BRENT COUNCIL	**Pension Fund Sub Committee** 28th September 2010 **Report from the Director of Finance and Corporate Resources**
For Action	Wards Affected: ALL
Report Title:	**PENSION FUND ACCOUNTS 2009/10**

1. SUMMARY

1.1 This report introduces the final Pension Fund accounts for 2009/10.

2. RECOMMENDATIONS

2.1 Members are asked to note the accounts.

3 DETAIL

3.1 The Department for Communities and Local Government (DCLG) introduced regulations in June 2007 requiring each local government pension fund to produce a separate annual report and accounts. Members will be aware that the Brent Pension Fund has produced a separate Annual Report and Accounts for many years.

3.2 The final 2009/10 Report and Accounts are attached as Appendix 1. The main change to the accounts from the draft presented in June is to amend the market values for the Gartmore UK and Irish Small Companies Fund, the Aviva UK Property Fund of Funds and the Aviva European Fund of Funds to agree with the valuations recorded by the custodians, as set out in Appendix 2 of the Annual Governance Report (Appendix 2 to this report).

3.5 The Audit Commission's Annual Governance Report on the Brent Pension Fund is attached as Appendix 2. Paul Viljoen will attend to present the Report.

4. FINANCIAL IMPLICATIONS

These are set out within the report.

5 DIVERSITY IMPLICATIONS

The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

6 STAFFING IMPLICATIONS

None

7 LEGAL IMPLICATIONS

There are no legal implications arising from the plans.

8 BACKGROUND

Pension Fund Sub Committee – Report and accounts for 2009/10 – June 29th 2010

Persons wishing to discuss the above should contact the Exchequer and Investment Section, Brent Financial Services, on 020 8937 1472/74 at Brent Town Hall.

DUNCAN McLEOD	**MARTIN SPRIGGS**
Director of Finance and Corporate Resources	**Head of Exchequer and Investment**

APPENDIX 1

BRENT PENSION FUND REPORT 2010 (draft)

I N D E X

Message from the Chair

Brent Pension Fund Sub Committee

2008/09 was a dreadful year. The belief that central bank support and the raising of new capital would restore the banking sector to health was rudely shattered by the collapse of numerous banks and financial institutions either into bankruptcy or nationalisation – Lehman Brothers, Freddie Mac, Fannie Mae, AIG, Royal Bank of Scotland, HBOS and many others. Central banks fought to support the financial sector and to restore credit facilities to businesses and individuals. Interest rates were cut sharply – in the UK from 5.5 per cent to 0.5 per cent and in the US to 0.25 per cent. Central banks and treasury departments in the UK and US launched vast experiments with QE – quantitative easing – seeking to increase the money supply so that banks and others were able to lend and invest in more risky assets. Stock markets fell sharply – in the UK by 30 per cent - as profits fell and some famous high street names like Woolworths, vanished. With the exception of government bonds, all investment markets fell.

2009/10 has been a very different year. Equity markets rose by around 40% as the cash provided by quantitative easing supported assets values. Commercial property prices began to recover, after falling by more than 40% - the market rose by 9% in the quarter to 31st December. House prices began to rise. Corporate bonds and other credit securities recovered sharply as the market was convinced that companies would survive. Most important, the value of the Fund has risen from £340m to £m.

The Fund returned %, against the benchmark of % and the average local authority %. The highlights of this performance were:-

- The UK equity in house team outperformed the market by careful index tracking activity and reinvesting dividends in successful companies.
- The global tactical asset allocation manager outperformed substantially as their currency, bond and market decisions were successful, as well as their overweighting equities against bonds.
- The fixed interest manager outperformed in both the core (government and corporate bonds) and satellite (secured loans, emerging market debt, corporate bonds and hedge fund opportunities) portfolios. The satellite portfolio gave particularly strong returns, mainly because values rose following the falling markets experienced in 2008/09.
- The hedge fund of funds manager also outperformed as a number of strategies were successful – in particular, macro and equity related.

However, other areas were less successful, as follows:-

- Private equity lost money as long term investments were valued in line with ('marked to market') public equity markets that had fallen sharply. The decline in the availability of credit also reduced opportunities for managers who were unable to sell companies. Private equity activity was subdued for much of 2009, but prices have fallen enabling managers to start finding deals. The new secondaries fund is finding opportunities as cash strapped funds seek to raise cash.
- The diversified asset allocation followed by the Brent Fund was unsuccessful in a market where equities rose very sharply in value. When compared with the average local authority, the Brent Fund is underweight in equities and overweight in private equity, property and hedge funds – the latter did not add value in 2009/10.

As the asset allocation for the Fund is largely agreed on a three year basis, there were few changes in 2009/10 – the Sub Committee took the view that the investments previously agreed should be given time to add value. However, two moves were made:-

- To commit to invest 5 per cent of the Fund in infrastructure through the Alinda Infrastructure Fund. Research has indicated that infrastructure assets – roads, bridges, hospitals etc – can yield steady inflation linked returns over a long period. The manager invests largely in developed markets. At present, around 1.3% of the Fund is invested, but this will rise to 5% over the next three years.
- Following sharp falls in equity markets, the termination of the currency mandate at the end of 2008, and a period of underperformance, it was found that exposure to global equities was seriously below the benchmark. It has therefore been agreed to increase exposure to global equities by reducing exposure to UK equities and fixed interest.

And the future? Equity and credit markets enjoyed a stellar 2009/10. It is not anticipated that such rates of growth will continue. However, the recovering global economy should support company earnings, and dividends, boosting equity returns. Secured loans should continue their recovery as confidence returns. The decline in commercial property prices appears to have bottomed out, though it is anticipated that rents will continue to fall. However, there are still concerns about slow growth and lack of credit in the UK, as well as the size of fiscal deficits. The problems faced by Greece could easily spread to Portugal and Spain. Rising commodity prices could herald rising inflation, leading to rising interest rates and an economic slowdown.

The Sub Committee has been very active during the year, examining such issues as manager performance, performance fees for fund managers, changes to the benchmarks followed by managers, and the revised Myners' principles for investment management. In 2010/11, the main issue is likely to be the triennial Actuarial Valuation, when the actuary (Hewitt) values the assets and liabilities of the Fund to determine the correct level of employer contributions. At present, both the LPFA and the in-house Pension Team are working hard to improve the standard of records and resolve queries. It is expected that the Valuation will reveal a large deficit following a period (2007 – 2009) of poor performance and low interest rates, but the deficit can be recovered over a long period before the liabilities become due for payment.

Councillor George Crane
Chair, Brent Pension Fund Sub- Committee

Brent Pension Fund responsibilities

The Brent Pension Fund

The Brent Pension Fund is part of the Local Government Pension Scheme (LGPS) and is open to all local government employees, with the exception of police, fire fighters and teachers who have their own schemes.

