MEETING
PENSION FUND COMMITTEE
DATE AND TIME **MONDAY 9 SEPTEMBER, 2013** **AT 7.00 PM**
VENUE **HENDON TOWN HALL, THE BURROUGHS, NW4 4BG**

TO: MEMBERS OF PENSION FUND COMMITTEE (Quorum 3)

Chairman: Councillor Mark Shooter
Vice Chairman: Councillor John Marshall

Councillors

Andreas Ioannidis	Susette Palmer	Rowan Quigley Turner
Geoffrey Johnson	Daniel Seal	

Substitute Members

Jim Tierney	Geof Cooke	Lord Palmer

You are requested to attend the above meeting for which an agenda is attached.

Andrew Nathan – Head of Governance

Governance Services contact: Maria Lugangira 020 8359 2761

Media Relations contact: Sue Cocker 020 8359 7039

ASSURANCE GROUP

ORDER OF BUSINESS

FACILITIES FOR PEOPLE WITH DISABILITIES

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AGENDA ITEM 6

Meeting	Pension Fund Committee
Date	9 September 2013
Subject	**Admission of the DRS Joint Venture company into the London Borough of Barnet Pension Fund**
Report of	Director for Place
Summary	This report informs the Committee of the 24 June 2013 Cabinet approval of the DRS Business Case for the creation of a joint venture company by Capita Symonds and the council and seeks approval for the joint venture company to become a member of the Local Government Pension Scheme through Admission Body status.

Officer Contributors	Charlotte Graham, DRS Project Manager Alison Clark, DRS HR Project Lead
Status (public or exempt)	Public
Wards Affected	Not Applicable
Key Decision	Not Applicable
Reason for urgency / exemption from call-in	Not Applicable
Function of	Council
Enclosures	Appendix A – Capita Symonds's Application (on behalf of the joint venture company for Admitted Body Status)
Contact for Further Information:	Alison Clark, DRS HR Project Business Partner on 020 8359 7806

1. RECOMMENDATIONS

1.1 That the Committee note the 24 June 2013 Cabinet approval to create a strategic partnership with the joint venture company to transfer the Development and Regulatory Services ("DRS") and TUPE transfer the relevant staff to the joint venture;

1.2 That the Committee note that those transferring Officers who fulfil non-delegable statutory functions will be on a joint employment contract with the council and with the joint venture company; and

1.3 The Committee approve the joint venture company as an admitted body to the Local Government Pension Scheme under Admitted Body Status, and to delegate the responsibility to the Section 151 officer for ensuring that an admissions agreement and bond are in place.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet, 6 May 2008 (Decision item 5) – approved the establishment of the Future Shape of the Organisation.

2.2 Cabinet, 3 December 2008 (Decision item 5) – approved the programme structure for the next phase of the Future Shape programme and that a detailed assessment of the overall model for public service commissioning, design and delivery should be undertaken.

2.3 Cabinet, 6 July 2009 (Decision item 5) – approved that three principles would be adopted as the strategic basis for making future decisions (a new relationship with citizens, a one public sector approach and a relentless drive for efficiency) and that a phased approach to delivering the Future Shape Programme and immediate consolidation of activity in the areas of property, support and transact.

2.4 Cabinet, 21 October 2009 (Decision item 8) – approved plans to implement the Future Shape programme.

2.5 Overview and Scrutiny Panel, 21 September 2010 (Decision item 9) – endorsed a template for Equalities Impact Assessment for use in One Barnet projects to assess the impact of service transformation on current staff.

2.6 Cabinet, 29 November 2010 (Decision item 6) – Resolved that:

(1) The One Barnet Programme Framework is approved and

(2) The funding strategy for One Barnet implementation costs, as set out in paragraph 6 of the Cabinet Member's report, is approved.

2.7 Cabinet Resources Committee on 28 March 2011 (Decision item 5)

Resolved that:

(1) That the Committee approve the Development and Regulatory Services business case, in order for the Council to begin the competitive dialogue process, following the previously approved placing of the OJEU notice.

2.8 Cabinet Resources Committee on 14 December 2011 (Decision item 5)

Development and Regulatory Services (Business Case Update and Shortlist for Dialogue 2): Resolved that:

1. The Cabinet Resources Committee approved the recommended Development and Regulatory Services (DRS) shortlist of two bidders for stage 2 of the competitive dialogue process.

2. The recommended shortlist is: Capita Symonds Ltd and the EC Harris / FM Conway consortium. They achieved the highest two scores from the evaluation of the outline solutions provided at the end of the first stage of competitive dialogue.

3. The Cabinet Resources Committee noted the updated Development and Regulatory Services business case.

2.9 Cabinet on 24 June 2013 (Decision item 5)

Development and Regulatory Services (DRS); Selection of the Preferred and reserved Bidder as the Council's Strategic Partner to form a Joint Venture to deliver the DRS Service: Resolved that:

1. That Cabinet note the outcome of the evaluation stage of the Development and Regulatory Services project and accept Capita Symonds' final tender (including subsequent clarifications) as the preferred bid, with reference to the Full Business Case (Appendix A), Equalities Impact Assessment (Appendix B), List of Principal Legislation (Appendix C) and Evaluation Scores (Appendix D exempt);

2. That Cabinet approve the recommended reserve bidder (including subsequent clarifications), as EC Harris;

3. That Cabinet note the comments raised by the Budget and Performance Overview and Scrutiny Committee;

4. That Cabinet instruct the officers to take all necessary action to complete the formalities for the finalisation and execution of the contract;

5. That Cabinet approve the formation of a Joint Venture Company with Capita Symonds Ltd and instruct officers to take all necessary actions; and

6. That Cabinet approve the addition of £6.4m of investment to the capital programme.

2.10 Business Management Overview and Scrutiny Committee on 3 July 2013. The Committee considered the following decision of the Cabinet meeting held on 24 June 2013 and asked questions of the Leader of the Council and Cabinet Member for Environment in respect of the following:

Decision Item:	**Subject:**
5	Report of the Cabinet Members for Resources and Performance, Environment, Housing, Safety and Resident Engagement, Customer Access and Partnerships and Planning and Regulatory Services Development and Regulatory Services (DRS): Selection of the Preferred and Reserved Bidder as the council's Strategic Partner to form a Joint Venture to deliver the DRS Services

Resolved that:

1. Following consideration of the call-in from Councillor Alison Moore, the decision relating to the Development and Regulatory Services (DRS): Selection of the Preferred and Reserved Bidder as the council's Strategic Partner to form a Joint Venture to deliver the DRS Services is not referred back to the Cabinet Resources Committee for reconsideration.

2. The Committee be provided with details of the Lessons Learnt Logs for each stage of the DRS project.

3. The Committee be provided with details of which types of services provided by the Joint Venture would be subject to VAT, Capital Gains Tax or Corporation Tax.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 To maintain the integrity of the Pension Fund by monitoring of admitted body organisations and ensuring all third-parties comply fully with admission agreements and bond requirements. This ensures that pension fund liabilities are covered by the responding admitted bodies; this in return protects Barnet's liabilities and supports the Council's corporate priorities as expressed through the Corporate Plan.

4. RISK MANAGEMENT ISSUES

4.1 The ongoing viability of the Pension Fund is dependent on maximising contributions to the Fund. The employees of the joint venture company, who become members of the Local Government Pension Scheme (LGPS), will pay pension contributions as specified under the Regulations.

4.2 The pension regulations require actuarial assessments of the value of the pension fund and the liabilities of the employer. This is done initially and at each triennial valuation. The actuarial assessment will determine the employer contribution rate required to be made to the fund, dependant on the profile of the workforce and the potential risk to the fund of admitting the body.

4.3 The risk is commonly addressed by the employer being required to take out an indemnity, bond or guarantee to ensure payment to the pension fund in case of default.

4.4 The Authority on behalf of the employer has carried an assessment with actuarial advice, as required under the Regulations, of the level of risk exposure arising on premature termination of the contract by reason of the solvency, winding up or liquidation of the Admission Body. The Admission Body will be required to secure the required level of bond prior to the completion of the admissions agreement.

4.5 The LGPS provides for early payment of pension benefits on compulsory early retirement, redundancy or ill-health. As an employer in the pension fund, the joint venture company will take responsibility for any potential strain on the fund resulting from any such early retirements. Payments will be made to the Pension Fund by the joint venture company, as and when required, should there be any pension strain or contribution issues as a consequence of any decisions made by the joint venture company.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Ensuring the long-term financial health of the pension fund will benefit everyone who contributes to it.

5.2 The employee equality impacts associated with DRS are dealt with in the 24 June 2013 Cabinet report.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 The authority acts as the administering authority for the pension fund and oversees other employers in the fund.

6.2 Where a contractor takes over an existing council service involving the transfer of employees under TUPE and those employees have rights under the Local Government Pension Scheme, the new employer has either to seek an Admissions Agreement to the Pension Fund or offer a Government Actuary Department (GAD) certified scheme to demonstrate broadly comparable benefits to the LGPS. Where employers seek admitted body status, the Committee needs to be assured that the bodies are able to meet their obligations under the Regulations and that the Fund is not put at risk, where bodies may go into default, this is usually secured by the contractor putting a bond in place.

6.3 The joint venture will become an admitted body to the Pension Fund. New employees who join the joint venture and who are employed under a joint employment contract will be eligible for admission into the LGPS. New employees of the joint venture will not be eligible for admission into the LGPS.

6.4 The joint venture will pay the future contribution rate to meet any pension fund liabilities. The council has retained the element of the budget that pays for the repayment of the past service pension fund deficit.

6.5 The total pension contributions for jointly employed staff will be allocated to the appropriate sections of the pension fund.

7. LEGAL ISSUES

7.1 The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) ("Administration Regulations") provide that a body may be admitted to the LGPS administered by the Council as a Transferee Admission Body where that body is providing or will provide services or assets in connection with a function of the council by means of a contract (in accordance with section 6(2)(a)(i) of the Administration Regulations).

7.2 The joint venture satisfy the requirements of Section 6(2)(a)(i) of the Administration Regulations and, subject to Capita Symonds (on behalf of the joint venture) making an application for membership and Pension Fund Committee approval, are capable of admission to the LGPS administered by the council as a Transferee Admission Body.

7.3 The Administration Regulations require that, in the case of admitting a Transferee Admission Body to the LGPS, the Transferee Admission Body must carry out an assessment of the level of risk arising on premature termination of the provision of the service or assets by reason of insolvency, winding up or liquidation of the Transferee Admission Body. The assessment must take into account actuarial advice and, where the level of risk is such as to require it, the admission body shall enter into an indemnity, bond or guarantee to meet the level of risk identified.

7.4 The joint venture will be required to execute the Council's standard Admissions Agreement which complies with the requirements of the LGPS Regulations and makes provision for the Transferee Admission Body to obtain and maintain a bond in an approved form and to vary the level of risk exposure under the bond as may be required from time-to-time.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

8.1 Constitution –Responsibility for Functions - delegated to the Pension Fund Committee, as set out in the Pension Fund Governance Compliance Statement.

9. BACKGROUND INFORMATION

9.1 In March 2011, the Cabinet Resources Committee approved the Outline Business Case for the DRS project. This business case recommended that the Council undertake a procurement process to identify a strategic partner for the delivery of the following services:

- Building Control
- Environmental Health
- Hendon Cemetery & Crematorium

- Highways Network Management
- Highways Traffic & Development / Highways Strategy
- Highways Transport & Regeneration
- Land Charges
- Planning Development Management
- Regeneration
- Strategic Planning
- Trading Standards & Licensing

9.2 A 'competitive dialogue' procurement process has since been completed to identify the best partner for these services. Final Tenders have been received from two bidders – Capita Symonds (CSL) and EC Harris. The outcome of the evaluation is a recommendation that the council proceed with CSL as Preferred Bidder, to form a joint venture with the council to deliver DRS services.

