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HILLINGDON
LONDON

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Pensions Committee

Date: TUESDAY, 30 MARCH 2010

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

George Cooper
Philip Corthorne, Chairman
Michael Cox
Paul Harmsworth
Michael Markham

Advisory Members

John Holroyd
Nicholas Manthorpe
John Thomas

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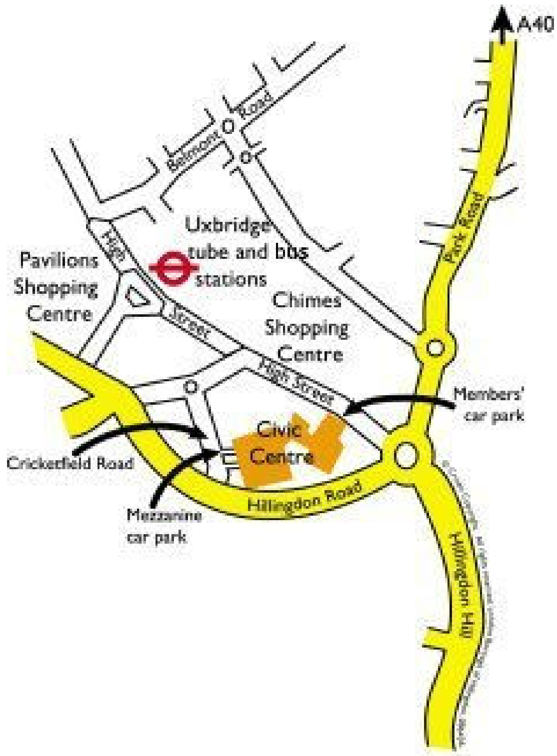
Useful information



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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 15 December 2009

4 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

PART 1

5 Review of Performance Measurement of the Fund

6 Retirement Performance Statistics & Cost of early Retirements

7 Report on Governance

PART 2

8 Review of Investment Strategy & Investment Sub Committee

9 Budget Report

10 Risk Management Report

11 Corporate Governance & Socially Responsible Investment

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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 Quarter Reports Private Equity Listing Private Equity reports from Adams Street and LGT

SUMMARY

This report reviews the fund management performance for the London Borough of Hillingdon Pension Fund for the quarter to 31 December 2009. The value of the fund as at the 31 December was £531.7 million.

RECOMMENDATIONS

That the content of this report be noted and the performance of the Fund Managers be discussed.

INFORMATION

1. The performance of the whole fund for the quarter to 31 December 2009 showed an underperformance of 0.81% with positive returns of 3.02%, compared to the benchmark of 3.83%. The one year figure has improved compared to the previous quarter by 0.74%. However, the longer term figures of three years, five years and since inception show a decline of 0.33%, 0.09% and 0.05% respectively.

Performance Attribution

	Q4 2009 %	1 Year %	3 Years %	5 Years %	Since Inception %
Goldman Sachs	0.46	3.98	(0.92)	(0.54)	(0.71)
UBS	(2.07)	(0.65)	(2.28)	(2.05)	1.20
Alliance Bernstein	(0.48)	(3.37)	(4.71)	-	(3.61)
UBS Property	(4.04)	(3.31)	(0.32)	-	(0.76)
SSgA	(0.03)	0.02	-	-	0.11
SSgA Temporary	0.07	-	-	-	0.18
SSgA Drawdown	0.02	-	-	-	0.17
Total Fund	**(0.81)**	**(0.77)**	**(2.73)**	**(1.95)**	**(0.31)**

2. The negative performance for this quarter was primarily due to asset allocation and the passive currency effect. Being overweight in underperforming areas and vice versa detracted 0.60% from performance. Overseas stock selection compensated for some of these losses.

3. Alliance Bernstein returned 3.47% over the quarter but underperformed against their benchmark by 0.48%. The largest negative impact on performance resulted from UK and Asia Pacific (ex Japan) stock selection.

4. GSAM returned 1.25% against their benchmark of 0.79%, outperforming by 0.46%. Corporate selection was the primary driver for excess returns. The portfolio's duration strategy of short positioning at the long end of the UK curve also helped excess returns as government bonds with longer maturities were sold. The cross sector strategy helped marginally with overweigh positions in corporates and mortgage backed securities paying off.

5. UBS delivered a positive performance of 3.41% but underperformed against their benchmark by 2.07%. Stock selection, primarily in financials was the major drag on performance.

6. Property saw a second quarter of gains with positive performance of 3.86%, however, UBS underperformed against their benchmark of 7.90% by 4.04%. Underperformance was primarily a result of three factors:- cash dilution in the first two months of the quarter, costs associated with acquisitions and the negative impact of the underperforming Triton fund.

7. The requirement for SSgA as a passive manager is to replicate their performance benchmark. Over the three funds there was underperformance of 0.03% on the main fund and outperformance of 0.07% and 0.02% of the temporary and draw down funds respectively.

Absolute Returns

	Alliance Bernstein £000	GSAM £000	SSgA (3 funds) £000	UBS £000	UBS Property £000
Opening Balance	103,828	60,292	191,205	97,344	39,882
Appreciation	3,060	679	5,651	2,450	1,060
Income Received	531	78	-	856	480
Investment Withdrawal	(426)	(246)	(766)	(400)	(165)
Closing Balance	106,992	60,803	196,090	100,250	41,257
Active Management Contribution	(450)	278	20	(1,963)	(1,595)

8. The above table provides details on the impact of manager performance on absolute asset values. The outperformance of GSAM and SSgA had a positive impact on the appreciation of holdings contributing £278k and £20k respectively. In contrast the underperformance of Alliance Bernstein, UBS and UBS property reduced asset appreciation by £450k, £1,963k and £1,595k.

9. At the end of December 2009, £28.04 million (book cost) had been invested in private equity, which equates to 5.27% of the fund against the target investment of 5%. However this level still remains within the limits of the over-commitment strategy of 8%. In terms of cash movements, over the quarter £638k was called

and £104k distributed by Adams Street whilst LGT called £696k and distributed £164k.

10. The securities lending activity for the quarter resulted in income of £21.3k. Offset against this was £7.4k of expenses leaving a net figure earned of £13.9k. The fund is permitted to lend up to 25% of the eligible assets total and as at 31 December 2009 the assets on loan totalled £37m representing approximately 18% of this total.

11. For the quarter ending 31 December 2009, Hillingdon returned 3.02%, underperforming against the WM average by 0.28%. However the one year performance figure has improved from underperformance in the previous quarter of 0.86% to an outperformance against the average of 0.88%.

M&G UK Companies Financing Fund - update

12. M&G maintain their view that the fund will be increasingly needed by companies over the next year or so. They also see the likelihood of investing in the first half of 2010 increasing quite significantly over the past months. Finally, they have been working to reduce the risk to investors of ending up with a small, undiversified fund

13. M&G still believe that many companies do not have access to alternate sources of funding away from their standard banking syndicate, which in many cases is more concentrated than it was following the withdrawal of non-UK banks. They also believe that the banking system remains under stress and a return to the easy funding environment of a few years ago is unlikely. It is certainly the case that large companies have access to the bond markets and that some mid-sized companies can also access some other funding sources. However, in their conversations M&G are finding a significant number of companies wishing to diversify away from the banks. Interestingly, this concern is now shared by the UK authorities and HM Treasury has just issued a discussion paper on non-bank lending. As one of the largest non-bank lenders in the UK, M&G will be responding to this paper.

14. M&G are in advanced discussions with four companies and have a number of other companies in the pipeline behind those. If everything goes as planned then M&G is likely to invest in two or three companies in the next three months. The investment would not be a significant portion of the fund, with the total drawdown being less than 10% of the funds committed, but they believe this could be an important marker for other companies seeking this kind of funding. These investments remain uncertain and so M&G are not asking investors to make any funds available yet.

15. M&G are aware that starting to invest brings its own risks. Although their central case is that more companies will wish to borrow from the fund over the next year, they cannot be certain that the market conditions will be conducive for lending. They believe that one of the risks for investors is that M&G make a small number of investments and then the funding market recovers completely. Although this would be positive for almost all other asset classes they are aware that investors may not want a fund that has a few investments with no prospect of further holdings. M&G have therefore spoken about this risk to Prudential Assurance Company (Prudential), the largest holder of the Fund. They have agreed that it would be reasonable for investors to have a working assumption that Prudential would offer to buy out any investors from their investments if they close the fund when it is

holding only two or three assets. M&G stress that this is not a cast-iron guarantee, but it shows the significant commitment that M&G and Prudential have to the investors in the fund.

Market Commentary

16. Equity markets continued to trend upwards during the fourth quarter of 2009, albeit at a rather muted pace compared to the previous two quarters. Emerging markets again outperformed developed markets with Brazil performing strongly. In terms of the developed markets Japan struggled, delivering a negative return for the quarter. The year ended with some, including the FTSE 100 back at levels last seen before the collapse of Lehman Brother in September 2008.

17. Bond yields remained narrow for much of the quarter before rising at the end as signs of economic recovery and the issue of government bond risk became evident. The reaction was negative to the UK pre budget report and this pushed yields progressively higher across most of the maturity spectrum. Credit and emerging market spreads narrowed over the quarter.

18. UK commercial property market showed further signs of improvement and has now rallied 9% since its lows in early 2009.

FINANCIAL IMPLICATIONS

These are set out in the report

LEGAL IMPLICATIONS

There are no legal implications arising directly from the report

BACKGROUND DOCUMENTS

None

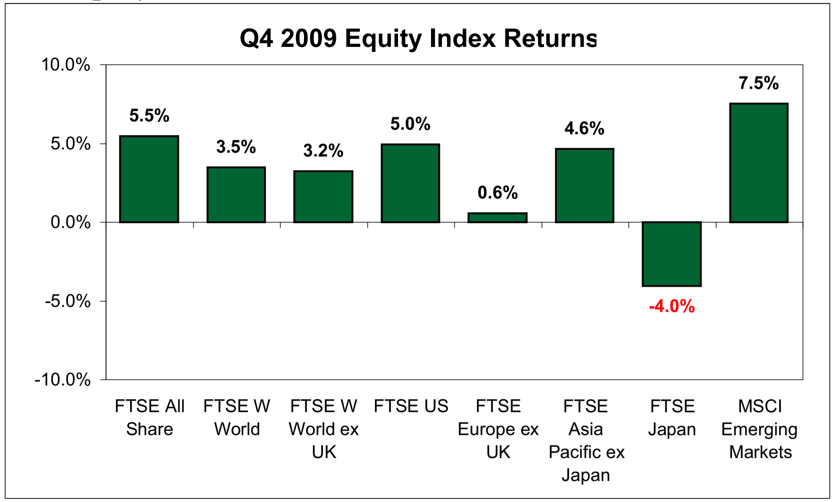
London Borough of Hillingdon

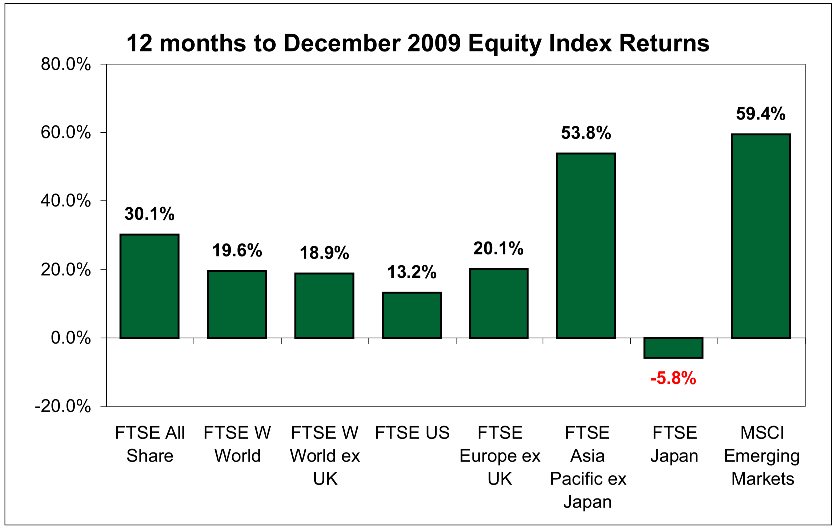
4th Quarter, 2009

Executive Report

Appendix

Equity Overview





All index returns are in GBP terms unless stated otherwise.

With the exception of Japan all major developed equity markets continued the upward momentum that began in March. Europe fell slightly behind regional counterparts following the downgrading of Greece by the ratings agencies but strong corporate results generally buoyed confidence. Comparing this decade with the 1930s, as the last period of similar financial catastrophe the S&P 500 showed an annual price return of -5.3% next to the -2.9% achieved at the end of 2009. The common feature of both being complacency fueled by easy credit. Many equity markets remain deeply in the red over 10 years for what has been called a "lost" decade following 2 significant bear markets. Excepting Japan, double digit returns have been enjoyed over 12 months across the board and Brazil, Russia, India and China have returned between 80-120%. The OECD has predicted that next year the US economy will expand by 2.5%, the Eurozone by 0.9% and Japan 1.9%. Gold prices surprised by gaining overall for the year, ending December at $1,104 per ounce. The price of crude oil finished Q4 up at around $79 per barrel. Some strategists predict a continued flight to risk and cyclical industrials, in particular metal and commodity related shares with links to the emerging markets. Other commentators fear a 10-30% downturn in mid 2010 as investors second guess the rally and keep an eye on the emerging threat of sovereign debt risk. The FTSE World was up 3.5% (GBP) in quarter 4 2009 finishing the year with a December return of 3.7% (GBP).

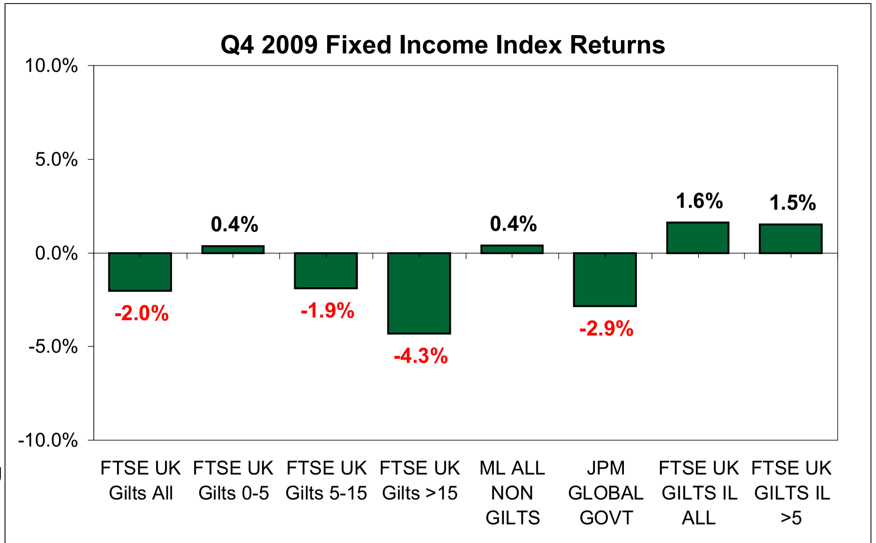
The FTSE 100 returned 6.2% over Q4 following the 25 year record breaking performance seen in Q3. December ended in solid fashion seeing a rotation out of cyclical sectors into defensives with utilities and food producers returning strong performance. Mixed news emerged over Q4; unemployment benefit claimants dropped for the first time since Q1 and the rate of increase slowed (the total is now 2.49m which is 7.8%). Less welcome figures showed retail sales dropping but a further revision to the 3rd quarter GDP up to -0.2% from -0.3% (though 5.1% lower than Q3 2008) provided some confidence. Some have estimated a growth in GDP of 0.4% for Q4 heralding the beginning of national economic recovery. The BoE persevered with the all time low base rate of 0.5% but is now set to put the bond buy back programme on hold at an ownership level of roughly £200bn of mainly government notes. The CEBR in its latest UK prospects report predicts that rate will remain until 2011 and will not reach 2% until 2014 or 15. A survey of FTSE 100 CFOs carried out by Deloitte found that willingness to take risk had returned to the levels observed prior to the financial crash but that anxiety over a possible "double dip" recession persists. The FTSE All Share was up 5.5% (GBP) over the fourth quarter.

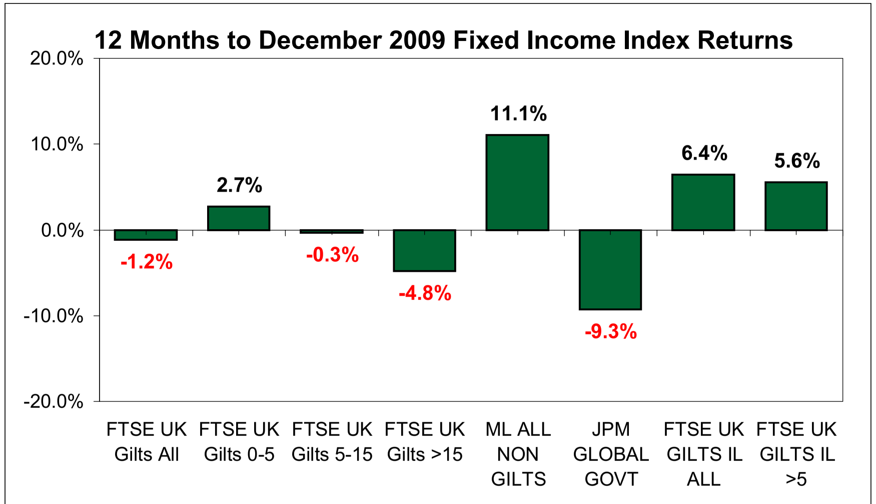
The FTSE Europe ex UK index returned 0.6% (GBP) ending a solid year in quieter fashion as the Eurozone ascended from recession. In Germany, the IFO business sentiment index moved up regaining levels last seen in July 2008 while unemployment fell away. Positive reports also emerged from both France (manufacturing up) and Italy (consumer confidence improved). Eurozone CPI inflation ended 2009 on a 10 month high at 0.9%, still well below the ECB's 2% ceiling. The ECB left its main rate unchanged at 1% and warned high borrowing governments about the dangers they themselves now pose to financial markets. Eurozone unemployment ended 2009 at 10%.

