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HILLINGDON
LONDON

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Pensions Committee

Date: **WEDNESDAY, 25 MARCH 2015**

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

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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

Published: Friday 13 March 2015

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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

Agenda Item 3

Minutes

Pensions Committee

10 December 2014

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

HILLINGDON
LONDON

	Committee Members Present: Councillors Philip Corthorne (Chairman), Michael Markham (Vice-Chairman), Tony Eginton, Beulah East, Raymond Graham, John Morse, Richard Mills and David Simmonds. **Advisory Member:** Andrew Scott. **Apologies:** John Holroyd (Advisory Member), Scott Jamieson (Advisor) and David O'Hara (Advisor). **LBH Officers Present:** Tunde Adekoya, Ken Chisholm, Nancy LeRoux, Paul Whaymand and Khalid Ahmed.	
21.	**DECLARATIONS OF INTEREST IN MATTERS COMING BEFORE THIS MEETING** Councillors Corthorne, Mills, 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. Councillor Eginton declared a Non-Pecuniary Interest in all Agenda Items, because he was a retired member of the Local Government Pension Scheme. He remained in the room.	**Action by**
22.	**MINUTES OF THE MEETING OF 23 SEPTEMBER 2014** Agreed as an accurate record subject to an amendment being made to Minute No. 1 - Declarations of Interest in Matters Coming Before This Meeting, so that it reads that Councillor Eginton is a retired member of the Local Government Pension Scheme.	
23.	**TO CONFIRM THAT ITEMS MARKED PART I WILL BE CONSIDERED IN PUBLIC AND THOSE MARKED PART II WILL BE CONSIDERED IN PRIVATE** That Agenda Items 8 and 9 be considered in private for the reasons stated on the agenda and the rest of the items be considered in public.	
24.	**REVIEW ON PERFORMANCE MEASUREMENT OF THE PENSION FUND** The report provided Members with a summary of the fund manager	

	performance for the quarter ended 30 September 2014. The Committee was informed that the total value of the fund's investments was £748m. 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 overall bond markets posted solid returns whilst equity markets were more erratic and yielded less return. **RESOLVED:** 1. **That the contents of the report be noted.**	**Action by**
25.	**PENSIONS ADMINISTRATION PERFORMANCE** Consideration was given to the report which provided an update on the Pensions Administration performance and early retirements in the second quarter of 2014/15. The Committee was provided with an update on the ongoing dialogue between the Council and Capita Employee Benefits and Members were informed that since the start of November performance was being monitored by the receipt of weekly reports. Members were provided with details of the performance measured over the last seven months to October 2014 which indicated declining performance. Particular reference was made to the poor performance on estimates of Retirement Benefits which needed improvement to enable information to be provided to employees in a timely manner when they were making serious decisions about their future. **RESOLVED:** 1. **That the latest administration performance statistics and early retirement statistics be noted.**	**Nancy Leroux**
26.	**GOVERNANCE UPDATE - LOCAL PENSION BOARD** The Committee was provided with an update on progress on the introduction of a local Pension Board and the consequent recent constitution changes which would affect the Pensions Committee and Investment Strategy Sub-Committee. Reference was made to the impending Pension Fund reforms and it was agreed that a report be submitted to the next meeting of the Committee on the impact of these reforms. **RESOLVED:** 1. **That the information in the report be noted.**	 **Nancy Leroux**

27.	**REPORT FROM INVESTMENT STRATEGY SUB-COMMITTEE** 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). The confidential report provided Members with an update on the discussions which had taken place at the meeting of the Investment Strategy Sub-Committee held on 5 November 2014. Areas discussed at the meeting were the economic and financial market conditions, an update on the activities of retained investment managers, a recommendation on the placement of the residual monies managed by JP Morgan and a review of the required long term real rate of return for the asset base as a whole. In addition the latest information on Fund Manager Activism was also provided. **RESOLVED:** **1. That the decisions of the Investment Strategy Sub-Committee held on 5 November 2014 be noted.** **2. That the decision of the Investment Strategy Sub-Committee to invest the residual assets managed by JP Morgan, as detailed in the confidential report be noted.**	
28.	**PENSIONS ADMINISTRATION PERFORMANCE REPORT** 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). The confidential report provided Members with details of recent actions taken by officers in relation to the Pensions Administration contract. **RESOLVED:** **1. That the information contained in the confidential report be noted.**	
	The meeting, which commenced at 7.00pm closed at 7.30pm	

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 31 December 2014. The total value of the fund's investments as at 31 December 2014 was £764.8m.

RECOMMENDATION

That the contents 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). The market movements into the end of 2014 and beyond were led by plunging bond yields and were therefore extremely challenging for Schemes.

The world economy continues to be characterised as the US vs. the Rest and nowhere is this reflected more than in the strength of the US$. The US Federal Reserve (Fed) stopped adding to its quantitative easing programme late in 2014 and is now musing over when to lift its policy interest rate. By contrast the European Central Bank has joined the Bank of Japan in rapidly expanding its monetary base as both pursue the economic gains evident in America.

Whether quantitative easing (QE) was primarily responsible for boosting jobs growth and growth in the US is a moot point however the Europeans and Japanese have few alternatives. With bond yields already low, the main channel by which QE may boost performance is via the currency and the € and the ¥ have both fallen sharply (their trade weighted currency levels have fallen respectively by 13% and 7% over the past year).

January saw the dramatic consequences of a currency policy that became unstuck. Having invested heavily to prevent currency from strengthening against the €, the Swiss

National Bank eventually had to capitulate against market demand and let the currency rise sharply (by more than 20% at one stage). Hitherto QE could have been described as a cost-free policy; apart from seeing central bank balance balloon to huge proportions of domestic GDP there has arguably, yet, been no negative consequence. That is no longer the view of the Swiss; something not be lost on central bankers in other nations.

The other major theme in recent months has involved the Chinese economy and credit system. Anecdotes abound surrounding the immense scale of property related debt invite memory of the experience of Japan three decades ago. China's inflation rate is now just 0.8% and it cannot afford a significant slowdown. As a result the Chinese authorities have started to ease interest rates and they are allowing some gentle weakness against the (strong) US$. Nonetheless demand for commodities from China remains weak and this is ripping through many emerging market nations and the likes of Australia and Canada. The Reserve Bank of Australia cut its policy rate in December.

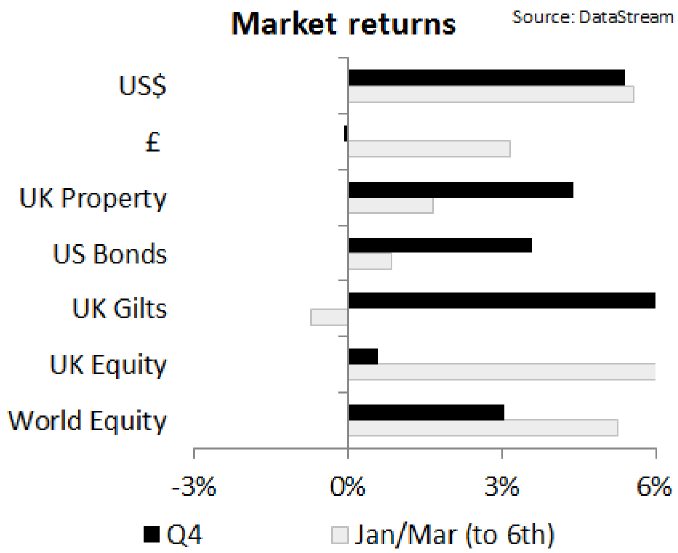
Further comments on the market backdrop are contained in the detailed report prepared by Northern Trust and in the Investment Advisor's report.

2. MAJOR MARKET RETURNS

The sense of improvement in the US economy, the fillip coming from sharply lower energy costs and the prospect of fresh policy stimulus coming from the ECB, saw financial assets perform strongly in Q4. A strong US$ transfers competitiveness from the relatively vibrant US economy to the more anaemic parts of the world economy; that the US$ rallied strongly in Q4 aided to the rise in all markets.

The buoyancy has continued into Q1, 2015 albeit bond markets have sold off after reaching lofty heights in January. The US$ has remain very strong supported by building expectations that the Fed will lift interest rates and after the ECB announced its QE programme.

UK property prices rose on evidence of rental growth. Foreign demand remains firm and, increasingly, finds its way into areas beyond the London and the South East.



3. FUND PERFORMANCE

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

The performance of the Fund for the quarter to 31 December 2014 showed a relative underperformance of 0.1%, with a return of 2.2% compared to the benchmark of 2.3%. One year figures show returns of 6.5% (0.4% ahead of the RPI+4% target return but 0.3% behind the benchmark). Over the three period the Fund returned 0.7% pa over the benchmark; the absolute rate was 9.8% p.a., well ahead of the required investment return.

The average LGPS (as captured by WM data) maintains a higher proportion in equity markets and overseas markets in particular. Further while the Hillingdon Pension Fund holds a comparable exposure to bond investments, the actual investments are of a shorter duration than the typical bond fund; on any measure, long duration bonds are expensive. As a result, while the trend rates of return from the Fund's bond investments are expected to meaningfully contribute to the overall investment earnings, there will be periods of underperformance relative to long duration bonds. 2014 was characterised by strong bond markets. For the quarter ending 31 December 2014, the Fund underperformed the WM average by 0.9%. The one year figure also shows underperformance, this time by 1.6%.

The Hillingdon Pension Fund's investment strategy sustains 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 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.

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	Q4 2014 %	1 Year %	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (% p.a.)	Target (% p.a.)	Fees (% p.a.)
Adams St*	21.7	4.28	26.30	14.3	14.41	4.02	4.0**	1.20
AEW	16.5	2.13	-	-	-	2.13	8.0*	0.70
GMO	64.9	-	-	-	-	0.88	4.0	0.50
JP Morgan	37.9	(0.19)	(1.67)	0.14	-	0.14	3.0	0.30
Kempen	81.1	(3.47)	(7.43)	-	-	(9.29)	2.0	0.42
LGT*	13.7	2.29	7.53	7.75	9.48	8.23	4.0**	1.00
Macquarie	7.7	3.32	3.20	(5.22)	-	(7.23)	3.0	1.38
M&G	32.4	(1.81)	1.41	1.02	-	0.47	4.0	1.5
Newton	25.5	(1.39)	(3.87)	-	-	(3.83)	2.0	0.75
Permira	5.3	-	-	-	-	-	4.0	0.85

Ruffer	90.2	3.13	5.79	6.27	-	5.59	4.0**	0.80
SSgA	152.5	0.10	0.06	(0.06)	0.01	0.02	0.0	0.10
UBS TAA	33.0	(2.15)	8.07	-	-	1.06	0.0	n/a
UBS Eq	115.2	0.60	(1.40)	3.92	1.54	1.18	2.0	0.35
UBS Property	63.0	(0.20)	0.73	0.12	0.11	(0.26)	1.0	0.20
Total Fund	**764.8**	**(0.16)**	**(0.32)**	**0.67**	**0.60**	**0.04**	**2.2**	**0.45**

*Absolute performance **Set against LIBOR

Highlights:

- The private equity programmes are enjoying the favourable credit market conditions of recent years to off-load companies and crystallise returns. On balance the programmes are returning cash to investors.

- M&G Debt Opportunities Funds (DOF) remain on target to deliver their target 15% net annual performance. The first programme is now starting to return cash to the Fund (15% of NAV) and one of its assets is being pursued aggressively by private equity funds (having secured a major contract in its market); this asset alone has the potential to deliver the Fund's full target return.

- In recent years the Hillingdon Fund has directed its private or illiquid investments away from equity to debt. The experience of the first DOF supports this move. As a matter of course, Officers and Advisors are reviewing this focus in full.

- The TAA programme comprises shorter dated US index-linked bonds, currency unhedged as a preferred alternative to the near zero or negative yields available on cash. Absent other uses, not currently foreseen, these balances will be used to de-risk the Scheme through the purchase of longer dated index-linked bonds – arguably the Fund's natural asset – when entry levels are appropriate.

- Kempen and Newton operate equity programmes around the dividend yield theme; markets treated this style harshly in 2014. Premium dividend yield is generally in poor supply in the US equity market and virtually all yield themed equity managers favour other locations. The US equity market (currency unhedged) was the equity market of choice last year. The yield generated by these funds (Kempen - 4.9%, Newton - 4.4%) remains considerable in the context of Hillingdon's funding requirements and is being delivered. Q1, 2015 has seen European equity markets return to the fore as they respond to the ECB's move to launch QE. These conditions should see the managers recoup prior underperformance.

- 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 Q4 supports the removal of this programme.

- The AEW programme was procured because of its high target yield of 8+%. Although it invests in UK secondary properties the programme will meet the Fund's objectives if it delivers this annual return. The target rate of return has been set accordingly.

- Ruffer enjoyed a favour Q4 supported by the strength of index-linked and Japanese equity markets. Ruffer retains a deep concern about the future outlook for financial markets and the broader economies. In the past Ruffer would have used bond market exposures to help nurse their growth assets through any market turbulence. Now, however, their sense is that the bond markets themselves face considerable challenges and the Manager is pursuing alternative means of defending their mandates via a range of complicated derivative strategies.

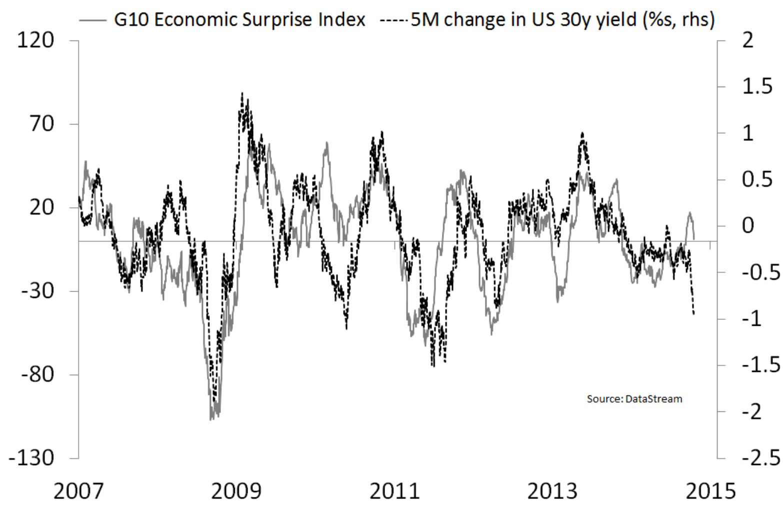
- The GMO and Permira programmes were funded during Q4.

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. OUTLOOK

The decline in long term interest rates seen in December/ January not only challenged the sense that economies are ‘out of the woods’ but actually suggested that a fresh, sharp recession was at hand. This was at odds with the general the economic backdrop, which although subdued, was performing broadly on line with expectations (Figure opposite).



One area of particular concern was the Eurozone which had re-entered deflation and recession. In January the European Central Bank (ECB) responded aggressively and announced a QE programme of €60bn of government bond purchases per month. As the ECB and Bank of Japan are showing, policy formulation is becoming more desperate and selfish; both are ‘exporting’ deflation on the rest of the world economy through currency debasement. For the moment it suits the US to ‘receive’ that deflation. The Fed is most likely receptive to anything that enables it to refrain from raising its policy interest rate. A higher $ lower import prices and the fall in import costs has probably taken about 0.75% off core US inflation.

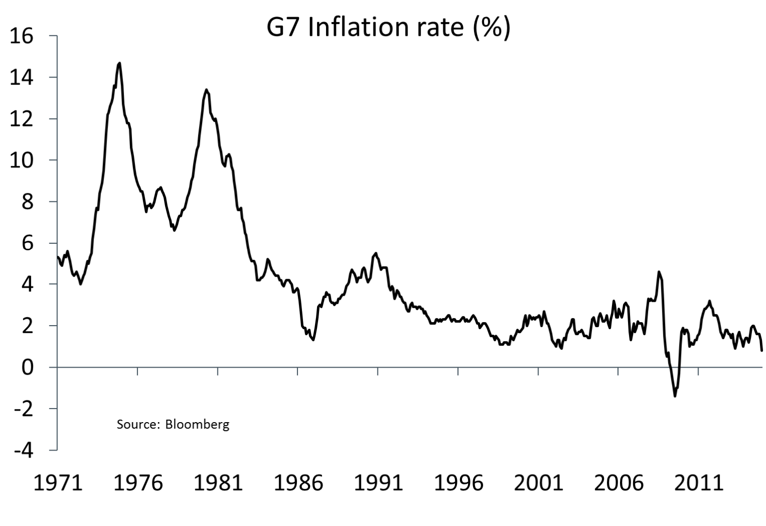
The world already had a deflationary bias (resulting from the debt overhang from the Great Financial Crisis) and this has been compounded by the oil shock (energy costs have halved). There are no redeeming features to deflation and economic leaders remain desperate to avoid discovering just how pervasive it could be. The onset of a currency war, started by the Japanese, now supported by the Europeans, threatens an extended period of instability. By and large the post GFC era has been characterised by policy unity; that cohesion is now under threat. It should be recalled that it was a dispute over currency levels (between the German Bundesbank and the US Federal Reserve) that spawned the equity market collapse of 1987.

Ultimately these currency adjustments could prove constructive if they succeed in re-balancing economic growth across the globe. The question throughout the post Credit Crunch era however has been less about the shape of final demand and more about its overall level. The pronounced weakness in energy prices (oil has fallen by 46% over the past six months) has the potential to bolster aggregate demand as it shifts purchasing power from oil exporting nations to energy imports, the latter having a much higher propensity to consume). However much of the drive beyond the US economy in recent years has come from the rapid development of the shale oil industry. It remains to be seen whether the retrenchment now underway in the energy sector is more powerful than the general boost to consumption from lower fuel prices; we hope not.

There is a fine line between a strong $ being a good or bad. With the RoW economy still languishing, there has to be a concern that investors will, in their clamour to own $ assets, create disruptive distortions in markets that deny the RoW access to capital needed to support economic growth. This could end badly especially if the US economy proves unable to resist the deflation pulse from a weak world economy, if so then the loss of confidence (and sense of hopelessness) would prove profound.

Further $ strength challenges currencies pegged to the US$. After the breaking of the peg against the €, the Swiss have shown that adjustments that can result from opposing strong market demand can be violent. Currencies pegged to the US$ risk the opposite if US$ strength enfeebles the associated domestic economy; the UK's ejection from the ERM in 1992 is a reminder of the potential consequences. The largest currency peg of them all involves China.

Away from the interplay between the world's major currencies, weak economic conditions have seen forty nations ease interest rates this year as they strove to avoid deflation. With inflation in the G7 now at its lowest level outside the Credit Crunch (0.8%), more will follow. Yield, the life-blood of most financial institutions remains in scarce supply. With the world's premier central bank apparently itching to raise rates this is a dangerous backdrop for investors.



Overall, of the economic and market features of recent years, the one most likely to change is subdued price behaviour. Notwithstanding the debate surrounding the next move is US monetary policy, 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 bankers 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; the Fund recently added to exposure at AEW, using monies raised out of the UK equity programme managed by UBS.

6. OTHER ITEMS

At the end of December 2014, £18.3m (book cost) had been invested in **Private Equity**, which equates to 2.40% of the fund against the target investment of 5%. In terms of cash movements over the quarter, Adams Street called £769k and distributed £2,424k whilst LGT called £202k and distributed £963k. 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 £11.2k. Offset against this was £3.9k of expenses leaving a net figure earned of £7.3k. The fund is permitted to lend up to 25% of the eligible assets total and as at 31 December 2014 the average value of assets on loan during the quarter totalled £16.9m representing approximately 8.5% 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

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London Borough of Hillingdon

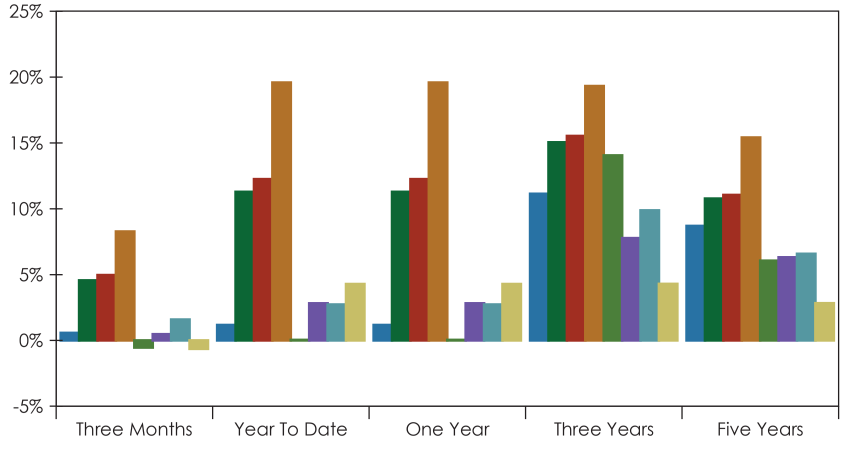
4th Quarter, 2014

Executive Report

Appendix

Equity Index Performance (in GBP)

Performance History



Performance Returns%

	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Share	0.6	1.2	1.2	11.1	8.7
FT: World	4.6	11.3	11.3	15.0	10.8
FT: World ex UK	5.0	12.3	12.3	15.5	11.1
FT: AWI North America	8.3	19.6	19.6	19.3	15.4
FT: Developed Europe ex UK	-0.5	0.0	0.0	14.1	6.1
FT: Developed Asia Pac x Jp	0.5	2.8	2.8	7.8	6.3
FT AW: Japan	1.6	2.7	2.7	9.9	6.6
MSCI Emerging Markets GD	-0.6	4.3	4.3	4.3	2.8

As 2014 ended financial news was dominated by one thing - the tumbling price of oil. Russia was bracing itself at the start of November as president Putin heralded "a new chapter in the history of oil markets". Crude had dropped to $80 at that point which equalled an annual revenue fall of $150bn for OPEC producers. The price of crude oil futures ended the quarter approaching 50% down at $57 per barrel, five year lows. The price drop represents a significant shift of funds from producers to consumers, who, being more likely to spend should generate global demand in the region of an additional 0.5%. However the sword is double edged; the risk of bankruptcy in the Energy sector is significant and as net importers (Japan, China, India) benefit from the increased income, net exporters (Russia and Iran) that rely on that revenue could increase global geopolitical risk. The IMF lowered its global growth forecast from 3.8% to 3.5% for 2015. The US Senate has expressed concerns over the physical commodity activities of Investment Banks in oil, metals and power plants. Catastrophic events could leave them underinsured by up to $15bn and lead to further taxpayer bail outs. Globally, Oil & Gas continued as the worst performing sector over quarter four, Consumer Services was the best performer. The FTSE World was up by 4.6% (GBP) over quarter four 2014 and is ahead by 11.3% over the year (GBP).

Despite an expanding British economy and lower unemployment, tax revenues are down and borrowing estimates are up as exports continue to disappoint. The current account deficit is as wide as it has been in peacetime due to falls in income from abroad and increases in payments to foreign investors. Several large stocks had a 2014 to forget. Barclays were caught up in the LIBOR and FX manipulation scandals. Tesco and J Sainsbury issued a string of profit warnings as they failed to deal with discount competition. Marks and Spencer ended the year with poor forecasts after website failure in the important run up to Christmas and losing clothing market share. BP was inevitably dragged lower by the falling oil price. Unemployment remains below 2m at a rate of 6% and GDP up by 0.7% over Q3. Oil & Gas lost most value over the quarter and Technology made the biggest gains. Health Care was the best performing sector over 2014. The FTSE All Share was up 0.6% (GBP) over the fourth quarter and remains ahead over one year, now by 1.2% (GBP).

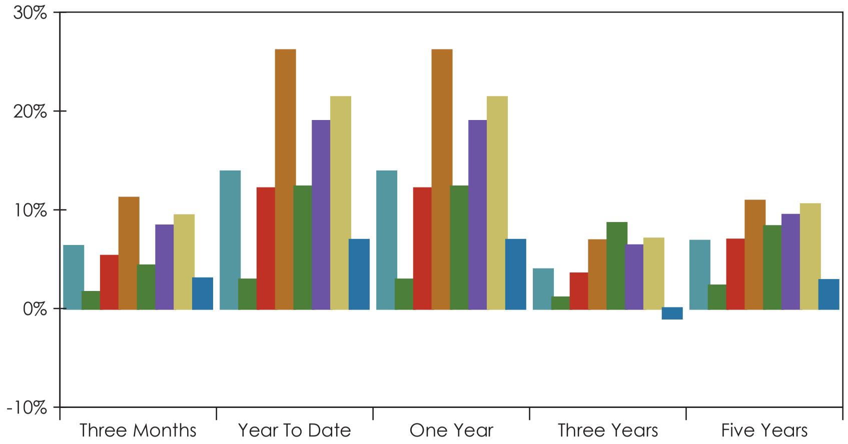
The Eurozone failed to deliver economic growth in 2014. GDP grew by 0.2% over quarter 3 but inflation turned negative as energy prices fell. Manufacturing data was disappointing to end the year as output, new orders and employment slowed. German concerns about the expansionist ambitions of Russia in the Balkans were expressed by its president. France and Germany clashed over economic policy with accusations that the Germans are failing to expand demand and the French are failing to slim down the state. Another Greek government crisis hammered domestic stocks but did not spread elsewhere. Royal Dutch Shell and Total both lost value over the quarter. Shares in Denmark's Vestas, the world's largest wind turbine supplier fell along with many clean energy companies as oil becomes more affordable. Germany's EON and Rwe utilities giants lost value as the country transitions to renewables and supply from wind and solar sources increased rapidly. Consumer Services gained most value over the quarter and Oil & Gas was the worst performer. The FTSE Developed Europe ex UK index returned -0.5% (GBP) over quarter four and 0% (GBP) over the year.

US GDP was revised up to 5% for Q3 marking the strongest consecutive quarterly growth for a decade. Consumption grew more than expected due to the drop in oil prices and increased job creation, the benefit was felt in US car sales as Fiat Chrysler and GM enjoyed strong year ends. The dollar index returned 13% for 2014, boosted at the end of the year by signals from the Fed that interest rates could rise sooner than expected. The S&P500 rose 11% over 2014 following the 30% gain in 2013 and equity analysts are optimistic the Bull run will continue. Shares linked to Oil & Gas struggled over the last quarter; Caterpillar dropped 20% over the last 6 months, Tesla Motors, the electric car maker also suffered. Shares in non-oil related Twitter dropped almost 50% over the year based on fears the user base was not growing fast enough. Over both quarter four and 2014 Oil & Gas lost most value and Utilities made the biggest gains. The FTSE North America index returned 8.3% (GBP) over the fourth quarter and 19.6% (GBP) for the year.

The Japanese government agreed corporate tax cuts in the hopes that companies will raise wages and increase demand. Japan's economy unexpectedly entered recession in Q3 and inflation fell to a 13 month low below 1%. Basic Materials led the Japanese sectors; Oil & Gas was the worst performer. The FTSE Japan returned 1.6% (GBP) for quarter four and the FTSE Developed Asia Pacific ex Japan returned 0.5% (GBP). Emerging Markets were hit hard as Russian equities and bonds tumbled along with the rouble. The falling oil price exacerbated the pressures already stemming from the sanctions imposed over Mr Putin's Ukrainian revanchism. Investors were only inspired to panic by the steep rate rise meant to prop up the rouble and Russian banks were warned against speculating on their own currency. Chinese GDP predictions for Q4 are around 7%, the lowest since the depths of the global crisis. Manufacturing data sputtered to end the year as factories dealt with rising costs and lower demand. The Chinese solar panel maker Yingli's share price fell, another clean energy company to feel the heat from the lower price of oil. Gold was down again ending December at $1,187 per ounce. The MSCI Emerging Markets index returned -0.6% (GBP) for the fourth quarter and 4.3% (GBP) for the year.

