UK, Eurozone, US, Japan and China announced asset purchase programmes to stimulate economies;
- Short-term interest rates were unchanged in US and UK, and reduced (by 0.25%) in the Eurozone;
- The Eurozone reported its third consecutive quarter of economic contraction;
- Economic growth in major Asian markets was impaired by weak external demand;
- France and Italy pressed the case for economic growth rather than austerity as policy priority;
- The UK’s credit rating was cut by Moody’s, on concerns over continuing economic weakness.

Equities

- Defensive stocks outperformed cyclicals over the period;
- The strongest sectors, relative to the ‘All World’ Index, were Health Care (+13.1%) and Consumer Services (+8.8%); the weakest sectors were Basic Materials (-15.7%) and Technology (-11.4%).

Bonds

- The European Central Bank announced a bond purchase programme to assist countries struggling to raise funds;
- Corporate bonds outperformed government issues by a comfortable margin.

John Hastings May 2013, for and on behalf of Hymans Robertson LLP

INVESTMENT POLICY

Throughout the year the Investment Sub Committee keep the Fund's asset allocation and investment strategy under review and recommend changes as necessary to Pensions Committee for approval.

Funding and investment strategies

The main consideration when compiling a funding and investment strategy for the Fund is recognising that the objective of the Fund is to pay benefits to members and their dependents, both now and in the future. These benefits, which form the liabilities of the Fund, are very long term in nature. Benefits are currently being paid to pensioners in the Fund; however, many active and former active members of the Fund are still many years from retirement, so assets are being built up now in order to pay benefits to these members after they retire. For that reason, a reasonably high proportion of assets are invested in growth assets such as equities and property which are expected to deliver higher investment returns over the longer term.

Investment strategy

The allocation of Fund assets among the managers' mandates during the year was as follows:

Manager	UK equity %	Overseas equity %	Bonds %	Property %	Private Equity %	Alternatives %
Adams Street					3.68	
JP Morgan			11.29			
Kempen		7.06				
LGT					2.33	
M&G						2.42
Macquarie						1.21
Newton	0.34	3.09				
Ruffer	2.67	8.86	6.35			0.71
State Street	9.00	7.35	4.68			
UBS Equities	20.00			0.01		
UBS Property				6.99		
Total	**32.01**	**26.36**	**22.32**	**7.00**	**6.01**	**4.34**

(A cash holding of 1.96% is not included in the above table.)

During 2012/13 several changes were implemented:

- As a result of the retirement by Marathon Asset Management of one of its founders, Jeremy Hoskins, Committee decided his absence would affect the overall dynamics of the fund services provided by Marathon and took the decision to divest from Marathon and appoint two new fund managers to manage funds divested from Marathon. The managers appointed were Newton Asset Management and Kempen International Investments. The two managers are similar in style to Marathon and are seen as a continuation of that particular fund management style. Marathon remains part of the fund's preferred fund managers' pool and will be monitored for future placement of investments.

- Following a review of the Fund's asset allocation and style risk profile, Committee decided to address Absolute Return portfolio concentration risks by reducing assets managed by Ruffer LLP from 19% of funds' assets to 12% and to appoint a second Absolute Return manager. Following a selection process Barings Asset Management was appointed. Barings were allocated 9% of the funds' asset derived from 7% withdrawn from Ruffer and a further 2% from UBS Asset Management's UK Equities portfolio. Barings appointment took effect from April 2013.

- A further £15m was committed to further investments with M&G as part of its' Debt Opportunities Fund offering to exploit the lack of credit in the financial market and take advantage of the generous IRR offered by the new offering from M&G. With this investment, Committee made the commitment to further enhance the diversified nature of the fund's assets.

Fund Managers who manage assets on behalf of the London Borough of Hillingdon Pension Fund

State Street Global Advisors - State Street manages fund assets on a passive basis. Its aim is to capture benchmark returns by replicating the indices backing the assets included in its mandate and during the year it has achieved this goal consistently. The scale of assets managed by State Street reduced as those being managed on a temporary basis (SSgA Drawdown) were reallocated.

UBS Global Asset Management - (UK equities) - UBS manages UK equities using a value style. The prevalent market environment in the year ended 31 March 2013 was conducive to their investment style and contributed to their outperforming the benchmark in both one year and since inception categories.

UBS Global Asset Management - Property - The property mandate managed by UBS changed a number of years ago. Previously, the assets were managed in a pooled fund under the exclusive control of UBS (UBS Triton). This mandate was changed to a fund of funds arrangement with the assets managed in several pooled property funds managed by several managers, but with UBS responsible for selecting the pooled funds. Currently, there is an on-going major restructure of the UBS Triton part of the fund's property portfolio due to be completed by the fund manager by the end of July 2013.

Adams Street Partners & LGT - Private equity - Private equity is an illiquid asset with a long-term horizon. The Fund has approximately 6% of assets invested in private equity; the assets are split between Adams Street Partners which is based in the US, and Liechtenstein Global Trust Capital Partners (LGT) which operates out of the Switzerland. Both managers invest globally. Within each manager, private equity assets are spread across several funds launched in different years in order to provide time diversification.

Ruffer LLP - The Absolute Return manager, Ruffer have delivered on their brief by preserving capital and delivering growth with returns in excess of the benchmark over one year and since inception. However, subsequent performance may suffer a drag due to reduction of assets under management, as explained in the Investment Strategy review above.

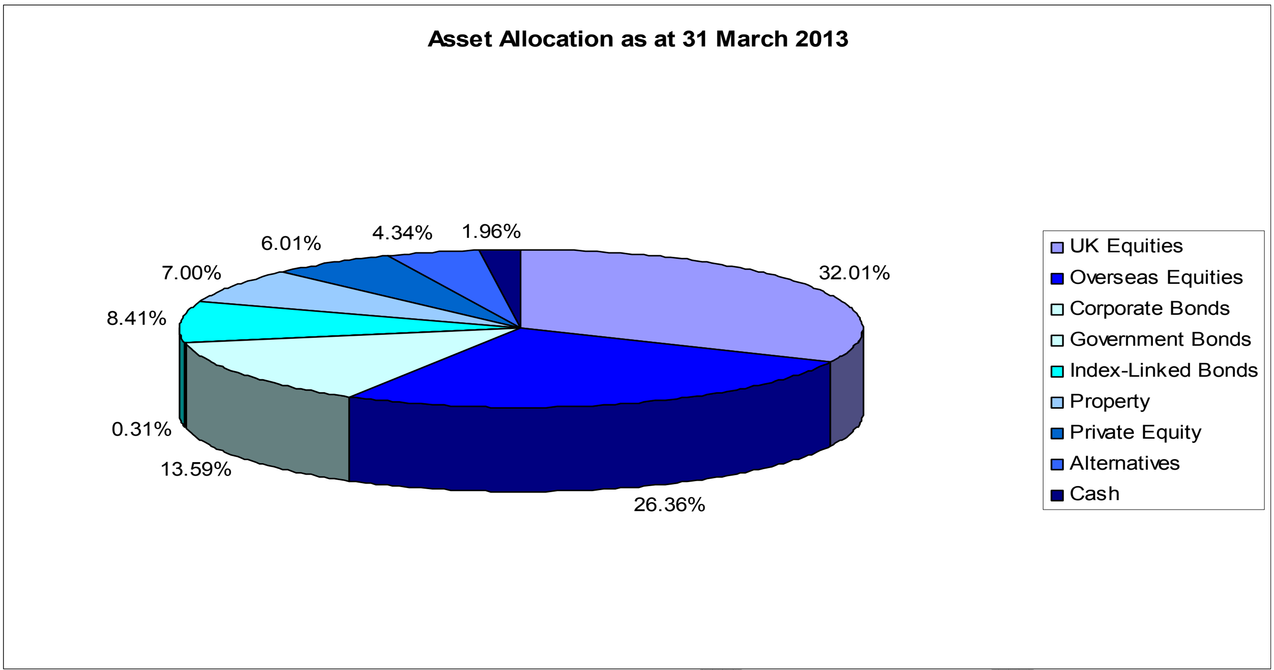
Macquarie Investment - The allocation to infrastructure is likely to take a number of years before it is fully in place. During Macquarie's tenure however, progress has been steady with an allocation to a fund focused in India already in place. The China fund has begun drawdown of commitments as well and is expected to increase in the coming year. The European Fund MEI4 commenced drawdown during the financial year and had gathered pace tremendously resulting in the overall drawdown investments by Macquarie increasing by 1.01% (1.21%) of Fund's assets in 12/13 compared to (0.20%) in 11/12.