In the US; IT, Utilities and Telecoms led the way as Financials slowed. Manufacturing and housing figures surprised by ending the year with an upturn, indicating expansion. The well publicised international discord attained at the Copenhagen climate summit further weakened US relations with China, already strained by tensions over tariffs on subsidised steel imports. US unemployment ended the year unchanged month on month at 10%. Since the start of recession in 2007 7.2m jobs have gone in the US, 4.2m of those in 2009. The scheduled withdrawal of quantitative easing for March now seems less certain as rumours emerge that the Fed maintains a more cautious outlook for the economy and its fragile improvement. The Fed now owns approximately $1,000bn of mortgages. Mortgage rates are tipped to rise by 1% when the buying ceases, a move expected to slow the housing market recovery substantially. US 3rd quarter GDP was 2.2% at the most recent estimate. The federal funds target rate was maintained at its all time low of 0-0.25%. The FTSE US index was up 5% (GBP) over the fourth quarter of 2009.

Japanese equities closed December on a rise though Q4 confidence was hit following substantial reductions to the Q3 GDP figure to 1.3% (down from the 4.8% estimate). Concerns over hyper deflation persist to which the Bank of Japan has responded with new loans to 3 major banks and the government announced further stimulus with a focus on employment initiatives. The FTSE Japan returned -4% (GBP) for Q4; the FTSE Asia Pacific ex Japan returned 4.6% (GBP). The Reserve Bank of Australia continued in confident fashion with a 3rd consecutive monthly interest rate raise following strong employment statistics. Following a difficult Q3 in China, industrial production, imports and exports all showed strength. China is now thought to have surpassed Germany as the world's largest exporter. Despite a weaker finish to 2009 it was Latin American equities that were the top performers in a record breaking year for Emerging Markets as they significantly outperformed developed counterparts. This success was reflected in Brazil and Mexico with falling rates of unemployment. Many of the emerging economies are targeting further growth in the region of 8-10% in 2010. MSCI Emerging Markets Free index returned 7.5% (GBP) for the fourth quarter.

Fixed Income Overview





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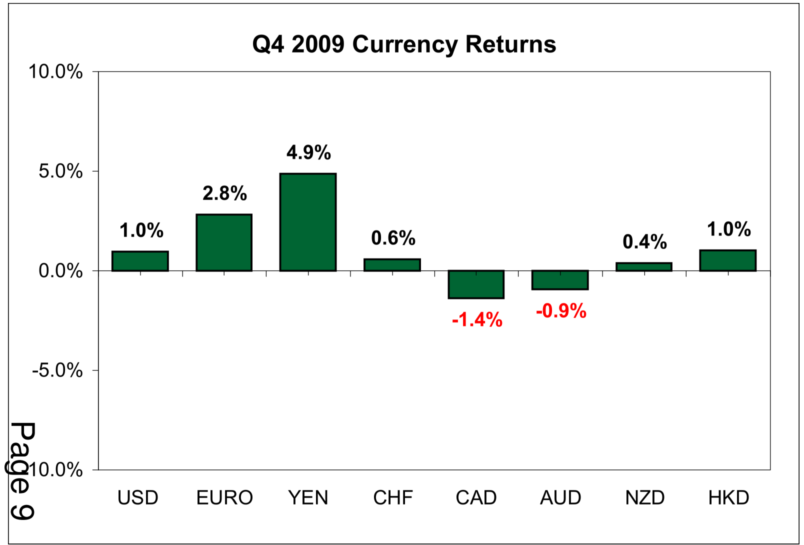
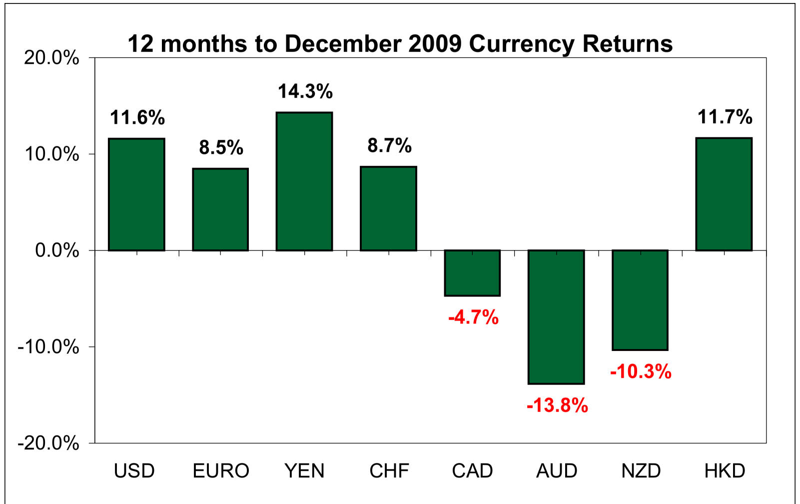
Following the contagion resulting from the collapse of Lehman Brothers in September 2008, the global markets saw an unprecedented downturn in the first three months of 2009. Since then, global economic recovery now seems to be underway thanks to the aggressive actions of the major governments and central banks as well as the resilience of some of the emerging economies. At the end of Q4 2009 global GDP is now expanding, the major equity markets have bounced back impressively and the provision of global credit, while still hampered has undoubtedly improved. Japan, Germany and France returned to positive growth in Q2, and the US and Euro-zone in Q3. The laggard was the UK however December's purchasing managers' indices (PMI) for manufacturing and services underpinned confidence for a return to growth in the 4th quarter while the official estimate for Q4 GDP due on the 26th January is expected to confirm emergence from recession. Monetary policy 'exit' strategies look to be one of the dominant themes for 2010. The Bank of England (BoE) continues to maintain the base rate at a record low 0.5% and the asset purchase programme unchanged since November at £200bn. The three way split decision to extend the QE reflects the uncertainty of the outlook for the UK economy, while the BoE Quarterly Inflation Report (QIR) suggests that the door is far from closed for the prospect of further asset purchases. Government bonds rallied towards the end of November, driven by concerns about Dubai World's request to delay its debt repayments and a rise in risk aversion. The event sparked broader concerns about the high levels of public and private sector debt in both emerging and developed economies. Bond yields rose steadily through December as concerns re-surfaced over the UK's triple A status and the Pre-Budget Report failed to clearly outline a credible plan how to cut the medium term budget deficit. Concerns are that the current high level of policy stimulus risks a significant up-shift in inflation expectations. Combined with the expected strong UK PMI data for manufacturing and services sectors for December and higher equities, UK Gilt 10 year yields were pushed up above 4%. The FTSE All Stock Gilts closed the quarter down -2.04% (GBP), while on the corporate bond side the ML All Non-Gilts index was up 0.38% (GBP) for the quarter and 11.06% for the year.

In Europe the European Central Bank (ECB) also maintained its main refinancing rate at 1.0% and is cautious regarding prospects for the economy, with the likely recovery path described by ECB President Jean-Claude Trichet as 'uneven'. However first steps have been taken to unwind some of its monetary stimulus measures, as Mr. Trichet announced that December's one-year Long Term Refinancing Operation would be the last, while six month operations would finish by end Q1 2010. In December the Euro-zone was dominated by the downgrade of Greece. Participants are not convinced of the country's debt reduction plan and switched out of peripheral paper into German bunds. Data at the end of December showed stronger German exports in November, a rise in euro zone unemployment from 9.9% to 10% and a drop in confidence as the German ZEW economic sentiment survey dropped from 57.7 at the end of Q3 to 50.4 for December. The iTraxx Europe Index, representative of 125 investment grade entities across 6 sectors saw further tightening of spreads from 96.24 at the end of September to 92.63 at year end. The JPM European Govt Bond index returned 0.39% (EUR) and the Barclay Capital Euro Aggregate Corporate Bond index returned 1.71% (EUR) for the fourth quarter.

The Federal Reserve's open market committee (FOMC) followed the decisions by the ECB, BoE and Bank of Japan (BoJ) to keep interest rates pegged at 0-0.25% and reiterated that it believes that current economic conditions continue to warrant 'exceptionally low levels of the federal funds rate for an extended period'. With the continuing low money market rates coupled with increased risk appetites, there has been a broad sell off of the longer term Treasuries mo into and pushing credit markets to strong annual returns. US Treasuries came under upward pressure throughout December on fairly upbeat economic data, higher equities and confidence of a first gain in the monthly employment report. November's non-farm payroll came in at only down -11,000, although unemployment still stands at 10%. The 10 year Treasury yields closed the quarter at 3.84% up from 3.31% for end of September and 2 year Treasury yields increased to 1.14%, up from 0.96% for the same period. For the quarter, the JPM US Govt Bond index returned -1.31% (USD) and the Barclay Capital Global Aggregate Corporate Bond index returned 0.75%. Over the year however the corporate bond index returned a very strong 19.18% (USD).

Currency Market Overview





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As debate centered on the sustainability of a global recovery, the final quarter of 2009 saw markets focused on the ballooning budget deficits of major developed countries and the Eurozone, anticipated upcoming inflationary pressures and central banks' intention on monetary policy heading into 2010. A meeting of G20 leaders in November concluded that global financial markets remained too fragile for immediate withdrawal of full government support. Australia raised their official interest rate from a 49-year low of 3.0% to 3.5% which further strengthened the Aussie dollar against the pound, euro and US dollar. Norway also increased its rate by 25 basis points to 1.5% making it the first European country to do so since the onset of the financial crisis.

Volatility in the global currency markets over the quarter was punctuated by events in Dubai and Greece. Dubai's US$100 billion debt burden was highlighted when its government had to request a 6 month credit extension on behalf of Dubai World, a government related entity, on servicing its US$26 billion debt. The event spooked markets in Europe and Asia as doubts grew on the possibility of sparking a second round of the credit crisis. Rating agencies, Moody and S&P, reacted by downgrading a host of other Dubai government related entities. The FTSE 100, FTSE Eurotop 300 and Nikkei indices all plummeted 3.2% on the day from their respective levels while oil prices also took a hit. Risk aversion dominated as markets seeked the safe-haven of the US dollars and bonds while the euro and sterling (versus US dollar) knee-jerked to lows of 1.4828 and 1.6273 respectively. The eventual Dubai bail out came from fellow emirate Abu Dhabi once again with a provision of a US$10 billion lifeline to prevent Dubai's imminent default.

The US dollar gained against the euro and yen by 1.9% and 3.9% respectively over the quarter but lost -1.0% against sterling. Easing fears of a stalling recovery in the US, the unemployment rate slowed despite the jobless total still at a 26 year high. The US Institute of Supply Management manufacturing data rose into territory not seen since 2006 as industrial production gained forward momentum with US factory orders improving over 6 consecutive months, outstripping expectations. The dollar appreciated in line with global stock prices and reached a three and a half month high as Federal Reserve Chairman Ben Bernanke upgraded assessment of the US economy and signaled possible intention to consider unwinding from quantitative easing and low interest rate earlier than planned. However, the decline in consumer spending and drop in new housing surrendered some of the dollar's gains. Year end saw the Chicago Board Options Exchange Volatility Index decreased by 43% from beginning of the year and 72% from peak of credit crisis in Q4 2008.

The Pound made ground over the latest quarter against most major developed currencies with the exception of the Canadian and Aussie dollar. Sterling was initially buoyed by the central bank's positive comment on the "scale and speed of impact" of its asset purchase program but fell when investors turned their attention on UK's ever growing budget deficit and possibility of a rating downgrade with the likes of Greece. 10 year gilt yields rose as government bonds suffered substantial sell offs on the government's perceived lack of conviction in addressing the deficit. Furthermore, the country was confirmed as the only developed economy to remain in recession from Q3. The Bank of England left base rate unchanged at 0.5% and increased quantitative easing by another £25 billion, bringing the total to date to £200 billion. For the quarter, sterling was up 1% vs. the dollar, 2.8% vs. euro and 4.9% vs. yen. The FTSE All Share recovered 30% over 2009 whilst the pound had gains of 11.6%, 8.5% and 14.3% against the dollar, euro and yen respectively over the same period.

The Eurozone exited recession and its interest rate was kept steady at 1% with markets not expecting any changes until the latter half of 2010. European Central Bank President Jean-Claude Trichet announced plans to start reversing emergency measures in December against IMF's advice as the currency zone reported a worsening trade budget deficit and prediction of rising unemployment well into the new year, with Spain's jobless rate hitting19.3%. Purchasing Managers data from Markit showed business activity rose at the fastest level since December 2007 in the region which was strongly supported by the German Ifo business confidence index peaking at its highest since August 2008 and France also recording an increase in business confidence. The euro lost ground against the US dollar (-1.9%) and British pound (-2.8%), but advanced on the Yen by 2.0% over the quarter.

Gold prices continued to ascend, up by 25% in 2009, as investors took shelter from rising inflationary prospects. Oil, US and Brent crudes also headed north on the support of strong Chinese demand and signs of US demand recovery. The Yen fell against the dollar, sterling and euro as Japan boosted its stimulus package by some US$82 billion and kept its interest rate ultra low to combat deflation and a stronger currency.

Scheme Performance

During the fourth quarter of 2009 London Borough of Hillingdon underperformed the Total Plan Benchmark by -0.78% (relative), returning 3.02% vs. 3.83%. Asset allocation (-0.60%) and the passive currency effect (-0.62%) were the primary sources of underperformance. Underweighting profitable asset classes and overweighting unprofitable asset classes throughout the entire Fund caused asset allocation to have a negative effect on performance. Stock selection (0.47%), particularly among Overseas Equity (0.86%) compensated for some of the losses.

Three of the current seven managers, holding 49.14% of Total Assets, underperformed during the quarter. Their relative underperformance ranged from -0.46% to -3.74%. Relative performance for the remaining managers was either flat or minor (less than 0.50%) and did not balance the negative contributions incurred by the underperforming funds.

Historically, the Fund shows a pattern of underperformance with nine of the last twelve quarters having negative relative returns. Consequently, the Fund underperforms over all short and long term periods.

Manager Performance

Alliance Bernstein

Alliance Bernstein continued to underperform returning 3.47% compared to the benchmark’s 3.94%. Poor stock selection (-0.61%), particularly UK Equity (-0.92%) and Asia Pacific ex Japan (-0.29%) produced the quarter’s underperformance. This was the tenth consecutive quarter of below benchmark returns. Eleven of the last twelve quarters showed a negative relative return and cause the Managers to underperform over all time frames.

Goldman Sachs

Goldman Sachs outperformed the benchmark for the third consecutive quarter (1.25% vs. 0.79%). Consequently, the Manager was well positioned to outperform over the one year period (11.71% vs. 7.73%). However, weak historical returns cause GS to underperform over long term periods.

UBS

During the fourth quarter of 2009, UBS underperformed the FTSE All Share 3.41% vs. 5.47%. Stock selection (-1.65%), particularly Financials (-1.04%), Consumer Services (-0.36%) and Industrials (-0.36%), caused the underperformance. Asset allocation (-0.31%) further expanded the negative performance gap. The year was evenly split between two outperforming quarters and two underperforming quarters, with the latter slightly outweighing the former and resulting in a 29.47% vs. 30.12% return for the year. The three and five year periods also show underperformance (-0.50% vs. 1.77% and 5.05% vs. 7.10%, respectively). Since inception in December 1988, UBS outperforms 10.13% vs. 8.93%.

UBS Property

UBS Property underperformed the benchmark (3.86% vs. 7.90%) for the second quarter in a row. Combined with the negative relative return of the previous quarter, this quarters results caused the Manager to fall behind the benchmark over all time frames. Since inception in March 2006, UBS Property returns -6.43% vs. 5.67%.

