



AGENDA

PENSIONS INVESTMENT COMMITTEE

Date: THURSDAY, 19 FEBRUARY 2015 at 7.00 pm

**Committee Room 3
Civic Suite
Catford Road
London SE6 4RU**

**Enquiries to: Kevin Flaherty 0208 3149327
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COUNCILLORS

Councillor Mark Ingleby (Chair)
Councillor John Muldoon (Vice Chair)
Councillor Chris Best
Councillor Kevin Bonavia
Councillor Maja Hilton
Councillor Simon Hooks
Councillor Mark Ingleby
Councillor Paul Maslin
Councillor John Muldoon
Councillor Joan Reid

Independent Advisor

Scott Donaldson Hymans Robertson
Albert Chen Hymans Robertson

Officers

David Austin, Head of Corporate Resources
Janet Senior, Executive Director for
Resources & Regeneration
Helen Glass, Principal Lawyer
Adeola Odeneye Principal Accountant

Members are summoned to attend this meeting

**Barry Quirk
Chief Executive
Laurence House
Catford
London SE6 4RU
Date: Tuesday, 10 February 2015**



INVESTOR IN PEOPLE

The public are welcome to attend our committee meetings, however occasionally committees may have to consider some business in private. Copies of reports can be made available in additional formats on request.

ORDER OF BUSINESS – PART 1 AGENDA

Item No		Page No.s
1.	Minutes	1 - 4
2.	Declarations of Interest	5 - 7
3.	Schroder's presentation	8 - 41
4.	M and G Presentation	42 - 59
5.	BlackRock Presentation	60 - 85
6.	Pension Board paper - Establishment of Pension Board	86 - 121
7.	CIV decision PIC paper - additional funding	122 - 129
8.	Training Report	130 - 134
9.	Performance Report	135 - 152
10.	Exclusion of the Press and Public	153
11.	HabourVest Reinvestment report	154 - 237



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Agenda Item 1

PENSIONS INVESTMENT COMMITTEE			
Report Title	MINUTES		
Key Decision	No		Item No. 1
Ward	All		
Contributors	CHIEF EXECUTIVE		
Class	Part 1	Date: 19 February 2015	

Recommendation

That the Minutes of the meeting of the Committee, held on 13 November 2014 be confirmed and signed.

MINUTES OF THE PENSIONS INVESTMENT COMMITTEE

Thursday, 13 November 2014 at 7.08 p.m.

PRESENT: Councillors Mark Ingleby (Chair), John Muldoon (Vice-Chair), Kevin Bonavia, Maja Hilton, Simon Hooks, Paul Maslin and Joan Reid

ALSO PRESENT: Scott Donaldson (Hymans Robertson) Till Burges, Hannah Tobin (Harbourvest) Digby Armstrong (UBS)

Apologies for absence were received from Tony Smith

OFFICERS PRESENT: David Austin, Helen Glass, Adeola Odeneye, Robert Browning and Jessica Bolton

1. Minutes

RESOLVED that the Minutes of the meeting held on 9 September 2014 be confirmed by the Chair as a correct record.

2. Declarations of Interest

Councillor Muldoon declared a personal interest a member of the Local Government Pensions Scheme Shadow Advisory Board.

3. Presentation by UBS

The Committee received a presentation from UBS. The Chair welcomed Executive Director, Client Relationship Manager Digby Armstrong to the meeting.

RESOLVED that the presentation be noted.

4. Presentation by HarbourVest

The Committee received a presentation from HarbourVest. The Chair welcomed Hannah Tobin and Till Burges to the meeting.

RESOLVED that the presentation be noted.

5. Investment Performance for the Quarter End 30 September 2014

The Committee was presented with a report which set out the performance of Lewisham's Pension Fund investment portfolio and the performance of individual managers for the quarter ended 30 September 2014, as provided by the

Pensions Fund's investment advisors, Hymans Robertson. The overall performance for the quarter from the Pensions Fund managers had been positive, and all of the mandates had performed relatively well.

The Committee thanked Scott Donaldson for his update.

RESOLVED that the presentation be noted.

6. Annual Report

The Committee considered the Council's Annual Report, which was a statutory document that the Council were required to produce. The Principal Accountant confirmed that the document's compliance against CIPFA guidance would be assured.

RESOLVED that the report be noted.

7. Annual Budget Report

The Committee considered the Annual Budget Report which provided Members with a summary of the annual budget for managing the Lewisham Pension Fund.

The Principal Accountant provided the Committee with an update to the table at 4.1 of the report.

RESOLVED that the report be noted.

8. Pension Board Update

The Committee were presented with a report which provided Members with details of two recently opened consultation documents with regards to the establishment of a Pensions Board. The 'Better Governance and Improved Accountability in the Local Government Pensions Scheme' document had been issued by the Department for Communities and Local Government. The 'Local Government Pension Scheme – Governance Guidance Document' had been issued by the Local Government Pension Advisory Scheme (LGPS) Shadow Scheme Advisory Board. Both consultations concluded on 21 November 2014, and the Council needed to have provided all responses by this date.

The Head of Corporate Resources advised the Committee that if there were to be any amendments to the Council's Constitution with regard to pension arrangements, they would appear before the Constitution Working Party for approval.

The Head of Corporate Resources commented that the information contained within the documents was broadly expected.

RESOLVED that

- a) the Better Governance and Improved Accountability in the Local

Government Pension Scheme and the Local Government Pensions Scheme – Governance Guidance Consultation Document be noted; and

- b) the responsibility for a formal response to the consultation documents be delegated to the Chair of the Pensions Investment Committee, with the support of officers.

9. Review Training Schedule

The Committee considered the upcoming Training schedule, and a number of Members felt it would be useful if more advance notice on upcoming training sessions was provided, so that Members could plan their schedules accordingly. The Principal Accountant confirmed that this would be ensured in the future.

The Principal Accountant noted suggestions on future training made by Members, and also confirmed that she would liaise with the Overview and Scrutiny Manager to ensure member training was conducted in a joined up manner. A suggestion by the Chair that Members of the Committee be provided with a Fiduciary Handbook from Russell Investments was noted by officers.

RESOLVED that the training schedule be noted.

The meeting ended at 9.08 p.m.

Agenda Item 2

PENSIONS INVESTMENT COMMITTEE		
Report Title	DECLARATIONS OF INTERESTS	
Key Decision	No	Item No. 2
Ward		
Contributors	CHIEF EXECUTIVE	
Class	Part 1	Date: 19 February 2015

Declaration of interests

Members are asked to declare any personal interest they have in any item on the agenda.

Personal interests

There are two types of personal interest :-

- (a) an interest which you must enter in the Register of Members' Interests*
- (b) an interest where the wellbeing or financial position of you, (or a "relevant person") is likely to be affected by a matter more than it would affect the majority of inhabitants of the ward or electoral division affected by the decision.

*Full details of registerable interests appear on the Council's website.

("Relevant" person includes you, a member of your family, a close associate, and their employer, a firm in which they are a partner, a company where they are a director, any body in which they have securities with a nominal value of £25,000 and (i) any body of which they are a member, or in a position of general control or management to which they were appointed or nominated by the Council, and (ii) any body exercising functions of a public nature, or directed to charitable purposes or one of whose principal purpose includes the influence of public opinion or policy, including any trade union or political party) where they hold a position of general management or control,

If you have a personal interest you must declare the nature and extent of it before the matter is discussed or as soon as it becomes apparent, except in limited circumstances. Even if the interest is in the Register of Interests, you must declare it in meetings where matters relating to it are under discussion, unless an exemption applies.

Exemptions to the need to declare personal interest to the meeting

You do not need to declare a personal interest where it arises solely from membership of, or position of control or management on:

- (a) any other body to which you were appointed or nominated by the Council
- (b) any other body exercising functions of a public nature.

In these exceptional cases, unless your interest is also prejudicial, you only need to declare your interest if and when you speak on the matter .

Sensitive information

If the entry of a personal interest in the Register of Interests would lead to the disclosure of information whose availability for inspection creates or is likely to create a serious risk of violence to you or a person living with you, the interest need not be entered in the Register of Interests, provided the Monitoring Officer accepts that the information is sensitive. Where this is the case, if such an interest arises at a meeting, it must be declared but you need not disclose the sensitive information.

Prejudicial interests

Your personal interest will also be prejudicial if all of the following conditions are met:

- (a) it does not fall into an exempt category (see below)
- (b) the matter affects either your financial interests or relates to regulatory matters - the determining of any consent, approval, licence, permission or registration
- (c) a member of the public who knows the relevant facts would reasonably think your personal interest so significant that it is likely to prejudice your judgement of the public interest.

Categories exempt from being prejudicial interest

- (a) Housing – holding a tenancy or lease with the Council unless the matter relates to your particular tenancy or lease; (subject to arrears exception)
- (b) School meals, school transport and travelling expenses; if you are a parent or guardian of a child in full time education, or a school governor unless the matter relates particularly to the school your child attends or of which you are a governor;
- (c) Statutory sick pay; if you are in receipt
- (d) Allowances, payment or indemnity for members
- (e) Ceremonial honours for members
- (f) Setting Council Tax or precept (subject to arrears exception)

Effect of having a prejudicial interest

If your personal interest is also prejudicial, you must not speak on the matter. Subject to the exception below, you must leave the room when it is being discussed and not seek to influence the decision improperly in any way.

Exception

The exception to this general rule applies to allow a member to act as a community advocate notwithstanding the existence of a prejudicial interest. It only applies where members of the public also have a right to attend to make representation, give evidence or answer questions about the matter. Where this is the case, the member with a prejudicial interest may also attend the meeting for that purpose. However the member must still declare the prejudicial interest, and must leave the room once they

have finished making representations, or when the meeting decides they have finished, if that is earlier. The member cannot vote on the matter, nor remain in the public gallery to observe the vote.

Prejudicial interests and overview and scrutiny

In addition, members also have a prejudicial interest in any matter before an Overview and Scrutiny body where the business relates to a decision by the Executive or by a committee or sub committee of the Council if at the time the decision was made the member was on the Executive/Council committee or sub-committee and was present when the decision was taken. In short, members are not allowed to scrutinise decisions to which they were party.

Agenda Item 3

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Schroders Performance for the period end 31 December 2014		
KEY DECISION	No	Item No:	3
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	19 February 2015

1. SUMMARY

- 1.1 This report is a presentation by the Pension Fund's Fund Manger Schroders on the performance of the property portfolio for the period ending 31 December 2014.

2. RECOMMENDATION

- 2.1 The Committee is recommended to note the contents of the presentation.

3. BACKGROUND

- 3.1 The Pension Fund invites its Fund Managers to make a presentation on their performance once a year.

4. PORTFOLIO SUMMARY

- 4.1 The contents of the report will be presented to the committee.

5. CONCLUSION

- 5.1 The performance of the Fund Manager is for noting.

6. FINANCIAL IMPLICATIONS

- 6.1 The financial implications are covered in the quarterly performance report from the Fund's advisors, Hymans Robertson – see separate agenda item..

7. LEGAL IMPLICATIONS

- 7.1 As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.

- 7.2 The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

8. CRIME AND DISORDER IMPLICATIONS

- 8.1 There are no crime and disorder implications directly arising from this report.

9. EQUALITIES IMPLICATIONS

- 9.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.
- 9.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

10. ENVIRONMENTAL IMPLICATIONS

- 10.1 There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached. Commentary will be provided at the meeting by the Advisors presenting with further comment for members of the Committee available from the Council's investment advisors, Hymans Robertson.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 831 49114.

Lewisham Borough Council

Schroder Real Estate Capital Partners

Thursday 19th February 2015

Representing Schroders:



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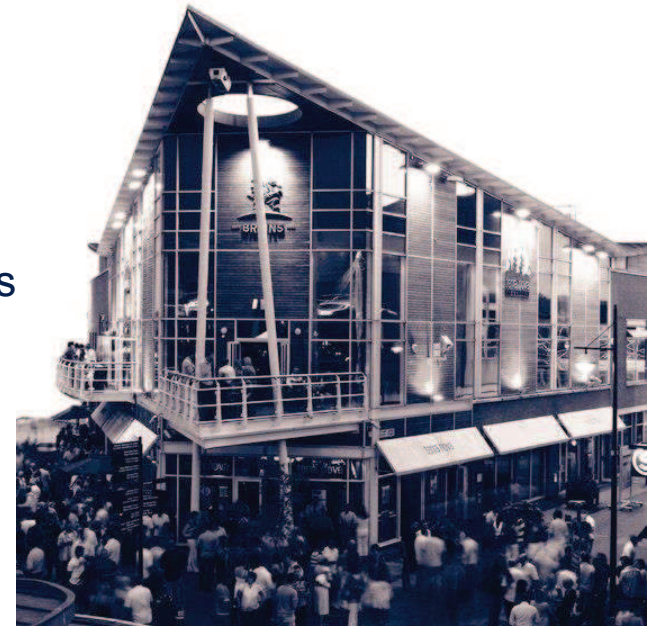
Schroders

Business overview

Schroder Real Estate Capital Partners

- Managed indirect real estate mandates since 1997
 - £3.1 billion under management as at 30 September 2014
 - £512 million traded in 2014, c. 2/3 via the secondary market
 - Average purchase cost over five years +1.4% (to December 2014)
- 23 segregated clients
- Two closed-ended continental European funds
- Two open-ended UK funds
- Six exclusive Schroder Real Estate Capital Partners client funds

Page 11



Source: Schroders, September 2014

Business overview

Team

Schroder Real Estate Capital Partners

Team	Position	Responsibility
Graeme Rutter (20 years)	Head of Schroder Real Estate Capital Partners	Business management, portfolio management & strategy
Jennifer Murray (20 years)	Portfolio Manager	Portfolio management & strategy, fund monitoring
Tony Doherty (14 years)	Portfolio Manager	Portfolio management & strategy, product sourcing & creation
Keeran Kang (7 years)	Portfolio Manager	Portfolio management & strategy, fund monitoring
Patrick Bone (8 years)	Analyst	Fund monitoring & analysis, portfolio modelling, risk analysis
Gianlorenzo Paoletta (7 years)	Analyst	Fund monitoring & analysis, portfolio modelling, risk analysis
Marsha Reid (24 years)*	Fund Manager Assistant	Trade processing and risk monitoring
Shamaan Malik (9 years)*	Fund Manager Assistant	Trade processing and risk monitoring
Dina Parmar (12 years)	Executive Assistant	Team support

Source: Schroders, January 2015. Numbers in brackets indicate years of experience

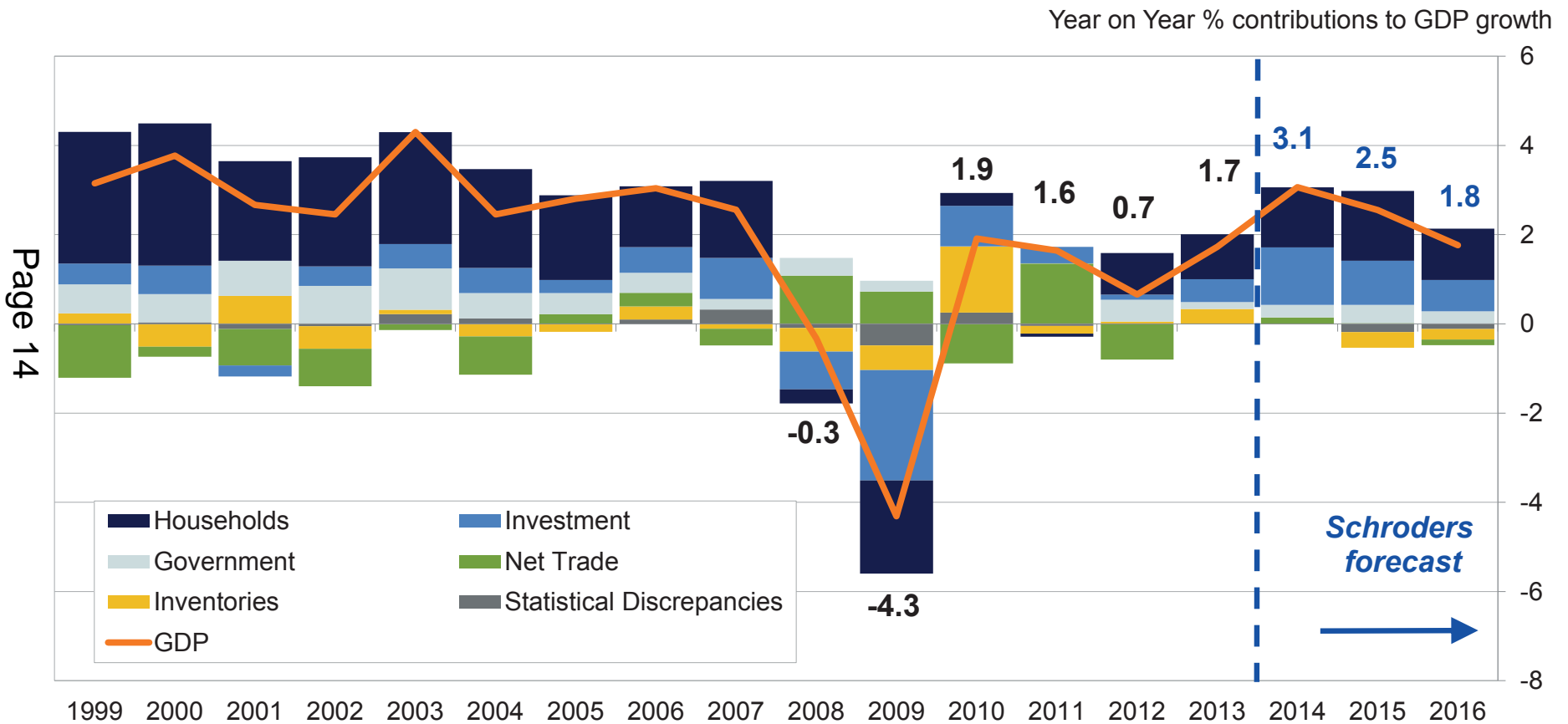
* Real Estate Investment Support

Market overview



Schroders UK economic forecast

Resumption of austerity will slow growth in 2016

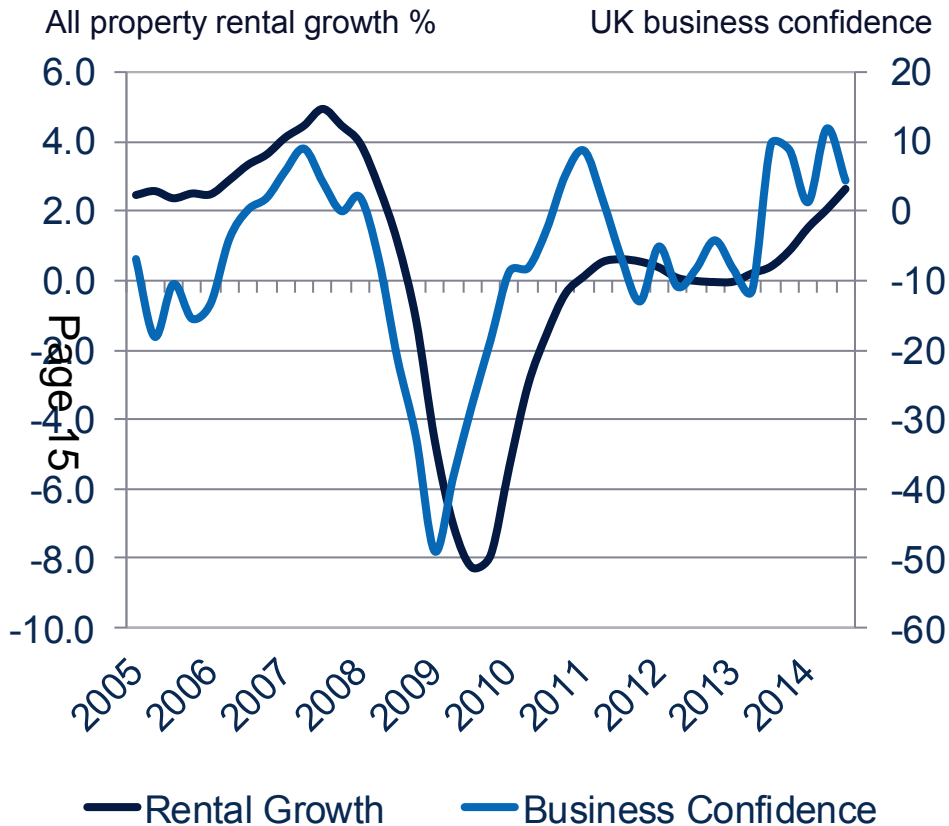


Source: Schroders November 2014 Please see the forecast risk warning on the important information slide.

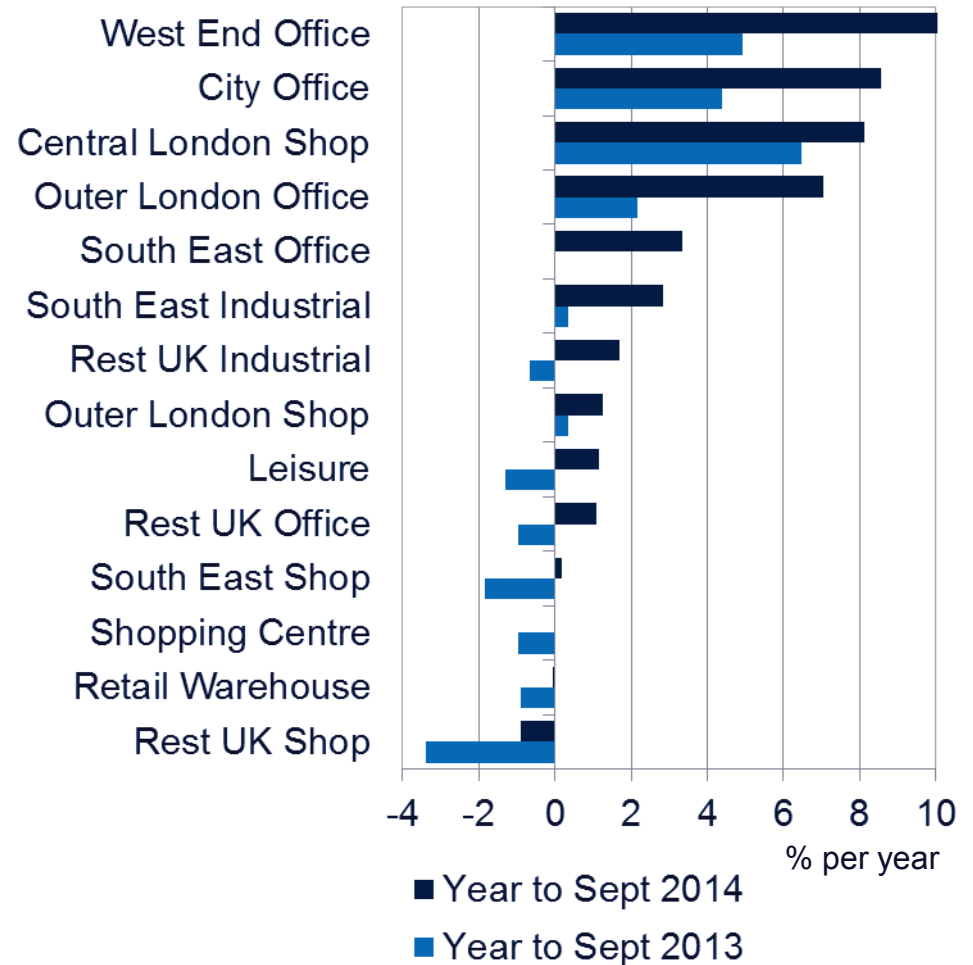
Rental value growth

Stronger tenant demand is now lifting rental values outside London

Business confidence and rental growth



Rental value growth by segment



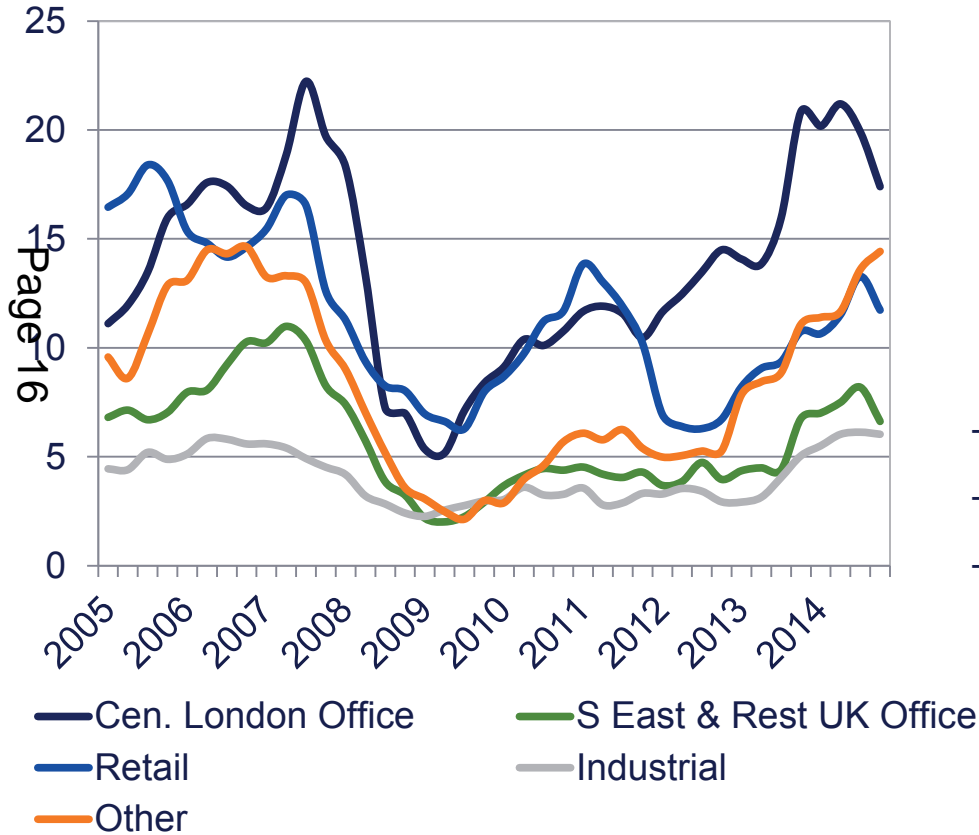
Source: IPD, ONS. October 2014.

Property investment market

Broad recovery in liquidity, driven by institutions and foreign investors

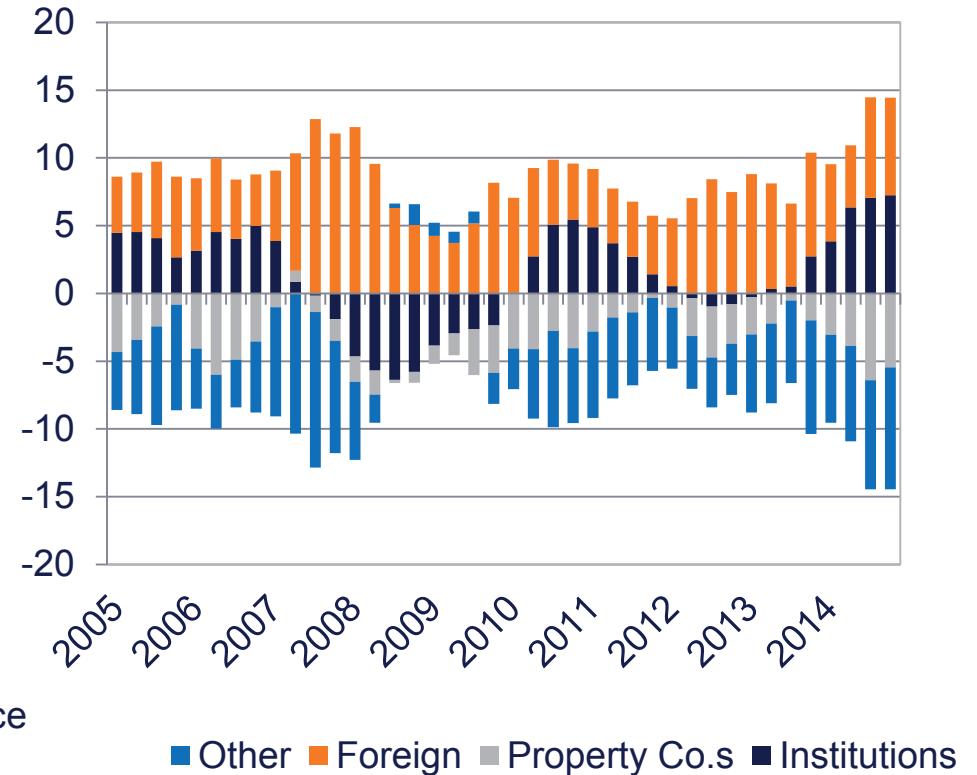
Transactions by broad sector

£ billion, 4 quarter moving total



Net trading by investor

£ billion, 4 quarter moving total



Source: Property Databank. , January 2015. Net trading = purchases – sales.

Other investors included occupiers and banks. Note that late reporting means that figures for the last two quarters are often subsequently revised up.