Fixed Income Index Performance (in GBP)

Performance History



Performance Returns %

	Three Months	Year To Date	One Year	Three Years	Five Years
FTSE All Stock Index	6.3	13.9	13.9	4.0	6.8
FTSE All Stock 0-5 Yr. Gilts	1.6	2.9	2.9	1.1	2.3
FTSE All Stock 5-15 Yr. Gilts	5.3	12.2	12.2	3.5	6.9
FTSE All Stock > 15 Yr. Gilts	11.2	26.1	26.1	6.9	10.9
ML STG N-Gilts All Stocks	4.3	12.3	12.3	8.6	8.3
FTSE Index Linked	8.4	19.0	19.0	6.4	9.5
FTSE Index Linked 5+ yrs	9.4	21.4	21.4	7.1	10.5
JPM GBI Global	3.0	6.9	6.9	-1.0	2.9

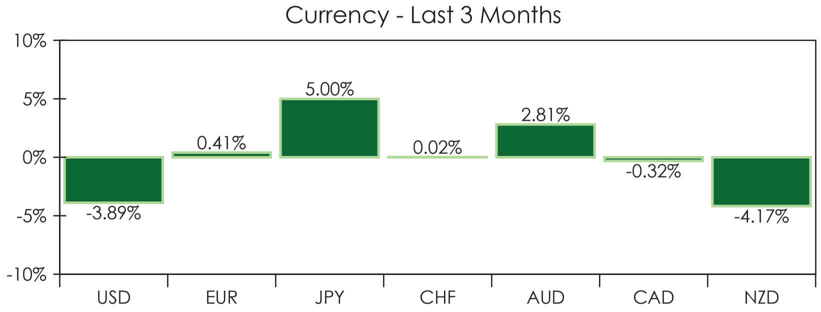
The plummeting price of oil rapidly became the biggest story in Q4. A smorgasbord of headwinds in the shape of newly uncovered oil fields, weakening global demand, and an easing of geopolitical tensions in the Middle East has clobbered the value of 'Black Gold' sending prices spiralling downwards, from comfortably north of $100 per barrel as recently as mid-year to less than $60 in December. The situation has been exacerbated by the trade bloc OPEC (Organization of Petroleum Exporting Countries) and its refusal to limit oil production in an endeavour to support the commodity's value. Inflation expectations saw bond yields pushed lower on both sides of the Atlantic, and investors deserting the energy-heavy junk bond sector in droves. Global economic output fell to a 14-month low in December, the JP Morgan Global Manufacturing & Services PMI finishing 2015 at 52.3 from 54.2 twelve months earlier. Prime Minister Shinzo Abe enjoyed a two-thirds majority victory in a snap general election in Japan, despite his economic reforms not yet having the desired effect. The world's third largest economy has fallen into recession following quarter three's contraction in GDP of 0.5%. In anticipation, the Bank of Japan had already announced plans to markedly increase its asset purchase program. Muted economic data in China and a domestic economy expanding at its slowest pace in five years resulted in the People's Bank of China pulling the trigger on a 0.4% interest rate cut, the first relaxation in monetary policy since July 2012. The HSBC China Composite PMI slipped below the key 50-level for the first time in seven months when December's reading came in at 49.5. A sub-50 level signifies contraction. Over the quarter and year to date the JPM Global Government Bond index has advanced 3.0% and 6.9%, while the Barclays Capital Global Aggregate Corporate Bond index was up 4.0% and 9.6% (all UK).

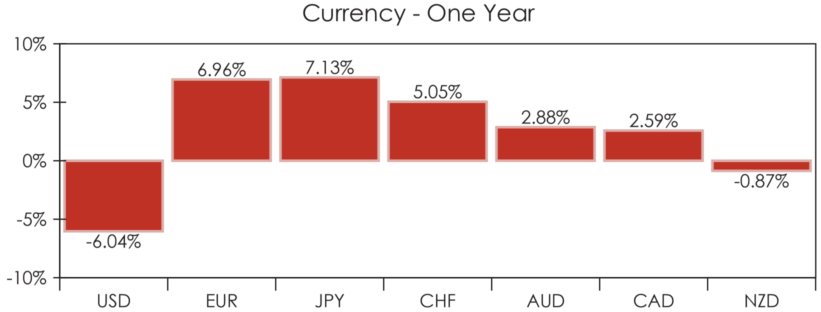
The UK remained one of the fastest growing G7 economies in 2014, despite a downward revision of annual GDP late in December. Quarter three GDP was confirmed at 0.7%, down from quarter two's growth rate of 0.9%, and the original year-on-year growth figure of 3% was revised down to 2.6%, indicating the recovery is perhaps beginning to run out of steam. The Markit/CIPS UK Manufacturing Purchasing Managers' Index (PMI) finished the year at a three-month low of 52.5. UK interest rates were held at their emergency 0.5% level for the seventieth consecutive month in December, and anticipation of any pre-summer 2015 hike seems to have disappeared far over the horizon. Lower fuel prices pushed December's rate of inflation down to a twelve-year low of 1%, and the Bank of England has forecast that the rate will fall further still. As a result of the inflation rate fall to 1%, the Office for National Statistics confirmed that regular pay exceeded inflation for the first time since September 2009. Unemployment numbers continue to move in the right direction, although the monthly falls are becoming less. The jobless rate, however, of 6% matches the lowest level in six years. Following the revisions to the official GDP data, yields fell and the benchmark 10-year gilt yield settled at 1.76% at the end of the quarter, down from 2.42% at the end of Q3. The FTSE All Stock Gilt Index returned 6.3% for the quarter and 13.9% year to date while the ML Sterling Non Gilts Index returned 4.3% and 12.3% (all GBP) over the same periods.

Macroeconomic data from the eurozone bloc continued to indicate subdued levels of growth. Weak quarter three GDP of 0.2% was guardedly welcomed following the zero expansion witnessed in Q2. November's inflation figure fell to 0.3% from 0.4% the prior month. The Markit composite purchasing mangers' (PMI) index rose in December, but the reading of 51.4 indicates a pace of expansion as one of the weakest seen over the last year. Germany's own PMI for December fell to its lowest reading in 18 months, and the Bundesrepublik avoided falling into recession by only a hair, with growth in Q3 of a single basis point. In France, the number of people seeking work has soared to a record high of 9.9%, a 5.8% increase in 2014 alone. Away from the single currency union, the Russian central bank lofted interest rates to 17% in an endeavour to support the crumbling rouble as sanctions imposed by western governments start to bite and has seen the Russian economy contract for the first time in five years. The flip-side of the rouble's woes has seen investors seek solace in the Swiss franc, the rise of which has forced Switzerland's National Bank to introduce negative interest rates, forcing investors to pay a fee for hoarding cash in the nation's numerous bank vaults. The iTraxx Europe 5yr CDS index, representative of 125 investment grade entities across 6 sectors, tightened over the quarter, from 49.15 at the end of September, closing the year at 40.95. The JPM European Government Bond Index returned 3.6% and 15.1% for Q4 and the year to date respectively, while the Barclay Capital Euro Aggregate Credit Index was up at 1.6% and 8.4% (all EUR) for the same periods.

The measure of economic growth - Gross Domestic Product - is starting to shift into high gear in the United States. The economy grew at an annual rate of 5% in the third quarter, the fastest recorded pace in eleven years. The US consumer is the driving force, with spending growing at an annual pace of 3.2%, an acceleration not seen since the fourth quarter of 2013. Consumer confidence was measured at a seven-year-high in October, with the Conference Board's index rising to 94.5. Firms are now more confident about taking on employees than at any time since the subprime mortgage crisis; business investment rose 8.9% in the third quarter, November's US Non-Farm Payrolls registered the biggest monthly increase in almost three years and the overall unemployment rate held steady through the quarter at a six-year low of 5.8%. The Markit US Manufacturing PMI remains in expansionary territory, but eased for the fourth consecutive month with December's reading of 53.9. The Federal Reserve held good on the promise to bring the curtain down on the six-year old quantitative easing program with confirmation that the final tranche of bonds would be bought in December. Despite this move, Chair Janet Yellen moved to calm markets in saying the US central bank would remain "patient" in its approach to bumping borrowing costs higher. The benchmark 10-year US Treasury yield, which had suffered a dramatic, intra-day "flash-crash" in mid-October and saw yields plunge to a low of 1.86%, finished the quarter down at 2.17% from an opening 2.49%. The JPM US Government Bond Index was up for the quarter and for the year at 2.3% and 6.1% respectively, while the Barclay Capital US Aggregate Corporate Bond Index returned 1.8% over the quarter and 7.5% for the year (all USD).

Currency Performance (in GBP)





	Three Months	Year To Date	One Year	Three Years	Five Years
United States dollar	-3.89	-6.04	-6.04	0.11	-0.70
European Union euro	0.41	6.96	6.96	2.45	2.70
Japanese yen	5.00	7.13	7.13	14.88	4.36
Swiss franc	0.02	5.05	5.05	2.13	-1.49
Australian dollar	2.81	2.88	2.88	7.62	1.19
Canadian dollar	-0.32	2.59	2.59	4.40	1.29
New Zealand dollar	-4.17	-0.87	-0.87	0.05	-2.13

The fourth quarter of 2014 saw the Dollar strengthen against the Yen, Euro and Sterling. It was a very different picture for the Russian Rouble. The Rouble plummeted during December as Russia announced its economy had shrunk for the first time in more than five years. Russia's GDP shrank by 0.5% year-on-year in November, the first fall since October 2009. The announcement sent the Rouble plummeting. Falling oil prices and Western sanctions over Ukraine continued to take their toll on Russia, whose wealthier citizens look to place their money in more stable investments abroad. The ministry chalked up the negative growth to a slowdown in a number of sectors including services, agriculture and construction. Inflation also grew rapidly. Amid the Roubles collapse, Russia's central bank raised interest rates to 17% from 10.5% to prop up the economy. Russians also snapped up imported goods ahead of expected price rises. The Yen also saw significant losses this quarter. Japan's government approved a 3.5 trillion ($29 bn) fiscal stimulus package to boost the economy after the April sales tax hike caused consumption to fall. The measures include shopping vouchers, subsidised heating fuel for the poor and low interest loans for small businesses. Unexpected falls in output and retail sales in November underscored the continued weakness in the economy. With little sign of a rebound in domestic demand, getting growth back on a recovery track is a priority for Prime Minister Shinzo Abe.

In the UK, Q4 2014 saw Sterling strengthen against the Euro and Yen, but weakened against the Dollar. At its December 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. The Consumer Price index fell to 1.0% in November compared to 1.3% in October. It is the lowest rate since September 2002. One factor keeping inflation low has been the 25% fall in the oil price since the summer, which has cut fuel prices at the pumps for motorists. Fierce competition between supermarkets has also meant cheaper food for customers. British manufacturing expanded more slowly than expected in December after new orders from overseas clients failed to pick up. Despite the December slowdown, growth remained solid, with the latest figures extending the unbroken period of expansion in production and new orders to 22 months. The UK jobs market continued to improve in the three months to October with the number of people out of work falling by 63,000 to 1.96 million. This brings the unemployment rate down to 6.0%, matching the lowest level in six years. According to the Nationwide building society, the annual pace of house price growth is now at its slowest for a year at 7.2% in December, down from 8.5% in November. The average house price in the UK now sits at £188,559. Sterling closed the quarter up against the Euro and Yen by 0.41% and 5.00% respectively. It weakened against the Dollar by 3.89%.

In the US, the Dollar gained significant ground on the Euro, Sterling and Yen. US inflation, based upon the consumer price index, declined to 1.3% in November. Food prices have jumped by 3.2% over the past 12 months. More important for consumers' wallets, gasoline prices were down 10.5% from the same time last year. Economists are slashing US inflation forecasts for 2015 as oil prices tumble. Federal Reserve policymakers said they could begin raising interest rates before inflation starts to pick up, according to minutes in their December meeting. However, the Fed officials added that they "would want to be reasonably confident that inflation will move back" toward the Fed's annual 2% target over time. The assertion provides another signal that the Fed is prepared to begin raising its benchmark rate within months, even if inflation remains unusually low. US consumer confidence rose in December, bolstered by a brightening jobs situation that left perceptions about economic conditions at a high not seen since February 2008. The US un-employment rate dropped to 5.6% in December and is the lowest recorded since July 2008. Employers added 252,000 jobs in December. The number of unemployed was 8.7 million. The big drop in unemployment highlights the strength of the US economy relative to feeble growth in Europe and slowing growth in China. The US trade deficit dropped to $39bn in November from a revised $42.3bn in October. It is the lowest deficit since December 2013 supported by a fall in crude oil imports. In November, imports declined by 2.2% to $235bn and exports declined by 1% to $196bn. The Dollar strengthened against the Euro, Sterling and Yen by 4.30%, 3.89% and 8.89% 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 0.3% 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 fourth quarter 2014 financial news was dominated by the tumbling price of oil. Newly uncovered oil fields, weakening global demand and an easing in geopolitical tensions in the Middle East has sent oil prices significantly downwards. The increase in supply and the decline in global demand should create a boost for the global economy; according to estimates this could increase global output by 0.5% and strongly benefit consumers. Globally Consumer Services and Technology were the best performing sectors over quarter four. Oil & Gas lost most value over the quarter followed by Basic Materials. The UK remained one of the fastest growing G7 economies in 2014 despite a downward revision of annual GDP late in December. UK interest rates were held at their 0.5% level and anticipation of any pre summer 2015 hike seems to have disappeared. UK Inflation reached a 12 year low of 1% in the main due to the falling oil prices. Globally Corporate Bonds continue to outperform Government Bonds. Against this backdrop the London Borough of Hillingdon returned 2.16% which leads to an underperformance of 11 basis points against the Total Plan benchmark of 2.27%. In monetary terms this is a growth in assets of £16.4 million, including the small contribution into the scheme this quarter and the value of the combined scheme now stands at £764.8 million as at 31st December 2014. This period the Barings mandate was terminated and the £64 million was transferred to the new GMO mandate, while £23 million was taken from JP Morgan with £5 million used to fund the creation of Premira Credit and the remained placed with the UBS Tactical mandate. Looking further into the analysis the results seen were driven by the underperformance of Kempen (-39 bps), Private Equity (-12 bps) and M&G (-8 bps) although this was offset by the positive impact of Ruffer (+34 bps) and the new GMO fund (+17 bps). While in allocation terms most mandates are in line with the neutral position, so effects are minimal.

This means that the Scheme finished the year behind target by posting a return of 6.46%, which is relatively -32 basis points below the total benchmark of 6.79%. Similar to the quarter the largest impact comes from Kempen (-73 bps) this time coupled with UBS (-21 bps) and Newton (-14 bps), while the biggest positive effects were once again Ruffer (+63 bps) combined with Adam Street (+31 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 9.83% over three year versus 9.10%, while for 5 years we see figures of 8.06% versus 7.42% per annum. Then since inception in September 1995, the Fund remains ahead of target by 4 basis points with an annualised return of 6.81% against 6.77%.

Manager Performance

AEW UK

In the fourth quarter the AEW UK property mandate posted a return of 4.13% which falls short of the IPD UK PPFI All Balanced Funds index figure of 4.6%. Then in the six months since inception in June 2014, the fund return increases to 8.54%, although this is still below the IPD figure of 8.78%, which translates as an underperformance of -22 basis points.

Barings

During this quarter the Barings mandate was terminated.

JP Morgan

During the latest quarter JP Morgan produced a 0.69% return which was 19 basis points below the 0.88% target for the 3 Month LIBOR + 3% p.a. This means over 2014, they fall -1.67% short of the yardstick generated by figures of 1.83% against 3.56%. They have now been investing for just over 3 years and in that time since November 2011 they post a return of 3.81% versus 3.66%, which is 0.14% on a relative annualised basis.

Kempen

Once again the Kempen mandate posted the largest underperformance of the quarter at -3.47% caused by a return of 1.98% compared to the 5.65% posted by the MSCI All World Index +2%. This means all time periods show underperformance, with 5.79% vs 14.29% for the calendar year and culminating in a return since inception in January 2013 of 6.07% versus the benchmark of 16.92%; which is a relative return of -9.29%.

Macquarie

Once again Macquarie posted one of the highest absolute returns in Q4 with 4.23%, leading to the highest relative return of 3.32%, when compared to the 0.88% for the 3 Month LIBOR +3% p.a. This more than offsets the losses seen in the first half of 2014 and lead to a one year growth in assets of 6.87% which is 3.20% ahead of the benchmark of 3.56%; although since inception they've delivered ten negative quarterly relative returns, leading to an annualised loss of -3.78% against the target of 3.71%. Although the since inception Internal Rate of Return for this portfolio closes the gap with a figure of 1.83%% against the comparator of 3.54%.

M&G Investments

Investments in M&G fell for the first time in ten quarters, posting a -0.70% return, which against the 3 Month LIBOR +4% pa return of 1.13% translates as an underperformance of -1.81%. However outperformance is seen in all longer periods, over the year the account registers 6.03% against 4.56%, the 3 year return falls to 5.72% and then falls slightly more since inception (May 2010) to 5.21% pa whilst the benchmark is 4.72% pa. Although the since inception Internal Rate of Return for this portfolio moves further ahead of the target with a figure of 5.70% opposed to the comparator of 4.51%.

Manager Performance

Newton

During the final quarter of 2014 investments with Newton grew 3.55%, however compared to the FTSE World Index +2% return of exactly 5% this leads to an underperformance of -1.39%. With seven consecutive quarters of underperformance all longer periods are in the red, for 1 year the relative return is -3.87%, which is similar to the inception to date (January 2013) figure of -3.83% coming from a fund return of 10.38% against the benchmark of 14.78%.

Ruffer

The Ruffer portfolio grew 3.27% over the last three months against 0.14% for LIBOR 3 Month GBP, an outperformance of 3.13%. With only 4 quarters in the red during the four and a half years they've been funded they demonstrate positive absolute returns and outperformance across all periods, culminating in since inception (May 2010) figures of 6.34% versus 0.71% per annum, which translates as a relative return of 5.59%.

Private Equity

The private equity assets, consisting of funds with Adam Street and LGT, continued to grow through 2014 with Q4 figures of 4.28% and 2.27% respectively, leading to rolling one year figures of 26.30% and 7.51%. Over the longer periods, the outlook over which private equity investments should be measured, returns remain positive. Over three years, Adam Street posts 14.13% and LGT 7.74% on an annualised basis, with both seeing increases over 5 years to 14.41% and 9.48% respectively. Then since their respective inceptions in January 2005 and May 2004, Adam Street drops to 4.02% pa, while LGT sees a slight dip to 8.22%

At present no benchmark has been applied to these mandates.

SSGA

The SSGA passively managed portfolio produced a return of 2.62% in the quarter which was just 10 basis points above the benchmark; further analysis confirms the passive nature with all categories aligned with their respective indices. So over the year they produce a 6.30% return, which is 6 basis points ahead of target, while over 3 years the per annum return increases to 11.25% which is just 6 basis points behind the benchmark. Since inception (November 2008) a return of 12.29% pa is just above the benchmark, but the passive nature is best demonstrated by the 3 year R squared and beta figures of 1, while the tracking error is just 0.12.

UBS

UBS UK Equity investments increased 1.18% over the last quarter, compared to the FTSE All Share figure of 0.58%, translating as an outperformance of 0.60%. Looking into the attribution analysis, the most significant effect was selection in Oil & Gas (+68 bps) coupled with Consumer Services (+48 bps), while the only negative selection effect was in Utilities (-27 bps). Whilst within allocation most effects were negative the most notable was the overweight of Oil & Gas (-59 bps), partly offset by the overweight of Consumer Services (+32 bps). This is not enough to overturn the 1 year deficit, with a figure of -0.23% over the last twelve months leading to a relative return of -1.40%. This underperformance is attributable to allocation, with the underweight of Consumer Goods (-0.83%) and overweight of Oil & Gas (-0.51%) being the stand-out effects. While in selection the results in Health Care (-1.07%) were more than offset by Oil & Gas (0.84%) and Consumer Services (0.57%). Due to the previous good results UBS maintain outperformance over the longer time periods, translating as a since inception return of 10.18% versus 8.89% on an annualised basis.

UBS Property

The UBS Property portfolio posted the highest absolute return at 4.40% over the latest quarter, although this was 20 basis points below the IPD UK PPFI All Balanced Funds index figure of 4.6%. Driven by Q2 2014, outperformance is seen over one, three and five years, with relative returns of 0.73%, 0.12% and 0.11% respectively. However, since inception, in March 2006, the fund still falls short with 2.08% per annum while the benchmark shows 2.35% return, translating as an underperformance of -26 basis points.

UBS Tactical

During the current quarter the UBS Tactical mandate posts a return of 1.99% which relatively is -2.15% as the Barclays US Inflation Linked Index returned 4.23%. However, driven by the first two quarters of 2014 they end the year with both high absolute and relative returns, with figures of 19.89 versus 10.93%. Since the inception of the fund the return falls to 1.07%, although this still compares favourably to the index figure of 0.01%, leading to an outperformance of 1.06%.

Active Contribution

By Manager

	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 10/14	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 11/14	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 12/14	Active Contribution 4Q 2014
Adam Street	1.34	-	1.34	-	282,347.85	1.52	-	1.52	-	326,819.37	1.37	-	1.37	-	293,267.28	902,434.51
AEW UK	-0.80	1.46	-2.26	-2.23	-359,349.62	1.73	1.32	0.41	0.41	64,576.47	3.18	1.75	1.43	1.41	232,905.72	-61,867.42
Barings	-0.51	-	-0.51	-	0.00	0.00	-	0.00	-	0.00	0.00	-	0.00	-	0.00	0.00
Cash	20.88	0.03	20.85	20.84	227.06	0.40	0.03	0.37	0.37	0.00	0.00	0.03	-0.03	-0.03	0.00	227.07
GMO Global	1.04	-0.19	1.22	1.23	783,112.49	1.48	-0.39	1.86	1.87	1,200,093.19	-1.28	-0.32	-0.96	-0.97	-629,993.76	1,353,211.93
JP Morgan	0.33	0.29	0.04	0.04	22,299.14	0.18	0.29	-0.11	-0.11	-51,233.88	0.18	0.29	-0.12	-0.12	-44,253.19	-73,187.93
Kempen	0.38	2.18	-1.79	-1.75	-1,457,996.61	3.57	4.42	-0.85	-0.82	-712,442.65	-1.90	-0.98	-0.93	-0.94	-760,338.49	-2,930,777.75
LGT	1.19	-	1.19	-	168,779.89	1.51	-	1.51	-	207,838.49	-0.42	-	-0.42	-	-57,428.20	319,190.19
M&G Investments	-1.01	0.37	-1.38	-1.38	-457,684.19	0.00	0.37	-0.37	-0.37	-122,286.38	0.31	0.37	-0.07	-0.07	-22,018.92	-601,989.49
Macquarie	3.26	0.29	2.97	2.96	223,087.57	1.75	0.29	1.45	1.45	112,768.31	-0.79	0.29	-1.09	-1.08	-84,986.94	250,868.94
Newton	0.71	2.21	-1.50	-1.47	-377,662.07	3.84	4.07	-0.23	-0.22	-59,782.39	-0.99	-1.29	0.30	0.30	76,354.39	-361,090.07
Pasco Currency Ov	0.06	-	0.06	-	690.26	0.16	-	0.16	-	410.30	-0.09	-	-0.09	-	-0.00	1,100.55
Premira Credit	-	-	-	-	0.00	-	-	-	-	0.00	0.00	0.23	-0.23	-0.23	-12,266.02	-12,266.02
Ruffer	0.95	0.05	0.89	0.89	781,179.24	2.51	0.05	2.47	2.46	2,174,124.50	-0.20	0.05	-0.25	-0.25	-222,335.11	2,732,968.62
SSGA	0.45	0.44	0.00	0.00	5,658.39	3.34	3.33	0.02	0.02	28,058.59	-1.14	-1.22	0.08	0.08	115,151.12	148,868.62
UBS	-0.30	-0.69	0.39	0.39	437,451.00	2.53	2.92	-0.39	-0.38	-457,247.08	-1.02	-1.60	0.59	0.59	670,414.49	650,618.41
UBS Property	1.37	1.46	-0.09	-0.09	-54,907.68	1.10	1.32	-0.21	-0.21	-133,078.12	1.86	1.75	0.11	0.10	67,243.92	-120,741.88
UBS Tactical	1.64	2.32	-0.68	-0.66	-97,120.54	1.71	2.47	-0.76	-0.74	-256,364.49	-1.34	-0.59	-0.76	-0.76	-251,228.89	-604,713.93

Total Fund Market Value at Qtr End: £764.8 M

Scheme Performance

	Market Value £m	% of Fund	Three Months Portfolio	Three Months Benchmark	Three Months Excess Return	Three Months Relative Return	Year To Date Portfolio	Year To Date Benchmark	Year To Date Excess Return	Year To Date Relative Return	One Year Portfolio	One Year Benchmark	One Year Excess Return	One Year Relative Return
London Borough of Hillingdon	764.8	100.00	2.16	2.27	-0.11	-0.11	6.46	6.79	-0.34	-0.32	6.46	6.79	-0.34	-0.32

By Manager

	Market Value £m	% of Fund	Three Months Portfolio	Three Months Benchmark	Three Months Excess Return	Three Months Relative Return	Year To Date Portfolio	Year To Date Benchmark	Year To Date Excess Return	Year To Date Relative Return	One Year Portfolio	One Year Benchmark	One Year Excess Return	One Year Relative Return
Adam Street	21.7	2.84	4.28	-	-	-	26.30	-	-	-	26.30	-	-	-
AEW UK	16.5	2.16	4.13	4.60	-0.47	-0.45	-	-	-	-	-	-	-	-
Barings	0.0	0.00	-0.51	-	-	-	1.07	-	-	-	1.07	-	-	-
GMO Global	64.9	8.48	-	-	-	-	-	-	-	-	-	-	-	-
JP Morgan	37.9	4.96	0.69	0.88	-0.19	-0.19	1.83	3.56	-1.73	-1.67	1.83	3.56	-1.73	-1.67
Kempen	81.1	10.61	1.98	5.65	-3.67	-3.47	5.79	14.29	-8.50	-7.43	5.79	14.29	-8.50	-7.43
LGT	13.7	1.79	2.29	-	-	-	7.53	-	-	-	7.53	-	-	-
M&G Investments	32.4	4.24	-0.70	1.13	-1.83	-1.81	6.03	4.56	1.47	1.41	6.03	4.56	1.47	1.41
Macquarie	7.7	1.01	4.23	0.88	3.35	3.32	6.87	3.56	3.31	3.20	6.87	3.56	3.31	3.20
Newton	25.5	3.34	3.55	5.00	-1.46	-1.39	9.11	13.50	-4.39	-3.87	9.11	13.50	-4.39	-3.87
Premira Credit	5.3	0.69	-	-	-	-	-	-	-	-	-	-	-	-
Ruffer	90.2	11.79	3.27	0.14	3.13	3.13	6.37	0.54	5.83	5.79	6.37	0.54	5.83	5.79
SSGA	152.5	19.94	2.62	2.52	0.10	0.10	6.30	6.23	0.07	0.06	6.30	6.23	0.07	0.06
UBS	115.2	15.07	1.18	0.58	0.61	0.60	-0.23	1.18	-1.41	-1.40	-0.23	1.18	-1.41	-1.40
UBS Property	63.0	8.24	4.40	4.60	-0.20	-0.20	18.04	17.19	0.85	0.73	18.04	17.19	0.85	0.73
UBS Tactical	33.0	4.31	1.99	4.23	-2.24	-2.15	19.89	10.93	8.96	8.07	19.89	10.93	8.96	8.07

Total Fund Market Value at Qtr End: £764.8 M

Scheme Performance

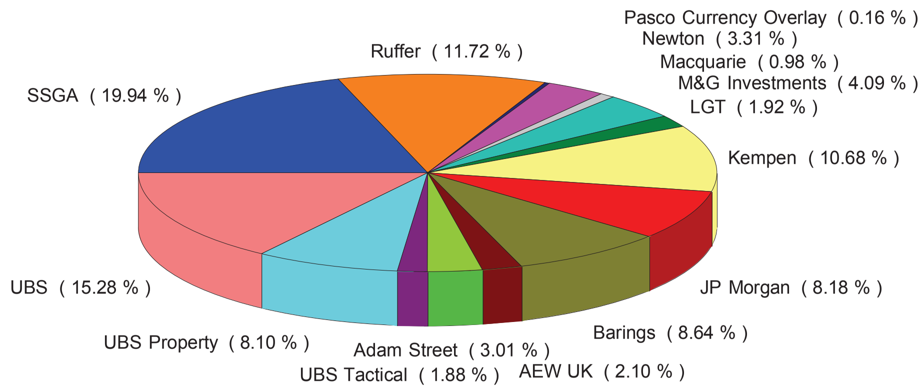
	Three Years				Five Years					Inception To Date			
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
London Borough of Hillingdon	9.83	9.10	0.74	0.67	8.06	7.42	0.64	0.60	30/09/95	6.81	6.77	0.04	0.04

