



HILLINGDON
LONDON



Pensions Committee

Date: WEDNESDAY, 24 JUNE
2009

Time: 5.30 PM

Venue: COMMITTEE ROOM 3 -
CIVIC CENTRE, HIGH
STREET, UXBRIDGE UB8
1UW

**Meeting
Details:** Members of the Public and
Press are welcome to attend
this meeting

Councillors on the Committee

Philip Corthorne (Chairman)
Michael Markham (Vice-Chairman)
George Cooper
Michael Cox
Paul Harmsworth

John Thomas UNISON (advisory
member)

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large print or on audio tape on
request. Please contact us for
further information.**

Published: 16th June 2009

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This Agenda is available online at:
<http://www.hillingdon.gov.uk/index.jsp?articleid=5553>

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INVESTOR IN PEOPLE

Useful information

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Agenda

- 1 Apologies for Absence
- 2 Declarations of Interest in matters coming before this meeting
- 3 To receive the minutes of the meeting held on 31st March 2009
- 4 To receive the minutes of the meeting held on 14th May 2009
- 5 To confirm that the items of business marked Part 1 will be considered in Public and that the items marked Part 2 will be considered in private
- 6 REVIEW ON PERFORMANCE MEASUREMENT OF THE PENSION FUND
- 7 REPORT ON THE UPDATE TO THE STATEMENT OF INVESTMENT PRINCIPLES
- 8 RETIREMENT PERFORMANCE STATISTICS
- 9 REVIEW OF INVESTMENT STRATEGY - PROGRESS UPDATE
- 10 CORPORATE GOVERNANCE & SOCIALLY RESPONSIBLE INVESTMENT
- 11 PROPOSAL ON MEMBER DEVELOPMENT FROM CLLR MARKHAM

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Agenda Item 3

PENSIONS COMMITTEE – 31st March 2009



HILLINGDON
LONDON

	<p>Members Present Cllrs Michael Markham (Vice-Chairman), George Cooper and Paul Harmsworth</p> <p>Other Committee Members John Holroyd (Pensioner/Deferred Scheme Representative) and Nicolas Manthorpe (Active Scheme Representative)</p>
	<p>Apologies – Cllrs Philip Corthorne and Mike Cox John Thomas (UNISON Representative) and John Hastings (Investment Advisor)</p>
	<p>Officers Present – Nancy Le Roux, Babatunde Adekoya, Ken Chisholm, James Lake and Charles Francis</p> <p>Others Present – Valentine Furniss (Investment Advisor)</p>
	<p>Declarations of Interest – Cllrs' Harmsworth and Cooper declared an interest, as they are members of the Local Government Pension Scheme.</p>
	<p>Decisions Sheet – 16th December 2008. Agreed as a correct record.</p>
	<p>Exclusion of the press and public – It was agreed that item 6, 7 would be considered in private for the reason stated in the agenda. Members of the press and public were therefore excluded from the meeting during the consideration of these items.</p> <p>Matters Arising – At the request of the Chairman and with the agreement of the Committee, Item 7 was discussed before Item 6.</p>
1.	<p>PRESENTATION BY UBS – Q4 2008 PERFORMANCE</p> <p>Nigel Taylor and Richard West from UBS gave a short presentation on Hillingdon's portfolio managed by UBS and answered members' questions.</p> <p>Resolved</p> <ol style="list-style-type: none"> 1. That the contents of the report be noted and the performance in the fourth quarter of 2008 be noted.
2.	<p>PRESENTATION BY M&G – UK COMPAINES FINANCING FUND</p> <p>William Nicoll from M&G gave a presentation on an investment product – UK Companies Financing Fund. Further consideration was given to this item in private under Item 6 – Review of Investment Strategy.</p> <p>Resolved</p> <ol style="list-style-type: none"> 1. That the contents of the report be noted.
3.	<p>REVIEW OF PERFORMANCE MEASUREMENT OF THE FUND</p> <p>The Chairman introduced the report. This report reviewed the fund management performance for the London borough of Hillingdon pension fund for the fourth quarter of 2008. It was noted there is further underperformance of the fund.</p>

	<p>Resolved</p> <ol style="list-style-type: none"> 1. That the contents of the report be noted and performance in the fourth quarter of 2008 be noted. 	
4.	<p>POLICY AND REGULATION UPDATE</p> <p>The Chairman introduced the report. This report provided an update to two policy documents and on a current consultation exercise on the Investment Regulations.</p> <p>Officers drew attention to CIPFA Investment Principles Guidance. At present the London Borough of Hillingdon is only partly compliant in relation to Member training and development. Officers suggested that Members were missing an opportunity to network with other Authorities and recommended the Committee might attend additional external training to enhance their skills and knowledge (up to 20 hours training per annum).</p> <p>Resolved</p> <ol style="list-style-type: none"> 1. That the Committee approve the revised Statement of Investment Principles. 2. That the Committee agree to the addition of Steve Feltham and Simon Jones to the Death Grant decision panel. 3. That the details in relation to the consultation exercise on the Investment Regulations are noted. 4. That the Committee confirms its commitment to enhance skills and knowledge. 	
5.	<p>RETIREMENT PERFORMANCE STATISTICS</p> <p>Ken Chisholm introduced the report. This report summarised the number of early retirements in the last quarter.</p> <p>Resolved</p> <ol style="list-style-type: none"> 1. That the contents of the report be noted. 	
6.	<p>REVIEW OF INVESTMENT STRATEGY OF THE FUND</p> <p><i>This item was discussed as a Part 2 item without the press or public present since the information under discussion contains confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985.</i></p> <p><i>This is because it will discuss '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).</i></p>	
7.	<p>CORPORATE GOVERNANCE & SOCIALLY RESPONSIBLE INVESTMENT</p> <p><i>This item was discussed as a Part 2 item without the press or public present since the information under discussion contains confidential or exempt information as defined by law in the Local Government (Access to Information) Act 1985.</i></p>	

	<i>This is because it will discuss '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).</i>	
	The meeting closed at 7.00 pm	

This is a summary of the Pensions Committee proceedings. If you want more detailed information on any of the resolutions, please contact Nav Johal on 01895 550692.

Circulation of this decisions sheet is to Members of the Pensions Committee and appropriate officers.

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Agenda Item 4

Minutes

Pensions Committee

14 May 2009

Meeting held at the Civic Centre, Uxbridge



HILLINGDON
LONDON

Published on: 18 May 2009

Come into effect on: Immediately

	Committee Members Present: Councillors George Cooper, Philip Corthorne, Mike Cox, Paul Harmsworth and Michael Markham. Officers Present: Lloyd White and Nikki Stubbs.	
1.	ELECTION OF CHAIRMAN Resolved – That Councillor Philip Corthorne be elected Chairman of the Committee for the ensuing municipal year.	
2.	ELECTION OF VICE-CHAIRMAN Resolved – That Councillor Michael Markham be elected Vice-Chairman of the Committee for the ensuing municipal year.	
	Meeting closed at: 9.17pm Next meeting: 24 June 2009	

These are the minutes of the above meeting. For more information on any of the resolutions please contact Nav Johal on 01895 250692. 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

James Lake, 01895 277562

Papers with this report

Northern Trust Executive Report
WM Local Authority
Private Equity Listing

SUMMARY

This report reviews the fund management performance for the London Borough of Hillingdon Pension Fund for the quarter to 31 March 2009. The value of the fund as at 31st March 2009 was £417.43m.

RECOMMENDATIONS

That the performance for the fourth quarter of 2008/09 be noted.

INFORMATION

1. The performance of the whole fund for the quarter to 31st March 2009 showed negative returns of 8.55% compared to a negative benchmark of 8.44%, underperforming by 0.11%. The long term performance figures for one, three and five year figures show underperformance of 3.10%, 2.46% and 1.96% respectively, relative to the benchmark. The since inception figure also remains just below the benchmark underperforming by 0.29%.
2. All asset classes detracted from performance, however compared to the benchmark, positive results from overseas equities (1.44%) helped mitigate some of the UK equity underperformance (-1.89%). Both the fixed income and real estate sectors also lagged behind their relative benchmarks.
3. Alliance Bernstein underperformed their benchmark by 0.25%, returning a negative 10.14% compared to a negative 9.89% benchmark. Weak stock selection within the Utilities and Finance sectors detracted from performance as amongst others Eon, Bank of America and MetLife suffered. Stocks which contributed to performance included the financial exchange operator CME which had better than expected results, Credit Suisse following their upbeat business view and energy holding Petro Canada after their merger with Suncor.
4. Capital International had a positive quarter outperforming by 1.81% by returning negative returns of 8.40% against their negative benchmark of 10.21%. The portfolio's holdings in technology and healthcare, including Samsung and Genentech helped towards positive performance. Stock selection within industrials was also positive. Counteracting some of the positive results were financials which lost a fifth of their value. An overweight position within telecommunications and poor returns from consumer services also detracted. Our Investment Management Agreement with Capital will be terminated from the end of June 2009, as reported elsewhere in this report.

5. GSAM also underperformed by 0.89% against their negative benchmark of 2.48%. Corporate selection was the primary reason for underperformance particularly within Investment grade financials. Prices fell as fears of nationalisation would wipe out subordinated debt holders. Cross sector strategy also detracted by having an overweigh allocation to credit sensitive mortgages. Positive impacts included selection in collateralised security within credit sensitive mortgages.
6. The UBS performance over quarter one showed a negative return of 10.90% compared to the negative benchmark of 9.08%, therefore underperforming by 1.82%. The largest positive contributions were the investments in HSBC, Barclays, HMV, Carnival and Regus. The largest detractors were Aviva, Brixton, BG Group, BHP Billiton and Wolseley.
7. The UBS property mandate showed positive performance relative to the benchmark of 0.23% mainly due to large cash holdings. The UK commercial property market continued to struggle and the deteriorating economic environment has increased voids, lengthened rent free periods for new lettings and led to lower reversionary rental levels.
8. At the end of March 2009, £33.07m had been invested in private equity, which equates to 7.92% of the fund against the target investment of 5%, although this remains within the limits of the over-commitment strategy. The main contributing factor for the movement this quarter resulted from the fall in overall fund value. In terms of cash movements, over the quarter £932k was called by fund managers and £151k was received back in distributions.
9. The securities lending activity for the financial year has resulted in income of £162k of which £24k was received from 01/01/09 to 31/03/09. The fund is permitted to lend up to 25% of the eligible assets total and as at 31 March 2009 the assets on loan totalled £49m representing approximately 20% of this total.
10. There was a slight improvement compared to the WM Local Authority summary figures for the quarter to 31 March 2009. Despite this Hillingdon returns still remained below the quarter average figure of negative 7.4% by 1.15% (1.57% Q4 2008). The one year performance figure showed a slight improvement, but still underperformed against average by 4.4% (5.03% Q4 2008).
11. Following the end of quarter a single day event was held to meet and discuss performance with Alliance Bernstein, Goldman Sachs, SSgA and UBS.

Market Commentary

12. There was an overall decline in equities in the first quarter of 2009 with large falls in the first two months in both UK and overseas markets. However these initial equity losses were offset in part during March by gains in the mining and pharmaceutical sectors in the UK and IT in the US. There was little change in sentiment within finance and this sector suffered accordingly.

13. The fixed income sector saw negative returns with the major banks contributing large losses. Gilts which had previously ridden out the storm suffered as the government began its quantitative easing programme, with investors showing concern over the considerable increase in supply.
14. Property continued to fall against the backdrop of a deteriorating economic environment. This has increased vacancies, lengthened rent free periods, lower rental revisions and defaults.

FINANCIAL IMPLICATIONS

These are set out in the report

LEGAL IMPLICATIONS

There are no legal implications arising directly from the report

BACKGROUND DOCUMENTS

None

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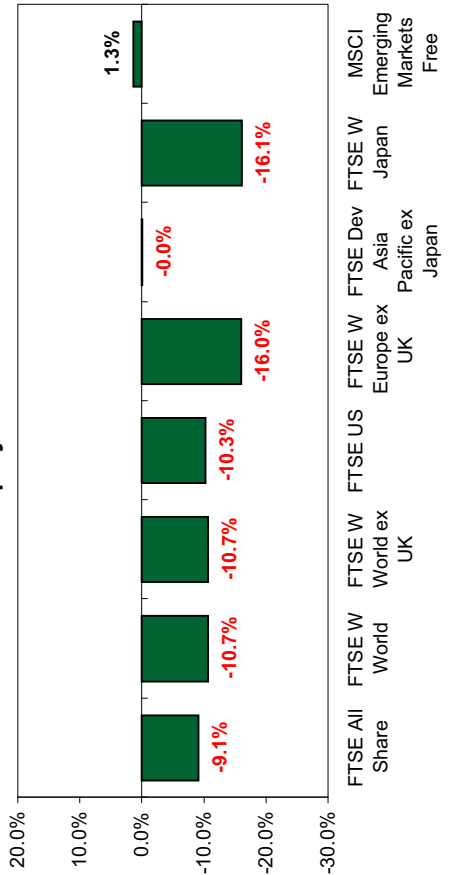
London Borough of Hillingdon

1st Quarter, 2009

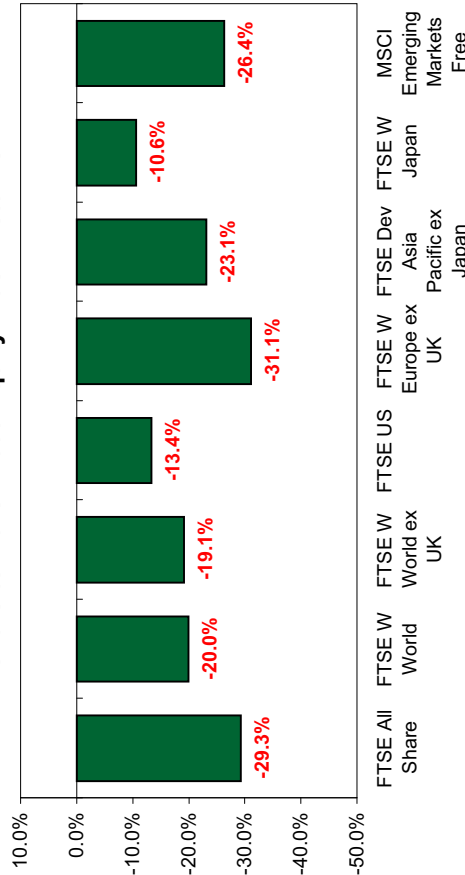
Executive Report	
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Equity Overview

Q1 2009 Equity Index Returns



12 months to March 2009 Equity Index Returns



All index returns are in GBP terms unless stated otherwise.



Conditions in the global economy continued to deteriorate over the first quarter of 2009 maintaining downward pressure across equity markets. Positive measures announced by governments and central banks helped to slow the pace of decline as some of the world's largest financial institutions received further government support and fresh capital injections. Global equity markets continued to experience high levels of volatility, finishing March with positive 1 month figures but returning negative figures generally in excess of 10% for the quarter as a whole. Despite a market rally in March, the FTSE World fell 10.7% (GBP) in quarter 1 2009. The International Monetary Fund (IMF) is taking a positive outlook, predicting the resumption of growth in 2010 stating that it will exceed 2% by the end of next year.

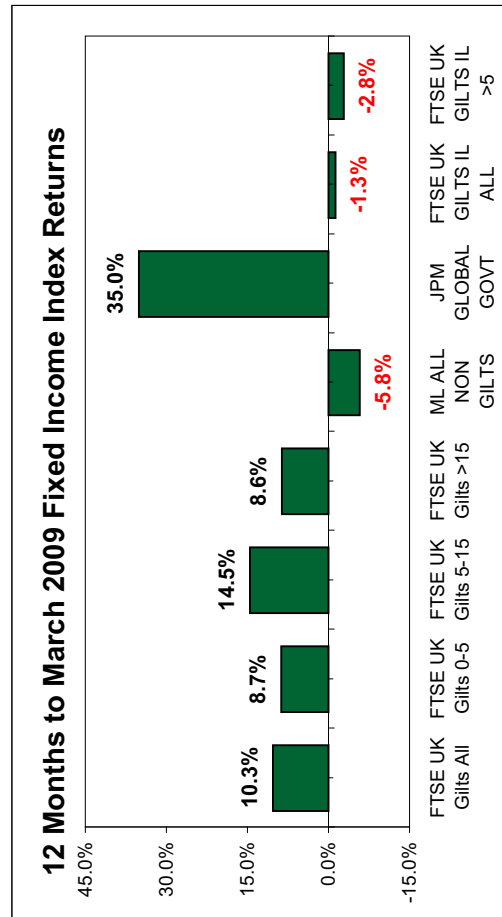
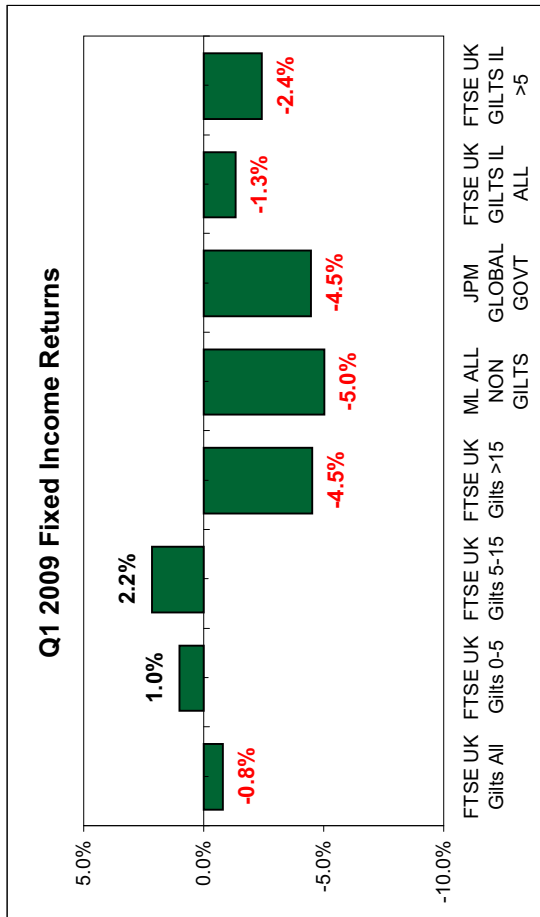
In the UK there are few signs that the country is emerging out of recession. Output in Q4 2008 dipped 1.6% and economic data so far suggests that the downward momentum has gathered pace. The IMF now predicts the UK economy will shrink 4.1% in 2009 - marking the worst slump for 60 years. The latest CBI survey results of GDP output expectations were the weakest since it began in 1975. The manufacturing, services and construction sectors all continue to contract and predictions are that economic growth has further to fall before stabilising. The Bank of England and British Government continued the aggressive line taken in 2008 cutting base rates a further 150 basis points to 0.5%. UK unemployment continues to rise sharply and measures indicate that it will rise above 2 million for the first time since 1997.

In Europe, the FTSE Europe ex UK fell 16% (GBP). France and Germany suffered their worst quarterly falls in GDP for 20 years while Spain, Italy, the Netherlands and Austria all contracted sharply. The European Central Bank continued cutting rates in line with other central banks lowering the lending rate by a further 125 bps to 1.25%, its lowest rate since the Euro was introduced in 1999. Projections show the Eurozone economy contracting further this year and Trichet, the ECB President signalled that borrowing costs could drop again. Analysts are claiming room to lower the rate to 1% in Q2. Unemployment has continued to rise with manufacturing jobs hardest hit though the French government did move to support the ailing car industry providing aid to both Peugeot and Renault. The German Ifo business climate index fell to an all-time low in March as consumer prices continue to decline.

The Obama administration's \$789.2 billion stimulus plan was agreed by the senate, split between spending, aid and tax cuts. The fourth quarter 2008 US GDP figure was revised down from -3.8% to -6.2%, with exports down 24% year on year adding further urgency to the bill. Fears that a creeping nationalisation of banks and insurance groups could follow meant that markets have not responded well, the FTSE US index was down 10.3% (GBP) for the first quarter of 2009. General Electric, Wells Fargo and US Bancorp all cut their dividend substantially, the former for the first time since 1938. Prospects look bleak for both General Motors and Chrysler, being exacerbated by would-be purchasers being unable to find finance. The federal funds target rate was maintained at its all time low of between 0% and 0.25% through quarter 1. Oil prices, following a highly volatile 2008, experienced a much more stable quarter ending March at \$48 per barrel. Signs of stabilisation in the US housing market have started to emerge though the labour market still presents cause for concern, the unemployment rate moved up to 8.3% from 7.2% at the end of 2008. Despite this, Ben Bernanke, chairman of the Federal Reserve has spoken of tentative signs that the decline may be slowing, looking to data on home sales, home building and consumer spending. Confidence in regulators fell again following the \$8 billion alleged fraudulent Stanford investment scheme coming hot on the heels of Madoff, though many investors will be questioning their own due diligence processes. The Congressional oversight committee has submitted an 8 point plan to identify and regulate systemic risk, limit excessive leverage in financial institutions and increase supervision of consumer financial products to choke off the creation of "toxic assets" at the source.

All indicators are pointing to a sharp economic contraction in Japan in 2009; the collapse in consumer spending abroad has pummeled the country's exports. The resilience of Yen versus other currencies is not expected to persist. The outlook is made bleaker still by the lack of monetary tools available following years of fighting disinflation with near-zero interest rates. The strong Yen helped Japan outperform all developed markets in 2008, over the first quarter of 2009 we have seen that reversed: FTSE Japan returned -16.1% (GBP) for Q1. After taking a drubbing last year emerging markets started 2009 in strong fashion, China's domestic stocks led the pack but these are largely off limits to foreign investors. MSCI Emerging Markets Free index returned 1.3% (GBP) for the first quarter.

Fixed Income Overview



The economic challenges facing the global economy increased in depth and intensity over the first quarter of 2009. Major developed countries are now in recession while emerging markets have been more badly affected by the fall in global trade rather than any direct effects from the credit crisis. Most central banks reduced interest rates to record lows where possible and either started or considered using more unorthodox measures to directly boost money supply.

Prompted by the deteriorating economic outlook and deflationary fears, the Bank of England lowered interest rates to 0.50% over the quarter and introduced quantitative easing, the purchase of £75bn of assets, mainly gilts over the next 3 months to boost the supply of credit and in effect creating new money. The move led to a sharp fall in bond yields however the “failed” auction of the 2049 issue raised general concerns over the ability of the private sector to absorb the glut of paper to finance the fiscal deficit. Gilt yields also rose on the surprise rise of CPI inflation to 3.2% in February from January’s 3.0% as a result of the weaker pound. The FTSE UK Gilts All Stocks ended the quarter down -0.8% (GBP).

