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DATE: 22 April 2010

To: Members of the
INVESTMENT SUB-COMMITTEE

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

A meeting of the Investment Sub-Committee will be held at Bromley Civic Centre on
TUESDAY 4 MAY 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 2ND FEBRUARY 2010, EXCLUDING THOSE CONTAINING EXEMPT INFORMATION (Pages 3 - 6)**
- 4 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS**
 - **Trial Asset Allocation Service (Minute 29 – 2.02.10)**

Further discussions were to be continued with AEGON Asset Management regarding Bromley's trial Asset Allocation Service. See item 8.

- 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 Tuesday 27th April 2010 and to respond.
- 6 PENSION FUND PERFORMANCE (Pages 7 - 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 - 2ND FEBRUARY 2010 (Pages 21 - 24)

In relation to Minute 29/1 (Trial Asset Allocation Service), there is no report but the Director of Resources will provide a verbal update at the meeting.

9 PENSION FUND - INVESTMENT REPORT

Representatives of Baillie Gifford 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 2nd February 2010

Present

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

Councillor Eric Bosshard was also present

21 APOLOGIES FOR ABSENCE AND NOTIFICATION OF ALTERNATE MEMBERS

An apology for absence was received from Councillor Reg Adams.

22 DECLARATIONS OF INTEREST

Councillors Eric Bosshard, Julian Grainger, Russell Mellor and Ernest Noad declared a personal interest as members of the Local Government Pension Scheme.

Councillor Noad declared a personal interest in relation to item 9 (Trial Asset Allocation Service) and did not participate in the discussion thereon.

23 MINUTES

RESOLVED that the Minutes of the meeting held on 3rd November 2009, excluding those containing exempt information, be confirmed.

24 MATTERS OUTSTANDING FROM PREVIOUS MEETINGS

The action which had subsequently been taken in relation to the Pension Fund Annual Report 2008/09 (Minute 16 – 3.11.09) was noted. A further report updating Members in relation to the Future Asset Allocation Options (Minute 20 – 3.11.09) was to be considered in the confidential part of the Sub-Committee's meeting.

25 QUESTIONS BY MEMBERS OF THE PUBLIC ATTENDING THE MEETING

No questions had been received.

26 PENSION FUND PERFORMANCE
Report DR10014

The Sub-Committee considered a report received from the Director of Resources detailing the investment performance of Bromley's Pension Fund for the first three 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.

Notwithstanding the fluctuations which had occurred 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 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 three quarters of 2009/10 whereupon the fund value had risen from £324m at 30th June 2009 to £408m as at 31st December 2009. The latest fund value at the date of this meeting had shown a slight decrease to £402m.

In the September 2009 quarter, Bromley's Fund had achieved an overall ranking of 1% and had been the best performing fund in the local authority universe. This had followed a good ranking of 11% in the June 2009 quarter. Local authority averages for the December 2009 quarter were not yet known and would be reported to the Sub-Committee's next meeting.

In examining the last quarterly performance, Members noted that Baillie Gifford had performed better than Fidelity, having returned 4.8% in the December quarter (1.9% above benchmark) and had achieved a cumulative return of 38.7% in the period 1st April 2009 to 31st December 2009 (5.8% above their benchmark). This compared with Fidelity having returned 3.8% in the December quarter (1.0% above benchmark) and having achieved a cumulative return of 34.9% in the first three quarters of the year (4.2% above their benchmark). Baillie Gifford's performance in the last year (+ 27.3%) was now better than Fidelity's (+ 26.2%), although Fidelity's three and five year performance (+ 5.8% and + 9.0%, respectively) was still better than Baillie Gifford's (+ 5.0% and 8.8%, respectively).

The Director of Resources' representative informed the Sub-Committee that Bromley's Pension Fund had recently won a "Local Government Chronicle" award for the best performance and return on equities of all pension funds over the past three years. Members considered that this achievement reflected the strategy and direction provided by this Sub-Committee and also acknowledged the performance of the fund managers over this period. The Director of Resources was requested to ensure that all members of staff were made aware of the performance of the Pension Fund. Members also requested that the report to the Sub-Committee's next meeting

should provide details, in graph form, on the absolute performance of the fund in terms of purchasing power in comparison with either the retail price index or index-linked gilt indices and showing whether or not the fund's growth had occurred entirely as a result of the Council's injection of investments since 2002.