By Manager

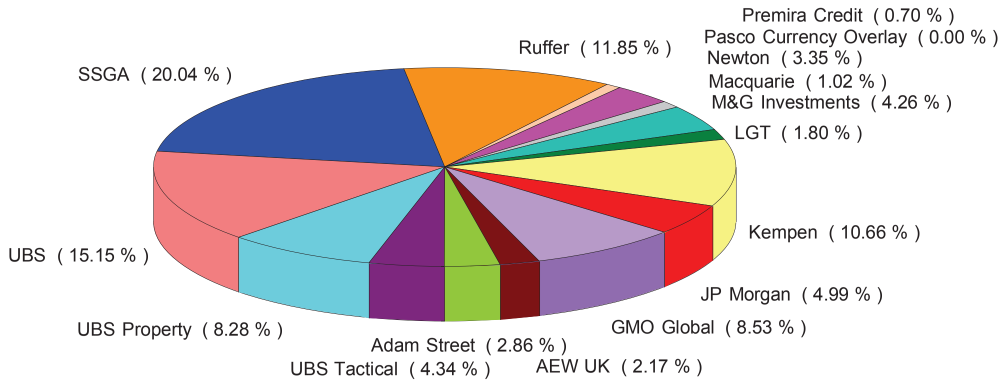
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
Adam Street	14.13	-	-	-	14.41	-	-	-	31/01/05	4.02	-	-	-
AEW UK	-	-	-	-	-	-	-	-	30/06/14	8.54	8.78	-0.24	-0.22
Barings	-	-	-	-	-	-	-	-	24/04/13	1.95	-	-	-
GMO Global	-	-	-	-	-	-	-	-	31/10/14	0.18	-0.70	0.88	0.88
JP Morgan	3.80	3.65	0.15	0.14	-	-	-	-	08/11/11	3.81	3.66	0.15	0.14
Kempen	-	-	-	-	-	-	-	-	31/01/13	6.07	16.92	-10.86	-9.29
LGT	7.75	-	-	-	9.48	-	-	-	31/05/04	8.23	-	-	-
M&G Investments	5.72	4.65	1.07	1.02	-	-	-	-	31/05/10	5.21	4.72	0.49	0.47
Macquarie	-1.76	3.65	-5.41	-5.22	-	-	-	-	30/09/10	-3.78	3.71	-7.50	-7.23
Newton	-	-	-	-	-	-	-	-	24/01/13	10.38	14.78	-4.40	-3.83
Premira Credit	-	-	-	-	-	-	-	-	30/11/14	0.00	0.23	-0.23	-0.23
Ruffer	6.99	0.68	6.31	6.27	-	-	-	-	28/05/10	6.34	0.71	5.63	5.59
SSGA	11.25	11.32	-0.06	-0.06	9.01	9.00	0.01	0.01	30/11/08	12.29	12.26	0.02	0.02
UBS	15.49	11.14	4.36	3.92	10.37	8.70	1.67	1.54	31/12/88	10.18	8.89	1.29	1.18
UBS Property	8.75	8.62	0.13	0.12	8.97	8.85	0.12	0.11	31/03/06	2.08	2.35	-0.26	-0.26
UBS Tactical	-	-	-	-	-	-	-	-	30/06/13	1.07	0.01	1.06	1.06

Total Fund Market Value at Qtr End: £764.8 M

Weighting at Beginning of Period



Weighting at End of Period



Adam Street	AEW UK	GMO Global	JP Morgan	Kempen	LGT
M&G Investments	Macquarie	Newton	Pasco Currency Overlay	Premira Credit	Ruffer
SSGA	UBS	UBS Property	UBS Tactical		

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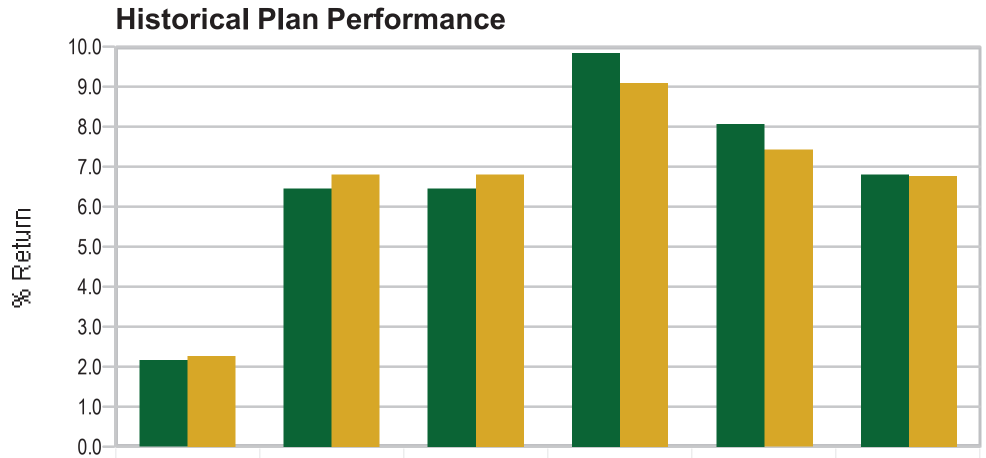
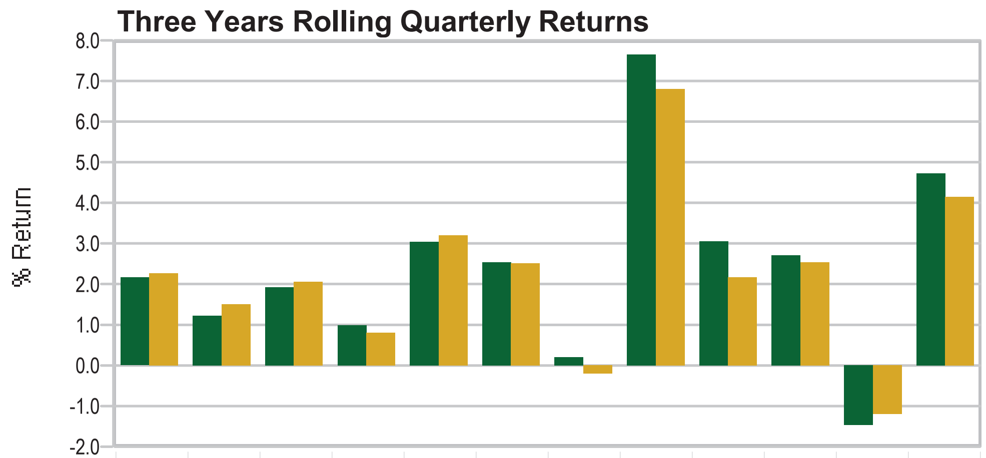
	Opening Market Value £(000)	% of Fund	Net Investment £(000)	Appreciation £(000)	Income Received £(000)	Closing Market Value £(000)	% of Fund
London Borough of Hillingdon	748,405	100.00	254	13,807	2,326	764,791	100.00
Adam Street	22,428	3.00	-1,617	917	0	21,728	2.84
AEW UK	15,640	2.09	208	336	316	16,500	2.16
Barings	64,403	8.61	-64,077	-326	0	0	0.00
GMO Global	-	-	64,078	774	3	64,856	8.48
JP Morgan	60,963	8.15	-23,300	280	-2	37,941	4.96
Kempen	79,555	10.63	-5	1,460	119	81,129	10.61
LGT	14,314	1.91	-917	323	0	13,720	1.79
M&G Investments	30,481	4.07	2,143	-420	212	32,416	4.24
Macquarie	7,302	0.98	125	314	-0	7,741	1.01
Newton	24,643	3.29	0	874	0	25,517	3.34
Pasco Currency Overlay	1,191	0.16	-1,193	2	0	0	0.00
Premira Credit	-	-	5,300	0	0	5,300	0.69
Ruffer	87,306	11.67	0	2,668	191	90,164	11.79
SSGA	148,587	19.85	0	3,893	0	152,480	19.94
UBS	113,883	15.22	0	373	973	115,229	15.07
UBS Property	60,373	8.07	0	2,148	506	63,027	8.24
UBS Tactical	14,010	1.87	18,880	98	7	32,995	4.31

London Borough of Hillingdon

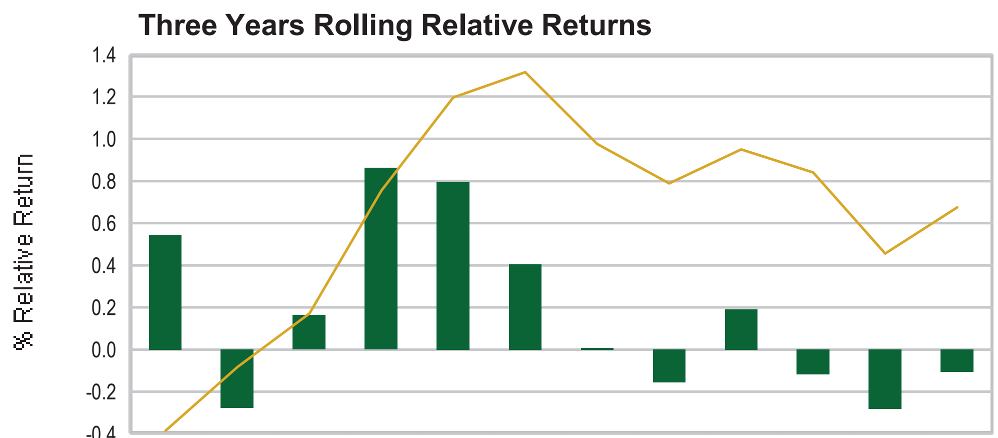


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.16	6.46	6.46	9.83	8.06	6.81
Benchmark	2.27	6.79	6.79	9.10	7.42	6.77

Risk Statistics - 3 years	Fund	B'mark
Performance Return	9.83	9.10
Standard Deviation	5.13	4.84
Relative Return	0.67	
Tracking Error	0.94	
Information Ratio	0.78	
Beta	1.04	
Alpha	0.35	
R Squared	0.97	
Sharpe Ratio	1.75	1.70
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	748,405	
Net Investment £(000)	254	
Income Received £(000)	2,326	
Appreciation £(000)	13,807	
Closing Market Value (£000)	764,791	



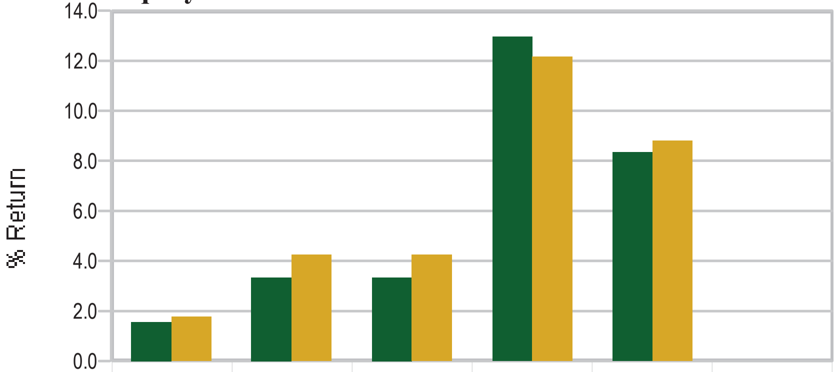
	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	2.16	1.23	1.93	0.99	3.04	2.53	0.20	7.65	3.05	2.71	-1.47	4.72
Benchmark	2.27	1.51	2.05	0.80	3.21	2.52	-0.20	6.80	2.17	2.54	-1.19	4.15



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	0.55	-0.28	0.16	0.86	0.80	0.41	0.01	-0.16	0.19	-0.12	-0.28	-0.11
3Y Relative	-0.39	-0.08	0.17	0.76	1.20	1.32	0.98	0.79	0.95	0.84	0.46	0.67

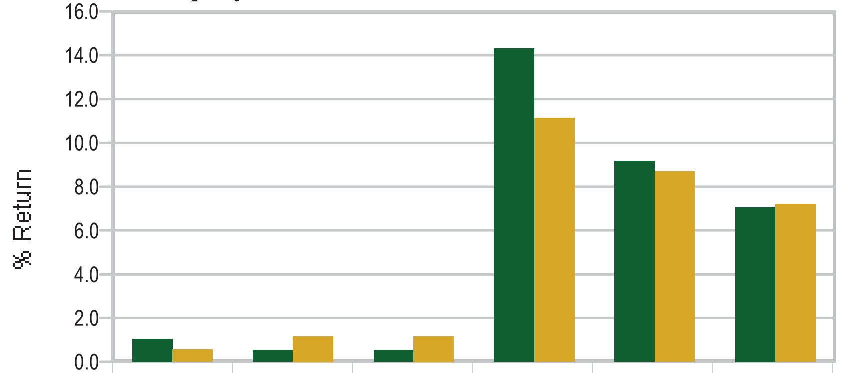
London Borough of Hillingdon

Equity



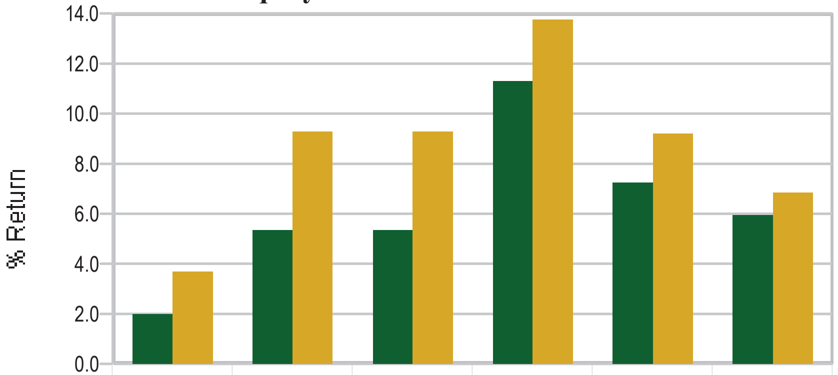
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.57	3.35	3.35	12.96	8.34	-
B'Mark	1.77	4.25	4.25	12.17	8.80	-

UK Equity



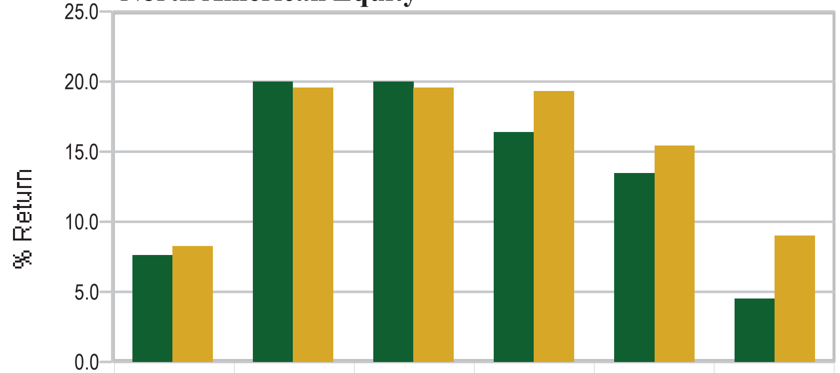
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.06	0.54	0.54	14.31	9.17	7.06
B'Mark	0.58	1.18	1.18	11.14	8.70	7.21

Overseas Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.99	5.35	5.35	11.31	7.25	5.95
B'Mark	3.70	9.28	9.28	13.76	9.20	6.84

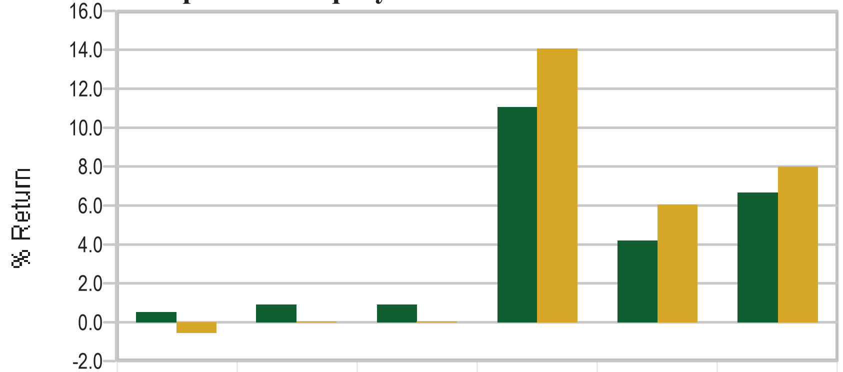
North American Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	7.63	20.01	20.01	16.41	13.47	4.53
B'Mark	8.28	19.59	19.59	19.32	15.41	9.01

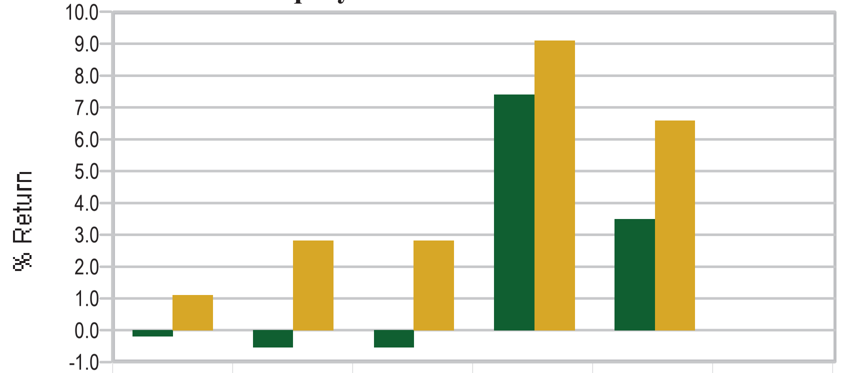
London Borough of Hillingdon

Europe ex UK Equity



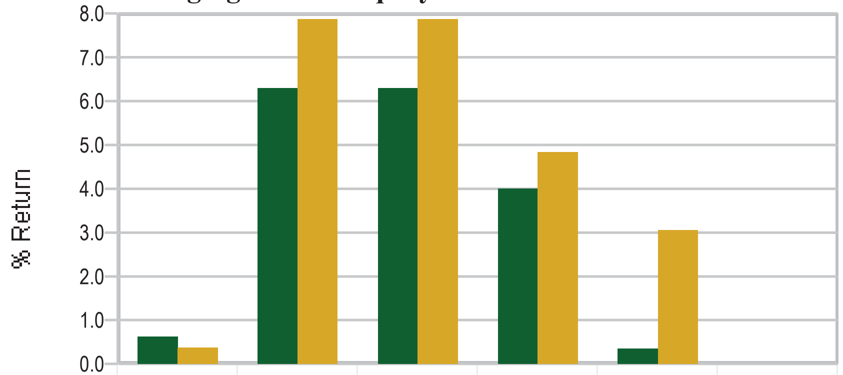
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.52	0.91	0.91	11.06	4.22	6.66
B'Mark	-0.54	0.04	0.04	14.06	6.06	8.00

Asia Pacific Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-0.20	-0.55	-0.55	7.40	3.50	-
B'Mark	1.11	2.81	2.81	9.09	6.60	-

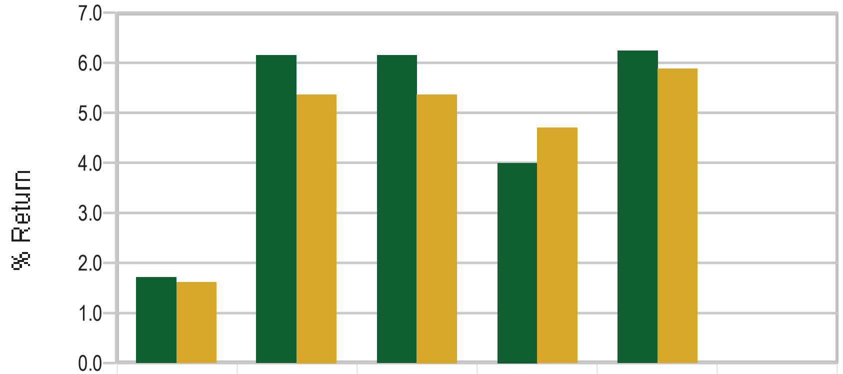
Emerging Market Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.62	6.31	6.31	4.00	0.34	-
B'Mark	0.37	7.87	7.87	4.83	3.06	-

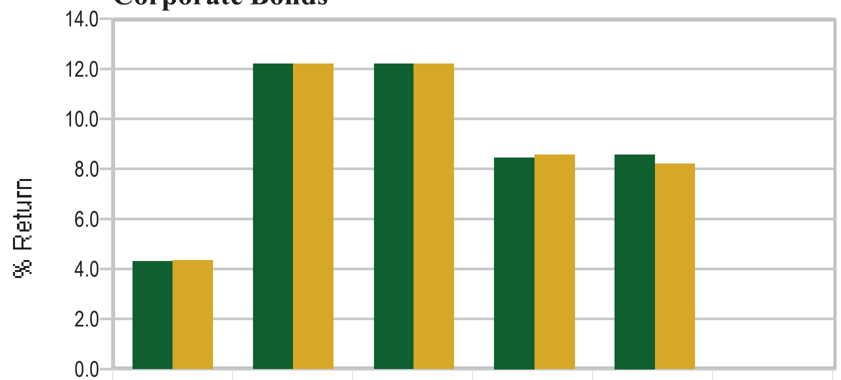
London Borough of Hillingdon

Fixed Income



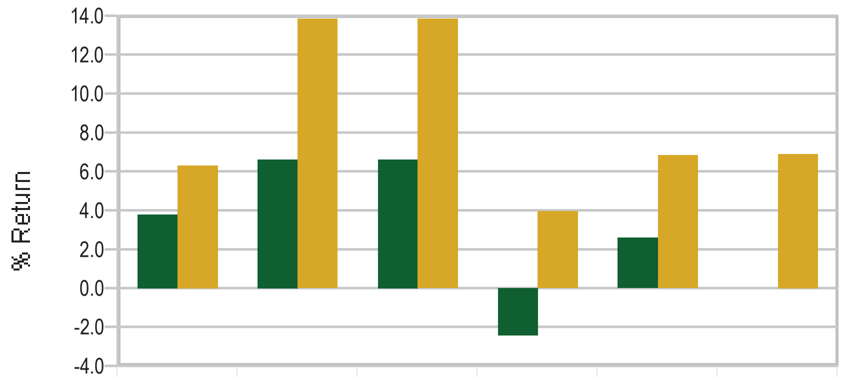
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.71	6.15	6.15	4.00	6.24	-
B'Mark	1.62	5.36	5.36	4.70	5.88	-

Corporate Bonds



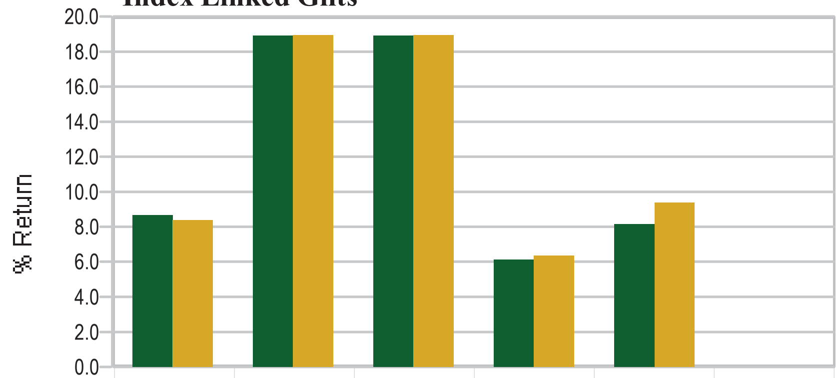
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.32	12.21	12.21	8.46	8.58	-
B'Mark	4.35	12.20	12.20	8.56	8.22	-

Government Bonds



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.79	6.61	6.61	-2.41	2.59	-
B'Mark	6.31	13.86	13.86	3.95	6.83	6.89

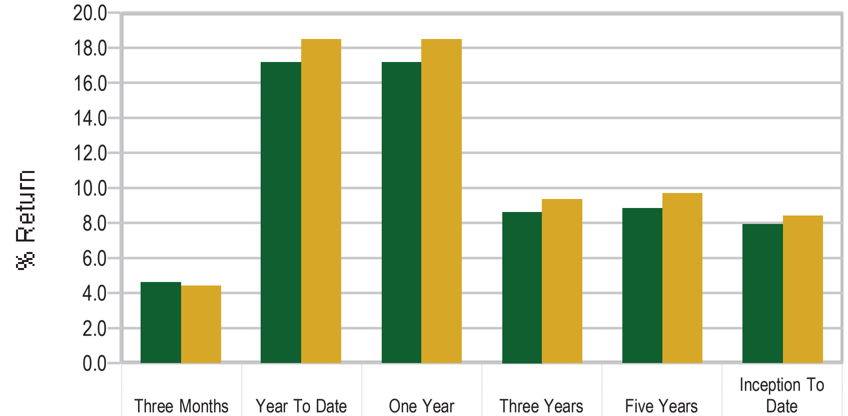
Index Linked Gilts



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	8.67	18.91	18.91	6.13	8.15	-
B'Mark	8.38	18.96	18.96	6.37	9.39	-

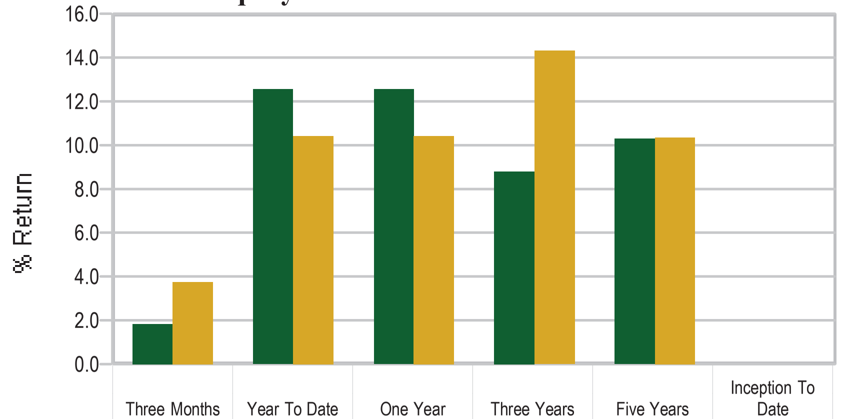
London Borough of Hillingdon

Real Estate



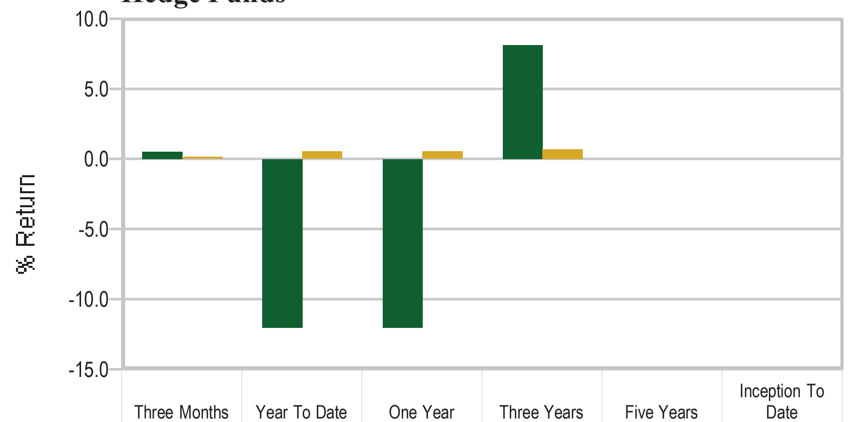
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.41	18.51	18.51	9.35	9.68	8.40
B'Mark	4.60	17.19	17.19	8.62	8.85	7.94

Private Equity



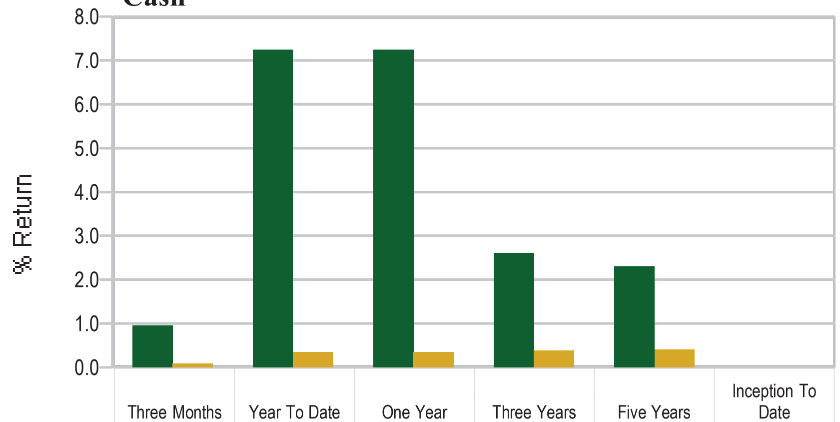
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.82	12.56	12.56	8.80	10.29	-
B'Mark	3.76	10.42	10.42	14.32	10.36	-

Hedge Funds



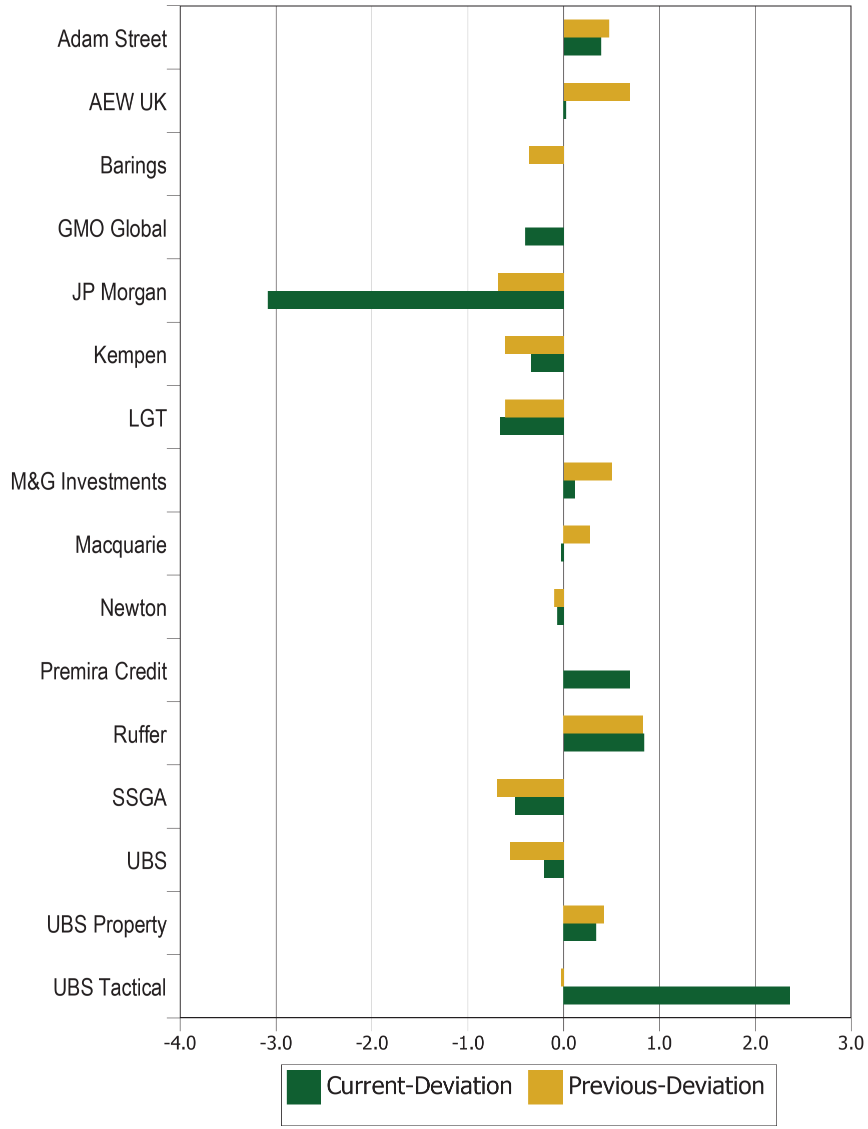
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.50	-12.02	-12.02	8.12	-	-
B'Mark	0.14	0.54	0.54	0.68	-	-