In Europe the ECB cut interest rates by 100bps over the quarter to 1.50% however the very weak economic data supports expectations for further rate cuts and new non-standard policy measures to improve liquidity in the euro zone economy. The German IFO business climate index fell to a new all time low of 82.1 in March following the collapse of world trade volumes, while the EU-16 unemployment rate rose 0.3% to 8.5% in February.

In spite of the raft of measures taken by the US Federal Reserve in Q4, the credit markets remain impaired. The continuing deterioration in the US outlook combined with scepticism with the US financial rescue plan has led to the Fed announcing further measures in March. Following the lead of the Bank of England, they said that they would buy up to US\$300bn of longer-term Treasury securities over the next 6 months. The Fed also said that they would purchase up to an additional US\$750bn of mortgage backed securities and increase purchases of agency debt this year. The Fed funds target rate remained at 0-0.25% and the Fed stated that rates are likely to stay in the range for an extended period. With the above measures, the Fed hopes to reduce mortgage rates and restore confidence in the housing market and wider economy. The 2 year Treasury yields rose slightly on the quarter from 0.76% to 0.81%, while the 10 year Treasury yields climbed from 2.25% to 2.71%.

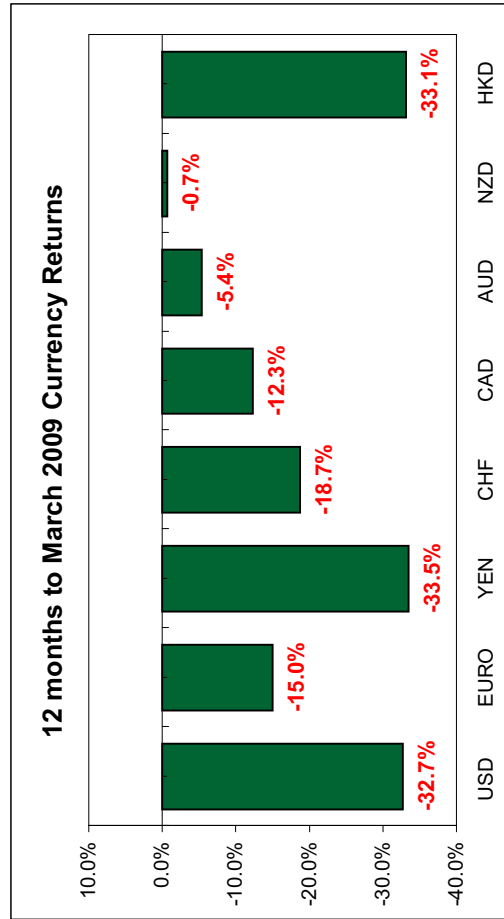
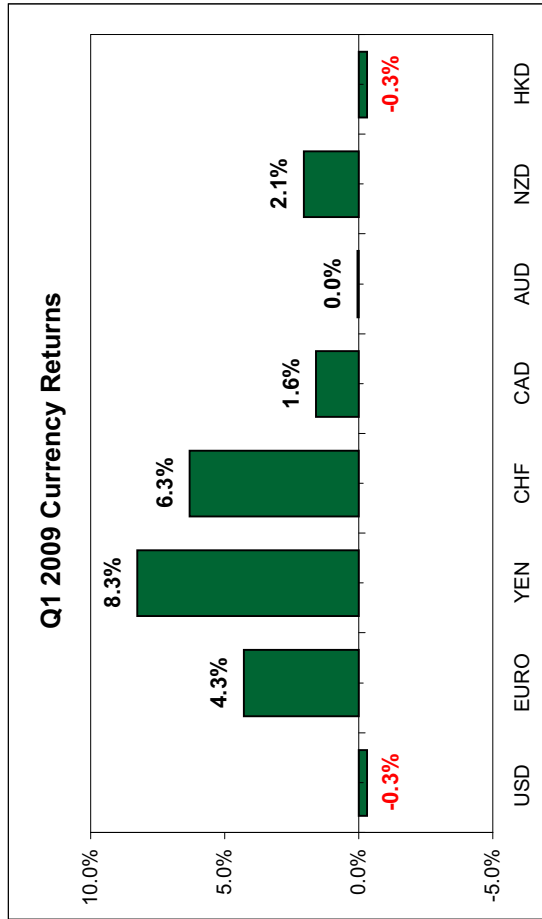
All index returns are in GBP terms unless stated otherwise.



Northern Trust

Prepared by Investment Risk & Analytical Services

Currency Market Overview



Global focus on the crisis in financial markets increased as most central banks reduced interest rates to record lows and either started or considered using more unorthodox measures quantitative easing, to directly boost money supply. High volatility in the currency markets is a continuing theme as indicated by the volatility index VIX closing at 44.14 for the quarter, albeit nowhere near the levels seen in Q4, with an all time high of 80.86 on the 20th Nov.

Sterling was among the weaker major currencies towards the end of the quarter amid concerns over worse than expected UK economic data, the rising fiscal deficit and the Bank of England's decision to resort to quantitative easing, having effectively exhausted monetary policy as a conventional tool when interest rates were cut to 0.50% on the 5th March. UK consumer confidence data (GfK National Opinion Poll) at the end of March revealed a surprise rise in household optimism, rising to -30 from -35, however consumer spending is expected to remain weak as unemployment rose above 2 million for the first time since 1997. The de-leveraging process is continuing, as households repay mortgage debt and increase savings. The sharp fall in the pound seen over 2008 appears to have slowed for Q1 returning -0.3% (GBP) against the US dollar while gaining 4.3% (GBP) and 8.3% (GBP) against the euro and yen respectively. Despite fears over the stability of the US financial sector, the deterioration of the labour markets (US employment fell 651,000 in February and the unemployment rate rose to 8.1% in February, a 25 year high) and the economic contraction, the US dollar posted solid gains in the first quarter particularly against the euro and yen. Demand for the dollar as a safe haven alongside gold, persisted throughout the period following global equity market falls, repatriation flows from emerging markets and worries about the exposure of the euro zone economy to banks in Eastern Europe. In March the dollar fell sharply against its G10 counterparts after the Fed announced that it will purchase \$300bn worth of treasuries, raising concerns about inflation prospects and pushing participants into commodity currencies such as the Australian dollar, buoyed by an 8% jump in the price of gold.

The euro depreciated against most major currencies except for the yen and Swiss franc in the first quarter returning -4.6% and -4.3% (Euros) against the dollar and pound respectively. The ECB cut interest rates in January and March from 2.50% to 1.50%, revising down its forecast for euro zone GDP growth and inflation in 2009 with an expectation that the economy will contract by about 2.7% this year. Leading indicators remain weak, with the German IFO business climate survey falling to a new cyclical low in March to 82.1 from 82.6 in February. Market participants continue to be wary over the exposure of the euro zone economy to the concentration of risk in its banking sector to the eastern European economies following rating downgrades.

The Japanese yen fell against all major currencies over the quarter as the country suffers from the collapse in global trade volumes, returning -8.6%, -8.3% and -4.0% against the dollar, pound and euro respectively.

All index returns are in GBP terms unless stated otherwise.



Scheme Performance

The London Borough of Hillingdon portfolio slightly underperformed the benchmark during the first quarter of 2009 (-8.55% vs. -8.44%). With the exception of Capital International and UBS, all managers performed below their respective benchmarks. The pattern is consistent at total fund level over all long term periods. Since inception, the Fund maintains a positive return, however still underperforms the benchmark (4.55% vs. 4.84%).

Manager Performance**Alliance Bernstein**

Alliance Bernstein continued to underperform the benchmark (-10.14% vs. -9.89%). Losses came primarily from the Fund's stock selection (-0.56%), which was weighed down heavily by UK Equity (-1.02). Asset allocation (0.18%) helped ease the performance gap slightly. The Fund underperforms the benchmark for all long term periods.

Capital International

Successful asset allocation (1.98%) and stock selection (1.38%) helped Capital International outperform the benchmark. With the exception of Asia Pacific and Japan holding, all other regions saw positive returns. However, weak historical return cause the Fund to fall below benchmark levels for all long term periods.

Goldman Sachs

Goldman Sachs continued to underperform the benchmark (-3.37% vs. -2.48%). The Fund underperforms for all periods.

UBS

This was the second consecutive quarter of underperformance for UBS (-10.90% vs. -9.08%). Strong historical return allow the fund to maintain a since inception lead over the benchmark (8.50% vs. 7.36%).

UBS Property

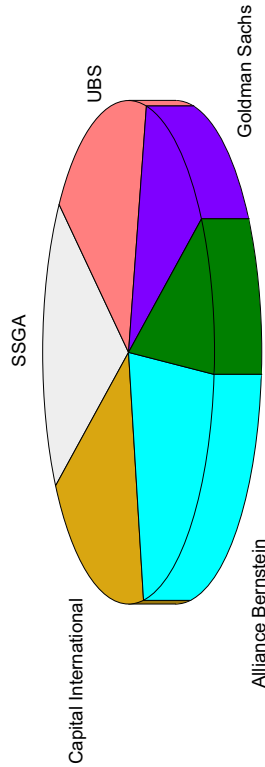
UBS Property continued to outperform the benchmark (-7.57% vs. -7.80%). All long term periods are now above benchmark levels.

Scheme Performance

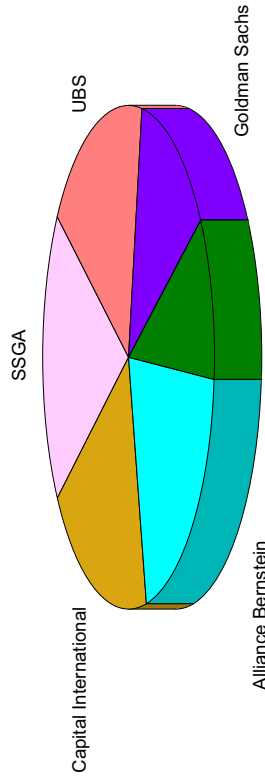
	Three Months			Year To Date			One Year					
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
London Borough of Hillingdon	-8.55	-8.44	-0.11	-0.12	-8.55	-8.44	-0.11	-0.12	-24.30	-21.20	-3.09	-3.92
<u>By Manager</u>												
Capital International	-8.40	-10.21	1.81	2.02	-8.40	-10.21	1.81	2.02	-22.56	-21.25	-1.31	-1.66
Goldman Sachs	-3.37	-2.48	-0.89	-0.91	-3.37	-2.48	-0.89	-0.91	-5.48	1.07	-6.55	-6.48
UBS	-10.90	-9.08	-1.81	-1.99	-10.90	-9.08	-1.81	-1.99	-26.98	-25.23	-1.75	-2.34
Alliance Bernstein	-10.14	-9.89	-0.25	-0.28	-10.14	-9.89	-0.25	-0.28	-31.03	-24.96	-6.07	-8.09
UBS Property	-7.57	-7.80	0.23	0.25	-7.57	-7.80	0.23	0.25	-26.57	-27.12	0.55	0.75
SSGA	-8.68	-8.60	-0.08	-0.09	-8.68	-8.60	-0.08	-0.09	-	-	-	-

Total Fund Market Value at Qtr End: £392.3 M

Weighting at Beginning of Period



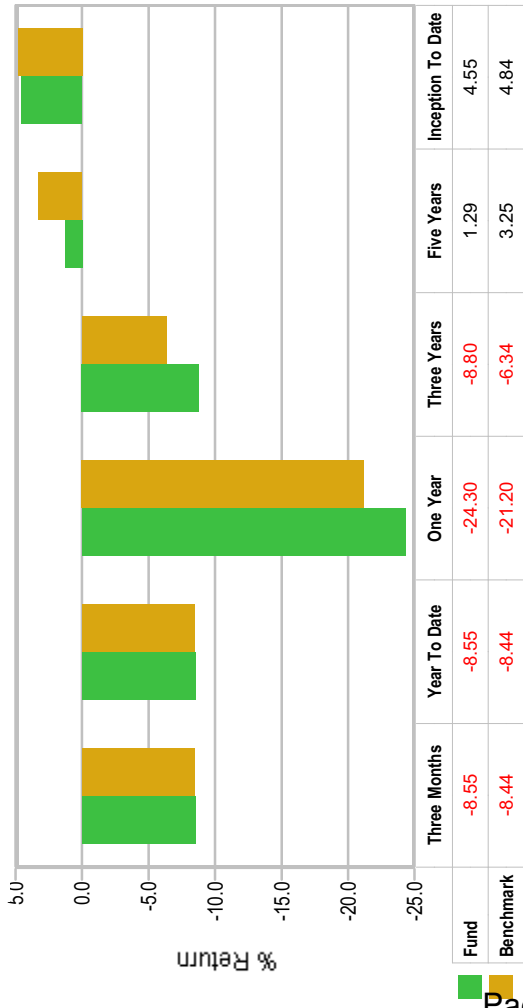
Weighting at End of Period



	Opening Market Value £(000)	% of Fund	Net Investment £(000)	Appreciation £(000)	Income Received £(000)	Closing Market Value £(000)	% of Fund
London Borough of Hillingdon	429,792	100.00	-735	-39,739	3,027	392,345	100.00
Capital International	81,719	19.01	-0	-7,419	553	74,853	19.08
Goldman Sachs	54,628	12.71	-0	-2,424	585	52,789	13.45
UBS	79,255	18.44	-1	-9,381	746	70,618	18.00
Alliance Bernstein	89,617	20.85	-734	-9,731	688	79,839	20.35
UBS Property	43,829	10.20		-3,773	456	40,513	10.33
SSGA	80,743	18.79		-7,011		73,732	18.79

London Borough of Hillingdon

Historical Plan Performance



Risk Statistics - 3 years

Fund B'mark

Performance Return **-8.80** **-6.34**
 Standard Deviation 13.57 13.09

Relative Return **-2.63**
 Tracking Error 1.31
 Information Ratio **-1.88**

Beta 1.03
 Alpha **-2.18**
 R Squared 0.99
 Sharpe Ratio **-1.08** **-0.93**

Percentage of Total Fund 100.0

Inception Date Sep-1995

Opening Market Value (£000) 429,792

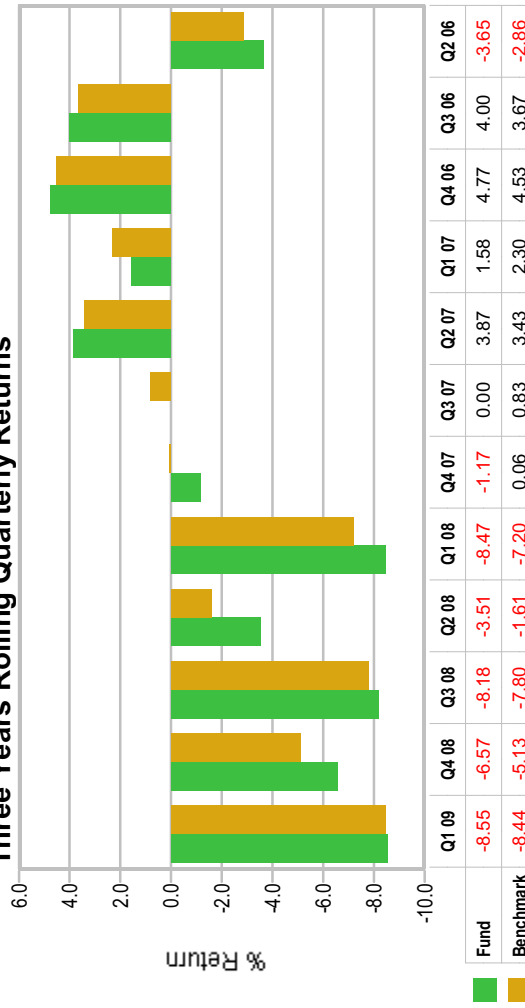
Net Investment £(000) **-735**

Income Received £(000) 3,027

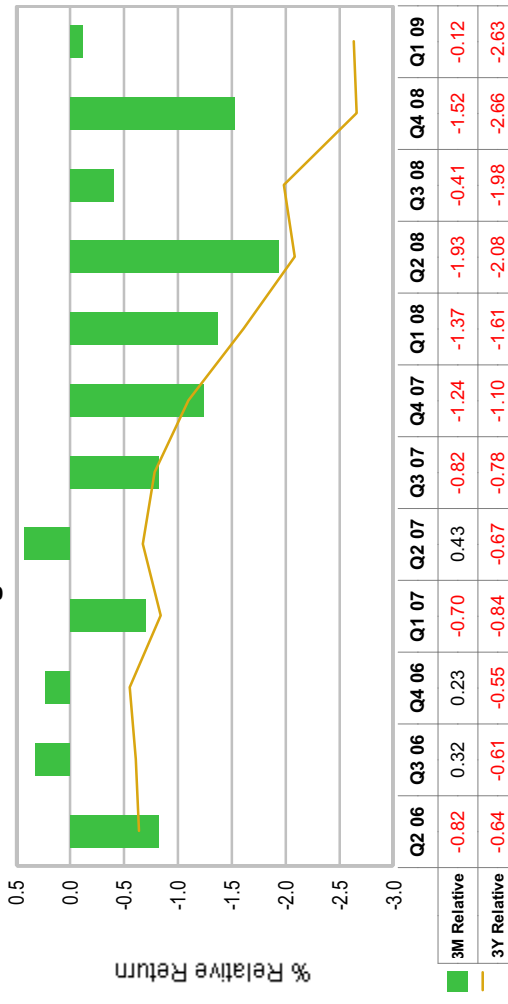
Appreciation £(000) **-39,739**

Closing Market Value (£000) 392,345

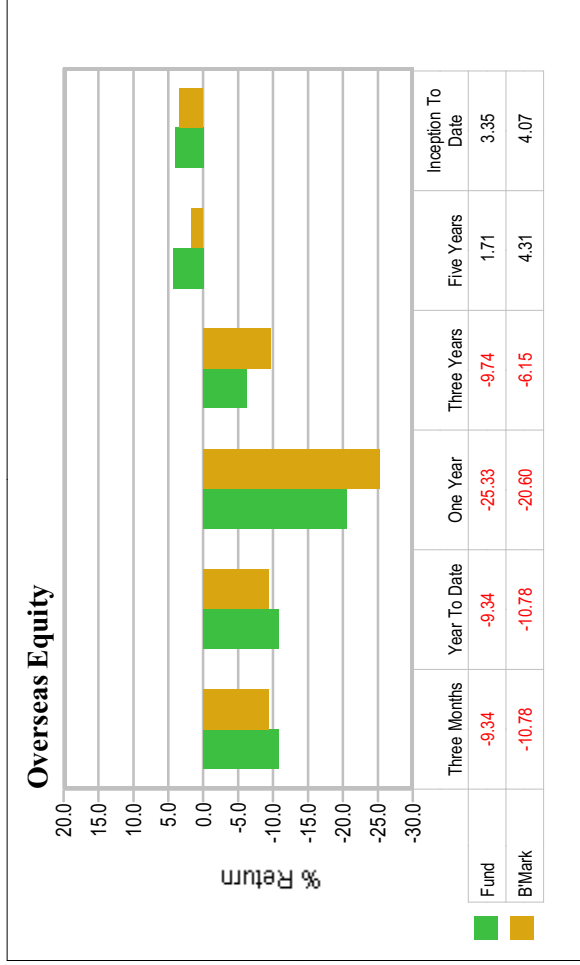
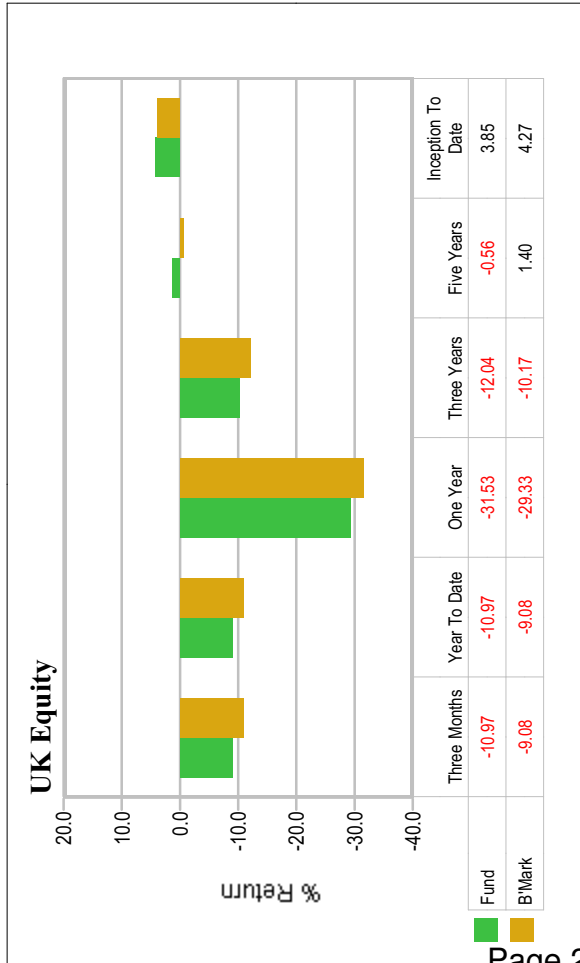
Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns



London Borough of Hillingdon



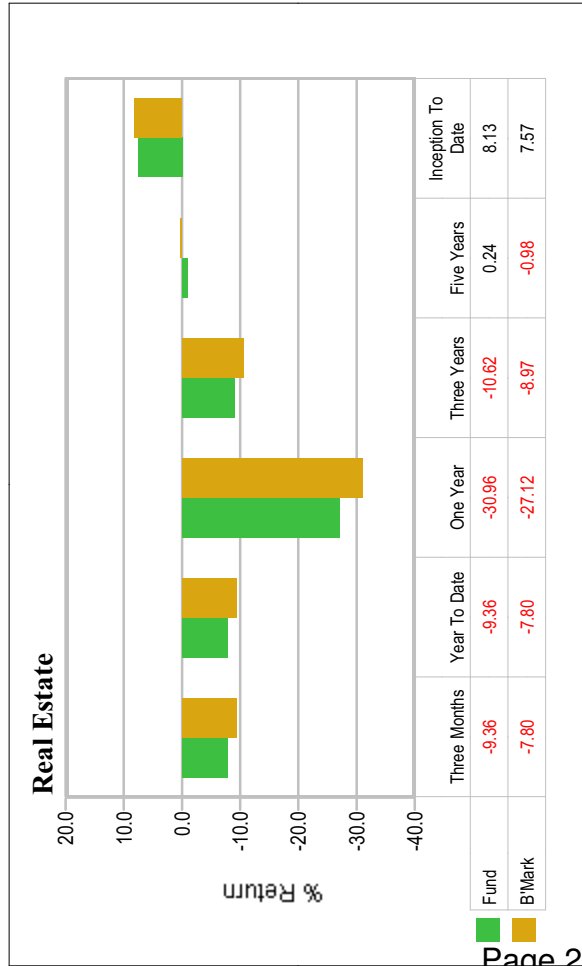
World Fixed Income



World Index Linked Gilts

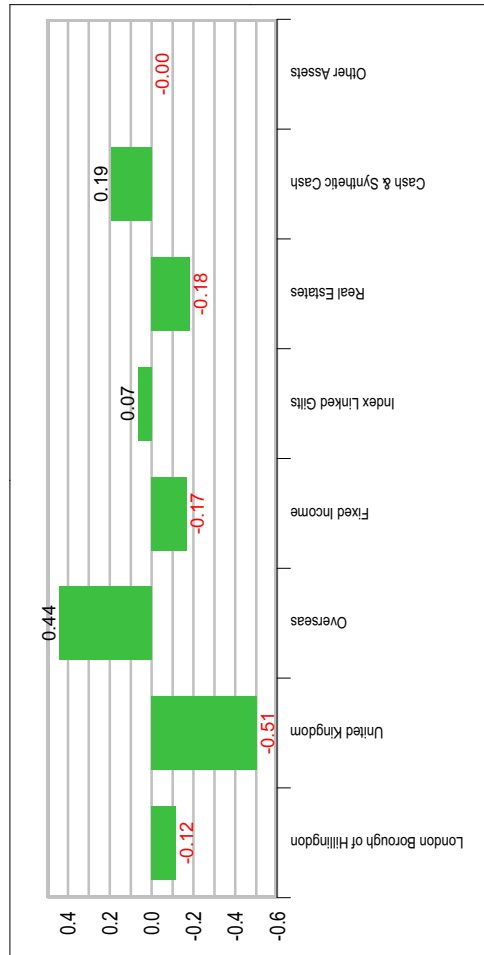


London Borough of Hillingdon

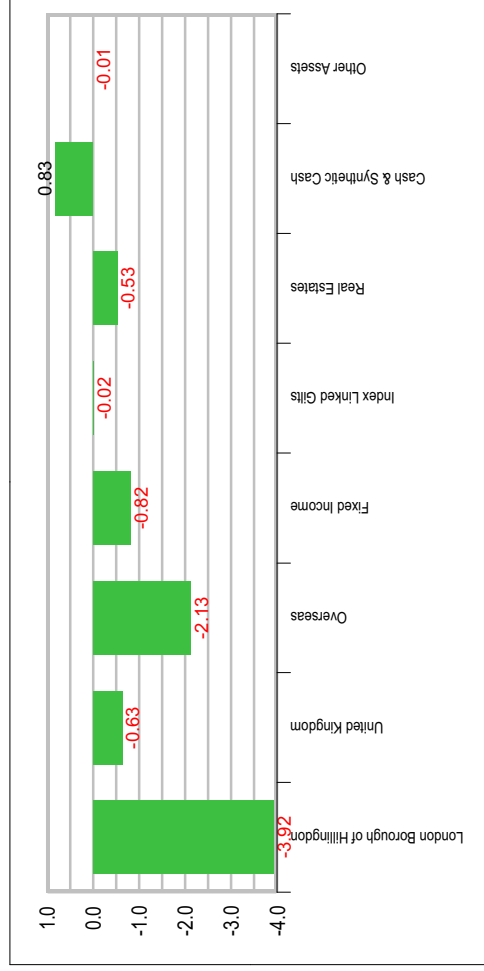


London Borough of Hillingdon

Relative Contribution - Three Months



Relative Contribution - One Year

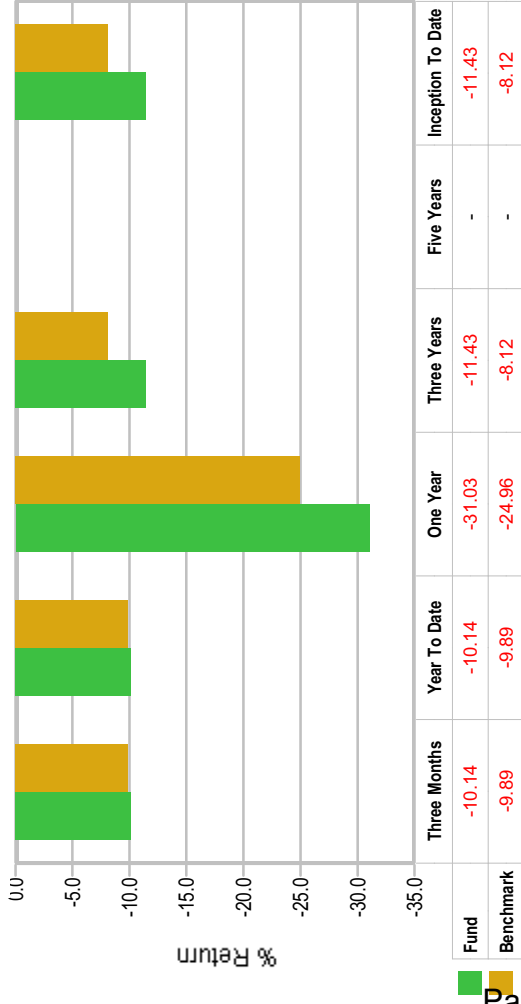


	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection Effect	Relative contribution
London Borough of Hillingdon	-8.55	-8.44	-0.12	0.05	-0.83	0.14	0.53	-0.12
United Kingdom	-10.97	-9.08	-2.07	0.00	-0.00	0.07	-0.58	-0.51
Overseas	-9.34	-10.78	1.61	0.00	-0.75	-0.23	1.43	0.44
Fixed Income	-4.57	-2.52	-2.10	0.00	-0.03	0.11	-0.25	-0.17
Index Linked Gilts	-1.30	-2.43	1.16	0.00	0.00	0.00	0.06	0.07
Real Estates	-9.36	-7.80	-1.69	0.00	0.00	-0.05	-0.13	-0.18
Cash & Synthetic Cash	-1.41	-	-1.41	0.00	-0.05	0.24	0.00	0.19
Other Assets	-	-	0.00	0.00	0.00	-0.00	0.00	-0.00

	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection Effect	Relative contribution
London Borough of Hillingdon	-24.30	-21.20	-3.92	-0.61	7.04	1.25	-10.79	-3.92
United Kingdom	-31.53	-29.33	-3.11	0.00	-0.00	0.36	-0.99	-0.63
Overseas	-25.33	-20.60	-5.96	0.00	6.59	0.09	-8.27	-2.13
Fixed Income	-5.61	2.62	-8.02	0.00	0.33	0.18	-1.33	-0.82
Index Linked Gilts	-1.93	-2.81	0.90	0.00	0.00	-0.06	0.04	-0.02
Real Estates	-30.96	-27.12	-5.28	0.00	0.00	-0.05	-0.48	-0.53
Cash & Synthetic Cash	11.34	-	11.34	0.00	0.10	0.73	0.00	0.83
Other Assets	-	-	0.00	0.00	0.00	-0.01	0.00	-0.01

Alliance Bernstein

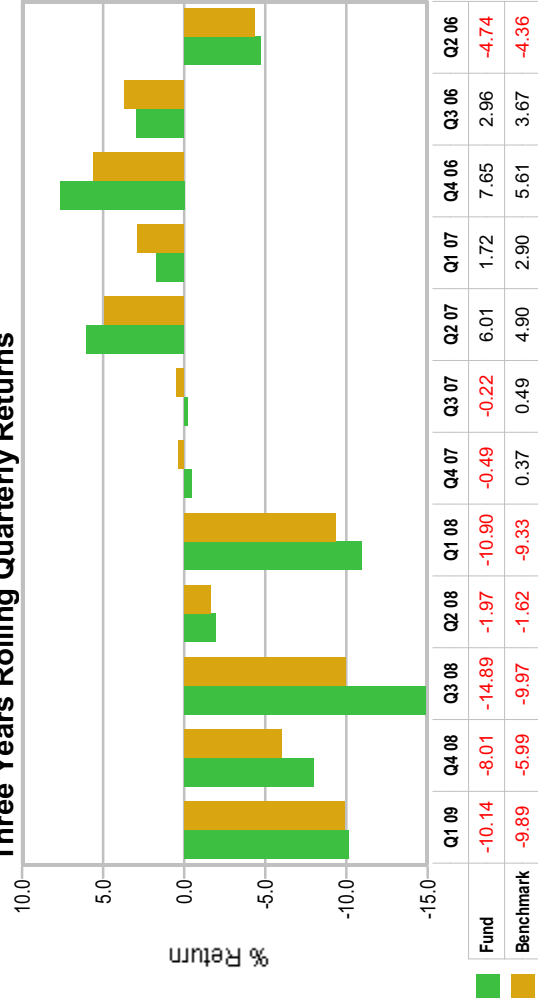
Historical Plan Performance



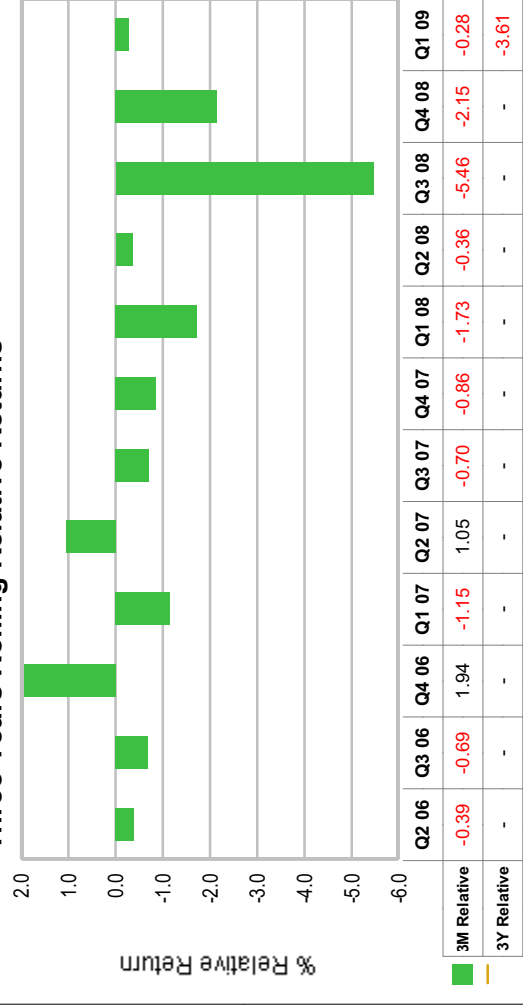
Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-11.43	-8.12
Standard Deviation	17.72	16.80
Relative Return	-3.61	
Tracking Error	2.44	
Information Ratio	-1.36	
Beta	1.05	
Alpha	-2.83	
R Squared	0.98	
Sharpe Ratio	-0.98	-0.83
Percentage of Total Fund	20.3	
Inception Date	Mar-2006	
Opening Market Value (£000)	89,617	
Net Investment £(000)	-734	
Income Received £(000)	688	
Appreciation £(000)	-9,731	
Closing Market Value (£000)	79,839	

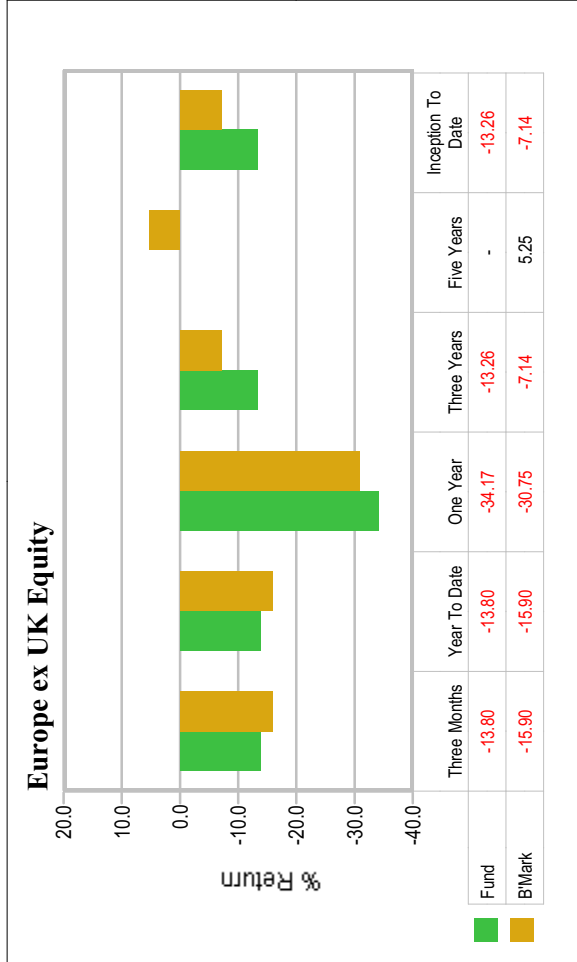
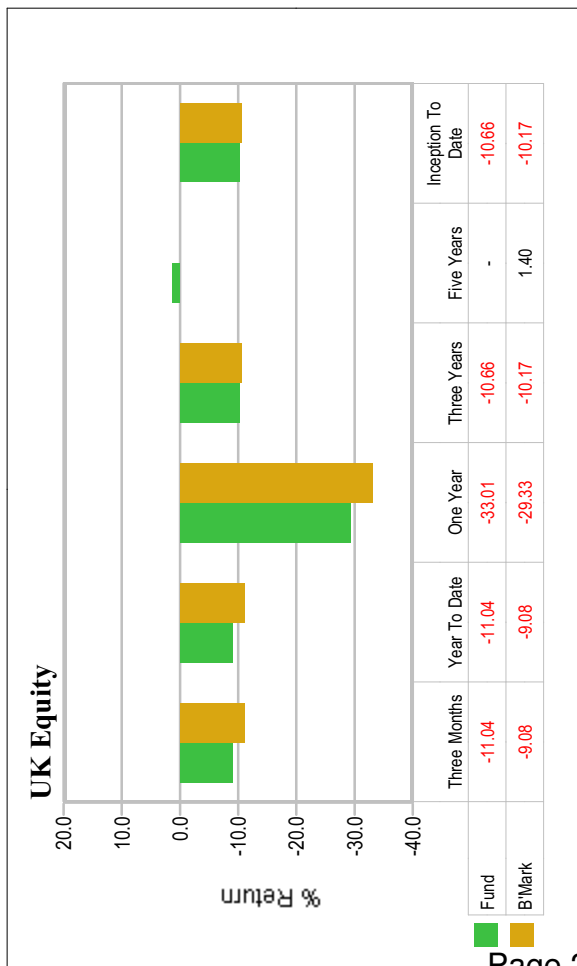
Three Years Rolling Quarterly Returns



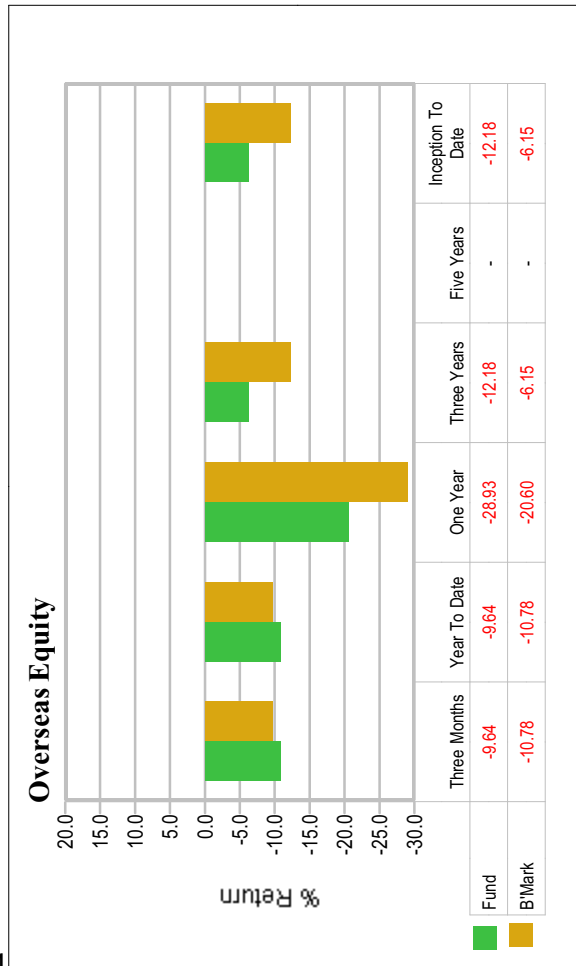
Three Years Rolling Relative Returns



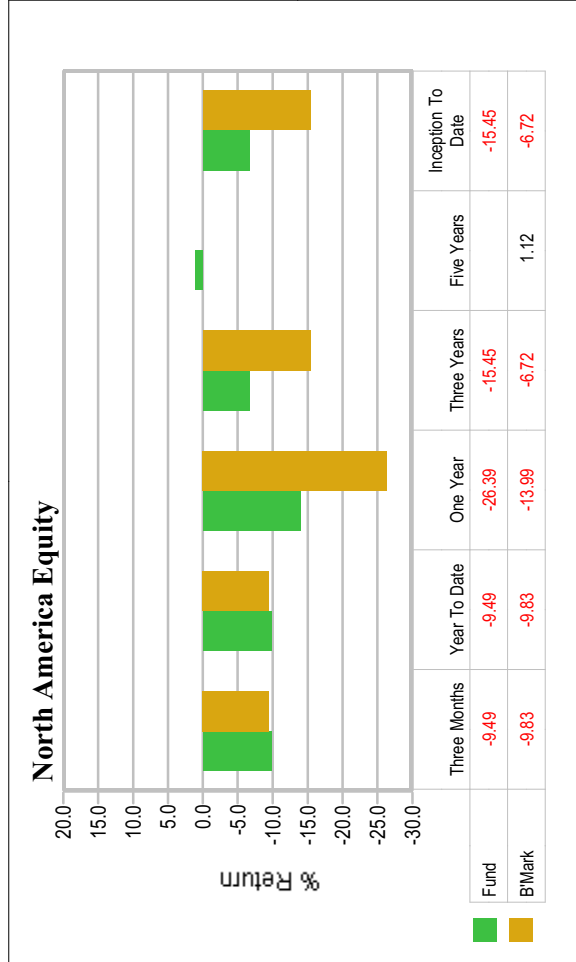
Alliance Bernstein



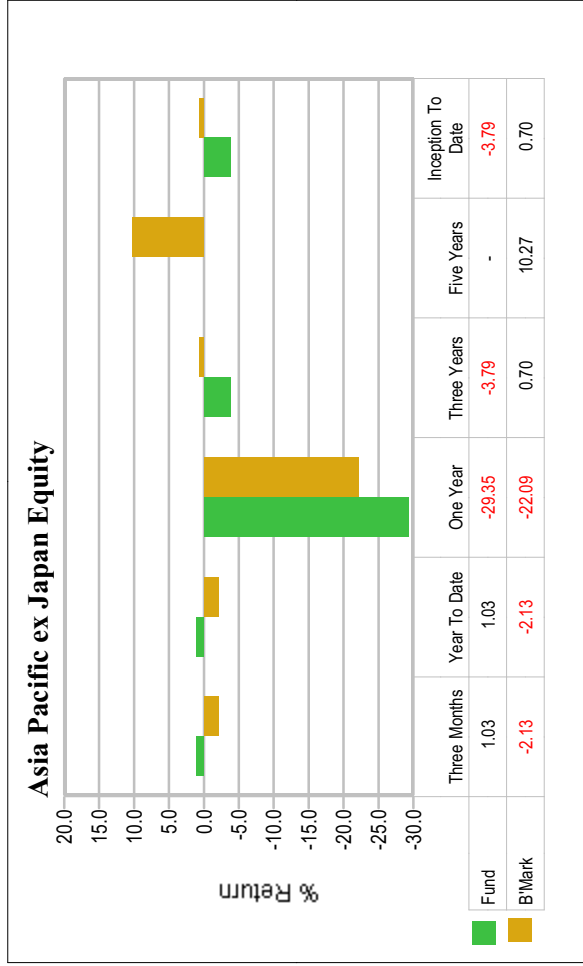
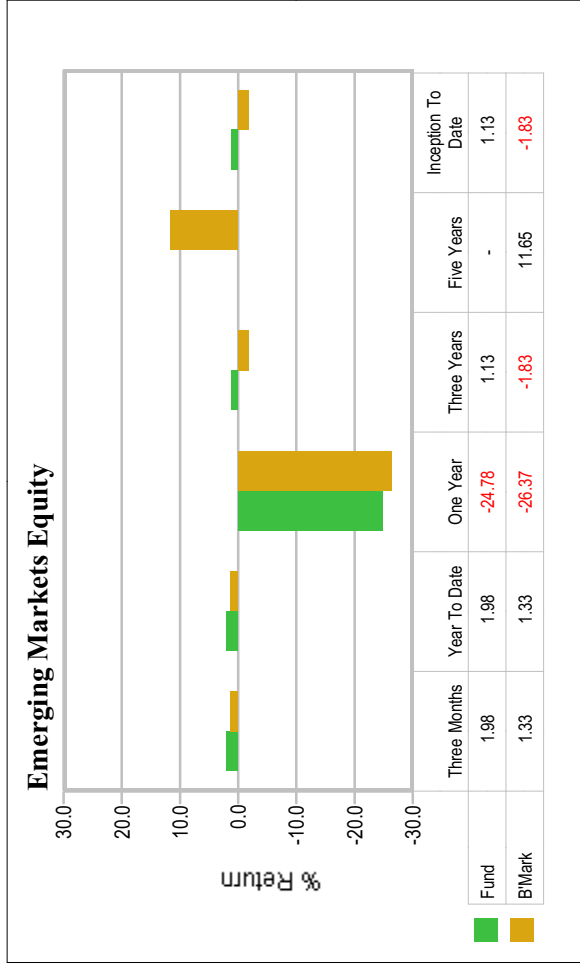
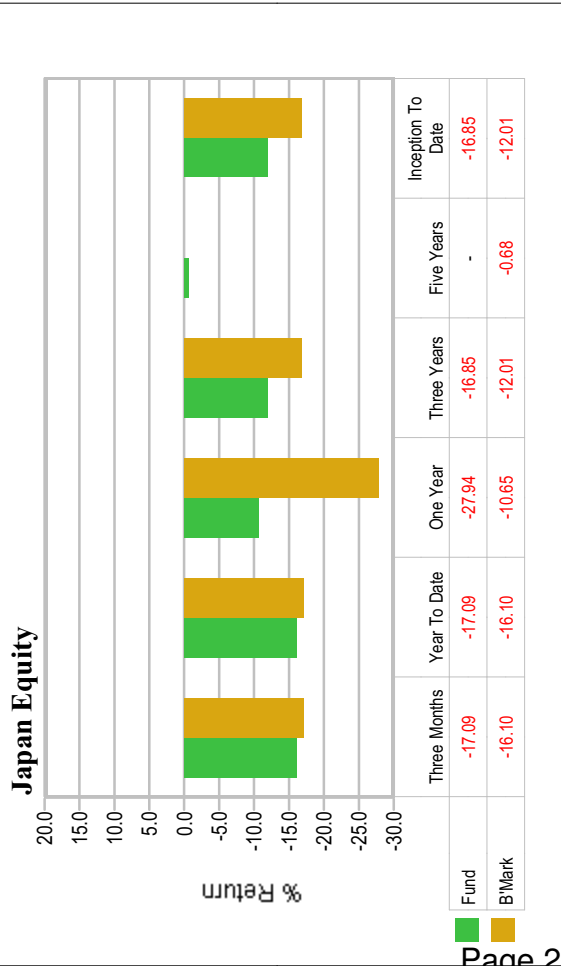
Overseas Equity