9.3 The Full Business Case demonstrates how the Final Tender from Capita Symonds enables the Council to:

- meet the unprecedented financial pressures it is facing;
- invest in these services; and
- preserve and improve on existing service levels.

9.4 CSL's Final Tender contains a range of contractual guarantees to deliver or exceed the targeted benefits from the Outline Business Case Update approved by Cabinet Resources Committee in December 2011.

- The new provider to honour the council's TUPE Transfer Commitments
- Training, leadership development programmes, Continuous Professional Development and skills enhancement, Succession planning and talent management
- Opportunities to work on innovative and new projects
- £500 per person per annum, average 5 days per person per annum to be invested in training and development over the life of the contract
- Commitment to adding commercial skills and acumen to the services to enable individual development and growth of the business

10. LIST OF BACKGROUND PAPERS

- Minutes of Special Cabinet – 24 June 2013
- Minutes of Business Management Overview and Scrutiny Committee – 3 July 2013

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BARNET
LONDON BOROUGH

LONDON BOROUGH OF BARNET PENSION FUND

APPLICATION TO JOIN THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) TRANSFEREE ADMISSION BODIES

FULL NAME OF ORGANISATION APPLYING TO JOIN THE LGPS:

Capita BDRS Limited

COMPANY REGISTRATION NUMBER: 8615172

COMPANY REGISTERED ADDRESS:

71 Victoria Street, Westminster, London, SW1H 0XA

BASIS OF APPLICATION – A body that is providing or will provide a service or assests in connection with the exercise of a function of a scheme employer as a result of the transfer of service or assets by means of a contract. (please tick) ✓

SIGNED .... DATED 5/8/13

PRINT NAME DAN GREENSPAN

ON BEHALF OF CAPITA BDRS LIMITED
(ORGANISATION NAME)

Please send your completed application to:

Hansha Patel
Pension Services Manager
London Borough of Barnet
North London Business Park
Building 4
Oakleigh Road South
London N11 1NP

AGENDA ITEM 7

Meeting	Pension Fund Committee
Date	9 September 2013
Subject	**Admission of former May Gurney employees into the London Borough of Barnet Pension Fund**
Report of	Director for Place
Summary	This report informs the Committee of the inclusion of former May Gurney employees who will TUPE across to the Council on 6th and 8th October 2013 in the Local Government Pension Scheme for Council employees.

Officer Contributors	Lynn Bishop, Streetscene Director Steve James, HR Consultant
Status (public or exempt)	Public
Wards Affected	Not Applicable
Key Decision	Not Applicable
Reason for urgency / exemption from call-in	Not Applicable
Function of	Council
Enclosures	None
Contact for Further Information:	Steve James HR

1. RECOMMENDATIONS

1.1 That the Committee note the 22nd July 2013 decision by the General Functions Committee to TUPE transfer into the Council the roadside recycling staff of May Gurney PLC with effect from 6th October 2013.

1.2 That the Committee note the 22nd July 2013 decision by the General Functions Committee to TUPE transfer into the Council the Household Waste Recycling Centre [HWRC] at Summers Lane staff of May Gurney PLC with effect from 8th October 2013.

1.3 That the Committee note that all of the staff identified in 1.1 and 1.2 will be auto-enrolled in the Local Government Pension Scheme for Council employees on commencement of employment with the Council.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet, 4 April 2012 (Decision item 11) – approved Waste Collection Options for the Future.

2.2 Cabinet Resources Committee on 7 November 2012 (Decision item 5) approved the Outline Business Case and Options Appraisal for Waste and Streetscene Services.

2.3 Cabinet Resources Committee on 18 April 2013 (Decision Item 13), approved Waste Collections for the Future.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Maintain the integrity of the Pension Fund by ensuring robust monitoring of admission body organisations and ensuring all third parties comply fully with admission agreements and bond requirements. The principle supports the corporate priority of getting the best value from our resources.

4. RISK MANAGEMENT ISSUES

4.1 The ongoing viability of the Pension Fund is dependent on maximising contributions to the Fund. These employees, who become members of the Local Government Pension Scheme (LGPS), will pay pension contributions as specified under the Regulations.

4.2 The pension regulations require actuarial assessments of the value of the pension fund and the liabilities of the employer. This is done initially and at each triennial valuation. The actuarial assessment will determine the employer contribution rate required to be made to the fund, dependant on the profile of the workforce and the potential risk to the fund.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Ensuring the long-term financial health of the pension fund will benefit everyone who contributes to it.

5.2 An employee equalities impact assessment has been completed by the council and is in the General Functions Committee report Appendix A dated 22nd July 2013.

5.3 Having considered these issues in detail, it is the Council's view that the overall impact on staff with protected characteristics, in terms of the Council's ability to tackle discrimination and advance equality of opportunity, is likely to be positive. Where there are potentially negative impacts, there are mitigations proposed by the Council. There is likely to be a neutral impact on good relations between those sharing and those not sharing protected characteristics.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 The Council acts as the administering authority for the pension fund

7. LEGAL ISSUES

7.1 None

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

8.1 Constitution –Responsibility for Council Functions delegated to the Pension Fund Committee, as set out in the Pension Fund Governance Compliance Statement.

9. BACKGROUND INFORMATION

9.1 None

10. LIST OF BACKGROUND PAPERS

None

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AGENDA ITEM 8

Meeting	Pension Fund Committee
Date	9 September 2013
Subject	**Update on Admitted Body Organisations**
Report of	Chief Operating Officer
Summary	This report updates the Committee on the Admitted Bodies participating in the Local Government Pension Scheme administered by the London Borough of Barnet

Officer Contributors	Hansha Patel, Pension Services Manager
Status (public or exempt)	Public
Wards Affected	Not applicable
Key Decision	Not applicable
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	Appendix 1 - Admitted Body Monitoring Spreadsheet
Contact for Further Information:	Hansha Patel, Pension Services Manager 0208 359 7895

1. RECOMMENDATIONS

1.1 That the Committee note the update to the issues in respect of admitted body organisations within the Pension Fund, as detailed in Appendix 1.

2. RELEVANT PREVIOUS DECISIONS

2.1 None

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 To maintain the integrity of the Pension Fund by monitoring of admitted body organisations and ensuring all third-parties comply fully with admission agreements and bond requirements. This ensures that pension fund liabilities are covered by the responding admitted bodies; this in return protects Barnet's liabilities and supports the Council's corporate priorities as expressed through the Corporate Plan.

4. RISK MANAGEMENT ISSUES

4.1 The ongoing viability of the Pension Fund is dependent on maximising contributions to the Fund. All admitted bodies are subject to actuarial assessments and are reviewed to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels in order to mitigate against any risk to the financial viability of the pension fund.

4.2 There is a possibility of financial losses on the Pension Fund where arrangements around admitted bodies and bond agreements are not sufficiently robust. Monitoring arrangements are in place to ensure that Admissions Agreements and bond (where relevant) are in place and that bonds are renewed, as appropriate, during the lifetime of the relevant Admission Agreement.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Pursuant to section 149 of the Equality Act, 2010, the Council has a public sector duty to: (i) have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; (ii) advancing equality of opportunity between those with a protected characteristic and those without; (iii) promoting good relations between those with a protected characteristic and those without. The relevant 'protected characteristics' are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to elimination of discrimination

5.2 Ensuring the long term financial health of the Pension Fund will benefit everyone who contribute to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 Paragraph 4, above, deals with the financial implications of this report.

6.2 There are no procurement, performance & value for money, staffing, IT, Property or Sustainability implications.

6.3 All the contracts have an Admission Agreement and Bond Agreement in place, with the exception of the following contracts (as detailed in Appendix 1).

- Birkin Cleaning Services (St. James Catholic): a revised bond figure has been notified and Birkins is currently arranging a bond with Darwin Clayton (UK) Ltd. Completion is expected by 31/08/2013.

7. LEGAL ISSUES

7.1 The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) provide that a Local Authority, as an 'Administering Authority' for the Fund, may admit an organisation into the Local Government Pension Scheme, subject to that organisation, or the contractual arrangement between that organisation and the Council, meeting the criteria set out in the Regulations. Under the Regulations, the form of admission available to a contractor would either be 'a community admission body', or 'a transferee admission body' as defined in the Regulations

7.2 With respect to an admission agreement, the Regulations further provide for an assessment of the level of risk arising on premature termination of the provision of the service or assets by reason of insolvency, winding up or liquidation of the admission body. The assessment must be with the benefit of actuarial advice and, where the level of risk is such as to require it, the transferee admission body shall enter into an indemnity or bond to meet the level of risk identified.

7.3 The Council's standard admissions agreement makes provision for the admission body to maintain a bond in an approved form and to vary the level of risk exposure under the bond as may be required from time to time.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

8.1 The Council's Constitution, Responsibility for Functions, Pension Fund Governance Compliance Statement, paragraph 2.2.13 empowers the Pension Fund Committee to "approve applications from organisations wishing to become admitted bodies into the Fund where legislation provides for discretion, including the requirements for bonds."

9. BACKGROUND INFORMATION

9.1 This report provides an update on issues previously reported at the Pension Fund Committee meeting held in June 2013.

10. LIST OF BACKGROUND PAPERS

10.1 Appendix 1 to this report provides an update on the Admitted Body issues

Appendix 1

Admitted Body Monitoring Spreadsheet

Admitted Body	No Of active Employees on transfer	Start Date	Bondsman	Bond Value (£)	Bond Expiry date	Bond Tag (red)	Pension cont on time RAG	Comments
Housing 21 New	56	06/09/2010	Barclays Bank	778K	30/09/2015		G	
London Care	3	05/03/2012	Lloyds	60K	04/03/2015		G	
Personnel & Care Bank	5	01/05/2012	Nat West	33K	31/10/2014		G	
Viridian Housing	11	22.04.2006	Euler Hermes UK	65K	16/08/2016		G	
Fremantle Trust (2)	83	28/03/2014	Royal Bank of Scotland	770K	27/03/2014		G	.
Greenwich Leisure	22	31.12.2002	Zurich Insurance PLC	328K	08/02/2015		G	
Birkin Cleaning Services (St James Catholic)	6	24/10/2011		13K		R	G	Birkin Cleaning Services is currently arranging a bond via Darwin Clayton (UK) Ltd. Completion expected 31/08/2013.
Turners Industrial Cleaning	1	01.04.2008	Lloyds TSB Securities	6.2K	continuing		G	
Go Plant	12	04.10.2008	HCC International Insurance Company PLC	290K	31/12/2013		G	

Mears Group	19	10/04/2012	Euler Hermes	320K	09/04/2015		G	
NSL	31	01/05/2012	Lloyds TSB	412K	30/04/2017		G	
Blue 9 Security	2	03.08.2012	Evolution Insurance	61K	30/09/2013		G	
Music Service (BEAT)	2	01.03.2013	N/A	24K	28/02/2016		G	Guarantee provided by LB Barnet for a three year period
Capita (NSCSO)	Final transfer list not available at time of drafting this report.	01/09/2013		7,310K		A		Pension bond will be in place before service commencement – details will be provided at December 2013 Committee meeting
Capita (DRS)	Final transfer list not available at time of drafting this report.	01/10/2013		3,813K		A		Pension bond will be in place before service commencement – details will be provided at December 2013 Committee meeting

AGENDA ITEM 9

Meeting	Pension Fund Committee
Date	9 September 2013
Subject	**Procurement of Actuarial Services to the Pension Fund.**
Report of	Chief Operating Officer
Summary	Authorisation is sought to procure an actuarial services provider to the Pension Fund, following the end of the current actuarial services contract.

