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To: Members of the
INVESTMENT SUB-COMMITTEE

Councillor Brian Toms (Chairman)
Councillor Peter Morgan (Vice-Chairman)
Councillors Reg Adams, Julian Grainger, Russell Mellor and Ernest Noad

A meeting of the Investment Sub-Committee will be held at Bromley Civic Centre on
TUESDAY, 2ND FEBRUARY, 2010 AT 6.30 PM

MARK BOWEN
Director of Legal, Democratic and
Customer Services.

Copies of the documents referred to below can be obtained from
<http://sharepoint.bromley.gov.uk>

A G E N D A

1. **APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS**
2. **DECLARATIONS OF INTEREST**
3. **CONFIRMATION OF MINUTES OF THE MEETING HELD ON 3RD NOVEMBER 2009, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 3 - 8)**
4. **MATTERS OUTSTANDING FROM PREVIOUS MEETINGS**

- **Pension Fund Annual Report 2008/09 (Minute 16 – 3.11.09)**

In accordance with the Local Government Pension Scheme (Administration) Regulations 2008, the Annual Report for the London Borough of Bromley Pension Fund had subsequently been approved by the General Purposes and Licensing Committee and been published (on the Council's website).

- **Future Asset Allocation Options (Minute 20 – 3.11.09)**

See report at item 9.

5. **QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING**

To hear questions received in writing by the Legal, Democratic and Customer Services Department by 5pm on Wednesday 27th January 2010 and to respond.

6. PENSION FUND PERFORMANCE (Pages 9 - 20)

7. LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND FREEDOM OF INFORMATION ACT 2000

The Chairman to move that the Press and public be excluded during consideration of the items of business referred to below as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

Items of Business

Schedule 12A Description

8. CONFIRMATION OF EXEMPT MINUTES - 3RD NOVEMBER 2009 (Pages 21 - 24)

9. TRIAL ASSET ALLOCATION SERVICE (Pages 25 - 42)

Further to Minute 20/1 (3.11.09), papers from AEGON asset Management are attached to the covering report of the Director of Resources.

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

10. PENSION FUND - INVESTMENT REPORT

Representatives of Fidelity will attend the meeting.

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

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INVESTMENT SUB-COMMITTEE

Minutes of the meeting held on 3rd November 2009

Present

Councillor Brian Toms (Chairman)
Councillor Peter Morgan (Vice-Chairman)
Councillors Julian Grainger (for Part 2 of the meeting only),
Russell Mellor and Ernest Noad

10 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

An apology for absence was received from Councillor Reg Adams. Councillor Julian Grainger had also indicated that he would be arriving late.

11 DECLARATIONS OF INTEREST

Councillor Noad declared a personal interest in relation to item 10 (Future Asset Allocation Options).

12 MINUTES

RESOLVED that the Minutes of the meeting held on 4th August 2009, excluding those containing exempt information, be confirmed.

13 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

The position and the information provided in relation to the Statement of Investment Principles and Funding Strategy Statement (Minute 32 – 12.5.09) and the Presentation by WM Company (Minute 6 – 4.8.09) was noted.

14 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

15 PENSION FUND PERFORMANCE Report DR09122

The Sub-Committee considered a report received from the Director of Resources detailing the investment performance of Bromley's Pension Fund for the first two quarters of the financial year 2009/10. Information was also provided on general financial and membership trends of the Pension Fund and in relation to early retirements during the year. In response to Member requests at the last meeting, changes had been made to the presentation of the report including the introduction of graphs.

INVESTMENT SUB-COMMITTEE
3rd November 2009

In spite of the considerable fluctuation in recent years in the total market value of Bromley's Fund, there had been a steady improvement in the total value until the turmoil in the financial markets which had occurred in the latter half of 2008/09. However, since the fall in the fund value to £298.1m at 31st March 2009, there had been a marked improvement in the first two quarters of 2009/10 whereupon the fund value had risen from £324m at 30th June 2009 to £391m at 30th September 2009. The latest fund value at 12th October 2009 had shown a further increase to £400m which represented the fund's highest value for between seven and eight years and was good news prior to the forthcoming valuation of the fund in April 2010. It was recognised, however, that, before that date, there could be further liabilities on the fund.

In examining the quarterly performance, Members acknowledged that a much improved return had been achieved which reflected upon the asset stock selection of the two fund managers. Both Baillie Gifford and Fidelity had performed well in the first half year – Baillie Gifford had returned 32.3% (against a benchmark of 29.1%) and Fidelity had returned 29.9% (against a benchmark of 27.2%). With regard to the local authority average, Baillie Gifford had returned 7.7% in the first quarter and Fidelity 7.2% compared with the average of 6.3%. Local authority averages for the September quarter were not yet known and would be reported to the Sub-Committee's next meeting.

A letter was circulated at the meeting in relation to the Council Pension Fund investments in the Fidelity Institutional UK Aggregate Bond Fund. Fidelity had sought the Sub-Committee's agreement to a proposal to change the benchmark for this Bond Fund from the current iBoxx Sterling Overall Bond Index to 50% iBoxx £ Non-Gilts and 50% iBoxx Gilts Index with effect from 1st December 2009. The Director of Resources advised Members that Fidelity's request for a slightly different performance index relating to this Bond Fund represented a minor change and would not materially affect the risk profile of the fund.