Administering authority

The London Borough of Brent is the administering authority for the fund. It has responsibility for the collection of contributions, the payment of benefits and the investment of the fund under the Local Government Pension Scheme Regulations 1997 (as amended).

Brent Pension Fund Sub Committee

As part of its responsibility as administering authority, Brent Council has established the Brent Pension Fund Sub Committee to oversee as 'trustee' for the fund. The Sub Committee meets quarterly to discuss investment strategy and objectives, to examine legislation and other developments as they may affect the fund, and to review the performance of the fund managers.

Chair	Councillor Crane
Vice-Chair	Councillor H. Patel
Member	Councillor Bacchus
Member	Councillor Hashmi
Member	Councillor D. Brown
Member	Councillor C Patel
Member	Councillor Detre
Co-opted members	
North West London College	Mr. A. Patel
GMBU	Mr. G. Fraser
Independent Adviser	Mr V Furniss

Brent Pension Fund responsibilities – Pension Fund Sub Committee

As set out in the scheme of governance, only councillors have voting rights because management of the Fund is part of their legal responsibility. The Sub Committee takes executive decisions.

During 2009/10, members attended sub committee meetings and received training as follows:-

Member	Meetings attended	Training attended
G. Crane	3	1
H. Patel	5	2
J. Bacchus	5	1
S. Hashmi	4	1
D. Brown	-	-
C. Patel	2	1
J. Detre	4	1
A. Patel	2	-
G. Fraser	2	1

Fund managers

The fund managers act as the council's agents and have authority to purchase and sell stocks as appropriate.

The following fund managers manage individual portfolios:

Fund Managers	Asset Class	£M	per cent
Henderson Global Investors (Jennifer Ockwell)	Fixed Interest	83.2	18.3
AllianceBernstein (Doug Stewart)	Global Equities	128.5	22.7
Brent Finance and Corporate Resources (Bina Chauhan-Wild)	UK Equities	102.7	28.3
Aviva Investors (Catriona Allen)	UK and European Property	26.5	6.0
Gartmore Investment Managers (Martin Prowis)	UK Small Caps	15.5	3.4
Yorkshire Fund Managers (Geoff Sankey)	Private Equity	2.7	0.6
Capital Dynamics (Angela Willetts)	Private Equity	35.8	7.9
Fauchier Partners (Alex Dolbey)	Hedge Fund	41.7	9.2
Mellon Global Investors (Alaistair Stewart)	Global Tactical Asset Allocation	11.5	2.5
Alinda Capital Partners (Simon Riggall)	Infrastructure	5.0	1.1
		453.1	**100**

Custodians

The Fund uses two custodians for segregated portfolios as follows:

BNP Paribas Security Services (Fixed Interest) – contact Jennifer Ockwell (Henderson)

Bank of New York Europe Limited (Global Equities, UK Equities & Property) – contact Colin Waters

Actuary (Contact - Christine Rice)

Hewitt advise the fund on pension fund issues as they arise, in particular, new legislation and complicated cases as they affect employers or individual employees. On an annual basis the actuary values the surpluses / deficits of individual employers under Financial Reporting Standard 17 regulations. Every three years the actuary carries out a valuation of the fund, assessing whether or not assets are sufficient to meet future liabilities, and amending employer contribution rates accordingly.

Performance measurement (contact - Lynn Coventry)

The WM Company analyses and compares the performance of the fund with that of other funds and market indices on a quarterly and annual basis. The data produced enables the Sub Committee to review the performance of the managers and the fund over quarterly, one year and longer periods.

Officers

The Exchequer & Investment Team advises the Sub Committee on investment strategy and monitors the managers. The team also reviews management arrangements and other issues as appropriate, as well as accounting for the activities of the fund.

Director of Finance & Corporate Resources	Duncan McLeod	
Head of Exchequer & Investment	Martin Spriggs	020 8937 1472
Principal Investment Officer	Bina Chauhan-Wild	020 8937 1473

The Pensions and Payroll Team monitors and manages the pension's contractors. The team is a contact point for employees who wish to join the scheme, for advice on procedures and for queries and complaints.

Pensions Manager	Andrew Gray	020 8937 3157

Pensions contractors

The London Pensions Fund Authority provides benefits administration – pension scheme membership records, advice, calculations and estimates. LOGICA is responsible for the actual payment of pensions and gratuities.

Advice and benefit calculations	London Pensions Fund Authority 020 7369 6249
Payment of pensions	LOGICA
The Registrar of Occupational Pension Schemes	P O Box INN, Newcastle-Upon-Tyne NE99 INN

AVC Provider

Clerical Medical is the AVC scheme provider – contact Simon Wildgoose.

Legal Adviser
The London Borough of Brent Solicitor is Fiona Ledden

Banker
The banker for the London Borough of Brent is National Westminster, Wembley Park Branch.

Auditor
The Fund is audited by the Audit Commission.

London Borough of Brent

STATEMENT OF ACTUARY FOR THE YEAR ENDED 31 MARCH 2010

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Brent Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2007, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997.

Actuarial Position

1. Rates of contributions paid by the participating Employers during 2009/10 were based on the actuarial valuation carried out as at 31 March 2007.

2. The valuation as at 31 March 2007 showed that the funding ratio of the Fund had improved since the previous valuation with the market value of the Fund's assets at that date (of £499.0M) covering 72% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration. The main reasons for the improvement in the funding ratio since 31 March 2004 were higher than expected investment returns on the Fund's assets and additional employer contributions paid to reduce the deficit revealed at the 2004 valuation. These had been partially offset by the impact of changes in the actuarial assumptions used, including changes to reflect higher price inflation expectations and longevity improvements.

3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2008 was as set out below:

- 14.8% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

Plus

- 7.7% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over a recovery period of 25 years from 1 April 2008.

These figures were based on the Regulations in force, or enacted by Parliament and due to come into force, at the time of signing the valuation report and, in particular, allowed for the following changes to the Fund benefits since the previous valuation:

- The Rule of 85 retirement provisions were reinstated, and subsequently removed again. Transitional protections for some categories of member were extended to widen their coverage.
- Changes were made consistent with the Finance Act 2004.
- A new scheme had been put in place which came into effect as at 1 April 2008. All existing members transferred to the new scheme as at that date.

4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

5. The rates of contributions payable by each participating Employer over the period 1 April 2008 to 31 March 2011 are set out in a certificate dated 27 March 2008 which is appended to our report of the same date on the actuarial valuation.

6. The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

7. The main actuarial assumptions were as follows:

Discount rate for periods

Scheduled Bodes

In service Discount rate:	6.45%	a	year
Left service Discount rate:	6.45%	a	year

Admitted Bodes

In service Discount rate:	6.20%	a	year
Left service Discount rate:	5.20%	a	year

Rate of general pay increases	4.7% a year
Rate of increases to pensions in payment	3.2% a year
Valuation of assets	market value

8. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2010 which is currently being carried out. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2011 to 31 March 2014 are required by the Regulations to be signed off by 31 March 2011.