Active Contribution

By Manager

		11/09 - 12/09					10/09 - 11/09					9/09 - 10/09				
	Active Contribution Q4 09	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 12/09	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 11/09	Portfolio	Benchmark	Excess Return	Relative Return	Active Contribution 10/09
Goldman Sachs	277,812.05	-1.56	-1.72	0.16	0.16	96,029.69	1.25	1.32	-0.06	-0.06	-37,881.37	1.58	1.22	0.36	0.36	219,663.73
UBS	-1,962,772.90	3.74	4.34	-0.60	-0.57	-603,792.25	2.27	2.96	-0.69	-0.67	-669,632.50	-2.54	-1.82	-0.72	-0.73	-689,348.15
Alliance Bernstein	-449,665.68	3.95	3.90	0.05	0.05	52,341.52	3.37	3.48	-0.11	-0.10	-111,061.31	-3.71	-3.32	-0.39	-0.40	-390,945.89
UBS Property	-1,595,268.77	1.02	2.18	-1.16	-1.14	-485,147.89	1.13	3.01	-1.88	-1.82	-785,472.13	1.67	2.51	-0.84	-0.82	-324,648.75
SSGA	-35,286.35	2.76	2.79	-0.03	-0.03	-31,557.85	2.89	2.91	-0.03	-0.02	-24,476.31	-2.22	-2.24	0.02	0.02	20,747.81
SSGA Drawdown	4,457.09	-0.66	-0.63	-0.03	-0.03	-7,282.17	0.57	0.57	0.01	0.01	1,259.42	0.36	0.31	0.05	0.05	10,479.84
SSGA Temporary	50,663.89	3.74	3.70	0.04	0.04	32,169.52	4.32	4.27	0.05	0.04	33,177.28	-4.65	-4.63	-0.02	-0.02	-14,682.91

Total Fund Market Value at Qtr End: £505.7 M

Scheme Performance

	Market Value £m	% of Fund	Three Months Portfolio	Three Months Benchmark	Three Months Excess Return	Three Months Relative Return	Year To Date Portfolio	Year To Date Benchmark	Year To Date Excess Return	Year To Date Relative Return	One Year Portfolio	One Year Benchmark	One Year Excess Return	One Year Relative Return
London Borough of Hillingdon	505.7	100.00	3.02	3.83	-0.81	-0.78	18.58	19.35	-0.77	-0.65	18.58	19.35	-0.77	-0.65

By Manager

	Market Value £m	% of Fund	Three Months Portfolio	Three Months Benchmark	Three Months Excess Return	Three Months Relative Return	Year To Date Portfolio	Year To Date Benchmark	Year To Date Excess Return	Year To Date Relative Return	One Year Portfolio	One Year Benchmark	One Year Excess Return	One Year Relative Return
Goldman Sachs	60.8	12.02	1.25	0.79	0.46	0.46	11.71	7.73	3.98	3.69	11.71	7.73	3.98	3.69
UBS	100.3	19.82	3.41	5.47	-2.07	-1.96	29.47	30.12	-0.65	-0.50	29.47	30.12	-0.65	-0.50
Alliance Bernstein	107.0	21.16	3.47	3.94	-0.48	-0.46	22.02	25.40	-3.37	-2.69	22.02	25.40	-3.37	-2.69
UBS Property	41.3	8.16	3.86	7.90	-4.04	-3.74	-5.49	-1.78	-3.71	-3.78	-5.49	-1.78	-3.71	-3.78
SSGA	100.0	19.78	3.38	3.41	-0.03	-0.03	22.04	22.02	0.02	0.01	22.04	22.02	0.02	0.01
SSGA Drawdown	21.0	4.16	0.26	0.24	0.02	0.02	-	-	-	-	-	-	-	-
SSGA Temporary	75.0	14.84	3.19	3.12	0.07	0.06	-	-	-	-	-	-	-	-

Total Fund Market Value at Qtr End: £505.7 M

Scheme Performance

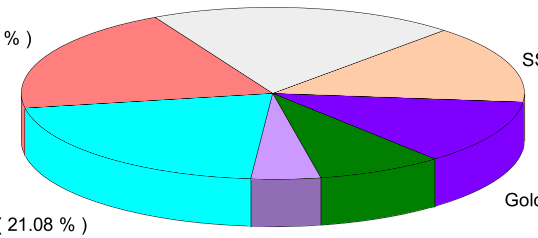
	Three Years				Five Years				Inception To Date			
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return
London Borough of Hillingdon	-2.15	0.58	-2.73	-2.71	4.73	6.67	-1.95	-1.83	6.23	6.54	-0.31	-0.29

By Manager

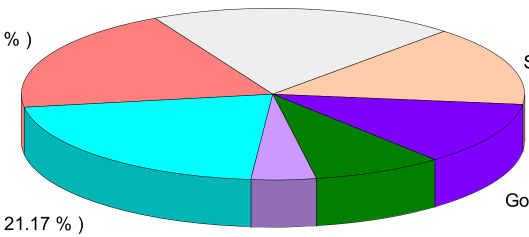
	Portfolio	Benchmark	Excess Return	Relative Return	Portfolio	Benchmark	Excess Return	Relative Return	Inception Date	Portfolio	Benchmark	Excess Return	Relative Return
Goldman Sachs	4.64	5.56	-0.92	-0.87	8.07	8.61	-0.54	-0.50	31/12/01	5.48	6.19	-0.71	-0.67
UBS	-0.50	1.77	-2.28	-2.24	5.05	7.10	-2.05	-1.91	31/12/88	10.13	8.93	1.20	1.10
Alliance Bernstein	-3.69	1.02	-4.71	-4.66	-	-	-	-	31/03/06	-1.54	2.07	-3.61	-3.54
UBS Property	-11.24	-10.92	-0.32	-0.35	-	-	-	-	31/03/06	-6.43	-5.67	-0.76	-0.80
SSGA	-	-	-	-	-	-	-	-	30/11/08	28.72	28.61	0.11	0.09
SSGA Drawdown	-	-	-	-	-	-	-	-	30/06/09	5.02	4.84	0.18	0.17
SSGA Temporary	-	-	-	-	-	-	-	-	30/06/09	26.89	26.72	0.17	0.13

Total Fund Market Value at Qtr End: £505.7 M

Weighting at Beginning of Period



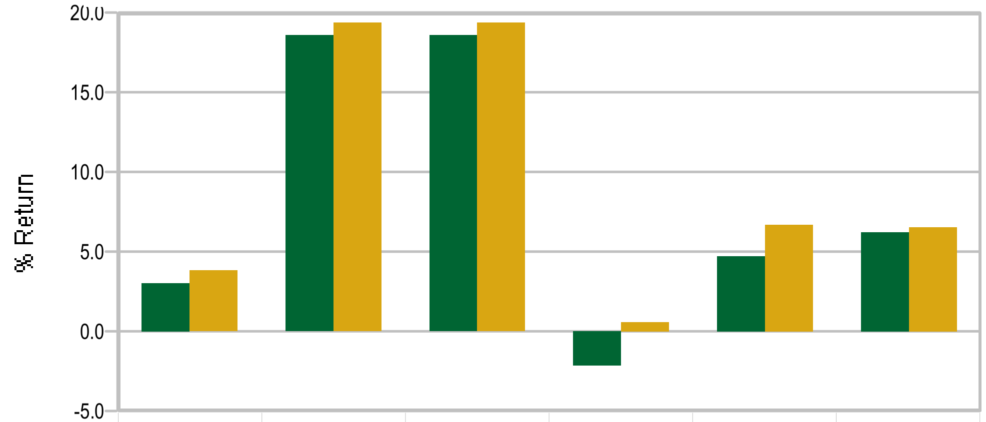
Weighting at End of Period



	Opening Market Value £(000)	% of Fund	Net Investment £(000)	Appreciation £(000)	Income Received £(000)	Closing Market Value £(000)	% of Fund
London Borough of Hillingdon	492,921	100.00	-2,073	12,902	1,943	505,693	100.00
Capital International	30	0.01	-3	1	2	30	0.01
Goldman Sachs	60,292	12.23	-246	679	78	60,803	12.02
UBS	97,344	19.75	-400	2,450	856	100,251	19.82
Alliance Bernstein	103,828	21.06	-426	3,060	531	106,992	21.16
UBS Property	39,882	8.09	-165	1,060	480	41,256	8.16
SSGA	97,139	19.71	-394	3,276	-0	100,021	19.78
SSGA Drawdown	21,070	4.27	-84	55		21,041	4.16
SSGA Temporary	72,996	14.81	-288	2,320		75,029	14.84
Nomura	340	0.07	-67	-0	-3	270	0.05

London Borough of Hillingdon

Historical Plan Performance

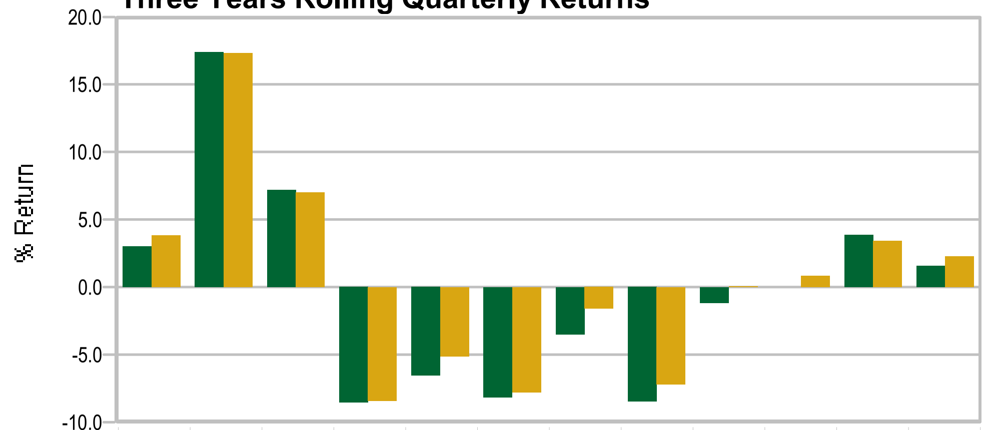


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.02	18.58	18.58	-2.15	4.73	6.23
Benchmark	3.83	19.35	19.35	0.58	6.67	6.54

Risk Statistics - 3 years

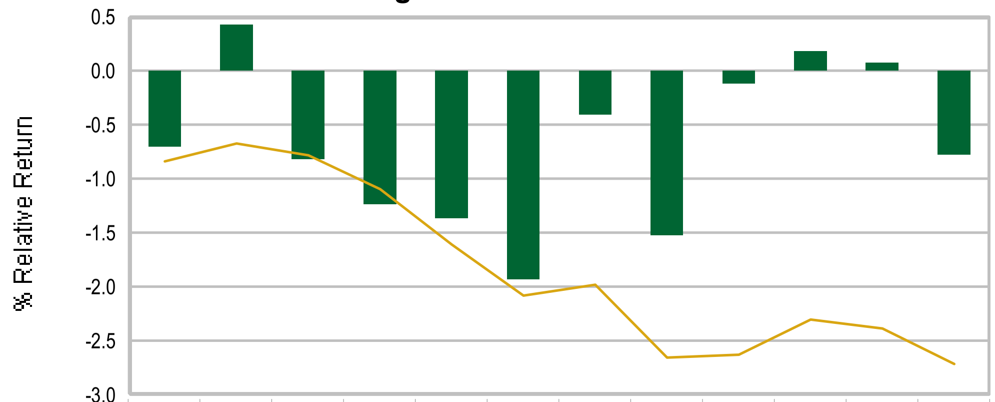
	Fund	B'mark
Performance Return	-2.15	0.58
Standard Deviation	15.25	14.77
Relative Return	-2.71	
Tracking Error	1.29	
Information Ratio	-2.12	
Beta	1.03	
Alpha	-2.55	
R Squared	0.99	
Sharpe Ratio	-0.47	-0.30
Percentage of Total Fund	100.0	
Inception Date	Sep-1995	
Opening Market Value (£000)	492,921	
Net Investment £(000)	-2,073	
Income Received £(000)	1,943	
Appreciation £(000)	12,902	
Closing Market Value (£000)	505,693	

Three Years Rolling Quarterly Returns



	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Fund	3.02	17.40	7.21	-8.55	-6.57	-8.18	-3.51	-8.47	-1.17	0.00	3.87	1.58
Benchmark	3.83	17.31	7.02	-8.44	-5.13	-7.80	-1.61	-7.20	0.06	0.83	3.43	2.30

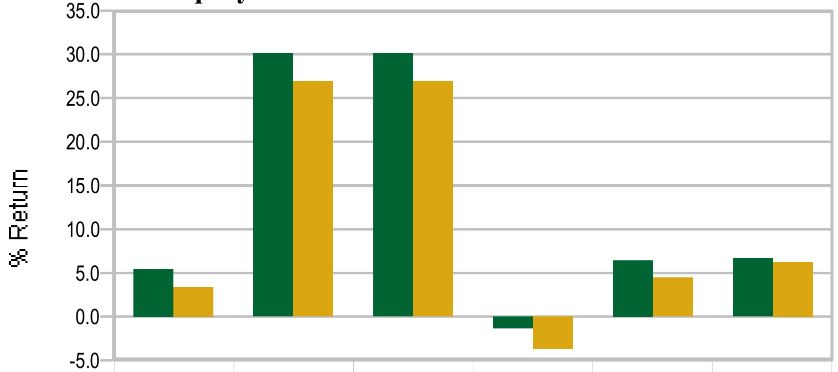
Three Years Rolling Relative Returns



	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
3M Relative	-0.70	0.43	-0.82	-1.24	-1.37	-1.93	-0.41	-1.52	-0.12	0.18	0.07	-0.78
3Y Relative	-0.84	-0.67	-0.78	-1.10	-1.61	-2.08	-1.98	-2.66	-2.63	-2.30	-2.39	-2.71

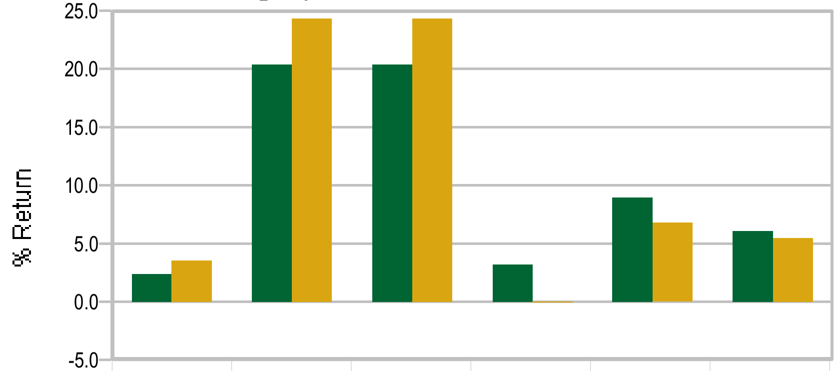
London Borough of Hillingdon

UK Equity



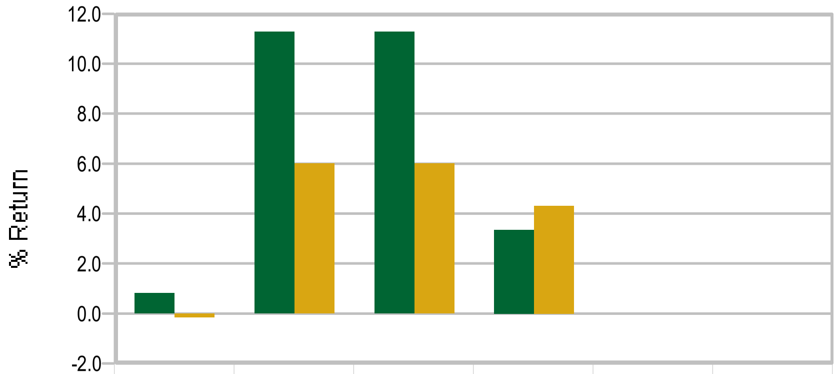
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.42	26.90	26.90	-3.70	4.47	6.26
B'Mark	5.47	30.12	30.12	-1.34	6.47	6.69

Overseas Equity



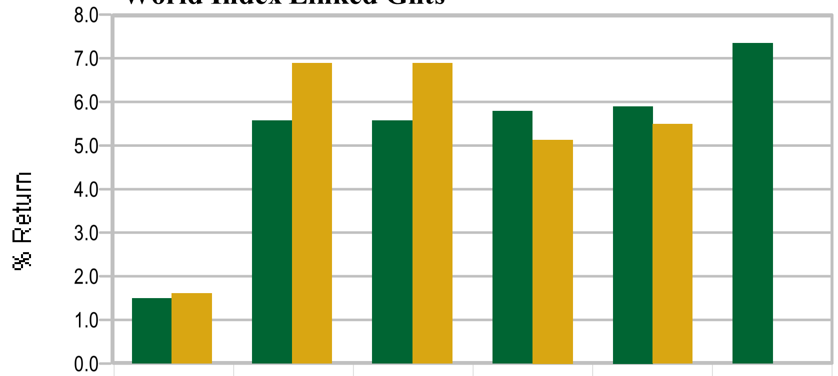
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.56	24.34	24.34	-0.07	6.79	5.48
B'Mark	2.38	20.39	20.39	3.19	8.96	6.05

World Fixed Income



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.81	11.29	11.29	3.35	-	-
B'Mark	-0.16	6.01	6.01	4.31	-	-

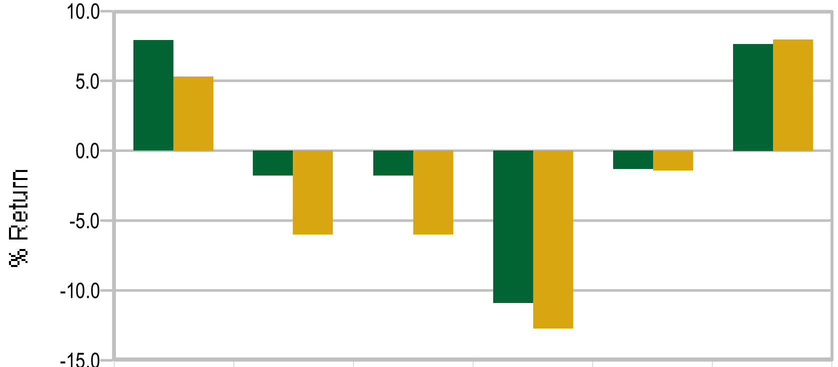
World Index Linked Gilts



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.61	6.89	6.89	5.13	5.49	
B'Mark	1.50	5.57	5.57	5.79	5.90	7.34

London Borough of Hillingdon

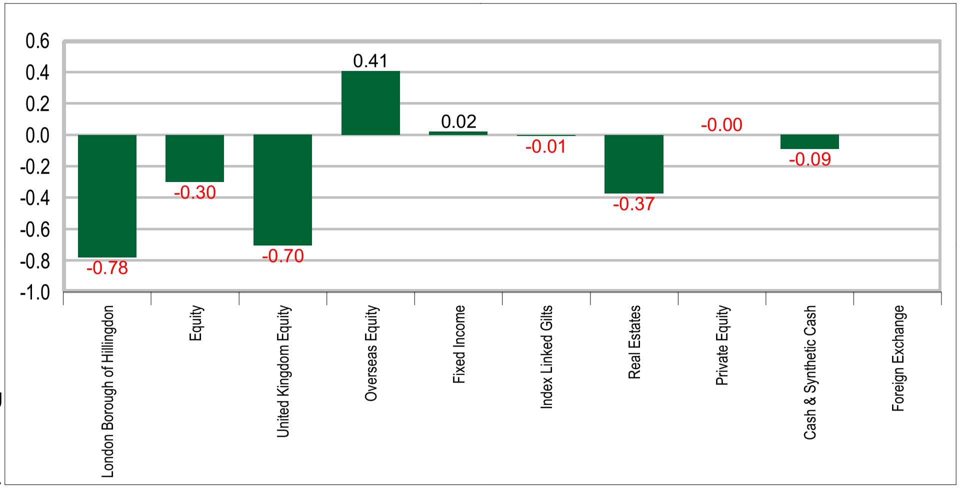
Real Estate



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	5.31	-6.01	-6.01	-12.74	-1.42	7.96
B'Mark	7.90	-1.78	-1.78	-10.91	-1.31	7.63