Officer Contributors	John Hooton, Deputy Chief Operating Officer Iain Millar, Head of Treasury
Status (public or exempt)	Public
Wards Affected	Not Applicable
Key Decision	Not Applicable
Reason for urgency / exemption from call-in	Not Applicable
Function of	Council
Enclosures	none
Contact for Further Information:	Iain Millar, Head of Treasury Services 0208 359 7126

1. RECOMMENDATIONS

1.1 That the Pension Fund Committee delegates officers to undertake the procurement of the actuarial service provider .

2. RELEVANT PREVIOUS DECISIONS

2.1 Barnett Waddingham's actuarial contract commenced on the 21st of August 2009 for a period of three years with an option to extend for one year from 20 August 2012 .

2.2 Cabinet Resources Committee, 25 February 2013 approved a further contract extension to 31 March 2014 as a corporate contract extension pending transfer to the NSCSO provider.

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3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Actuarial services include the provision of advice and guidance to ensure compliance with the regulatory requirements of the Local Government Pension Scheme.

4. RISK MANAGEMENT ISSUES

4.1 Actuarial services include the provision of actuarial review to assess the funding level of the pension fund through actuarial valuation to determine future employer contributions required to maintain benefit payments from the fund.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community and to reduce the differential impact of the services received by all of Barnet's diverse communities.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 The cost of Pension Fund actuarial services is charged to the Pension Fund.

6.2 It is intended to conduct this procurement using the National LGPS Actuarial Services Framework which is fully compliant with the Public Contract Regulations 2006. The Council can reduce procurement time and costs by using a local authority specific framework which has already been through a competitive tender, OJEU compliant procurement process.

6.3 The cost of using the National LGPS Actuarial Services Framework is £2,000.

7. LEGAL ISSUES

7.1 None other than contained in the body of the report .

8. CONSTITUTIONAL POWERS

8.1 Part 3 of the Constitution Responsibility for functions the Pension Fund Governance Compliance Statement, 2.2.7 delegates responsibility to Pension Fund Committee to appoint the Pension Fund actuary.

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9 BACKGROUND INFORMATION

9.1 Barnett Wadding ham's contract commenced on the 21st of August 2009 for a period of three years with an option to extend for one year from 20 August 2012. The Contract was subject to an EU tender procedure with an OJEU notice given on 8 July 2008 .

9.2 Corporate Resources Committee 25th February 2014 approved a further contract extension to 31 March 2014 as a corporate contract extension pending transfer to the NSCSO provider to allow the actuary to complete the 2013 actuarial valuation.

10. LIST OF BACKGROUND PAPERS

10.1 None

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AGENDA ITEM 10

Meeting	Pension Fund Committee
Date	9 September 2013
Subject	**Establishment of London Collective Investment Vehicle**
Report of	Chief Operating Officer
Summary	This report updates the Pension Fund Committee on the discussions on greater collaboration between local authority pension funds and recommends the Pension Fund Committee to consider participation in the establishment of a London wide collective investment vehicle and to consider contributing towards funding up to £25k from the Pension Fund towards the legal and set up costs of the collective investment vehicle.

Officer Contributors	John Hooton, Deputy Chief Operating Officer Iain Millar, Head of Treasury
Status (public or exempt)	Public
Wards Affected	Not applicable
Key Decision	Not applicable
Reason for urgency / exemption from call-in	Not applicable
Function of	Council
Enclosures	
Contact for Further Information:	Iain Millar, Head of Treasury Services 0208 359 7126

1. RECOMMENDATIONS

1.1 That the Pension Fund Committee note the recent public debate regarding the potential for fund merger within the Local Government Pension Scheme.

1.2 That the Pension Fund Committee expresses an interest in exploring the options for collaborative working including, subject to agreement to the business case, participation in a London wide collaborative investment vehicle (CIV).

1.3 That the Pension Fund Committee authorises the Chief Operating Officer to carry out further due diligence on the establishment of a CIV including contributing up to £25,000 from the Pension Fund towards the legal and setting up costs of the CIV.

2. RELEVANT PREVIOUS DECISIONS

2.1 None

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 To ensure that the pension fund is being invested prudently and to the best advantage in order to achieve the required funding level. Participating in collective working and cost sharing will provide support towards the Council's corporate priorities.

4. RISK MANAGEMENT ISSUES

4.1 There is a risk that the Government may change the Local Government Pension Scheme (LGPS) regulations to force through pension fund mergers for administration, investment and governance. By participating in a collaborative project the Council may retain autonomy over its Pension Fund and benefit from reduced procurement costs and reduced investment management fees.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

5.2 The rules governing admission to and participation in the Pension Fund are in keeping with this public sector equality duty. Good governance arrangements and monitoring of the pension fund managers will benefit everyone who contributes to the Fund.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 In recent months there has been some discussion on whether there should be consolidation or merger of Local Government Pension Funds into a smaller number of funds and whether this would lead to cost reduction and better investment return. The Government is currently consulting on some form of the consolidation of the LGPS, either on a voluntary or forced basis.

6.2 There is some evidence that the economies of scale associated with larger funds could lead to lower unit costs in relation to administration and actuarial advice for example. The position on investment performance is much less clear. There is no correlation between fund size and investment return. Investment returns are driven primarily by strategic asset allocation Relative performance by asset class is linked to manager selection. Consequently there are both large and small funds whose performance is either below or above average.

6.3 To date collaboration has focused on administrative functions rather than on investment activity, the national procurement framework being one example. While a merger on a forced basis would not be in the Council's financial interest, it is clear that the status quo is not viable. London Councils and the Society of London Treasurers are exploring an alternative method for collaboration for between London pension funds in the form of a collective investment vehicle (CIV).

Collective Investment Vehicle

6.4.1 London Councils commissioned the Society of London Treasurers to gauge interest in establishing a CIV and received significant interest in the creation of such a vehicle. The CIV would operate by maintaining a best of breed selection of fund managers for each asset class and would be managed by a lead authority.

6.4.2 Under this model each Fund would continue to be managed separately with its own governance arrangements using the advisors the Panel considered appropriate. At each triennial actuarial valuation, every fund would review and agree its own updated Funding Strategy and Strategic Asset Allocation and Statement of Investment Principles.

6.4.3 The CIV would be a way of managing the investment process with the aim of securing higher investment performance and reduced fees, the latter being achieved through the volume of funds being invested.

6.4.4 The CIV would be managed by a lead authority with initial funding coming from participating boroughs. Once appointed, the lead borough would procure an investment adviser to support the manager selection process, transition manager and investment funds/fund managers within each asset class: equities and bonds, and also alternative asset classes including property and infrastructure.

6.4.5 The CIV would maintain a ‘best in class’ selection of investment funds or fund managers. These would be well-defined generally segregated mandates with the CIV using its buying power to secure lower investments manager fees.

6.4.6 The CIV would be responsible for day to day governance, control and reconciliation in relation to each selected manager including in conjunction with the appointed investment advisor performing necessary due diligence for the selected fund managers. This would include quarterly meetings with managers ,providing quarterly reports for the Pension Fund Committee summarising CIV performance and any other relevant matters. The CIV would also be responsible for manager deselection.

6.4.7 In time the CIV could also be used to provide any other officer related investment decisions that Funds voluntarily wished to delegate. This could include drafting investment related reports for the Pension Fund Committee or using a common custodian

6.4.8 Each Pension Fund Committee could choose whether or not to use a fund manager from the CIV. It could for example retain its current managers or use a hybrid model retaining its own managers and use the CIV to diversify into alternative asset classes such as infrastructure and property and achieve economies of scale through the CIV that would not otherwise be possible for a smaller fund.

6.4.9 Each fund would retain its own custodian’s control over asset allocation and accounting responsibilities although manager related information would be supplied by the CIV.

6.5 The costs of setting up the CIV would be recoverable from participating boroughs. The initial set up costs would include legal fees and other professional costs. Participating funds would be asked to contribute to these costs which are currently estimated to be a maximum of £25,000 per fund. It is anticipated that the contribution costs will be offset by the potential reduction in future investment management fees achievable through the CIV.

6.6 The proposal for a CIV is being reported to a future London Council’s meeting. The London Borough of Wandsworth has volunteered to take the lead borough role.

6.7 While there are considerable benefits from participating in a CIV in terms of the potential for cost –saving and resource pooling, there will be a perception of loss of control and autonomy at a borough level.

6.8 The Pension Fund Committee is asked whether it wishes to express an interest in participating in the CIV and in contributing to the set-up costs which would be financed from the Pension Fund.

7. LEGAL ISSUES

7.1 This report is based on the provisions of This report is based on the provisions of Local Government Pension Scheme (Management and Investment of

Funds) Regulations 2009) which have their basis in the Superannuation Act 1972

7.2 Other statutory provisions are referred to in the body of this report.

8. CONSTITUTIONAL POWERS

8.1 Constitution – Part 3 Responsibility for Functions – Section 3 – Responsibility for Council Functions delegated to the Pension Fund Committee, through the Pension Fund Governance Compliance Statement.

9 BACKGROUND INFORMATION

9.1 History

9.1.1 The Superannuation Act 1972 makes provision for local authorities to operate pension funds for their employees and employees of other employers who have either a statutory right or an admission agreement to participate in the funds.

9.2 Tax Status

9.2.1 The Fund is an exempt approved fund under the Finance Act 1970, and is therefore exempt from Capital Gains Tax on its investments. At present all Value Added Tax is recoverable, but the fund is not able to reclaim the tax on UK dividends.

9.3 Operation and Administration

9.3.1 The Fund is operated and administered by the London Borough of Barnet. Day to day investment management of the Fund's assets is delegated to expert investment advisors in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended). The Fund is managed on a balanced (excluding property and cash) basis. The current fund managers are Schroder Investment Management Ltd and Newton Investment Management Limited.

9.3.2 At the Pension Fund Committee meeting held on the 4 February 2010, the Committee agreed to implement a 70/30 diversified growth and bonds portfolio using the existing managers. Implementation of the new investment strategy commenced on 19 November 2010 and is now fully completed.

9.3.3 Actuarial services are provided by Barnett Waddingham and the fund receives investment advice from JLT Investment Consulting.

9.4 Scheme Governance

9.4.1 The Council is statutorily responsible for the management of the Fund and for making strategic decisions that govern the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Fund Committee. The Pension Fund Committee's responsibilities include reviewing and monitoring the Fund's investments; selecting and deselecting investment managers and other relevant third parties; and establishing investment objectives and policies.

The Fund's investment objectives and policies are published in a Statement of Investment Principles. Details of this statement can be found on the Council's Web Site
http://www.barnet.gov.uk/statement_of_investment_principles_oct_2010.pdf.

9.5 **Funding**

9.5.1 The Fund is financed by employer and employee contributions and from income derived from investments. Every three years the Fund Actuary carries out a valuation, which determines the level of employer contributions. The latest triennial valuation took place as at 31 March 2013. The actuary's report is being prepared and will be reported to Pension Fund Committee later in the year.

10. LIST OF BACKGROUND PAPERS

10.1 None

Meeting	Pension Fund Committee
Date	9 September 2013
Subject	**Barnet Council Pension Fund Performance for Quarter April to June 2013**
Report of	Chief Operating Officer
Summary	This report is on Pension Fund investment manager performance for the April to June quarter 2013.