9. This statement has been prepared by the Actuary to the Fund, Hewitt Associates Limited, for inclusion in the accounts of the London Borough of Brent. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2007. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This statement must not be considered without reference to the formal valuation report which details fully the context and limitations of the actuarial valuation.

Hewitt Associates Limited does not accept any responsibility or liability to any party other than our client, London Borough of Brent, in respect of this statement.

Hewitt Associates Limited

Table A: Employer Contribution Rates

	2008/09 per cent	**2009/10 per cent**	**2010/11 per cent**	**2011/12 per cent**
nt	22.9	22.9	22.9	22.9

LIST OF scheduled bodies & ADMITTED BODIES

Scheduled bodies	Employee contributions	Employer contributions
	£ 000s	£ 000s
London Borough of Brent	6,621	22,858
Alperton Community School	65	236
ARK Academy	8	19
Avigdor Hirsch Torah Temimah School	2	6
Cardinal Hinsley High School	41	148
Claremont High School	31	112
College of North West London	413	1,157
Brent Housing Partnership	359	750
Convent of Jesus & Mary RC Language College	39	137
Capital City Academy	71	243
The Copland Community School & Technology Centre	78	285
Furness Primary School	14	54
JFS	47	163
Crest Boys	27	96
Crest Girls	34	122
Kilburn Park School	5	22
Kingsbury High School	110	399
Islamia Primary School	14	10
Malorees Junior School	8	30
Manor Day School	44	169
Michael Sorbell Sinai School	17	62
North West London Jewish Day School	12	43
Oakington Manor Primary School	21	79
Preston Park Primary School	27	105
Preston Manor High School	61	219
Queens Park Community School	48	169
Sudbury Primary School	25	95
St Gregory's RC School	26	95
St Joseph's RC School	27	98
	8,295	**27,981**
Admitted bodies: contributing		
Age Concern	0	7
Brent Association of Disabled People	2	4
Brent Society for Mentally Handicapped Children (Mencap)	8	25
Churchill contracts Ltd	1	2
Goldsborough Homecare and Nursing Services Ltd	62	522
Local Employment Access Project	18	54
National Autistic Society	173	580
Sudbury Neighbourhood Centre	6	21
Jarvis Workspace FM LTD	3	7
Wetton Cleaning Services and North Grounds Maintenance	10	68
Wetton Cleaning Services and South Grounds Maintenance	7	30
	290	**1,320**

ADMITTED BODIES: NON-CONTRIBUTING

Brent Asian Professional Association
Brent Black Mental Health Project
Brent Community Relations Council
Brent Community Transport
Brent Energy Services Team
Brent Family Service Unit
Brent Irish Advisory Service
Brent Kids Scrap Bank
Brent Mind
Brent Under Twenties First Aid Housing
Brent Voluntary Service Council
Chalkhill Asian Forum
Harlesden Young Mums Project
- Family Outreach Project
Harlesden Methodist Church
- Harlesden Day nursery
Hillside Under Fives Centre
Kilburn Training
Park Lane Methodist Day Nursery
Pakistan Workers Association
Welcome Senior Citizens Club
West Indian Self Effort

Investment report for the year ended March 2010

Economic background

Global equity markets enjoyed a strong rally over the 12-month period (MSCI World Index +47.1%), driven by growing confidence in a sustained economic recovery, the return of merger & acquisition (M&A) activity and better-than-expected company earnings. However, volatility increased during the latter part of 2009 and into 2010 due to concerns over the likelihood of sovereign wealth defaults in Europe (particularly in Greece) and the introduction of lending restrictions in China.

2010 began positively for global equity markets as manufacturing surveys outstripped expectations, activity data continued to improve, and the US economy recorded strong growth in the fourth quarter 2009 (5.7% annualised). As the earnings reporting season gathered pace, the general trend was not only of profits expectations being exceeded, but also of revenues both surpassing expectations and showing signs of growth. However, from mid-January until the end of the period, markets once again endured significant volatility on fears over government debt defaults in Europe, increased banking regulation by the US, and central banks' and governments' "exit strategies" from the various monetary and fiscal stimulus packages. Problems were compounded by China taking what was believed to be early steps to prevent possible inflationary and speculative trends, by raising the percentage of capital that banks are required to maintain at the central bank. Questions over the sustainability of the global economic recovery remained at the forefront of investors' minds due to European sovereign debt concerns, continued fiscal tightening measures in China, and weaker-than-expected consumer data.

At the end of the period, the International Monetary Fund and the European Union announced intervention aimed at resolving the Greek debt crisis and this, coupled with supportive global macroeconomic data, led markets to rebound strongly. Throughout the 12 months, companies across the economy recapitalised and cut costs dramatically. This protected corporate profitability to a higher extent than expected and added fuel to the cyclical rally, ultimately enabling markets to finish with significant gains for the period.

Bond markets

At the beginning of the review period UK government bonds (gilts) were seen as a 'safe haven' against volatility in the equity markets. They benefited from the Bank of England's quantitative easing programme under which it became a massive buyer of government debt; overseas, US treasuries and German bunds were similarly supported by unprecedented fiscal stimulus measures by policy setters in their respective regions. As the period progressed, however, sentiment changed: as global equity markets began to recover after their March 2009 nadir, the availability of stronger returns elsewhere eroded the value of government issues. The anticipated end of quantitative easing programmes promised less support in the future from central banks. In the UK, there were additional problems, notably the scale of the budget deficit and fears that the forthcoming election would produce a hung parliament less capable of implementing measures to reduce the national deficit and protect the UK's prized AAA credit rating. Indeed, sovereign debt problems had become the main theme by the end of the review period; Greek government bond prices suffered from fears over its huge fiscal deficit, as it became increasingly apparent that a detailed debt rescue package would need to be put in place in case the country's austerity measures failed. Demand for riskier assets subsequently reduced and bunds in particular benefitted as investors fled from 'peripheral' European debt. (FTA Government Fixed All Stocks index +0.8%; JP Morgan Global Government Bond index +0.01%).

As market sentiment continued to improve, corporate bonds and equities began to perform broadly in line with each other, narrowing the substantial yield premium that corporates had built up relative to government issues. Corporate bond yields fell and prices rose as investors reigned in expectations regarding the level of expected defaults and corporate bonds posted their strongest quarterly return on record in Q2 2009. Demand was very strong with investors keen to absorb a record amount of new issuance coming to the market and performance was driven by improved liquidity in the markets and a rebound in financials, which had rallied significantly from their low point earlier in the year. Higher-rated credits in more defensive sectors underperformed the market as investors increased their search for yield in lower-rated names; new issuance remained high and was met with strong demand, allowing lower-rated companies to refinance their debt. The IBoxx £ Non Gilts All Maturities index rose 21.0% over the 12 months.