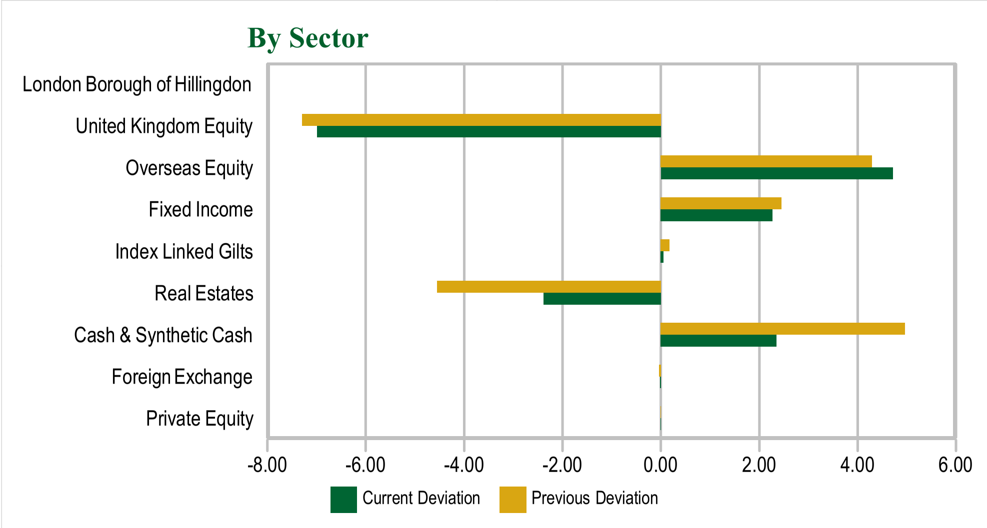
London Borough of Hillingdon

Relative Contribution - Three Months



	Return	Benchmark	Relative Return	Hedging Effect	Passive Currency	Asset Allocation	Stock Selection Effect	Relative contribution
London Borough of Hillingdon	3.02	3.83	-0.78	0.00	-0.62	-0.60	0.47	-0.78
Equity	3.50	-	3.50	0.00	-0.36	-0.21	0.28	-0.30
United Kingdom Equity	3.42	5.47	-1.95	0.00	0.04	-0.17	-0.58	-0.70
Overseas Equity	3.56	2.38	1.15	0.00	-0.40	-0.05	0.86	0.41
Fixed Income	0.81	-0.16	0.98	0.00	-0.26	-0.09	0.37	0.02
Index Linked Gilts	1.61	1.50	0.10	0.00	-0.00	-0.01	0.00	-0.01
Real Estates	5.31	7.90	-2.40	0.00	0.00	-0.20	-0.18	-0.37
Private Equity	0.00	-	0.00	0.00	-0.00	-0.00	0.00	-0.00
Cash & Synthetic Cash	0.44	-	0.44	0.00	0.00	-0.09	0.00	-0.09
Foreign Exchange	-	-	0.00	-	-	-	-	-

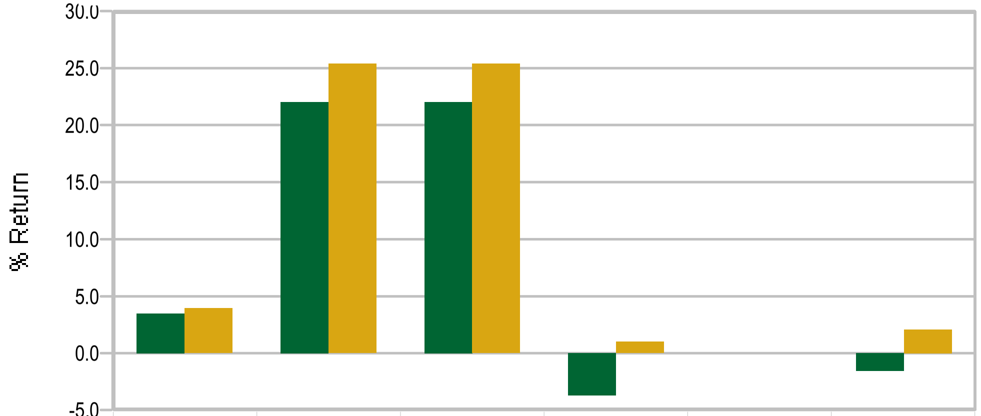
London Borough of Hillingdon



	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
London Borough of Hillingdon	100.00	100.00	100.00		100.00	
United Kingdom Equity	29.85	29.55	36.84	-6.99	36.84	-7.29
Overseas Equity	41.57	41.14	36.85	4.72	36.85	4.29
Fixed Income	12.79	12.97	10.52	2.27	10.52	2.45
Index Linked Gilts	5.31	5.43	5.26	0.05	5.26	0.17
Real Estates	8.14	5.98	10.53	-2.39	10.53	-4.55
Cash & Synthetic Cash	2.35	4.96		2.35		4.96
Foreign Exchange	-0.02	-0.05		-0.02		-0.05
Private Equity	0.01	0.01		0.01		0.01

Alliance Bernstein

Historical Plan Performance

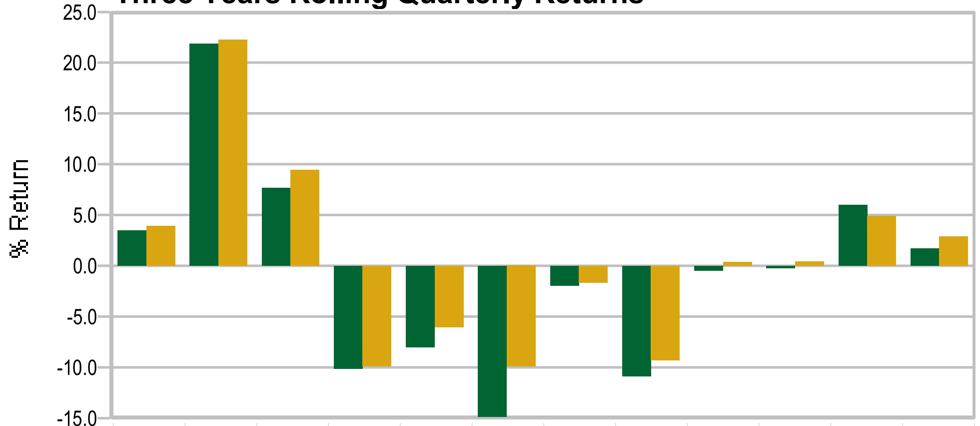


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.47	22.02	22.02	-3.69	-	-1.54
Benchmark	3.94	25.40	25.40	1.02	-	2.07

Risk Statistics - 3 years

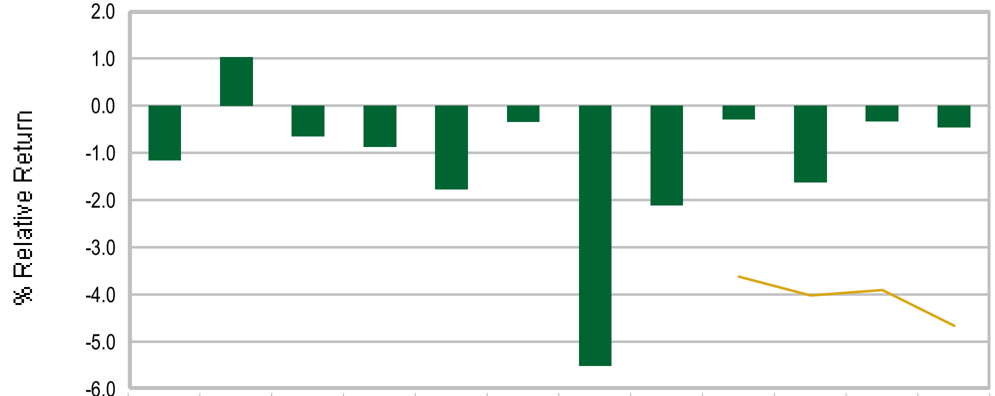
	Fund	B'mark
Performance Return	-3.69	1.02
Standard Deviation	19.88	19.04
Relative Return	-4.66	
Tracking Error	2.12	
Information Ratio	-2.22	
Beta	1.04	
Alpha	-4.42	
R Squared	0.99	
Sharpe Ratio	-0.44	-0.21
Percentage of Total Fund	21.2	
Inception Date	Mar-2006	
Opening Market Value (£000)	103,828	
Net Investment £(000)	-426	
Income Received £(000)	531	
Appreciation £(000)	3,060	
Closing Market Value (£000)	106,992	

Three Years Rolling Quarterly Returns



	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Fund	3.47	21.87	7.69	-10.14	-8.01	-14.89	-1.97	-10.90	-0.49	-0.22	6.01	1.72
Benchmark	3.94	22.29	9.46	-9.87	-6.03	-9.92	-1.63	-9.30	0.38	0.43	4.93	2.92

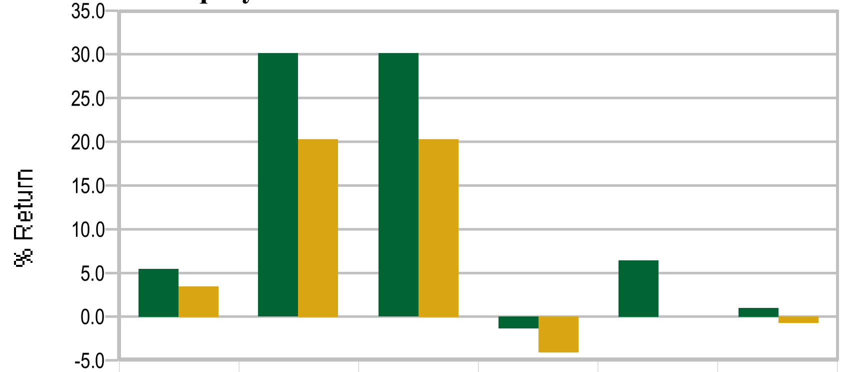
Three Years Rolling Relative Returns



	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
3M Relative	-1.17	1.03	-0.65	-0.87	-1.77	-0.35	-5.51	-2.11	-0.29	-1.62	-0.34	-0.46
3Y Relative	-	-	-	-	-	-	-	-	-3.62	-4.02	-3.91	-4.66

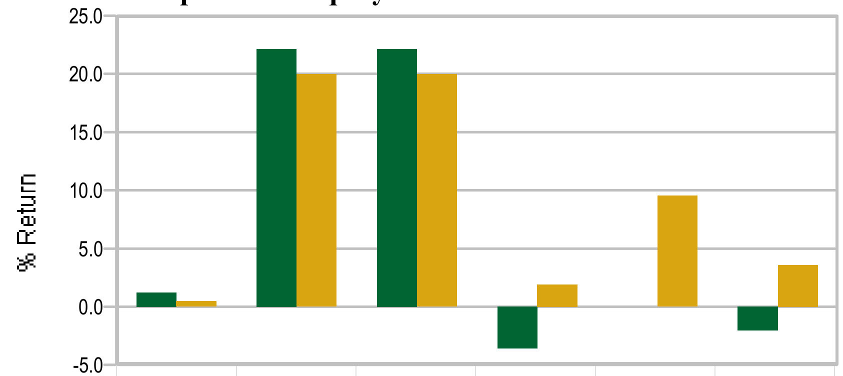
Alliance Bernstein

UK Equity



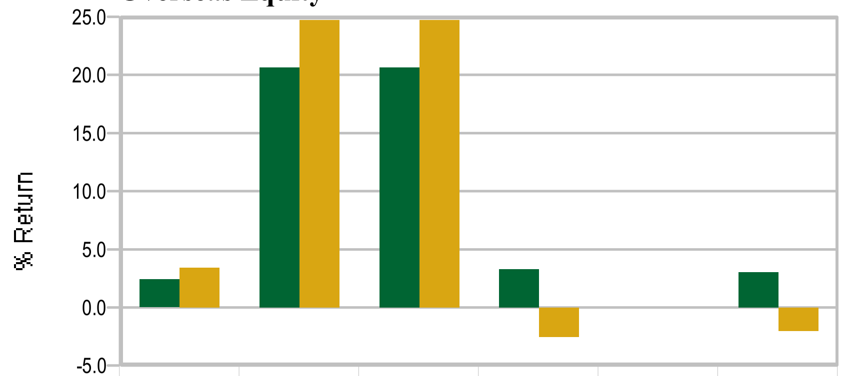
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.47	20.29	20.29	-4.10	-	-0.73
B'Mark	5.47	30.12	30.12	-1.34	6.47	0.98

Europe ex UK Equity



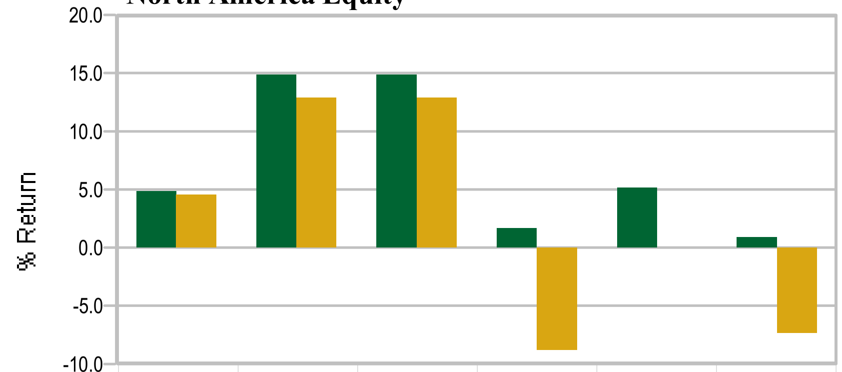
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.22	22.15	22.15	-3.60	-	-2.07
B'Mark	0.48	19.95	19.95	1.89	9.53	3.59

Overseas Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.42	24.73	24.73	-2.54	-	-2.00
B'Mark	2.41	20.64	20.64	3.28	-	3.01

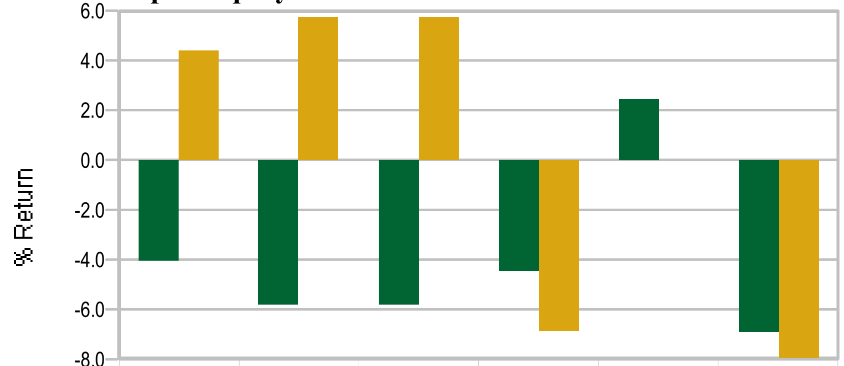
North America Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.53	12.85	12.85	-8.79		-7.33
B'Mark	4.85	14.84	14.84	1.68	5.13	0.88

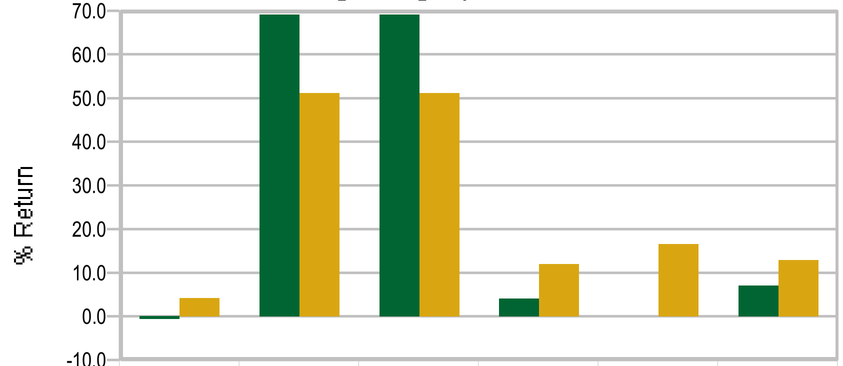
Alliance Bernstein

Japan Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.39	5.72	5.72	-6.87	-	-7.94
B'Mark	-4.04	-5.80	-5.80	-4.45	2.45	-6.90

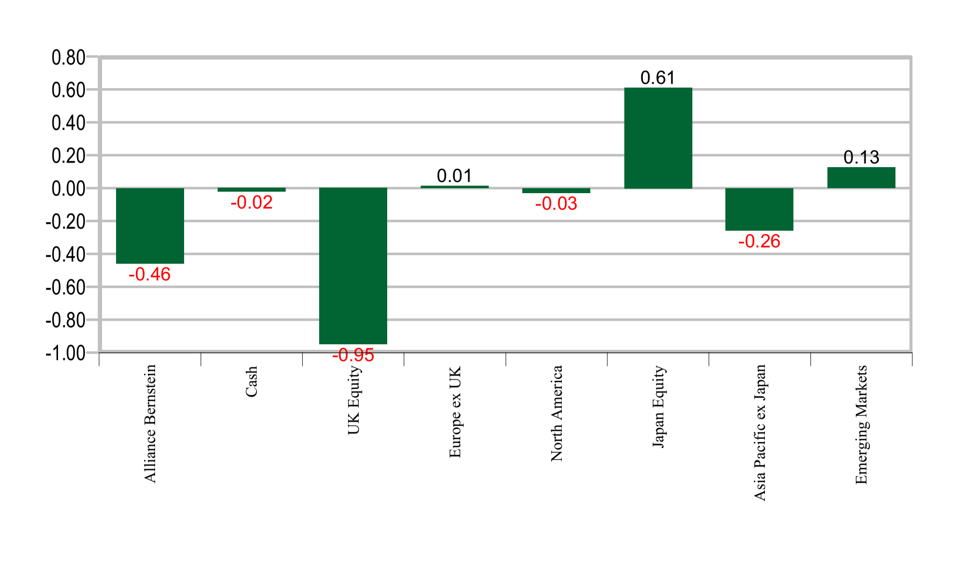
Asia Pacific ex Japan Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-0.69	69.14	69.14	4.08	-	7.02
B'Mark	4.14	51.21	51.21	11.98	16.65	12.91

