



HILLINGDON
LONDON



Pensions Committee

Date: WEDNESDAY, 10
DECEMBER 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)
Tony Eginton (Labour Lead)
Beulah East
Raymond Graham
John Morse
Richard Mills
David Simmonds

Advisory Members

John Holroyd
Andrew Scott

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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.

Agenda

CHAIRMAN'S ANNOUNCEMENTS

PART I - Members, Public and Press

- 1 Apologies for Absence
- 2 Declarations of Interest in matters coming before this meeting
- 3 Minutes of the meeting -23 September 2014 1 - 6
- 4 To confirm that items marked Part I will be considered in public and those marked Part II will be considered in private
- 5 Review on Performance Measurement of the Pension Fund 7 - 66
- 6 Pensions Administration Performance Report 67 - 70
- 7 Governance Update - Local Pension Board 71 - 72

PART II - Members Only

- 8 Report from the Investment Strategy Sub-Committee 73 - 82
- 9 Pensions Administration Performance Report 83 - 86

Agenda Item 3

Minutes

Pensions Committee

23 September 2014

Meeting held at Committee Room 4 - Civic Centre,
High Street, Uxbridge UB8 1UW



HILLINGDON
LONDON

	<p>Committee Members Present: Councillors Philip Corthorne (Chairman), Tony Eginton, Raymond Graham, Phoday Jarjussey, John Morse, Richard Mills, Susan O'Brien and David Simmonds.</p> <p>Advisory Members: John Holroyd and Andrew Scott.</p> <p>Apologies: Councillors Beulah East (Councillor Phoday Jarjussey substituting) and Michael Markham (Councillor Susan O'Brien substituting).</p> <p>LBH Officers Present: Tunde Adekoya, Ken Chisholm, Nancy LeRoux, Paul Whaymand and Khalid Ahmed.</p> <p>Also Present: Heather Bygrave (Deloitte), Scott Jamieson (Advisor) and David O'Hara (Advisor).</p>	
13.	<p>DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING</p> <p>Councillors Corthorne, Eginton, Jarjussey, Mills, O'Brien and Simmonds all declared Non-Pecuniary Interests in all Agenda Items, because they were "deferred" members of the Local Government Pension Scheme. They all remained in the room.</p> <p>Advisory Member, John Holroyd declared a Non-Pecuniary Interest in all Agenda Items, because he was a member of the Local Government Pension Scheme. He remained in the room.</p>	Action by
14.	<p>MINUTES OF THE MEETING OF 18 JUNE 2014</p> <p>Agreed as an accurate record.</p>	
15.	<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 9 and 10 be considered in private for the reasons stated on the agenda and the rest of the items be considered in public.</p>	
16.	<p>EXTERNAL AUDITOR REPORT ON THE PENSION FUND ANNUAL REPORT AND ACCOUNTS</p> <p>Consideration was given to the report which summarised the findings of the External Auditor on the audit of the 2013/14 Pension Fund</p>	

	<p>Annual Report and Accounts.</p> <p>Heather Bygrave from Deloitte introduced the report and reported that subject to final points, they expected to issue an unmodified opinion on the financial statements.</p> <p>Reference was made to the significant audit risks and how these had been addressed.</p> <ul style="list-style-type: none"> • Completeness and Accuracy of Contributions- A satisfactory conclusion had been reached in this area which had been based on the results from the procedures performed. • Valuation of Investments- Reference was made to there being less than 5% of funds in private equity funds and this was noted. In addition it was noted that consideration was to be given to the Committee annually reviewing the Funds audited accounts. The Committee was informed that no issues had been identified during testing. • Accuracy of Benefit Calculations – Complexities in the calculation of both benefits in retirement and ill health and death benefits had been reviewed with no identified issues. • Management Override of Controls – All testing had been completed with satisfactory results. <p>Members were informed that in relation to accounting and internal control systems, one recommendation had been made which concerned a misstatement relating an adjustment which had been made to the split between normal and deficit contributions. It was reported that a process was now in place which would confirm the appropriate split with the latest actuary valuation.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That the auditor's findings be noted and approval be given to the Annual Report of the Pension Fund. 	<p>Action by</p>
<p>17.</p>	<p>REVIEW ON PERFORMANCE MEASUREMENT OF THE PENSION FUND</p> <p>The reported provided Members with a summary of the fund manager performance for the quarter ended 30 June 2014. The Committee was informed that the total value of the fund's investments were £756m.</p> <p>Reference was made to the investment objective for the Fund, which was to generate over the long term a real rate of return of 4% per annum. Members were informed that the current asset allocation was judged appropriate to that objective but that there would be a review into the target at the next Investment Strategy Sub-Committee.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That the contents of the report be noted. 	

<p>18.</p>	<p>PENSIONS ADMINISTRATION PERFORMANCE</p> <p>Consideration was given to the report which provided an update on the outsourced Pensions Administration contract, the latest pension administration performance data and early retirements in the first quarter of 2014/15.</p> <p>Discussion took place on the improved performance of Capita Employee Benefits (CEB), however, there were concerns expressed in relation to the sending of condolence letters. Officers explained that there was a weakness in the contractor's internal process when deaths were reported directly to their payroll and required information was not being recorded. This resulted in delays on finding details of the next of kin in some cases.</p> <p>Reference was made to officers working with CEB to ensure that a stable and acceptable level of performance was attained and maintained by the target date of December 2014. Members were informed that a good indication of whether good progress was being made would be around the issuing of employees Annual Benefit Statements.</p> <p>Discussion took place on the monitoring of performance in relation to the Annual Benefits Statements and officers would contact other employers to check that their members had received statements.</p> <p>The Committee noted the administration performance statistics and the early retirement statistics.</p> <p>Reference was made to the procedure for death grant authorisations and the proposal that in the future, only two senior officers would need to agree the recommendation.</p> <p>RESOLVED:</p> <ol style="list-style-type: none"> 1. That the ongoing officer action in relation to the Capita Pensions Administration contract be noted. 2. That the latest administration performance statistics and early retirement statistics be noted. 3. That approval be given to the revision of the designated decision makers in the award of Death Grant payments as detailed in the report. 	<p>Action by Nancy Leroux</p>
<p>19.</p>	<p>LOCAL GOVERNMENT PENSION SCHEME CONSULTATIONS</p> <p>The Committee was provided with information relating to Regulations which would require Administering Authorities of LGPS Funds to establish Local Pension Funds by 1 April 2015.</p> <p>Members were informed that officers were undertaking some work to</p>	

	<p>determine a process to establish a local Pensions Board.</p> <p>RESOLVED:</p> <p>1. That the update be noted.</p>	
20.	<p>REPORT ON STRATEGIC INVESTMENT ACTIVITY, INCORPORATING REPORTS FROM INVESTMENT STRATEGY SUB-COMMITTEE AND FUND MANAGER ACTIVISM</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>The confidential report provided Members with an overall update on strategic investment activity of the Pension Fund over the last quarter. In addition it provided Members with details of the key discussions held at the two Investment Strategy Sub-Committee meetings held on 17 July and 9 September 2014.</p> <p>Discussion took place on the recommendation made to this Committee in relation to the removal of some of the Fund's assets from one of its Fund Managers. The Committee's advisor provided the background to this proposed strategic decision and the reasoning behind it.</p> <p>RESOLVED:</p> <p>1. That the decisions of the Investment Strategy Sub-Committee to close the Euro currency Hedge, implemented on 18 July 2014 be noted.</p> <p>2. That it be noted that the Statements of Internal Control supplied by each investment manager's Auditor were reviewed and appropriate responses prepared.</p> <p>3. That the decision of the Investment Strategy Sub-Committee to make an investment in Direct lending through the Permira pooled fund as detailed in the confidential report be noted.</p> <p>4. That approval be given to the redeeming of the current investment of 9% of the Fund's assets with the Fund Manager, as detailed in the confidential report.</p> <p>5. That approval be given to the investing of the 9% of the Fund's assets with the like-for-like Fund, as detailed in the confidential report.</p> <p>6. That approval be given to the revisions to the Statement of Investment Principles as detailed in the confidential report.</p> <p>7. That the information of the Fund Manager Activism over the</p>	

	last quarter be noted.	
	The meeting, which commenced at 7.00pm closed at 7.50pm	

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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REVIEW ON PERFORMANCE MEASUREMENT OF THE PENSION FUND

Contact Officers

Nancy Leroux
Tel: 01895 2503530

Papers with this report

Northern Trust Executive Report
WM Local Authority Quarter Reports
Private Equity Listing
Private Equity reports from Adams Street and LGT

SUMMARY

This report provides a summary of fund manager performance for the quarter ending 30 September 2014. The total value of the fund's investments as at 30 September 2014 was £748m.

RECOMMENDATION

That the content of this report be noted.

1. GENERAL BACKDROP

Recent years have seen all financial markets respond positively to the cheap liquidity that has flooded the globe. Consequently any reversal is most likely to be negatively for capital values. The Hillingdon Pension Fund (and all other investors) would be adversely impacted by such a decline unless it was accompanied by a rising yield structure (which would reduce the current value of the projected liabilities).

Conversely the current economic expansion, which began in 2009, is very mature by historical standards and yet many regions, e.g. Europe, continue to face fundamental challenges. Central bankers and policymakers would have investors believe that the recovery is still in its infancy; the reality threatens to be quite different.

Principal among the trends exposed to change has been the policy response to the Great Financial Crisis (GFC) of ultra-low interest rates. The money markets already discount higher policy rates. By the end of 2016 the US Federal Reserve and UK's Monetary Policy Committee are each expected to raise rates by around 1.5% respectively. However this has been the case for much of the period since the GFC; markets failed to anticipate this unprecedented period of low rates. Nonetheless there is clear appetite among central bankers to generate a higher rate structure. The rationale is not to dampen excess demand. Rather the current near-zero rate structure would be a wholly inappropriate starting point for monetary policy when the next recession hits.

The exception to this is Europe where the deterioration in economic activity and the associated slide towards deflation (EU CPI remains at a perilously low 0.4% p.a.) now sees markets discounting effectively a decade of near zero interest rates. It is hard to believe that market expectations are wrong in this instance.

This contrast emerging between the US and elsewhere is likely to prove one of the most significant developments in the months ahead. It is likely to lead to a stronger US\$; something that US Federal Reserve will probably not resist. This will help transfer US final demand into other areas of the world that are struggling to show any progress whatsoever.

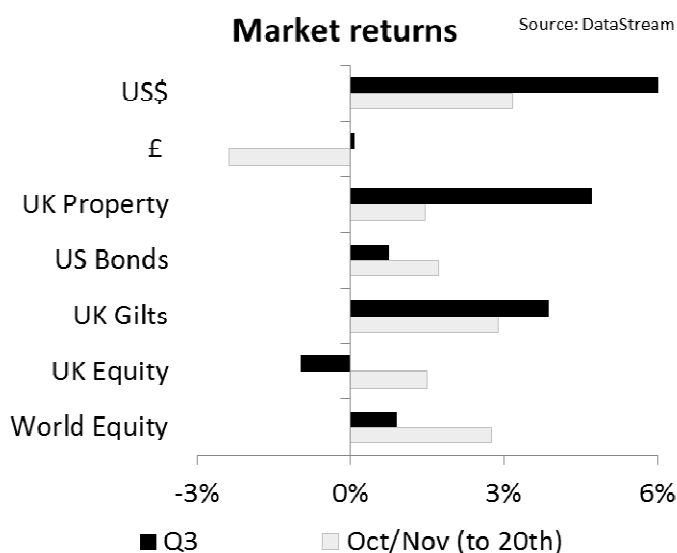
Further comments on the market backdrop are contained in the detailed report prepared by Northern Trust and in the Investment Advisor's report.

2. MAJOR MARKET RETURNS

As doubts about the resilience of the global recovery and the effectiveness of central bank policies began to creep in, Q3 saw defensive assets outperform. Despite very low starting yields bond markets posted solid returns. The US\$ dollar was buoyed by myriad factors – the imminent end of unconventional monetary policy, favourable demographic trends, energy neutrality and a financial system reborn to name but four.

UK property prices continued to rise as the buoyancy of the London market spills out to the regions and as some evidence of rental growth comes through. The better opportunities remain in non-London secondary properties.

Equity markets experienced more erratic trading conditions than the simple quarter on quarter look conveys. With multiples elevated by low bond yields evidence of better earnings performance needs to come through. The improvement in equity markets in Q4 is earnings driven and so should endure.



3. FUND PERFORMANCE

The performance of the Fund for the quarter to 30 September 2014 showed a relative underperformance of 0.3%, with a return of 1.2% compared to the benchmark of 1.5%. One year figures show returns of 7.4%, 0.4% relatively behind the benchmark.

The investment objective for the Hillingdon Pension Fund, agreed with the Actuary and sustained through Q3, 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. Against the average LGPS (as captured by WM data) for the quarter ending 30 September 2014, the Fund underperformed by 0.6%. The one year figure also shows underperformance, this time by 1.1%.

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 maintain a more optimistic view 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 and a defensive stance remains the preferred asset allocation strategy. Further comments on the investment back are provided below in Section 5.

4. MANAGER / PROGRAMME SUMMARY

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.

Performance Attribution Relative to Benchmark (rounded)

	Value £m	Q3 2014 %	1 Year %	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)	Target (% p.a.)	Fees (% p.a.)
Adams St*	22.4	10.3	24.9	11.1	13.9	3.7	4.0**	1.20
AEW	15.6	0.2	-	-	-	0.2		0.70
Barings	64.4	(0.7)	(0.9)	-	-	(1.8)	4.0	0.50
JP Morgan	61.0	(1.8)	(1.5)	-	-	0.2	3.0	0.30
Kempen	79.6	(4.6)	(9.6)	-	-	(8.7)	2.0	0.42
LGT*	14.3	2.4	7.4	5.8	9.0	8.2	4.0**	1.00
Macquarie	7.3	6.3	2.6	(10.2)	-	(8.4)	3.0	1.38
M&G	30.5	2.8	2.7	1.6	-	0.9	4.0	1.5
Newton	24.6	(1.8)	(4.5)	-	-	(3.6)	2.0	0.75
Ruffer	87.3	2.8	3.1	6.1	-	5.2	4.0**	0.80
SSgA	148.6	0.0	(0.1)	(0.1)	(0.0)	0.01	0.0	0.10
UBS TAA	14.0	(0.1)	6.3	-	-	3.0	0.0	n/a
UBS Eq	113.9	(0.9)	(1.0)	3.5	1.0	1.2	2.0	0.35
UBS Property	60.4	0.0	1.1	0.3	(0.6)	(0.2)	1.0	0.20
Total Fund	748.4	(0.3)	(0.4)	0.4	0.4	0.0	2.2	0.45

*Absolute performance

**Set against LIBOR

Highlights:

PART I - MEMBERS, PRESS & PUBLIC

Pensions Committee - 10 December 2014

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- MacQuarie has stepped up the pace of investment in their European and US programmes. The China and India Funds are now virtually fully invested and the previous situation involving an Indian telecoms company has been turned around. Macquarie advises that all programmes are on their original expected-return trajectory.
- Ruffer’s programme had been treading water in recent quarters. Their strong exposure to Japan and index-linked bonds has seen performance start to improve in Q3. The outlook offered by the Manager remains subdued.
- Kempen and Newton operate equity programmes around the dividend yield theme; markets have been treating this style harshly until very recently. An improvement is expected in Q4. The yield generated by these funds (Kempen - 4.9%, Newton - 4.4%) remains considerable in the context of Hillingdon’s funding requirements. To a lesser degree evidence of the market’s distaste for yield in Q3 is evident in the UBS Equity performance data.
- JP Morgan’s programme is being run down due to its now low expected return and the lack of defensive contribution to the overall strategy. Performance in Q3 supports the removal of this programme.

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.

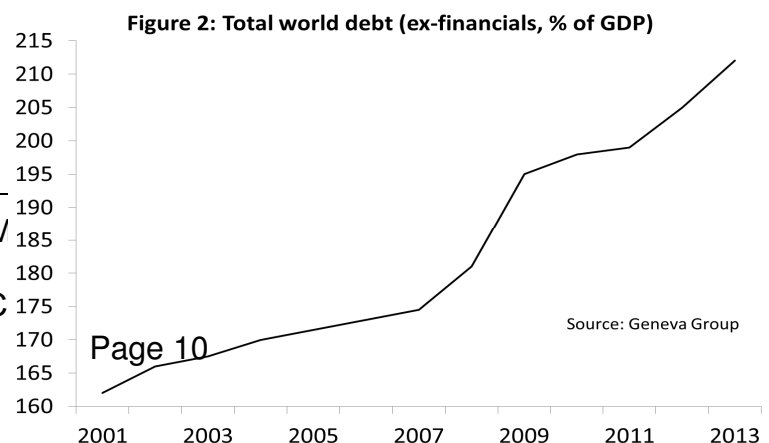
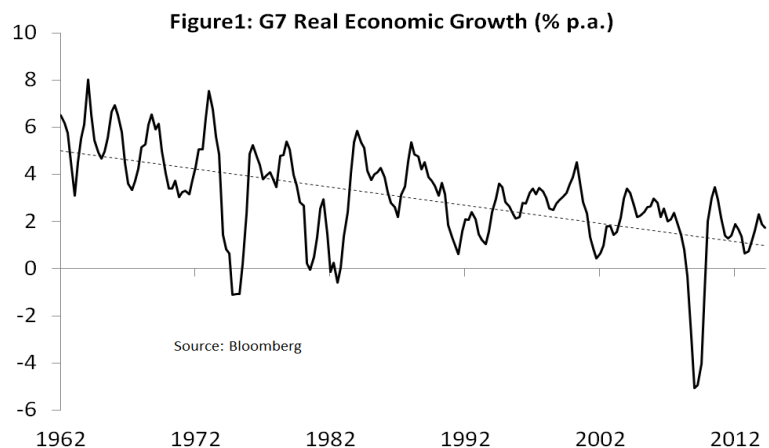
Further details on manager performance are contained in the Northern Trust report.

5. STRATEGY OVERVIEW

Driven by adverse demographic and productivity trends, economic growth in the world’s major economies has been decelerating steadily for forty years (Figure 1). Indeed hard to believe as it may be, aggregate demand has recovered from the Great Financial Crisis to be currently running above trend.

Meanwhile the world’s debt burden continues to grow as Governments, in particular, borrow to support spending (Figure 2). The debts were hard to finance before the GFC struck, affordability has since deteriorated.

Slowing growth and the need to keep the cost of funds low has

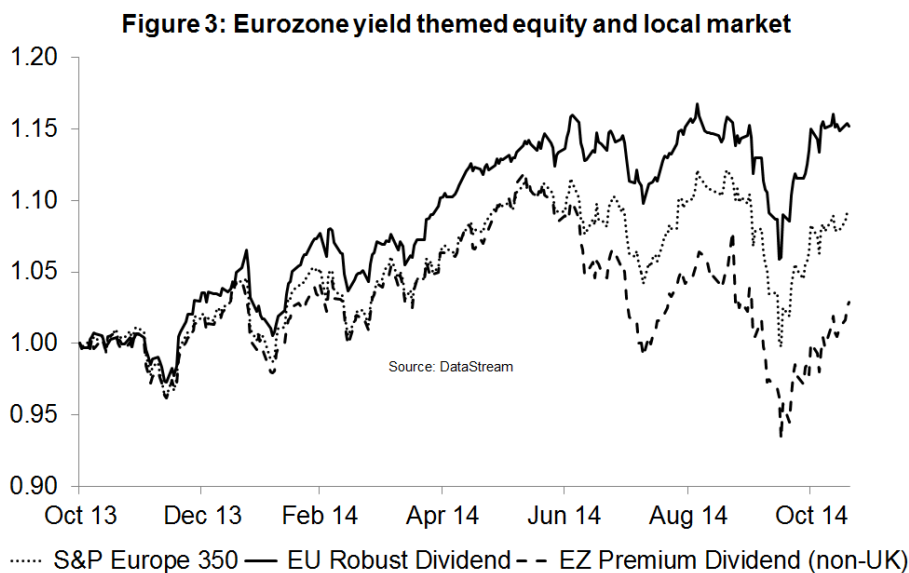


seen central bankers sustain an unprecedented era of near-zero short-term interest rates. This has ricocheted into bond markets to such a degree that the average 'hard currency' bond yield is a mere 1%. The ballooning debts of today are set against consumption or economic returns from tomorrow. These ultra-low risk-free bond yields are reflecting the limited amount of tomorrow's profits not already 'mortgaged'; they are also likely to continue for the foreseeable future.

Central bank monetary policy is keeping short term interest rates negative. Unfortunately even a negative real rate of 2% hasn't dented the structural imbalances. The next step in simple – even deeper negative real rates; a view of minus 4% is forming within markets. If/when this happens the impact will be felt all along the yield curve. UK long duration rates recently hit minus 0.5%; this will just be the beginning if economies fail to acquire the self-sustaining growth momentum sufficient to rebalance the global economy.

High bond prices have seen investors intensify their hunt for yield elsewhere. With attractive yield sources scarce the pursuit of yield has developed into an attractive total return strategy; particularly within equity markets.

While non-zero rates and quantitative easing were in their infancy, any yield was attractive. However, recently investors have become more discriminating. Figure 3 demonstrates both the market beating ability of a basket of proven dividend distributing companies. It also illustrates the potential cost of simply focusing on the highest yields available.



Japan continues to provide a 'road map' for unconventional policy measures (to arrest a deeply ingrained debt-deflation spiral). Their pursuit of reflationary policies has morphed into the explicit drive toward higher rates of inflation and higher asset prices (now through government sponsored buying). The recent decision to call a snap election may prove to acceleration in pro-growth policies.

Beyond directly economic matters two influences need to be highlighted: politics and regulation. If the future is indeed already mortgaged, then those that might have hoped to enjoy the fruit of their labours – the young – will express increasing dissent. Europe will likely be the epicentre of this political backlash.

Markets have, by the standard of previous years, been calm. In part this has been won by regulatory pressure on market traders – epitomised by the emasculation of investment bank proprietary desks. Perhaps a desirable feature, one unattractive consequence has been the sharp reduction in market liquidity when there is any hint of stress. Many investment programmes depend upon the ability to exploit volatility; already challenging, this will become increasingly difficult.

Overall, of the economic and market features of recent years, the one most likely to change is subdued price behaviour. Support for the view that the era of low growth and lower interest rates is nearing an end is hard to find. Japan has been dealing with these issues for more than 20 years and is no closer to a durable recovery than it was at the start. In aggregate central banks are still expanding the world's monetary base – hardly the beginning of the end. With the supply of positive real risk-free returns all but exhausted investors therefore need to speculate simply to preserve the value of their capital in real terms.

The indulgence of inflation and the ongoing regulatory crackdown should continue to direct investors to focus their 'speculation' on physical, yield bearing assets. It is consistent to favour simple, tangible programmes rather than those that rely on capturing trends consistent with past experience and volatility. This thinking underpins the investments in Kempen, Newton, UBS, Ruffer and GMO (added in October).

Opportunities remain in areas that once were the province of banks although investors do need to commit for the extended periods natural to pension funds. These will often be investments that generate a high level of income. The recent investments in the AEW, Permira and M&D Debt Opportunities Funds respond to this theme.

6. Other Items

At the end of September 2014, £18.5m (book cost) had been invested in **Private Equity**, which equates to 2.47% of the fund against the target investment of 5%. In terms of cash movements over the quarter, Adams Street called £420k and distributed £1,066k, whilst LGT called £199k and distributed £1,246k. 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 £8.7k. Offset against this was £3k of expenses leaving a net figure earned of £5.7k. The fund is permitted to lend up to 25% of the eligible assets total and as at 30 June 2014 the average value of assets on loan during the quarter totalled £15.9m representing approximately 8.2% of this total.

FINANCIAL IMPLICATIONS

These are set out in the report

LEGAL IMPLICATIONS

There are no legal implications arising directly from the report

BACKGROUND DOCUMENTS

None



London Borough of Hillingdon

3rd Quarter, 2014



Executive Report

3	International Overview
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12	Combined Fund Performance
14	Component Returns - Equity
16	Component Returns - Fixed Income
17	Component Returns - Other Assets
18	Policy Attribution By Manager
19	Manager Fund Performance

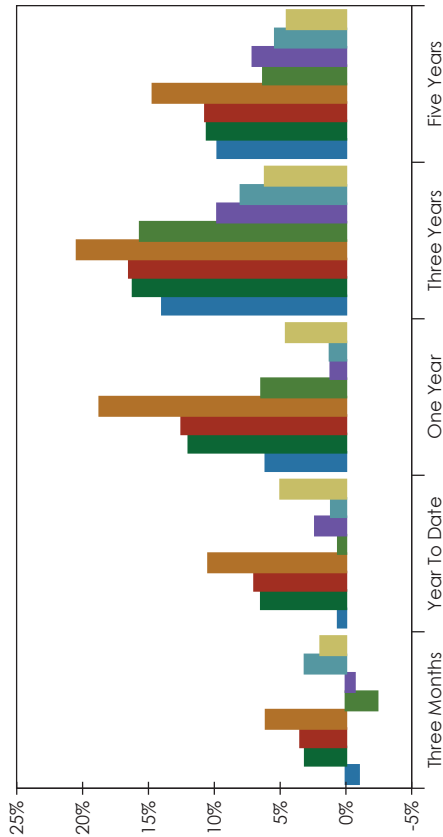
Appendix

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43	Glossary of Equity Characteristics
44	Glossary of Fixed Income Characteristics
45	Disclaimer



Equity Index Performance (in GBP)

Performance History



Performance Returns%

Index	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Share	-1.0	0.6	6.1	13.9	9.7
FT: World	3.1	6.4	11.9	16.2	10.5
FT: World ex UK	3.5	6.9	12.5	16.5	10.7
FT: AWI North America	6.1	10.4	18.7	20.4	14.7
FT: Developed Europe ex UK	-2.4	0.6	6.4	15.6	6.3
FT: Developed Asia Pac x Jp	-0.7	2.3	1.2	9.8	7.1
FT AW: Japan	3.1	1.1	1.2	8.0	5.4
MSCI Emerging Markets GD	1.9	5.0	4.5	6.1	4.5

Despite the relative calm of the Western world, war is upon the people of many countries; be it from neighbours, countries or Ebola. President Obama has dispatched 3000 soldiers to West Africa warning that the outbreak is "spiralling out of control". The global threat will increase if the economies of the affected countries break down and the people panic. Ebola has a fatality rate of 90% and there is no cure, yet. The WHO has warned the number of dead is likely to double every three weeks. Political commentators are arguing as to whether Islamic jihadists Isis or nuclear-armed former superpower Russia poses the greatest danger. The reach of both has been felt far from the battlefield as Australian police thwarted a plan by Isis to behead a random member of the public in Sydney and Malaysian Airlines flight MH17 was tragically downed by a ground to air missile when flying over Ukraine. Despite this, increased peril, the world's population continues to grow, older with the number of "super-aged" societies (where more than one in five of the population is over 65) set to rise from 3 to 13. Only Germany, Italy and Japan meet that definition today. Globally, Oil & Gas continued its volatile performance as it reclaimed the worst performing sector status over quarter three. The price of crude oil futures ended the quarter down at \$95 per barrel. Health Care and Technology were the best performers. The FTSE World was up by 3.1% (GBP) over quarter three 2014 and is ahead by 11.9% over the year (GBP).

The UK economy produced even more good news as history was rewritten by its statistical agency. Apparently, the recession wasn't as severe as first thought and the recovery swifter, with the 2008 pre-crisis peak in GDP having been surpassed in Q3 2013. The economy is now 2.7% bigger than it was before recession hit. Profit warnings have been issued by many FTSE 100 companies across the quarter due to the strong pound and weaker global growth, especially from the emerging markets. Earnings estimates for Britain's most international stocks are down by 10% this year. Unemployment is reporting genuinely good news as the total has fallen below 2m for the first time in six years; the rate is now 6%. The fears expressed over a house price bubble have gone quiet as the property market returns to a more stable outlook. Britain's biggest high street banks face the threat of being broken up due to the lack of competition between them. This increases the unwanted attention on Lloyds who could pay up to £300m in fines for its part in the Libor manipulation scandal. Scottish voters narrowly opted to remain a part of the United Kingdom, much to the relief of most in Westminster. Oil & Gas lost most value over the quarter and Financials made the biggest gains. The FTSE All Share was down -1% (GBP) over the third quarter and remains ahead over one year, now by 6.1% (GBP).

GDP was flat in the Eurozone over quarter 2 following the 0.2% growth over Q1 2014. Inflation slowed again so the central bank rate was cut to a new low of 0.05%. Investor sentiment in Germany fell again, recovery in the manufacturing sector petered out and Eurozone investment overall was down 1.1% over the quarter. Mario Draghi suggested that member countries should be encouraged to spend more within the EU limitations in order to lift growth by boosting investment and cutting taxes. There was some positive news; Ireland's economy is growing at an annual rate of nearly 8% and Spanish GDP rose 0.6% from Q1 on domestic demand. Hong Kong entrepreneur Stephen Hung led the biggest order at BMW owned Rolls-Royce, paying \$20m for 30 bespoke Phantoms to ferry guests at his Macau gaming complex. Eurozone unemployment dropped slightly to 11.5% at the end of August. The FTSE Developed Europe ex UK index returned -2.4% (GBP) over quarter three and 6.4% (GBP) over the year.

