



HILLINGDON
LONDON



Pensions Committee

Date: WEDNESDAY, 18 JUNE
2014

Time: 7.00 PM

Venue: COMMITTEE ROOM 3 -
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)
Beulah East
Tony Eginton (Labour Lead)
Raymond Graham
John Morse
Richard Mills
David Simmonds

Advisory Members

John Holroyd
Andrew Scot

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Contact: Khalid Ahmed
Tel: 01895 250833
Fax: 01895 277373
Email: kahmed@hillingdon.gov.uk

This Agenda is available online at:

<http://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CId=125&MId=2030&Ver=4>

Lloyd White
Head of Democratic Services
London Borough of Hillingdon,
3E/05, Civic Centre, High Street, Uxbridge, UB8 1UW
www.hillingdon.gov.uk



INVESTOR IN PEOPLE

Useful information

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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

CHAIRMAN'S ANNOUNCEMENTS

- 1 Apologies for Absence
- 2 Declarations of Interest in matters coming before this meeting
- 3 Minutes of the meetings - 26 March 2014 and 5 June 2014 1 - 8
- 4 To confirm that items marked Part I will be considered in public and those marked Part II will be considered in private

PART I - Members, Public and Press

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PART II - Members Only

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Minutes

PENSIONS COMMITTEE

26 March 2014

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



HILLINGDON
LONDON

	<p>Committee Members Present: Councillors Philip Corthorne (Chairman), Janet Duncan, Beulah East, Raymond Graham, Michael Markham and David Simmonds.</p> <p>Advisory Members John Holroyd and Andrew Scott.</p> <p>LBH Officers Present: Tunde Adekoya, Ken Chisholm, Nancy LeRoux, Paul Whaymand and Khalid Ahmed.</p> <p>Also Present: Jonathan Gooding (Deloitte), Scott Jamieson (Advisor), Catherine McFadyen (Fund Actuary) and Gary Wong (Deloitte).</p>	
31.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</p> <p>Councillors Corthorne, Harmondsworth, Simmonds and John Holroyd and Andrew Scott all declared Non-Pecuniary Interests in all Agenda Items, because they were members of the Local Government Pension Scheme. They all remained in the room.</p>	<p>Action by</p>
32.	<p>MINUTES OF THE MEETINGS OF 11 DECEMBER 2013</p> <p>Agreed as an accurate record.</p>	
33.	<p>TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE</p> <p>That Agenda Items 13 and 14 be considered in private for the reasons stated on the agenda and the rest of the items be considered in public.</p>	
34.	<p>REVIEW OF PERFORMANCE MEASUREMENT OF THE PENSION FUND</p> <p>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 2013. The Committee was informed that the total value of the Fund's investments at 31 December was £718.</p> <p>Reference was made to the performance of the Fund for the quarter to 31 December 2013, showing an underperformance of 0.18%, with a return of 3.02% compared to the benchmark of 3.21%.</p>	

Reference was made to Kempden International and their poor performance against the benchmark . Members were informed that this had been due to a combination of sector allocation (overweight utilities and cash underweight Information Technology) and negative stock selection within sectors i.e. Energy, Telecom and Industrials.

RESOLVED:

1. **That the report and the performance of the Fund Managers be noted.**

35. RETIREMENT PERFORMANCE STATISTICS AND COST OF EARLY RETIREMENTS MONITOR

Consideration was given to the report which summarised the number of early retirements in the third quarter of 2013/14.

The report also provided Members with an update on the current situation on the cost to the fund of early retirements.

Members noted that the cost to the payroll was still within the 1% range of cost as a percentage to the payroll.

RESOLVED:

1. **That the contents of the report be noted.**

36. 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 2013 to 31 September 2013.

Members were informed that there had been a marked and ongoing fall in Capita's overall performance and the report provided details on the specific management actions which were underway to address this poor performance.

Members were informed that average performance over the quarter had indicated an overall average performance of 61.44% per month over the period, which was a drop of 15.03% over the previous quarter. The Committee expressed concern at this deterioration, in particular the performance area relating to Condolence Letters. Officers reported that Capita had been informed that this was unacceptable. Reference was also made to performance in the processing of retirement and dependents benefits which had also caused significant concern.

A general discussion took place on the issue and Members asked that a progress report be submitted to the next meeting of the Committee providing details on what action was being taken to improve performance.

RESOLVED:

1. **That the contents of the report be noted and a progress report be submitted to the next meeting of the Committee on**

progress made in improving performance.

Action by
Nancy
Leroux

37. 2013 ACTUARIAL VALUATION RESULTS

Catherine McFadyen, the Fund Actuary attended the meeting and presented to Members the results of the 2013 valuation.

The report provided Members with a summary of the 2013 valuation results which indicated that the funding level was now 72% which was decrease from the 77.6% 2010 valuation. This had resulted in the deficit increasing from £163m as at 31 March 2010 to £266m as at 31 March 2013. Members were informed that this deterioration of the funding position was largely due to the fall in gilt yields.

The Committee was provided with a presentation on the Valuation results which provided Members with a summary of the results which were:-

- Funding levels had fallen slightly
- Deficits had increased in cash terms
- Payrolls were falling for some employers
- Under the New Pensions Scheme, savings would take time to Emerge
- There was a continued upwards pressure on contributions

RESOLVED:

- 1. That the report be noted.**

38. DELOITTE - 2013/14 ANNUAL AUDIT PLAN

The report provided details of the initial plans for the audit of the Pension Fund Accounts 2013/14 by Deloitte. Details of the key audit risks were reported and Members were informed that the whole process would be completed by early September.

The Committee was informed that the document had been approved by the Audit Committee at its meeting on 11 March 2014.

RESOLVED:

- 1. That the details contained in the 2013/14 Annual Audit Plan be noted.**

39. LONDON PENSIONS COMMON INVESTMENT VEHICLE (CIV) PROPOSALS

The Committee was provided with a report which updated Members on the progress made on the discussions which were taking place between London Councils and some of the London Boroughs on potential collaboration across London on pension investment and the move towards the creation of a Common Investment Vehicle.

Members noted that any decision which this Council took on Participation in the CIV would be a decision of the Cabinet.

		Action by
40.	<p>RESOLVED:</p> <p>1. That the progress made to date in relation to the Common Investment Vehicle Initiative be noted.</p> <p>LOCAL GOVERNMENT PENSION SCHEME APRIL 2014</p> <p>Members were provided with a report which provided details of the main changes to the Local Government Pension Scheme which were to be introduced from 1 April 2014.</p> <p>Officers were asked to prepare a report which provided details on the options for Councillor members of the Pension Fund with the new changes to the scheme.</p> <p>RESOLVED:</p> <p>1. That the information contained in the report be noted.</p>	<p>Nancy Leroux</p>
41.	<p>REVISED STATEMENT OF INVESTMENT PRINCIPLES</p> <p>Members were informed that as a result of continuing asset allocation review by the fund, this Committee had ratified the Investment Sub Committee's suggestion to invest approximately 2% of the fund's assets in US Treasury Inflation Protected Securities (TIPS) as part of the Tactical Asset Allocation strategy.</p> <p>In addition, it had been also agreed that the investment limits in partnerships would be increased from 5% to 15% of fund assets to accommodate increased investments in partnerships (Private Equity, M&G and Macquarie) for an initial period of one year.</p> <p>These had necessitated amendments to the Statement of Investment Principles as required by the LGPS Regulations (Revised) 2009. In Addition amendments had been made following the withdrawal of membership from LAPFF.</p> <p>RESOLVED:</p> <p>1. That the Committee agree under Regulations 12 (5) and 14 (1) of the Local Government Pension Scheme (Management and Investments Funds) Regulations 2009 to approve the Revised Statement of Investment Principles (March 2014) which reflects the changes in the funds asset allocation and Investment mix and extend period of increase percentage (15%) of all partnership investments by five years till December 2018.</p>	<p>of</p>
42.	<p>REPORT FROM INVESTMENT SUB-COMMITTEE</p> <p>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</p>	

43.	<p>schedule to the Act).</p> <p>RESOLVED: 1. That the contents of the report be noted.</p> <p>CORPORATE GOVERNANCE & SOCIALLY RESPONSIBLE INVESTMENT</p> <p>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).</p> <p>RESOLVED: 1. That the contents of the report be noted.</p>	
<p>The meeting, which commenced at 5.30 pm, closed at 6.20pm.</p>		

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

5 June 2014

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



	<p>Committee Members Present: Councillors Philip Corthorne (Chairman), Michael Markham (Vice-Chairman), Raymond Graham, Richard Mills, David Simmonds, Tony Eginton (Labour Lead), Beulah East and John Morse</p> <p>Also Present:</p> <p>LBH Officers Present:</p>
1.	<p>ELECTION OF CHAIRMAN (<i>Agenda Item 1</i>)</p> <p>RESOLVED: That Councillor Philip Corthorne be elected Chairman of the Pensions Committee for the 2014/2015 municipal year.</p>
2.	<p>ELECTION OF VICE-CHAIRMAN (<i>Agenda Item 2</i>)</p> <p>RESOLVED: That Councillor Michael Markham be elected Vice-Chairman of the Pensions Committee for the 2014/2015 municipal year.</p>
	<p>The meeting, which commenced at 8.57 pm, closed at 8.58 pm.</p>

These are the minutes of the above meeting. For more information on any of the resolutions please contact Khalid Ahmed on Democratic Services Officer 01895 250833. 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	
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<i>Contact Officers</i>	Nancy Leroux Tel: 01895 2503530
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<i>Papers with this report</i>	Northern Trust Executive Report WM Local Authority Quarter Reports Private Equity Listing Private Equity reports from Adams Street and LGT
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SUMMARY

This report provides a summary of fund manager performance for the quarter ending 31 March 2014. The total value of the fund's investments as at 31 March 2014 was £724m.

RECOMMENDATION

That the content of this report be noted.

1. GENERAL MARKET PERFORMANCE

Investors entered 2014 expecting the positive trends of 2013 – stronger economic performance, higher equity markets and higher bond yields - to continue. In the event, nervousness caused by Russia's invasion of Crimea, fresh evidence of problems within the Chinese credit system and a slew of weak economic data, resulting from the severe winter weather, saw all the early hopes dashed quickly.

As the quarter progressed investors were able to take comfort in actions by the Chinese Authorities to exert some control over the process of defaults and in signals from the US Federal Reserve that the process of monetary policy normalization would not quickly lead to higher official short term interest rates. World equity markets returned over the quarter 0.7% over the quarter (+7.6% over the year).

Despite the recovery in equity markets, long term interest rates fell steadily over the period. Lower yields are hostile to the interests of pension funds and funds remain heavily underweight. The JPM Global Government Bond index advanced 2.0% over Q1 2014, while the Barclays Capital Global Aggregate Corporate Bond index delivered 1.9%.

Further comments on the market backdrop are contained in the detailed report prepared by Northern Trust and in the Investment Advisor's report.

2. FUND PERFORMANCE

The performance of the Fund for the quarter to 31 March 2014 showed a relative

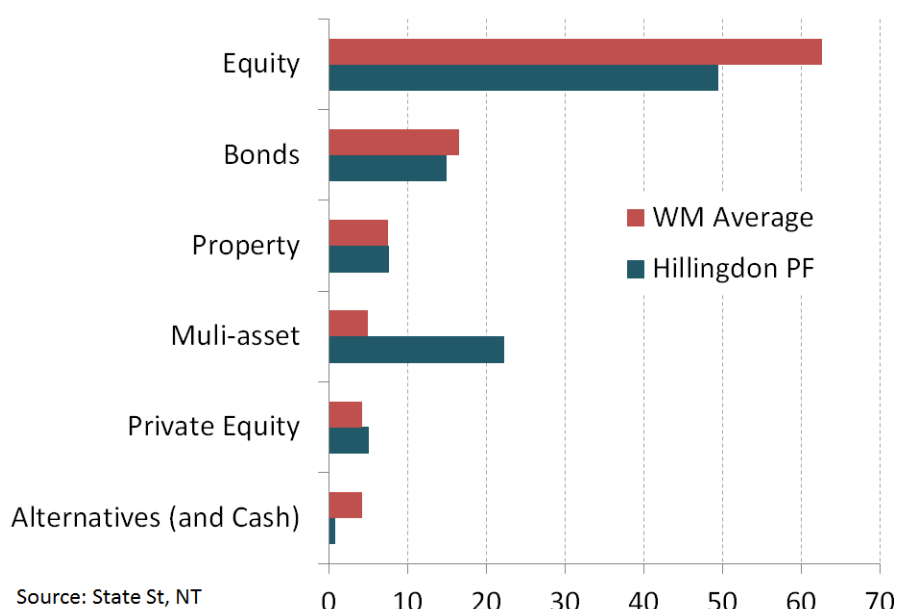
PART I - MEMBERS, PRESS & PUBLIC

outperformance of 0.17%, with a return of 0.97% compared to the benchmark of 0.80%. One year figures show returns of 6.78%, 0.32% relatively better than the benchmark.

Against the average LGPS (as captured by WM data) for the quarter ending 31 March 2014, the Fund outperformed by 0.07%. The one year figure also shows out performance, this time by 0.34%.

The investment objective for the Hillingdon Pension Fund, agreed with the Actuary, is to generate, over the longer term, a real rate of return of 4% per annum; the current asset allocation is judged appropriate to that objective. Other LGPS will have set their objectives appropriate to their Scheme characteristics. Funds seeking greater returns will typically operate a higher allocation to riskier investments and vice versa.

The WM survey combines all LGPS regardless of their objectives. The chart immediately below depicts the higher level contrast between the asset allocation of the average LGPS and that currently maintained by Hillingdon. The principle difference lies in the weightings to equities and multi-asset programmes. The past 12 months have seen equity markets outperform multi-asset programmes.



The Hillingdon Pension Fund’s investment strategy comprises a deliberate defensive bias both through the strong allocation to multi-asset programmes – where the managers are tasked to deliver specific investment returns rather than track establish market benchmarks – and through the allocation to equity programmes that have a focus on sustainable dividend yields. Recent quarters have seen many investors turn much more optimistic about the outlook for the world economy and financial markets. In the face of ongoing debt accumulation and the continued threat of outright deflation, such optimism is judged dangerous.

3. MANAGER / PROGRAMME SUMMARY

PART I - MEMBERS, PRESS & PUBLIC

The table below provides an update on the range of programmes into which the assets of the Pension Fund are deployed. With the exception of the State Street allocation, all programmes are actively managed.

Also shown in the table are the individual programme costs. Across the Scheme, the aggregate annual excess return pursued in the spread of mandates is 2.2% against which the Scheme incurs approximate investment management costs of 0.45% p.a. This is a ratio of 5:1, ahead of an approximate norm of 4:1.

Performance Attribution Relative to Benchmark (rounded)

	Value £m	Q1 2014 %	1 Year %	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)	Target (% p.a.)	Fees (% p.a.)
Barings	63.0	(1.6)	-	-	-	(2.5)	4.0	0.50
JP Morgan	77.4	0.3	(0.3)	-	-	1.0	3.0	
Kempen	77.4	(0.4)	(9.4)	-	-	(9.2)	2.0	0.42
Macquarie	5.9	(2.9)	(4.4)	(9.7)	-	(10.3)	3.0	1.38
M&G	25.9	0.3	0.8	0.8	-	0.3	4.0	1.5
Adams St*	21.2	6.9	7.5	10.6	12.1	2.5	4.0**	1.20
LGT*	15.8	2.0	5.4	6.6	6.0	8.3	4.0**	1.00
Newton	23.6	(0.0)	(4.9)	-	-	(3.0)	2.0	0.75
Ruffer	84.5	(0.4)	0.2	4.7	-	5.0	4.0**	0.80
SSgA	144.0	(0.0)	(0.2)	(0.0)	0.02	0.0	0.0	0.10
UBS TAA	12.9	6.4	-	-	-	(0.0)	0.0	n/a
UBS Eq	115.9	1.0	10.0	4.4	2.23	1.3	2.0	0.35
UBS Property	55.0	(0.2)	(0.1)	(0.4)	(1.24)	(0.6)	1.0	0.20
Total Fund	724.3	0.2	0.3	0.8	0.1	0.0	2.2	0.45

*Absolute performance

**Set against LIBOR

Further details on manager performance are contained in the Northern Trust report.

3. Other Items

At the end of March 2014, £22.058m (book cost) had been invested in **Private Equity**, which equates to 3.04% of the fund against the target investment of 5.00%. This level is within the limits of the over-commitment strategy of 8.75%. In terms of cash movements over the quarter, Adams Street called £279k and distributed £1,300k, whilst LGT called £283k and distributed £495k. This trend is set to continue in the next few years as the fund's investments in private equity climbs up the "J-Curve" and more distributions will be received as the various funds mature.

The **securities lending** programme for the quarter resulted in income of £9.5k. Offset against this was £3.3k of expenses leaving a net figure earned of £6.2k. The fund is permitted to lend up to 25% of the eligible assets total and as at 31 March 2014 the average value of assets on loan during the quarter totalled £17.3m representing approximately 9.86% of this total.

The passive currency overlay agreed by Committee was put in place at the end of January 2011 with 100% Euro hedge. The latest quarterly roll occurred on the 6 May 2014 and yielded a realised gain of £284k.

PART I - MEMBERS, PRESS & PUBLIC

PENSIONS COMMITTEE –18 JUNE 2014

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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1st Quarter, 2014

London Borough of Hillingdon

London Borough of Hillingdon

1st Quarter, 2014



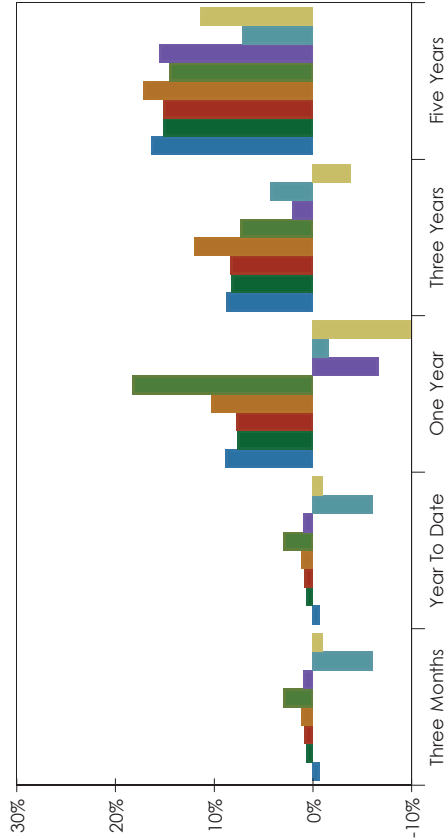
Executive Report

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Equity Index Performance (in GBP)

Performance History



Performance Returns%

	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Share	-0.6	-0.6	8.8	8.8	16.4
FT: World	0.7	0.7	7.6	8.3	15.1
FT: World ex UK	0.9	0.9	7.7	8.3	15.1
FT: AWI North America	1.2	1.2	10.3	12.0	17.2
FT: Developed Europe ex UK	3.0	3.0	18.3	7.4	14.5
FT: Developed Asia Pac x Jp	1.0	1.0	-6.6	2.1	15.6
FT AW: Japan	-6.0	-6.0	-1.6	4.3	7.2
MSCI Emerging Markets GD	-1.0	-1.0	-9.9	-3.8	11.4

The writing was already on the wall for Viktor Yanukovich when clandestine snipers and besieged police massacred 70 Ukrainians engaged in riotous protest just before he was voted out 22nd February. As the west rumbled threats over Russia's creeping invasion of Crimea the stock markets fell and the Rouble tumbled. Barack Obama told President Putin he had violated Ukraine's territorial integrity. Putin went ahead and annexed the peninsula following an overwhelming local vote in favour of joining Russia and Washington duly enforced sanctions against his inner circle, 16 officials and a bank. Given the protectionist policies Russia routinely employs it could be argued the US has little to lose. Half a dozen deals to fund large Russian companies found themselves in limbo while locally the choicest state assets and commercial businesses were carved up by the invaders. Those spoils will not recompense the estimated \$70bn of capital outflows expected to exit Russia in Q1, \$7bn more than in the whole of 2013. Companies with exposure to Russia and Ukraine saw big falls including Roman Abramovich's steelmaker Evraz and the brewer Carlsberg. Germany is Russia's second biggest trade partner, Siemens and VW are both large investors there. BP and Royal Dutch Shell also have large stakes in Russian national oil and gas producers. Globally, Utilities gained most value over the quarter after two weaker periods and Health Care was the second best performer. Telecoms and Consumer Services lost most. The price of crude oil futures ended the quarter down slightly at \$108 per barrel. The FTSE World was up by 0.7% (GBP) over quarter one 2014 and is ahead by 7.6% over the year (GBP).

Several of Tesco's largest investors have urged the grocer to hit back in a price war with Morrisons. Aerospace and car companies are leading the revival of British manufacturing through use of innovative technology. Car firms are planning to increase output, building on the 50% increase over the last four years. A Scottish vote in favour of independence could force RBS and Lloyds to relocate out of the new state in line with a law designed to make sure banks are regulated in the country where they have most of their operation. RBS posted a pre-tax loss of £8.2bn for 2013 compared with £5.2bn in 2012. Vodafone's extensive emerging markets operations are resulting in falling revenues as the pound appreciates against the fragile currencies of India, South Africa and Turkey. Continuing the line of new issues from last year, SSP, the food giant behind Upper Crust and Delecta de France is set to come to market in a deal worth £2bn. Unemployment fell again to 7.2% in the three months to January. After a strong run, Telecoms and Technology lost most value over the quarter, followed by Financials. Health Care and Utilities made the biggest gains. The FTSE All Share was down -0.6% (GBP) over the first quarter but remains ahead over one year, now by 8.8% (GBP).

Italy posted its first positive quarterly GDP since 2011 with 0.1% for Q4, ending its longest post-war recession. The IMF announced a EUR14-18bn bail out for Ukraine which will have large implications for its struggling economy and people. The EU is introducing trade concessions on Ukrainian exports as the political charmers Moscow opposed tying Kiev to the EU look set to go ahead. Gazprom, the Russian energy company, threatened to cut off supplies to Ukraine if bills of \$2bn remain unpaid. French unemployment jumped to a new record of 3.3m in February and Greece hit a new record of 28% but the Spanish labour market showed its first annual rise since 2008. Q4 Eurozone GDP grew by 0.3%, up from 0.1% in Q3 as both France and Germany returned positive figures. The ECB is backing the return of securitisation for certain packages of loans, despite their connotations with the subprime fuelled crisis, as they could be important in revitalising credit flows. The FTSE Developed Europe ex UK index returned 3% (GBP) over quarter one and 18.3% (GBP) over the year.

Sentiment around biotech stocks suggests fear that one of the best performing US sectors might have reached its peak. Chevron has underlined its aim for growth by outspending Exxon Mobil on exploration despite an 85% smaller market cap. Fed stress tests found BoA, Morgan Stanley and Goldman Sachs would suffer huge losses in a financial crisis and that their capital ratios would plummet to between 6 and 7%. Both JPMorgan and Citi issued profit warnings about a weak first quarter. New Fed chairwoman Janet Yellen spooked traders by suggesting interest rates could rise earlier than expected. Apple shares were hit after underselling its new iPhone by 4m units despite a record 51m sales. The Candy Crush mobile game developer King's Wall Street debut suffered a 15% drop at the end of its first day of trading. 4th quarter US GDP was 2.6% following the 4.1% final figure for Q3. Utilities rebounded to make the biggest gains over the quarter and Consumer Services lost the most. The FTSE North America index returned 1.2% (GBP) over the first quarter and 10.3% (GBP) for the year.

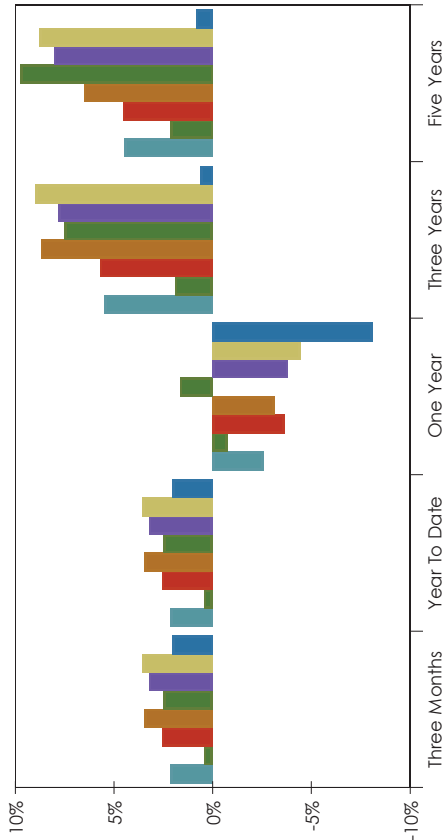
Japan's CPI continues upwards and the jobless rate is now its lowest in 6 years although GDP for Q4 disappointed with 0.3% following weak export growth. Global manufacturing firms like Toyota continue to benefit from the weak Yen which fell 20% last year. Headlines surrounding the missing flight MH370 overshadowed earlier news that China appeared to be training for a battle over the disputed Senkaku/Diayou Islands. Further to Apple's disappointing results Samsung also warned of weak earnings momentum. The FTSE Japan returned -6% (GBP) for quarter one and the FTSE Developed Asia Pacific ex Japan returned 1% (GBP). Large Chinese companies are positioning themselves for a weaker Renminbi for longer following prolonged currency intervention by the People's Bank of China. Chinese GDP came in at 7.7% for both Q4 and 2013, the lowest since 1999. Brazil's economy expanded 0.7% over Q4 allaying fears of recession. The Rupee continued upwards on positive sentiment that a strong government will come to power and following a rush of investment into equity markets. Gold was up from last quarter ending March at \$1,300 per ounce. China overtook India as the world's largest consumer of gold. The MSCI Emerging Markets index returned -1% (GBP) for the first quarter and -9.9% (GBP) for the year.





Fixed Income Index Performance (in GBP)

Performance History



2014 began with a rally in the global bond market; safe haven demand for fixed income soared as emerging markets dragged down their developed market counterparts. The weakness in emerging markets was triggered not only by the promised scaling back of the quantitative easing (QE) program in the US, but also by fears of a hard-landing for China's economy, with manufacturing, retail and export data all coming in well below market expectations. The HSBC China Composite PMI survey confirmed that business activity in China had declined for the second consecutive month in March, which saw the Reminbi tumble to its sharpest weekly fall since 2005. The gloom in the Far East was not limited to China, as underwhelming economic data from Japan - lower than expected Q4 GDP and disappointing export data - suggested the sun was setting on the Rising Sun's recent economic momentum, as engineered by Prime Minister Abe's 'Abenomics'. Despite the negative sentiment on China and Japan, the global story remains positive and the JP Morgan Global Manufacturing & Services PMI, despite retreating from 54.2 last quarter to 53.5 at the end of March, has been in expansionary territory for eighteen consecutive months. As the quarter developed, news bulletins began to lead with the escalating geopolitical tension in the Ukraine, as Russia executed a swift land-grab for the region of Crimea. Despite the political risks in the region, the contagion effect was limited to within Russia, with little fallout on global capital markets. The JPM Global Government Bond index advanced 2.0% (GBP) over Q1 2014, while the Barclays Capital Global Aggregate Corporate Bond index delivered 1.9% (GBP).

The Bank of England's much-heralded Forward Guidance - the linking of future interest rate movements to UK unemployment figures, earned the moniker 'Fuzzy guidance' during Q1 as the jobs rate fell faster than anticipated. The Bank then moved quickly to broaden the economic indicators that will be considered at future Monetary Policy Committee meetings. Unemployment is now at 7.2% and the original 7% unemployment threshold level, the point at which was intended to trigger rate rises, is likely to be crossed soon. The Bank remains committed to the base rate of 0.5%, making a number of dovish comments during the quarter as the emergency rate celebrated its 5-year anniversary during Q1. The UK inflation rate fell to a four-year low of 1.7% in February. Fears of a bubble in the UK housing market grew as both the Nationwide and Halifax surveys reported accelerating prices. New mortgage loans being approved for home buyers reached its highest level for more than six years with no foreseeable slowdown in price growth on the horizon. The broader economic picture for the UK is looking promising, with the Q4 2013 GDP figure confirmed up 0.7% from the previous quarter, up 2.8% compared to the fourth quarter in 2012, and an overall 2013 growth figure for the UK of 1.9% - the fastest pace of economic expansion since 2007. The Markit/CIPS UK Manufacturing PMI indicator however slipped to 55.3 in March from 56.2 in February, with fewer new orders cited as the reason for the slower pace of expansion. The benchmark 10-year gilt yield settled at 2.74% at the end of the quarter, down from 3.02% at the end of Q4. The FTSE All Stock Gilt index returned 2.15% (GBP) for the quarter while the ML Sterling Non-Gilts Index gained 2.5% (GBP).

The eurozone recovery from its longest ever recession is continuing supported through the quarter by encouraging macroeconomic data. Inflation in the region fell to 0.7% in February down from 0.8% in January, well below the European Central Bank target of 2%. Despite the extra capacity for additional monetary stimulus, the ECB held rates at 0.25% through the quarter. The GDP figure for Q4, 2013 was finalised at 0.3%, up from the 0.1% recorded in Q3. The upturn in activity continued into 2014, with expansion in the manufacturing sector extending to its ninth consecutive month in March at 53.0 per the Markit Eurozone Manufacturing PMI. Encouragingly France returned to expansionary territory in March, rising above the 50 breakeven point following a period of contraction. The improving investor sentiment to the eurozone region was evident in the increased appetite for government debt, with Ireland, Portugal and Spain all enjoying strong demand in their respective bond auctions. In March following a territorial dispute, the Crimean Peninsula of Ukraine was seized by Russia following a disputed referendum. The global condemnation was underlined by the implementing of sanctions on select Russian government officials by the European Union and the US. The ten year German bund yield fell from 1.93% to 1.57% over the quarter. The first quarter of 2014 saw the iTraxx Europe 5yr CDS index, representative of 125 investment grade entities across 6 sectors, contract from December's close of 61.9 to end March at 58.75. The JPM European Government Bond index returned 3.7% (EUR) for Q1 while the Barclay Capital Euro Aggregate Credit index posted 2.4% (EUR).