RESOLVED that

- (1) the report of the Director of Resources and present position be noted; and**
- (2) the above request to change the benchmark for the Fidelity Institutional UK Aggregate Bond Fund to 50% iBoxx £ Non-Gilts and 50% iBoxx Gilts Index with effect from 1st December 2009 be agreed.**

**16 PENSION FUND ANNUAL REPORT 2008/09
Report DR09125**

In accordance with the Local Government Pension Scheme (Administration) Regulations 2008, the Director of Resources presented the Annual Report of the Bromley Pension Fund for 2008/09 which was required to be published by 1st December 2009. This was the first year that local authorities had been required to publish such a report separate from the Annual Report and Statement of Accounts on which the Council's external auditors, PricewaterhouseCoopers LLP (PWC), had submitted a satisfactory audit opinion to the General Purposes and Licensing Committee on 23rd September 2009. In their report to that meeting, PWC had stated that the pension fund accounts and related notes presented fairly the financial transactions of the fund and its assets and liabilities. However, PWC had also indicated that it had not been possible to provide an opinion on Bromley's Pension Fund Annual Report since, at that time, the Annual Report had not yet been prepared by the Authority. As a consequence, PWC had been unable to certify that the audit of the accounts had been completed in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. The Director reported that the auditor had now audited the Pension Fund Annual Report and PWC's report on the audit of the Pension Fund's Accounts was circulated at the meeting. An unqualified audit opinion on the financial statements of the fund was to be issued by PWC.

There were no significant issues, material weaknesses or unadjusted misstatements which needed to be brought to the attention of the Sub-Committee. However, the Director of Resources highlighted a number of recommendations which had been made by PWC in relation to several accounting matters. In particular, it was pointed out that the Pension Fund was at present operated from the Council's main bank account and that, whilst there was currently no requirement for the Local Government Pension Scheme (LGPS) to operate a separate bank account for Pension Fund cash balances and transactions, such an arrangement was considered best practice by the Audit Commission. The Director of Resources felt that a separate bank account was unnecessary but that such an arrangement would be adopted by Bromley if and when this arrangement became a legal requirement.

The separate audit of the Pension Fund Annual Report would cost the Council £38,000, which would be charged to the Pension Fund Revenue Account, and had been agreed as part of the overall fee agreement with the Council. In response to a Member question thereon, the Director of

Resources commented that the fee for the audit of Bromley's main accounts was low compared with that of many other authorities.

RESOLVED that the annual report and accounts of the Bromley Pension Fund for the year ended 31st March 2009, together with the audit report thereon from PricewaterhouseCoopers LLP, be noted and that arrangements be made for the publication of the document by 1st December 2009 in accordance with statutory requirements.

17 LOCAL GOVERNMENT ACT 1972 AS AMENDED BY THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006 AND THE FREEDOM OF INFORMATION ACT 2000

RESOLVED that the Press and public be excluded during consideration of the items of business referred to in the following Minutes as it is likely in view of the nature of the business to be transacted or the nature of the proceedings that if members of the Press and public were present there would be disclosure to them of exempt information.

The following summaries refer to matters involving exempt information

18 EXEMPT MINUTES – 4TH AUGUST 2009

The exempt Minutes of the meeting held on 4th August 2009 were confirmed.

19 PENSION FUND – INVESTMENT REPORT

The Sub-Committee noted the reports on Investment Performance. Representatives from Baillie Gifford attended the meeting and answered various questions from Members.

20 FUTURE ASSET ALLOCATION OPTIONS

Further to Minutes 36/1 (12.5.09) and 3/1 (4.8.09), representatives of AEGON Asset Management attended the meeting and provided the Sub-Committee with a presentation on the Company's Asset Allocation Service. Following detailed questions by Members, a course of action was agreed by the Sub-Committee on this matter.

Chairman

The meeting started at 6.30 p.m. and ended at 9.12 p.m.

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Report No.
DR10014

London Borough of Bromley

Agenda
Item No. **6**

PART 1 - PUBLIC

Decision Maker: Investment Sub-Committee

Date: 2nd February 2010

Decision Type: Non-Urgent Non-Executive Non-Key

Title: PENSION FUND PERFORMANCE

Contact Officer: Martin Reeves, Group Accountant (Technical)
Tel: 020 8313 4291 E-mail: martin.reeves@bromley.gov.uk

Chief Officer: Director of Resources

Ward: All

1. Reason for report

This report includes details of the investment performance of Bromley's Pension Fund for the first three quarters of the financial year 2009/10, information on general financial and membership trends of the Pension Fund and summarised information about early retirements.

RECOMMENDATION(S)

The Sub-Committee is asked to:

2.1 Note the report.

Corporate Policy

1. Policy Status: Existing policy. The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007, for the purpose of providing pension benefits for its employees. These regulations allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.
 2. BBB Priority: Excellent Council.
-

Financial

1. Cost of proposal: No cost
 2. Ongoing costs: Recurring cost. Total administration costs estimated at £2m (includes fund manager/actuary fees, Liberata charge and officer time)
 3. Budget head/performance centre: Pension Fund
 4. Total current budget for this head: £28.1m expenditure (pensions, lump sums, etc); £39.6m income (contributions, investment income, etc); £408.4m total fund value at 31st December 2009)
 5. Source of funding: Contributions to Pension Fund
-

Staff

1. Number of staff (current and additional): 0.6 fte (current)
 2. If from existing staff resources, number of staff hours: c21 hours per week
-