Officer Contributors	John Hooton, Deputy Chief Operating Officer Iain Millar, Head of Treasury
Status (public or exempt)	Public
Wards Affected	Not Applicable
Key Decision	Not Applicable
Reason for urgency / exemption from call-in	Not Applicable
Function of	Council
Enclosures	Appendix A – Pension Fund Market Value of Investments Appendix B – JLT Image Report Quarterly Update 30 June 2013 Appendix C – WM Local Authority Universe Comparison to 30 June 2013. (to follow)
Contact for Further Information:	Iain Millar, Head of Treasury Services 0208 359 7126

1. RECOMMENDATIONS

1.1 That, having considered the performance of the Pension Fund for the quarter to 30 June 2013, the Committee instruct the Chief Operating Officer and Chief Finance Officer to address any issues that it considers necessary.

2. RELEVANT PREVIOUS DECISIONS

2.1 Council – 11th September 2007 – Minute 64.

2.2 Pension Fund Committee – 4 February 2010, (Decision Item 6) –The Pension Fund Committee adopted the revised investment strategy.

2.3 Pension Fund Committee – 6 June 2013, Item 6.The Pension Fund Committee instructed that any additional funding from contributions be invested equally with both fund managers reversing the decision made at the December meeting to restrict new funding to Newton.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 To ensure that the pension fund is being invested prudently and to the best advantage in order to achieve the required funding level. Effective monitoring of the Pension Fund will provide support towards the Council's corporate priorities.

4. RISK MANAGEMENT ISSUES

4.1 A key risk is that of poor investment performance. The performance of Fund managers is monitored by the committee every quarter with reference to reports from JLT Investment Consulting, the Pension Fund investment adviser, and the WM Company Ltd, a company that measures the performance of pension funds. If fund manager performance is considered inadequate, the fund manager can be replaced.

4.2 Risks around safeguarding of pension fund assets are highlighted in the current economic climate following sovereign debt crisis in the Euro zone. Fund managers need to have due regard to longer term investment success, in the context of significant market volatility. Both Newton's and Schroder's will attend this Committee to update on their approach in this context.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation

5.2 The rules governing admission to and participation in the Pension Fund are in keeping with this public sector equality duty. Good governance arrangements and monitoring of the pension fund managers will benefit everyone who contributes to the fund.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 As administering authority for the London Borough of Barnet Pension Fund, the Council is required to invest any funds not required for the payment and administration of pension fund contributions and benefits.

6.2 The Pension Fund has appointed external fund managers to maximise pension fund assets in accordance with the fund investment strategy. The Pension Fund is a long term investor and volatility of investment return is expected, though in the longer term, the appointed fund managers are expected to deliver positive returns in accordance with the fund benchmarks. The Scheme benchmark is a liability driven benchmark and is dependent on the movement in gilt yield The Growth portfolio targets of the respective Diversified Growth Funds are Newton; LIBOR +4%, and Schroder; RPI+5%.

6.3 The total value of the pension fund's investments including internally managed cash was £782.172 million as at 30 June 2013, down from £801.692 million as at 31 March 2013. The total market value of externally managed investments fell by £15.7 million over the quarter. The graph in Appendix A shows how the market value of the fund has grown since 2006.

6.4 Over the quarter at a total scheme level, the Fund's externally managed investments produced a negative return of -2.0% but outperformed the liability benchmark return for the quarter by 1.7%. All the growth and bond funds produced negative absolute returns with the exception of Legal and General overseas equities.

6.5.1 Both the Newton and Schroder diversified growth funds underperformed equities (surprisingly as DGF Funds are expected to outperform against equities in falling markets). The Newton Real Return DGF under performed, -2.5% return versus a benchmark return of 1.1%. One year return was 5.3% compared to a benchmark return of 4.5%. Schroder DGF also underperformed for the quarter, -1.1% versus a benchmark return of 1.6%. One year return was stronger 11.4% versus the benchmark return of 8.4%.

6.6 For the quarter, the Newton Corporate Bond portfolio marginally outperformed, returning -2.7% against its benchmark of -4.2% and over the year the Fund slightly outperformed the benchmark with a 6.5% return against a benchmark return of 5.4%. Schroder's Corporate Bond portfolio marginally outperformed the benchmark for the quarter returning -2.6% and against benchmark return of -2.9%. Over the year the Schroder corporate bond return was 7.3% versus the benchmark return of 6.5%.

6.7 For Legal and General, overseas equities outperformed strongly by 0.5%, against the benchmark of 0.1%, and the fixed interest performance of -2.9% tracked the benchmark of -2.9%.

6.8 **Investment Performance & Benchmark**

6.8.1 The Fund's overall performance is measured against a liability benchmark return and includes internal property.

6.8.2 The Growth portfolio return is the combined Newton and Schroder Diversified Growth Fund portfolios and is measured against a notional 60/40 global equity benchmark and underlying benchmarks of each fund for comparison.

6.8.3 The performance of the Fund including manager performance is outlined in Appendix B.

6.8.4 Fund Return compared with the Local Authority Universe over the quarter to 30 June 2013 for one, three and five years is set out in Appendix C.

7. LEGAL ISSUES

7.1 This report is based on the provisions of Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009) which have their basis in the Superannuation Act 1972.

7.2 Other statutory provisions are referred to in the body of this report.

8. CONSTITUTIONAL POWERS

8.1 Council's Constitution – Responsibility for Council Functions delegated to the Pension Fund Committee through the Pension Fund Governance Compliance Statement.

9 BACKGROUND INFORMATION

9.1 **History**

9.1.1 The Superannuation Act 1972 makes provision for local authorities to operate pension funds for their employees and employees of other employers who have either a statutory right or an admission agreement to participate in the funds. The London Borough of Barnet's Pension Scheme Fund (The Fund) is set up under the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239); (ii) the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI 2007/1166); and (iii) The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008/238). The Regulations include provision for retirement pensions, grants on age or ill-health retirement, short service grants, death grants, injury allowances and widows' pensions.

9.2 **Tax Status**

9.2.1 The Fund is an exempt approved fund under the Finance Act 1970, and is therefore exempt from Capital Gains Tax on its investments. At present all Value Added Tax is recoverable, but the fund is not able to reclaim the tax on UK dividends.

9.3 **Operation and Administration**

9.3.1 The Fund is operated and administered by the London Borough of Barnet. Day to day investment management of the Fund's assets is delegated to expert investment advisors in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended). The Fund is managed on a balanced (excluding property and cash) basis. The current fund managers are Schroder Investment Management Ltd and Newton Investment Management Limited.

9.3.2 At the Pension Fund Committee meeting held on the 4 February 2010, the Committee agreed to implement a 70/30 diversified growth and bonds portfolio using the existing managers. The implementation of the new investment strategy commenced on 19 November 2010 .

9.3.3 Actuarial services are provided by Barnett Waddingham and the fund receives investment advice from JLT Investment Consulting.

9.4 **Scheme Governance**

9.4.1 The Council is statutorily responsible for the management of the Fund and for making strategic decisions that govern the way the Fund is invested. In this respect, the Council delegates responsibility for making investment decisions and monitoring arrangements to the Pension Fund Committee. The Pension Fund Committee's responsibilities include reviewing and monitoring the Fund's investments; selecting and deselecting investment managers and other relevant third parties; and establishing investment objectives and policies.

The Fund's investment objectives and policies are published in a Statement of Investment Principles, details of this statement can be found on the Council's Web Site:
http://www.barnet.gov.uk/statement_of_investment_principles_oct_2010.pdf).

9.5 **Funding**

9.5.1 The Fund is financed by employer and employee contributions and from income derived from investments. Every three years the Fund Actuary carries out a valuation, which determines the level of employer contributions. The latest triennial valuation took place as at 31 March 2013. The actuary's report is being prepared and will be reported to Pension Fund Committee later in the year.

10. LIST OF BACKGROUND PAPERS

10.1 None

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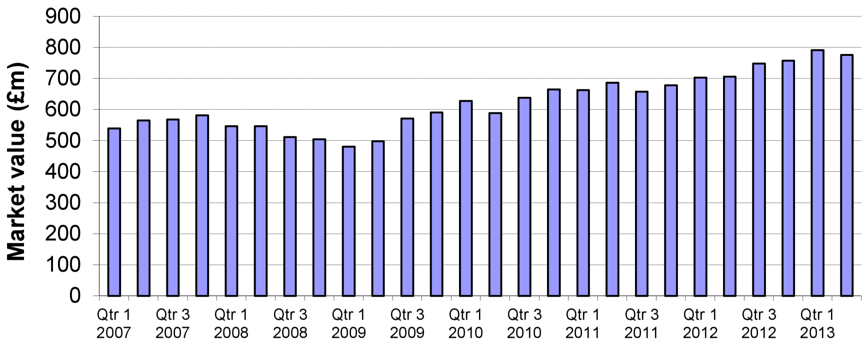
Market value of Pension Fund

	Market Value £m
Qtr 1 2005	397.9
Qtr 2 2005	420.1
Qtr 3 2005	445.1
Qtr 4 2005	469.4
Qtr 1 2006	495.7
Qtr 2 2006	481.3
Qtr 3 2006	499.5
Qtr 4 2006	523.5
Qtr 1 2007	540
Qtr 2 2007	565
Qtr 3 2007	568.4
Qtr 4 2007	581.6
Qtr 1 2008	546.3
Qtr 2 2008	547
Qtr 3 2008	511.4
Qtr 4 2008	504.9
Qtr 1 2009	481.3
Qtr 2 2009	498.4
Qtr 3 2009	571.2
Qtr 4 2009	590.7
Qtr 1 2010	628.5
Qtr 2 2010	588.56
Qtr 3 2010	638.49
Qtr 4 2010	665.05
Qtr 1 2011	662.82
Qtr 2 2011	686.84
Qtr 3 2011	658.113
Qtr 4 2011	678.876
Qtr 1 2012	703.36
Qtr 2 2012	705.977
Qtr 3 2012	748.813
Qtr 4 2012	757.533
Qtr 1 2013	791.598
Qtr 2 2013	775.89

Market value of Pension Fund



15.708

Year	Quarter	Fund Return %	Universe Return %	Rank
2004	Q4	6.2	6.0	33
2005	Q1	2.0	2.1	34
	Q2	4.6	5.0	80
	Q3	6.2	6.9	84
	Q4	5.3	5.0	26
	Q1	4.9	6.0	89

2006	Q2	-3.1	-3.0	52
	Q3	3.3	3.5	65
	Q4	4.6	4.5	34
2007	Q1	2.5	2.1	10
	Q2	4.2	3.3	4
	Q3	0.2	0.5	61
	Q4	1.2	0.3	17
2008	Q1	-6.6	-6.6	42
	Q2	-0.1	-1.4	9
	Q3	-6.7	-7.7	22
	Q4	-2.3	-5.0	12
2009	Q1	-5.6	-7.4	6
	Q2	3.7	6.4	95
	Q3	14.4	15.7	78
	Q4	3.3	3.3	47
2010	Q1	5.1	6.2	89
	Q2	-6.4	-6.8	36
	Q2	8.4	8.5	48

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Performance Report - Quarterly Update
30 June 2013

London Borough of Barnet Superannuation Fund

JLT INVESTMENT CONSULTING

Contents

Jignasha Patel, MMath (Hons) IMC
Principal Analyst

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Director

August 2013

Section One – Market Update

Introduction

The tables below summarise the various market returns to 30 June 2013, to relate the analysis of your Scheme's performance to the global economic and market background.