Although the U.S. Federal Reserve stuck to its guns and began the year with the promised dialling-back of the QE programme, it reiterated to the market that it will keep monetary policy extremely accommodative and that interest rates would remain low. The Fed revamped the previous forward guidance by removing the 6.5% unemployment target and announcing instead that a number of economic indicators would be used to determine if and when interest rates are increased. Macroeconomic data came in fairly mixed through Q1, with the harsh winter having a considerable impact. The fourth quarter 2013 GDP number initially estimated at 3.2% was revised down to 2.6%. In February, the national unemployment rate increased from January's 6.6% to 6.7% while the Commerce Department confirmed that new home sales fell 3.3% in February. Nevertheless, the industry group Conference Board, said U.S. consumer confidence rose in March to its highest in more than six years. Though new orders for U.S. factory goods fell more than expected in January and exports also slipped, the Markit U.S. Manufacturing PMI managed to finish the quarter at 55.5, up from 55.0 at the end of 2013 with strong domestic demand keeping the indicator at its second-highest level since January 2013. The political landscape was cheered by the news that the U.S. Congress had suspended the debt ceiling limit until 2015, meaning that more bipartisan wrangling can be avoided for the immediate future and that October 2013's government shutdown would not be repeated anytime soon. The 10 year Treasury yield fell over the quarter from 3.03% to 2.76%. For the quarter the JPM US Govt Bond index was up 1.6% (USD) while the Barclay Capital US Aggregate Corporate Bond index returned 2.9% (USD).

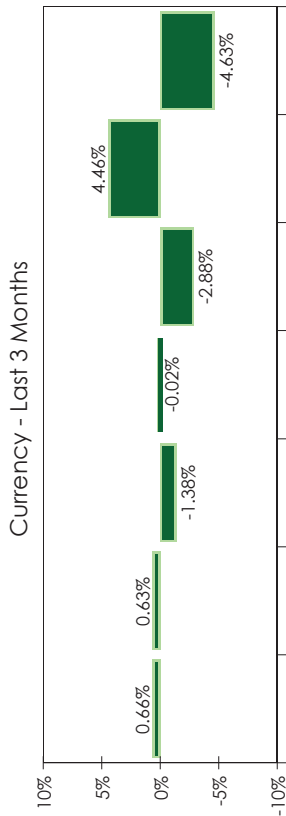
Performance Returns %

	Three Months	Year to Date	One Year	Three Years	Five Years
FTSE All Stock Index	2.1	2.1	-2.6	5.5	4.5
FTSE All Stock 0-5 Yr. Gilts	0.4	0.4	-0.7	1.9	2.2
FTSE All Stock 5-15 Yr. Gilts	2.5	2.5	-3.6	5.7	4.5
FTSE All Stock > 15 Yr. Gilts	3.4	3.4	-3.1	8.7	6.5
ML STG N-Gilts All Stocks	2.5	2.5	1.6	7.5	9.7
FTSE Index Linked	3.2	3.2	-3.8	7.8	8.0
FTSE Index Linked 5+ yrs	3.6	3.6	-4.4	9.0	8.8
JPM GBI Global	2.0	2.0	-8.1	0.6	0.8





Currency Performance (in GBP)



	Three Months	Year To Date	One Year	Three Years	Five Years
United States dollar	0.66	0.66	9.34	1.31	3.02
European Union euro	0.63	0.63	2.27	2.28	2.27
Japanese yen	-1.38	-1.38	18.45	8.54	3.86
Swiss franc	-0.02	-0.02	2.39	0.14	-2.03
Australian dollar	-2.88	-2.88	21.11	4.96	-2.74
Canadian dollar	4.46	4.46	17.63	5.52	0.40
New Zealand dollar	-4.63	-4.63	5.85	-2.99	-5.35

The first quarter of 2014 saw a strengthening of Sterling compared to the dollar and Euro. The Dollar, on the other hand, lost ground compared to Sterling, Euro and Yen. In Japan, unemployment decreased to 3.6% in February, the lowest level in six years, down from 4.0% in November. Japanese business confidence improved in the three months to March for a fifth straight quarter, but the pace of recovery has slowed. Sentiment is expected to weaken in the following quarter due to worries that a sales tax hike will dent growth. The Bank of Japan's closely watched Tankan Survey showed that the headline index for big manufacturers' sentiment was plus 17 in the March quarter. A positive reading means optimists outnumber the pessimists. Companies rather than China's central bank are now the biggest force driving the renminbi lower according to traders. The renminbi's decline began in mid-February. Traders said important market players, from state-owned oil companies to private sector exporters, were now positioning themselves for a weaker renminbi. The renminbi fell 0.5% in offshore markets in a single day in mid-March, one of the biggest one-day declines of the last decade. The official manufacturing (PMI), a survey that is seen as a leading indicator for industrial growth, edged up to 50.3 in March from 50.2 in February, the first rise since November 2013. This is a tentative sign that the economy is stabilising and easing the pressure on the government to prop up growth. The HSBC PMI came in at 48.0, down from February's 48.5. The official data tend to be skewed towards major state-owned manufacturers while the HSBC data is based more on smaller private companies.

In the UK, Q1 2014 saw Sterling strengthened against the Dollar and Euro but it lost ground against the Yen. In late March, the Confederation of British Industry said the UK economy is still growing strongly as the recovery of the UK economy continues to do well. The Bank of England kept the interest rate at 0.5%. It is the first rate decision since the bank amended its "forward guidance" policy that linked borrowing rates to unemployment figures. It also agreed to maintain its stock of asset purchases at £375bn. Falling petrol and diesel prices in February helped to drive inflation down to 1.7%, its lowest level for more than four years. Inflation now outstrips average wage rises by only 0.3%. The rate of unemployment dropped to 7.2% in January 2014, down from 7.4% in October 2013. The number of people out of work fell by 63,000 to 2.33 million in the three months to January 2014 the Office of National Statistics said. Employment minister Esther McVey said the overall fall in unemployment showed that "the growing economy is helping record numbers of people to find a job". According to the Nationwide building society, the price of a typical UK house rose 2.6% in Q1 2014. Prices were up 9.5% over the last twelve months, bringing the average house in at £180,264 - its highest level since January 2008. Sterling closed the quarter up against the Dollar and Euro by 0.66% and 0.63% respectively and down against the Yen by 1.38%.

In the US, the Dollar lost ground against both Sterling and the Euro. Janet Yellen, the Federal Reserve chairwoman, said there was still considerable slack in the US economy and labour market, implying the Federal Reserve would continue with their highly stimulative monetary policy into the foreseeable future. With some recent analysis suggesting that the US economy is starting to run out of spare capacity, a highly stimulative monetary policy could start to push up wages and inflation. Ms Yellen said she thought such analysis was wrong. The key indicator of consumer confidence produced by the Conference Board showed an increase from 78.3 in February to 82.3 in March. Overall, consumers are more upbeat about future job prospects and expect the economy to continue improving and believe it may even increase in speed over the next few months. In February the US unemployment rate fell to 6.7% compared to 7.0% in November. The number of unemployed was 10.5 million with 3.8 million of these being the long term unemployed (those jobless for 27 weeks or more). U.S. house prices rose in February from a year earlier at a solid pace, suggesting that a tight supply of available homes is boosting prices despite slowing sales. Snow storms, rising prices and higher mortgage rates combined to reduce house sales in February to their lowest level in 19 months. The US trade deficit climbed to its highest level in five months in February as demand for American exports fell while imports increased slightly. The deficit increased to \$42.3bn in February 2014, which was 7.7% above the January figure of \$39.3 bn. A larger trade deficit acts as a drag on economic growth because it means that U.S. companies are earning less money overseas than their foreign competitors are earning in U.S. sales. The Dollar weakened against the Euro, Sterling and Yen by 0.02%, 0.66%, 2.04% respectively.

In the Euro area, the Euro weakened against the Yen and Sterling but strengthened versus the Dollar. The European Central Bank kept its benchmark interest rate at a record low of 0.25%. This decision came despite the fact that inflation in the currency bloc fell to a five year low in March to 0.5%, well below the ECB's target of 2%. Low inflation could harm the Eurozone's shaky economic recovery, by weakening consumer demand for goods and services because households would be likely to put off spending believing that prices would continue to fall. The Eurozone economic sentiment indicator (ESI) rose to 102.4 in March, up from 100.0 in December, but slightly higher than its long-term average. All the five largest euro area economies saw the ESI rising, in general fuelled by buoyant consumer confidence. Unemployment in the Eurozone has stayed close to record highs despite signs that the single currency is on a stable footing. The jobless rate for the currency bloc remained at 11.9% in February 2014. Eurostat, the statistical office for the European Union, estimates that 19.0 million are unemployed in the Euro area. In Portugal and Ireland, the jobless rate has fallen to 15.3% and 11.9% respectively. Germany's unemployment rate remains low at 5.1%. Youth unemployment in the Eurozone is at 23.5%. An amazing divergence in youth unemployment can be seen when comparing Germany (at 7.7%) to Spain (at 53.6%). The Euro ended the quarter up 0.02% against the Dollar, but weakened against Sterling and Yen by 0.63% and 2.02% respectively.



Scheme Performance

As the West rumbled threats over Russia's creeping invasion of Crimea, global stock markets fell during January and the Ruble tumbled. Most rallied over the second part of the quarter to finish up for the full period, the FTSE World was up by 0.7% over the quarter and is ahead by 7.6% over the year. 2014 began with a rally in the global bond market; safe haven demand for fixed income soared as emerging markets dragged down their developed market counterparts. The JPM Global Government Bond index advanced 2.0% over Q1 2014, while the Barclays Capital Global Aggregate Corporate Bond index delivered 1.9%. Against this backdrop the London Borough of Hillingdon returned 0.97% which in contrast to last quarter is an outperformance of 17 basis points over the Total Plan benchmark of 0.80%. In monetary terms this is a growth in assets of £7 million and the value of the combined scheme now stands at £725.1 million as at 31st March 2014. This period saw just over £29 million move from UBS UK Equity to Kempen, while £1 million from Adam Street was invested with M&G. Looking further into the analysis the most notable effects were the outperformance of Adam Street and UBS although this was offset by the negative impact of Barings. While in allocation terms most mandates are in line with the neutral position, so effects are minimal.

This means that over the year the Scheme posts a return of 6.78%, which is relatively 32 basis points ahead of the total benchmark figure of 6.44%. Selection effects in UBS continue to drive the performance, slightly offset by Barings and Kempen, similar to the quarter, allocation is fairly balanced with only small impacts in some areas. While over the longer periods, the Scheme continues to outperform, producing a return of 7.52% over three year versus 6.68, while for 5 years we see figures of 12.14% versus 12.03% per annum. Then since inception in September 1995, the Fund remains ahead of target by 5 basis points with an annualised return of 6.78% against 6.73%.

Manager Performance

Barings

The first quarter of 2014 saw the new Barings mandate produce it's first negative quarterly return (-0.52%), which translates as a -1.62% relative return against the target of the 3 Month LIBOR +4% per annum, which posted 1.11%. Which means in the short period since inception in April 2013 they return 1.69% which is below the target of 4.24%.

JP Morgan

Over the latest quarter JP Morgan returned 1.17%, which was 0.30% ahead of the 0.87% target for the 3 Month LIBOR + 3% p.a. This was the third positive consecutive quarter, but it was still not enough to make up for the losses seen earlier in the year so the 1 year period still falls behind target with a relative return of -0.30%, while since inception (November 2011) remains ahead with figures of 4.75 % versus 3.70%, which is 1.02% on a relative annualised basis.

Kempen

Over the last three months the Kempen mandate produced a return of 0.87%, an underperformance of -36 basis points when compared to the 1.23% posted by the MSCI All World Index +2%. This culminates in a return since inception in January 2013 of 5.75% versus the benchmark of 16.52%, which is a relative return of -9.24%.

Macquarie

In contrast to the previous quarter Macquarie posted the lowest relative return with -2.90% in Q1 coming from an absolute return of -2.05%, against 0.87% for the 3 Month LIBOR +3% p.a. This means over the year assets fall-0.97% which is -4.35% above the benchmark of 3.53%; while since inception they've delivered nine negative quarterly relative returns, leading to an annualised loss of -6.92% against the target of 3.75%.



Manager Performance

M&G Investments

In the first quarter M&G produced a 1.40%, which against the 3 Month LIBOR +4% pa return of 1.11% translates as an outperformance of 28 basis points. Over the last year the account registers 5.41% against 4.54% whilst since inception at the end of May 2010, the portfolio return falls to 5.03% pa whilst the benchmark is 4.75% pa. While the since inception Internal Rate of Return for this portfolio moves further ahead of the target with a figure of 5.64% opposed to the comparator of 4.68%.

Newton

During the first quarter of 2014 Newton posted a 0.99% return compared to 1.04% for the FTSE World Index +2%, leading to a slight underperformance of -5 basis points. With four consecutive quarters of underperformance, since inception (January 2013) the fund still falls short with a return of 10.11% against the benchmark of 13.58%, producing a relative return of -3.05%.

Ruffer

The Ruffer portfolio fell -0.29% over the last three months against 0.13% for LIBOR 3 Month GBP, which breaks the six quarter run of positive absolute and relative returns. Over the last twelve months they post a return of 0.68%, which is just 16 basis points ahead of the target of 0.52%. Still driven by last year's Q1 return longer numbers show high absolute and relative returns culminating in since inception (May 2010) figures of 5.83% versus 0.74% per annum, which translates as a relative return of 5.05%.

Private Equity

The private equity assets, consisting of funds with Adam Street and LGT, continued to grow through the first three months of 2014 with quarterly figures of 6.90% and 2.01% respectively. So over the last year figures remain positive with Adam Street on 7.53% and LGT with 5.38%. Over the longer periods, the outlook over which private equity investments should be measured, returns remain positive. Over three years both see increases, Adam Street to 10.55% and LGT 6.64%. Then since their respective inceptions in May 2004 and January 2005, while LGT rises further to 8.30% pa, Adam Street drops to 2.48% pa.

At present no benchmark has been applied to these mandates.

SSGA

The SSGA passively managed portfolio produced a return of 0.38% in the quarter which was a mere 2 basis points below the benchmark; further analysis confirms the passive nature with all categories aligned with their respective indices. So over the year they produce a 5.82% return, which is 17 basis points behind target, while over 3 years the per annum return rises to 7.96% which is just behind the benchmark. Since inception (November 2008) a return of 12.91% pa is just 1 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.

UBS

UBS UK Equity produced a return of 0.32%, which compared to the FTSE All Share figure of -0.63%, once again demonstrates outperformance at 0.96%. Looking into the attribution analysis, stock selection was the main driver with the largest impacts coming from Oil & Gas and Industrials at 0.49% and 0.38% respectively. Whilst within allocation the most significant decision was the large underweight of Consumer Goods (-0.24%) offset by also underweighting Telecoms (0.13%). These results filter through the longer periods and over the year demonstrate both the highest absolute return with 16.65% and relative figure of 9.96%. This outperformance is also attributable to selection effects and Financials lead the way (2.90%) coupled with Consumer Services (2.29%), while underweighting Consumer Goods (0.87%) and overweighting Consumer Services (0.69%) also add value. UBS maintain this outperformance although relative returns are reducing over time, translating as a since inception return of 10.52% versus 9.09% on an annualised basis.

UBS Property

The UBS Property portfolio grew 3.09% over the 1st quarter, which fell 20 basis points short of the IPD UK PPFI All Balanced Funds index figure of 3.30%. Over all longer time periods the fund still demonstrates positive absolute returns but underperformance continues to be seen, with 1 and 3 year showing returns of 11.76% and 5.77% respectively by these were -0.10% and -0.44% below the benchmark. Since inception, in March 2006, the fund now shows growth of 0.56% per annum while the benchmark shows a positive 1.21% return, meaning the underperformance remains -64 basis points.

UBS Tactical

In contrast to the previous quarters the UBS Tactical mandate posts a return of 8.01%, which is both the highest absolute and relative return when compared to the Barclays US Inflation Linked Index of 1.54%. However, in the 9 months since the inception of the fund it still shows losses of -8.46%, although this almost exactly matches the index figure of -8.45%.





Active Contribution

By Manager

	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 01/14	Portfolio Benchmark	Excess Return	Relative Return	Active Contribution 02/14	Portfolio Benchmark	Excess Return	Relative Return	Active Contribution 03/14	Active Contribution 1Q 2014
Adam Street	0.79	-	0.79	-	161,434.14	-0.93	-	-	-187,398.16	7.06	7.06	-	1,398,055.42	1,372,091.39
Barings	-1.60	0.37	-1.97	-1.96	-1,252,995.03	1.83	1.46	1.46	915,840.90	-0.72	-1.09	-1.09	-696,908.10	-1,034,062.23
JP Morgan	-0.18	0.29	-0.47	-0.47	-361,599.73	0.99	0.71	0.71	542,158.30	0.36	0.07	0.07	51,977.48	232,536.04
Kempen	-3.47	-2.77	-0.71	-0.73	-322,677.82	3.18	-0.01	-0.01	-8,654.85	1.27	0.38	0.38	295,704.33	-35,628.33
LGT	-0.99	-	-0.99	-	-157,220.21	1.45	1.45	1.45	222,931.16	1.56	1.56	-	242,142.84	307,853.79
Macquarie	-0.57	0.29	-0.86	-0.86	-51,434.97	-1.74	-2.03	-2.02	-121,072.30	0.25	-0.04	-0.04	-2,230.19	-174,737.46
M&G Investments	1.27	0.37	0.90	0.90	220,255.89	0.00	-0.37	-0.37	-95,346.59	0.12	-0.25	-0.25	-64,421.90	60,487.39
Newton	-3.70	-3.06	-0.64	-0.66	-145,354.14	3.28	0.36	0.35	84,491.61	1.54	0.27	0.27	63,279.25	2,416.72
Parifer	-0.41	0.05	-0.46	-0.45	-385,889.78	0.76	0.72	0.72	608,650.77	-0.63	-0.68	-0.68	-576,476.05	-353,715.06
SEGA	-2.19	-2.24	0.05	0.05	70,476.83	3.23	-0.05	-0.05	-78,126.14	-0.58	-0.02	-0.02	-26,092.85	-33,742.17
NS	-0.93	-3.06	2.12	2.19	2,991,939.17	4.54	-0.70	-0.66	-841,313.05	-3.13	-0.53	-0.54	-616,576.22	1,534,049.90
UBS Property	1.20	1.14	0.07	0.06	35,359.68	0.71	-0.40	-0.40	-220,025.35	1.15	0.14	0.14	75,237.67	-109,428.00
UBS Tactical	7.74	2.97	4.77	4.63	584,648.39	-1.35	0.11	0.11	13,400.81	1.62	1.55	1.55	196,469.35	794,518.54

Total Fund Market Value at Qtr End: £725.1 M



Scheme Performance

Three
MonthsYear
To DateOne
Year

Market Value £m	% of Fund	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
725.1	100.00	0.97	0.80	0.17	0.17	0.97	0.80	0.17	0.17	6.78	6.44	0.34	0.32

London Borough of Hillingdon

By Manager

Market Value £m	% of Fund	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
21.2	2.92	6.90	-	-	-	6.90	-	-	-	7.53	-	-	-
63.0	8.69	-0.52	1.11	-1.63	-1.62	-0.52	1.11	-1.63	-1.62	-	-	-	-
77.4	10.67	1.17	0.87	0.30	0.30	1.17	0.87	0.30	0.30	3.22	3.53	-0.31	-0.30
77.4	10.67	0.87	1.23	-0.37	-0.36	0.87	1.23	-0.37	-0.36	0.76	11.21	-10.44	-9.39
15.8	2.18	2.01	-	-	-	2.01	-	-	-	5.38	-	-	-
5.9	0.81	-2.05	0.87	-2.92	-2.90	-2.05	0.87	-2.92	-2.90	-0.97	3.53	-4.51	-4.35
25.9	3.57	1.40	1.11	0.28	0.28	1.40	1.11	0.28	0.28	5.41	4.54	0.88	0.84
23.6	3.26	0.99	1.04	-0.05	-0.05	0.99	1.04	-0.05	-0.05	3.50	8.88	-5.37	-4.93
84.5	11.66	-0.29	0.13	-0.42	-0.42	-0.29	0.13	-0.42	-0.42	0.68	0.52	0.16	0.16
144.0	19.86	0.38	0.40	-0.02	-0.02	0.38	0.40	-0.02	-0.02	5.82	6.01	-0.18	-0.17
115.9	15.98	0.32	-0.63	0.95	0.96	0.32	-0.63	0.95	0.96	19.65	8.81	10.84	9.96
55.0	7.59	3.09	3.30	-0.21	-0.20	3.09	3.30	-0.21	-0.20	11.76	11.87	-0.12	-0.10
12.9	1.78	8.01	1.54	6.47	6.37	8.01	1.54	6.47	6.37	-	-	-	-

Total Fund Market Value at Qtr End: £725.1 M



Scheme Performance

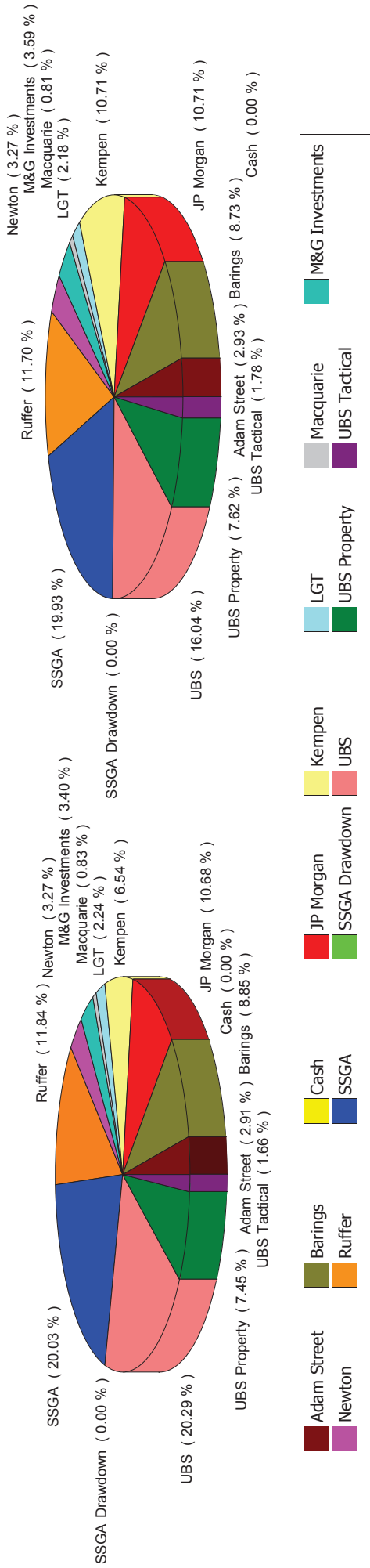
	<u>Three Years</u>			<u>Five Years</u>			<u>Inception To Date</u>						
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	
London Borough of Hillingdon	7.52	6.68	0.84	0.79	12.14	12.03	0.11	0.10	30/09/95	6.78	6.73	0.05	0.05
<u>By Manager</u>													
Adam Street	10.55	-	-	-	8.16	-	-	-	31/01/05	2.48	-	-	-
Barings	-	-	-	-	-	-	-	-	24/04/13	1.69	4.24	-2.56	-2.45
JP Morgan	-	-	-	-	-	-	-	-	08/11/11	4.75	3.70	1.06	1.02
Kempen	-	-	-	-	-	-	-	-	31/01/13	5.75	16.52	-10.77	-9.24
LGT	6.64	-	-	-	5.99	-	-	-	31/05/04	8.30	-	-	-
Paragon	-6.36	3.74	-10.10	-9.74	-	-	-	-	30/09/10	-6.92	3.75	-10.67	-10.28
M&G Investments	5.65	4.74	0.91	0.86	-	-	-	-	31/05/10	5.03	4.75	0.28	0.27
Newton	-	-	-	-	-	-	-	-	24/01/13	10.11	13.58	-3.47	-3.05
Ruffer	5.52	0.75	4.78	4.74	-	-	-	-	28/05/10	5.83	0.74	5.09	5.05
SSGA	7.96	7.98	-0.02	-0.02	14.21	14.19	0.02	0.02	30/11/08	12.91	12.90	0.01	0.01
UBS	13.63	8.81	4.83	4.43	19.06	16.36	2.71	2.33	31/12/88	10.52	9.09	1.43	1.31
UBS Property	5.77	6.23	-0.47	-0.44	6.53	7.86	-1.34	-1.24	31/03/06	0.56	1.21	-0.65	-0.64
UBS Tactical	-	-	-	-	-	-	-	-	30/06/13	-8.46	-8.45	-0.02	-0.02

Total Fund Market Value at Qtr End: £725.1 M



Weighting at Beginning of Period

Weighting at End of Period

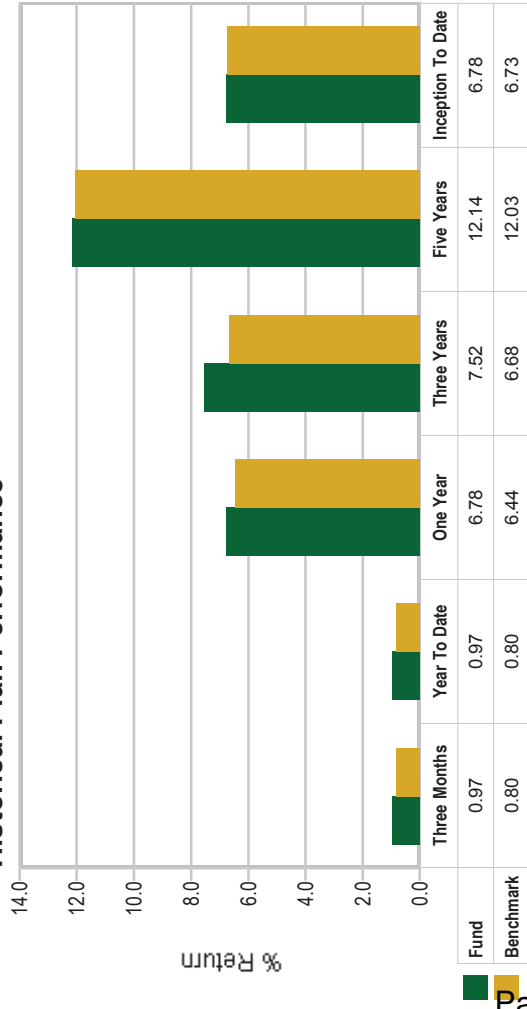


	Opening Market Value £(000)	% of Fund	Net Investment £(000)	Appreciation £(000)	Income Received £(000)	Closing Market Value £(000)	% of Fund
London Borough of Hillingdon	7,18,389	100.00	-222	5,050	1,920	725,138	100.00
Adam Street	20,834	2.90	-1,015	1,380	0	21,199	2.92
Barings	63,364	8.82	11	-329	0	63,046	8.69
Cash	12	0.00	0	0	-0	12	0.00
JP Morgan	76,500	10.65	0	898	0	77,397	10.67
Kempen	46,866	6.52	29,461	1,030	0	77,356	10.67
LGT	16,046	2.23	-579	310	0	15,776	2.18
Macquarie	5,971	0.83	9	-123	-0	5,858	0.81
M&G Investments	24,370	3.39	1,200	342	0	25,912	3.57
Newton	23,386	3.26	0	232	0	23,618	3.26
Ruffer	84,767	11.80	0	-696	453	84,524	11.66
SSGA	143,447	19.97	0	552	0	143,998	19.86
SSGA Drawdown	1	0.00	0	-0	0	1	0.00
UBS	145,311	20.23	-29,263	-1,067	888	115,870	15.98
UBS Property	53,388	7.43	0	1,100	552	55,040	7.59
UBS Tactical	11,919	1.66	0	928	27	12,873	1.78