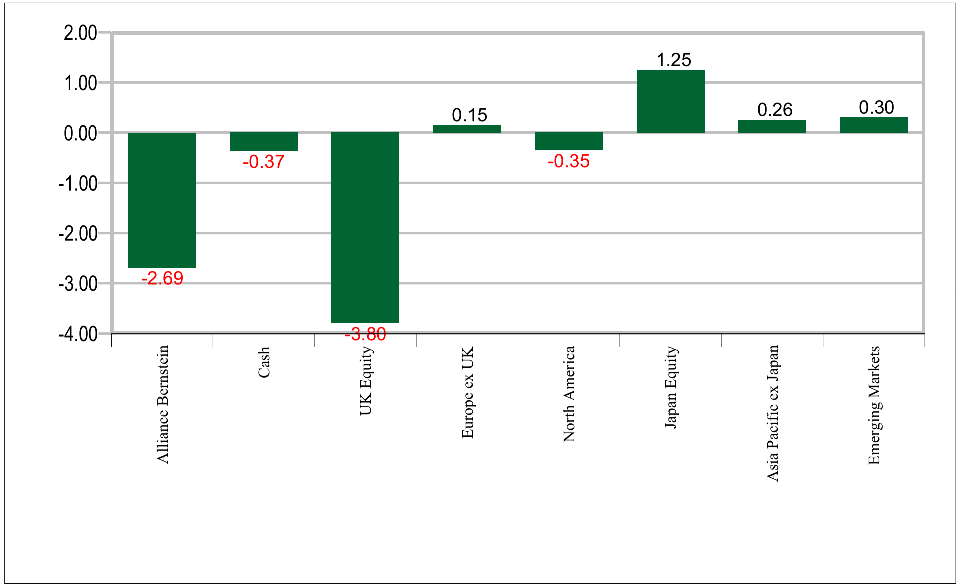
Alliance Bernstein

Relative Contribution - Three Months



	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Alliance Bernstein	3.47	3.94	-0.46	0.02	0.13	-0.02	-0.61	-0.46
UK Equity	3.47	5.47	-1.90	0.00	-0.01	-0.01	-0.92	-0.95
Europe ex UK	1.22	0.48	0.73	0.00	-0.05	-0.07	0.13	0.01
North America	4.53	4.85	-0.30	0.00	0.01	-0.03	-0.01	-0.03
Japan Equity	4.39	-4.04	8.78	0.00	0.14	0.11	0.36	0.61
Asia Pacific ex Japan	-0.69	4.14	-4.65	0.00	0.03	0.00	-0.29	-0.26
Emerging Markets	9.30	7.83	1.36	0.00	-0.03	0.02	0.13	0.13
Cash	2.55	-	2.55	0.00	0.05	-0.07	0.00	-0.02

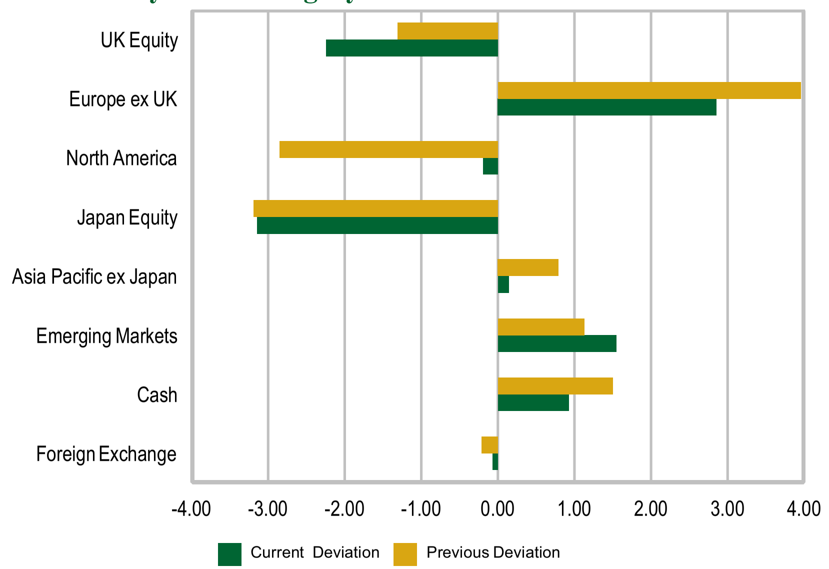
Relative Contribution - One Year



	Return	B'mark	Relative Return	Hedging Effect	Currency Effect	Asset Allocation	Stock Selection	Relative Contribution
Alliance Bernstein	22.02	25.40	-2.69	-0.14	0.57	0.14	-3.28	-2.69
UK Equity	20.29	30.12	-7.55	0.00	-0.13	0.01	-3.69	-3.80
Europe ex UK	22.15	19.95	1.83	0.00	0.05	-0.04	0.14	0.15
North America	12.85	14.84	-1.73	0.00	-0.01	-0.05	-0.29	-0.35
Japan Equity	5.72	-5.80	12.23	0.00	0.28	0.46	0.50	1.25
Asia Pacific ex Japan	69.14	51.21	11.86	0.00	0.39	-0.21	0.09	0.26
Emerging Markets	61.90	62.54	-0.39	0.00	0.00	0.32	-0.02	0.30
Cash	-3.73	-	-3.73	0.00	-0.01	-0.36	0.00	-0.37

Alliance Bernstein

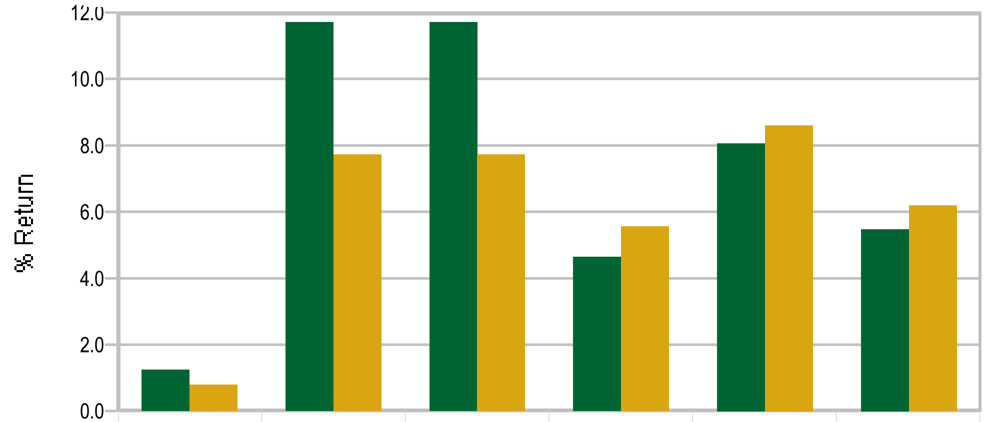
By Asset Category



	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
UK Equity	47.75	48.69	50.00	-2.25	50.00	-1.31
Europe ex UK	17.85	18.96	15.00	2.85	15.00	3.96
North America	17.30	14.65	17.50	-0.20	17.50	-2.85
Japan Equity	4.35	4.31	7.50	-3.15	7.50	-3.19
Asia Pacific ex Japan	5.14	5.79	5.00	0.14	5.00	0.79
Emerging Markets	6.54	6.13	5.00	1.54	5.00	1.13
Cash	0.92	1.50		0.92		1.50
Foreign Exchange	-0.07	-0.21		-0.07		-0.21

Goldman Sachs

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.25	11.71	11.71	4.64	8.07	5.48
Benchmark	0.79	7.73	7.73	5.56	8.61	6.19

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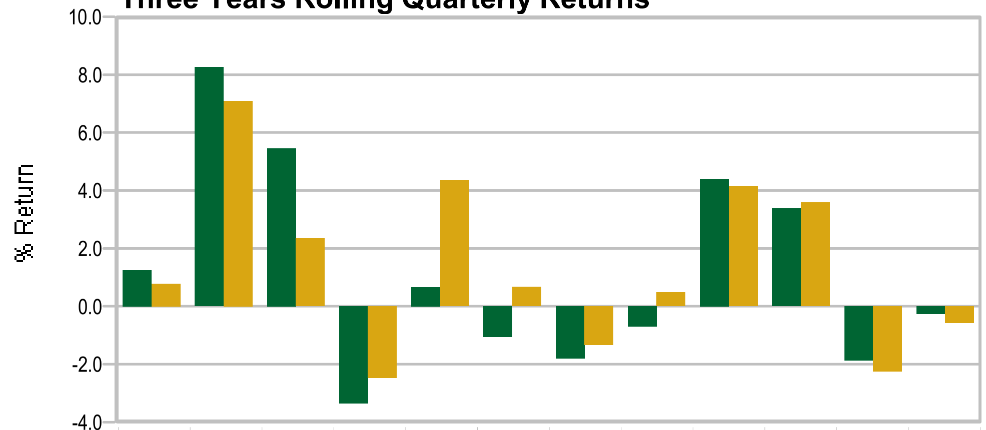
Risk Statistics - 3 years

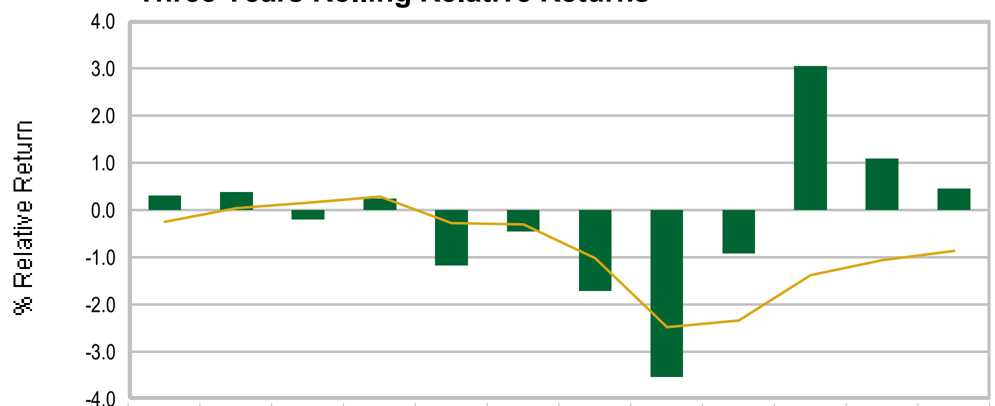
	Fund	B'mark
Performance Return	4.64	5.56
Standard Deviation	7.25	6.75
Relative Return	-0.87	
Tracking Error	2.13	
Information Ratio	-0.43	
Beta	1.04	
Alpha	-0.87	
R Squared	0.92	
Sharpe Ratio	-0.06	0.07
Percentage of Total Fund	12.0	
Inception Date	Dec-2001	
Opening Market Value (£000)	60,292	
Net Investment £(000)	-246	
Income Received £(000)	78	
Appreciation £(000)	679	
Closing Market Value (£000)	60,803	

Three Years Rolling Quarterly Returns



	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Fund	1.25	8.26	5.46	-3.37	0.67	-1.06	-1.80	-0.70	4.40	3.38	-1.88	-0.28
Benchmark	0.79	7.09	2.34	-2.48	4.36	0.67	-1.35	0.48	4.15	3.58	-2.25	-0.59

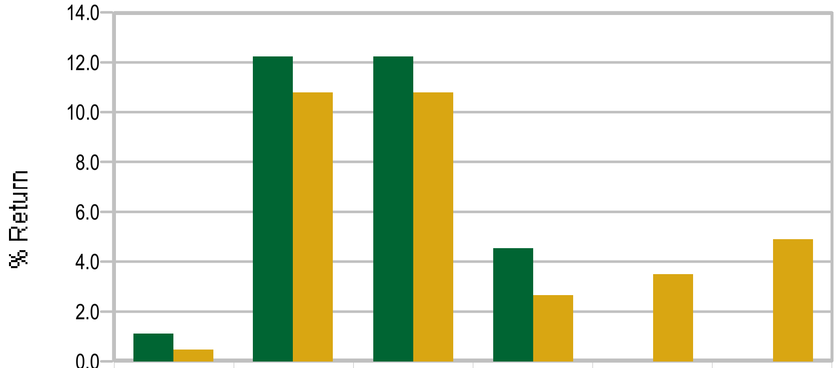
Three Years Rolling Relative Returns



	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
3M Relative	0.31	0.38	-0.20	0.24	-1.17	-0.46	-1.71	-3.54	-0.91	3.05	1.09	0.46
3Y Relative	-0.25	0.04	0.16	0.29	-0.28	-0.31	-1.03	-2.48	-2.34	-1.38	-1.06	-0.87

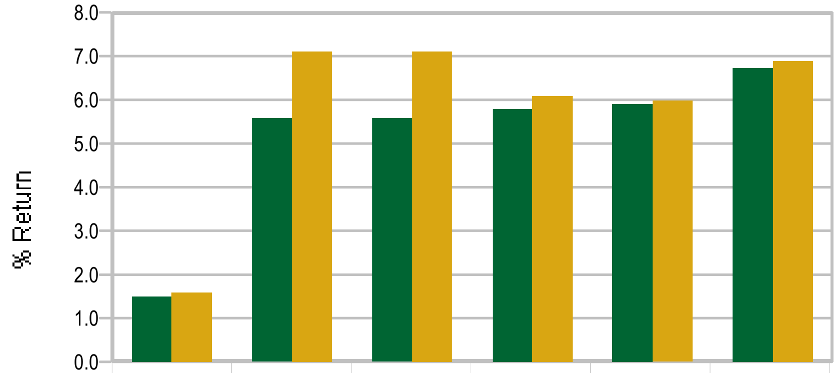
Goldman Sachs

World Fixed Income



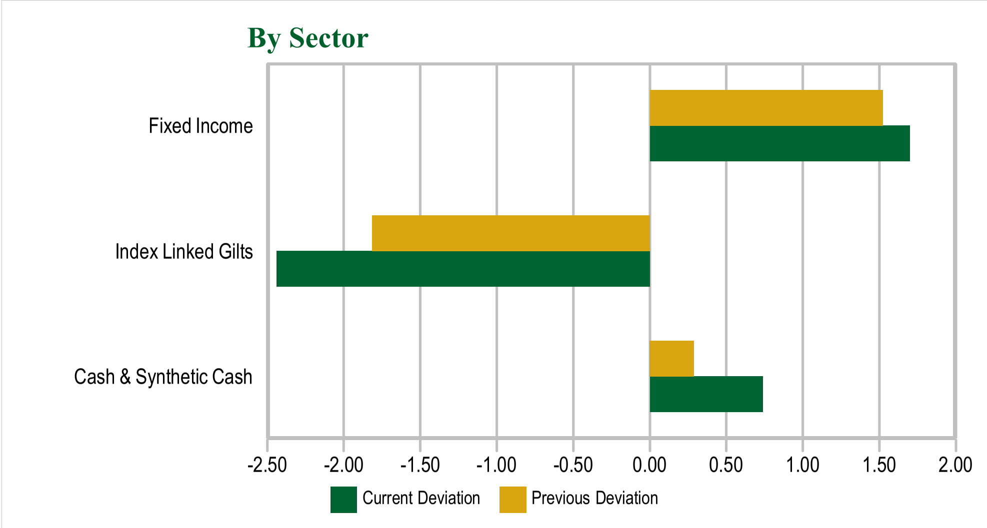
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.11	12.24	12.24	4.54	-	-
B'Mark	0.48	10.78	10.78	2.65	3.50	4.90

Index Linked Gilts



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.59	7.10	7.10	6.08	5.98	6.89
B'Mark	1.50	5.57	5.57	5.79	5.90	6.73

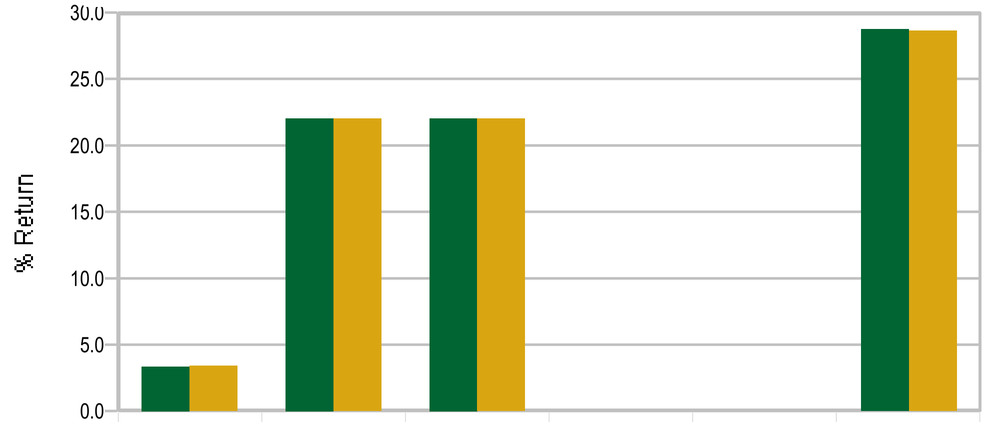
Goldman Sachs



	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
Fixed Income	71.70	71.52	70.00	1.70	70.00	1.52
Index Linked Gilts	27.56	28.19	30.00	-2.44	30.00	-1.81
Cash & Synthetic Cash	0.74	0.29		0.74		0.29