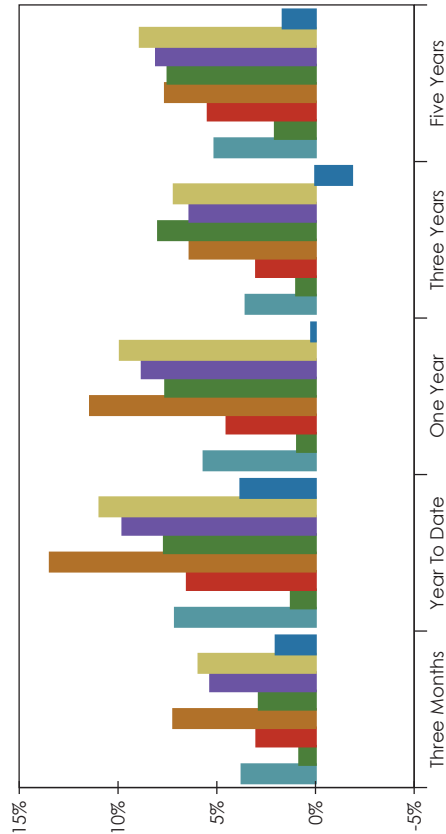
The Fed reiterated that interest rates will not be rising any time soon and certainly not directly after the stimulus programme ends in October. US consumer prices fell in August for the first time in over a year. Unemployment dropped to a six year low of 5.9% at the end of quarter 3. Apple made the headlines even more often than usual beginning with an exciting alliance with IBM to modernise the corporate market; IBM will provide cloud services and security and iPads will deliver user friendly specialised Apps. Later in the quarter the iPhone 6 sold a record 10m units in its first weekend before the "benedgate" furore emerged. Apple's share price and that of many large-cap tech companies slid the same day. Finally the company looks set to be fined billions of Euros by the European Commission over illegal tax deals in Ireland. Amazon shares dropped on the news of a larger than expected loss in Q2 and an even larger predicted loss in the third quarter largely down to splurges in investment. Oil & Gas lost most value over the quarter and Health Care made the biggest gains. The FTSE North America index returned 6.1% (GBP) over the third quarter and 18.7% (GBP) for the year.

In Japan stronger retail sales and an improving job market showed resilience making another sales-tax increase a possibility. Tens of thousands of Hong Kong democracy activists battled police and the central bank was forced to stabilise markets as the impact on the central business district was felt. Industrials led the Japanese sectors; Oil & Gas were the worst performer. The FTSE Japan returned 3.1% (GBP) for quarter three and the FTSE Developed Asia Pacific ex Japan returned -0.7% (GBP). Russia approved a tough budget aiming to tame inflation and a falling double as sanctions hasten an economic slowdown. In rare criticism of Mr Putin, former finance minister Alexei Kudrin warned that Russia had become the "west's adversary again" and that was contrary to national business interests. New sanctions target state controlled energy companies with assets of more than 1tn roubles. India's inflation has slowed and they celebrated becoming the fourth spacefaring nation to reach Mars, on a fraction of the budget spent by NASA. Alibaba became the world's largest ever stock market flotation selling at \$68 per share to generate \$25bn and confirm a market cap greater than that of Facebook at \$230bn. Gold was down this quarter ending September at \$1,210 per ounce. The MSCI Emerging Markets index returned 1.9% (GBP) for the third quarter and 4.6% (GBP) for the year.



Fixed Income Index Performance (in GBP)

Performance History



Performance Returns %

Index	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Stock Index	3.7	7.1	5.7	3.5	5.1
FTSE All Stock 0-5 Yr. Gilts	0.8	1.2	0.9	1.0	2.0
FTSE All Stock 5-15 Yr. Gilts	3.0	6.5	4.5	3.0	5.4
FTSE All Stock > 15 Yr. Gilts	7.2	13.4	11.4	6.4	7.6
ML STG N-Gilts All Stocks	2.9	7.7	7.6	8.0	7.5
FTSE Index Linked	5.3	9.8	8.8	6.4	8.1
FTSE Index Linked 5+ yrs	5.9	10.9	9.9	7.2	8.9
JPM GBI Global	2.0	3.8	0.2	-1.8	1.6

The global recovery continues but remains weak. Third quarter capital markets took stock of an uneven global economic landscape with softer economic data, uncertainty over the timing of US rate rises and geopolitical unrest all weighing on the minds of investors. The J.P. Morgan Global Manufacturing & Services PMI, despite exhibiting its highest growth rate in three-and-a-half years, finished the quarter at 54.9 - down from 55.4 in June - having ticked lower for the second consecutive month in September. Economic gauges for China indicated a moderate slowdown in growth during Q3. The HSBC China Composite PMI signalled slightly weaker expansion for both the manufacturing sector and service business activity. September's reading of 52.3 was up fractionally from on the quarter, but down from the August reading. The data overall represented the weakest increase in manufacturing output since the indicator returned to expansionary territory in Q2. Confirmation early in the quarter that Japan's economy had shrunk by 1.8% in the second quarter, and that consumer inflation was starting to cool off, was a pre-cursor to a quarter of increasingly worrying macro-economic data.

Lacklustre sentiment, combined with weakness in consumer spending and exports, has led to speculation that the Bank of Japan will be forced to introduce additional stimulus measures in the near future. Geopolitical events continued to concern; Argentina's second default on its debt in 13 years, the continuing Islamic State onslaught in the Middle East, the crisis in Ukraine and sanctions against Russia, and the conflict between Israel and Hamas in Gaza. Heading into Q4, the spread of Ebola and the pro-democracy protests in Hong Kong, sparking concerns of a negative impact on Asia's economies, all added to the headline risks. The JPMI Global Government Bond index returned -2.0% (GBP) in the third quarter of 2014, while the Barclays Capital Global Aggregate Corporate Bond index delivered 3.2% (GBP).

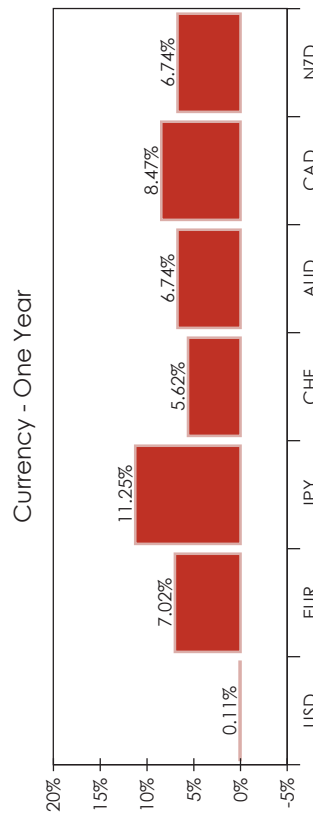
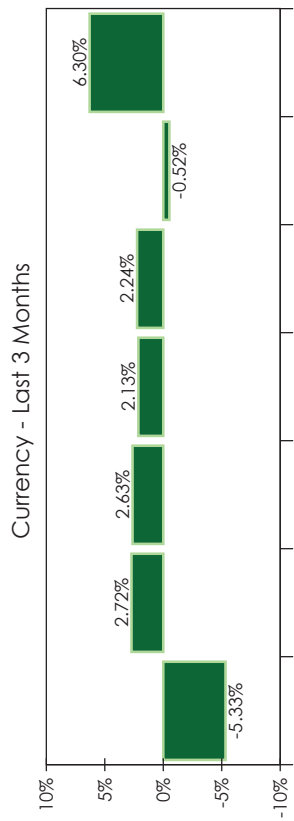
The rejection of Scottish independence in the referendum is viewed as a better outcome for financial markets; it took big economic uncertainties off the table. The UK economy grew faster than estimated in the second quarter, extending a recovery that's been more robust than previously thought. GDP rose 0.9% in the three months through June, the fastest pace in nine months. The annual rate of house price growth slowed in September to 9.4% from 11% the month before, suggesting the market is now moderating from its peak. Mortgage availability contracted sharply in the third quarter to its lowest level since the recession of 2008 as lenders became more risk averse and pessimistic about house prices. In August, the Bank of England halved its forecast for average wage growth, saying it now expects average salaries to rise by 1.25% this year. The UK manufacturing sector grew at its slowest pace for seventeen months in September as a result of the strong pound and eurozone weakness. The Markit/CIPS UK Manufacturing Purchasing Managers' Index (PMI) survey fell to 51.6 in September from 57.5 in June, as companies reported weaker increases in production, new business and new export orders. However, the service growth sector expanded further with the UK Services Purchasing Managers' Index (PMI) survey recording 58.7 in September up from 57.7 in June. The benchmark 10-year gilt yield moved from 2.67% last quarter to end September at 2.43%. The FTSE All Stock Gilt index returned +3.7% (GBP), while the ML Sterling Non Gilts index gained +2.9%.

The immediate future for the Eurozone's economy appears bleak. Economic growth ground to a halt in Q2 (flat at 0%), the annual rate of inflation fell to its lowest level since October 2009, and the region's powerhouse economy in Germany contracted for the first time since 2013. With output and new order growth waning, and new business growth at its weakest since October 2013, the Markit Eurozone Composite PMI fell to a ten-month low, sliding from 52.8 at the end of Q2 to finish Q3 at 52.0. In addition to the deteriorating macroeconomic data, the ongoing tension in Ukraine and subsequent introduction of economic sanctions on Russia, and instability in the Portuguese banking system, all contributed to a perfect storm facing policymakers at the European Central Bank (ECB). In September, in a resounding statement of intent, the ECB cut the key refinancing rate to 0.05%, a record low in the euro's 15-year existence. The deposit rate was dropped to -0.20%, a move which will oblige banks to pay an even bigger penalty for hoarding cash at the central bank, as opposed to putting it to work in the economy. Sovereign yields plummeted across the region, with the benchmark German Bund 10-year yield falling from 1.25% at the end of June to a record low of 0.88% early in September, before settling at 0.95% at the end of the month. The 1 Traxx Europe 5yr Credit Default Swap index, representative of 1.25 investment grade entities across 6 sectors, rose from 46.84 at the end of the previous quarter to close September at 49.15. The JPM European Government Bond index returned +3.7% (EUR) and the Barclay Capital Euro Aggregate Credit +1.8% (EUR) for the 3rd Quarter.

Macroeconomic data cheered US markets in Q3, and the economy continues to rebound from the Great Recession. The second quarter GDP figure came in at 4.6%, the fastest recorded growth rate since the fourth quarter of 2011, as the pace of business spending and export growth accelerated. An already buoyant job market picked-up momentum towards the end of the quarter and the unemployment rate dipped to a six-year low of 5.9% in September, down from 6.1% the previous month. According to economic research group The Conference Board, Americans are now more confident about the future of their domestic economy than at any time in the last seven years, and resurgent consumers drove new-home sales up 18% in August, their fastest pace in more than six years, while car sales exhibited a 9.4% annual increase in September. Strong output and new order growth was steady through the quarter, and the Markit Manufacturing PMI advanced, albeit only marginally, with a final September reading of 57.5, up from 57.3 in June. With the bond purchase (quantitative easing) programme scheduled to end in October, Federal Reserve Chair Janet Yellen justified market speculation when she hinted at the Jackson Hole international conference of central bankers that earlier than expected rate rises were possible should the US economic recovery sustain its current trajectory. As markets priced in her comments, the 10-year benchmark Treasury yield fell to quarter low of 2.34%, from an opening 2.55%, before closing September at 2.49%. The JPMI US Government Bond index was up 0.4% (USD), while the Barclay Capital US Aggregate Corporate Bond index slipped -0.1% (USD).



Currency Performance (in GBP)



	Three Months	Year To Date	One Year	Three Years	Five Years
United States dollar	-5.33	-2.14	0.11	1.33	0.27
European Union euro	2.72	6.55	7.02	3.33	3.19
Japanese yen	2.63	2.13	11.25	13.08	4.33
Swiss franc	2.13	5.03	5.62	3.01	-1.38
Australian dollar	2.24	0.07	6.74	4.82	0.44
Canadian dollar	-0.52	2.91	8.47	3.66	1.08
New Zealand dollar	6.30	3.30	6.74	0.68	-1.22

The third quarter of 2014 saw the Dollar strengthen against the Yen, Euro and Sterling. The Euro, on the other hand, lost ground compared to the Dollar, Sterling and Yen. The Japanese economy is still struggling with the effects of an historic tax hike. In April, the government raised the consumption tax from 5% to 8% to rein in the country's budget-to-GDP ratio. It was the first tax hike in 17 years. The Japanese Economics Minister, Akira Amari, warned that excessive Yen moves were undesirable for the economy, after the currency hit a six-year low against the US dollar. Japanese business confidence among manufacturers improved in the three months to September. The Bank of Japan's closely watched Tankan Survey showed that the headline index for big manufacturers' sentiment was plus 13 in September, compared to plus 15 in June. A positive reading means optimism outnumbered the pessimists. China's central administration is set to impose caps on local government borrowing, its boldest move yet to control financial risks from an explosive rise in regional debt. Beijing announced that new borrowing will need to be approved by the National People's Congress. The statement also pledged not to provide bailouts for local governments. Localities will be allowed to borrow only for capital investment, not to fund general expenditure. The commodity currencies such as the Australian and New Zealand dollars suffered as oil and copper prices remained under pressure, with the Australian dollar hit particularly hard after weaker than expected retail sales data.

In the UK, Q3 2014 saw Sterling strengthen against the Euro and Yen, but weakened against the Dollar. At its September 4th, 2014 meeting, the Monetary Policy Committee of the Bank of England voted 7-2 to maintain the lowest rates in British history at 0.5%. Martin Weale and Ian McCafferty, both external members of the committee, pushed for a hike to 0.75% in response to lower unemployment and a tightening labour market. A fall in food prices and petrol costs helped drive down the rate of inflation. The Consumer Price index fell to 1.5% in August compared to 1.6% in July. It is the ninth consecutive month that inflation has been below the Bank of England's 2% target. The UK manufacturing sector grew at its slowest rate for 17 months in September as a result of the strong pound and Eurozone weakness. Firms reported that growth in new orders was "near stagnation". The UK jobs market continued to improve in the three months to July, although the Office of National Statistics showed that the increase in earnings lagged behind the 1.5% annual inflation rate, although the gap is narrowing. The number of people out of work fell to 2.02 million bringing the unemployment rate down to 6.2%. According to the Nationwide building society, average house prices in the UK rose by 0.8% in August, making it the sixteenth successive monthly price rise. As a result, the annual pace of house price growth is up to 11.0%, bringing the average house in at £189,306. Sterling closed the quarter up against the Euro and Yen by 2.72% and 2.63% respectively. It weakened against the Dollar by 5.33%.

In the US, the Dollar gained significant ground on the Euro, Sterling and Yen. As the Fed looks to formally end quantitative easing in October, inflation dropped back to 2.17 per cent, near levels that in the past provoked aggressive bond purchases from the central bank. The US central bank follows a dual mandate of maximum employment and stable prices, which it defines as 2 per cent inflation. While employment has steadily improved over the past 18 months, the inflation outlook has lagged behind the Fed's target. US consumer confidence deteriorated in September after hitting the highest level in nearly seven years in August. Some suggested that the result may have been influenced by heightened global tensions as the conflict against Middle East militants widens. The US un-employment rate fell to 5.9% in September from 6.1% in August and is the lowest recorded since July 2008. Employers added 248,000 jobs in September, and the job growth figures for August and July were revised upwards. The number of unemployed was 9.3 million. The big drop in unemployment highlights the strength of the US economy relative to feeble growth in Europe and slowing growth in China. It means the Fed cannot rule out an interest rate hike as early as March 2015. The US trade deficit shrank for the fourth straight month in August, falling to the lowest level since January as exports rose to an all-time high. The deficit dropped 0.5% in August, to \$40.1bn, compared to \$40.3bn in July. Exports increased by 0.2% to \$198.5bn, aided by an increase in sales of petroleum, telecommunications equipment and industrial engines. The Dollar strengthened against the Euro, Sterling and Yen by 8.05%, 5.33% and 7.96% respectively.

In the Euro area, the Euro weakened against the Yen, Sterling and Dollar. Since June, the European Central Bank has adopted a series of radical measures in its battle to rescue the Eurozone from economic stagnation. Yet, while banks are now effectively charged to park money at the central bank, negative deposit rates have done little to revive lending. The central bank has set its benchmark interest rate at 0.05%. The Bank's head Mario Draghi said it would buy covered bonds and other assets in the final three months of the year and continue to buy assets for two years. Inflation has become the central problem for the Eurozone economy, with sluggish demand from households and businesses keeping prices low and raising fears that the economy could slip back into recession. Inflation in the currency fell to 0.5% in September, the lowest in nearly five years, signalling that the European Central Bank may have to go even further to avert the threat of deflation. The jobless rate for the currency bloc dropped to 11.5% in August, compared to 11.6% in May 2014. Eurostat estimates that 18.3 million were unemployed in August 2014. The German unemployment rate remains low at 4.9%, while Italy was at 12.3% and Spain at 24.4%. Youth unemployment remains high at 23.3%. The Euro ended the quarter down compared to the Dollar, Sterling and Yen, by 8.05%, 2.72% and 0.09% respectively.



Scheme Performance

The third quarter of 2014 was a period of consolidation for many markets as investors weighed up the increasingly uneven global economic recovery. Increased uncertainty around the global growth outlook has led to an uptick in market volatility resulting in the first 5% decline in the S&P 500 in 32 weeks, as compared to a typical length of 10 weeks. In a relatively short period, market sentiment has turned cautious. The Eurozone economy stalled over the summer months, forcing the ECB to announce additional stimulus measures. Business surveys indicate weaker outlook for the rest of the year. Globally Health Care and Technology were the best performing sectors over quarter three. Oil & Gas lost most value over the quarter followed by Utilities. While Corporate Bonds continue to outperform Government Bonds. Against this backdrop the London Borough of Hillingdon returned 1.23% which leads to an underperformance of 28 basis points against the Total Plan benchmark of 1.51%. In monetary terms this is a growth in assets of £14.1 million, which includes a contribution of £5 million into the scheme this quarter and the value of the combined scheme now stands at £748.4 million as at 30th September 2014. This period the £5 million was invested with the new AEW mandate, while funds were taken from JP Morgan and Private Equity and transferred to M&G and Macquarie. Looking further into the analysis the results seen were driven by the underperformance of Kempen (-51 bps), JP Morgan (-15 bps) and UBS UK Equity (-14 bps) although this was offset by the positive impact of Ruffer (+31 bps) and Adam Street (+17 bps). While in allocation terms most mandates are in line with the neutral position, so effects are minimal.

This now means that the Scheme is behind target for the year so far by posting a return of 4.21%, which is relatively -21 basis points below the total benchmark of 4.43%; while for the 1 year the underperformance increases to -37 basis points coming from figures of 7.38% versus 7.78%. Similar to the quarter the largest impact comes from Kempen (-82 bps) this time coupled with Newton (-15 bps), while the biggest positive effects were once again Ruffer (+31 bps) and Adam Street (+17 bps); similar to the quarter, allocation is fairly balanced with a small positive impact from the currency overlay. While over the longer periods, the Scheme continues to outperform, producing a return of 10.48% over three year versus 9.98%, while for 5 years we see figures of 8.23% versus 7.76% per annum. Then since inception in September 1995, the Fund remains ahead of target by 4 basis points with an annualised return of 6.78% against 6.74%.

Manager Performance

AEW UK

In the first quarter of investment for the new AEW UK property mandate posted a return of 4.24% which compares favourably to the IPD UK PPFI All Balanced Funds index figure of 4.0%.

Barings

In contrast to the previous period, this quarter saw the Barings mandate fall short of the target, with a return of 0.46% against the 1.13% target of the 3 Month LIBOR +4% per annum, which translates as a -0.66% relative return. This feeds into the longer periods with underperformance seen in all time frames, for the rolling one year a return of 3.62% is 90 basis points behind the target of 4.55%. Then in the short period since inception in April 2013, the relative return drops further driven by returns of 2.66% versus 4.55% for the benchmark.

JP Morgan

During the third quarter JP Morgan broke the run of outperformance, as their -0.97% return was -1.84% below the 0.88% target for the 3 Month LIBOR + 3% p.a. This offset all the gains made so far in 2014, however the 1 year period remains ahead of target by 30 basis points generated by figures of 3.86% against 3.55%. While since inception (November 2011) they post a return of 3.90% versus 3.67%, which is 0.22% on a relative annualised basis.

Kempen

Over the last three months the Kempen mandate posted the largest underperformance at -4.60% caused by a return of -0.97% compared to the 3.81% posted by the MSCI All World Index +2%. This means all time periods show underperformance, with 3.86% vs 14.91% for the rolling 1 year and culminating in a return since inception in January 2013 of 5.76% versus the benchmark of 15.82%; which is a relative return of -8.69%.

Macquarie

In contrast to the previous quarter Macquarie posted one of the highest absolute returns in Q3 with 7.26%, leading to relative return of 6.32%, when compared to the 0.88% for the 3 Month LIBOR +3% p.a. This overruns the losses seen so far in 2014 and lead to a one year growth in assets of 6.27% which is 2.63% ahead of the benchmark of 3.54%; although since inception they've delivered ten negative quarterly relative returns, leading to an annualised loss of exactly -5% against the target of 3.72%.

M&G Investments

In the third quarter M&G produced a 3.92% return, which against the 3 Month LIBOR +4% pa return of 1.13% translates as an outperformance of 2.77%. Over the last year the account registers 7.42% against 4.55%, the 3 year return falls to 6.41% and then falls slightly more since inception (May 2010) to 5.70% pa whilst the benchmark is 4.73% pa. Although the since inception Internal Rate of Return for this portfolio moves further ahead of the target with a figure of 6.76% opposed to the comparator of 4.49%.



Manager Performance

Newton

During the third quarter of 2014 investments with Newton grew 1.88%, however compared to the FTSE World Index +2% return of 3.70% this leads to an underperformance of -1.75%. With six consecutive quarters of underperformance all longer periods are in the red, for 1 year the relative return is -4.54%, since inception (January 2013) this improves to -3.60% coming from a fund return of 9.73% against the benchmark of 13.83%.

Ruffer

The Ruffer portfolio grew 2.90% over the last three months against 0.14% for LIBOR 3 Month GBP, an outperformance of 2.76%. With 10 out of the last 12 quarters ahead of target they demonstrate positive absolute returns and outperformance across all periods, culminating in since inception (May 2010) figures of 5.93% versus 0.72% per annum, which translates as a relative return of 5.17%.

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 10.29% and 2.40% respectively. So over the last year absolute returns rise to 24.88% for Adam Street and LGT with 7.41%. Over the longer periods, the outlook over which private equity investments should be measured, returns remain positive. Over three years, Adam Street posts 11.09% and LGT 5.83% on an annualised basis, with both seeing increases over 5 years to 13.94% and 8.96% respectively. Then since their respective inceptions in January 2005 and May 2004, Adam Street drops to 3.68% pa, while LGT sees a slight dip to 8.20%

At present no benchmark has been applied to these mandates.

SSGA

The SSGA passively managed portfolio produced a return of 1.08% in the quarter which was a mere basis point above the benchmark; further analysis confirms the passive nature with all categories aligned with their respective indices. So over the year they produce a 7.40% return, which is 7 basis points behind target, while over 3 years the per annum return increases to 12.71% which is just 9 basis points behind the benchmark. Since inception (November 2008) a return of 12.35% pa is in line with 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 0.11.

UBS

UBS UK Equity investments fell -1.84% over the last quarter, compared to the FTSE All Share figure of -0.97%, translating as an underperformance of -0.88%. Looking into the attribution analysis, the most significant effect was underperformance in Health Care (-48 bps) coupled with Consumer Goods (-21 bps), which was partly offset set by positive impacts in Financials and Consumer Services. Whilst within allocation most effects were negative the most notable was the overweight of Oil & Gas (-0.26%). This now feeds into the short-term periods with both YTD and 1 year falling short of the FTSE index, with a figure of 5.01% over the last twelve months leading to a relative return of -1.01%. This underperformance is also attributable to selection effects in Health Care (-1.30%) this time coupled with Utilities (-0.42%), while the positive selection impacts came from Consumer Services and Oil & Gas. While in allocation overweighting Consumer Services (-0.31%) and underweighting Consumer Goods (-0.25%) were the stand-out decisions. Due to the previous good results UBS maintain outperformance over the longer time periods, translating as a since inception return of 10.23% versus 8.95% on an annualised basis.

UBS Property

The UBS Property portfolio grew 4.06% over the 3rd quarter, which was just ahead of the IPD UK PPFI All Balanced Funds index figure of 4.0%. This feeds into the YTD, one and three year figures, with 18.04% vs 16.80% over the rolling year and 7.79% vs 7.43% for 3 years. While over longer time periods the fund still demonstrates positive absolute returns with 5 year showing figures of 8.86%, but negative relative returns with -0.64% below the benchmark. Since inception, in March 2006, the fund now shows growth of 1.63% per annum while the benchmark shows a positive 1.88% return, translating as an underperformance of -24 basis points.

UBS Tactical

In contrast to the previous quarter during the latest period UBS Tactical mandate posts a return of 3.24% which is 7 basis points below the Barclays US Inflation Linked Index of 3.31%. However, driven by the first two quarters of 2014 the year so far and 1 year show both high absolute and relative returns, but since the inception of the fund the return slips into the red with -0.30%, although this compares favourably to the index figure of -3.24%, leading to an outperformance of 3.04%.





Active Contribution

By Manager

	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 07/14	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 08/14	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 09/14	Active Contribution 3Q 2014
Adam Street	1.28	-	1.28	-	269,101.56	1.65	-	1.65	-	339,859.73	7.13	-	7.13	-	1,492,891.68	2,101,852.98
AEW UK	-0.34	1.58	-1.92	-1.89	-292,434.94	-6.20	1.41	-7.61	-7.51	-1,155,749.09	11.51	0.96	10.55	10.45	1,492,768.05	44,584.02
Bairns	0.18	0.37	-0.20	-0.20	-128,002.82	0.85	0.37	0.47	0.47	303,187.61	-0.55	0.37	-0.93	-0.92	-602,090.90	-426,906.10
Cash	-0.44	0.03	-0.47	-0.47	-5.19	0.03	0.03	0.00	0.00	0.00	0.03	0.03	-0.00	-0.00	-0.02	-5.21
JP Morgan	-0.00	0.29	-0.29	-0.29	-185,891.31	-0.09	0.29	-0.38	-0.38	-242,015.95	-0.88	0.29	-1.17	-1.17	-723,903.50	-1,151,810.76
Kempen	-0.62	-0.15	-0.47	-0.47	-375,283.53	2.30	4.11	-1.80	-1.73	-1,499,034.05	-2.59	-0.13	-2.46	-2.47	-2,008,222.35	-3,882,539.93
LGT	0.98	-	0.98	-	140,372.05	0.41	-	0.41	-	59,579.43	0.99	-	0.99	-	140,381.89	340,333.38
Macquarie	2.16	0.29	1.87	1.86	110,356.86	2.61	0.29	2.31	2.31	139,809.26	2.32	0.29	2.02	2.02	144,861.47	395,027.59
M&G Investments	3.59	0.37	3.22	3.20	900,087.88	0.00	0.37	-0.37	-0.37	-108,687.01	0.32	0.37	-0.05	-0.05	-15,673.24	775,727.63
Newton	-0.98	0.26	-1.24	-1.23	-299,588.20	2.62	4.11	-1.48	-1.42	-369,386.32	0.26	-0.65	0.90	0.91	220,668.61	-448,305.91
Rasco Currency Ov	30.57	-	30.57	-	278,536.80	0.02	-	0.02	-	268.60	0.07	-	0.07	-	840.02	279,645.42
Ruffer	0.93	0.05	0.88	0.88	746,338.97	1.92	0.05	1.87	1.87	1,599,591.95	0.05	0.05	-0.00	-0.00	-19.99	2,345,910.92
SSGA	0.05	0.05	0.00	0.00	557.14	2.82	2.82	-0.00	-0.00	-716.50	-1.74	-1.76	0.01	0.01	19,877.19	19,717.84
UBS	-0.68	-0.30	-0.38	-0.38	-440,083.58	2.27	2.15	0.11	0.11	133,615.16	-3.36	-2.77	-0.59	-0.61	-675,900.79	-982,369.21
UBS Property	1.53	1.58	-0.06	-0.06	-33,722.77	0.89	1.41	-0.52	-0.51	-310,351.42	1.59	0.96	0.63	0.63	378,996.63	34,922.44
UBS Tactical	0.81	1.38	-0.57	-0.57	-79,055.22	1.52	2.22	-0.69	-0.68	-96,984.87	0.87	-0.31	1.18	1.19	164,006.25	-12,033.84

Total Fund Market Value at Qtr End: £748.4 M



Scheme Performance

Three
MonthsYear
To DateOne
Year

Market Value £m	% of Fund	Three Months			Year To Date			One Year					
		Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
748.4	100.00	1.23	1.51	-0.29	-0.28	4.21	4.43	-0.22	-0.21	7.38	7.78	-0.40	-0.37
22.4	3.00	10.29	-	-	-	21.12	-	-	-	24.88	-	-	-
15.6	2.09	4.24	4.00	0.24	0.23	-	-	-	-	-	-	-	-
64.4	8.61	0.46	1.13	-0.66	-0.66	1.59	3.40	-1.81	-1.75	3.62	4.55	-0.94	-0.90
61.0	8.15	-0.97	0.88	-1.85	-1.84	1.14	2.65	-1.52	-1.48	3.86	3.55	0.31	0.30
79.6	10.63	-0.97	3.81	-4.78	-4.60	3.73	8.18	-4.44	-4.11	3.86	14.91	-11.05	-9.62
14.3	1.91	2.40	-	-	-	5.13	-	-	-	7.41	-	-	-
7.3	0.98	7.26	0.88	6.37	6.32	2.53	2.65	-0.12	-0.12	6.27	3.55	2.72	2.63
30.5	4.07	3.92	1.13	2.80	2.77	6.78	3.40	3.39	3.27	7.42	4.55	2.87	2.74
24.6	3.29	1.88	3.70	-1.82	-1.75	5.38	8.10	-2.72	-2.52	8.86	14.04	-5.18	-4.54
87.3	11.67	2.90	0.14	2.77	2.76	2.99	0.40	2.60	2.59	3.64	0.53	3.11	3.09
148.6	19.85	1.08	1.06	0.01	0.01	3.58	3.62	-0.04	-0.04	7.40	7.47	-0.08	-0.07
113.9	15.22	-1.84	-0.97	-0.87	-0.88	-1.40	0.60	-2.00	-1.99	5.01	6.09	-1.07	-1.01
60.4	8.07	4.06	4.00	0.06	0.05	13.07	12.03	1.03	0.92	18.04	16.80	1.24	1.06
14.0	1.87	3.24	3.31	-0.07	-0.07	17.55	6.43	11.12	10.45	8.22	1.81	6.41	6.30