London Borough of Hillingdon

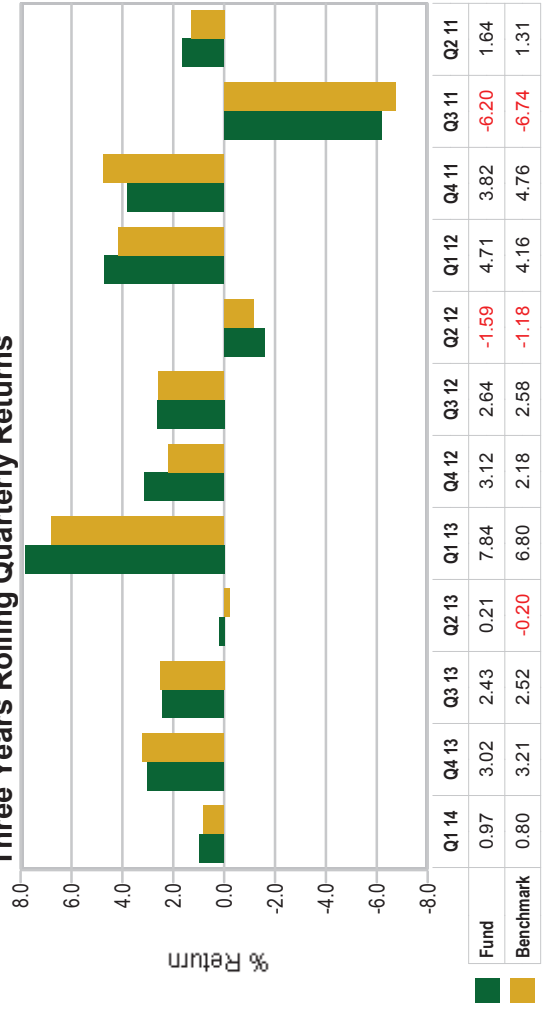
Historical Plan Performance



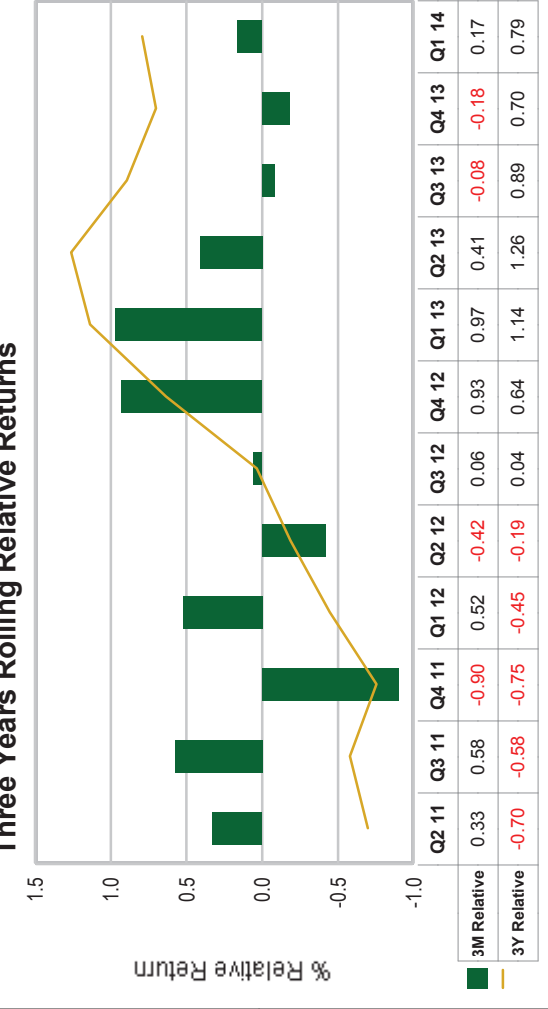
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	7.52	6.68
Standard Deviation	6.19	5.84
Relative Return	0.79	
Tracking Error	1.29	
Information Ratio	0.66	
Beta	1.04	
Alpha	0.60	
R Squared	0.96	
Sharpe Ratio	1.05	0.97
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	718,389	
Net Investment (£000)	-222	
Income Received (£000)	1,920	
Appreciation (£000)	5,050	
Closing Market Value (£000)	725,138	

Three Years Rolling Quarterly Returns



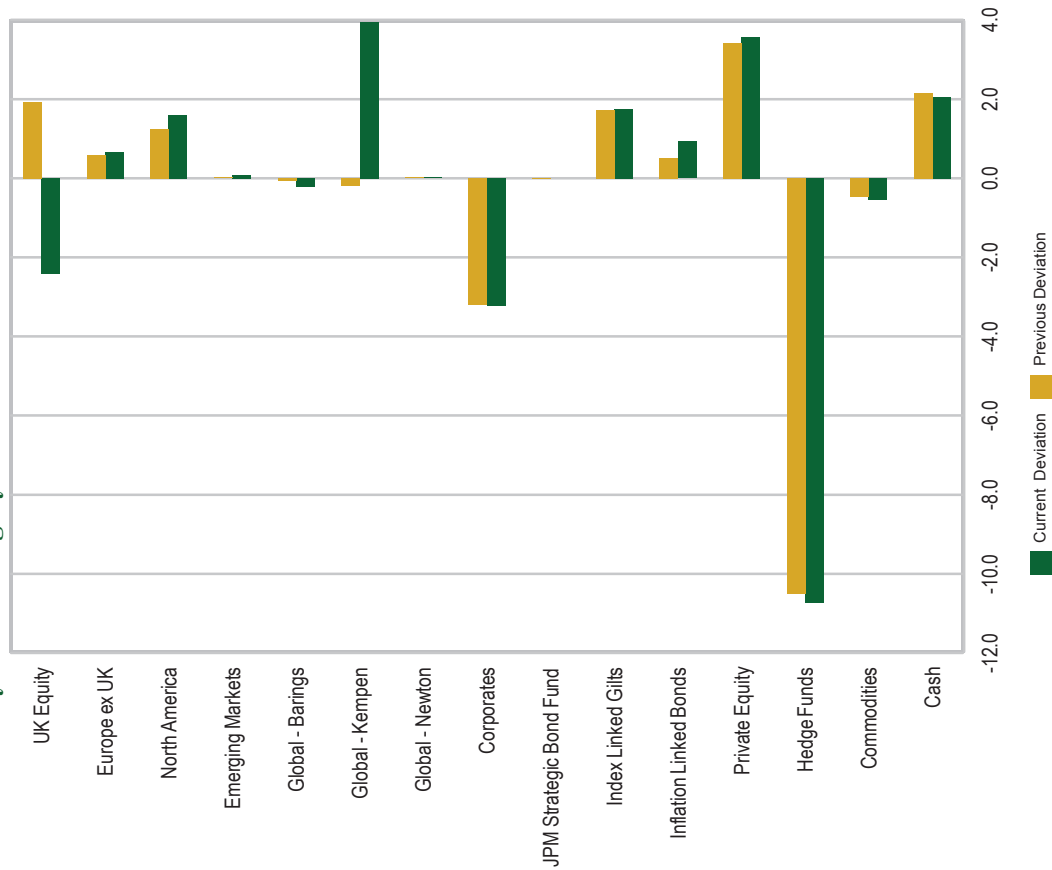
Three Years Rolling Relative Returns





London Borough of Hillingdon

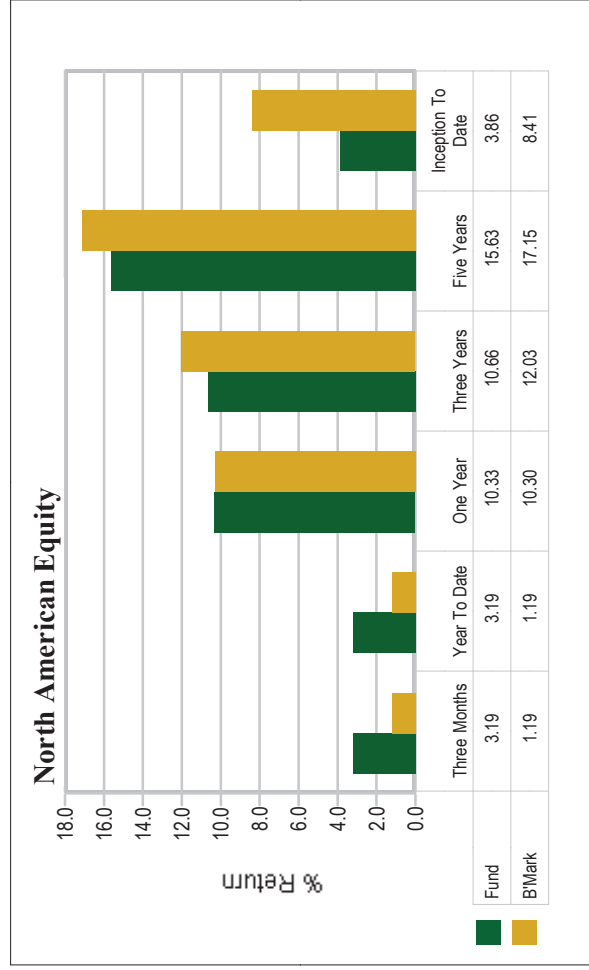
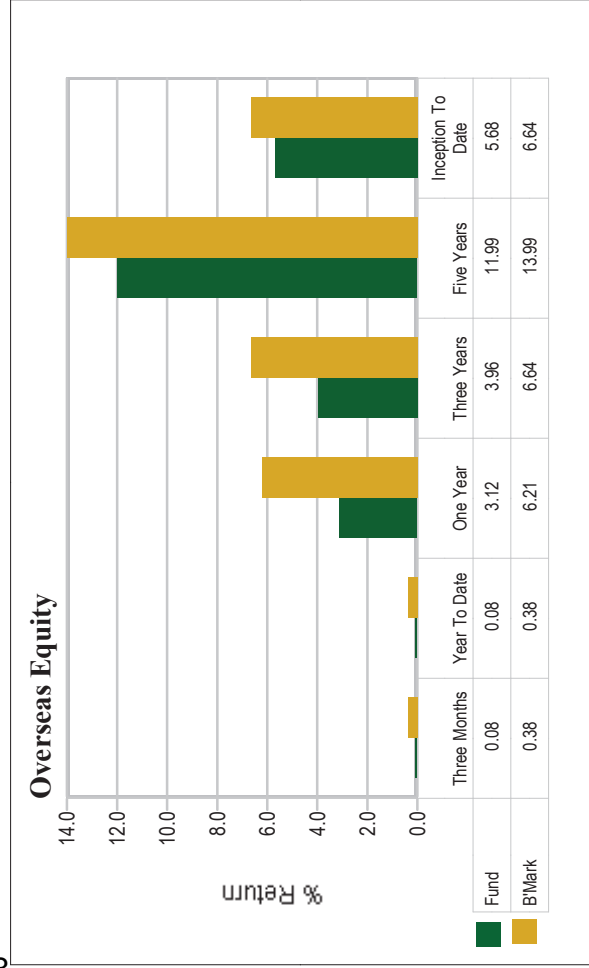
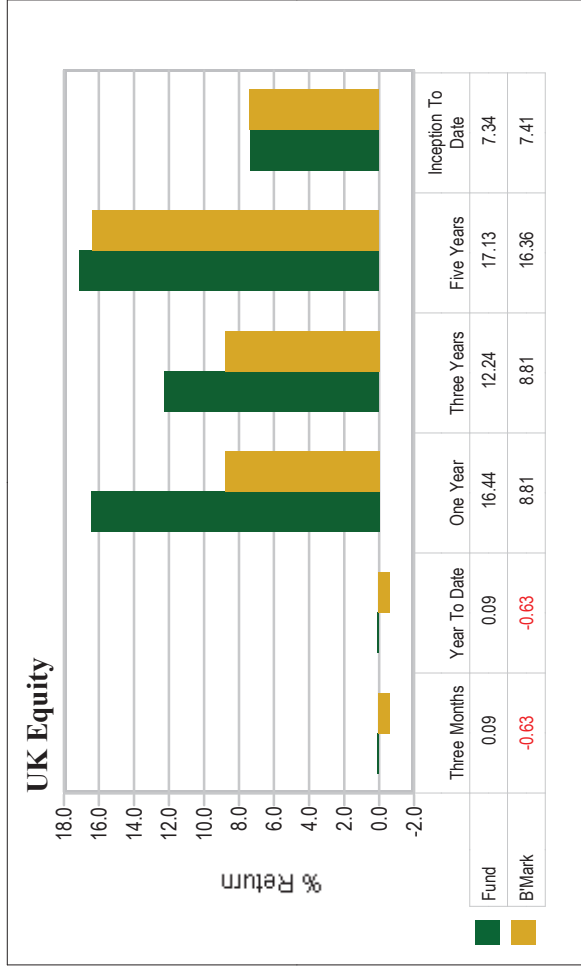
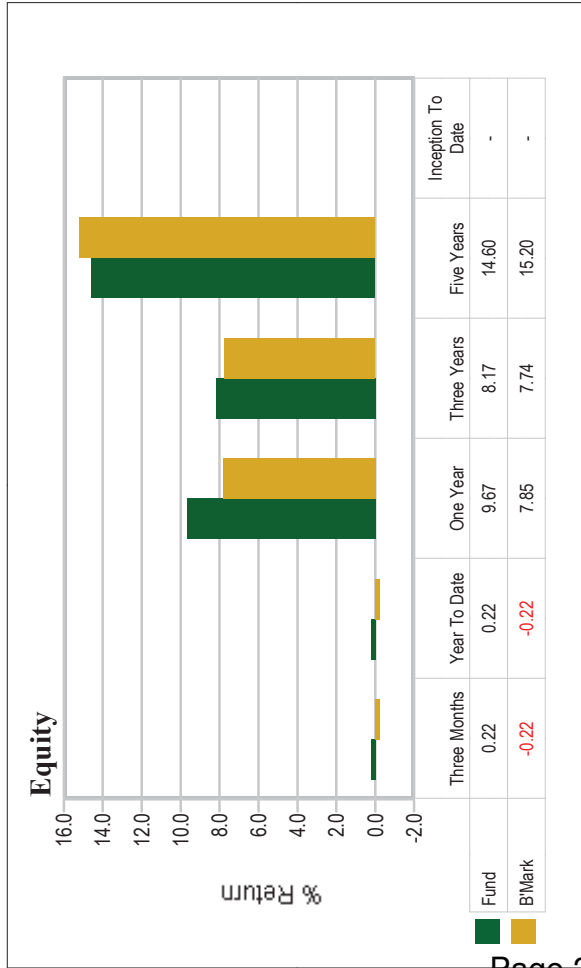
By Asset Category



	Current Quarter	Previous Quarter	Current Benchmark	Previous Benchmark	Current Deviation	Previous Deviation
UK Equity	25.78	30.14	28.20	28.20	-2.42	1.94
Europe ex UK	2.83	2.76	2.17	2.17	0.66	0.59
North America	3.75	3.40	2.16	2.16	1.59	1.24
Emerging Markets	0.66	0.59	0.58	0.58	0.08	0.01
Global - Barings	8.69	8.82	8.90	8.90	-0.21	-0.08
Global - Kempen	10.66	6.52	6.71	6.71	3.95	-0.19
Global - Newton	3.26	3.26	3.24	3.24	0.02	0.02
Corporates	1.68	1.69	4.89	4.89	-3.21	-3.20
JPM Strategic Bond Fund	10.67	10.65	10.68	10.68	-0.01	-0.03
Index Linked Gilts	4.08	4.06	2.33	2.33	1.75	1.73
Inflation Linked Bonds	2.79	2.37	1.86	1.86	0.93	0.51
Private Equity	9.39	9.24	5.83	5.83	3.56	3.41
Hedge Funds	1.31	1.52	12.03	12.03	-10.72	-10.51
Commodities	0.41	0.48	0.95	0.95	-0.54	-0.47
Cash	2.17	2.28	0.12	0.12	2.05	2.16

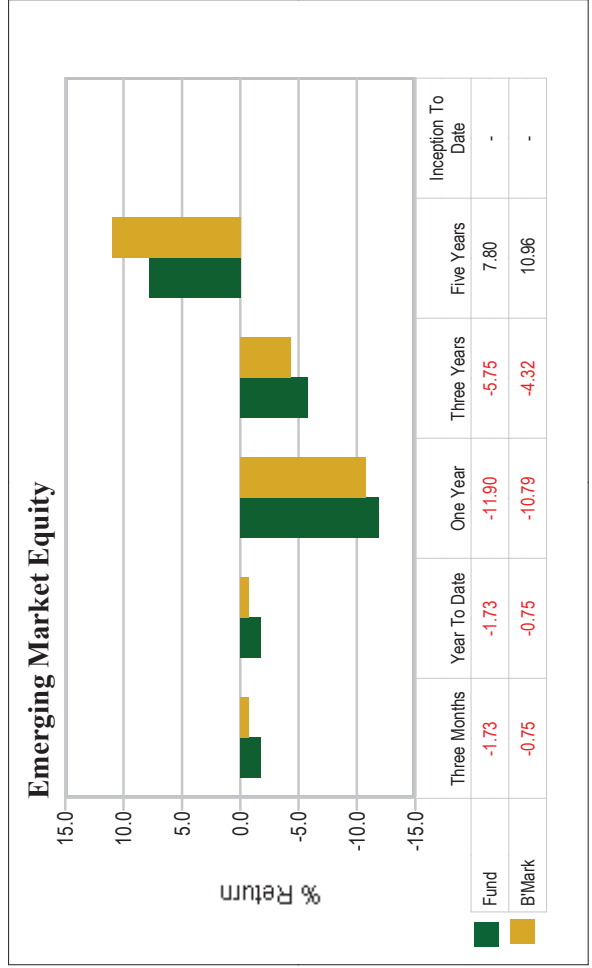
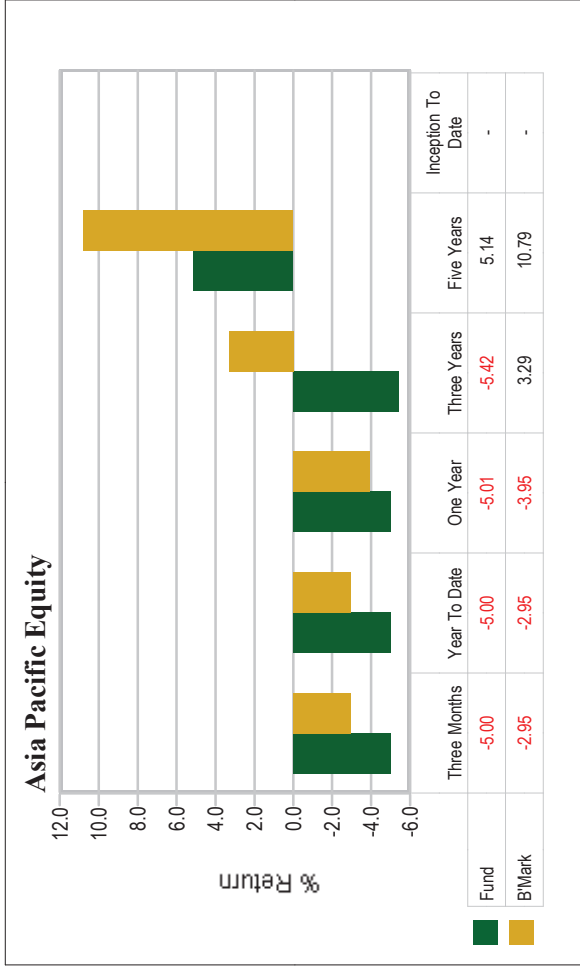
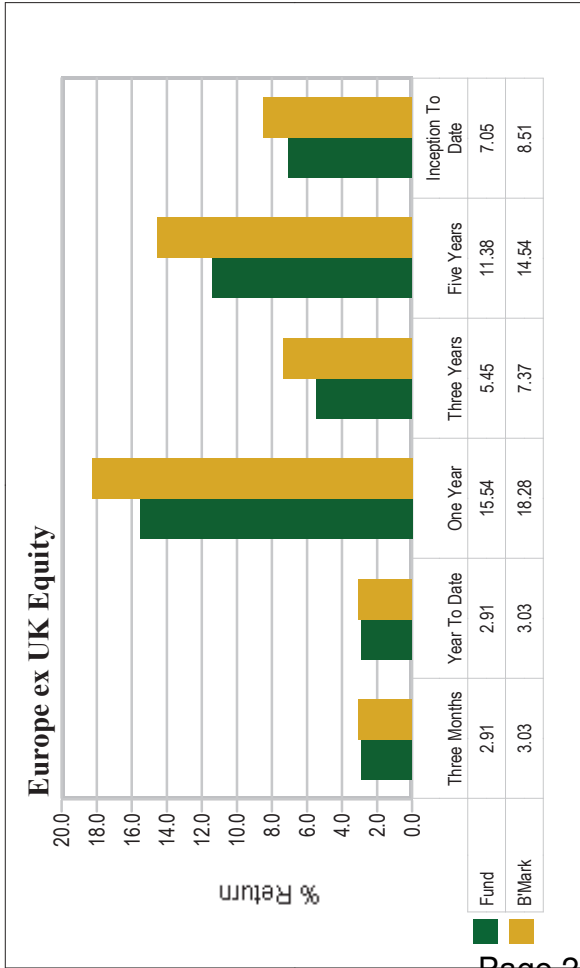


London Borough of Hillingdon



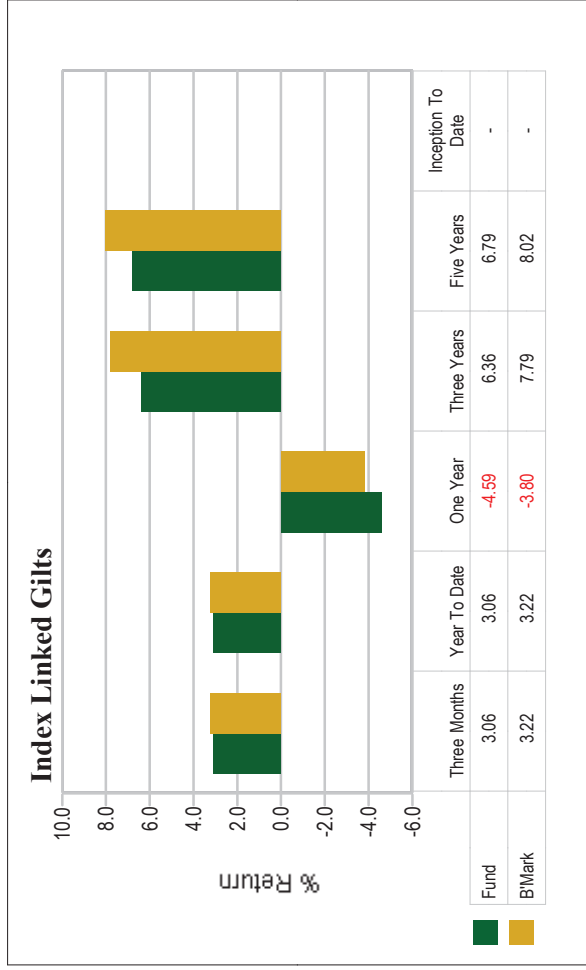
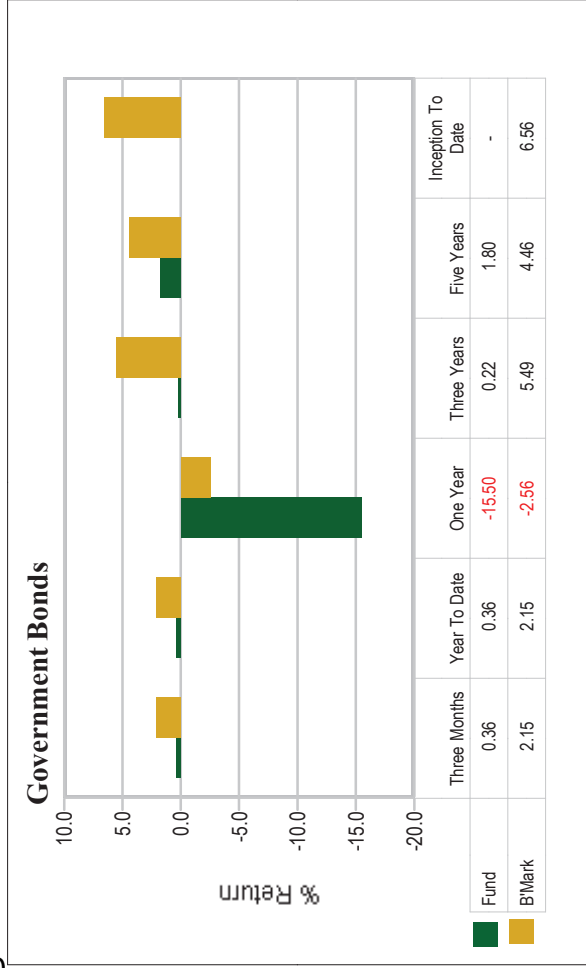
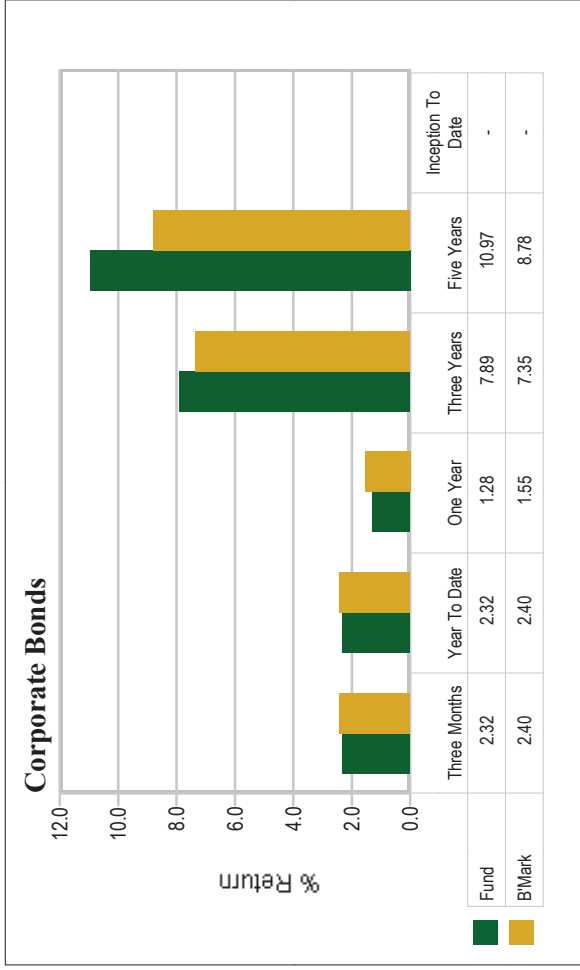
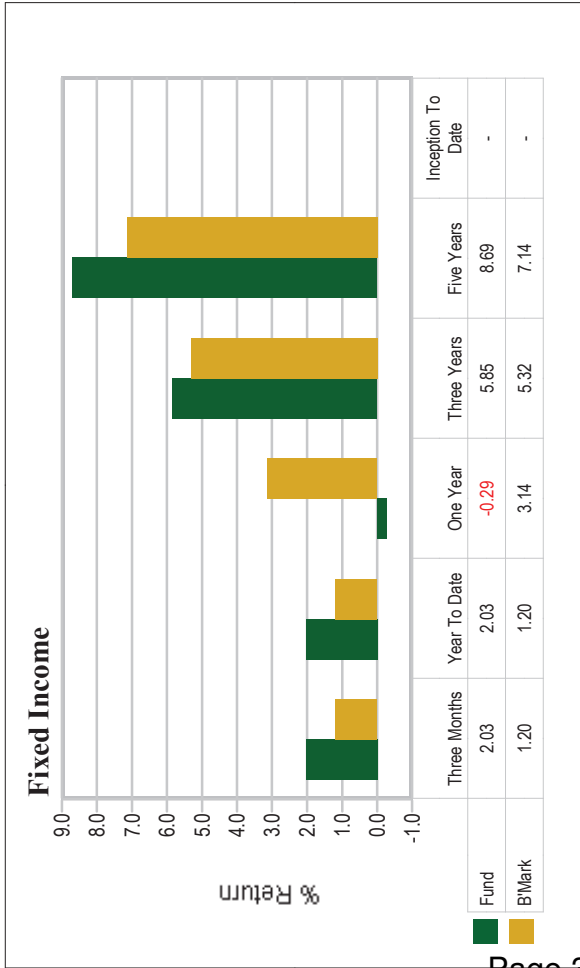