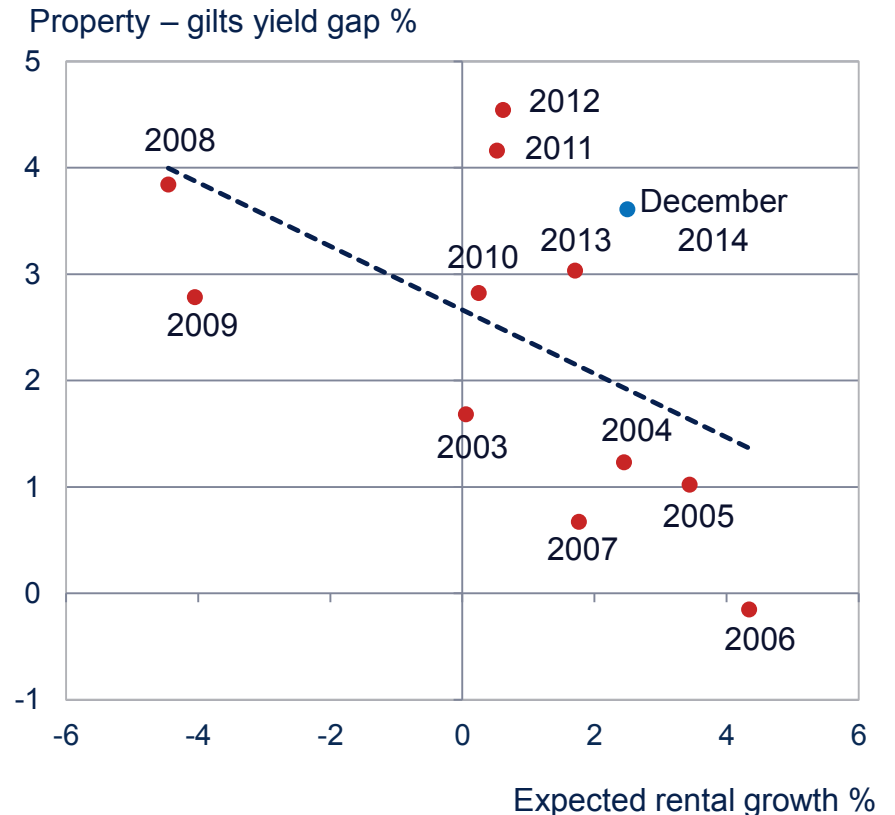
Property and gilts yields

Pricing looks sensible. Rental growth should temper impact of rising gilt yields

All property initial yield vs. 10 year gilts



Yield spread and rental expectations

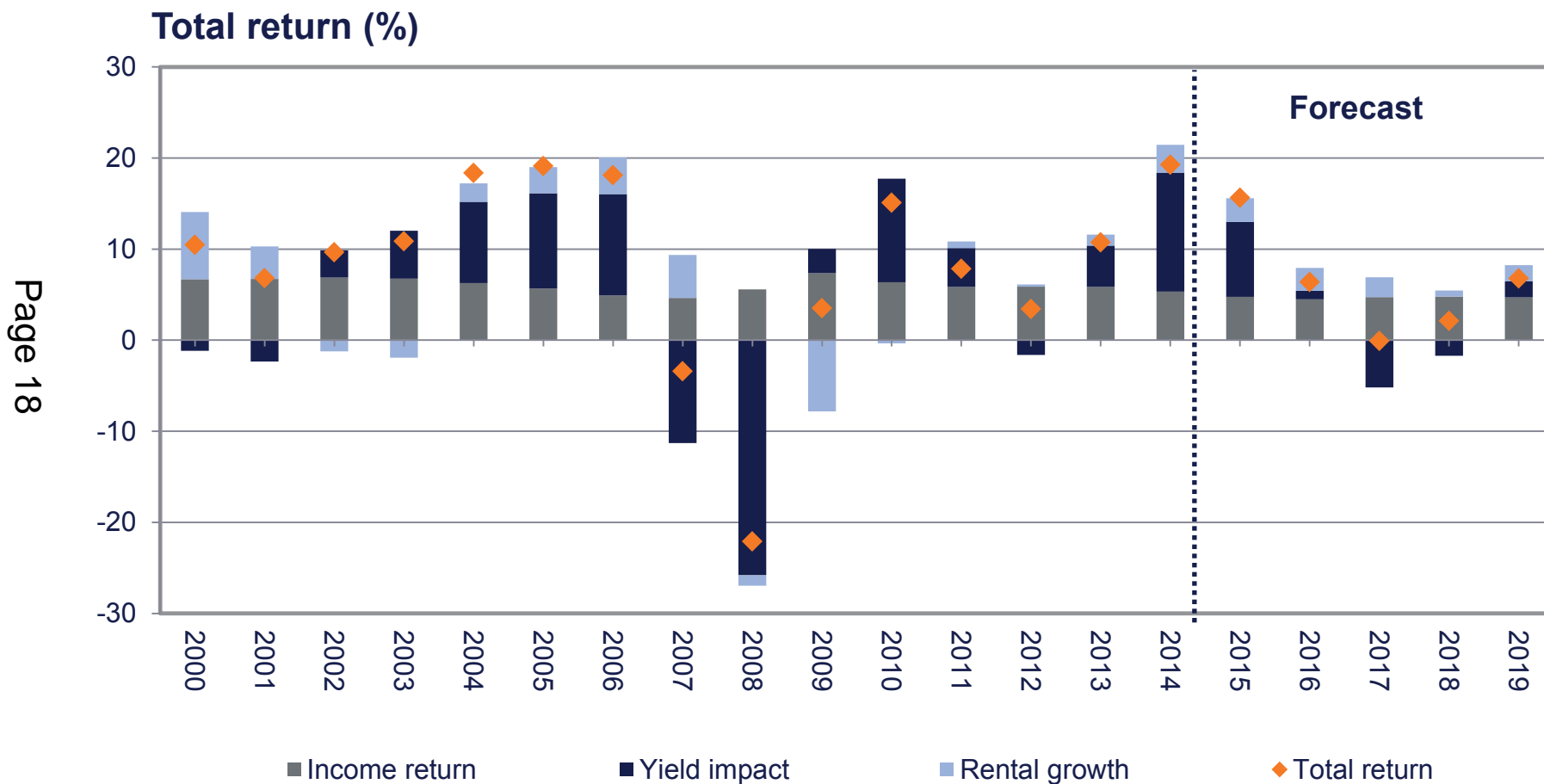


Source: Datastream, IPD, IPF Consensus Forecasts, Schroders. December 2014.

Note. Expected rental growth is the average of the last 12 months and forecast rental growth over for the next 12 months.

Schroder Summer 2014 forecasts

Attractive returns over the medium term, with some short term volatility



Page 18

Portfolio

Overview

Performance to Q4 2014

Investment activity

Sector weightings

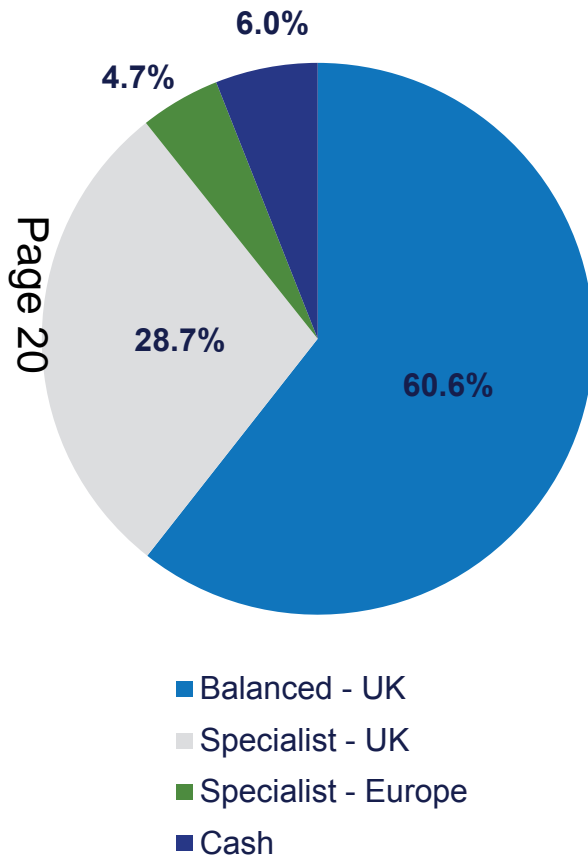


Schroders

Portfolio

Lewisham Pension Fund, December 2014

Breakdown by style and region

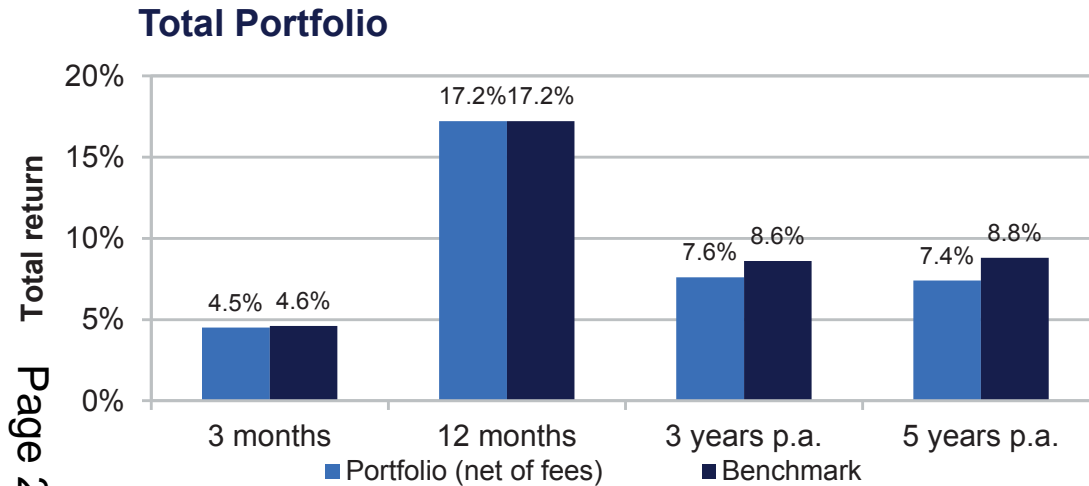


Portfolio statistics

Portfolio valuation	£87,998,718
Number of investments	14 UK 1 continental Europe
Breakdown by region	89.3% UK 4.7% continental Europe 6.0% cash
Portfolio cash	£5,241,804
Purchases post quarter-end	£2,645,741
Portfolio undrawn commitments	£2,540,603
Portfolio cash net of all commitments	£55,460

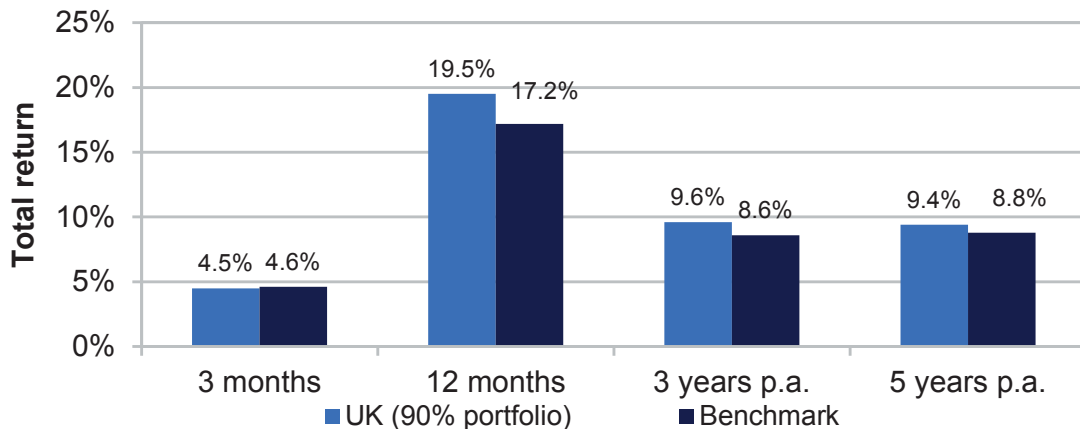
Portfolio

Portfolio total returns versus benchmark, December 2014



Page 21

UK Portfolio (90% of value)



Objective

To outperform the Benchmark¹ by 0.75% net of fees over three year rolling periods

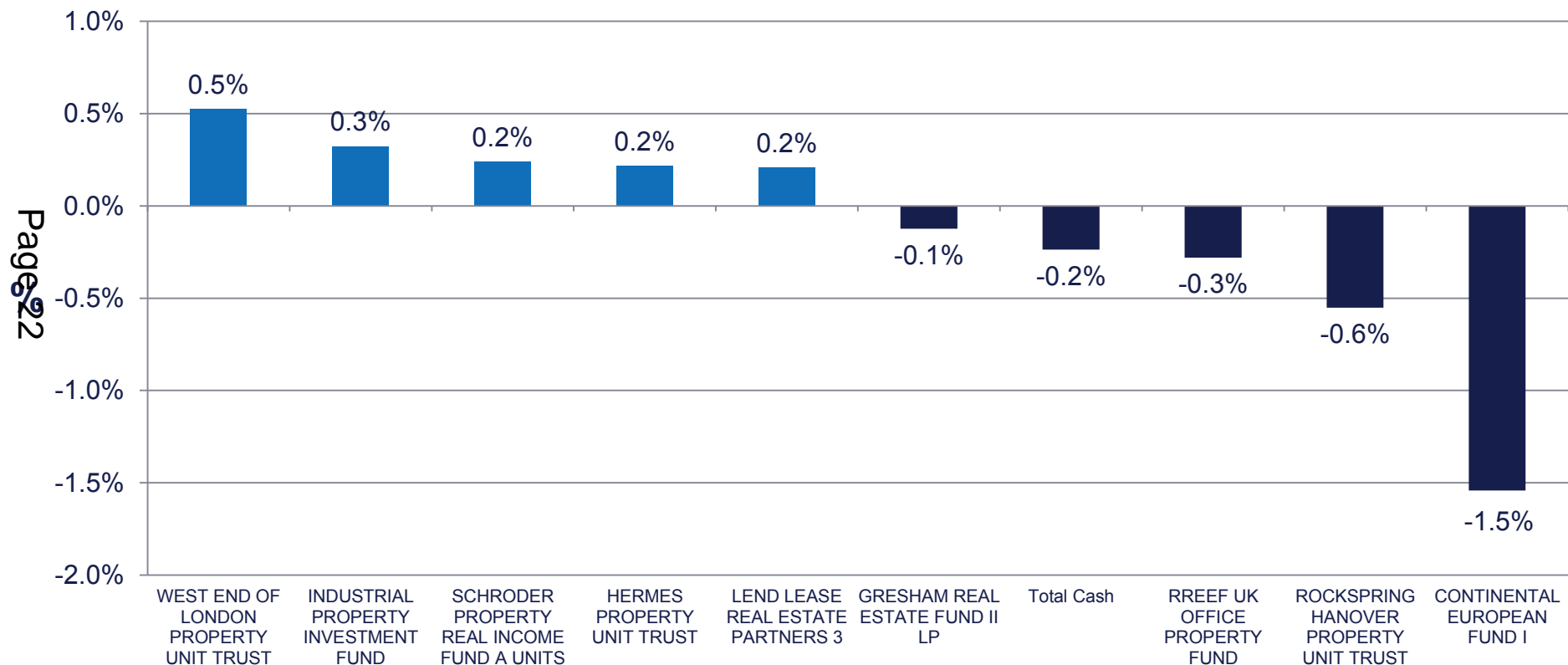
Key messages

- Absolute returns are strong.
- The portfolio returned 4.5% over the quarterly reporting period, slightly below the benchmark (4.6%).
- The UK portfolio (90% by value) is outperforming the benchmark over one, three and five years.
- The European allocation (5% portfolio value) is diluting aggregate portfolio returns relative to the UK-only benchmark. This is exacerbated by a weak €/£.

Portfolio

Performance attribution, 3 years to 31 December 2014

Total return attribution relative to benchmark* by top and bottom five contributors



*Benchmark is AREF/IPD UK Pooled Property Fund Indices All Balanced Funds Weighted Average. Attribution is presented gross of fees.

Source: Schroders and AREF/IPD UK Pooled Property Fund Indices, 31 December 2014. Past Performance is not a guide to future performance and may not be repeated.

Please refer to the Important Information at the back of this document regarding past performance.

Portfolio - Continental Europe

Investment rationale: Continental European allocation 2006

Background

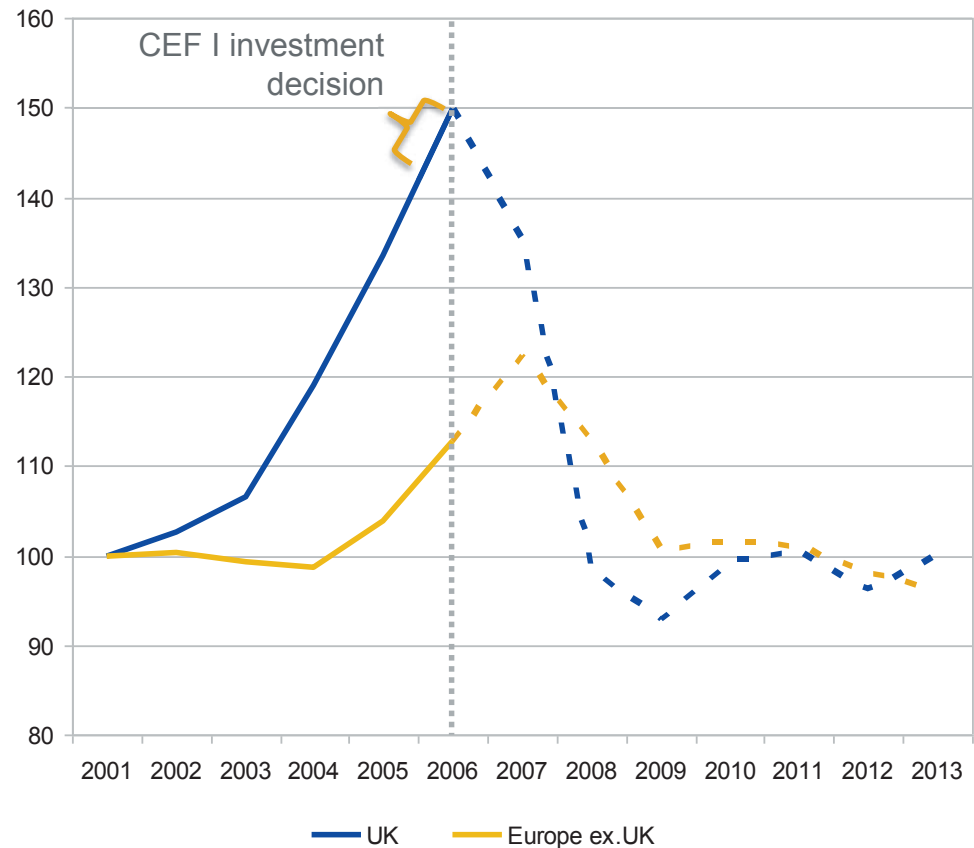
- Committed 10% of portfolio value to continental Europe between in December 2006
- No equity committed to continental Europe since then
- Invested into Continental European Fund I (CEF I): closed ended fund with a 12 year life to 2018

Page 20

Rationale

- UK capital values increased by more than 35% in three years to December 2006
- Continental Europe offered potential to enhance portfolio returns; and
- To diversify the risks of UK property

Capital Values: UK and Continental Europe



Continental European Fund I

Performance - 31 December 2014

Positive drivers (12m)

- Sale of IRUS European Retail Property Fund at a premium to valuation
- Nordic investments post 2009

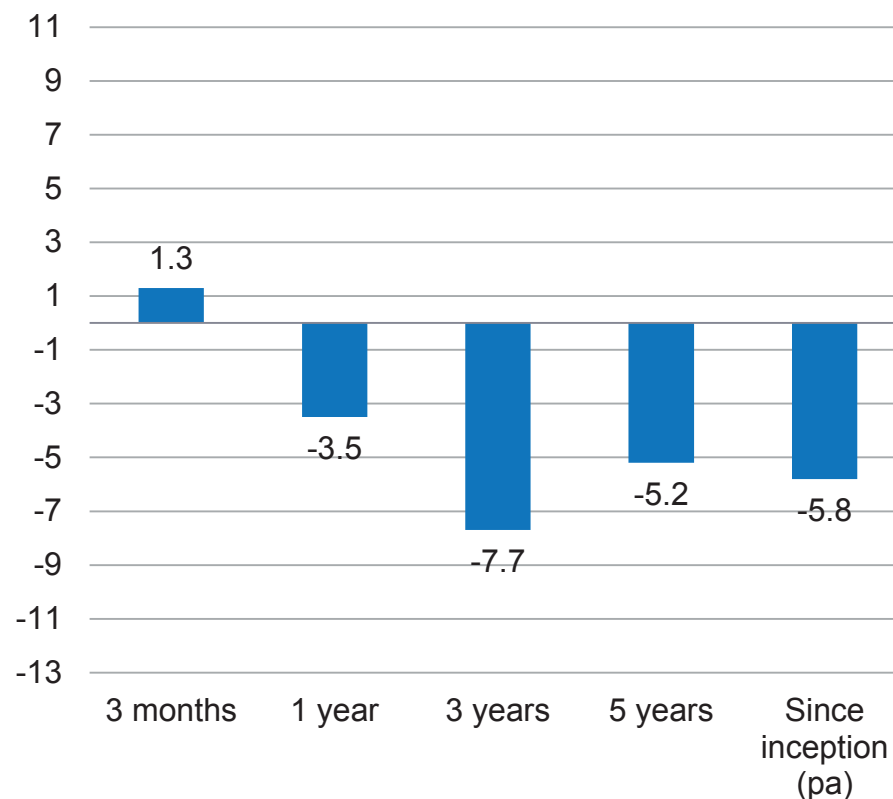
Negative drivers (12m)

■ Earliest investments including:

- CG Malls (Portuguese and Spanish retail)
- Portfolios with secondary assets

Page 24

IRR % to 31 December 2014 (in euro)

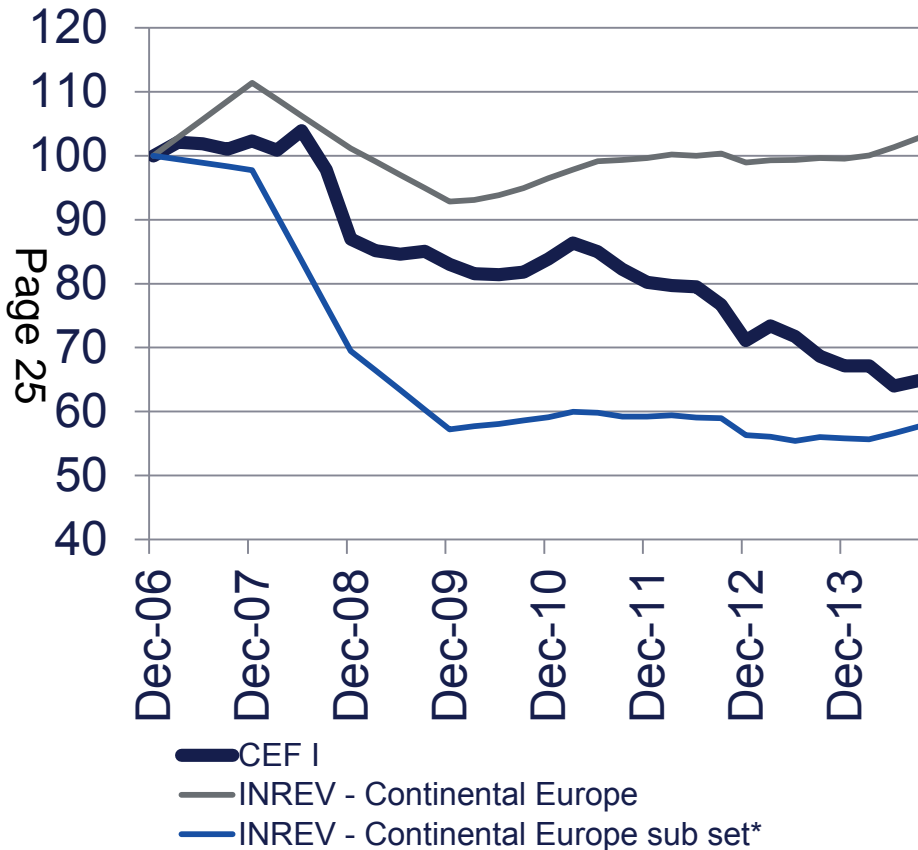


Source: Schroders, 31 December 2014. Note: 1 units, Inception date 18 December 2006. Performance calculated (net of fees) on an IRR basis in Euros. Note: Returns for periods of 1 year or more are calculated on an IRR basis. Returns since inception are also calculated on an IRR basis. Returns for periods of less than one year are calculated on an IRR basis, but de-annualised.

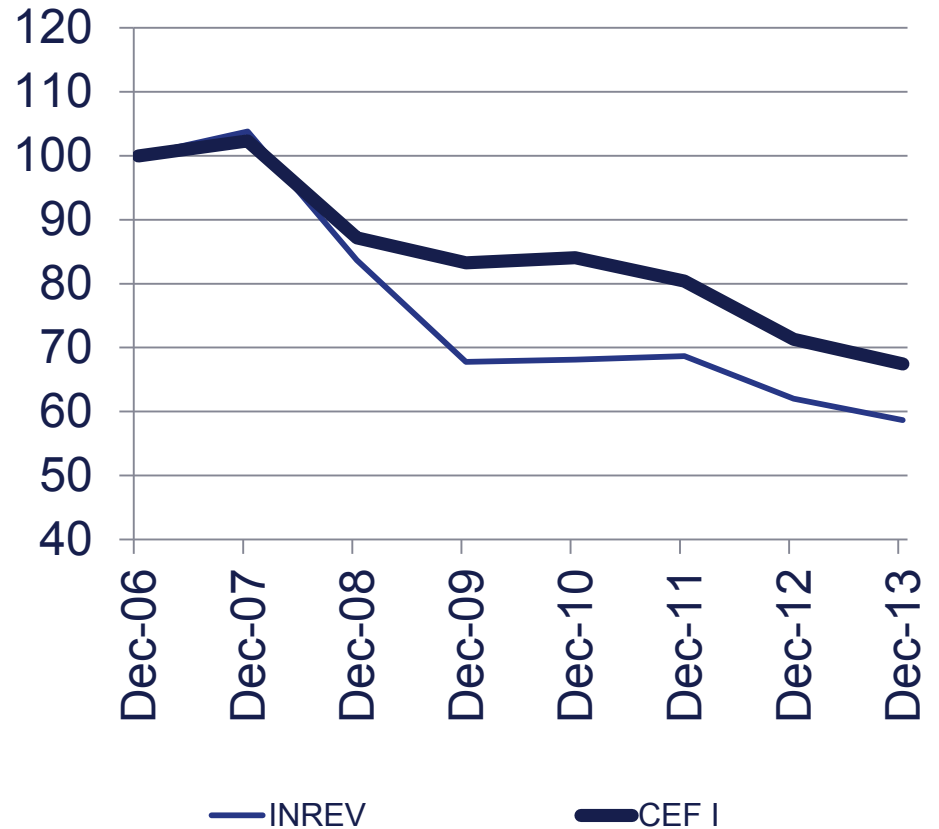
Continental European Fund I

Performance - 31 December 2014 – in context

Total return vs INREV Quarterly Index – Continental Europe














Total return vs INREV Fund of Funds Index – Europe



Source: Schroders, INREV Quarterly Index, IPD Pan-European Property Funds Index, 31 December 2014. All Indices are indexed to 31 December 2006. *INREV – Continental Europe sub set shows all funds with a vintage year of 2006-2008 (in line with CEF I's investments) with multi-country and sector strategies.

Why Schroder Real Estate Capital Partners?

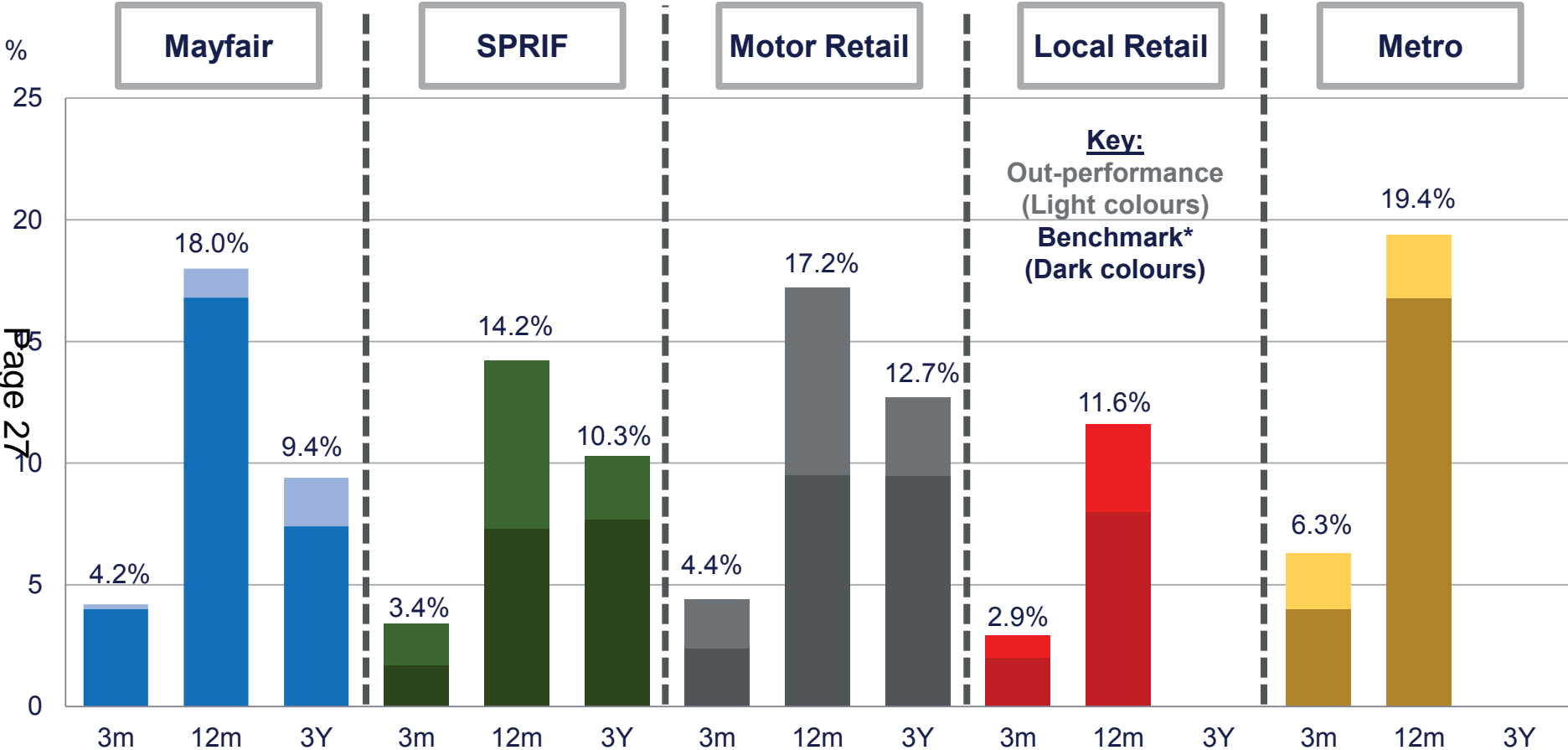
Partnerships

	Mayfair Capital PUT	Schroder Property Real Income Fund	Motor Retail PUT	Local Retail Fund	Metro PUT	Multi-Let Industrial PUT
						
Launched:	June 2010	March 2011	March 2011	March 2012	August 2013	June 2014
Structure:	Open-ended	Open-ended	Closed-ended	Open-ended	Open-ended	Open-ended
Style:	Core	Core+	Core+	Core+	Core	Core +
Fund NAV:	£147.3m	£210.5m	£100.8m	£79.0m	£96.8m	£16.8m
Anticipated Size:	£250m	£300m	£125m	£150m	£250m	£200m
Leverage (LTGAV):	0%	20.6%	0%	0%	0%	0%
Assets:	Diversified	Inflation protected	Car Showrooms	Convenience Retail	Diversified	Multi-let industrials
Property advisor:		Various				
Performance objective:	Outperformance of the UK property market / 5% net distribution yield	RPI +5% pa over rolling 7 year periods	8-10% IRR over the 10 year life of the Trust	8% pa total returns / 5% net distribution yield	Outperformance of the UK property market +0.5% over rolling three year periods / 5% net distribution yield	8% pa total returns

Source: Schroders, 31 December 2014

Partnership performance

Out-performing investment objectives



Benchmarks*:

- Mayfair: AREF/IPD UK Quarterly Property Fund Index – All Balanced Funds weighted average
- SPRIF: Retail Price Index + 5.0%
- Motor Retail: Absolute return of 9.5% per annum
- Local Retail: Absolute return of 8.0% per annum
- Metro: AREF/IPD UK Quarterly Property Fund Index – All Balanced Funds weighted average

Source: Schroders, 31 October 2014

Portfolio activity

Allocating to higher yielding assets with sustainable income streams

Industrials:

- Higher yielding sector
- Positive supply/demand dynamics. Supply constrained sector benefitting from increase in traditional manufacturing as well as logistics demand

Strong rental growth driving outperformance



Rochester Airport Industrial Estate

Alternatives:

- Accessing resilient income streams in sectors where rental growth is less correlated with economic cycle
- Attractive and often inflation linked income streams
- Exposures include care homes, student accommodation, motor retail and leisure



Car dealership portfolio

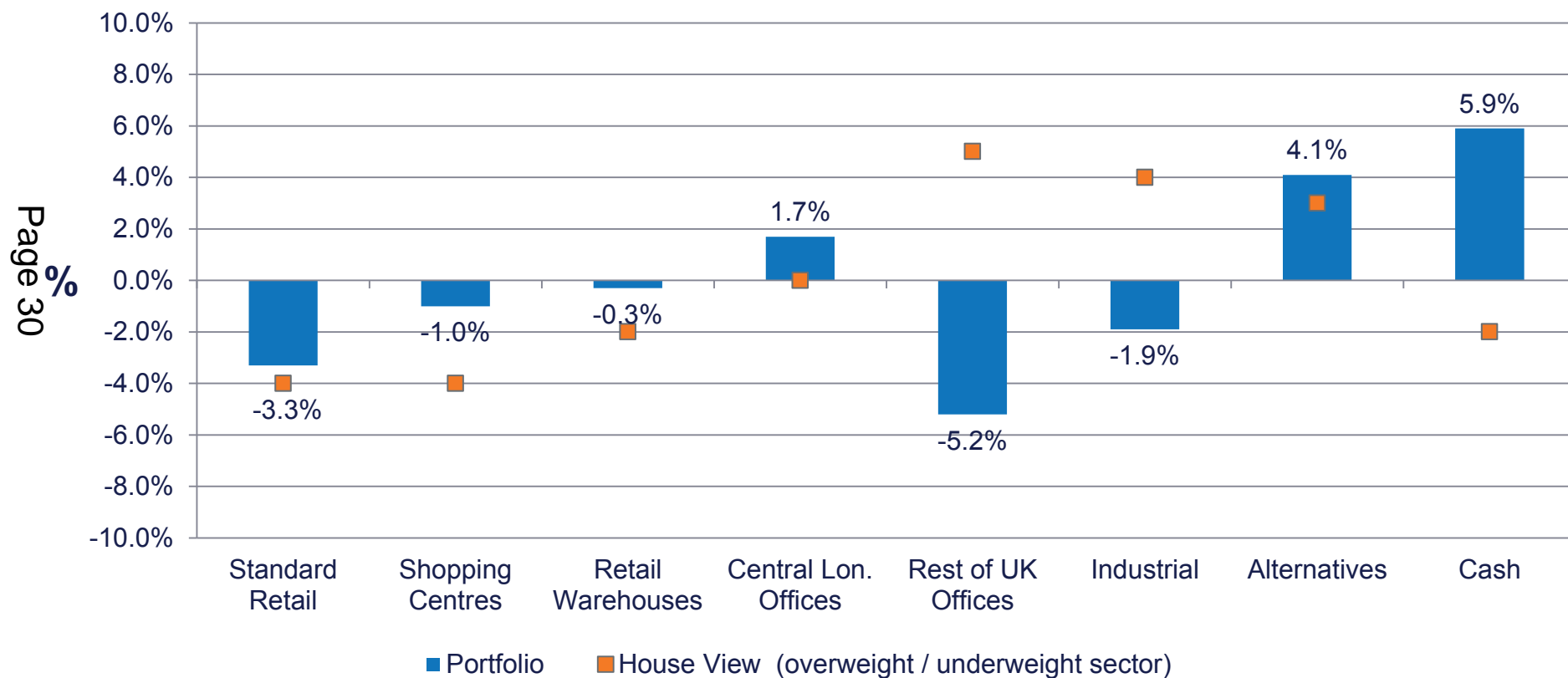
Strategy



Strategy

UK sector weightings

UK sector weightings relative to benchmark*



Data subject to rounding. *Benchmark AREF/IPD UK Pooled Property Fund Indices – All Balanced Funds Weighted Average.
Source: Schroders, IPD, 31 December 2014

Strategy

31 December 2014

- We are reducing exposure to central London offices, with a view to locking in the positive returns received from this sector over the past three years.
- We favour industrials and alternative sectors where yields are attractive and supply/demand fundamentals are positive.
- We remain focussed on reducing exposure to continental Europe, subject to pricing and liquidity.