North America Equity

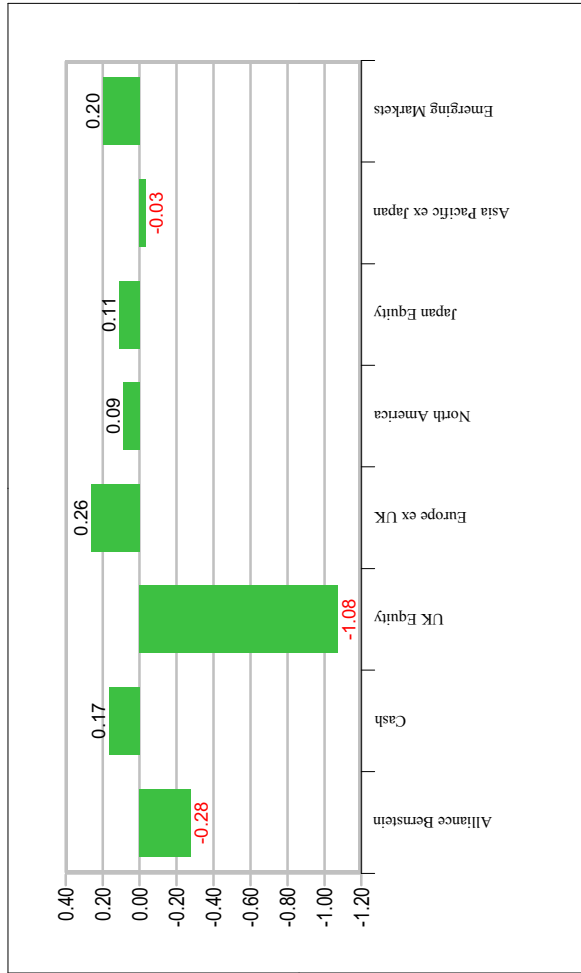


Alliance Bernstein

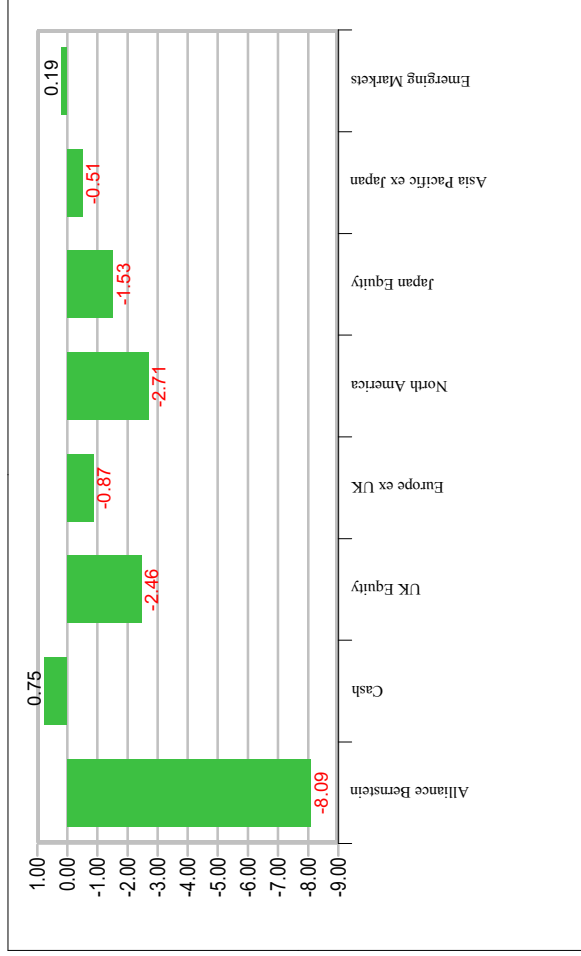


Alliance Bernstein

Relative Contribution - Three Months



Relative Contribution - One Year

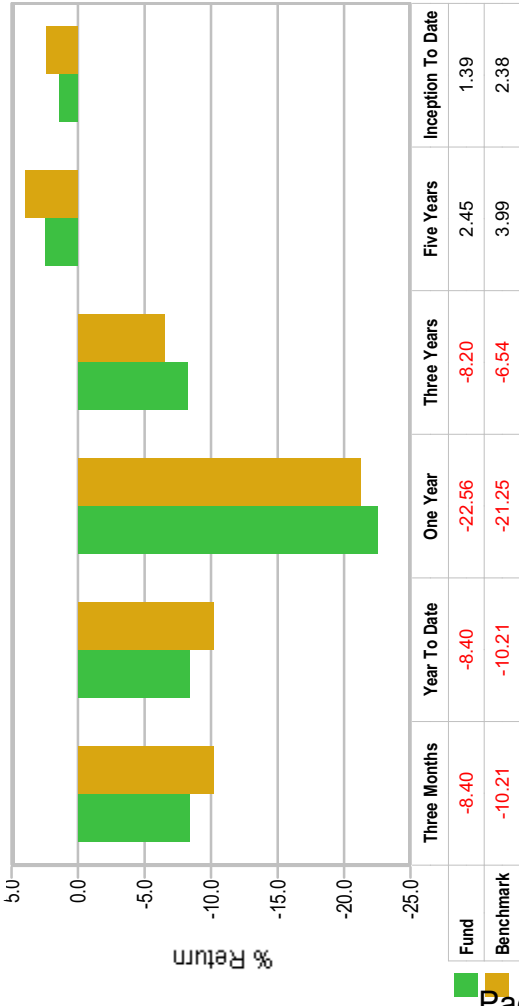


	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Alliance Bernstein	-10.14	-9.89	-0.28	0.01	0.09	0.18	-0.56	-0.28
UK Equity	-11.04	-9.08	-2.15	0.00	-0.05	-0.01	-1.02	-1.08
Europe ex UK	-13.80	-15.90	2.50	0.00	-0.02	-0.01	0.29	0.26
North America	-9.49	-9.83	0.38	0.00	0.02	-0.03	0.09	0.09
Japan Equity	-17.09	-16.10	-1.18	0.00	0.17	0.00	-0.06	0.11
Asia Pacific ex Japan	1.03	-2.13	3.23	0.00	0.02	-0.16	0.11	-0.03
Emerging Markets	1.98	1.33	0.64	0.00	0.01	0.14	0.04	0.20
Cash	-4.83	-	-4.83	0.00	-0.07	0.24	0.00	0.17

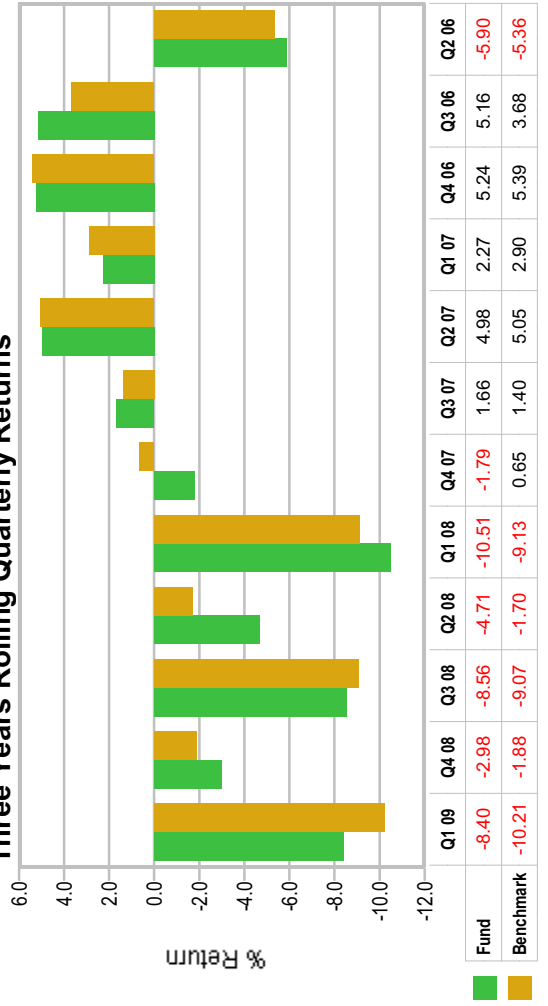
	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Alliance Bernstein	-31.03	-24.96	-8.09	-1.21	-0.55	0.58	-7.03	-8.09
UK Equity	-33.01	-29.33	-5.21	0.00	0.19	-0.15	-2.50	-2.46
Europe ex UK	-34.17	-30.75	-4.94	0.00	-0.01	-0.10	-0.76	-0.87
North America	-26.39	-13.99	-14.42	0.00	0.13	-0.17	-2.67	-2.71
Japan Equity	-27.94	-10.65	-19.35	0.00	-0.27	0.06	-1.32	-1.53
Asia Pacific ex Japan	-29.35	-22.09	-9.32	0.00	-0.35	-0.05	-0.11	-0.51
Emerging Markets	-24.78	-26.37	2.16	0.00	-0.01	0.02	0.18	0.19
Cash	3.99	-	3.99	0.00	-0.23	0.98	0.00	0.75

Capital International

Historical Plan Performance



Three Years Rolling Quarterly Returns

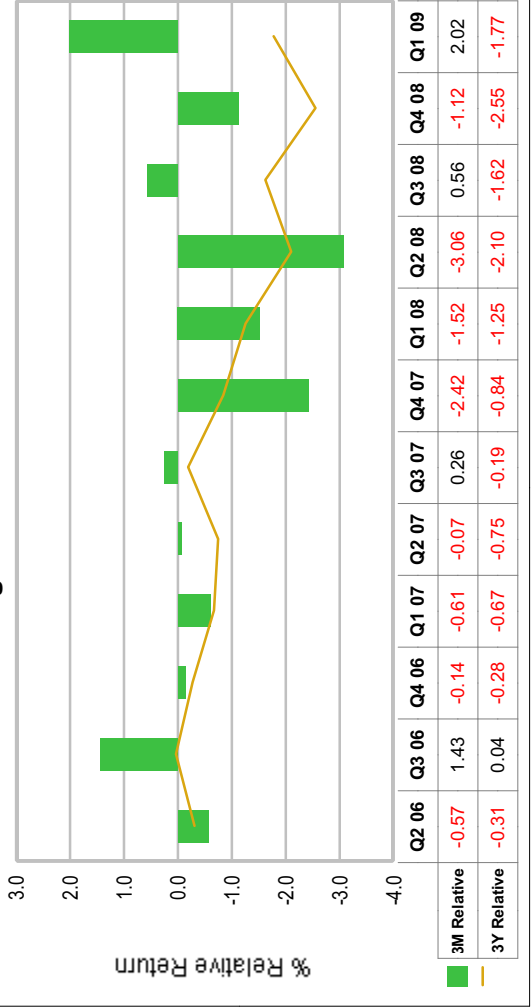


Risk Statistics - 3 years

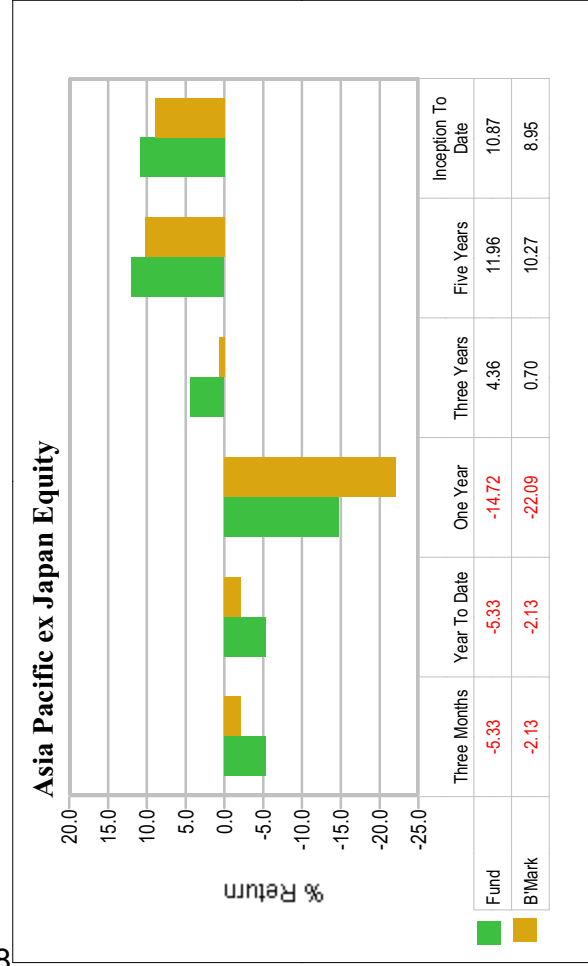
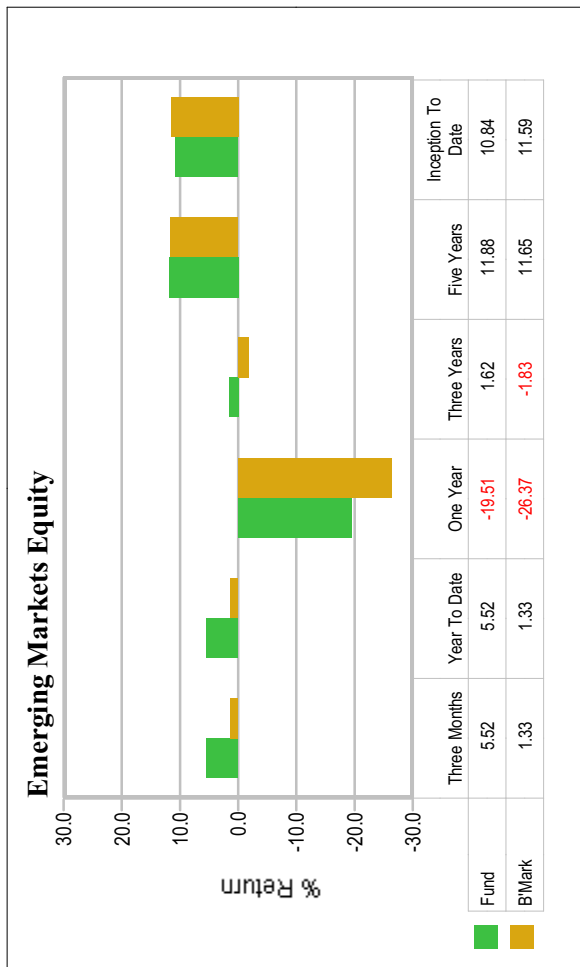
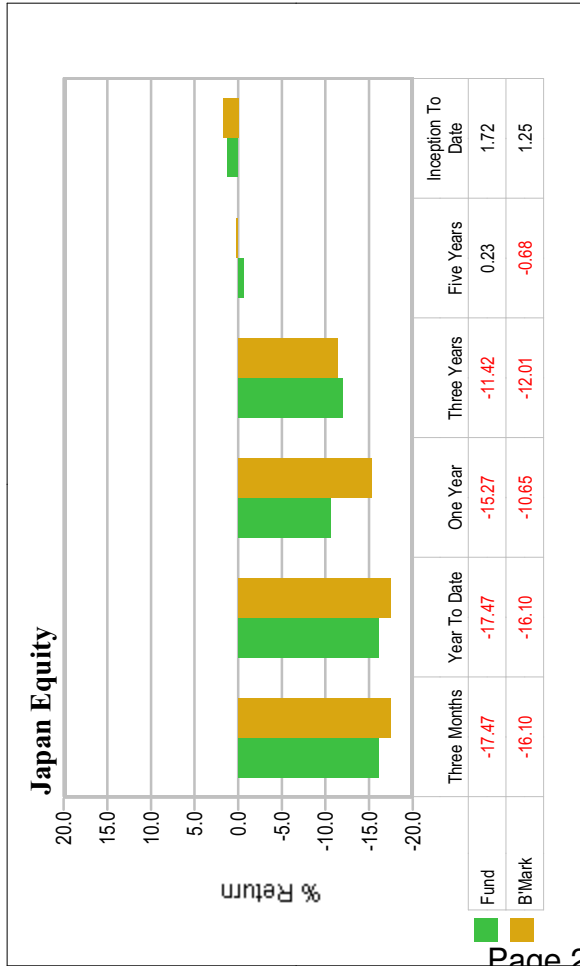
	Fund	B'mark
Performance Return	-8.20	-6.54
Standard Deviation	18.40	18.60
Relative Return	-1.77	
Tracking Error	2.53	
Information Ratio	-0.66	
Beta	0.98	
Alpha	-2.00	
R Squared	0.98	
Sharpe Ratio	-0.76	-0.67
Percentage of Total Fund	19.1	

Inception Date	Dec-2001
Opening Market Value (£000)	81,719
Net Investment £(000)	-0
Income Received £(000)	553
Appreciation £(000)	-7,419
Closing Market Value (£000)	74,853

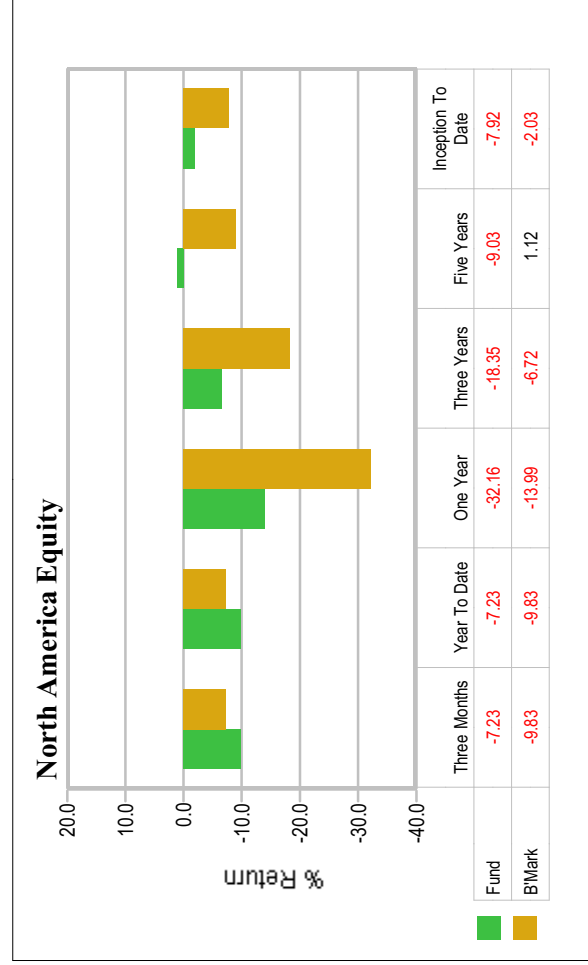
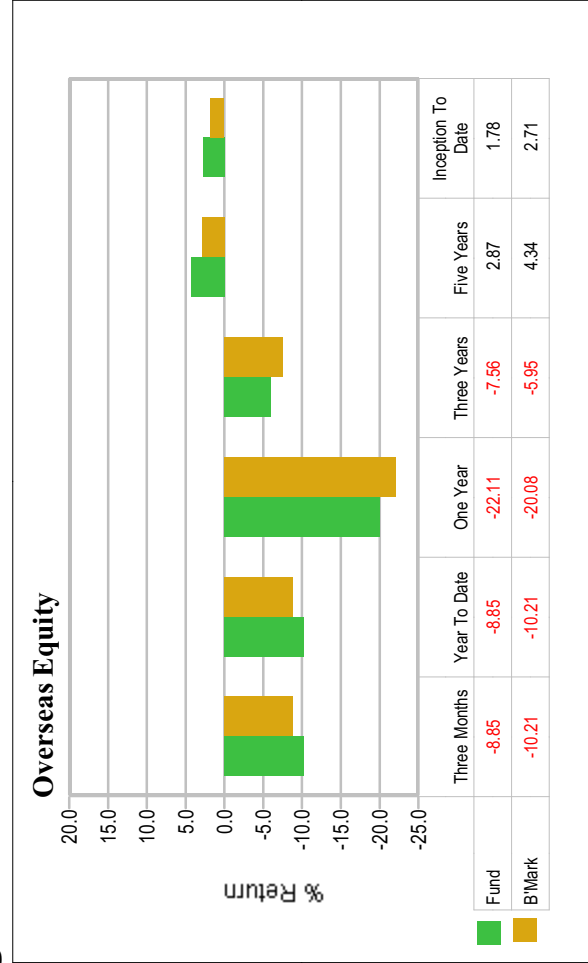
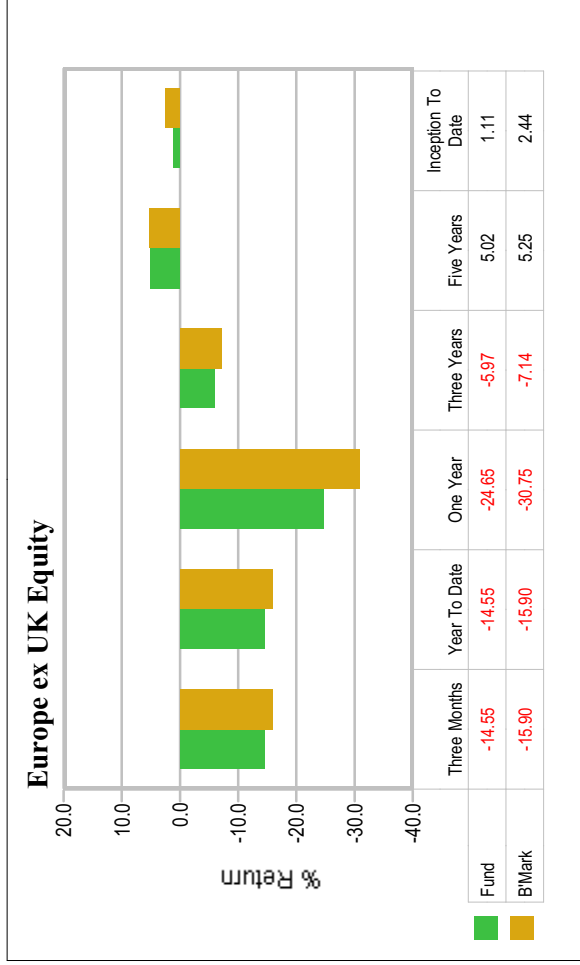
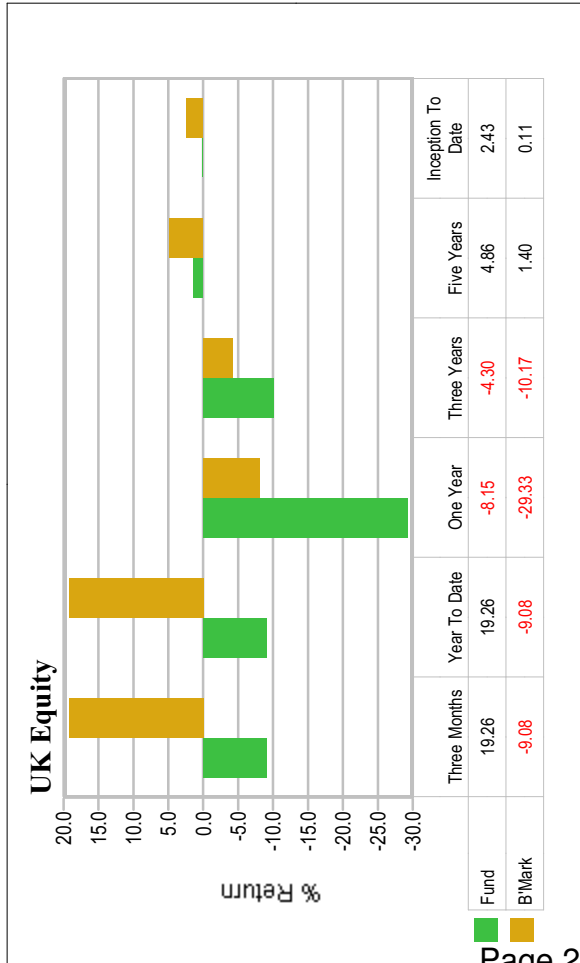
Three Years Rolling Relative Returns