Yields as at 30 June 2013	% p.a.
UK Equities	3.53
UK Gilts (>15 yrs)	3.43
Real Yield (>5 yrs ILG)	-0.03
Corporate Bonds (>15 yrs AA)	4.52
Non-Gilts (>15 yrs)	4.67

Market Returns	3 Mths	1 Year	3 Years
Growth Assets	%	%	% p.a.
UK Equities	-1.7	17.9	12.8
Overseas Equities	0.1	21.9	12.4
USA	3.0	24.9	17.9
Europe	0.4	26.7	9.4
Japan	4.5	26.3	8.2
Asia Pacific (ex Japan)	-7.4	13.4	7.1
Emerging Markets	-7.5	7.2	2.8
Property	1.9	4.1	6.0
Hedge Fund	0.2	9.5	6.7
Commodities	-5.8	5.5	4.3
High Yield	-1.2	15.0	10.5
Emerging Market Debt	-5.6	1.1	7.3
Senior Secured Loans	1.3	8.7	6.4
Cash	0.1	0.4	0.5

Absolute Change in Yields	3 Mths	1 Year	3 Years
	%	%	%
UK Equities	0.18	-0.16	0.19
UK Gilts (>15 yrs)	0.41	0.51	-0.71
Index-Linked Gilts (>5 yrs)	0.40	0.07	-0.70
Corp Bonds (>15 yrs AA)	0.46	0.27	-0.80
Non-Gilts (>15 yrs)	0.44	0.05	-0.72

Market Returns	3 Mths	1 Year	3 Years
Bond Assets	%	%	% p.a.
UK Gilts (>15 yrs)	-5.9	-4.6	7.8
Index-Linked Gilts (>5 yrs)	-7.4	2.7	9.6
Corp Bonds (>15 yrs AA)	-4.6	1.2	7.4
Non-Gilts (>15 yrs)	-4.3	4.4	7.9

Change in Sterling	3 Mths	1 Year	3 Years
	%	%	%
Against US Dollar	-0.1	-3.3	0.5
Against Euro	-1.3	-5.6	-1.5
Against Yen	5.5	20.4	4.4

Inflation Indices	3 Mths	1 Year	3 Years
	%	%	% p.a.
Price Inflation - RPI	0.4	3.3	3.7
Price Inflation - CPI	0.2	2.9	3.2
Earnings Inflation *	1.4	1.1	1.7

* *Subject to 1 month lag*

Source: Thomson Reuters and Bloomberg

Yields and the absolute change in yields are shown to 2 decimal places to clearly show the changes.

Asset Class	Factors Affecting the Market	
	Positive	**Negative**
UK Equities	• Comments from the new Governor of the Bank of England (BOE), suggests that he is more concerned about stimulating economic growth rather than bringing the rate of CPI inflation down to the target level of 2%.	• The mere suggestion by the Chairman of the US Federal Reserve that the current level of Quantitative Easing ('QE') would be reduced if the US economy continued to recover (so called 'tapering' of QE) caused a global rapid retreat in equity prices towards the end of the quarter, with the UK equity market falling to a five month low.
	• UK Equities do not look expensive by historical standards, especially after the fall in prices in June, and dividend yields compare favourably with the yield on gilts.	• Fears surrounding the deteriorating outlook for Chinese GDP growth also weighed on investor sentiment.
	• UK corporate earnings and dividends are still rising, in particular those of 'blue chip' companies. The low level of interest rates and the recent improvement in GDP figures also benefited the equity market.	• The Chancellor’s Spending Review, set out further government spending cuts in many sectors of the UK economy.
	• The BOE's £80bn Funding for Lending Scheme (FLS) has been extended to January 2015. This has led to an increase in the availability of mortgage products and a reduction in the interest rate payable for fixed rate mortgages.	• The FLS has also contributed to the reduction in savings rates as banks become less reliant upon savers to fund their lending activity.
Overseas Equities		
North American Equities	• Underpinned by the policy of QE, the S&P 500 index rose to a record high in May and, despite the fall in June, the performance in the first half of 2013, was the best first half performance since 1998.	• The Chairman of the US Federal Reserve hinted that there might be a 'tapering' of QE later this year and that QE might come to an end in 2014 with a possible rise in interest rates in 2015.
	• Assuming the economy continues to grow, equities do not look expensive.	• These comments led to an increase in Treasury bond yields and equity markets experienced a major sell off in June.
	• Investors have switched billions of dollars out of cash into bond funds and equity funds on the back of an improvement in sentiment and encouraged by hopes of a sustainable economic recovery.	• Whilst US corporate earnings have been growing, this has often been the result of cost cutting measures and tax changes – revenues in many cases have been static or declining.
	• There has been a significant improvement in the US housing market.	• US GDP has been adversely affected by a drop in federal spending, suggesting that the cuts could limit future economic growth.

Asset Class	Factors Affecting the Market	
	Positive	**Negative**
European Equities	• In September, there is a presidential election in Germany and the German Constitutional Court is expected to provide a judgement it is legal for the European Central Bank ('ECB') to buy, without limit, the government bonds of troubled Eurozone	• The suggestion that US QE might be tapered and concerns regarding a slowdown in China led to a fall in European equity markets.
	• In an attempt to boost economic growth, the ECB reduced the Eurozone's interest rate from 0.75% to 0.50%.	• The record high Eurozone unemployment rate of 12% has reduced demand and led to downward pressure on the rate of CPI inflation, which is below the ECB's target rate of 'close to but below 2%'.
	• The Eurozone trade surplus was €14.9bn in April compared with €13.3bn in April 2012.	• Mediobanca, Italy's second largest bank, has said that 'Italy is likely to need an EU bailout within six months as the country slides deeper into crisis and a credit crunch spreads to larger companies'.
	• As widely expected, but initially denied, the 'bail out' terms imposed on Cyprus, which included losses for depositors with large cash balances, will become the template for future rescues.	• Greece became the first developed country to be cut to Emerging Market status by MSCI.
	• Leading indicators and the low level of company inventories suggest that some boost to GDP is likely to arise from re-stocking in the future.	
Japanese Equities	• In his election campaign, the new Japanese prime minister, Mr Abe promised measures to stimulate the economy, measures that have been implemented following the appointment of a new Governor of the Bank Of Japan ('BOJ'). In particular, the BOJ announced that it would pursue a policy of QE amounting to U$1.4 trillion.	• Similar measures have met with varying degrees of success since the peak of the equity market in December 1989.
	• Contrary to some expectations, money is not flowing out of Japan in search of higher yields (as has happened in the past) and it seems that, at least in part, cash is entering the real economy and the equity market.	• Although the equity market rose strongly after the announcement of the QE policy, investor confidence and sentiment were adversely affected by poor communications from the BOJ, regarding the new strategy and the reasons for believing that it would be successful in stimulating a lasting economic recovery. QE has led to the Yen appreciating sharply against the Dollar, which will hurt companies that have large export volumes.
		• In common with the other major equity markets, the Japanese equity market fell sharply after the comments on US QE from the US Federal Reserve and on the deteriorating outlook for the Chinese economy.

Asset Class	Factors Affecting the Market	
	Positive	**Negative**
Asia Pacific (excluding Japan) Equities	• Many Asian companies, especially those selling to domestic consumers, are continuing to prosper with profits and dividends increasing. Notwithstanding the recent slowing of the Chinese economy, the longer term story for the region, including China, has not changed.	• Recent official Chinese economic statistics have given mixed signals which has led to some analysts becoming concerned that the Chinese economy could slow significantly with severe repercussions for the global economy.
	• A decrease in commodity prices has led to an easing of inflationary pressures in the Asian Pacific region.	• The flow of weak Chinese economic data has continued with falling consumer demand likely to lead to lower GDP growth, a squeeze on corporate profits and lower wage growth.
		• China's long term currency rating was cut from AA- to A+ by Fitch. The credit rating agency cited underlying structural weakness in the economy and concerns about a rise in debt levels.
Emerging Markets Equities	• Emerging Market Equities do not look expensive but could fall further if the US dollar continues to strengthen. Exposure to domestic consumption (and the companies that benefit from it) will be particularly important over the next year when investing in this asset class rather than investing in the index stock weightings.	• The recent strength of the US Dollar has weakened the competitiveness of Emerging Market economies as their exports are usually priced in Dollars, and many of their currencies are still linked, officially or unofficially to the US Dollar.
Gilts	• The US Federal Reserve has tried to calm markets by suggesting that ‘tapering’ still depends on the strength of US economic growth and the reduction in the rate of unemployment.	• No prospect of capital gains in most areas of the fixed income market and every expectation of capital losses over time. Government securities look particularly vulnerable to a rise in yields (fall in price), with the volatility in prices over the past few weeks giving a taste of what might happen.
	• Mark Carney took up his appointment as Governor of the BOE on 1 July and seems likely to maintain the current low level of interest rates for some time.	
Index-Linked Gilts	• Fears over rising inflation have underpinned prices.	• Many stocks offer a negative real yield, which is not appealing to investors.

<table>
<tr><th rowspan="2">Asset Class</th><th colspan="2">Factors Affecting the Market</th></tr>
<tr><th>Positive</th><th>Negative</th></tr>
<tr><td>Corporate Bonds</td><td>Given the strength of corporate balance sheets and good profitability, the returns available on corporate bonds are attractive relative to those available on gilts.</td><td>There is a low level of liquidity in this market at present and the reduction in credit spreads over the past few months leaves little room for any further reduction in credit spreads.</td></tr>
<tr><td rowspan="2">Property</td><td>Rental yields appear to be improving with activity centred around London.</td><td>There have been concerns about the increase in the level of voids and a fall in capital values in the Secondary and Tertiary markets.</td></tr>
<tr><td>Mortgage approvals in the UK rose to a three and a half year high in May 2013. House prices are rising across the country with the fastest rate of growth seen in London where prices are now 5% above their previous peak.</td><td></td></tr>
</table>

Section Two – Total Scheme Performance

		Start of Quarter		Net New Money	End of Quarter	
Manager	Fund	Value £	Proportion of Total %	£	Value £	Proportion of Total %
Newton Investment Management Limited (Newton)	Real Return	252,863,848	31.5	-	246,487,294	31.5
Schroder Investment Management Limited (Schroder)	Diversified Growth	243,716,290	30.4	-	240,950,292	30.8
Legal and General Investment Management (L&G)	World (ex UK) Equity Index	40,213,709	5.0	-	40,421,844	5.2
Newton	Corporate Bond	122,249,581	15.3	-	119,273,460	15.2
Schroder	All Maturities Corporate Bond	113,904,310	14.2	-	110,947,749	14.2
L&G	Active Corporate Bond – All Stocks	17,158,083	2.1	-	16,656,772	2.1
Newton	Cash	908,285	0.1	-	553,525	0.1
Schroders	Cash	583,460	0.1	-	598,642	0.1
Internal	Cash	10,094,732	1.3	-	6,282,093	0.8
ASSET SPLIT						
Growth assets		547,472,039	68.3	-	534,740,165	68.4
Bond assets		254,220,259	31.7	-	247,431,506	31.6
TOTAL		**801,692,299**	**100.0**	**-**	**782,171,671**	**100.0**

Source: Investment managers, bid value. Please note that the Internal Cash is assumed to have earned no interest over the quarter. The Newton Cash is assumed to be held in the Bond portfolio and the Schroders Cash in the Growth portfolio.

Note: Total may not sum due to rounding.

Total Scheme Performance

	Portfolio Return Q2 2013 %	Benchmark Return Q2 2013 %
Total Scheme	-2.0	-3.7
Growth Portfolio		
Growth v Global Equity	-1.8	-1.0
Growth v RPI+5% p.a.	-1.8	1.6
Growth v LIBOR + 4% p.a.	-1.8	1.1
Bond Portfolio		
Bond v Over 15 Year Gilts	-2.7	-5.9
Bond v Index-Linked Gilts (> 5 yrs)	-2.7	-7.4

The Growth portfolio excludes L&G equities. The global equity benchmark is 60% FTSE All Share Index, 40% FTSE AW All-World (ex UK) Index. *Liability benchmark (see page 19).

The Bond portfolio excludes L&G Corporate Bond Fund.