Members were reminded that the next full actuarial valuation of the fund would take place as at 31st March 2010 and that the officers were due shortly to meet with representatives of the Council's Actuary to discuss their approach to the valuation. The Chairman felt that, in view of the financial benefits which could accrue to the Council, an extension of the deficit recovery period was worth considering. A report on the latest actuarial valuation of the fund and setting out the Council's contribution for the three years from 2011/12 would be submitted to this Sub-Committee in November 2010.

RESOLVED that

(1) the report of the Director of Resources and present position be noted; and

(2) details be included in the report submitted to the next meeting showing the absolute performance of the fund in comparison with the retail price index or index linked gilt indices.

27 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

28 EXEMPT MINUTES – 3rd NOVEMBER 2009

The exempt Minutes of the meeting held on 3rd November 2009 were confirmed, subject to minor amendment.

29 TRIAL ASSET ALLOCATION SERVICE

Further to Minute 20 (3.11.09), the Sub-Committee considered details of the latest performance regarding Bromley's trial Asset Allocation Service operated by AEGON Asset Management and agreed that further discussions thereon should continue and that representatives of that Company should be invited to attend the next meeting.

30 PENSION FUND - INVESTMENT REPORT

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

Chairman

The meeting started at 6.30 pm and ended at 8.21 pm.

Agenda Item 6

Report No.
DR10046

London Borough of Bromley

Agenda
Item No.

PART 1 - PUBLIC

Decision Maker: Investment Sub-Committee

Date: 4th May 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 whole of the financial year 2009/10. It also contains 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.