SSGA

Historical Plan Performance

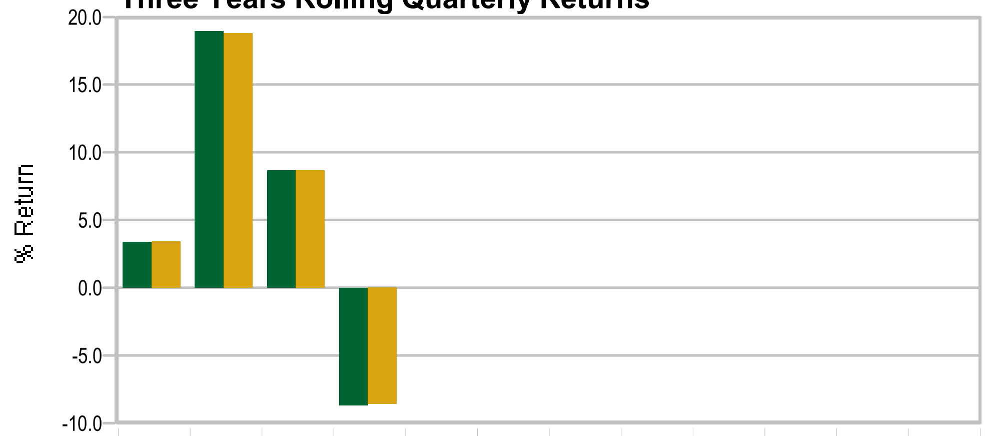


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.38	22.04	22.04	-	-	28.72
Benchmark	3.41	22.02	22.02	-	-	28.61

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	19.8	
Inception Date	Nov-2008	
Opening Market Value (£000)	97,139	
Net Investment £(000)	-394	
Income Received £(000)	-0	
Appreciation £(000)	3,276	
Closing Market Value (£000)	100,021	

Three Years Rolling Quarterly Returns



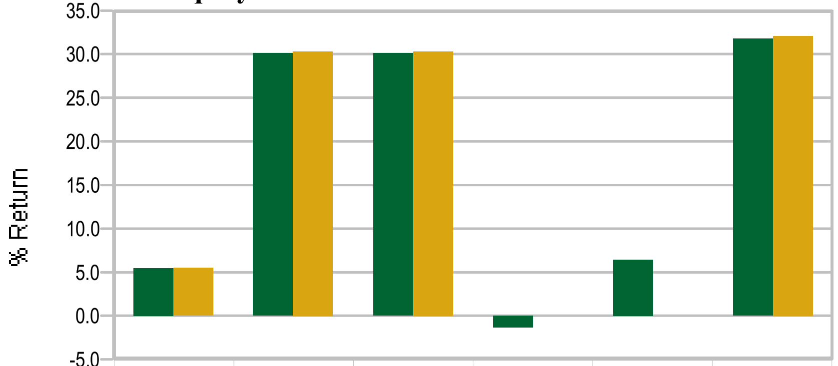
	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Fund	3.38	18.95	8.68	-8.68	-	-	-	-	-	-	-	-
Benchmark	3.41	18.78	8.66	-8.59	-	-	-	-	-	-	-	-

Three Years Rolling Relative Returns

	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
3M Relative	-	-	-	-	-	-	-	-	-0.11	0.01	0.14	-0.03
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

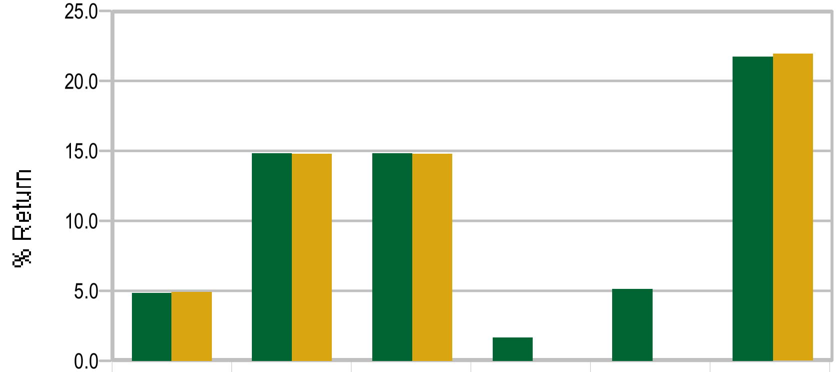
SSGA

UK Equity



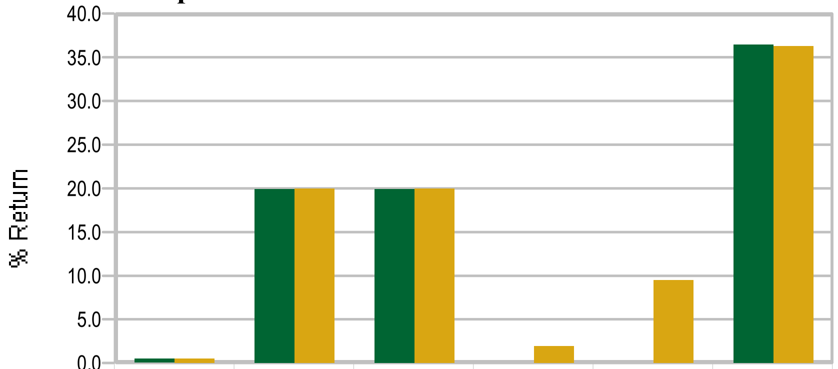
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	5.51	30.32	30.32	-	-	32.09
B'Mark	5.47	30.12	30.12	-1.34	6.47	31.77

North America



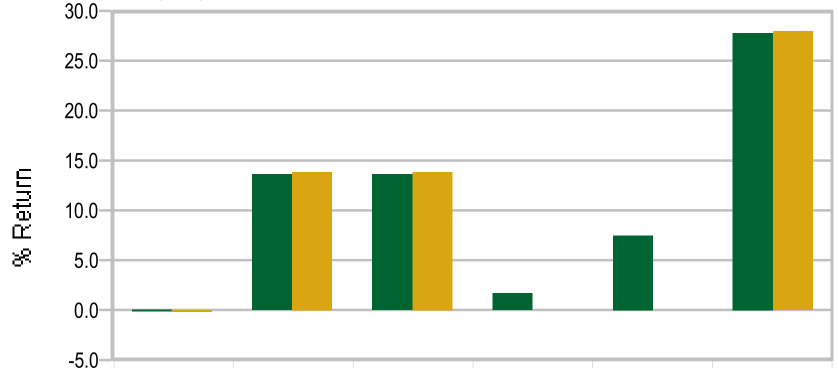
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	4.91	14.81	14.81	-	-	21.94
B'Mark	4.85	14.84	14.84	1.68	5.13	21.74

Europe ex UK



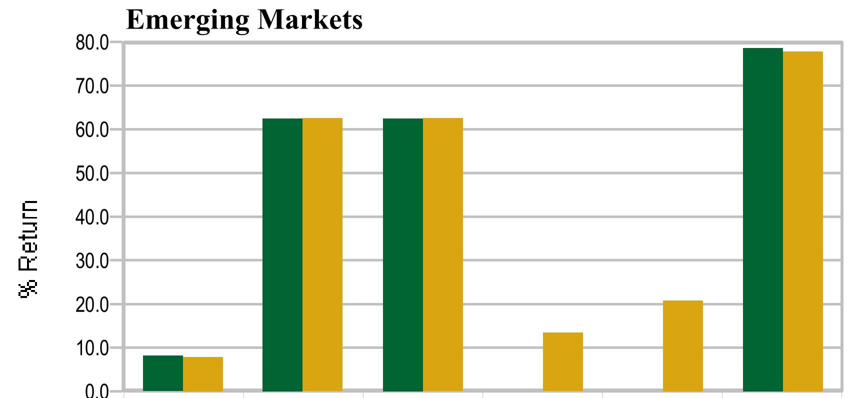
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.46	19.88	19.88	-	-	36.44
B'Mark	0.48	19.95	19.95	1.89	9.53	36.31

Pacific



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-0.19	13.85	13.85			27.95
B'Mark	-0.18	13.63	13.63	1.69	7.49	27.79

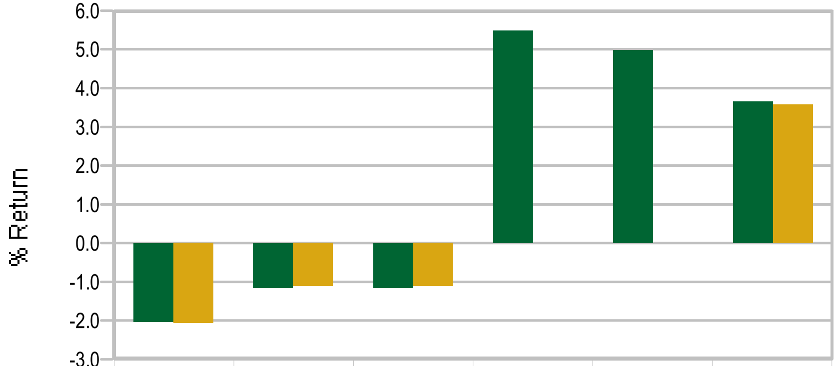
SSGA



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	8.10	62.40	62.40	-	-	78.56
B'Mark	7.83	62.54	62.54	13.34	20.76	77.81

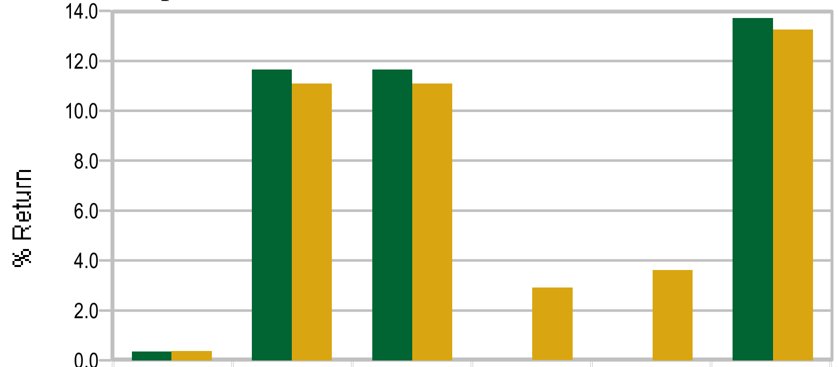
SSGA

Government Bonds



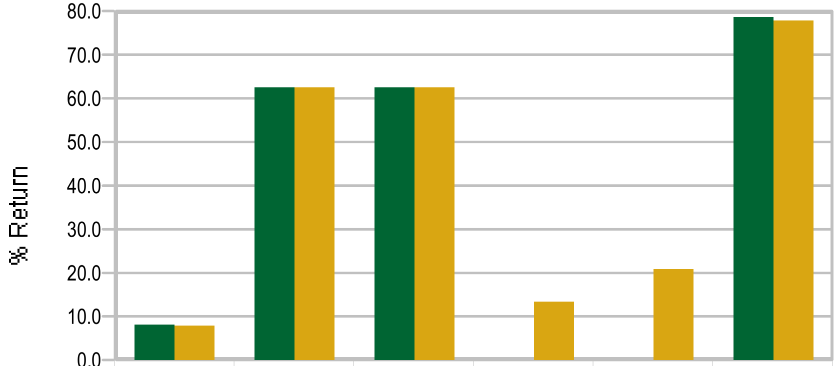
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	-2.07	-1.11	-1.11	-	-	3.58
B'Mark	-2.04	-1.16	-1.16	5.48	4.99	3.65

Corporates



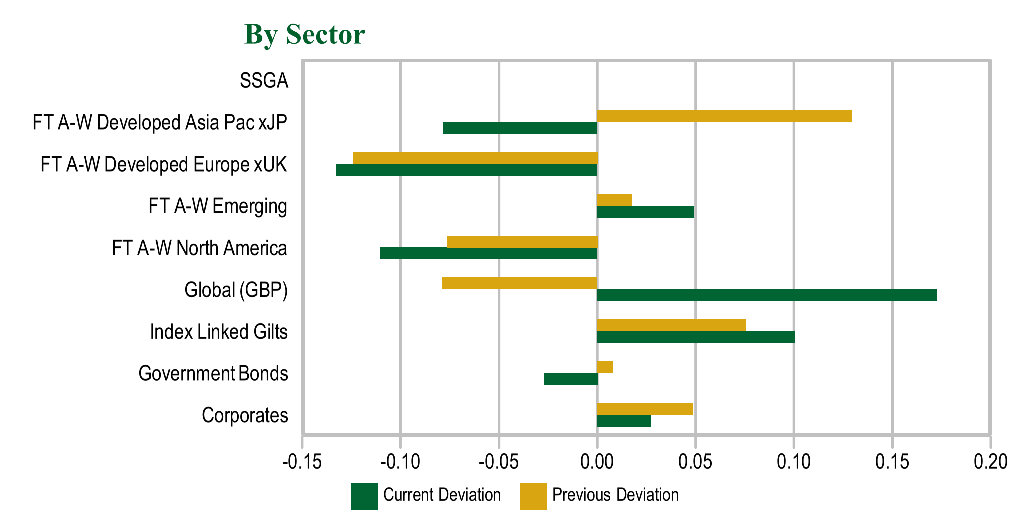
	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	[illegible]	[illegible]	[illegible]	-	-	[illegible]
B'Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index Linked Gits



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	1.64	6.48	6.48	-	-	14.83
B'Mark	1.62	6.45	6.45	6.18	6.06	14.83

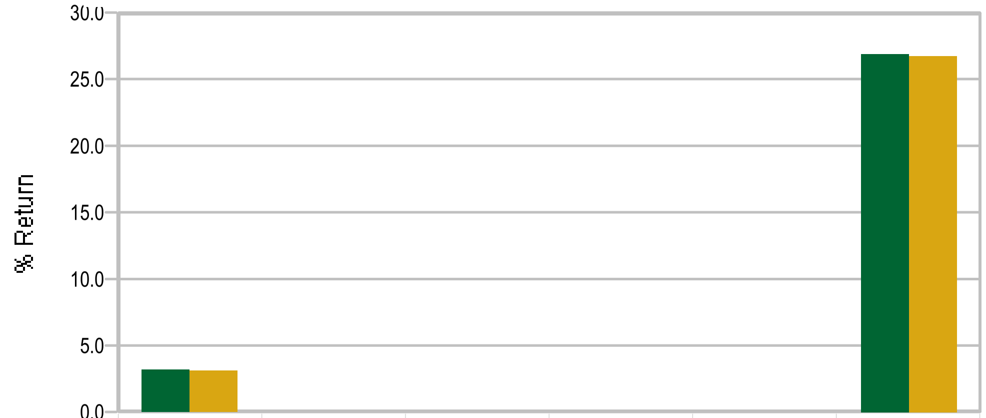
SSGA



	Current Qtr	Previous Qtr	Current Benchmark	Current Deviation	Previous Benchmark	Previous Deviation
SSGA	100.00	100.00	100.00		100.00	
Equity	79.90	79.87		79.90		79.87
FT A-W Developed Asia Pac xJP	10.92	11.13	11.00	-0.08	11.00	0.13
FT A-W Developed Europe xUK	10.87	10.88	11.00	-0.13	11.00	-0.12
FT A-W Emerging	3.05	3.02	3.00	0.05	3.00	0.02
FT A-W North America	10.89	10.92	11.00	-0.11	11.00	-0.08
Global (GBP)	44.17	43.92	44.00	0.17	44.00	-0.08
Fixed Income	10.00	10.06		10.00		10.06
Index Linked Gilts	10.10	10.08	10.00	0.10	10.00	0.08
Government Bonds	1.47	1.51	1.50	-0.03	1.50	0.01
Corporates	8.53	8.55	8.50	0.03	8.50	0.05

SSGA Temporary

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.19	-	-	-	-	26.89
Benchmark	3.12	-	-	-	-	26.72

Three Years Rolling Quarterly Returns

	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Fund	3.19	22.97	-	-	-	-	-	-	-	-	-	-
Benchmark	3.12	22.88	-	-	-	-	-	-	-	-	-	-

Risk Statistics - 3 years

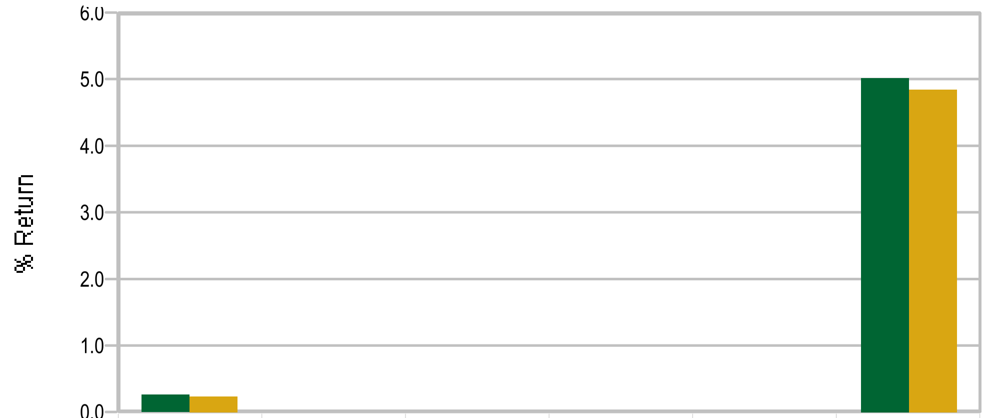
	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	14.8	
Inception Date	Jun-2009	
Opening Market Value (£000)	72,996	
Net Investment £(000)	-288	
Income Received £(000)	0	
Appreciation £(000)	2,320	
Closing Market Value (£000)	75,029	

Three Years Rolling Relative Returns

	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
3M Relative	-	-	-	-	-	-	-	-	-	-	0.07	0.06
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

SSGA Drawdown

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	0.26	-	-	-	-	5.02
Benchmark	0.24	-	-	-	-	4.84

Risk Statistics - 3 years

	Fund	B'mark
Performance Return	-	
Standard Deviation	-	
Relative Return	-	
Tracking Error	-	
Information Ratio	-	
Beta	-	
Alpha	-	
R Squared	-	
Sharpe Ratio	-	
Percentage of Total Fund	4.2	
Inception Date	Jun-2009	
Opening Market Value (£000)	21,070	
Net Investment £(000)	-84	
Income Received £(000)	0	
Appreciation £(000)	55	
Closing Market Value (£000)	21,041	