London Borough of Hillingdon



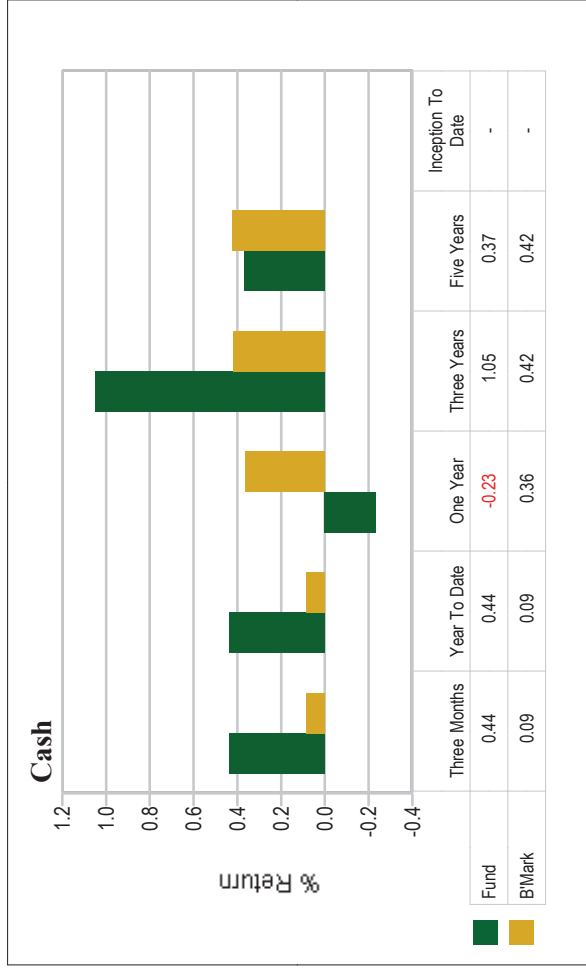
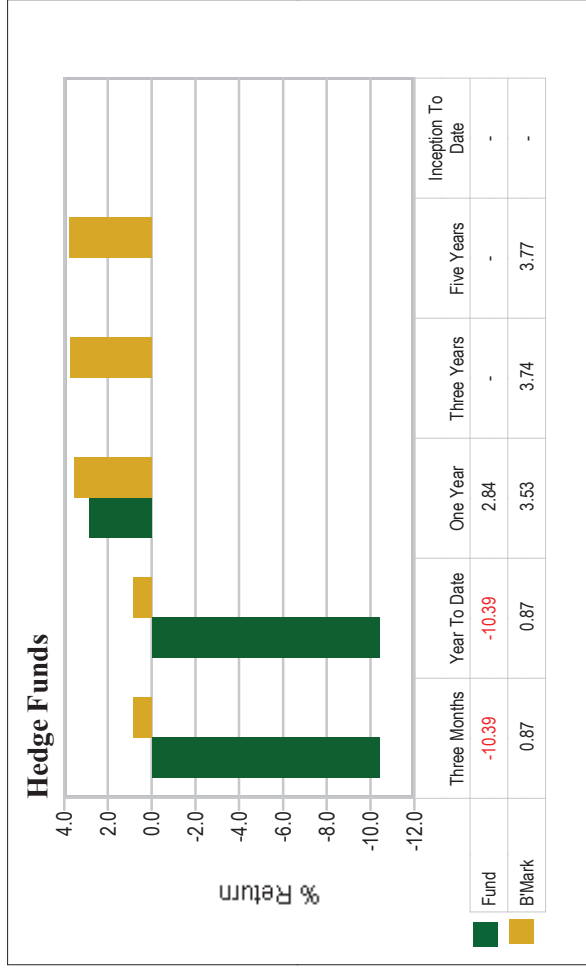
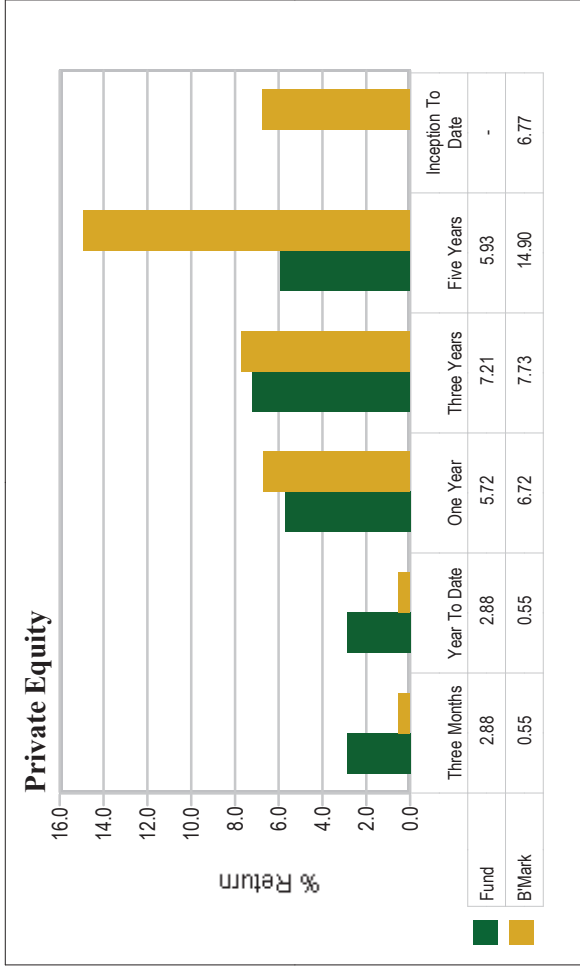
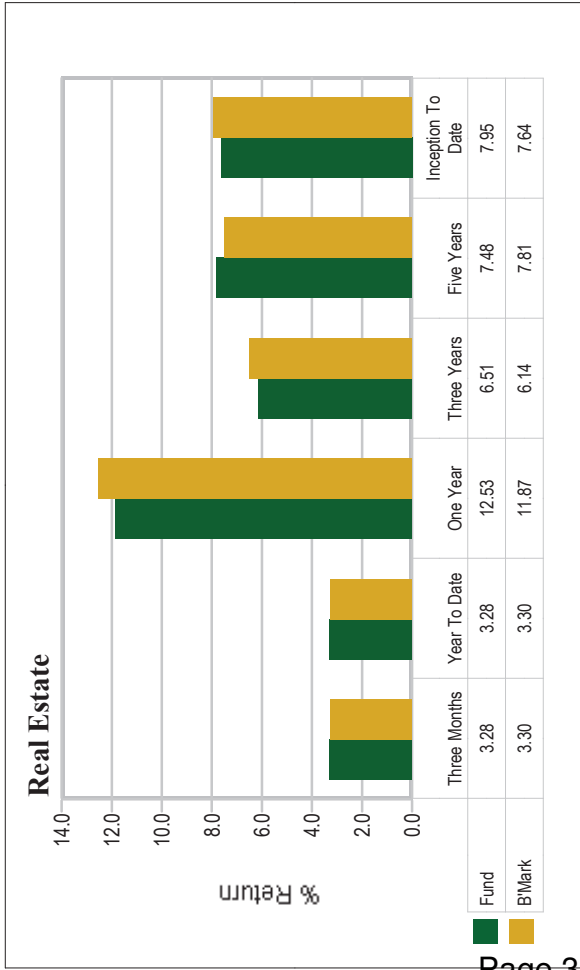


London Borough of Hillingdon





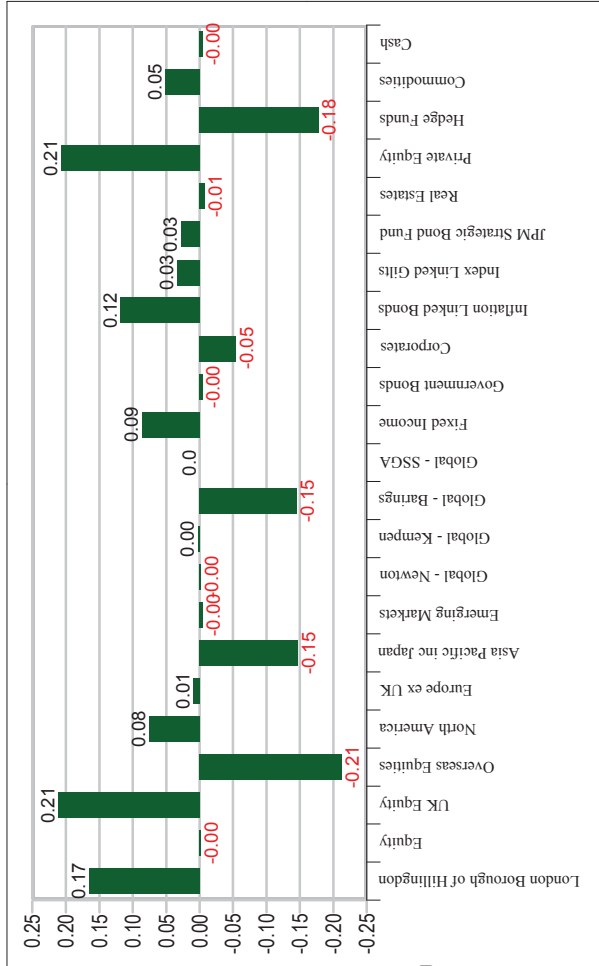
London Borough of Hillingdon



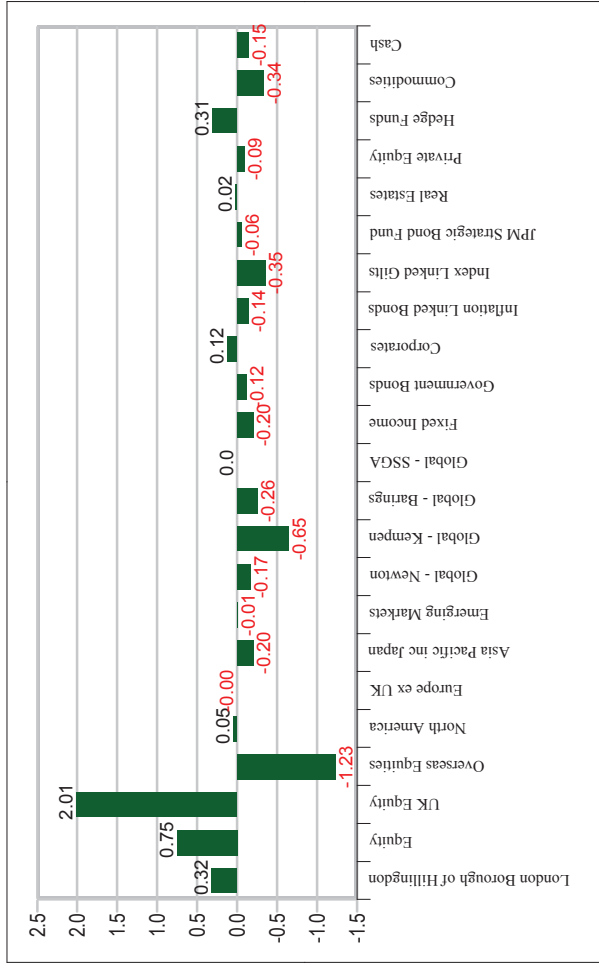


London Borough of Hillingdon

Relative Contribution - Three Months



Relative Contribution - One Year



	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon Equity	0.97	0.80	0.17	-0.02	-0.06	-0.04	0.29	0.17
UK Equity	0.22	-0.22	0.44	0.00	-0.06	-0.01	0.07	-0.00
Overseas Equities	0.09	-0.63	0.73	0.00	-0.00	-0.03	0.24	0.21
North America	0.08	0.38	-0.29	0.00	-0.06	0.02	-0.17	-0.21
Europe ex UK	3.19	1.19	1.97	0.00	-0.01	0.02	0.06	0.08
Asia Pacific inc Japan	2.91	3.03	-0.12	0.00	-0.02	0.01	0.01	0.01
Emerging Markets	-5.00	-2.95	-2.11	0.00	0.03	-0.09	-0.09	-0.15
	-1.73	-0.75	-0.99	0.00	0.00	0.00	-0.01	-0.00

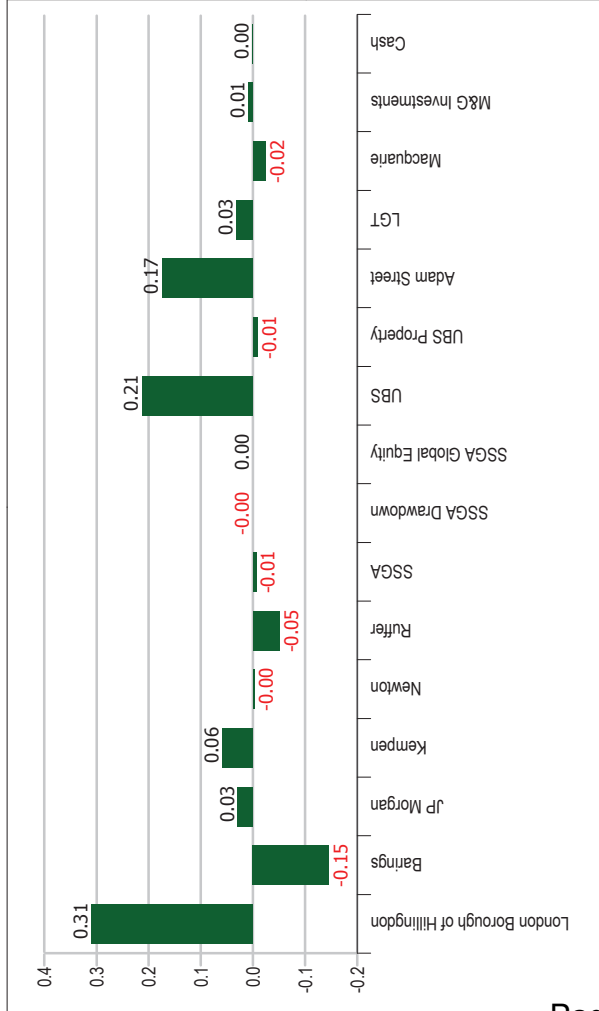
	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon Equity	6.78	6.44	0.32	0.33	-1.02	0.52	0.46	0.32
UK Equity	9.67	7.85	1.69	0.00	-0.97	0.37	1.36	0.75
Overseas Equities	16.44	8.81	7.01	0.00	0.03	-0.07	2.05	2.01
North America	3.12	6.21	-2.91	0.00	-0.99	0.44	-0.68	-1.23
Europe ex UK	10.33	10.30	0.03	0.00	-0.09	0.15	-0.01	0.05
Asia Pacific inc Japan	15.54	18.28	-2.32	0.00	-0.06	0.06	-0.00	-0.00
Emerging Markets	-5.01	-3.95	-1.10	0.00	-0.43	0.13	0.10	-0.20
	-11.90	-10.79	-1.24	0.00	0.00	0.00	-0.01	-0.01



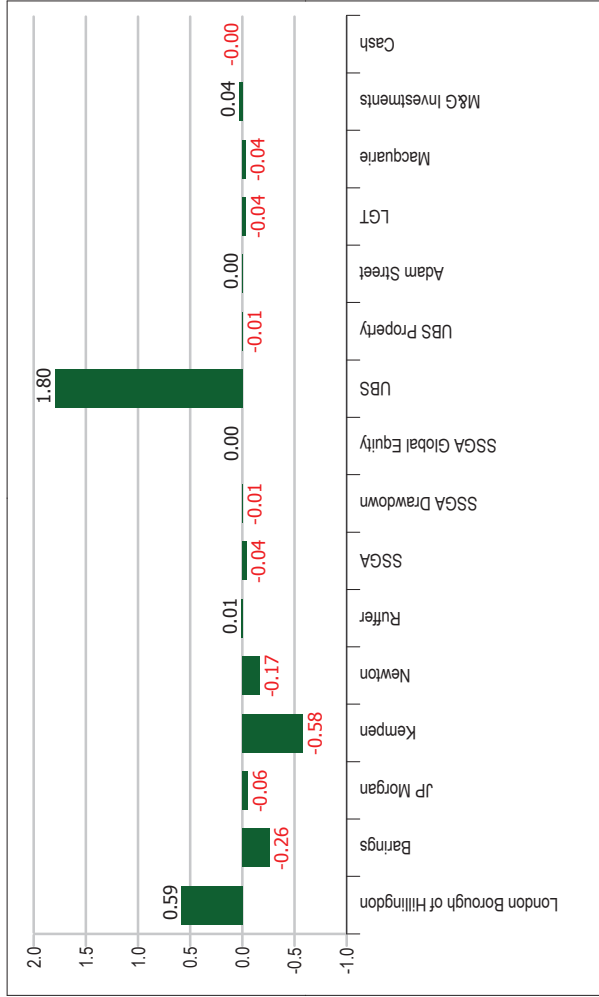
	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Global - Newton	0.99	1.04	-0.05	0.00	-0.00	-0.00	-0.00	-0.00	3.50	8.88	-4.93	0.00	0.00	-0.00	-0.17	-0.17
Global - Kempen	0.21	1.23	-1.01	0.00	-0.01	0.07	-0.06	0.00	0.00	11.21	-10.07	0.00	-0.17	0.07	-0.54	-0.65
Global - Barings	-0.52	1.11	-1.62	0.00	-0.06	0.00	-0.09	-0.15	1.69	4.54	-2.73	0.00	-0.25	0.04	-0.04	-0.26
Global - SSGA	-	0.42	-0.42	0.00	0.00	0.00	0.00	0.00	-	6.16	-5.80	0.00	0.00	0.00	0.00	0.00
Fixed Income	2.03	1.20	0.82	0.00	-0.01	-0.05	0.15	0.09	-0.29	3.14	-3.32	0.00	-0.11	-0.05	-0.04	-0.20
Government Bonds	0.36	-	0.36	0.00	-0.00	0.00	0.00	-0.00	-15.50	-	-15.50	0.00	-0.01	-0.11	0.00	-0.12
Corporates	2.32	2.40	-0.08	0.00	-0.00	-0.05	-0.00	-0.05	1.28	1.55	-0.26	0.00	-0.04	0.17	-0.01	0.12
Inflation Linked Bonds	6.14	1.54	4.53	0.00	-0.01	0.00	0.12	0.12	-9.48	-15.11	6.63	0.00	-0.05	-0.10	0.01	-0.14
Index Linked Gilts	3.06	3.22	-0.15	0.00	-0.00	0.04	-0.01	0.03	-4.59	-3.80	-0.83	0.00	-0.06	-0.34	0.05	-0.35
JPM Strategic Bond Fund	1.17	0.87	0.30	0.00	0.00	-0.00	0.03	0.03	3.22	3.53	-0.30	0.00	-0.00	-0.01	-0.05	-0.06
Real Estates	3.28	3.30	-0.02	0.00	0.00	-0.01	-0.00	-0.01	12.53	11.87	0.58	0.00	-0.00	-0.02	0.04	0.02
Private Equity	2.88	0.55	2.32	0.00	0.01	0.01	0.19	0.21	5.72	6.72	-0.94	0.00	0.39	0.30	-0.78	-0.09
Hedge Funds	-10.39	0.87	-11.16	0.00	0.00	-0.01	-0.18	-0.18	2.84	3.53	-0.66	0.00	-0.25	0.41	0.15	0.31
Commodities	11.58	0.87	10.62	0.00	-0.00	-0.00	0.05	0.05	-34.26	3.53	-36.50	0.00	-0.01	0.01	-0.34	-0.34
Cash	0.44	0.09	0.35	0.00	0.00	-0.01	0.01	-0.00	-0.23	0.36	-0.59	0.00	-0.01	-0.16	0.02	-0.15



Three Months



One Year



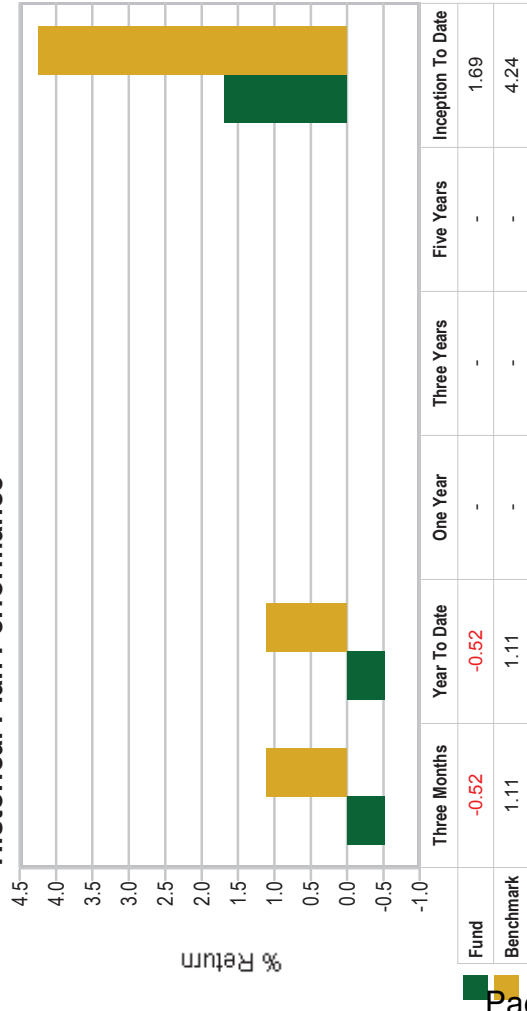
	Fund Return	Index Return	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	0.97	0.66	0.31	0.03	0.34	0.31
Barings	-0.52	1.11	-1.62	0.00	-0.15	-0.15
JP Morgan	1.17	0.87	0.30	-0.00	0.03	0.03
Kempen	0.87	1.23	-0.36	0.07	-0.01	0.06
Newton	0.99	1.04	-0.05	-0.00	-0.00	-0.00
Ruffer	-0.29	0.13	-0.42	-0.00	-0.05	-0.05
SSGA	0.38	0.40	-0.02	-0.00	-0.00	-0.01
SSGA Drawdown	-0.41	1.20	-1.60	0.00	-0.00	-0.00
SSGA Global Equity	-	-	0.00	0.00	0.00	0.00
UBS	0.32	-0.63	0.96	-0.02	0.23	0.21
UBS Property	3.09	3.30	-0.20	0.01	-0.01	-0.01
Adam Street	6.90	0.55	6.32	-0.00	0.18	0.17
LGT	2.01	0.55	1.46	-0.00	0.03	0.03
Macquarie	-2.05	0.87	-2.90	-0.00	-0.02	-0.02
M&G Investments	1.40	1.11	0.28	-0.00	0.01	0.01
Cash	2.20	0.09	2.11	0.00	0.00	0.00

	Fund Return	Index Return	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	6.78	6.16	0.59	-0.10	0.69	0.59
Barings	1.69	4.54	-2.73	0.01	-0.27	-0.26
JP Morgan	3.22	3.53	-0.30	-0.01	-0.04	-0.06
Kempen	0.76	11.21	-9.39	0.06	-0.65	-0.58
Newton	3.50	8.88	-4.93	-0.00	-0.17	-0.17
Ruffer	0.68	0.52	0.16	-0.03	0.04	0.01
SSGA	5.82	6.01	-0.17	-0.01	-0.03	-0.04
SSGA Drawdown	-7.43	0.96	-8.32	-0.00	-0.01	-0.01
SSGA Global Equity	-	-	0.00	0.00	0.00	0.00
UBS	19.65	8.81	9.96	-0.07	1.87	1.80
UBS Property	11.76	11.87	-0.10	-0.00	-0.01	-0.01
Adam Street	7.53	6.72	0.77	-0.00	0.00	0.00
LGT	5.38	6.72	-1.25	-0.00	-0.03	-0.04
Macquarie	-0.97	3.53	-4.35	-0.01	-0.03	-0.04
M&G Investments	5.41	4.54	0.84	0.01	0.03	0.04
Cash	29.98	0.36	29.51	-0.00	-0.00	-0.00



Barings

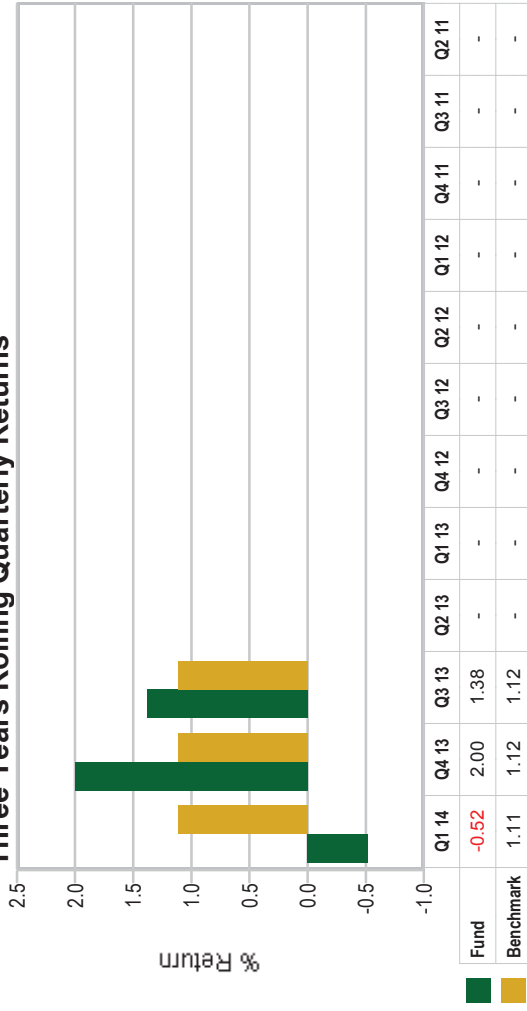
Historical Plan Performance



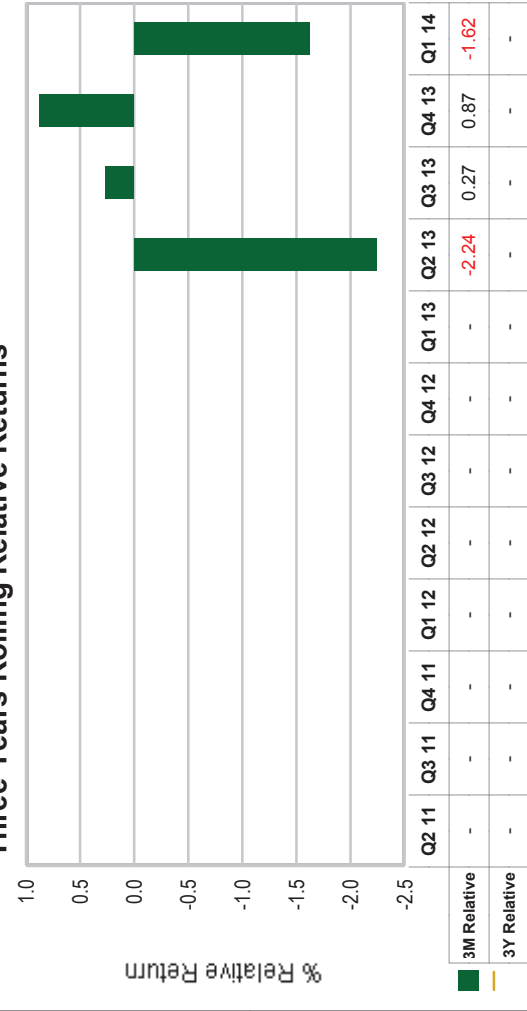
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	8.7	-
Inception Date	Apr-2013	-
Opening Market Value (£000)	63,364	-
Net Investment £(000)	11	-
Income Received £(000)	0	-
Appreciation £(000)	-329	-
Closing Market Value (£000)	63,046	-

Three Years Rolling Quarterly Returns



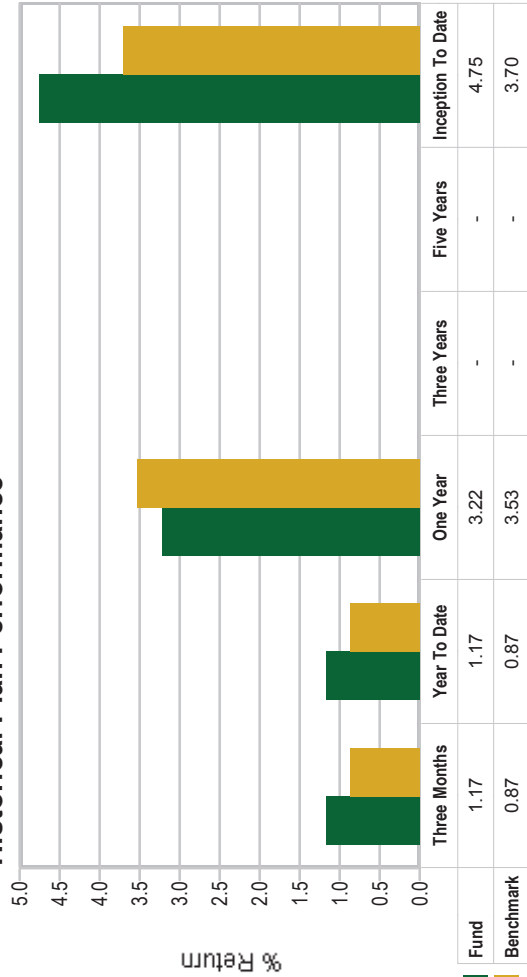
Three Years Rolling Relative Returns



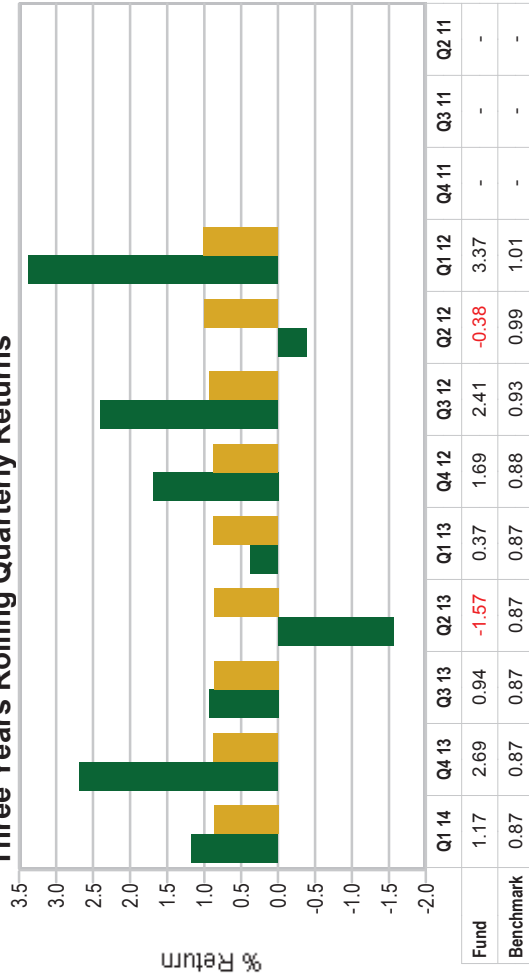


JP Morgan

Historical Plan Performance



Three Years Rolling Quarterly Returns

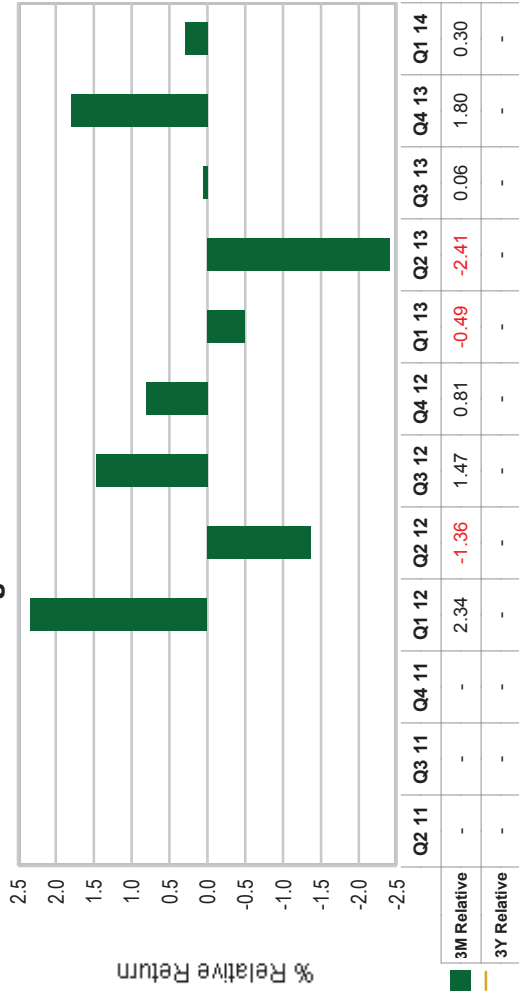


Risk Statistics - 3 years

Fund Bmark

Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	10.7	-
Inception Date	Nov-2011	-
Opening Market Value (£000)	76,500	-
Net Investment £(000)	0	-
Income Received £(000)	0	-
Appreciation £(000)	898	-
Closing Market Value (£000)	77,397	-