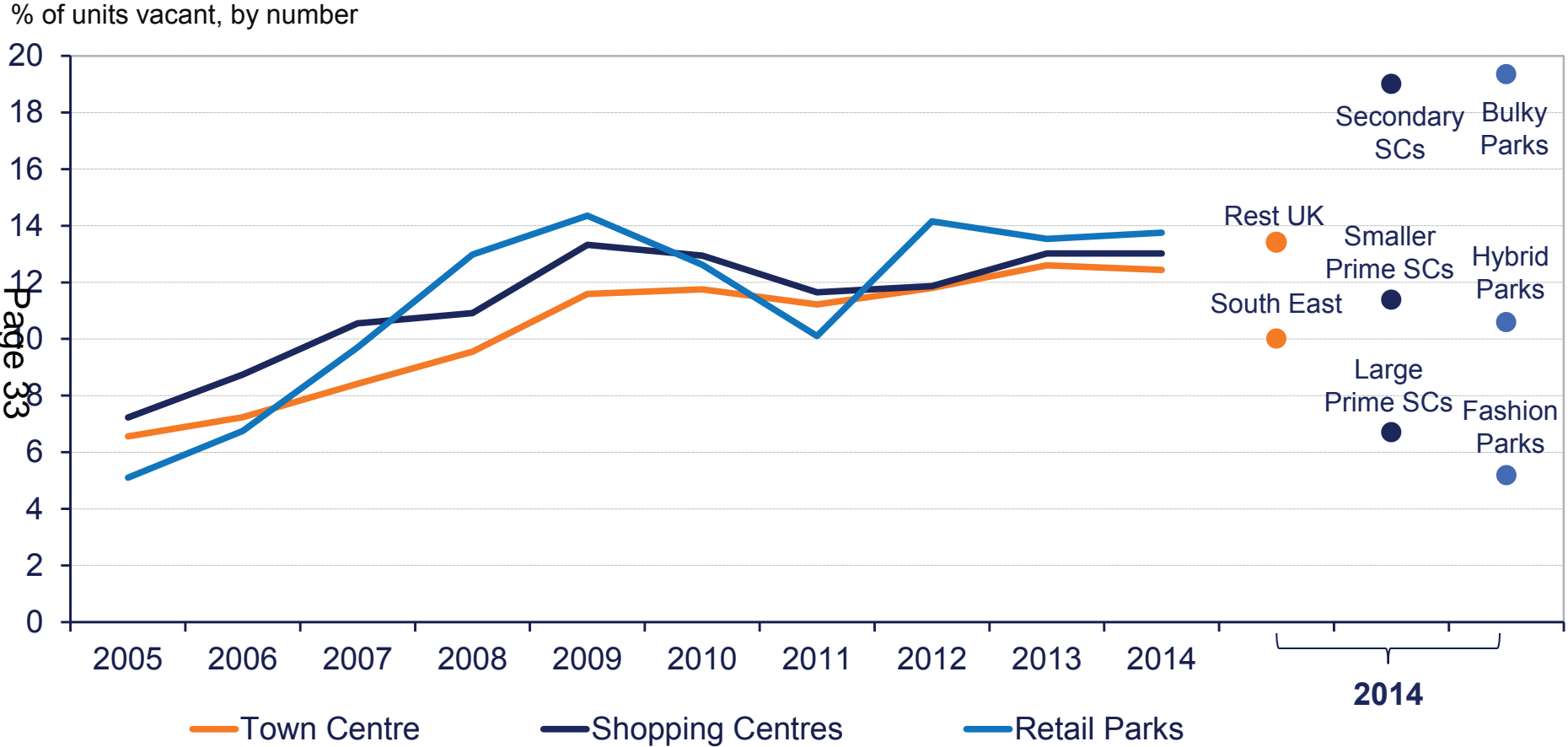
Page 31

Appendices



Retail vacancy rates

On-line diversion and excess development has polarised sector



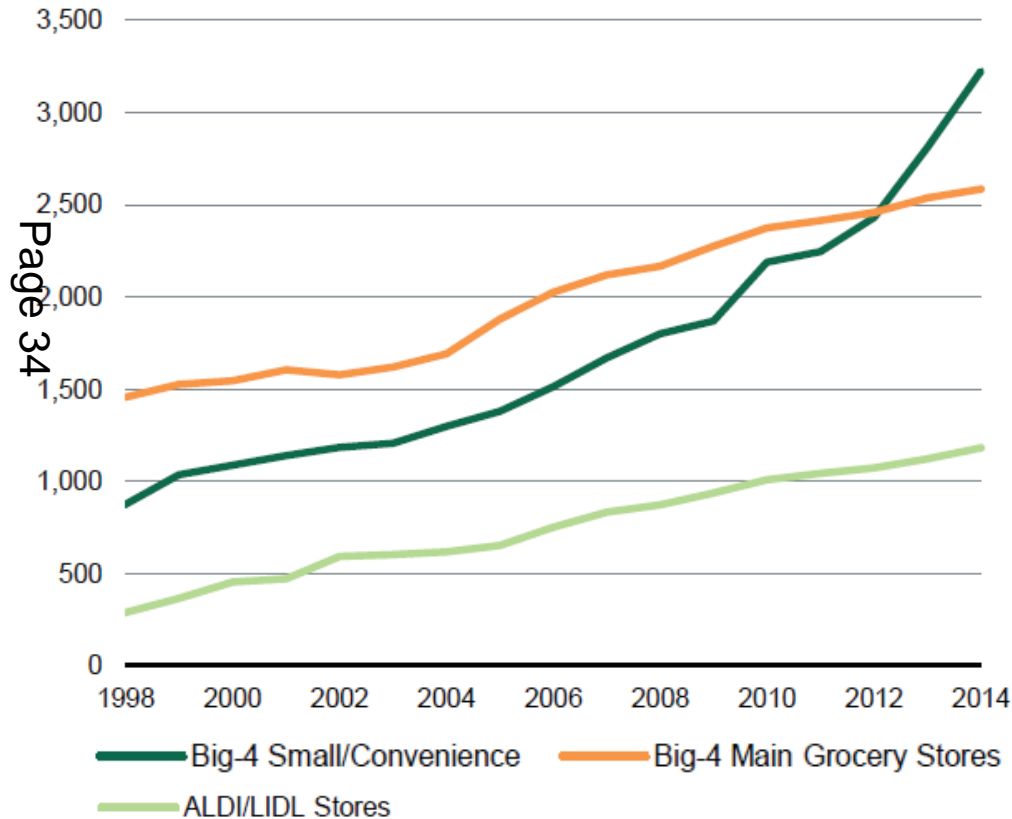
Source: PMA. September 2014.

Food retailing is relatively internet immune

Demographic and social changes are favouring smaller stores

Major Grocery Retailers

Number of branches



- People are shopping more frequently in convenience stores close to their home, or at transport hubs. This is because:
 - Households have fewer people.
 - People are buying more ready meals.
 - More women are working.
 - Higher petrol costs make driving to hypermarkets more expensive.
- Investment case:
 - Strong covenants
 - Tenants unlikely to leave – seek lease extensions at open market rent
 - Small lot sizes, relatively liquid
 - Affordable rents: typically below £20 per square foot and 7% of turnover

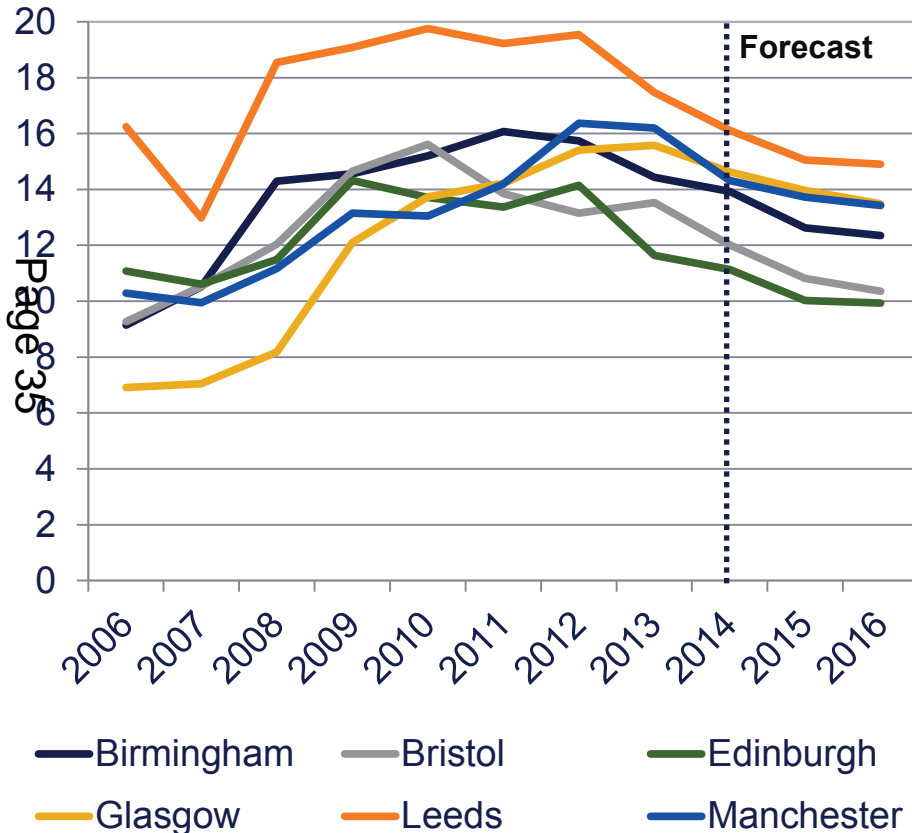
Source: Retail Locations. October 2014

Major regional office markets

Private sector demand is recovering, but high vacancy persists in several cities

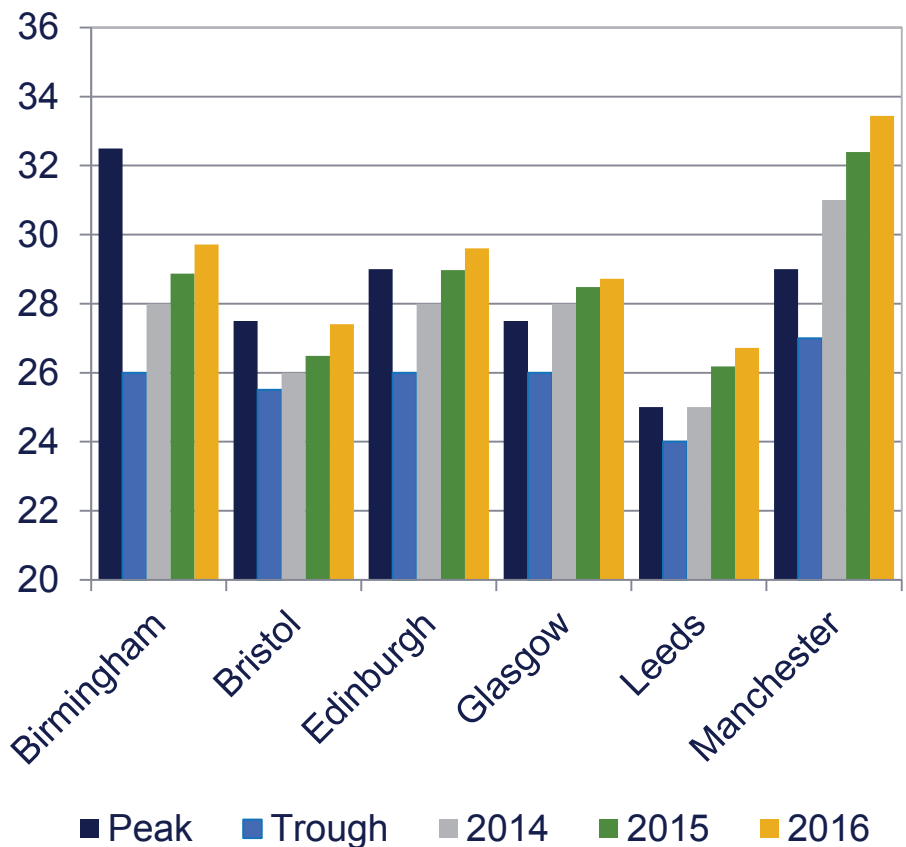
Vacancy rates

% of floorspace



Prime office rents

£ per ft²



Source: PMA. September 2014. Data include city centres and out of town office parks.

Note. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts. Please see Important Information regarding forecasts.

Regional industrial rents

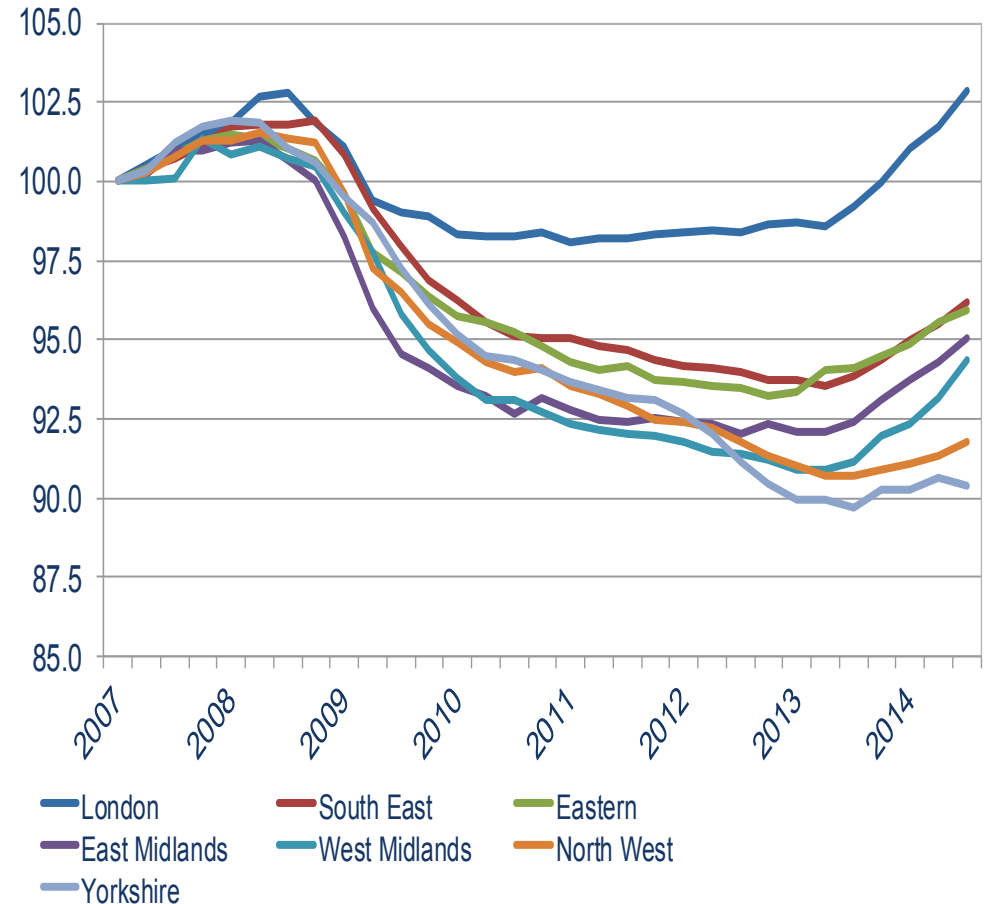
Recovery has rippled out from London to the South and Midlands

Unemployment by region



Industrial rental growth by region

Rental values 2007 Q1 = 100



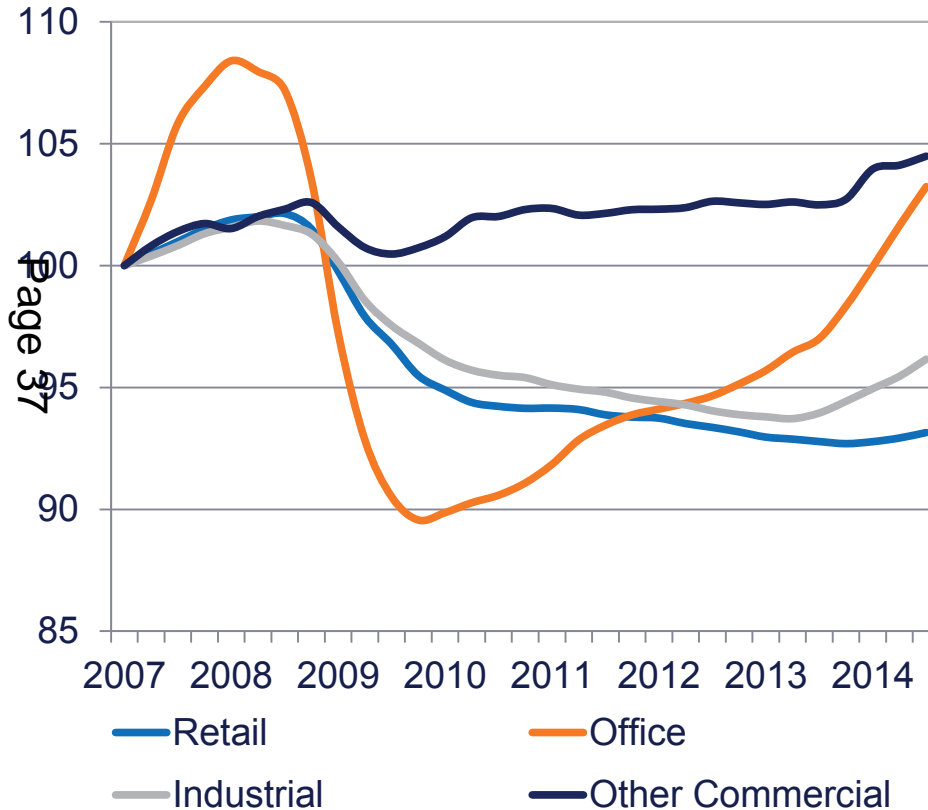
Sources: IPD Quarterly Index, ONS. January 2015.

Alternative property types

Sectors benefiting from structural change have relatively stable rents

Rental values

2007 Q1 = 100



We see interesting opportunities in certain alternative property types such as car showrooms, care homes, G.P.s surgeries, leisure and student housing.

Advantages:

- Many of these types are benefiting from demographic growth, or other structural changes and they are less affected by the economic cycle.
- Rents are relatively stable and may be index-linked.
- Yields are often higher than in the main commercial property sectors.

Disadvantages:

- Liquidity is often lower than in the main commercial property sectors.
- Alternative types may under-perform when there is rapid rental growth in the main commercial sectors.

Schroder Real Estate Fund of Funds – CEF I

30 September 2014

Characteristics

- Closed ended fund valued at €124 million
- Twelve year life fund to 2018
- Exposure to 16 property funds with total assets of c€9 billion
- 10% IRR target return will not be met
- Undrawn commitments cancelled
- Capital starting to be returned to investors

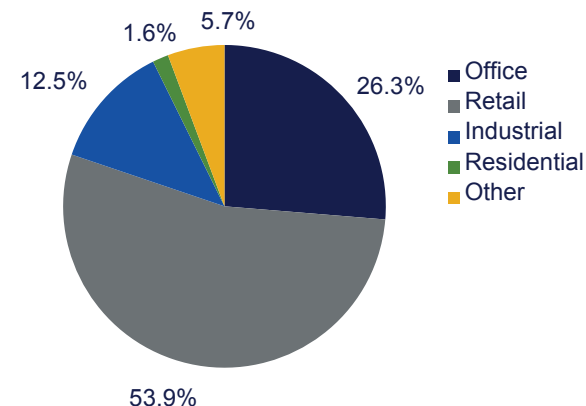
Performance

Performance (%) EUR	Q3	12 m	3 yr	5 yr	SI
I Units	-4.6	-10.7	-9.0	-5.3	-6.1

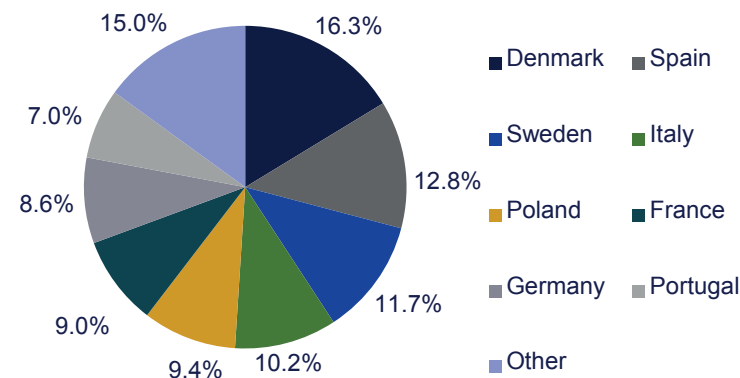
Key performance contributors (12m)

- **Positive:**
 - Investments made since 2009
 - Listed investments
- **Negative:**
 - Earliest investments including:
 - German residential fund
 - Exposure to Portugal
 - Portfolios with secondary assets

Sector weightings (% NAV)



Geographic weightings (% NAV)



Curriculum vitae

Graeme Rutter, MRICS – Head of Property Multi-Manager

- Twenty years investment experience
- Joined Schrodgers in 2007
- Previously Fund Manager responsible for Morley (now Aviva) Fund Management's property multi-manager team
- 1998 – 2004 Director, Investment Agency, Savills
- Commenced his career at Weatherall Green & Smith specialising in valuation
- BSc (Hons) Geography University of Bristol, Diploma in Land Economy (Commendation) University of Aberdeen
- Member of the Royal Institution of Chartered Surveyors (MRICS), holder of the IMC and a corporate finance representative under the SFA
- Chairman of the Association of Real Estate Funds (AREF) Investor Committee; Chairman of the Investment Property Forum (IPF) Indirects Working Group; member of the AREF / IPD UK Property Funds Index Consultative Group



Anthony Doherty, MRICS – Property Fund Manager, Property Multi-Manager

- 13 years investment experience
- Joined Schroder Property in 2001 as a research analyst. Investment career started upon joining Schrodgers as a research assistant in the Economics team in 2000
- Since 2005 fund manager for segregated property multi-manager portfolios and fund advisor to The Schroder Property Real Income Fund
- Responsible for sourcing / underwriting new UK investment opportunities
- BSc (Hons) in Economics and Business
- Member of the Royal Institution of Chartered Surveyors (MRICS), holder of Investment Management Certificate (IMC)



Curriculum vitae

Geoffrey Day – Client Director

- Client Director in our dedicated Client Servicing team, based in London
- Joined Schroders in 1996
- Joined Flemings as a fund manager for pension funds and charity clients in 1987. Investment career commenced in 1980
- Degree in Business Studies, University of Plymouth



Important information

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Agenda Item 4

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	M and G Performance for the period end 31 December 2014		
KEY DECISION	No	Item No:	4
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	19 February 2015

1. SUMMARY

- 1.1 This report is a presentation by the Pension Fund's Fund Manger M and G on the performance of the Company Finance portfolio for the period ending 31 December 2014.

2. RECOMMENDATION

- 2.1 The Committee is recommended to note the contents of the presentation.

3. BACKGROUND

- 3.1 The Pension Fund invites its Fund Managers to make a presentation on their performance once a year.

4. PORTFOLIO SUMMARY

- 4.1 The contents of the report will be presented to the committee.

5. CONCLUSION

- 5.1 The performance of the Fund Manager is for noting.

6. FINANCIAL IMPLICATIONS

- 6.1 The financial implications are covered in the quarterly performance report from the Fund's advisors, Hymans Robertson – see separate agenda item..

7. LEGAL IMPLICATIONS

- 7.1 As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.

7.2 The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

8. CRIME AND DISORDER IMPLICATIONS

8.1 There are no crime and disorder implications directly arising from this report.

9. EQUALITIES IMPLICATIONS

9.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

9.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

10. ENVIRONMENTAL IMPLICATIONS

10.1 There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached. Commentary will be provided at the meeting by the Advisors presenting with further comment for members of the Committee available from the Council's investment advisors, Hymans Robertson.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 831 49114.

London Borough of Lewisham Pension Fund

UKCFF update

February 2015

A **PRUDENTIAL** Company



UK Companies Financing Fund

Page 45

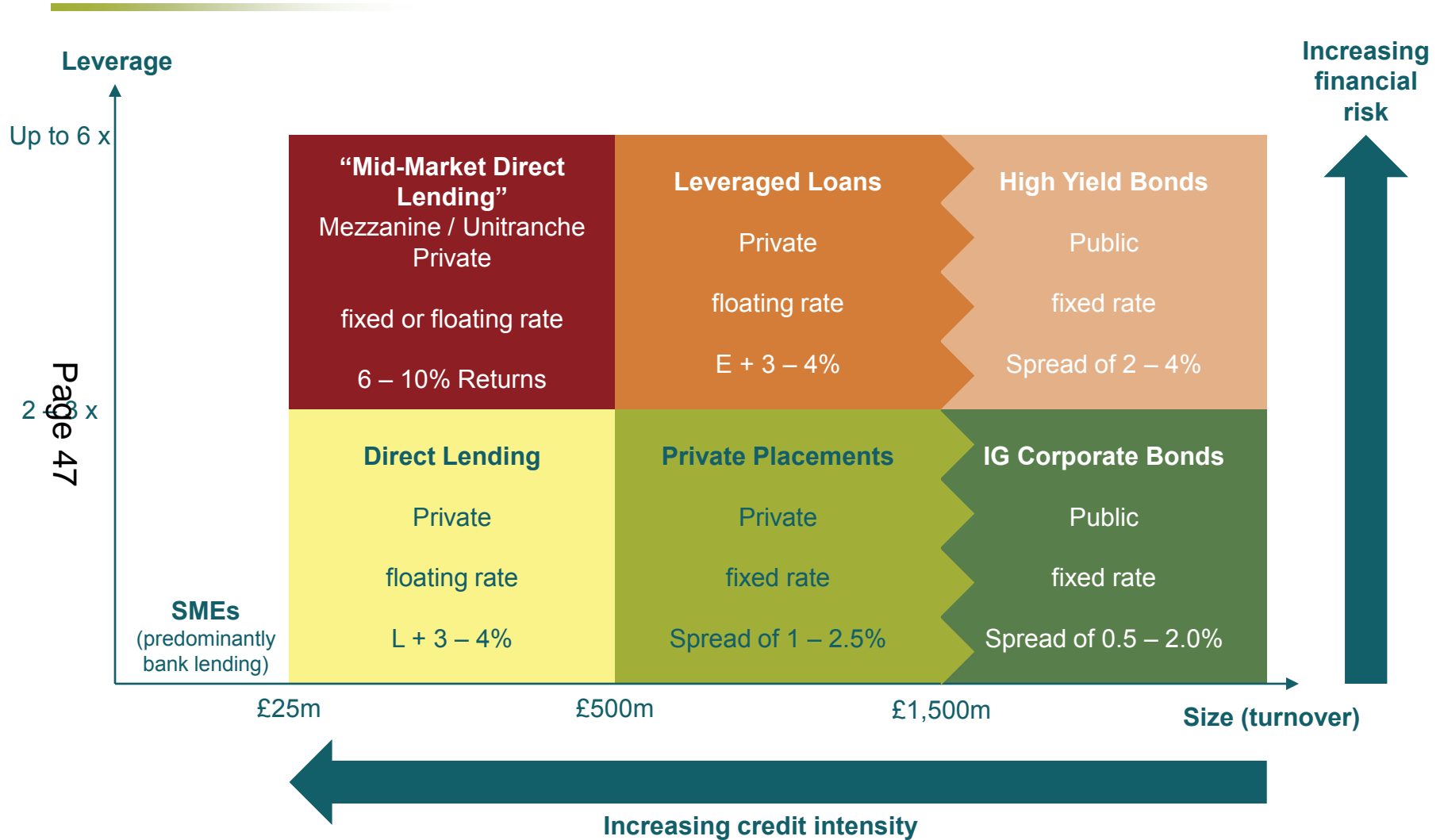
UK Companies Financing Fund

A reminder of the strategy

- UKCFF I was the first fund of its kind launched in 2009
 - The fund was set up to provide medium to long term debt financing to mid-cap UK companies through bilateral senior loans
 - The objective of the Fund is to create attractive levels of current income for investors, while maintaining relatively low volatility of Net Asset Value
- The fund made a total of £930m floating rate loans to mid-sized UK companies.

