



HILLINGDON
LONDON

Pensions Board

Date: THURSDAY 09 April 2026

Time: 2.00 PM

Venue: Committee Room 4, Civic Centre, Uxbridge

This agenda is available online at

[London Borough of Hillingdon - Pension Board agenda and minutes](#)

Employer Representatives

Shane Woodhatch (January 2027)

Jack Francis-Kent (July 2028)

Vacant

Scheme Member Representatives

Roger Hackett (December 2025)

Tony Noakes (January 2027)

Vicky Trott (November 2028)

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Tunde Adekoya

Finance - Pension Fund

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London Borough of Hillingdon,

3E/02, Civic Centre, High Street, Uxbridge, UB8 1UW

Terms of Reference of the Pensions Board is as follows:

1. The Pensions Board will meet at a frequency determined by the Board.
2. Reports to the Board will either reflect decisions taken by Pensions Committee or be for noting, already seen by Pensions Committee.
3. The role of the Board will be to assist London Borough of Hillingdon Administering Authority as Scheme Manager: to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS.
4. To secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and in such other matters as the LGPS regulations may specify.
5. To secure the effective and efficient governance and administration of the LGPS for the London Borough of Hillingdon Pension Fund.
6. To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest. NB: Being a member of the LGPS is not seen as a conflict of interest.
7. The Board may agree a more detailed code of practice within the parameters of these Terms of Reference, as to how it operates to comply with other relevant guidelines.

Agenda

OPENING ITEMS

1. Apologies for absence
2. Declarations of Interest and any Conflicts of Interest
3. To approve the minutes of meeting held 4 February 2026
4. To confirm the items of business marked Part I will be considered in public and that items marked Part II will be considered in private

PART I

5. Pension Administration & Performance
6. Training Update and Log
7. Work Programme 2026
8. Governance Part 1
 - Policy Updates
 - Funding Strategy Statement
 - Responsible Investment Strategy
 - Investment Strategy Statement
 - EDI
 - Effectiveness of the Pension Board
 - Gender Pay Gap

PART II

9. Governance
 - Response to Referral Item
 - IMA and Schedules
 - Dashboard on Transfer to the LCIV
10. Review of Pension Committee Papers

Members of the board are reminded to bring a copy of their Pensions Committee report pack from 24 March 2026 to the meeting

Minutes

PENSION BOARD Meeting

04 February 2026



Meeting held in Committee Room 4, Civic Centre, Uxbridge

<p>Employer Representatives: Jack Francis-Kent (JF)</p> <p>Scheme Member Representatives: Roger Hackett – Chair (RH) Tony Noakes (TN) Vicky Trott (VT)</p> <p>Also Present: Marian George, Governance Advisor (MG) Catherine Edgecombe, Hampshire Pension Service (CE) – agenda item 5</p> <p>LBH Officers Present: Pete Carpenter, Director – Pensions, Treasury & Statutory Accounts (PC) Tunde Adekoya, Finance Manager – Pensions & Governance (TA) Karl Pereira, Trainee Pension Fund Accountant (KP) Seby Carvalho, Pensions Technical Officer (SC) Ann-Marie Pereira (AP) - Minutes</p> <p>Apologies for Absence: None received</p>		
AGENDA ITEM	MINUTES/ACTIONS	LEAD
1.	APOLOGIES FOR ABSENCE As noted above.	
2.	DECLARATIONS OF INTEREST AND ANY CONFLICT OF INTEREST None.	
3.	ELECTION OF EMPLOYER/SCHEME REPRESENTATIVE Still need to approach schools to encourage participation. In terms of Employer Representatives, have written to SW but have not had a response. TA to follow up with a final communication. Currently there are three Scheme Member representatives and one Employer representative. RH's tenure of office: The Operating Procedures provide for a 4-year tenure. The date on the front sheet was December 2025. TA to change the date	TA

	against RH's name to 2029. Web pages also need to be updated.	
4.	<p>TO APPROVE THE MINUTES OF THE MEETING HELD ON 05 NOVEMBER 2025</p> <p>The Minutes were confirmed as an accurate record of the meeting.</p> <p>Matters Arising (that are not included on today's agenda):</p> <ul style="list-style-type: none"> - RH raised the matter previously raised in April 2025 about the third party CEM benchmarking report, to look at performance of HPS compared to other similar organisations; the Board was going to ask HPS to provide a copy of this report. MG confirmed this is a useful report (she has seen West Yorkshire's report). - The Board agreed it was important to spend time today discussing the transition arrangements to the LCIV and the governance issues, ensuring our Fund is not compromised in any way. - Cyber hygiene trends to be completed by AON. 	
5.	<p>TO CONFIRM THE ITEMS OF BUSINESS MARKED PART 1 WILL BE CONSIDERED IN PUBLIC AND THAT ITEMS MARKED PART 2 WILL BE CONSIDERED IN PRIVATE</p> <p>Agreed.</p>	
PART 1		
6.	<p>PENSIONS BOARD ANNUAL REPORT</p> <ul style="list-style-type: none"> - The Board noted the report for the period from 01 January – 31 December 2025. The report covers board composition, attendance, compliance reviews, and future work areas (eg PR code, gender pay gap, dashboard data improvement, effectiveness review) - Membership, of note is lack of attendance by SW - TPR code of compliance - Cyber security - EDI - Review of the board: all members should receive a questionnaire from Isio. - Training log. - Work plan and future agenda discussions for board meetings. The list is not exhaustive, so all to inform TA of any additions. - Updated committee dates: PC raised concern about the timing of the Pension Committee meetings in relation to reporting to the LCIV; currently required to report within 2 months but PC feels this should be a month; he will raise this matter at a meeting with LCIV on Friday. Accordingly, Committee meetings will be arranged and as well as Board meetings which need to take place 3 weeks after Committee. 	