Capital International

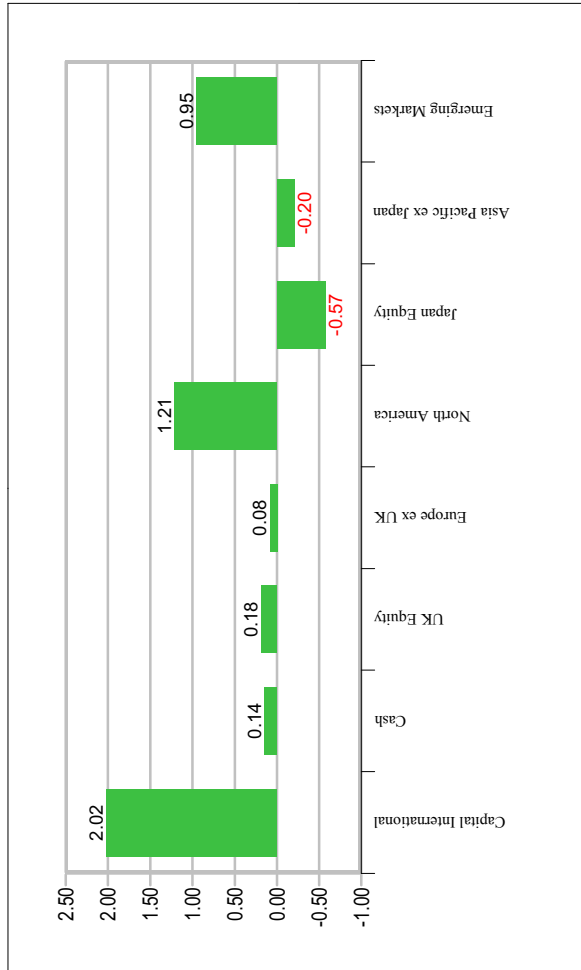


Capital International

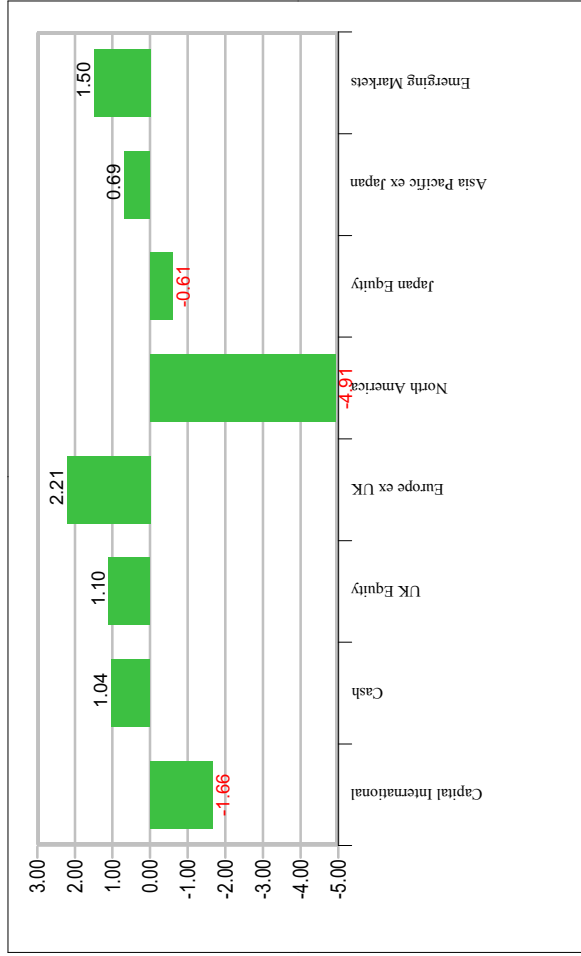


Capital International

Relative Contribution - Three Months



Relative Contribution - One Year

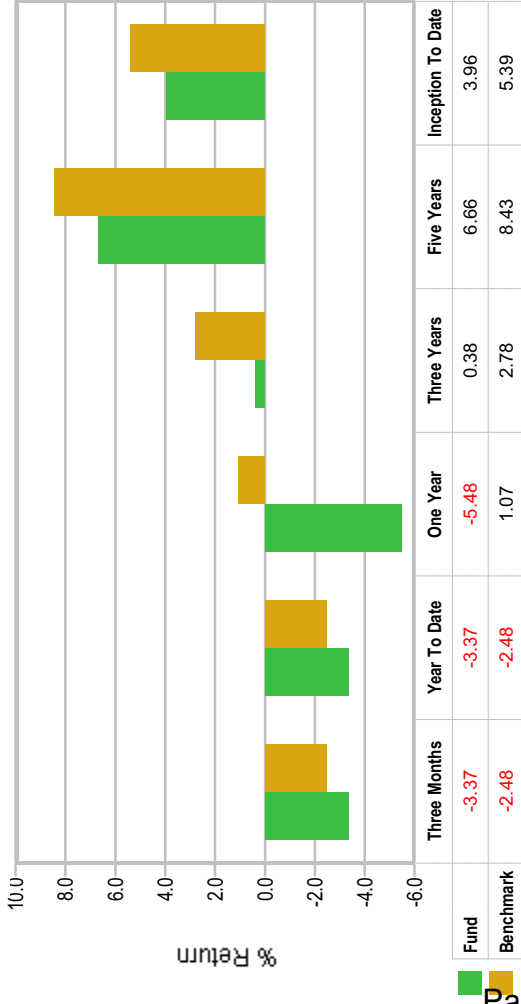


	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Capital International	-8.40	-10.21	2.02	0.09	-1.52	1.98	1.38	2.02
UK Equity	19.26	-9.08	31.18	0.00	-1.41	1.32	0.29	0.18
Europe ex UK	-14.55	-15.90	1.61	0.00	-0.44	-0.06	0.59	0.08
North America	-7.23	-9.83	2.89	0.00	0.27	0.21	0.72	1.21
Japan Equity	-17.47	-16.10	-1.63	0.00	-0.38	0.01	-0.20	-0.57
Asia Pacific ex Japan	-5.33	-2.13	-3.27	0.00	0.04	-0.01	-0.23	-0.20
Emerging Markets	5.52	1.33	4.13	0.00	0.43	0.31	0.21	0.95
Cash	-4.19	-	-4.19	0.00	-0.04	0.18	0.00	0.14

	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Capital International	-22.56	-21.25	-1.66	0.06	2.92	1.13	-3.10	-1.66
Cash	1.86	-	1.86	0.00	-0.73	1.77	0.00	1.04
UK Equity	-8.15	-29.33	29.96	0.00	4.09	-1.27	-1.62	1.10
Europe ex UK	-24.65	-30.75	8.81	0.00	-0.07	-0.32	2.61	2.21
North America	-32.16	-13.99	-21.12	0.00	-1.04	0.30	-4.21	-4.91
Japan Equity	-15.27	-10.65	-5.18	0.00	-0.04	0.06	-0.63	-0.61
Asia Pacific ex Japan	-14.72	-22.09	9.46	0.00	0.12	0.04	0.53	0.69
Emerging Markets	-19.51	-26.37	9.31	0.00	0.63	0.56	0.30	1.50

Goldman Sachs

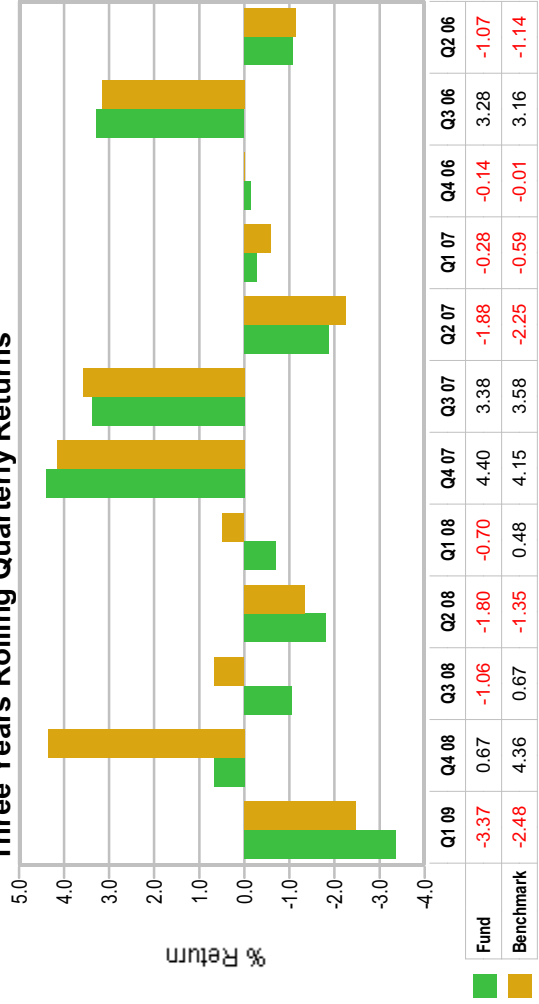
Historical Plan Performance



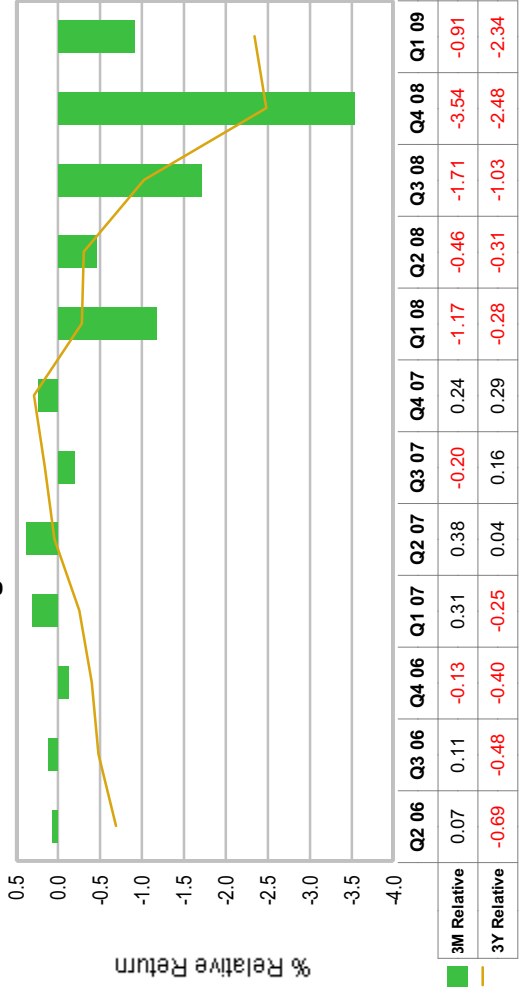
Risk Statistics - 3 years

	Fund	B'mark
Performance Return	0.38	2.78
Standard Deviation	6.60	6.34
Relative Return	-2.34	
Tracking Error	1.59	
Information Ratio	-1.51	
Beta	1.02	
Alpha	-2.29	
R Squared	0.94	
Sharpe Ratio	-0.83	-0.49
Percentage of Total Fund	13.5	
Inception Date	Dec-2001	
Opening Market Value (£000)	54,628	
Net Investment £(000)	-0	
Income Received £(000)	585	
Appreciation £(000)	-2,424	
Closing Market Value (£000)	52,789	

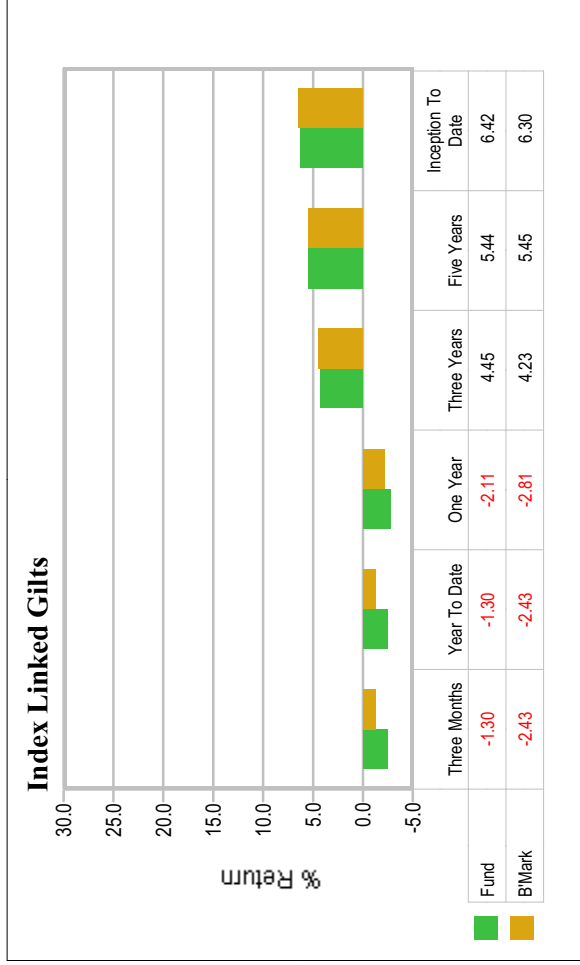
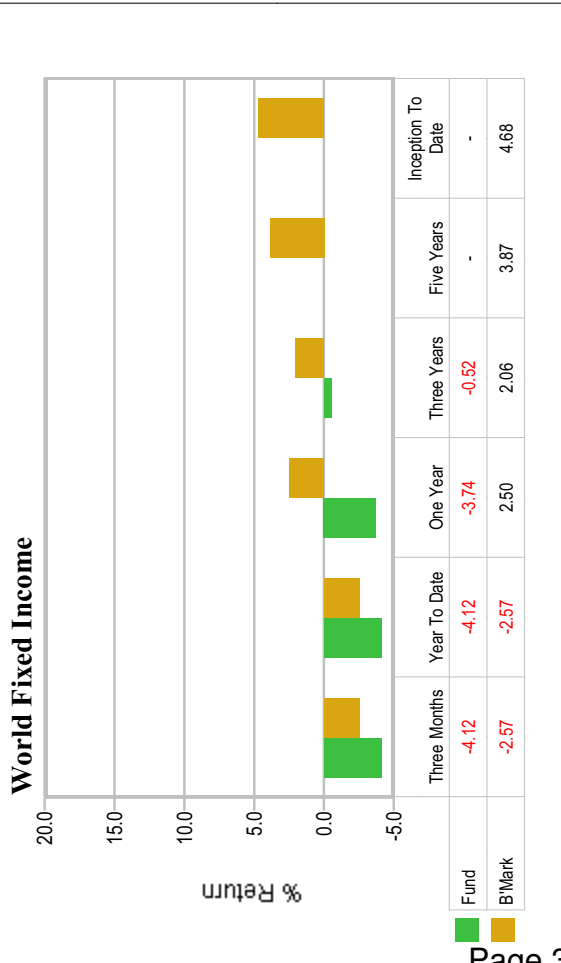
Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns

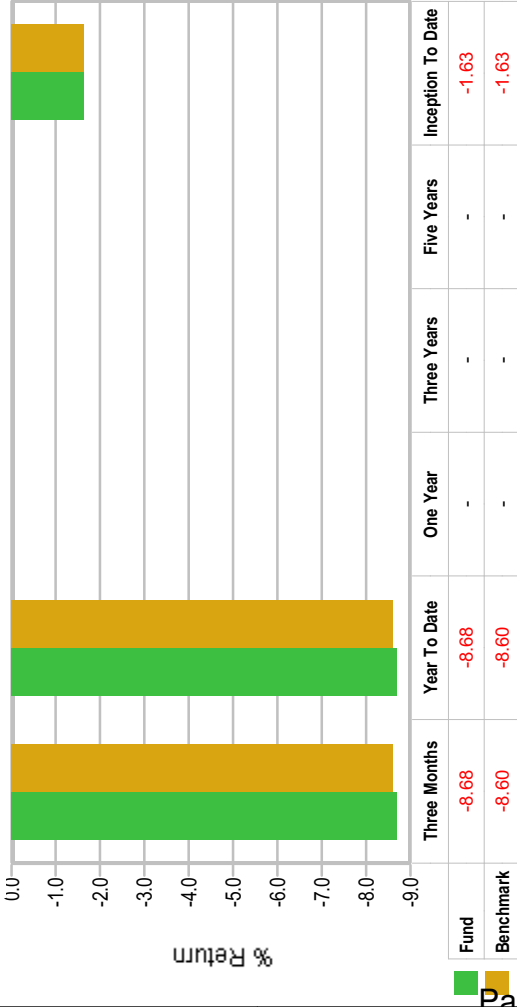


Goldman Sachs



SSGA

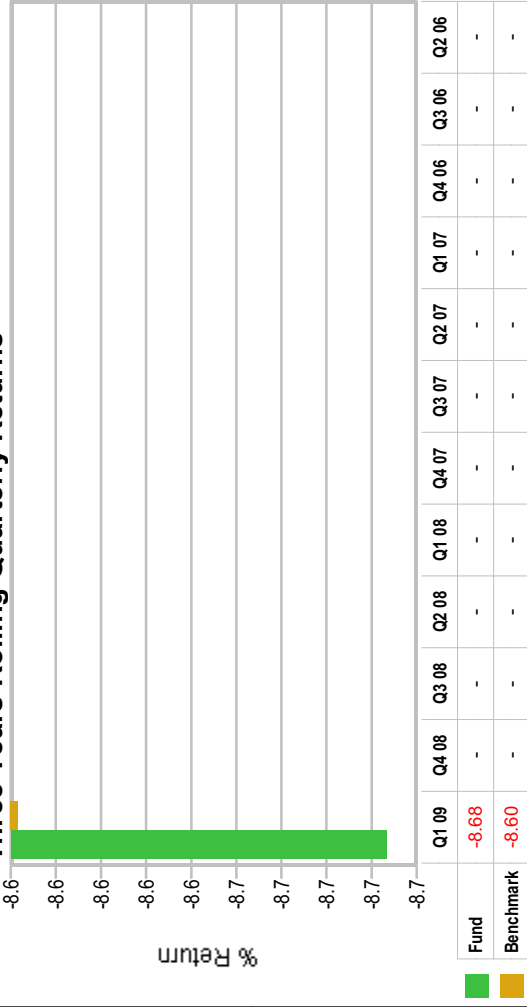
Historical Plan Performance



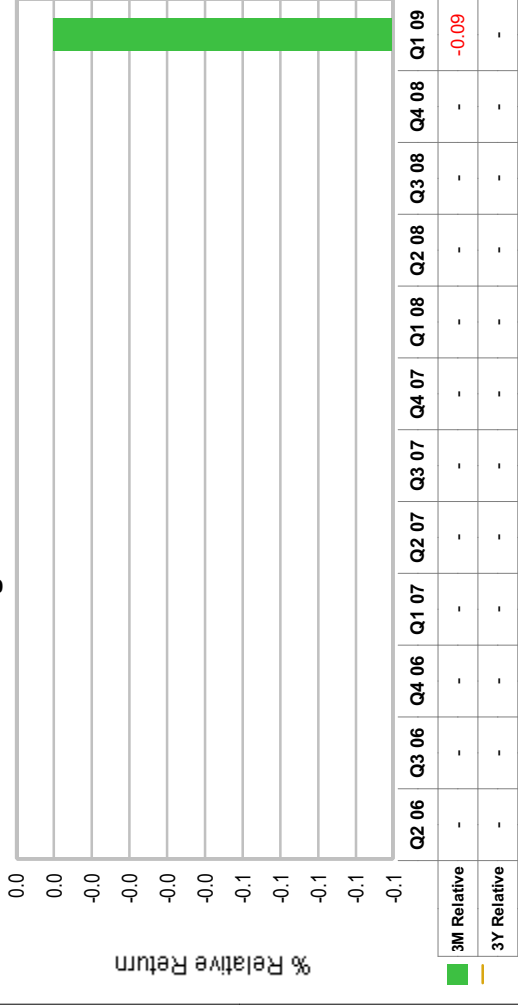
Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-	-
Standard Deviation	-	-
Relative Return	-	-
Tracking Error	-	-
Information Ratio	-	-
Beta	-	-
Alpha	-	-
R Squared	-	-
Sharpe Ratio	-	-
Percentage of Total Fund	18.8	-
Inception Date	Nov-2008	-
Opening Market Value (£000)	80,743	-
Net Investment £(000)	0	-
Income Received £(000)	0	-
Appreciation £(000)	-7,011	-
Closing Market Value (£000)	73,732	-