M&G Investments - The objective of the Fund is to create attractive levels of current income for investors, while maintaining relatively low volatility of Net Asset Value. The fund was set up to provide medium to long term debt financing to mid-cap UK companies with strong business fundamentals that are facing difficulties refinancing existing loans in the bank market. During the financial year under review, commitments to M&G funds were increased with an investment of a further £15 million in the Debt Opportunities Fund. This fund specifically targets distressed companies in which M&G already has vested interest and offer rescue packages at discounted rates.

JP Morgan Asset Management - JP Morgan mandate has been in place for just over 16 months and has performed positively and have taken advantage of the general need for consistent income stream, without the volatility of equities with returns slightly outperforming prescribed benchmark over one year by 0.40% and 1.98% since inception.

Fund Value and Asset allocation as at 31 March 2013

At 31 March 2013 the total value of the pension fund investment assets was £679,552k. The following diagram identifies the allocation, by asset class, as at 31 March 2013.



Whilst managers are able to use their discretion to make minor variations in the allocation of investments between markets, the major movements are a result of both market gains and revised asset allocation during the year. Consequently, the fund now has increased exposure to UK and overseas equities, corporate bonds and alternatives.

The table below shows the total of investment assets and liabilities held by each manager as at 31 March 2013.

INVESTMENT MANAGER	AS AT 31 MARCH 2013		AS AT 31 MARCH 2012	
	£'000	%	£'000	%
Adams Street	23,366	3.44	20,791	3.40
JP Morgan	74,981	11.03	72,012	11.78
Kempen	46,884	6.90	0	0
LGT	18,215	2.68	17,011	2.78
M&G	16,351	2.41	11,149	1.82
Macquarie	8,536	1.26	1,205	0.20
Marathon	0	0	58,670	9.59
Newton Asset Management	22,819	3.36	0	0
Ruffer	131,368	19.33	118,378	19.36
State Street Global Advisors	135,887	20.00	132,251	21.63
UBS	135,737	19.97	112,777	18.44
UBS Property	48,574	7.14	48,628	7.95
Other*	16,834	2.48	18,679	3.05
Total	**679,552**	**100.00**	**611,551**	**100.00**

*Includes other transition assets, pending trades and recoverable tax.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended), Schedule 1, set out the legal requirements which apply to investments of the Fund and place restrictions on investments. Such restrictions, which are detailed within this report, are routinely monitored to ensure compliance. The largest five holdings in the fund as at 31 March 2013 were:

Top 5 Holdings	Market Value as at 31 March 2013 £000s	Percentage of Fund Value
JP Morgan Strategic Bond Shares	74,981	11.03%
SSgA Equity Index	59,893	8.81%
Kempen Int'l Funds	46,884	6.90%
BNY Mellon Newton Global Higher Income Fund	22,819	3.36%
BP Ord USD0.25	16,376	2.41%

The largest 10 directly held equity holdings were as follows:

Top 10 Directly Held Equity Holdings	Market Value as at 31 March 2013 £000s	Percentage of Fund Value
BP	16,376	2.41%
Royal Dutch Shell	11,274	1.66%
Vodafone Group	9,943	1.46%
GlaxoSmithKline	9,338	1.37%
Lloyds Banking Group	7,716	1.13%
Rio Tinto	6,093	0.90%
Barclays	5,754	0.85%
BAE Systems	4,846	0.71%
HSBC	4,489	0.66%
3I Group	4,398	0.65%