Page 46

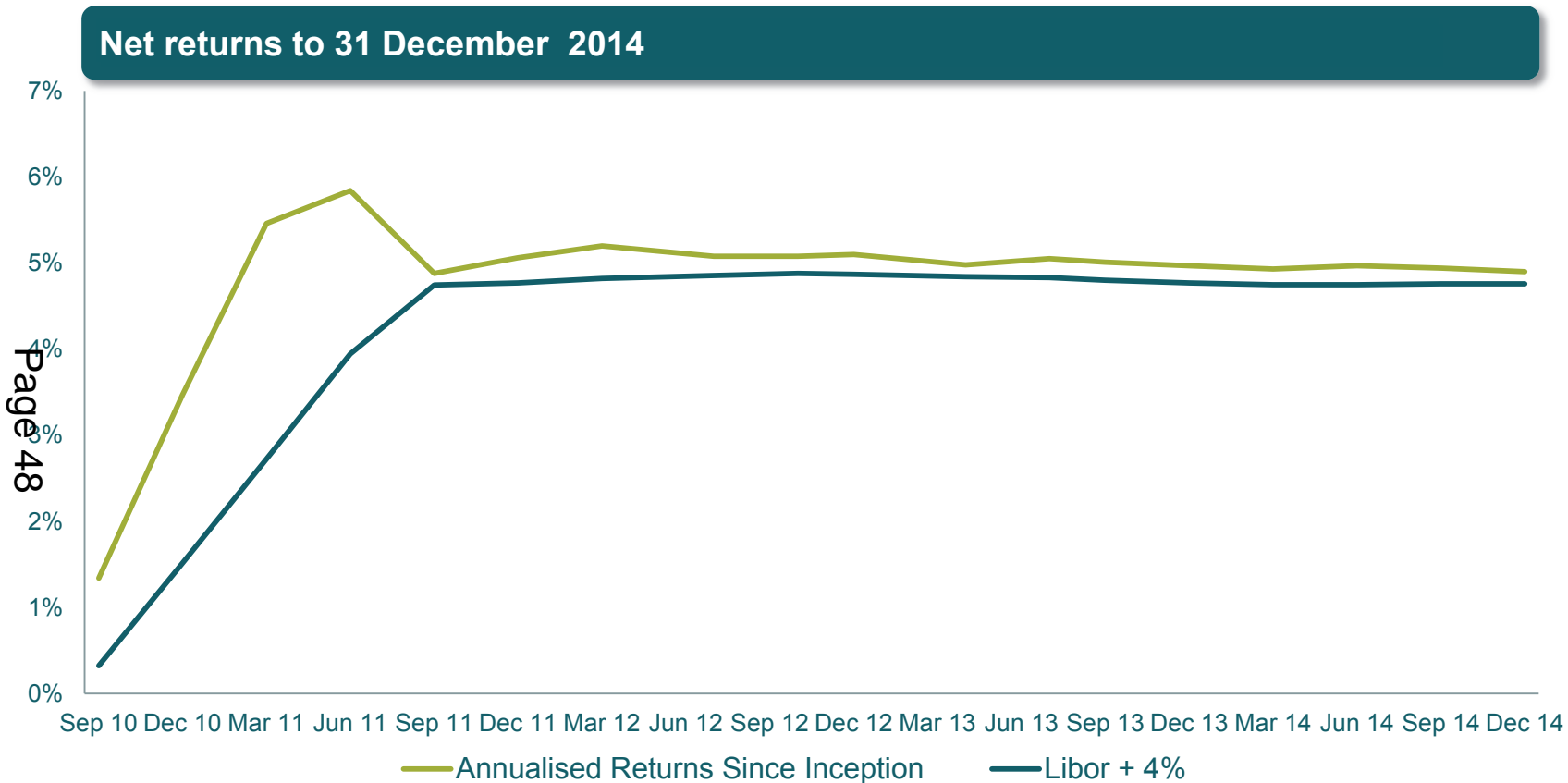
Non-bank corporate financing map



Page 47

UK Companies Financing Fund I

Fund performance vs benchmark



- The weighted average spread is currently 430bps
- The annualised returns since inception are 4.90% and the portfolio has a weighted average life of 4.8 years



UK Companies Financing Fund I

Performance

Key performance metrics

The investment objective of the Prudential/M&G UK Companies Financing Fund LP is to seek to maximise returns, consistent with prudent investment management. The Fund aims to provide an absolute net return of Libor +4-6%

Valuation date	NAV (£)	Distributions	Quarterly return (%)	YTD (%)	Since inception (%)
30/09/2011	612,938,295	0	0.80%	3.50%	4.88%
30/12/2011	684,549,877	12,000,000	1.35%	4.94%	5.06%
31/03/2012	820,361,221	0	1.39%	1.39%	5.20%
02/07/2012	837,004,922	22,860,598	1.15%	2.56%	5.08%
01/10/2012	847,386,314	0	1.24%	3.83%	5.08%
31/12/2012	938,642,055	19,861,515	1.28%	5.16%	5.10%
02/04/2013	948,574,953	0	1.06%	1.06%	4.98%
01/07/2013	836,213,732	125,045,081	1.34%	2.41%	5.05%
30/09/2013	845,661,689	0	1.13%	3.57%	5.01%
31/12/2013	835,881,861	19,364,418	1.13%	4.75%	4.97%
31/03/2014	844,945,773	0	1.08%	1.08%	4.93%
30/06/2014	685,007,909	169,839,598	1.35%	2.43%	4.97%
30/09/2014	692,452,855	0	1.09%	3.56%	4.94%
31/12/2014	684,542,363	15,122,985	1.04%	3.46%	4.90%

Page 49

Portfolio update

Portfolio continues to perform in line with expectations

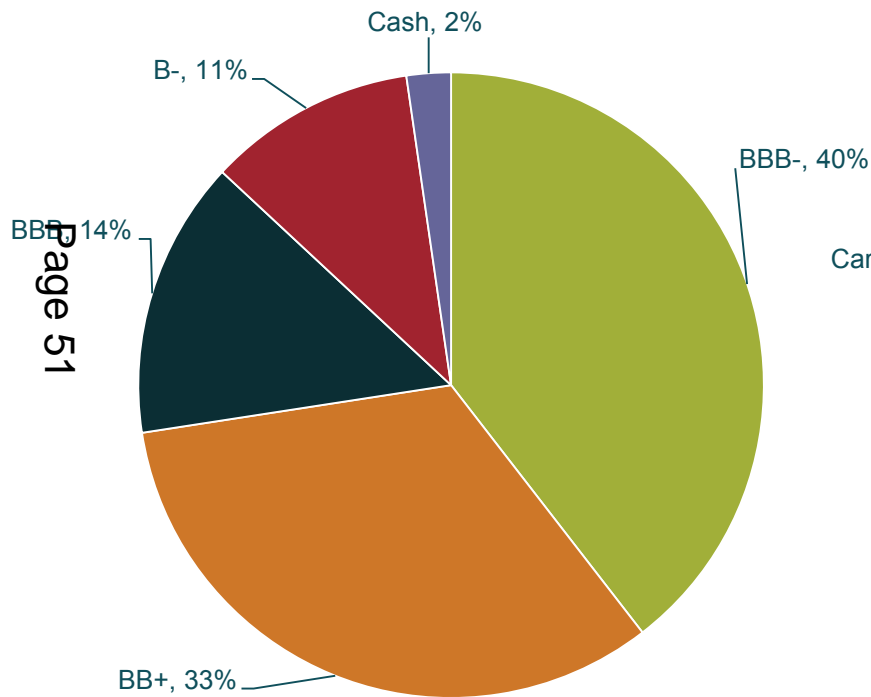
- Weighted average spread on the portfolio is 437bps, weighted average life is 4.8 years and weighted average credit rating is BB+
 - At the semi-annual review in June 2014, Hogg Robinson was upgraded from B to B+. This reflects improvements in operating margin, cash flow generation and net debt
 - Barratt Developments and Taylor Wimpey were upgraded from BB+ to BBB- following improved LTVs and strong underlying operating performance
- There were no prepayments on any of the loans in the fourth quarter

Page 50

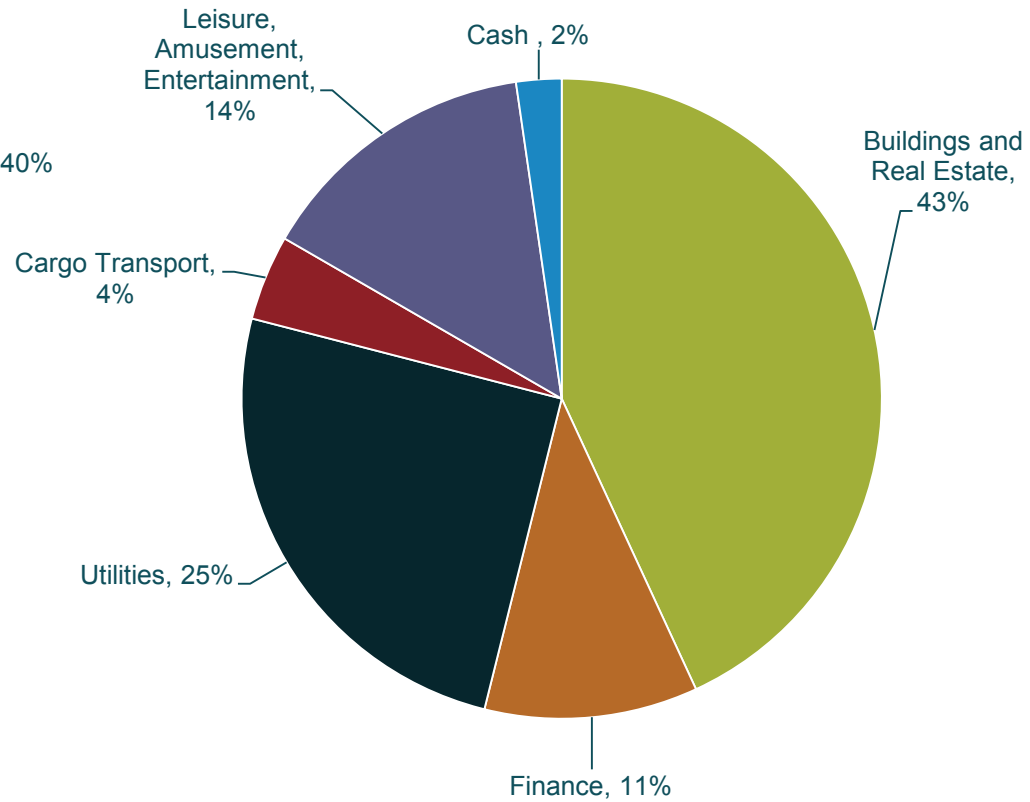
UK Companies Financing Fund I

Current portfolio

Credit ratings



Industry split



Page 51

UK Companies Financing Fund I

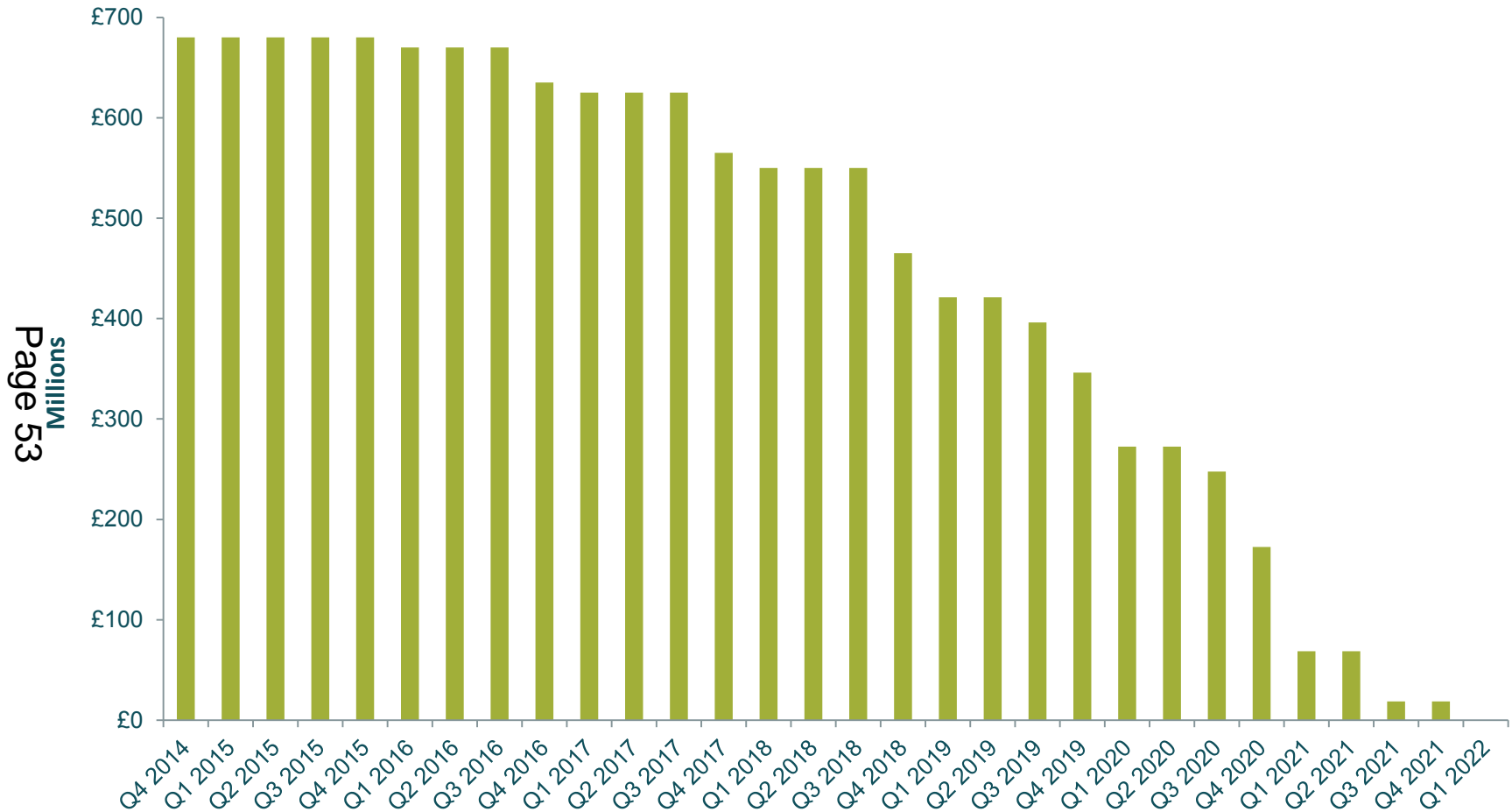
Portfolio details

Issuer	Notional	Spread (bps)	Coupon (%)	Maturity	Average Life	Sector	Rating
Hogg Robinson Group Plc (SWAP)	30,000,000	426	4.9	22/11/2018	2.9	Leisure, Amusement, Entertainment	B+
Taylor Wimpey	100,000,000	400	4.9	18/11/2020	4.4	Buildings and Real Estate	BBB-
Provident Financial	100,000,000	450	5.1	31/01/2021	4.2	Finance	BBB
Grainger plc	100,000,000	400	4.6	07/03/2021	5.7	Buildings and Real Estate	BB+
Barratt Developments plc	100,000,000	400	4.6	01/07/2021	5.7	Buildings and Real Estate	BBB-
Intermediate Capital Group Plc	75,000,000	500	5.6	30/11/2018	2.9	Finance	BBB-
Wincanton plc	75,000,000	425	4.8	19/01/2022	5.6	Cargo Transport	B-
Drax Finance Limited	100,000,000	N/A	N/A	21/12/2020	5.2	Utilities	BB+

Page 52

Portfolio amortisation

Outstanding fund amount based on contractual amortisation schedules



Page 53
Millions

Conclusion

- UKCFF1 is continuing to provide stable floating rate interest income
- Portfolio is performing as expected
- Prepayment risk is key variable going forwards

Page 54

Appendix

Page 55

Fixed Income Investment Resources

183 investment professionals

Simon Pilcher
Chief Executive, Fixed Income

Insttutinal Clients Fund Management

David Lloyd (35)
Miles Tym (17)
Robert Burrows (10)
Gaurav Chatley (9)
David Fancourt (21)
Claire Bews (13)
Richard Ryan (20)
Jamie Hamilton (18)
Mark Ellis (10)
Clare Daly (7)
Michael Ah-Chung (1)
David Parsons (24)
Jonathan Lahrroui (4)
Anthony Robson (27)

Internal Clients Fund Management

Jeremy Richards (30)
Adam English (22)
Rob Whitten (28)
Chris Shipman (11)
Patrick Schoeb (18)
Morgan Stephens (11)

Retail Clients* Fund Management

Jim Leaviss (21)
Stefan Isaacs (13)
Luke Coah (16)
Ben Lord (11)
Richard Woolnough (28)
Mike Riddell (12)
James Tomlins (11)
Claudia Calich (21)
Gordon Harding (10)
Matthew Russell (10)
Anthony Doyle (10)
James Thompson (10)
Nicolo Carpaneda (10)
Ana Gil (5)
Anjullie Rusius (5)

Fund Directors

Bernard Abrahamson (26)
Jenny Williams (34)
Andrew Swan (32)
John Atkin (23)
Annabel Gillard (16)
Stefan Cornelissen (17)
Robert Heaney (17)
Billyana Kuncheva (17)
Luuk Veenstra (18)
Marcel De Bruijckere (23)
Christian Haas
Mike Thomas (30)
Georgina Clarke** (13)
Maria Stott** (15)

ABS Management

James King (18)
Patrick Janssen (15)
Matthew Wardle (7)
Christine Ko (15)
Scott Ellerby (4)

Public Credit Research

Rob Marshall (17)
Edward Felstead (10)
Alex Giles (17)
Mark Robinson (6)
Tolani Benson (4)
Hannah Godwin (3)
Alexander Radon (3)
Elsa Dargent (4)
Jaimin Shah (8)
Anuj Babber (13)
Matthew O'Sullivan (9)
Claire Schoeman (14)
Josephine Meertens (13)
Tim Morris (6)
James O'Prey (10)
Michael Coady (6)
Othman El Iraki (6)
Eoin O'Shaughnessy (6)
Chris Saysell (21)
Simon Duff (16)
Rachita Patel (12)
Orlando Finzi (18)
Vladimir Jovkovich (10)
Stephen Wilson-Smith (22)
Michael Posnansky (13)
Lu Yu (6)
Chris Money (8)
Yin Wu (3)
Dominic Rose (1)
Miriam Hehir (14)
Saul Casadio (14)

Leveraged Finance

John Foy (35)
Fiona Hagdrup (24)
Andrew Boughen (21)
Daniel Gardner (27)
Iain Macdonald (23)
Adam Koller (13)
Catherine Ross (16)
Duncan Sherriffs (15)
Fabian Ansorg (8)
Cameron Low (11)
Catherine Lloyd (7)
Michael George (13)
Yuki Nakagawa (11)
Scarlett De Posson (9)
Nicola Poulloura (8)
Aditi Rao (2)
Alex Gee (1)

Project & Infrastructure Finance

Tim Huband (30)
Martin Walshe (38)
Ian Bigwood (22)
Andrew McCormick (6)
David Kemp (10)

PPM Managers

Simon Faure (14)
John Euers (14)
Scott Penwell (15)
Vivian Liu (10)
Ajay Patel (7)

Infrastructure Equity

Martin Lennon (20)
Mark Chladek (16)
Ed Clarke (25)
Stephen Nelson (24)
Mathieu Lief (14)
Joanne Horridge (18)
Bernd Schumacher (12)
Milton Fernandes (14)
Kenton Bradbury (17)
Rocio Oriol (9)
Max Helmore (7)
Georgina Dellacha (9)
Alberto Signori (12)
Ameer Hamza Khan (8)
Carolyn Pearce (10)
Ella Simmonds (6)
James Haraway (12)

Real Estate Finance

John Barakat (29)
Peter Foldvari (11)
Jamil Farooqi (16)
Dan Riches (14)
Paul Dittmann (24)
Lynn Gilbert (33)
Adam Willis (4)
Lexie Elliott (12)
Michael Dey (8)
Duncan Batty (7)
Andreas Schaefer (3)
Rosa Brand (2)
Ida Yazchidi (1)
Fiona Voon (9)
Michael Lee (1)
Stefano Tomaselli (1)

Alternative Credit Management

Mark Hutchinson (33)
William Nicoll (19)
Mike Nicholson (19)
Gary Parker (19)
Richard Sherry (17)
Joakim Sarnstedt (10)
Stephen Coghill (8)
Jo Waldron (13)
Jon Dawson (8)
James Newberry (1)

Private Placements and Direct Lending

Calum Macphail (20)
James Pearce (13)
Sala Fitt (20)
Dia Savant (16)
Simon Fretwell (22)
Oriane Auzanneau (7)
Luke Staddon (6)
David Sheppard-Burgess (9)

Real Estate Income

Ben Jones (21)
Stephen Chamberlain (27)
Peter Manners-Smith (6)
Lee McDowell
Holly Johnstone (3)
Will Shaddolt (4)
Charlotte Thompson (1)

Social Housing

Mark Davie (37)
Taniya Heyn** (13)

Fixed Income Dealers

David Walker (7)
Howard Lacy (26)
Warren Gethen (23)
Alex Dragut (11)
Chris Clemmow (2)

Fixed Income Restructuring

Paul Taylor (16)
Andrew Amos (13)
Mustafa van Hien (6)
Andy Bishop (6)
Rafael Cerezo (12)
Richard Booth (11)
Nick Karelis (12)
Biliana Sourlekova (1)

Analysts: average years of industry experience – 13 years

UK Companies Financing Fund investment process

Step	Participants	Outcome
1. Weekly pipeline meeting reviews potential investments	Direct Lending Team, Portfolio Manager, Head of Credit Research, Head of Alternative Credit	Deal team created if required
2. Initial analysis and Q&A meeting with management	Deal Team	Initial credit memo produced
3. Initial Investment Committee	Deal Team, Portfolio Manager, committee members	Recommendation to proceed, questions to resolve if applicable
4. Detailed due diligence, meeting with management and operations directors, documentation review / negotiation	Deal Team	Detailed Investment Committee paper produced
5. Investment Committee	Deal Team, Portfolio Manager, committee members	Investment decision and internal rating
6. Negotiation of legal documentation	Deal Team, external lawyers	Pre-completion memo produced
7. Deal closing and funding	Deal Team, external lawyers, administrative team	Addition to portfolio
8. Post deal monitoring	Deal Team, Portfolio Manager	Quarterly management meetings, covenant monitoring, semi-annual review

Page 57

Problem Credit Committee (PCC)

Extra layers of governance for private debt

On watch list

- Maintained by individual private debt teams to enable pro-active identification of potential problem companies
- Aims to raise any issues BEFORE covenant breaches
- Circulated monthly within teams and to Minor PCC to identify names for PCC review

Minor PCC

Page 58

- Chaired by head of workout group
- Attended by members of private debt teams
- Companies on watch lists discussed together with companies on Minor PCC to determine options for remedial action and correct pricing
- Most concerning cases referred to major PCC

Major PCC

- Chaired by head of alternative credit
- Attended by heads of private debt teams and head of workout group
- Discuss restructuring / remedial actions for all companies on Major PCC
- Establishes expected recovery levels / pricing
- Improving cases referred to minor PCC

Dynamic process as company performance evolves

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Agenda Item 5

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	BlackRock Performance for the period end 31 December 2014		
KEY DECISION	No	Item No:	5
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	19 February 2015

1. SUMMARY

- 1.1 This report is a presentation by the Pension Fund's Fund Manger BlackRock on the performance of the passive equity and bond portfolio for the period ending 31 December 2014.

2. RECOMMENDATION

- 2.1 The Committee is recommended to note the contents of the presentation.

3. BACKGROUND

- 3.1 The Pension Fund invites its Fund Managers to make a presentation on their performance once a year.

4. PORTFOLIO SUMMARY

- 4.1 The contents of the report will be presented to the committee.

5. CONCLUSION

- 5.1 The performance of the Fund Manager is for noting.

6. FINANCIAL IMPLICATIONS

- 6.1 The financial implications are covered in the quarterly performance report from the Fund's advisors, Hymans Robertson – see separate agenda item..

7. LEGAL IMPLICATIONS

- 7.1 As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.

7.2 The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

8. CRIME AND DISORDER IMPLICATIONS

8.1 There are no crime and disorder implications directly arising from this report.

9. EQUALITIES IMPLICATIONS

9.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

9.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

10. ENVIRONMENTAL IMPLICATIONS

10.1 There are no environmental implications directly arising from this report.

APPENDICES

The full report is attached. Commentary will be provided at the meeting by the Advisors presenting with further comment for members of the Committee available from the Council's investment advisors, Hymans Robertson.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 831 49114.

London Borough of Lewisham

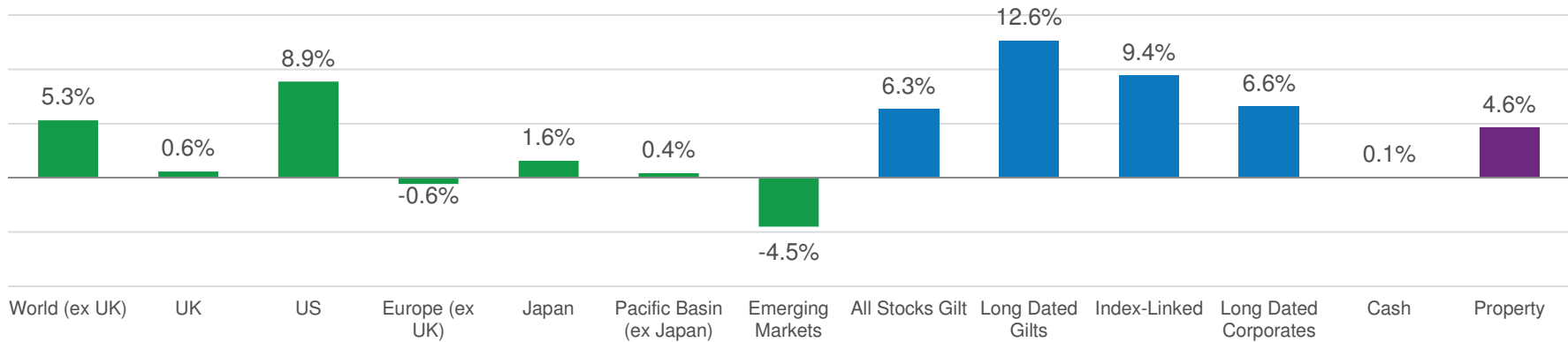
Christopher Head, Head of UK Local Authorities

Andrew Graver, Senior Investment Strategist

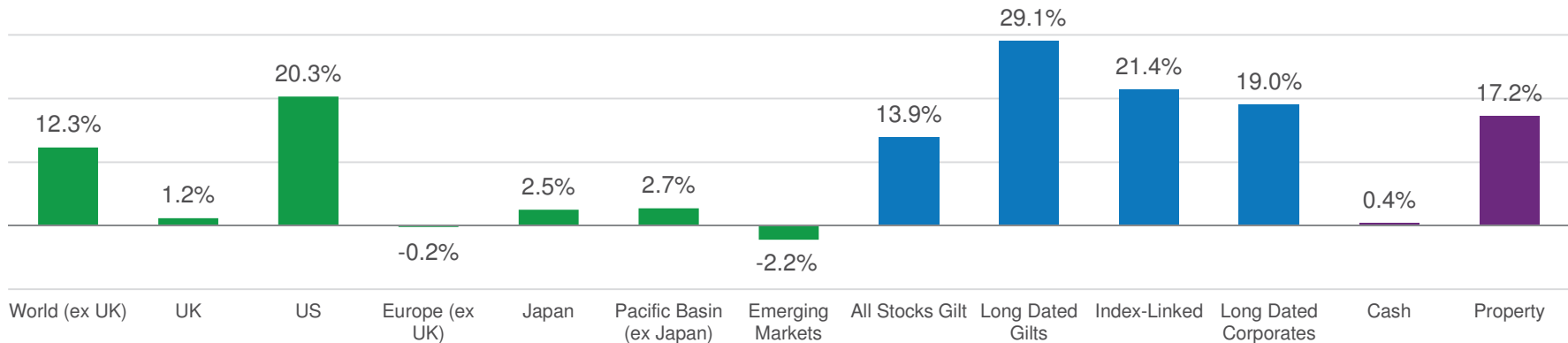
19 February 2015

Market returns to 30 September 2014

3 Months Index Performance



12 Months Index performance



GREEN = Equities, BLUE = Fixed Income, PURPLE = Alternatives. All returns shown in sterling, total return as of 31 December 2014. World (ex UK): FTSE AW DEV ex UK NET of TAX GBP, UK: FTSE All-Share TR Index, US: FTSE United States in GBP, Europe (ex UK): FTSE AW DEV Europe ex UK NET of TAX GBP, Japan: FTSE AW Japan NET of TAX GBP, Pacific Basin (ex Japan): FTSE AW DEV AsiaPac ex Japan NET of TAX GBP, Emerging Markets: MSCI Emerging Markets Index (Net), All Stocks Gilt: FTA All Stocks Gilts Index, Long Dated Gilts: FTSE AS Gilt 25+ Index, Index-Linked: FTSE Actuaries UK Index Linked Gilts Over 5 Years Index, Long Dated Corporates: iBoxx Sterling Non Gilt 15+ Index. Source: BlackRock, 2014

London Borough of Lewisham Valuation

	Benchmark	Valuation
Fixed Income		
Aquila Life Over 15 Years UK Gilt Index Fund	FTA Over 15 Year Gilt Index	30,444,002
Aquila Life Over 5 Year UK Index-Linked Fund	FTSE Actuaries UK Index Linked Gilts Over 5 Years Index	30,238,549
BlackRock UK Credit Bond Index Fund	Markit iBoxx GBP Non-Gilts Overall TR Index	30,715,976
Equities		
Aquila Life Canadian Equity Index Fund	FTSE Canada TR NET of TAX GBP	8,963,458
Aquila Life European Equity Index Fund	FTSE AW DEV Europe ex UK NET of TAX GBP	37,315,710
Aquila Life Israel Equity Index Fund	FTSE Israel Net	540,555
Aquila Life Japanese Equity Index Fund	FTSE AW Japan NET of TAX GBP	18,024,596
Aquila Life Pacific Rim Equity Index Fund	FTSE AW DEV AsiaPac ex Japan NET of TAX GBP	10,287,139
Aquila Life UK Equity Index Fund	FTSE All-Share TR Index	86,003,822
Aquila Life US Equity Index Fund	FTSE United States in GBP	131,806,402
BlackRock Emerging Markets Index Sub-Fund	MSCI Emerging Markets Index (Net)	24,783,888
Cash		10,548
London Borough of Lewisham valuation as at 31 December 2014¹		£409,134,645
London Borough of Lewisham valuation as at 30 January 2015¹		£422,003,951

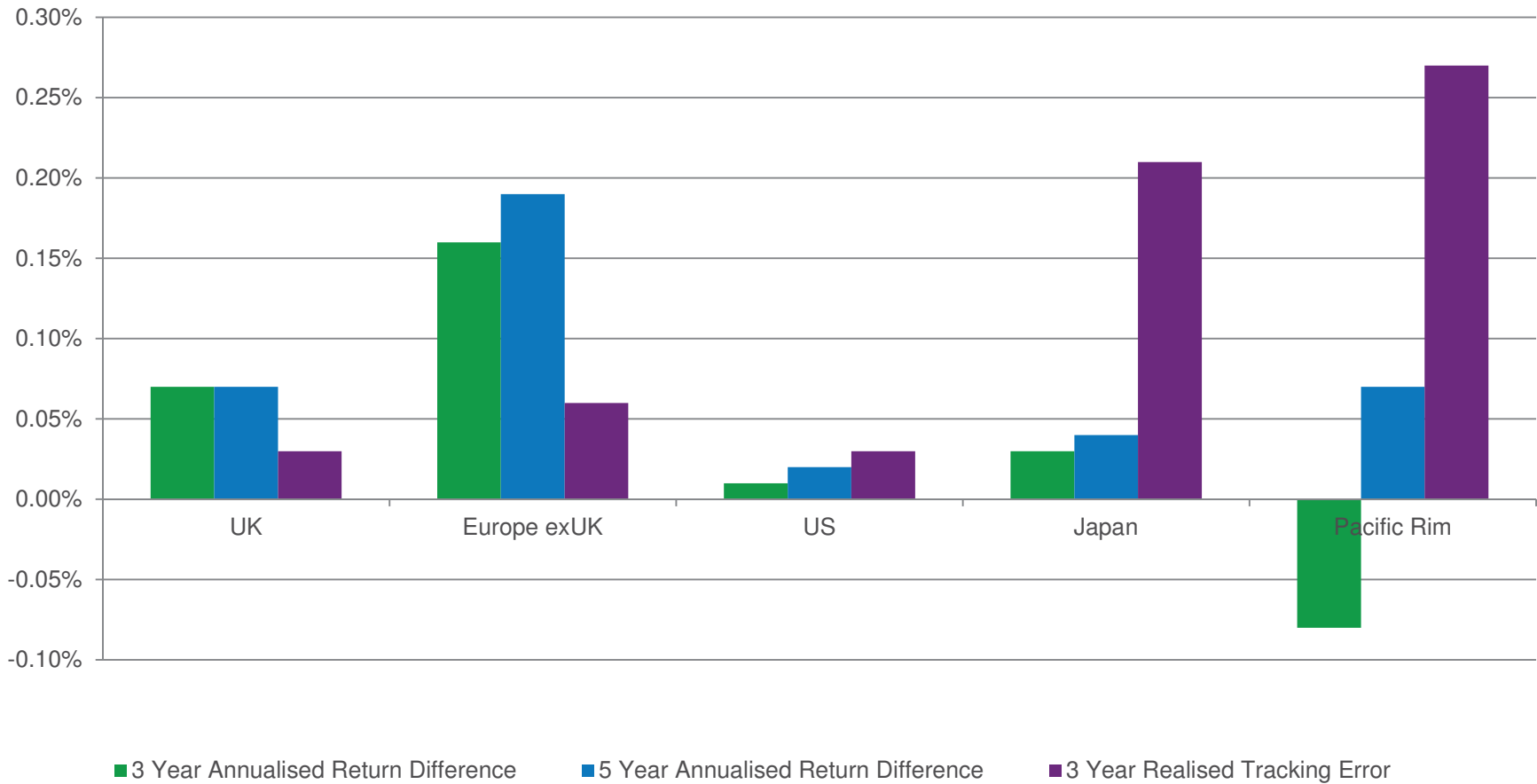
Page 64

1. Valuation is unaudited. Fund values are based on creation prices calculated as at the last working day of each valuation period. Source: BlackRock

Q4 2014 - Aquila Life relative performance and tracking error

Performance and risk vs. index

Page 65



Source: Source: BlackRock and FTSE as at 31 December 2014. Aquila Life funds are benchmarked to the FTSE Net Indices. Past performance is not a reliable indicator of future results.