Total Fund Market Value at Qtr End: £748.4 M



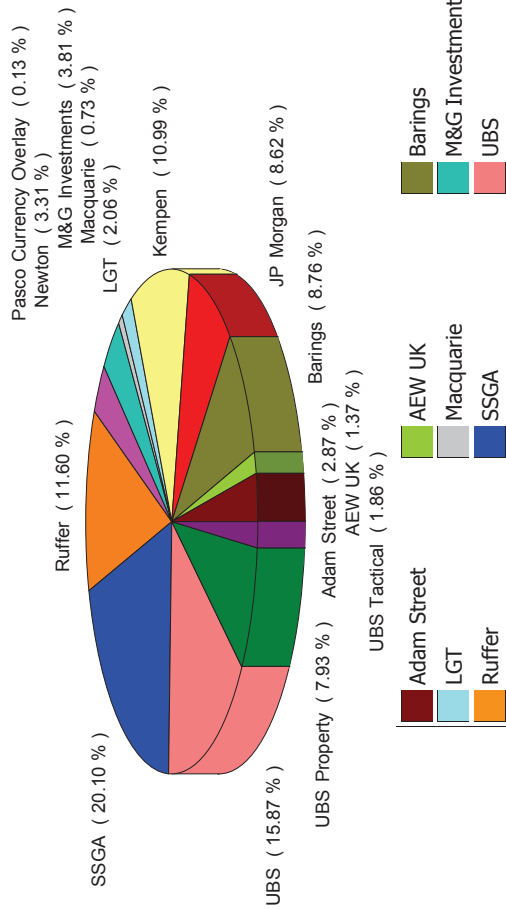
Scheme Performance

	<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	10.48	9.98	0.50	0.45	8.23	7.76	0.47	0.44	30/09/95	6.78	6.74	0.04	0.04
<u>By Manager</u>													
Adam Street	11.09	-	-	-	13.94	-	-	-	31/01/05	3.68	-	-	-
AEW UK	-	-	-	-	-	-	-	-	30/06/14	4.24	4.00	0.24	0.23
Barings	-	-	-	-	-	-	-	-	24/04/13	2.66	4.55	-1.89	-1.81
JP Morgan	-	-	-	-	-	-	-	-	08/11/11	3.90	3.67	0.23	0.22
Kempner	-	-	-	-	-	-	-	-	31/01/13	5.76	15.82	-10.06	-8.69
PLGT	5.83	-	-	-	8.96	-	-	-	31/05/04	8.20	-	-	-
Macquarie	-6.92	3.69	-10.61	-10.23	-	-	-	-	30/09/10	-5.00	3.72	-8.73	-8.41
M&G Investments	6.41	4.69	1.72	1.64	-	-	-	-	31/05/10	5.70	4.73	0.96	0.92
Newton	-	-	-	-	-	-	-	-	24/01/13	9.73	13.83	-4.09	-3.60
Ruffer	6.83	0.70	6.13	6.08	-	-	-	-	28/05/10	5.93	0.72	5.21	5.17
SSGA	12.71	12.82	-0.10	-0.09	9.17	9.19	-0.02	-0.02	30/11/08	12.35	12.34	0.01	0.01
UBS	17.96	13.94	4.02	3.52	10.85	9.74	1.11	1.01	31/12/88	10.23	8.95	1.27	1.17
UBS Property	7.79	7.43	0.36	0.34	8.86	9.55	-0.70	-0.64	31/03/06	1.63	1.88	-0.25	-0.24
UBS Tactical	-	-	-	-	-	-	-	-	30/06/13	-0.30	-3.24	2.94	3.04

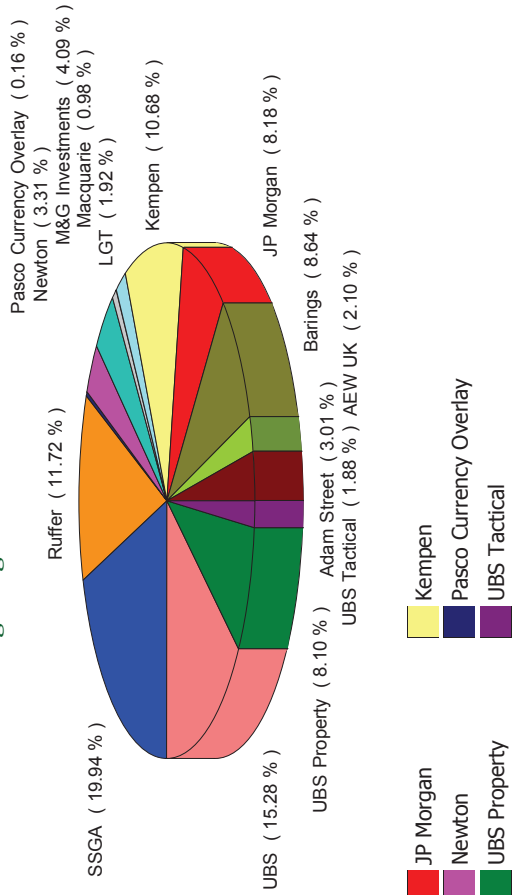
Total Fund Market Value at Qtr End: £748.4 M



Weighting at Beginning of Period



Weighting at End of Period

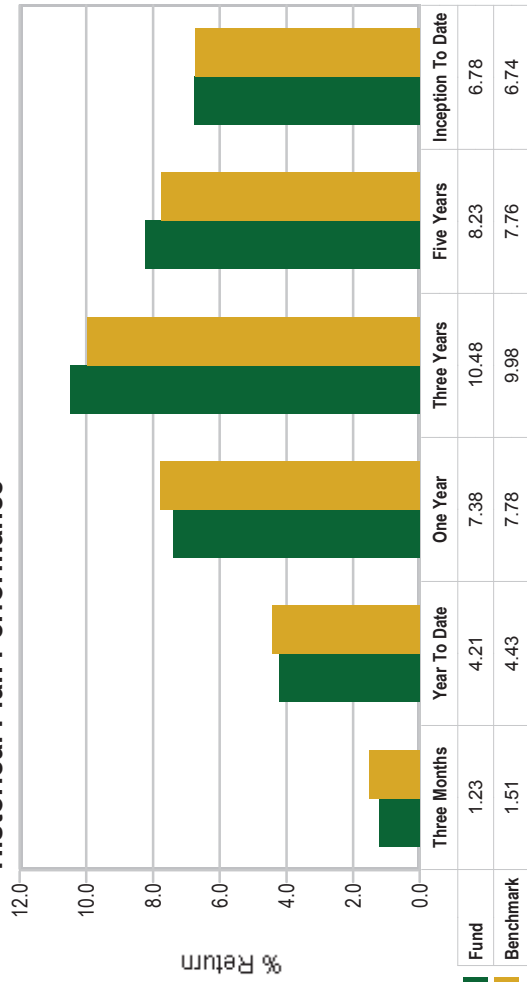


	Opening Market Value	% of Fund	Net Investment	Appreciation	Income Received	Closing Market Value	% of Fund
	£(000)		£(000)	£(000)	£(000)	£(000)	
London Borough of Hillingdon	734,312	100.00	5,011	6,349	2,733	748,405	100.00
Adam Street	20,966	2.86	-644	2,106	1	22,428	3.00
AEW UK	9,999	1.36	5,001	640	0	15,640	2.09
Barings	64,094	8.73	11	298	0	64,403	8.61
JP Morgan	63,062	8.59	-1,499	-600	-0	60,963	8.15
Kempen	80,331	10.94	0	-776	0	79,555	10.63
LGT	15,058	2.05	-1,091	348	0	14,314	1.91
Macquarie	5,329	0.73	1,550	423	0	7,302	0.98
M&G Investments	27,864	3.79	1,520	1,097	1	30,481	4.07
Newton	24,188	3.29	0	456	0	24,643	3.29
Pasco Currency Overlay	923	0.13	-15	-618	901	1,191	0.16
Ruffer	84,841	11.55	0	2,151	313	87,306	11.67
SSGA	147,004	20.02	0	1,583	0	148,587	19.85
UBS	116,020	15.80	0	-3,033	896	113,883	15.22
UBS Property	58,020	7.90	0	1,737	617	60,373	8.07
UBS Tactical	13,571	1.85	0	435	4	14,010	1.87



London Borough of Hillingdon

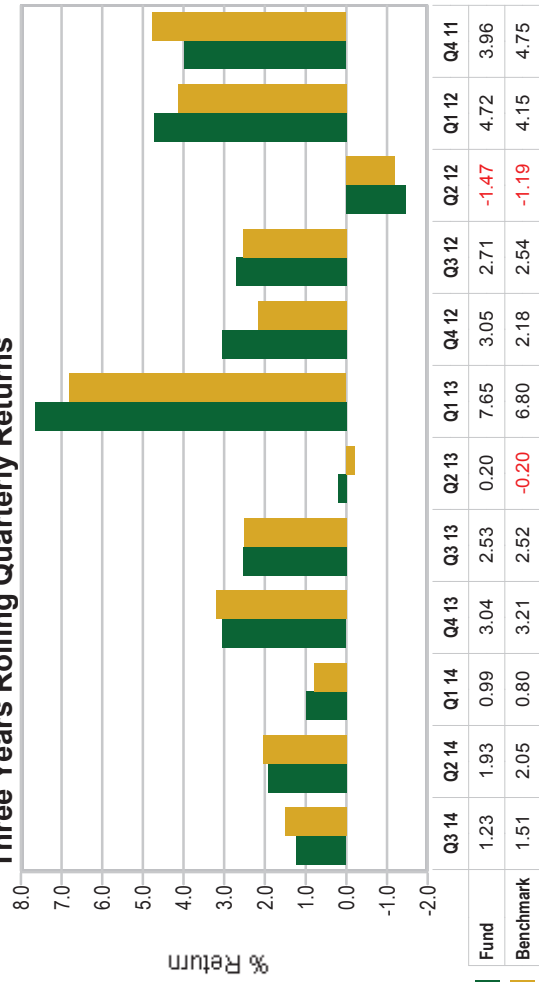
Historical Plan Performance



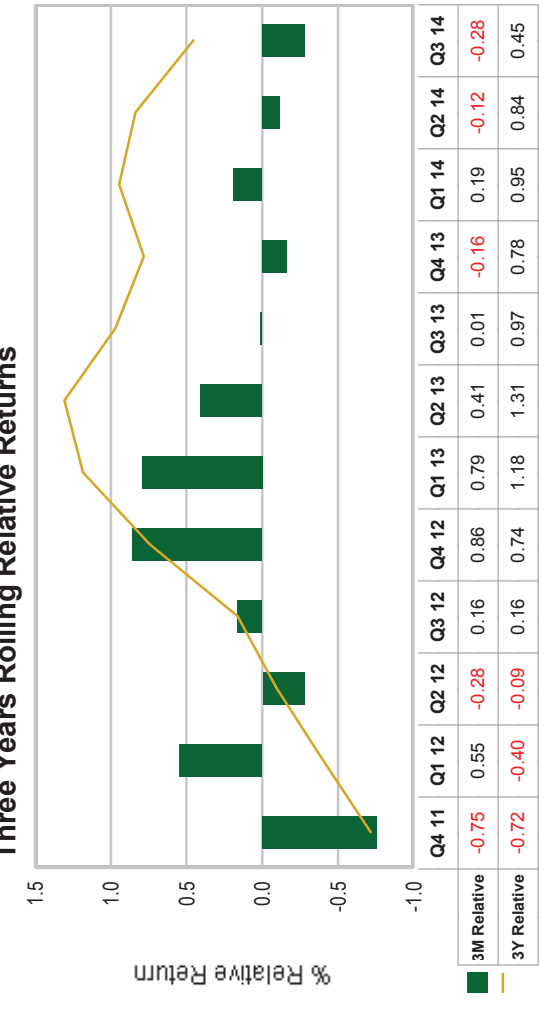
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	10.48	9.98
Standard Deviation	5.28	5.08
Relative Return	0.45	
Tracking Error	0.99	
Information Ratio	0.50	
Beta	1.02	
Alpha	0.28	
R Squared	0.97	
Sharpe Ratio	1.81	1.78
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	734,312	
Net Investment (£000)	5,011	
Income Received (£000)	2,733	
Appreciation (£000)	6,349	
Closing Market Value (£000)	748,405	

Three Years Rolling Quarterly Returns

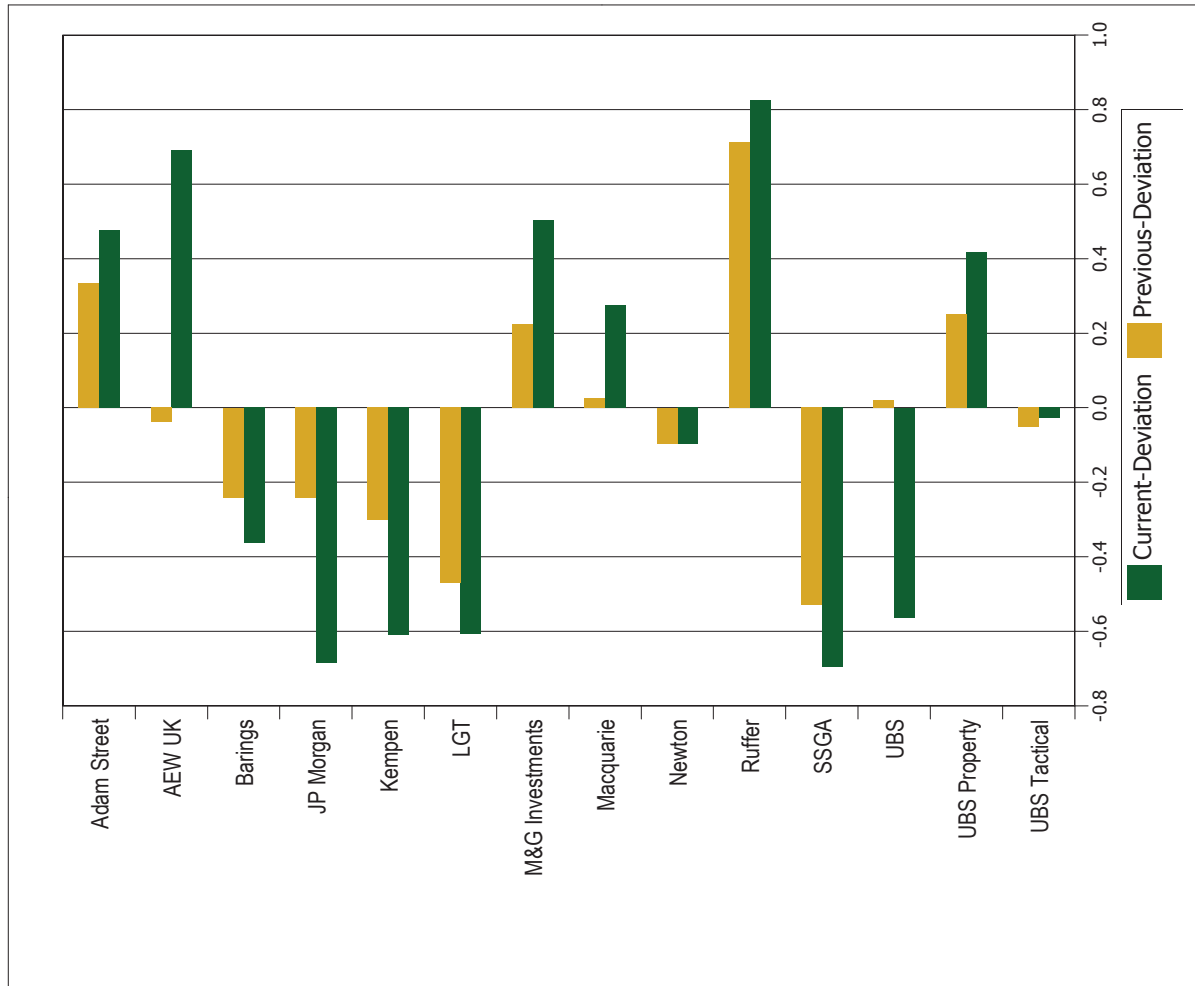


Three Years Rolling Relative Returns





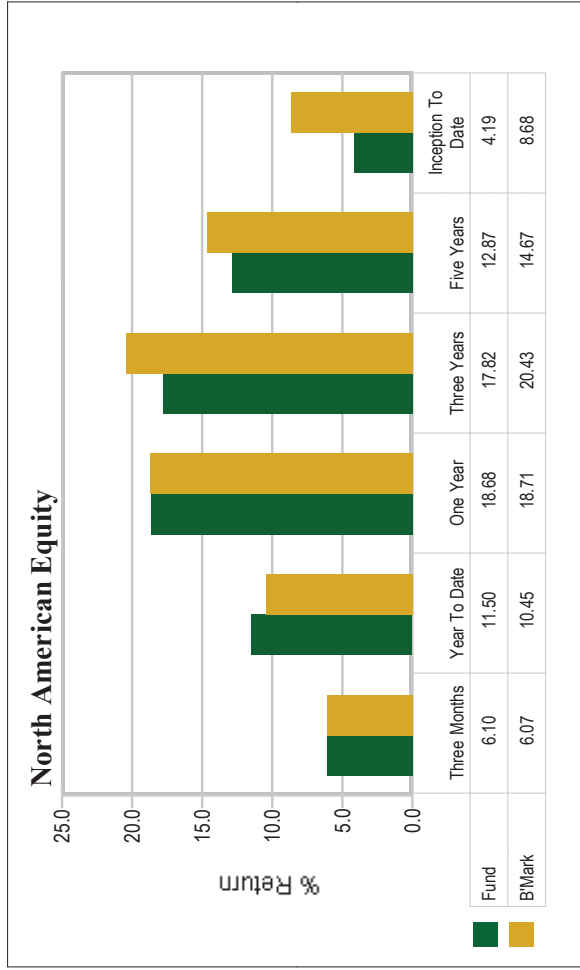
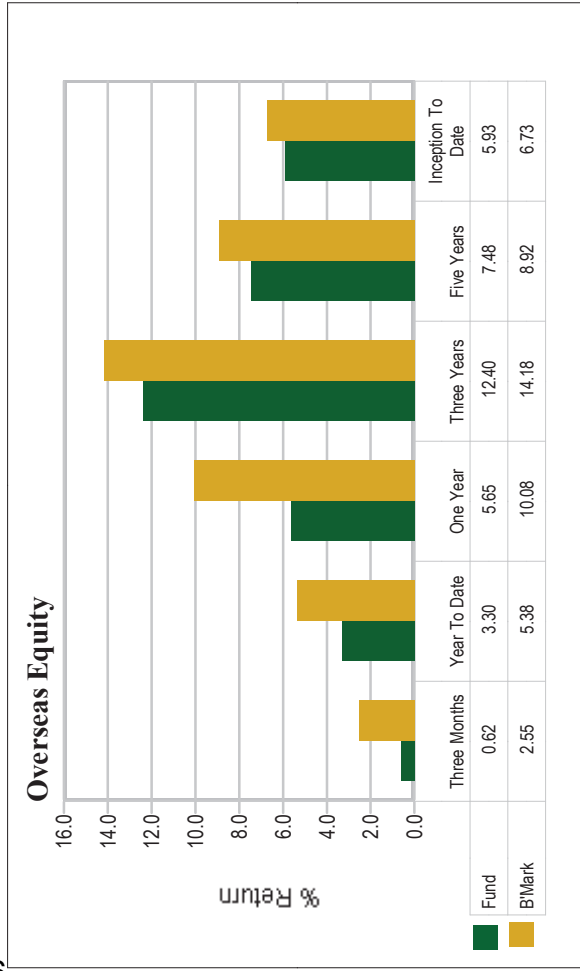
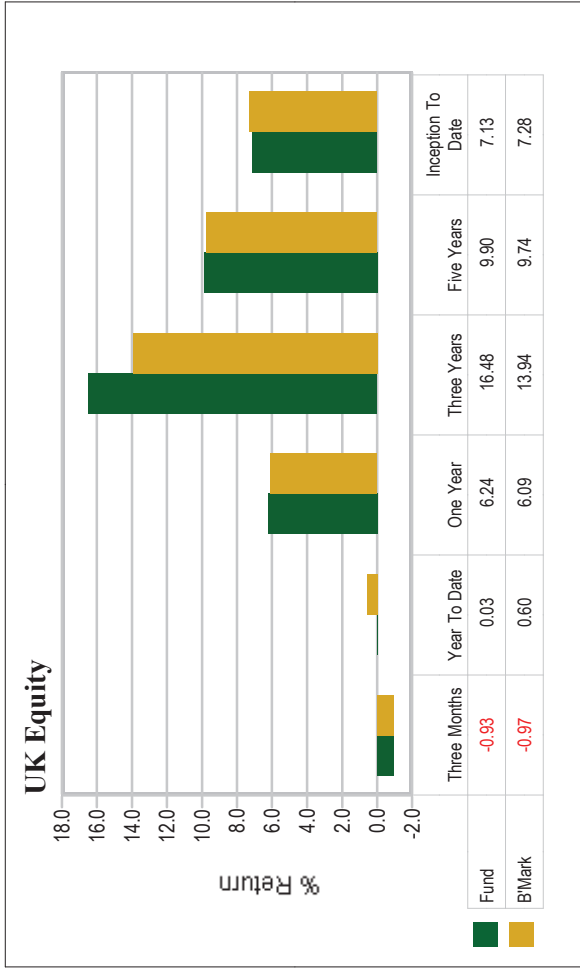
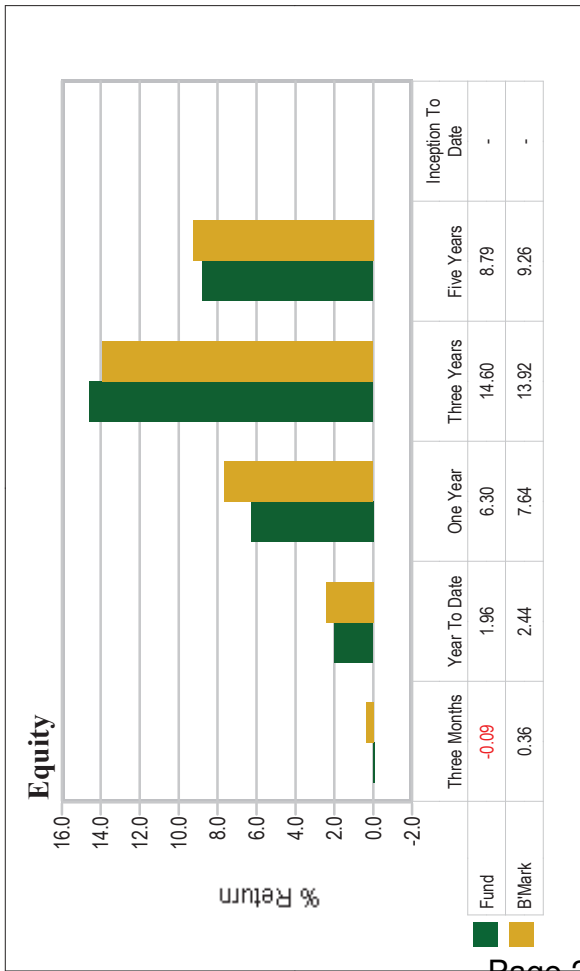
Manager Allocation



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Adam Street	3.00	2.86	2.52	0.48	2.52	0.34
AEW UK	2.09	1.36	1.40	0.69	1.40	-0.04
Barings	8.61	8.73	8.97	-0.36	8.97	-0.24
JP Morgan	8.15	8.59	8.83	-0.68	8.83	-0.24
Kempen	10.63	10.94	11.24	-0.61	11.24	-0.30
LGT	1.91	2.05	2.52	-0.61	2.52	-0.47
M&G Investments	4.07	3.79	3.57	0.50	3.57	0.22
Macquarie	0.98	0.73	0.70	0.28	0.70	0.03
Newton	3.29	3.29	3.39	-0.10	3.39	-0.10
Ruffer	11.67	11.55	10.84	0.83	10.84	0.71
SSGA	19.85	20.02	20.55	-0.70	20.55	-0.53
UBS	15.22	15.80	15.78	-0.56	15.78	0.02
UBS Property	8.07	7.90	7.65	0.42	7.65	0.25
UBS Tactical	1.87	1.85	1.90	-0.03	1.90	-0.05

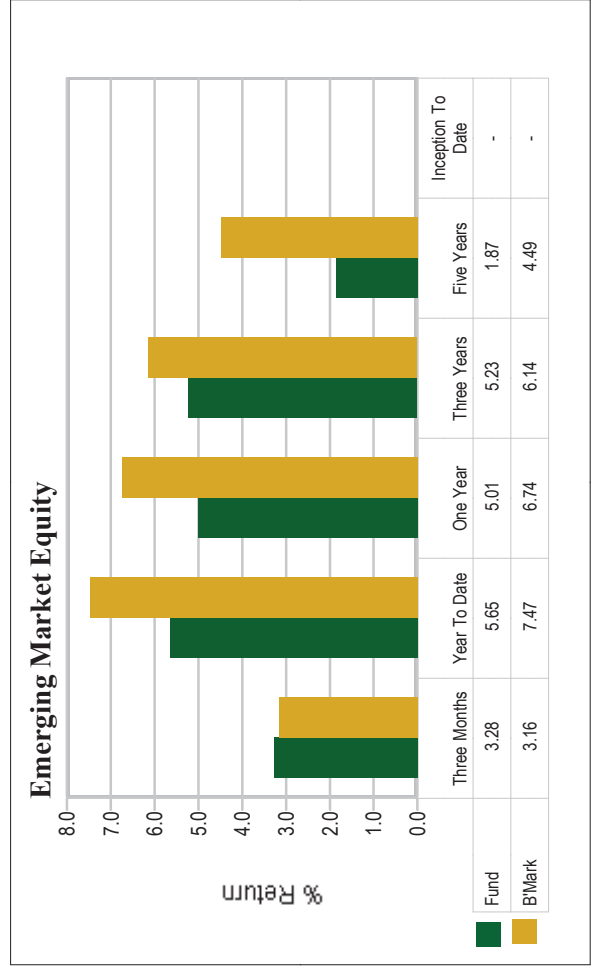
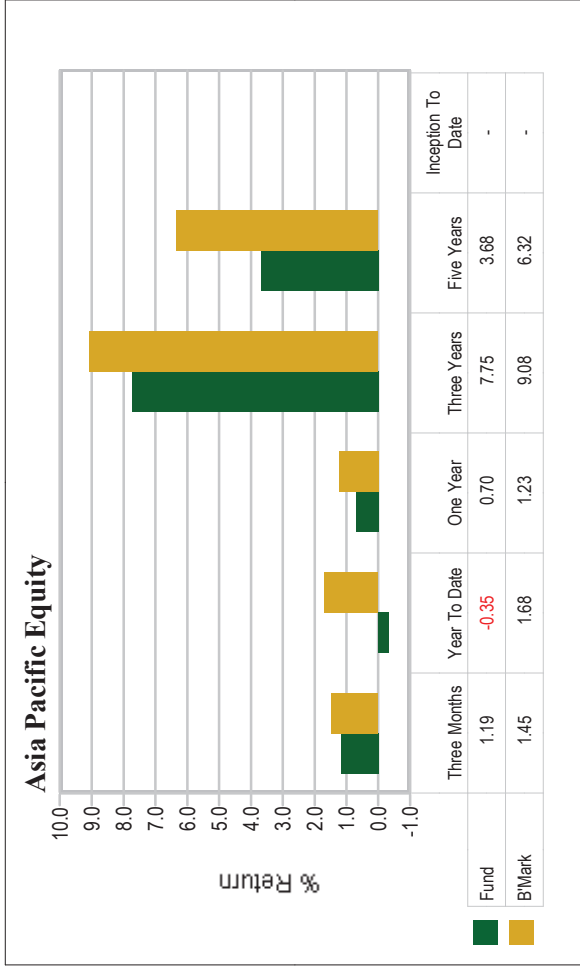
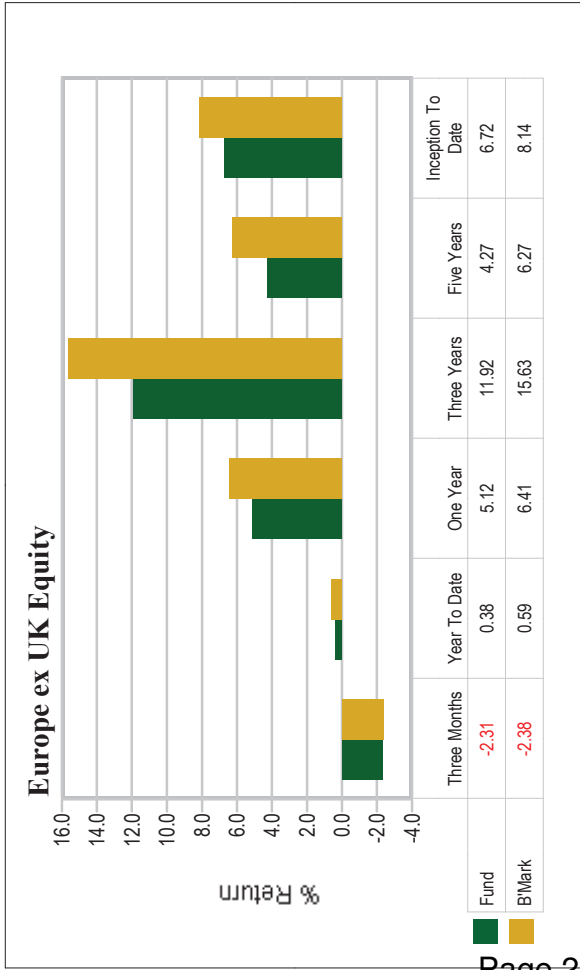