	<ul style="list-style-type: none"> - RH thanked TA and the team for the production of the annual report whilst acknowledging that this has been a particularly demanding year. - MG asked about the informing the TPR about compliance to deadlines; agreed there is no need to inform TPR of the timetable – TA will update the report accordingly. 	
<p>7.</p>	<p>PENSION ADMINISTRATION & PERFORMANCE</p> <p>PC introduced CE to the Board.</p> <p>CE highlighted the positives of the report:</p> <ul style="list-style-type: none"> - Portal registration rates - Administration performance – 100% within SLAs - With regard to items on hold, pending further information, there is regular monitoring of these items. - Information about production of annual benefit statements – only a small number of missing statements - Still some leavers unprocessed but a relatively small number – awaiting information from employers. - Mcleod: 260 pensioner records which are being recalculated; the number of those having an impact are relatively low. - Pension dashboard programme: initially a delay reported but connected on 12 December 2025. No notification of ‘go live’ to the public but continue to do work to prepare for the ‘go live’. - Internal audits have provided substantial assurance, with ongoing audits in cybersecurity and payroll/benefit calculations. <p>MG asked about the Pensions dashboard, now that connected, whether there is user testing; CE advised that the dashboard is not at that stage yet. We expect to get 6 months’ notice.</p> <p>In terms of connection, CE advised that this was successful from a technical perspective but there is no output to check.</p> <p>TN queried why the audits mentioned earlier were outstanding; CE confirmed this was due to the scheduling of those audits. The payroll/benefit calculations audit is conducted annually.</p> <p>VT highlighted the 55% members registered on the portal and asked whether the balance had opted out or do they not engage. Confirmed it was mainly non engagement. 1700 have opted out. RH felt these figures are good compared to other organisations.</p> <p>On outstanding leavers (239), CE to look into the consequence of not resolving at all. TA added that, for the 239 leavers, documentation is missing so not clear where to classify. LB Hillingdon continues to chase but this is not HPS’ priority anymore (down from 4000+ to a few hundred cases). When it comes to retirement, this missing information will impact and this has been stressed to the schools. Will discuss a specific example later in this meeting.</p> <p>Noted that the number of RED cases has gone down. An annual exercise is undertaken on these cases; will include this detail in future reports.</p>	<p>CE</p>

<p>8.</p>	<p>TRAINING UPDATE & LOG</p> <p>Noted. JFK has provided TA with the up-to-date position of training undertaken; TA will update the log accordingly.</p> <p>All other Board members to inform TA if there are any other updates.</p> <p>Agreed that the training report and log should match the annual report in terms of the period covered ie calendar year; TA to include a note specifying that this relates to a calendar year.</p> <p>Log includes Pension Regulator training but CPD requires a minimum of 14 hours a year.</p> <p>The matter of members who have not met their training obligation will be picked up in Part 2.</p> <p>RH thanked all for their response to the ask – this will be mandatory for Committee so it is important for the Board to have their house in order. Agreed it would be useful to combine training sessions for Committee and Board, on Committee meeting dates.</p>	
<p>9.</p>	<p>WORK PROGRAMME 2026-27</p> <p>Provides a run-through of the Board programme for 2026/27; proposed meeting dates noted, however, as mentioned earlier these dates will need to be reviewed in line with the LCIV reporting cycles; PC will raise at his meeting with LCIV on Friday and will feedback. To hold the LCIV to account, reporting should be 6 weeks at the latest (currently 2 months).</p> <p>MG pointed that draft regulations are still not final and with 6 – 7 weeks to go, may require a lot of work.</p>	

Pensions Administration & Performance	Item 5
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<i>Committee</i>	Local Pensions Board
<i>Contact Officers</i>	Pete Carpenter - Finance Tunde Adekoya – Finance
<i>Papers with this report</i>	None

REASON FOR ITEM

The provision of administration services for the Hillingdon Pension Fund is delivered in partnership with Hampshire County Council (HCC) through Hampshire Pension Service (HPS) under a section 101 agreement. The agreement includes Key Performance Indicators (KPIs) which are generally consistent with national standards.

The purpose of this report is to update the Pensions Committee on pensions administration activities and the performance of the administration provider against the agreed indicators.

RECOMMENDATIONS

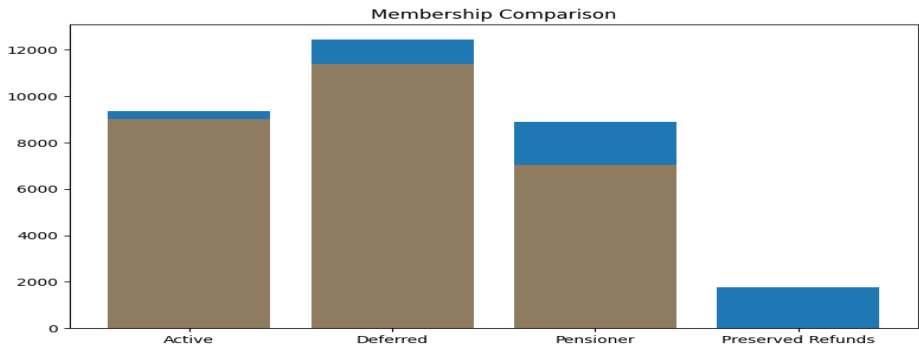
1. That the Pensions Committee note the administration update

INFORMATION

This report provides a comprehensive overview of the administration of the London Borough of Hillingdon Local Government Pension Scheme (LBH LGPS) for February 2026. Hampshire Pension Services (HPS) continues to deliver high performance across key metrics, with 100% SLA compliance and significant growth in scheme membership. Key developments include progress on McCloud remedy implementation, dashboard connectivity delays, and enhanced employer services.

Key Takeaways

- Membership has grown by nearly 18.18% since onboarding, indicating strong scheme engagement.