Other markets

Whereas in 2008/09 all markets fell sharply, with the exception of cash and government bonds, in 2009/10 most markets rose. The details are as follows:-

a) Equities rose sharply as low interest rates and plentiful liquidity encouraged investors into riskier assets. The market looked beyond shrinking economies to the prospect of growth and improved company earnings.
b) Property recovered in the final quarter of 2009 after a 45% fall in valuations. Yields had risen substantially (to 8%). However, rental growth still appears to be unlikely in the immediate future, which will limit gains.
c) Private equity suffered from sharp write-downs in valuations, to reflect the both falls in equity markets and lack of demand / finance for buy-outs.
d) Hedge fund managers generated solid returns as equity markets rose, credit markets improved and other strategies added value.

Strategy and outlook

Within the sterling bond market we retain a cautious view on UK gilts. The degree of supply required to fund the budget deficit will, we believe, weigh on gilt prices, especially if there are only limited steps taken towards reducing the deficit post election. However, with interest rates likely to remain relatively low for the remainder of 2010, this will likely provide a prop for the gilt market and prevent a substantial sell-off. Corporate bonds continue to offer value, despite the rally of the past year, with investors looking for yield and the health of companies assisted by the recovery in the economy. In the Brent enhanced portfolio, the prospects for absolute returns from the credit, emerging country debt and currency markets remain strong given market volatility and the attractive opportunities this presented.

PENSION FUND – GENERAL INFORMATION

Fund income

The fund receives income from the following sources:

- employees, at varying rates dependant on salary levels or date of joining the scheme
- employers, at varying rates according to their status
- investment income – dividends or interest
- capital gains on investments and
- transfer values from other funds.

Table B: Fund membership and contributions 2005/06 to 2009/10

	2005/06	2006/07	2007/08	2008/09	2009/10
ber of contributing employees as at 1 April	5,644	5,849	5,922	6,075	5896
Deferred	4,679	5,159	5,380	5,713	6096
Pensioners and dependants	4,881	5,024	5,161	5,269	5438
	£M	**£M**	**£M**	**£M**	**£M**
loyee contributions	6.7	7.1	7.4	8.5	8.8
loyer contributions	21.5	25.6	28.4	28.1	29.8
l contributions	**28.2**	**32.7**	**35.8**	**36.6**	**38.6**

Table C: The total administrative cost of the fund

	2008/09		2009/10	
	£'000	per cent	£'000	per cent
Expenditure				
Administration and processing	1,025	46.3	1,094	42.2
Actuarial fees	45	2.0	61	2.4
Administration, management and custody fees	1,125	50.9	1,417	54.7
Performance measurement fees	18	0.8	18	0.7
Total Administration Costs	**2,213**	**100.0**	**2,590**	**100.0**

The cost per fund member was £ in 2009/10 (£ in 2008/09.

Table D: Value of the fund as at 31st March

YEARS	2006 £'000	2007 £'000	2008 £'000	2009 £'000	2010 £'000
VALUE	**456,747**	**498,500**	**472,040**	**339,573**	**454,815**

RISK MANAGEMENT

Commentary on the management of investment risk is contained within the Statement of Investment Principles. The main investment risks are those of not meeting liabilities and severe market decline. These are mitigated by regular review of performance and asset allocation, diversification between managers and asset classes, and taking advice from consultants, the investment adviser and managers. However, there are other, operational risks that require management. In particular, the systems used by and financial health of, managers, custodians and contractors are assessed at appointment and on an ongoing basis by reference to annual reports, assurance reports (such as AAF 01/06 and SAS 70) and other research. If concerns arise, these are investigated and reported to members so that issues are resolved.

Finally, the status of employer bodies may also give rise to concerns, particularly with regard to admitted bodies whose financial status may be less secure. Where possible, bonds are obtained on admission and renewed as appropriate.

FINANCIAL PERFORMANCE

The Brent Pension Fund does not construct a budget because most of the expenditure and income items cannot be controlled in this way. However, a budget is agreed for certain pensioner payroll, IT and committee support items at the beginning of each year. These budgets are adhered to strictly unless the Fund agrees to extra work items.
A ten year cash flow forecast is updated whenever the asset allocation for the Fund is reviewed (on a three year basis). Following increases in employer contributions, it is anticipated that the Fund will have a positive cash flow (excluding dividend and interest receipts) in future years to reduce the Fund deficit. However, reductions in employee numbers will reduce the current surplus of contributions over benefit expenditure.

INVESTMENTS

Administration of the fund
The fund managers invest in markets in accordance with their management agreements and investment regulations and the Statement of Investment Principles.

The WM Company, market leader in performance measurement and investment administration services, has measured the performance of the Fund over the year in accordance with the performance benchmarks set for the investment managers. This has been based on the asset allocation agreed for the Brent fund.

Sales and purchases
Sales proceeds totalled £164.0 million (£167.7 million 2008/09) and the purchases totalled £192.6 million (£162.2 million 2008/09) during 2009/10.

Administration
Pension administration is carried out by the London Pension Fund Authority (LPFA) which currently has 5 staff employed on the Brent contract.

Asset Allocation and performance

The Brent fund is fairly mature – in 2007, 58 per cent of its assets were 'owned' by pensioners and former staff who deferred their benefits. However, the liabilities are long-term in nature, enabling the Sub-Committee to take a long-term view of investments to implement a specific benchmark for the fund to allow improved returns but wide diversification to reduce risk. The Brent Fund is very different from the average local authority fund, particularly in the area of 'alternative investments' (private equity, hedge funds, secured loans, and global tactical asset allocation). Taking a long-term view has also been assisted by there being a positive cash flow of contributions and dividends into the Fund. The asset allocation is as follows:

Table E: Asset allocation changes over the year				
	31st March 2009 £'000	per cent	31st March 2010 £'000	per cent
UK equities	80,488	23.7	115,046	25.3
UK equities small companies	9,477	2.8	15,447	3.4
Private equity	25,920	7.6	38,331	8.5
Overseas equities				
USA	30,765	9.0	55,900	12.3
Europe	14,600	4.3	22,100	4.9
Japan	4,100	1.2	7,700	1.7
South East Asia	4,300	1.3	9,900	2.2
Other	5,700	1.7	16,478	3.6
Fixed interest securities				
Gilts	16,000	4.7	14,769	3.3
Corporate bonds	23,885	7.0	22,325	4.9
Credit	4,500	1.3	22,596	5.0
Other	31,100	9.2	22,102	4.9
Property UK fund of funds	18,998	5.6	19,731	4.4
Property European fund of funds	10,133	3.0	6,756	1.5
Hedge funds	36,878	10.9	41,842	9.2
Global tactical asset allocation	5,951	1.8	11,450	2.5
Infrastructure	-		5,011	1.1
UK cash deposits	16,720	4.9	5,676	1.3
Derivatives	(115)	0.0	5	0.0
Forward FX	(34)	0.0	4	0.0
Total assets	**339,366**	**100**	**453,169**	**100**