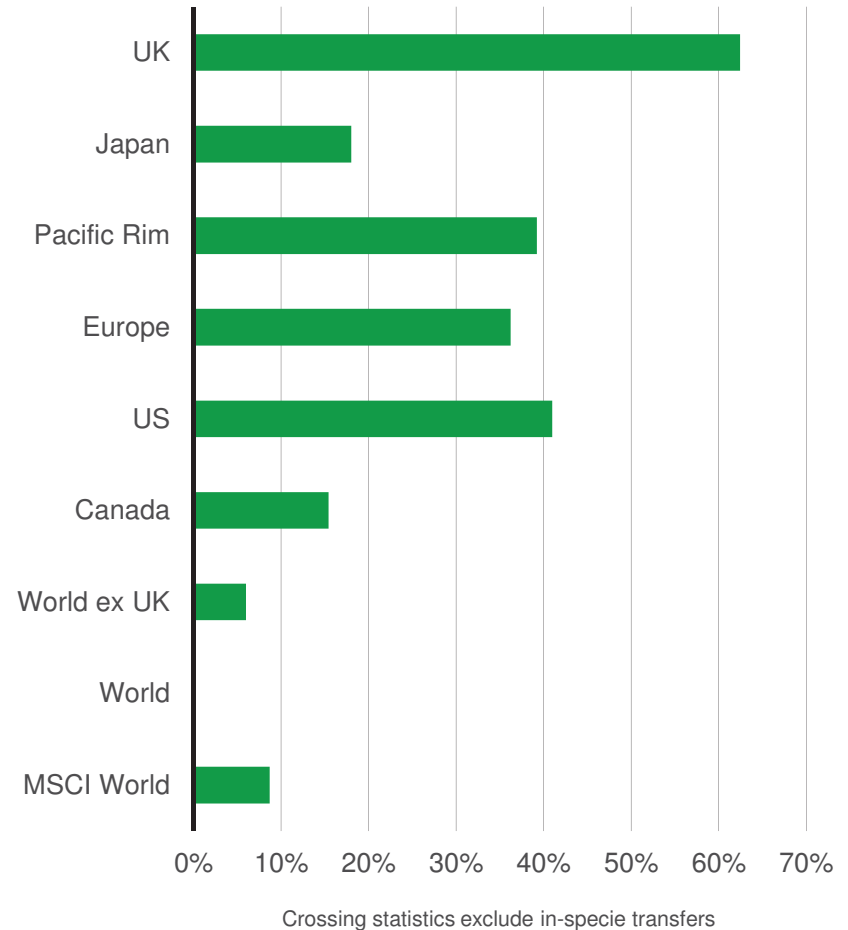
Q4 2014 - Trailing 12-month unit-level crossing statistics update

Aquila Life equity index funds

- ▶ Unit-level crossing is a **free service** provided to clients
- ▶ Est. **£16.9m saved** by clients over 12 months through December 2014 from unit level crossing in Aquila Life equity funds

Page 66

Percent crossed by fund over trailing 12 months



Source: BlackRock as at 31 December 2014.

Governance

CORPORATE GOVERNANCE SNAPSHOT

BLACKROCK®

JANUARY 2015

Our half-yearly snapshot highlights the latest themes identified by our Corporate Governance and Responsible Investment (CGRI) team. In this issue, we focus on:

- ▶ Changes to UK Corporate Governance Code
- ▶ Audit reform
- ▶ Human capital

REGULATION – CHANGES TO THE UK CORPORATE GOVERNANCE CODE

During the second half of the year, the UK Financial Reporting Council updated the Corporate Governance Code with changes to a number of topics, including going concern, executive remuneration and shareholder engagement. The revised Code is intended to promote the inclusion of a 'viability statement' in the Strategic Report, providing investors with an improved forward-looking assessment of the long-term solvency and liquidity of the company.

The revised Code places greater emphasis on ensuring that executive remuneration is designed to promote the long-term success of the company and the sustained creation of shareholder value, focusing less on attracting and retaining talent. **Given this, we expect future engagements on remuneration to increasingly focus on how the design of executive incentive schemes acts as a support function to the sustainable creation of long-term returns.** The revised Code also encourages companies to explain how they intend to engage with shareholders when a significant percentage of shareholders have voted against a resolution. **As a result of this, there will likely be increased engagement activity following a significant vote against pay, especially outside the proxy season (i.e. during the second half of the year).**

AUDIT

As discussed in our first issue of Corporate Governance Snapshot, during H1 2014 we engaged frequently on audit-related issues with UK issuers, who seem to be responding to a structurally-changed market by tendering audit more frequently. And coupled with increasing investor awareness on the value of audit themed engagements and an expectation in the reduction of the average audit tenure, more issuers have approached investors wanting to ensure that they fully understand their tendering process. **Despite the relatively recent changes to the audit market, we expect the increase in audit-related engagement to continue as more UK issuers begin to tender their auditing services on the back of legislative changes.**



AMRA BALIC
Managing Director

At BlackRock, we view corporate governance in an investment context. We believe that a sound corporate governance framework promotes strong leadership from boards of directors and good management practices, which in turn help companies to achieve better returns for our clients. Our CGRI team develops and applies our environmental, social and governance framework.

HUMAN CAPITAL

In recent years, the CGRI team has increasingly focused its engagement efforts on human capital, driven by our belief that effective human capital management can be a driver of competitive advantage and contributor to sustainable shareholder returns over the long-term. Research shows that employee satisfaction is associated with positive abnormal returns in certain markets, while reputational issues associated with employee relations and safety issues can be an economic issue for investors.

Although human capital management challenges manifest themselves in different ways depending on the industry concerned, we expect boards of directors to dedicate more attention to ensuring the appropriate internal mechanisms are in place for attracting, incentivizing and retaining human capital, while ensuring safe working conditions and human rights protections in their global supply chains. **As such, we think companies will become increasingly active in discussing human capital with their investors, and we expect this topic to be an integral part of our future engagement efforts alongside more traditional corporate governance subjects.**

HUMAN CAPITAL: AN EXAMPLE OF EFFECTIVE ENGAGEMENT

Over the past four years, we have been engaging with a UK public transport company on issues concerning freedom of association, and staff and operational safety at its school bus operations. These engagements were initiated after a union raised concerns by claiming that the company had been neglecting the safety and treatment of its workers while discouraging union membership, thereby running major reputational and financial risks. In response to the concerns raised, we engaged with the company to understand the issues and assess its ability to carry out operations safely, and any potential impact on retaining and acquiring new operating licences.

During the engagement period, the company has significantly improved its transparency, while the number of injuries and accidents to employees has decreased considerably. It has also continued to deliver industry-leading retention rates of targeted contracts, and enjoyed a very successful bus bid season, all while achieving high levels of customer satisfaction. A further encouraging sign came when Board appointed a new non-executive director, currently Group Head of HR at a large UK plc, a move that we believe demonstrates a commitment to the essential matter of human capital. Despite these improvements, we will continue to engage with the company as its future success is dependant on its human capital and the safety of its transport operations.

Want to know more?



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institutional.enquiries@blackrock.com



blackrock.co.uk

Source: BlackRock. All data as at December 2014 unless otherwise stated.

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BLACKROCK®

Smart Beta

What is Smart Beta?

An evolution in the concept of passive investing

Smart Beta strategies seek to capture systematic sources of return, while retaining many of the benefits of passive strategies

What is Smart Beta?

- ▶ Portfolio construction is rules-based, transparent, and generally not cap-weighted
- ▶ Seeks to enhance risk-adjusted returns through exposure risk premia, market anomalies or investment themes that are well-understood, persistent, and desirable
- ▶ BlackRock looks for Smart Betas that are value creating over time and not correlated with core asset classes

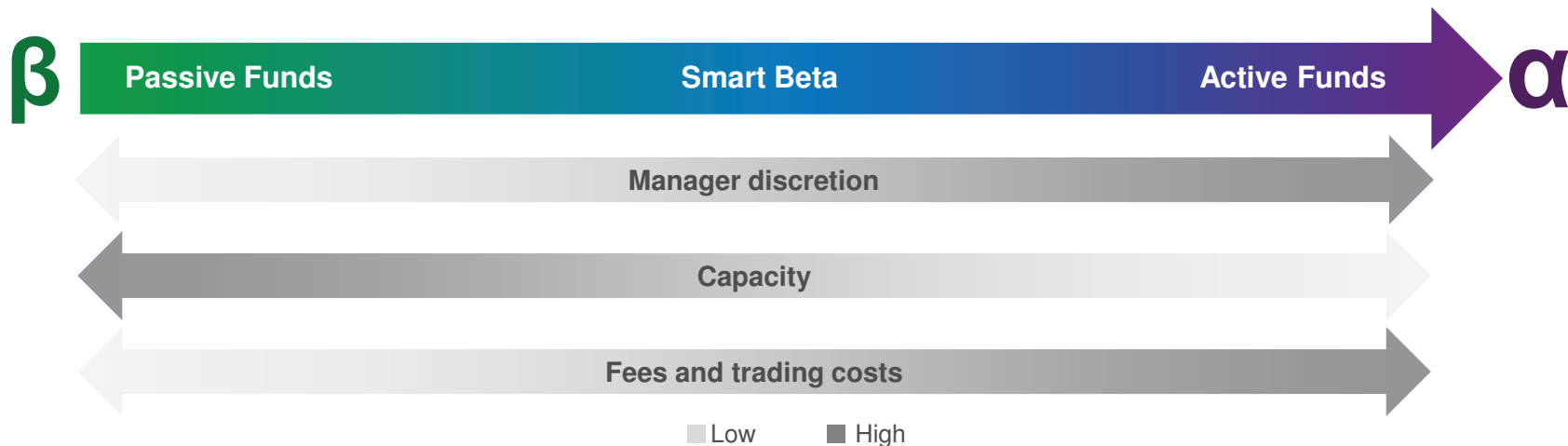
What can Smart Beta do for a portfolio?

A powerful tool to potentially improve investment outcomes:

- ▶ Capture many of the themes present in active portfolios for a fraction of the cost
- ▶ Efficiently implement an investment view or theme
- ▶ Provides a factor-based view of the world to enhance returns or reduce risk

Page 71

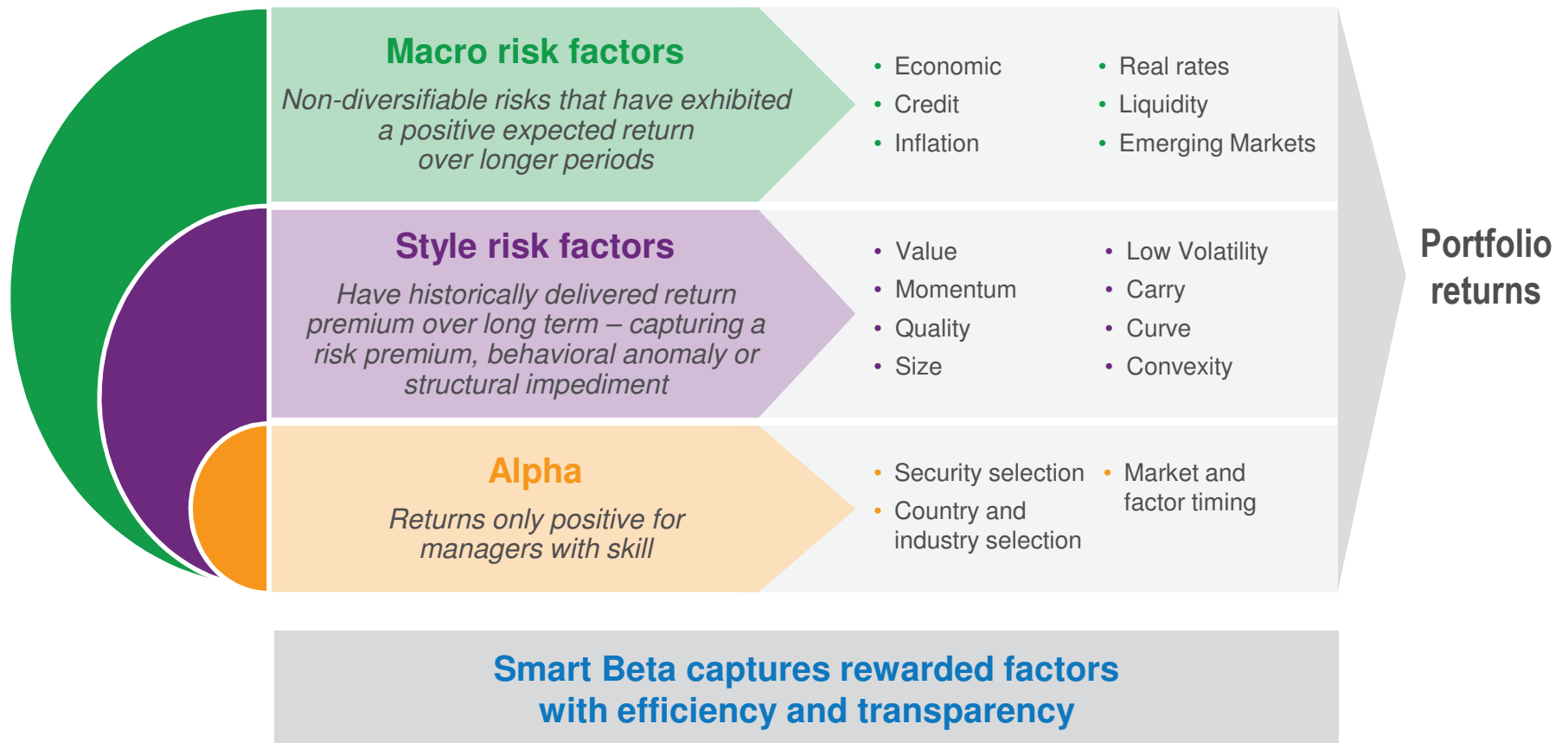
Smart Beta strategies reside in a continuum between active and passive



Understanding different types of factors: A framework for explaining investment returns

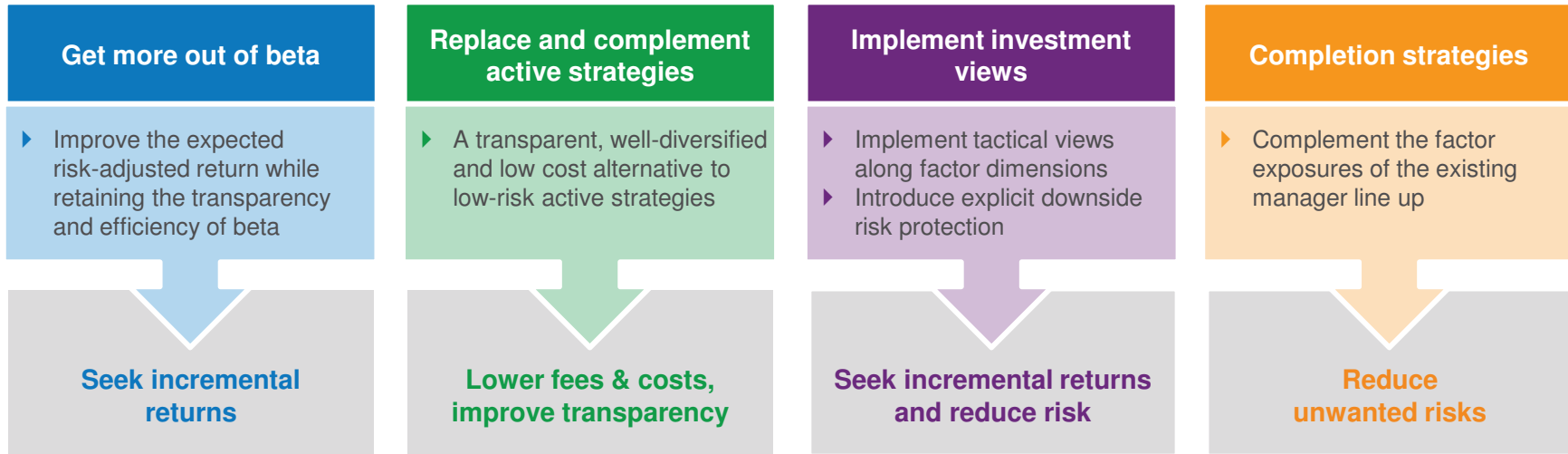
Investors increasingly seek to differentiate active manager skill from risk factor exposures which can be efficiently replicated

Page 72



Reframing the investment opportunity set: Where Smart Beta fits into a portfolio

Smart Beta solutions may help investors enhance returns or reduce risk



Summary of alternative indexing methodologies



Page 74

	Equal Weighted Indexing	Minimum Volatility Indexing	Fundamental Indexing Strategies
What is it?	Equal stock weights across universe	Global equity exposure with lower total risk	Fundamental rules-based investment strategy
Methodology	Equal weight rebalancing over various time intervals	Minimize volatility while maintaining global sector and country exposure	Fundamental factors determine strategy weights
Characteristics	Tilts away from large caps, higher volatility than cap weight	Global equities with 1/3 less risk and some downside protection	Tilt towards value and small cap stocks
Providers	MSCI Equal Weighted S&P Equal Weight	MSCI World Minimum Volatility Index	FTSE RAFI MSCI Value Weighted

Impact Investing

INVESTING WITH IMPACT

A new approach to ethical investing



JANUARY 2015

Ethical investing is high on the agenda for many UK local authority pension schemes. Following the recent clarification on whether their committees can consider the ethical implications of investments, schemes are looking to incorporate the ethical views of their stakeholders in portfolios. We propose new strategies that could increase positive impact and enhance investment returns.

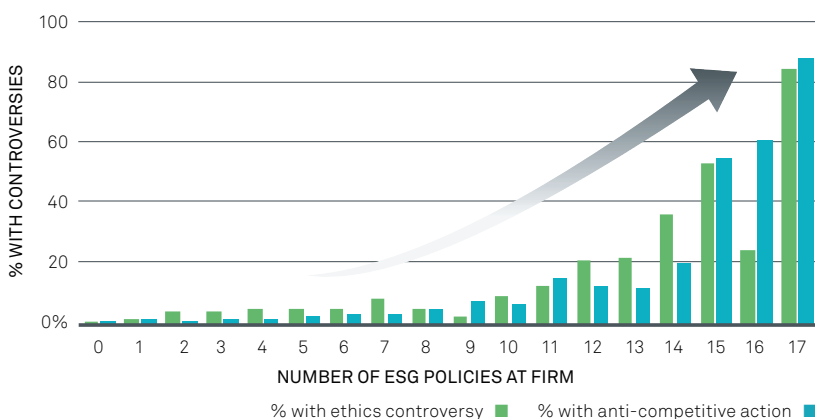
Ethical investors historically have implemented their views using a negative screen – excluding ‘sin’ stocks i.e. tobacco, arms and gambling. This limits the investable universe adversely and affects the risk and return characteristics of their portfolios.

Another approach is to look for desired outcomes and to search for companies that invest for social ‘good’. These goals could include renewable energy, human rights or progressive employment policies.

While we agree with this positive approach we see too much reliance on what companies are saying about themselves and the image they are trying to project and too little on what they actually achieve.

Our research (see exhibit 1) has shown that in many cases the companies that have the most policies governing these issues are the ones involved in the most controversies, attracting negative news and social media coverage.

EXHIBIT 1: FIRMS WITH MORE ESG* POLICIES HAVE HIGHER RATES OF CONTROVERSY



Sample universe: Russell 1000. Policy data source: Thomson Reuters Asset4Controversy likelihood is calculated from average number of controversies for firms in and out of the index in question, controlling for size, industry, country and multinational effects.

* ESG – environmental social and governance.

We expected firms with ESG-friendly policies to be less frequently involved in controversies and scandals. We couldn't have been more wrong. The firms that 'tick all the boxes' with employee leave and training programmes, human rights monitoring for their suppliers, signing on to UN and ILO directives and so forth, have by far the worst performance with respect to controversy.

WHAT DO WE PROPOSE?

We propose investors extend the analysis beyond policies and focus less on trying to extract disclosure from companies. A better approach is to leverage the vast ocean of data that goes far beyond what firms say about themselves.

Our scientific approach analyses thousands of public information sources, ranging from news feeds to government sources, regulators and social media, in a thorough and systematic way. Filtering the information into a manageable output and positive stock-holding decisions, identifies companies that have a measurable positive societal impact.

FRAMEWORK: What qualities do we look for in companies to identify outcome-oriented businesses?



Company focus

Does the company care about its impact on the environment and society?



Minimise controversies

Has the company limited the number of negative outcomes?



Impact outcomes

Do the company's achievements and actions demonstrate that it is committed?



Public perception

Do customers, employees, and suppliers believe the company?

Our approach allows investors to measure and capture impact by moving beyond the public image companies portray. Our platform, with its multiple data sources and deep experience in sorting out signal from noise, is used to avoid the biases present in traditional ESG approaches.

RESEARCH: Active and wide research agenda into impact factors across the globe covering three main areas



Health

- ▶ Medical treatments
- ▶ Global burden of disease
- ▶ Nutrition



Environment

- ▶ Carbon footprint
- ▶ Green innovations
- ▶ Resource efficiency



Welfare

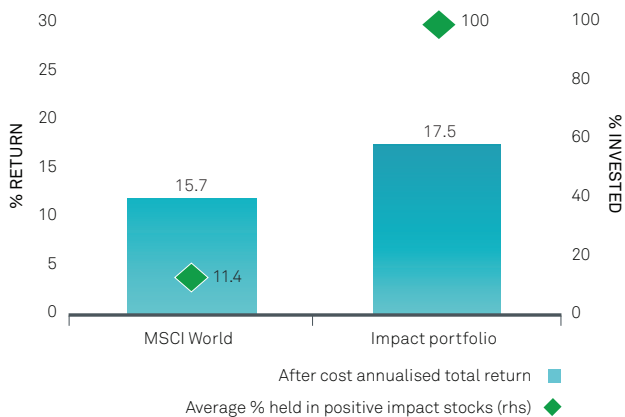
- ▶ Employee sentiment
- ▶ Labour relations
- ▶ Tax evasion

We are looking for companies with products, technologies and ways of doing business that have a positive societal impact. Companies that innovate create competitive advantages. The use of multiple measurements and data sources allows us to isolate companies whose words match their actions, assessing whether key stakeholders such as employees, customers and suppliers believe them.

We like to think the process conducts a 360 degree impact review for each firm in the portfolio for both positive and negative effects.

EXHIBIT 2: PERFORMANCE WITH IMPACT

Simulated returns



BENCHMARK	TRACKING ERROR	SIMULATION PERIOD
MSCI World	100bp	2010-2014

Source: BlackRock as of 7 November 2014.

ACCORDING TO OUR SIMULATED RETURNS:

- ▶ As shown in exhibit 2, the MSCI World index would have returned 15.7% pa annualised – with little emphasis on achieving ‘good’
- ▶ Positive impact portfolio would have returned 17.5% pa with 100% of portfolio in positive impact investments and 100 bps tracking error.

AN INVESTMENT APPROACH BUILT FOR CHANGING MARKETS

- ▶ Daily news flow is built into company scoring and portfolios are adjusted on a periodic basis.

BETTER REPORTING AND TRANSPARENCY

- ▶ You can quantify the social impact of your portfolio in your report & accounts with information we provide.

Examples:

- ▶ **Health:** portfolio has 101 clinical studies from 23 companies on Dengue fever
- ▶ **Environment:** portfolio has 66% more green innovations than the benchmark
- ▶ **Welfare:** employees are 26% happier and companies experienced 6x fewer lawsuits and litigation
- ▶ You can respond to information requests on your portfolio in ‘real time’ with our interactive performance tool.

EXHIBIT 3: NEXT GENERATION PERFORMANCE REPORTING









Source: BlackRock.

BENEFITS OF OUR IMPACT INVESTING PROCESS

- ✓ Exploits insights from vast amounts of data
- ✓ Removes emotion from the process
- ✓ Delivers transparent portfolios
- ✓ Quantifies your portfolio’s social impact

Want to know more?

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Appendix

London Borough of Lewisham

Performance to 31 December 2014

(%)	3 Months			12 Months		
	Fund	Index	Relative	Fund	Index	Relative
Fixed Income						
Aquila Life Over 15 Years UK Gilt Index Fund	11.19	11.19	0.00	26.23	26.13	0.10
Aquila Life Over 5 Year UK Index-Linked Fund	9.42	9.42	0.00	21.44	21.38	0.06
BlackRock UK Credit Bond Index Fund	4.37	4.35	0.02	12.21	12.20	0.01
Equities						
Aquila Life Canadian Equity Index Fund	-0.29	-0.37	0.08	8.92	8.73	0.19
Aquila Life European Equity Index Fund	-0.50	-0.57	0.07	-0.03	-0.21	0.18
Aquila Life Israel Equity Index Fund	3.87	3.82	0.05	24.23	24.07	0.16
Aquila Life Japanese Equity Index Fund	1.57	1.58	-0.01	2.50	2.52	-0.02
Aquila Life Pacific Rim Equity Index Fund	0.44	0.43	0.01	2.49	2.73	-0.24
Aquila Life UK Equity Index Fund	0.54	0.58	-0.04	1.18	1.18	0.00
Aquila Life US Equity Index Fund	8.87	8.87	0.00	20.31	20.32	-0.01
BlackRock Emerging Markets Index Sub-Fund	-0.48	-0.71	0.23	4.02	3.90	0.12
Total						

Page 81

In-house figures. The returns shown are client specific, in sterling and gross of fees unless otherwise stated. Past performance is no guarantee of future results. Source: BlackRock

Platform provides comprehensive Smart Beta exposure

Key Institutional Smart Beta strategies

Category	Equity \$77 b ETFs: \$47b Non-ETFs: \$30 b				Fixed Income \$34 b		Multi-Asset \$10 b	Alternatives \$1 b
Strategy	Income	Minimum Volatility	Fundamentally-weighted	Factor funds	Sovereign Screened	Credit Screened	Market Advantage	Commodities Plus
Lead PM	Alan Mason				Model-Based Fixed Income Team	Model-Based Fixed Income Team	GMSG Team	Rob Shimell
AUM	\$34 b	\$19 b	\$11 b	\$3 b	\$4 b	\$30 b	\$10 b	\$1 b
Benchmark	DJ Select Dividend, Morningstar Dividend Focus, FTSE Dividend, S&P Dividend Aristocrats, MSCI High Dividend	MSCI Minimum Volatility, Russell Defensive	FTSE RAFI, Russell Fundamental	MSCI Factor Indices	Barclays Global Treasury Index (customized)	Various global credit indices	Cash + 5%	Bloomberg Commodities Index, GSCI Commodities Index
Description	Seeks to achieve or exceed the return of a third party benchmark through Total Performance Management – the deliberate balancing of risk, return and cost	Seeks to achieve or exceed the return of a third party benchmark through Total Performance Management – the deliberate balancing of risk, return and cost	Seeks to achieve or exceed the return of a third party benchmark through Total Performance Management – the deliberate balancing of risk, return and cost	Seeks to achieve or exceed the return of a third party benchmark through Total Performance Management – the deliberate balancing of risk, return and cost	Seeks to provide broad exposure to corporate sovereign issuers, leveraging BLK's proprietary screening model to avoid bonds that are perceived to be the most at risk of downgrade or deterioration in price	Seeks to provide broad exposure to sovereign issuers, leveraging BLK's proprietary credit models to avoid bonds that are perceived to be the most at risk of downgrade or deterioration in price	Global multi-asset risk parity strategy designed to balance sources of return more optimally than traditional asset allocation portfolios. The strategy seeks to provide consistent, stable returns across market environments with two-thirds the risk of equity markets	An enhanced index solution that seeks to deliver more efficient exposure to the asset class by optimizing roll yield through a disciplined and systematic optimal contract selecting and roll timing

As of 31 December 2014. The views and strategies described may not be suitable for all investors. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, accounting, legal or tax advice. You should consult your tax or legal advisor regarding such matters. Please contact your account manager for further information

BlackRock at a glance

BlackRock Mission Statement

Create a better financial future for our clients by building the most respected investment and risk manager in the world

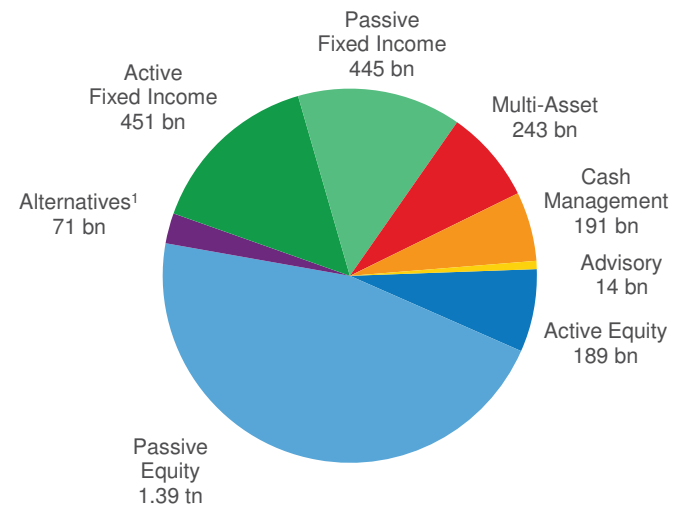
BlackRock facts *

- ▶ Established in 1988
- ▶ NYSE: BLK
- ▶ \$4.65 trillion assets under management
- ▶ More than 12,000 employees
- ▶ More than 1,900 investment professionals **
- ▶ Offices in over 30 countries
- ▶ 28 primary investment centers **
- ▶ Clients in over 100 countries
- ▶ Over 700 iShares® ETFs
- ▶ BlackRock Solutions® manages over \$15 trillion in assets
- ▶ Financial Markets Advisory business managed or advised on over \$8 trillion in asset and derivative portfolios
- ▶ Transition Management team partners with clients to save costs and reduce risks when changing investment exposures

* As of 31 December 2014

** As of 30 September 2014

£2.99 trillion managed across asset classes



Assets as of 31 December 2014

¹ Includes commodity and currency mandates

For further information

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BlackRock at-a-glance

134 investment teams located in 18 countries connect through a common culture and operating platform

Diverse client base represented by more than 65 offices in over 30 countries

Daily global meeting for BlackRock's 1,900+ investment professionals to discuss markets, portfolio positioning and ongoing trends

Investment excellence and client service – related awards around the world

The BlackRock advantage

Strength in asset management and a culture of risk management

Focus on problem solving to meet our clients' unique situations

Culture of integrity, transparency, accountability and investment excellence

Global investment platform that maximises local insights

Widely held public company with a majority of independent directors

BlackRock capabilities and services

Investment strategies: Client-driven solutions

Comprehensive risk management

Flexible and targeted exposure

Creative solutions for complex challenges

Global presence, local efforts

BlackRock Investment Management (UK) Limited

12 Throgmorton Avenue, LONDON EC2N 2DL, UNITED KINGDOM

Tel: 020 7743 3000 | Fax: 020 7743 1000 | www.BlackRock.co.uk

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Agenda Item 6

PENSION INVESTMENT COMMITTEE			
Report Title	Creation of London Borough of Lewisham Local Pension Board		
Key Decision	No	Item No.	6
Ward	n/a		
Contributors	Executive Director for Corporate Resources		
Class	Part 1	Date:	19 th February 2015

1. Summary

- 1.1 This report sets out the proposals for the establishment of the London Borough of Lewisham Local Pension Board.