Cash



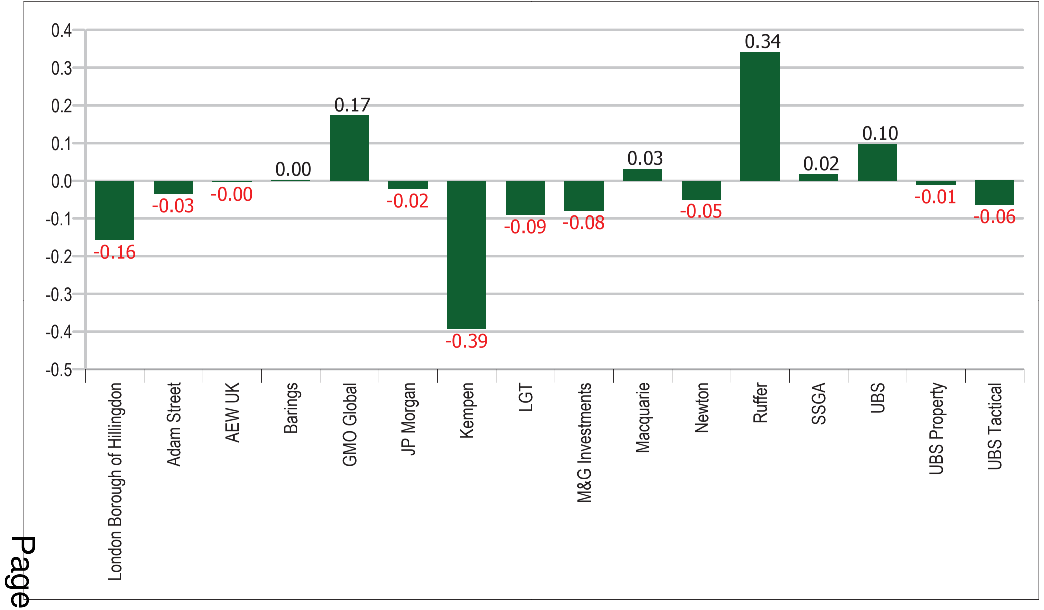
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.96	7.25	7.25	2.61	2.30	-
B'Mark	0.09	0.35	0.35	0.38	0.41	-

Manager Allocation



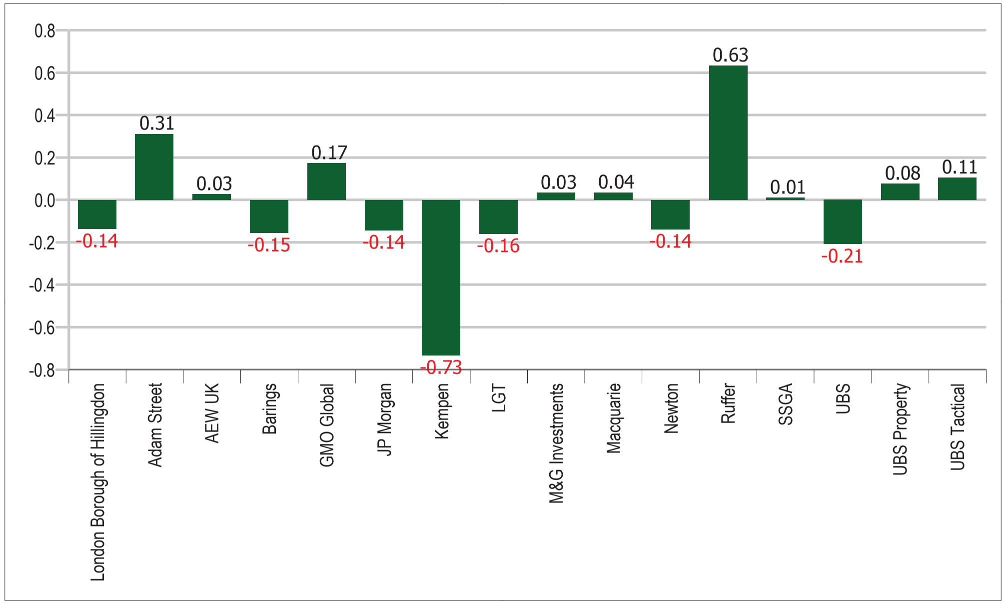
	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Adam Street	2.84	3.00	2.45	0.39	2.52	0.48
AEW UK	2.16	2.09	2.13	0.03	1.40	0.69
Barings	0.00	8.61	0.00	0.00	8.97	-0.36
GMO Global	8.48	0.00	8.88	-0.40	0.00	0.00
JP Morgan	4.96	8.15	8.05	-3.09	8.83	-0.68
Kempen	10.61	10.63	10.95	-0.34	11.24	-0.61
LGT	1.79	1.91	2.46	-0.67	2.52	-0.61
M&G Investments	4.24	4.07	4.12	0.12	3.57	0.50
Macquarie	1.01	0.98	1.04	-0.03	0.70	0.28
Newton	3.34	3.29	3.40	-0.06	3.39	-0.10
Premira Credit	0.69	0.00	0.00	0.69	0.00	0.00
Ruffer	11.79	11.67	10.95	0.84	10.84	0.83
SSGA	19.94	19.85	20.45	-0.51	20.55	-0.70
UBS	15.07	15.22	15.27	-0.20	15.78	-0.56
UBS Property	8.24	8.07	7.90	0.34	7.65	0.42
UBS Tactical	4.31	1.87	1.95	2.36	1.90	-0.03

Three Months



	Fund Return	Index Return	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	2.16	2.32	-0.16	-0.02	-0.11	-0.16
Adam Street	4.28	6.04	-1.66	0.01	-0.05	-0.03
AEW UK	4.13	4.60	-0.45	0.00	-0.01	-0.00
Barings	-	-	0.00	0.03	-0.02	0.00
GMO Global	1.21	-0.89	2.12	0.04	0.13	0.17
JP Morgan	0.69	0.88	-0.19	-0.01	-0.01	-0.02
Kempen	1.98	5.65	-3.47	-0.02	-0.38	-0.39
LGT	2.29	6.04	-3.54	-0.02	-0.07	-0.09
M&G Investments	-0.70	1.13	-1.81	-0.00	-0.07	-0.08
Macquarie	4.23	0.88	3.32	-0.00	0.03	0.03
Newton	3.55	5.00	-1.39	-0.00	-0.05	-0.05
Ruffer	3.27	0.14	3.13	-0.02	0.36	0.34
SSGA	2.62	2.52	0.10	-0.00	0.02	0.02
UBS	1.18	0.58	0.60	0.01	0.09	0.10
UBS Property	4.40	4.60	-0.20	0.00	-0.02	-0.01
UBS Tactical	1.99	4.23	-2.15	-0.00	-0.06	-0.06

One Year



	Fund Return	Index Return	Relative Return	Asset Allocation	Stock Selection	Relative Contribution
London Borough of Hillingdon	6.46	6.60	-0.14	0.18	-0.19	-0.14
Adam Street	26.30	14.21	10.59	0.02	0.29	0.31
AEW UK	-	-	0.00	0.04	-0.01	0.03
Barings	-	-	0.00	0.03	-0.18	-0.15
GMO Global	-	-	0.00	0.04	0.13	0.17
JP Morgan	1.83	3.56	-1.67	-0.01	-0.13	-0.14
Kempen	5.79	14.29	-7.43	0.07	-0.80	-0.73
LGT	7.53	14.21	-5.84	-0.04	-0.12	-0.16
M&G Investments	6.03	4.56	1.41	-0.01	0.05	0.03
Macquarie	6.87	3.56	3.20	0.00	0.03	0.04
Newton	9.11	13.50	-3.87	-0.01	-0.13	-0.14
Ruffer	6.37	0.54	5.79	-0.01	0.65	0.63
SSGA	6.30	6.23	0.06	-0.00	0.01	0.01
UBS	-0.23	1.18	-1.40	-0.06	-0.15	-0.21
UBS Property	18.04	17.19	0.73	0.02	0.06	0.08
UBS Tactical	19.89	10.93	8.07	-0.01	0.12	0.11

AEW UK

Historical Plan Performance

	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.13	-	-	-	-	8.54
Benchmark	4.60	-	-	-	-	8.78

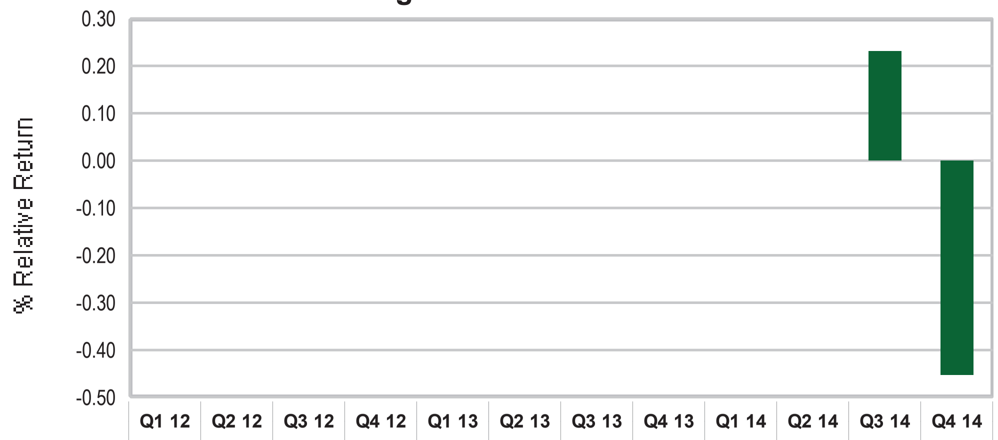
Risk Statistics - 3 years

	Fund	B'mark
Performance Return		
Standard Deviation		
Relative Return		
Tracking Error		
Information Ratio		
Beta		
Alpha		
R Squared		
Sharpe Ratio		
Percentage of Total Fund	2.2	
Inception Date	Jun-2014	
Opening Market Value (£000)	15,640	
Net Investment £(000)	208	
Income Received £(000)	316	
Appreciation £(000)	336	
Closing Market Value (£000)	16,500	

Three Years Rolling Quarterly Returns

	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	4.13	4.24	-	-	-	-	-	-	-	-	-	-
Benchmark	4.60	4.00	-	-	-	-	-	-	-	-	-	-

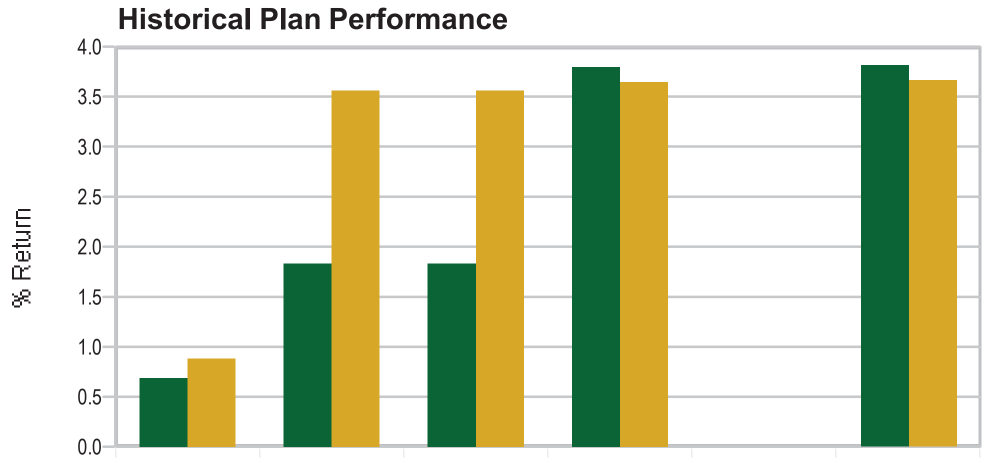
Three Years Rolling Relative Returns



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	-	-	-	-	-	-	-	-	-	-	0.23	-0.45
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

JP Morgan

Historical Plan Performance

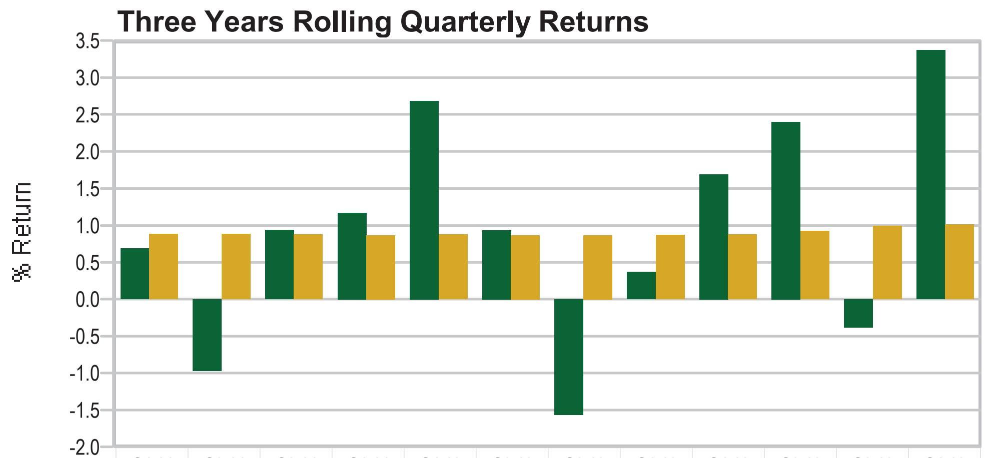


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.69	1.83	1.83	3.80	-	3.81
Benchmark	0.88	3.56	3.56	3.65	-	3.66

Risk Statistics - 3 years

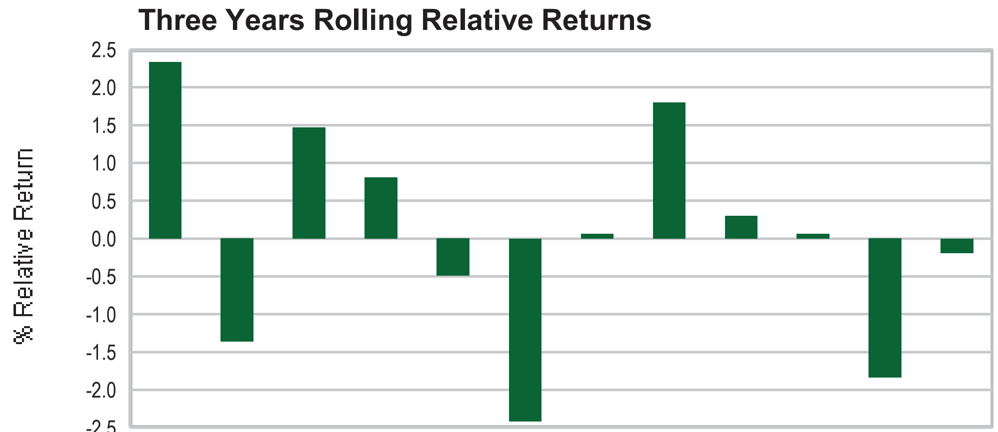
	Fund	B'mark
Performance Return	3.80	3.65
Standard Deviation	2.95	0.05
Relative Return	0.14	
Tracking Error	2.94	
Information Ratio	0.05	
Beta	-7.41	
Alpha	25.87	
R Squared	0.04	
Sharpe Ratio	1.00	51.10
Percentage of Total Fund	5.0	
Inception Date	Nov-2011	
Opening Market Value (£000)	60,963	
Net Investment £(000)	-23,300	
Income Received £(000)	-2	
Appreciation £(000)	280	
Closing Market Value (£000)	37,941	

Three Years Rolling Quarterly Returns



	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	0.69	-0.97	0.94	1.17	2.69	0.94	-1.57	0.37	1.69	2.41	-0.38	3.37
Benchmark	0.88	0.88	0.88	0.87	0.87	0.87	0.87	0.87	0.88	0.93	0.99	1.01

Three Years Rolling Relative Returns



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	2.34	-1.36	1.47	0.81	-0.49	-2.41	0.06	1.80	0.30	0.07	-1.84	-0.19
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	0.14

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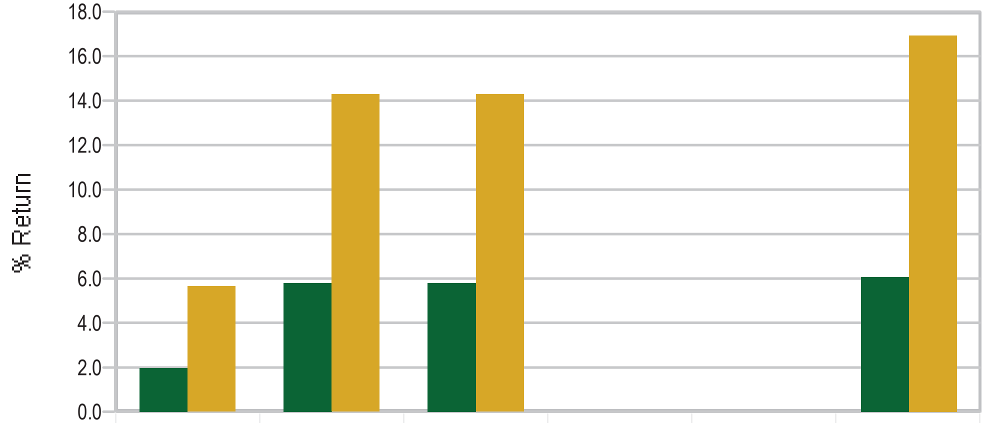
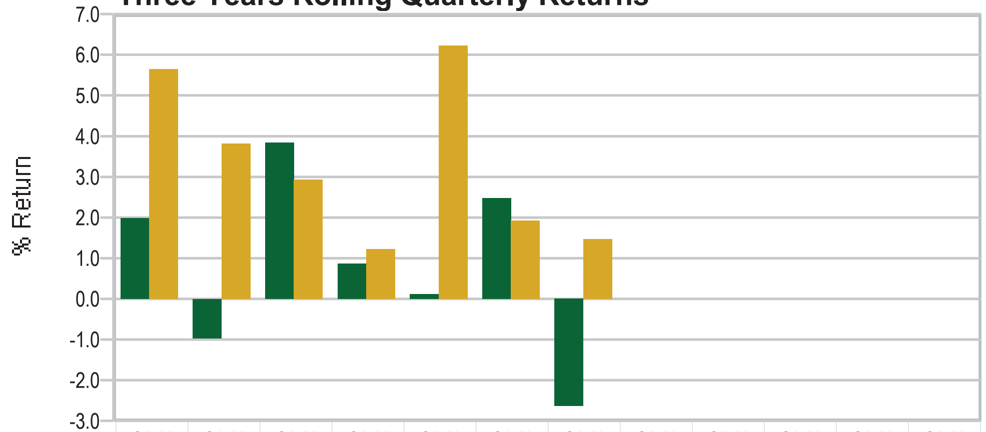
Kempen

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.98	5.79	5.79	-	-	6.07
Benchmark	5.65	14.29	14.29	-	-	16.92

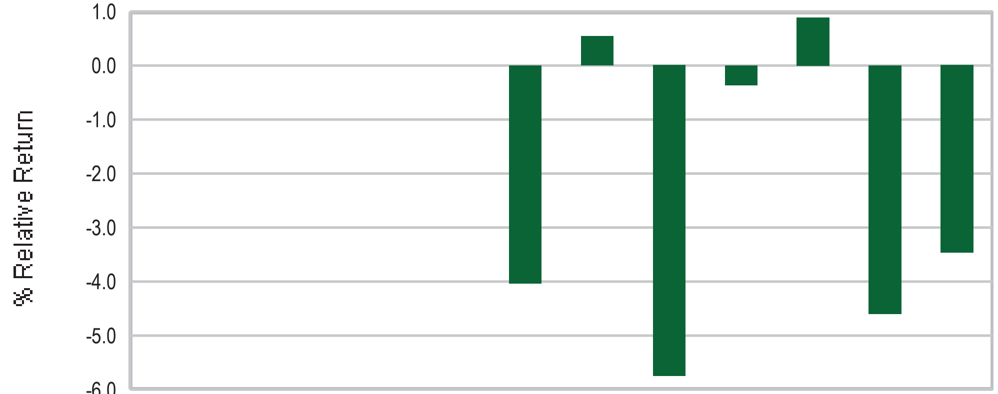
Three Years Rolling Quarterly Returns



	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	1.98	-0.97	3.85	0.87	0.12	2.48	-2.63	-	-	-	-	-
Benchmark	5.65	3.81	2.93	1.23	6.22	1.93	1.46	-	-	-	-	-

Risk Statistics - 3 years	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	10.6	
Inception Date	Jan-2013	
Opening Market Value (£000)	79,555	
Net Investment £(000)	-5	
Income Received £(000)	119	
Appreciation £(000)	1,460	
Closing Market Value (£000)	81,129	

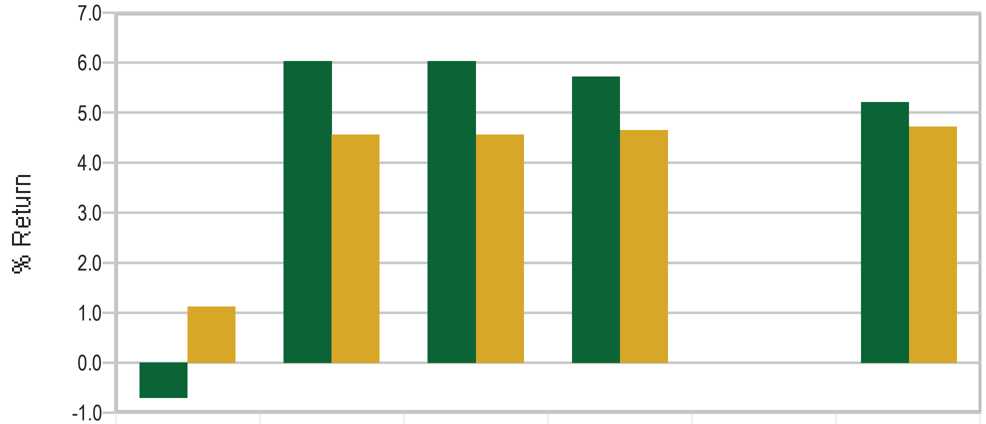
Three Years Rolling Relative Returns



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	-	-	-	-	-	-4.04	0.54	-5.75	-0.36	0.89	-4.60	-3.47
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

M&G Investments

Historical Plan Performance

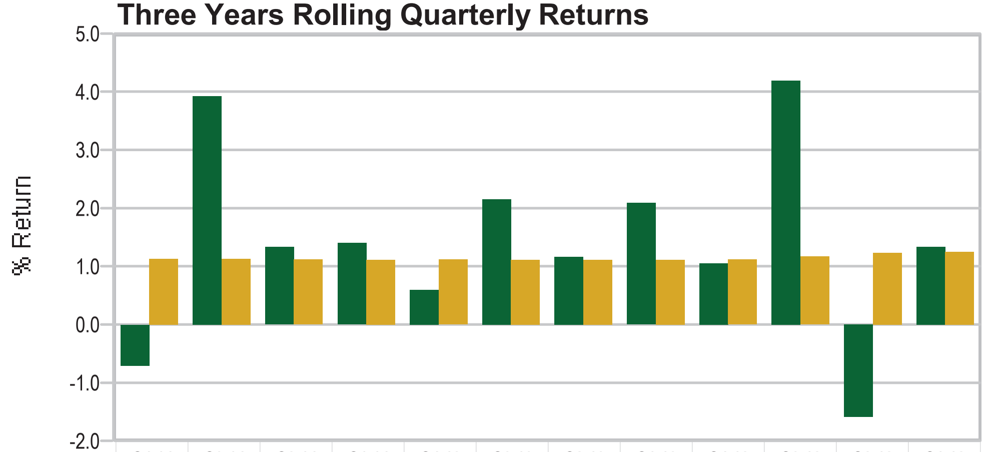


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-0.70	6.03	6.03	5.72	-	5.21
Benchmark	1.13	4.56	4.56	4.65	-	4.72

Risk Statistics - 3 years

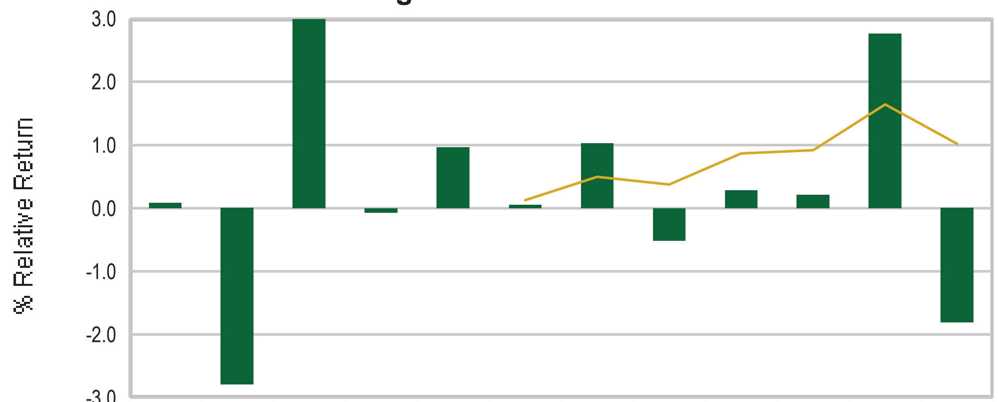
Risk Statistics - 3 years	Fund	B'mark
Performance Return	5.72	4.65
Standard Deviation	3.33	0.05
Relative Return	1.02	
Tracking Error	3.33	
Information Ratio	0.32	
Beta	2.20	
Alpha	-3.33	
R Squared	0.00	
Sharpe Ratio	1.46	69.56
Percentage of Total Fund	4.2	
Inception Date	May-2010	
Opening Market Value (£000)	30,481	
Net Investment £(000)	2,143	
Income Received £(000)	212	
Appreciation £(000)	-420	
Closing Market Value (£000)	32,416	

Three Years Rolling Quarterly Returns



	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	-0.70	3.92	1.34	1.40	0.60	2.15	1.16	2.09	1.05	4.19	-1.59	1.34
Benchmark	1.13	1.13	1.12	1.11	1.12	1.12	1.11	1.11	1.12	1.17	1.23	1.25

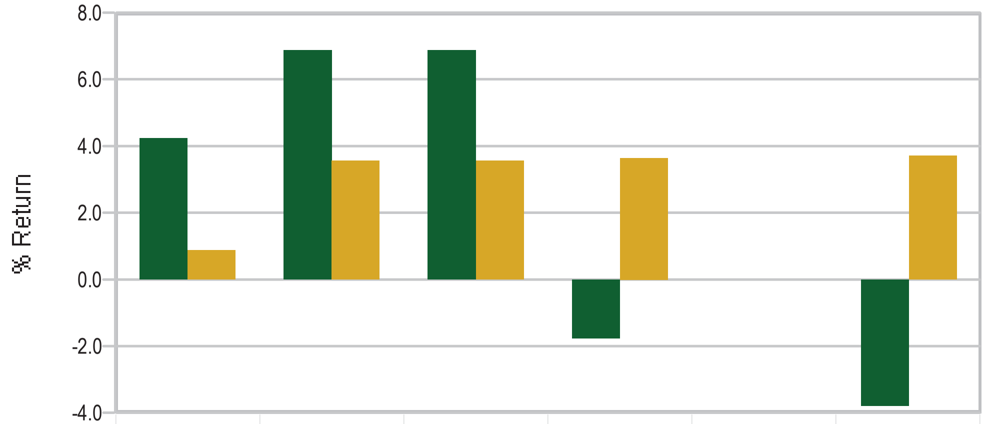
Three Years Rolling Relative Returns



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	0.08	-2.79	2.99	-0.07	0.97	0.05	1.03	-0.51	0.28	0.21	2.77	-1.81
3Y Relative	-	-	-	-	-	0.13	0.50	0.38	0.86	0.92	1.64	1.02

Macquarie

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.23	6.87	6.87	-1.76	-	-3.78
Benchmark	0.88	3.56	3.56	3.65	-	3.71