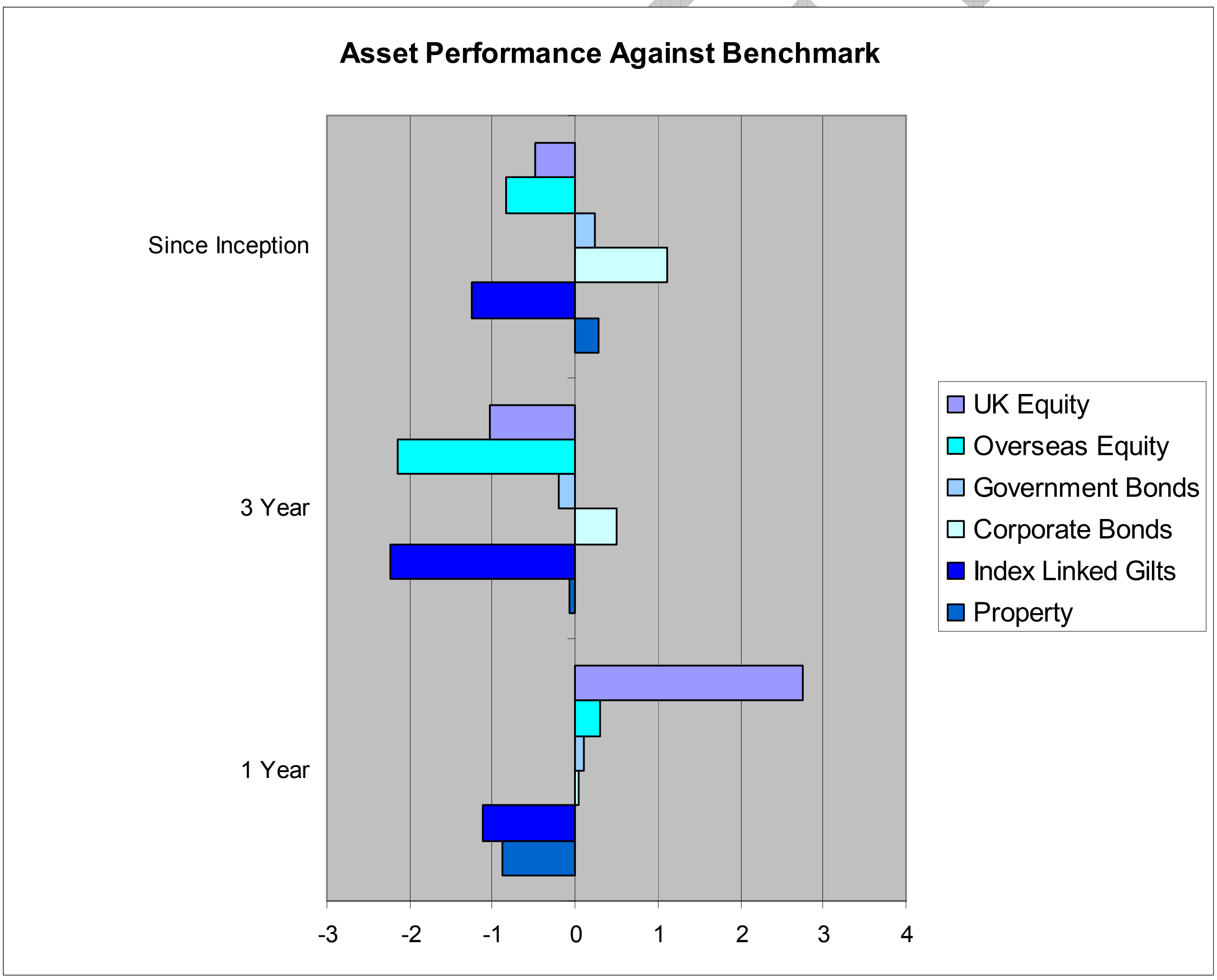
Investment Performance

Markets remained favourable to most of the fund's investments and managers through 2012/13 which helped the fund produce an annual return of 12.33%. All fund managers, produced positive returns over the year, with the exception of UBS Property and SSgA Drawdown. Relative performance between the underlying managers was positive with all outperforming their benchmarks, again with the exception of UBS Property & SSgA Drawdown who underperformed relative to their benchmarks. The total fund outperformed the plan benchmark by 1.68% but underperformed the WM average by -1.47%.

The following table details performance by managers over one and three years and since inception. M&G, Ruffer and JP Morgan were appointed less that three years ago and Newton and Kempen are not included as they were appointed in the last two months of the year under review.

Performance	1 Year			3 Year			Since Inception		
Manager	**Fund**	**B' mark**	**+/-**	**Fund**	**B' mark**	**+/-**	**Fund**	**B' mark**	**+/-**
JP Morgan	4.12	3.71	0.41	-	-	-	5.87	3.82	2.05
M&G	5.78	4.72	1.06	-	-	-	4.90	4.83	0.07
Ruffer	11.03	0.82	10.21	-	-	-	7.70	0.82	6.88
SSgA	15.82	15.92	(0.10)	8.74	8.68	0.06	14.61	14.55	0.06
SSgA Drawdown	4.39	6.05	(1.65)	3.90	4.50	(0.61)	5.04	5.46	(0.42)
UBS	20.06	16.77	3.29	9.13	8.78	0.35	10.16	9.10	1.06
UBS (Property)	(0.09)	1.38	(1.46)	4.56	5.35	(0.78)	(0.94)	(0.22)	(0.72)
Total Portfolio	**12.33**	**10.64**	**1.68**	**7.09**	**5.89**	**1.20**	**6.78**	**6.75**	**0.03**

Over the financial year under review, the fund grew by 12.33% equating to 168 basis points ahead of the benchmark figure of 10.64%. For the 3 year period to 31 March 2013, the fund has outperformed with a relative return of 1.20% pa. However, since inception in September 1995 the returns come to 6.78% just 3 basis points better than the benchmark.



Performance	1 Year			3 Year			Since Inception		
Asset Class	**Fund**	**B' mark**	**+/-**	**Fund**	**B' mark**	**+/-**	**Fund**	**B' mark**	**+/-**
UK Equity	19.53	16.77	2.76	7.74	8.78	-1.04	6.85	7.33	-0.48
Overseas Equity	17.08	16.78	0.30	4.82	6.94	-2.14	5.83	6.66	-0.83
Government Bonds	5.36	5.25	0.11	8.01	8.21	-0.20	7.07	6.84	0.23
Corporate Bonds	12.03	11.99	0.04	9.21	8.70	0.51	11.31	10.20	1.11
Index Linked Gilts	9.09	10.21	-1.12	9.25	11.48	-2.23	10.94	12.20	-1.26
Property	0.51	1.38	-0.87	5.28	5.35	-0.07	7.70	7.42	0.28
Total Portfolio	**12.33**	**10.64**	**1.68**	**7.09**	**5.89**	**1.20**	**6.78**	**6.75**	**0.03**

Custody

The Northern Trust Company acts as the global custodian of the Funds' assets. As part of its normal procedures Northern Trust holds all assets in safe custody, settles trades, collects dividend income, provides data for corporate actions, liaises closely with all of the investment managers and reports on all activity on a monthly and quarterly basis. Where holdings are in pooled funds, the underlying assets held by the relevant funds' custodian are reported to Northern Trust. Regular service reviews take place with Northern Trust to ensure continuous monitoring of the Funds requirements. The contract for Custody was re-tendered during 2011/12 and Northern Trust was re-appointed from 1 April 2012.

Responsible Investing

The Fund supports the principle of socially responsible investment within the requirements of the law and the need to give high priority to financial return. The investment managers are expected to have regard to the impact of corporate decisions on the value of company shares in making their investment decisions. The Fund will consider supporting actions designed to promote best practice by companies where necessary and appropriate. The investment managers' discretion as to which investments to make will not normally be overridden by the Pensions Committee, except on the basis of written information from other advisers.

Whilst the Pensions Committee maintain an awareness of socially responsible investment in the context of investment strategy, the Committee are committed to obtaining the best possible return using the full range of investments authorised under the Local Government Pension Scheme regulations.

It is the Fund's policy to be an active shareholder. Where the Pension Fund has securities held in a portfolio which have associated with them a right to vote on resolutions, the Pension Committee has delegated the exercise of these rights to the Fund Managers in accordance with the authority's corporate governance policy. The Fund's policy is that all proxies are to be voted where practically possible. Fund Managers' rights to vote on behalf of the Fund are subject to conforming to the overall guidance set out in the Statement of Investment Principles and the prevailing regulations. The Pension Committee may feel strongly concerning certain policies and may advise managers how to execute their votes. Fund manager voting and engagement in terms of Corporate Governance and Socially Responsible Investment are discussed with the fund managers and reported to Committee on a quarterly basis. Further information regarding voting guidelines, responsible investment and compliance with the CIPFA principles are included within the Statement of Investment Principles.

The Pension Fund is a member of Local Authority Pension Fund Forum and uses it as a platform for engagement on environmental, socially responsible issues and corporate governance rather than disinvesting.