2. Purpose

- 2.1 The purpose of the report is to inform members of the final details for the set up of the London Borough of Lewisham's Local Pension Board. Local Pension Boards must be established by the 1 April 2015 under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended). Established in this context means that the Administering Authority must have approved the establishment of the Local Pension Board, its composition and also the Terms of reference, in accordance with its constitution.

3. Recommendations

The Pension Investment Committee is recommended to:

- 3.1 Note the establishment of the London Borough of Lewisham Pension Board;
- 3.2 Note that the terms of reference have been submitted to the Constitutional Working Group to be held on 10th February 2015.

4. Policy Context

- 4.1 The London Borough of Lewisham Pension Fund (the Fund) is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK.

- 4.2 The Fund is administered by London Borough of Lewisham, who is the Administering Authority. The Administering Authority runs the Fund to make sure it:
- receives the proper amount of contributions from employees and employers, and any transfer payments;
 - invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth;
 - uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

5. Background

- 5.1 At the June 2010 Budget, the Government invited Lord Hutton of Furness to chair the Independent Public Service Pensions Commission. The purpose of the commission was to carry out a fundamental structural review of public service pension provision, and to make recommendations on pension arrangements that are "sustainable and affordable in the long term, fair to both the public sector workforce and the taxpayer, and consistent with the fiscal challenges ahead, while protecting accrued rights".
- 5.2 The Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations") were made under section 7 of the Superannuation Act 1972 in anticipation of the superseding of the powers under that Act by the Powers contained in the Public Service Pension Act 2013.
- 5.3 The Public Service Pensions Act 2013 (the 2013 Act), which received Royal Assent on 25th April 2013, imposed various requirements on schemes made under section 1 of that Act. Sections 5 to 7 imposed requirements in respect of local pension boards and a scheme advisory board and sections 11 to 12 in relation to valuations and employers' costs.
- 5.4 Two consultation exercises on draft regulations to introduce a new part 3 to the 2013 Regulations on governance arrangements, including cost control, were held between 23 June to 15 August 2014 and 10 October to 21 November 2014. A third consultation on the methodology and assumptions underlying the proposed employer cost cap was also held between 12 December 2014 and 2 January 2015.
- 5.5 The 2013 Act provides an extended regulatory oversight to the Pension Regulator. The regulator is required to issue one or more codes of practice covering specific matters relating to public service pension schemes. The draft code of practice no. 14 was laid before Parliament on 12 January 2015.

- 5.6 In sub section 3 of section 7 of the 2013 Regulations, the responsible authority is required to take regard to advice given by the Scheme Advisory Board. On 28th January 2015, the shadow scheme advisory board issued guidance on the creation and operation of local pension boards in England and Wales.
[http://www.lgpsboard.org/images/Guidance/LGPS Board Guidance FINAL PUBLISHED.pdf](http://www.lgpsboard.org/images/Guidance/LGPS_Board_Guidance_FINAL_PUBLISHED.pdf)
- 5.7 On 28th January 2015, the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 was laid before Parliament. This regulation sets out the final requirements for the establishment of local pension boards.
<http://www.legislation.gov.uk/ukxi/2015/57/contents/made>
- 5.8 The Pension Board Working Group was set up to support the creation of the Pension Board. The group consists of: Councillor Ingleby (Chair of Pensions Investment Committee), Councillor Muldoon (Vice Chair of Pensions Investment Committee), David Austin (Pensions Investment and Administration), Helen Glass (Legal), Carol Eldridge (Pensions Administration), and Adeola Odeneye (Pensions Investment). The group has also sort advice from Lewisham's Pension Advisors Hymans Robertson.
- 5.9 On 9th September and 13th November 2014 the following papers were submitted to the Pension Investment Committee: a) Pension Board Report and b) Pension Board Update.
<http://councilmeetings.lewisham.gov.uk/ieListMeetings.aspx?CId=181&Year=0>
- 5.10 A Summary of the recent relevant regulations, code of practice and guidance is provided in appendix A.

6. Proposals

Governance Structure

- 6.1 The Pension Board will fit in Council Structure as follows:
The Pension Board will report its findings to the Pension Investment Committee or relevant Officers for information and recommendations for action. However, in the event that the Pension Investment Committee or relevant Officers fail to agree to the recommendations of the Pension Board; the Pension Board reserves the right to escalate the issue to full Council.

Terms of Reference

- 6.2 The template for the terms of reference was provided by the shadow advisory board. This has been reviewed by the Pension Board Working Group and adapted for Lewisham. A copy of the proposed Lewisham Pension Board terms of reference , subject to review by the Constitutional Working Group and adoption at full Council, is detailed in Appendix B.

Pension Board Establishment

Appointments

6.3 The appointment process will be as follows:

Employer:

6.4 The London Borough of Lewisham will send communications out to all employers contributing into the pension fund. Lewisham will appoint employer representatives based on the criteria set out in the job specification. Scheduled, Admitted bodies and Academies will be written to informing them of the decision.

Employee:

6.5 The London Borough of Lewisham will send communications out to all employees. Lewisham will appoint employee representatives based on the criteria set out in the job specification.

Independent Chair:

6.6 The post for independent chair will be advertised on the Council's website. An interview process will be undertaken to ensure the Chair has the relevant competencies to chair the Pension Board.

6.7 It is a precondition that all members have the capacity to fulfil their responsibilities, this includes having the commitment to train and attend meetings. The competencies are laid out in the person specifications are detailed in Appendix C

6.8 The letters that will be sent out to employers and employees are detailed in Appendix D.

Support

6.9 Support to the Board will be provided by Lewisham Governance Services. There will be a recharge of relevant staff costs to the Pension Fund. There will be additional support provided by Officers in the Payroll and Pensions, and Pensions and Treasury teams.

Budget

6.10 It is anticipated that there will be minimal operational expenses. Members will be reimbursed for expenses directly incurred. There will also be an allowance in accordance with the Council's policy for co opted members. The support will be provided by officers of the Council (see above). The board will have access to resources for the occasions when research will need to be undertaken, or independent advice will need to be sought. The costs incurred will be borne by the Pension Fund.

7. Status of Pension Board

7.1 The proposed terms of reference was agreed at the Pension Board Working Group on 2nd February 2015. Kath Nicholson, the Head of

Law, has reviewed the terms of reference and submitted a report to the Constitutional Working Group (CWG). The report contains the additional information to establish the Pension Board that will need to be included in the Council's constitution, and any issues / concerns with the final terms of reference. If approved, the CWG will submit a report to full Council on 25th February 2015 recommending the change in the Council's constitution.

- 7.2 If approved at the February Council meeting, Lewisham Council will have complied with the 2013 regulations and established a local Pension Board before 1 April 2015. The next phase of recruiting members to the board will commence in March 2015. The latest month for the first meeting for the Pension Board will be July 2015.

8. Financial implications

- 8.1 The local Pension Board will require minimal resourcing. The meetings will be held in a Council building and the agenda and minutes will be published on a Council website. All members will be reimbursed for reasonable travel expenses, and the Chair will receive an annual allowance in accordance with the arrangements for co-opted members, as set out in the Council's Constitution.
- 8.2 The Council has purchased a hosted pension website from Hymans Robertsons. This website will be the main point of communications for Pension related issues. The cost of this has already been committed from the pension fund. This was agreed in the September meeting of the Pension Investment Committee.
- 8.3 The national scheme advisory board will impose a levy on Administering Authorities in order to fund their formation and ongoing duties. This levy will be in proportion to the size of each administering authority's pension fund. A provisional figure is to be provided by the DCLG for 2015-16 by the end of February.
- 8.4 All costs incurred will be borne by the Pension Fund.

9. Legal implications

- 9.1 These are set out in the body of the Report.
- 9.2 As stated in paragraph 7 of this Report, the changes to the Council's Constitution necessitated the establishment of a local Pensions Board as required by the 2013 Act and the 2013 Regulations. These will be considered by the Council's Constitutional Working Party which will have regard to the views of the Pension Investment Committee's Working group and will make recommendations to Council to enable the terms of reference of the new Pensions Board to be agreed in time for the legislative deadline of the 1st April 2015.

10. Crime and Disorder Implications

10.1 There are no crime and disorder implications arising directly from this report.

11. Equalities Implications

11.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

11.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

12. Environmental Implications

12.1 There are no environmental implications directly arising from this report.

13. Conclusion

13.1 The establishment of a local Pension Board is a statutory requirement. In accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 Lewisham Council has taken the appropriate steps to establish and create a local Pension Board.

Background Documents

Public Service Pensions Act 2013	25 th April 2013	www.legislation.gov.uk
The Local Government Pension Scheme Regulations 2013	19 th September 2013	www.legislation.gov.uk
The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015	28 th January 2015	www.legislation.gov.uk
Draft code of practice no. 14 Governance and administration of public service pension schemes	12 th January 2015	The Pension Regulator
Guidance on the creation and operation of Local Pension Boards in England and Wales	28 th January 2015	LGPS Shadow Advisory Board
Pension Board Report	9 th September 2014	Pension Investment Committee
Pension Board Update	13 th November 2014	Pension Investment Committee

List the name, date and location/author of all relevant background documents.

If there are any queries on this report please contact **David Austin, Head of Corporate Resources**, 020 8314 9114.

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
PB Establishment Page 93	<p>Each AA no later than 1st April 2015 establish a pension board.</p> <p>Expenses regarded as part of administration of the fund.</p> <p>The AA must have regard to guidance issued by the Secretary of State</p>		<p>LPBs must be established no later than 1 April 2015. Established in this context means that the AA must have approved the establishment of the LPB, its composition and also the terms of reference, in accordance with its constitution. It does not necessarily mean that the LPB has to be fully operational by this date. However, it is anticipated that a LPB should be operational within a reasonably practicable period after 1 April 2015 (being no longer than 4 months).</p> <p>Regulation 106(9) of the Regulations specifies that the expenses of a LPB shall be regarded as part of the costs of administration of the Fund.</p> <p>The role of the LPB should be interpreted as covering all aspects of governance and administration of the LGPS, including funding and investments. However, the LPB does not replace the AA or make decisions which are the responsibility of the AA under both the Regulations and other overriding legislation.</p>		
	<p>Only member representatives have a right to vote</p>			<p>Where an AA decides to appoint an independent chair to the Board, that chair would be considered an 'other member' . Other members do not have the right to vote.</p>	

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
	AA determines appointment process	<p>Each employer or member representative on a LPB will potentially represent a significant range of employers or members (as appropriate). It is therefore important that the methodology for appointment ensures that representative Board members are truly representative.</p> <p>All employers and members within a Fund must have equal opportunity to be nominated for the role of employer or member representative through an open and transparent process.</p>	The methodology for appointing employer and member representatives is not prescribed by the Regulations. It will therefore fall to each AA to establish an appropriate process.		

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
PB Membership	Equal number of employer and employee representatives.	Scheme regulations must require pension boards to have an equal number of employer and member representatives	LPB must include an equal number of employer and member representatives with a minimum requirement of no fewer than four in total. The officers of the AA who would be precluded from being a member of the LPB would be any officer named in the scheme of delegation for that AA, for example the section 151 officer and the head of investments. It would also be appropriate to consider whether officers of the Fund at a senior level, who are not named in the formal scheme of delegation but who are responsible for discharging functions under the Regulations should also be precluded from being a member of the LPB.		
Page 95	Each AA must be satisfied that any person appointed as member of LPB does not have a conflict of interest.	In relation to the pension board, scheme regulations must include provision requiring the scheme manager to be satisfied: <ul style="list-style-type: none"> • that a person to be appointed as a member of the pension board does not have a conflict of interest and • from time to time, that none of the members of the pension board has a conflict of interest. <p>Actual conflicts of interest are prohibited by the 2013 Act and cannot, therefore, be managed. Only potential conflicts of interest can be managed.</p>	The Regulations specify a LPB member should not have a conflict of interest,		

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
Terms of Reference Page 96			As a minimum a Board's terms of reference should include areas such as: <ul style="list-style-type: none"> • Function of the board • Membership • Code of Conduct • Voting rights • Conflict of interests • Appointment of Chair/Vice Chair • Role of Advisors • Role of Officers • Administration, Papers, Communication and obtaining information • Organisation of meetings • Number of meetings • Location and time of meetings • Quorum • Attendance Requirements • Role of substitutes • Creation of Working Groups/ Sub-committees • Allowances/Expenses • Budget • Knowledge and Understanding • Reporting • Data Protection 		

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
PB Constitution Page 26 of 27			<p>The Regulations require an AA's governance compliance statement to set out whether the Authority delegates its functions and the detail of the delegation given. This includes the terms, structure and operation of the delegation, the frequency of meetings, membership and voting rights.</p> <p>In addition to the terms of reference a Board is likely to have other key documents which would be included in its wider constitution. These may include:</p> <ul style="list-style-type: none"> • A code of conduct; • A conflicts policy; • A knowledge and understanding policy document including a list of the core documents recording policy about the administration of the Fund; and • Policies dealing with data protection, information security, acceptable use (and monitoring) and subject access request. <p>External Reporting - Governance Compliance Statement</p> <p>Section 6 of the 2013 Act requires a scheme manager to publish information about its pension board.</p> <p>In terms of the LGPS, this requirement is dealt with under regulation 55 of the Regulations which requires the AA to include within its governance compliance statement details of the terms, structure and operational procedures relating to its LPB. This Governance Compliance Statement must be published by the AA.</p> <p>Current governance compliance statements will need to be revised to include this new information. The AA will firstly need to consult with such persons as it thinks necessary about the revised statement and then publish it once it has been revised.</p>		

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
Page 96 of 100 PB Knowledge & Understanding	<p>Persons appointed must have the “capacity” to represent</p>	<p>A member of a LPB must be conversant with:</p> <ul style="list-style-type: none"> • The rules of the scheme • Any document recording policy about the administration of the scheme <p>A member must have knowledge and understanding of:</p> <ul style="list-style-type: none"> • The law relating to pensions, and • Any other matters which are prescribed in regulations <p>The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of LPB.</p> <p>Schemes should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member</p> <p>Pension board members should invest sufficient time in their learning and development alongside their other responsibilities and duties. Schemes should provide pension board members with the relevant training and support that they require.</p> <p>Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole.</p>	<p>It will be important to appoint members who have the time to commit to attend meetings, undertake training and effectively represent employers and members (as appropriate)</p> <p>In accordance with section 248A of the 2004 Act, every individual who is a member of a LPB must: be conversant with:</p> <ul style="list-style-type: none"> • the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and • any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and <p>have knowledge and understanding of:</p> <ul style="list-style-type: none"> • the law relating to pensions; and • such other matters as may be prescribed. <p>A LPB member should be aware that their legal responsibilities begin from the date they take up their role on the Board and so should immediately start to familiarise themselves with relevant documents and the law relating to pensions.</p> <p>In accordance with section 248A, the knowledge and understanding requirement applies to every individual member of a LPB rather than to the members of a LPB as a collective group.</p> <p>The AA should offer high quality induction training and should provide relevant ongoing training for Board members. This could be included in the normal training programme for members of the Pensions Committee as well as a specific training programme for the LPB.</p> <p>The Regulator will be providing an e-learning programme which has been developed to meet the needs of all members of public sector scheme pension boards, whether or not they have access to other</p>		

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
PB Conduct			When establishing its LPB, the AA should prepare and approve a code of conduct for the Board to adopt. The code of conduct should set out the standards of behaviour expected of members, incorporating the Seven Principles.		
PB Reporting/ Record Keeping		<p>Pension board members should be able to identify and where relevant challenge any failure to comply with:</p> <ul style="list-style-type: none"> • the scheme regulations • other legislation relating to the governance and administration of the scheme • any requirements imposed by the regulator, or • any failure to meet the standards and expectations set out in any relevant codes of practice issued by the regulator. <p>Scheme managers must keep records of information relating to:</p> <ul style="list-style-type: none"> • member information • transactions, and • pension board meetings and decisions. <p>The legal requirements are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 ('the Record Keeping Regulations').</p> <p>Scheme managers must ensure that member data across all membership categories specified in the Record Keeping Regulations is complete and accurate. Member data should be subject to regular data evaluation.</p>	<p>The reporting requirements will be for each AA to determine and could include reporting and communicating with a range of individuals and decision making bodies. This could include communication with internal and external audit as well as reporting to the audit committee, scrutiny or a corporate resources committee, as well as full council or equivalent where appropriate. The agreed reporting requirements should be reflected in the LPB's terms of reference.</p> <p>There should also be more frequent reporting (perhaps quarterly or after the LPB meets) to the AA/Pension Committee and the chief finance officer and/or monitoring officer for example, this could be achieved through sharing the minutes of Board meetings in a timely manner.</p>		

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
Public Service Pension Schemes		<p>The scheme manager for a public service scheme must publish information about the pension board for the scheme(s) and keep that information up-to-date.</p> <p>The information must include:</p> <ul style="list-style-type: none"> • who the members of the pension board are • representation on the board of members of the scheme(s), and • the matters falling within the pension board's responsibility 			
Public Service Pension Schemes: Internal controls		<p>The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.</p> <p>For these purposes 'internal controls' means:</p> <ul style="list-style-type: none"> • arrangements and procedures to be followed in the administration and management of the scheme • systems and arrangements for monitoring that administration and management, and • arrangements and procedures to be followed for the safe custody and security of the assets of the scheme. 			

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
Other Page 101	<p>Employer cost cap for the scheme is 14.6% (+/-2%). Otherwise the secretary of state must take steps to bring back in line</p> <p>Overall cost of the scheme should not exceed 19.5% (+/-2%) of pensionable earnings. Otherwise the Scheme advisory board make recommendations to the steps to bring back in line.</p> <p>The target proportion is 13.1% employer 6.4% employee</p>	<p>Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable</p> <p>Schemes should monitor contributions on an ongoing basis for all the membership categories within the scheme. Schemes should regularly check payments due against the contributions monitoring record.</p> <p>Scheme regulations must require scheme managers to provide an annual benefit information statement to each active member of a DB scheme established under the 2013 Act or new public body scheme. The statement must include a description of the benefits earned by a member in respect of their pensionable service</p>	<p>In accordance with section 70 of the 2004 Act, certain individuals must report to the Regulator as soon as reasonably practicable where that individual has reasonable cause</p> <p>It would be good practice for the LPB to consider publishing an annual report of the LPB's activities for that year.</p> <p>The LPB should consider with the AA whether it would be appropriate to detail these activities as part of the Fund's annual report.</p> <p>It is appropriate that a LPB is given adequate resources to fulfil its task, in the same way that statutory officers of the AA and scrutiny committees are entitled.</p> <p>As a minimum, the Board will require:</p> <ul style="list-style-type: none"> • allowances and expenses for Board members (where this has been agreed and confirmed in the Board's terms of reference); • accommodation and administrative support to conduct its meetings and other business; • training; and • legal, technical and other professional advice (where required). 		

Appendix A : Summary of the key points in 2015 Regulations, Code of Practice and Guidance

	DCLG 2015 Regulation	TPr Code of Practice	Shadow Board Guidance	Action/Comments	Status
Page 102		<p>Under the Disclosure Regulations 2013, managers of a scheme must provide other information to members and others in certain circumstances (for example, on request).</p> <p>Generally, schemes may choose how they provide information to scheme members, including by post, electronically (by email or by making it available on a website) or by any other means permitted by the law. For benefit statements issued under the 2013 Act, HM Treasury directions may specify how the information must be provided.</p> <p>Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law and help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.</p> <p>Certain people are required to report breaches of the law to the regulator where they have reasonable cause to believe that:</p> <ul style="list-style-type: none"> • a legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with • the failure to comply is likely to be of material significance to the regulator in the exercise of any of its functions 			

Key:

LPB –Local Pension Board

AA – Administrating Authority

PSPS - Public Service Pension Schemes:

LOCAL PENSION BOARD OF THE LONDON BOROUGH OF LEWISHAM TERMS OF REFERENCE

Introduction

1. This document sets out the terms of reference of the Local Pension Board of the London Borough of Lewisham (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Pension Investment Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. The Board shall be constituted separately from the Pension Investment Committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Committee'	London Borough of Lewisham's Pension Investment Committee who has delegated decision making powers for the Pension Fund in accordance with Section 101 of the Local Government Act 1972.
'the Fund'	means the Pension Fund that is managed and administered by the London Borough of Lewisham as Administering Authority.

'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist the London Borough of Lewisham in its role as a scheme manager of the Scheme. Such assistance is to:
 - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the code of conduct for Board members.

Establishment

8. The Board is established on 1st April 2015 subsequent to approval by Full Council on 26th March 2015 of the recommendation to establish contained in Pension Investment Committee report "London Borough of Lewisham Local Pension Board establishment" .

Membership

9. The Board shall consist of 4 voting members, as follows:
 - 2 Member Representatives; and
 - 2 Employer Representatives.
10. There shall be an equal number of Member and Employer Representatives.
11. There shall also be one other member who will be appointed as Chair, who is not entitled to vote.

Member representatives

12. Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.
13. Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
14. Substitutes shall not be appointed. Where appointed substitutes should be named and must undertake the same training as full members.
15. A total of 2 member representatives shall be appointed from the following sources:
 - a) Up to 1 member representative shall be appointed by the recognised trade unions representing employees who are scheme members of the Fund.
 - b) Up to 1 member representative shall be appointed following a transparent recruitment process which should be open to all Fund members and be approved by the London Borough of Lewisham.

Employer representatives

16. Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the London Borough of Lewisham who is responsible for the discharge of any function of the London Borough of Lewisham under the Regulations may serve as a member of the Board.
17. Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.
18. Substitutes shall not be appointed. Where appointed substitutes should be named and must undertake the same training as full members.

19. A total of 2 employer representatives shall be appointed to the Board from any of the following sources:

- a) Up to 1 employer representative shall be appointed from an admitted/schedule body (including Academy) where that body is open to and representative of all employers in the Fund.
- b) Up to 1 employer representative shall be appointed following a transparent recruitment process which should be open to all employers in the Fund and be approved by the London Borough of Lewisham.
- c) Up to 1 employer representatives shall be appointed by the London Borough of Lewisham where all employers will have been asked to submit their interest in undertaking the role of employer representative on the Board.

Other members

20. The independent member (Chair) shall be appointed to the Board by the agreement of the London Borough of Lewisham.

21. Other members do not have voting rights on the Board.

Appointment of chair

22. Subject to the meeting arrangements in paragraphs 35 to 37 below a chair shall be appointed for the Board using the processes listed below:

An independent chair to be appointed by the London Borough of Lewisham but shall count as an 'other' member under paragraphs 20-21 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the London Borough of Lewisham or any scheme employer in the Fund or not being a member of the Fund. The appointment of the chair shall be subject to the passing of a motion to confirm by a majority of the employer and member representatives of the Board.

Duties of chair

23. The chair of the Board:

- (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
- (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
- (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

Notification of appointments

24. When appointments to the Board have been made the London Borough of Lewisham shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office

25. The term of office for Board members shall be a mixed tenure of 2 and 3 years. Thereafter they will serve a fixed term of 3 years.
26. Extensions to terms of office may be made by the London Borough of Lewisham with the agreement of the Board.
27. A Board member may be appointed for further terms of office using the methods set out in paragraphs 15 and 19.
28. Board membership may be terminated prior to the end of the term of office due to:
- (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.
 - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
 - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
 - (d) A Board member no longer being able to demonstrate to the London Borough of Lewisham their capacity to attend and prepare for meetings or to participate in required training.
 - (e) The representative being withdrawn by the nominating body and a replacement identified.
 - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
 - (g) A Board member who is an elected member becomes a member of the Committee.
 - (h) A Board member who is an officer of the London Borough of Lewisham becomes responsible for the discharge of any function of the London Borough of Lewisham under the Regulations.

Conflicts of interest

29. All members of the Board must declare to the London Borough of Lewisham on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
30. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.

31. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the London Borough of Lewisham shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's conflicts policy and the requirements of the Code. **[INSERT REFERENCE HELEN GLASS]**

Knowledge and understanding (including Training)

32. Knowledge and understanding must be considered in light of the role of the Board to assist the London Borough of Lewisham in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
33. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
34. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

Meetings

35. The Board shall as a minimum meet 1 time each year.
36. The chair of the Board with the consent of the Board membership may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

37. A meeting is only quorate when at least 50% of both member and employer representatives are present.
38. A meeting that becomes inquorate may continue but any decisions will be non-binding.

Board administration

39. The agenda and supporting papers will be issued at least 5 working days (where practicable) in advance of the meeting except in the case of matters of urgency.

40. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.
41. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
42. Officers shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
43. Officers shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board.
44. Officers shall ensure an attendance record is maintained along with advising the London Borough of Lewisham on allowances and expenses to be paid under these terms.

Public access to Board meetings and information

45. The Board meetings can be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
46. Observers are welcome to record any part of any board meeting that is open to the public. The Council cannot guarantee that anyone present at a board meeting will not be filmed or recorded by anyone who may then use your image or sound recording.
47. The following will be entitled to attend Board meetings in an observer capacity:
 - (a) *Members of the Committee,*
 - (b) *Any person requested to attend by the Board.*

Any such attendees will be permitted to speak at the discretion of the Chair.

48. In accordance with the Act the London Borough of Lewisham shall publish information about the Board to include:
 - (a) The names of Board members and their contact details.
 - (b) The representation of employers and members on the Board.
 - (c) The role of the Board.

(d) These Terms of Reference.

49. The London Borough of Lewisham shall also publish other information about the Board including:

- (a) Agendas and minutes
- (b) Training and attendance logs
- (c) An annual report on the work of the Board to be included in the Fund's own annual report.

50. All or some of this information may be published using the following means or other means as considered appropriate from time to time:

- (a) On the Fund's website.
- (b) As part of the Fund's Annual Report.
- (c) As part of the Governance Compliance Statement.

51. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances

52. The London Borough of Lewisham will reimburse the reasonable travel expenses of Board members in line with the London Borough of Lewisham's policy on expenses as set out in the Council's Constitution.

53. The London Borough of Lewisham shall pay allowances for Board members £600 per annum in line with the London Borough of Lewisham's policy on allowances as set out in the Council's constitution.

Budget

54. The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board will be met from the Fund. The Board will seek approval from the Full Council its budget on an annual basis. The budget will be managed by and at the discretion of the Board.

Core functions

55. The first core function of the Board is to assist the London Borough of Lewisham in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- b) Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.
- c) Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.
- d) Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- e) Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.
- f) Monitor complaints and performance on the administration and governance of the scheme.
- g) Review the implementation of revised policies and procedures following changes to the Scheme.
- h) Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- i) Review the complete and proper exercise of employer and London Borough of Lewisham discretions.
- j) Review the outcome of internal and external audit reports.
- k) Review draft accounts and Fund annual report.
- l) Review the compliance of particular cases, projects or process on request of the Committee.

56. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) Assist with the development of improved customer services.
- b) Monitor performance of administration, governance and investments against key performance targets and indicators.
- c) Review the effectiveness of processes for the appointment of advisors and suppliers to the London Borough of Lewisham.
- d) Monitor investment costs including custodian and transaction costs.
- e) Monitor internal and external audit reports.
- f) Review the risk register as it relates to the scheme manager function of the authority.
- g) Assist with the development of improved management, administration and governance structures and policies.
- h) Review the outcome of actuarial reporting and valuations.
- i) Assist in the development and monitoring of process improvements on request of Committee.

The local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

57. In support of its core functions the Board may make a request for information to the Committee or Officers with regard to any aspect of the London Borough of Lewisham's function. Any such request should be reasonably complied with in both scope and timing subject to data protection.
58. In support of its core functions the Board may make recommendations to the Committee or Officers which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting

59. The Board should in the first instance report its requests, recommendations or concerns to the Committee or Officers. In support of this any member of the Board may attend a Committee meeting as an observer.
60. Requests and recommendations should be reported under the provisions of paragraphs 59 and 60 above.
61. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
62. On receipt of a report under paragraph 63 above the Committee should, within a reasonable period, consider and respond to the Board.
63. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
64. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 63 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
65. The appropriate internal route for escalation is to the Monitoring Officer.
66. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
67. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the London Borough of Lewisham's whistle blowing policy].

Review of terms of reference

68. These Terms of Reference shall be reviewed on each material change to those part of the Regulations covering local pension boards and at least every 12 months.

69. These Terms of Reference were adopted on [INSERT DATE].

.....
**Signed on behalf of the London Borough of Lewisham
Kath Nicolson, Monitoring Officer**

.....
Signed on behalf of the Board

Employee/ Employer Representative on the Pension Board

The Lewisham Pension Board is seeking to appoint an experienced, proactive and innovative volunteer to join this important Board as an employer/ee representative. This volunteer will already have a working/current knowledge of Local Government Pensions Scheme. They will be someone who is keen to build on the excellent work already underway and have a real desire to lead and influence the outputs of this practice area.