Table F: The fund's largest UK equity holdings	31st March 2010	
Company	**Market Value £'000**	**per cent of UK equities**
BP Amoco	6,927	7.1
HSBC	6,863	7.0
Royal Dutch Shell	6,841	7.0
Vodafone	4,712	4.8
Glaxosmithkline	3,894	4.0
Rio Tinto	3,566	3.6
British American Tobacco	2,663	2.7
AstraZeneca	2,566	2.6
Barclays	2,467	2.5
BG Group	2,301	2.3

le G: Asset class	Asset allocation

	Brent Target	Brent Target	Ave. local Authority
	1 March 2009	31 March 2010	31 March 2010
	per cent	per cent	per cent
UK gilts	4.5	4.5	10.1
Corporate bonds	4.5	4.5	(incl. above)
Index linked gilts	-		4.4
Overseas bonds	-	2.0	2.0
Secured loans	6.0	2.0	-
Credit opportunities funds	3.0	5.0	-
UK FTSE 350 equities	23.0	18.5	30.0
UK smaller companies	4.0	4.0	(incl. above)
Overseas equities	25.0	26.5	35.9
Property	8.0	8.0	4.5
Hedge fund of funds	5.0	10.0	1.5
Private equity	4.0	8.0	8.4
Currency	7.0	-	1.2
Infrastructure	-	2.0	Above
Global tactical asset allocation	5.0	4.0	Above
Cash	1.0	1.0	4.0

The main changes made at the beginning of the year were to increase exposure to private equity and hedge funds, following the termination of the currency mandate following a period of poor performance. During the year a new Infrastructure mandate commenced.

Markets were strongly positive in 2009/10 with the exception of private equity. The WM Local Authority universe indicates that the best performing asset class was equities. Asset allocation has reduced performance because the Brent Fund has a larger than average exposure to hedge funds and private equity when compared to the average fund. Stock selection has been poor in overseas equities and UK small companies, but has added value in UK equities, fixed interest, hedge funds and GTAA.

Table H indicates that the Brent fund underperformed against both its own benchmark and the average local authority fund as measured by WM.

Table H: Investment Returns 2009/10	
	per cent
Total Return	28.9
Average Local Authority Return	35.1
Fund Benchmark Return	29.8
Inflation (Retail Price Index)	4.5
Average Earnings	2.2

Table I illustrates the individual areas of outperformance or underperformance. The highlights are**:**

- The UK Small Companies manager underperformed as a result of overweighting AIM companies that did not rise in value as rapidly as larger FTSE companies.
- Private equity was marked down to reflect previously falling public equity markets, the lack of credit and declining interest in new public issues..
- The overseas equity manager underperformed as a result of overweighting financial companies and poor currency selection.
- The fixed interest manager outperformed as confidence returned to bond markets and yields fell sharply.
- The global tactical asset allocation manager outperformed as all four strategies (currency, stock / bond, stock / stock and bond / bond) added value.
- The hedge fund of funds manager outperformed as a number of strategies (equity, macro, event driven) were successful.

Table I: Investment returns in individual markets

	Returns		Asset Allocation as at 31.March 2010	
Asset Class	Brent Fund per cent	Benchmark per cent	Brent Fund Actual per cent	Average Authority per cent
UK equities-FTSE	54.3	52.0	25.8	30.4

UK equities-small	62.3	68.7	3.4	Incl. above
Overseas equities	47.2	48.7	24.5	35.9
Fixed interest & index linked	0.8	-0.2	3.3	15.5
Corporate bonds	19.1	20.9	4.9	Incl. Above
Overseas bonds	-	-	1.9	2.3
Other fixed interest	36.1	4.0	7.1	-
Property	-7.3	13.3	6.0	5.8
Hedge funds	13.3	5.1	9.2	1.4
Private equity	11.8	1.2	8.4	3.0
GTAA	92.4	50.4	2.5	1.2
Infrastructure	-	-	1.3	Incl. above
Cash	n/a	2.4	1.7	4.0
Total	**28.9**	**29.8**	**100**	**100**

Table J: Individual Managers performance over one and three years

Asset class	**Brent 1 yr**	**Benchmark**	**Brent 3 yrs**	**Benchmark**	**Brent 5 yrs**	**Benchmark**
	%	%	%	%	%	%
UK equities	54.3	52.0	0.4	0.0	7.7	7.3
Small companies	62.3	68.7	-7.8	-12.8	0.2	-1.2
Global equities	47.2	48.7	-8.6	-2.3		
Fixed interest	22.9	7.0	4.0	5.7	4.4	5.4
Property	-7.3	13.3	-10.4	-9.0	-0.3	1.0
Hedge Funds	13.8	4.7	5.0	7.7		
Global tactical asset allocation	92.4	50.4				

Table K illustrates the long-term performance of the Brent fund and the value represented when compared to average earnings. The fund has underperformed the average fund over five and ten year periods, mainly as a result of poor equity returns. it is a matter of concern that liabilities, linked to pay and retail price inflation, are rising at a faster rate than the value of the fund.

Table K: Long term performance of the fund

Year	**Brent fund per cent**	**Average local authority fund per cent**	**Average earnings per cent**
2009/10	28.9	35.2	2.2
2008/09	-26.0	-19.9	2.9
2007/08	7.4	7.0	4.1
3 years to 31.3.10	-3.9	1.7	3.6
5 years to 31.3.10	2.7	7.1	3.7
10 years to 31.3.10	1.9	3.8	n/a

TOPICAL INFORMATION

Statement of Investment Principles

In response to new regulations, the Pension Fund Sub Committee published a Statement of Investment Principles (SIP) in 2000. The SIP details important policy issues, including investment responsibilities and objectives, the management of risks to the value of the fund and asset allocation policy. Aspects of the investment management arrangements are outlined, including the current strategy and the requirement for periodic review, monitoring activity and performance, and investment restrictions. A new SIP has updated procedures in the light of the Myners report, new investment regulations and other developments. It shows where the policies adopted by the Brent fund differ from those set out in Myners and the reasons for those differences. (www.brent.gov.uk/pensions)

Corporate Governance Policy

The UK equity fund has holdings in all the major companies in the FTSE 350. Being an Index Tracking fund, these holdings will be maintained over the long-term unless there are major changes in the status of individual companies. It is therefore important that the fund uses its vote at Annual General Meetings and Extraordinary General Meetings to ensure that the proper procedures are in place to protect the interests of shareholders. The Pension Fund Sub Committee has agreed policies that will guide the use of votes, and also uses the RREV voting service to inform officers on salient issues. The fund has delegated voting on overseas issues to the fund manager, AllianceBernstein

Brent has joined the Local Authority Pension Fund Forum (LAPFF), a group of around 50 authorities that co-operates to engage with companies, government and industries to improve governance, working and environmental standards.