The Council supports the Stewardship Code issued by the Financial Reporting Council; however in practice the fund’s policy is to apply the code through its fund managers and membership of LAPFF. In addition to the Stewardship Code the Council also supports the UK Environmental Investor Code and the CERES Principles.

PART C – SCHEME ADMINISTRATION

SCHEME ADMINISTRATION REPORT

Overview

The Administration of the Local Government Pension Scheme (LGPS) was outsourced to Capita Employee Benefits (CEB) (formally known as Capita HartsHead) from 1 April 2012. The London Borough of Hillingdon joined a pan-London Framework Agreement for LGPS Administration lead by the London Borough of Hammersmith and Fulham. Currently there are 4 London Boroughs signed up to the framework. They are London Borough of Hammersmith and Fulham, London Borough of Brent, London Borough of Hillingdon and The Royal Borough of Kensington and Chelsea. The Framework covers the full range of administration services for both current, former employees and pensioners of the London Borough of Hillingdon Fund including:

- Administer the Local Government Pension Scheme on behalf of London Borough of Hillingdon as an Employing Authority in accordance with relevant legislation and Committee decisions.
- Administer the Council's early retirement arrangements in accordance with relevant legislation and Committee decisions.
- Provide advice to scheme members and external scheme Employers on options available under the Council's Pension Scheme.
- Exploit information technology to improve service standards and efficiency.

The performance of CEB is reported quarterly to Pensions Committee and monitored on a daily basis by pension's officers of London Borough of Hillingdon.

CEB deals with contributing members of the LGPS with London Borough of Hillingdon, the main areas of work cover the collecting, and reconciling of pension of contributions, transfers of pension rights in to and out of the LGPS and deferred benefits; and with pensioners in respect of payment of pensions, and calculations of retirements, re-employment, death benefits and redundancy and compensation benefits for non-teaching employees.

The pensions administration service at CEB can be contacted by telephoning 01737 366062 or by email to hillingdon.pensions@capita.co.uk. Information about the LGPS and Capita Employee Benefits can be found on Capita's website at www.mylgpspension.co.uk

The Council's Complaints procedure is available to any person who wishes to make a suggestion or complaint about the Service. Details of individual complaints along with the overall number of complaints are reported each year. There is also a two stage statutory Independent Dispute Resolution Procedure within the LGPS regulations. Details of this procedure are available on the Pensions web pages at www.hillingdon.gov.uk or on request. An application at stage one of the process is to the Operations Manager at CEB and at stage two to the Corporate Pensions Manager or a Senior Officer of the Council not previously involved in the case.

Review of 2012/13

The number of active scheme members that the Service deals with increased in the last year, as a result of Auto Enrolment. The London Borough of Hillingdon enrolled all non-scheme members in to the pension scheme from 1st February 2013.

Latest available Government SF3 statistics (for 2011/12) indicate the cost per member for all English Authorities was £27.82 compared with an outer London average of £50.01 per scheme member. The cost in 2012/13 for the London Borough of Hillingdon was £34.02, (a decrease of £10.69 per member when compared with last year). Despite the continued increase in the number of scheme members, the administration costs have maintained a below average “cost per member” when compared to all outer London Boroughs.

As a result of the Lord Hutton report to Government on the future of all Public Service Pensions published on 10 March 2011, containing 27 recommendations for change to public service pensions, and endorsed by the government. Amendments to the structure of the LGPS should be completed by spring 2013, and a new scheme in operation from 1 April 2014. A revised scheme structure is currently being consulted upon.

Dispute Resolution

Because pensions are such a complicated issue at times it’s inevitable that occasionally disagreements between members and scheme administrators arise. When disagreements do occur we do all we can to try to resolve them informally and reach an agreement. But this isn’t always possible and the scheme provides a formal way for disagreements to be resolved and the set procedures in the Local Government Pension Scheme Regulations for dealing with disputes about the pension scheme is the Internal Dispute Resolution Procedure (IDRP). Under the procedure initial complaints are heard by the Director of Operations at CEB at stage 1. If a complainant still has a dispute this may then be referred at stage 2 to the Corporate Pensions Manager at London Borough of Hillingdon or a Senior Officer of the Council, who has not previously been involved with the case. After this a further referral is available to the Pensions Ombudsman. In the year 2012/13, there were 5 stage 1 appeals, 1 of which has progressed to stage 2. No cases have been referred to the Pensions Ombudsman.

PART D – ACTUARIAL REPORT

London Borough of Hillingdon ("the Fund") Actuarial Statement for 2012/13

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2012/13 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Hillingdon Pension Fund, which is in the remainder of this note.

Balance sheet

Year ended	31 Mar 2013 £m	31 Mar 2012 £m
Present value of Promised Retirement Benefits	1,066	889

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2013 comprises £503m in respect of employee members, £212m in respect of deferred pensioners and £351m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2013 is to increase the actuarial present value by £128m.

Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31 Mar 2013 % p.a.	31 Mar 2012 % p.a.
Inflation/Pensions Increase Rate	2.8%	2.5%
Salary Increase Rate*	5.1%	4.8%
Discount Rate	4.5%	4.8%

*Salary increases are 1% p.a. nominal until 31 March 2015 reverting to the long term rate thereafter

Longevity assumption

As discussed in the accompanying report, the life expectancy assumption is based on the Fund's VitaCurves with improvements in line with the Medium Cohort and a 1% p.a. underpin from 2010. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.8 years	24.1 years
Future Pensioners*	22.3 years	25.7 years

*Future pensioners are assumed to be currently aged 45

This assumption is the same as at 31 March 2012.

Commutation assumption

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2013 for IAS19 purposes' dated April 2013. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Catherine McFadyen FFA, May 2013, for and on behalf of Hymans Robertson LLP

Pension Fund Accounts and Net Asset Statement

	Notes	Year Ended 31 March 2013 £000's	Year Ended 31 March 2012 £000's
Contributions	*4*	31,871	30,520
Transfers In	*5*	284	3,703
Less: Benefits	*6*	(31,424)	(32,007)
Less: Leavers	*7*	(1,957)	(3,509)
Less: Administrative expenses	*8*	(589)	(752)
Net additions from dealings with members		**(1,815)**	**(2,045)**
Investment income	*9*	14,054	9,936
Changes in market value of investments	*10*	61,904	14,213
Taxes on income		(19)	(48)
Investment management expenses	*12*	(3,922)	(3,539)
Net return on investments		**72,017**	**20,562**
Net Increase in the fund during the year		**70,202**	**18,517**
Net Assets at start of year		**612,850**	**594,333**
Net Assets at end of year		**683,052**	**612,850**

		31 March 2013 £000's	31 March 2012 £000's
Investment Assets	*10*	682,984	612,095
Investment Liabilities	*11*	(3,432)	(544)
Current Assets	*13*	4,358	1,956
Current Liabilities	*14*	(858)	(657)
TOTAL NET ASSETS		**683,052**	**612,850**

The Pension Fund Accounts summarise the transactions of the scheme and shows the net assets at the disposal of members. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is shown in the actuarial statement included in the Annual Report on pages 21-23 and these accounts should be read in conjunction with this.