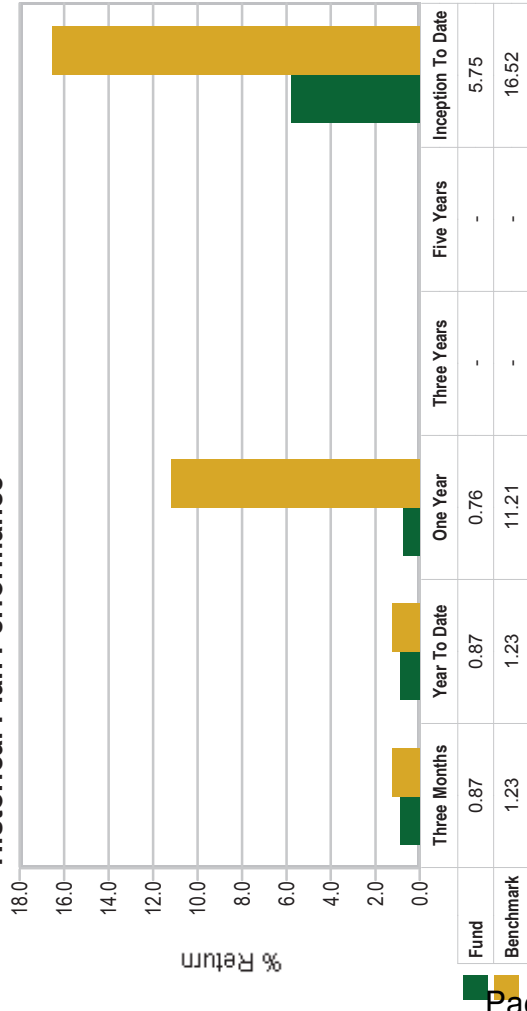
Three Years Rolling Relative Returns





Kempen

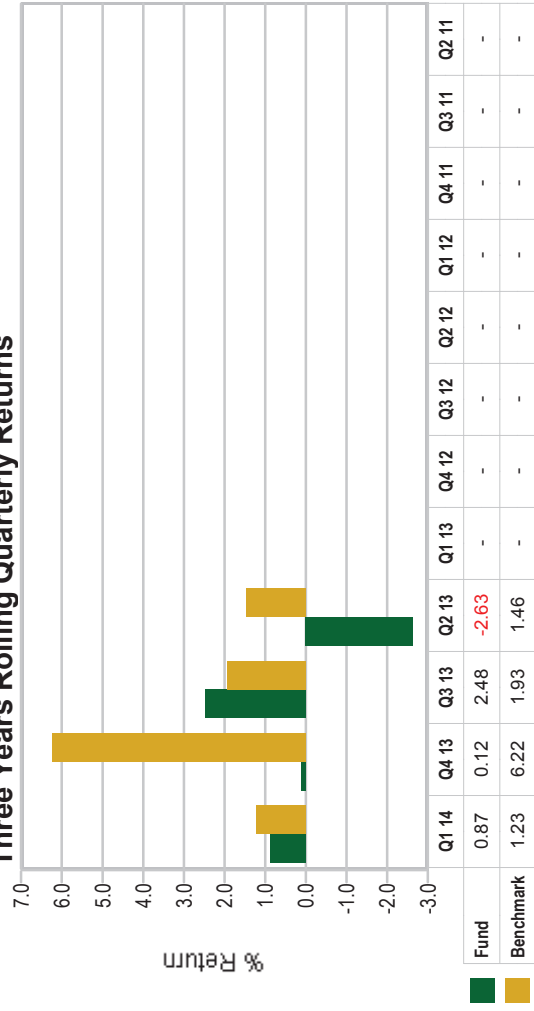
Historical Plan Performance



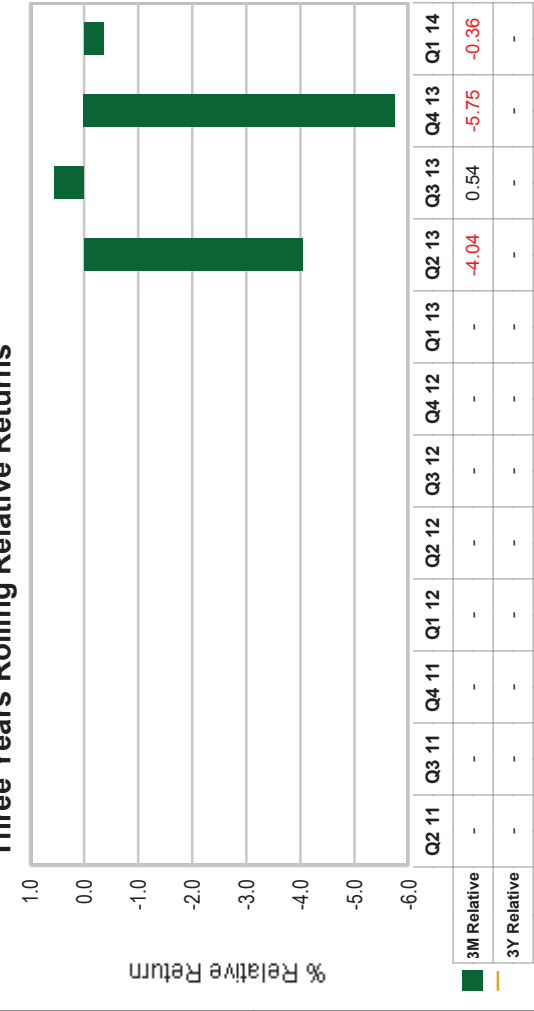
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	10.7	-
Inception Date	Jan-2013	-
Opening Market Value (£000)	46,866	-
Net Investment £(000)	29,461	-
Income Received £(000)	0	-
Appreciation £(000)	1,030	-
Closing Market Value (£000)	77,356	-

Three Years Rolling Quarterly Returns



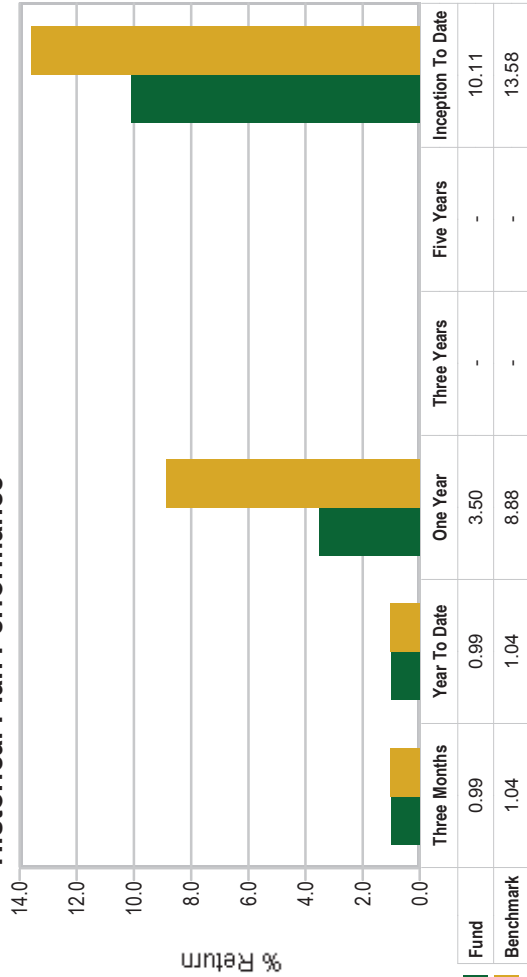
Three Years Rolling Relative Returns





Newton

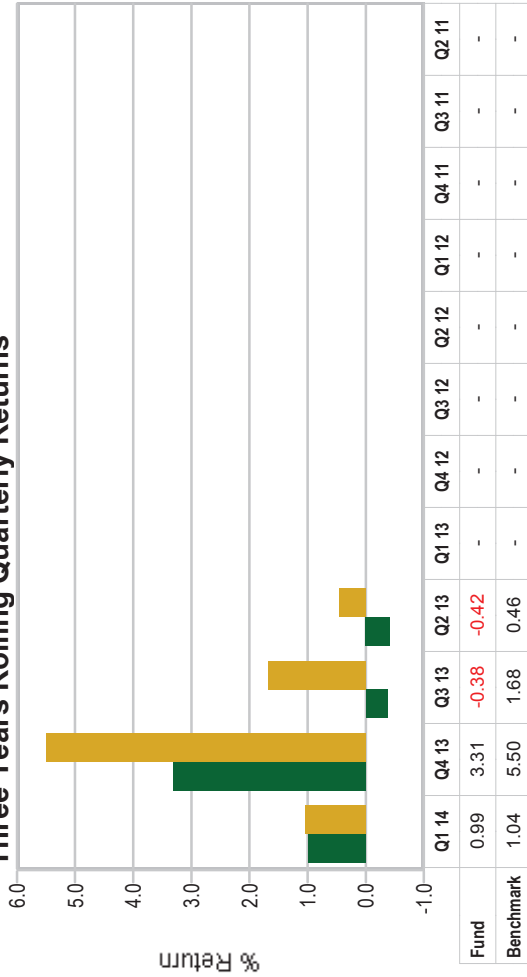
Historical Plan Performance



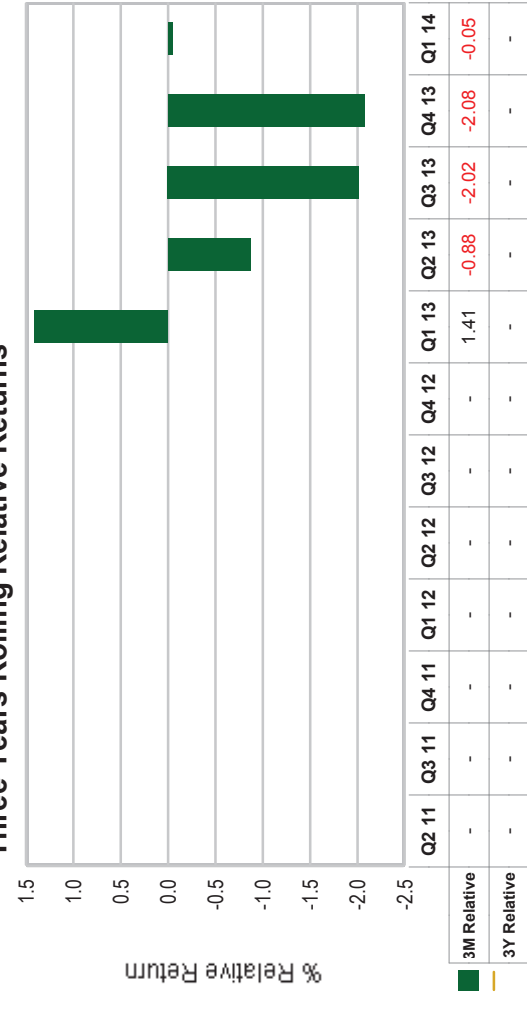
Risk Statistics - 3 years

	Fund	Bmark
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-2013	-
Opening Market Value (£000)	23,386	-
Net Investment £(000)	0	-
Income Received £(000)	0	-
Appreciation £(000)	232	-
Closing Market Value (£000)	23,618	-

Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns



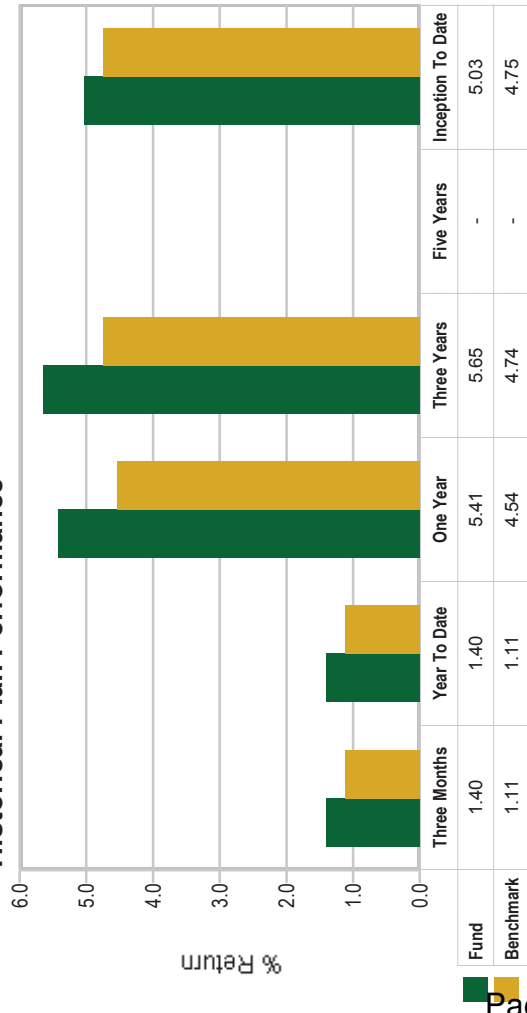


M&G Investments

1st Quarter, 2014

London Borough of Hillingdon

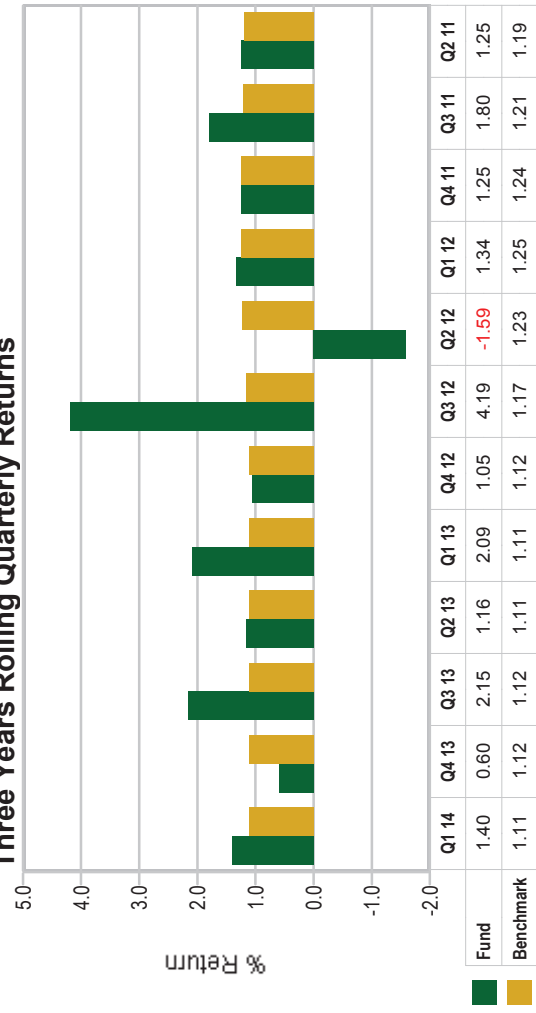
Historical Plan Performance



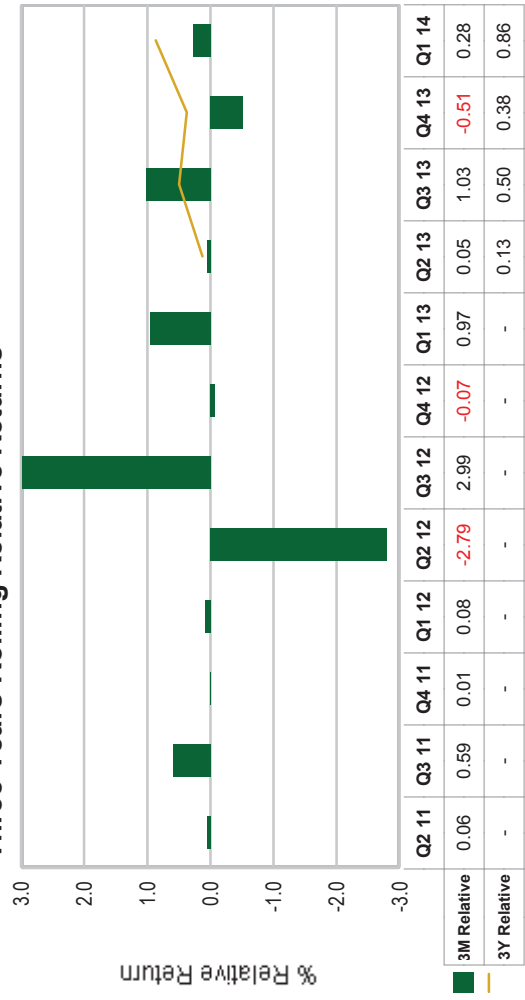
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	5.65	4.74
Standard Deviation	2.73	0.06
Relative Return	0.86	
Tracking Error	2.73	
Information Ratio	0.33	
Beta	2.11	
Alpha	-3.08	
R Squared	0.00	
Sharpe Ratio	1.70	59.15
Percentage of Total Fund	3.6	
Inception Date	May-2010	
Opening Market Value (£000)	24,370	
Net Investment (£000)	1,200	
Income Received (£000)	0	
Appreciation (£000)	342	
Closing Market Value (£000)	25,912	

Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns

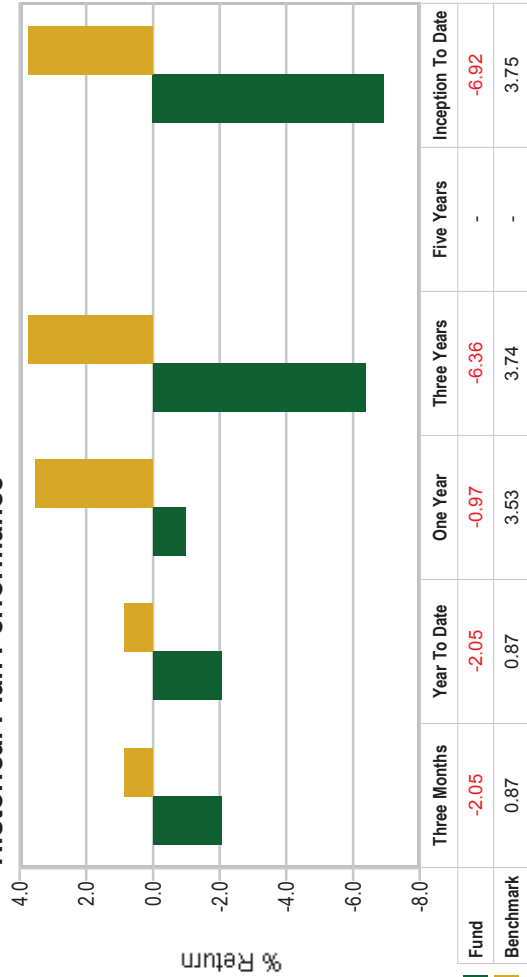


Northern Trust



Macquarie

Historical Plan Performance



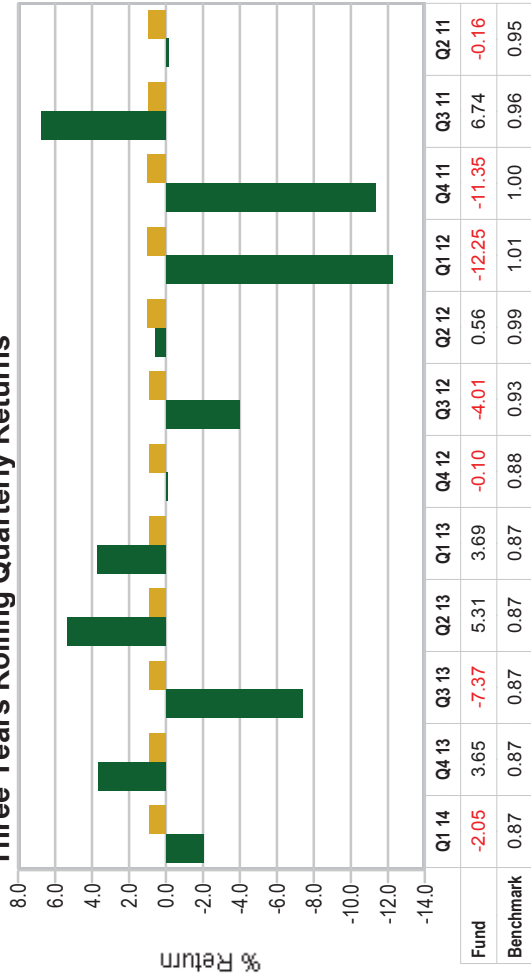
London Borough of Hillingdon

1st Quarter, 2014

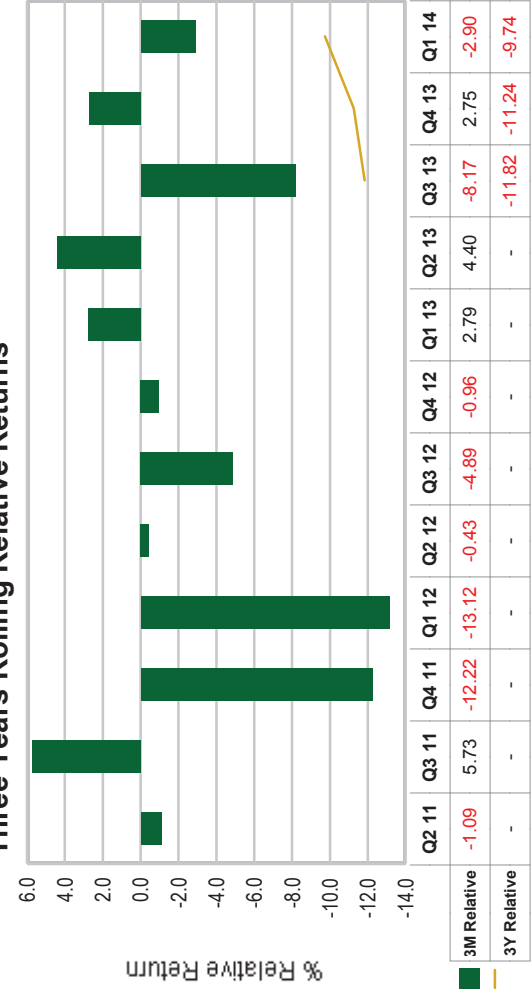
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	-6.36	3.74
Standard Deviation	11.70	0.06
Relative Return	-9.74	
Tracking Error	11.72	
Information Ratio	-0.86	
Beta	38.80	
Alpha	-68.64	
R Squared	0.07	
Sharpe Ratio	-0.63	43.19
Percentage of Total Fund	0.8	
Inception Date	Sep-2010	
Opening Market Value (£000)	5,971	
Net Investment (£000)	9	
Income Received (£000)	-0	
Appreciation (£000)	-123	
Closing Market Value (£000)	5,858	

Three Years Rolling Quarterly Returns



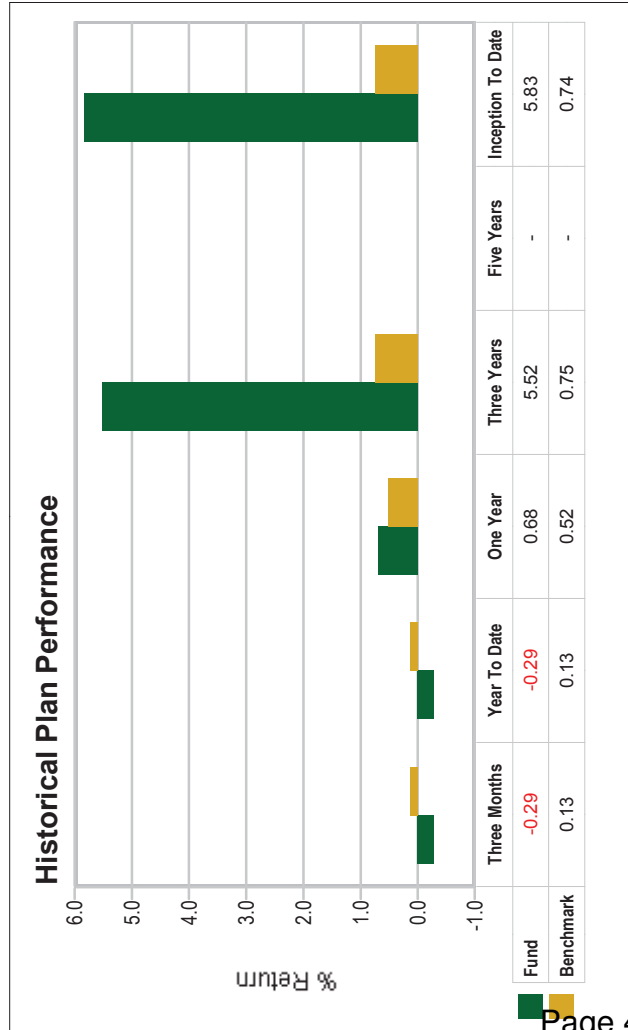
Three Years Rolling Relative Returns



Northern Trust



Ruffer



Risk Statistics - 3 years

Fund

B'mark

Performance Return 5.52 0.75
 Standard Deviation 5.22 0.07
 Relative Return 4.74
 Tracking Error 5.23
 Information Ratio 0.91

Beta 19.13
 Alpha 9.94
 R Squared 0.06
 Sharpe Ratio 0.86
-3.75

Percentage of Total Fund 11.7

Inception Date May-2010
 Opening Market Value (£000) 84,767

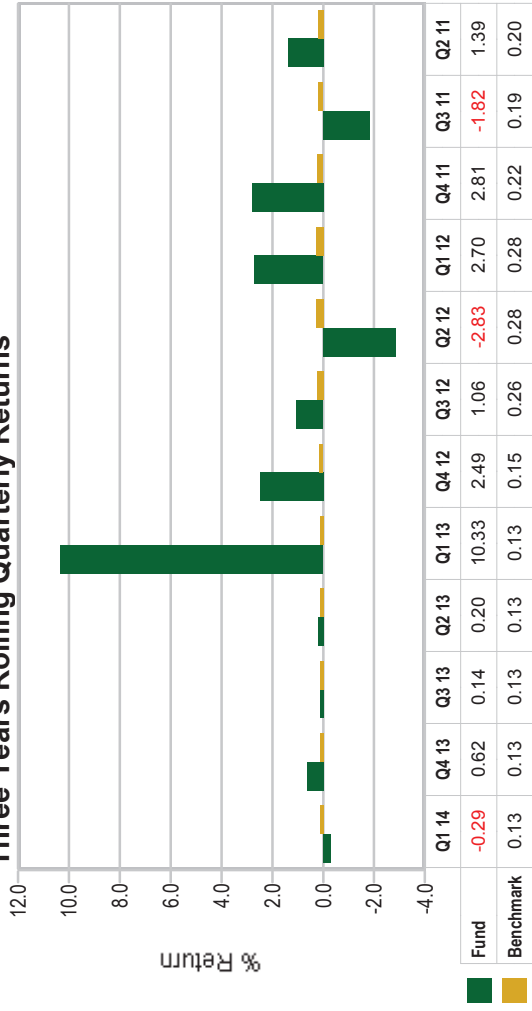
Net Investment £(000) 0

Income Received £(000) 453

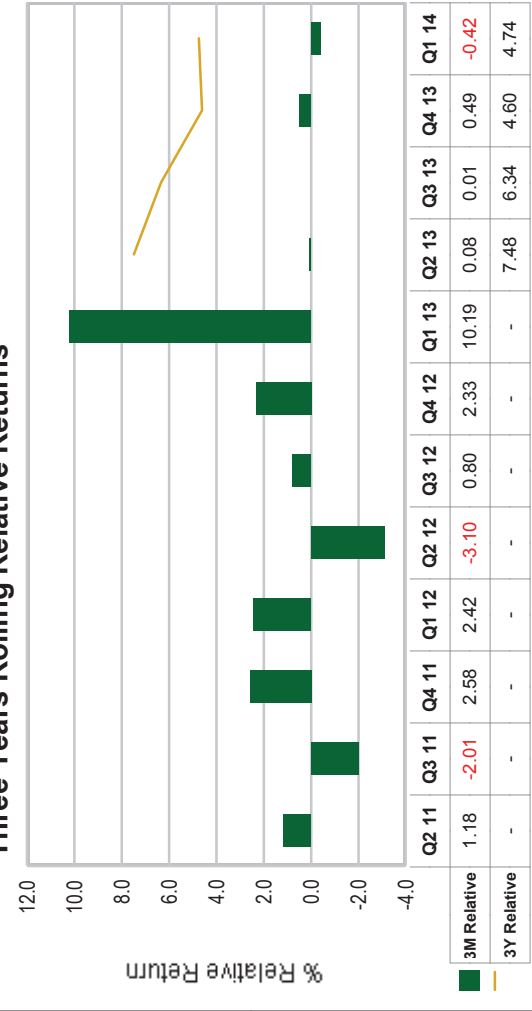
Appreciation £(000) -696

Closing Market Value (£000) 84,524

Three Years Rolling Quarterly Returns



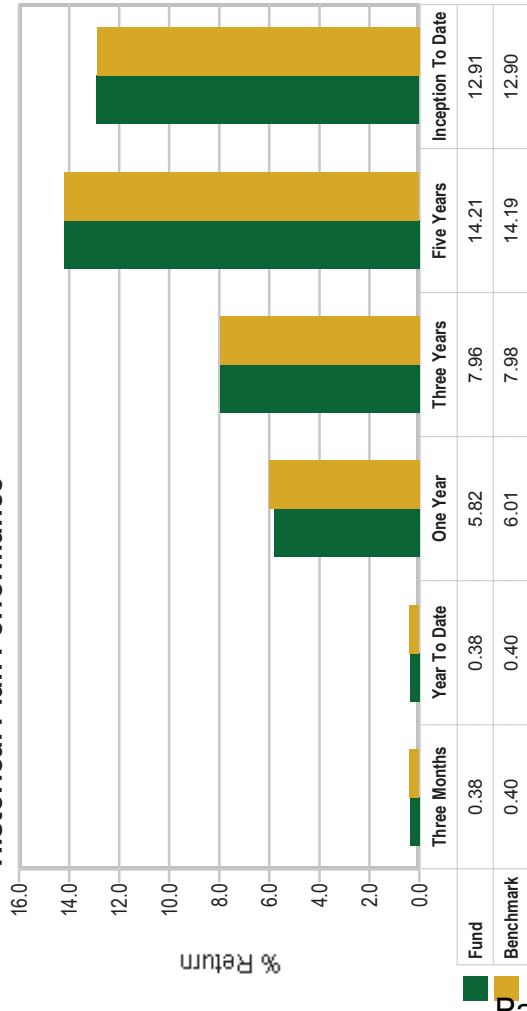
Three Years Rolling Relative Returns





SSGA

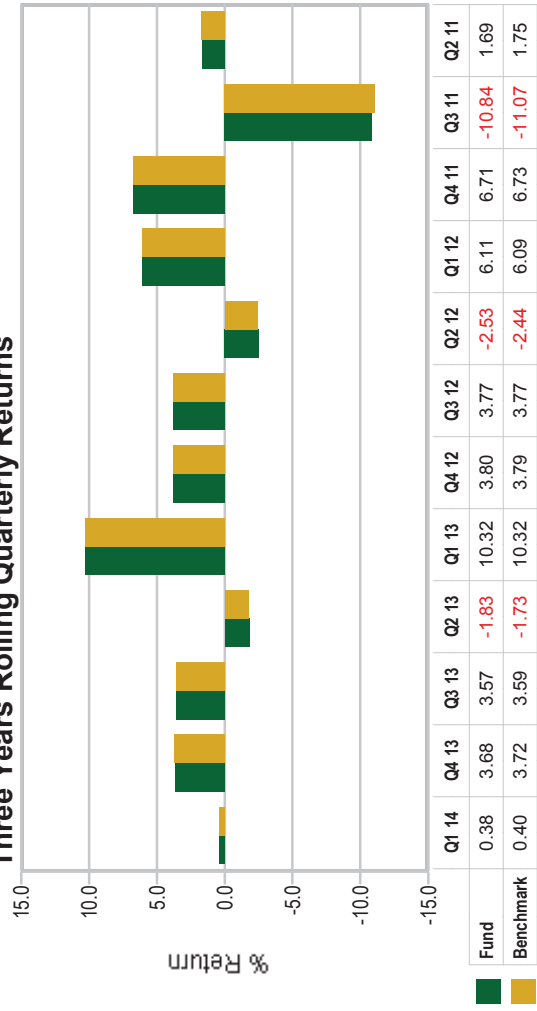
Historical Plan Performance



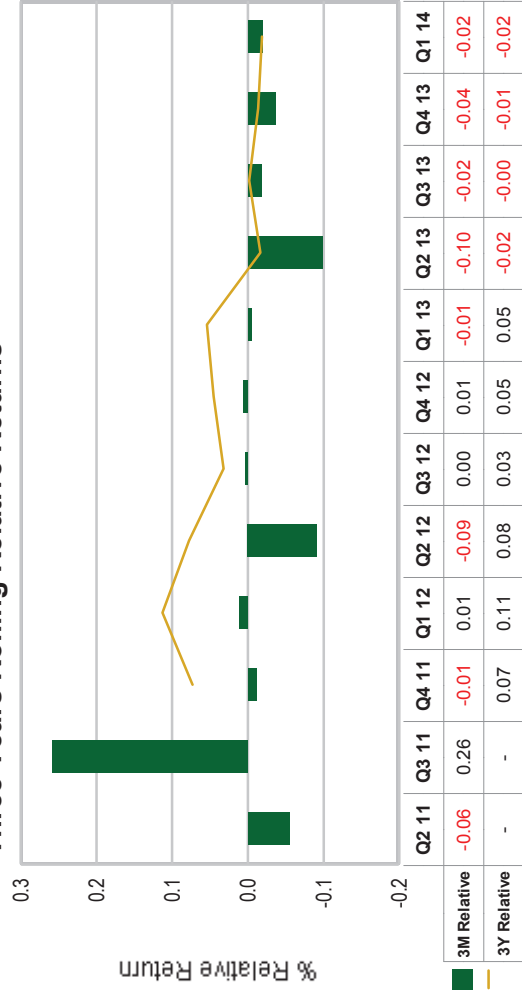
Risk Statistics - 3 years

Metric	Fund	B'mark
Performance Return	7.96	7.98
Standard Deviation	9.30	9.38
Relative Return	-0.02	
Tracking Error	0.16	
Information Ratio	-0.12	
Beta	0.99	
Alpha	0.04	
R Squared	1.00	
Sharpe Ratio	0.75	0.74
Percentage of Total Fund	19.9	
Inception Date	Nov-2008	
Opening Market Value (£000)	143,447	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	552	
Closing Market Value (£000)	143,998	