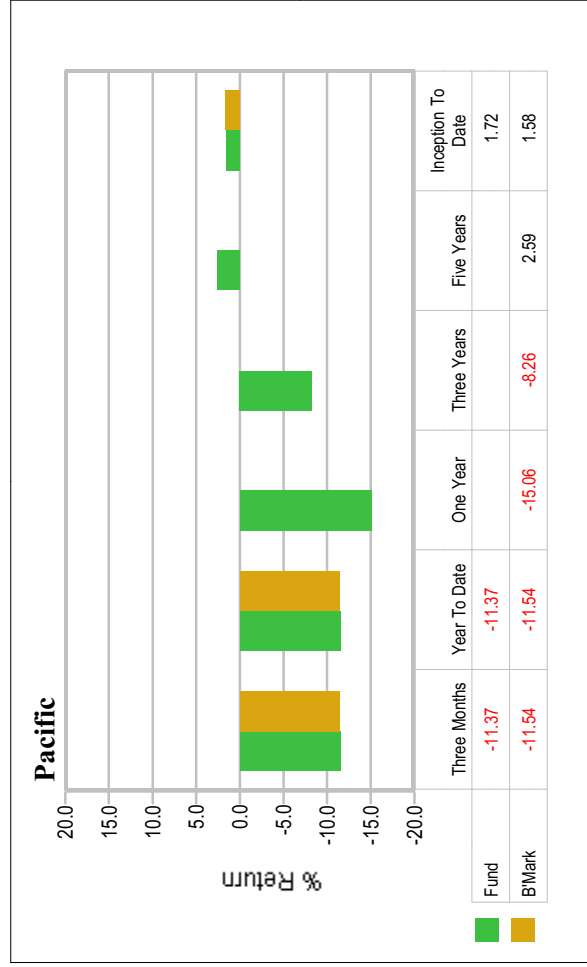
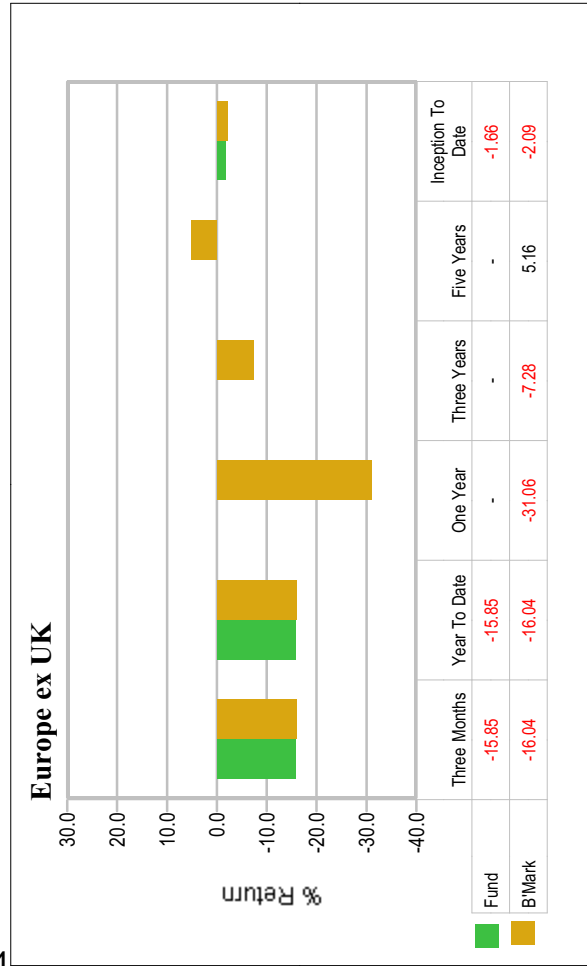
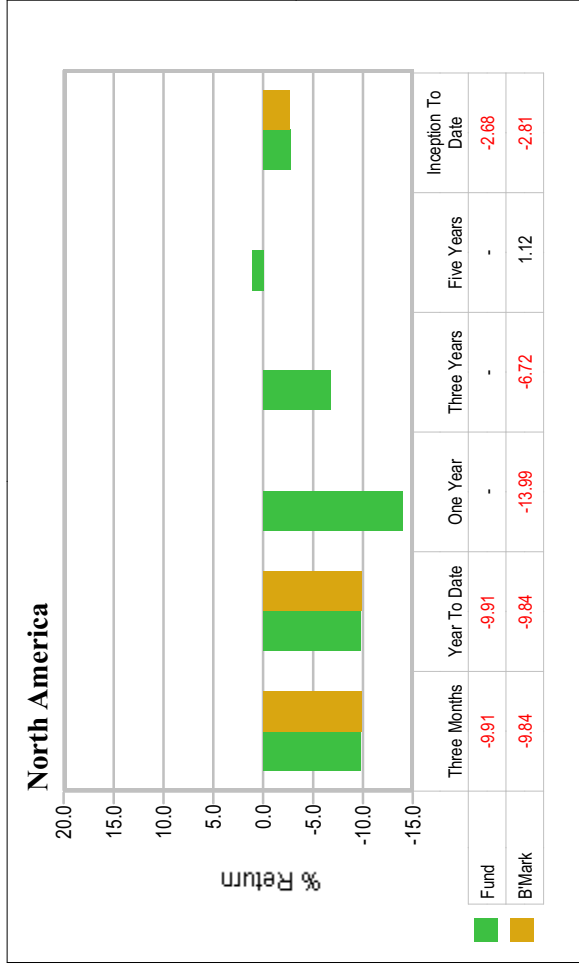
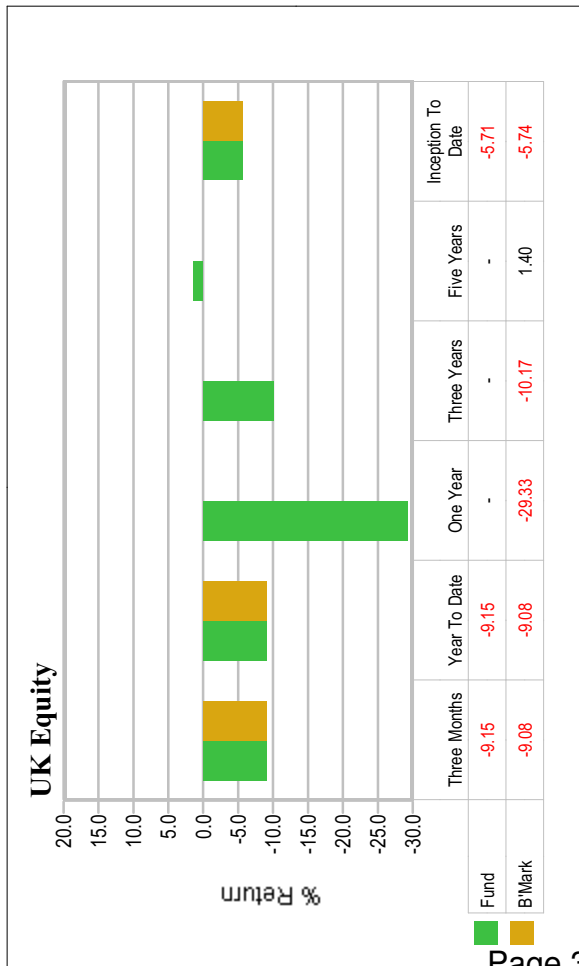
Three Years Rolling Quarterly Returns



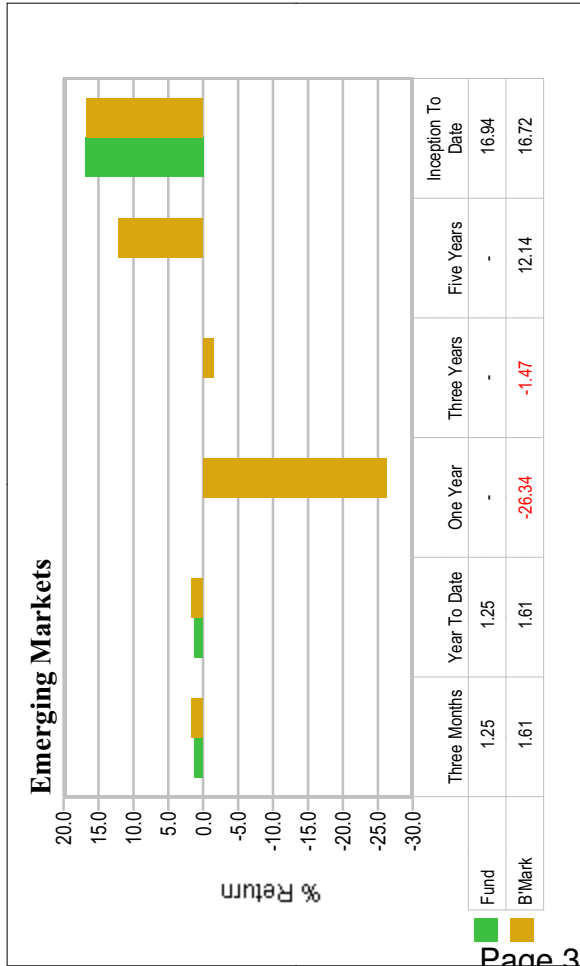
Three Years Rolling Relative Returns



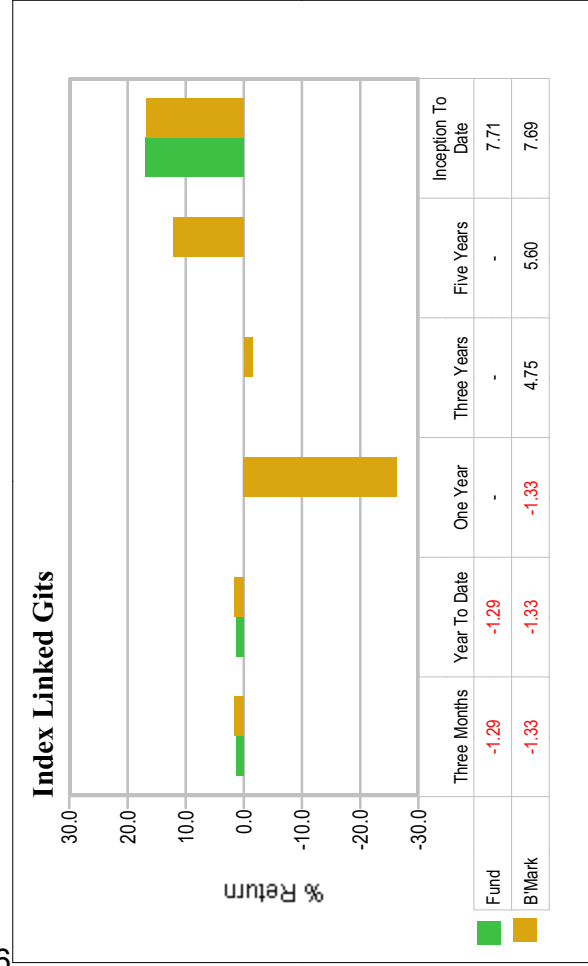
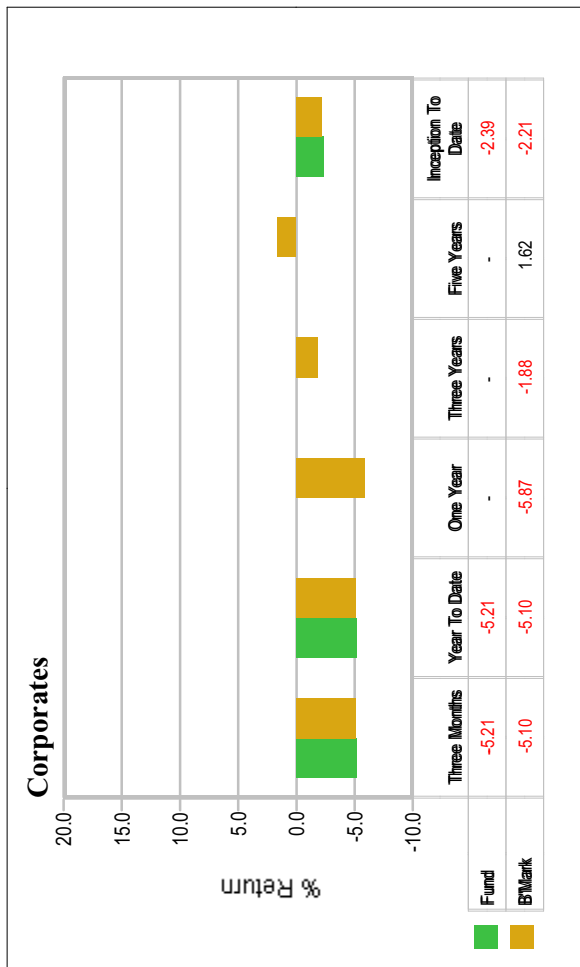
SSGA



SSGA

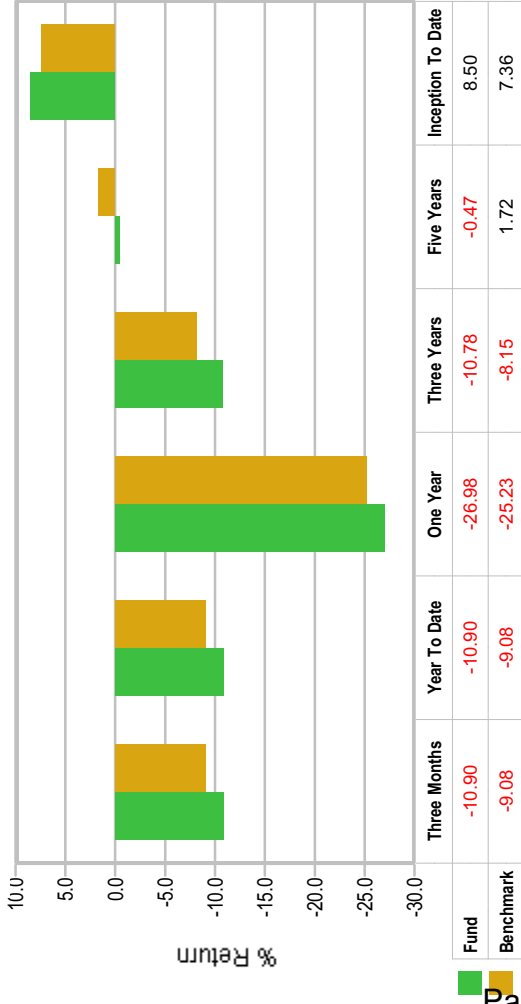


SSGA



UBS

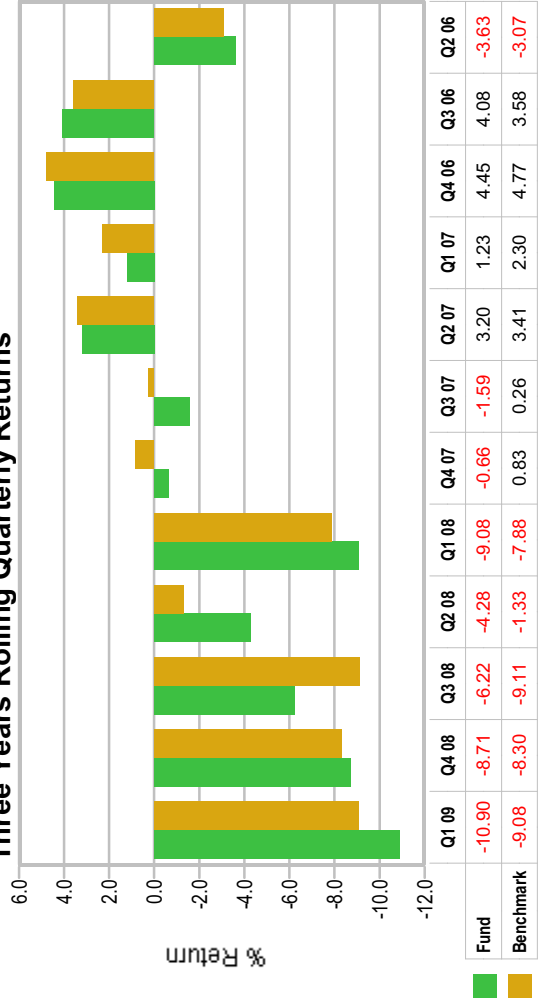
Historical Plan Performance



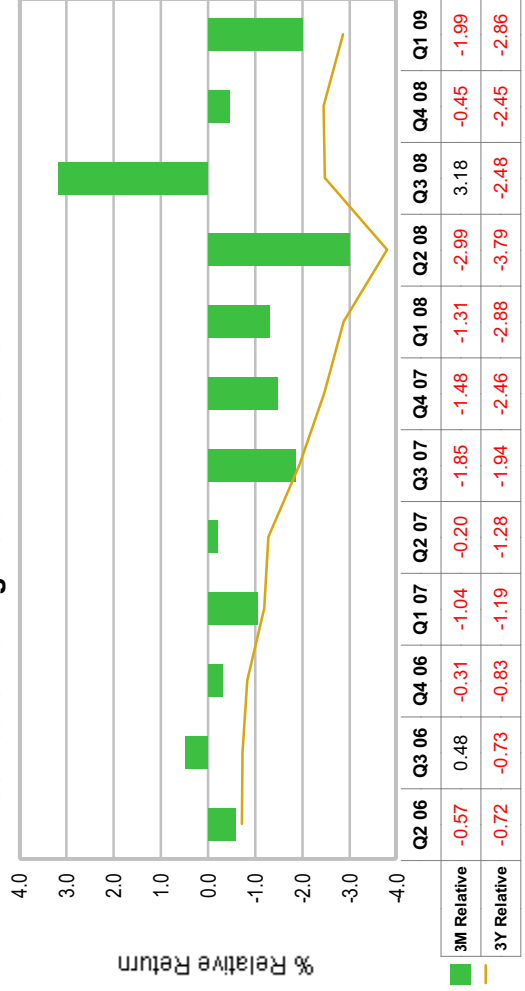
Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-10.78	-8.15
Standard Deviation	14.60	13.61
Relative Return	-2.86	
Tracking Error	2.83	
Information Ratio	-0.93	
Beta	1.05	
Alpha	-2.00	
R Squared	0.96	
Sharpe Ratio	-1.14	-1.03
Percentage of Total Fund	18.0	
Inception Date	Dec-1988	
Opening Market Value (£000)	79,255	
Net Investment £(000)	-1	
Income Received £(000)	746	
Appreciation £(000)	-9,381	
Closing Market Value (£000)	70,618	

Three Years Rolling Quarterly Returns

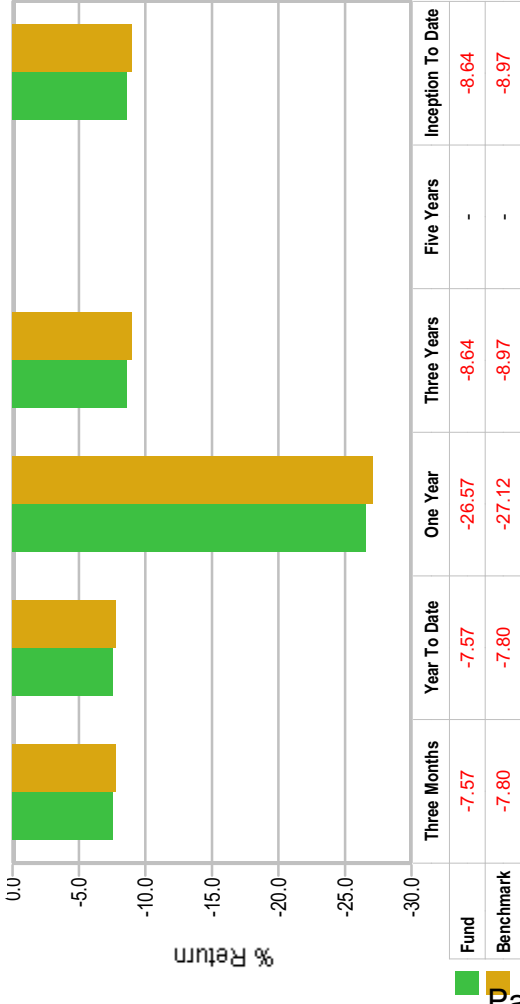


Three Years Rolling Relative Returns



UBS Property

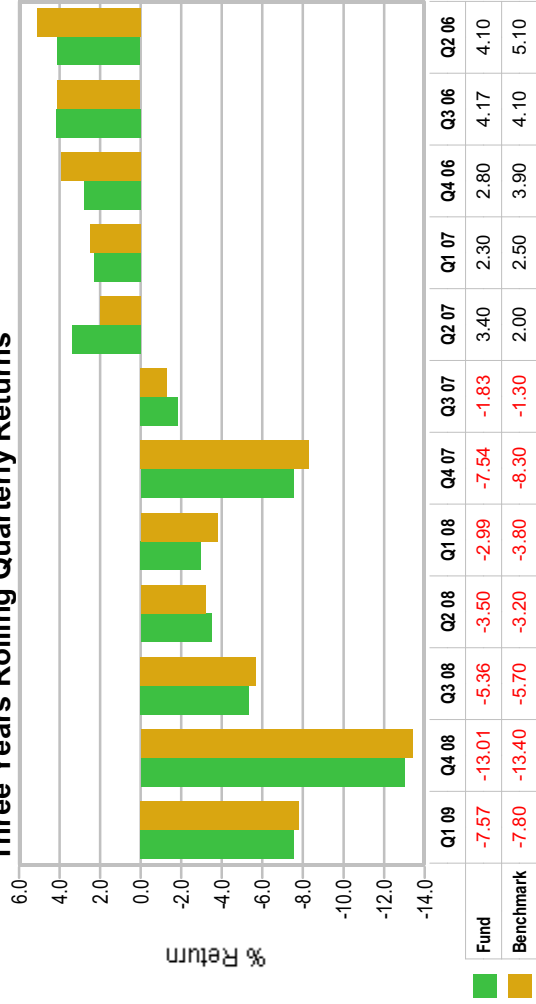
Historical Plan Performance



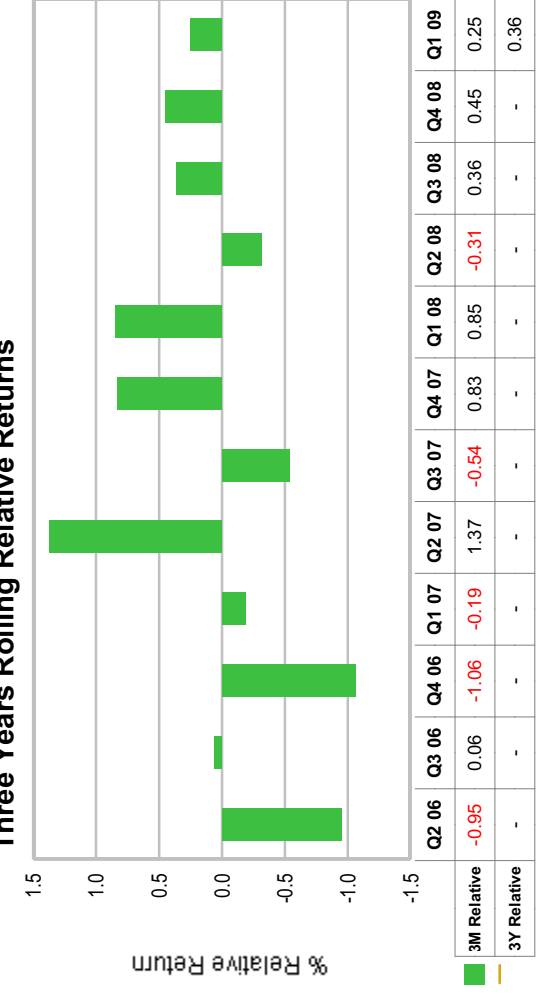
Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-8.64	-8.97
Standard Deviation	6.73	6.66
Relative Return	0.36	
Tracking Error	2.45	
Information Ratio	0.13	
Beta	0.95	
Alpha	-0.42	
R Squared	0.88	
Sharpe Ratio	-2.16	-2.23
Percentage of Total Fund	10.3	
Inception Date	Mar-2006	
Opening Market Value (£000)	43,829	
Net Investment £(000)	0	
Income Received £(000)	456	
Appreciation £(000)	-3,773	
Closing Market Value (£000)	40,513	

Three Years Rolling Quarterly Returns



Three Years Rolling Relative Returns



Tracking Error

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

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

Where

Equals

ER Excess return (Portfolio Return minus Benchmark Return)

\overline{ER} Return) Arithmetic average of excess returns (Portfolio Return minus Benchmark Return)

T Number of observations

p Periodicity (number of observations per year)

Page 33
The tracking error measures the extent to which a portfolio tracks its benchmark. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. The tracking error will always be greater than zero, unless the portfolio is exactly tracking the benchmark.