The Total Scheme return is shown against the liability benchmark return (see page 19). The Growth portfolio return is the combined Newton and Schroder DGF portfolios and is shown against a notional 60/40 global equity benchmark and the underlying benchmarks of each fund for comparison purposes. The Bond portfolio is the combined Newton and Schroder Corporate Bond Portfolios and is shown against the Over 15 Year Gilts Index and Index Linked (Over 5 years) Index.

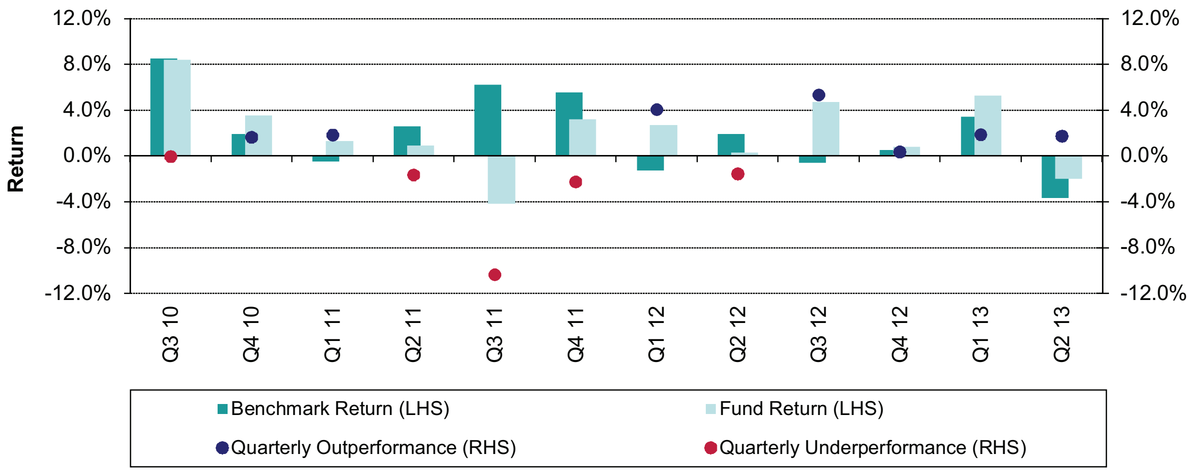
Individual Manager Performance

Manager/Fund	Portfolio Return Q2 2013 %	Portfolio Benchmark Q2 2013 %
Newton Real Return	-2.5	1.1
Schroder Diversified Growth	-1.1	1.6
L&G – Overseas Equity	0.5	0.1
Newton Corporate Bond	-2.7	-4.2
Schroder Corporate Bond	-2.6	-2.9
L&G – Corporate Bond	-2.9	-2.9

Source: Investment managers, Thomson Reuters. Performance is money-weighted and based on bid values.

The previous table shows the breakdown of the individual manager/portfolio returns against their underlying benchmarks.

Total Scheme - performance relative to liability benchmark



Source: Investment managers, Thomson Reuters. Liability benchmark effective from Q1 2011.

The Scheme achieved a return of -2.0% over the quarter due to negative absolute performance from both the growth and bond funds; however, it outperformed the liability benchmark return by 1.7%.

The chart above shows the historical returns against the WM Universe for information. The new strategy against the liability benchmark is effective from 1 January 2011.

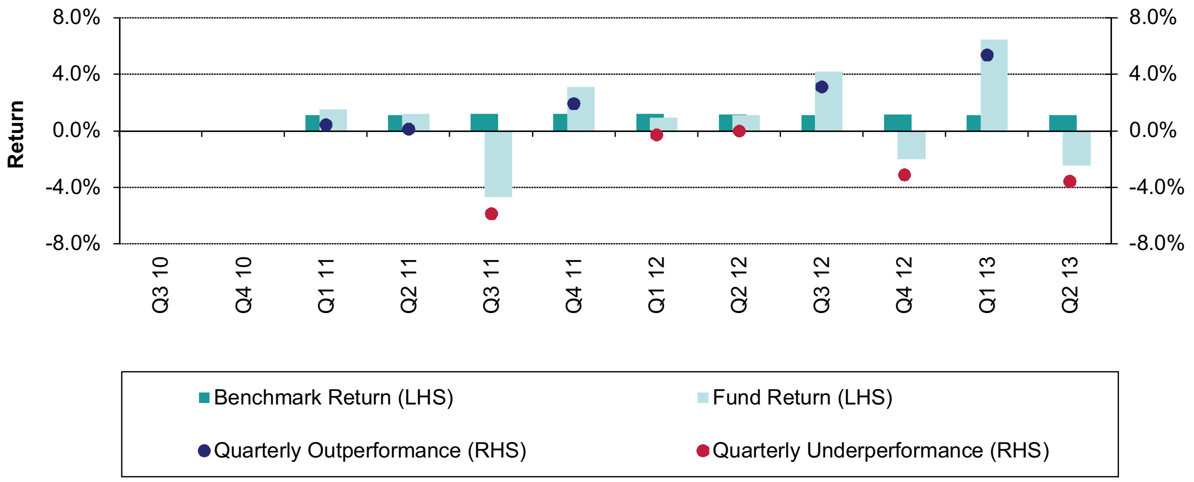
The Scheme generated a negative absolute return as all the underlying funds generated negative absolute returns (except for the L&G Overseas Equity Fund). The worst absolute performance came from the L&G Corporate Bonds and on a relative basis, both the DGF funds underperformed their respective benchmarks.

The Growth Portfolio, comprising the two DGF funds, underperformed the notional 60/40 global equity benchmark by 0.8%. It is usual to expect DGF funds to outperform equities in falling markets. However, this is the first time we have seen a bigger fall in the DGF returns, compared to equities, in falling markets. The Growth portfolio returned less than both of the LIBOR +4% and the RPI +5% target returns of the respective DGF funds. The Growth portfolio's negative absolute (and relative) return over the quarter was driven by both the DGF Funds.

The Bond Portfolio, comprising the two corporate bond portfolios managed by Newton and Schroder, outperformed the Over 15 Year Gilts Index (by 3.2%) and the Over 5 Years Index Linked Gilts Index (by 4.7%).

Section Three – Manager Performance

Newton - Real Return Fund - performance relative to portfolio benchmark



Source: Investment manager.

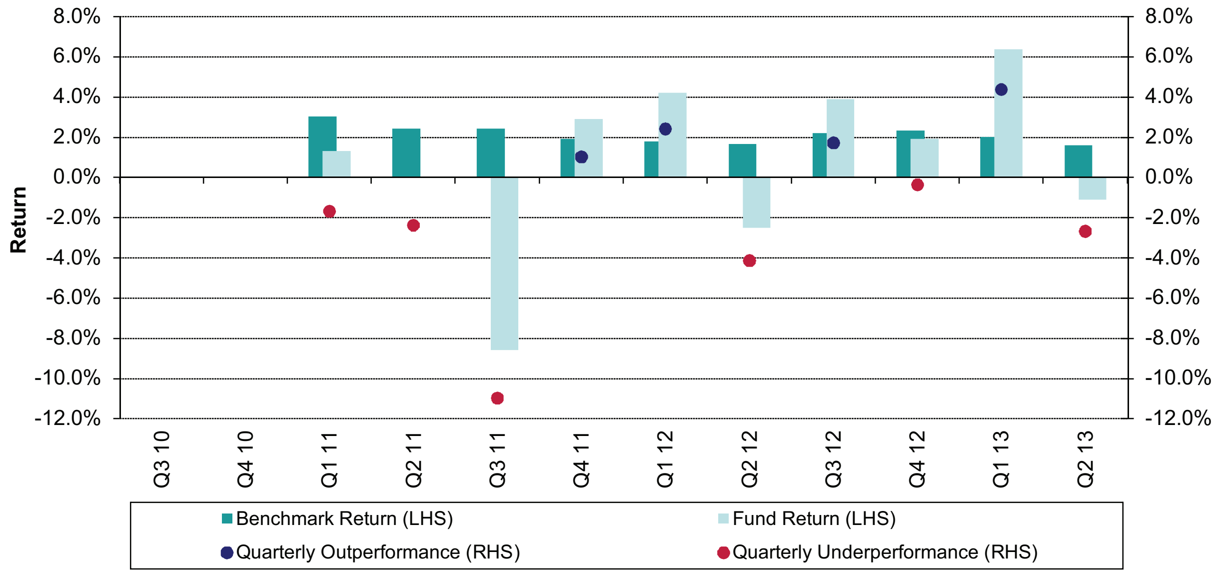
The Newton Real Return Fund return was -2.5% compared to its LIBOR + 4% p.a. benchmark return of 1.1%, thereby underperforming by 3.6%. In comparison to a notional 60/40 global equity benchmark return the Fund underperformed by 1.5%. The Fund's government bond holdings were adversely impacted. The largest detractors were Australasian and Norwegian sovereign debt.

The Fund's physical gold and gold mining equity holdings also proved disappointing.

Despite the weakness in June, the telecommunications, health care and consumer goods sectors provided a positive contribution over the quarter.

Over the 12 month period, the Fund returned 5.3% versus the benchmark return of 4.5%. In comparison to a notional 60/40 global equity benchmark return the Fund underperformed by 14.2%.

Schroder - Diversified Growth Fund - performance relative to portfolio benchmark



Source: Investment manager.

The Schroder DGF return was -1.1% compared to its RPI + 5% p.a. portfolio benchmark return of 1.6%, underperforming by 2.7%. The Fund marginally underperformed the notional 60/40 global equity benchmark by 0.1% over the quarter.

North American and Japanese equities along with infrastructure assets provided modest returns over the quarter. However, this was not enough to offset underperforming assets such as emerging market and high yield debt, commodities and equities elsewhere in the portfolio.

The position in US investment grade credit was closed, as was the holding in the Schroder UK Alpha Plus Fund (following the departure of Richard Buxton). Commodities were reduced to 1.9%, the Fund's lowest allocation since 2007.

Direct positions in Mexican and Korean bonds and were established following the sale of the PIMCO Emerging Local Bond Fund, as Schroder prefer the strong fundamentals they offer compared with other emerging economies.

Schroder have a preference for equities. It views US equities as offering the best growth potential and European equities offering a tactical opportunity following recent falls. UK and Japanese markets remain 'interesting' to the manager due to their 'supportive' central bank policies. Schroder however, remain averse to emerging market equities and emerging market related risks.

Over the 12 month period, the Fund returned a strong absolute return of 11.4% versus the benchmark return of 8.4%. In comparison to a notional 60/40 global equity benchmark return the Fund underperformed by 8.1%.