New developments

The Pension Fund Sub Committee has appointed Alinda Capital Partners to manage a £20m investment in infrastructure..

Membership summary as at 31 March 2007
Introduction

Below is a summary of the membership data used for the actuarial valuation of the London Borough of Brent Pension Fund as at 31 March 2007.

As requested we have shown the number of active, deferred pensioners, pensioners and dependants, split into 5 year age bands.

Table L: Employee contribution banding 2009/10

Contribution rates (%)	5.25	5.5	5.8	5.9	6.0	6.5	6.8	7.2	7.5	Total
Total members	14	474	1,169	934	6	1,735	1,028	489	47	5,896

Table M: Number of members as at 31 March 2007

Age Band	Actives	Deferreds	Pensioners	Dependants
1-5	0	0	0	4
6-10	0	0	0	8
11-15	0	0	0	25
16-20	38	11	0	24
21-25	226	115	0	9
26-30	450	243	0	4
31-35	563	314	1	3
36-40	807	608	5	4
41-45	1,051	1,030	28	10
46-50	983	1,091	44	16
51-55	825	851	88	24
56-60	624	611	253	33
61-65	288	107	839	60
66-70	41	13	1,006	79
71-75	8	4	802	95

76-80	0	1	571	148
81-85	0	0	395	96
86-90	0	0	150	78
91-95	0	0	62	40
96-100	0	0	6	11
101-105	0	0	2	6
106-110	0	0	0	0
Total	**5,904**	**4,999**	**4,252**	**777**

London Pension Fund Authority Report (LPFA)

Introduction

We have reached the end of another challenging but successful year.

On time processing in all categories of work exceeded 96%, with an overall percentage of 97.21%. We were disappointed that a small number of cases were completed late, but at the same time we were also very pleased to see an excellent level of service reflected by nearly half of the cases processed on time actually being completed in advance of their contractual timescales.

Annual Benefit Statements were issued to 4824 deferred beneficiaries and 3908 active beneficiaries. The second run in March produced a further 79 ABS.

Customer satisfaction continues to be very good. We received 10 complaints for the year, all of which were responded to and resolved promptly. Quality of service questionnaires were sent to all retirees and randomly selected members based on cases actioned on their behalf. A review of these responses has shown feedback to be positive, with satisfaction being generally high.

I look forward to another year of working closely together with the run up to the 2010 valuation submission. Public sector pensions are likely to remain a high profile issue over the coming year and good quality information will be crucial in any discussions. The LPFA has continued to take an active role in trying to speak up for the sustainability of the scheme, with the symposium held on the 24th February being a highlight and I will ensure that you are kept informed of any developments that the LPFA feels might be of interest to Brent. Over the last year we have held a joint agency session which I hope to repeat later in this year and a session for the admitted bodies in which the e forms were successfully launched, we have increasing numbers of employers using these forms and these show a much quicker turn around time.

For Brent we have also started to receive and use the monthly interface.

Neil Lewins
Head of Commercial Pensions

Service Standards

Although regular and clear communication are important issues to employers and employees, it is also considered to be important that stakeholders are aware of the service standards set for responses by both Brent Council and the LPFA. Service standards should be reached on at least 98 per cent of cases: The table below indicates that the required service standards are being exceeded, and that services have improved over the last year.

Table N: Service standards over the period 1 April to 31 March 2010 (2008/09 in brackets)

	Completed in period	**Performance**	**Expected time scales**	**London Median**
Admissions	1012	91.47 (98.89)	10 days	10 days
Transfers in	342	99.71 (99.18)	5 days	10 days
Transfers out	273	99.71 (99.18)	10 days	15 days
Estimates (employers and employees)	613	100 (99.62)	5 days	10 days
Retirements	388	99.93 (100)	10 days	5 days
Deferred benefits	735	99.92 (99.87)	10 days	15 days
Refunds	121	99.92 (99.87)	10 days	10 days
Deaths	257	100 (100)	5 days	5 days
Correspondence	2945	99.93 (99.37)	5 days	n/a

Funding strategy statement (FSS - attached)

The FSS was introduced in 2004:-

- to improve local transparency, accountability and understanding of the long-term management of employers' pension liabilities
- to link this process with the Statement of Investment Principles and Fund Valuation requirements. (www.brent.gov.uk/pensions)

Socially responsible investment

The Fund will continue to hold all major stocks within the FTSE 350 but will seek to use its position as a shareholder to influence policies. To enable the Fund to work with others to engage with companies, the Fund has joined the Local Authority Pension Fund Forum. Overseas, AllianceBernstein has discretion to invest in the best economic interests of the Fund, which will include avoiding companies where ethical or environmental concerns are not fully recognised in the rating of the stock.

Governance of the Brent Fund and communication

In 2006, the Sub Committee published its policies and practices on the governance of the Fund, setting out such items as the composition of the Sub Committee and the regularity of meetings. (www.brent.gov.uk/pensions)

Added years and additional years voluntary contributions (AVCs)

Members of the Fund can purchase added years service to increase the number of years' service to the maximum entitlement for pension benefits to be paid. AVCs are also available to members who wish to top up their pensions to the maximum permitted by the Inland Revenue. The Council has selected the Clerical Medical to manage AVC provision on the basis of its long-term consistent record of good performance. As the arrangements are made through the Council, employees have the advantage of better terms than they could normally obtain as individuals.

Conflicts of interest

Conflicts of interest are managed as follows:-

a) Prior to taking up their membership of the Pension Fund Sub Committee, members are given training on their duties. It is emphasised that members are required to act in the interests of the pension fund members and should put aside personal interests and considerations.

b) Members' personal or financial interest in items under discussion must be declared at the beginning of each Sub Committee meeting.

c) A number of different interests and advisers are available to the Sub Committee. First, the actuary must advise on the solvency of the Fund and employer contribution rates. Second, officers and the Independent Adviser are available to give independent advice. Third, both employee groups and the largest employers are represented on the Sub Committee. Finally, meetings are open to the public and minutes and reports are published.