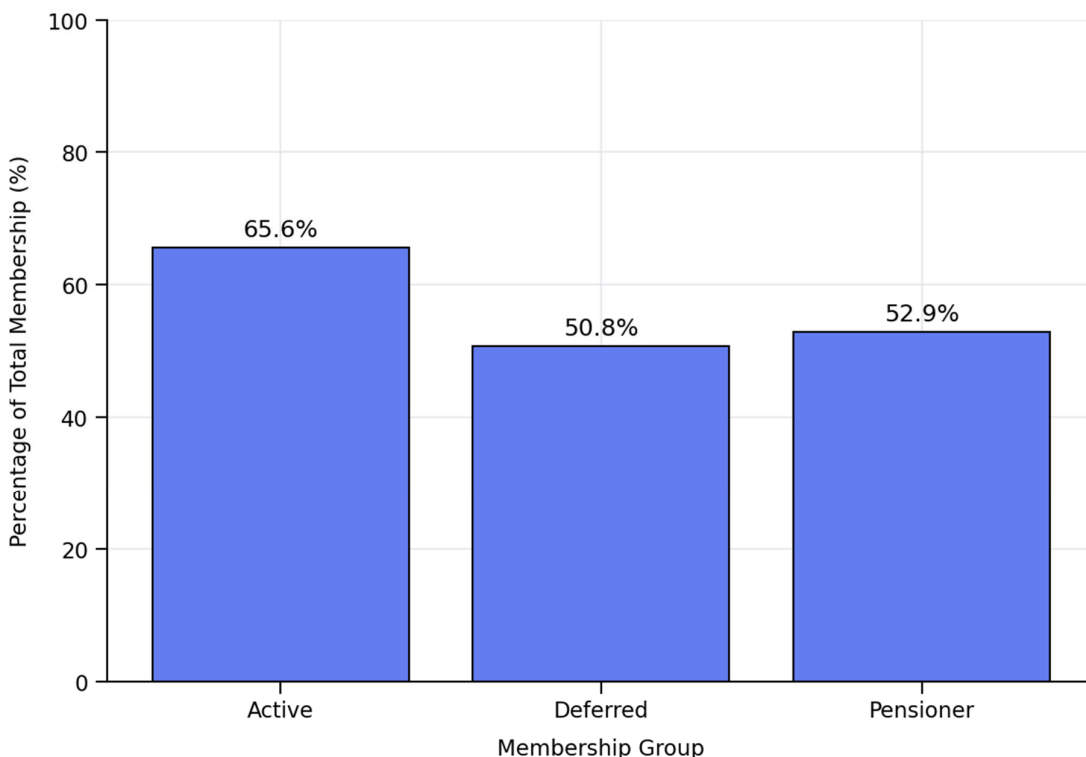
- 56% of members are registered on the portal, showing good digital adoption.
- 100% of administration cases were completed within SLA timelines, reflecting operational efficiency. 182 cases were processed in the month.
- Only 236 historic leaver cases remain unprocessed, down from over 4,161.
- Member communication volumes are high, with over 149 calls received and 142 answered within 5 minutes in February 2026.
- McCloud main deadline was extended to 31 August 2026. 147 cases remain outstanding out of initial 260 cases and none of those recalculated so far have resulted in an underpin payment.
- Audit results show substantial assurance in two key areas, member deaths and transfer audits. Cyber Security: Scoping session held, evidence gathering in February.
- Communications: Two employer communications were issued in the period: a Stop Press informing employers of the employee contribution bands for 2026/27, and the annual employer newsletter - Pensions Matters.
- Feedback: 2 compliments, 0 complaint received.

Membership

Membership in the Local Government Pension Scheme has grown by 18.18% since the start of the partnership, with notable increases in deferred and pensioner categories.

Membership Growth

Portal Registrations as % of Total Membership (Feb 2026)



Classification: Public
Pensions Board 09 April 2026

What it shows

Registration penetration: Active 65.64%, Deferred 50.76%, Pensioner 52.94%.
 Opportunity to target Deferred members for higher digital engagement.

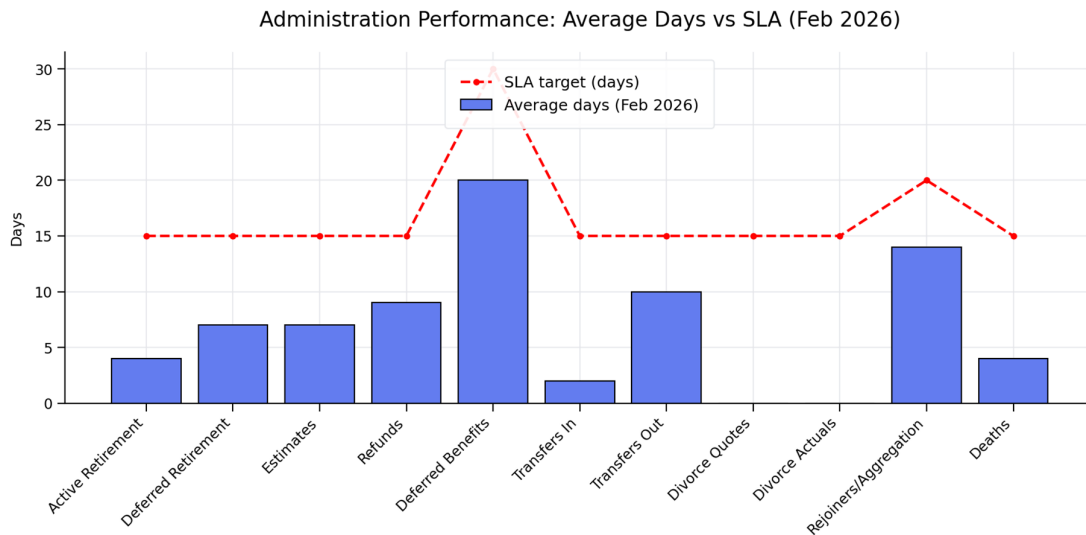
Administration

Administration performance remains strong, with 100% of cases completed within service level agreements.

The table below shows performance from 1st February – 28th February 2026. The service level agreement (SLA) for all casework is 15 working days, except for deferred benefits which are processed in 30 working days, and re-joiners which are processed in 20 working days.

Time to Complete

Case Type	Total Cases	% Completed on Time	Avg Days
Active Retirement	10	100%	4
Deferred Retirement	35	100%	7
Estimates	34	100%	7
Refunds	4	100%	9
Deferred Benefits	48	100%	20
Transfers In	10	100%	2
Transfers Out	23	100%	10
Divorce Quotes	0	100%	0
Re-joiners/Aggregation	11	100%	14
Deaths	7	100%	4
Grand Total	182	100%	



What it shows

All case types completed within SLA in December (100% on time). Average completion times are well inside thresholds—e.g., Deferred Benefits averaged 24 days vs 30-day SLA, Re-joiners 11 days vs 20-day SLA

The table below shows outstanding work as of 28th February 2026. The time outstanding reflects the time from date of receipt of the initiating request, and includes time whilst cases are on hold pending further information. Work which has been pended is monitored by the team and is also pushed for review by the system at pre-determined intervals. This means that all pending casework is regularly reviewed, and actions taken to ensure it can be moved and processed.