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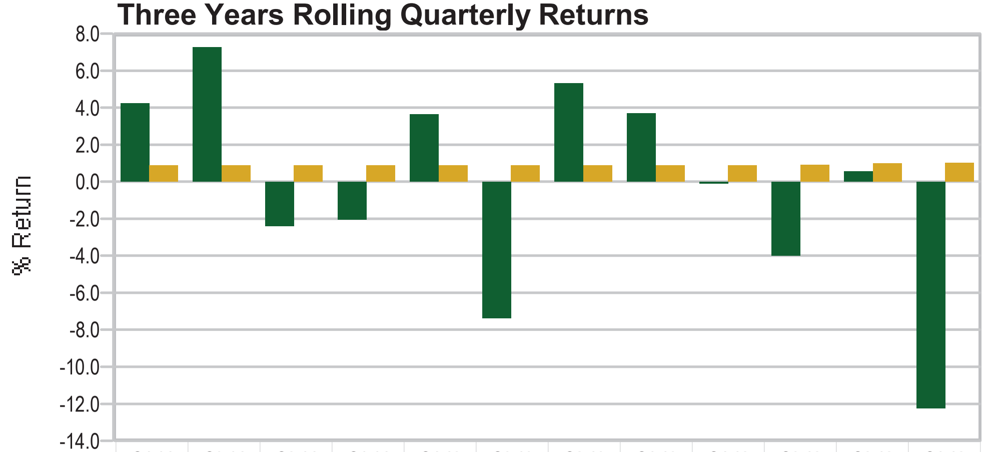
Risk Statistics - 3 years

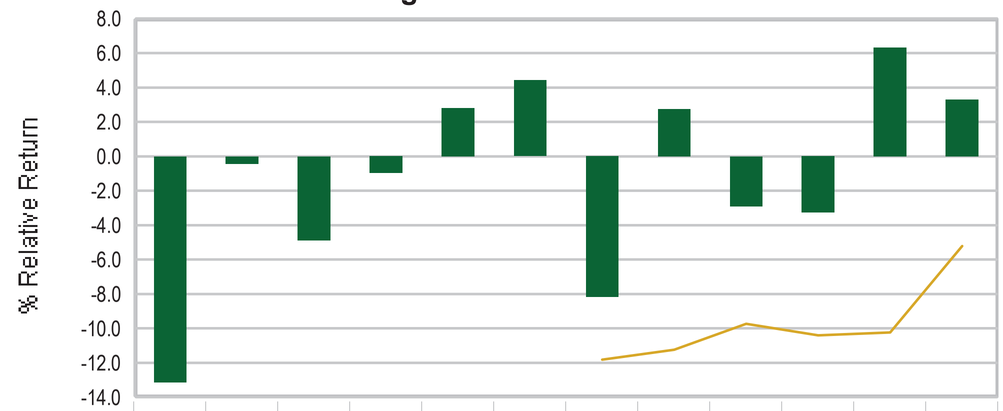
	Fund	B'mark
Performance Return	-1.76	3.65
Standard Deviation	10.24	0.05
Relative Return	-5.22	
Tracking Error	10.25	
Information Ratio	-0.53	
Beta	40.68	
Alpha	-69.68	
R Squared	0.10	
Sharpe Ratio	-0.25	51.10
Percentage of Total Fund	1.0	
Inception Date	Sep-2010	
Opening Market Value (£000)	7,302	
Net Investment £(000)	125	
Income Received £(000)	-0	
Appreciation £(000)	314	
Closing Market Value (£000)	7,741	

Three Years Rolling Quarterly Returns



	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	4.23	7.26	-2.40	-2.05	3.65	-7.37	5.31	3.69	-0.10	-4.01	0.56	-12.25
Benchmark	0.88	0.88	0.88	0.87	0.87	0.87	0.87	0.87	0.88	0.93	0.99	1.01

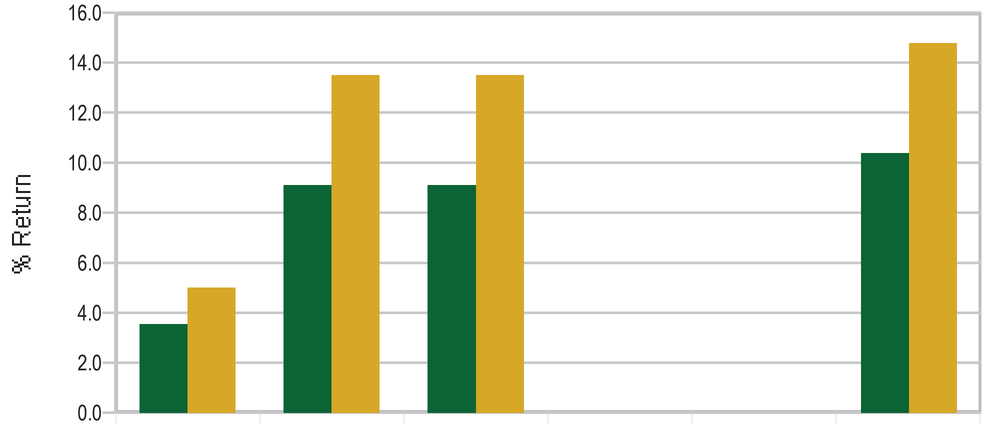
Three Years Rolling Relative Returns



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	-13.12	-0.43	-4.89	-0.96	2.79	4.40	-8.17	2.75	-2.90	-3.25	6.32	3.32
3Y Relative	-	-	-	-	-	-	-11.82	-11.24	-9.74	-10.40	-10.23	-5.22

Newton

Historical Plan Performance

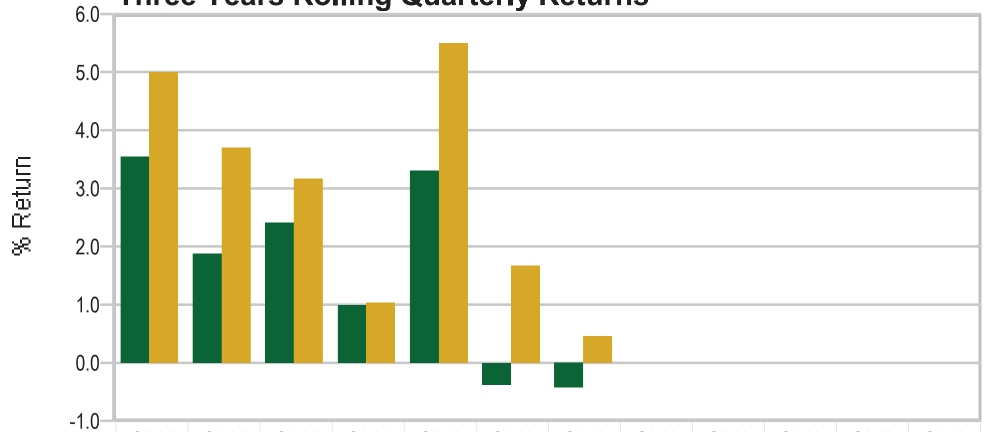


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.55	9.11	9.11	-	-	10.38
Benchmark	5.00	13.50	13.50	-	-	14.78

Risk Statistics - 3 years

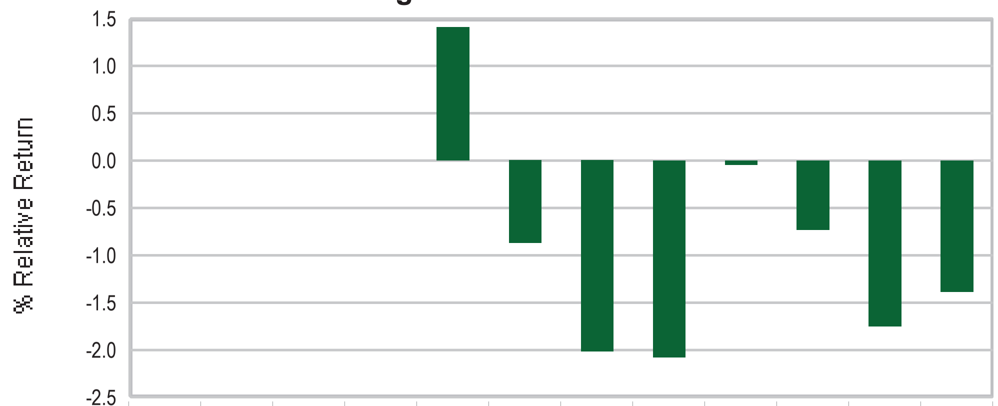
	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	3.3	
Inception Date	Jan-2013	
Opening Market Value (£000)	24,643	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	874	
Closing Market Value (£000)	25,517	

Three Years Rolling Quarterly Returns



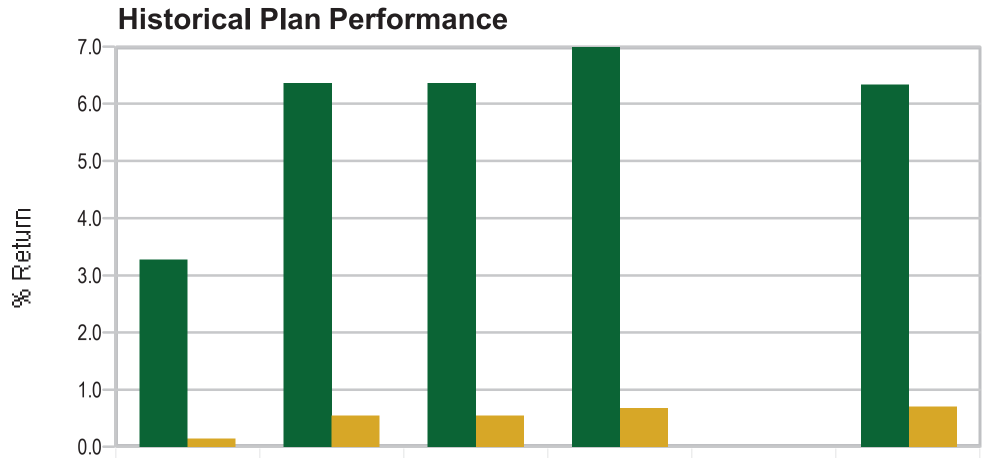
	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	3.55	1.88	2.41	0.99	3.31	-0.38	-0.42	-	-	-	-	-
Benchmark	5.00	3.70	3.17	1.04	5.50	1.68	0.46	-	-	-	-	-

Three Years Rolling Relative Returns



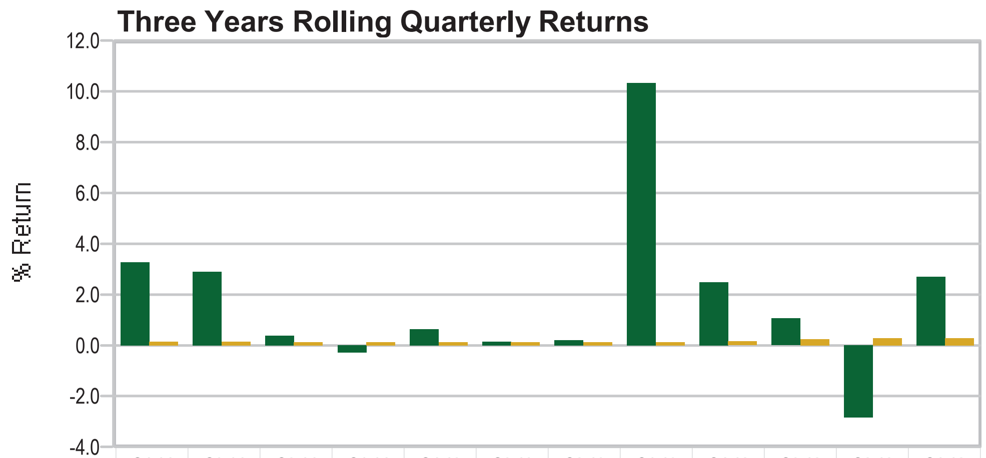
	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	-	-	-	-	1.41	-0.88	-2.02	-2.08	-0.05	-0.73	-1.75	-1.39
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

Ruffer

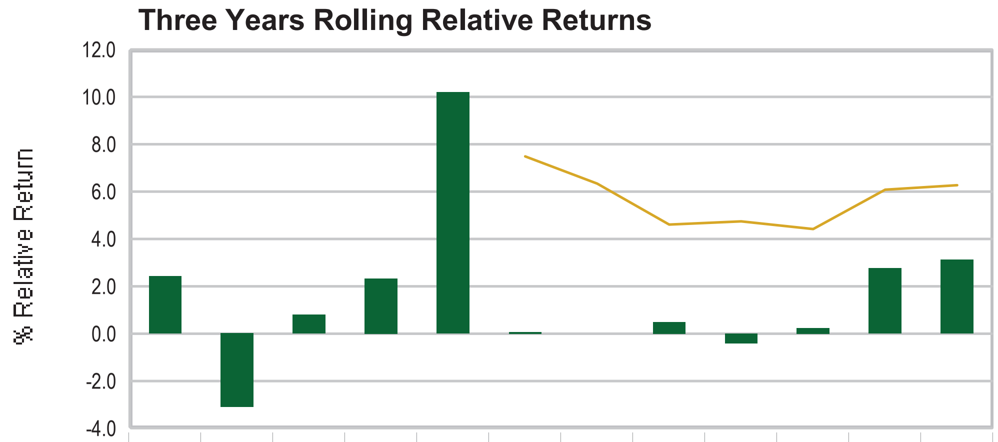


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.27	6.37	6.37	6.99	-	6.34
Benchmark	0.14	0.54	0.54	0.68	-	0.71

Risk Statistics - 3 years	Fund	B'mark
Performance Return	6.99	0.68
Standard Deviation	4.98	0.07
Relative Return	6.27	
Tracking Error	4.99	
Information Ratio	1.26	
Beta	22.71	
Alpha	10.43	
R Squared	0.08	
Sharpe Ratio	1.23	-2.41
Percentage of Total Fund	11.8	
Inception Date	May-2010	
Opening Market Value (£000)	87,306	
Net Investment £(000)	0	
Income Received £(000)	191	
Appreciation £(000)	2,668	
Closing Market Value (£000)	90,164	



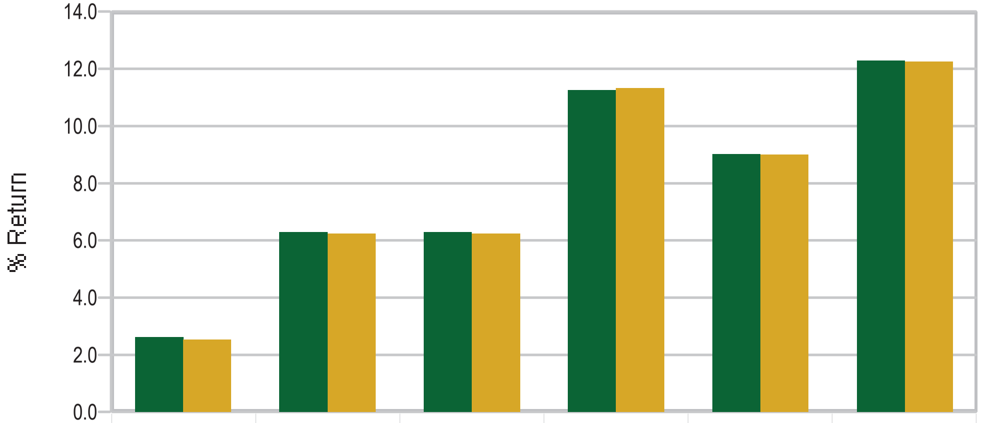
	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	3.27	2.90	0.37	-0.29	0.62	0.14	0.20	10.33	2.49	1.06	-2.83	2.70
Benchmark	0.14	0.14	0.13	0.13	0.13	0.13	0.13	0.13	0.15	0.26	0.28	0.28



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	2.42	-3.10	0.80	2.33	10.19	0.08	0.01	0.49	-0.42	0.25	2.76	3.13
3Y Relative	-	-	-	-	-	7.48	6.34	4.60	4.74	4.42	6.08	6.27

SSGA

Historical Plan Performance

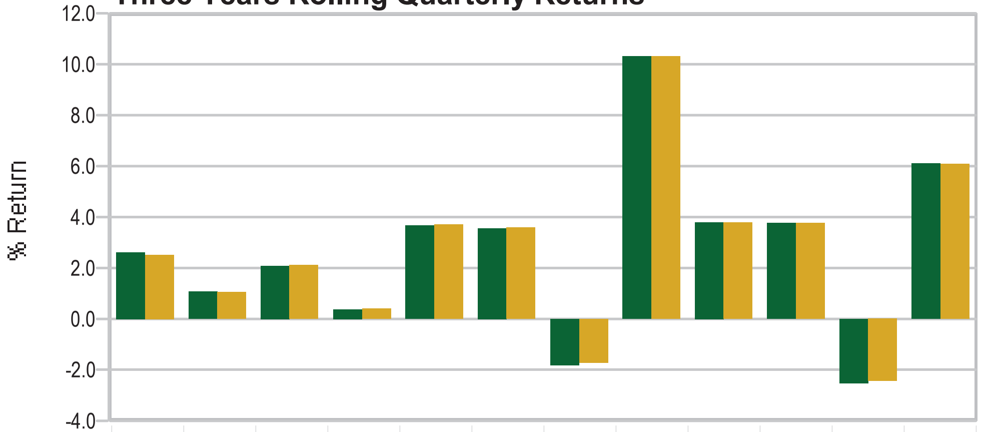


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.62	6.30	6.30	11.25	9.01	12.29
Benchmark	2.52	6.23	6.23	11.32	9.00	12.26

Risk Statistics - 3 years

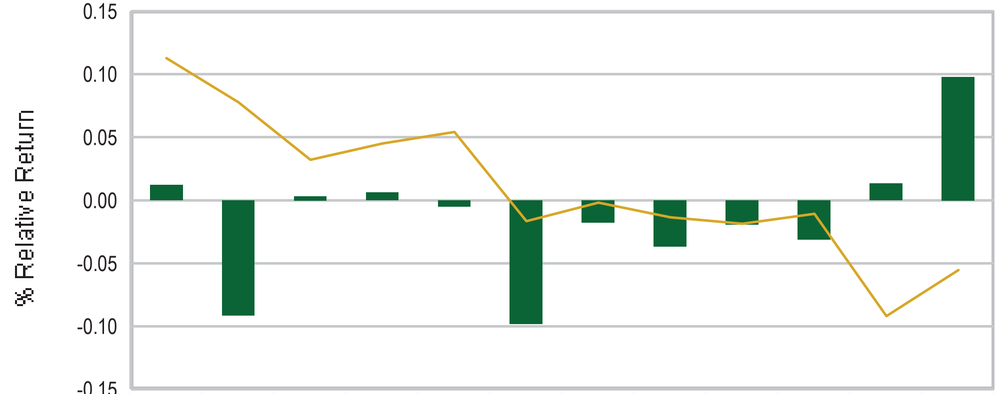
	Fund	B'mark
Performance Return	11.25	11.32
Standard Deviation	7.83	7.88
Relative Return	-0.06	
Tracking Error	0.12	
Information Ratio	-0.52	
Beta	0.99	
Alpha	0.01	
R Squared	1.00	
Sharpe Ratio	1.33	1.33
Percentage of Total Fund	19.9	
Inception Date	Nov-2008	
Opening Market Value (£000)	148,587	
Net Investment £(000)	0	
Income Received £(000)	0	
Appreciation £(000)	3,893	
Closing Market Value (£000)	152,480	

Three Years Rolling Quarterly Returns



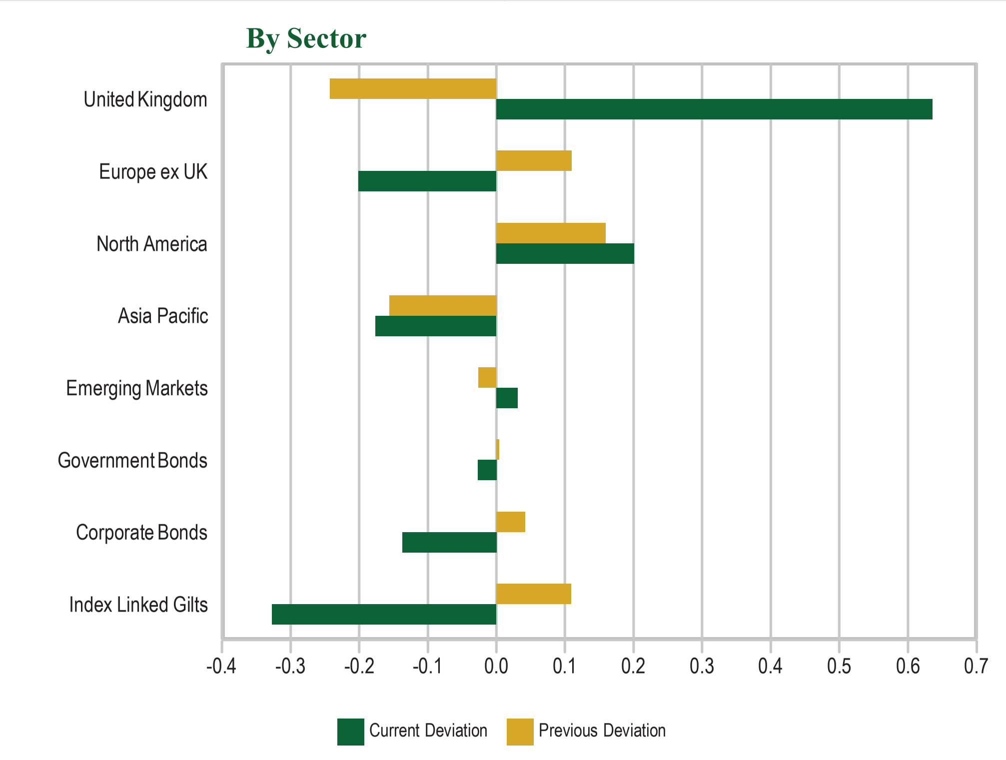
	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	2.62	1.08	2.09	0.38	3.68	3.57	-1.83	10.32	3.80	3.77	-2.53	6.11
Benchmark	2.52	1.06	2.12	0.40	3.72	3.59	-1.73	10.32	3.79	3.77	-2.44	6.09

Three Years Rolling Relative Returns



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	0.01	-0.09	0.00	0.01	-0.01	-0.10	-0.02	-0.04	-0.02	-0.03	0.01	0.10
3Y Relative	0.11	0.08	0.03	0.05	0.05	-0.02	-0.00	-0.01	-0.02	-0.01	-0.09	-0.06

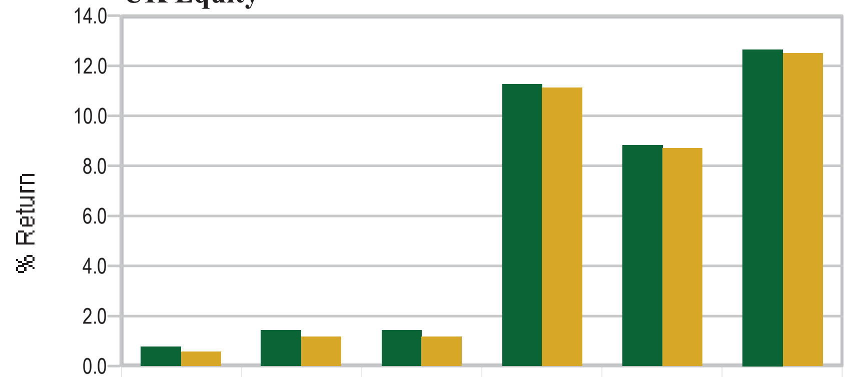
SSGA



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
United Kingdom	44.79	43.91	44.15	0.64	44.15	-0.24
Europe ex UK	10.75	11.06	10.95	-0.20	10.95	0.11
North America	11.16	11.12	10.96	0.20	10.96	0.16
Asia Pacific	10.84	10.86	11.02	-0.18	11.02	-0.16
Emerging Markets	3.02	2.96	2.99	0.03	2.99	-0.03
Government Bonds	1.47	1.50	1.50	-0.03	1.50	0.00
Corporate Bonds	8.33	8.51	8.47	-0.14	8.47	0.04
Index Linked Gilts	9.63	10.07	9.96	-0.33	9.96	0.11

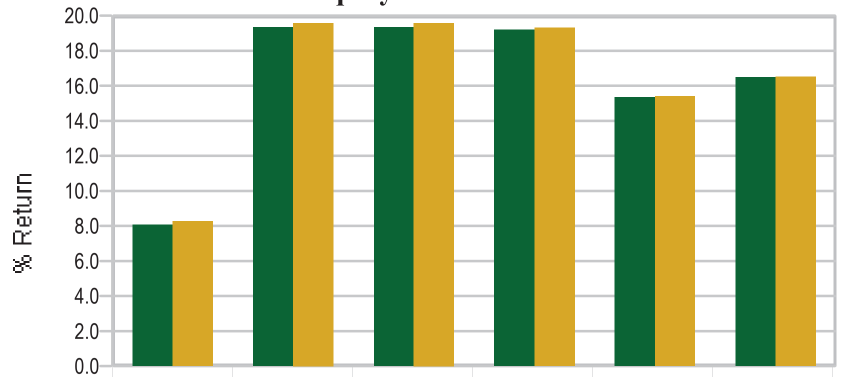
SSGA

UK Equity



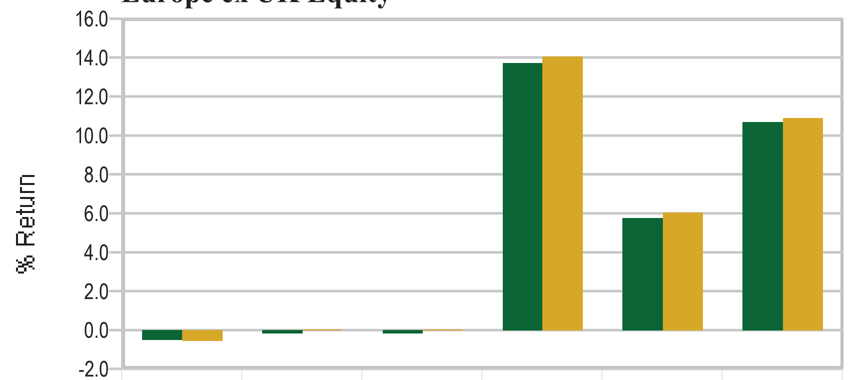
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.77	1.43	1.43	11.27	8.84	12.65
B'Mark	0.58	1.18	1.18	11.14	8.70	12.50

North America Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	8.09	19.35	19.35	19.20	15.35	16.50
B'Mark	8.28	19.59	19.59	19.32	15.41	16.52

Europe ex UK Equity



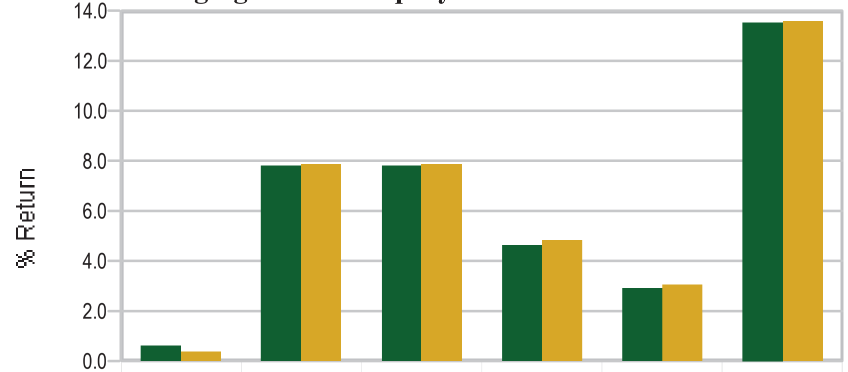
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-0.51	-0.17	-0.17	13.74	5.76	10.69
B'Mark	-0.54	0.04	0.04	14.06	6.06	10.91

Asia Pacific Equity

	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.12	2.81	2.81	9.07	6.56	10.06
B'Mark	1.11	2.81	2.81	9.09	6.60	10.10