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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); £446.4m total fund value at 31st March 2010)
 5. Source of funding: Contributions to Pension Fund
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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
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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): 5,360 current employees; 4,413 pensioners; 3,607 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

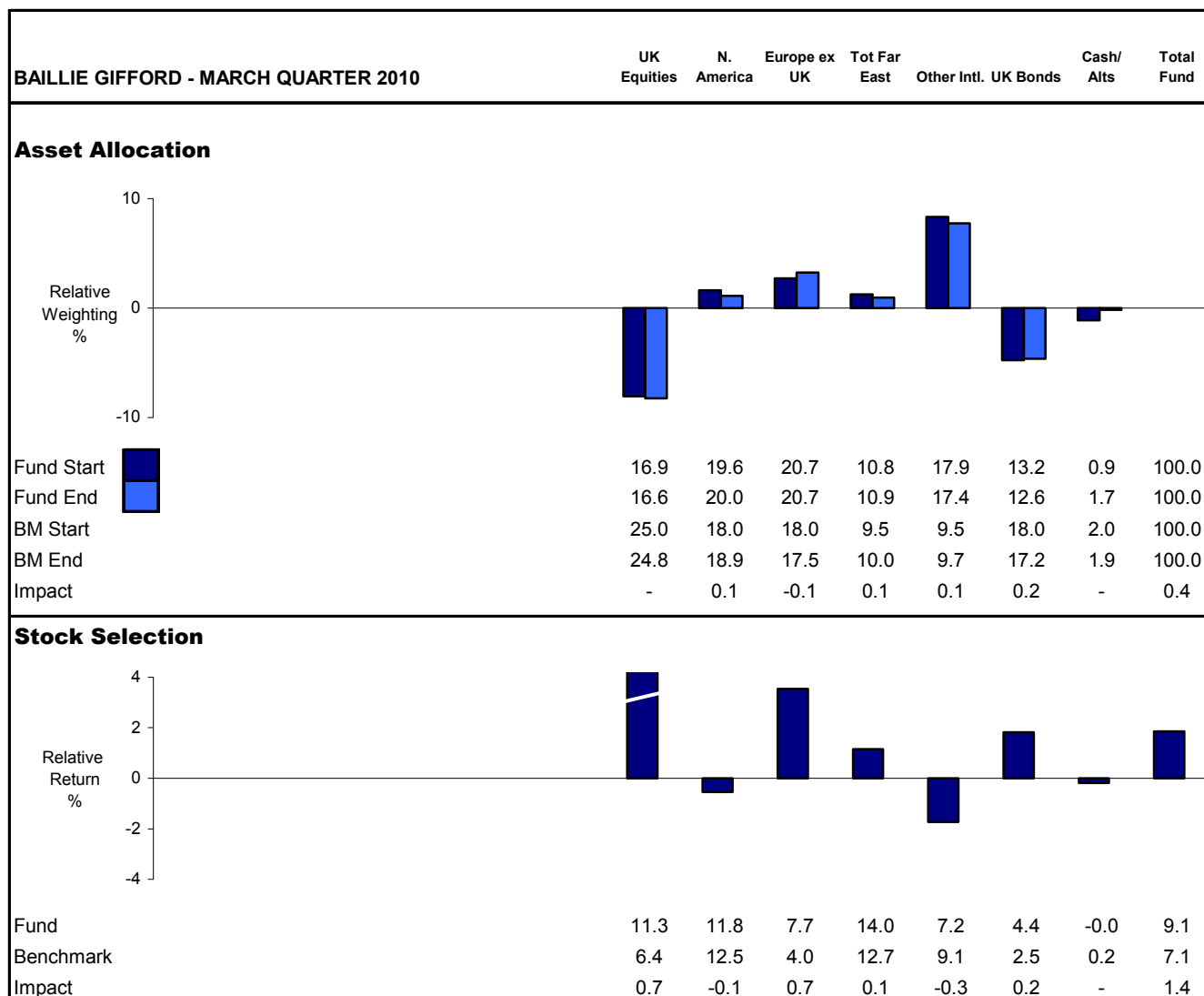
- 3.1 As the table and graph in paragraph 5.2 show, the total market value of Bromley's Fund has fluctuated considerably in the last few years. In 2002/03, the value fell by some 20% to £180m, but since then, in spite of some periods of volatility (most recently in the first and third quarters of 2008), 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, a fall of 16.5% in that year. During 2009/10, it increased steadily and ended the year at £446.4m as at 31st March 2010, a gain of almost 50% in the year. At the time of writing this report, the fund value had increased further to £450m (valuation as at 16th April 2010).
- 3.2 The report to the May 2009 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 2009 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. With regard to 2009/10, Bromley's Fund achieved an overall ranking of 3% in the December 2009 quarter, following rankings of 1% in September 2009 (i.e. it was the best performing fund in the local authority universe) and 11% in June 2009. The rankings for the March 2010 quarter are not yet available and will be reported to the next meeting, but it looks as if Bromley's Fund's performance in 2009/10 will be one of the best in the local authority universe.