London Borough of Hillingdon



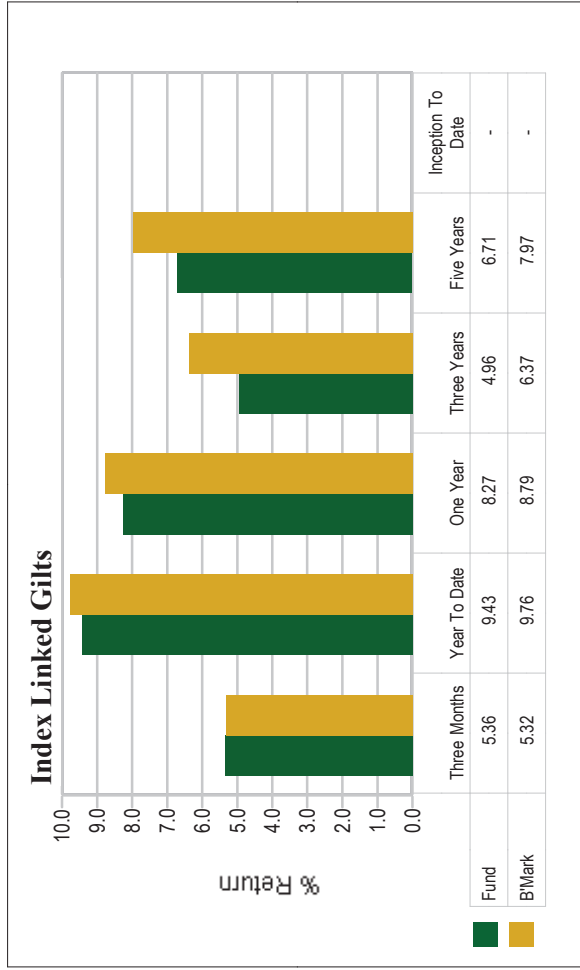
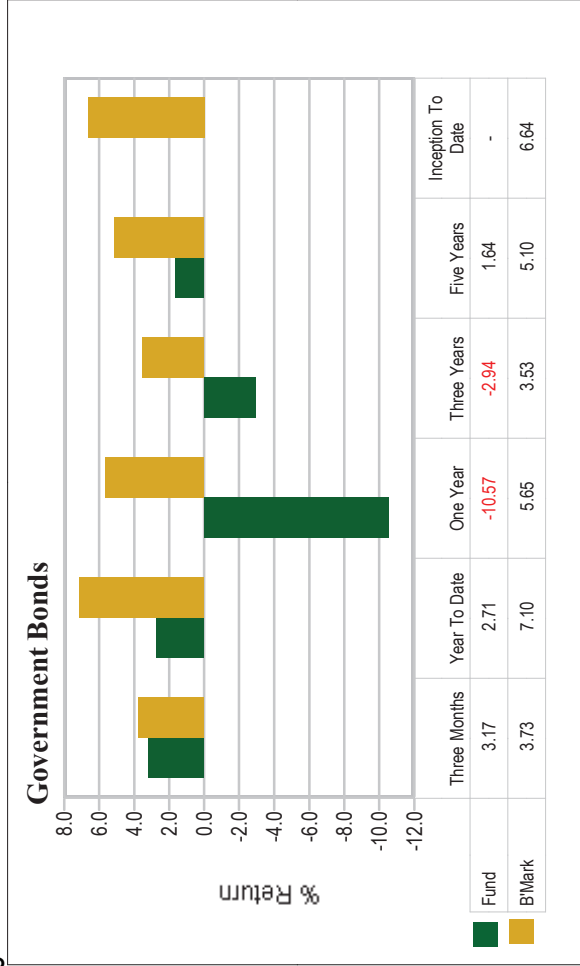
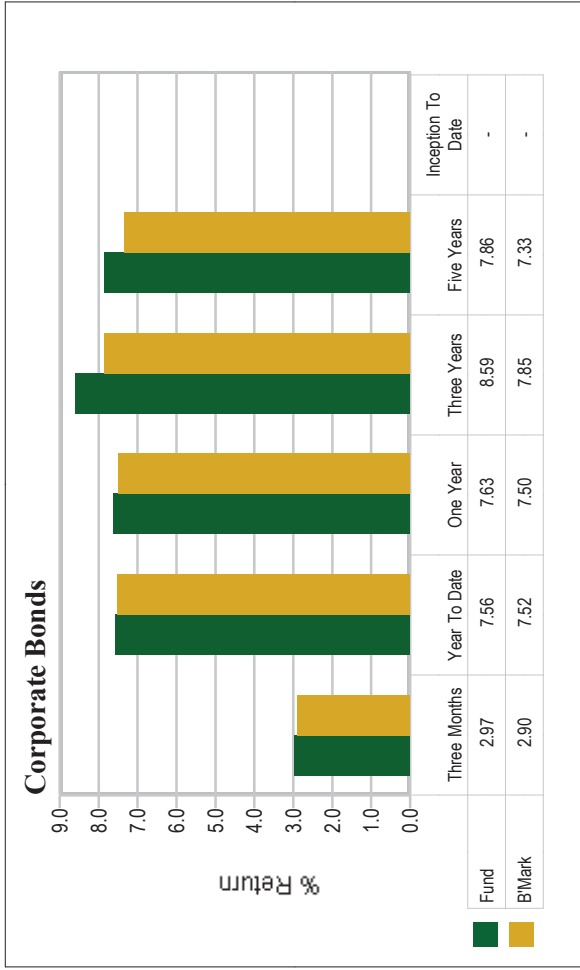
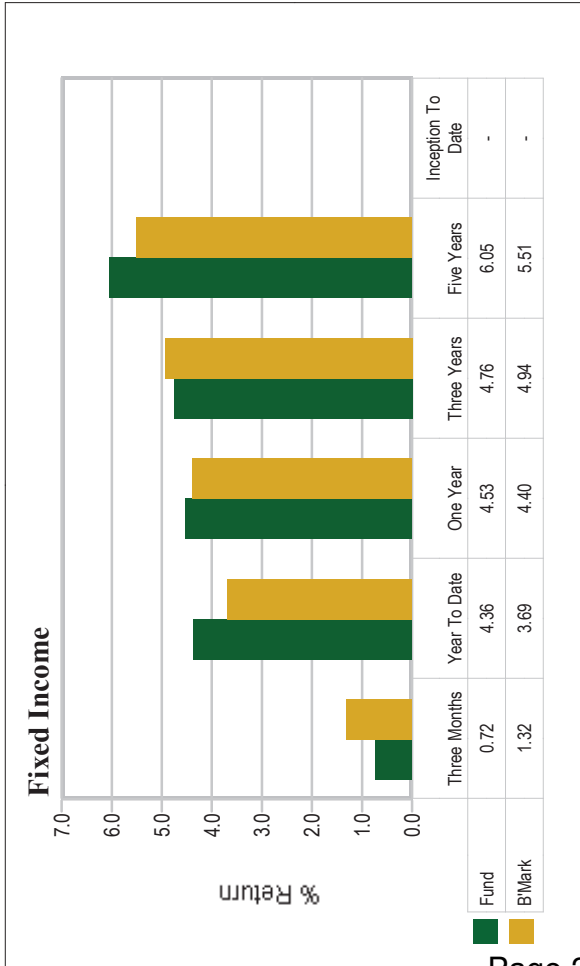


London Borough of Hillingdon



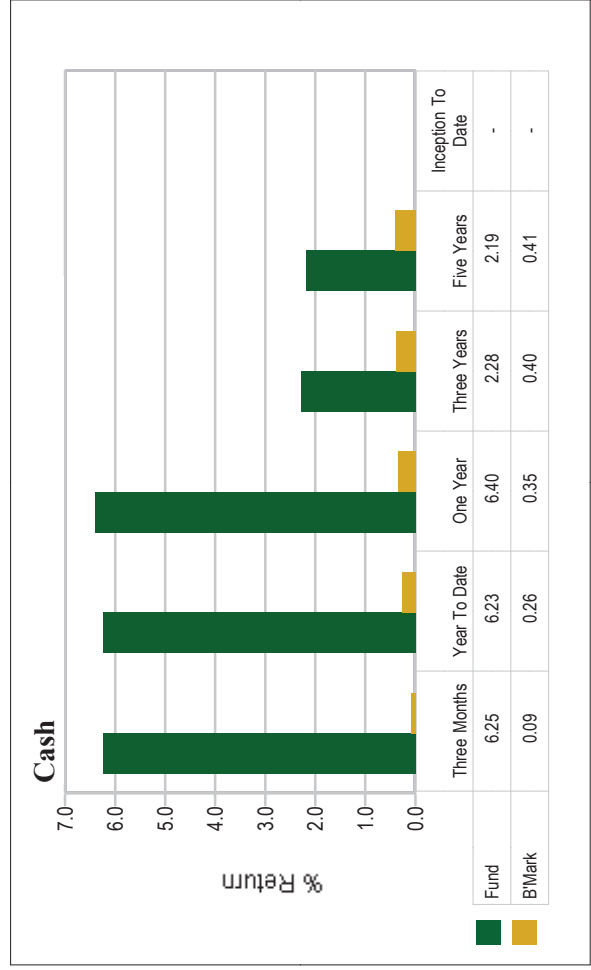
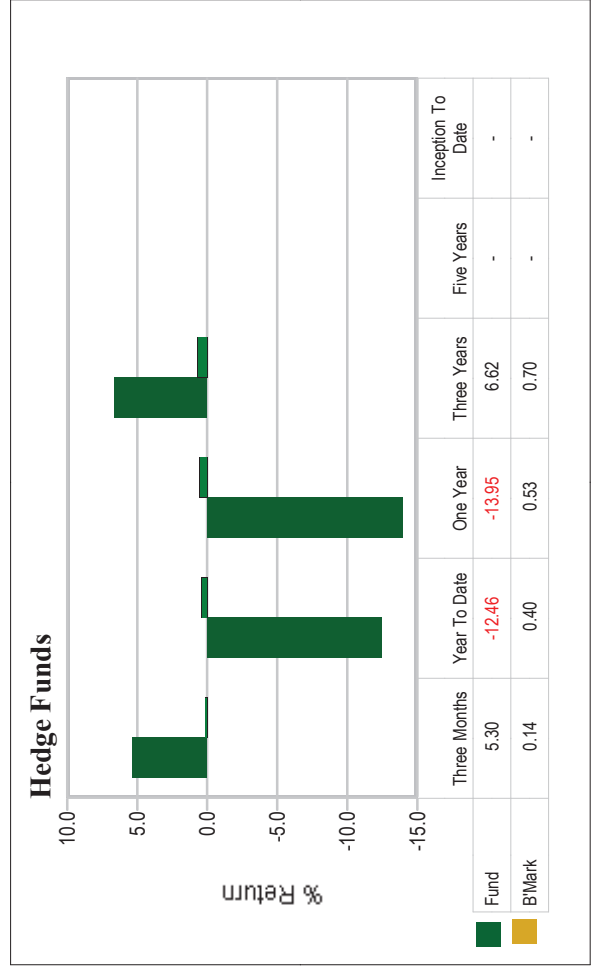
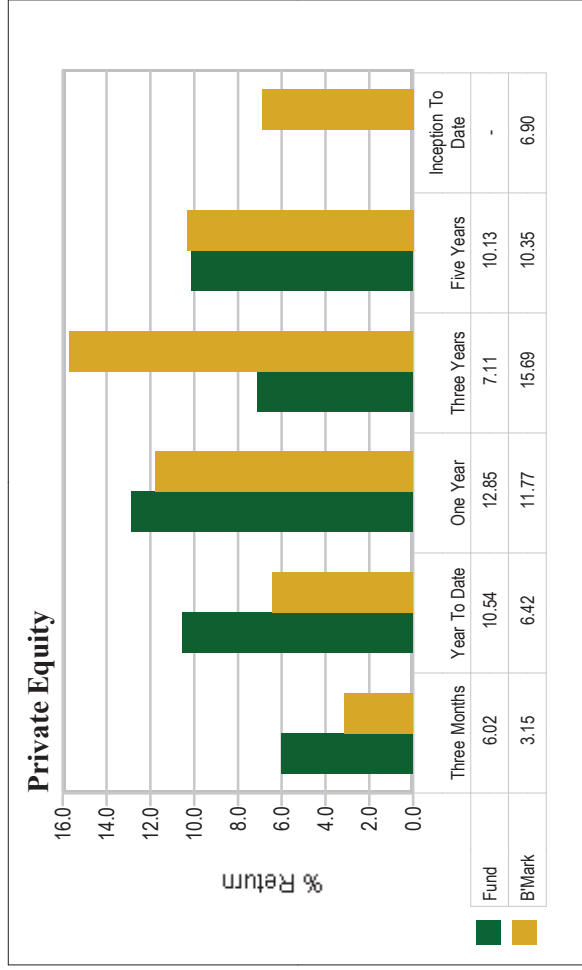
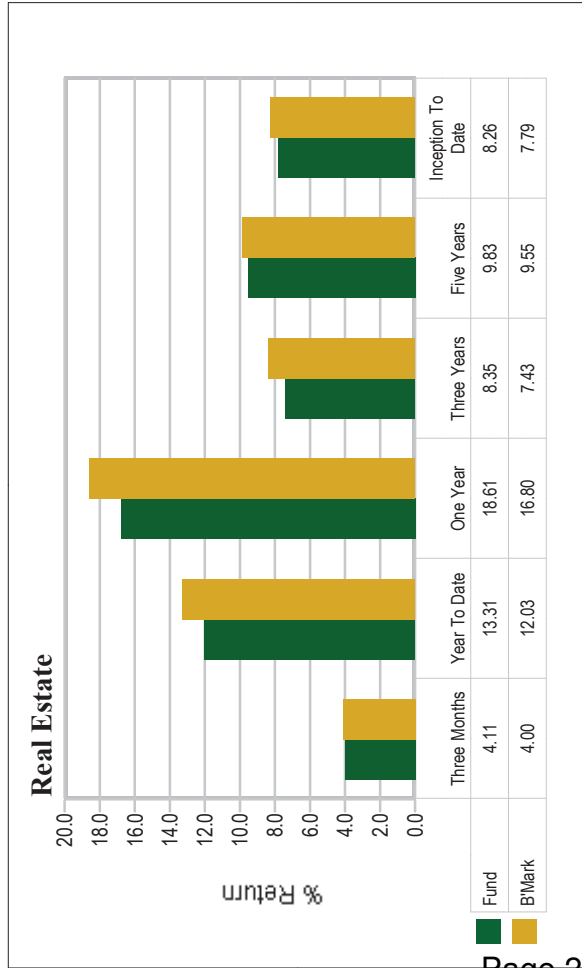


London Borough of Hillingdon



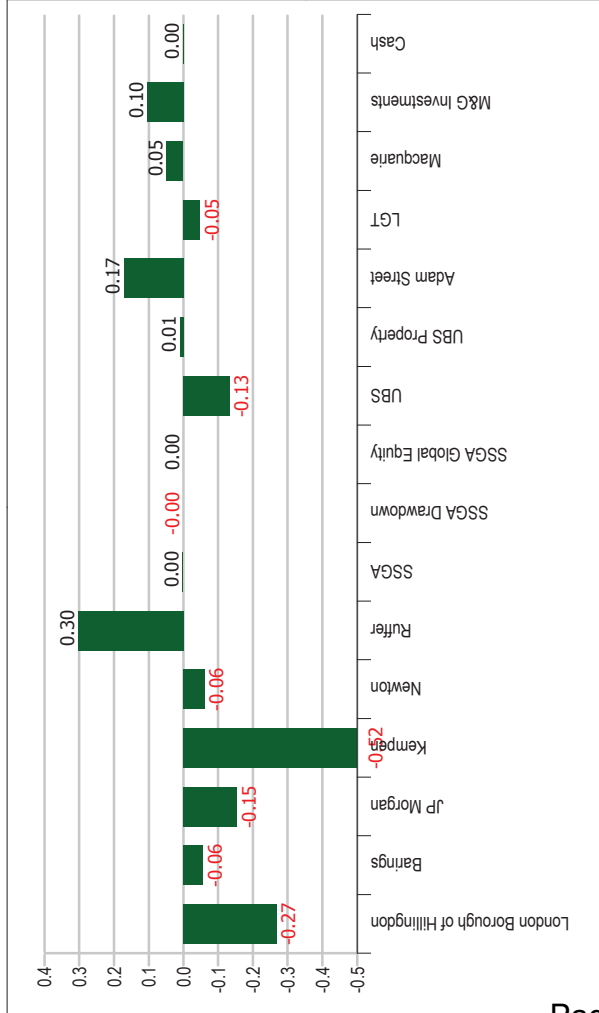


London Borough of Hillingdon

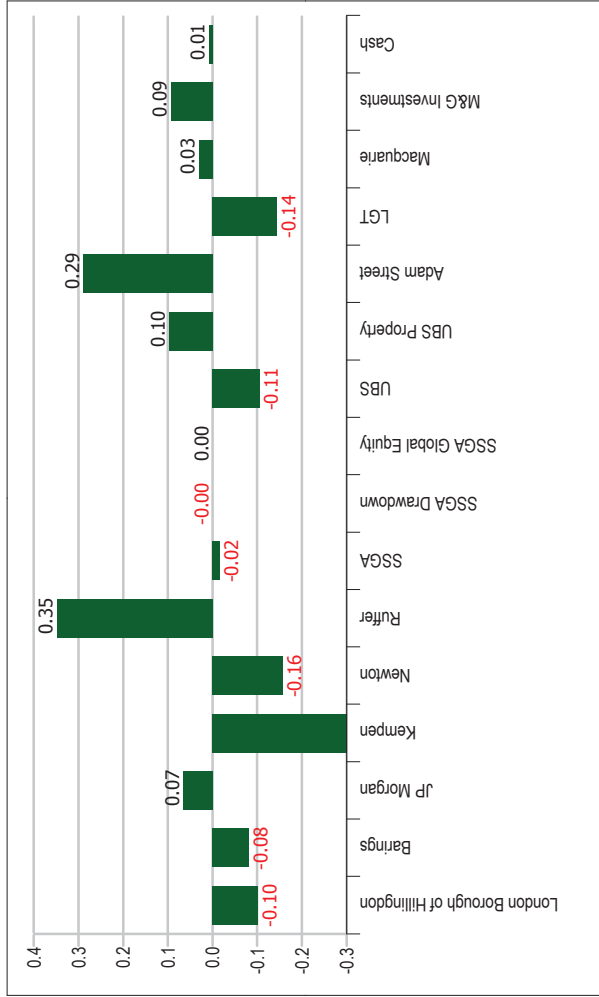




Three Months



One Year



	Fund Return	Index Return	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	1.23	1.50	-0.27	0.03	-0.30	-0.27
Barings	0.46	1.13	-0.66	0.00	-0.06	-0.06
JP Morgan	-0.97	0.88	-1.84	-0.00	-0.15	-0.15
Kempen	-0.97	3.81	-4.60	-0.01	-0.51	-0.52
Newton	1.88	3.70	-1.75	-0.00	-0.06	-0.06
Ruffer	2.90	0.14	2.76	-0.01	0.31	0.30
SSGA	1.08	1.06	0.01	0.00	0.00	0.00
SSGA Drawdown	0.58	1.53	-0.94	0.00	-0.00	-0.00
SSGA Global Equity	-	-	0.00	0.00	0.00	0.00
UBS	-1.84	-0.97	-0.88	0.00	-0.14	-0.13
UBS Property	4.06	4.00	0.05	0.01	0.01	0.01
Adam Street	10.29	4.20	5.85	0.01	0.17	0.17
LGT	2.40	4.20	-1.73	-0.02	-0.03	-0.05
Macquarie	7.26	0.88	6.32	-0.00	0.05	0.05
M&G Investments	3.92	1.13	2.77	-0.00	0.10	0.10
Cash	-0.39	0.09	-0.48	0.00	-0.00	0.00

	Fund Return	Index Return	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	7.38	7.49	-0.10	0.19	-0.20	-0.10
Barings	3.62	4.55	-0.90	0.00	-0.08	-0.08
JP Morgan	3.86	3.55	0.30	-0.00	0.07	0.07
Kempen	3.86	14.91	-9.62	0.08	-0.82	-0.73
Newton	8.86	14.04	-4.54	-0.00	-0.15	-0.16
Ruffer	3.64	0.53	3.09	0.00	0.35	0.35
SSGA	7.40	7.47	-0.07	-0.00	-0.01	-0.02
SSGA Drawdown	-2.83	3.95	-6.52	-0.00	-0.00	-0.00
SSGA Global Equity	-	-	0.00	0.00	0.00	0.00
UBS	5.01	6.09	-1.01	-0.07	-0.04	-0.11
UBS Property	18.04	16.80	1.06	0.01	0.08	0.10
Adam Street	24.88	13.12	10.40	0.01	0.28	0.29
LGT	7.41	13.12	-5.04	-0.03	-0.11	-0.14
Macquarie	6.27	3.55	2.63	0.00	0.03	0.03
M&G Investments	7.42	4.55	2.74	-0.01	0.10	0.09
Cash	-4.53	0.35	-4.87	0.01	-0.00	0.01

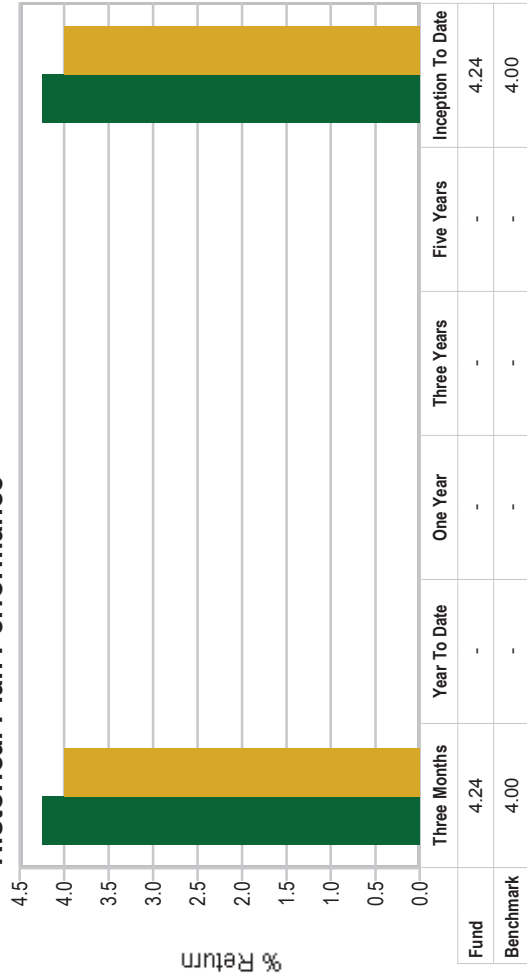


AEW UK

3rd Quarter, 2014

London Borough of Hillingdon

Historical Plan Performance

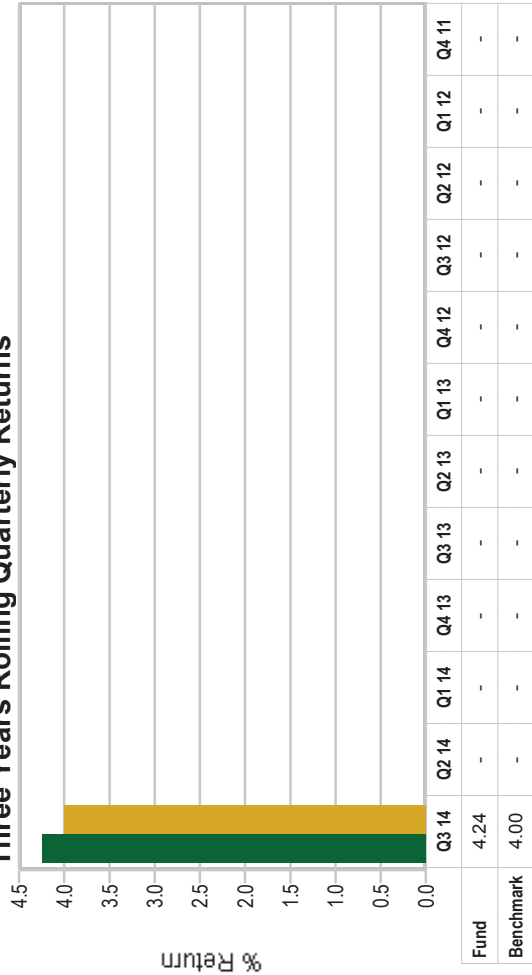


Risk Statistics - 3 years

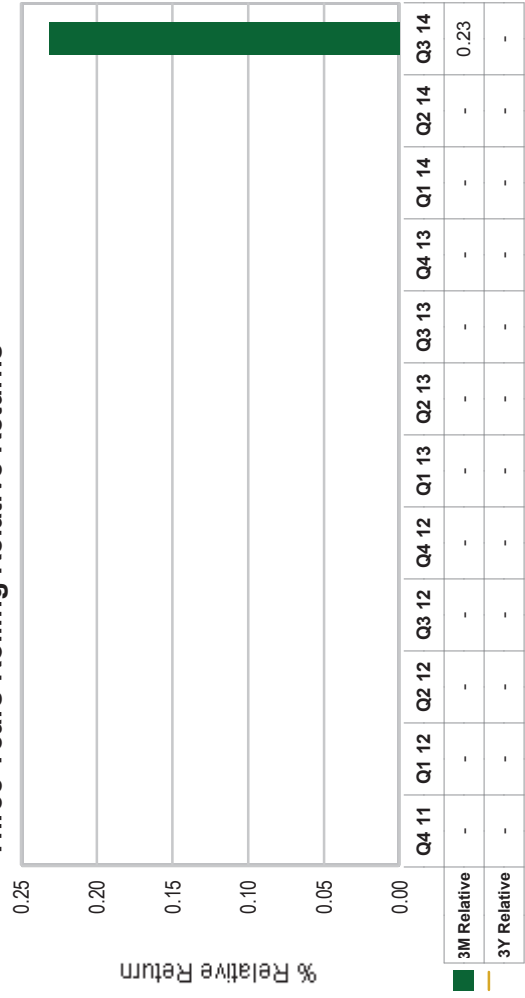
Fund Bmark

Performance Return	
Standard Deviation	
Relative Return	
Tracking Error	
Information Ratio	
Beta	
Alpha	
R Squared	
Sharpe Ratio	
Percentage of Total Fund	2.1
Inception Date	Jun-2014
Opening Market Value (£000)	9,999
Net Investment £(000)	5,001
Income Received £(000)	0
Appreciation £(000)	640
Closing Market Value (£000)	15,640

Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns

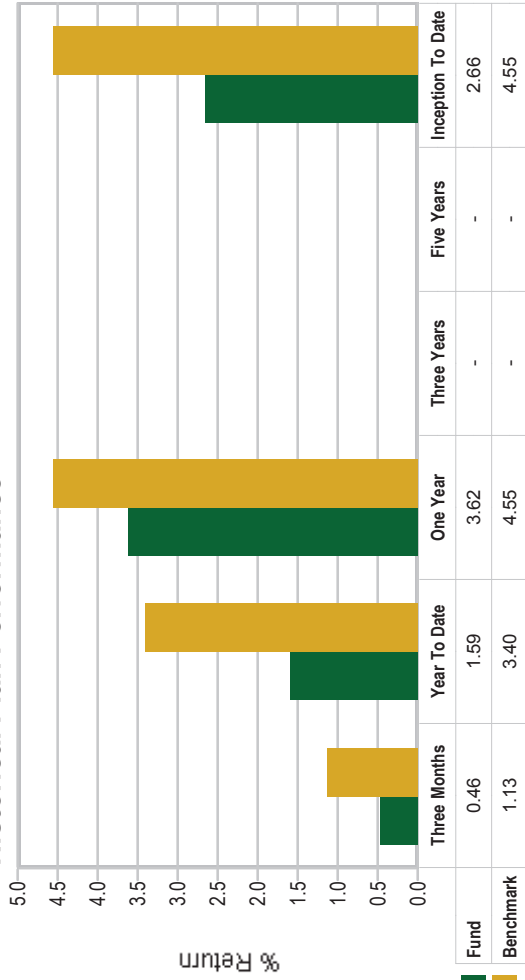


Northern Trust



Barings

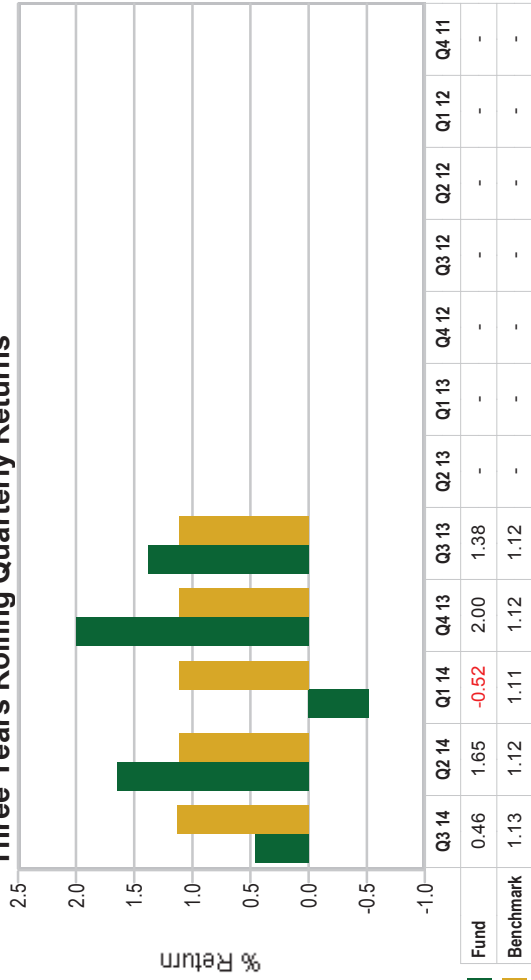
Historical Plan Performance



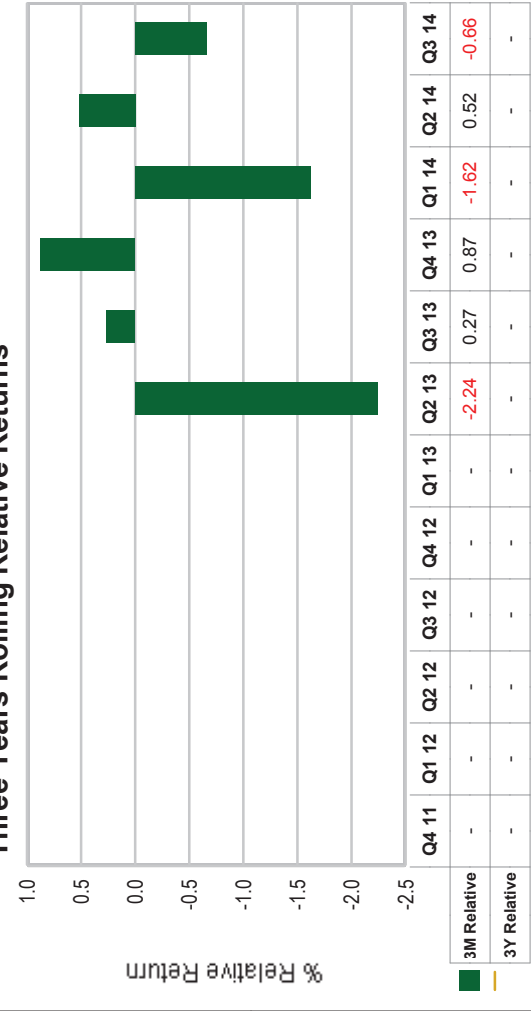
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	8.6	-
Inception Date	Apr-2013	-
Opening Market Value (£000)	64,094	-
Net Investment £(000)	11	-
Income Received £(000)	0	-
Appreciation £(000)	298	-
Closing Market Value (£000)	64,403	-

Three Years Rolling Quarterly Returns



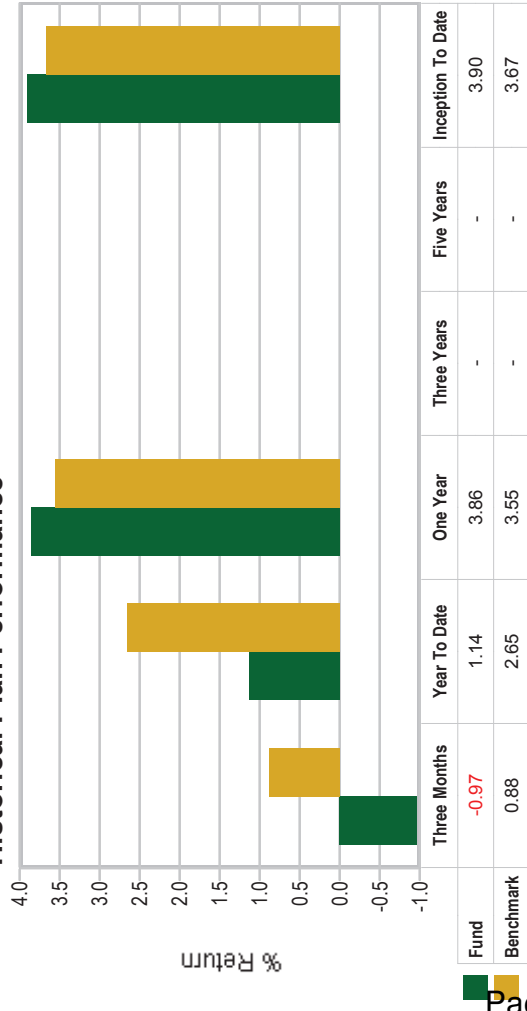
Three Years Rolling Relative Returns



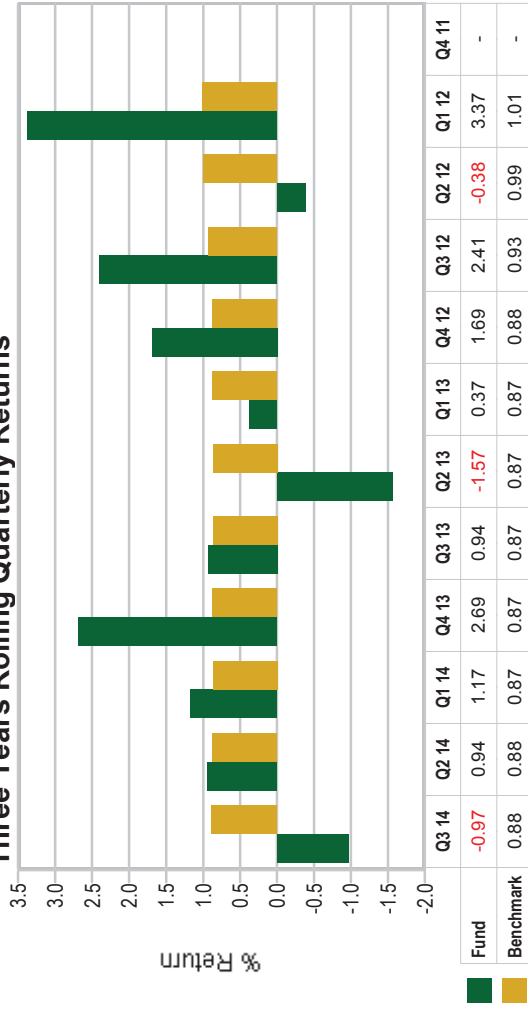


JP Morgan

Historical Plan Performance



Three Years Rolling Quarterly Returns



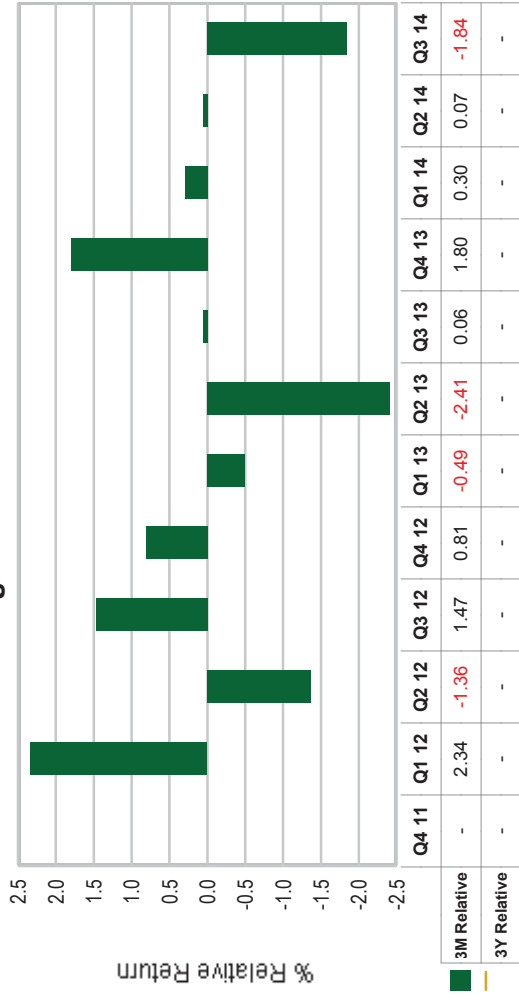
Risk Statistics - 3 years

Fund

Bmark

Performance Return	-
Standard Deviation	-
Relative Return	-
Tracking Error	-
Information Ratio	-
Beta	-
Alpha	-
R Squared	-
Sharpe Ratio	-
Percentage of Total Fund	8.1
Inception Date	Nov-2011
Opening Market Value (£000)	63,062
Net Investment (£000)	-1,499
Income Received (£000)	-0
Appreciation (£000)	-600
Closing Market Value (£000)	60,963

Three Years Rolling Relative Returns

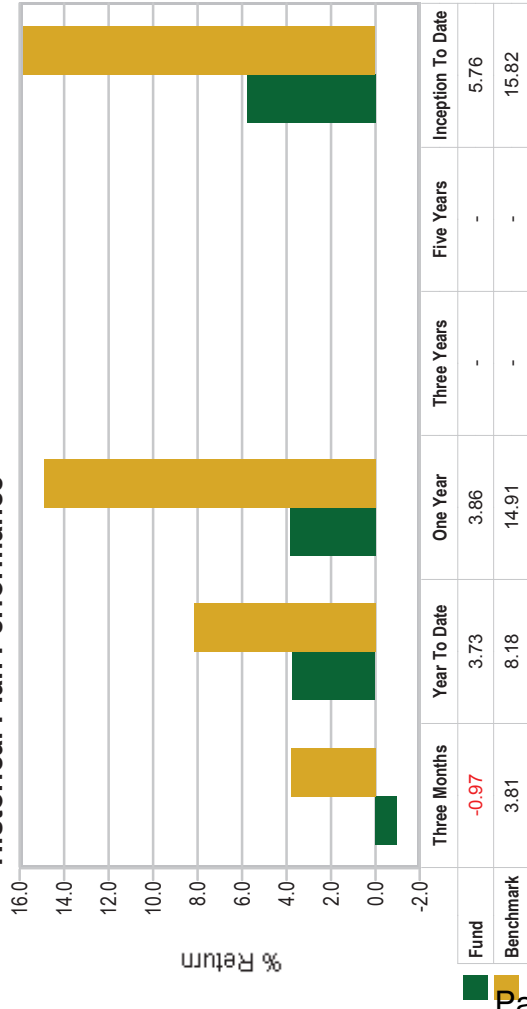


Northern Trust



Kempen

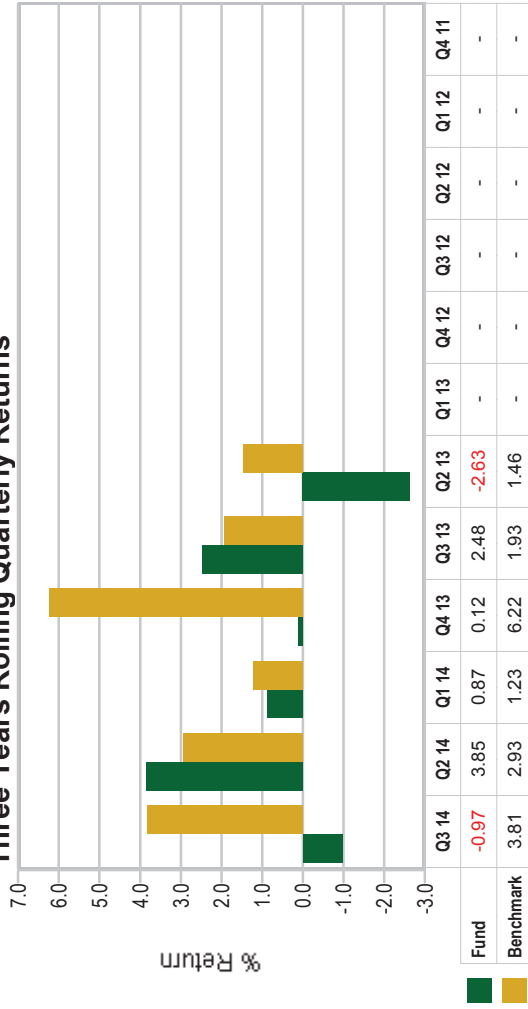
Historical Plan Performance



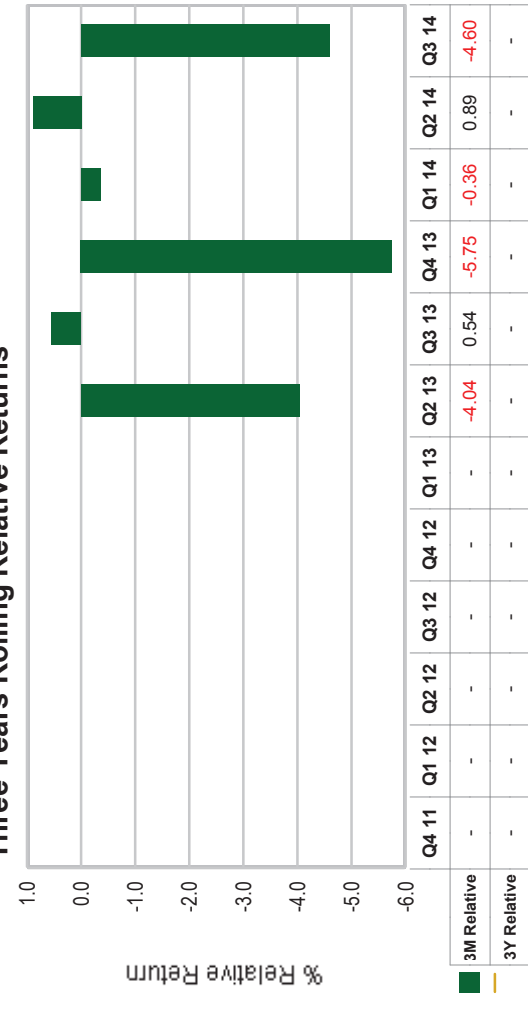
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	10.6	-
Inception Date	Jan-2013	-
Opening Market Value (£000)	80,331	-
Net Investment £(000)	0	-
Income Received £(000)	0	-
Appreciation £(000)	-776	-
Closing Market Value (£000)	79,555	-

Three Years Rolling Quarterly Returns



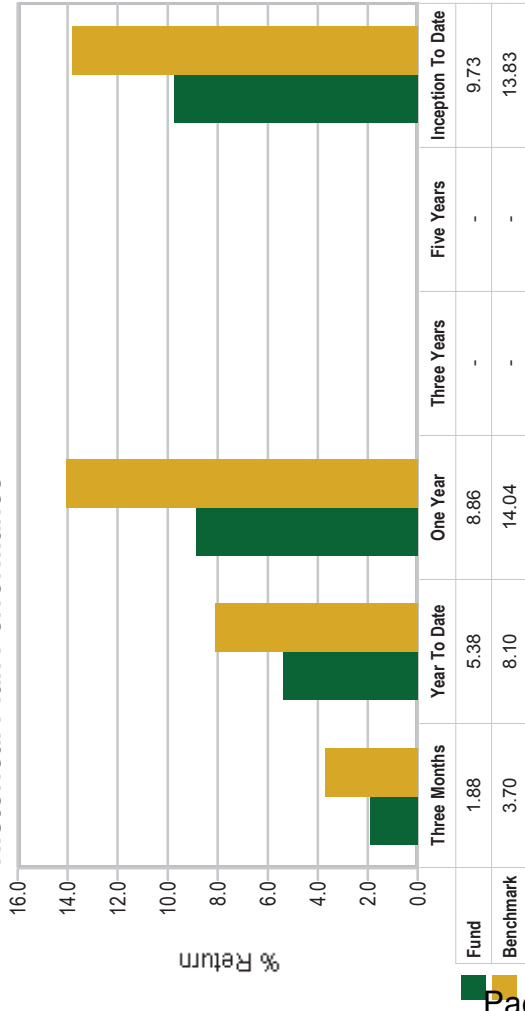
Three Years Rolling Relative Returns





Newton

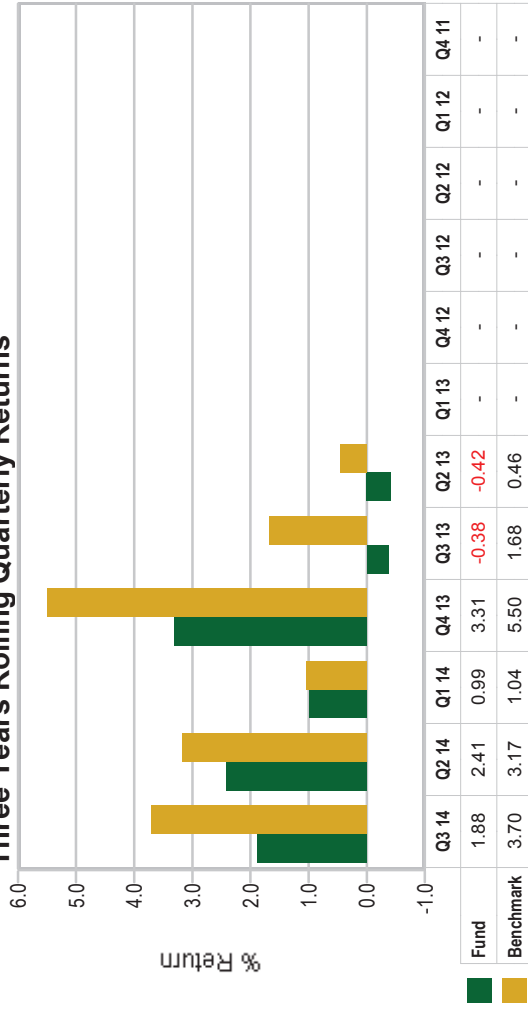
Historical Plan Performance



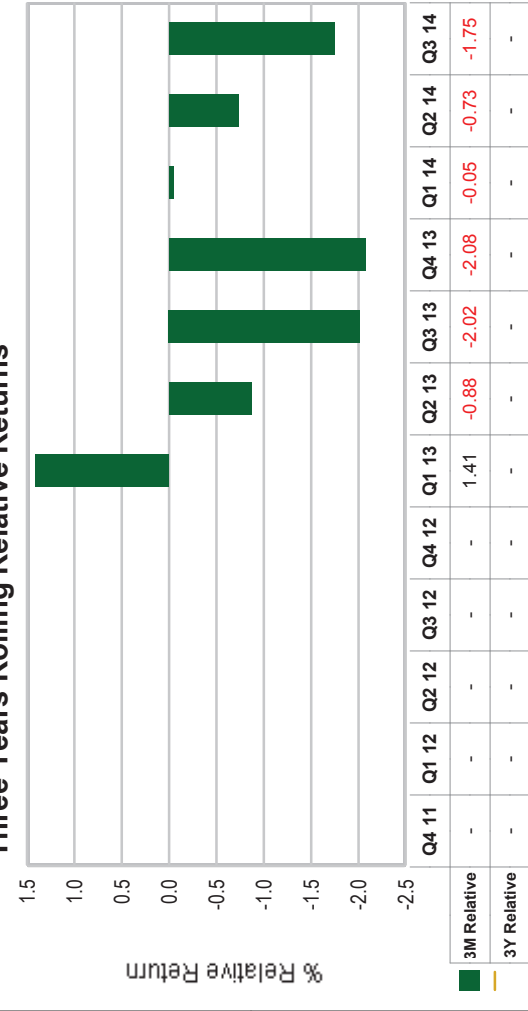
Risk Statistics - 3 years

	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)	24,188	-
Net Investment (£000)	0	-
Income Received (£000)	0	-
Appreciation (£000)	456	-
Closing Market Value (£000)	24,643	-

Three Years Rolling Quarterly Returns



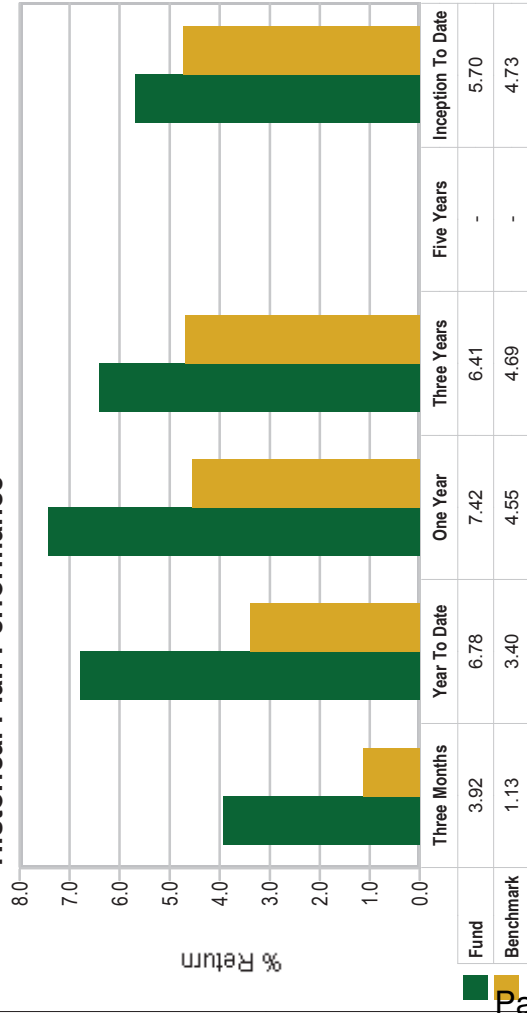
Three Years Rolling Relative Returns





M&G Investments

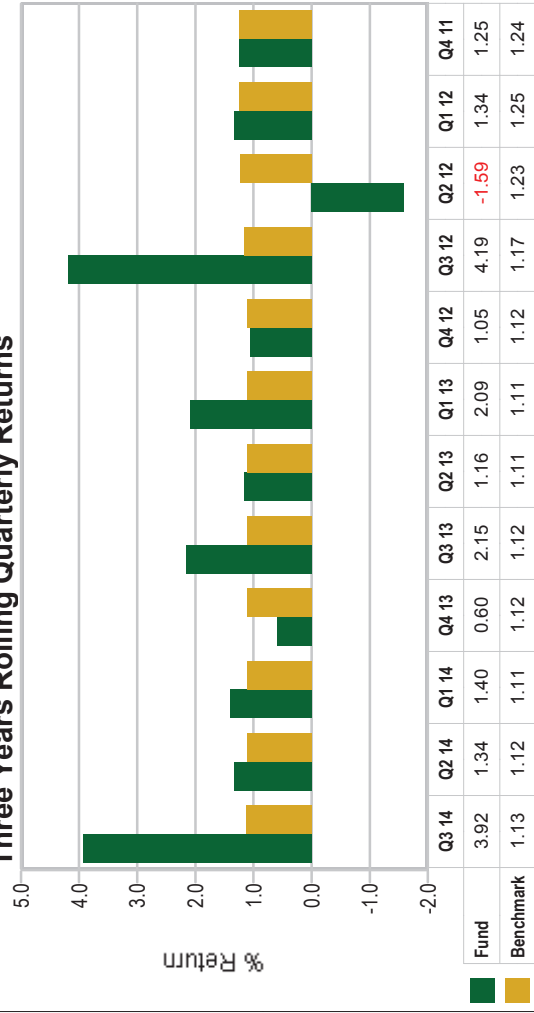
Historical Plan Performance



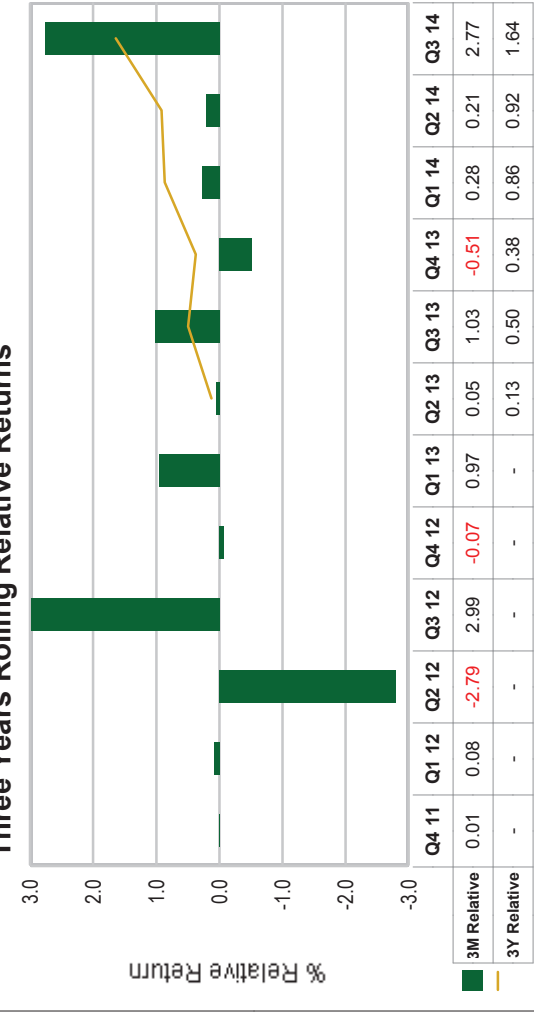
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	6.41	4.69
Standard Deviation	3.25	0.06
Relative Return	1.64	
Tracking Error	3.26	
Information Ratio	0.53	
Beta	3.43	
Alpha	-7.02	
R Squared	0.01	
Sharpe Ratio	1.69	60.31
Percentage of Total Fund	4.1	
Inception Date	May-2010	
Opening Market Value (£000)	27,864	
Net Investment (£000)	1,520	
Income Received (£000)	1	
Appreciation (£000)	1,097	
Closing Market Value (£000)	30,481	