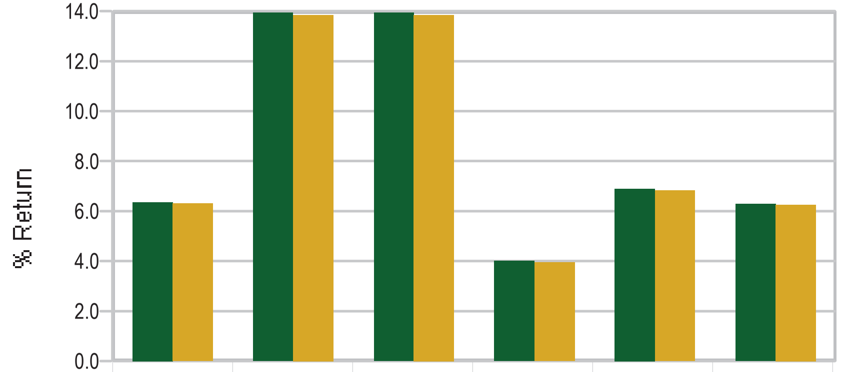
SSGA

Emerging Markets Equity



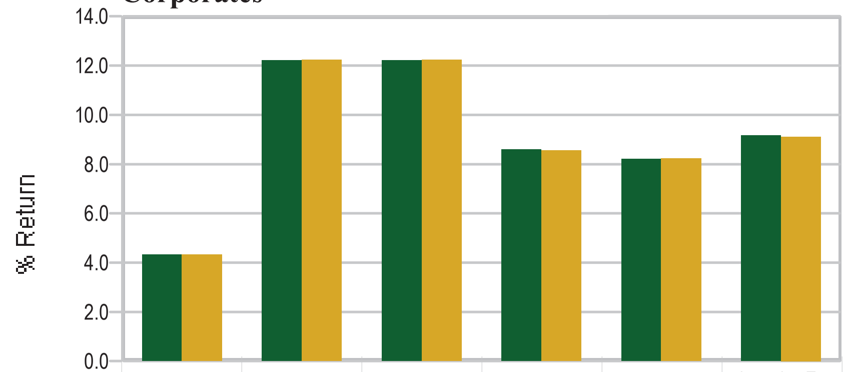
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.62	7.80	7.80	4.63	2.91	13.54
B'Mark	0.37	7.87	7.87	4.83	3.06	13.58

Government Bonds



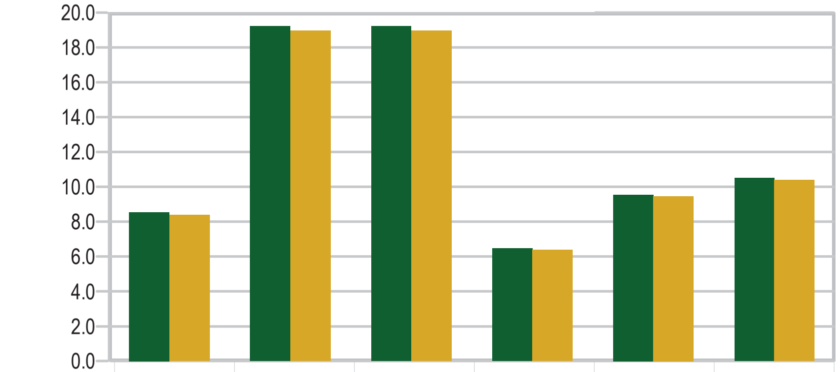
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	6.36	13.94	13.94	4.02	6.89	6.30
B'Mark	6.31	13.86	13.86	3.95	6.83	6.26

Corporates



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.32	12.21	12.21	8.59	8.20	9.17
B'Mark	4.32	12.23	12.23	8.55	8.22	9.11

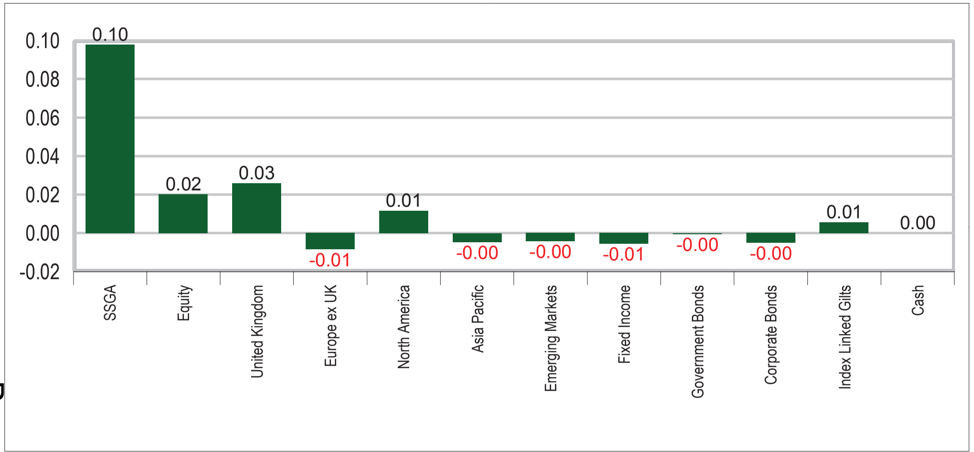
Index Linked Gilts



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	8.55	19.22	19.22	6.48	9.56	10.48
B'Mark	8.38	18.96	18.96	6.37	9.46	10.40

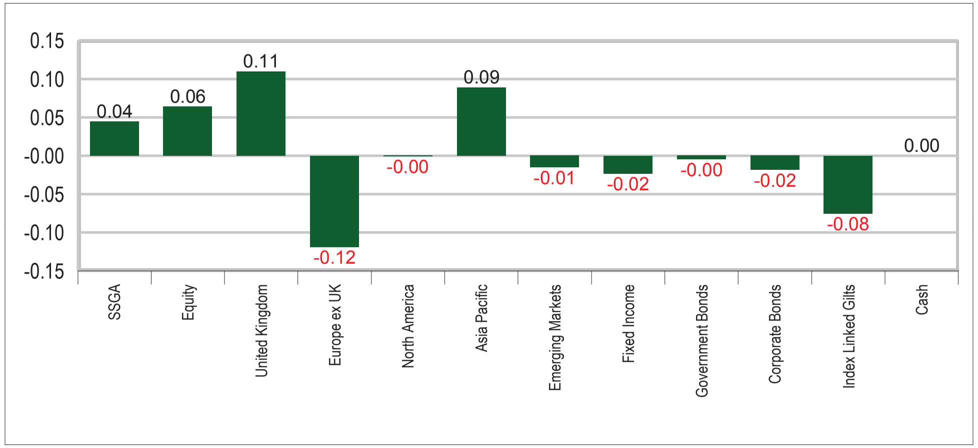
SSGA

Relative Contribution - Three Months



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
SSGA	2.62	2.52	0.10	0.01	0.01	0.10
Equity	1.65	-	1.65	0.01	0.01	0.02
United Kingdom	0.62	0.58	0.05	0.01	0.02	0.03
Europe ex UK	-0.52	-0.54	0.02	-0.01	0.00	-0.01
North America	8.24	8.28	-0.04	0.02	-0.00	0.01
Asia Pacific	1.07	1.11	-0.04	-0.00	-0.00	-0.00
Emerging Markets	0.35	0.37	-0.02	-0.00	-0.00	-0.00
Fixed Income	4.62	-	4.62	-0.01	-0.00	-0.01
Government Bonds	6.32	6.31	0.01	-0.00	0.00	-0.00
Corporate Bonds	4.32	4.32	-0.01	-0.00	-0.00	-0.00
Index Linked Gilts	8.40	8.38	0.02	0.00	0.00	0.01
Cash	-	-	0.00	0.00	0.00	0.00

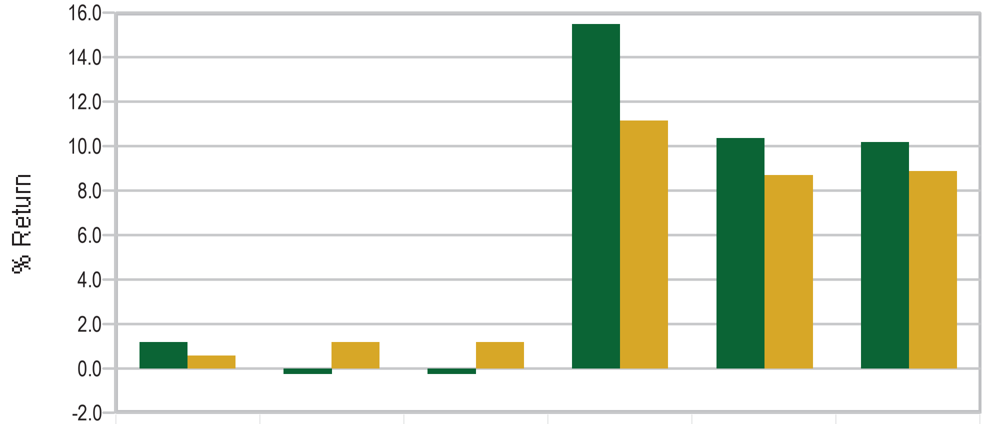
Relative Contribution - One Year



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
SSGA	6.28	6.23	0.04	-0.02	-0.01	0.04
Equity	4.14	-	4.14	-0.02	0.09	0.06
United Kingdom	1.46	1.18	0.28	-0.01	0.12	0.11
Europe ex UK	-0.90	0.04	-0.94	-0.02	-0.10	-0.12
North America	19.40	19.59	-0.15	0.02	-0.02	-0.00
Asia Pacific	3.65	2.81	0.81	-0.00	0.09	0.09
Emerging Markets	7.75	7.87	-0.11	-0.01	-0.00	-0.01
Fixed Income	12.29	-	12.29	-0.01	-0.02	-0.02
Government Bonds	13.70	13.86	-0.14	-0.00	-0.00	-0.00
Corporate Bonds	12.04	12.23	-0.17	-0.00	-0.01	-0.02
Index Linked Gilts	18.01	18.96	-0.80	0.01	-0.08	-0.08
Cash	-	-	0.00	0.00	0.00	0.00

UBS

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.18	-0.23	-0.23	15.49	10.37	10.18
Benchmark	0.58	1.18	1.18	11.14	8.70	8.89

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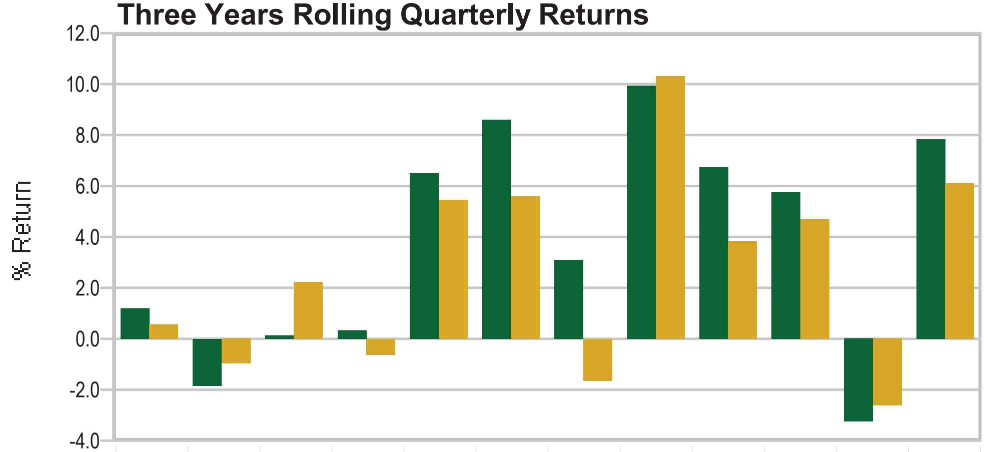
Risk Statistics - 3 years

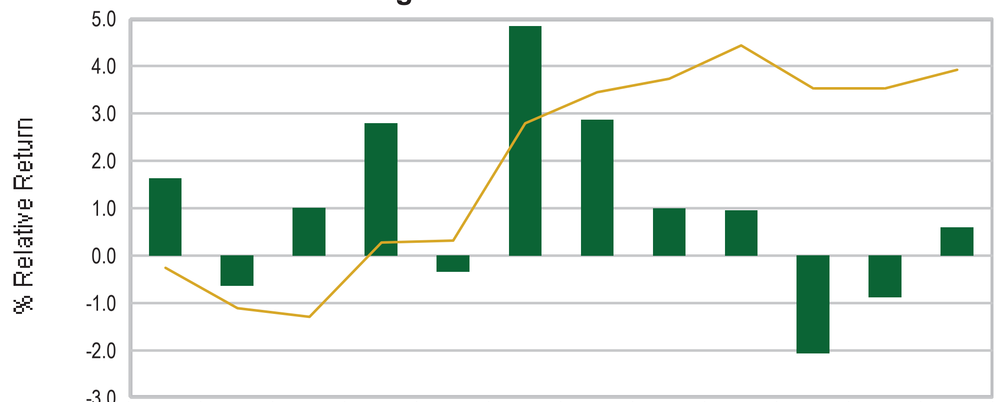
Risk Statistics - 3 years	Fund	B'mark
Performance Return	15.49	11.14
Standard Deviation	10.63	10.16
Relative Return	3.92	
Tracking Error	3.30	
Information Ratio	1.32	
Beta	1.00	
Alpha	4.06	
R Squared	0.90	
Sharpe Ratio	1.38	1.01
Percentage of Total Fund	15.1	
Inception Date	Dec-1988	
Opening Market Value (£000)	113,883	
Net Investment £(000)	0	
Income Received £(000)	973	
Appreciation £(000)	373	
Closing Market Value (£000)	115,229	

Three Years Rolling Quarterly Returns



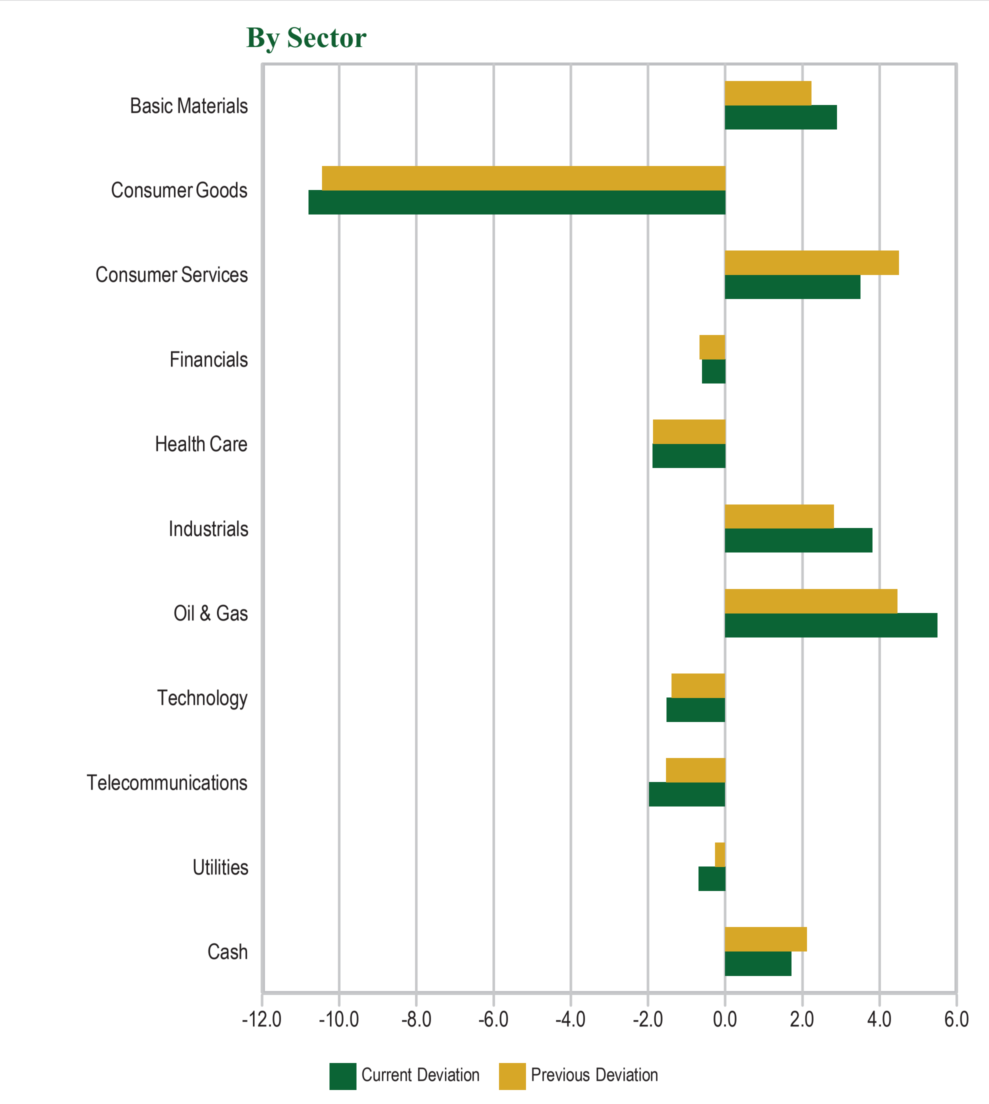
	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	1.18	-1.84	0.13	0.32	6.51	8.61	3.10	9.94	6.73	5.75	-3.25	7.84
Benchmark	0.58	-0.97	2.24	-0.63	5.46	5.58	-1.66	10.32	3.82	4.70	-2.63	6.10

Three Years Rolling Relative Returns



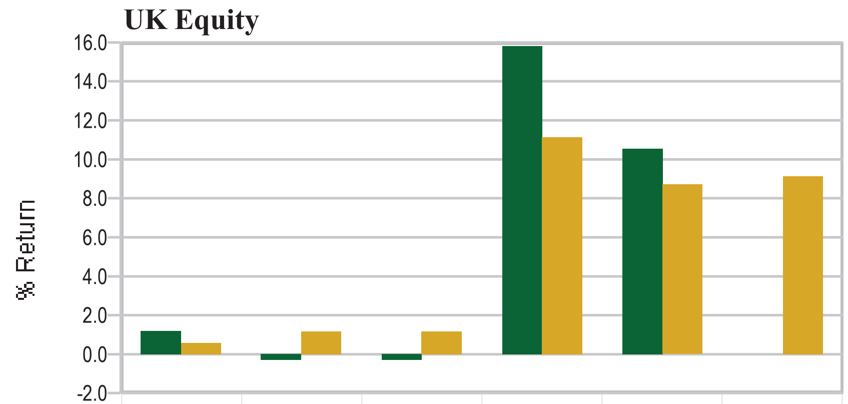
	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	1.63	-0.64	1.01	2.80	-0.35	4.84	2.87	0.99	0.96	-2.06	-0.88	0.60
3Y Relative	-0.26	-1.11	-1.29	0.28	0.32	2.79	3.44	3.73	4.43	3.53	3.52	3.92

UBS



	Current Quarter	Previous Quarter	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Basic Materials	10.08	10.07	7.19	2.89	7.84	2.23
Consumer Goods	3.69	3.61	14.49	-10.80	14.06	-10.44
Consumer Services	14.77	14.76	11.27	3.50	10.26	4.50
Financials	25.04	24.35	25.64	-0.60	25.01	-0.66
Health Care	6.64	6.74	8.53	-1.89	8.61	-1.87
Industrials	13.64	12.58	9.83	3.81	9.77	2.82
Oil & Gas	18.22	19.09	12.72	5.50	14.64	4.46
Technology			1.52	-1.52	1.39	-1.39
Telecommunications	2.89	2.99	4.86	-1.97	4.52	-1.54
Utilities	3.27	3.65	3.96	-0.69	3.91	-0.26
Cash	1.71	2.12		1.71		2.12

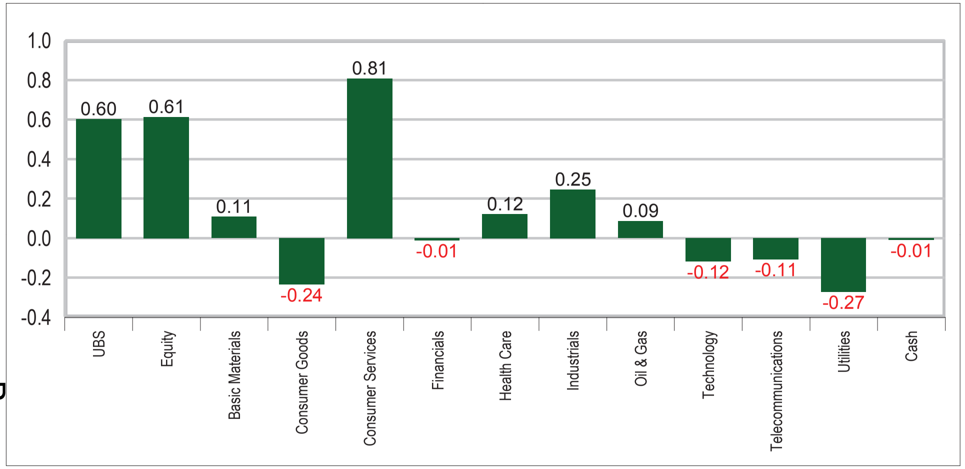
UBS



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.20	-0.30	-0.30	15.83	10.55	-
B'Mark	0.58	1.18	1.18	11.14	8.70	9.15

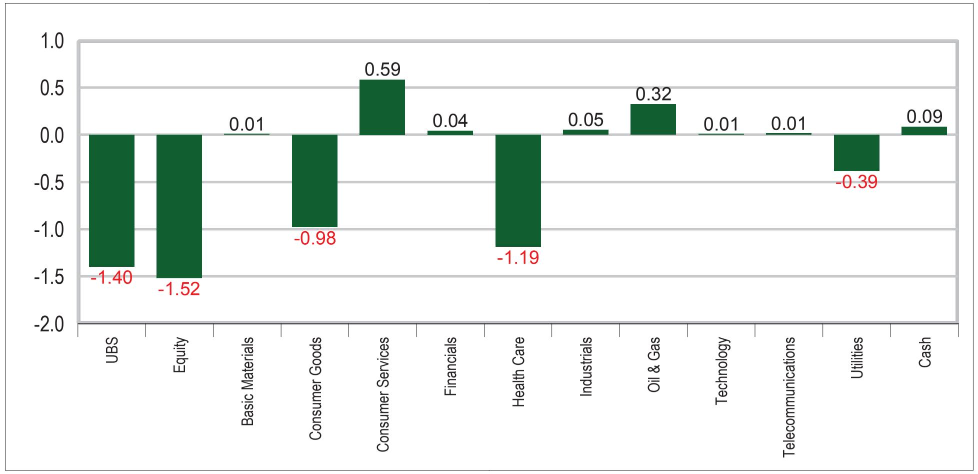
UBS

Relative Contribution - Three Months



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
UBS	1.18	0.58	0.60	-0.96	1.58	0.60
Equity	1.20	0.58	0.62	-0.95	1.58	0.61
Basic Materials	-4.80	-7.76	3.20	-0.20	0.31	0.11
Consumer Goods	5.81	3.59	2.14	-0.31	0.08	-0.24
Consumer Services	12.65	9.12	3.24	0.32	0.48	0.81
Financials	2.82	2.81	0.01	-0.02	0.00	-0.01
Health Care	0.72	-0.72	1.45	0.03	0.10	0.12
Industrials	3.48	2.05	1.40	0.06	0.18	0.25
Oil & Gas	-8.50	-11.89	3.85	-0.59	0.68	0.09
Technology	-	9.09	-8.33	-0.12	0.00	-0.12
Telecommunications	9.65	9.16	0.45	-0.12	0.02	-0.11
Utilities	-5.19	2.41	-7.42	-0.00	-0.27	-0.27
Cash	0.17	-	0.17	-0.01	0.00	-0.01

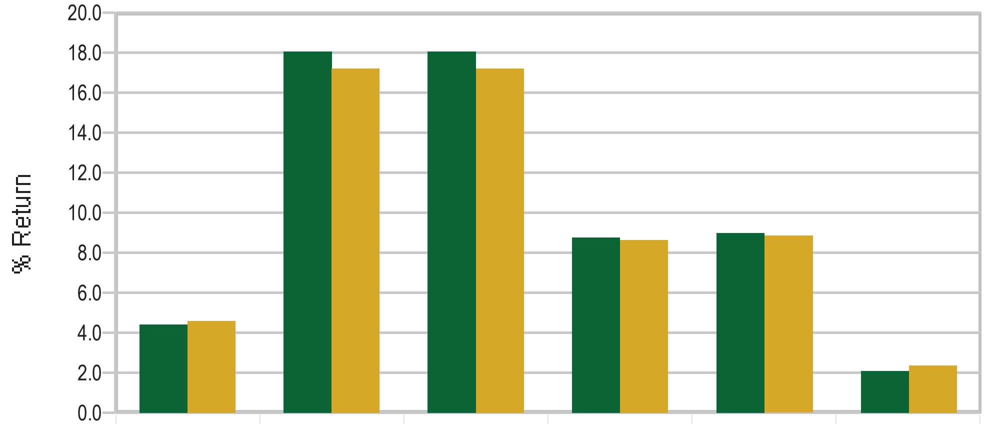
Relative Contribution - One Year



	Return	Benchmark	Relative Return	Asset Allocation	Stock Selection	Relative contribution
UBS	-0.23	1.18	-1.40	-1.56	0.13	-1.40
Equity	-0.36	1.18	-1.52	-1.65	0.13	-1.52
Basic Materials	-6.43	-8.67	2.45	-0.24	0.25	0.01
Consumer Goods	8.01	9.65	-1.49	-0.83	-0.15	-0.98
Consumer Services	5.29	1.76	3.47	0.02	0.57	0.59
Financials	3.38	3.24	0.13	-0.02	0.06	0.04
Health Care	-1.49	14.88	-14.25	-0.12	-1.07	-1.19
Industrials	-3.60	-4.68	1.13	-0.09	0.14	0.05
Oil & Gas	-5.69	-10.24	5.08	-0.51	0.84	0.32
Technology	-	0.89	-0.88	0.01	0.00	0.01
Telecommunications	-3.25	-1.40	-1.88	0.07	-0.06	0.01
Utilities	0.41	13.20	-11.30	0.04	-0.42	-0.39
Cash	0.84	-	0.84	0.09	0.00	0.09

UBS Property

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.40	18.04	18.04	8.75	8.97	2.08
Benchmark	4.60	17.19	17.19	8.62	8.85	2.35

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	8.75	8.62
Standard Deviation	2.77	2.21
Relative Return	0.12	
Tracking Error	1.34	
Information Ratio	0.10	
Beta	1.09	
Alpha	-0.55	
R Squared	0.78	
Sharpe Ratio	2.85	3.52
Percentage of Total Fund	8.2	
Inception Date	Mar-2006	
Opening Market Value (£000)	60,373	
Net Investment £(000)	0	
Income Received £(000)	506	
Appreciation £(000)	2,148	
Closing Market Value (£000)	63,027	

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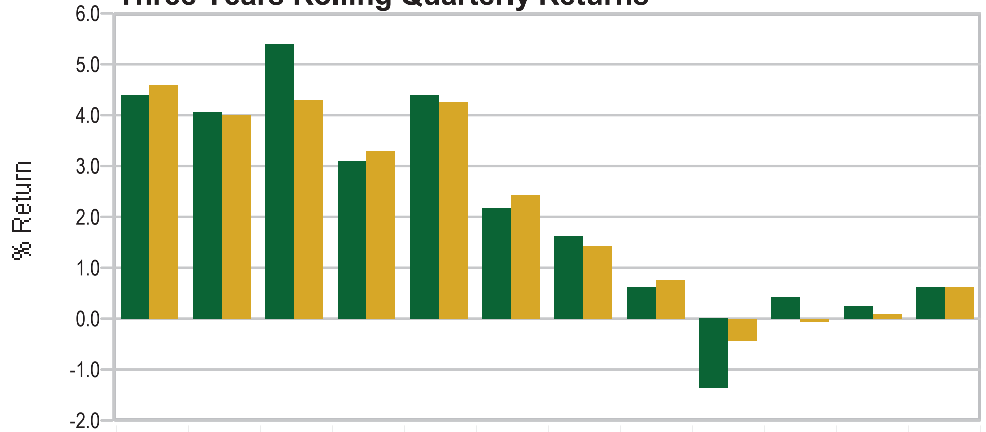
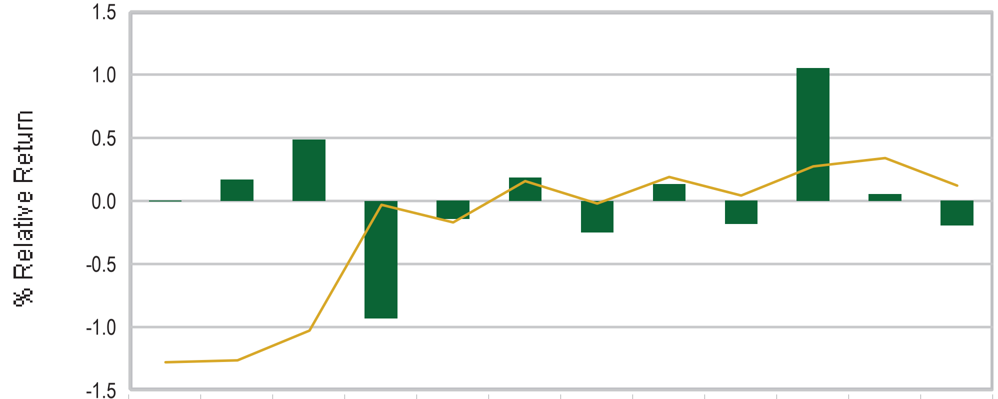
Three Years Rolling Quarterly Returns



	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	4.40	4.06	5.40	3.09	4.39	2.18	1.63	0.61	-1.36	0.43	0.25	0.61
Benchmark	4.60	4.00	4.30	3.28	4.25	2.43	1.44	0.76	-0.44	-0.06	0.08	0.62