Performance data for 2009/10

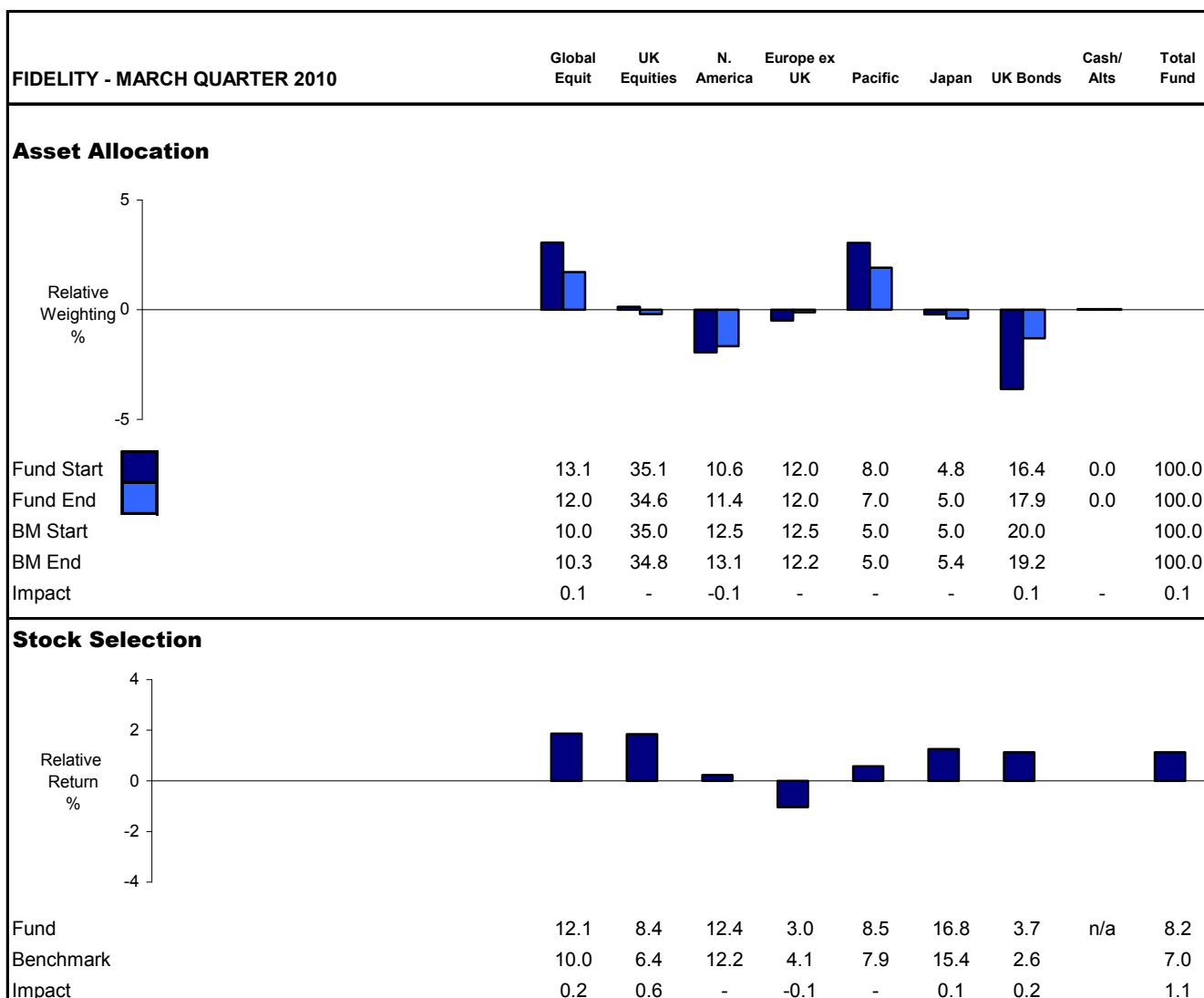
- 3.3 Before 1st April 2006, the Fund's performance was measured against the local authority average and both Baillie Gifford and Fidelity were set the target of outperforming against that average by 0.5% over rolling three-year periods. When the Fund was restructured in 2006, however, both managers 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 fund performance returns in the 2009/10 is shown in the following table and more detail is provided in Appendices 1 to 4. Local authority averages for the March quarter are not known yet and will be reported to the next meeting. Representatives of Baillie Gifford 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	3.4
Mar-10	7.1	9.1	7.0	8.2	7.0	8.6	n/a
Cumulative	42.3	51.3	39.8	45.9	41.0	48.7	n/a

3.4 **Baillie Gifford** returned 9.1% in the March quarter (1.8% above benchmark) and achieved a cumulative return of 51.3% in the year 1st April 2009 to 31st March 2010 (6.3% above their benchmark). In the latest quarter, the WM Company attributed their relative outperformance to asset allocation (0.4%) and stock selection (1.4%). The main contributing asset allocation sector was UK bonds, while the main stock selection impacts were seen in UK equities and European equities. These are represented in the following graphs.



3.5 **Fidelity** returned 8.2% in the March quarter (1.1% above benchmark) and achieved a cumulative return of 45.9% in the year (4.4% above their benchmark). In the latest quarter, the WM Company attributed their relative outperformance to asset allocation (0.1%) and stock selection (1.1%). The positive stock selection impact was mainly from the UK equities sector. These are represented in the following graphs.