Three Years Rolling Quarterly Returns



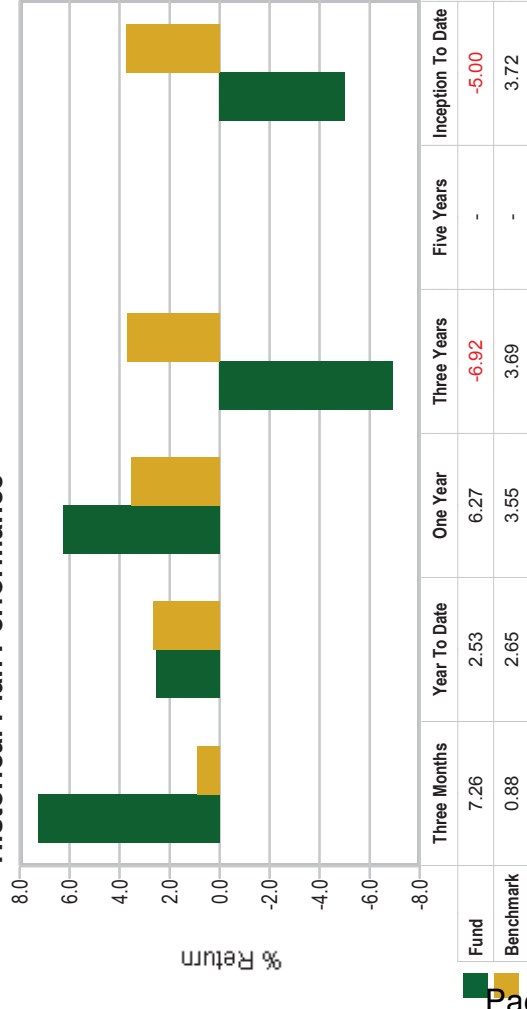
Three Years Rolling Relative Returns



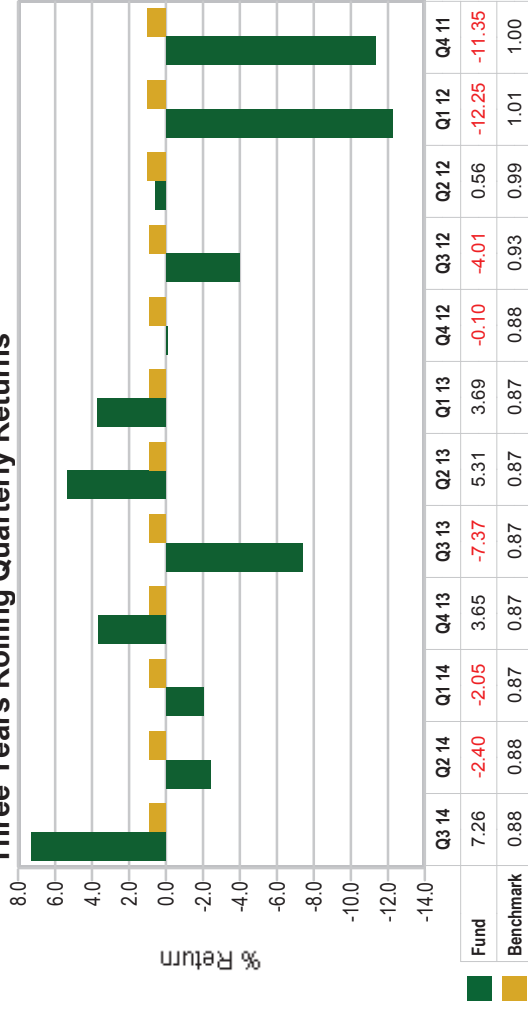


Macquarie

Historical Plan Performance



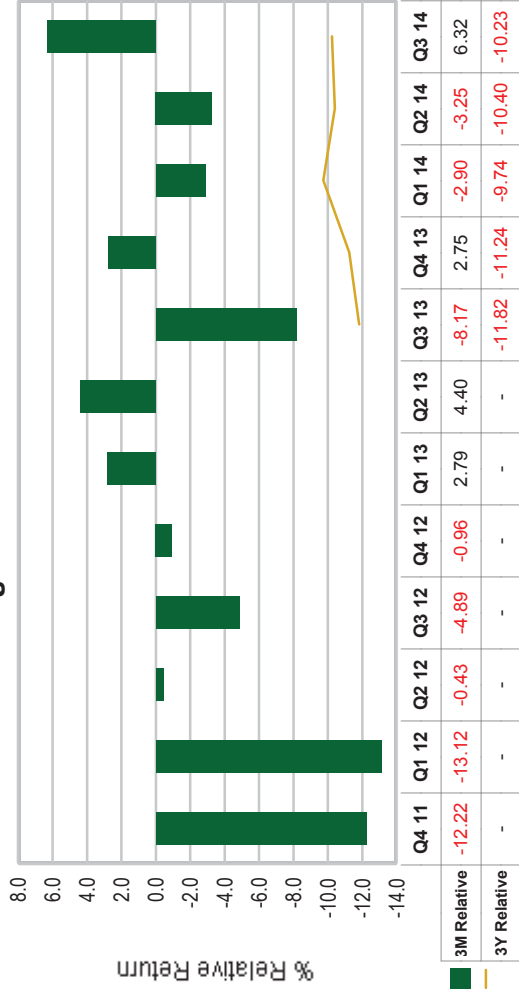
Three Years Rolling Quarterly Returns



Risk Statistics - 3 years

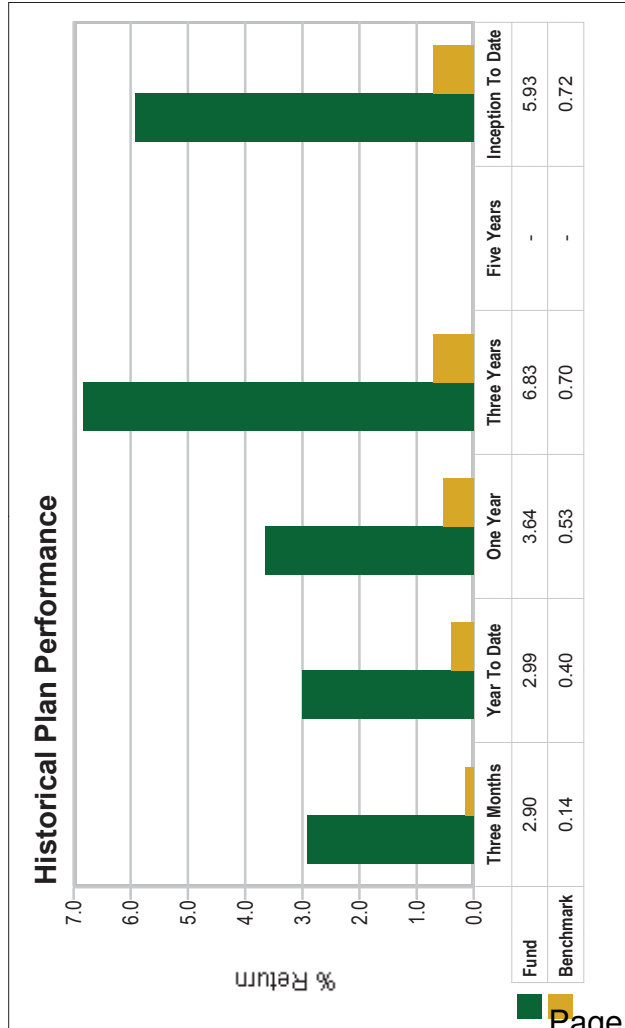
	Fund	Bmark
Performance Return	-6.92	3.69
Standard Deviation	11.30	0.06
Relative Return	-10.23	
Tracking Error	11.32	
Information Ratio	-0.94	
Beta	43.69	
Alpha	-73.60	
R Squared	0.10	
Sharpe Ratio	-0.69	44.22
Percentage of Total Fund	1.0	
Inception Date	Sep-2010	
Opening Market Value (£000)	5,329	
Net Investment (£000)	1,550	
Income Received (£000)	0	
Appreciation (£000)	423	
Closing Market Value (£000)	7,302	

Three Years Rolling Relative Returns





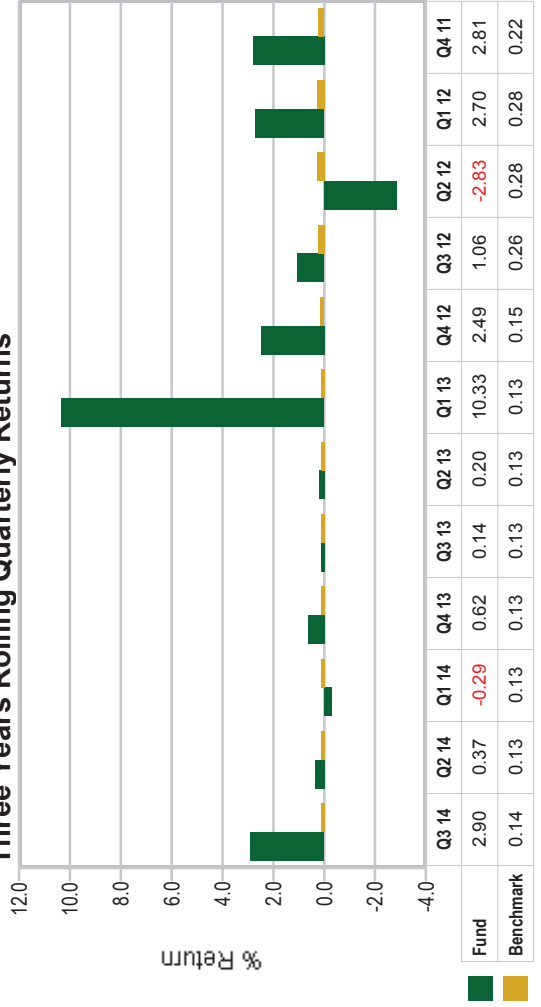
Ruffer



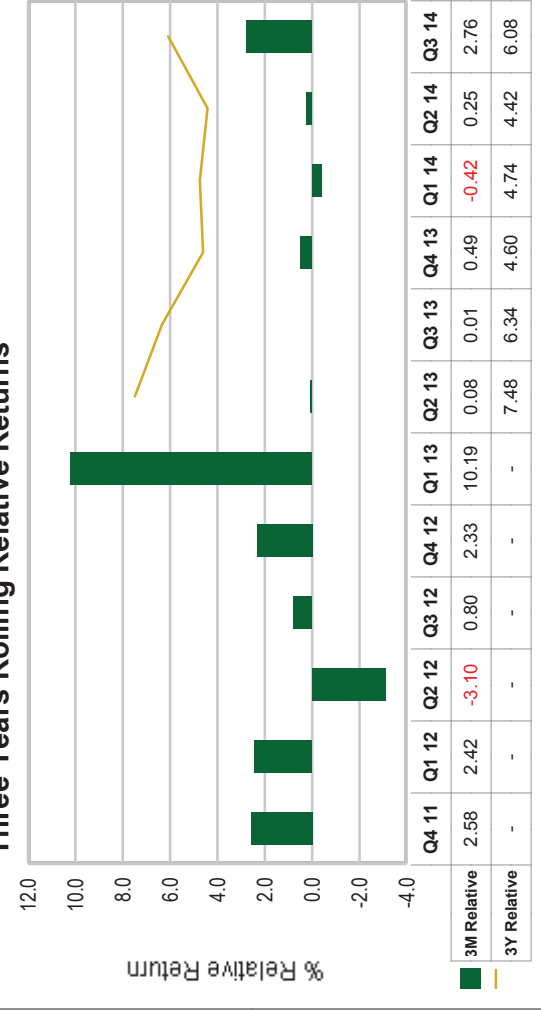
Risk Statistics - 3 years

	Fund	B'mark
Performance Return	6.83	0.70
Standard Deviation	4.85	0.07
Relative Return	6.08	
Tracking Error	4.86	
Information Ratio	1.26	
Beta	15.54	
Alpha	9.47	
R Squared	0.05	
Sharpe Ratio	1.22	-2.88
Percentage of Total Fund	11.7	
Inception Date	May-2010	
Opening Market Value (£000)	84,841	
Net Investment £(000)	0	
Income Received £(000)	313	
Appreciation £(000)	2,151	
Closing Market Value (£000)	87,306	

Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns





SSGA

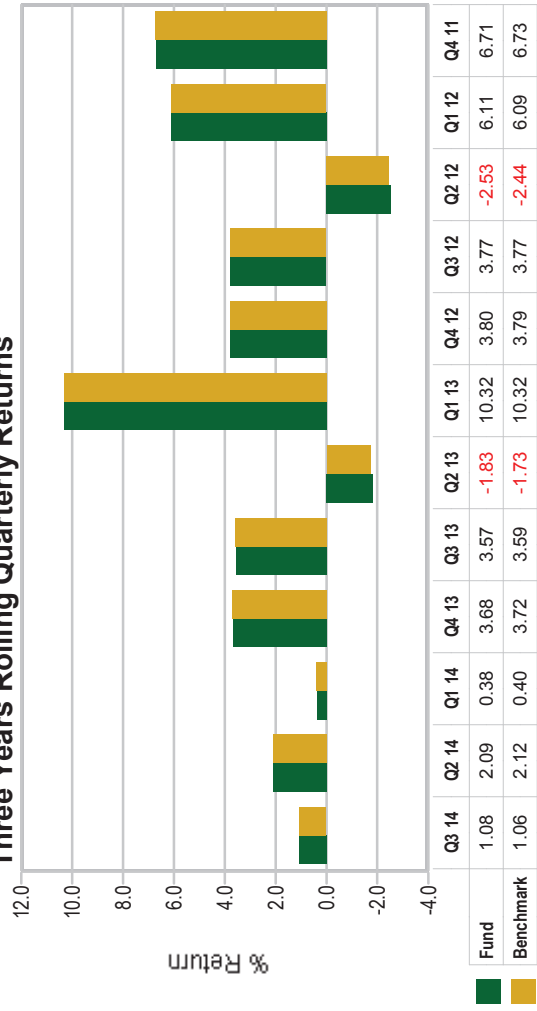
Historical Plan Performance



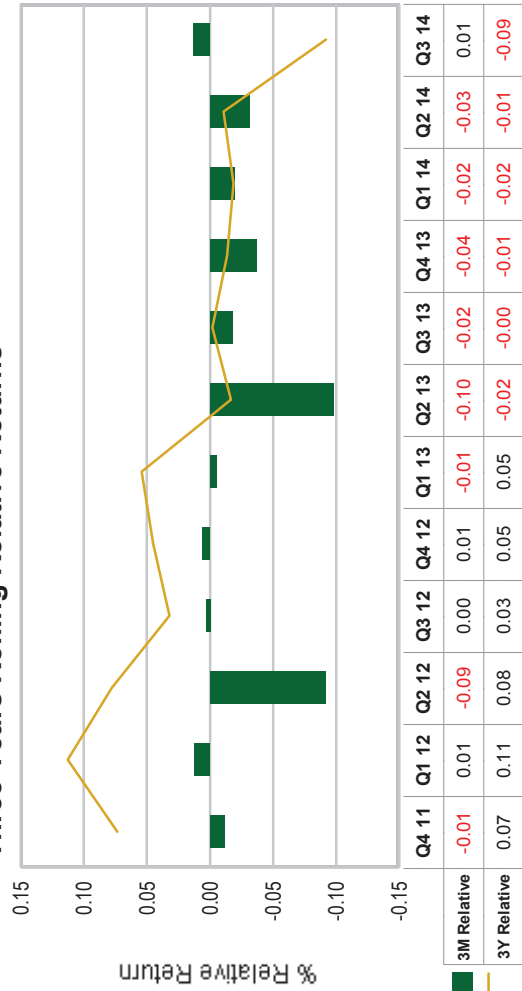
Risk Statistics - 3 years

	Fund	B'mark
Performance Return	12.71	12.82
Standard Deviation	8.15	8.20
Relative Return	-0.09	
Tracking Error	0.11	
Information Ratio	-0.96	
Beta	0.99	
Alpha	-0.03	
R Squared	1.00	
Sharpe Ratio	1.45	1.45
Percentage of Total Fund	19.9	
Inception Date	Nov-2008	
Opening Market Value (£000)	147,004	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	1,583	
Closing Market Value (£000)	148,587	

Three Years Rolling Quarterly Returns

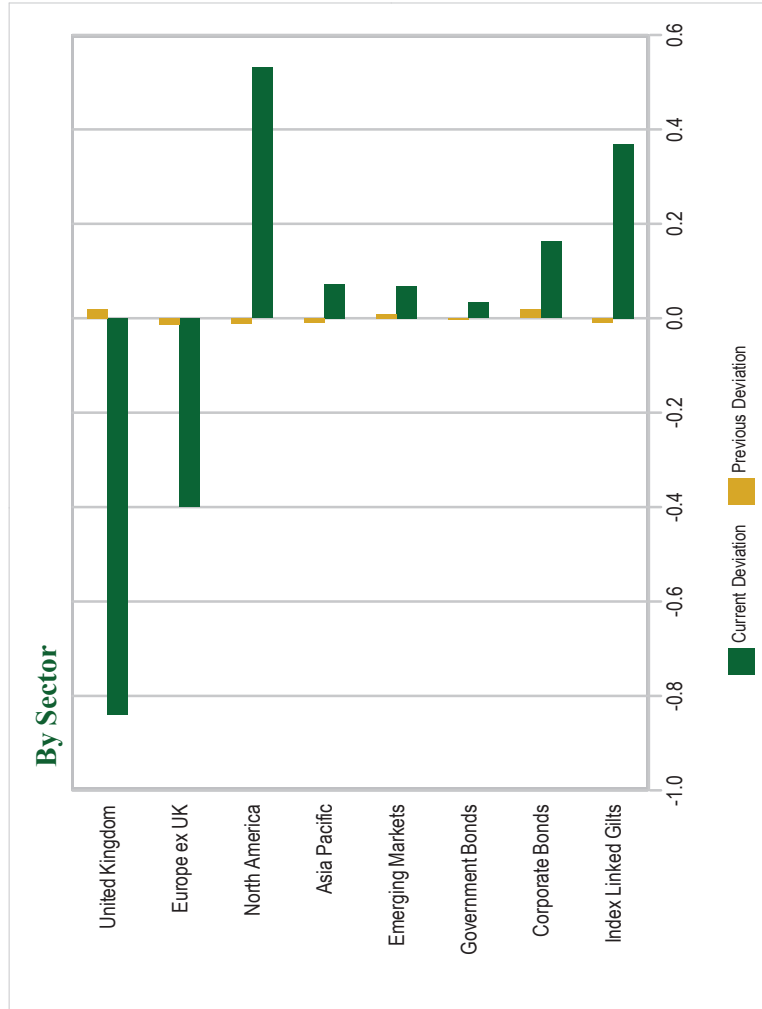


Three Years Rolling Relative Returns





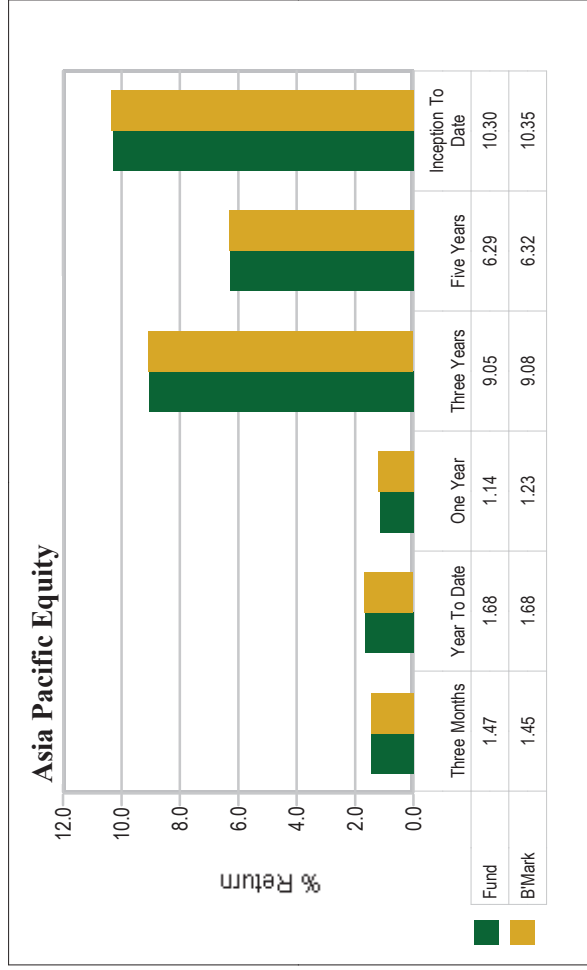
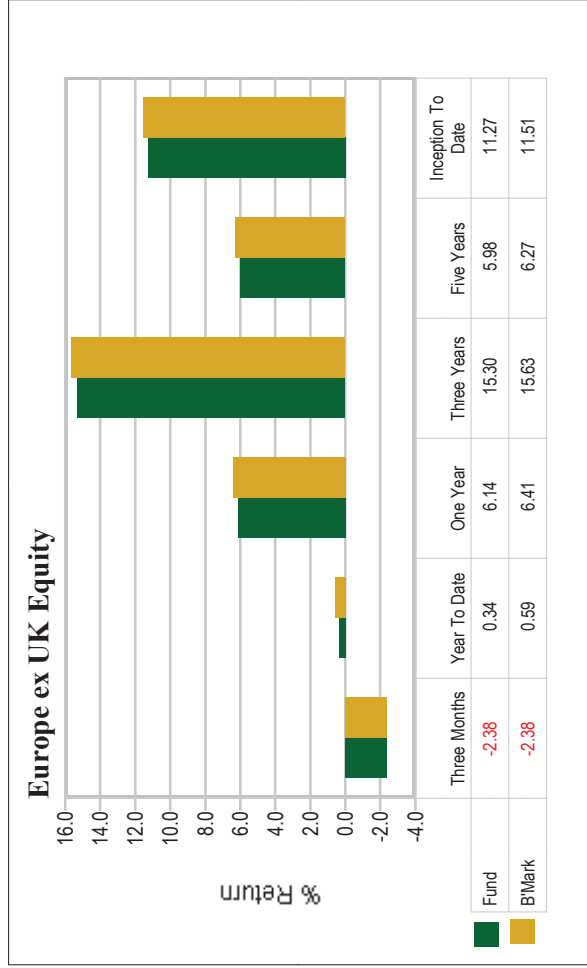
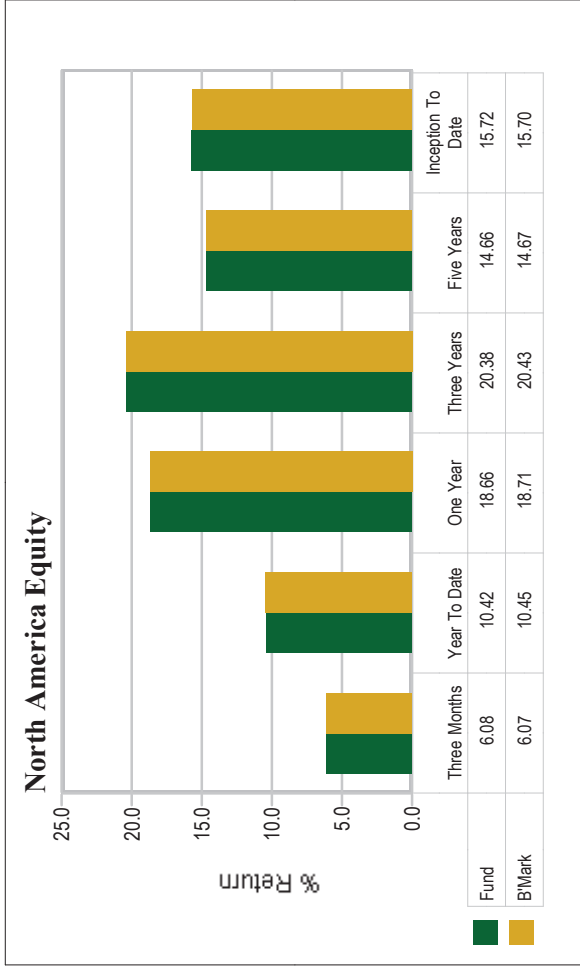
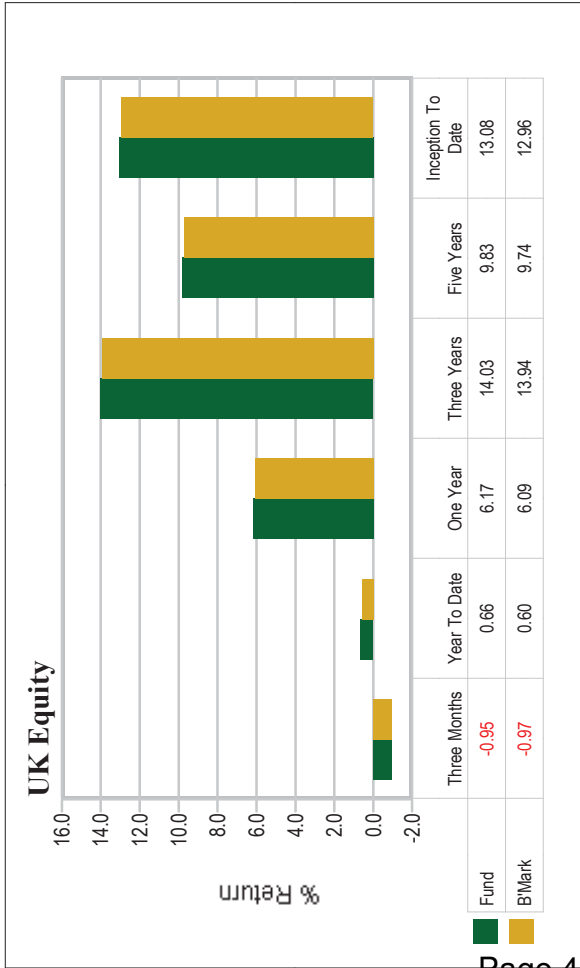
SSGA



	Current Quarter	Previous Quarter	Current Benchmark	Previous Benchmark	Current Deviation	Previous Deviation
United Kingdom	43.31	44.17	44.15	44.15	-0.84	0.02
Europe ex UK	10.55	10.94	10.95	10.95	-0.40	-0.01
North America	11.49	10.95	10.96	10.96	0.53	-0.01
Asia Pacific	11.09	11.01	11.02	11.02	0.07	-0.01
Emerging Markets	3.06	3.00	2.99	2.99	0.07	0.01
Government Bonds	1.53	1.50	1.50	1.50	0.03	-0.00
Corporate Bonds	8.63	8.49	8.47	8.47	0.16	0.02
Index Linked Gilts	10.33	9.95	9.96	9.96	0.37	-0.01

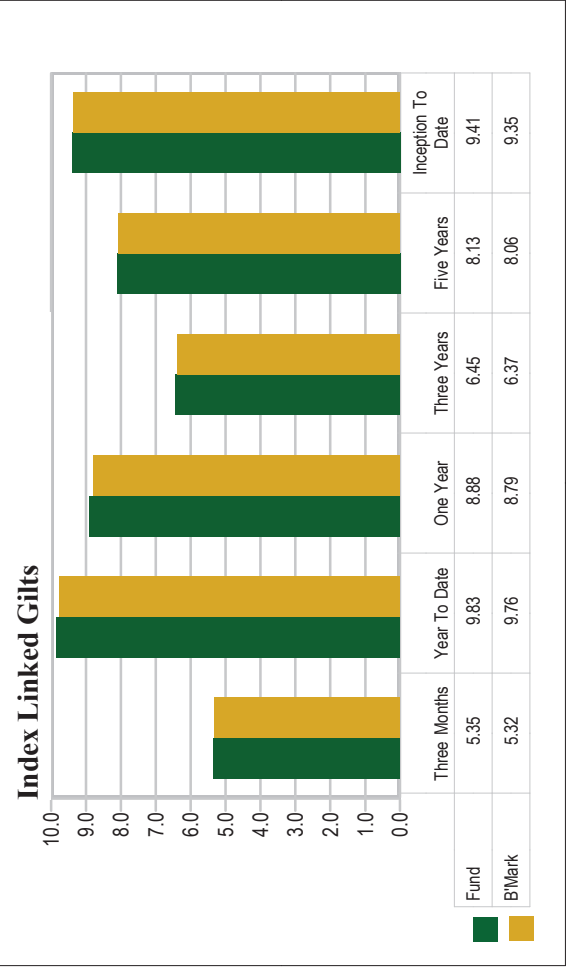
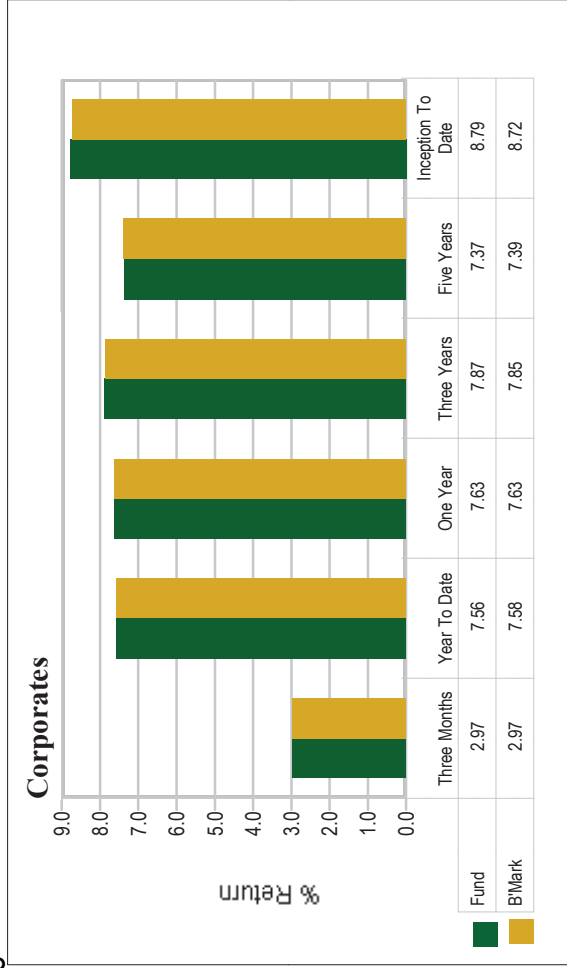
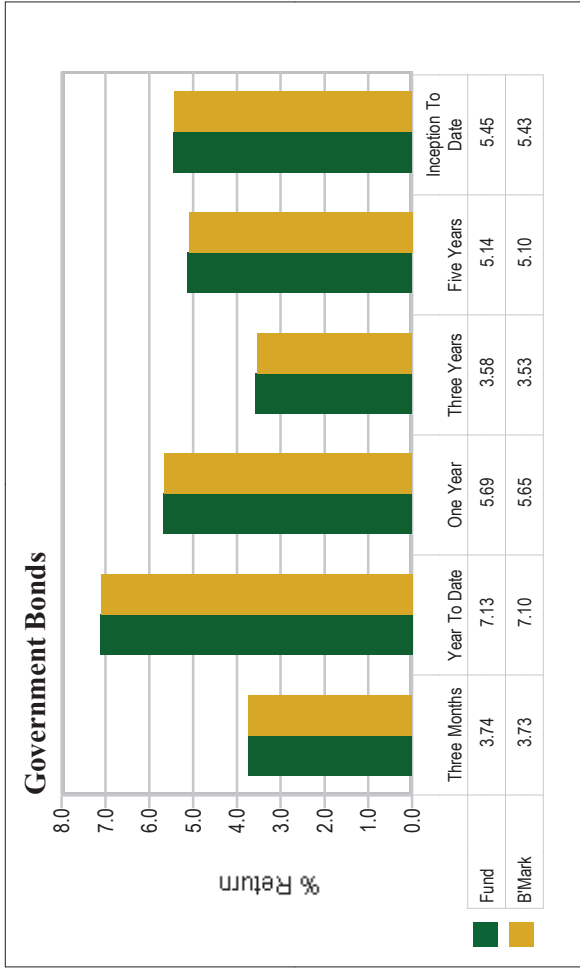
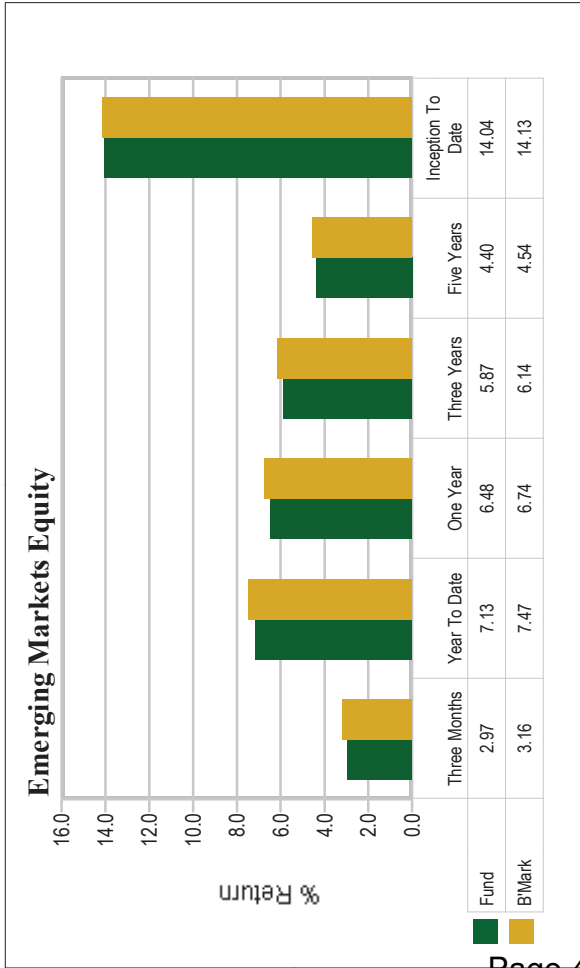