Three Years Rolling Quarterly Returns

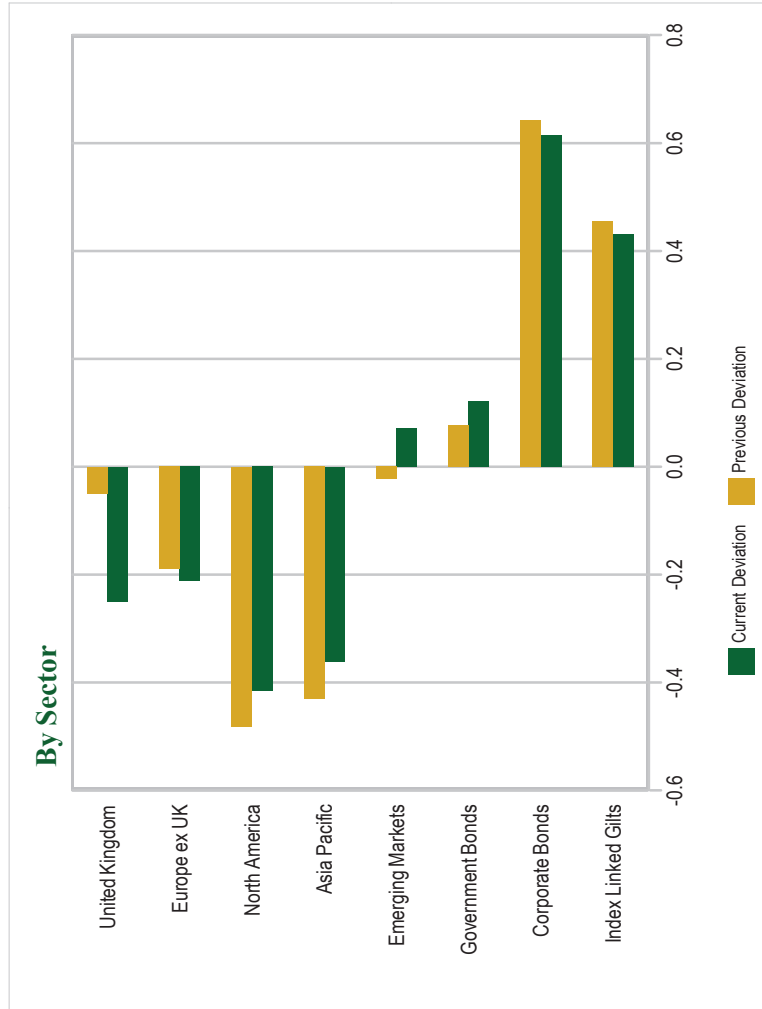


Three Years Rolling Relative Returns





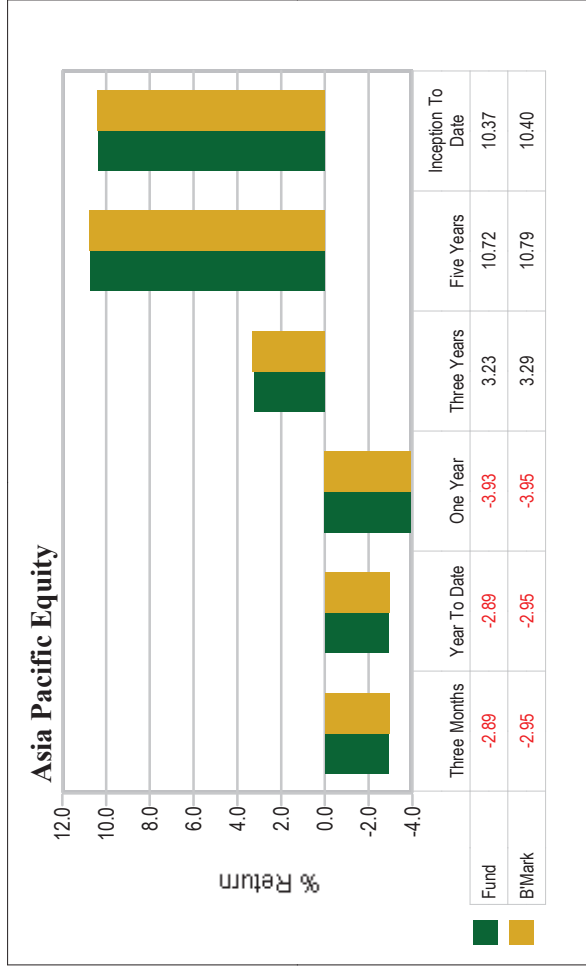
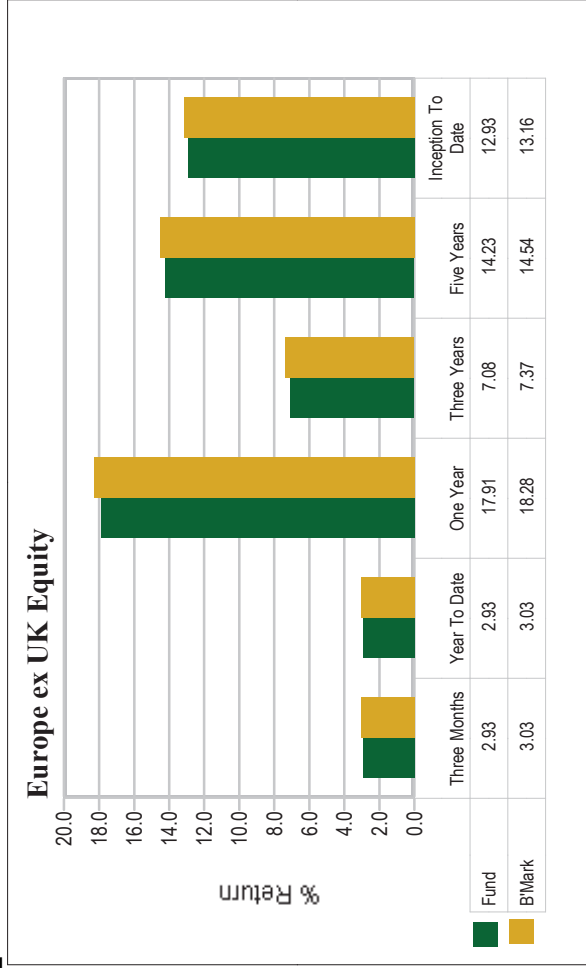
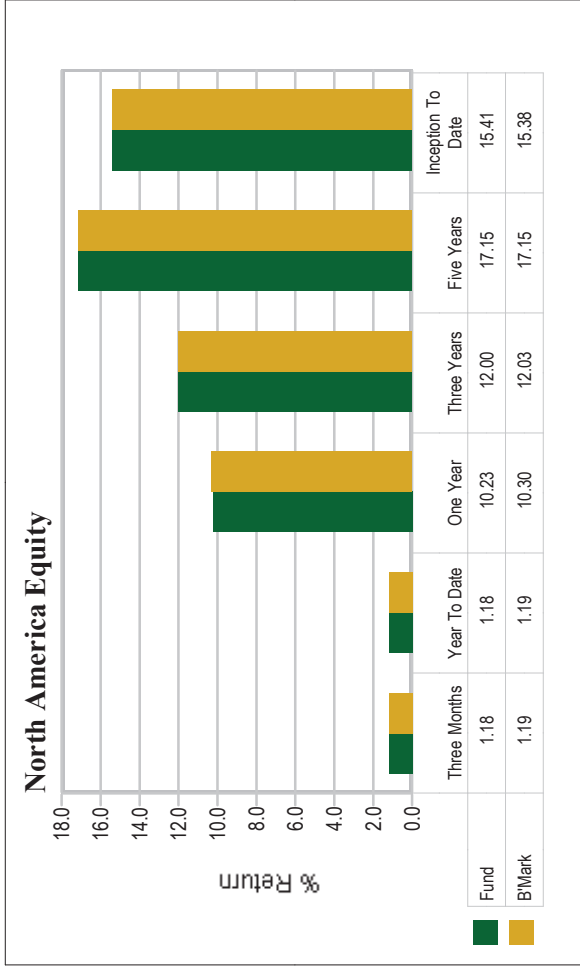
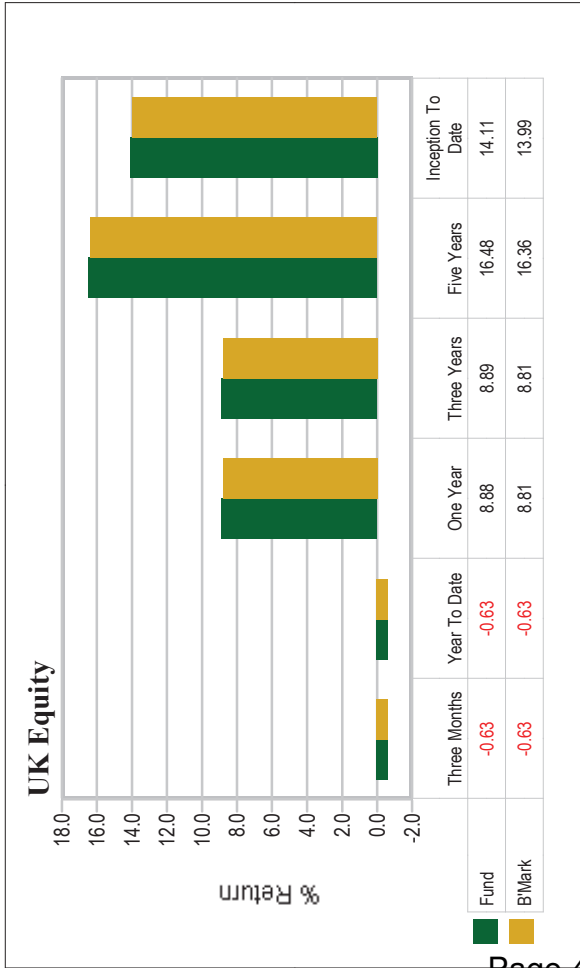
SSGA



	Current Quarter	Previous Quarter	Current Benchmark	Previous Benchmark	Current Deviation	Previous Deviation
United Kingdom	43.83	44.03	44.08	44.08	-0.25	-0.05
Europe ex UK	11.04	11.06	11.25	11.25	-0.21	-0.19
North America	11.02	10.96	11.44	11.44	-0.42	-0.48
Asia Pacific	11.13	11.06	11.49	11.49	-0.36	-0.43
Emerging Markets	3.05	2.96	2.98	2.98	0.07	-0.02
Government Bonds	1.49	1.45	1.37	1.37	0.12	0.08
Corporate Bonds	8.45	8.48	7.84	7.84	0.61	0.64
Index Linked Gilts	9.98	10.00	9.55	9.55	0.43	0.45

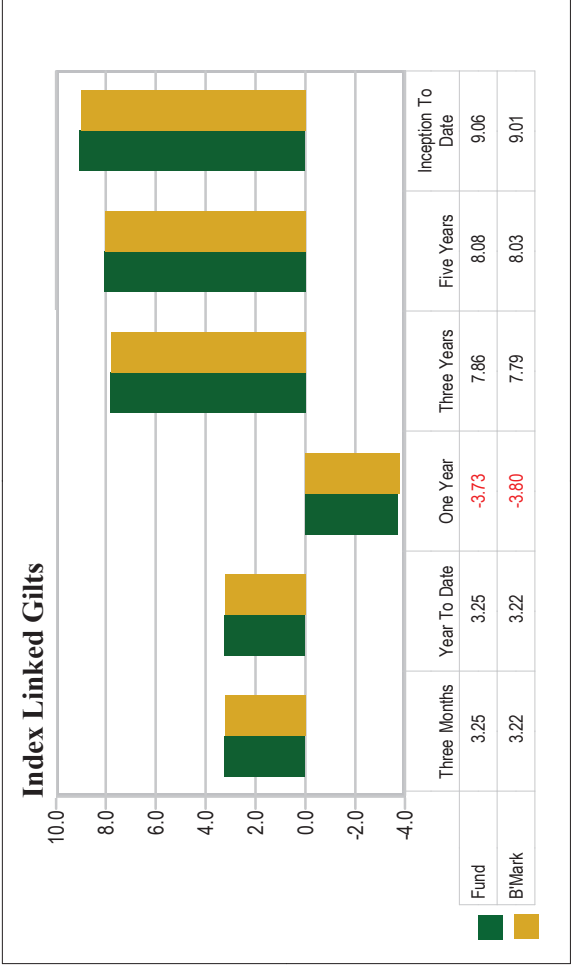
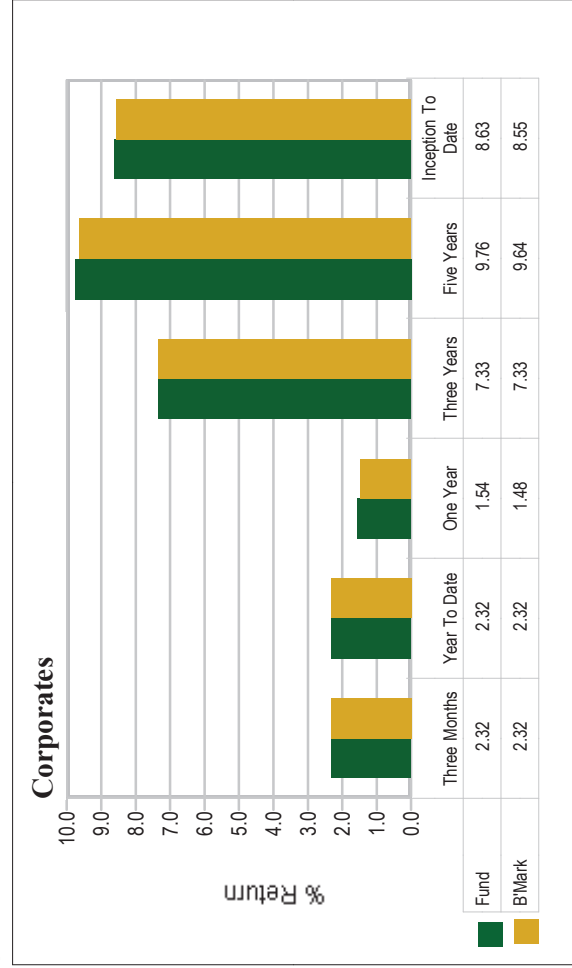
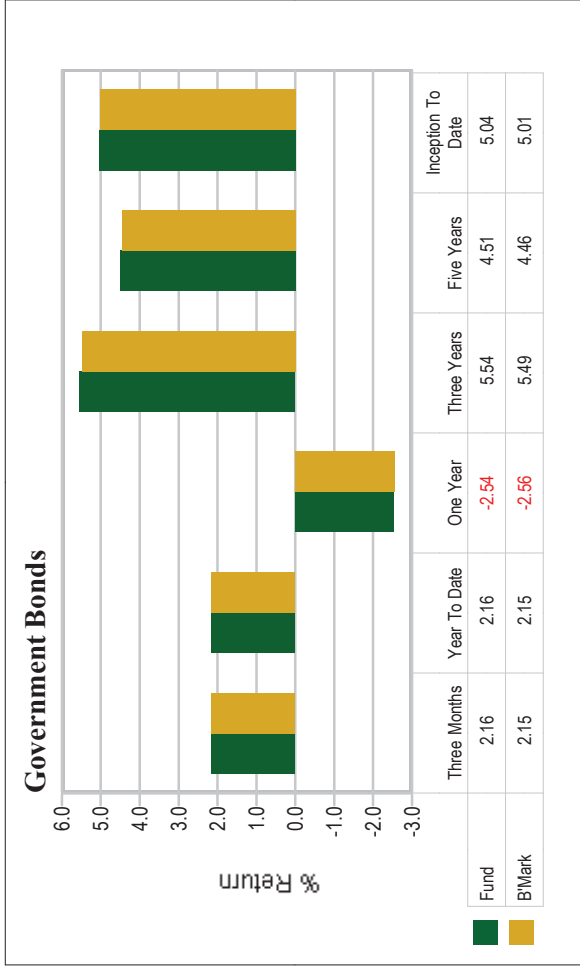
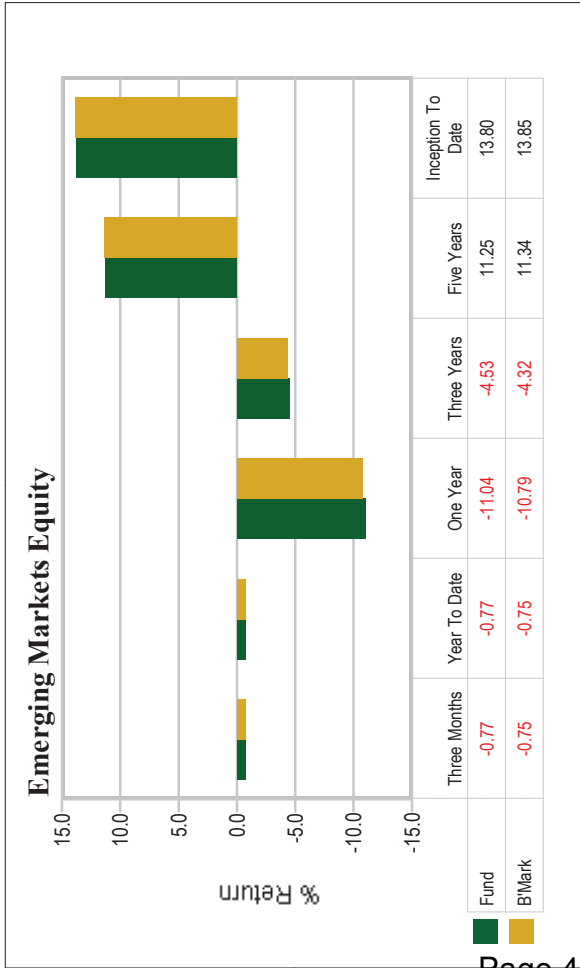


SSGA





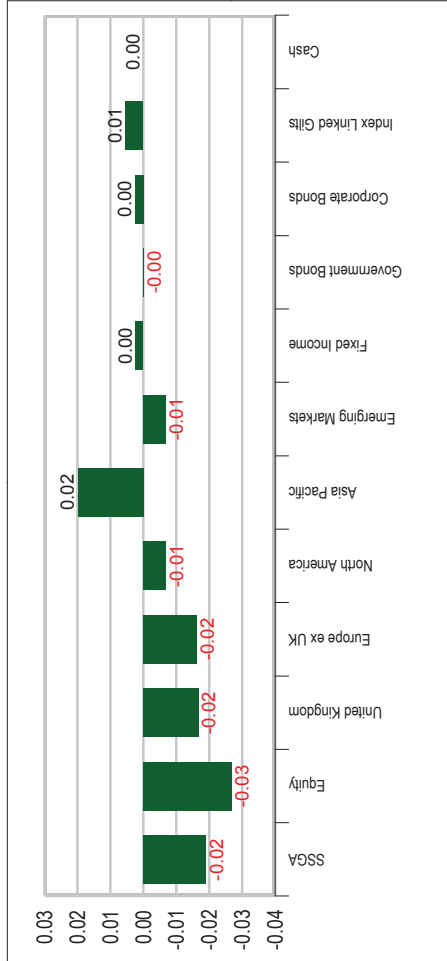
SSGA



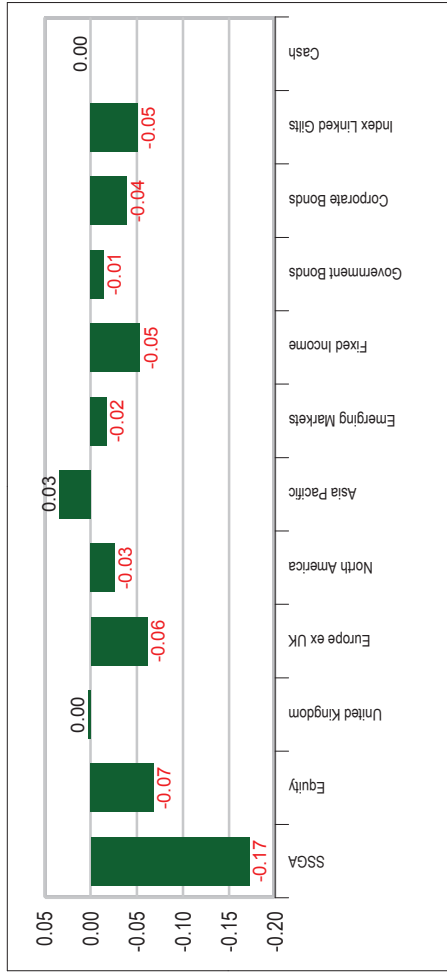


SSGA

Relative Contribution - Three Months



Relative Contribution - One Year

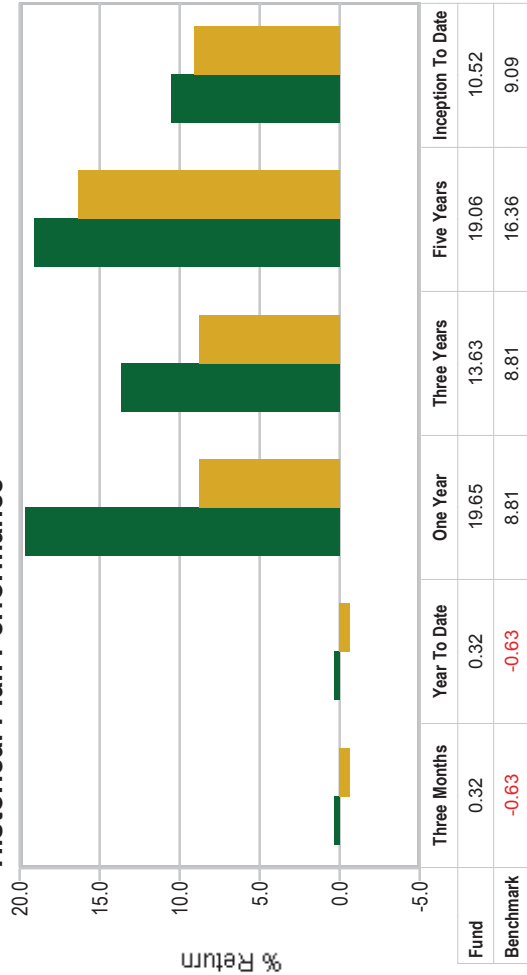


	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
SSGA	0.38	0.40	-0.02	-0.01	-0.00	-0.02
Equity	-0.21	-	-0.21	-0.02	-0.01	-0.03
United Kingdom	-0.63	-0.63	-0.00	-0.02	-0.00	-0.02
Europe ex UK	2.93	3.03	-0.10	-0.00	-0.01	-0.02
North America	1.18	1.19	-0.01	-0.01	-0.00	-0.01
Asia Pacific	-2.89	-2.95	0.06	0.01	0.01	0.02
Emerging Markets	-0.77	-0.75	-0.03	-0.01	-0.00	-0.01
Fixed Income	2.29	-	2.29	0.00	-0.00	0.00
Government Bonds	2.16	2.15	0.01	-0.00	0.00	-0.00
Corporate Bonds	2.32	2.32	-0.00	0.00	-0.00	0.00
Index Linked Gilts	3.25	3.22	0.03	0.00	0.00	0.01
Cash	-	-	0.00	0.00	0.00	0.00

	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
SSGA	5.82	6.01	-0.17	-0.17	0.00	-0.17
Equity	7.67	-	7.67	-0.06	-0.01	-0.07
United Kingdom	8.88	8.81	0.07	-0.03	0.03	0.00
Europe ex UK	17.91	18.28	-0.31	-0.03	-0.04	-0.06
North America	10.23	10.30	-0.06	-0.02	-0.01	-0.03
Asia Pacific	-3.86	-3.95	0.09	0.02	0.01	0.03
Emerging Markets	-11.04	-10.79	-0.29	-0.01	-0.01	-0.02
Fixed Income	0.93	-	0.93	-0.06	0.01	-0.05
Government Bonds	-2.54	-2.56	0.03	-0.01	0.00	-0.01
Corporate Bonds	1.54	1.48	0.07	-0.05	0.01	-0.04
Index Linked Gilts	-3.73	-3.80	0.07	-0.06	0.01	-0.05
Cash	-	-	0.00	0.00	0.00	0.00



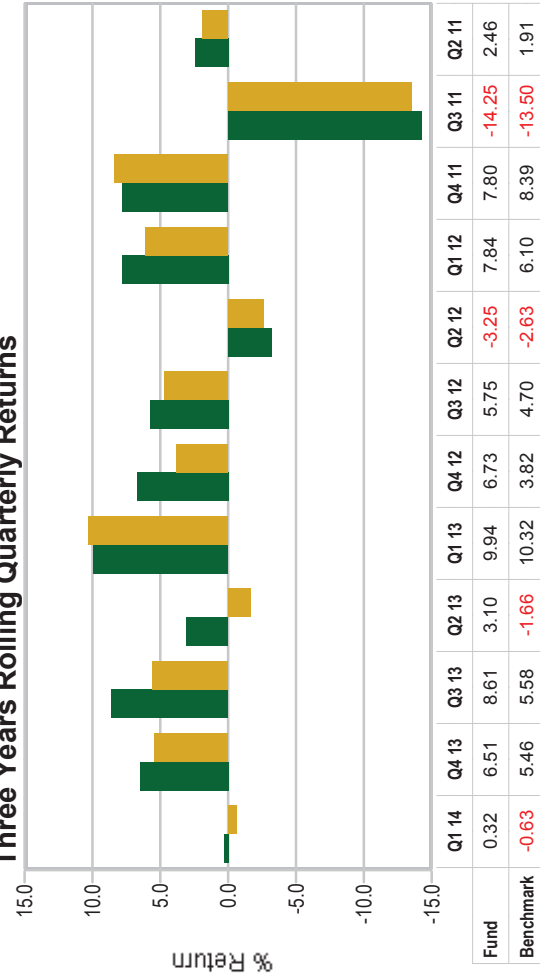
Historical Plan Performance



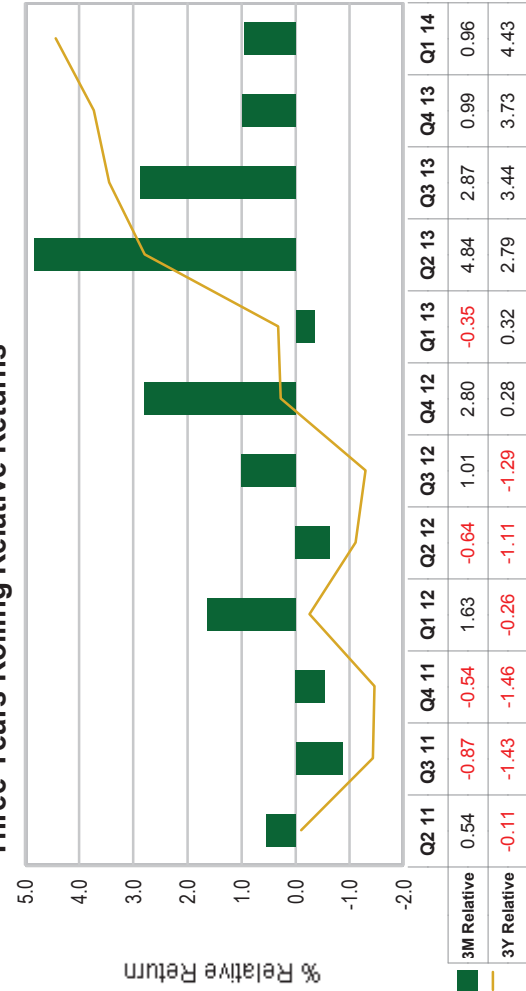
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	13.63	8.81
Standard Deviation	12.92	12.09
Relative Return	4.43	
Tracking Error	3.47	
Information Ratio	1.39	
Beta	1.03	
Alpha	4.31	
R Squared	0.93	
Sharpe Ratio	0.98	0.65
Percentage of Total Fund	16.0	
Inception Date	Dec-1988	
Opening Market Value (£000)	145,311	
Net Investment (£000)	-29,263	
Income Received (£000)	888	
Appreciation (£000)	-1,067	
Closing Market Value (£000)	115,870	