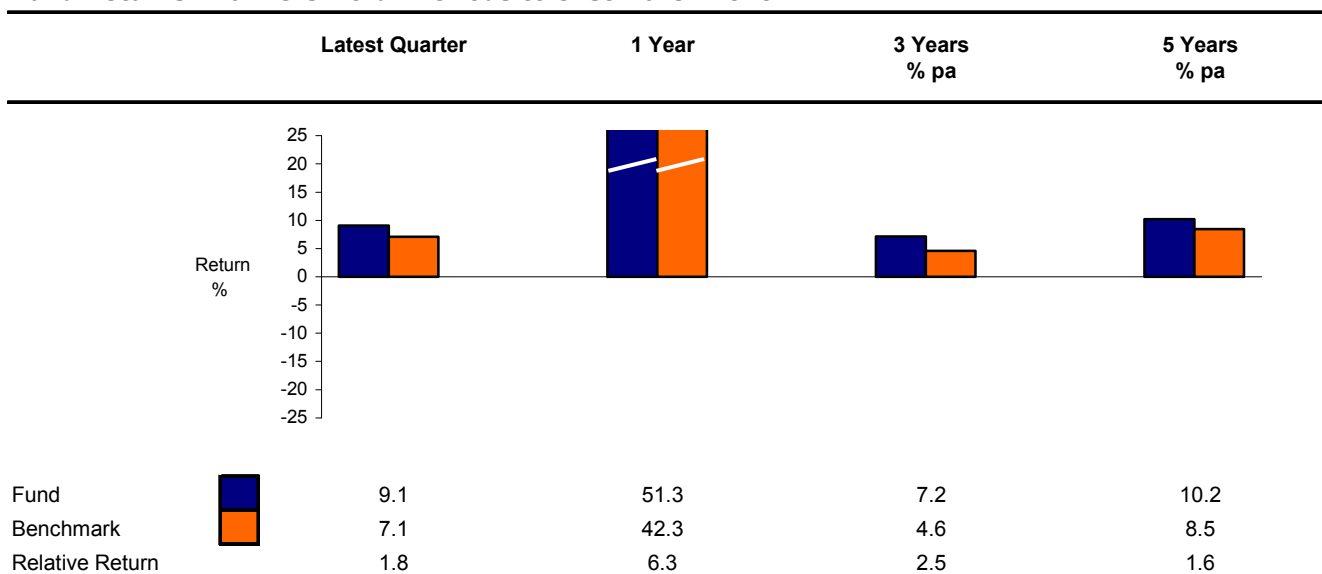
Medium and long-term performance data

3.6 The following table sets out comparative returns over 3 and 5 years for both Baillie Gifford and Fidelity for periods ended 31st March 2009 and 2010. Baillie Gifford's superior returns in 2009/10 have resulted in their 5-year return (10.2%) overtaking that of Fidelity (10.1%), although Fidelity's 3-year return (7.6%) is still better than that of Baillie Gifford (7.2%). These returns, including the impact of stock selection and asset allocation, will be analysed in the WM Company performance report for periods ending 31st March 2010, which will be presented by a WM representative to the next meeting of the Sub-Committee.

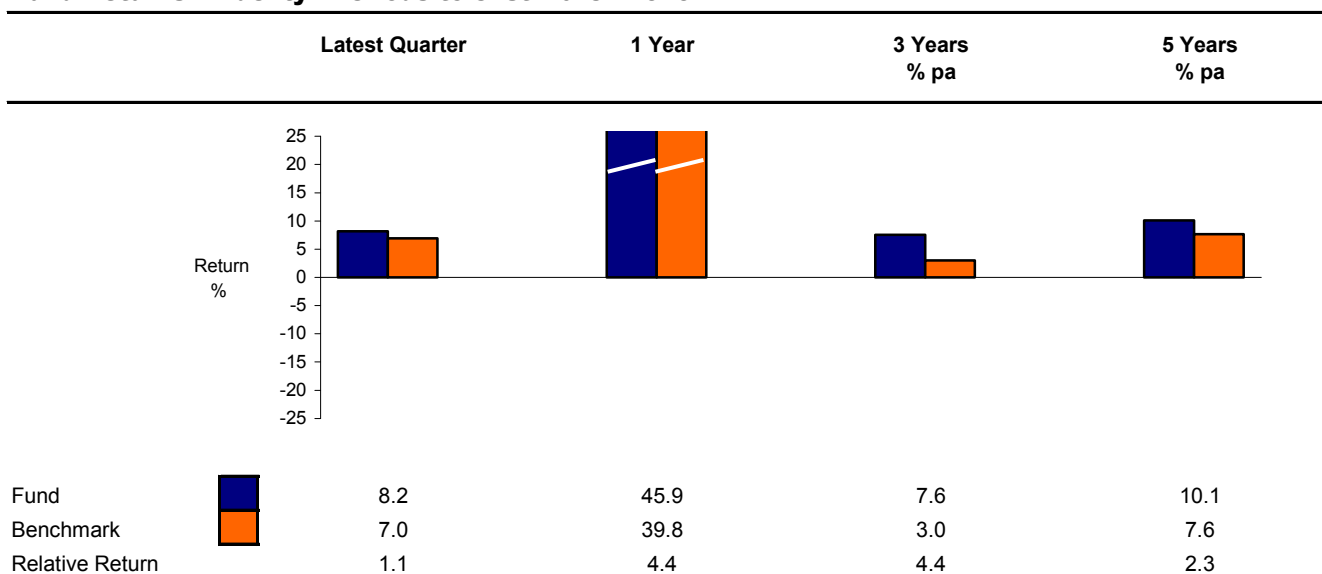
	Baillie Gifford			Fidelity			
	Return	BM	+/-	Return	BM	+/-	LA Ave
	%	%	%	%	%	%	%
Periods to 31/3/09							
3 years (1/4/06-31/3/09) - annualised	-6.1	-5.5	-0.6	-4.1	-6.1	2.1	-5.9
5 years (1/4/04-31/3/09) - annualised	3.7	3.3	0.3	4.1	2.9	1.1	3.1
Periods to 31/3/10							
3 years (1/4/07-31/3/10) - annualised	7.2	4.6	2.5	7.6	3.0	4.4	n/a
5 years (1/4/05-31/3/10) - annualised	10.2	8.5	1.6	10.1	7.6	2.3	n/a