TASK:

- To secure compliance with
 - (i) the Local Government Pension Scheme Regulations,
 - (ii) any other legislation relating to the governance and administration of the Scheme, and
 - (iii) requirements imposed by the Pensions Regulator in relation to the Scheme; and
- (b) to ensure the effective and efficient governance and administration of the Scheme.
- Ensure that Lewisham does not breach any of the requirements or rules set out in its policy documents.
- To understand and comply with the constitution and rules that govern the Lewisham Pension Fund and to review the constitution regularly (at least every three years) to ensure it is fit for purpose.
- Assisting Lewisham the administering authority of Lewisham Pension fund with its responsibility to:
 1. manage risks and ensure there are adequate internal controls
 2. keep records and ensure the quality of member data
 3. ensure the correct contributions are paid to the scheme
 4. manage conflicts of interest
 5. publish information about the board
 6. communicate information to members
 7. resolve disputes and report certain breaches of the law

PERSON SPECIFICATION

Essential Criteria

Relevant Experience and capacity:

- Knowledge of Local Government Pension Scheme.
- Knowledge of public sector and local government finance.
- Experience of participating in meetings open to the public and press.
- Mathematical/statistic literacy

Understanding:

- Has a broad understanding of the changing nature of the Pensions environment and Pensions matters in the wider context of the profession

Commitment:

- Demonstrate commitment to undertake training as determined by the Scheme Manager.

APPENDIX C PERSON SPECIFICATION PENSION BOARD MEMBER

- Strong attendance record
- Committed to the objectives of the Pension Board, LGPS and its various stakeholders

Communication and team working

- Ability to communicate clearly and sensitively and to take an active part in discussions
- Ability to influence and engage
- Ability to work effectively in a group
- Willing to express their own opinion in a reasoned way, while also listening to the views of others
- Ability to challenge constructively and ask questions appropriately

Accountability

- The ability to come to an objective view based on evidence provided
- Ability to think and apply knowledge strategically
- Ability to exercise sound and independent judgement
- Willingness to make and stand by collective decisions, including those which may be unpopular
- Ability to manage difficult and/or challenging situations
- Ability to maintain confidentiality on confidential and/or sensitive information

Equal Opportunity

- Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.

Desirable criteria

Skills and Experience:

- Experience of understanding financial matters.
- Experience of working effectively with colleagues as part of a team.
- Experience of working with governance structures

TENURE

This appointment as representative, will commence from the start of the calendar year (1st January 2015). It is hoped that the appointment will be made as soon as possible.

TIME COMMITMENT

This would equate to approximately 10 days a year. The majority of the time commitment will be training, but attendance would be required at 1-4 meetings per year which are three hours in length and are usually held in Council Chambers. It is hoped that each representative would attend for at least 75% of the meetings. Dates of the meetings are provided well in advance.

IN RETURN, THE REPRESENTATIVE WILL:

- be able to locally influence and contribute to LGPS pensions at a policy level
- be provided with excellent professional support and assistance during your tenure on the board.

Independent Chair on the Pension Board

The Lewisham Pension Board is seeking to appoint an experienced, proactive and innovative volunteer to join this important Board an Independent member. This volunteer will already have a working/current knowledge of Local Government Pensions Scheme. They will be someone who is keen to build on the excellent work already underway and have a real desire to lead and influence the outputs of this practice area.

TASK:

- Chair of the Pension Board
- To secure compliance with
 - (i) the Local Government Pension Scheme Regulations,
 - (ii) any other legislation relating to the governance and administration of the Scheme, and
 - (iii) requirements imposed by the Pensions Regulator in relation to the Scheme; and
- (b) to ensure the effective and efficient governance and administration of the Scheme.
- Ensure that Lewisham does not breach any of the requirements or rules set out in its policy documents.
- To understand and comply with the constitution and rules that govern the Lewisham Pension Fund and to review the constitution regularly (at least every three years) to ensure it is fit for purpose.
- Assisting Lewisham the administrating authority of Lewisham Pension fund with its responsibility to:
 1. manage risks and ensure there are adequate internal controls
 2. keep records and ensure the quality of member data
 3. ensure the correct contributions are paid to the scheme
 4. manage conflicts of interest
 5. publish information about the board
 6. communicate information to members
 7. resolve disputes and report certain breaches of the law

PERSON SPECIFICATION

Essential Criteria

Educational:

- A high degree of qualification, experience and training in Pensions

Relevant Experience and capacity:

- Knowledge of Local Government Pension Schemes.
- Knowledge of public sector and local government finance.
- Experience of participating in meetings open to the public and press.
- Mathematical/statistic literacy

Understanding:

- A full understanding of the structure of the LGPS including the responsibilities of and accountability to administering authorities, employing authorities, scheme members and taxpayers.
- Has a broad understanding of the changing nature of the Pensions environment and Pensions matters in the wider context of the profession

Commitment:

- Demonstrate commitment to undertake training as determined by the Scheme Manager.
- Strong attendance record
- Committed to the objectives of the Pension Board, LGPS and its various stakeholders

Skills and Experience:

- Participating in high-level meeting achieving effective outcomes
- Experience of understanding financial matters.

Communication and team working

- Ability to communicate clearly, directing discussions in sensitive environments and to take an active part in discussions
- Ability to command respect and demonstrate strong leadership
- Ability to influence and engage
- Ability to work effectively in a group
- Willing to express their own opinion in a reasoned way, while also listening to the views of others
- Ability to challenge constructively and ask questions appropriately
- Assertive in pursuing the correct course of action

Accountability

- The ability to come to an objective view based on evidence provided
- Ability to think and apply knowledge strategically
- Ability to exercise sound and independent judgement
- Willingness to make and stand by collective decisions, including those which may be unpopular
- Ability to manage difficult and/or challenging situations

APPENDIX C PERSON SPECIFICATION PENSION BOARD MEMBER

- Ability to maintain confidentiality on confidential and/or sensitive information

Equal Opportunity

- Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.

Desirable criteria

- Experience of working with governance structures
- Experience of working effectively with colleagues as part of a team

TENURE

This appointment as representative, will commence from the start of the calendar year (1st January 2015). It is hoped that the appointment will be made as soon as possible.

TIME COMMITMENT

This would equate to approximately 10 days a year. The majority of the time commitment will be training, but attendance would be required at 1-4 meetings per year which are three hours in length and are usually held in Council Chambers. It is hoped that each representative would attend for at least 75% of the meetings. Dates of the meetings are provided well in advance.

IN RETURN, THE REPRESENTATIVE WILL:

- be able to locally influence and contribute to LGPS pensions at a policy level
- be provided with excellent professional support and assistance during your tenure on the board.



Janet Senior
Executive Director of Resources and
Regeneration
5th Floor Laurence House
Catford
London SE6 4RU

direct line 020 8314 6680
Janet.senior@lewisham.gov.uk

date dd/mm/yy

Dear Member of Lewisham Pension Fund

**Re: Invitation to apply to be a representative on the London Borough of
Lewisham Pension Board**

In the last few years a number of legislative changes have impacted the arrangements for public service pension provision. The Public Service Pension Act 2013 requires that each administering authority of Local Government Pension Funds set up a local Pension Board. The purpose of a local Pension Board is to assist the Lewisham Council as the administering authority to comply with scheme regulations and other legislation relating to the governance and administration of the scheme, and any requirements imposed by the centrally appointed Pensions Regulator.

Lewisham is now appointing representatives to the Pension Board. Membership of the Pension Board will comprise two employer and two employee representatives and an independent member who will act as Chair. The role of the representatives is important to overseeing the performance, compliance and value for money delivered by the Administering Authority. It is therefore a requirement that representatives of the Pension Board have a good working knowledge and experience of pensions.

Lewisham is giving you the opportunity to nominate an employer representative, or yourself as an employee representative who meets the criteria in the attached Job description/person specification.

Deadline for nominations is 14 April 2015.

If you would like to nominate a representative, please complete the attached form and email to adeola.odeneye@lewisham.gov.uk with the heading "Application for Pension Board". If you have any queries, please do not hesitate to contact a member of the Pensions team at:

Adeola Odeneye 020 8314 6147

Yours sincerely

Janet Senior
Executive Director for Resources and Regeneration

LOCAL PENSION BOARD MEMBERSHIP FORM



I would like to be considered for the Local Pension Board of the London Borough of Lewisham as an:

Employer Representative

Employee Representative

Name:	
Employers Name*	
Email	
Telephone	

* or previous fund employer if deferred or pensioner member.

Statement of Support: Please review the Job description and person specification and demonstrate how you meet the criteria for being a member of the Local Pension Board. (max. 500 words) continue overleaf or on a separate sheet as necessary

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Agenda Item 7

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Additional Funding to the London LGPS Collective Investment Vehicle		
KEY DECISION	No	Item No:	7
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	19 th February 2015

1. SUMMARY

- 1.1 This report requests for members to agree additional contributions to the establishment of the London Local Government Pension Scheme (LGPS) Collective Investment Vehicle (CIV)

2. RECOMMENDATION

- 2.1 The Committee is recommended to:

Agree further payments of £50,000 this is split into:

1. A contribution of £25,000 for 2014-15, and
2. A contribution of £25,000 for 2015-16

3. BACKGROUND

- 3.1 In June 2013, the Government issued a call for evidence on the future structure of the LGPS, and sought professional advice to consider either Collective Investment Vehicles or merger of funds as potential routes forward.
- 3.2 The London Councils took the lead and set up a Pension Working Group (PWG) to further the goal of establishing a London CIV. In February 2014, the PWG presented to the Leaders Committee a progress report and business case for the next steps of a London LGPS CIV.
- 3.3 In September 2014 the full Council agreed to the London Borough of Lewisham becoming shareholders of the London CIV. Subsequently, a contribution of £25,000 was paid towards the creation of the CIV.
- 3.4 By December 2014, 30 London Authorities had become active participants in the CIV programme and each had contributed or committed to contribute £25,000.
- 3.5 In Autumn 2014 the London LGPS CIV Limited was incorporated with 23 boroughs as shareholders, and seven more committed to becoming shareholders. The board of directors met for the first time on 14th October 2014.

- 3.6 The initial fund was established following the December 2013 and February 2014 Leader's Committee meetings. Once all thirty boroughs have made their initial contribution of £25,000. The total contributions would be £750,000

4. UPDATE AND NEXT STEPS

- 4.1 The project towards establishing the CIV has created a number of key workstreams including:

- Revising the Company's Articles of Association
- Development of the Company's operating model
- Procurement of the Asset Servicer
- Engagement with Fund Managers

- 4.2 The initial fund that was established was for £750,000. Of this £469,000 has been spent or committed. The balance of £281,000 is insufficient to take the project all the way to launch. Therefore London LGPS CIV limited have requested further contributions from its members.

- 4.3 Best estimates of future expenditure suggest a total cost of implementation in the region of £1.7 million. The London LGPS CIV has gained the agreement from board to approach participating boroughs for a further contribution of £25,000 now, and £25,000 on 1 April 2015. A copy of the letter to Councils, subsequent email and the budget breakdown is detailed in appendix one.

5. FINANCIAL IMPLICATIONS

- 5.1 The set up of the London CIV is estimated to cost £1.7 million. There is the possibility that this figure will increase. An initial payment was made by the Fund in 2014. A further payment of £25,000 is due to be paid as soon as practically possible upon agreement from PIC. An additional payment of £25,000 will be paid in April 2015. And there is the potential for future payments. These payments are being charged to the Pension Fund.

6. LEGAL IMPLICATIONS

- 6.1. The CIV was set up as a company using the powers in Section 1 and 4 of the Localism Act 2011 which enables local authorities to set up the company and trade for commercial return. It will be subject to the regulatory control of the Financial Conduct Authority.
- 6.2. Once it is fully operational and investing on behalf of the London LGPS Administering Authorities it will be accountable to this Committee and other London Pension Committees in the same way as their other Investment Managers and it will be for this Committee to determine, upon review of the company's performance, if and how much to invest in the vehicle, subject to proper independent advice.
- 6.3. The CIV is subject to review and monitoring by the Pensions CIV Joint Committee which is a joint sub-committee of London Councils which is itself a joint committee. The Chair, on behalf of the CIV Pensions Committee, has set out in a letter the reason for the additional expenditure and provided a breakdown of existing expenditure to assist Members in determining whether the additional establishment costs as set out in the letter at Appendix 1 are reasonable.

7. CRIME AND DISORDER IMPLICATIONS

7.1 There are no crime and disorder implications directly arising from this report.

8. EQUALITIES IMPLICATIONS

8.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

8.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

9. ENVIRONMENTAL IMPLICATIONS

9.1 There are no environmental implications directly arising from this report.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin on 020 8314 9114, or Adeola Odeneye Principal Accountant Strategic Finance on 020 8314 6147

Background Documents

London LGPS Collective Investment Vehicle	26 th June 14	http://councilmeetings.lewisham.gov.uk/documents/s29590/item%208%20Collective%20Investment.pdf
Briefing on a London LGPS Collective Investment Vehicle	20 th February 14	http://councilmeetings.lewisham.gov.uk/documents/s27484/Collective%20Investment%20Vehicle%20Briefing%20for%20PIC.pdf
Update on the Local Government Pension Scheme reforms	2 nd September 13	http://councilmeetings.lewisham.gov.uk/documents/s24288/Item%206%20-%20LGPS%20Reform%20-%20PIC0200913.pdf

«Full_name»
«Job_title»
«AddressBlock»

Contact: Hugh Grover
Direct line: 020 7934 9942
Email: Hugh.grover@londoncouncils.gov.uk

Our
reference:
Your
reference:

Date: 20 October 2014

Dear «First_name»,

London LGPS CIV: progress update and next steps

The project towards establishing the CIV continues to make good progress, with the project team in London Councils, supported by the Technical Sub-Group of borough colleagues, taking forward a number of key workstreams, including:

- Working with the project's lawyers, Eversheds, to revise the company's Articles of Association. Eversheds are drafting a Heads of Terms which will inform the amendment of the Articles, and this will be shared with all participating boroughs shortly to ensure that everyone has the opportunity to raise any issues before the final Articles come to the Board and the CIV Joint Committee for adoption;
- Developing the company's operating model to design a sensible mix of in-house and outsourced arrangements that will ensure robust procedures, responsibilities and accountabilities, and that will be acceptable to the FCA;
- Procuring the Asset Servicer that will be a core partner in the arrangements, delivering fund administration, custodian and depository services; and
- Engaging with fund managers to begin the work of deciding what fund mandates might be suitable to come onto the fund for launch. Once a proposal has been worked up it will be presented to the boroughs for final decisions ahead of going to the FCA for authorisation.

You will be aware that a company has been incorporated (London LGPS CIV Ltd.) and that 23 boroughs are currently shareholders with seven more about to become so. The Board of Directors met for the first time on 14 October and received an update on a number of issues including on budget matters.

The initial fund that was established following the December 2013 and February 2014 Leaders' Committee meetings, with a view to "...exploring the proposal..." has taken the project well beyond exploration, but now is in need of topping up. Once all thirty boroughs have made their initial contribution we will have gathered a fund of £750,000. Of this £469,000 has been spent or committed, leaving a balance of £281,000. It is clear that this will be insufficient to take the project all the way to launch and that further funds are now needed, to cover for example further financial and legal advice, professional services to

APPENDIX ONE: CIV LETTER, EMAIL & BUDGET SENT TO BOROUGHES

work on the detailed operating model, including drawing up procedures and operating manuals, initial costs covering salaries and so on ahead of fees flowing from operations.

Best estimates of future expenditure suggest that the total cost of implementation might be in the region of £1.7 million (the estimate presented in the 11 February report to Leaders' Committee was in the region of £1.5 million), and with that in mind the Board has agreed that the company should approach all the participating boroughs for a further £25,000 contribution now and a final top-up of £25,000 on 1 April next year, hence this letter. For clarity, this funding is separate to the regulatory capital requirement on which the Board will write to you later once the detail in this area has become clearer.

Subject to no objections, the company will raise an invoice during w/c 27 October for your attention for "services leading to the establishment of a London LGPS CIV". If you need to raise a purchase order ahead of an invoice being raised or wish it to be addressed to a different recipient please pass the details to Hugh Grover at the contact details above.

While it is not yet possible to give completely accurate figures about the scale of savings expected through the CIV, some initial analysis of data and informal conversations with Fund Managers suggest fee savings in the area of 20 per cent might be achievable relatively easily. Obviously the extent of savings for each individual borough will depend on the extent of investments made, but across three of the managers we've spoken to informally, that have eight boroughs as clients, the savings appear to be somewhere in the region of £1 million per annum.

If you wish to discuss any of this, or raise any questions, please contact Hugh Grover.

Yours sincerely

A handwritten signature in blue ink that reads "Jules Pipe". The signature is written in a cursive style and is underlined with a single horizontal line.

Mayor Jules Pipe
Chair
For and on behalf of London LGPS CIV Ltd.

APPENDIX ONE: CIV LETTER, EMAIL & BUDGET SENT TO BOROUGHES

From: [Buss, Chris](#)
To: ["caroline.holland@merton.gov.uk"](#); [Buss, Chris](#); ["Chris.Holme@towerhamlets.gov.uk"](#); ["Chris.naylor@barnet.gov.uk"](#); ["Clive.Palfreyman@hounslow.gov.uk"](#); ["Conrad.Hall@brent.gov.uk"](#); ["debbie.warren@greenwich.gov.uk"](#); ["deborah.hindson@newham.gov.uk"](#); ["duncan.whitfield@southwark.gov.uk"](#); ["Geoff.pearce@redbridge.gov.uk"](#); ["gerald.almeroth@sutton.gov.uk"](#); ["gware@lambeth.gov.uk"](#); ["hitesh.jolapara@rbkc.gov.uk"](#); ["odonnelli@ealing.gov.uk"](#); ["ian.williams@hackney.gov.uk"](#); ["james.rolfe@enfield.gov.uk"](#); [Jane West; Senior, Janet](#); ["John.Turnbull@walthamforest.gov.uk"](#); ["jonathan.bunt@lbbd.gov.uk"](#); ["Kevin.Bartle@haringey.gov.uk"](#); ["leigh.whitehouse@rbk.kingston.gov.uk"](#); ["smair@westminster.gov.uk"](#); [Mark Maidment](#); ["mike.curtis@islington.gov.uk"](#); ["alison.griffin@bexley.gov.uk"](#); ["mike.o'donnell@camden.gov.uk"](#); ["peter.kane@cityoflondon.gov.uk"](#); ["Richard.Simpson@croydon.gov.uk"](#); ["Simon.George@harrow.gov.uk"](#);
cc: [Hugh Grover](#);
Subject: Collective Investment Vehicle- budget.
Date: 24 October 2014 13:34:27
Attachments: [20141024102132877.pdf](#)

Colleagues,

I know a number of you have been in contact with Hugh Grover, following Mayor Jules Pipe's letter to you which included notification of likely future costs to completion on the CIV. Quite rightly some of you have asked to see where your money is being spent and this is appended to this email (see pdf file). However, in addition to the base numbers I feel that you also need an explanation as to why the costs are being incurred and what they are being spent on and the benefit you will gain from this expenditure. Before I do that I would re-iterate the comment made in Mayor Pipe's letter that the original £25,000 per borough was for "exploring the proposal". We have gone much further than this with significant technical work being done on structures. A lot of this work has been done or supervised by the Technical sub Group (TSG) of borough pensions officers which I have chaired fortnightly this year.

We have however reached the stage where we will need further external advice. Over the summer the TSG has been giving some thought to the appropriate balance of in-house and out-sourced functions that might inform the company's operating model. This thinking is seeking to deliver an appropriate balance between speed to launch, the desire of the boroughs to have ownership and control, and the requirements of the FCA in the context of the company being a regulated body.

This work has included informal discussions with a number of organisations that may be able to partner with the company in a mixed economy of in-house and out-sourced functions and responsibilities. However, it is clear that the TSG does not have the necessary experience or knowledge to finalise this critical area of the project without

calling on significant input from external advisors.

In order to take this forward a mini tender is being prepared to procure an advisor (consultant) with detailed knowledge of what the project is seeking to achieve combined with expert knowledge of the investment industry and this both new and complex type of investment vehicle. Overall the scope of this work will cover working with the TSG to design and build the operating model, procuring a third-party provider to deliver the outsourced functions, and taking us through the regulatory stages with the FCA including designing the various procedures and drafting the necessary manuals and so on.

The other large area of expenditure is the potential cost of Company officers and recruiting them. At present the exact date and whether these are part time or full time is to be determined by the Board of Directors in the near future but in order to get FCA approval for the ACS, we will need actual names on the doors rather than just an idea as to who we might like to do the job. The same applies to non Executive Directors.

You will I hope see from the budget that with a fair wind we are close to achieving the setting up for the original "finger in the air" estimate of £1.5 million but the permanent staff set up costs and the additional consultancy work on the ACS structure has brought this over the £1.5 million

Turning to the benefits of the CIV, discussions have started with the fund managers, initial indications are an average reduction on fees of 20% which will be further worked on. In addition to the above the CIV will give through the ACS structure additional benefits arising from the ability to reclaim withholding tax from a number of foreign domains that are not available through other structures. For those with overseas equities this increased income will not be insignificant. In addition there will be saving on procurement, FX transactions etc. It is quite clear to me that, even in year 1, the savings will significantly outweigh the £75,000 cost for most if not all boroughs, and as we go forward in future years the ROI will continue to grow.

Both Hugh and myself will be at the next meeting of SLT to update you on progress on the CIV but in order to avoid unnecessary prolongation of the meeting can I suggest that if you have any questions on the budget, likely savings or anything else to do with the CIV I would be happy to answer them in advance of the meeting. (One thing I will not be able to do however is to explain how to do a Rabona or demonstrate it.)

I look forward to hearing from you.

Yours Sincerely

Chris Buss

Costs through to launch

	£	£
Expenditure committed to date		
Deloitte - initial consultancy	-£150,000	
Eversheds	-£170,000	
Northern Trust	-£22,080	
Eversheds - procurement advice (inc. Counsel)	-£15,890	
Project Manager (to May 2015)	-£70,000	
Mercer	-£49,950	
Office equipment	-£911	
		<u>-£478,831</u>

Income to date		
Borough contributions (30 boros x £25k)	<u>£750,000</u>	<u>£750,000</u>
Balance		£271,169

Estimated expenditure to Mar 2015		
Tax Advice consultancy	-£144,000	
ACS set up costs (currently out to tender)	-£320,000	
Legal costs	-£160,000	
Transition consultant	-£20,000	
Recruitment and anticipated employment costs of CEO/ CIO / COO and non exec board members	-£190,000	
		<u>-£834,000</u>

Additional income from boroughs now		
(30 boros x £25k)	<u>£750,000</u>	<u>£750,000</u>
Balance		£187,169

Estimated expenditure Apr 2015 - launch		
tax advice through to launch	-£36,000	
ACS set up	-£80,000	
Legal costs	-£40,000	
Transition consultant	-£80,000	
anticipated employment costs of CEO/ CIO / COO and non exec board members to launch	-£165,000	
		<u>-£401,000</u>

Additional income from boroughs Apr 2016		
(30 boros x £25k)	<u>£750,000</u>	<u>£750,000</u>
Balance		£536,169

Total estimated expenditure to launch **-£1,713,831**

Agenda Item 8

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Training Schedule as at 5 th February 2015		
KEY DECISION	No	Item No:	8
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	19 February 2015

1. SUMMARY

- 1.1 This report provides a list of the potential training opportunities and pension related seminars being held in the next 12 months.

2. RECOMMENDATION

- 2.1 The Committee is recommended to note the contents of the training schedule; and seek to develop personal knowledge and understanding by keeping up to date with latest LGPS developments, and attending Pension related training sessions.

3. BACKGROUND

- 3.1 The Pension Fund invites its Fund Managers to make a presentation on their performance once a year.

4. TRAINING SCHEDULE

- 4.1 The training schedule is updated as new events are made available. The current schedule is attached as Appendix one.

5. CONCLUSION

- 5.1 Training is available for members to keep their pension related knowledge and skills up to date.

6. FINANCIAL IMPLICATIONS

- 6.1 Many training events and seminars are free. However if members would like to attend a fee paying event, this will be charged to the Pension Fund.

7. LEGAL IMPLICATIONS

7.1 There are no legal implications directly arising from this report.

8. CRIME AND DISORDER IMPLICATIONS

8.1 There are no crime and disorder implications directly arising from this report.

9. EQUALITIES IMPLICATIONS

9.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.

9.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

10. ENVIRONMENTAL IMPLICATIONS

10.1 There are no environmental implications directly arising from this report.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 831 49114.

Training Schedule up to November 2015 as at 5th February 2015

Date	Conference /Event	Run By	Delegates/Cost
24-02-15	UK Pension Fund Conference: 2015: DECISION TIME FOR PENSIONS?	Northern Trust	free
27-02-15	Trustee Training Part 1	Schroders	Free
18-03-15	LGPS Reform – Ethical, Efficient, Effective	Gov Today	£395 + VAT
19-03-15	Local Authority Pension Fund Investment Strategies	SPS Conferences	Free, up to 2 places available
20-03-15	Trustee Training Part 2	Schroders	Free
09-04-15	Fiduciary Management & Fund Governance Issues for Pension Funds	SPS Conferences	Free, up to 2 places available
16-04-15	Equity Investment Strategies for Pension Funds	SPS Conferences	Free, up to 2 places available
18-05-15 – 20-05-15	National Association of Pension Funds (NAPF) Local Authority Conference	NAPF	TBC
11-06-15	Asset Strategies & Risk Management for Pension Funds	SPS Conferences	Free, up to 2 places available
10-09-15	Alternative Investment Strategies for Pension Funds	SPS Conferences	Free, up to 2 places available
30-06-15 – 01-07-15	Pensions and Benefits UK – 2015 Conference	Professional Pensions	Free
08-10-15	Property & Real Asset Investment Strategies for Pension Funds	SPS Conferences	Free, up to 2 places available
30-10-15	Trustee Training Part 1	Schroders	Free
05-11-15	Current Investment Issues for Pension Funds	SPS Conferences	Free, up to 2 places available
27-11-15	Trustee Training Part 2	Schroders	Free

Details below:

Northern Trust- UK Pension Fund Forum

Location: Stationers Hall, Ava Maria Lane, London EC4M 7DD

Date: 24th February 2015, 10am – 1pm

Price: free

<http://survey.northerntrust.com/s3/Northern-Trust-UK-Pensions-Forum-2015>

Gov Today – LGPS Reform: Ethical, Efficient, Effective

Location: The Mermaid, Puddle Dock, Blackfriars, London, EC4V 3DB

Date: 18th March 15

Time: TBC

Price: £395 + VAT

<http://2015.lgpsreform.co.uk/event-home/?user=&passw=1>

SPS – Local Authority Pension Fund Investment Strategies

Location: Le Meridien Piccadilly, 21 Piccadilly, London, W1 0BH

Date: 19th March 15

Time: 8:30-17:00

Price: Free

http://spsconferences.com/conference_details.asp?confid=265

SPS – Fiduciary Management & Fund Governance Issues for Pension Funds

Location: Le Meridien Piccadilly, 21 Piccadilly, London, W1 0BH

Date: 9th April 15

Time: 8:30-15:30

Price: Free

http://spsconferences.com/conference_details.asp?confid=249

SPS – Equity Investment Strategies for Pension Funds

Location: Le Meridien, Piccadilly, 21 Piccadilly, London, W1 0BH

Date: 16th April 15

Time: TBC

Price: Free

http://spsconferences.com/conference_details.asp?confid=251

NAPF – Local Authority Conference

Location: Cotswold Water Park Four Pillars Hotel, South Cerney, Gloucestershire, GL7 5FP

Dates: 18th – 20th May 15

Time: Multi-Day

Price: Free

http://www.napf.co.uk/Conferences_and_Seminars/Local_Authority_Conference.aspx

SPS – Asset Strategies & Risk Management for Pension Funds

Location: Le Meridien, Piccadilly, 21 Piccadilly, London, W1 0BH

Date: 11th June 15

Time: TBC

Price: Free

http://spsconferences.com/conference_details.asp?confid=253

Professional Pensions – Pensions and Benefits 2015 Conference

Location: Queen Elizabeth II Conference Centre, Westminster, London, SW1P 3EE
Dates: 30th June – 1st July 15
Time: Multi-Day
Price: Free

<http://www.pensionsandbenefitsuk.co.uk/static/home>

SPS – Alternative Investment Strategies for Pension Funds

Location: Le Meridien, Piccadilly, 21 Piccadilly, London, W1 0BH
Date: 10th September 15
Time: TBC
Price: Free

http://spsconferences.com/conference_details.asp?confid=257

SPS – Property & Real Asset Investment Strategies for Pension Funds

Location: Le Meridien, Piccadilly, 21 Piccadilly, London, W1 0BH
Date: 8th October 15
Time: TBC
Price: Free

http://spsconferences.com/conference_details.asp?confid=266

SPS – Current Investment Issues for Pension Funds

Location: Le Meridien, Piccadilly, 21 Piccadilly, London, W1 0BH
Date: 5th November 15
Time: TBC
Price: Free

http://spsconferences.com/conference_details.asp?confid=267

PENSIONS INVESTMENT COMMITTEE			
REPORT TITLE	Investment Performance for the quarter end 31 December 2014		
KEY DECISION	No	Item No:	9
WARD	N/A		
CONTRIBUTORS	Executive Director for Resources & Regeneration		
CLASS	Part 1	Date:	19 February 2015

1. SUMMARY

1.1 This report sets out the performance of the Pension Fund investment portfolio and that of the individual managers for the quarter ended 31 December 2014.

1.2 The report comprises the following sections:

1. Summary
2. Recommendation
3. Background
4. Portfolio Summary
5. Conclusions
6. Financial Implications
7. Legal Implications
8. Crime and disorder Implications
9. Equalities Implications
10. Environmental Implications

Appendix – Hymans Robertson quarterly report

2. RECOMMENDATION

2.1 The Committee is recommended to note the contents of the report, and detailed analysis provided by Hymans Robertson as the fund advisory presented as an Appendix to this cover report.

3. BACKGROUND

3.1 This report sets out the performance for the quarter ended 31 December 2014 and since inception, as provided by the Fund's investment advisors Hymans Robertson. The full report and performance commentary will be provided at the meeting by the investment advisors as an appendix to this covering report.

4. PORTFOLIO SUMMARY

4.1 The Pensions Fund had an overall bid market value of £992m for the quarter ended 31 December 2014. The Fund's value has increased by £38m over the quarter, with the Fund's actively managed mandates being the main enhancers

to performance. The Fund outperformed its benchmark by 0.36%, returning 4.13%.

4.2 The Fund's valuation summary has been set out below in Table 1.

Table 1 – Portfolio Valuation Summary

Manager	Mandate	*Asset Value Qtr 1 (Sep 2014) £m	*Asset Value Qtr 1 (Dec 2014) £m	Actual Proportion %	Target Proportion %
Blackrock	Passive Multi-asset	389.3	408.5	41.2	40.5
Harbourvest	Venture Capital	42.2	43.4	4.4	3.0
Investec	Commodities	33.7	32.1	3.2	5.0
M&G	UK Financing Fund	14.2	14.3	1.4	1.0
Schroders	Property	83.5	85.1	8.6	10.0
UBS	Passive Multi-asset	390.4	408.4	41.2	40.5
Cash		0.40	0.30	0.0	0.0
Total Fund		953.7	992.1	100.0	100.0

*Asset bid values based on custodian valuation

4.3 The performance of the individual managers relative to the appropriate benchmarks is as set out in Table 2. This indicates mixed performance from the mandates. Schroders (our property portfolio) underperformed relative to the benchmark, and have moved for the first time in our advisors ratings from "retain" to "on watch". The Investec fund (our commodities portfolio) declined in value over the quarter, but it outperformed relative to its benchmark. BlackRock has outperformed its benchmark. This is a positive surprise for a passive mandate. M & G has outperformed its benchmark since inception, and continues to do so in quarter three.

Table 2: Managers Performance Relative to Target

Manager	Quarter Ended 31 Dec 14	12 Months to 31 Dec 2014	Since Inception
Blackrock – Passive Multi-asset	0.4%	0.5%	0.4%
Harbourvest – Venture Capital	-0.7%	4.1%	-0.1%
Investec – Commodities	3.8%	5.1%	2.3%
M&G – UK Financing Fund	0.9%	4.1%	3.2%
Schroders – Property	-0.1%	0.0%	-1.8%
UBS – Passive Multi-asset	0.0%	0.0%	-0.1%

4.4 The performance of individual managers will be analysed and appraised by the Council's Investment Advisor, Hymans Robertson, at the meeting.