Legal

1. Legal Requirement: Statutory requirement. Local Government Pension Scheme (LGPS) Regulations 2007
 2. Call-in: Call-in is not applicable.
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 5,353 current employees; 4,380 pensioners; 3,556 deferred pensioners
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

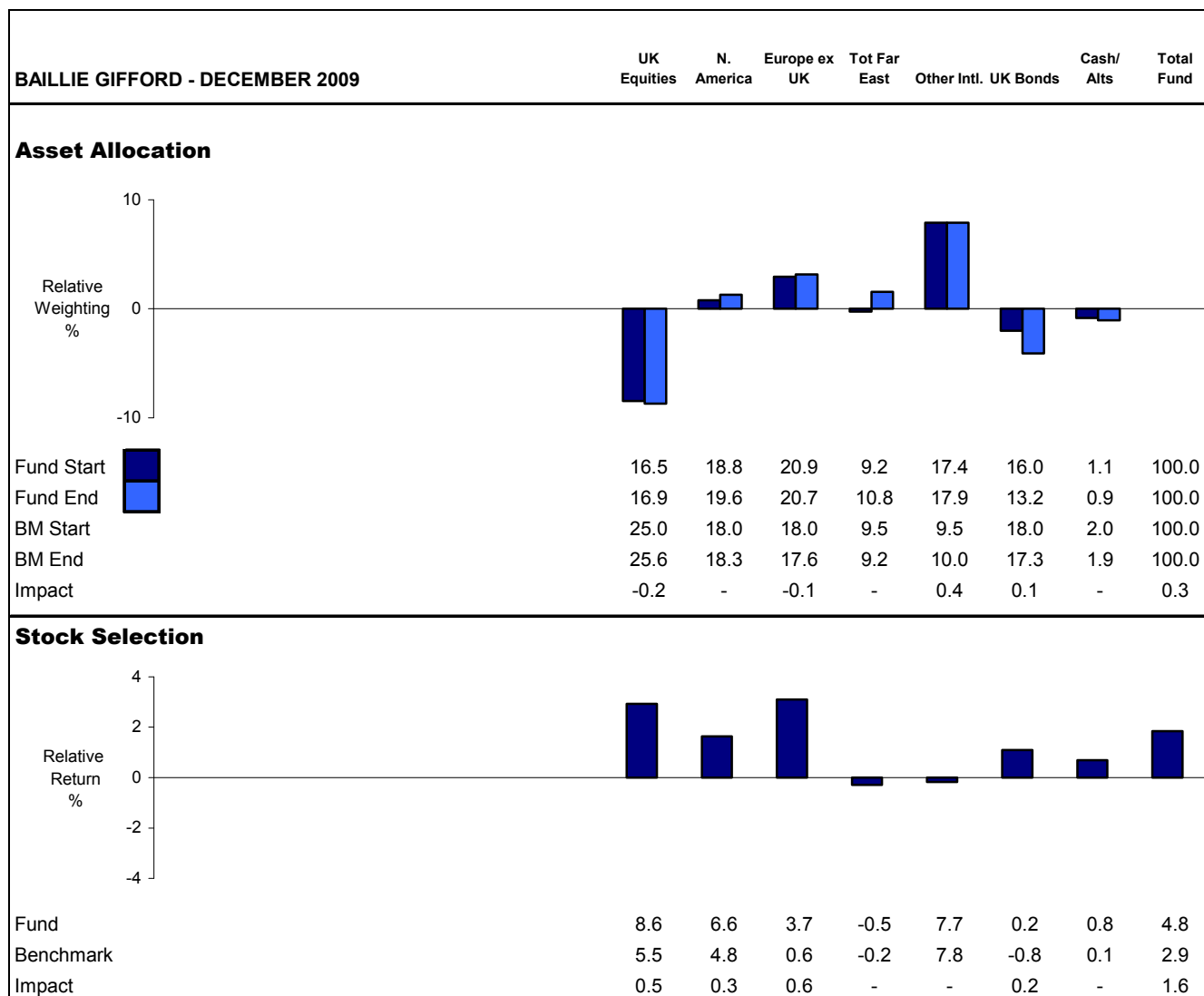
- 3.1 As the table and graph in paragraph 5.2 show, the total market value of Bromley's Fund has fluctuated considerably in the last few years. In 2002/03, the value fell by some 20% to £180m, but since then, in spite of some periods of volatility (most recently in the first and third quarters of 2008), a steady improvement was seen and the total value had increased to £357m as at 31st March 2008. In 2008/09, however, turmoil in financial markets caused the fund value to fall to £298.1m as at 31st March 2009. In the first quarter of 2009/10, it increased to £324m as at 30th June 2009 and rose even more quickly in the 2nd quarter, reaching £391m as at 30th September 2009. A further increase was seen in the December quarter (to £408m as at 31st December 2009. At the time of writing this report, the fund value had increased further to £418m (valuation as at 12th January 2010).
- 3.2 The report to the May meeting included details of the quarterly and cumulative performance of each of our fund managers in 2008/09. These showed that Fidelity were 4.2% above their benchmark for the year, while Baillie Gifford were 2.5% below. The report to the August meeting informed Members that, with regard to the local authority universe, Bromley's Fund achieved an overall ranking of 33% in 2008/09 (the lowest rank being 100%), which was a reasonable result after a good year in 2007/08. For comparison, the rankings in recent years were 5% in 2007/08, 100% in 2006/07 (equal worst in the whole local authority universe), 5% in 2005/06, 75% in 2004/05, 52% in 2003/04, 43% in 2002/03 and 12% in 2001/02. In the September 2009 quarter, Bromley's Fund achieved an overall ranking of 1% (i.e. it was the best performing fund in the local authority universe). This followed a good ranking of 11% in the June 2009 quarter. The rankings for the December 2009 quarter are not yet available and will be reported to the next meeting.