3.7 Returns in the latest quarter and over 1, 3 and 5 years for periods ended 31st March 2010 are shown in the following graphs.

Fund Returns - Baillie Gifford - Periods to 31st March 2010



Fund Returns - Fidelity - Periods to 31st March 2010



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 2009/10, there were only 5 ill-health retirements with a total long-term cost of only £45,000, but the total of other retirements (£1,033,000) was considerably higher than in recent years.

Long-term cost of early retirements	Ill-Health		Other	
	No	£000	No	£000
Qtr 4 – March 10 - LBB	1	5	3	372
- Other	1	34	2	40
- Total	2	39	5	412
2009/10 total – LBB	4	11	14	950
- Other	1	34	7	83
- Total	5	45	21	1,033
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.

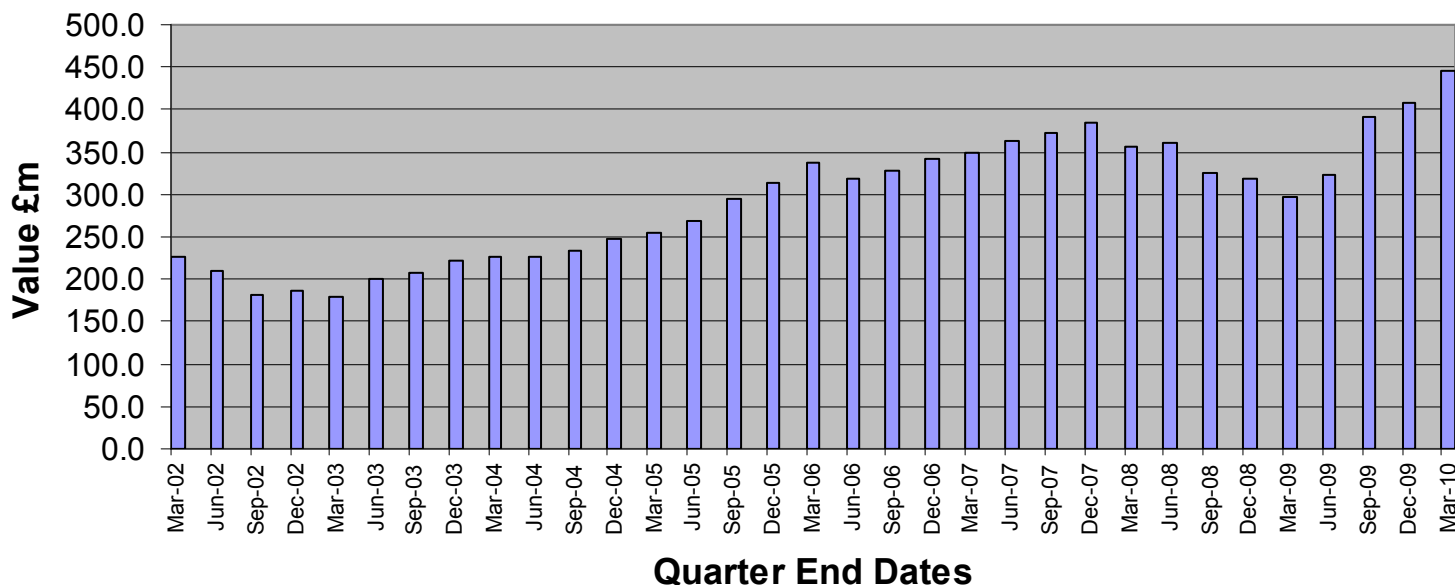
5. FINANCIAL IMPLICATIONS

5.1 Details of the provisional 2009/10 outturn for the Pension Fund Revenue Account are provided in Appendix 5 together with fund membership numbers. A surplus of around £9.2m is anticipated, some £2.3m lower than originally estimated. This is mainly due to higher pension payments and reduced investment income during the year. Estimates for 2010/11 will be reported to the next meeting once outturn variations have been properly analysed. With regard to fund membership, there was an overall increase of 516 members during the course of the year.

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 2009/10, however, it rose steadily to £446.4m as at 31st March 2010 (an increase of 50% in the year). The latest valuation at the time of writing this report (16th April) showed a further increase to £450m.

Market Value as at	Fidelity	Baillie Gifford	CAAM	Total	Revenue Surplus Distributed to Managers
	£m	£m	£m	£m	£m
31 st March 2002	112.9	113.3	-	226.2	0.5
31 st March 2003	90.1	90.2	-	180.3	-
31 st March 2004	112.9	113.1	-	226.0	3.0
31 st March 2005	126.6	128.5	-	255.1	5.0
31 st March 2006	164.1	172.2	-	336.3	9.1
31 st March 2007	150.1	156.0	43.5	349.6	4.5
31 st March 2008	151.3	162.0	44.0	357.3	2.0