Three Years Rolling Quarterly Returns

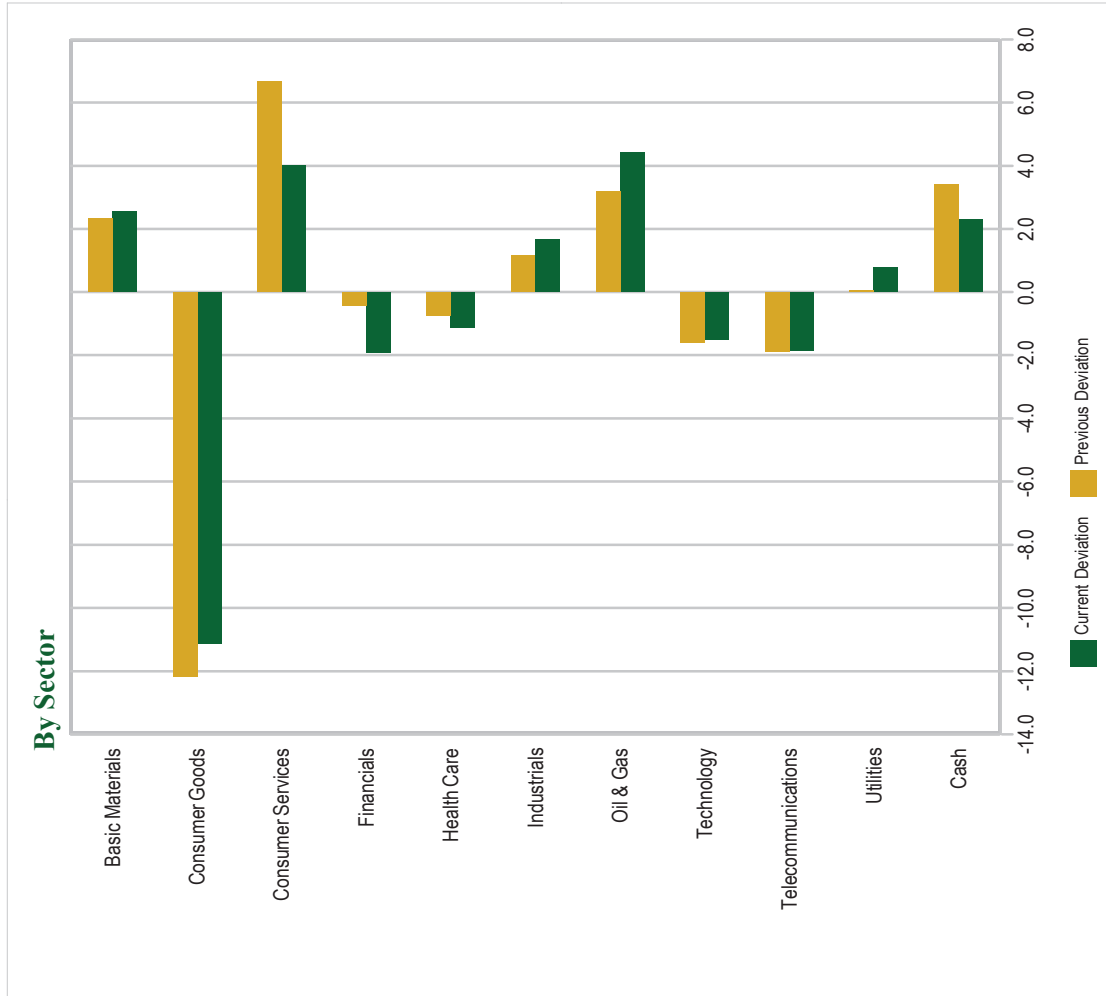


Three Years Rolling Relative Returns





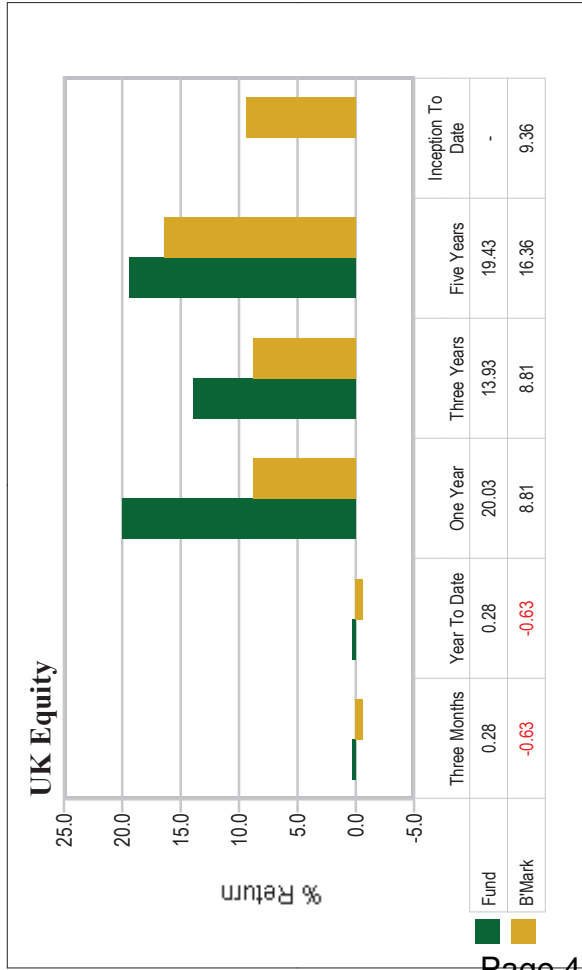
UBS



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Basic Materials	10.73	10.12	8.19	2.54	7.78	2.34
Consumer Goods	2.74	1.10	13.85	-11.11	13.27	-12.17
Consumer Services	14.98	17.35	10.97	4.02	10.69	6.66
Financials	22.17	23.50	24.09	-1.92	23.92	-0.43
Health Care	6.70	6.53	7.82	-1.12	7.27	-0.74
Industrials	12.14	11.41	10.47	1.66	10.26	1.15
Oil & Gas	18.99	17.59	14.57	4.42	14.40	3.19
Technology	1.50	1.61	1.50	-1.50	1.61	-1.61
Telecommunications	2.91	5.37	4.75	-1.84	7.26	-1.88
Utilities	4.59	3.58	3.80	0.79	3.53	0.05
Cash	2.32	3.42		2.32		3.42



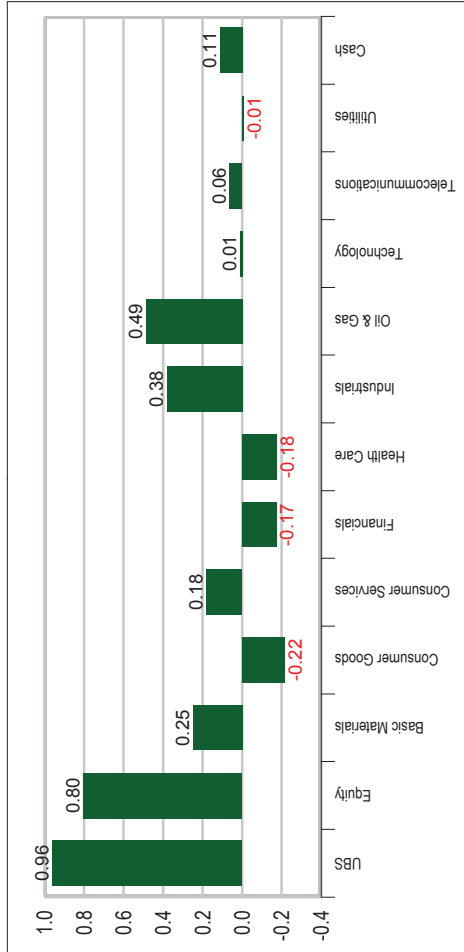
UBS



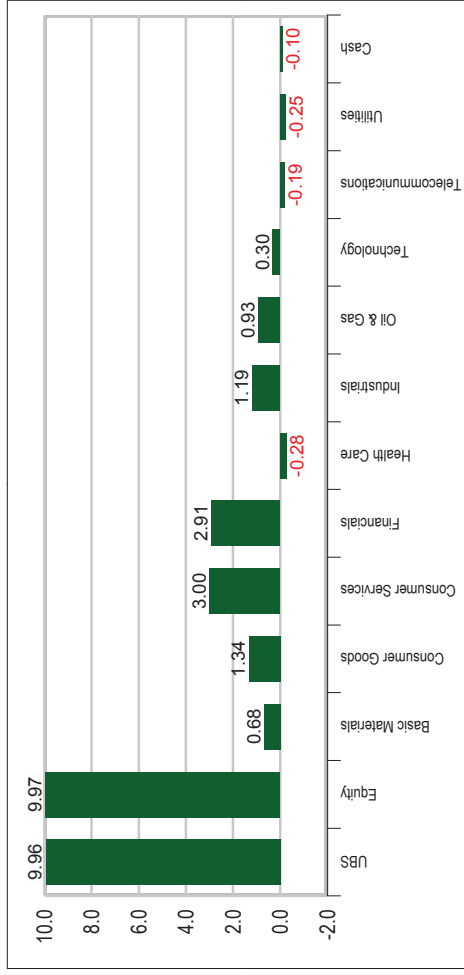


UBS

Relative Contribution - Three Months



Relative Contribution - One Year



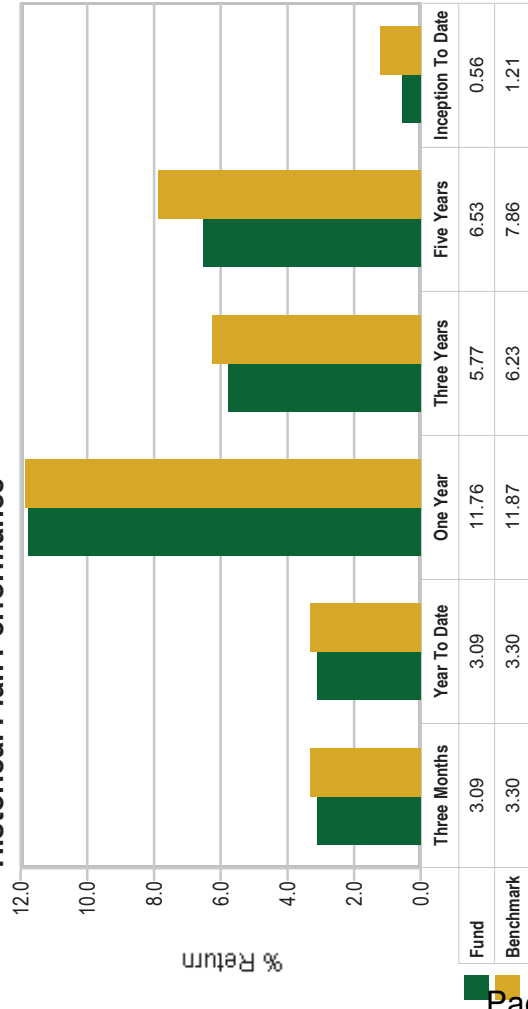
	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
UBS	0.32	-0.63	0.96	0.09	0.83	0.96
Equity	0.22	-0.63	0.85	-0.02	0.83	0.80
Basic Materials	4.19	2.44	1.70	0.07	0.18	0.25
Consumer Goods	6.32	1.84	4.39	-0.24	0.03	-0.22
Consumer Services	-0.36	-1.33	0.98	-0.01	0.19	0.18
Financials	-3.74	-2.81	-0.96	0.03	-0.20	-0.17
Health Care	2.31	4.40	-2.00	-0.04	-0.14	-0.18
Industrials	2.40	-1.02	3.46	-0.00	0.38	0.38
Oil & Gas	1.64	-1.21	2.88	0.00	0.49	0.49
Technology	-	-1.10	1.11	0.01	0.00	0.01
Telecommunications	-9.31	-7.59	-1.86	0.13	-0.07	0.06
Utilities	2.47	3.81	-1.29	0.03	-0.03	-0.01
Cash	0.71	-	0.71	0.11	0.00	0.11

	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
UBS	19.65	8.81	9.96	1.39	8.35	9.96
Equity	19.96	8.81	10.25	1.49	8.35	9.97
Basic Materials	4.31	-0.92	5.27	0.09	0.59	0.68
Consumer Goods	47.18	2.12	44.13	0.87	0.46	1.34
Consumer Services	31.01	16.32	12.63	0.69	2.29	3.00
Financials	21.89	6.72	14.21	0.01	2.90	2.91
Health Care	11.81	17.56	-4.89	0.01	-0.29	-0.28
Industrials	25.47	13.32	10.72	0.04	1.15	1.19
Oil & Gas	11.24	5.04	5.91	-0.07	1.01	0.93
Technology	-	13.12	-11.59	-0.02	0.32	0.30
Telecommunications	22.67	24.21	-1.24	-0.15	-0.04	-0.19
Utilities	-0.06	7.81	-7.30	0.02	-0.27	-0.25
Cash	1.17	-	1.17	-0.10	0.00	-0.10



UBS Property

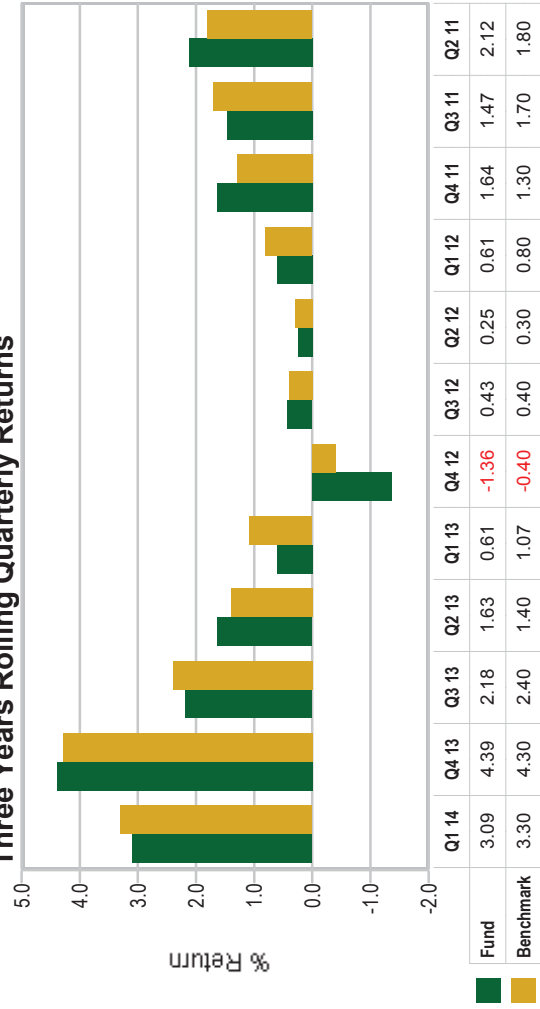
Historical Plan Performance



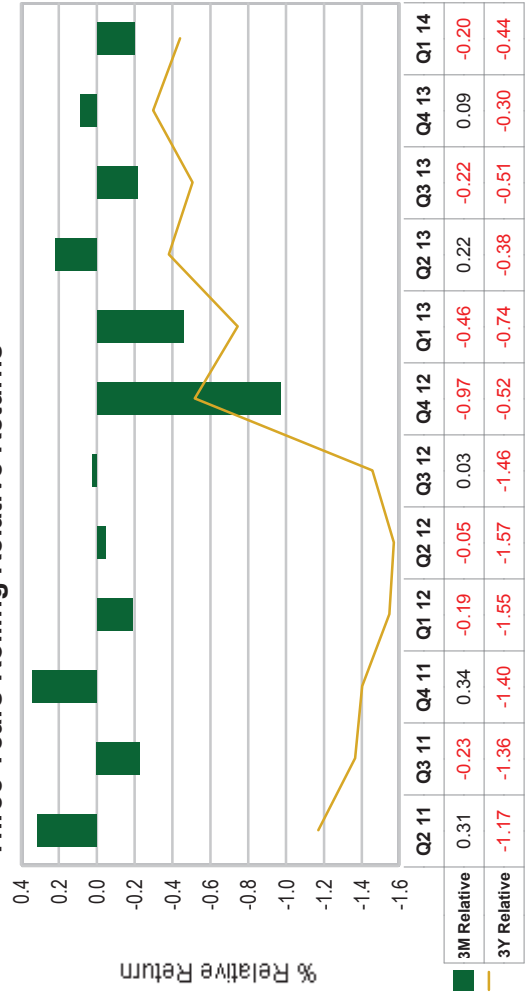
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	5.77	6.23
Standard Deviation	2.24	1.53
Relative Return	-0.44	
Tracking Error	1.39	
Information Ratio	-0.34	
Beta	1.13	
Alpha	-1.07	
R Squared	0.63	
Sharpe Ratio	2.13	3.41
Percentage of Total Fund	7.6	
Inception Date	Mar-2006	
Opening Market Value (£000)	53,388	
Net Investment £(000)	0	
Income Received £(000)	552	
Appreciation £(000)	1,100	
Closing Market Value (£000)	55,040	

Three Years Rolling Quarterly Returns



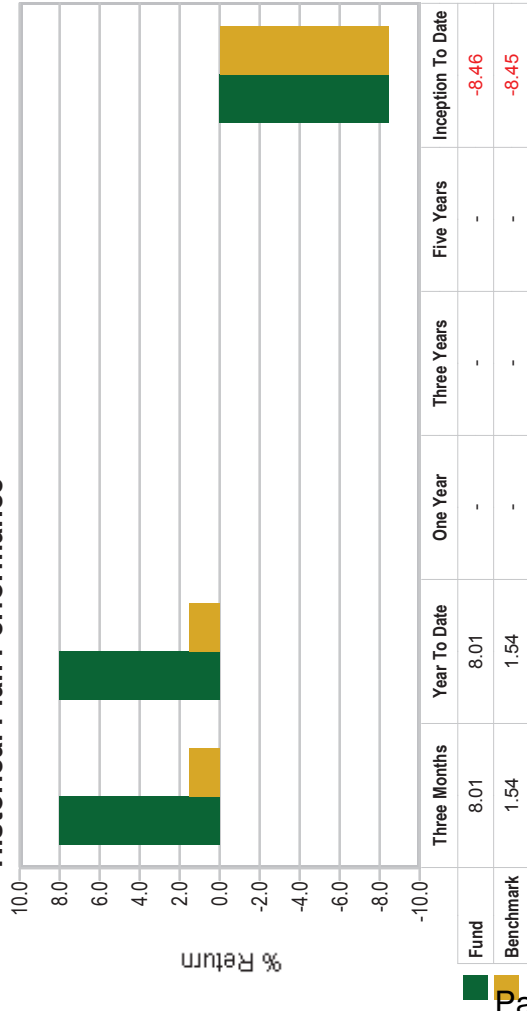
Three Years Rolling Relative Returns





UBS Tactical

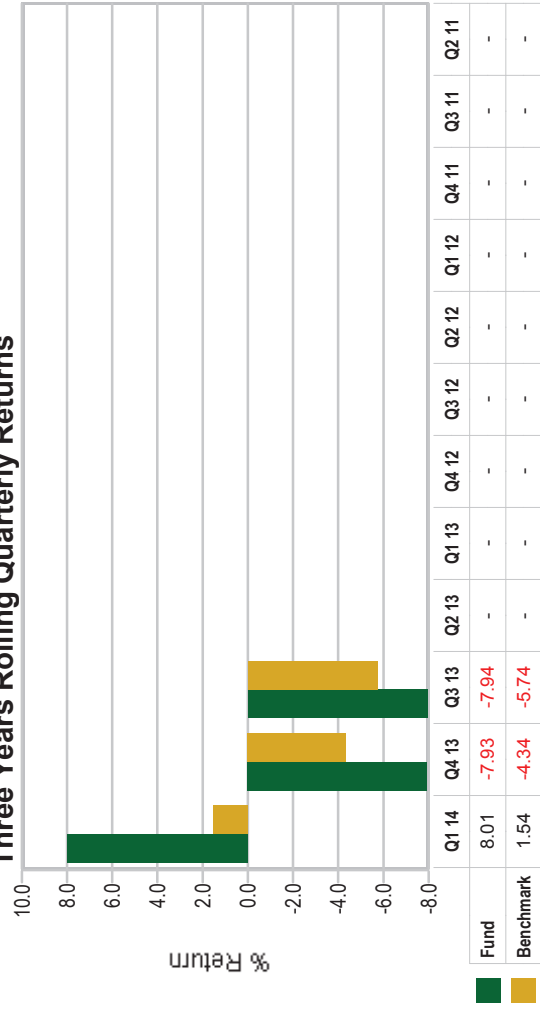
Historical Plan Performance



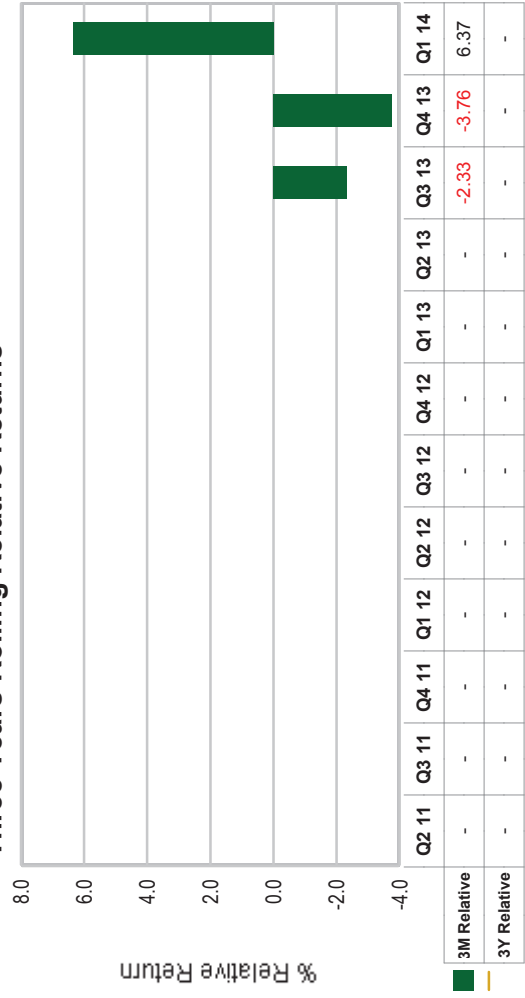
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	1.8	-
Inception Date	Jun-2013	-
Opening Market Value (£000)	11,919	-
Net Investment £(000)	0	-
Income Received £(000)	27	-
Appreciation £(000)	928	-
Closing Market Value (£000)	12,873	-

Three Years Rolling Quarterly Returns



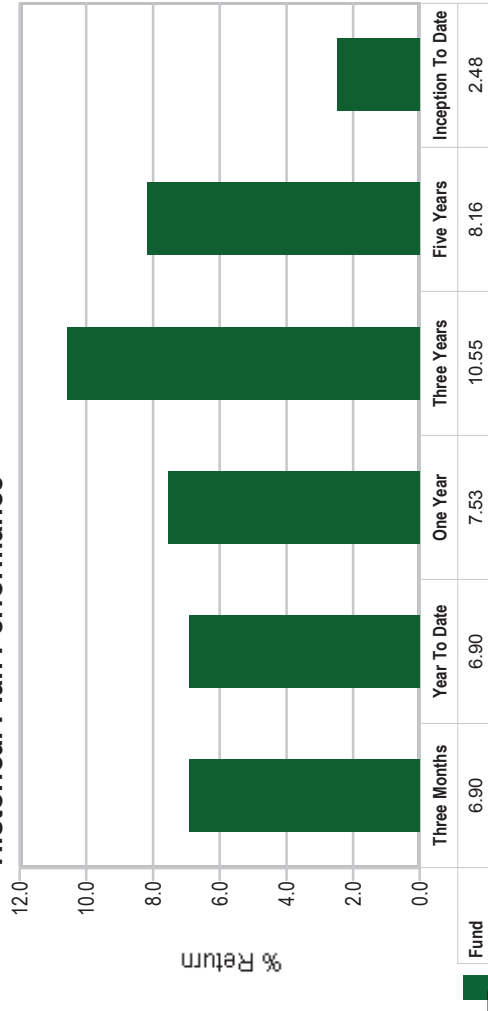
Three Years Rolling Relative Returns





Adam Street

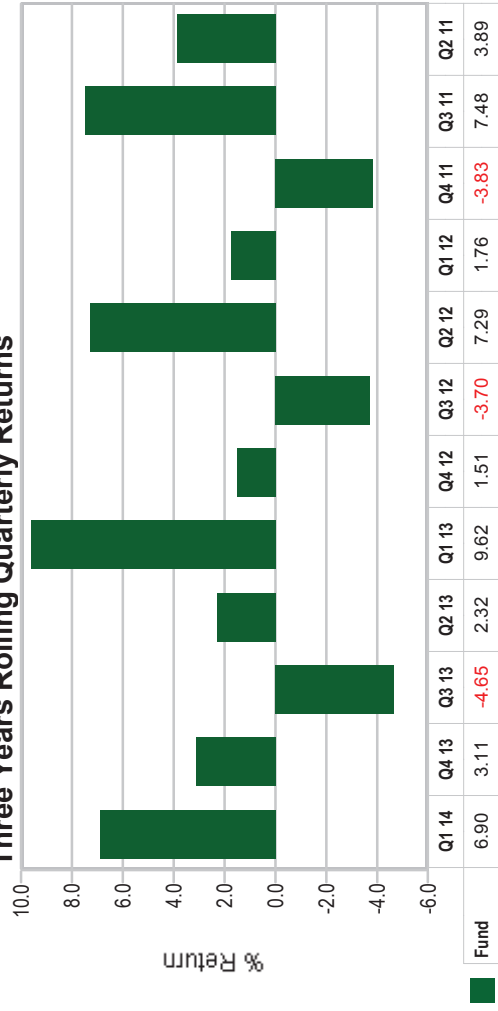
Historical Plan Performance



Risk Statistics - 3 years

	Fund	Bmark
Performance Return	10.55	
Standard Deviation	10.43	
Relative Return	0.50	
Tracking Error	10.43	
Information Ratio	0.05	
Beta	3.36	
Alpha	-17.54	
R Squared	0.00	
Sharpe Ratio	0.92	
Percentage of Total Fund	2.9	
Inception Date	Jan-2005	
Opening Market Value (£000)	20,834	
Net Investment £(000)	-1,015	
Income Received £(000)	0	
Appreciation £(000)	1,380	
Closing Market Value (£000)	21,199	

Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns



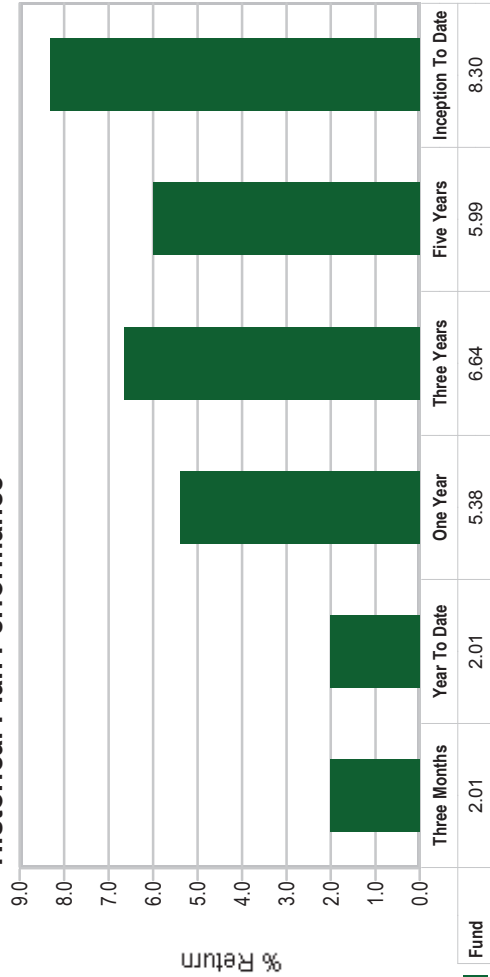
% Relative Return

3M Relative
3Y Relative



LGT

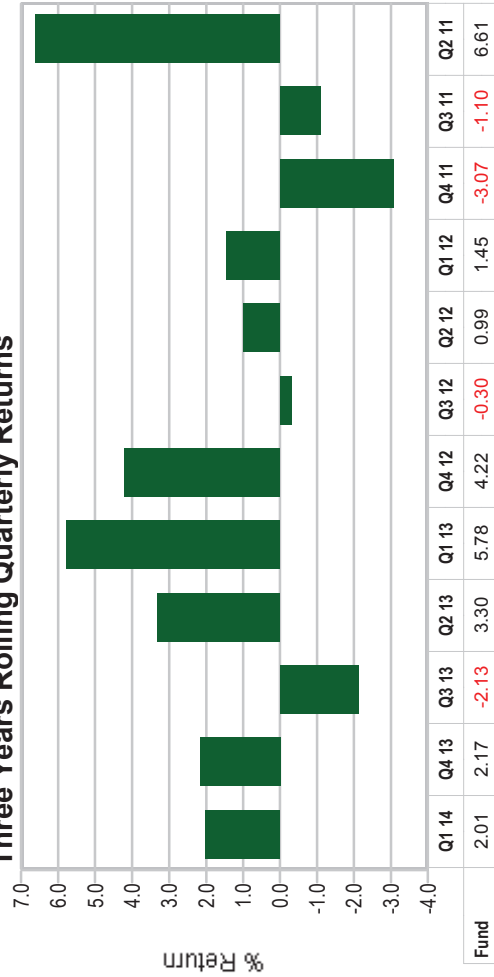
Historical Plan Performance



Risk Statistics - 3 years

	Fund	Bmark
Performance Return	6.64	
Standard Deviation	6.60	
Relative Return	-1.00	
Tracking Error	10.13	
Information Ratio	-0.11	
Beta	0.26	
Alpha	3.89	
R Squared	0.19	
Sharpe Ratio	0.85	
Percentage of Total Fund	2.2	
Inception Date	May-2004	
Opening Market Value (£000)	16,046	
Net Investment £(000)	-579	
Income Received £(000)	0	
Appreciation £(000)	310	
Closing Market Value (£000)	15,776	

Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns



% Relative Return

3M Relative
3Y Relative



Total Plan Benchmark

- 26.8 FTSE All Share
- 2.2 FTSE AW North America
- 2.2 FTSE AW Developed Europe ex UK
- 2.2 FTSE AW Developed Asia Pacific
- 0.6 FTSE All World All Emerging
- 2.3 FTSE Index Linked Gilts
- 4.7 BC Sterling Aggregate 100mm Non Gilts
- 7.2 IPD UK PPF1 All Balanced Funds Index
- 3.4 FTSE World Index +2%
- 6.0 MSCI All Countries World Index
- 24.6 LIBOR 3 Month + 3%
- 1.9 FT 7 Day LIBID
- 9.0 LIBOR 3 Month + 4%
- 6.9 MSCI World Index +2%

Barings

- 100.0 LIBOR 3 Month + 4%

JP Morgan

- 100.0 LIBOR 3 Month + 3%

Kempen

- 100.0 MSCI All World Index +2%

Macquarie

- 100.0 LIBOR 3 Month + 3%

M&G Investments

- 100.0 LIBOR 3 Month + 4%

Newton

- 100.0 FTSE World Index +2%

Ruffer

- 100.0 3 Month Sterling LIBOR

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

UBS

- 100.0 FTSE All Share

UBS Property

- 100.0 IPD UK PPF1 All Balanced Funds Index



Tracking Error

$$\sigma_{ER} = \sqrt{\frac{\sum (ER_t - \overline{ER})^2}{T}}$$
 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} Return) 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

$$\text{Information Ratio} = \frac{\overline{ER}}{\sigma_{ER}}$$

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

Where

Equals

\overline{ER} Return) 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

$$\alpha = \frac{\sum R_{yt}}{n} - \beta \frac{\sum R_{xt}}{n}$$

Where

Equals

R_{xt} Proxy return) Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)

R_{yt} Portfolio excess return (Portfolio return minus Risk Free Proxy return)

β those of the market) 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

$$\beta = \frac{n \sum R_{xt} R_{yt} - \sum R_{xt} \sum R_{yt}}{n \sum (R_{xt})^2 - (\sum R_{xt})^2}$$

Where

Equals

R_{xt} Proxy return) Market / Benchmark excess return (Benchmark return minus Risk Free Proxy return)

R_{yt} Portfolio excess return (Portfolio return minus Risk Free Proxy return)

β those of the market) 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

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

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

The R² 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 R² 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 liabilities, 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 profitability 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 potential performance of a bond issue. Also indicates the creditworthiness of a security's issuer. Moody's evaluates the bond issues and assigns a code with Aaa as the highest and C as the lowest.