SSGA





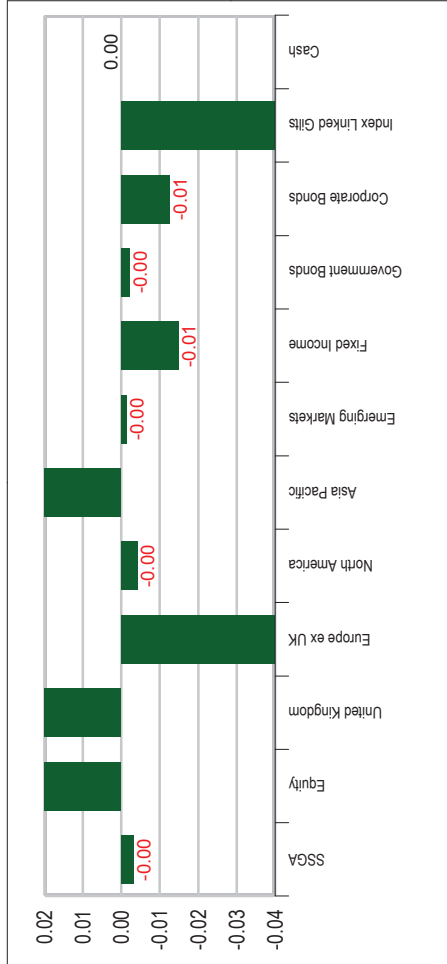
SSGA





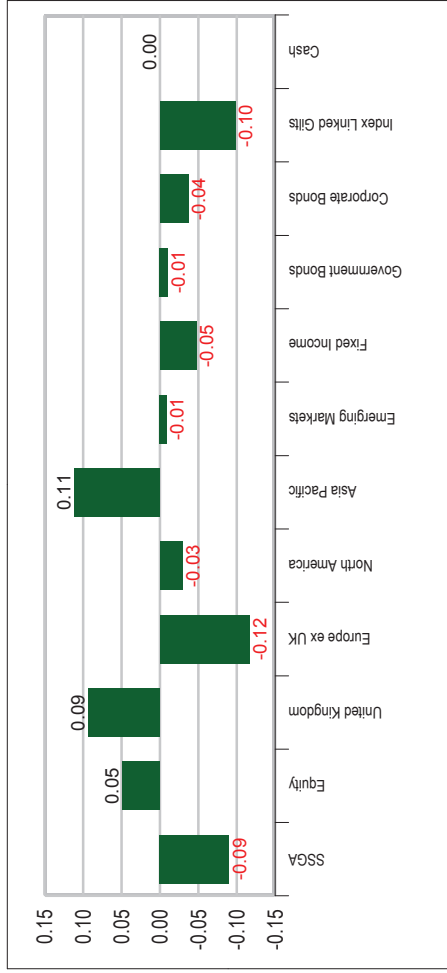
SSGA

Relative Contribution - Three Months



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
SSGA	1.06	1.06	-0.00	0.00	-0.01	-0.00
Equity	0.41	-	0.41	-0.00	0.10	0.09
United Kingdom	-0.78	-0.97	0.20	0.01	0.08	0.09
Europe ex UK	-3.08	-2.38	-0.71	-0.00	-0.08	-0.08
North America	5.98	6.07	-0.09	0.01	-0.01	-0.00
Asia Pacific	2.34	1.45	0.87	-0.01	0.10	0.09
Emerging Markets	3.21	3.16	0.04	-0.00	0.00	-0.00
Fixed Income	2.92	-	2.92	0.00	-0.02	-0.01
Government Bonds	3.56	3.73	-0.16	0.00	-0.00	-0.00
Corporate Bonds	2.81	2.97	-0.16	0.00	-0.01	-0.01
Index Linked Gilts	4.43	5.32	-0.85	0.00	-0.09	-0.08
Cash	-	-	0.00	0.00	0.00	0.00

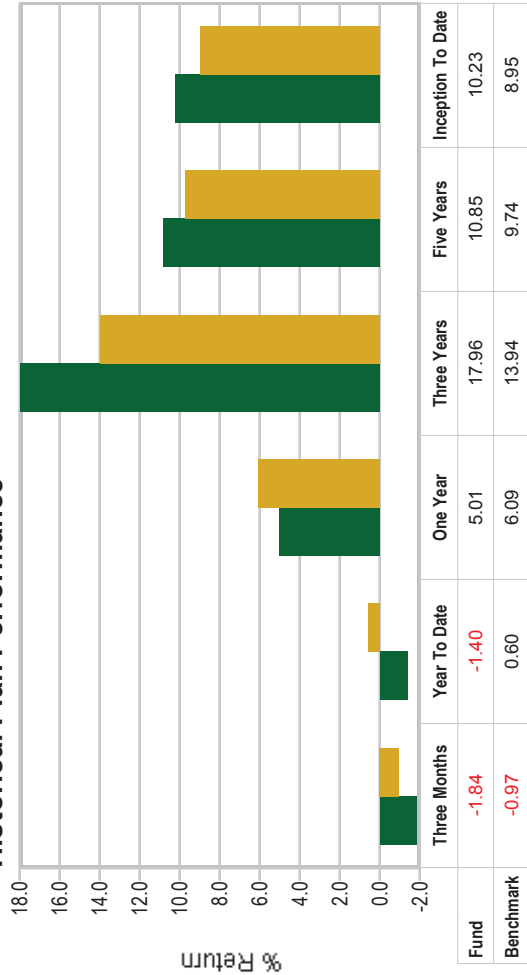
Relative Contribution - One Year



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
SSGA	7.38	7.47	-0.09	-0.07	-0.02	-0.09
Equity	7.30	-	7.30	-0.02	0.07	0.05
United Kingdom	6.35	6.09	0.25	-0.01	0.11	0.09
Europe ex UK	5.38	6.41	-0.97	-0.01	-0.10	-0.12
North America	18.55	18.71	-0.13	-0.02	-0.01	-0.03
Asia Pacific	2.01	1.23	0.77	0.03	0.09	0.11
Emerging Markets	6.72	6.74	-0.01	-0.01	-0.00	-0.01
Fixed Income	7.17	-	7.17	-0.03	-0.01	-0.05
Government Bonds	5.50	5.65	-0.14	-0.01	-0.00	-0.01
Corporate Bonds	7.47	7.63	-0.15	-0.02	-0.01	-0.04
Index Linked Gilts	7.93	8.79	-0.78	-0.02	-0.08	-0.10
Cash	-	-	0.00	0.00	0.00	0.00



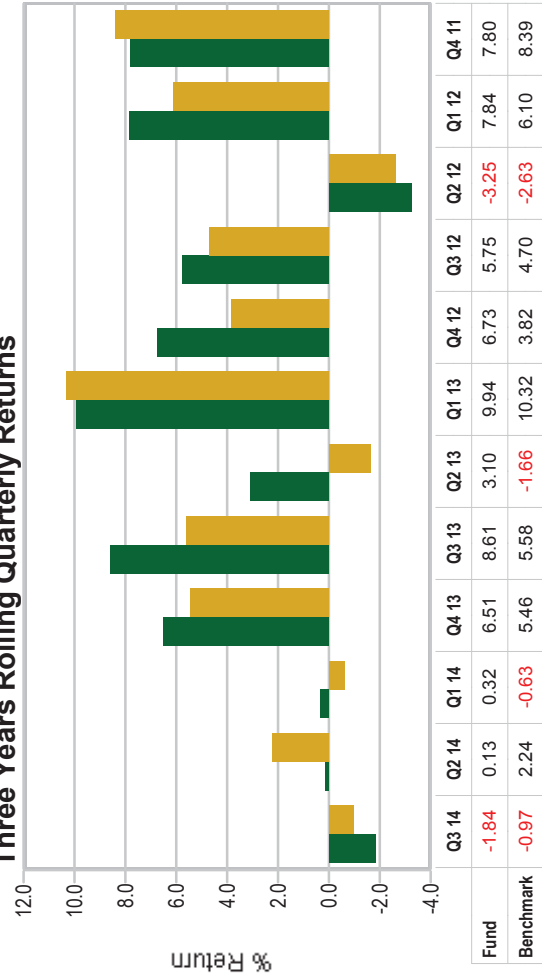
Historical Plan Performance



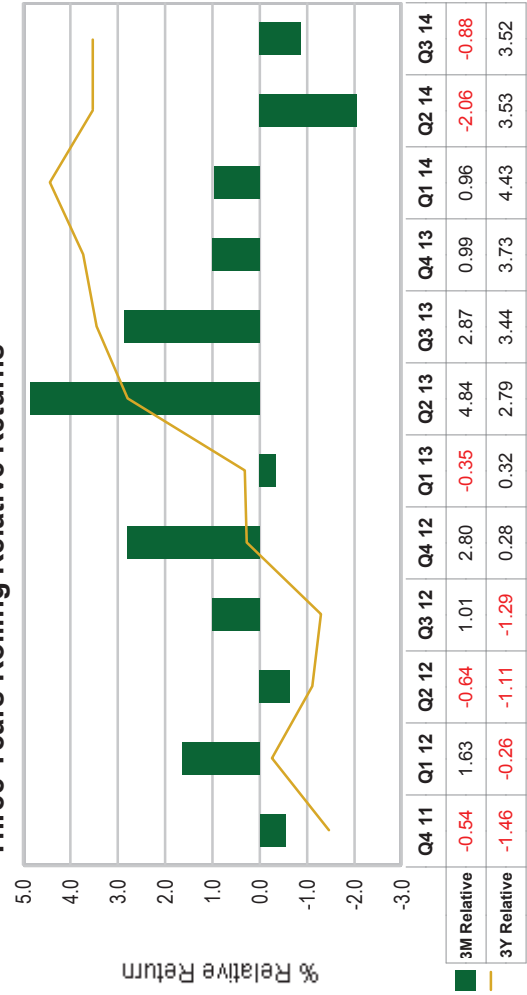
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	17.96	13.94
Standard Deviation	11.45	10.73
Relative Return	3.52	
Tracking Error	3.40	
Information Ratio	1.18	
Beta	1.02	
Alpha	3.38	
R Squared	0.91	
Sharpe Ratio	1.49	1.21
Percentage of Total Fund	15.2	
Inception Date	Dec-1988	
Opening Market Value (£000)	116,020	
Net Investment £(000)	0	
Income Received £(000)	896	
Appreciation £(000)	-3,033	
Closing Market Value (£000)	113,883	

Three Years Rolling Quarterly Returns

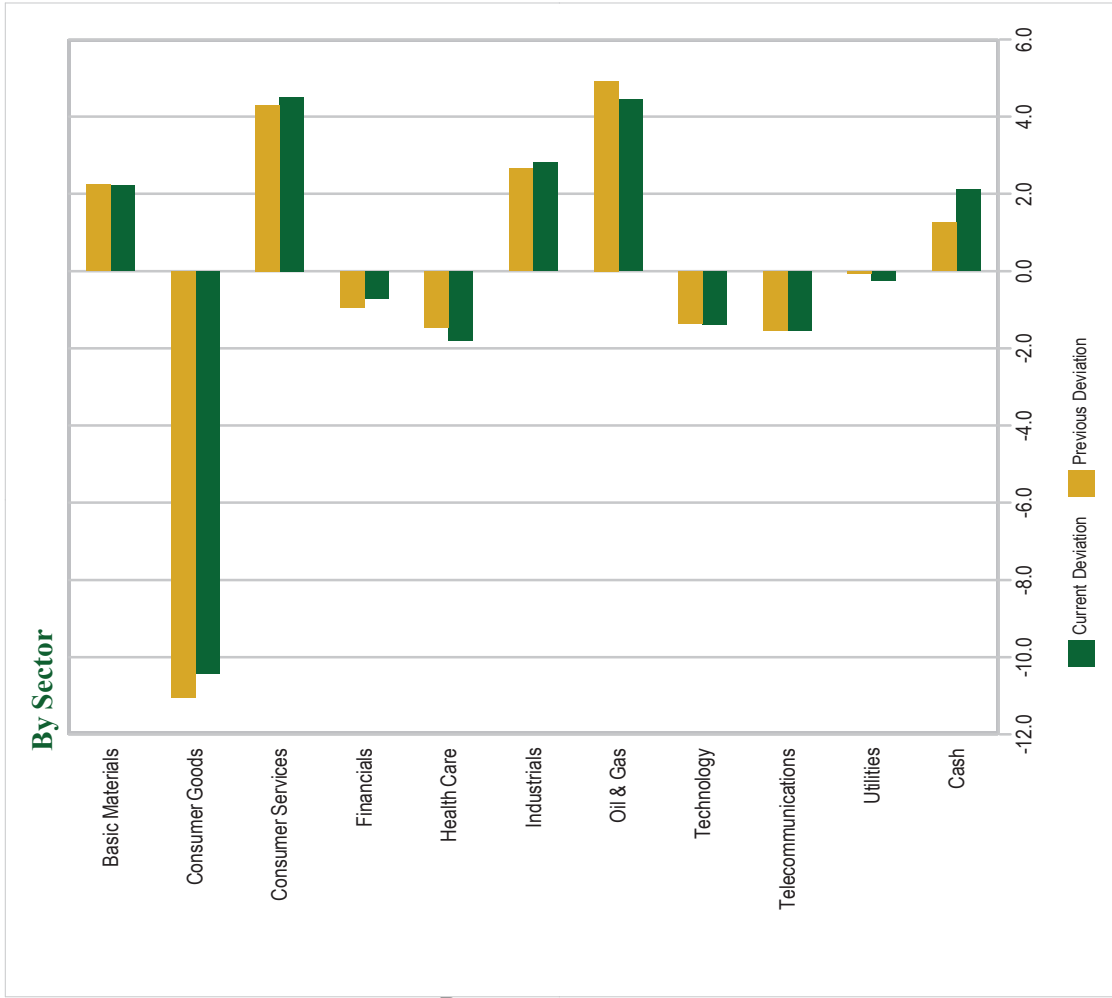


Three Years Rolling Relative Returns





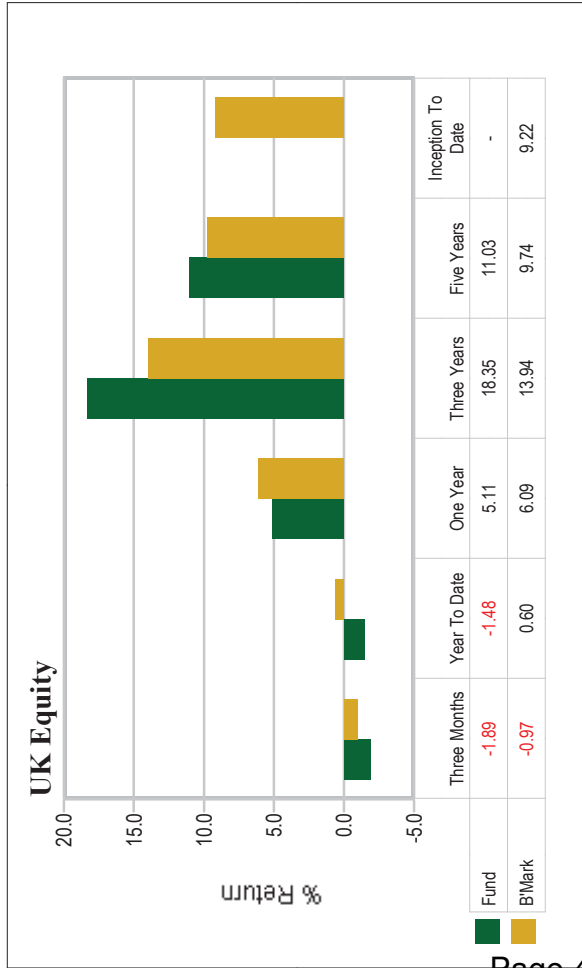
UBS



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Basic Materials	10.06	10.07	7.84	2.22	7.84	2.23
Consumer Goods	3.63	3.00	14.06	-10.43	14.06	-11.06
Consumer Services	14.77	14.77	10.26	4.51	10.47	4.30
Financials	24.29	23.08	25.01	-0.72	24.04	-0.96
Health Care	6.80	7.06	8.61	-1.81	8.52	-1.47
Industrials	12.58	12.62	9.77	2.82	9.97	2.65
Oil & Gas	19.08	20.53	14.64	4.45	15.61	4.92
Technology			1.39	-1.39	1.35	-1.35
Telecommunications	2.98	2.80	4.52	-1.54	4.34	-1.54
Utilities	3.64	3.74	3.91	-0.26	3.80	-0.06
Cash	2.12	1.26		2.12		1.26



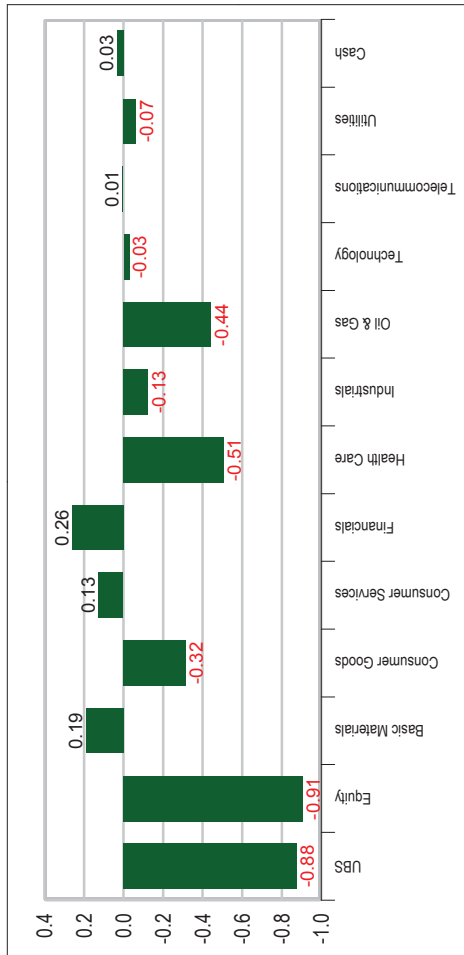
UBS



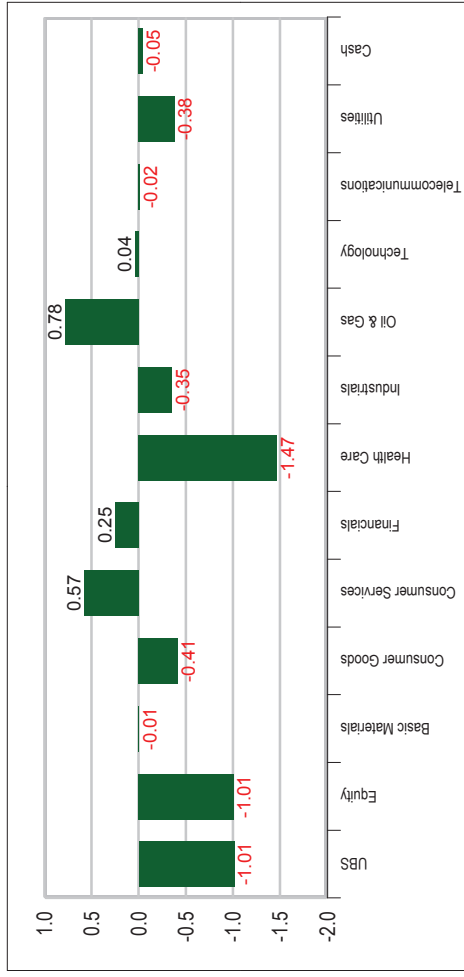


UBS

Relative Contribution - Three Months



Relative Contribution - One Year



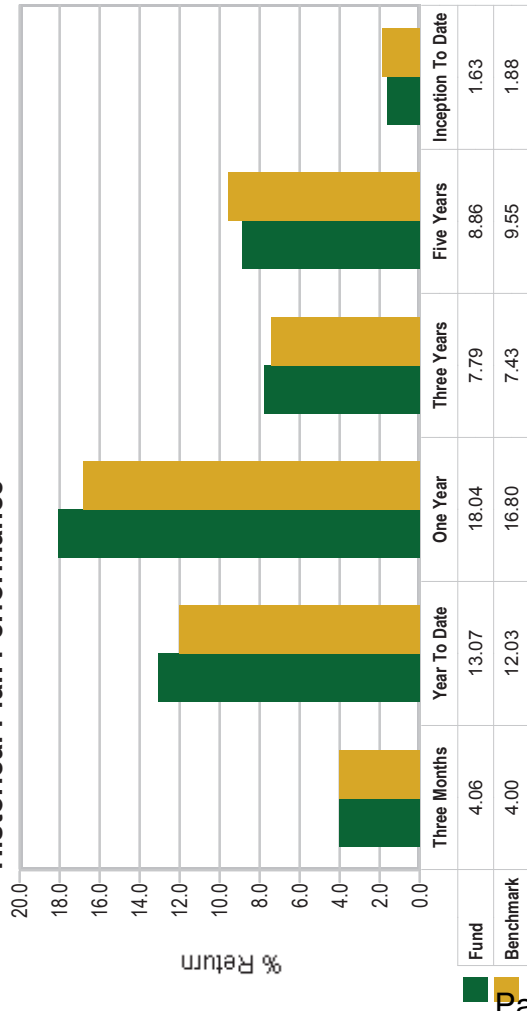
	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
UBS	-1.84	-0.97	-0.88	-0.73	-0.15	-0.88
Equity	-1.89	-0.97	-0.93	-0.76	-0.15	-0.91
Basic Materials	-0.33	-2.53	2.26	-0.04	0.24	0.19
Consumer Goods	-5.67	0.17	-5.83	-0.11	-0.21	-0.32
Consumer Services	-2.26	-3.99	1.79	-0.13	0.26	0.13
Financials	4.01	2.73	1.25	-0.04	0.30	0.26
Health Care	-6.53	0.35	-6.86	-0.03	-0.48	-0.51
Industrials	-3.64	-3.04	-0.62	-0.06	-0.07	-0.13
Oil & Gas	-7.11	-6.24	-0.92	-0.26	-0.18	-0.44
Technology	-	1.11	-1.10	-0.03	0.00	-0.03
Telecommunications	4.73	2.58	2.10	-0.05	0.06	0.01
Utilities	0.55	2.19	-1.60	-0.01	-0.06	-0.07
Cash	0.09	-	0.09	0.03	0.00	0.03

	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
UBS	5.01	6.09	-1.01	-0.66	-0.40	-1.01
Equity	5.05	6.09	-0.98	-0.61	-0.40	-1.01
Basic Materials	0.65	-0.62	1.27	-0.14	0.14	-0.01
Consumer Goods	11.94	9.22	2.49	-0.25	-0.16	-0.41
Consumer Services	2.92	-1.78	4.78	-0.31	0.88	0.57
Financials	5.81	4.83	0.93	0.00	0.25	0.25
Health Care	3.81	25.53	-17.30	-0.17	-1.30	-1.47
Industrials	-2.66	-0.83	-1.84	-0.14	-0.22	-0.35
Oil & Gas	14.58	10.22	3.95	0.15	0.63	0.78
Technology	-	-0.55	0.55	0.10	-0.06	0.04
Telecommunications	-1.75	1.12	-2.84	0.09	-0.10	-0.02
Utilities	-0.72	11.72	-11.14	0.04	-0.42	-0.38
Cash	0.73	-	0.73	-0.05	0.00	-0.05

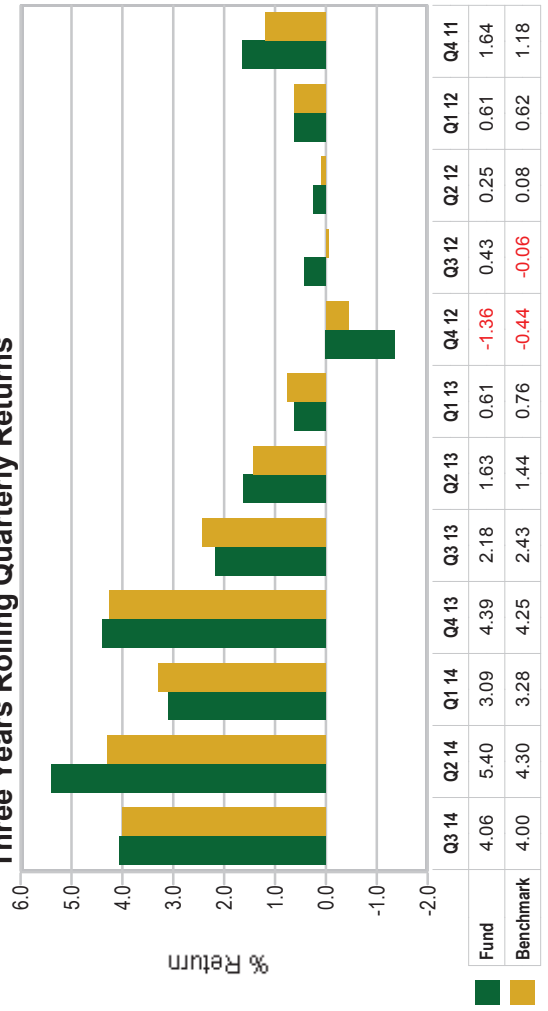


UBS Property

Historical Plan Performance



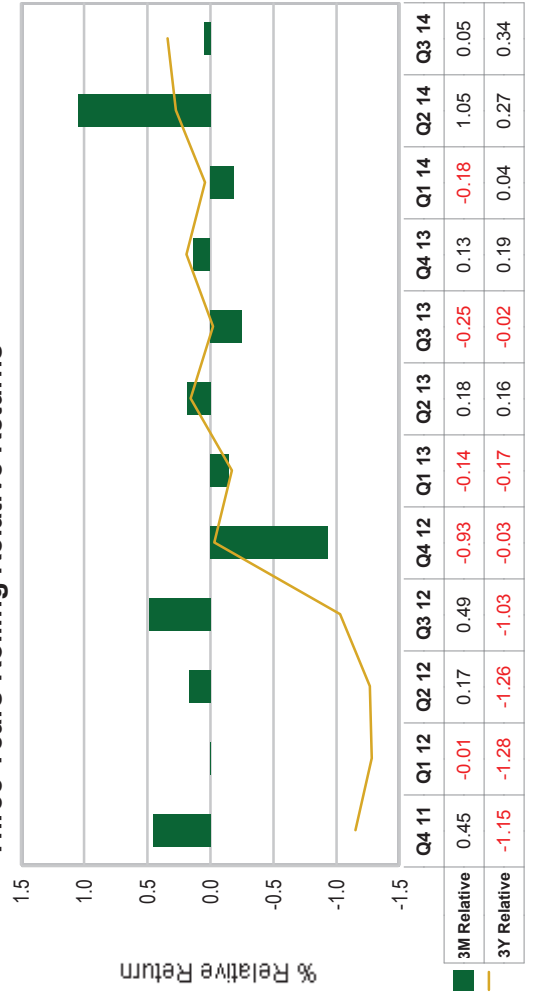
Three Years Rolling Quarterly Returns



Risk Statistics - 3 years

	Fund	Bmark
Performance Return	7.79	7.43
Standard Deviation	2.66	2.06
Relative Return	0.34	
Tracking Error	1.35	
Information Ratio	0.27	
Beta	1.11	
Alpha	-0.32	
R Squared	0.76	
Sharpe Ratio	2.59	3.17
Percentage of Total Fund	8.1	
Inception Date	Mar-2006	
Opening Market Value (£000)	58,020	
Net Investment (£000)	0	
Income Received (£000)	617	
Appreciation (£000)	1,737	
Closing Market Value (£000)	60,373	