31 st March 2009	143.5	154.6	-	298.1	4.0
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	-
31 st March 2010	210.9	235.5	-	446.4	3.0

Pension Fund Market Value 2002 TO 2009



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 March 2010

Baillie Gifford	Benchmark Weighting	Benchmark Returns	Portfolio Weighting	Portfolio Returns
	%	%	%	%
UK equities	25	6.4	16.6	11.3
Overseas equities				
North America	18	12.5	20.0	11.8
Europe	18	4.0	20.7	7.7
Far East	9.5	12.7	11.0	14.0
Other Int'l	9.5	9.1	17.4	7.2
UK bonds	18	2.5	12.6	4.4
Cash/other	2	0.2	1.7	-0.0
Total assets	100	7.1	100.0	9.1

Fidelity	Benchmark Weighting	Benchmark Returns	Portfolio Weighting	Portfolio Returns
	%	%	%	%
UK equities	35.0	6.4	34.6	8.4
Overseas equities				
USA	12.5	12.5	11.5	12.4
Europe	12.5	4.1	12.0	3.0
Japan	5.0	15.4	5.0	16.8
S E Asia	5.0	8.8	7.0	8.5
Global	10.0	10.0	12.0	12.1
UK bonds	20.0	2.6	17.9	3.7
Cash/other	-	0.1	0.0	n/a
Total assets	100.0	7.0	100.0	8.2

Fidelity's UK equity holding above (34.6% of portfolio) includes 0.7% 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 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	Provisional Outturn 2009/10 £'000's
INCOME			
Employee Contributions	5,850	6,300	6,100
Employer Contributions	21,045	22,300	22,000
Transfer Values Receivable	3,174	3,000	4,500
Investment Income	7,232	8,000	7,000
Total Income	<u>37,301</u>	<u>39,600</u>	<u>39,600</u>
EXPENDITURE			
Pensions	16,848	17,500	18,300
Lump Sums	4,798	5,500	5,900
Transfer Values Paid	1,473	3,000	4,200
Administration	2,266	2,000	2,000
Refund of Contributions	11	100	10
Total Expenditure	<u>25,396</u>	<u>28,100</u>	<u>30,410</u>
Surplus/Deficit (-)	<u>11,905</u>	<u>11,500</u>	<u>9,190</u>
MEMBERSHIP			
	31/03/2009		31/03/2010
Employees	5,179		5,360
Pensioners	4,270		4,413
Deferred Pensioners	3,415		3,607
	<u>12,864</u>		<u>13,380</u>

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

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Agenda Item 8

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