Compliance with best investment practice (the Myners' Report)

In 2001, Sir Paul Myners issued his review of institutional investment in the UK undertaken on behalf of the UK government. He published ten investment principles, which have been taken as best practice for pension funds. In 2008 the principles were updated to six higher level principles. Local authorities are required to publish details of the extent to which they already comply with the principles, and to give justification where this is not the case. Brent has published details of its compliance within the Statement of Investment Principles

London Borough of Brent Pension Fund accounts as at 31 March 2010

	Note	2008/2009 £ 000s	2009/2010 £ 000s
Contributions and benefits			
Contributions receivable	3	36,629	38,600
Transfer values in	4	1,389	4,389
		38,018	**42,989**
Benefits payable	5	24,227	28,376
Payments to and account leavers	6	3,693	4,869
Administrative expenses	7	1,070	1,155
		28,990	**34,400**
Net additions (withdrawals) from dealings with members		**9,028**	**8,589**
Returns on investment			
Investment income	8	13,623	12,059
Change in market value of investments	9	(153,785)	96,029
Investment management expenses	10	(1,332)	(1,435)
Return on investments		**(141,494)**	**106,653**
Net increase / (decrease) in the funds during the year		**(132,466)**	**115,242**
Net assets of the scheme			
Opening net assets		**472,039**	**339,573**
Closing net assets		**339,573**	**454,815**

Net assets statement 31 March

	Note	2008/2009 £ 000s	2009/2010 £ 000s
Investment assets	**9**	**340,356**	**454,112**
Investment liabilities		**(154)**	**0**
TOTAL Investments		**340,202**	**454,112**
Current assets	**11**	**852**	**971**
Current liabilities	**12**	**(1,481)**	**(268)**
Net assets of the scheme at 31 March		**339,573**	**454,815**

The accounts summarise the transactions and net assets of the pension fund. They do not take account of liabilities to pay pensions and other benefits in the future.

The actuarial certificate (page 8) sets out the actuarial position of the Fund and the required level of contributions payable.

London Borough of Brent Pension Fund
Accounting policies and notes to the accounts March 2010

1. Basis of preparation
The financial statements summarise the transactions and net assets of the scheme. They do not take account of liabilities to pay pensions and other benefits in the future, and have been prepared on a going concern basis. The actuarial position of the fund, which **does** take account of such liabilities, is dealt with in the statement by the actuary on page 8 of the annual report of the Pension Fund and these financial statements should be read in conjunction with it.

2. Accounting policies
The consolidated accounts of the Pension Fund for the year to 31st March 2010 are presented in accordance with the following accounting policies:

A Statements of accounting policies
(i) The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the pension fund for those employees.
(ii) Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis. These costs have been determined on the basis of contribution rates that are set to meet 100 per cent of the liabilities of the Pension Fund, in accordance with relevant Government Regulations.

B Basis of accounting
The Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of the Pension Schemes: A Statement of Recommended Practice (revised May 2007). Chapter 2 Recommended Accounting Practice and the CIPFA Code of Practice on Local Authority Accounting.

C Asset valuation principles
(i) UK quoted securities are valued at bid prices as at the close of business on the 31 March or at the date of the last pricing of the security.
(ii) Overseas quoted securities are valued at bid price on the 31st March, translated into sterling in accordance with accounting policy.
(iii) UK unquoted unit trusts, property and other unquoted securities including hedge funds valued at the external manager's valuation, or latest accounts.
(iv) Fixed interest securities valued at market value excluding the value of interest accruing on the securities.

D Income from investments
Dividends on investments are credited to the Fund accounts on the ex-dividend date. Interest on fixed-interest securities is accrued on a day to day basis. Income is shown gross of taxes deducted at source in the accounts.

E Foreign currencies
Transactions in foreign currencies are accounted for in Sterling at the rate ruling on the date of the transactions. Monetary and other assets denominated in foreign currencies are translated into sterling at exchange rates ruling on 31st March. Translation and conversion differences arising on transactions are included in the Fund Account.

F Transfer values to and from the fund
The Fund Account has been prepared on cash basis. Transfer values paid to or paid out from the Fund during the year have been included.

G Ex-gratia payments
No ex-gratia payments were met from the Fund in 2009/2010.

H Taxation

(i) Investments
The Fund is exempt from United Kingdom Capital Gains Tax. Income from overseas sources suffers a withholding tax in the country of origin, unless exemption is permitted as in the United States and Australia. A proportion of the tax deducted in some European Countries is recovered. The amounts recovered will vary from the amounts paid due to exchange rate fluctuations. All VAT paid is recoverable. Irrecoverable Overseas Withholding Tax and UK Income Tax have been written off to the Fund account in 2009/2010.

ii) Compounded pensions
There is a liability to income tax on these items, which are small pensions converted into lump sums. The rate of tax is 20 per cent and the liability is minimal.

I Employers' contributions
In 2009/2010 employers' contributions of £29.7 million were paid (2008/09 £28.1 m).
The increased contributions will allow elimination of the funding deficit over a 25 year period.

J Statement of investment principles
The Pension Fund Sub-committee agreed a revised Statement of Investment Principle in 2010 and published this both to the employers and on the Finance website. (www.brent.gov.uk/pensions)

K Related party's transactions
As administering authority for the Brent Pension Fund, the London Borough of Brent is a related party to the Fund. The authority provides administrative support, elected member leadership to the Fund, and manages the UK equity portfolio in house. Other related parties would include other pension fund employers (page 8), pension fund managers and advisor's (page 4), and senior officers and their families (page 4).

L The administrative authority's responsibilities
The authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of their officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Corporate Resources.
- to manage business to secure economic, efficient and effective use of resources and safeguard assets.

M Responsibilities of the Director of Finance and Corporate Resources
The Director is responsible for the preparation of the Authority's Pension Fund's Statement of Accounts, in terms of the Code and the Statement of Recommended Practice. The Director is required to present fairly the financial position of the Pension Fund (and its income and expenditure) for the year ended 31st March 2010. In preparing this statement of accounts, the Director has: selected suitable accounting policies and applied them consistently; made judgements and estimates that were reasonable and prudent; complied with the Code; kept proper up to date accounting records; and taken reasonable steps for the prevention of fraud and other irregularities.

Duncan McLeod
Director of Finance and Corporate Resources

3 Contributions receivable

Employees contributed £8.8 million in 2009/2010. The numbers of contributing members increased during the year.