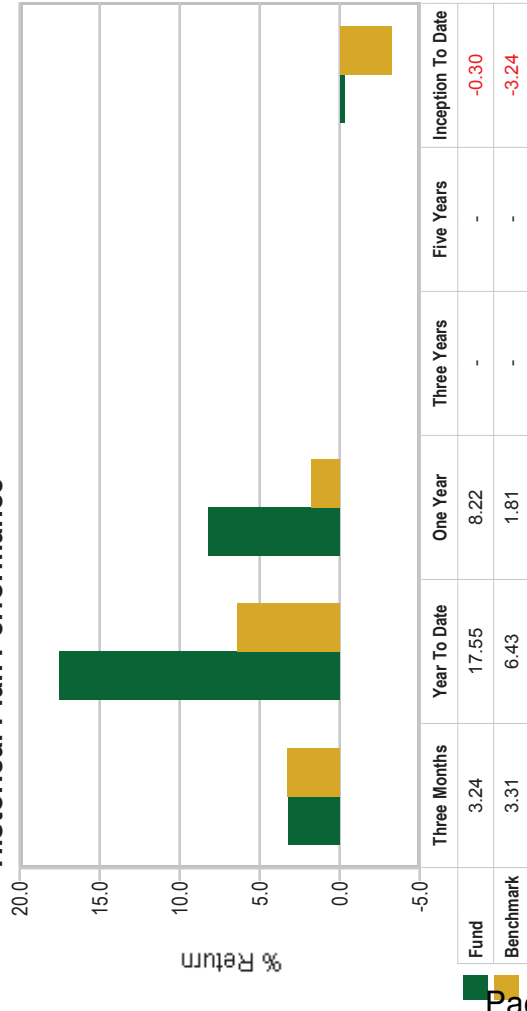
Three Years Rolling Relative Returns





UBS Tactical

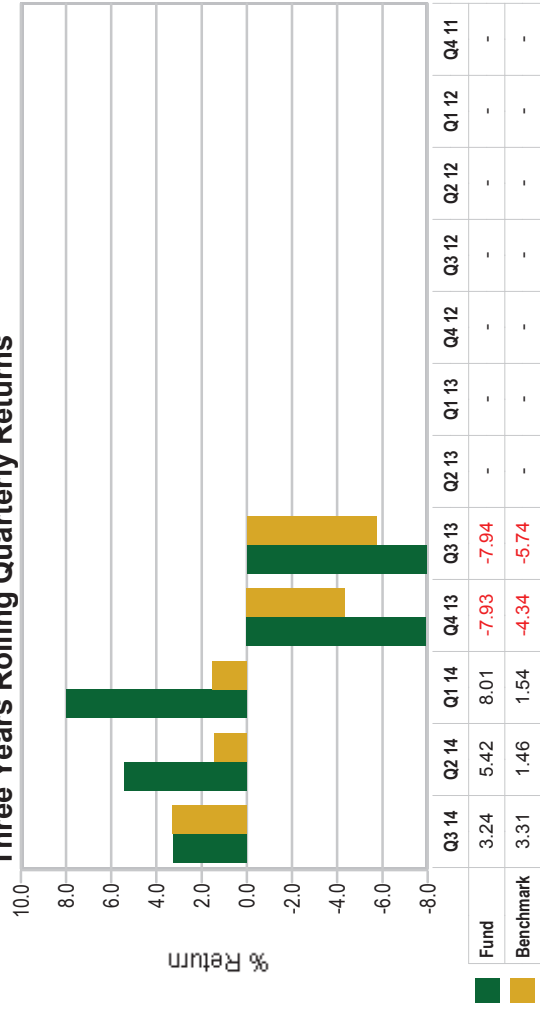
Historical Plan Performance



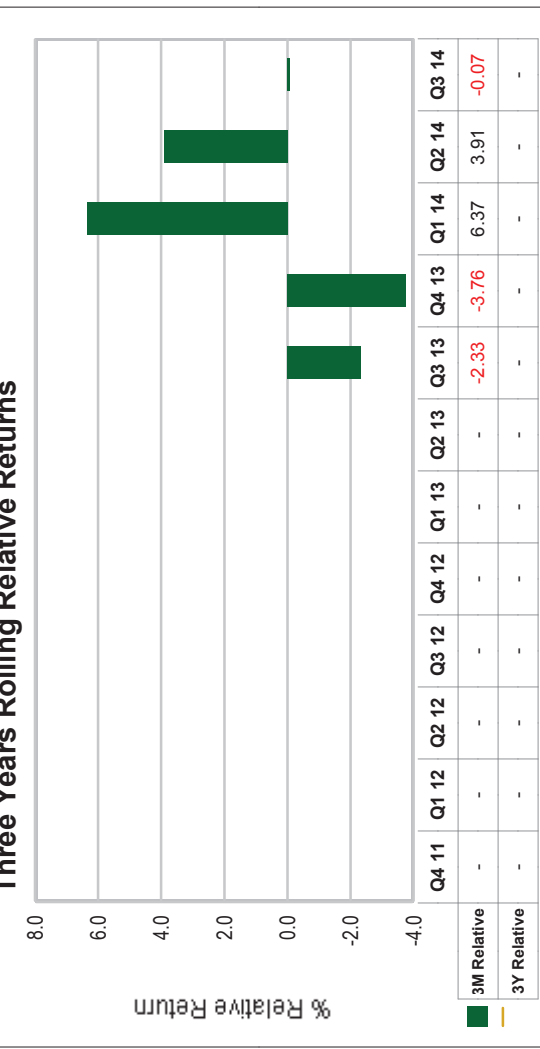
Risk Statistics - 3 years

	Fund	Bmark
Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	1.9	-
Inception Date	Jun-2013	-
Opening Market Value (£000)	13,571	-
Net Investment (£000)	0	-
Income Received (£000)	4	-
Appreciation (£000)	435	-
Closing Market Value (£000)	14,010	-

Three Years Rolling Quarterly Returns



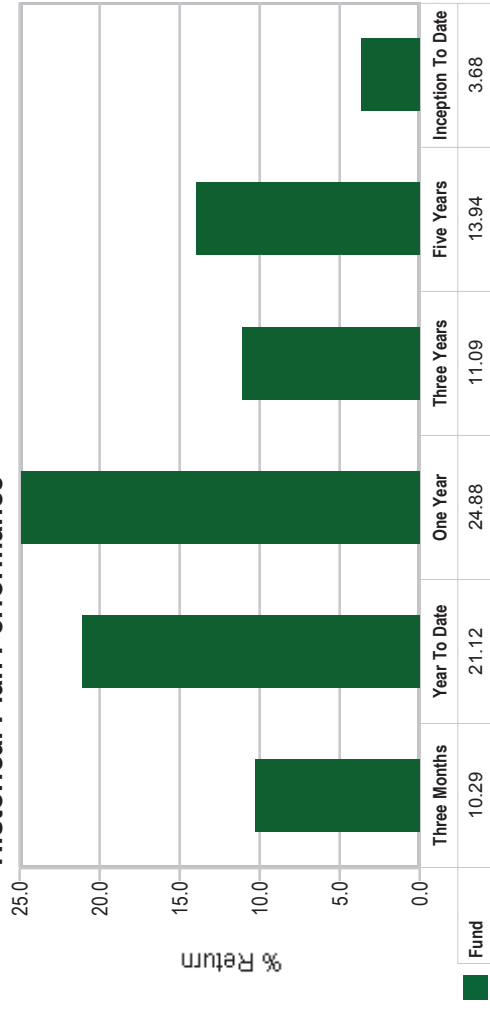
Three Years Rolling Relative Returns





Adam Street

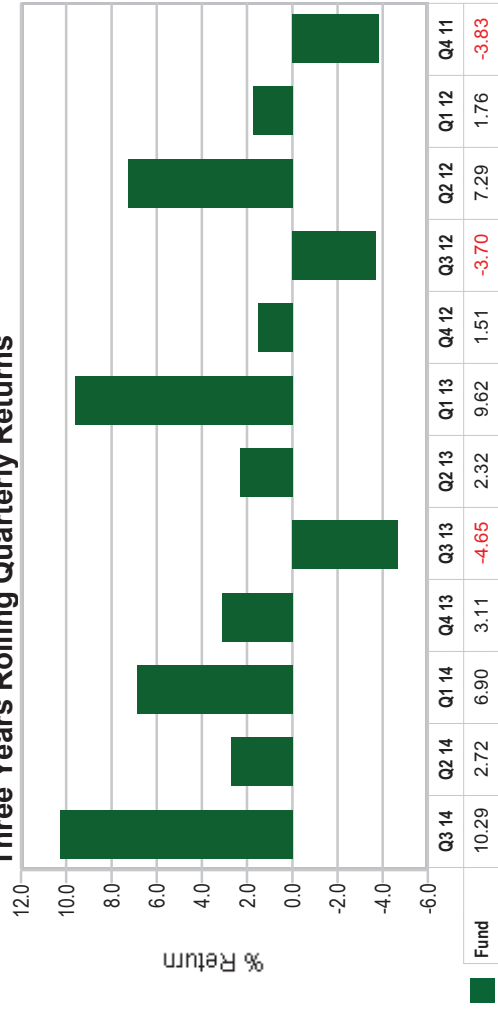
Historical Plan Performance



Risk Statistics - 3 years

	Fund	Bmark
Performance Return	11.09	
Standard Deviation	9.18	
Relative Return	0.99	
Tracking Error	9.18	
Information Ratio	0.12	
Beta	8.69	
Alpha	-48.83	
R Squared	0.02	
Sharpe Ratio	1.11	
Percentage of Total Fund	3.0	
Inception Date	Jan-2005	
Opening Market Value (£000)	20,966	
Net Investment £(000)	-644	
Income Received £(000)	1	
Appreciation £(000)	2,106	
Closing Market Value (£000)	22,428	

Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns

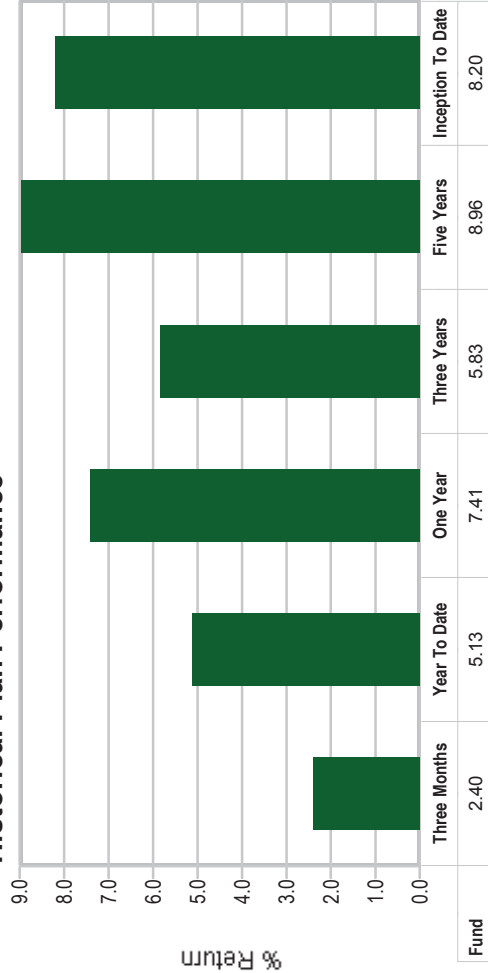


% Relative Return

3M Relative
3Y Relative



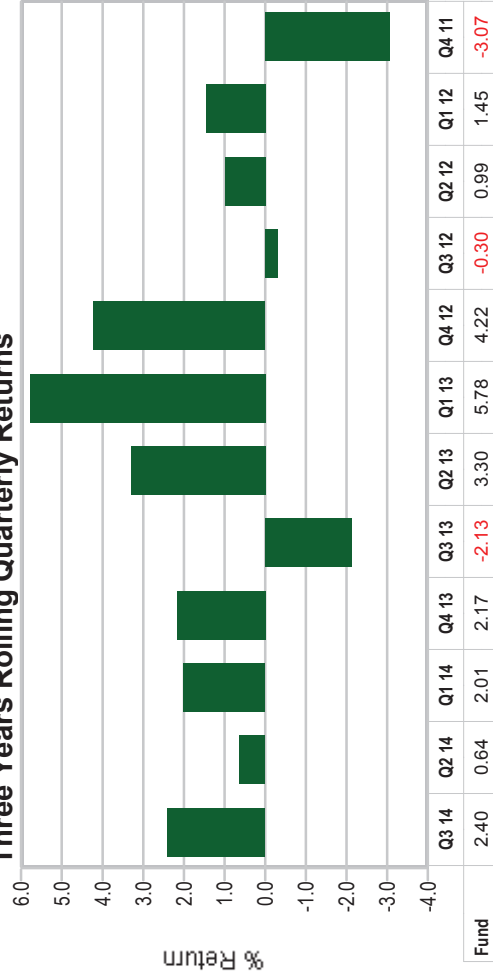
Historical Plan Performance



Risk Statistics - 3 years

	Fund	Bmark
Performance Return	5.83	
Standard Deviation	5.60	
Relative Return	-8.89	
Tracking Error	8.04	
Information Ratio	-1.28	
Beta	0.31	
Alpha	0.37	
R Squared	0.27	
Sharpe Ratio	0.88	
Percentage of Total Fund	1.9	
Inception Date	May-2004	
Opening Market Value (£000)	15,058	
Net Investment (£000)	-1,091	
Income Received (£000)	0	
Appreciation (£000)	348	
Closing Market Value (£000)	14,314	

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 PPI 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 PPI 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)

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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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Portfolio overview – Q3 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 from 0.69x to 0.75x
- ◆ Total portfolio gains now amount to Euro 10.4 million, being Euro 18.3 million of NAV less Euro 7.9 million of net invested capital
- ◆ The USD strengthened significantly by 7.7% against the Euro in the period which had a positive effect on portfolio performance

Q3 2014	LBH Commitment	Drawn	Net Performance (in millions of Euros)			Cash Multiple			Drawn	
			Returned	Net	NAV	Gain	D/PI	TV/PI	Gross	Net
Total Euro Exposure	32.7	25.8	-19.2	6.5	14.9	8.4	0.75	1.33	79%	20%
Euro equivalent Dollar Exposure @ 1.2633 USD / Euro	6.5	5.6	-4.2	1.4	3.4	2.0	0.76	1.36	87%	21%
Total Exposure (in Euro millions)	39.2	31.4	-23.5	7.9	18.3	10.4	0.75	1.33	80%	20%
Q2 2014	1.3691	30.5	-21.2	9.3	19.1	9.8	0.69	1.32	79%	24%
Q1 2014	1.3784	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%

Q3 figures as of 30 September 2014

D/PI - distributions per unit of paid-in capital; TV/PI - total value per unit of paid-in capital

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**London Borough of Hillingdon Pension Fund
Adams Street Partners Update: Second Quarter 2014**

Market Update

The private equity markets were strong during the second quarter of 2014, continuing the trend we have seen this year. Notable performance drivers in the private equity markets include early stage information technology and energy investments.

The dominant theme in the private equity markets this year has been the high level of liquidity generated by General Partners (GPs) in all subclasses on a global basis. The strong public equity markets have fostered a significant increase in IPO activity. In addition, very strong debt markets have led to a surge in recapitalizations for many buyout fund portfolio companies. During the second quarter in particular, \$5.4B was raised by 32 venture-backed companies that priced IPOs on US exchanges, the fifth consecutive quarter with over 20 venture-backed IPOs.

Global investors have been allocating money to private equity at a strong pace all year. According to Reuters, venture capital funds raised \$17 billion in the first six months of this year, the highest total in eight years, with analysts and venture capital firms predicting that the full-year total will reach \$25 billion.

The private equity secondary market is also on pace for a record year, with investors taking advantage of a wealth of willing buyers, cashing out fund stakes at a near record pace, and receiving attractive prices as well.

Portfolio Statistics as of June 30, 2014

All in USD	Inception Date	Committed / Subscription	Draw n / Subscription	Total Value / Draw n	IRR Since Inception Gross	IRR Since Inception Net	Public Market	2Q14 Gross IRR	2Q14 Net IRR
Total Hillingdon Portfolio	02/2005	100%	87%	1.39x	9.43%	7.13%	6.65%	4.72%	4.35%
2005 Subscription	02/2005	100%	92%	1.37x	8.46%	6.44%	6.08%	4.06%	3.79%
2006 Subscription	01/2006	100%	90%	1.34x	8.70%	6.39%	6.79%	4.05%	3.69%
2007 Subscription	01/2007	100%	84%	1.42x	12.67%	9.50%	9.03%	5.29%	4.84%
2009 Subscription	01/2009	100%	58%	1.32x	20.03%	12.99%	15.65%	5.31%	4.83%
Co-Investment Fund	09/2006	100%	96%	1.33x	6.11%	4.61%	4.28%	9.08%	8.29%
Co-Investment Fund II	01/2009	100%	63%	2.05x	40.44%	33.61%	14.65%	5.75%	5.55%

Notes:

- Since Inception figures in GBP are: **11.05% (Gross) and 8.58% (Net)**. Q2 2014 figures in GBP are: **2.30% (Gross) and 1.94% (Net)**.
- The Public Market is the equivalent return achieved by applying Hillingdon's cash flows to the MSCI World Index.

Portfolios Are Well Positioned

We have always been fortunate to have access to many of the best venture capital funds and transactions. This year is no exception as we have had exposure to many of the best deals through either our direct funds or underlying GPs. Adams Street Partners' market share continues to be excellent as we had exposure to 66% of the IPOs (21 of the 32) in the second quarter and 59% (43 of the 73) year to date.

Our direct venture/growth funds have continued to perform very well this year. Our portfolio remains healthy, with many sizable growing companies likely to drive future value increases. While sell-side activity was solid, the buy-side remains challenging. We continue to emphasize selling over buying. However, since the timing of a market peak or correction is impossible to predict, we are maintaining a steady investment pace into deals that don't have future outside financing risk. During the second quarter, we committed \$40.5M to three new venture/growth deals.

Our US and developed markets buyout and co-investment performance is also strong, driven by the active IPO and debt markets.

Within our secondary portfolio we are pleased with investment performance as measured by both IRR and liquidity generation. While it has been a challenging market environment for new transactions due to rising valuations, the quality of funds available for sale has improved dramatically over last year which favors our very targeted investment strategy.

Co-Investment Fund II

During the third quarter of 2014, the Adams Street Co-Investment II Fund ("Fund II") invested \$15.1 million in a leading American-style casual dining bar and grill concept with 933 locations across 60 countries. Fund II also invested alongside the Adams Street Co-Investment III Fund ("Fund III") in a private oil and gas holding company that will acquire and exploit assets in the Southern Midland Basin of the Permian Basin. Fund II and Fund III invested \$9 million and \$10.3 million, respectively, in the Permian Basin deal. As of September 30, 2014 there are 23 investments in Fund II and the Fund is 82% committed, and there is one investment in Fund III and the Fund is 3% committed.

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LONDON BOROUGH OF HILLINGDON ALTERNATIVE INVESTMENTS SCHEDULE AS AT 30 Sep 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		Sep-14
Crown Private Equity European Buyout Opport.	10,669	1.43	8,968	1.20	8,950	1.20	18	0.00	8.11
Crown Global Secondaries Plc (US\$)	1,847	0.25	1,617	0.22	1,540	0.21	77	0.01	4.94
Crown Private Equity European Fund	3,905	0.52	3,560	0.48	2,435	0.33	1,125	0.15	8.00
Crown Private Equity European Buyout Opport. II	7,811	1.04	5,792	0.77	2,718	0.36	3,074	0.41	5.32
Crown Asia-Pacific Private Equity Plc (US\$)	1,847	0.25	1,661	0.22	853	0.11	808	0.11	7.67
Crown European Middle Market II plc	3,124	0.42	1,795	0.24	923	0.12	872	0.12	11.21
Crown Global Secondaries II Plc (US\$)	1,355	0.18	1,093	0.15	910	0.12	183	0.02	20.60
TOTAL(S) LGT CAPITAL PARTNERS	30,558	4.08	24,486	3.27	18,329	2.45	6,157	0.82	
ADAMS STREET PARTNERS	£	%	£	%	£	%	£	%	Jun 14
									%
Adam Street Partnership Fund - 2005 US Fund	8,620	1.15	7,918	1.06	4,926	0.66	2,992	0.40	8.70
Adam Street Partnership Fund - 2005 Non-U.S Fund	3,694	0.49	3,456	0.46	1,997	0.27	1,459	0.19	7.91
Adam Street Partnership Fund - 2006 Non-U.S Fund	2,771	0.37	2,516	0.34	1,204	0.16	1,312	0.18	8.14
Adam Street Partnership 2006 Direct Fund	924	0.12	898	0.12	196	0.03	702	0.09	8.02
Adam Street Partnership Fund - 2006 US Fund, L.P	5,542	0.74	4,863	0.65	2,855	0.38	2,008	0.27	9.19
Adams Street Direct Co-Investment Fund, L.P.	1,847	0.25	1,764	0.24	637	0.09	1,127	0.15	6.11
Adams Street Partnership 2007 Direct Fund LP	308	0.04	240	0.03	124	0.02	116	0.02	13.15
Adams Street Partnership - 2007 Non -US Fund	1,078	0.14	882	0.12	277	0.04	605	0.08	10.06
Adams Street Partnership - 2007 US Fund	1,693	0.23	1,458	0.19	865	0.12	593	0.08	14.02
Adams Street Partnership - 2009 US Fund	924	0.12	538	0.07	135	0.02	403	0.05	19.88
Adams Street Partnership - 2009 Direct Fund	185	0.02	165	0.02	48	0.01	117	0.02	27.56
Adams Street Direct Co-Investment Fund II.	1,539	0.21	1,174	0.16	635	0.08	539	0.07	40.44
Adams Street 2009 Non-US Emerging Mkt Fund	185	0.02	111	0.01	0	0.00	111	0.01	6.68
Adams Street Partnership 2009 Non-US Developed Market	554	0.07	288	0.04	48	0.01	240	0.03	17.06
TOTAL(S) ADAMS STREET PARTNERS FUNDS	29,864	3.99	26,271	3.51	13,947	1.86	12,324	1.65	

FUND VALUE	748,405	
COMMITMENT STRATEGY	65,485	8.75%
TO ACHIVE INVESTMENT	37,420	5.00%
CURRENT INVESTMENT BOOK COST	18,481	2.47%
CURRENT INVESTMENT MARKET VALUE	38,974	5.21%

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LOCAL AUTHORITY UNIVERSE

QUARTER 3 2014

The following summary is based on 83 funds with a total Market Value of £179,462m.

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	61.4	60.8	1.2	3.2	3.1	5.9	8.5	11.8
GLOBAL POOLED INC UK	5.9	6.0	2.6	3.2	4.8	5.9	11.0	11.8
UK EQUITIES	22.8	22.1	-1.0	-1.0	0.4	1.2	5.9	6.1
OVERSEAS EQUITIES	32.7	32.7	2.4	3.6	4.7	6.0	9.8	12.3
North America	11.7	11.9	5.6	6.1	8.0	9.1	17.9	18.7
Europe	7.9	7.6	-2.2	-2.4	-2.3	-2.4	5.4	6.1
Japan	3.1	3.2	3.7	3.1	8.1	7.6	2.5	1.2
Pacific (ex Japan)	3.2	3.2	1.3	-0.7	4.2	1.3	3.6	1.4
Emerging Markets	5.8	5.8	2.1	3.2	6.6	8.3	7.1	6.7
Global ex UK	0.9	0.9	3.1	3.6	5.5	6.0	13.1	12.3
TOTAL BONDS	16.7	17.0	3.3	-	4.8	-	6.9	-
U.K. BONDS	9.4	9.4	2.8	3.7	4.5	4.9	6.9	5.6
OVERSEAS BONDS	2.3	2.3	2.4	1.4	2.9	3.3	3.3	5.7
INDEX LINKED	3.8	4.1	5.6	5.3	6.9	6.3	9.5	8.8
POOLED BONDS	1.2	1.2	1.6	-	3.3	-	6.0	-
TOTAL CASH	3.1	3.3	0.4	0.1	0.6	0.2	1.3	0.3
ALTERNATIVES	8.2	8.3	3.9	-	5.5	-	9.3	-
Total Private Equity	4.3	4.4	5.7	-	7.2	-	12.0	-
Total Hedge Funds	2.4	2.3	2.1	-	3.0	-	6.7	-
Other Alternatives	1.5	1.5	1.4	-	4.6	-	5.1	-
TOTAL POOLED MULTI ASSET	2.9	2.7	1.5	-	3.2	-	6.3	-
TOTAL EX-PROPERTY	92.4	92.1	1.8	1.7	3.6	3.7	8.1	8.3
TOTAL PROPERTY	7.6	7.9	3.7	4.7	8.0	10.0	15.5	19.7
TOTAL ASSETS	100.0	100.0	1.9	2.0	3.9	4.2	8.6	9.0

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PENSIONS ADMINISTRATION PERFORMANCE REPORT

Contact Officers

Nancy Leroux, 01895 250353

Papers with this report

SUMMARY

This report provides an update Pensions Administration performance and early retirements in the second quarter of 2014/15. 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 Pensions Committee:

- 1. Review the latest administration performance statistics.**
- 2. Note the latest information in respect of early retirements.**

1. UPDATE ON THE PENSIONS ADMINISTRATION PERFORMANCE

Previous reports to Pensions Committee have highlighted officers concerns with the management of the Pensions Administration contract by Capita Employee Benefits (CEB) and the ongoing actions being taken to address the issues. This issue is further addressed later on this agenda.

Performance is monitored monthly against the service level agreement contained within the Framework Agreement. Since the start on November, this has been escalated to weekly monitoring and weekly reports are now being received. Targets are measured in working days for each function performed as part of the administration contract, against a target of 100%. An overall performance measure for the seven months to October 2014 is detailed below, which clearly shows declining performance.

April 2014	93.43%	July 2014	70.00%
May 2014	89.71%	August 2014	54.55%
June 2014	74.48%	September 2014	60.13%
		October 2014	42.74%

Over the 2nd quarter of 2014/15, the overall average performance was 61.84% per month, which was down 24.03% on the previous quarter. Details of performance by individual KPI for the last four months are shown in the attached appendix.

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Within the framework agreement, CEB allowed for 100% performance against agreed tasks. As this level of performance has not been achieved, monthly fees have been reduced by the maximum allowable under the contract, resulting in a rebate of 10% of the monthly management contract charge. The total underperformance rebate for the year to 31 October 2014 is £8,413.

Over the last 4 months CEB's performance on reported tasks has again been variable, with extremely poor performance in August 2014. Officers are in continual discussion with CEB management about performance, explained later in this agenda, but a few specific areas of concern are detailed below:

Annual Benefit Statements have now been sent out to a majority of staff, however, they were sent much later than planned. Whilst the figures are largely accurate, the format of the statements is not very useful or informative for Scheme Members.

Actual Retirements and transfers in were all processed within target, and records for new starters were created in a timely manner. However, in all other areas, performance was well behind target.

Condolence Letters: Changes to Capita's workflow system have still not been made, and therefore the "Condolence Letter" performance indicator is still not reflecting the true performance, against the 3 day target. Actions to amend this work task are still in progress and should be completed, and reflected in future reports to Committee.

Performance on **Estimates of Retirement Benefits** has been particularly poor, not exceeding 50% over the last 4 months. This is an area where performance needs to be much higher to provide an information in a timely manner to employees when they are making serious decisions about their futures.

The provision of data to our actuary to enable them to produce **FRS 17** reports for schools and academies has been particularly slow, leading to numerous complaints from schools. The deadline for Schools to finalise their accounts is 31 December and the long delay in CEB providing information is causing real concern. Officers have been chasing this information on a daily basis.

Finally, the level of **complaints** has increased considerably as the level of performance has become worse.

As mentioned above, officers are in continual communication with CEB trying to get resolution to the above issues. The Chief Executive Officer of CEB, Susan Ring, is now personally involved in the management of the Hillingdon contract and many of the complaints are being directed to her for an answer.

2. EARLY RETIREMENT STATISTICS

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
2010/11	20	0	11	34
2011/12	65	0	12	24
2012/13	23	0	6	14
2013/14	50	0	3	45
2014/15 to 30.09.14	12	0	5	39

FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

PENSIONS ADMINISTRATION PERFORMANCE

WORK TASK	Target	July 2014		August 2014		September 2014		October 2014	
		Number of cases	% completed in target	Number of cases	% completed in target	Number of cases	% completed in target	Number of cases	% completed in target
Condolence Letter	3 Days	11	27.27	12	8.33	13	53.85	19	42.11
Actual Retirement Benefits	3 Days	23	100	21	100	17	100	33	100
Letter notifying Dependants Benefits	5 Days	0	-	1	100	0	-	0	-
Process Refund	10 Days	11	54.55	8	37.50	13	30.77	75	12.00
Transfers in Actual	10 Days	1	100	1	100	3	100	2	0
Transfers in quote	10 Days	1	0	2	50	0	-	3	0
Answer General Letter	5 Days	56	76.79	48	58.33	34	55.88	73	47.95
Calc/Notify Deferred	15 Days	19	47.37	18	33.33	15	33.33	80	6.25
Estimate of Retirement Benefits	5 Days	14	35.71	23	47.83	21	23.81	26	38.46
Transfers Out Quote	5 Days	0	-	2	0	2	50.00	5	100
Transfers Out Actual	9 Days	0	-	0	-	4	75.00	3	66.67
New Entrants	20 Days	24	95.83	7	71.43	31	90.32	52	98.08
Added Years	10 Days	0	-	0	-	0	-	1	100

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Agenda Item 7

GOVERNANCE UPDATE - LOCAL PENSION BOARD

Contact Officers	Nancy Leroux Tel: 01895 250353
Papers with this report	None

SUMMARY

This report provides an update on the introduction of a local Pension Board and the consequent recent constitution changes affecting Pensions Committee and Investment Strategy Sub Committee.

RECOMMENDATIONS

The report is for information only.

INFORMATION

Implementation of Local Pension Boards

Regulations are being laid to require Administering Authorities of LGPS Funds to establish Local Pension Boards by 1st April 2015, as part of central government's overhaul of public sector pensions as detailed in the Public Sector Pensions Act 2013. The intention of these regulations is to increase governance over administration of LGPS funds, mirroring the set up in private pension schemes. The local Pension Board will be a non-decision making body and will, in effect, undertake more of a scrutiny function.

At Council on 6 November 2014 delegated authority was given to set up a Hillingdon Local Pension Board by 1 April 2015, in accordance with the draft Local Government Pension Scheme (Amendment) (Governance) Regulations 2014. It will have a membership of 3 elected Members (2 Con' & 1 Lab') and 3 employee/scheme member representatives - scheme members to be asked for expressions of interest and then selected at interview by the Chairman and one other Member of the Pensions Committee and a Senior Officer, on the basis of capacity and/or experience.

Council also agreed that the membership of Pensions Committee will be reduced to 5 Members (3 Con' and 2 Lab') and it will have increased powers (see below).

Further, Council agreed that the Investment Strategy Sub Committee will be abolished and the powers transferred to the full Pensions Committee which will continue to meet four times per year. To enable any urgent decisions to be taken, authority be delegated to the Corporate Director of Finance, aligned with the powers already delegated to him in relation to Treasury Management. Any exercise of those powers would then be reported back to Pensions Committee.

Work to begin the selection process for the employee / scheme member representatives on the Board is underway and an application process will begin shortly. It is anticipated that interviews will be arranged in the first quarter of 2015. A further update will be brought to Committee in March 2015.

Background Documents:

Report of the Head of Democratic Services to Council 06.11.14

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