Performance data for 2009/10

- 3.3 Before 1st April 2006, the Fund's performance was measured against the local authority average and both Baillie Gifford and Fidelity were set the target of outperforming against that average by 0.5% over rolling three-year periods. When the Fund was restructured in 2006, however, both managers were set performance targets relative to the strategic benchmarks agreed from 1st April 2006. Baillie Gifford are now required to outperform the benchmark by 1.0% - 1.5% over three-year periods, while Fidelity's target is 1.9% outperformance over three-year periods. Since then, the WM Company has measured their results against these benchmarks instead of against its local authority indices and averages. At total fund level, however, it continues to use the local authority indices and averages and other comparisons with local authority averages may be highlighted from time to time. A summary of the two fund managers' performance in the first three quarters of 2009/10 is shown in the following table and more detail is provided in Appendices 1, 2 and 3. Local authority averages for the December quarter are not known yet and will be reported to the next meeting. Representatives of Fidelity will be present at the meeting to present a report on their performance.

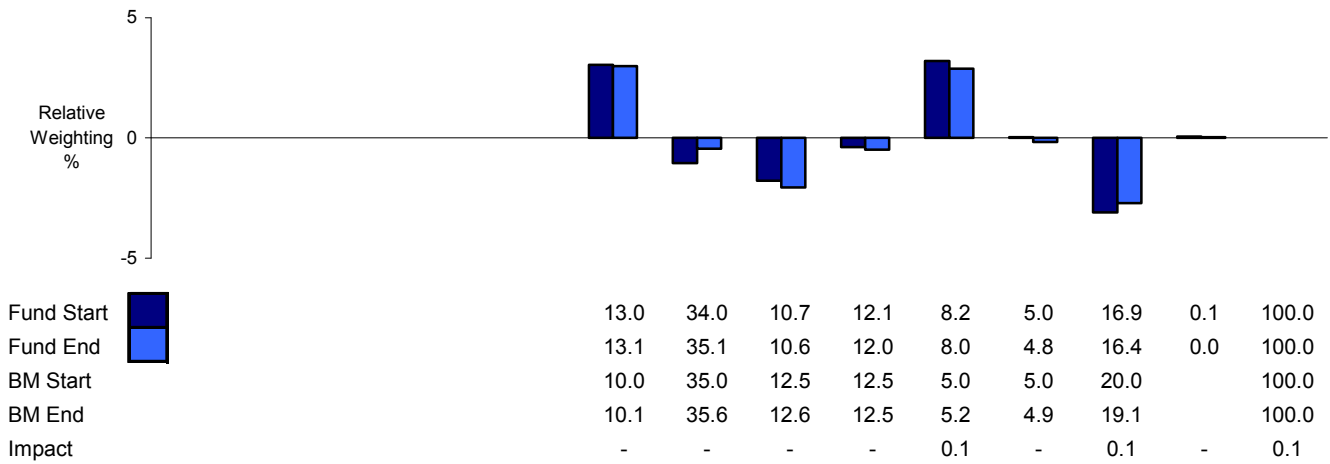
Quarter	Baillie Gifford		Fidelity		Total Fund		LA Ave
	Benchmark	Return	Benchmark	Return	Benchmark	Return	Return
	%	%	%	%	%	%	%
Jun-09	7.7	8.8	7.2	8.2	7.6	8.6	6.3
Sep-09	19.5	21.6	18.6	20.0	19.0	20.8	15.7
Dec-09	2.9	4.8	2.8	3.8	2.9	4.3	n/a
Cumulative	32.9	38.7	30.7	34.9	31.7	36.9	n/a

3.4 **Baillie Gifford** returned 4.8% in the December quarter (1.9% above benchmark) and achieved a cumulative return of 38.7% in the period 1st April 2009 to 31st December 2009 (5.8% above their benchmark). In the latest quarter, the WM Company attributed their relative outperformance to asset allocation (0.3%) and stock selection (1.6%). The main contributing asset allocation sector was other international equities (+0.4%), while the main stock selection impacts were seen in UK equities (+0.5%) and European equities (+0.6%). These are represented in the following graphs.