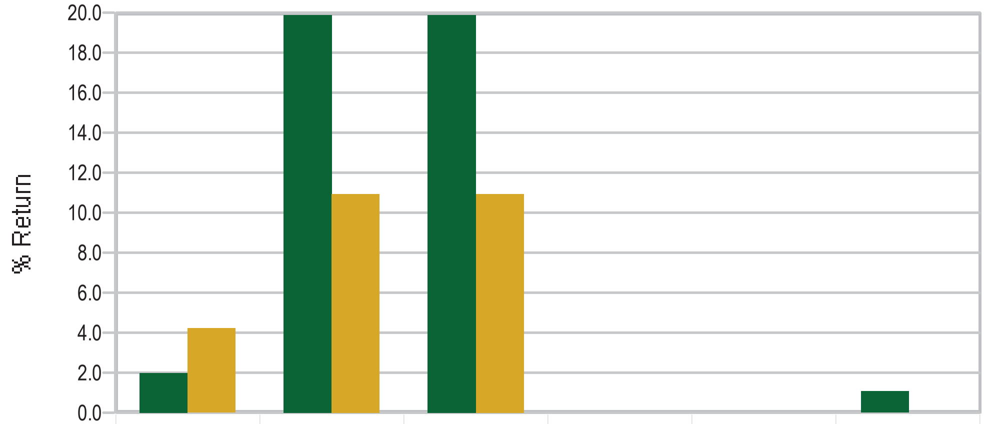
Three Years Rolling Relative Returns



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	-0.01	0.17	0.49	-0.93	-0.14	0.18	-0.25	0.13	-0.18	1.05	0.05	-0.20
3Y Relative	-1.28	-1.26	-1.03	-0.03	-0.17	0.16	-0.02	0.19	0.04	0.27	0.34	0.12

UBS Tactical

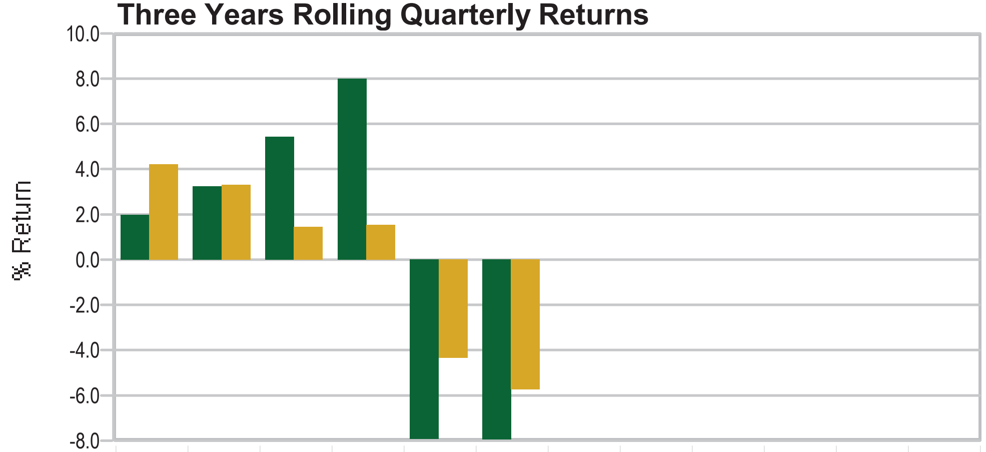
Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.99	19.89	19.89	-	-	1.07
Benchmark	4.23	10.93	10.93	-	-	0.01

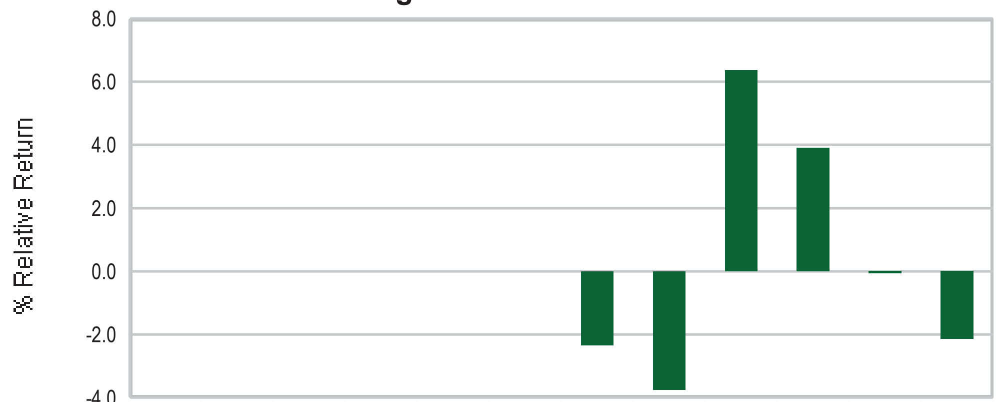
Risk Statistics - 3 years	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	4.3	
Inception Date	Jun-2013	
Opening Market Value (£000)	14,010	
Net Investment £(000)	18,880	
Income Received £(000)	7	
Appreciation £(000)	98	
Closing Market Value (£000)	32,995	

Three Years Rolling Quarterly Returns



	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	1.99	3.24	5.42	8.01	-7.93	-7.94	-	-	-	-	-	-
Benchmark	4.23	3.31	1.46	1.54	-4.34	-5.74	-	-	-	-	-	-

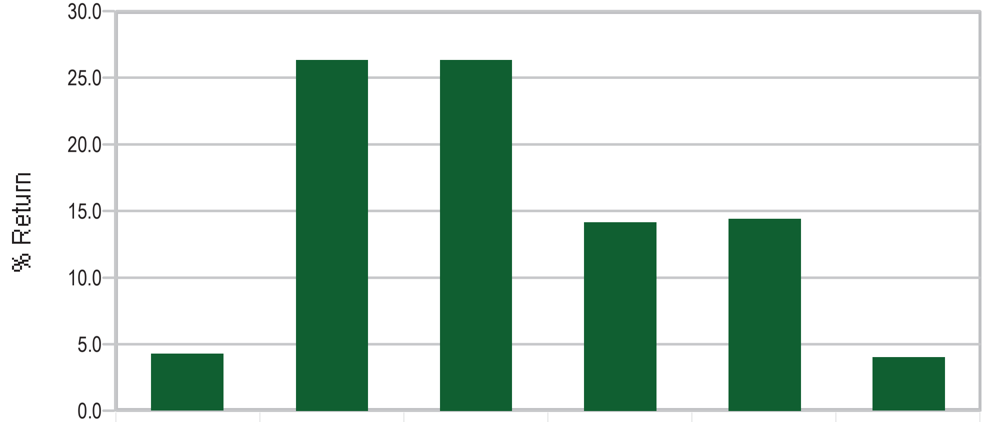
Three Years Rolling Relative Returns



	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	Q3 14	Q4 14
3M Relative	-	-	-	-	-	-	-2.33	-3.76	6.37	3.91	-0.07	-2.15
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

Adam Street

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.28	26.30	26.30	14.13	14.41	4.02

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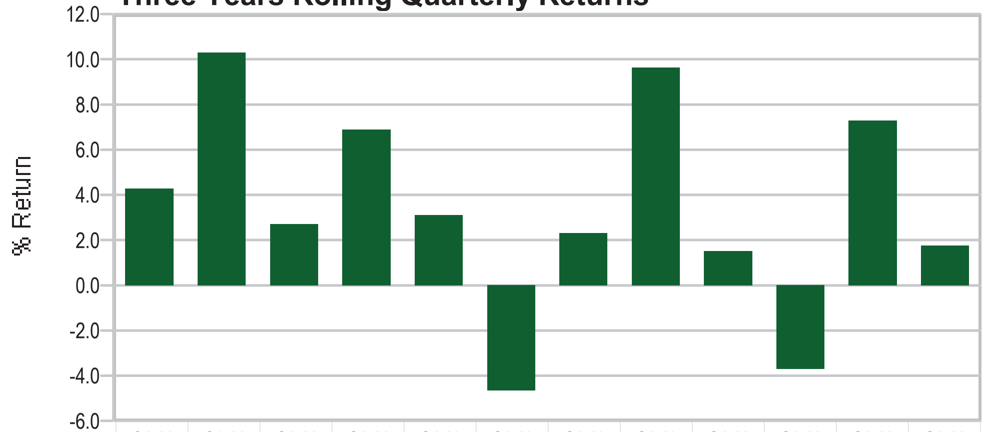
Risk Statistics - 3 years

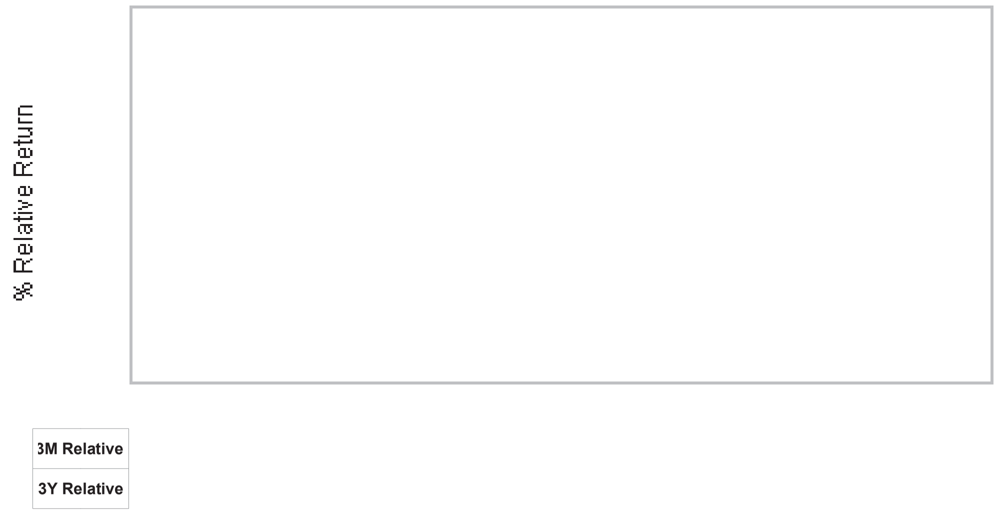
	Fund	B'mark
Performance Return	14.13	
Standard Deviation	8.46	
Relative Return	3.75	
Tracking Error	8.46	
Information Ratio	0.49	
Beta	3.54	
Alpha	-16.64	
R Squared	0.00	
Sharpe Ratio	1.57	
Percentage of Total Fund	2.8	
Inception Date	Jan-2005	
Opening Market Value (£000)	22,428	
Net Investment £(000)	-1,617	
Income Received £(000)	0	
Appreciation £(000)	917	
Closing Market Value (£000)	21,728	

Three Years Rolling Quarterly Returns



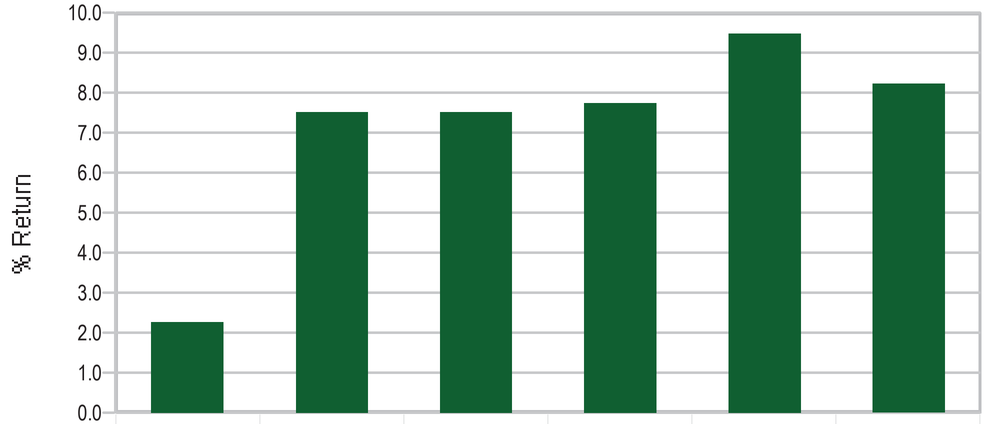
	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	4.28	10.29	2.72	6.90	3.11	-4.65	2.32	9.62	1.51	-3.70	7.29	1.76

Three Years Rolling Relative Returns



LGT

Historical Plan Performance

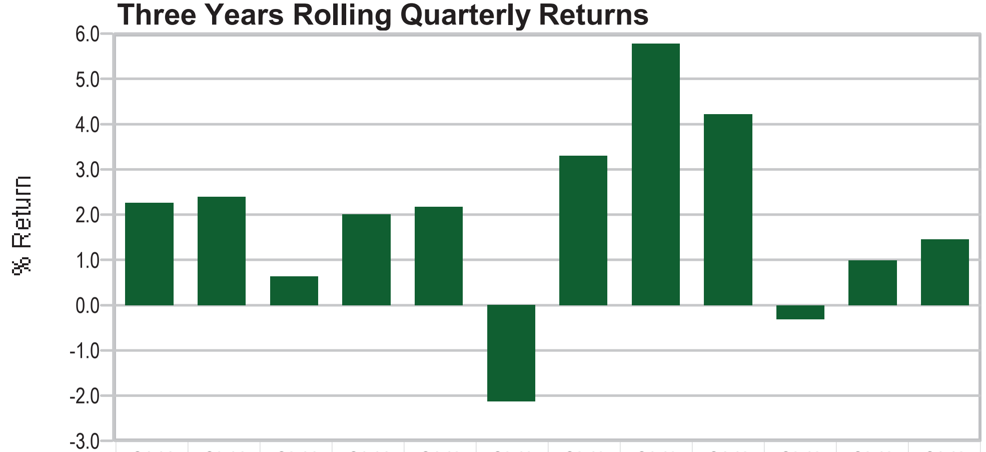


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	2.27	7.51	7.51	7.74	9.48	8.22

Risk Statistics - 3 years

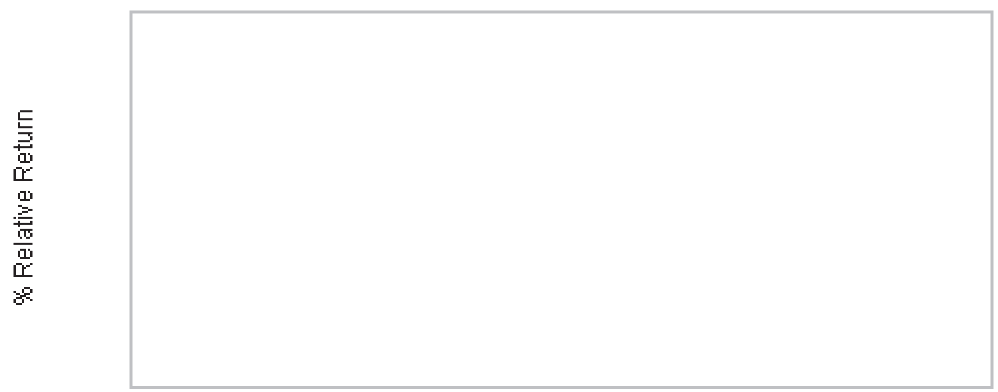
	Fund	B'mark
Performance Return	7.74	
Standard Deviation	5.33	
Relative Return	-6.80	
Tracking Error	7.33	
Information Ratio	-1.07	
Beta	0.35	
Alpha	1.88	
R Squared	0.34	
Sharpe Ratio	1.29	
Percentage of Total Fund	1.8	
Inception Date	May-2004	
Opening Market Value (£000)	14,314	
Net Investment £(000)	-917	
Income Received £(000)	0	
Appreciation £(000)	323	
Closing Market Value (£000)	13,720	

Three Years Rolling Quarterly Returns



	Q4 14	Q3 14	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13	Q1 13	Q4 12	Q3 12	Q2 12	Q1 12
Fund	2.27	2.40	0.64	2.01	2.17	-2.13	3.30	5.78	4.22	-0.30	0.99	1.45

Three Years Rolling Relative Returns



Northern Trust

Prepared by Investment Risk & Analytical Services

Total Plan Benchmark

24.2	FTSE All Share
2.3	FTSE AW North America
2.2	FTSE AW Developed Europe ex UK
2.3	FTSE AW Developed Asia Pacific
0.6	FTSE All World All Emerging
2.1	FTSE Index Linked Gilts
1.8	BC Sterling Aggregate 100mm Non Gilts
10.0	IPD UK PPFI All Balanced Funds Index
3.4	FTSE World Index +2%
4.9	MSCI All Countries World Index
9.1	LIBOR 3 Month + 3%
0.3	FTSE All Stock Index
11.0	LIBOR 3 Month
11.0	MSCI World Index +2%
2.0	BC US Govt Inflation Linked Bond Index
8.9	OECD CPI G7 (GBP) Index
4.1	LIBOR 3 Month + 4%

AEW UK
100.0 IPD UK PPFI All Balanced Funds Index

Barings
100.0 LIBOR 3 Month + 4%

GMO Global
100.0 OECD CPI G7 (GBP) Index

JP Morgan
100.0 LIBOR 3 Month + 3%

Kempen
100.0 MSCI All World Index +2%

M&G Investments
100.0 LIBOR 3 Month + 4%

Macquarie
100.0 LIBOR 3 Month + 3%

Newton
100.0 FTSE World Index +2%

Permira Credit
100.0 LIBOR 3 Month + 4%

Ruffer
100.0 3 Month Sterling LIBOR

SSGA

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

SSGA Drawdown

50.0	FT 7 Day LIBID
50.0	ML Sterling Non-Gilts

UBS
100.0 FTSE All Share

UBS Property
100.0 IPD UK PPFI All Balanced Funds Index

Tracking Error

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

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

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

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

Information Ratio

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

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

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

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

Alpha

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

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

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

Beta

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

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

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

R-Squared

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

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

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

Sharpe Ratio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LBH PRIVATE EQUITY FUNDS	COMMITMENTS BASE CURRENCY	% of Fund	CALLED TO DATE	% of Fund	DISTRIBUTIONS RECEIVED	% of Fund	NET CURRENT INVESTMENT	% of Fund	IRR
LGT CAPITAL PARTNERS	**£**	**%**	**£**	**%**	**£**	**%**	**£**	**%**	**%**
	000		**000**		**000**		**000**		Dec 14
Crown Private Equity European Buyout Opport.	10,642	1.39	8,984	1.17	9,538	1.25	-554	-0.07	8.00
Crown Global Secondaries Plc (US$)	1,931	0.25	1,691	0.22	1,611	0.21	80	0.01	4.39
Crown Private Equity European Fund	3,912	0.51	3,566	0.47	2,584	0.34	982	0.13	7.86
Crown Private Equity European Buyout Opport. II	7,825	1.02	5,802	0.76	2,723	0.36	3,079	0.40	5.60
Crown Asia-Pacific Private Equity Plc (US$)	1,931	0.25	1,736	0.23	944	0.12	792	0.10	7.80
Crown European Middle Market II plc	3,130	0.41	1,986	0.26	1,019	0.13	967	0.13	10.85
Crown Global Secondaries II Plc (US$)	1,416	0.19	1,157	0.15	1,047	0.14	110	0.01	19.84
TOTAL(S) LGT CAPITAL PARTNERS	**30,787**	**4.03**	**24,922**	**3.26**	**19,466**	**2.55**	**5,456**	**0.71**	
									Sep 14
ADAMS STREET PARTNERS	**£**	**%**	**£**	**%**	**£**	**%**	**£**	**%**	**%**
Adam Street Partnership Fund - 2005 US Fund	9,012	1.18	8,278	1.08	5,157	0.67	3,121	0.41	8.63
Adam Street Partnership Fund - 2005 Non-U.S Fund	3,862	0.50	3,613	0.47	2,204	0.29	1,409	0.18	7.25
Adam Street Partnership Fund - 2006 Non-U.S Fund	2,897	0.38	2,629	0.34	1,258	0.16	1,371	0.18	7.56
Adam Street Partnership 2006 Direct Fund	966	0.13	939	0.12	204	0.03	735	0.10	7.87
Adam Street Partnership Fund - 2006 US Fund, L.P	5,794	0.76	5,142	0.67	2,974	0.39	2,168	0.28	9.07
Adams Street Direct Co-Investment Fund, L.P.	1,931	0.25	1,844	0.24	666	0.09	1,178	0.15	6.62
Adams Street Partnership 2007 Direct Fund LP	322	0.04	304	0.04	130	0.02	174	0.02	12.86
Adams Street Partnership - 2007 Non -US Fund	1,127	0.15	922	0.12	290	0.04	632	0.08	9.43
Adams Street Partnership - 2007 US Fund	1,770	0.23	1,524	0.20	904	0.12	620	0.08	14.02
Adams Street Partnership - 2009 US Fund	966	0.13	563	0.07	141	0.02	422	0.06	19.55
Adams Street Partnership - 2009 Direct Fund	193	0.03	173	0.02	50	0.01	123	0.02	25.97
Adams Street Direct Co-Investment Fund II.	1,609	0.21	1,227	0.16	664	0.09	563	0.07	40.06
Adams Street 2009 Non-US Emerging Mkt Fund	193	0.03	116	0.02	0	0.00	116	0.02	9.05
Adams Street Partnership 2009 Non-US Developed Market	579	0.08	301	0.04	50	0.01	251	0.03	13.99
TOTAL(S) ADAMS STREET PARTNERS FUNDS	**31,221**	**4.08**	**27,575**	**3.61**	**14,692**	**1.92**	**12,883**	**1.68**	

FUND VALUE	**764,800**	
COMMITMENT STRATEGY	66,920	8.75%
TO ACHIVE INVESTMENT	38,240	5.00%
CURRENT INVESTMENT BOOK COST	18,339	2.40%
CURRENT INVESTMENT MARKET VALUE	35,448	4.63%

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

Market Update

Echoing the mixed results generated by public markets during the three months ended September 30, private equity markets were up modestly during the third quarter of 2014. This follows two quarters of solid gains across geographies and subclasses.

A dominant theme in the private equity markets throughout 2014 has been the high level of liquidity generated by General Partners (GPs) in all subclasses on a global basis. The strong, albeit increasingly volatile, public equity markets in 2013 and 2014 fostered a significant increase in IPO activity. In addition, very strong debt markets led to a surge in recapitalizations and strategic acquisitions for many buyout fund portfolio companies. Adams Street portfolios were a direct beneficiary of this environment, as we distributed $2.63 billion from our funds during 2014. This total eclipses 2013's record distribution pace of $2 billion.

During the fourth quarter, $4.6B was raised by 29 venture-backed companies that priced IPOs on US exchanges, the sixth consecutive quarter with over 20 venture-backed IPOs. As has been the case for many years, Adams Street Partners is fortunate to have access to many of the best venture capital funds and transactions. 2014 was no exception as we have had exposure to many of the best deals through either our direct investment funds or our underlying GPs. As a result, Adams Street Partners' market share of these IPOs continued to be strong, as we had exposure to 66% of the IPOs (19 of the 29) in the fourth quarter and 59% (75 of the 128) through the full year.

Portfolio Statistics as of September 30, 2014

All in USD	Inception Date	Committed / Subscription	Drawn / Subscription	Total Value / Drawn	IRR Since Inception Gross	IRR Since Inception Net	Public Market	3Q14 Gross IRR	3Q14 Net IRR
Total Hillingdon Portfolio	**02/2005**	**100%**	**88%**	**1.39x**	**9.29%**	**7.01%**	**6.48%**	**1.21%**	**0.84%**
2005 Subscription	02/2005	100%	92%	1.37x	8.21%	6.21%	6.01%	-0.30%	-0.57%
2006 Subscription	01/2006	100%	90%	1.34x	8.45%	6.16%	6.59%	0.09%	-0.20%
2007 Subscription	01/2007	100%	85%	1.42x	12.43%	9.32%	8.53%	1.61%	1.26%
2009 Subscription	01/2009	100%	60%	1.33x	19.02%	12.41%	13.55%	1.88%	1.48%
Co-Investment Fund	09/2006	100%	96%	1.38x	6.62%	5.10%	4.22%	6.11%	5.58%
Co-Investment Fund II	01/2009	100%	76%	1.96x	40.06%	33.46%	13.04%	7.69%	7.06%

Notes:
- **Since Inception figures in GBP are: 11.52% (Gross) and 9.08% (Net). Q3 2014 figures in GBP are: 6.53% (Gross) and 6.14% (Net).**
- The Public Market is the equivalent return achieved by applying Hillingdon's cash flows to the MSCI World Index.

Portfolios Are Well Positioned

Buyout firms spent a good portion of the year preparing portfolio companies for sale, as corporate acquirers returned to the auction marketplace after years of hoarding cash. In fact, according to data provider Preqin, 2014 was a banner year for private equity sellers, with $428 billion collected globally to mark the best year on record for portfolio sales. Private equity firms sold 1,604 portfolio companies in 2014, with the total value of companies sold 30% above the total value of exits in 2013. Consistent with this environment, our US and developed market buyout investments as well as our direct co-investments have continued to generate strong returns.

As was the case in 2013, Adams Street direct venture/growth funds have performed very well in 2014. Deal flow is strong and our investment pace is steady. Despite volatile public markets, private tech company valuations remain elevated, particularly for later stage deals. Cognizant of this, our team is diligently searching for attractive mid-stage deals and companies in off-the-beaten path geographies where the risk/return profile is more appealing. Our existing portfolio remains healthy, with many sizable growing companies likely to drive future value increases.

Our secondary investments are generating attractive investment performance and we are pleased to see the degree to which these returns are being realized in 2014 through liquidity events. These rising valuations have led to a more challenging market environment for new transactions from a pricing standpoint, but the market has also evolved in a manner where the quality of funds available for sale has improved dramatically during the course of 2014. This improvement in fund quality for sale, our ability to understand and price the assets within these funds, and an increased willingness on behalf of sellers to transact on single partnership interests, favors our very targeted investment strategy - leading to a rise in our investment pace in 2014 relative to 2013.

Co-Investment Fund II

During the fourth quarter of 2014, there were two new investments made in the Adams Street Co-Investment II Fund ("Fund II"). Fund II invested $10.8 million in a global leader in electrophoresis, a niche technology for diagnosis and monitoring of specific protein disorders, and $4.2 million (with $1.4 million reserved for follow-ons) in a manufacturer and marketer of consumer branded, over-the-counter health and personal care products. As of December 31, 2014, there are 25 investments in Fund II and the Fund is 85% committed.

Final Thoughts

We sincerely appreciate your support and continued confidence in Adams Street Partners. As you are aware, we are currently fundraising for our 2015 Global Program and our direct Venture/Growth Fund VI. We are always here to help, so if you have questions, or would like additional information about any of our investment programs, please contact us.

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Portfolio overview – Q4 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 0.75x to 0.78x
- Total portfolio gains now amount to Euro 10.8 million, being Euro 17.7 million of NAV less Euro 7.0 million of net invested capital
- The USD strengthened by 4.2% against the Euro in the period which had a positive effect on portfolio performance

Q4 2014			Net Performance (in millions of Euros)						Cash Multiple		Drawn	
			LBH Commitment	Drawn	Returned	Net	NAV	Gain	D/PI	TV/PI	Gross	Net
Total Euro Exposure			32.7	26.0	-20.3	5.7	14.3	8.6	0.78	1.33	80%	18%
Euro equivalent Dollar Exposure @	1.2101	USD / Euro	6.8	5.9	-4.6	1.2	3.4	2.1	0.79	1.36	87%	18%
Total Exposure (in Euro millions)			**39.4**	**31.9**	**-24.9**	**7.0**	**17.7**	**10.8**	**0.78**	**1.34**	**81%**	**18%**
Q3 2014	1.2633		39.2	31.4	-23.5	7.9	18.3	10.4	0.75	1.33	80%	20%
Q2 2014	1.3691		38.6	30.5	-21.2	9.3	19.1	9.8	0.69	1.32	79%	24%
Q1 2014	1.3784		38.6	30.0	-19.7	10.4	19.5	9.1	0.66	1.30	78%	27%
Q4 2013	1.3780		38.6	29.7	-18.6	11.0	19.3	8.2	0.63	1.28	77%	29%
Q3 2013	1.3535		38.7	29.3	-17.4	11.8	19.7	7.9	0.60	1.27	76%	31%
Q2 2013	1.3001		39.0	28.8	-16.2	12.6	20.1	7.5	0.56	1.26	74%	32%
Q1 2013	1.2814		39.1	28.5	-15.2	13.3	20.7	7.4	0.53	1.26	73%	34%
Q4 2012	1.3193		38.9	28.2	-14.1	14.1	21.1	7.0	0.50	1.25	73%	36%
Q3 2012	1.2863		39.0	27.6	-13.1	14.5	21.0	6.5	0.47	1.24	71%	37%
Q2 2012	1.2686		39.1	27.4	-12.2	15.2	21.2	6.0	0.45	1.22	70%	39%
Q1 2012	1.3329		38.8	26.4	-11.9	14.5	19.9	5.3	0.45	1.20	68%	37%
Q4 2011	1.2949		39.0	25.7	-11.2	14.5	19.6	5.1	0.44	1.20	66%	37%
Q3 2011	1.3387		38.8	24.7	-10.0	14.7	19.9	5.2	0.40	1.21	0%	38%
Q2 2011	1.4510		38.3	23.5	-9.1	14.4	18.8	4.4	0.39	1.19	61%	38%
Q1 2011	1.4158		38.5	22.4	-8.3	14.2	18.4	4.2	0.37	1.19	58%	37%
Q4 2010	1.3384		38.8	22.0	-7.3	14.6	17.5	2.9	0.33	1.13	57%	38%
Q3 2010	1.3633		38.7	20.9	-7.0	13.9	16.2	2.3	0.33	1.11	54%	36%
Q2 2010	1.2257		39.4	19.7	-5.9	13.8	15.5	1.7	0.30	1.08	50%	35%
Q1 2010	1.3509		38.7	18.7	-5.7	13.0	14.2	1.2	0.31	1.06	48%	34%

Q4 figures as of 31 December 2014

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

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LOCAL AUTHORITY UNIVERSE

QUARTER 4 2014

The following summary is based on 44 funds with a total Market Value of £99,097m.