Case Type	Total Outstanding
Active Retirement	1
Deferred Retirement	16
Estimates	100
Refunds	4
Deferred Benefits	70
Transfers In	146
Transfers Out	13
Divorce Quotes	1
Divorce Actuals	1
Rejoiners/Aggregation	54
Deaths	54
Grand Total	460

*Estimates include all 'quote' calculations for retirement, transfers, divorce, refunds, dependants quotes and interfund.

Total outstanding cases: 460. The largest backlogs are Transfers In (146), Estimates (100) and Deferred Benefits (70).

2026 End of Year timetable

We have agreed the timeline for the 2026-year end processes. The table below details the key milestones and dates we will be working to.

Completed	Task
13/03/2026	2026 Pensions Increase to be applied to all advance pensions in payment.
27/03/2026	Annual Return requests and templates sent to Employers.
14/04/2026	2025 Pensions Increase to be applied to all arrears pensions in payment.
Feb to April 2026	Online employer annual return webinars and clinics
30/04/2026	Annual return deadline for Employers
March to May 2026	Pensioner Mailings (including April/May payslips, P60's and newsletter)
31/05/2026	2025 Pensions increase applied to all deferred benefit members.
30/06/2026	Employer Services to complete upload of Annual Returns (AR); assuming all data received from, and queries answered by employers.
30/06/2026	CARE pension revaluation for Active members (to be run per employer, after AR upload)
15/07/2026	Valuation extracts produced and uploaded to Hymans' portal.
31/08/2026	Deferred Benefit Statements (DBS) to be produced, including the underpin for those 'in scope' for McCloud.
31/08/2026	Active Benefit Statements (ABS) to be produced, including the underpin for those 'in scope' for McCloud.
31/09/2026	Supplementary Pensions Increase calculated and lump sums paid.
05/10/2026	Latest date Pensions Savings Statements sent – will be produced for each employer as ABS have been completed.
31/10/2026	Latest date e-comms sent to members with benefit statement available on Member Portal.
31/10/2026	Pensions Dashboard connection date for all Public Sector pension schemes
01/11/2026	Life Certificates issued to Overseas Pensioners.
15/11/2026	TPR Scheme Return
04/12/2026	Active and Deferred member newsletters.

As of 28 February 2026, the unprocessed leavers position is as follows.

Unprocessed Leavers transferred from Surrey, at point of onboarding.	3,840
Additional unprocessed leavers identified since onboarding	321
Total unprocessed leavers	4,161
Leavers processed, and records finalised by HPS	3,925
Leavers processed in the last month*	1
Outstanding leavers to be processed	236

*Included in the 'Leavers processed, and records finalised by HPS'.

McCloud Update

The main deadline for the implementation of the McCloud remedy was 31 August 2025. The Fund decided to extend the deadline to 31 August 2026 for the work which could not be completed by 31 August 2025. The current position on the outstanding work is shown below.

Area of work	Original cases	Outstanding cases	Update
Club transfer in	0	0	LBH did not have any of these cases
Pensioners	260	147	None of the cases recalculated so far have resulted in an underpin payment.
Pension sharing orders	0	0	LBH did not have any of these cases

Pensions Dashboard Programme (PDP)

The PDP have invited three members of the Pension Services' team to take part in the next phase of testing – we wait to hear what this will entail and when the testing will take place, but hope to use this as an opportunity to understand more about how information will be displayed to Dashboard users.

Classification: Public
Pensions Board 09 April 2026

We are in the process of finalising a Dashboard data preparedness plan for each scheme and will share a summary of the work required by the end of March 2026

Audit

The Southern Internal Audit Partnership (SIAP) provides the internal audit function for Hampshire. The position of our 2025/26 pension audits are as follows.

Audit Area	Timing
<p>Member deaths</p> <p>Provide assurance that any payments related to deceased members are calculated correctly and paid promptly to the correct recipient with the risk of overpayments minimised.</p>	Substantial rating confirmed.
<p>Pension transfers</p> <p>Provide assurance that the processes and controls in place support the accuracy and timeliness of transfers in and out of the schemes administered by HPS.</p>	Substantial rating confirmed.
<p>Pensions payroll and benefit calculations</p> <p>Annual review to provide assurance that HPS' systems and controls ensure that:</p> <ul style="list-style-type: none"> Lump sum and on-going pension payments are calculated correctly, are valid and paid to the correct recipients. All changes to on-going pensions are accurate and timely. 	Testing and analysis in progress, final report due end of May.

Audit Area	Timing
<ul style="list-style-type: none"> Pension payroll runs are accurate, complete, timely and secure with all appropriate deductions made and paid over to the relevant bodies. 	
<p>Cyber Security</p> <p>Provide assurance over the cyber security arrangements within HPS and the UPM application. Precise scope to be determined by the outcomes of the 2024/25 audit, cyber security and UPM developments during the year.</p>	Scoping session held, evidence gathering in February.

FINANCIAL IMPLICATIONS

Financial implications are included in the body of the report.

LEGAL IMPLICATIONS

Legal implications have been included in the body of the report.

Classification: Public

Pensions Board 09 April 2026

Committee name	Pensions Board
Officer reporting	Tunde Adekoya – Finance Pete Carpenter - Finance
Papers with report	None

RECOMMENDATION(S):

- 1. The Pensions Board is asked to note the continuous professional development update and discuss the options for further training.**

BACKGROUND

There is a statutory duty on Pension Board members to undertake requisite training that will enable them to competently dispense their duties, as defined, by sections 5(1) and (2) of the Public Services Pension Act 2013 and regulation 106 of the Local Government Pension Scheme (LGPS) Governance Regulations 2013.

A training register is maintained to log training received by Local Pension Board members and track their knowledge and skills acquired. The register is used to monitor and identify areas of training and knowledge gaps of each individual member and address these needs. Training is carried out in line with the adoption of the training policy.