Paul Whaymand
Corporate Director of Finance
June 2013

Notes To Pension Fund Accounts

1. DESCRIPTION OF FUND

The London Borough of Hillingdon Pension Fund ("the fund") is part of the Local Government Pension Scheme and is administered by London Borough of Hillingdon. The Council is the reporting entity for this pension fund. The following description of the fund is a summary only. For more details, reference should be made to the London Borough of Hillingdon Pension Fund Annual Report 2012/13 and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972 and the Local Government Pension Scheme (LGPS) Regulations.

a) General: The fund is governed by the Superannuation Act 1972 and administered in accordance with the following secondary legislation:
- the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- the LGPS (Administration) Regulations 2008 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2009.

It is a contributory defined pension scheme administered by London Borough of Hillingdon to provide pensions and other benefits for pensionable employees of the Council and a range of other scheduled and admitted bodies within the borough.

b) Membership: Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme. But since 01 February 2013 all new employees of the Council are automatically enrolled, with option to opt out of the scheme within three months of auto enrolment.

FUND OPERATION AND MEMBERSHIP

The Local Government Pension Scheme is a defined benefit scheme, administered under the provisions of the Local Government Pension Scheme Administration Regulations 2008 and the Local Government Pension Scheme (Benefits, Contributions and Membership) Regulations 2007 to provide benefits for members and retired members. The benefits include a pension payable to former members and their dependents and a lump sum retirement allowance (for any member with service pre 01 April 2008). The scheme is administered locally by the Council and the fund is a separate entity from the Council and its accounts and balance sheet are separate financial statements.

The fund is financed by contributions from the Council, pension fund members and by income from the fund's investments. The Pension Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the Council and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the fund.

Employers who contribute to the fund in addition to London Borough of Hillingdon are:

Admitted Bodies:

Genuine Dining Ltd
Greenwich Leisure
Heathrow Travel Care
Hillingdon & Ealing Citizens Advice
Look Ahead Housing & Care
Mitie Cleaning
Mitie FM
Stag Security Services

Scheduled Bodies:

Barnhill Community School
Belmore Primary School
Bishop Ramsey School
Bishopshalt School
Coteford Junior School
Cranford Park School
Douay Martyrs
Eden Academy
Guru Nanak Academy
Harefield Academy
Haydon School
Hewens Academy
LBDS Frays Academy
London Housing Consortium
Northwood School
Queensmead School
Stockley Academy
Swakeleys School
The Willows School
Uxbridge College
Uxbridge High School
Vyners School
Wood End Park School

1. DESCRIPTION OF FUND. (CONTINUED)

As at 31 March 2013 there were 6,213 active employees contributing to the fund, with 5,498 in receipt of benefit and 5,883 entitled to deferred benefits.

London Borough of Hillingdon Pension Fund	31 March 2013	31 March 2012
Number of employers with active members	32	35
Number of employees in scheme		
London Borough of Hillingdon	5,225	4,987
Other employers	988	961
Total	**6,213**	**5,948**
Number of Pensioners		
London Borough of Hillingdon	5,047	4,969
Other employers	451	409
Total	**5,498**	**5,378**
Deferred pensioners		
London Borough of Hillingdon	4,671	4,363
Other employers	1,212	1,129
Total	**5,883**	**5,492**

The pension fund investments are managed externally by fund managers: Adams Street Partners, JP Morgan Asset Management, Kempen International Investments, LGT Capital Partners, Macquarie Investment, Marathon Global Investors, Newton Asset Management, Ruffer LLP, State Street Global Advisors and UBS Global Asset Management. In addition there is one direct investment in a pooled fund vehicle with M&G Investments.

The fund is overseen by London Borough of Hillingdon Pension Fund Committee, which is a committee of London Borough of Hillingdon, the administering authority. The performance of the fund managers is monitored by the Pensions Committee that consisted of the following members in 2012/13:

Pensions Committee

Cllr Philip Corthorne (Chairman)
Cllr Richard Lewis (Vice-Chairman)
Cllr David Simmons
Cllr Raymond Graham
Cllr Paul Harmsworth
Cllr Janet Duncan
Mr John Holroyd (Pensioner/Deferred Scheme Member Representative) (Non Voting)
Mr Andrew Scott (Active Scheme Member Representative) (Non Voting)

2. BASIS OF PREPARATION

The accounts have been compiled in accordance to the CIPFA Code of Practice on Local Authority accounting in the United Kingdom 2012/13 and underpinned by Local Government Pension Scheme (Management & Investments of Funds) Regulations 2009. The accounting policies have been drawn up in line with recommended accounting principles as specified in the Code of Practice on Local Authority Accounting and disclosed below.

3. ACCOUNTING POLICIES

a) Accounts Preparation - The accounts have been prepared in accordance with the recommendations of CIPFA and comply with both the Local Authority Accounting and Pension Statement of Recommended Practice.

b) Accruals concept - Income and expenditure are recorded on an accruals basis, except for transfer values which are accounted on a cash basis. Group transfers are accounted for under the agreement which they are made.

Notes To Pension Fund Accounts

3. ACCOUNTING POLICIES (CONTINUED)

c) Valuation of assets - Equities and fixed income are valued at bid prices - where bid price is not available, the mid price is used. For pooled funds, if bid prices are provided by the fund administrators then these are used, otherwise the Net Asset Value is used. Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for private placements and infrastructure are priced using discounted cash flow methodology. All assets are disclosed in the financial statements at their fair value.

d) Foreign currency translation of assets and liabilities and forward foreign exchange contracts are converted into sterling at the closing middle rates of exchange in the net assets statement. Overseas income is converted at rates of exchange ruling when remitted.

e) Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accruals basis.

f) Investment management expenses are recorded at cost when the fund managers/custodian invoice the Fund on a quarterly basis. Expenses are recorded on an accruals basis.

g) Administration expenses recharged to the pension fund are monitored throughout the year in accordance with the budget and are charged to the pension fund at the end of the financial year.

h) Interest on property developments - Property is held in unit trusts for the pension fund, the return received is calculated in accordance with the unit price at the Net Assets Statement date.

i) Contributions - are accounted for in the period in which they fall due. Normal contributions received during the year are in accordance with the rates and adjustments certificate.

j) Benefits - are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.

k) Transfers - are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is actually made and accepted by the recipient.

l) Investment Income - Dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits are accrued on daily basis.

Critical Judgements and Uncertainties

m) Unquoted private equity investments - Fair value of private equity investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by investment managers using IFRS fair value principles and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), which the British Venture Capital Association is a founding member. The Value of unquoted private equities at 31 March 2013 was £39,617k (£37,007k at 31 March 2012).

n) Assumptions made about the future and other major sources of estimation uncertainty - The Statement of Accounts contains estimated figures that are based on assumptions made by the fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
The items in the net assets statement at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

item	**Uncertainties**	**Effect if actual results differ from assumptions**
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the	The total private equity investments in the financial statements are £39,617k. There is a risk that this investment may be under- or overstated in the accounts.