Three Years Rolling Quarterly Returns

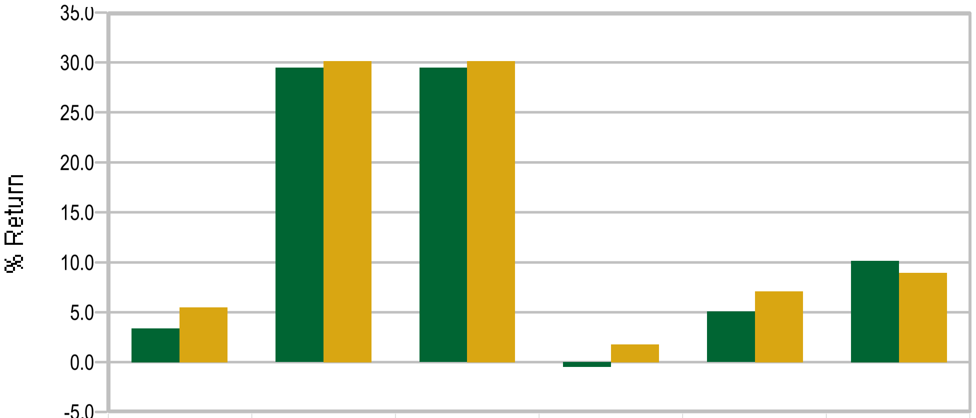
	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Fund	0.26	4.75	-	-	-	-	-	-	-	-	-	-
Benchmark	0.24	4.59	-	-	-	-	-	-	-	-	-	-

Three Years Rolling Relative Returns

	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
3M Relative	-	-	-	-	-	-	-	-	-	-	0.15	0.02
3Y Relative	-	-	-	-	-	-	-	-	-	-	-	-

UBS

Historical Plan Performance



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.41	29.47	29.47	-0.50	5.05	10.13
Benchmark	5.47	30.12	30.12	1.77	7.10	8.93

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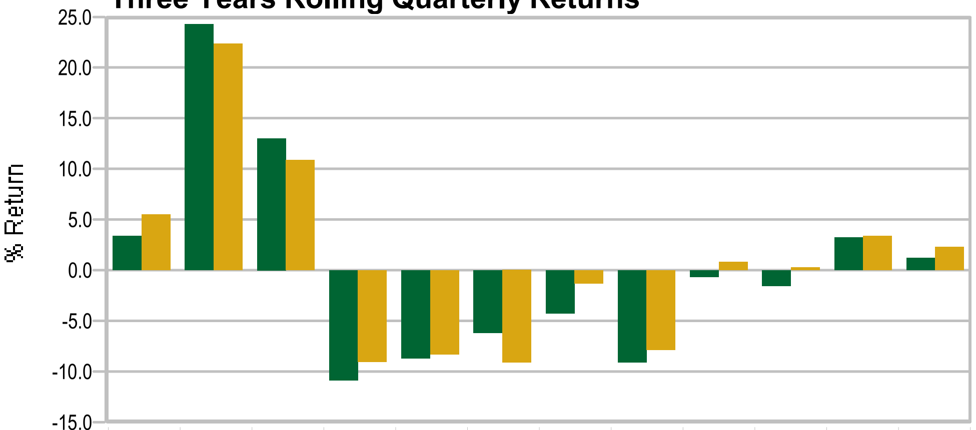
Risk Statistics - 3 years

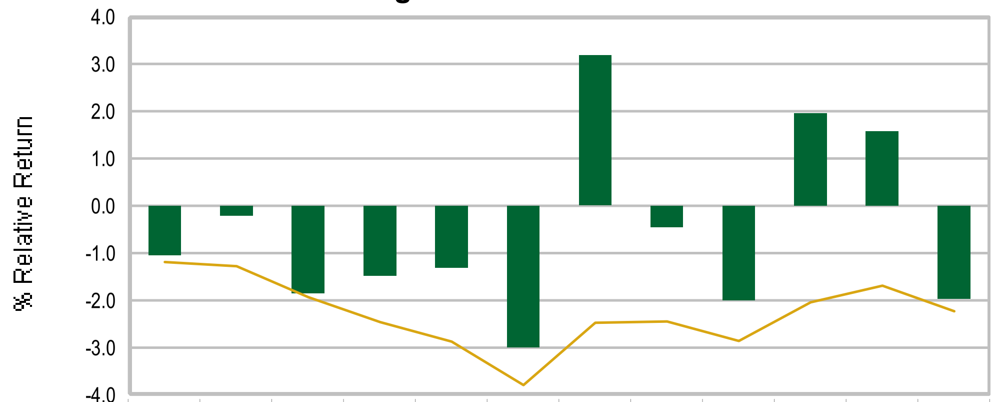
	Fund	B'mark
Performance Return	-0.50	1.77
Standard Deviation	18.51	16.74
Relative Return	-2.24	
Tracking Error	4.20	
Information Ratio	-0.54	
Beta	1.08	
Alpha	-1.81	
R Squared	0.95	
Sharpe Ratio	-0.30	-0.20
Percentage of Total Fund	19.8	
Inception Date	Dec-1988	
Opening Market Value (£000)	97,344	
Net Investment £(000)	-400	
Income Received £(000)	856	
Appreciation £(000)	2,450	
Closing Market Value (£000)	100,251	

Three Years Rolling Quarterly Returns



	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Fund	3.41	24.30	13.04	-10.90	-8.71	-6.22	-4.28	-9.08	-0.66	-1.59	3.20	1.23
Benchmark	5.47	22.38	10.88	-9.08	-8.30	-9.11	-1.33	-7.88	0.83	0.26	3.41	2.30

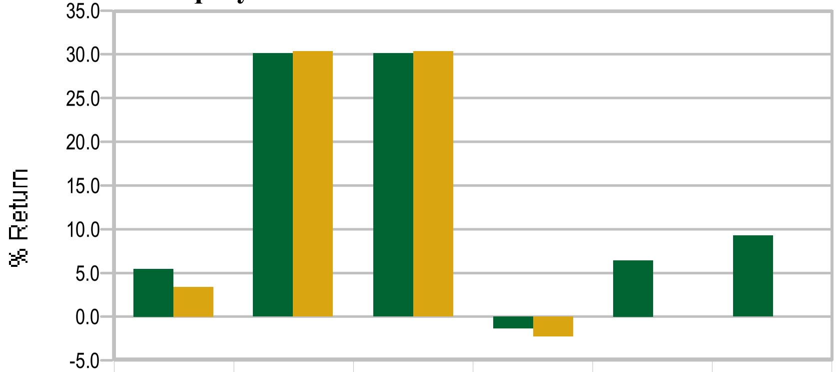
Three Years Rolling Relative Returns



	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
3M Relative	-1.04	-0.20	-1.85	-1.48	-1.31	-2.99	3.18	-0.45	-1.99	1.95	1.57	-1.96
3Y Relative	-1.19	-1.28	-1.94	-2.46	-2.88	-3.79	-2.48	-2.45	-2.86	-2.04	-1.69	-2.24

UBS

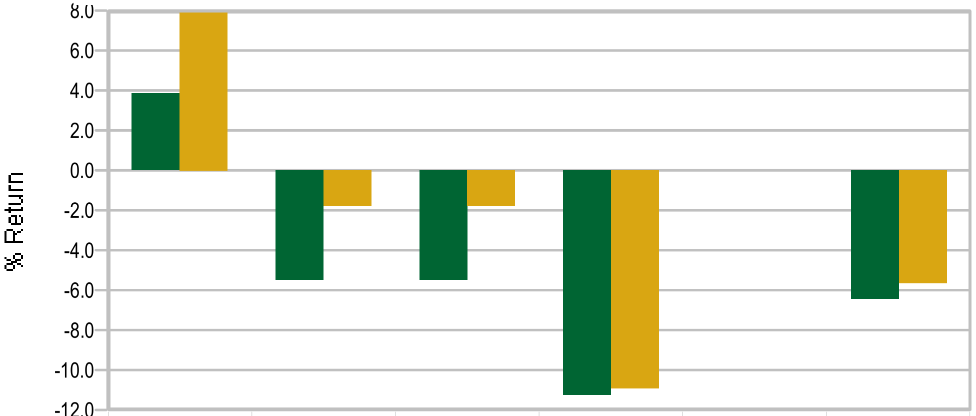
UK Equity



	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.40	30.34	30.34	-2.28	-	-
B'Mark	5.47	30.12	30.12	-1.34	6.47	9.25

UBS Property

Historical Plan Performance

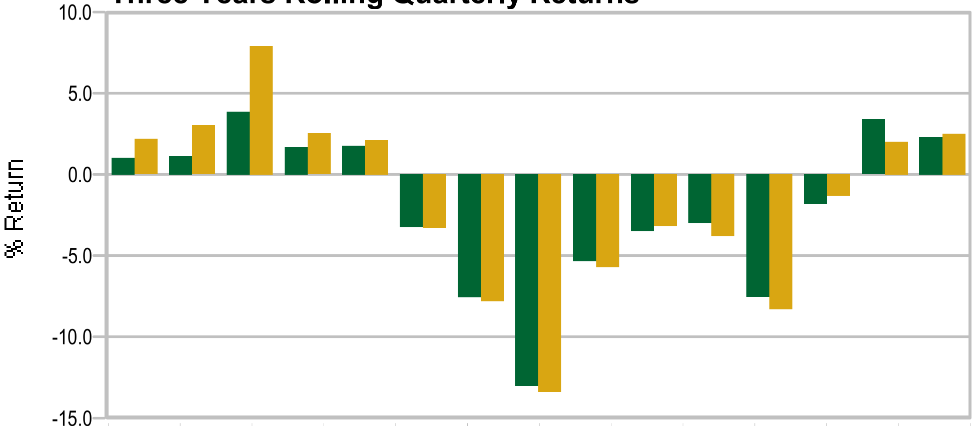


	Three Months	Year To Date	One Year	Three Years	Five Years	Inception To Date
Fund	3.86	-5.49	-5.49	-11.24	-	-6.43
Benchmark	7.90	-1.78	-1.78	-10.92	-	-5.67

Risk Statistics - 3 years

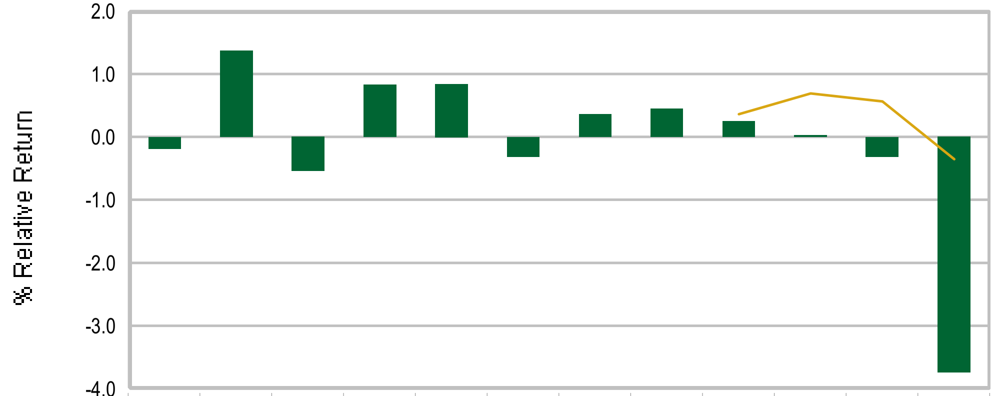
	Fund	B'mark
Performance Return	-11.24	-10.92
Standard Deviation	6.30	6.56
Relative Return	-0.35	
Tracking Error	2.81	
Information Ratio	-0.11	
Beta	0.88	
Alpha	-2.33	
R Squared	0.84	
Sharpe Ratio	-2.59	-2.44
Percentage of Total Fund	8.2	
Inception Date	Mar-2006	
Opening Market Value (£000)	39,882	
Net Investment £(000)	-165	
Income Received £(000)	480	
Appreciation £(000)	1,060	
Closing Market Value (£000)	41,256	

Three Years Rolling Quarterly Returns



	Q4 09	Q3 09	Q2 09	Q1 09	Q4 08	Q3 08	Q2 08	Q1 08	Q4 07	Q3 07	Q2 07	Q1 07
Fund	3.86	1.77	-3.28	-7.57	-13.01	-5.36	-3.50	-2.99	-7.54	-1.83	3.40	2.30
Benchmark	7.90	2.10	-3.30	-7.80	-13.40	-5.70	-3.20	-3.80	-8.30	-1.30	2.00	2.50

Three Years Rolling Relative Returns



	Q1 07	Q2 07	Q3 07	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
3M Relative	-0.19	1.37	-0.54	0.83	0.85	-0.31	0.36	0.45	0.25	0.03	-0.32	-3.74
3Y Relative	-	-	-	-	-	-	-	-	0.36	0.69	0.56	-0.35

Tracking Error

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

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

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

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

Information Ratio

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

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

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

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

Alpha

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

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

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

Beta

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

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

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

R-Squared

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

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

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

Sharpe Ratio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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WM LOCAL AUTHORITY

QUARTER 4 2009

The following summary is based on 55 funds with a total Market Value of £74,381m.

Update 1 - 03/02/2010

CATEGORY	ASSET MIX (%)		RETURNS (%)					
	Latest Quarter		Latest Quarter		Year to Date		Last 12 Months	
	IMV (%)	FMV (%)	Average	Index	Average	Index	Average	Index
TOTAL EQUITIES	66.9	67.0	4.1	3.6	26.4	21.2	26.4	21.2
GLOBAL POOLED INC UK	2.5	2.7	3.9	3.6	-	21.2	-	21.2
UK EQUITIES	32.1	32.2	4.9	5.5	29.7	30.1	29.7	30.1
OVERSEAS EQUITIES	32.3	32.0	3.4	3.4	23.4	20.6	23.4	20.6
North America	9.1	9.1	5.2	4.8	17.1	14.8	17.1	14.8
Europe	9.8	9.5	1.8	0.6	20.5	20.1	20.5	20.1
Japan	3.6	3.5	-3.2	-4.0	-4.4	-5.8	-4.4	-5.8
Pacific (ex Japan)	4.1	4.1	4.6	4.6	48.8	53.8	48.8	53.8
Emerging Markets	5.0	5.2	7.2	7.8	54.3	62.5	54.3	62.5
Global ex UK	0.7	0.6	3.3	3.4	21.2	20.6	21.2	20.6
TOTAL BONDS	18.9	18.5	0.3	-	7.6	-	7.6	-
U.K. BONDS	10.5	10.2	-0.2	-2.0	8.3	-1.2	8.3	-1.2
OVERSEAS BONDS	2.5	2.6	-0.2	-2.9	3.6	-9.7	3.6	-9.7
INDEX LINKED	5.7	5.3	1.4	1.6	6.9	6.4	6.9	6.4
POOLED BONDS	0.2	0.2	2.6	1.2	18.3	-	18.3	-
TOTAL CASH	4.1	4.1	0.2	0.1	0.9	0.5	0.9	0.5
ALTERNATIVES	4.9	4.9	1.6	-	-5.1	-	-5.1	-
Total Private Equity	2.3	2.4	1.1	-	-15.5	-	-15.5	-
Total Hedge Funds	1.7	1.6	1.9	-	8.3	-	8.3	-
Other Alternatives	0.9	0.9	2.2	-	5.7	-	5.7	-
TOTAL EX-PROPERTY	94.7	94.4	3.1	3.2	19.4	20.5	19.4	20.5
TOTAL PROPERTY	5.3	5.6	6.5	9.4	-5.3	2.2	-5.3	2.2
TOTAL ASSETS	100.0	100.0	3.3	3.4	17.7	18.6	17.7	18.6

WM PERFORMANCE SERVICES
A State Street Business

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

LBH PRIVATE EQUITY FUNDS	COMMITMENTS BASE CURRENCY	% of Fund	CALLED TO DATE	% of Fund	DISTRIBUTIONS RECEIVED	% of Fund	NET CURRENT INVESTMENT	% of Fund	IRR
LGT CAPITAL PARTNERS	£ 000	%	£ 000	%	£ 000	%	000	%	%
Crown private Equity European Buyout Opport.	12,292	2.31	8,580	1.61	3,975	0.75	4,605	0.87	6.55
Crown Global Secondaries Plc (US$)	1,883	0.35	1,526	0.29	690	0.13	836	0.16	0.09
Crown Private Equity European Fund	4,499	0.85	2,443	0.46	126	0.02	2,317	0.44	-11.48
Crown Private Equity European Buyout Opport. II	8,999	1.69	2,295	0.43	0	0.00	2,295	0.43	-19.16
Crown Asia-Pacific Private Equity Plc (US$)	1,883	0.35	863	0.16	62	0.01	801	0.15	6.17
Crown European Middle Market II plc	3,599	0.68	504	0.09	0	0.00	504	0.09	11.93
Crown Global Secondaries II Plc (US$)	1,381	0.26	325	0.06	0	0.00	325	0.06	N/A
TOTAL(S) LGT CAPITAL PARTNERS	**34,536**	**6.50**	**16,536**	**3.11**	**4,853**	**0.91**	**11,683**	**2.20**	
ADAMS STREET PARTNERS	£		£						
Adam Street Partnership Fund - 2005 US Fund	8,790	1.65	5,881	1.11	442	0.08	5,439	1.02	N/A
Adam Street Partnership Fund - 2005 Non-U.S Fund	3,767	0.71	2,846	0.54	368	0.07	2,478	0.47	N/A
Adam Street Partnership Fund - 2006 Non-U.S Fund	2,825	0.53	1,697	0.32	148	0.03	1,549	0.29	N/A
Adam Street Partnership 2006 Direct Fund	942	0.18	817	0.15	14	0.00	803	0.15	N/A
Adam Street Partnership Fund - 2006 US Fund, L.P	5,650	1.06	3,037	0.57	148	0.03	2,889	0.54	N/A
Adams Street Direct Co-Investment Fund, L.P.	1,883	0.35	1,676	0.32	0	0.00	1,676	0.32	N/A
Adams Street Partnership 2007 Direct Fund LP	314	0.06	227	0.04	5	0.00	222	0.04	N/A
Adams Street Partnership - 2007 Non -US Fund	1,099	0.21	337	0.06	0	0.00	337	0.06	N/A
Adams Street Partnership - 2007 US Fund	1,727	0.32	708	0.13	30	0.01	678	0.13	N/A
Adams Street Partnership - 2009 US Fund	942	0.18	92	0.02	0	0.00	92	0.02	N/A
Adams Street Partnership - 2009 Direct Fund	188	0.04	31	0.01	0	0.00	31	0.01	N/A
Adams Street Direct Co-Investment Fund II.	1,570	0.30	146	0.03	0	0.00	146	0.03	N/A
Adams Street 2009 Non-US Emerging Mkt Fund	188	0.04	5	0.00	0	0.00	5	0.00	N/A
Adams Street Partnership 2009 Non-US Developed Market	565	0.11	12	0.00	0	0.00	12	0.00	N/A
TOTAL(S) ADAMS STREET PARTNERS FUNDS	**30,450**	**5.73**	**17,512**	**3.29**	**1,155**	**0.22**	**16,357**	**3.08**	