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LONDON BOROUGH OF HILLINGDON ALTERNATIVE INVESTMENTS SCHEDULE AS AT 31 March 2014

LBH PRIVATE EQUITY FUNDS	COMMITMENTS		CALLED TO DATE		DISTRIBUTIONS		NET CURRENT		IRR
	BASE CURRENCY	% of Fund	% of Fund	% of Fund	RECEIVED	% of Fund	INVESTMENT	% of Fund	
LGT CAPITAL PARTNERS	£	%	£	%	£	%	£	%	%
	000		000		000		000		Mar-14
Crown Private Equity European Buyout Opport.	11,287	1.56	9,487	1.31	8,892	1.23	595	0.08	8.00
Crown Global Secondaries Plc (US\$)	1,803	0.25	1,574	0.22	1,406	0.19	168	0.02	5.24
Crown Private Equity European Fund	4,131	0.57	3,683	0.51	2,084	0.29	1,599	0.22	7.83
Crown Private Equity European Buyout Opport. II	8,263	1.14	5,734	0.79	2,000	0.28	3,734	0.52	4.16
Crown Asia-Pacific Private Equity Plc (US\$)	1,803	0.25	1,603	0.22	638	0.09	965	0.13	7.13
Crown European Middle Market II plc	3,305	0.46	1,734	0.24	580	0.08	1,154	0.16	10.63
Crown Global Secondaries II Plc (US\$)	1,322	0.18	1,025	0.14	682	0.09	343	0.05	22.14
TOTAL(S) LGT CAPITAL PARTNERS	31,914	4.41	24,840	3.43	16,282	2.25	8,558	1.18	
ADAMS STREET PARTNERS	£	%	£	%	£	%	£	%	Dec-13
									%
Adam Street Partnership Fund - 2005 US Fund	8,412	1.16	7,668	1.06	4,166	0.58	3,502	0.48	8.29
Adam Street Partnership Fund - 2005 Non-U.S Fund	3,605	0.50	3,301	0.46	1,623	0.22	1,678	0.23	7.71
Adam Street Partnership Fund - 2006 Non-U.S Fund	2,704	0.37	2,367	0.33	858	0.12	1,509	0.21	7.66
Adam Street Partnership 2006 Direct Fund	901	0.12	877	0.12	191	0.03	686	0.09	4.38
Adam Street Partnership Fund - 2006 US Fund, L.P	5,408	0.75	4,767	0.66	2,447	0.34	2,320	0.32	8.87
Adams Street Direct Co-Investment Fund, L.P.	1,802	0.25	1,722	0.24	621	0.09	1,101	0.15	4.32
Adams Street Partnership 2007 Direct Fund LP	300	0.04	281	0.04	103	0.01	178	0.02	9.22
Adams Street Partnership - 2007 Non -US Fund	1,052	0.15	809	0.11	209	0.03	600	0.08	9.12
Adams Street Partnership - 2007 US Fund	1,652	0.23	1,398	0.19	732	0.10	666	0.09	13.80
Adams Street Partnership - 2009 US Fund	901	0.12	482	0.07	110	0.02	372	0.05	20.11
Adams Street Partnership - 2009 Direct Fund	180	0.02	159	0.02	35	0.00	124	0.02	27.23
Adams Street Direct Co-Investment Fund II.	1,502	0.21	943	0.13	486	0.07	457	0.06	36.76
Adams Street 2009 Non-US Emerging Mkt Fund	180	0.02	99	0.01	0	0.00	99	0.01	3.69
Adams Street Partnership 2009 Non-US Developed Market	541	0.07	230	0.03	27	0.00	203	0.03	16.36
TOTAL(S) ADAMS STREET PARTNERS FUNDS	29,140	4.02	25,103	3.47	11,608	1.60	13,495	1.86	

FUND VALUE	724,291	
COMMITMENT STRATEGY	63,375	8.75%
TO ACHIVE INVESTMENT	36,215	5.00%
CURRENT INVESTMENT BOOK COST	22,053	3.04%
CURRENT INVESTMENT MARKET VALUE	39,545	5.46%

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Portfolio overview – Q1 2014



- ◆ 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 0.63x to 0.66x
- ◆ Total portfolio gains now amount to Euro 9.1 million, being Euro 19.5 million of NAV less Euro 10.4 million of net invested capital

Q1 2014	LBH Commitment	Drawn	Net Performance (in millions of Euros)			NAV	Gain	Cash Multiple		
			Returned	Net	NAV			D/PI	TV/PI	Gross
Total Euro Exposure	32.7	25.0	-16.4	8.6	16.0	7.4	0.66	1.30	76%	26%
Euro equivalent Dollar Exposure @ 1.3784 USD / Euro	5.9	5.1	-3.3	1.8	3.5	1.7	0.65	1.34	85%	30%
Total Exposure (in Euro millions)	38.6	30.0	-19.7	10.4	19.5	9.1	0.66	1.30	78%	27%

Q4 2013	1.3780	29.7	-18.6	11.0	19.3	8.2	0.63	1.28	77%	29%
Q3 2013	1.3535	29.3	-17.4	11.8	19.7	7.9	0.60	1.27	76%	31%
Q2 2013	1.3001	28.8	-16.2	12.6	20.1	7.5	0.56	1.26	74%	32%
Q1 2013	1.2814	28.5	-15.2	13.3	20.7	7.4	0.53	1.26	73%	34%
Q4 2012	1.3193	28.2	-14.1	14.1	21.1	7.0	0.50	1.25	73%	36%
Q3 2012	1.2863	27.6	-13.1	14.5	21.0	6.5	0.47	1.24	71%	37%
Q2 2012	1.2686	27.4	-12.2	15.2	21.2	6.0	0.45	1.22	70%	39%
Q1 2012	1.3329	26.4	-11.9	14.5	19.9	5.3	0.45	1.20	68%	37%
Q4 2011	1.2949	25.7	-11.2	14.5	19.6	5.1	0.44	1.20	66%	37%
Q3 2011	1.3387	24.7	-10.0	14.7	19.9	5.2	0.40	1.21	0%	38%
Q2 2011	1.4510	23.5	-9.1	14.4	18.8	4.4	0.39	1.19	61%	38%
Q1 2011	1.4158	22.4	-8.3	14.2	18.4	4.2	0.37	1.19	58%	37%
Q4 2010	1.3384	22.0	-7.3	14.6	17.5	2.9	0.33	1.13	57%	38%
Q3 2010	1.3633	20.9	-7.0	13.9	16.2	2.3	0.33	1.11	54%	36%
Q2 2010	1.2257	19.7	-5.9	13.8	15.5	1.7	0.30	1.08	50%	35%
Q1 2010	1.3509	18.7	-5.7	13.0	14.2	1.2	0.31	1.06	48%	34%
Q4 2009	1.4341	18.4	-5.4	13.0	13.6	0.7	0.29	1.04	48%	34%
Q3 2009	1.4643	17.3	-5.1	12.2	12.1	0.0	0.30	1.00	45%	32%
Q2 2009	1.4033	16.9	-4.9	12.0	12.3	0.2	0.30	1.02	44%	31%

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**London Borough of Hillingdon Pension Fund
Adams Street Partners Update: Fourth Quarter 2013**

Market Update

If there was one dominant theme in the private equity markets in 2013, it was the huge amount of liquidity generated by General Partners (GPs) in all subclasses on a global basis. The strong public equity markets helped contribute to a significant increase in IPO activity. In addition, very strong debt markets led to a surge in recapitalizations for many buyout fund portfolio companies.

Importantly, Adams Street Partners has been a meaningful beneficiary of this liquidity surge, sending a record amount of distributions back to our clients. Distributions from our underlying GPs totaled \$2.3 billion in 2013, up from \$1.9 billion in 2012. In terms of the US venture IPO market, Adams Street Partners funds directly or indirectly participated in 57% of the 74 venture-backed IPOs during the year, including Twitter and Zulily, which are meaningful events in the primary portfolio. Our direct venture/growth equity and co-investment portfolios had five portfolio companies launch IPOs. Importantly, the positive momentum of the public equity markets bodes well for more IPOs this year, particularly in the US where we expect our share of venture capital backed IPOs to remain around 60%. Indeed, the strong distribution pace has continued throughout the first quarter of 2014.

Portfolio Statistics as of December 31, 2013

	Inception Date	Committed / Subscription	Draw n / Subscription	Draw n / Committed	Total Value / Draw n	IRR Since Inception*	Public Market	4Q13 Gross IRR
Total Hillingdon Portfolio	02/2005	100%	85%	85%	1.31	8.58%	6.24%	7.76%
2005 Subscription	02/2005	100%	91%	91%	1.32x	8.11%	5.71%	6.85%
2006 Subscription	01/2006	100%	88%	88%	1.27x	7.87%	6.37%	7.68%
2007 Subscription	01/2007	100%	81%	81%	1.33x	11.63%	8.66%	9.62%
2009 Subscription	01/2009	100%	51%	51%	1.27x	19.87%	15.97%	9.12%
Direct Co-Investment Fund	09/2006	100%	96%	96%	1.18x	4.32%	3.78%	3.95%
Co-Investment Fund II	01/2009	100%	63%	63%	1.71x	36.76%	14.86%	15.58%

*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.

High Valuations: Great for Existing Investments, Challenging for New Investments

It's worth reminding investors of the long-term nature of the private equity asset class. Public market valuations impact our existing and future portfolios differently. Rising valuations depress current deployment rates, as prices for quality assets remain high. At the same time, higher valuations foster increased IPO activity and sales to highly valued and/or cash rich corporates, which benefits existing portfolios.

Our GPs, Venture Capital/Growth Equity, and Co-Investment Teams have been, and are generally likely to continue to be, more inclined to be sellers rather than buyers in this environment. Our GPs remain cautious on the buy side, but continue to find opportunities to invest with strong support from the debt capital markets. Over the past decade, we shifted our primary investment strategy away from generalist buyouts towards buyout managers with specialist skills in sourcing, understanding sectors, or being value buyers. We think this is especially important in the current environment. For example GPs that have a differentiated approach to sourcing include Trivest Partners, L.P. and Clearview Capital, LLC in the US, Latour Capital in France; GPs with deep sector knowledge include Oakley Capital Limited in the UK, Accel-KKR in the US and CMC in China.

Specific to our Primary investment activity, we made 24 investments around the world for a total of \$1.2 billion in 2013, 11 of which are new relationships. Often these were spinouts from existing firms (Aleph, Homebrew, Wing Ventures) or investors we have tracked for some time (Oakley, Clearview, Capitalworks, Da Vinci). All in all, these commitments represent a good mix of venture capital and small/mid-market buyout funds. Eighty-six percent of the funds we invested in were oversubscribed in the US and Europe, while only 50% were oversubscribed in Emerging Markets.

Our Venture Capital and Growth Equity Team is wary of the high valuations (particularly in the US, and predominantly in Silicon Valley) and shortened due diligence time periods. The price inflation in the private markets is a direct result of the high valuations that the public markets are bestowing on rapidly growing tech companies at scale. Suffice it to say that we have passed on many transactions for a later rounds of fundraising because they have been priced at 10X forward revenue. In this environment, we think that caution is warranted. The Venture Capital and Growth Equity Team has been actively sourcing transactions in areas outside of Silicon Valley, such as Europe and Israel which are relatively underfunded in venture. Prices have been creeping up, but are still less expensive than in Silicon Valley. This is similar to the rest of the US where prices have not reached Silicon Valley levels.

Finally, our Secondary Investment Team saw a slowdown in activity in 2013, due to pricing being driven up to high levels (often premiums to NAV) by well-funded competitors. After a slow first half of the year, volume picked up in the second half; nevertheless the market was very competitive and highly priced. We lost a number of transactions and closed seven (mostly outside the US) for a total of \$200 million, which was the lowest volume since 2007. Since the beginning of 2014, deal flow has picked up.

Final Thoughts

For additional commentary and perspectives from our CIO Hanneke Smits and each of our Investment Teams about 2013 and our outlook for the balance of 2014, we encourage you to read our Spring Newsletter. Lastly, we are pleased to report that our CEO Bon French was selected by the editorial teams of Reuters News, Reuters Deals Group, Buyouts Magazine, and Venture Capital Journal as an inaugural recipient of a Lifetime Achievement Award, recognizing his contributions to the private equity industry. Bon was honored at an awards dinner during Reuters' PartnerConnect Conference in New York City on March 26, its flagship alternatives event.

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The following summary is based on 85 funds with a total Market Value of £175,441m.

FINAL

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	63.5	62.6	0.2	0.5	8.4	6.8	8.4	6.8
GLOBAL POOLED INC UK	5.5	5.6	0.6	0.5	8.6	6.8	8.6	6.8
UK EQUITIES	24.8	23.9	-0.5	-0.6	11.3	8.8	11.3	8.8
OVERSEAS EQUITIES	33.2	33.1	0.6	0.8	6.4	9.0	6.4	9.0
North America	11.6	11.6	1.5	1.2	11.9	10.3	11.9	10.3
Europe	8.5	8.5	2.5	3.0	15.1	18.3	15.1	18.3
Japan	3.3	3.1	-6.1	-6.0	0.5	-1.6	0.5	-1.6
Pacific (ex Japan)	3.2	3.2	0.4	1.0	-7.1	-6.6	-7.1	-6.6
Emerging Markets	5.5	5.8	-0.5	-0.7	-5.1	-10.8	-5.1	-10.8
Global ex UK	1.0	1.0	0.8	0.8	10.8	9.0	10.8	9.0
TOTAL BONDS	16.1	16.5	2.4	-	-1.6	-	-1.6	-
U.K. BONDS	9.5	9.5	2.3	2.1	0.4	-2.6	0.4	-2.6
OVERSEAS BONDS	2.1	2.5	1.6	2.2	-6.1	1.5	-6.1	1.5
INDEX LINKED	3.6	3.7	3.4	3.2	-4.4	-3.8	-4.4	-3.8
POOLED BONDS	0.8	0.8	1.6	-	0.6	-	0.6	-
TOTAL CASH	2.7	3.0	0.4	0.1	1.4	0.4	1.4	0.4
ALTERNATIVES	7.5	7.5	2.1	-	3.9	-	3.9	-
Total Private Equity	4.1	4.2	3.1	-	5.4	-	5.4	-
Total Hedge Funds	2.3	2.2	1.0	-	3.6	-	3.6	-
Other Alternatives	1.1	1.2	0.7	-	-0.8	-	-0.8	-
TOTAL POOLED MULTI ASSET	2.8	2.8	0.6	-	3.1	-	3.1	-
TOTAL EX-PROPERTY	92.7	92.5	0.8	0.9	6.0	5.6	6.0	5.6
TOTAL PROPERTY	7.3	7.5	3.1	3.9	11.0	14.0	11.0	14.0
TOTAL ASSETS	100.0	100.0	0.9	1.1	6.4	6.0	6.4	6.0

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Administration Report

Contact Officers

Nancy Leroux, 01895 250353

Papers with this report

SUMMARY

This report provides an update on the outsourced Pensions Administration contract, the latest pension administration performance data, and early retirements in the last quarter of 2013-14. Performance targets were agreed as part of the service level agreement with Capita and conform to national targets set for England and Wales.

RECOMMENDATIONS

It is recommended that Pension Committee:

- 1. Note the ongoing Officer action in relation to the Capita Pensions Administration contract.**
- 2. Review the latest administration performance statistics.**
- 3. Note the latest information in respect of early retirements and communications.**

1. Update on the Pensions Administration Contract

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. The Framework contained performance levels expected to be delivered. These levels have declined over the last year, and data quality issues have also been raised.

Previous reports to Pensions Committee have highlighted officers concerns with the management of this contract by CEB and assured Pensions Committee that action would be taken to address the issues.

A contract review meeting was held on 10 April 2014 with the Capita managers responsible for the contract to emphasise Hillingdon's concerns. In particular they were informed that the quality of the Hillingdon data had deteriorated considerably from transfer and that confidence in their ability to maintain Hillingdon's data was reducing. Further, concerns were raised about the low number of staff they had working on the Hillingdon contract, evident from the falling monthly performance figures. Officers made it clear that administration must improve and that by the end of this calendar year, 2014, all data issues should be resolved and all performance levels should be exceeding 95%.

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At the meeting It was agreed CEB would provide a recovery plan, detailing how and when they would bring both their performance up to an acceptable level and return the data held back to the same quality as it was before the transfer.

The recovery plan, which is now in place, identifies measurable milestones and daily reports from CEB are being received indicating cases due to be completed that day, and cases outstanding from the previous working day. The reports are being actioned daily to monitor progress, to undertake spot checks on the actions taken and to ensure that all death cases are fully tracked to ensure timely dispatch of information. Within the recovery plan there are targets for the number of cases to be completed monthly, which will enable the full membership update to be tracked.

Early performance is not encouraging, although recovery action during May did improve a little. Progress against the recovery plan will be closely monitored and the Corporate Director of Finance will be kept up to date. Progress will also be reported to both Investment Sub Committee and Pensions Committee.

2. Administration Performance Information

Performance is reported monthly and monitored against the service level agreement contained within the Framework Agreement. Targets are measured in working days for each function performed as part of the administration contract, against a target of 100%.

Performance statistics for the last six months are detailed below, which clearly showed a marked improvement over the last quarter of the 2013/14 financial year.

- October - 51.05%
- November - 45.03%
- December - 88.33%
- January - 88.19%
- February - 84.25%
- March - 89.71%

Over the quarter, overall average performance was 87.38% per month, an improvement of 25.94% per month over the previous quarter.

Details of performance by area are shown in the table attached. The performance in respect of sending condolence letters continues to be an area of high concern and officers are now monitoring all notifications of Deaths on a daily basis, to ensure CEB improve their performance in this area immediately.

- There were 66 reported death cases in the last quarter, which is higher than usual (in the previous quarter there were 19 cases), however, in this area performance should be at 100%.
- There were 84 Notification of Dependents Benefits due to be sent out in the last quarter, of these 30 were sent out late. All but 2 of these cases were

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completed within 7 days, however 1 was completed after 9 days and the longest delay was 12 working days.

- Deferred Benefits were also a concern. Of the 179 cases, 49 were over target. Whilst this area is lower in priority than immediate payment of benefits, an achievement of only 45% against target is not acceptable.

Within the framework agreement, CEB allowed for 100% performance against agreed tasks. As this level of performance has not been achieved, their monthly fees will be reduced by the maximum allowable under the contract, resulting in a rebate of 10% of the monthly contract charge.

Capita are aware that any impact on performance from the recovery plan will not be acceptable, a continued improvement in performance going forward is required.

3. Early retirement statistics & costs monitor

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
2010/2011	20	0	11	34
2011/2012	65	0	12	24
2012/2013	23	0	6	14
2013/2014 - 1 st qtr	3	0	0	11
2013/2014 - 2 nd qtr	8	0	2	14
2013/2014 - 3 rd qtr	30	0	0	8
2013/14 - total	50	0	3	45

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. 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 was locked in to the rate until March 2014.

This report compares actual costs of early retirements against the additional 1% contributions paid into the Fund 3 year valuation period.

Detail for Valuation Period 01.04.2011 to 31.03.2014

	Capital Cost of early retirement to the fund £000s	Payroll Total £000s	Cost as a % of payroll
2011/12	£1,108	£102,450	1.08

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2012/13	£983	£95,114	1.03
2013/14	£900	£98,260	0.92
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 2014. The Payroll total for 2013/14 has increased, this is due to the higher number of pension scheme members resulting from the Auto Enrolment exercise in February 2013.

4. Communications Update

As part of the framework agreement, an Employees website has been developed, which will allow all scheme members read only access to their own pension record and will also allow members to download and print forms from the website. All previous CEB issued Annual Benefit Statements will be accessible. Testing has now been completed and login details will be sent out to all active scheme members shortly. Deferred members and Pensioner members will be sent details of the website, together with login details later in the year.

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.

**PENSIONS ADMINISTRATION PERFORMANCE
JANUARY 2014 TO MARCH 2014**

WORK TASK	ACTION REQUIREMENTS	JANUARY 2014		FEBRUARY 2014		MARCH 2014	
		Number of cases	% completed in target	Number of cases	% completed in target	Number of cases	% completed in target
Condolence Letter	3 Days	25	68.00	24	58.33	17	76.47
Actual Retirement Benefits	3 Days	50	96.00	48	93.75	32	93.75
Letter notifying Dependants Benefits	5 Days	15	80.00	42	64.29	27	55.55
Process Refund	10 Days	23	91.30	37	97.30	37	94.59
Transfers in Actual	10 Days	6	83.33	5	100.00	10	100.00
Transfers in quote	10 Days	13	84.62	7	100.00	13	76.92
Answer General Letter	5 Days	211	84.83	219	88.13	205	93.17
Calc/Notify Deferred	15 Days	62	87.10	61	83.61	56	45.00
Estimate of Retirement Benefits	5 Days	47	91.49	44	81.81	25	88.00
Transfers Out Quote	5 Days	12	91.67	8	75.00	4	75.00
Transfers Out Actual	9 Days	4	75.00	16	56.25	7	85.71
New Entrants	20 Days	74	100.00	74	98.65	92	98.91
Added Years	10 Days	0	n/a	0	n/a	0	n/a

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Agenda Item 7

Local Government Pension Scheme Amendments; Consultations & Update	
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<i>Contact Officers</i>	Nancy Leroux Tel: 01895 250353
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<i>Papers with this report</i>	None
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SUMMARY

This report provides an update on recent changes to the Local Government Pension Scheme (LGPS) and further consultations on proposed scheme changes.

RECOMMENDATIONS

The report is for information only.

INFORMATION

1. Councillor Membership of the LGPS

In March 2014 the Government laid before Parliament regulations which ended the right of Councillors to enter the LGPS. The final regulations which took effect from 1 April 2014 state that no new Councillor members may join the scheme from 1 April 2014 and any current Councillor members may only remain in the scheme for the duration of their current office. For London this had the effect that the last day of Councillor Membership in Hillingdon was 26 May 2014 (4 days after the 22nd May 2014 election). All Councillor Members of the scheme have been contacted individually explaining when they will be sent further information about their accrued rights in the scheme. Government have been lobbied to reconsider this decision but to no avail.

2. Member Training

A brief guide to the local government pension scheme will shortly be made available to all Members of Committee. This guide has been produced by Hymans Robertson specifically for elected members new to Pensions Committee.

Training will be arranged for all new members over the coming months, although this will commence with members of the Investment Sub Committee. It is hoped that an early meeting of the ISC can be arranged during July.

3. DCLG Consultation on Opportunities for collaboration, cost savings and efficiencies in the LGPS

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The government launched its long awaited consultation on the future structure of the LGPS in England and Wales at the beginning of May, focusing on opportunities for cost savings and efficiency in investment management. The consultation explains that the government proposes to leave decisions on asset allocation with local authorities and is consulting on the use of collective investment vehicles and the greater use of passive management. The Government wishes to explore greater use of passive management, to the extent that this can be done without adversely affecting investment returns. It had been expected that Fund merger's would be proposed, but this is not the government's preferred option. The government's primary aim is cost reduction.

The consultation is seeking responses to 5 questions - Questions 1 to 4 relate to the use of collective investment vehicles and question 5 relates to passive management:

Q1. Do you agree that common investment vehicles would allow funds to achieve economies of scale and deliver savings for listed and alternative investments? Please explain and evidence your view.

Q2. Do you agree with the proposal to keep decisions about asset allocation with the local fund authorities?

Q3. How many common investment vehicles should be established and which asset classes do you think should be separately represented in each of the listed asset and alternative asset common investment vehicles?

Q4. What type of common investment vehicle do you believe would offer the most beneficial structure? What governance arrangements should be established?

Q5. In light of the evidence on the relative costs and benefits of active and passive management, including Hymans Robertson's evidence on aggregate performance, which of the 4 options set out below offers best value for taxpayers, Scheme members and employers?

The 4 options on passive investment are:

- Funds could be required to move all listed assets into passive management, in order to maximise the savings achieved by the Scheme.
- Alternatively, funds could be required to invest a specified percentage of their listed assets passively; or to progressively increase their passive investments.
- Fund authorities could be required to manage listed assets passively on a "comply or explain" basis.
- Funds could simply be expected to consider the benefits of passively managed listed assets, in the light of the evidence set out in the consultation paper and the Hymans Robertson report.

The closing date for the consultation is 11 July 2014. A link to the consultation is included at the end of this report. Officers are working closely with Advisors to monitor the impact of this consultation and any potential impact of the Hillingdon Fund going forward.

The development of the London wide Collective Investment Vehicle (reported to Committee in March) is very much in line with government's aims. At this stage there are 3 other London

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boroughs who have not yet made any commitment to join the CIV - Bromley, Harrow and Havering.

3. Impending Draft Regulations on Governance and Implementation of Local Pension Boards

At the time of writing this report, the long awaited draft governance regulations for LGPS in England and Wales remain outstanding. What is known is that as part of the LGPS Governance reform, each Administering Authority of the LGPS, will need have in place a Pension Board with effect from 1 April 2015. Pensions Boards will be responsible for ensuring that the LGPS is being administered in accordance with the regulations and that all pension contributions are being paid in to the scheme on-time and the correct amounts are being paid by each employer. There will also be rules governing the membership of the Board, employer and employee representation. Effectively the Board will be a scrutiny body and so separate from the current Pension Committee arrangements. The Head of Democratic Services is aware of this impending change and that as a result the current governance arrangements of for the Pension Fund will require to be changed.

Note: it is normal practice to hold an election every 4 years for the employee and pensioner member representatives on Committee. As the governance regulations will require a change from April 2014 it would not be prudent to hold an election at this time. The current member representatives Andrew Scott and John Holroyd have agreed to remain on Committee until the changes are clarified.

Background Documents:

DCLG Consultation document: <https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

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