Notes To Pension Fund Accounts

4. CONTRIBUTIONS

	31 March 2013 £000's	31 March 2012 £000's
Employers		
Normal	18,508	17,566
Deficit funding	5,219	4,954
Members		
Normal	7,920	7,877
Additional contributions	224	123
	31,871	**30,520**

Deficit Funding:- At the last actuarial valuation as at 31 March 2010 the fund was 78% funded, with the remaining 22% deficit to be recovered over a period of 25 years with a common contribution rate of 22.4%.

Schedule of contributions by body	31 March 2013 £000's	31 March 2012 £000's
Employers		
LB Hillingdon	19,118	19,568
Scheduled Bodies	4,286	2,580
Admitted Bodies	323	372
Members		
LB Hillingdon	6,639	6,905
Scheduled Bodies	1,400	971
Admitted Bodies	105	124
	31,871	**30,520**

5. TRANSFERS IN

	31 March 2013 £000's	31 March 2012 £000's
Individual transfers in from other schemes	284	3,703

6. BENEFITS

	31 March 2013 £000's	31 March 2012 £000's
Pensions	26,818	24,874
Commutations and lump sum retirement	4,496	6,440
Lump sum death benefits	110	693
	31,424	**32,007**

	31 March 2013 £000's	31 March 2012 £000's
Schedule of benefits by employer		
LB Hillingdon	30,950	31,525
Scheduled Bodies	380	386
Admitted Bodies	94	96
	31,424	**32,007**

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2013 £000's	31 March 2012 £000's
Refunds of contributions	0	4
State scheme premiums	0	1
Individual transfers out to other schemes	1,957	3,504
	1,957	**3,509**

8. ADMINISTRATIVE EXPENSES

	31 March 2013 £000's	31 March 2012 £000's
Administration and processing	545	683
Audit fee	21	37
Actuarial fee	23	32
	589	**752**

9. INVESTMENT INCOME

	31 March 2013 £000's	31 March 2012 £000's
Dividends from equities	6,662	6,132
Income from index-linked securities	396	737
Income from pooled investment vehicles	1,988	1,648
Interest on cash deposits	118	83
Other (for example from stock lending or underwriting)	4,890	1,336
	14,054	**9,936**

10. INVESTMENT ASSETS

	Value at 1 April 2012 £000's	Purchases at cost £000's	Sales proceeds £000's	Change in market value £000's	Value at 31 March 2013 £000's
Equities	167,191	251,835	(228,265)	2,793	193,554
Government Bonds	0	130	(127)	(3)	0
Index-linked securities	39,594	8,438	(8,701)	2,843	42,174
Pooled investment vehicles	363,215	164,897	(169,778)	56,815	415,149
	570,000	**425,300**	**(406,871)**	**62,448**	**650,877**
Other investment balances	4,217			(685)	3,048
Fund managers' cash	37,878			141	29,059
Total Investment Assets	**612,095**			**61,904**	**682,984**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments. The carrying amount of all assets is quoted at fair value.

Transaction costs are included in the cost of purchases and sale proceeds. These include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £357k (£337k in 2011/12). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles.

Notes To Pension Fund Accounts

10. INVESTMENT ASSETS (CONTINUED)

Investment Assets and Liabilities by Fund Manager

Fund Manager	Market Value at 31 March 2013 £000's	Market Value at 31 March 2012 £000's
Adams Street	23,366	20,791
JP Morgan Asset Management	74,981	72,012
Kempen International	46,884	0
LGT	18,215	17,011
M&G	16,351	11,149
Macquarie	8,536	1,205
Marathon	0	58,670
Newton Asset Management	22,819	0
Ruffer	131,368	118,378
State Street Global Advisors	135,887	132,251
UBS	135,737	112,777
UBS (Property)	48,574	48,628
Other*	16,834	18,679
Total	**679,552**	**611,551**

* Other includes transition assets, pending trades and recoverable tax

Forward Foreign Exchange Contracts

Counterparty and Currency		Bought £000's	Sold £000's	Unrealised Change £000's	Trade Date	Settle Date
Northern Trust	GBP - JPY	350	350	0	27/03/2013	02/04/2013
Northern Trust	GBP - USD	900	896	4	27/03/2013	02/04/2013
Northern Trust	GBP - JPY	370	370	1	28/03/2013	02/04/2013
Northern Trust	GBP - JPY	13,496	13,559	(63)	11/01/2013	15/04/2013
Northern Trust	GBP - JPY	4,616	4,614	2	26/03/2013	15/04/2013
Northern Trust	GBP - EUR	26,909	26,347	562	06/02/2013	14/05/2013
Northern Trust	GBP - AUD	2,547	2,668	(121)	06/02/2013	14/05/2013
Northern Trust	EUR - GBP	2,616	2,671	(55)	06/03/2013	14/05/2013
Northern Trust	GBP - USD	17,542	17,997	(455)	13/02/2013	15/05/2013
Northern Trust	GBP - EUR	1,342	1,297	44	11/03/2013	14/06/2013
Total unrealised gains				**(81)**		

As at 31 March 2013 Ten forward foreign exchange contracts were in place for £70,768k with unrealised loss of £81k respectively. The objective of these contracts is to offset exposure to changes and fluctuations in currency exchange rates with the goal of minimising exposure to unwanted risk. Any gain or loss in the contract will be offset by an equivalent movement in the underlying asset value if converted into sterling.

Investment Assets by Asset Class

	31 March 2013 £000's	31 March 2012 £000's
Equities		
UK quoted	150,769	126,322
Overseas quoted	42,785	40,869
	193,554	**167,191**
Index Linked Securities		
UK Public Sector quoted	21,428	13,933
Overseas Public Sector Quoted	20,746	25,661
	42,174	**39,594**
Pooled Investment Vehicles		
UK Managed funds - other	269,305	107,174
UK Unit Trusts - property	46,465	48,076
Overseas Unit Trusts - other	59,763	170,893
Private Equity	39,616	37,072
	415,149	**363,215**
Other Investment balances		
Forward foreign exchange unrealised gain	0	1,688
Amount due from brokers	1,615	1,081
Outstanding dividend entitlements and recoverable withholding tax	1,433	1,448
	3,048	**4,217**
Cash deposits		
Sterling	29,059	37,878
	29,059	**37,878**

Note: There are no investments that are more than 5% of the Net Asset Value

10. INVESTMENT ASSETS (CONTINUED)

AVC Investments

Additional voluntary contributions paid by scheme members are not included in the accounts in accordance with Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, who manage these monies independently of the fund and, as determined by the fund actuary, do not form part of the fund valuation.

According to provisional information provided by Prudential, the fund's AVC provider, value of assets under management as at 31 March 2013 was £5,298k (may change after annual revision), and as at 31 March 2012 £5,400k. Any transfer of additional contributions into the fund during the year are included in the transfer value as detailed in note 5.