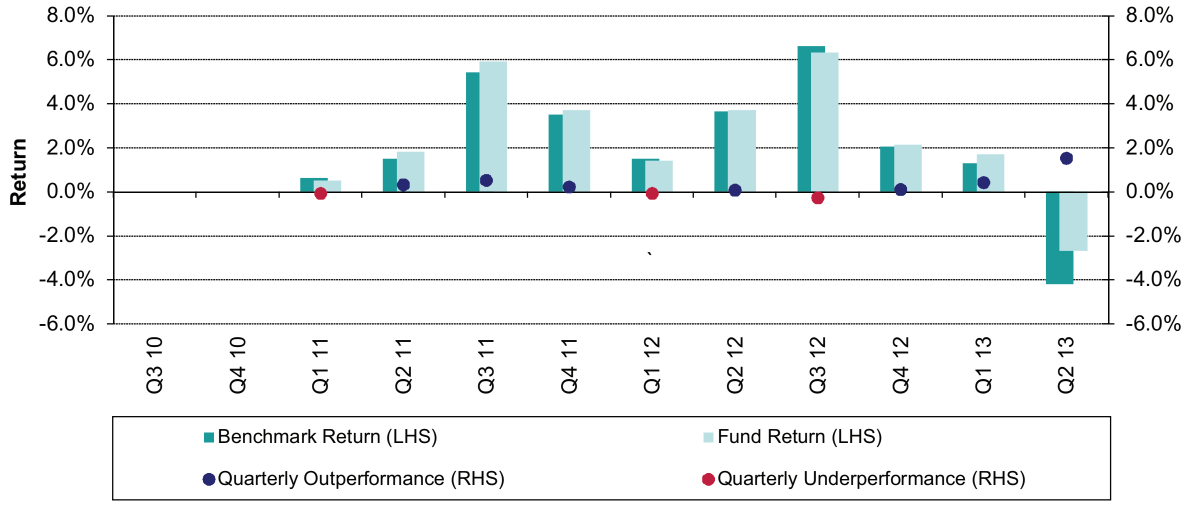
Asset allocation for growth managers: movement over the quarter

	Q2 '13 Newton %	Q2 '13 Schroder %	Q1 '13 Newton %	Q1 '13 Schroder %
UK Equities	15.1	2.5	15.2	5.5
Overseas Equities	43.1	44.4	40.9	42.8
Fixed Interest	15.4	-	10.6	-
Corporate Bonds	10.9	4.3	10.8	7.5
High Yield	-	21.3	-	20.8
Private Equity	-	1.2	-	1.2
Commodities	2.8	1.9	3.8	4.0
Absolute Return	-	6.8	-	4.2
Index-Linked	1.4	-	4.7	-
Property	-	0.3	-	0.3
Cash/Other	11.3	17.3	14.0	13.7
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

Source: Investment managers.

Note: Total may not sum due to rounding.

Newton - Corporate Bond portfolio - performance relative to portfolio benchmark

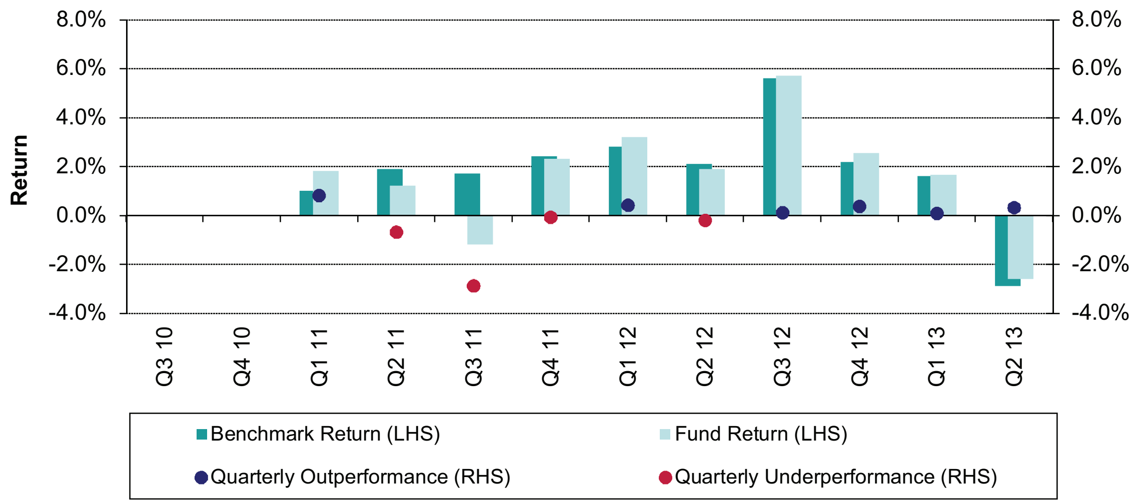


Source: Investment manager.

The Newton Corporate Bond portfolio outperformed its benchmark by 1.5%; it returned -2.7% versus the benchmark return of -4.2%. This was principally due to having a shorter duration stance (less sensitivity to rising yields) than the index.

Over the 12 month period, the Fund returned 6.5% against the benchmark return of 5.4%.

Schroder - All Maturities Corporate Bond portfolio - performance relative to portfolio benchmark

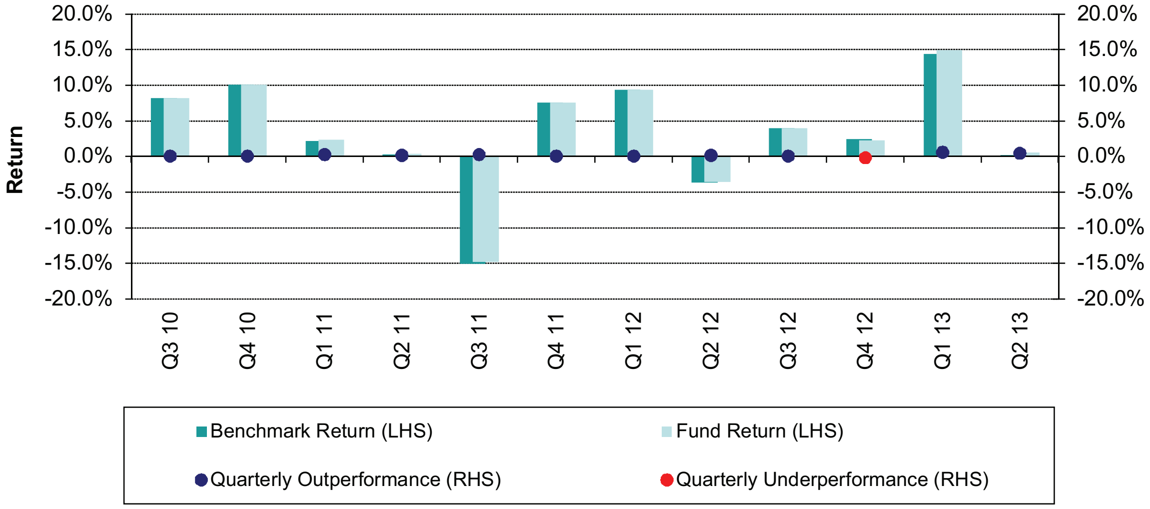


Source: Investment manager.

The Schroders Corporate Bond portfolio outperformed its benchmark by 0.3, returning -2.6% versus the benchmark return of -2.9%. The Fund benefitted from its sector selection, such as an overweight bias to the financials sector, and also from individual security selection.

Over the 12 month period, the Fund returned 7.3% versus the benchmark return of 6.5%.

L&G – Overseas Equities



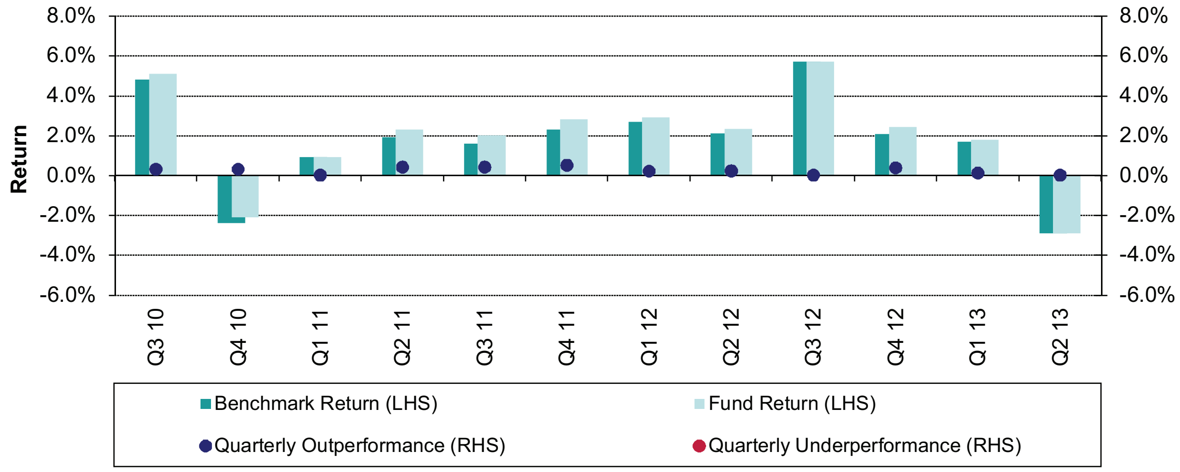
Source: Investment manager.

Over the second quarter of 2013, the Fund outperformed its benchmark by 0.4%, generating a small positive absolute return of 0.5%.

Over the 12 month period, the Fund return was 22.7%, against the benchmark return of 21.9% thus outperformed its benchmark by 0.8%.

The Fund has outperformed its benchmark over the 3 year period.

L&G – Active Corporate Bond - All Stocks - Fund



Source: Investment manager.

Over the quarter, the Fund tracked its benchmark and generated a negative absolute return of 2.9%.

Utilities added the most value due to strong security selection, as well as overweight exposure to risk, the Media sector and some European Telecoms detracted from performance.

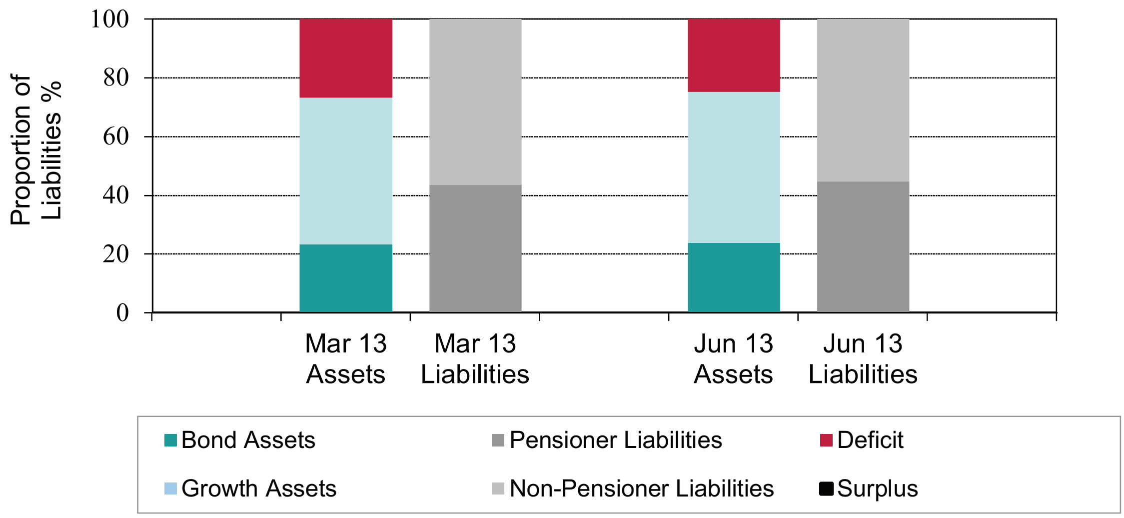
Over the 12 month period, the Fund has performed well with a return of 7.0% compared with the benchmark return of 6.5%.

The Fund has outperformed its benchmark over the 3 year period.

Section Four – Consideration of Funding Level

This section of the report considers the funding level of the Scheme. Firstly, it looks at the Scheme asset allocation relative to its liabilities. Then it looks at market movements, as they have an impact on both the assets and the estimated value placed on the liabilities.