5. CONCLUSION

- 5.1 Overall performance for the quarter from the Fund's managers was positive. Although the mandates performance was mixed, the continued strong performance from our passive portfolio has resulted in an increase in fund value. Investec (Commodities) was the only fund to decline in value.

6. FINANCIAL IMPLICATIONS

- 6.1 The comments of the Executive Director for Resources & Regeneration have been incorporated into the report.

7. LEGAL IMPLICATIONS

- 7.1 As the administering authority for the Fund, the Council must review the performance of the Fund's investments at regular intervals and review the investments made by Fund Managers quarterly.
- 7.2 The Pension Regulations require that the Council has regard to the proper advice of its expert independent advisers in relation to decisions affecting the Pension Fund. They must also have regard to the separate advice of the Chief Financial Officer who has statutory responsibility to ensure the proper administration of the Council's financial affairs, including the administration of the Pension Fund.

8. CRIME AND DISORDER IMPLICATIONS

- 8.1 There are no crime and disorder implications directly arising from this report.

9. EQUALITIES IMPLICATIONS

- 9.1 The Equality Act 2010 became law in October 2010. The Act aims to streamline all previous anti-discrimination laws within a Single Act. The new public sector Equality Duty, which is part of the Equality Act 2010, came into effect on the 5 April 2011.
- 9.2 The Council's Comprehensive Equality Scheme for 2012-16 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010. No direct equalities implications have been identified, in terms of adverse impact, with respect to the Council's obligations under the Equality Act 2010.

10. ENVIRONMENTAL IMPLICATIONS

- 10.1 There are no environmental implications directly arising from this report.

APPENDICES

The full report and performance is attached. Commentary will be provided at the meeting by the Council's investment advisors, Hymans Robertson.

FURTHER INFORMATION

If there are any queries on this report or you require further information, please contact:

David Austin, Head of Corporate Resources on 020 8314 9114.

London Borough of Lewisham Pension Fund

Review of Investment Managers' Performance for Fourth Quarter of 2014

Page 139



Prepared By:

Scott Donaldson - Partner

Albert Chen - Investment Consultant

Ben Fox - Investment Analyst

For and on behalf of Hymans Robertson LLP
February 2015

Contents

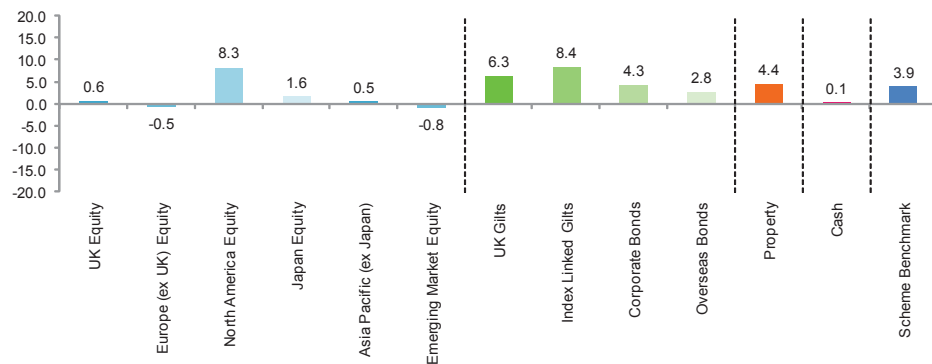
	Page
➤ Markets	
Historic Returns for World Markets to 31 December 2014	3
➤ Fund Overview	
Portfolio Summary	4
Fund Asset Allocation	5
➤ Manager Overview	
Manager Summary	6
Performance Summary - Managers	7
➤ Managers	
BlackRock - Passive Multi-Asset	8
UBS - Passive Multi-Asset	9
Schroders - Property	10
Investec - Commodities	11
Harbourvest - Venture Capital	12
M&G - UK Companies Financing Fund	13
➤ Appendices	
Performance Calculation	14

Please note the value of investments, and income from them, may fall as well as rise. This includes equities, government or corporate bonds, and property, whether held directly or in a pooled or collective investment vehicle. Further, investment in developing or emerging markets may be more volatile and less marketable than in mature markets. Exchange rates may also affect the value of an investment. As a result, an investor may not get back the amount originally invested. Past performance is not necessarily a guide to future performance.

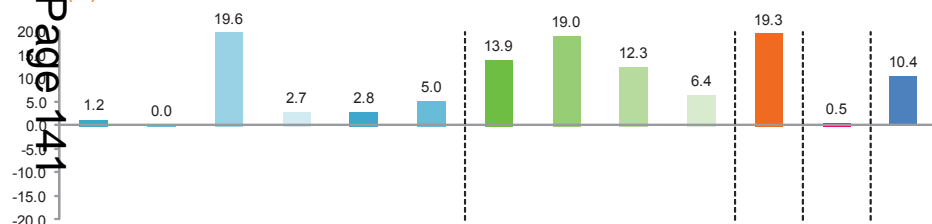
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Historic Returns for World Markets to 31 December 2014

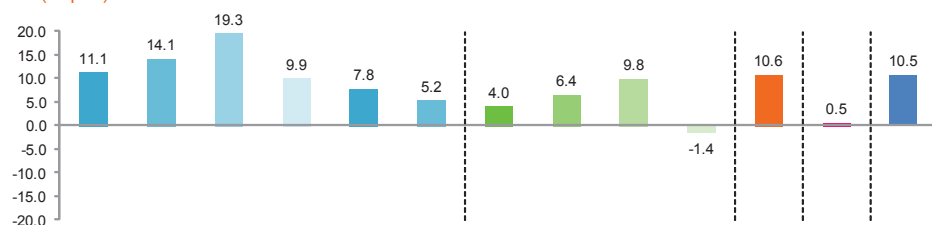
3 Months (%)



12 Months (%)



3 Years (% p.a.)



Historic Returns - Comment

The quarter was one of sharp contrasts in terms of economic growth. Data published during the quarter indicated both the US and UK are speeding ahead of a struggling Eurozone. Japan moved back into a recession, while China's economy decelerated, albeit from a very high rate. Whilst the recent oil price plunge may have thrown big exporters like Russia into disarray, the IMF indicated that a prolonged price slump could boost global economic growth by between 0.3% and 0.7% in 2015.

Short term interest rates in the UK, US and Eurozone were unchanged during the quarter. In the US, expectations of a rate rise in the immediate future were curbed by the central bank, the Federal Reserve, which said it can be patient over any decision to raise rates. In the UK, the general consensus is that there will be no increase in short-term interest rates until the second half of 2015 at the very earliest. No such expectation of a rate rise in the Eurozone, where the European Central Bank (ECB) initiated an asset buying programme, to stimulate the region's flagging economy and to fend off deflationary pressures.

In general, equity markets rose, albeit by modest amounts, over the quarter despite some volatility in early October and sharp falls in December on concerns over the immediate impact of falling oil prices.

Global Economy

- UK Chancellor's autumn statement indicated further significant austerity measures to come;
- The price of oil hit a five year low (and down by half since June 2014);
- UK inflation (CPI) fell to a 12 year low of 1% (v. target of 2%) in November;
- Eurozone inflation rate fell to 0.3% in November, from 0.4% in October;
- Russia increased short term interest rates from 10.5% to 17.0%;
- Japan's central bank increased its asset buying programme to stimulate the economy.

Equities

- The strongest sectors relative to the FTSE ALL World Index were Consumer Services (+6.3%) and Technology (+2.7%); the weakest were Oil & Gas (-16.0%) and Basic Materials (-7.0%);
- US equities rose to a record high. The Dow Jones index reached 18,000 for the first time.

Bonds and currencies

- Long dated gilt yields fell to 2.5%, below the 3% floor prevailing over the last three years;
- The US \$ rose against Sterling, the Euro and Yen. Russian Rouble fell sharply as the oil price collapsed and western sanctions took hold.

Portfolio Summary

Valuation Summary

Asset Class	Values (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q3 2014	Q4 2014			
Global Equity	596.2	629.1	63.2	62.4	0.9
Bonds	183.7	188.2	18.9	18.6	0.3
Property	84.5	88.0	8.8	10.0	-1.2
Private Equity	42.2	43.4	4.4	3.0	1.4
Trustee Bank Account	0.4	0.1	0.0	0.0	0.0
UK Financing Fund	14.2	14.3	1.4	1.0	0.4
Commodities	33.7	32.1	3.2	5.0	-1.8
Total inc. Trustee Bank Account	955.0	995.2	100.0	100.0	

Comments

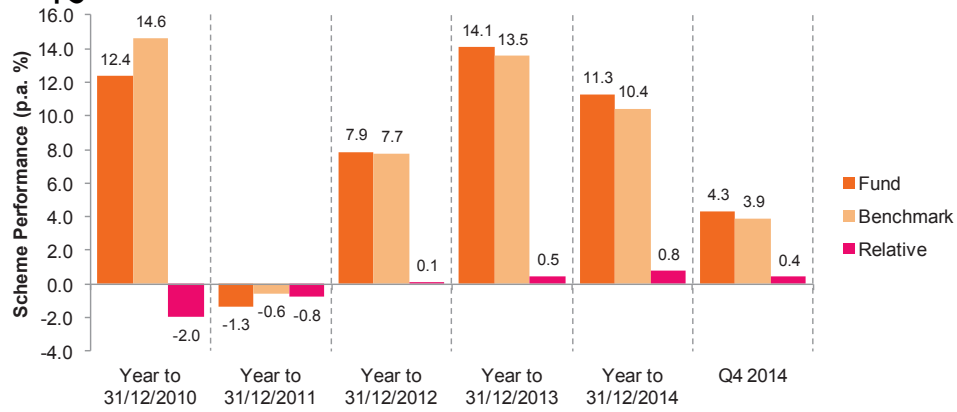
The value of the Fund's assets increased by £40.2m over the quarter to £995.2m as at 31 December 2014.

The Fund returned 4.3% (net of fees) over the quarter, outperforming its benchmark by 0.4%. The UBS passive multi-asset mandate matched its benchmark return whilst BlackRock's passive multi-asset mandate outperformed.

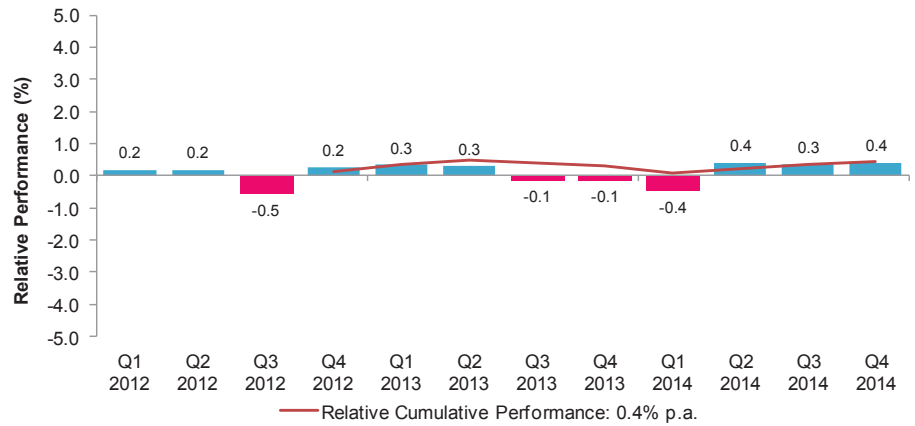
There was also positive relative performance from Investec and M&G outperforming their respective benchmarks by 3.8% and 0.9%. HarbourVest delivered a strong absolute return of 4.4% over the quarter, but underperformed its benchmark by 0.7%.

Over the year to 31 December 2014, the Fund has returned 11.3%, ahead of its benchmark by 0.8%.

Performance Summary ^[1]



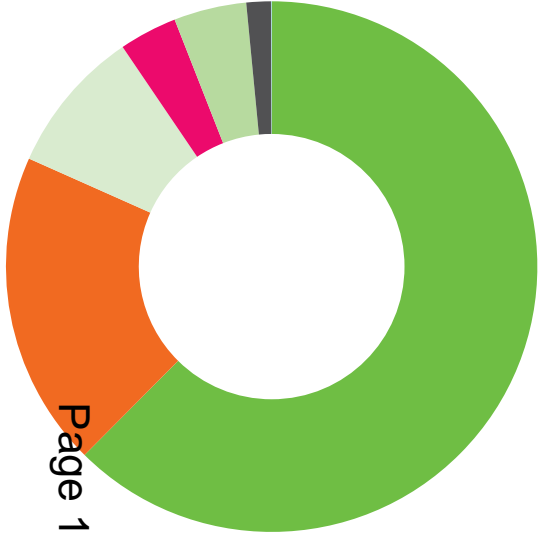
Relative Quarterly and Relative Cumulative Performance



Source: [1] DataStream, Fund Manager, Hymans Robertson

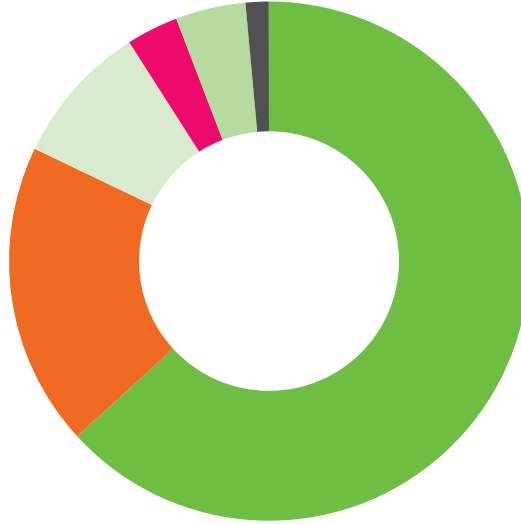
Fund Asset Allocation

Asset allocation as at 30 September 2014



- Global Equities: 62.4%
- Bonds: 19.2%
- Property: 8.8%
- Commodities: 3.5%
- Private Equity: 4.4%
- UK Financing Fund: 1.5%
- Cash: 0.0%

Asset allocation as at 31 December 2014



- Global Equities: 63.2% (0.8%)
- Bonds: 18.9% (-0.3%)
- Property: 8.8% (0.0%)
- Commodities: 3.2% (-0.3%)
- Private Equity: 4.4% (-0.1%)
- UK Financing Fund: 1.4% (-0.1%)
- Cash: 0.0% (0.0%)

Page 143

Comments

The charts above show the Fund's asset allocation as at 30 September 2014 and 31 December 2014. The figures in brackets as at 31 December 2014 represent the net changes over the quarter.

There were no major changes to the Fund's asset allocation during the quarter with any minor changes due to the relative performance of the Fund's mandates and market movements. The allocation to Commodities fell slightly, reflecting the fall in commodity markets, while the allocation to global equities increased by 0.8%.

Source: [i] Fund Manager, Hymans Robertson



Manager Summary

Manager Valuations

Manager	Value (£m)		Actual Proportion %	Target Proportion %	Difference %
	Q3 2014	Q4 2014			
BlackRock - Passive Multi-asset	389.9	409.1	41.1	40.5	0.6
UBS - Passive Multi-asset	390.0	408.2	41.0	40.5	0.5
Schroders - Property	84.5	88.0	8.8	10.0	-1.2
Investec - Commodities	33.7	32.1	3.2	5.0	-1.8
Harbourvest - Venture Capital	42.2	43.4	4.4	3.0	1.4
M&G - UK Companies Financing Fund	14.2	14.3	1.4	1.0	0.4
Cash	0.4	0.1	0.0	0.0	0.0
Total	955.0	995.2	100.0	100.0	0.0

Manager Summary

Manager	Date Appointed	Benchmark Description	Performance Target (% p.a.)	Rating *
BlackRock - Passive Multi-asset	20 Nov 2012	Composite	-	
UBS - Passive Multi-asset	15 Nov 2012	Composite	-	
Schroders - Property	12 Oct 2004	IPD Pooled Property Fund Index	0.75% p.a. above benchmark	
Investec - Commodities	25 Feb 2010	Bloomberg Total Return Commodity Index	-	
Harbourvest - Venture Capital	29 Jun 2006	MSCI All Country World Developed Index	5% p.a. above benchmark	
M&G - UK Companies Financing Fund	01 May 2010	LIBOR	4-6% p.a. above benchmark	

* For information on our manager ratings, see individual manager pages

Key:- - Replace - On-Watch - Retain



Performance Summary - Managers

Performance Summary ^[1]

Page 145

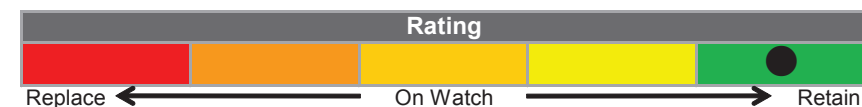
		BlackRock - Passive Multi-asset	UBS - Passive Multi-asset	Schroders - Property	Investec - Commodities	Harbourvest - Venture Capital	M&G - UK Companies Financing Fund	Cash	Total Fund
3 Months (%)	Absolute Benchmark	4.9	4.6	4.5	-5.2	4.4	1.0	N/A	4.3
		4.6	4.6	4.6	-8.6	5.1	0.1	N/A	3.9
	Relative	0.4	0.0		3.8		0.9	N/A	0.4
12 Months (%)	Absolute Benchmark	11.6	11.0	17.2	-7.4	16.7	4.7	N/A	11.3
		11.1	11.0	17.2	-11.9	12.1	0.5	N/A	10.4
	Relative	0.5	0.0		5.1	4.1	4.1	N/A	0.8
3 Years (% p.a.)	Absolute Benchmark	N/A	N/A	7.6	-5.4	11.6	4.6	N/A	11.0
		N/A	N/A	8.6	-9.6	16.0	0.5	N/A	10.5
	Relative	N/A	N/A		4.6		4.0	N/A	0.4
Since Inception (% p.a.)	Absolute Benchmark	14.7	14.3	2.7	-3.3	7.5	3.8	N/A	N/A
		14.2	14.4	4.6	-5.4	7.6	0.5	N/A	N/A
	Relative	0.4	-0.1	-1.8	2.3	-0.1	3.2	N/A	N/A

[1] Since inception: BlackRock (20 Nov 12), UBS (15 Nov 12), Schroders (12 Oct 04), Investec (25 Feb 10), HarbourVest (29 Jun 06), M&G (01 May 10)

Source: DataStream, Fund Manager, Hymans Robertson, Investment Property Databank Limited

BlackRock - Passive Multi-Asset

HR View Comment & Rating



There is no significant news to report over the quarter relating to BlackRock's passive business. We continue to rate BlackRock as one of our preferred managers of passive mandates.

Performance Summary to 31 December 2014

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	4.9	11.6	14.7
Benchmark	4.6	11.1	14.2
Relative	0.4	0.5	0.4

* Inception date 20 Nov 2012.

Performance Summary - Comment

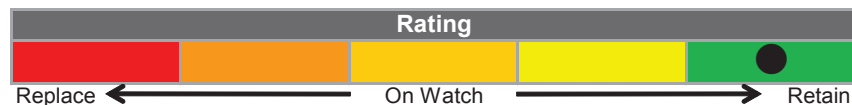
The BlackRock composite benchmark comprises the FTSE All Share (20.5%), MSCI AC World (56.5%), FTSE > 15 Year Fixed Gilts (7.6%), FTSE > 5 Year Index Linked Gilts (7.7%) and iBoxx £ Non-Gilts All Stocks (7.7%).

The BlackRock multi-asset mandate produced a positive tracking error over the quarter, outperforming its benchmark by 0.4%. The majority of the underlying funds tracked their respective benchmarks, whilst the Emerging Markets, Canadian and European equity index funds each exhibited positive tracking errors (tracking error refers to performance differences to benchmark due to differences (usually minor) between the index fund composition and the underlying index). We are comfortable that the tracking error of the BlackRock mandate is within the range of what we might expect, on occasion, from a passive mandate.

The strongest performers over the quarter, in absolute terms, were the Over 15 Year UK Gilt Index and US Equity Index Funds, returning 11.2% and 8.9% respectively. The weakest performers in absolute terms were the European Equity Index Fund and the Emerging Markets Index Sub Fund, which both returned -0.5%.

UBS - Passive Multi-Asset

HR View Comment & Rating



There is no significant news to report over the quarter relating to the UBS passive business. We continue to rate UBS as one of our preferred managers of passive mandates.

Performance Summary to 31 December 2014

	3 Months (%)	12 Months (%)	Since Inception* (% p.a.)
Fund	4.6	11.0	14.3
Benchmark	4.6	11.0	14.4
Relative	0.0	0.0	-0.1

* Inception date 15 Nov 2012.

Performance Summary - Comment

The UBS benchmark comprises the FTSE All Share (20.5%), FTSE All World (inc UK) (56.5%), FTSE > 15 Year Fixed Gilts (7.6%), FTSE > 5 Year Index Linked Gilts (7.7%) and iBoxx Sterling Non-Gilts All Stocks (7.7%) indices.

During the quarter, the UBS mandate returned 4.6%, matching its composite benchmark. Over the last year and since inception, the mandate has broadly matched its benchmark, as we would expect from a passive manager.

All underlying allocations broadly matched their benchmark, with UK Government Fixed interest delivering the strongest return (11.2%) and UK Equities delivering the weakest return (0.5%).



Schroders - Property

HR View Comment & Rating



Despite downgrading Schroders (as part of our ongoing review of our preferred managers universe) we still regard them highly and rate them as '4 - Retain'.

Performance Summary - Comment

The Schroders multi-manager property mandate marginally underperformed the IPD index by 0.1% over the quarter, delivering an absolute return of 4.5%.

The main contributor to underperformance was the higher cash weighting in the mandate, which stood at 13.8% at the end of December. The cash allocation has increased over Q4 2014 as the manager continues to take advantage of perceived high valuations to lock in returns, and seeks new opportunities for investment. Schroders expects the cash holding to decline over the coming quarters as money is allocated to new investments.

The Continental Europe Fund contributed positively to performance over the quarter but has been a major drag to performance during 2014 due to a combination of weak occupier markets and a weakening Euro. Schroders will continue to look to reduce this holding through 2015 subject to pricing and liquidity.

Industrial properties continued to generate strong returns. Schroders like the sector as yields are attractive and supply and demand fundamentals remain positive. They are looking to add to this sector over 2015. Schroders has continued to reduce its allocation to central London offices, as the manager believes secondary property may start to outperform prime.

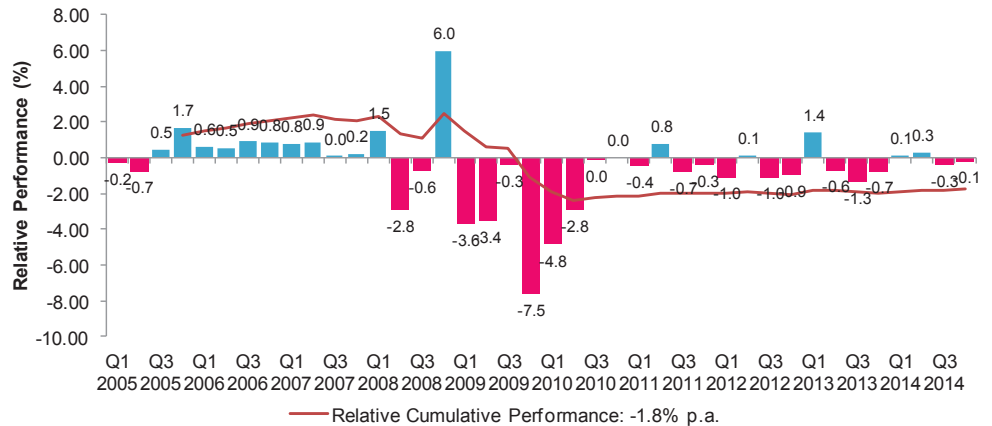
Performance Summary to 31 December 2014

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	4.5	17.2	7.6	2.7
Benchmark	4.6	17.2	8.6	4.6
Relative	-0.1	-0.0	-0.9	-1.8

* Inception date 12 Oct 2004.

Page 148

Relative Quarterly and Relative Cumulative Performance



Source: [i] Fund Manager, Hymans Robertson, Investment Property Databank Limited

Investec - Commodities

HR View Comment & Rating



There is no significant news to report over the quarter. We continue to rate Investec - Commodities as '5-Preferred Strategy'.

Performance Summary to 31 December 2014

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	-5.2	-7.4	-5.4	-3.3
Benchmark	-8.6	-11.9	-9.6	-5.4
Relative	3.8	5.1	4.6	2.3

* Inception date 25 Feb 2010.

Performance Summary - Comment

The Investec Global Commodities & Resources Fund fell by 5.2% over the quarter but outperformed its benchmark by 3.8%.

The Fund's exposure to the energy sector was the largest detractor from absolute performance over the period, as oil prices plummeted by 40%. The Fund's long equity position to base & bulk metals also hurt performance. The Fund's position in diversified miner Glencore International dragged on returns, as a result of its exposure to copper and coal prices.

Within the agricultural sector, the Fund's exposure to the plantation and lumber sectors was the main contributor to positive performance over the quarter. At a stock level, New Britain Palm Oil and Canfor contributed positively over the quarter, with the latter enjoying good returns on the back of continued strength in US housing.

Page 11 of 19



Harbourvest - Venture Capital

HR View Comment & Rating



There is no significant news to report over the quarter.

We continue to rate HarbourVest as one of our preferred managers for private equity mandates. Founded in 1982, it is one of the longest-established and largest fund of fund managers in the private equity business. Although headquartered in the US, the firm has a long history of managing private equity investments for UK clients and now looks after some £3.4 billion for 38 UK pension schemes, of which 22 are public sector funds.

Performance Summary - Comment

The mandate returned 4.4% over the quarter, underperforming its benchmark by 0.7%.

The performance of HIPEP V Direct has improved significantly, with the fund's total value increasing to 1.3x contributed capital at the end of September 2014, up from 1.15 at the end of 2013. Preliminary performance reports indicate that performance has continued to improve in the fourth quarter, with the Total Value to Paid In (TVPI) ratio now standing at 1.5x. HarbourVest Fund VIII Venture also saw a significant improvement, standing at 1.6x, while HIPEP V Partnership now stands at 1.38x.

The returns shown in the table and chart are sourced from Northern Trust.

Performance Summary to 31 December 2014

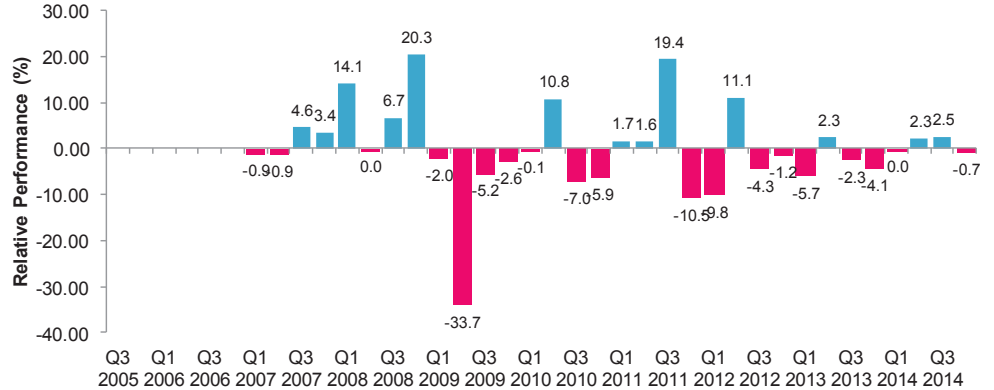
	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	4.4	16.7	11.6	7.5
Benchmark	5.1	12.1	16.0	7.6
Relative	-0.7	4.1	-3.8	-0.1

* Inception date 29 Jun 2006.

3 Year Relative Return

Actual % p.a.	Target % p.a.
-3.8	5.0

Relative Quarterly and Relative Cumulative Performance



Source: [i] DataStream, Hymans Robertson

M&G - UK Companies Financing Fund

HR View Comment & Rating



There is no significant news to report over the quarter. We continue to rate M&G UK Companies Financing Fund '5 - Preferred Strategy'.

The Fund comprises a portfolio of eight loans with a notional value of £680m. As at 31 December 2014 all loans were in compliance with their respective covenants.

Performance Summary to 31 December 2014

	3 Months (%)	12 Months (%)	3 Years (% p.a.)	Since Inception* (% p.a.)
Fund	1.0	4.7	4.6	3.8
Benchmark	0.1	0.5	0.5	0.5
Relative	0.9	4.1	4.0	3.2

* Inception date 01 May 2010.

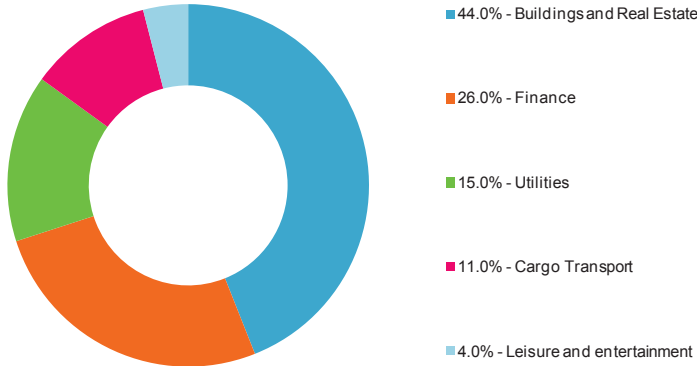
Page 15

Performance Summary - Comment

The UK companies Financing Fund returned 1.0% over the quarter, outperforming its LIBOR benchmark by 0.9%. The mandate has outperformed its benchmark over all time periods.

The weighted average credit rating was BB+, with an average maturity of 4.8 years. The weighted average credit spread was 430 bps at the end of the period.

Industry split



Source: [i] DataStream, Hymans Robertson

Performance Calculation

Geometric vs Arithmetic Performance

Hymans Robertson are among the investment professionals who calculate relative performance geometrically as follows:

$$\left(\left(1 + \text{Fund Performance} \right) / \left(1 + \text{Benchmark Performance} \right) \right) - 1$$

Some industry practitioners use the simpler arithmetic method as follows:

$$\text{Fund Performance} - \text{Benchmark Performance}$$

The following example illustrates the shortcomings of the arithmetic method in comparing short term relative performance with the longer term picture:

Period	Arithmetic Method			Geometric Method			Difference
	Fund Performance	Benchmark Performance	Relative Performance	Fund Performance	Benchmark Performance	Relative Performance	
Quarter 1	7.00%	2.00%	5.00%	7.00%	2.00%	4.90%	0.10%
Quarter 2	28.00%	33.00%	-5.00%	28.00%	33.00%	-3.76%	-1.24%
Linked 6 months			-0.25%			0.96%	-1.21%
6 Month Performance	36.96%	35.66%	1.30%	36.96%	35.66%	0.96%	0.34%

Using the arithmetic method

If fund performance is measured quarterly, there is a relative underperformance of 0.25% over the six month period.

If fund performance is measured half yearly, there is a relative outperformance of 1.30% over the six month period.

Using the geometric method

If fund performance is measured quarterly, there is a relative outperformance of 0.96% over the six month period.

If fund performance is measured half yearly, an identical result is produced.

The geometric method therefore makes it possible to directly compare long term relative performance with shorter term relative performance.



PENSIONS INVESTMENT COMMITTEE		
Report Title	Exclusion of the Press and Public	
Key Decision		Item No. 10
Ward		
Contributors	Chief Executive	
Class	Part 1	Date 19 February 2015

Recommendation

It is recommended that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs [3, 4 and 5] of Part 1 of Schedule 12(A) of the Act, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

11 HarbourVest

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

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

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