11. INVESTMENT LIABILITIES

	31 March 2013 £000's	31 March 2012 £000's
Amount outstanding to brokers	3,351	544
Forward foreign exchange unrealised loss	81	0
	3,432	**544**

12. INVESTMENT MANAGEMENT EXPENSES

	31 March 2013 £000's	31 March 2012 £000's
Administration, management and custody	3,796	3,412
Performance measurement services	12	4
Other advisory fees	114	123
	3,922	**3,539**

13. CURRENT ASSETS

	31 March 2013 £000's	31 March 2012 £000's
Employers' contributions due	157	151
Employees' contributions due	56	56
Debtor: London Borough of Hillingdon	215	858
Debtor: Other Entities	4	3
Cash balances	3,926	888
	4,358	**1,956**

NB: The current assets all relate to amounts due from local government bodies with the exception of cash which is held with bodies external to government.

14. CURRENT LIABILITIES

	31 March 2013 £000's	31 March 2012 £000's
Creditor: Other Entities	849	656
Creditor: London Borough of Hillingdon	9	1
	858	**657**

NB: A total of £849k is due to bodies external to government, namely investment managers, with all remaining amounts due to local government bodies.

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Statement of Responsibilities for the Statement of Accounts

1. Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (usually that officer is the Corporate Director of Finance);

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- To approve the statement of accounts.

2. The Corporate Director of Finance

The Corporate Director of Finance is responsible for the preparation of the Fund's statement of accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing this statement of accounts, the Corporate Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;

- Made judgements and estimates that were reasonable and prudent;

- Complied with the Code of Practice on Local Authority Accounting;

- Kept proper accounting records which were up to date;

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that these accounts present fairly the financial position of the London Borough of Hillingdon Fund of the Local Government Pension Scheme as at 31 March 2013 and its income and expenditure for the year then ended.

Paul Whaymand

Corporate Director of Finance

September 2013

Pension Committee Certificate for the Approval of the Annual Report (excluding financial statements)

I confirm that this report was considered by the Pensions' Committee at its meeting In September 2013, and approved by the Chairman on 24 September 2013.

Signed on behalf of the London Borough of Hillingdon

Councillor Philip Corthorne

CHAIRMAN (PENSIONS COMMITTEE)

24 September 2013

Audit Committee Certificate for the Approval of the Accounts

I confirm that these accounts were considered and approved by the Audit Committee at the meeting held on 26 September 2013.

Signed on behalf of the London Borough of Hillingdon

John Morley

CHAIRMAN (AUDIT COMMITTEE)

26 September 2012

PART F – POLICY STATEMENTS

Details of the following Statements can be found on the London Borough of Hillingdon website, using the links provided below.

Funding Strategy Statement

Since 2004, administering authorities have been required to prepare, publish and maintain a Funding Strategy Statement (FSS). The current FSS was approved by Pensions Committee in September 2012.The statement is available at:
http://www.hillingdon.gov.uk/media/pdf/t/t/2008_FSS.pdf
The FSS will be reviewed following the 2013 triennial valuation.

Statement of Investment Principles

An updated Statement of Investment Principles (SoIP) was agreed by Committee in March 2013, and has been added to the website. The latest SoIP can be accessed at:
http://www.hillingdon.gov.uk/media.jsp?mediaid=26876&filetype=pdf

Communication Policy Statement

The London Borough of Hillingdon Pension Fund's Communication Policy Statement was approved by Committee in March 2006 and updated during 2011. It can be accessed at:
http://www.hillingdon.gov.uk/media/pdf/p/e/comm_policy.pdf

Governance Policy Statement

Regulations introduced in December 2005 required Administering Authorities to publish and maintain a Governance Policy Statement. The first statement was approved by Pensions Committee in March 2008. Later amendment regulations then required that by 1 December 2008 a Governance Compliance Statement should be published which required the addition of a Governance Best Practice Compliance Statement. Governance arrangements of the fund are kept under review and statements are updated with amendments. The documents are available at: http://www.hillingdon.gov.uk/media/pdf/g/q/Governance_Policy_Statement_2008.pdf

PART G SCHEME BENEFITS

SCHEME BENEFITS

Introduction

The Local Government Pension Scheme (LGPS) is a comprehensive scheme providing a wide range of benefits for members and their families. This summary does not give details of all the benefits provided by the Scheme or of all the specific conditions that must be met before these benefits can be obtained. More detailed information can be obtained from our pensions administrator Capita Employee Benefits, telephone 01737 366062 or email Hillingdon.pensions@capita.co.uk .Further general scheme information regarding the LGPS is available from the website: www.hillingdon.gov.uk

Normal Retirement Age

65 for both men and women (earlier voluntary retirement allowed from age 60 but benefits are reduced if minimum service conditions are not met).

On retirement, both a pension and a lump sum retirement grant are payable for service up to 31 March 2008. For service from 1 April 2008 only a pension is payable, with no automatic lump sum. A member has the option to convert within limits, pension to lump sum. Pension and lump sum are related to length of service and final pay.

Pension (Normal)

The calculation of pension is based on the average pensionable pay for the last year of service or the better of the two previous years if this gives a higher figure. Also from 1 April 2008 members who experience a reduction in their pensionable pay in the last 10 years can base benefits on the average of any three consecutive years in the last 10 years. Pensions are calculated on a fraction of 1/80th for each year of membership of the scheme for service before 31 March 2008 and on 1/60th for service after 1 April 2008.

Pension (Ill Health)

The ill health pension is based on average pensionable pay for the last year of service and the split of 80ths and 60ths accrual. Three tiers of ill health benefits depending on whether a member can carry out any employment up to age 65.

First tier: If there is no reasonable prospect of obtaining gainful employment before age 65 the employee's LGPS service is enhanced by 100% of potential service to age 65.

Second Tier: If it is likely that the employee will not be to obtain gainful employment within three years of termination of employment or age 65 if earlier, the employee's LGPS service is enhanced by 25% of potential service to age 65.

Third Tier: If it is likely that the employee will be able to obtain any gainful employment within 3 years of leaving employment the employee receives the payment of benefits built up to the date of leaving with no enhancement. There is an ill health review after benefits have been paid for eighteen months, and the benefits may be stopped, continued for a further maximum period of eighteen months or the level of ill health may be increased to Tier 2 from date of the review.

Lump Sum Retirement Grant

The lump sum retirement grant is based on the average pensionable pay for the last year of service and the total service in the scheme, with appropriate enhancement in respect of ill health. For service prior to 31 March 2008, lump sum retirement grant is calculated as 3/80ths for each year of service. For service after this date there is no automatic lump sum however pension can be converted to lump sum at the rate of £1 of pension for £12 of lump sum retirement grant. A maximum lump sum of 25% of the capital value of the benefits accrued in the scheme can be taken.

Death Grant

(i) Death in Service
A lump sum death grant usually equal to three times pensionable pay would be payable to the member's spouse, or nominee.