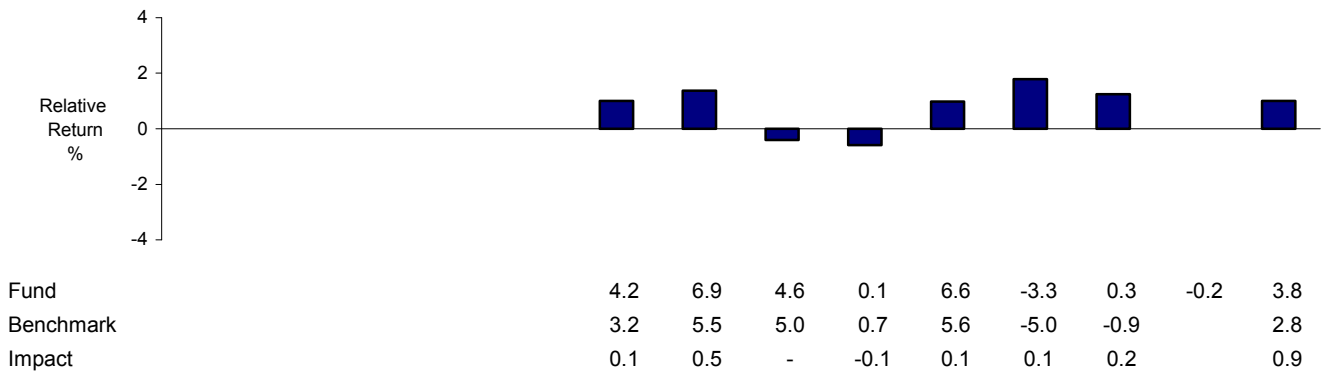


3.5 **Fidelity** returned 3.8% in the December quarter (1.0% above benchmark) and achieved a cumulative return of 34.9% in the first three quarters of the year (4.2% above their benchmark). In the latest quarter, the WM Company attributed their relative outperformance to asset allocation (0.1%) and stock selection (0.9%). The positive stock selection impact was mainly from the UK equities sector (+0.5%). These are represented in the following graphs.

Asset Allocation



Stock Selection

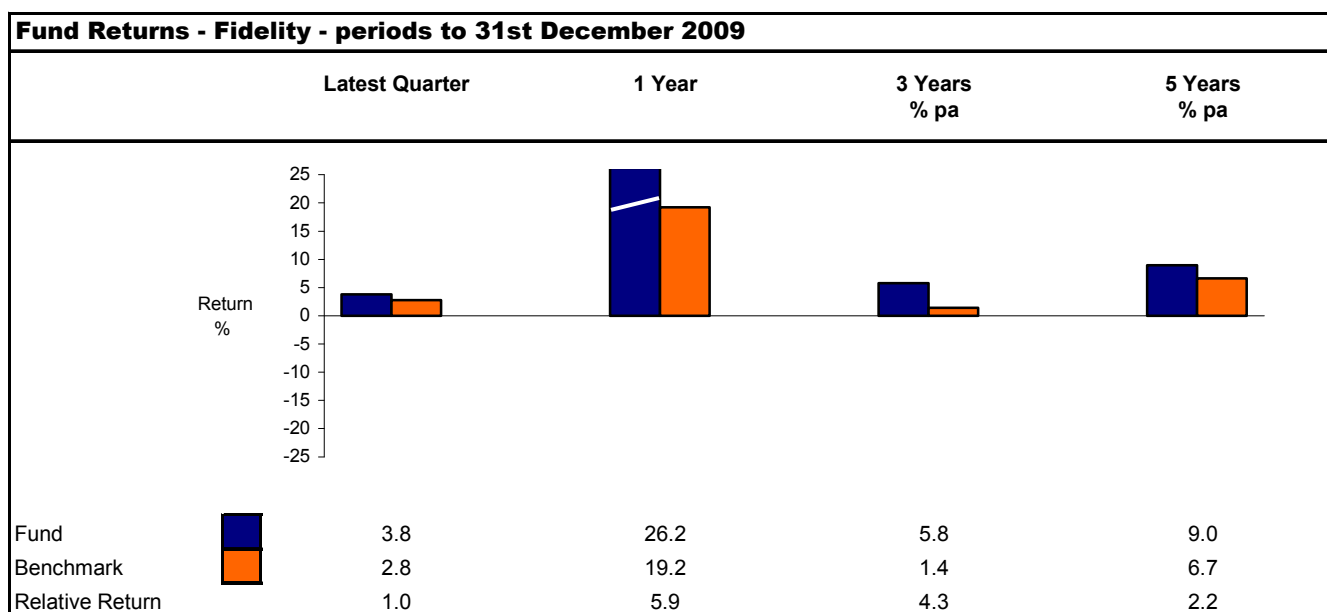
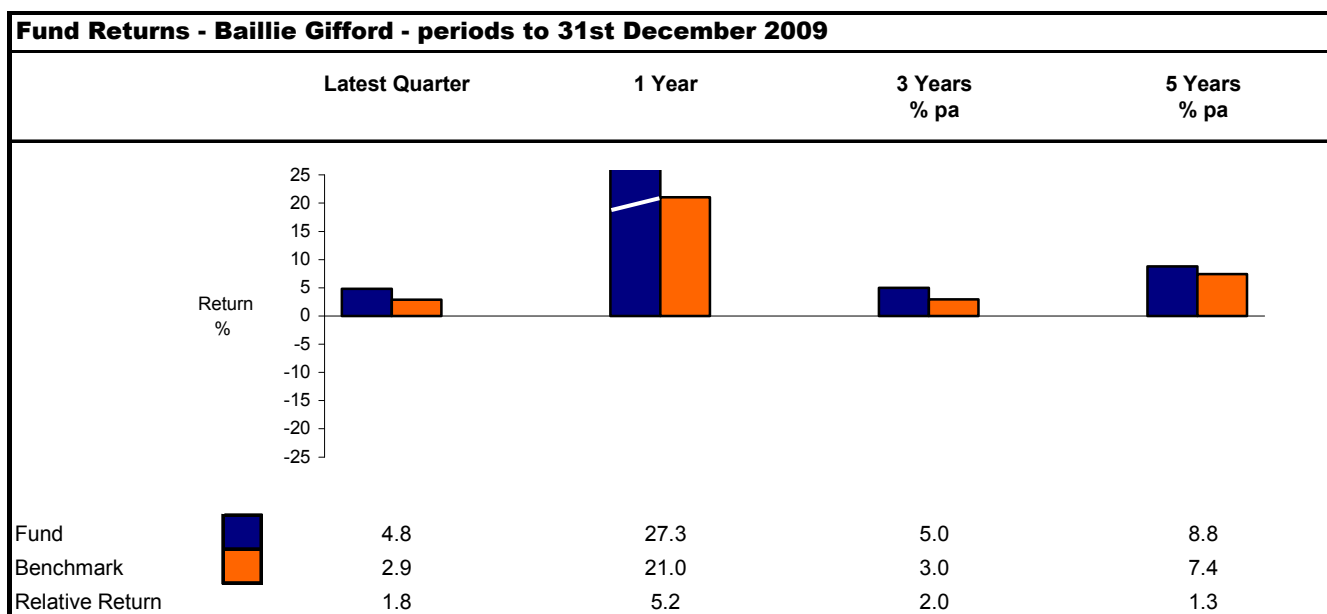