FUND VALUE	**531,650**	
COMMITMENT STRATEGY	46,519	8.75%
TO ACHIVE INVESTMENT	26,583	5.00%
CURRENT INVESTMENT BOOK COST	28,040	5.27%
CURRENT INVESTMENT MARKET VALUE	25,957	4.88%

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End Q4 2009 portfolio overview

- The portfolio has performed well in the quarter
- The portfolio is now overall valued slightly in excess of cost (TV/PI), with 29% of the invested capital already returned (D/PI)
- Since the last report, net invested capital has increased by Euro 0.8 million (Euro 1.1 million called less Euro 0.3 million distributed)
- NAV has risen by Euro 1.5 million, the Euro 0.7 million net increase in performance reflecting a general rise in equity valuations across the board but most notably in Asia
- the USD strengthened by 2.1% against the Euro in the period, having a negligible positive impact on performance
- Investment pace continues to pick up from its lows as do distributions albeit at a slower pace
- LGT Capital Partners continues to focus its investment activity on new secondary opportunities and this has proven to be beneficial for both the dedicated secondaries fund and the primary funds that have secondaries capacity including the most recent funds, CEM II and CGS II

		Net Performance (in millions of Euros)					Cash Multiple		Drawn	
	LBH Commitment	Drawn	Returned	Net	NAV	Gain	D/PI	TV/PI	Gross	Net
Total Euro Exposure	32.7	15.4	-4.6	10.8	11.2	0.4	0.30	1.03	47%	33%
Euro equivalent Dollar Exposure @ 1.4341 USD / Euro	5.7	3.0	-0.8	2.2	2.4	0.2	0.28	1.08	53%	38%
Total Exposure (in Euro millions)	38.4	18.4	-5.4	13.0	13.6	0.7	0.29	1.04	48%	34%
Q3 1.4643	38.3	17.3	-5.1	12.2	12.1	0.0	0.30	1.00	45%	32%
Q2 1.4033	38.5	16.9	-4.9	12.0	12.3	0.2	0.30	1.02	44%	31%

Q4 figures as of 31st December 2009
D/PI - distriutions per unit of paid-in capital; TV/PI - total value per unit of paid-in capital

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London Borough of Hillingdon Pension Fund
Adams Street Partners Update: Third Quarter 2009

Industry Update

Despite returning investment optimism, the venture business is in the process of right-sizing due to scarce LP capital and poor 10-year returns. We are hearing plenty of stories about GPs who are unable to raise funds, who raise smaller funds than targeted, and who have initiated personnel restructurings. Capital is hard to come by, fewer new companies are being started, and money is increasingly finding its way into companies demonstrating rapid growth. While painful for those that do not attract adequate funding, we view this as a positive for the health of the business long-term and are optimistic about the prospects for future attractive returns.

Bank lending remains tight, but new deals are getting financed, albeit with less leverage and with more lenders needed to accomplish the financings. When more parties are involved it can cause deals to progress more slowly. This has created a new set of lenders (including the buyout managers themselves), replacing those lenders that were badly burned in the peak of the cycle, namely CLOs, large institutional investors, and hedge funds that purchased the senior and secured loans sold down by the banks. Whereas many in the buyout business believed that the days of covenant light financing were a thing of the past (ourselves included), we have heard anecdotes of those terms returning to the market today. Creative financing is required, particularly where larger amounts of leverage are concerned.

Portfolio Statistics

	Committed / Subscription	Drawn / Subscription	Drawn / Committed	Total Value / Drawn	IRR Since Inception*	Inception Date
Total Hillingdon Portfolio	94%	56%	60%	0.86x	4.12%	02/2005
U.S. Partnership Program	95%	55%	58%	0.88x	-2.79%	02/2005
Direct Subscription	100%	74%	74%	0.75x	-8.04%	01/2006
Non-U.S. Developed Partnership Program	92%	57%	62%	0.92x	-1.06%	03/2005
Non-U.S. Emerging Partnership Program	12%	2%	16%	0.61x	-8.53%	03/2009
2005 Subscription	100%	67%	67%	0.91x	-1.10%	02/2005
2006 Subscription	100%	58%	58%	0.83x	-5.86%	01/2006
2007 Subscription	85%	37%	44%	0.90x	-1.18%	01/2007
2009 Subscription	20%	4%	18%	0.92x	14.39%	01/2009
Direct Co-Investment Fund	100%	89%	89%	0.68x	-17.37%	09/2006
Co-Investment Fund II	100%	9%	9%	0.98x	1.11%	01/2009

*Gross of client's management fees paid to Adams Street Partners, LLC. Internal rates of return are not calculated for fund less than one year old; instead the return is the change in value over amount invested.

Main Drivers of Performance

Unlike January in Chicago, the private equity market has begun to thaw out with some increase in deal activity and selective exits for companies that have made it through these challenging economic times. Not surprisingly, Adams Street's portfolio has seen three consecutive positive quarters of valuation write-ups as the public markets have leapt off their March 2009 lows. The third and fourth quarter saw a number of successful exits in the broad Adams Street private equity portfolio that ultimately drove some of the recent distributions that many of our investors have received. The exits came from a diverse set of industries and geographies. These exits are significant and commendable under normal market conditions, but given the uncertainty and headwinds in today's financial markets, they are quite extraordinary. While it is premature to begin packing away the hats and sweaters and donning swimsuits, we are encouraged by the activity and warming mood displayed by our General Partners and portfolio companies.

M&A activity picked up as large tech companies seek accretive growth through acquisition. Amazon's $930M purchase of Zappos was the largest deal of the third quarter and VMWare's $420M purchase of SpringSource (in ASP's portfolio) was the second largest. While tech stocks outperformed the market in the first nine months of 2009 (NASDAQ up 35%; S&P 500 up 19%), the third quarter was a dead heat with both indices up about 15%. The NASDAQ's strength, coupled with an improving M&A climate and an open but selective IPO window, is causing fear to slowly dissipate.

Portfolio Outlook

The buyout activity can be characterized as a move from playing defense to playing offense. Problem assets from the last few years have been written off in the worst cases or in better situations, restructured by extending the debt maturities, allowing companies the time to get back on their feet. General Partners, with most of the fires under control, are looking at attractive entry multiples for new deals and relatively inexpensive debt. On top of that, economic data is showing improved health which provides optimism for future growth.

Underpinning the activity is the low interest rate environment that many developed economies have maintained for fear of hindering their recoveries or worse, risking a retreat back into recession. Almost 800 stimulative policy initiatives have been announced around the world, providing temporary support for businesses. The stimulus has undeniably helped create a warming trend, however many are left to wonder if the winter frost will return once governments return to less accommodating fiscal policy.

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Retirement Performance Statistics and Cost of Early Retirements Monitor

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

SUMMARY

This report summarises the number of Early Retirements in the last quarter. Additionally it gives an update on the current situation on the cost to the fund of early retirements.

RECOMMENDATIONS

That the contents of the report be noted.

EARLY RETIREMENT PERFORMANCE STATISTICS

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

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

Number of Cases in the third quarter of 2009/10

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
Current year				
Apr 09 to Jun 09	3	0	5	7
July 09 to Sept 09	4	0	1	13
Oct 09 to Dec 09	2	0	3	6

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 theses are:-

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

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

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

EARLY RETIREMENT COSTS MONITOR

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

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

This authority took the decision, in agreement with the fund actuary, to increase the employer’s contribution rates as prescribed in the last valuation by 1%, effective from 1 April 2008, to meet anticipated early retirement costs. This 1% employer’s contribution is locked in to the rate until March 2011.

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

MONITOR

Detail for Valuation Period 01.04.2008 to 31.03.2011

	Capital Cost of early retirement to the fund	**Payroll Total**	**Cost as a % of payroll**
2008/09	879,902	111,300,000	0.80
2009/10 (Q2)	338,564	111,600,000	0.30
2009/10 (Q3)	400,392	111,600,000	0.36
2010/11			

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. Details of the service to be awarded against each Tier are shown above. All Employers within the fund have a notional budget built in to their Employers Contribution Rate to fund ill health retirements. If the notional figure is exceeded, this will result in an increase to that Employers Contribution Rate, at the next valuation of the fund.

LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

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GOVERNANCE ISSUES including an update to the Statement of Investment Principles

Contact Officers	Nancy Leroux
Papers with this report	Revised Statement of Investment Principles

SUMMARY

This report is to provide an update on Pension Fund Governance issues; to recommend an update to the Statement of Investment Principles (SoIP); and to report on progress on the election of Member Representatives to Committee.

RECOMMENDATIONS

1. **That Committee approve the revised Statement of Investment Principles**
2. **That Committee note the contents of the report**

INFORMATION

Governance of Local Authority pension funds is increasingly coming under intense public interest and scrutiny. The recent CIPFA publication and endorsement of the revised Myners' principles '*Investment Decision Making and Disclosure*', the CIPFA/SOLACE publication *Delivering Good Governance in Local Government: Framework 2007,* and recent amendments to the Local Government Pension Scheme Regulations – both Administration and Management and Investment of Funds – have all emphasised the need for greater focus on pension fund governance. It is, therefore timely to consider a review of the arrangements in place in London Borough of Hillingdon.

This report considers a few of the key governance issues on which the Pension Committee should be focussed. Two additional key Governance issues are being brought to this committee under separate reports - Risk Management and the Pension Fund Budget for 2010/11.

Knowledge & Skills Framework

On 27 January 2010, CIPFA held a Pensions Network Governance Summit to introduce both the six revised Myners principles and to launch the 'Knowledge and Skills Framework', which explains what is expected of both members and Officers and how they can address key areas of concern. Cllr Markham and Nancy Leroux attended this summit on behalf of the Hillingdon Fund.

In recent years the level of skills, knowledge and experience expected of those responsible for decision making in public sector pensions has increased significantly. The knowledge and skills framework builds on the work that has already been done to improve the skills and knowledge base of those who serve on decision-making bodies and it recognises the importance of high quality advice to support them. It explains exactly what is expected of both the decision making body and the officers who support it and identifies the level of skills and knowledge they need to be effective in their work.

Guidance on this framework has been published in two formats – one for Members and one for Officers. The guidance contains a knowledge and skills checklist, which is expected to be produced in an online tool in the near future. Officers will use the checklist to develop a training needs analysis for all involved with the pension fund, which will be presented to Committee at a future meeting.

Revision to the Statement of Investment Principles

In June 2009 a report was presented to Committee to explain the changes to the Myners principles and the SoIP was updated to mention that these principles would be adopted at some point. The original 10 principles have now been removed from the SoIP and the new 6 included. The SoIP must also include details of the Fund's compliance with these principles. At this stage this has been done against the headline principles only.

However, the 6 new principles have been subdivided into a further 92 issues, covering the broad range of investment decision making and disclosure. Whilst we can claim broad compliance with the overall aim of the main principles, we will need to undertake a detailed review of the sub issues to provide a detailed compliance report. This review will be undertaken during the next financial year and regular update reports will be brought to committee.

Therefore at this stage, the updated SoIP only details compliance against the headline principles. This is attached as an appendix.

Officer Support to the Pension Fund

It was clear from the discussions at the Pensions Network Governance Summit that there are many governance issues which will have to be addressed over the coming months. The set up of the new Investment Strategy Group and the work of that group will better evidence the principle of effective decision making. Additionally we will be able to develop improved investment performance processes within the current Investments Team. However, there is insufficient capacity within the whole pensions team to undertake many of the other requirements particularly in relation to the development of policies and strategies; development and maintenance of a business plan; communications; reporting; and monitoring. As a result, the Director of Finance & Resources has agreed to the creation of a new role within the officer support to the Pensions Fund and work to develop that role has already commenced.

Election of Member Representatives to Committee

The election of both an active member representative and a deferred/retired member representative are nearing an end with both polls closing on 31 March. We had a very good response this time with 6 active members standing for election and 4 deferred/retired members standing, which confirms the heightened interest in pension fund activity. The count of the ballot papers has been arranged for early April and the results will be published immediately after the conclusion of that count.

Future Member Training and Development Events

DATE	EVENT	LOCATION	RSVP By
19 May	Adams Street Client Conference	Dorchester, London	09.04.10
17-19 May	NAPF Local Authority Conference	Belfry, Warwickshire	TBC
8 10 September	LGC Local Authority Pensions Summit	Celtic Manor, Newport, South Wales	TBC

FINANCIAL IMPLICATIONS

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

LEGAL IMPLICATIONS

The SoIP 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.

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Statement of Investment Principles
(Revised March 2010)

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 administrating 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 CIPFA Pension Panel's guidance "Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom" which was issued in 2002 brought together ten principles with practical comment on their application to funds in England, Wales, Scotland and Northern Ireland. In 2008, following extensive consultation, the ten original principles which were issued by the government for application to pension funds, corporate and public sector were updated and consolidated into six new principles.

- The Investment Governance Group, with members drawn from the Pensions Regulator, the Department for Communities and Local Government, the CIPFA Pension Panel and LGPS interests, examined these six principles and with the agreement of the Pensions Regulator made changes to the wording to reflect the particular circumstances of the LPPS. The revised principles and guidance reflecting the changes in wording was released at the end of 2009 and this Statement complies with the disclosure of the revised principles.

- This Statement of Investment Principles outlines the broad rules governing the investment policy of the Pension Fund. Attached, at Appendix A, are the new six headline principles of investment decision making and disclosure and the extent to which the London Borough of Hillingdon complies with the principles.

- 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 D shows the benchmarks for the 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 B.

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.

Fee Structures

Alliance Bernstein	- Tiered fee based on portfolio value.
Goldman Sachs	- Tiered fee based on portfolio value.
State Street Global Advisors	- Fixed flat fee based on portfolio value.
UBS Asset Management	- Tiered fee based portfolio value.
UBS Property	- Fixed fee based on portfolio value.
Hymans Robertson	- Price per piece
Valentine Furniss	- Fixed fee

In each case best value is the basis for selection of fee structures.

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 C 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 and Disclosure

The table below identifies the basis and status of Compliance of the Pension Fund with the CIPFA Principles of Investment Decision Making and Disclosure.

Principle 1 Effective Decision Making	Administering Authorities should ensure that: • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implication and • those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	Compliant 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 and have committed to regular training. The officer support team has sufficient experience to support Committee in making decision making responsibilities. It undertakes regular training as part of a continued personal development plan. There is an Investment Sub Group made up of senior officers, committee members, the scheme adviser and an independent Chair which acts as a specialist investment and asset allocation advisory body. An independent adviser sits on the Pension Committee to add additional challenge to the advice received.
Principle 2 Clear objectives	An overall investment objective(s) should be set out for the fund that takes accounts of the scheme's liabilities, the potential impact on local taxpayers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers and these should be clearly communicated to advisors and investment managers.	Compliant The investment objectives and attitudes to risk are set out in the Statement of Investment Principles and Funding Strategy Statement. Overall fund objects are reviewed properly as part on the ongoing monitoring of the fund.

Principle 3 Risk and liabilities	In setting and reviewing their strategy, administering authorities should take account of the form and structure of liabilities. These include the implication for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	Compliant The review of the Funding Strategy takes into account relevant issues and implications.
Principle 4 Performance assessment	Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme members.	Partly Compliant Both the performance of the fund and the performance of the fund managers are monitored on a regular basis. Committee procedures, decision making and deferral of decisions are recorded in the committee papers. Assessment of the authority's own effectiveness and that of the advisers is yet to be implemented.
Principle 5 Responsible ownership	Administering authorities should: • adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents • include a statement of their policy on responsible ownership in the statement of investment principles • report periodically to scheme members on the discharge of such responsibilities.	Partially Compliant The Council includes a policy on Socially Responsible Investment within the Statement of Investment Principles. Fund manager engagement and Local Authority Pension Fund Forum activities are reported and reviewed on a quarterly basis.
Principle 6 Transparency and reporting	Administering authorities should: • act in a transparent manner, communicating with shareholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives	Partially Compliant The Statement of Investment Principles and Funding Strategy Statement are published on the Council's website and are updated as required. The Pension Annual Report provides details of manager and fund

	• provide regular communication to scheme members in the form they consider most appropriate.	monitoring and is available on the Council website. Members are directed to the website but hard copy reports are available on request. The minutes and decisions taken at Pension Committee meetings are available on the Council website.

APPENDIX B

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.

APPENDIX C

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.

APPENDIX D

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	FTSE All World Emerging Markets
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**		

Agenda Item 8

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Agenda Item 9

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Agenda Item 10

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