	2008/09 £000s ongoing	2008/09 £000s deficit	2009/10 £000s ongoing	2009/10 £000s deficit	2008/09 £000s	2009/10 £000s
Employers						
Brent	16,129	8,828	16,842	9,218	24,957	26,060
Scheduled	1,763	322	1,993	395	2,085	2,388
Admitted	730	330	908	412	1,061	1,320
Members						
Brent					7,178	7,384
Scheduled					810	912
Admitted					313	289
Additional voluntary contributions					225	247
	18,622	**9,480**	**19,743**	**10,025**	**36,629**	**38,600**

4 Transfers in

Individual Transfers in from other schemes	**1,389**	**4,389**

5 Benefits payable

On retirement or death		
Pensions		
Brent	19,129	20,781
Scheduled	645	689
Admitted	690	735
Lump sum retirement benefits		
Brent	2,812	4,775
Scheduled	222	251
Admitted	306	249
Lum sum death benefits		
Brent	423	690
Scheduled	0	16
Admitted	0	190
	24,227	**28,376**

6 Payments to and on account of leavers

Refund to members leaving service	16	45
Individual transfers to other schemes	3,677	4,824
	3,693	**4,869**

7 Administration expenses

Administration and processing	982	1,055
Actuarial fees	45	61
Audit fees	43	39
	1,070	**1,155**

8 Investment Income

Dividend income equities	7,640	7,535
Income from fixed interest securities	4,011	2,902
Income from property unit trusts securities	1,345	1,104
Income from private equity	287	663
Interest on cash deposits	795	38
Infrastructure	0	68
Commission recapture	42	3
Miscellaneous	189	296
Class action	31	4
	14,340	**12,613**
Irrecoverable tax	(717)	(554)
Total investment income	**13,623**	**12,059**

9 Investments

	Value at 31.03.09	Purchases At cost	Sales Proceeds	Change in Market Value	Value at 31.03.10
	£'000s	£'000s	£'000s	£'000s	£'000s
UK equities-quoted	73,308	5,212	12,928	34,733	100,325
Global equities-quoted UK Alliance	7,180	14,268	10,531	3,804	14,721
Global equities-quoted Alliance	59,465	113,089	92,209	31,733	112,078
Fixed interest (including unit trusts)	75,485	40,359	47,443	13,391	81,792
Property UK FOF UT	18,998	942	0	(209)	19,731
Property European FOF UT	10,133	0	0	(3,377)	6,756
UK equities small companies UT	9,477	129	0	5,841	15,447
Private equity-YFM/CapDyn LLP	25,920	12,798	0	(387)	38,331
Hedge fund Open ended Trust	36,878	0	0	4,964	41,842
Infrastructure LLP	0	5,814	969	166	5,011
GTAA Open ended Trust	5,951	0	0	5,499	11,450
	322,795	**192,611**	**164,080**	**96,158**	**447,484**
Cash deposits	16,720	0	11,184	140	5,676
Henderson Bond Future	0	(64)	15	79	0
Henderson FX	(34)	27,504	27,504	38	4
AllianceBernstein FX	(120)	179,243	178,847	(276)	0
AllianceBernstein Futures	5	258	148	(110)	5
	339,366	**399,552**	**381,778**	**96,029**	**453,169**
Investment income due	836				943
	340,202				**454,112**

UT is unit trust
LP is limited partnership

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year.

*Private equity and Infrastructure

The Brent pension fund has made commitments as a limited partner to nine funds managed by Capital Dynamics, the Capital Fund for London and to the Alinda Infrastructure Fund. As at 31st March 2010, outstanding commitments totalled £97.6m. However, previous experience indicated that funds only call around 60% of commitments, so that actual payments are likely to be much less than outstanding commitments.

Fixed interest securities

	2008/09 £000s	2009/10 £000s
Segregated		
UK public sector	15,831	14,769
Pooled		
UK corporate – open ended unit trust	23,591	22,325
Overseas government open ended unit trust	3,928	8,834
Secured loans open ended unit trust	15,558	8,630
Credit opportunities open ended unit trust	0	11,534
Credit alpha open ended unit trust	0	11,062
Currency fund open ended unit trust	0	1,255
Absolute return fund open ended unit trust	14,659	0
Infrastructure Limited Partnership	1,370	812
Money market fund	548	2,571
	75,485	**81,792**

Pooled investment vehicles (excluding fixed interest).

	2008/09 £000s	2009/10 £000s
Property - UK fund of funds unit trust	18,998	19,731
Property - European fund of funds unit trust	10,133	6,756
UK Equities – small companies unit trust	9,477	15,447
Private equity limited partnerships	25,920	38,331
Hedge fund open ended trust	36,878	41,842
Infrastructure limited partnership	0	5,011
GTAA open ended trust	6,000	11,450
	107,406	**138,568**

Derivative Contracts	**2008/09 £000**	**2009/10 £000**
Currency – Henderson	(34)	4
Futures – bonds	-	-
Futures – equities	5	5
Currency AllianceBernstein	(120)	-

Type of derivative	Expiration	Economic exposure value £000	Fair Value Asset	Fair Value Liability
Henderson				
UK Sterling	28th June 10	636	-	
US Dollars	28th June 10	(631)	4	
Euro	28th June 10	(5)	-	
Futures UK LIFFE Long Gilt	28thJune 10	1032	-	
Futures USA CBT 10 year	21st June 10	694		-
Futures USA Long Bond	21st June 10	(846)	-	
Futures EUX Euro-bund	8th June 10	(1094)		-
AllianceBernstein				
Futures DJ EURO STOXX 50	June 10	102	-	
USA S&P 500	June 10	532	5	-

Derivative receipts and payments represent the realised gains and losses on contracts. The various derivatives are held for the following purposes:-

a) Gilt futures. The manager purchases exposure to the value of gilts at a future date, paying a margin that increases / reduces as the value of the future varies. Futures are used because the market is liquid and costs are lower.
b) Equity futures. The manager can purchase exposure to an equity market index that rises / falls in line with market movements. Again, futures are used because they are cheap, liquid, and give additional exposure.
c) Currency exposure is obtained through futures, and has two main purposes. First, the pooled currency fund managed by Mellon took views on currency movements, seeking to make gains as currencies rose /

fell. Second, the Fund has sought to protect the value of investments against adverse currency movements by fixing the sterling value in the future.

d) Global Tactical Asset Allocation (GTAA) seeks to make gains through the relative movements in currency, bonds and equities. Exposure is gained through a pooled fund managed by Mellon.

AVC Investments

Additional voluntary contributions are not included in the pension fund accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds Regulations 1998. Individuals hold assets invested separately from the main fund in the form of with profits, equity related, or building society accounts, securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVCs). Members participating in this arrangement each receive an annual statement made up to 31st March confirming the value of their account and the movements in the year. The aggregate value of the AVC investments is as follows:-

	2008/09 £000s	2009/10 £000s
Equitable Life	127	132
Clerical Medical	1,018	1,235
	1,145	**1,367**

10 INVESTMENT MANAGEMENT EXPENSES	2008/09 £000s	2009/10 £000s
Administration, management and custody fees	1,300	1,340
Performance measurement fees	18	18
Other advisory fees	14	77
	1,332	**1,435**

11 CURRENT ASSETS		
Contributions due		
Employers	381	569
Employees	110	92
Additional voluntary contributions	3	2
Other miscellaneous debtors	358	308
	852	**971**

12 CURRENT LIABILITIES		
Management / advisor's fees	(176)	(222)
Lump sums not paid	0	0
Accrued expenses	(1,305)	(46)
	(1,481)	**(268)**