Medium and long-term performance data

3.6 The following table sets out comparative returns over 1, 3 and 5 years for both Baillie Gifford and Fidelity for periods ended 31st March 2009, when the first three-year period after the fund was restructured in April 2006 was completed. Fidelity’s annualised return of -4.1% was 2.1% above benchmark (i.e. they outperformed their target by 0.2%), which, under the terms of the management agreement with Fidelity, resulted in an additional performance related fee payment to them of £717,604. Baillie Gifford’s annualised return of -6.1% was 0.6% below the benchmark (i.e. between 1.6% and 2.1% below target). These returns, including the impact of stock selection and asset allocation, were analysed in the WM Company performance report for periods ending 31st March 2009, which was presented by a WM representative to the August 2009 meeting of the Sub-Committee.

Periods to 31/3/09	Baillie Gifford			Fidelity			LA Ave
	Return	BM	+/-	Return	BM	+/-	
	%	%	%	%	%	%	%
1 year (1/4/08-31/3/09)	-21.1	-18.7	-3.0	-15.1	-19.2	5.1	-19.9
3 years (1/4/06-31/3/09) - annualised	-6.1	-5.5	-0.6	-4.1	-6.1	2.1	-5.9
5 years (1/4/04-31/3/09) - annualised	3.7	3.3	0.3	4.1	2.9	1.1	3.1

3.7 Returns in the latest quarter and over 1, 3 and 5 years for periods ended 31st December 2009 are shown in the following graphs. Baillie Gifford's performance in the last year (+27.3%) is now better than Fidelity's (+26.2%), although Fidelity's 3 and 5 year performance (+5.8% and +9.0% respectively) is still better than Baillie Gifford's (+5.0% and 8.8%).



Early Retirements

3.8 A summary of early retirements by employees in Bromley's Pension Fund in the current year and in previous years is shown in the table below. With regard to retirements on ill-health grounds, this allows a comparison to be made between their actual cost and the cost assumed by the actuary in the triennial valuation. If the actual cost significantly exceeds the assumed cost, the actuary will be required to consider whether the employer's contribution rate should be reviewed in advance of the next full valuation. The actuary does not make any allowance for other early retirements, however, because it is the Council's policy to fund these in full by additional voluntary contributions. The average cost of ill-health retirements over the three years 2004 to 2007 was close to the actuary's annual estimate of £375,000 per annum (in the 2004

actuarial valuation) and this will have had very little impact on the actuarial valuation as at 31st March 2007. The cost of other retirements in the same 3-year period averaged around £284,000 per annum. In the latest actuarial valuation (as at 31st March 2007), the actuary assumed a figure of £800,000 per annum for ill-health retirements for the three years from 2008/09. The total of ill-health retirements in 2008/09 was well below the estimate, while other retirements were slightly below average. In the first three quarters of 2009/10, there were only 2 ill-health retirements with a total long-term cost of only £6,000, but the total of other retirements (£606,000) was considerably higher than full-year totals in recent years.

Long-term cost of early retirements	Ill-Health		Other	
	No	£000	No	£000
Qtr 3 – Dec 09 - LBB	2	6	2	216
- Other	-	-	-	-
- Total	2	6	2	216
2009/10 to date – LBB	2	6	12	578
- Other	-	-	3	28
- Total	2	6	15	606
Actuary's assumption – 2008 to 2010		800		N/a
- 2004 to 2007		375		N/a
Previous years - 2008/09	6	385	4	256
- 2007/08	11	465	11	260
- 2006/07	8	296	9	277
- 2005/06	12	371	5	342
- 2004/05	16	533	13	232