The Pensions Regulator Public Sector Toolkit

It was agreed that in keeping with the requirements of the Pensions Regulator, completion of the TPR public sector toolkit was mandatory. As at March 2025 all Board members had completed the TPR public sector toolkit.

Update on Training

All Pension Board members have completed CIPFA Knowledge and Skills Competency Framework previously provided by AON. The framework covers the following subject areas:

1. Induction - Introduction to the LGPS
2. Pensions legislation and guidance, and national governance
3. Local governance and pensions procurement, contract management and relationship matters
4. Funding strategy and actuarial methods, and financial, accounting and audit matters
5. Investments – Strategy, asset allocation, pooling, performance, and risk management
6. Investments - Financial markets and products
7. Pensions Administration and Communications

Further group training will be arranged in line with the training plan. Board members should also attend one-off training events and information sessions as they arise.

Continuous Professional Development Log

Below shows progress against the Pensions Regulator Public Sector Toolkit, CIPFA Knowledge & Skills framework and additional training items completed by the Board during 2026.

Training events will be carried out in conjunction with Pension Committee where viable.

Training Event	Organiser	Date	Pensions Board Members						Advisers & Actuary	
			Roger Hackett	Tony Noakes	Shane Woodhatch	Vacant	Jack Francis-Kent	Vicky Trott	Marian George	Craig Alexander
The Pensions Regulator Public Sector Toolkit		On-demand	*	*	*		*	*		
AON CIPFA Knowledge & Skills Areas of Training (7 Modules)		On-demand	*	*	*		*	*		
Equities markets-end of year review and 2026 Forecast	Fisher	08/01/2026	0.75							
Sackers Quarterly Legal update	Sackers	05/02/2026	1							
Webinar on the Own Risk Assessment (ORA).	Hymans Robertson	12/02/2026	0.75							
Tri-Borough Training	Tri-Boroughs	13/02/2026	3.25				3.25			
Good Governance - requirements & implementation	Hymans Robertson	17/02/2026	0.75	0.75			0.75			
Aon Update Pod Cast Good Governance	Aon	25/02/2026	0.33							
Assessing the Iran Strikes: Geopolitical Risks and Portfolio Implications	Neuberger	03/03/2026	0.75							
Building "Fit for the Future" LGPS Teams: Senior Roles, Pay and Governance	Aon	On demand	1							
Fisher Market Update and Forecasts	Fisher	19/03/2026	2							
Closing Pensions Accounts March 2026	Hymans Robertson	On demand	1	1						
Strategic Pension Planning: Aligning for long-term impact	Howden	26/03/2026	1							
Hymans - Current Issues in The LGPS -	Hymans Robertson	On demand		1						
Multi-Asset Markets Webinar: Stabilize Your Core	Barings	19/02/2026		0.5			0.5			
LGA's LGPS Governance Conference Highlights	LGA	On demand		1						
Escalation in the Middle East - Development & Market Implications	Russel Investments	04/03/2026					1			
Other Training Hours										
Total Training Hours January-December 2025			12.58	4.25	0	0	5.5	0	26.5	15
*Required Minimum PB Annual Training Hours (14 Hours)			14	14	14	14	14			
		Keys								

*Completed in prior period.

Training Policy states minimum requirements for Board members is to undertake 14 hours of training annually.

Knowledge & Skills Assessment

An updated Training Policy with a Training Plan framework was approved by Pensions Committee in December 2023. The updated policy aims to satisfy the requirements of The Pensions Regulator's new code of practice.

Included in the Policy was requirement for a regular assessment of knowledge of skills of Committee and Board members. Pension Committee agreed the Hymans Robertson tool to assess Committee and Board members and to assist in identifying key areas of training focus.

Board members are reminded that they should revisit AON sessions when necessary.

Other external training opportunities

Various pension consultancy firms such as Hymans, PSLA, Aon etc offer webinar learning sessions focused on key topics throughout the year. The events scheduled for the year can be viewed on their respective websites, however, the Fund team will inform Committee and Board members of any webinars they feel are relevant to the Committee and Board members.

Financial Implications

The cost of training for the Pensions Board is fully covered by the pensions fund.

Legal Implications

There is a statutory duty on Pension Board members to undertake necessary training.

Work Programme & Future Agenda

Item 7

Committee	Local Pension Board
Officer Reporting	Tunde Adekoya – Finance Pete Carpenter - Finance
Papers with report	Work Programme

REASON FOR ITEM

This report is to enable the Pension Board to review meeting dates and the future work programme for the Board. This report also includes the work programme for the Pensions Committee to enable, effective coordination between both bodies to support the Board in its role of ensuring compliance.

The work programme has been updated with dates and items for 2026/27.

Recommendations

- 1) Board to make suggestions for future working practices and/or reviews and priorities.

INFORMATION

Attached is the Pension Board Workplan which highlights scheduled areas of work.

The next Pension Board Meeting is on the 22 July 2026 in Committee Room 4 at 2pm. Based on the workplan, the agenda is currently:

Pension Administration & Performance
Training Update Report
Governance Including General code of Practise
Workplan
Review of Pension Committee Reports

Proposed Dates for 2026/27 meetings

22 July 2026
04 November 2026
03 February 2027

FINANCIAL IMPLICATIONS

Costs relating to the work of the Board are paid for by the Pension Fund

LEGAL IMPLICATIONS

Where applicable legal implications have been included in the body of the report.