Allocation to Bond and Growth assets against estimated liability split

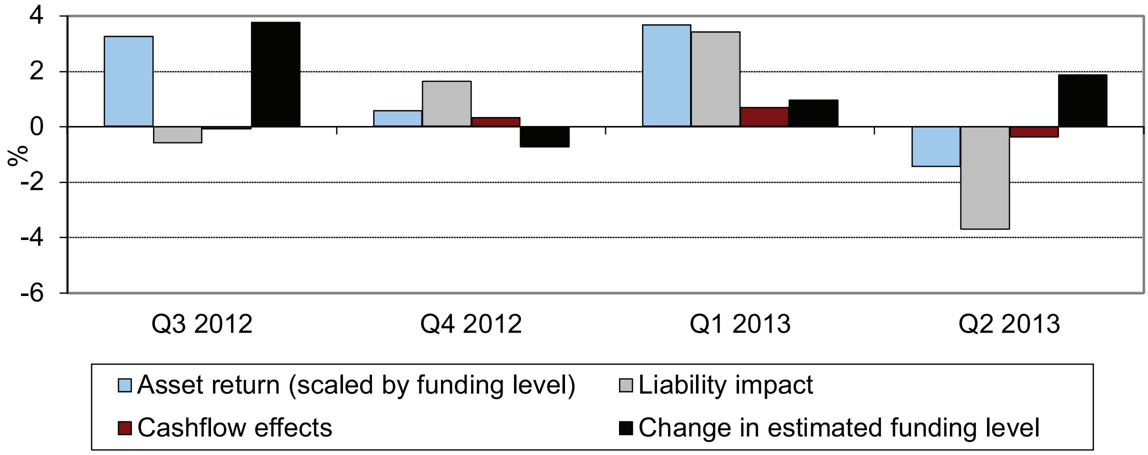


The chart above shows the allocation of the Scheme to Bond and Growth assets (see Glossary of Terms for definition) against the estimated liability split, which is based on changes in gilt yields underlying the Scheme Actuary's calculation of liabilities. The reference yield for the liabilities is the over 15-year gilt yield, as shown in the Market Statistics table in Section 2. These calculations do not take account of unexpected changes to Scheme membership and should not be construed as an actuarial valuation. However, by showing approximations to these liabilities, this chart should assist the Panel in making informed decisions on asset allocation.

Over the quarter, the expected funding position increased by 1.9%, as the liabilities were expected to fall by more than both the fall in assets and the negative cashflow together. The Scheme was approximately 75.1% funded as at 30 June 2013.

The split between non-pensioner and pensioner liabilities is estimated to have remained fairly stable over the quarter. The Scheme remains very underweight to Bond assets relative to its estimated pensioner liabilities; a mismatch that leaves the Scheme exposed to interest rate risk.

Scheme performance relative to estimated liabilities



The above chart shows, for each quarter, how changes in the value of the assets and the liabilities, combined with the cashflow of the Scheme, have affected the funding level. As detailed earlier, the value of the liabilities has been estimated with reference to changes in the gilt yields underlying the Scheme Actuary's calculation of liabilities, as shown in the Market Statistics table.

Over the quarter, the estimated funding level increased by 1.9%, from 73.2% to stand at 75.1%, due to large expected decrease in the value of the liabilities which more than compensated for the fall in asset value and negative cashflow.

Therefore, based on movements in the investment markets alone, this quarter has seen increase in the Scheme's estimated funding position with a decrease in the expected funding deficit.

Overall, Q2 2013 has been a positive quarter for the Scheme in terms of the funding level.

Section Five – Summary

Overall this has been a mixed quarter for the Scheme as equity and bond markets deteriorated and liabilities were expected to have fallen.

In absolute terms, the Scheme's assets produced a return of -2.0% over the quarter. All the growth and bond portfolios produced negative absolute returns except L&G overseas equities.

In relative terms, the Scheme outperformed the liability benchmark return (see page 19) by 1.7%. All the Bond funds outperformed their respective benchmarks as did L&G overseas equities. Both DGF's underperformed their respective benchmarks.

The combined Growth portfolio underperformed a notional 60/40 global equity return, producing a negative absolute return of 1.8%, and underperforming the benchmarks which are cash-based.

The combined Bond Portfolio outperformed the Over 15 Year Gilts Index by 3.2% and the Index Linked Gilts (>5 Years) Index by 4.7%.

Over the quarter it is anticipated, all other things being equal, that investment conditions had a positive impact (1.9%) on the Scheme's estimated funding level which was 75.1% as at 30 June 2013.

Appendix

Liability benchmarking

An assessment of Scheme liabilities and how they change would require details of membership changes and actuarial valuation calculations to be carried out. However, by considering the changes in value of a suitable notional portfolio, based on your own liabilities, we can obtain an approximation to the changes in liabilities which will have occurred as a result of investment factors. In this report, when we refer to “liabilities” we mean the notional portfolio representing the actuarial liabilities disclosed in the actuarial valuation report dated 31 March 2010, adjusted approximately to reflect changes in investment factors. This will, therefore, not reflect any unanticipated member movements since the actuarial valuation. However, as a broad approximation it will allow more informed decisions on investment strategy. When we refer to the "liability benchmark" we mean the estimated impact on the liabilities (as referred to above) based on market movements alone.

Summary of current funds

Manager	Fund	Date of Appointment	Management Style	Monitoring Benchmark	Target
Newton Investment Management Limited (Newton)	Real Return	December 2010	Active, pooled	1 month LIBOR plus 4% p.a.	To achieve significant real rates of return in sterling terms predominantly from a portfolio of UK and international securities and to outperform the benchmark over rolling 5 years
Newton	Corporate Bond	December 2010	Active, pooled	Merrill Lynch Sterling Non Gilt Over 10 Years Investment Grade Index	To outperform the benchmark by 1% p.a. over rolling 5 years
Schroder Investment Management Limited (Schroder)	Diversified Growth	December 2010	Active, pooled	Retail Price Index plus 5% p.a.	To outperform the benchmark over a market cycle (typically 5 years)
Schroder	All Maturities Corporate Bond	December 2010	Active, pooled	Merrill Lynch Sterling Non-Gilts All Stocks Index	To outperform the benchmark by 0.75% p.a. (gross of fees) over rolling 3 years
Legal and General Investment Management (L&G)	World (ex UK) Equity Index Fund	September 2008	Passive, pooled	FTSE AW World (ex UK) Index	Track within +/- 0.5% p.a. the index for 2 years in every 3

Summary of current funds (continued)

Manager	Fund	Date of Appointment	Management Style	Monitoring Benchmark	Target
L&G	Active Corporate Bond – All Stocks	December 2008	Active, pooled	iBoxx Sterling Non-Gilts All Stocks Index	Outperform by 0.75% p.a. (before fees) over rolling 3 years
Internal	Property	N/a	Active, property unit trust portfolio	UK IPD Property Index	Outperform the index
Newton Investment Management Limited (Newton)	Balanced	April 2006	Active, segregated	WM Local Authority Weighted Average	Outperform by 1% p.a over rolling 3 years, and not to underperform by 3% in any rolling 12 month period
Schroder Investment Management Limited (Schroder)	Balanced	1994	Active, segregated	WM Local Authority Weighted Average ex property, Japan and other international equities	Outperform by 1% p.a over rolling 3 years, and not to underperform by 3% in any rolling 12 month period

Glossary of Terms

Term	Definition
Absolute return	The overall return on a fund.
Bond asset	Assets held in the expectation that they will exhibit a degree of sensitivity to yield changes. The value of a benefit payable to a pensioner is often calculated assuming the invested assets in respect of those liabilities achieve a return based on UK bonds.
Growth asset	Assets held in the expectation that they will achieve more than the return on UK bonds. The value of a benefit payable to a non-pensioner is often calculated assuming the invested assets in respect of those liabilities achieve a return based on UK bonds plus a premium (for example, if holding equities an equity risk premium may be applied). The liabilities will still remain sensitive to yields although the Growth assets may not.
Duration	The average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movements in yields.
Funded liabilities	The value of benefits payable to members that can be paid from the existing assets of the scheme (i.e. those liabilities that have assets available to meet them).
Market stats indices	The following indices are used for asset returns: UK Equities: FTSE All-Share Index Overseas Equities: FTSE World Index Series (and regional sub-indices) UK Gilts: FTSE-A Gilt >15 Yrs Index Index Linked Gilts: FTSE-A ILG >5 Yrs Index Corporate Bonds: iBoxx Corporate Bonds (AA) Over 15 Yrs Index Non-Gilts: iBoxx Non-Gilts Over 15 Yrs Index Property: IPD Property Index High Yield: ML Global High Yield Index Commodities: S&P GSCI GBP Index Hedge Funds: CSFB/Tremont Hedge Fund Index Cash: 7 day London Interbank Middle Rate Price Inflation: Retail Price Index (excluding mortgages), RPIX Earnings Inflation: Average Earnings Index

Market volatility	The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change impact.
Money-Weighted rate of return	The rate of return on an investment including the amount and timing of cashflows.
Non-Pensioner liability	The value of benefits payable to those who are yet to retire, including active and deferred members.
Pensioner liability	The value of benefits payable to those who have already retired, irrespective of their age.
Portfolio benchmark	The benchmark return of the each manager/fund.
Relative return	The return on a fund compared to the return on another fund, index or benchmark. For IMAGE purposes this is defined as: Return on Fund *less* Return on Index or Benchmark.
Scheme investments	Refers only to the invested assets, including cash, held by your investment managers.
Standard deviation	A statistical measure of volatility. We expect returns to be within one standard deviation of the benchmark 2 years in every 3. Hence as the standard deviation increases so does the risk.
Surplus/Deficit	The estimated funding position of the Scheme. This is not an actuarial valuation and is based on estimated changes in liabilities as a result of bond yield changes, asset movements and, if carried out, output from an asset liability investigation (ALI). If no ALI has been undertaken the estimate is less robust.
Time-Weighted rate of return	The rate of return on an investment removing the effect of the amount and timing of cashflows.
Unfunded liabilities	The value of benefits payable to members that cannot be paid from the existing assets of the Scheme (i.e. those liabilities that have no physical assets available to meet them). These liabilities are effectively the deficit of the Scheme.
Yield (gross redemption yield)	The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the discounted value of future cashflows.
3 Year return	The total return on the fund over a 3 year period expressed in percent per annum.

JLT Manager Research Tier Rating System

Tier	Definition
BUY	Significant probability that the manager will meet the client's objectives.
HOLD	Reasonable probability that the manager will meet the client's objectives. This fund will not be put forward for new investments but there is no intention to sell existing holdings.
REVIEW	The manager may reach the client's objectives but a number of concerns exist. The JLT Manager Research Team are currently reviewing this fund.
SELL	There is a reasonable probability that the manager will fail to meet the client's objective due to a number of key concerns and therefore we recommend clients to redeem their assets.

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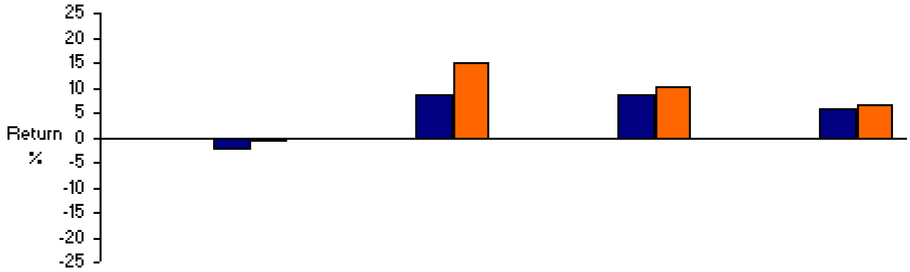
Appendix C – WM Local Authority Universe Comparison to 30 June 2013

Fund Returns



	Latest Quarter	1 Year	3 Years % pa	5 Years % pa
Fund	-2.0	8.7	8.5	5.8
Benchmark	-0.7	15.1	10.4	6.6
Relative Return	-1.3	-5.6	-1.7	-0.7

The graphs show the performance of the Fund and Benchmark over the latest period and longer term.

The relative return is the degree by which the Fund has out or underperformed the Benchmark over these periods

= Data not available for the full period

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