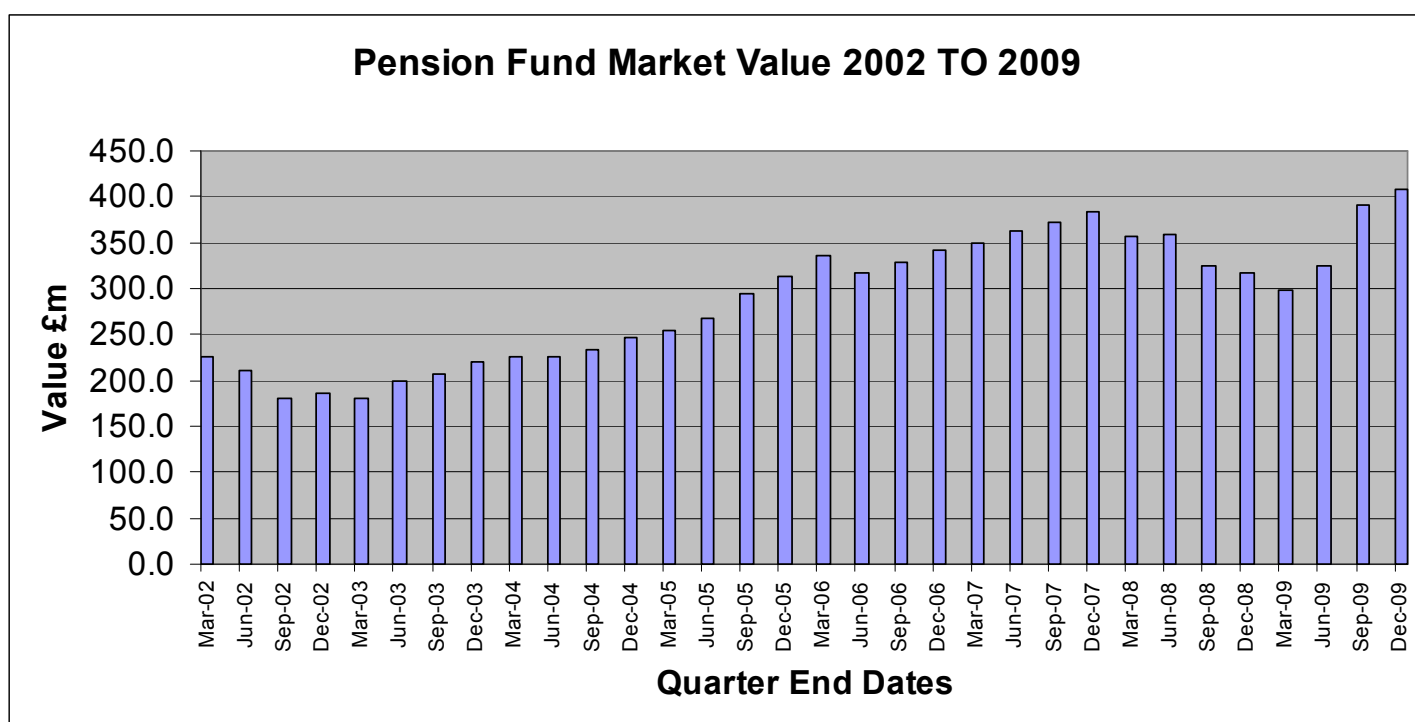
4. POLICY IMPLICATIONS

- 4.1 The Council's Pension Fund is a defined benefit scheme operated under the provisions of the Local Government Pension Scheme (LGPS) Regulations 2007, for the purpose of providing pension benefits for its employees. These regulations allow local authorities to use all the established categories of investments, e.g. equities, bonds, property etc, and to appoint external investment managers who are required to use a wide variety of investments and to comply with certain specific limits.

5. FINANCIAL IMPLICATIONS

- 5.1 Details of the actual position to 31st December 2009 for the 2009/10 Pension Fund Revenue Account are provided in Appendix 4 together with fund membership numbers. A net surplus of £7.6m was achieved in the first three quarters of the year and total membership numbers rose by 425.
- 5.2 Changes in the Fund's Market Value are shown in the following table and in the graph below. Members will note that the total fund value reduced by 16.6% (£59m) in 2008/09. In the first three quarters of 2009/10, however, it more than recovered this loss, rising to £408m as at 31st December 2009 (an increase of 37% in the 9 months). The latest valuation at the time of writing this report (12th January) showed a further increase to £418m.

Market Value as at	Fidelity	Baillie Gifford	CAAM	Total
	£m	£m	£m	£m
31 st March 2002	112.9	113.3	-	226.2
31 st March 2003	90.1	90.2	-	180.3
31 st March 2004	112.9	113.1	-	226.0
31 st March 2005	126.6	128.5	-	255.1
31 st March 2006	164.1	172.2	-	336.3
31 st March 2007	150.1	156.0	43.5	349.6
31 st March 2008	151.3	162.0	44.0	357.3
31 st March 2009	143.5	154.6	-	298.1
30 th June 2009	155.7	168.4	-	324.1
30 th September 2009	186.3	204.6	-	390.9
31 st December 2009	193.9	214.5	-	408.4



Non-Applicable Sections:	Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	Analysis of portfolio returns (provided by WM Company). Monthly and quarterly portfolio reports of Fidelity and Baillie Gifford.

Returns for quarter ended 31 December 2009

Baillie Gifford	Benchmark Weighting	Benchmark Returns	Portfolio Weighting	Portfolio Returns
	%	%	%	%
UK equities	25	5.5	16.9	8.6
Overseas equities				
North America	18	4.8	19.6	6.6
Europe	18	0.6	20.7	3.7
Far East	9.5	-0.2	10.8	-0.5
Other Int'l	9.5	7.8	17.9	7.7
UK bonds	18	-0.8	13.2	0.2
Cash/other	2	0.1	0.9	0.8
Total assets	100	2.9	100.0	4.8

Fidelity	Benchmark Weighting	Benchmark Returns	Portfolio Weighting	Portfolio Returns
	%	%	%	%
UK equities	35.0	5.5	35.1	6.9
Overseas equities				
USA	12.5	5.0	10.6	4.6
Europe	12.5	0.7	12.0	0.1
Japan	5.0	-5.0	4.8	-3.3
S E Asia	5.0	5.1	8.0	6.6
Global	10.0	3.2	13.1	4.2
UK bonds	20.0	-1.1	16.4	0.3
Cash/other	-	0.1	0.0	-0.2
Total assets	100.0	2.8	100.0	3.8

Fidelity's UK equity holding above (35.1% of portfolio) includes 0.0% non-UK equities, in accordance with the agreement by the Sub-Committee at its meeting on 3 May 2005 that their UK equity manager could invest up to 20% of his portfolio in non-UK equities.