Information Ratio

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

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

Where

Equals

\overline{ER} Return) Arithmetic average of excess returns (Portfolio Return minus Benchmark Return)

T Number of observations

p Periodicity (number of observations per year)

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



Alpha

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

Where

Equals

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

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

β those of the market) Beta – measure of the sensitivity of a portfolio’s rate of return against those of the market

n Number of observations

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

Beta

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

Where

Equals

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

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

β those of the market) Beta – measure of the sensitivity of a portfolio’s rate of return against those of the market

n Number of observations

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

R-Squared

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

Where

Equals

R_{xi}
Proxy return)

Market / Benchmark excess return (Benchmark return minus Risk Free

R_{yi}

Portfolio excess return (Portfolio return minus Risk Free Proxy return)

n

Number of observations

The R² is the square of the correlation co-efficient between the portfolio return and the benchmark return in the above equation and is a measure of the fund's sensitivity to the benchmark, i.e. the percentage of the portfolio's movement that can be explained by movement in the benchmark. The R² statistic ranges from 0 to 1 (or 0 to 100%) with a score of 1 indicating that all the portfolio's movement can be explained by the benchmark.

Sharpe Ratio

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

Where

Equals

R_{ap}

Annualised (portfolio) rate of return

R_{af}

Annualised risk-free rate of return

σ_{ap}

Annualised portfolio standard deviation

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

Price/Earnings Ratio (P/E)

Security Level Calculation:

Current price/Trailing 12 months earning per share

Description:

The price/earnings ratio is a traditional indicator of how much an investor is paying for a company's earning power. Stocks have a p/e greater than the market are usually considered to be growth stocks.

5 Year Earnings Per Share Growth Rate

Security Level Calculation:

None

Description:

This is the percentage change in the annual earning per share growth rate over the last five years of all stock in the portfolio. This measure is usually viewed as a growth factor. A stock must have been public for at least five years to have this characteristic.

Price to Book Ratio

Security Level Calculation:

Current price/Most recent book value per share

Description:

This is usually considered to be a measure of "value", with stocks having high price to book ratios considered to be undervalued.

Dividend Yield

Security Level Calculation:

Dividend for current fiscal year/Period end closing price

Description:

This measures the annual rate that dividends are being paid by a company, including any extra dividends. High dividend yields can also be an attribute of value stocks.

Debt to Capital

Security Level Calculation:

Long term liabilities, deferred taxes, tax credits, minority interest/Sum of debt, total common equity and total preferred stock

Description:

This measure indicates the amount of leverage (debt) being used. A large debt to capital ratio is usually indicative of a highly leveraged company. Stocks having a zero value are still included in the total portfolio calculation.

Price to Sales Ratio

Security Level Calculation:

Current price/Annual sales per share

Description:

This is used primarily by value managers to identify companies having low profit margins. Value managers use this as another indicator in finding undervalued stocks with the potential for improved profitability. This measure varies in informational value by industry, as different industries have different price to sales ratio expectations.

Return on Equity

Security Level Calculation:

Net profits after taxes/Book value

Description:

This relates a company's profitability to its shareholders equity. A high ROE indicates that the portfolio is invested in companies that have been profitable. This measure is also impacted by financial leverage.

Coupon Rate

Description:

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

Years to Maturity

Description:

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

Macaulay Duration

Description:

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

Yield to Maturity

Description:

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

Moody Quality Rating

Description:

This is a measure of the quality, safety and potential performance of a bond issue. Also indicates the creditworthiness of a security's issuer. Moody's evaluates the bond issues and assigns a code with Aaa as the highest and C as the lowest.

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London Borough of Hillingdon

- 36.8 FTSE All Share
- 36.8 Overseas Equity benchmark
- 10.5 Fixed Income benchmark
- 5.3 FTSE Index Linked > 5 Years
- 10.5 UBS Property Index

Alliance Bernstein

- 50.0 FTSE All Share
- 15.0 FT AW Developed Europe ex UK
- 17.5 FT AWI North America
- 7.5 FT AW Japan
- 5.0 FT AW Developed Asia Pacific ex Japan
- 5.0 MSCI Emerging Markets

Capital International

- 30.0 FTSE AW Developed Europe ex UK
- 35.0 FTSE AW North America
- 12.0 FTSE AW Japan
- 8.0 FTSE AW Developed Asia Pacific ex Japan
- 15.0 MSCI Emerging Markets

Goldman Sachs

- 70.0 ML Sterling Broad Market
- 30.0 FTSE Index Linked 5+ yrs

SSGA

- 44.0 FTSE All Share
- 11.0 FTSE World North America
- 11.0 FTSE World Europe ex UK
- 11.0 FTSE Pacific Basin ex Japan
- 3.0 FTSE All World All Emerging
- 1.5 FTA British Government Conventional Gilts All Stocks
- 10.0 FTA British Government Index Linked Gilts All Stocks
- 8.5 Merrill Lynch Sterling Non Gilt

UBS

- 100.0 FTSE All Share

UBS Property

- 100.0 HSBC All Balanced Funds

The following summary is based on 65 funds with a total Market Value of £72,678m.

Update No. 1 - 12/05/2009

CATEGORY	ASSET MIX (%)		RETURNS (%)					
	Latest Quarter		Latest Quarter		Year to Date		Last 12 Months	
	IMV (%)	FMV (%)	Average	Index	Average	Index	Average	Index
TOTAL EQUITIES	63.7	62.9	-9.3	-10.2	-9.3	-10.2	-25.8	-20.4
GLOBAL POOLED INC UK	1.2	1.2	-8.9	-10.2	-	-10.2	-	-20.4
UK EQUITIES	30.5	30.3	-8.9	-9.1	-8.9	-9.1	-29.2	-29.3
OVERSEAS EQUITIES	31.9	31.3	-9.6	-10.2	-9.6	-10.2	-22.4	-19.6
North America	9.9	9.8	-8.2	-9.8	-8.2	-9.8	-16.6	-14.0
Europe	9.3	8.7	-14.7	-16.0	-14.7	-16.0	-30.0	-31.1
Japan	4.3	3.8	-16.5	-16.1	-16.5	-16.1	-14.0	-10.6
Pacific (ex Japan)	3.1	3.4	-1.9	0.0	-1.9	0.0	-20.5	-23.1
Emerging Markets	4.3	4.7	-1.0	1.5	-1.0	1.5	-27.7	-28.5
Global ex UK	1.0	1.0	-10.0	-10.2	-10.0	-10.2	-19.4	-19.6
TOTAL BONDS	20.2	20.3	-3.4	-	-3.4	-	-0.4	-
U.K. BONDS	11.0	10.9	-4.2	-0.8	-4.2	-0.8	-1.8	10.3
OVERSEAS BONDS	2.8	2.8	-4.5	-4.7	-4.5	-4.7	8.3	36.7
INDEX LINKED	6.1	6.3	-1.8	-1.3	-1.8	-1.3	-1.6	-1.3
POOLED BONDS	0.3	0.3	0.5	-6.2	0.5	-	-5.9	-
TOTAL CASH	4.3	4.3	-1.5	0.2	-1.5	0.2	2.0	3.6
ALTERNATIVES	5.5	5.9	-5.4	-	-5.4	-	-8.0	-
Total Private Equity	3.2	3.3	-8.6	-	-8.6	-	1.4	-
Total Hedge Funds	1.6	1.8	-0.1	-	-0.1	-	-15.6	-
Other Alternatives	0.7	0.9	-2.3	-	-2.3	-	-16.9	-
TOTAL EX-PROPERTY	93.2	93.5	-7.2	-7.1	-7.2	-7.1	-19.4	-15.4
TOTAL PROPERTY	6.8	6.5	-9.3	-7.1	-9.3	-7.1	-27.0	-25.5
TOTAL ASSETS	100.0	100.0	-7.4	-7.3	-7.4	-7.3	-19.9	-16.1

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LONDON BOROUGH OF HILLINGDON ALTERNATIVE INVESTMENTS SCHEDULE AS AT 31 March 2009

LBH PRIVATE EQUITY FUNDS	COMMITMENTS		CALLED TO DATE		DISTRIBUTIONS		NET CURRENT		IRR
	BASE CURRENCY	% of Fund	% of Fund	% of Fund	RECEIVED	% of Fund	INVESTMENT	% of Fund	
LGT CAPITAL PARTNERS	£	%	£	%	£	%	£	%	%
	000		000		000		000		
Crown private Equity European Buyout Opport.	12,698	3.04	8,393	2.01	3,710	0.89	4,683	1.12	7.56
Crown Global Secondaries Plc (US\$)	2,111	0.51	1,638	0.39	754	0.18	884	0.21	2.99
Crown Private Equity European Fund	4,648	1.11	2,105	0.50	130	0.03	1,975	0.47	-17.68
Crown Private Equity European Buyout Opport. II	9,296	2.23	2,045	0.49	0	0.00	2,045	0.49	-27.49
Crown Asia-Pacific Private Equity Plc (US\$)	2,111	0.51	724	0.17	38	0.01	686	0.16	-6.13
Crown European Middle Market II plc	3,718	0.89	223	0.61	0	0.00	0	0.00	N/A
TOTAL(S) LGT CAPITAL PARTNERS	34,582	8.28	15,128	3.62	4,632	1.11	10,496	2.51	
ADAMS STREET PARTNERS	£		£						
Adam Street Partnership Fund - 2005 US Fund	9,853	2.36	6,183	1.48	685	0.1641	5,498	1.32	N/A
Adam Street Partnership Fund - 2005 Non-U.S Fund	4,223	1.01	3,004	0.72	329	0.0788	2,675	0.64	N/A
Adam Street Partnership Fund - 2006 Non-U.S Fund	3,167	0.76	1,686	0.40	165	0.0395	1,521	0.36	N/A
Adam Street Partnership 2006 Direct Fund	1,056	0.25	895	0.21	16	0.0038	879	0.21	N/A
Adam Street Partnership Fund - 2006 US Fund, L.P	6,334	1.52	3,110	0.75	166	0.0398	2,944	0.71	N/A
Adams Street Direct Co-Investment Fund, L.P.	2,111	0.51	1,837	0.44		0.0000	1,837	0.44	N/A
Adams Street Partnership 2007 Direct Fund LP	351	0.08	208	0.05	5	0.0012	203	0.05	N/A
Adams Street Partnership - 2007 Non -US Fund	1,232	0.30	309	0.07	0	0.0000	309	0.07	N/A
Adams Street Partnership - 2007 US Fund	1,935	0.46	643	0.15	0	0.0000	643	0.15	N/A
Adams Street Partnership - 2009 US Fund	1,056	0.25	14	0.00	0	0.0000	14	0.00	N/A
Adams Street Partnership - 2009 Direct Fund	211	0.05	5	0.00	0	0.0000	5	0.00	N/A
Adams Street Direct Co-Investment Fund II.	1,759	0.42	41	0.01	0	0.0000	41	0.01	N/A
Adams Street 2009 Non-US Emerging Mkt Fund	211	0.05	2	0.00	0	0.0000	2	0.00	N/A
TOTAL(S) ADAMS STREET PARTNERS FUNDS	33,499	8.03	17,937	4.30	1,366	0.33	16,571	3.97	

FUND VALUE	417,430
COMMITMENT STRATEGY TO ACHIVE INVESTMENT	36,525 8.75%
	20,872 5.00%
CURRENT INVESTMENT	33,065 7.92%

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REPORT ON THE UPDATE TO THE STATEMENT OF INVESTMENT PRINCIPLES	
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<i>Contact Officers</i>	James Lake 01895 277562
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<i>Papers with this report</i>	Revised Statement of Investment Principles
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SUMMARY

This report explains the revisions made to the Statement of Investment Principles (SoIP) following the launch six revised Myners' principles in October 2008. In addition it has been updated to reflect the termination of Capital International as a Fund Manager and the change to Goldman Sachs benchmark.

RECOMMENDATIONS

That Committee approve the revised Statement of Investment Principles.

INFORMATION

Revised Principles

1. In 2001 ten principles were issued by the Government in response to the recommendations of the Review of Institutional Investment in the United Kingdom undertaken by Paul Myners. These were later adopted by the Local government Pension Scheme (LGPS) as the CIPFA Principles for Investment Decision Making, and reported by funds as part of their SoIP.
2. In 2007 the National Association of Pension Funds undertook a review of these principles and, following a consultation exercise, launched six replacement principles in October 2008.
3. The revised principles have not yet been adopted by CIPFA, however, an Investment Sub-group is reviewing them to assess if they are fit-for-purpose for the LGPS. Until they are formally adopted into LGPS regulations, it remains a statutory requirement to report against the original principles.
4. At this stage guidance has been issued that these new principles should be noted within the SoIP. Pages 1 and 2 of the SoIP include this information and Appendix B now details the revised principles.

Other changes to the SoIP

5. Following the decision made by Committee in December 2008, the contract with Capital International will be terminated at the end of June. This change is reflected on pages 4 and 5 of the SoIP. As Capital's funds will be held with SSgA in two separate funds, the first on a temporary basis and the second on a draw down basis, Appendix E has been updated to reflect these changes.

6. To take advantages of the opportunities currently available corporate bonds over fixed gilts there has been an alteration in the benchmark within the Goldman Sachs mandate. The broad market index which represented 70% of the mandate was split equally between corporate bonds and gilts. This has been replaced wholly by a non gilts index. The 30% allocation to index linked gilts remains as a protection against inflation. Again this change is reflected in Appendix E.
7. Amendments and additions to the SolP (attached) have been highlighted.

FINANCIAL IMPLICATIONS

Direct Financial implications arising from the report on the SolP are the ongoing cost of member training. This cost will vary annually depending on the level of training required.

LEGAL IMPLICATIONS

The SolP report complies with regulations 9 A (3A) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended by S.I. 2002/1852 which came into force on 9th August 2002.

Statement of Investment Principles

(Revised June 2009)

INTRODUCTION

- The London Borough of Hillingdon (the Council) is the administering authority of the London Borough of Hillingdon Pension Fund (the Fund). The Fund operates under the national Local Government Pension Scheme (LGPS), which was established by statute to provide death and retirement benefits for all eligible employees. This Statement of Investment Principles applies to the Fund.
- In preparing the Statement of Investment Principles, the Council has consulted its professional advisers and representatives of the members of the Fund and has received written advice from the Fund Actuary and the Investment Practice of Hymans Robertson LLP.
- The Local Government Pension Scheme (Management and Investment of Funds) Regulation 1998 sets out the powers and duties of the administering authority (the authority) to invest Fund monies. The authority is required to invest any monies which are not required immediately to pay pensions and any other benefits and, in so doing, to take account of the need for a suitably diversified portfolio of investments and the advice of persons properly qualified on investment matters.
- The Local Government Pension Scheme (Management and Investment of Funds) Regulation 1998 was revised on 9 August 2002, to add a provision that requires Statement of Investment Principles to include the extent to which Local Authority Pension Schemes comply with the ten principles of investment practice contained in the document published in April 2002 by CIPFA. This Statement complies with the revised Regulation.
- The ten investment principles referred to above were issued by the Government in October 2001, in response to proposals in the Myners Review of Institutional Investment in the United Kingdom, issued in March 2001.
- This Statement of Investment Principles outlines the broad rules governing the investment policy of the Pension Fund. Attached, at Appendix A, are the ten principles of investment practice and the extent to which the London Borough of Hillingdon complies.
- However in 2007 the Treasury sponsored the National Association of Pension Funds (NAPF) to conduct a review of progress made throughout the pension industry following the introduction of the ten principles in 2001.
- The resultant report “Institutional Investment in the UK 6 years on” was followed by a wide consultation exercise culminating in the original ten principles being replaced by six new principles.
- The new principles were launched in October 2008 and Her Majesties Treasury and the Department for Work and Pensions jointly commissioned The Pensions Regulator to oversee an Investment Governance Group given the task of implementing the new principles across all UK pension funds.

- There is an Investment Governance Sub-group specifically for the LGPS (including CLG and CIPFA) who are amending the principles to fit the LGPS. Until these amendments are agreed and there is an appropriate consultation period, followed by revision of the regulations, it is a statutory requirement to continue reporting against the original ten principles until instructed otherwise by CLG.
- Nevertheless regard to the new principles has been given and is shown in appendix B.
- The Council has delegated its responsibilities in relation to investment policy to the Pensions Committee.
- Management of the investments is carried out by fund managers appointed by the Pensions Committee. Fund Managers work within the policies agreed by the Pensions Committee.
- The Council's investment powers are set out in Regulations made by the Department of Communities and Local Government, applicable to the Local Government Pension Scheme. This Statement is consistent with these powers.
- The investment managers may only delegate their duties to a third party in accordance with the terms of their client agreement and subject to providing appropriate safeguards to the Council.

INVESTMENT RESPONSIBILITIES

The structure of investment responsibilities and decision making is listed below and follows best practice adopted by other Local Authorities in relation to their Pension Schemes.

The **Pensions Committee** has responsibility for:

- Appointing the investment manager(s) and any external consultants felt to be necessary,
- Appointing the custodian,
- Reviewing on a regular basis (quarterly) the investment managers' performance against established benchmarks, and satisfying themselves as to the managers' expertise and the quality of their internal systems and controls,
- Ensuring that investments are sufficiently diversified, are not over concentrated in any one type of investment, and that the Fund invests in suitable types of investments,
- Approving the Statement of Investment Principles, and
- Monitoring compliance with the Statement and reviewing its contents from time to time.

The **Director of Finance and Resources** has responsibility for:

- Preparation of the Statement of Investment Principles to be approved by the Pensions Committee,
- Assessing the needs for proper advice and recommending to the Committee when such advice is necessary from an external adviser,
- Deciding on whether internal or external investment management should be used for day to day decisions on investment transactions,

- Ensuring compliance with the Statement of Investment Principles and bringing breaches thereof to the attention of the Pensions Committee, and
- Ensuring that the Statement of Investment Principles is regularly reviewed and updated in accordance with the Regulations.

The **Investment Consultants** are responsible for:

- Assisting the Pensions Committee and the Director of Finance and Resources in their regular monitoring of the investment managers' performance,
- Assisting the Pensions Committee and the Director of Finance and Resources in the setting of investment strategy
- Assisting the Pensions Committee and the Director of Finance and Resources in the selection and appointment of investment managers and custodians, and
- Assisting the Pensions Committee and the Director of Finance and Resources in the preparation and review of this document

The **Actuary** is responsible for:

- Assisting the Pensions Committee in the preparation and review of this document, and
- Providing advice as to the maturity of the Fund and its funding level in order to aid the Pensions Committee in balancing the short-term and long-term objectives of the pension Fund.

The **Investment Managers** are responsible for:

- The investment of the Fund's assets in compliance with prevailing legislation, the constraints imposed by this document and the detailed Investment Management Agreement,
- Tactical asset allocation around the strategic benchmark,
- Security selection within asset classes,
- Preparation of quarterly reports including a review of investment performance,
- Attending meetings of the Pensions Committee as requested,
- Assisting the Pensions Committee and the Director of Finance and Resources in the preparation and review of this Statement, and
- Voting shares in accordance with the Council's policy except where the Council has made other arrangements.

The **Custodian** is responsible for:

- Its own compliance with prevailing legislation,
- Providing the authority with quarterly valuations of the Fund's assets and details of all transactions during the quarter
- Collection of income, tax reclaims, exercising corporate administration and cash management.
- Providing a Securities Lending Service and complying with the limitation that no more than 25% of the fund is to be on loan.

FUND LIABILITIES

Scheme Benefits

The LGPS is a defined benefit scheme, which provides benefits related to final salary for members. Each member's pension is specified in terms of a formula based on salary and

service and is unaffected by the investment return achieved on the Fund's assets. Full details of the benefits are set out in the LGPS regulations.

Financing benefits

All active members are required to make pension contributions based on the percentage of their pensionable pay as defined in the LGPS regulations.

The London Borough of Hillingdon is responsible for meeting the balance of costs necessary to finance the benefits payable from the Fund by applying employer contribution rates, determined from time to time by the Fund's actuary.

Actuarial valuation

The Fund is valued by the actuary every three years in accordance with the LGPS regulations and monitored each year in consultation with employers and the actuary. Formal inter-valuation monitoring has also been commissioned.

INVESTMENTS

Approach

- The investment approach is to appoint expert fund managers with clear performance benchmarks and place maximum accountability for performance against those benchmarks with the investment manager.
- Overall, the strategic benchmark is intended to achieve a return such that the Fund can, without excessive risk, meet its obligations without excessive levels of employers' contributions.
- Performance is monitored quarterly and a formal review to confirm (or otherwise) the continued appointment of existing managers is undertaken annually.
- The investment strategy is reviewed annually, with a major review taking place following the triennial actuarial valuation.