London Borough of Hillingdon Pension Fund - Pensions Board agenda plan

	Frequency	Last review	Q2 26	Q3 26	Q4 26	Q1 27
Governance - Board matters						
Election of chair	Every 3 Years	Jan-24				
Election of Employer/Scheme Rep	Every 3 Years	Jan-24				Y
Local Pensions Board Operating Procedures	Every 3 years	Jan-24				Y
Local Pensions Board - Annual Report	Annual	Jan-24				Y
Review of Effectiveness of the Board	Bi-Annual	Apr-23	Y		Y	
Training Update	Quarterly	Jan-24	Y	Y	Y	Y
Work Programme & future agenda	Quarterly	Jan-24	Y	Y	Y	Y
Governance - Other Fund matters						
Review of recent Pensions Committee meeting	Quarterly	Jan-24	Y	Y	Y	Y
Compliance with Pensions Regulator Code of Practice	Quarterly whilst new Code assessed	Jul-23	Y	Y	Y	Y
Regulatory Update	As required					
Pensions Administration & Performance	Quarterly	Jan-24	Y	Y	Y	Y
Governance	Quarterly	Jan-24	Y	Y	Y	Y
Draft Policies (ahead of approval by Pensions Committee)	As required					

⁽¹⁾ Roger Hackett

Governance Update – PART I	Item 10
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<i>Committee</i>	Local Pensions Board
<i>Reporting Officers</i>	Tunde Adekoya – Finance Pete Carpenter - Finance
<i>Papers with this report</i>	Funding Strategy Statement Investment Strategy Statement Responsible Investment Policy Gender Pay Gap Paper (Hymans) Breaches Log

REASON FOR ITEM

This paper has been produced to provide the Pensions Board knowledge of recorded breaches within the Fund and other governance issues.

RECOMMENDATIONS

That the Board note the report and consider any further information required.

1. Note Approved Funding Strategy Statement
2. Note Approved Investment Strategy Statement
3. Note Approved Responsible Investment Policy
4. Note Gender Pay Gap Report Produced by Hymans
5. Note Breaches Log

SUPPORTING INFORMATION

Under section 70(1)(a) of the Pensions Act 2004, scheme managers, members of pension boards and any person who is otherwise involved in the administration of a public service pension scheme, are required by law to report breaches to the Pensions Regulator (TPR).

The Information Commissioner (ICO) is the UK's independent body set up to uphold information rights. The Pension Fund is also required to report breaches concerning personal data to the ICO and can also be reported to the ICO for breaches of information rights. These would more likely relate to breaches concerning the General Data Protection Regulation (GDPR), Subject Access Requests (SAR) and Freedom of Information (FOI)

The attached breaches log is maintained to inform the Pensions Board of incidents that have occurred. Not all breaches are required to be reported to the regulatory bodies.

FUNDING STRATEGY STATEMENT

The Local Government Pension Scheme Regulations 2013 (58)(1) require the administering authority to prepare, maintain and publish a statement setting out its funding strategy (FSS).

The regulations also require the authority to keep the statement under review and, make such revisions as are appropriate following any material change in its policy after consultation with appropriate stakeholders. The revised FSS should then be published.

The FSS sets out the processes the Council, in its role as Administering Authority uses to:

- establish a clear and transparent fund-specific strategy identifying how employers' pension liabilities are best met going forward
- support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013
- ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the fund are met
- explain how the fund balances the interests of different employers
- explain how the fund deals with conflicts of interest and references other policies/strategies.

The Funding Strategy Statement for the Hillingdon Pension Fund has been reviewed and updated following the 2025 triennial valuation. The draft was approved for consultation at the Pensions Committee of 24 September 2025 and was sent to employers on 20 November 2025. The consultation period ended on 12 December 2025. There were no changes arising from the consultation. This statement was approved by Pension Committee on the 24th March

INVESTMENT STRATEGY STATEMENT

The triennial valuation results and Funding Strategy Statement were presented to the Committee today.

In keeping with the LGPS (Management and Investment of Funds) Regulations, this sets the backdrop for the review of the Investment Strategy Statement.

Work began on an initial review of the Pension Fund Investment Strategy and potential options were presented to Committee on the 24 September 2025. At the meeting, Isio presented initial illustrations of alternative strategic asset allocations for the Fund, ahead of a full investment strategy review in Q4 2025. It reflected feedback from the July 2025 Committee training session, where members expressed a desire to:

- Target a slightly higher return
- Enhance ESG integration within the portfolio

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Three illustrative portfolio options were proposed in comparison to current strategy; each aligned to a different strategic priority:

- Option 1 has similar risk profile to current strategy with slightly higher returns and increased VAR (Value at risk).
- Option 2 introduces 8% Private Equity and increases Private Credit to 10%. Highest expected returns and highest VAR.
- Option 3 introduces 5% Natural Capital and 5% UK Residential Housing for ESG impact. Marginally higher returns and lowest VAR.

An investment training session was organised on 17 November 2025 for Pensions Committee, Pensions Board and Officers, to review for the suitability against the long-term objectives of the current strategy when contrasted against the impact of the “Fit for The Future” legislation. The training session also considered strategy implementation, focusing on pooling, the composition of the equity portfolio and ESG factors, alongside further implementation considerations.

A further meeting was held on 28 November 2025 where further discussions took place between Pension Committee members, officers and Isio. This meeting specifically focused on the three options of strategic asset allocation with expected returns, Prudency and VAR (Value at Risk) all highlighted to assist Pension Committee members with understanding the best option that will serve the strategic investment needs of the Fund going forward.

At the 9 December 2025 Pensions Committee meeting the Committee analysed the three proposed options. Option 3 was recommended by Isio, the fund’s investment consultant, and after deliberation, was agreed by the committee.

The attached revised ISS is set before Committee for approval. Key changes to note include:

- A few changes to reflect the Draft ISS guidance issued in December 2025.
- Changes to reflect that LCIV will be managing all assets from 1st April 2026.
- Introduction of UK Residential Housing exposure (via the LCIV UK Housing Fund) for ESG impact and inflation linkage.
- Increase in allocations to private equity (+8%) and private credit (+2%) to capture the illiquidity premium.
- Adjustment to the equity mix: reduce passive exposure, increase active mandates for diversification and ESG.
- Consider currency hedging (25%–50%) given USD volatility.
- Revised control ranges to reflect that some asset classes, notably illiquid assets such as Private Equity and Property, are outside the current ranges and will take some time to bring into range.

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The changes are forecast to increase the modelled investment return from 9.1% to 9.4% but with a small increase in the Value at Risk (VAR) from £502m to £517m. This statement was approved by Pension Committee on the 24th March

Responsible Investment Policy

The Draft 2026 Responsible Investment Policy positions the Fund within a fully pooled investment structure, strengthens climate and stewardship commitments, introduces explicit exclusions and impact investing targets, and aligns the Fund with modern ESG frameworks including the UN SDGs and Net Zero pathways. This updated policy enhances transparency, strengthens governance, and supports long-term sustainable returns for members.