05/02/2015

CATEGORY	ASSET MIX (%)		RETURNS (%)					
	Latest Quarter		Latest Quarter		Fiscal Year to Date		Last 12 Months	
	IMV (%)	FMV (%)	Average	Index	Average	Index	Average	Index
TOTAL EQUITIES	63.4	63.4	2.7	4.5	5.9	10.7	6.1	11.3
GLOBAL POOLED INC UK	6.3	6.4	4.7	4.5	9.7	10.7	10.3	11.3
UK EQUITIES	24.4	24.2	0.9	0.6	1.3	1.8	0.8	1.2
OVERSEAS EQUITIES	32.7	32.8	3.7	5.4	8.6	11.7	9.2	12.7
North America	11.2	11.6	8.5	8.3	17.2	18.2	19.0	19.6
Europe	8.0	8.0	0.5	-0.5	-1.8	-2.9	0.7	0.0
Japan	3.6	3.5	1.8	1.6	10.1	9.3	3.4	2.7
Pacific (ex Japan)	3.3	3.3	2.7	0.5	7.0	1.8	7.5	2.8
Emerging Markets	5.3	5.1	0.2	0.4	6.8	8.7	6.3	7.9
Global ex UK	1.3	1.3	4.1	5.4	9.8	11.7	10.8	12.7
TOTAL BONDS	16.6	16.9	4.8	-	9.8	-	12.5	-
U.K. BONDS	9.7	9.8	4.4	6.3	9.2	11.5	11.7	13.8
OVERSEAS BONDS	1.8	1.8	3.5	2.7	6.5	6.1	8.2	8.4
INDEX LINKED	3.9	4.2	7.8	8.4	15.3	15.2	19.3	18.9
POOLED BONDS	1.2	1.2	-0.2	-	3.1	-	4.8	-
TOTAL CASH	3.8	2.9	0.3	0.1	0.9	0.3	1.2	0.3
ALTERNATIVES	6.9	7.2	3.5	-	9.2	-	11.5	-
Total Private Equity	4.0	4.1	4.7	-	12.2	-	15.7	-
Total Hedge Funds	2.0	2.1	1.8	-	4.8	-	5.9	-
Other Alternatives	0.9	1.0	2.1	-	6.7	-	7.4	-
TOTAL POOLED MULTI ASSET	1.5	1.5	1.8	-	5.1	-	5.7	-
TOTAL EX-PROPERTY	92.3	91.9	3.0	2.8	6.7	6.6	7.5	7.6
TOTAL PROPERTY	7.7	8.1	4.3	4.4	12.6	14.9	16.1	19.3
TOTAL ASSETS	100.0	100.0	3.1	2.9	7.2	7.3	8.1	8.4

STATE STREET GLOBAL SERVICES

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Agenda Item 6

Pensions Administration Performance Report

Contact Officers	Nancy Leroux, 01895 250353
Papers with this report	

SUMMARY

This report provides an update on the latest pension administration performance data and early retirements in the third 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 Pension Committee:

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

1. ADMINISTRATION PERFORMANCE INFORMATION

Performance has been reported monthly and monitored against the service level agreement contained within the Framework Agreement. Targets are measured in working days for each function performed as part of the administration contract, against a target of 100%. An overall performance measure for the last eight months is shown below, which after the significant low in October 2014 has been maintained above 90%.

July 2014	70.00%
August 2014	54.55%
September 2014	60.13%
October 2014	41.73%
November 2014	93.25%
December 2014	94.93%
January 2015	90.81%
February 2015	94.64%

Reasons for this significant improvement are explained in detail in the Pension Administration Contract report in Part II of this agenda.

Details of performance by area are shown in the table attached.

Focussing on the performance over the last three months, two areas remain a significant cause for concern through very poor levels of performance:

1. Condolence Letters - This area has been brought to Capita's attention on a number of occasions. The average time to complete this task is 4.5 days we are working with Capita to ensure that the target is met and maintained going forward. We have raised this as matter that needs to be discussed with the Administration Team.

2. Estimate of Retirement Benefits - There have been a number of cases where Retirement Benefits have been calculated, within the SLA, however the problem seems to be with the time taken to check these estimates. This has been discussed with Capita, and suggested changes to their workflow system have been raised at our weekly meeting with Capita.

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 2014/15 to 31st December 2014 is £11,217.00.

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
2010/2011	**20**	**0**	**11**	**34**
2011/2012	**65**	**0**	**12**	**24**
2012/2013	**23**	**0**	**6**	**14**
2013/2014	**50**	**0**	**3**	**45**
2014/2015 01.04 14 - 31.12.14	**18**	**0**	**7**	**45**

As a result of a key recommendation by the Audit and Accounts Commission, local authorities were advised to calculate and monitor early retirement costs as they occurred within the LGPS between formal triennial valuations. With effect from 1 April 2014, the cost of early retirement is re-charged back to the employing department of the former employee. In past years the employer’s contribution rates as prescribed in the 2010 valuation were increased by 1%, effective from 1 April 2011 to 31 March 2014, to meet anticipated early retirement costs.

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 PEFORMANCE

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	28	28.57
Actual Retirement Benefits	3 Days	23	100	21	100	17	100	33	100
Letter notifying Dependants Benefits	5 Days	N/A	N/A	1	100	N/A	N/A	N/A	N/A
Process Refund	10 Days	11	54.55	8	37.5	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	N/A	N/A	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	N/A	N/A	2	0	2	50.00	5	100
Transfers Out Actual	9 Days	N/A	N/A	N/A	N/A	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	N/A	N/A	N/A	N/A	N/A	N/A	1	100

PENSIONS ADMINISTRATION PEFORMANCE

WORK TASK	Target	November 2014		December 2014		January 2015		February 2015	
		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	3	100	12	8.33	12	16.67	4	25.00
Actual Retirement Benefits	3 Days	7	100	16	100	17	100	13	100
Letter notifying Dependants Benefits	5 Days	1	100	5	100	N/A	N/A	2	100
Process Refund	10 Days	5	100	27	100	41	97.56	60	98.33
Transfers in Actual	10 Days	1	100	23	100	21	100	7	100
Transfers in quote	10 Days	1	100	22	100	21	100	11	100
Answer General Letter	5 Days	137	90.51	115	94.78	145	95.86	101	95.05
Calc/Notify Deferred	15 Days	3	100	39	100	42	85.71	38	92.11
Estimate of Retirement Benefits	5 Days	7	85.71	7	100	12	41.67	10	60.00
Transfers Out Quote	5 Days	1	100	2	100	9	100	11	100
Transfers Out Actual	9 Days	4	100	26	100	12	91.67	8	100
New Entrants	20 Days	82	96.34	40	100	27	92.59	51	98.04
Added Years	10 Days	N/A	N/A	1	100	N/A	N/A	1	100

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DELOITTE – 2014/15 ANNUAL AUDIT PLAN	

Contact Officers	Nancy le Roux, 01895 250353
Papers with this report	*None*

SUMMARY

The attached document sets out the initial plans for the audit of the Pension Fund Accounts 2014/15 by Deloitte. The format of the plan follows that prescribed by the Audit Commission for external audit work. The plan sets out the approach to the audit and a broad timetable which should enable the whole process to be completed by early September.

RECOMMENDATIONS

The Committee is asked to note the report.

REASONS FOR OFFICER RECOMMENDATIONS

The Committee needs to be made aware of the plans for the audit of the 2014/15 accounts.

COMMENT ON THE CONTENT OF THE PENSION FUND AUDIT PLAN

Materiality: Materiality is calculated on the basis of 1% of the net assets of the fund which for 2015 is £7.3m (2014 £7.3m). Based on this amount, Deloitte would expect to report on all unadjusted misstatements greater than £0.363m (2014 £0.363m).

Key Audit Risks: The plan highlights the key audit risks, these being the main areas on which specific audit work will focus. They are as follows:

- Contributions
- Benefits
- Investments - namely unquoted holdings
- Management override of key controls

TIMETABLE

The main timetable remains unchanged with the deadline for draft accounts being 30 June and the audit opinion due by 30 September 2015.

FEES

The proposed fees for the 2013/14 audit are £21,000, no change from 2013/14.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

BACKGROUND PAPERS

None

London Borough of Hillingdon Pension Fund

Planning Report to the Pension and Audit Committees

Year ending 31 March 2015

the Distinctive audit

March 2015

Contents

I am delighted to present this planning report for the 2014/15 audit of the London Borough of Hillingdon Pension Fund. The report sets out our audit approach and the more significant areas where we will focus our attention this year.

(Heather Bygrave, Engagement Partner, March 2015)

The big picture

The Big Picture

We have set out below an overview of the key developments in the pension fund and the more significant matters we have considered in developing this Audit Plan. We consider these matters as part of our audit risk assessment and this determines where we will focus our work. Details of the impact of these matters on our approach are set out in this Audit Plan.

Key developments in the fund and sector

- Disinvestment of funds held in Barings Asset Management and investment into investment funds held with GMO, AEW UK and Permira Credit Solutions.
- There are no significant changes to the scheme rules or other arrangements other than the change to career average basis for calculation of benefits from 1 April 2014.
- New Schedule of Contribution rates apply for 2014/15.
- The Pensions Regulator is taking on the role of regulator of Local Authority Pension Schemes from 1 April 2015.
- There are no significant changes to the financial reporting framework.

Key developments in our audit

- No changes to the overall scope of the audit.
- Contributions were £35.1 million in 2013/14 and remain a risk in view of the complexity arising from the participation of different admitted bodies within the scheme, together with the fact that members may pay different rates depending on their pensionable pay.
- Lump sum retirement benefits, ill health and death benefits remain risks in view of complexities around their calculation. Benefits payable were £34.7 million in 2013/14.
- The pension fund in the past has made some use of investments in unquoted investment vehicles and derivatives which can give rise to complexities in accounting, disclosure and measurement and therefore this area remains a risk. At 31 March 2014 unlisted investments held, including private equity and derivatives, totalled £37.3 million.
- Risk of management override of controls, is presumed by auditing standards to be a risk due to the unique position management are in to override controls present. This risk is focussed around the use of journals, accounting estimates and unusual transactions outside of the normal course of business.

Significant audit risks

- Contributions
- Benefits
- Investments – namely unquoted holdings
- Management override of key controls, as presumed by auditing standards

Scheme net assets	Contributions	Benefits
2014: £726.4m	2014: £35.1m	2014: £34.7m
2013: £683.1m	2013: £31.9m	2013: £31.4m

Materiality

2015: £7.3m (est)
2014: £7.3m

Scope of work and approach

This section sets out our planned scoping for the audit of the financial statements. We discuss our determined materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

Scope of work and approach

Areas of responsibility under the Audit Commission's Code of Audit Practice

Responsibilities related to the accounts

Based on guidance issued by the Audit Commission, auditors are again asked, for audit purposes, to treat the Local Government Pension Scheme (LGPS) as a stand-alone body, with separate audit plan and reports to those charged with governance.

LGPS funds administered by administering authorities are not statutory bodies in their own right. Therefore, it is not possible for separate audit appointments to be made for LGPS audits. We are therefore appointed to the audit of the LGPS through the existing Audit Commission appointment arrangements.

Our audit of the pension fund is planned in accordance with the Code of Audit Practice issued by the Audit Commission and in accordance with additional guidance issued by the Commission in relation to the audit of pension schemes. However, this only extends to the audit of the accounts and there is no requirement for a value for money conclusion on the pension scheme accounts specifically. Aspects of the use of resources framework will inform the value for money conclusion for the Authority and cover issues relating to the pension fund.

The audit opinion we intend to issue as part of our audit report on the Authority's financial statements will reflect the financial reporting framework adopted by the pension fund. This is the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the "Code of Practice").

The Audit Commission has also determined that auditors should give an opinion in accordance with auditing standards on the financial statements included in the pension fund annual report. This entails the following additional work over and above giving an opinion on the pension scheme accounts included in the statement of accounts:

- comparing the accounts to be included in the pension scheme annual report with those included in the statement of accounts;
- reading the other information published within the pension scheme annual report for consistency with the pension scheme accounts; and
- where the pension scheme annual report is not available until after the auditor reports on the financial statements, undertaking appropriate procedures to confirm that there are no material post-balance sheet events arising after giving the opinion on the pension scheme accounts included in the financial statements.

The financial statements included in the pension scheme annual report are prepared on the basis of the same proper practices - the Code of Practice - as the financial statements included in the statement of accounts.

Scope of work and approach (continued)

Approach to controls testing

As set out in "Briefing on audit matters" previously circulated to you, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

Liaison with internal audit

The Auditing Standards Board has issued a revised version of ISA (UK and Ireland) 610 "Using the work of internal auditors". This prohibits use of internal audit to provide "direct assistance" to the audit with effect from 2014/15. Our approach to the use of the work of Internal Audit has been designed to be compatible with the new requirements.

The audit team, following an assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the internal audit provider, will review the findings of internal audit and adjust the audit approach as is deemed appropriate. This normally takes a number of forms:

- assessment of the control environment;
- discussion of the work plan for internal audit; and
- where internal audit identifies specific material deficiencies in the control environment, we consider adjusting our testing so that the audit risk is covered by our work.

Materiality and error reporting threshold

We calculate materiality on the basis of the net assets of the scheme, but have restricted this to the materiality established for the audit of the Authority's financial statements as a whole. We estimate materiality for the year to be £7.3 million (2014: £7.3 million). We will report to the Pension and Audit Committees on all unadjusted misstatements greater than £363,000 (2014: £363,000) and other adjustments that are qualitatively material.

We will update our assessment during the final visit based on confirmed year end figures and report this to you in our Final Audit Report.

Significant audit risks

This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and/ or disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

Significant audit risks

1. Contributions

There are complexities around the calculation of contributions.

Nature of risk

Unlike the position in the private sector, we are not required to issue a statement about contributions in respect of the LGPS.

Contributions for the year ended 31 March 2014 were £35.1 million, showing that this is a material income stream for the pension scheme. Due to the complexity of the participation of more than one employer in the scheme, together with the past introduction of a tiered contribution rates; we have identified contributions as a specific risk.

Our planned audit challenge

We will evaluate the design and implementation of the Authority’s arrangements and perform substantive audit testing in this area. This will include completing procedures to test whether employer and employee contributions have been calculated and deducted in accordance with the Schedule of Contributions.

2. Benefits

There are complexities surrounding the calculation of both benefits in retirement and ill health and death benefits

Nature of risk

The complexities surrounding the calculation of both lump sum retirement benefits, ill health and death benefits remains a key area of audit risk.

In respect of benefits in retirement, from 1 April 2014 benefits are accumulated on a career average basis instead of two different bases for service pre and post 1 April 2008. This adds further complexity to the calculation of benefits. The calculation of benefits depends on a number of factors including pensionable pay and member choice.

In respect of ill health and death benefits, the calculation of the pensionable pay on which benefits will depend may be varied by the same options as discussed above.

In the year ended 31 March 2014, total benefits paid were £34.7 million. The quantity of individual calculations and complexity of these calculations results in a risk of material misstatement.

Our planned audit challenge

We will review the design and implementation of controls present at the scheme for ensuring the accuracy of benefits through discussion with the pensions team and testing that controls were in force during the year under review. We will also:

- Obtain a schedule of benefits paid and select a sample of benefits for detailed testing through agreement to supporting documentation, and review of the calculation, by reference to the qualifying service, scheme rules and benefit choices made by the member;
- Consider on a sample basis whether any changes in benefits rates arising from the Pensions Increases Act are correctly calculated and applied in a timely manner.

3. Investments

There are areas of judgement involved in the valuation of investment, including private equity, managed funds and derivatives.

Nature of risk
The scheme had investments of £725m as at 31 March 2014 and therefore a small degree of error in their valuation represents a significant risk of material misstatement. This risk is compounded given the use of investments in unquoted investment vehicles, like private equity houses, and the use of derivatives within the scheme. Private equity funds are complex to value and include an element of judgement on the part of the investment manager. In addition, further amounts are invested in managed funds which are complex to value due to the difficulty in visibility of the underlying investments. These funds totalled £37.3m as at 31 March 2014. In addition to the risk of valuation, there were a number of significant investments and disinvesments throughout the year with a full disinvestment of assets previously held with Barings Asset Managemen and subsequent investment in GMO. There were also large investments with both AEW UK and Permira Credit Solutions. A risk is present that the funds have not been transferred to the new investment managers in their entirety.

Our planned audit challenge

We will review the design and implementation of controls present at the scheme for ensuring the accurate recording of investments through discussion with the pensions team and testing that controls were in force during the year under review. We will also:

- Vouch the underlying fund manager portfolio valuations received directly by Deloitte to the reconciliations prepared for the scheme as at 31 March 2015;
- Perform analytical review procedures to assess the reasonableness of the change in market value of investments;
- Use our treasury specialists to obtain confirmation of a sample of year end positions of derivatives;
- For a sample of investment we will test as follows; where independent prices are available, we will confirm the prices quoted by the investment managers to independent pricing sources; where such prices will not be available, we will perform alternative procedures such as reviewing transactions around year end or performing 'look through' testing and obtaining audited accounts for private equity balances; and
- We will audit the significant disinvestments/investments listed above, agreeing to supporting documentation from all related investment managers and where relevant bank statements.

4. Management override of controls

We will focus on the testing of journals, significant accounting estimates, and any unusual transactions in the year.

Nature of risk
International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

Our planned audit challenge

Our audit work will include:

- Reviewing a sample of journal entries that characteristics that may be indicative of potential fraud and management override of controls;
- Reviewing analysis and supporting documentation of key estimates and judgements;
- Performing substantive testing on journal entries to confirm that they have a genuine, supportable rationale;
- Reviewing ledgers for unusual items and on a test basis investigated the rationale of any such postings;
- Reviewing significant management estimates and judgements such as year end accruals and valuation of investments and consider whether they are reasonable; and
- Making enquiries of those charged with governance as part of our planning and detailed audit processes.

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit; and
- Key regulatory and corporate governance updates, relevant to you.

What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the Audit and Pension Committees.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" previously circulated to you and available on request; and
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP
Chartered Accountants

St Albans
5 March 2015

This report has been prepared for the Pension and Audit Committees, as separate bodies, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Independence and fees

We confirm we are independent of the London Borough of Hillingdon

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Audit Commission's Code of Audit Practice, we are required to report to you on the matters listed below:

Independence confirmation	We confirm we are independent of the London Borough of Hillingdon and will reconfirm our independence and objectivity to the Pension and Audit Committees for the year ending 31 March 2015 in our final report to the Pension and Audit Committees.
Fees	Details of the non-audit services fees proposed for the period have been presented on the next page. The fee for the current year audit is in line with the scale fee.
Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

We summarise our relationships with the Authority and explain our assessment of threats to auditor independence and safeguards in the Authority audit plan document.

Appendix 1: Independence and fees (continued)

We summarise earned or proposed audit fees for the year

The professional fees earned or proposed by Deloitte in the period from 1 April 2014 to 31 March 2015 are as follows:

	Current year £000	Prior year £000
Audit of the London Borough of Hillingdon Pension Fund	21	21

There are no non audit services provided or proposed to the London Borough of Hillingdon Pension Fund for the period from 1 April 2014 to 31 March 2015.

Professional fees earned or proposed by Deloitte for services in the period from 1 April 2014 to 31 March 2015 in respect of other funds of the Authority and other entities controlled by the Authority are set out in our audit plan for the Authority.

Appendix 2: Fraud: responsibilities and representations

We summarise our respective responsibilities regarding fraud

Characteristics	• Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional. • Two types of intentional misstatements are relevant us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Responsibilities	**Your responsibilities**	**Our responsibilities**
	• The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.	• We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement. • As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error. • As set out in the significant risk section of this document we have identified the risk of fraud in management override of controls as a key audit risk for your organisation.

Appendix 2: Fraud: responsibilities and representations (continued)

We will make inquiries and obtain representations regarding fraud

We will make the following inquiries regarding fraud:

Management	Internal Audit	Those charged with governance
Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments. Managements process for identifying and responding to the risks of fraud in the entity. Managements communication to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity. Managements communication, if any, to employees regarding its views on business practices and ethical behaviour. Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity.	Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud.	How those charged with governance exercise oversight of managements processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity.

We will request the following to be stated in the representation letter signed on behalf of the Authority:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and] that affects the entity or group and involves:

  (i) management;

  (ii) employees who have significant roles in internal control; or

  (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 3: Operational arrangements

We set out key members of your audit team and other operational information

The work will be led by Heather Bygrave, supported by Ryan Gawley as audit manager.

Our work will be closely co-ordinated with the work carried out on other parts of main audit of the Authority. Details of our timetable for that work are included in the Authority audit plan.

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Governance Update: Local Pension Board	

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

SUMMARY

This report provides an update on progress on the introduction of a local Pension Board in London Borough of Hillingdon and confirms that the Fund will be compliant with the requirement to have a Board established by 1 April 2015.

RECOMMENDATION

That Committee note progress in the establishment of the Hillingdon Local Pension Board.

BACKGROUND

Regulations are being laid to require Administering Authorities of LGPS Funds to establish Local Pension Boards by 1 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 the Head of Democratic Services to establish a Hillingdon Local Pension Board by 1 April 2015, in accordance with the draft Local Government Pension Scheme (Amendment) (Governance) Regulations 2014.

The Board is to 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 to abolish the Investment Strategy Sub Committee and transfer the powers to the full Pensions Committee which will continue to meet four times per year. To enable any urgent decisions to be taken, authority has been 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 is to be reported back to Pensions Committee.

PROGRESS UPDATE

Board Membership

In relation to membership of the Pension Board all Scheme members have been written to inviting expressions of interest in becoming a member of the Board. The closing date was 1 March and 9 expressions of interest were received. Interviews have been arranged for 30th March 2015. The interview panel will be chaired by Cllr Philip Corthorne who will be assisted by one other Member of the Pensions Committee and Nancy Leroux.

The Councillor membership of the Board has yet to be confirmed.

Officer Support

The Corporate Pensions Manager will be responsible, along with support from Democratic Services, for the development of agenda and the preparation of all papers for the Hillingdon Local Pension Board. He will also plan and coordinate all training needs for the Board.

Remit of Pension Board

The main purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is described under two key headings to:

i. secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;

ii. to ensure the effective and efficient governance and administration of the Scheme.

i. Under this heading, reports developed for consideration at the quarterly meetings of the Board will focus on the following areas when relevant:

   a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
   b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.
   c) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
   d) Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
   e) Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
   f) Monitor complaints and performance on the administration and governance of the scheme.
   g) Assist with the application of the Internal Dispute Resolution Process.
   h) Review the complete and proper exercise of Pensions Ombudsman cases.
   i) Review the implementation of revised policies and procedures following changes to the Scheme.

j) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
k) Review the complete and proper exercise of employer and administering authority discretions.
l) Review the outcome of internal and external audit reports.
m) Review draft accounts and Fund annual report.
n) Review the compliance of particular cases, projects or process on request of the Committee.
o) Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.

ii. Under this heading, the Board may determine the areas it wishes to consider including but not restricted to:

a) Monitor performance of administration, governance and investments against key performance targets and indicators.
b) Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
c) Monitor investment costs including custodian and transaction costs.
d) Monitor internal and external audit reports.
e) Review the risk register as it relates to the scheme manager function of the authority.
f) Assist with the development of improved management, administration and governance structures and policies.
g) Review the outcome of actuarial reporting and valuations.

In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.

Reporting

The Board will, in the first instance report its requests, recommendations or concerns to the Pensions Committee. In support of this any member of the Board may attend Pensions Committee meeting as an observer.

In support of its core functions the Board may make recommendations to the Pensions Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

The first meeting is planned for 1 July 2015, after the next meeting of Pensions Committee of 17 June 2015.

Pensions Committee

The revised membership of the Pensions Committee w.e.f 1 April 2015, will be consist of five members.

FINANCIAL IMPLICATIONS

There are no direct financial implications in this report

LEGAL IMPLICATIONS

The Borough Solicitor has been involved in the establishment of the Local Board, however, the formation is a statutory requirement.

FREEDOM AND CHOICE IN PENSIONS	

Contact Officers	Ken Chisholm Tel: 01895 250847
Papers with this report	

SUMMARY

At the Pensions Committee in December, Officers were asked to provide a report at the March Committee to Members outlining the implications of the forthcoming changes, announced by the Chancellor of the Exchequer in his March 2014 Budget, on "Freedom and Choice in Pensions".

RECCOMMENDATION

This report is for information only

INFORMATION

What is Freedom of Choice?

In the March 2014 Budget, the Chancellor of the Exchequer announced a change to the way people can take their pensions, effective from April 2015. Currently individuals who contribute to Defined Contribution (DC) arrangements have to take part of their pension pot as an annual pension (an annuity) and may be able to take some as tax-free cash, depending on the Scheme or policy rules. From April 2015, individuals aged over 55 with Defined Contribution pension savings will be able to draw all of these savings as a cash amount, but the amount will be subject to income tax depending upon personal circumstances.

Whilst the LGPS is a Defined Benefit (DB) Scheme, the changes applicable from 1 April 2015, will allow scheme members and members with a deferred benefit, aged 55 plus, to transfer their pension benefits from the LGPS in to a DC arrangement and take their benefits immediately as cash, although restrictions will be applicable regarding the taxation of any payments received. This "Freedom" is not available to members of unfunded Public Sector Schemes.

The receiving DC Scheme will allow the individual:

1) Take the whole value of their transferred fund as cash, 25% tax free and the balance taxed as income;

2) Take smaller lump sum payments, as and when requested, with 25% of each withdrawal tax free and the excess taxed as income;

3) Take 25% tax free and the remainder as regular taxable income, where the member draws money down from the balance, or an annuity is purchased with the balance.

These changes may also allow current LGPS scheme members who have contributed to an Additional Voluntary Contribution (AVC) Scheme to transfer the value of their AVC's to a DC scheme with the same options available as those outlined above. However, as the final regulations have not been published, this is the information that Prudential (our AVC provider) has passed on to all its Local Government clients.

We are also waiting for DCLG / LGA to provide further information and guidance to LGPS administrators which will be circulated as soon as the regulations are available.

Transferring Pension Benefits to an Alternative Pension Arrangement

Subject to a member's election, the LGPS will be able to continue transferring pension benefits to alternative providers after 1 April 2015 as current regulations permit, provided a member has left employment (has a Deferred Benefit in the fund) or opted out of the scheme. However, new legislation imposes a requirement on the member of the FUND to take independent financial advice from an appropriate approved Financial Advisor before proceeding with any transfer of benefits out of the LGPS. This would be at the member's own cost and the member will need to provide evidence that they have received advice before any transfer to another provider can take place. Taking professional financial advice has been made mandatory to help ensure members are not subject to potentially fraudulent activity or inappropriate advice. This could cause a potential administration problem for the Fund as because there is no obligation on the individual to act on or accept the advice given, the scheme administrator will have to be able to evidence that the member has sought appropriate advice to defend any potential future challenge or appeal.

Unfortunately, for members where the value of any transfer payment is less than £30,000 there is no requirement to take financial advice, although it is strongly recommended that professional advice is sought. Prior knowledge of any commission the new provider will take from the benefit and any tax charges that may apply should be understood in advance of taking any action to transfer benefits out of the LGPS.

Take-up Rates

The Government's initial estimate is that approximately 10 to 20% of individuals approaching retirement will investigate the possibility of transferring out to a DC arrangement. However, it will depend upon how companies promote the availability of these new arrangements and the information made available by the Fund. Officers are currently working with Capita Employee Benefits (CEB) to provide information to employees to make them aware of the value of their current scheme membership and to warn them that potentially, a number of companies will make approaches to scheme members to convince them that transferring out is their best option. Several meetings with employees and employers are being arranged to provide further information about these changes. CEB have already noticed a general increase requests for transfer values. As a result of this increase we will be working with CEB and their Communications Team to provide information to all scheme members and scheme employers, as well as providing information to Hillingdon members via Horizon and staff emails. Officers will continue to monitor and target engagement with members.

Safeguards

In addition to the safeguard for individuals to have sought appropriate independent advice, it is expected that there will be regulation amendments to protect pension funds. The Department of Communities and Local Government (DCLG) will have the right to arrange for Schemes to reduce the value of any transfer payment if there is a cost risk to taxpayers. The full details of the method by which any reduction will apply and how the scheme can apply to the Secretary of State to apply such a reduction will be set out in secondary legislation which will be subject to consultation in due course.

FINANCIAL IMPLICATIONS

It is unknown, at this stage, what the level of take up for these new arrangements will be and the resultant impact it will have on the Fund.

LEGAL IMPLICATIONS

There are no direct legal implications arising from this report.

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Agenda Item 10

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Agenda Item 11

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