Investment managers and advisers

The investment managers currently employed by the Council to manage the assets of the Fund are UBS Global Asset Management (UK) Ltd, Alliance Bernstein, State Street Global Advisors and Goldman Sachs Asset Management. Each manager is responsible for the day-to-day management of a segregated portfolio of investments for the Fund. Additionally, two Fund of Fund Managers, manage a Private Equity brief, namely LGT Partners and Adam Street Partners.

Custodian services for the Fund's assets are provided by Northern Trust.

The investment managers are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

Hymans Robertson LLP act as the Fund's Actuary and Investment Consultant and give written advice on appropriate investment strategies. Valentine Furniss acts as an independent advisor to the pension fund and provides advice and challenge on appropriate investment strategies.

Client agreements have been made with each of the above investment managers and advisers. The Director of Finance and Resources has been delegated the authority to agree amendments to these agreements.

The Pension Committee regularly monitors the performance of the investment managers and its advisers, on behalf of the Council.

Types of investments to be held and the balance between these investments

Based on expert advice and taking into account the Fund's liabilities, the Pension Committee has determined a benchmark mix of assets considered suitable for the Fund. The asset mix currently includes equities and bonds (government, corporate, inflation linked and index-linked), property and cash. Investments are made in the UK, the major overseas markets and in emerging markets. The fund managers have discretion to vary the allocation of investments between markets on a tactical basis. Appendix E shows the benchmarks for the three fund managers and the permitted ranges in which the assets can fluctuate, as at the date of this document.

A review study is carried out after each actuarial revaluation and used to consider the suitability of the existing investment strategy.

The suitability of investments

The managers may invest in equities and bonds, including collective vehicles, property and cash, consistent with their mandates, without consultation with the Council. Managers invest in accordance with Schedule 1 'Limits on Investments' of the LGPS (Management and Investment of Funds) Regulations 1998 as amended. The current Limits for the London Borough of Hillingdon Pension Fund are set out at Appendix C.

Other types of investment may be approved by the Committee after taking professional advice.

The expected return on investments

Investment managers are given target performance standards and their actual performance is measured against these. These targets (gross of fees) are:

UBS Asset Management	- 2.00% p.a. in excess of benchmark
Alliance Bernstein	- 2.00% p.a. in excess of benchmark
State Street Global Advisors	- Achieve Benchmark
Goldman Sachs	- 0.75% p.a. in excess of benchmark
UBS Property	- 1.00% p.a. in excess of benchmark

Overall, the targets are intended to achieve above average performance, relative to earnings and inflation, without excessive risk, so that the Fund can meet its obligations without excessive levels of employer's contribution.

Performance is monitored quarterly and a formal review to confirm (or otherwise) the continued appointment of existing managers is undertaken annually.

Risk and diversification of investments

It is the Council's policy to invest the assets of the Fund so as to spread the risk on investments.

The diversification of asset types is intended to ensure a reasonable balance between different categories of investments so as to reduce risk to an acceptable level.

Each manager is expected to maintain a diversified portfolio within each asset class and is permitted to use collective investment vehicles as a means of providing diversification in particular markets.

Where managers wish to use futures, specific arrangements are agreed to limit the Fund's exposure to risk.

The management of Fund assets is spread over more than one manager, with different performance targets, as a further measure to reduce overall risk.

The realisation of investments

The majority of stocks held by the Fund's Investment Managers are quoted on major stock markets and may be realised quickly if required. Property and private equity investments, which are relatively illiquid, currently make up a modest proportion of the Fund's assets. In general, the investment managers have discretion as to the timing of realisations. If it becomes necessary for investments to be sold to fund the payment of benefits, the Pension Committee and the manager(s) will discuss the timing of realisations.

POLICY ON SOCIALLY RESPONSIBLE INVESTMENT

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

The Pensions Committee has discussed socially responsible investment in the context of investment strategy. It has decided that the principle of the Fund's investment policy is to obtain the best possible return using the full range of investments authorised under the Local Government Pension Scheme regulations.

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

The Council supports the UK Environmental Investor Code and the CERES Principles.

EXERCISE OF RIGHTS ATTACHING TO INVESTMENT

It is the Council's policy to be an active shareholder. Where the pension Fund has securities held in a portfolio which have associated with them a right to vote on resolutions, the Pension Committee has delegated the exercise of these rights to the Fund Managers in accordance with the authority's corporate governance policy. The Council's policy is that that all proxies are to be voted where practically possible.

The Council's policy on corporate governance is that it normally expects the Fund Managers and companies to comply with the Combined Code published by the London Stock Exchange in June 1998 following the recommendations of the Hampel Committee. The Code integrated the earlier Cadbury and Greenbury Codes together with some additional recommendations.

Fund Managers' right to vote on behalf of the Fund are subject to conforming with the overall principles set out in this Statement and with the prevailing regulations.

From time to time, the Pension Committee may feel strongly concerning certain policies and at this time would advise the managers how to execute their votes. Attached at Appendix D are the Pension Committee's broad guidelines on exercising the Council's voting rights.

COMPLIANCE

The investment managers and all other investment advisers are requested to exercise their investment powers in support of the principles set out in this Statement and in accordance with the Regulations.

The Pension Committee reviews the performance of the investment managers on a quarterly basis. Northern Trust provides an independent monitoring service. Officers meet with Fund Managers on a quarterly basis and make a report on those meetings to Committee. Professional advice is taken as appropriate and an annual review is carried out. This Statement of Investment Principles is reviewed by the Pensions Committee at least annually and revised when necessary.

APPENDIX A

CIPFA Principles for Investment Decision Making

The table below identifies the basis and status of Compliance of the Pension Fund with the CIPFA principles of investment practice.

Principle 1. Effective decision-making

Decisions should be taken only by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

Trustees should ensure that they have sufficient in-house staff to support them in their investment responsibilities. Trustees should also be paid, unless there are specific reasons to the contrary.

It is good practice for trustee boards to have an investment subcommittee to provide the appropriate focus.

Trustees should assess whether they have the right set of skills, both individually and collectively, and the right structures and processes to carry out their role effectively. They should draw up a forward- looking business plan.

Compliance			How the principle is met
Full	Part.	No	
	✓		All investment decisions are taken within a clear and documented structure by the Pension Committee, which is responsible for the Management of the Council's Pension Fund. Committee are provided with bespoke training when specific decisions are required however there is no formal training programme in place.
✓			The officer support team has sufficient experience to support Committee in making decision making responsibilities.
✓			There is no need for an investment sub committee as investment issues form a major part of Pension Committee agendas.
	✓		There is a forward looking plan in terms of monitoring of performance and management of the pension fund, however a three year plan is currently being formulated.

Principle 2. Clear objectives

Trustees should set out an overall investment objective for the fund that:

- represents their best judgement of what is necessary to meet the fund's liabilities given their understanding of the contributions likely to be received from employer(s) and employees; and
- takes account of their attitude to risk, specifically their willingness to accept underperformance due to market conditions.

Objectives for the overall fund should not be expressed in terms which have no relationship to the fund's liabilities, such as performance relative to other pension funds, or to a market index.

Compliance			How the principle is met
Full	Part.	No	
✓			The investment objectives and attitudes to risk are set out in the Statement of Investment Principles. Overall fund objects are reviewed properly as part on the ongoing monitoring of the fund.

Principle 3. Focus on asset allocation

Strategic asset allocation decisions should receive a level of attention (and, where relevant, advisory or management fees) that fully reflect the contribution they can make towards achieving the fund's investment objective.

Decision-makers should consider a full range of investment opportunities, not excluding from consideration any major asset class, including private equity.

Asset allocation should reflect the fund's own characteristics, not the average allocation of other funds.

Compliance			How the principle is met
Full	Part.	No	
✓			The strategic asset allocation is reviewed on a top down basis.
✓			All asset classes and opportunities are considered and no major asset classes are excluded. The fund has a commitment to private equity, dealt with by two private equity managers.
✓			Asset allocation reflects the funds own characteristics and a bespoke benchmark is set rather than comparisons to peer groups.

Principle 4 – Expert Advice

Contracts for actuarial services and investment advice should be opened to separate competition. The fund should be prepared to pay sufficient fees for each service to attract a broad range of kinds of potential providers.

Compliance			How the principle is met
Full	Part.	No	
✓			A tendering exercise was completed in June 2006 and separate contracts are in place for actuarial services and investment advice.

Principle 5. Explicit mandates

Trustees should agree with both internal and external investment managers an explicit written mandate covering agreement between trustees and managers on:

- an objective, benchmark(s) and risk parameters that together with all the other mandates are coherent with the fund's aggregate objective and risk tolerances;
- the manager's approach in attempting to achieve the objective; and
- clear timescale(s) of measurement and evaluation, such that the mandate will not be terminated before the expiry of the evaluation timescale for underperformance alone.

The mandate and trust deed and rules should not exclude the use of any set of financial instruments, without clear justification in the light of the specific circumstances of the Fund.

Trustees, or those to whom they have delegated the task, should have a full understanding of the transaction-related costs they incur, including commissions. They should understand all the options open to them in respect of these costs, and should have an active strategy - whether through direct financial incentives or otherwise - for ensuring that these costs are properly controlled without jeopardising the fund's other objectives. Trustees should not without good reason permit soft commissions to be paid in respect of their fund's transactions.

Compliance			How the principle is met
Full	Part.	No	
✓			Investment Management Agreements include guidelines covering investment objectives, restrictions and performance measurement criteria.
✓			Investment management agreements are consistent with the funds overall objectives and risk parameters.

✓			The fund manager approach and the timescales of measurement and evaluation in attempting to achieve the funds objectives are included within the Investment Management Agreement.
✓			There are no significant omissions of any asset type or exclusions of asset classes.
✓			There are no soft commission arrangements in place with fund managers and systems are in place for officers to monitor transaction costs.

Principle 6 – Activism			
The mandate and trust deed should incorporate the principle of the US Department of Labour Interpretative Bulletin on activism.			
Trustees should also ensure that managers have an explicit strategy, elucidating the circumstances in which they will intervene in a company; the approach they will use in doing so; and how they measure the effectiveness of this strategy.			
Compliance			How the principle is met
Full	Part.	No	
✓			The fund has issued broad voting guidelines which are identified in appendix D of the Statement of Investment Principles. Activity reports are provided by managers and the custodian.

Principle 7. Appropriate benchmarks			
Trustees should:			
<ul style="list-style-type: none"> • explicitly consider, in consultation with their investment manager(s), whether the index benchmarks they have selected are appropriate; in particular, whether the construction of the index creates incentives to follow sub-optimal investment strategies; • if setting limits on divergence from an index, ensure that they reflect the approximations involved in index construction and selection; • consider explicitly for each asset class invested, whether active or passive management would be more appropriate given the efficiency, liquidity and level of transaction costs in the market concerned; and 			

- where they believe active management has the potential to achieve higher returns, set both targets and risk controls that reflect this, giving the managers the freedom to pursue genuinely active strategies

Compliance			How the principle is met
Full	Part.	No	
✓			Full consideration has been given to the appropriateness of index benchmarks and limits have been set on divergence from the index.
✓			Both passive and active management are in place to balance the overall risk and costs of the fund.
✓			Objectives and risk tolerances are compatible to allow genuine active strategies.

Principle 8. Performance measurement

Trustees should arrange for measurement of the performance of the fund and make formal assessment of their own procedures and decisions as trustees.

They should also arrange for a formal assessment of performance and decision-making delegated to advisers and managers.

Compliance			How the principle is met
Full	Part.	No	
✓			Both the performance of the fund and the performance of the fund managers are monitored on a regular basis. Trustee procedures, decision making and deferral of decisions are recorded in the committee papers.
	✓		A formal assessment of adviser performance is yet to be fully established.

Principle 9. Transparency

A strengthened Statement of Investment Principles should set out:

- who is taking which decisions and why this structure has been selected;
- the fund's investment objective;
- the fund's planned asset allocation strategy, including projected investment returns on each asset class, and how the strategy has been arrived at;

<ul style="list-style-type: none"> • the mandates given to all advisers and managers; and • the nature of the fee structures in place for all advisers and managers, and why this set of structures has been selected. 			
Compliance			How the principle is met
Full	Part.	No	
✓			The Statement of Investment Principles includes details of the structure of investment responsibilities and decision making parties.
✓			Included within the statement are the fund investment objectives, the overall investment approach, strategic benchmark, asset allocation and investment manager mandates.
		✓	Fee structures are not included as they are deemed commercially sensitive.

<p>Principle 10. Regular reporting</p> <p>Trustees should publish their Statement of Investment Principles and the results of their monitoring of advisers and managers.</p> <p>They should send key information from these annually to members of these funds, including an explanation of why the fund has chosen to depart from any of these principles.</p>			
Compliance			How the principle is met
Full	Part.	No	
✓			The Statement of Investment Principles is published on the website and is updated regularly.
✓			Systems are in place to report non compliance with the principles.
✓			The Pension Annual Report provides details of manager and fund monitoring and is available on the website. Members are directed to the website but hard copy reports are available on request.

Revised Myners Principles

Principle 1: Effective decision-making

Trustees should ensure that decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to take them effectively and monitor their implementation. Trustees should have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest.

Principle 2: Clear objectives

Trustees should set out an overall investment objective(s) for the fund that takes account of the scheme's liabilities, the strength of the sponsor covenant and the attitude to risk of both the trustees and the sponsor, and clearly communicate these to advisers and investment managers.

Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, trustees should take account of the form and structure of liabilities. These include the strength of the sponsor covenant, the risk of sponsor default and longevity risk.

Principle 4: Performance assessment

Trustees should arrange for the formal measurement of the performance of the investments, investment managers and advisers. Trustees should also periodically make a formal policy assessment of their own effectiveness as a decision-making body and report on this to scheme members.

Principle 5: Responsible ownership

Trustees should adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. A statement of the scheme's policy on responsible ownership should be included in the Statement of Investment Principles. Trustees should report periodically to members on the discharge of such responsibilities.

Principle 6: Transparency and reporting

Trustees should act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. Trustees should provide regular communication to members in the form they consider most appropriate.

Compliance

The London Borough of Hillingdon Pension Fund broadly complies with the revised Myners principles however a full review will be completed following the revision of the regulations.

APPENDIX C

Limits on Investments

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 as amended, Schedule 1, set out the legal requirements which apply to the investments of the Fund.

The statutory regulations specify the following restrictions on investments:

- (a) no more than 10% of the fund shall be invested in any single holding;
- (b) no more than 10% of the fund shall be placed on deposit with any one bank or other deposit-taker, other than the National Savings Bank;
- (c) no more than 25% of the fund shall be invested in units of authorised unit trusts managed by any one body or in open ended investment companies managed by any one body or in insurance contracts in managed funds.
- (d) No more than 25% of the fund shall be transferred by the fund under stock lending arrangements
- (e) No more than 10% of the fund shall be invested in securities which are not listed on a recognised stock exchange.
- (f) No more than 2% of the fund may be invested in any one limited partnership and all such investments shall not exceed 5% of the fund;
- (g) No more than 1% of the fund shall be invested in any single sub-underwriting contract and no more than 15% of the fund shall be invested in all sub-underwriting contracts

An Investment Management Agreement is in place with each Fund Manager which clearly defines the investment guidelines for the portfolio they manage.

If individual managers invest outside the laid down investment guidelines then they will consult with the Director of Finance and Resources for direction and report to the Pension Committee at the next available opportunity.

Voting Guidelines

The main focus is to promote maximum long-term shareholder value and protect the interest of shareholders.

Recommendations	For / Against	Voting Guidance
General		Vote with Fund managers Take into account the principles derived from the Combined Code and related UK initiatives
Environmental Concerns The UK Environmental Investor Code		Encourage and support companies that demonstrate a positive environmental response. Commitment to environmental excellence, monitor their impacts, improvements in their performance, comply with all legislation, regular reports of progress on environmental standards
The CERES Principles		Adopt the CERES principles, corporations have a responsibility for the environment, they are stewards, mustn't compromise the ability of future generations to sustain themselves.
Human Rights		Ensure high standards of employment and industrial relations in all companies
SRI		Consider socially responsible and governance issues but abide by legal rules which may limit investment choice on purely socially responsible and governance grounds, consideration to financial interest of fund members comes first.
The Report and Accounts	For	Legal regulatory requirements are met
	Against	Material inadequacies in the report and accounts
Directors Election	For	Regular re-election, full autobiographical information
	Against	Insufficient information, no regular re-election, appointment combining chairman and chief executive
Non-Executive directors	For	Independent of management, exercise free independent judgement
	Against	Lack of independence, automatic reappointment
Employment Contracts	For	Contract period no more than 2 years
	Against	Contract over 2 years
Directors Remuneration and employee share schemes	For	Remuneration must be visible, share schemes open to all staff, schemes costs and value are quantified by the company,
	Against	Remuneration above the market rate, poor performance rewards, Shares schemes only open to directors and option schemes that are not quantified.
Appointment of Auditors	For	Protect independence of auditors and ensure non-audit work is less than 25% of

		total fees. Appointment of auditors be for at least 5 years.
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INVESTMENT STRUCTURE – PERFORMANCE BENCHMARK, PERMITTED RANGES AND COMPARATIVE INDICES

ALLIANCE BERNSTEIN			
Asset Class	Benchmark %	Ranges %	Index
UK Equities	50	35 – 65	FTSE All Share
Overseas Equities:			
North America	17.5	2.5 – 32.5	FTSE: AWI North America
Europe (Ex UK)	15	0 – 30	FTSE: Developed Europe ex-UK
Japan	7.5	0 – 22.5	FTSE: AW Japan
Pacific (Ex Japan)	5	0 – 20	FTSE: Developed Asia Pacific ex-Japan
Emerging Markets	5	0 – 20	MSCI Emerging Markets GD
Cash	0	0 - 10	
Total	100		

GOLDMAN SACHS			
Asset Class	Benchmark %	Ranges %	Index
UK Fixed Interest	70	60-80	iBoxx Sterling Non Gilts
UK Index-Linked (over 5 years)	30	20-40	UK Index Linked Gilts over 5 year
Total	100		

STATE STREET GLOBAL ASSET MANAGEMENT			
Asset Class	Benchmark %	Ranges %	Index
UK Equity Index sub-Fund	44	Rebalanced Quarterly +/- 10% of Benchmark	FTSE All Share
North America Equity Index sub-fund	11		FTSE World North America
Europe ex UK Equity Index sub-fund	11		FTSE World Europe ex UK
Asia Pacific Equity Index sub-fund	11		FTSE Developed Asia Pacific
Emerging Markets Equity Index fund	3		FTSE All-World All Emerging
UK Conventional Gilts All Stocks fund	1.5		FTA British Govt Conventional Gilts All Stocks
Index-Linked Gilts All-Stocks Index fund	10		FTA British Govt Index Linked Gilts All Stocks
Sterling Corporate Bond All Stocks fund	8.5		Merrill Lynch Sterling Non Gilt
Total	100		

STATE STREET GLOBAL ASSET MANAGEMENT Account 2			
Asset Class	Benchmark %	Ranges %	Index
North America Equity Index sub-Fund	36	Rebalanced Quarterly +/- 10% of Benchmark	FTSE North America
Europe ex UK Equity Index sub-Fund	26		FTSE Europe Developed ex UK
Japan Equity Index sub-Fund	10		FTSE Japan
Asia Pacific ex Japan Equity Index sub-Fund	14		FTSE Developed Asia Pac ex Japan
Emerging Markets Equity Index sub-Fund	14		FTSE All Emerging
Total	100		

STATE STREET GLOBAL ASSET MANAGEMENT Account 3			
Asset Class	Benchmark %	Ranges %	Index
Sterling Corporate Bond All Stocks Index sub-Fund	50	+/- 10% of Benchmark	Merrill Lynch Sterling Non Gilt
Sterling Liquidity sub-Fund	50		
Total	100		

UBS GLOBAL ASSET MANAGEMENT – EQUITIES			
Asset Class	Benchmark %	Ranges %	Index
UK Equities	100	40 - 100	FTSE All Share
Cash	0	0 – 10	
Total	100		

UBS PROPERTY			
Asset Class	Benchmark %	Ranges %	Index
Property	100	+/- 25%	IPD Qt Index
Cash	0	0 - 10	
Total	100		

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RETIREMENT PERFORMANCE STATISTICS

Contact Officers

Ken Chisholm, 01895 250847

Papers with this report

nil

SUMMARY

This report summarises the number of early Retirements in the last year.

RECOMMENDATIONS

That the contents of the report be noted.

BACKGROUND

- 1) At Committee Meeting on 25th June 2008 it was agreed that as there was no statutory requirement to report figures against the previous BVPI 14 & BVI 15 targets, local performance indicators would be recorded and presented to Committee.
- 2) New performance indicators relevant to the revised Performance Indicators will be reported in all future reports to the Committee.

Number of Cases for the year end 2008/2009

3) The table below shows the number of employees, by category, whose LGPS benefits have been put into payment

	Redundancy	Efficiency	Ill Health	Voluntary over 60
2006/2007	14	2	6	36
2007/2008	19	3	24	29
2008/2009	26	0	12	37

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

- There is no reasonable prospect of the employee obtaining gainful employment* before reaching normal retirement age (age 65). In these cases service is awarded up to age 65
- The employee cannot obtain gainful employment* within a reasonable period** of leaving local government employment***, it is likely that they will be able to obtain gainful employment* before their normal retirement age (age 65). In these cases 25% of their potential service to age 65 is awarded.

- The employee may be capable of obtaining gainful employment* within a reasonable period** of leaving local government employment***. In these cases no additional award of service is applied. The benefits payable are subject to the individual undergoing a medical review after 18 months to ascertain whether the medical condition is such that the employee is still unable to perform the duties of their previous employment. The maximum period that a third tier pension may be paid is 3 years. When the 3 year period has expired the pension will cease. Upon the employee attaining the age of 65, the pension is brought back into payment.

Note: * gainful employment is defined as paid employment for not less than 30 hours in each week for a period of not less than 12 months.

** reasonable period is defined as 3 years.

*** the term local government employment is used to indicate that the employee a member of the Local Government Pension Scheme, not that they work for a local authority.

The Local Government Pension Scheme Regulations 2008 introduced a protection for employees aged 45 and over who were members of the LGPS as at 31st March 2008. The protection ensures that any benefits paid as the result of ill health retirement are at least the same level as any potential benefits under the new regulations. At the present time, all cases have been awarded under this protection. Future Committee Reports will show the number of ill health retirements under both the protected scheme, and the 3 tiers under the new scheme.

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

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