This report presents the updated Responsible Investment (RI) Policy (March 2026) for the London Borough of Hillingdon Pension Fund, outlining significant developments since the previous version from March 2023. The revised policy reflects the Fund's evolving governance arrangements, regulatory expectations, climate ambitions and the forthcoming transition to full investment pooling via the London Collective Investment Vehicle (LCIV). The LCIV have seen this updated policy.

Considerable work has been undertaken with Committee Members in January and February 2026 to come to this position.

Members were reminded of the following guidance set out in Section 5 of the draft Investment Strategy Statement Guidance Document issued in late 2025:

Responsible investment (RI)

5.1 AAs as public authorities are rightly expected to be particularly transparent with their approach to responsible investment and must maintain the highest standards in managing financial risk.

5.2 The ISS must set out the AA's approach to responsible investment. Responsible investment is a strategy and practice which seeks to ensure that environmental, social and governance (ESG) factors are taken into account in making decisions on investment strategy and that investor rights and influence are appropriately exercised.

5.3 For the purposes of the ISS, AAs should be as clear and succinct as possible, in setting out their objectives, priorities and preferences with respect to responsible investment.

5.4 The RI approach and priorities should be reviewed in every valuation period to ensure they remain relevant and up to date.

Key considerations

5.5 As set out in Chapter 2, in setting their investment strategy AAs should consider all factors, including ESG factors, that are financially material to performance of their

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investments and the impact of their investments. AAs may also take non-financial considerations into account provided that doing so would not involve risk of significant financial detriment to the fund, and where they have good reason to think that scheme members would support their decision.

5.6 In setting out their approach to responsible investment, AAs may include a preference for investments which have a positive impact as well as an acceptable financial return. AAs may also choose to indicate that a lower return on a limited proportion of their portfolio is acceptable in order to achieve ESG-related goals.

5.7 AAs should take account of the views of employer and member representatives on their approach to responsible investment, including through their local pension board. AAs should exercise caution against undue influence from campaign groups whose positions may not reflect the views of members or align with the fund's fiduciary responsibilities. The primary obligation remains to act in the best financial interests of the fund, ensuring that any consideration of member sentiment is balanced with long-term risk management and regulatory compliance.

5.8 As set out in Chapter 3, the role of the AA is to set the ISS, including the high-level objectives, but not to specify the individual holdings, managers or geographic zones of investment. The RI approach should not set exclusions for investments in individual countries, investment styles or companies.

Summary of Draft RI Policy March 2026

1. Transition to Full Asset Pooling:

A major change in the 2026 policy is the confirmation that all Fund assets will transition to the London CIV by 31 March 2026, with the London CIV taking responsibility for implementing the Fund's RI policy, including manager selection and stewardship activity. The Fund retains responsibility for setting the policy and high-level asset allocation.

2. Strengthened Climate Commitments:

The policy introduces formal climate-related commitments for the first time. The Fund supports Hillingdon Council's Net Zero 2050 target, while the London CIV has committed to achieving Net Zero by 2040, providing a clear pathway for the Fund's own climate objectives.

3. Introduction of Priority UN Sustainable Development Goals (SDGs):

The 2026 update embeds four priority SDGs to guide investment decision-making and stewardship activity:

- SDG 13: Climate Action
- SDG 8: Decent Work and Economic Growth
- SDG 3: Good Health and Wellbeing
- SDG 10: Reduced Inequalities

4. New Target for Impact Investments:

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The policy introduces a target allocation of 5% of Fund assets to impact investments, defined as investments delivering measurable environmental or social benefits alongside financial returns.

5. Updated Approach to Stewardship and Engagement:

The 2026 policy significantly expands the stewardship framework, detailing:

- London CIV's use of EOS at Federated Hermes for voting and engagement services.
- A structured four-stage engagement milestone system.
- A clear escalation process including collaborative action, public statements, and shareholder resolutions.

6. Controversial Weapons:

For the first time, the Fund will not invest in companies deriving revenues from the development of components used solely in controversial weapons.

7. Revised Governance, Monitoring and Reporting

The 2026 policy shifts monitoring responsibilities from individual external managers to LCIV, with LCIV providing an annual RI report to the Committee.

The table below provides a comparison between the 2023 and 2026 RI Policies

Theme	2023 RI Policy Position	2026 Draft RI Policy Position	Nature of Change
Asset Pooling & Implementation	Assets invested through mix of external managers and LCIV, Fund responsible for manager oversight and implementation.	All Fund assets to transfer to LCIV by 31 March 2026 ; LCIV responsible for implementation of RI policy, selection of underlying managers and advice.	Major operational shift to full pooling; LCIV becomes implementation body.
Net Zero Commitments	No specific Net Zero target stated.	Fund supports Hillingdon Council's 2050 Net Zero target ; LCIV committed to 2040 Net Zero , enabling Fund compliance.	New climate commitments and alignment with LCIV timelines.
ESG Framework & Approach	Fund sets ESG expectations directly for managers;	LCIV expected to ensure managers integrate ESG;	Shift in operational responsibility

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	encourages PRI/Stewardship Code signatory status.	expectations routed via LCIV. New detailed ESG belief structure.	from individual managers to LCIV.
SDGs	No reference to UN Sustainable Development Goals.	Four priority SDGs identified: SDG 13, SDG 8, SDG 3, SDG 10.	New SDG framework introduced.

This updated policy was approved by Pension Committee on the 24th March

Equality Diversity & Inclusion (EDI)

The proposed gap analysis review and implementation is on hold right now due to the volume of work around the “Fit for the future” implementation and external audit responsibilities officers are currently dealing with. We hope to revisit the topic in lieu of the next Pension Board meeting.

Effectiveness of Pension Board

The exercise is still being conducted by Isio and the last communication from them informed the questionnaire is being reviewed as part of their annual review process and once it is concluded will be rolled out to the appropriate PB members, Officer and adviser. Isio further confirmed that the turn around for producing the report from questionnaire responses should be relatively short.