(ii) Death after Retirement
A death grant is payable in certain circumstances where death occurs after retirement. Retirement pensions are guaranteed for ten years and where death occurs within that period and the pensioner dies before age 75, a death grant is payable. **This provision only applies to a pensioner member who has a period of active membership in the Scheme on or after 1 April 2008. For pensioners prior to this date the guarantee is still five years.**

(iii) Death of a member with Preserved benefits
A lump sum death grant of 3 times the preserved annual pension (for leavers prior to 31 March 2008) or 5 times for leavers after this date is payable to the member's spouse, or nominee.

Spouses, civil partners and nominated cohabiting partner's Pension

Any surviving spouse, nominated cohabiting partner or civil partner is entitled to a pension based on 1/160 of the member's final pay, for each year of service, at the date of death.

Only members of the scheme, who were active after 31 March 2008, will be able to nominate cohabiting partners.

The pension available to civil partners and nominated cohabiting partners is based on post April 1988 membership only.

Children's Pension

Each child under age 17, or still in full-time education and under age 23, will receive a proportion of the spouse's or civil partner's pension depending on the number of eligible children and whether or not a spouse's or civil partner's pension is payable.

Partner with one child: Child's pension is 1/320th of member's service, multiplied by the final pay.

Partner with more than one child: Child's pension is 1/160th of the member's service, multiplied by the final pay. The total children's pension payable is divided by the number of children who are entitled to equal shares.

No partner and one child: Child's pension is 1/240th of the member's service, multiplied by the final pay.

No partner and more than one child: Child's pension is 1/120th of the member's service, multiplied by the final pay. The total children's pension payable is divided by the number of children who are entitled to equal shares

Pension Increases

Pensions are increased in accordance with the Pensions (Increase) Act 1971. All pensions paid from the scheme are protected against inflation, rising in line with the Consumer Price Index.

Contracting Out Status (with effect from 1 April 2002)

The LGPS is contracted-out of the State Second Pension Scheme (S2P). This means that members pay reduced National Insurance contributions and that they do not earn a pension under S2P. Instead, the LGPS must guarantee to pay a pension that in general is as high as the pension which would have been earned in the State Earnings Related Pension Scheme (SERPS) / S2P. For contracted-out membership or and between 6 April 1978 and 5 April 1997, a Guaranteed Minimum Pension (GMP) is calculated by the Inland Revenue which is the minimum pension which must be paid from the London Borough of Hillingdon Pension Fund to the member. For membership after 5 April 1997, the LGPS has guaranteed that the benefits it provides will generally be no less favourable than those provided under a Reference Scheme prescribed under the Pensions Act 1995.

Additional Voluntary Contributions

A facility is available for scheme members to make Additional Voluntary Contributions (AVCs). The Pension Fund Committee has appointed the Prudential as the nominated provider for this purpose. Further details are available from the Prudential Pensions Connection Team on 0845 6070077.

<u>REGULATIONS</u>

- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended)
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The Local Government Pension Scheme (Administration) Regulations 2007 (as amended)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000
- The Local Authority (Discretionary Payments) Regulations 1996

PART H AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON PENSION FUND

To be added

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Annual Review of Fund Manager & Custodian Compliance with Statements of Internal Control	

Contact Officers	Nancy Leroux, 01895 250353
Papers with this report	None

SUMMARY

As a good practice measure, an annual review is undertaken by officers of the Statements of Internal Control for all Fund Managers and for the Custodian of the Pension Fund. This report is to provide assurance to Committee that this review has been completed and to highlight any issues which require further investigation.

RECOMMENDATIONS

Committee is requested to note the outcome of the review of the internal controls in place with the fund managers and custodian and to agree that follow up requirements will be discussed and managed through the Investment Sub Committee who will agree actions as part of their work for the coming year.

INFORMATION

The Statement on Standards for Attestation Engagements (SSAE 16) and the Service Organisation Control Report (SOC) are guidance which allows service organisations to disclose their control activities and processes to their customers and their customers' auditors in a uniform reporting format. The issuance of a service auditor's report prepared in accordance with SSAE 16 and SOC signifies that a service organisation has had its control objectives and control activities examined by an independent accounting and auditing firm. The service auditor's report, which includes the service auditor's opinion, is issued to the service organisation at the conclusion of the examination.

Latest versions of the custodian and fund manager Statements of Internal Control and audit opinions were provided by Northern Trust, Ruffer, State Street Global Advisors, JP Morgan, Kempen and UBS. M&G and Newton outsource their back office services to a custodian who provided reports. Adams Street Partners and LGT Capital Partners have not implemented their own SSAE 16/SOC review. The audit opinion for those managers who undertook and external review showed the described controls were suitably designed to provide reasonable assurance that the specified control objectives would be achieved. Testing showed some minor exceptions where the control had not been applied successfully and these are summarised below:

- The fund's custodian **Northern Trust** had a number of exceptions relating to areas such as Trade settlements, Daily Cash reconciliation and Information Technology. Although none of the exceptions noted had any impact on the fund measures have been put in place to improve processes in these areas. The issues raised will be followed up with our liaison contact at Northern Trust. Also, a note will be made to ensure that any repeat of these exceptions is highlighted in the next financial year's report (2013/14), and will be reported to committee.

- Of the five exceptions noted for **JP Morgan**. one has resulted in a change to their procedures, which has meant that production personnel can not make changes to data without a supervisors permission.

- **M&G** have outsourced their administration and custody services to State Street Corporation. The review of State Street SOC report showed an exceptions ranging from Processing of Portfolio Administration data to Cash reconciliation. The main area of concern in most of the 16 exceptions noted relates to maintenance of evidence of subsequent review of processes. Management have however reinforced the need for documented evidence to all staff involved.

- **SSgA** had two areas where exceptions were noted. These included SSgA been unable to produce evidence of Portfolio Manager ("PM") review of all of the trade tickets/blotters. But management testing has confirmed that the control was operating effectively throughout the period under review.

- Most of the 14 exceptions noted in the BNY Mellon report for **Newton Asset Management** revolved around Information Technology processes. In all cases, there were no breaches of security or lapses in processes. But human error was the main reason most issues. Management reinforced the issues with relevant staff and have recommended for training on protocol adherence.

- Two areas where exceptions were noted for **UBS** include trade administration and in particular retention of Longview trade tickets. Management confirmed the trades in question were correctly executed, but accepted to tighten up controls around retention of documentary evidence of trades. The second area of concern was IT.

- There was one main exception noted in **Ruffer's** control report, which centred on Accounts setup and administration in compliance with client agreements. In this particular exception there was no formal sign off of AML (Anti Money Laundering) documentation checks. Management agreed with the exception and reinforced with staff the importance of the process and need to evidence adherence to it.

Further details will be taken to a future meeting of the ISC to review as part of their monitoring of Fund Managers.

FINANCIAL IMPLICATIONS

There are no direct financial implications arising directly from the report

LEGAL IMPLICATIONS

There are no legal implications arising directly from the report

BACKGROUND DOCUMENTS

Fund Manager SSAE 16/SOC Reports

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government (Access to Information) Act 1985 as amended.

Agenda Item 12

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of the Local Government (Access to Information) Act 1985 as amended.

Agenda Item 13

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