From 1st April 2008, both fund managers have operated under the same benchmark for UK equities (FTSE All Share index). Previously, Baillie Gifford had been using FTSE 100.

Returns for quarter ended 30 September 2009

Baillie Gifford	Benchmark Weighting	Benchmark Returns	Portfolio Weighting	Portfolio Returns
	%	%	%	%
UK equities	25	22.4	16.6	23.3
Overseas equities				
North America	18	19.3	18.8	18.3
Europe	18	29.5	20.9	29.1
Asia (inc Japan)	9.5	16.6	9.2	21.8
Emerging	9.5	25.2	17.4	27.6
UK bonds	18	6.1	16.0	10.9
Cash/other	2	-	1.1	-0.0
Total assets	100	19.5	100.0	21.6

Fidelity	Benchmark Weighting	Benchmark Returns	Portfolio Weighting	Portfolio Returns
	%	%	%	%
UK equities	35.0	22.4	34.0	23.6
Overseas equities				
USA	12.5	19.0	10.7	19.8
Europe	12.5	28.8	12.1	24.2
Japan	5.0	9.4	5.0	9.6
S E Asia	5.0	26.6	8.2	29.3
Global	10.0	21.1	13.0	20.8
UK bonds	20.0	5.6	16.9	9.3
Cash/other	-	0.1	0.1	n/a
Total assets	100.0	18.6	100.0	20.0

Fidelity's UK equity holding above (34.0% of portfolio) includes 0.0% non-UK equities, in accordance with the agreement by the Sub-Committee at its meeting on 3 May 2005 that their UK equity manager could invest up to 20% of his portfolio in non-UK equities.

From 1st April 2008, both fund managers have operated under the same benchmark for UK equities (FTSE All Share index). Previously, Baillie Gifford had been using FTSE 100.

Returns for quarter ended 30 June 2009

Baillie Gifford	Benchmark Weighting	Benchmark Returns	Portfolio Weighting	Portfolio Returns
	%	%	%	%
UK equities	25	10.9	16.2	6.3
Overseas equities				
North America	18	1.8	19.4	-0.3
Europe	18	9.9	19.7	10.7
Asia (inc Japan)	9.5	11.1	9.2	11.1
Emerging	9.5	18.5	16.6	25.8
UK bonds	18	2.7	17.5	9.3
Cash/other	2	0.3	1.4	-1.0
Total assets	100	7.7	100.0	8.8

Fidelity	Benchmark Weighting	Benchmark Returns	Portfolio Weighting	Portfolio Returns
	%	%	%	%
UK equities	35.0	10.9	33.9	10.7
Overseas equities				
USA	12.5	0.9	11.4	1.5
Europe	12.5	9.3	11.9	6.3
Japan	5.0	7.0	5.0	11.6
S E Asia	5.0	17.5	7.1	19.0
Global	10.0	5.4	11.0	7.6
UK bonds	20.0	1.7	19.3	7.1
Cash/other	-	n/a	0.4	n/a
Total assets	100.0	7.2	100.0	8.2

Fidelity's UK equity holding above (33.9% of portfolio) includes 0.0% non-UK equities, in accordance with the agreement by the Sub-Committee at its meeting on 3 May 2005 that their UK equity manager could invest up to 20% of his portfolio in non-UK equities.

From 1st April 2008, both fund managers have operated under the same benchmark for UK equities (FTSE All Share index). Previously, Baillie Gifford had been using FTSE 100.

PENSION FUND REVENUE ACCOUNT AND MEMBERSHIP

	Final Outturn 2008/09 £'000's	Estimate 2009/10 £'000's	Actual to 31/12/09 £'000's
INCOME			
Employee Contributions	5,850	6,300	4,570
Employer Contributions	21,045	22,300	16,370
Transfer Values Receivable	3,174	3,000	3,650
Investment Income	7,232	8,000	5,770
Total Income	<u>37,301</u>	<u>39,600</u>	<u>30,360</u>
EXPENDITURE			
Pensions	16,848	17,500	13,760
Lump Sums	4,798	5,500	4,410
Transfer Values Paid	1,473	3,000	3,500
Administration	2,266	2,000	1,110
Refund of Contributions	11	100	10
Total Expenditure	<u>25,396</u>	<u>28,100</u>	<u>22,790</u>
Surplus/Deficit (-)	<u>11,905</u>	<u>11,500</u>	<u>7,570</u>
MEMBERSHIP			
	31/03/2009		31/12/2009
Employees	5,179		5,353
Pensioners	4,270		4,380
Deferred Pensioners	3,415		3,556
	<u>12,864</u>		<u>13,289</u>

A distribution of £3m (£1.5m to each manager) was made in January 2010.

Agenda Item 8

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Agenda Item 9

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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