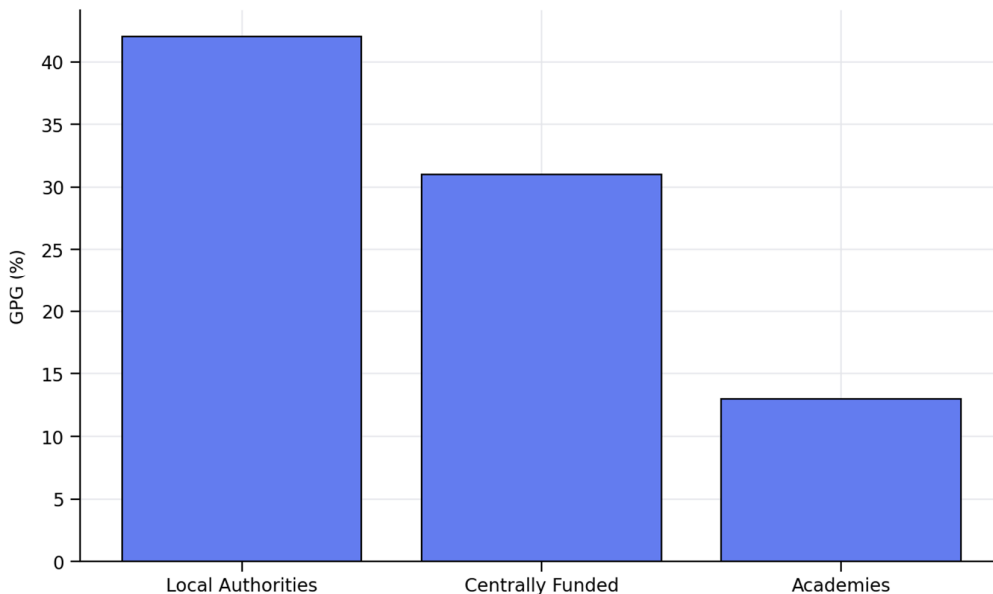
Gender Pension Gap Report Summary (March 2026)

This report analyses the Gender Pension Gap (GPG) within the London Borough of Hillingdon Pension Fund, based on membership data used for the 2025 actuarial valuation. The GPG represents the percentage difference in average pension benefits accrued by males and females.

Key Findings:

- ****Active Members: **** The overall GPG is 42%, meaning females accrue significantly lower pensions than males on average.
- Mean full-time equivalent pay and actual pay are lower for females, contributing to lower pension accruals.
- Employer categories show variations, with Local Authorities reporting a 42% total GPG and Academies reporting 13%.

GPG by Employer Category

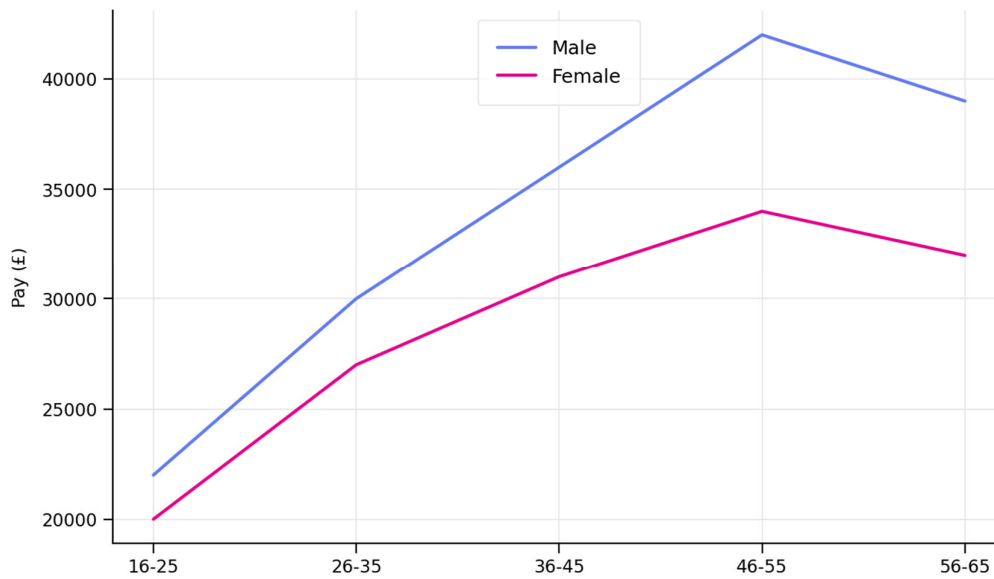


- ****Pensioner Members: **** The GPG is higher at 48%, with females receiving an average pension of £5,482 compared to £10,514 for males.
- Females have lower mean CARE, Final Salary, and partner pensions.

Overall, the GPG persists across age groups and employer categories, reflecting pay differences, career breaks, and part-time work patterns.

Pay Distribution by Age and Gender

Mean Actual Pay by Age and Gender



Breaches log Update

There are no reported breaches in the period under consideration.

FINANCIAL IMPLICATIONS

Some breaches could result in fines from regulatory bodies.

LEGAL IMPLICATIONS

Legal implications have been included in the breaches log.

London Borough of Hillingdon Pension Fund Funding Strategy Statement April 2026

Effective date	1 April 2026
Previous valuation date	31 March 2025
Date approved	24 March 2026
Next review	March 2029
Prepared in accordance with SAB / CIPFA / MHCLG guidance dated	January 2025

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1 Purpose of the London Borough of Hillingdon Pension Fund and the Funding Strategy Statement

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Ministry for Housing, Communities and Local Government (MHCLG) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a clear and transparent fund-specific strategy identifying how employers' pension liabilities are best met going forward*
- *support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013*
- *ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the fund are met*
- *explain how the fund balances the interests of different employers*
- *explain how the fund deals with conflicts of interest and references other policies/strategies.*

You can find more information about the LGPS at www.lgpsmember.org and about the regulatory framework in [Appendix A](#).

This document sets out the FSS for London Borough of Hillingdon Pension Fund (the Fund). If you have any queries about the FSS, contact pensions@hillingdon.gov.uk.

The London Borough of Hillingdon Pension Fund is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hillingdon, known as the administering authority. The administering authority runs the Fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

London Borough of Hillingdon worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026, and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then. [LGPS Regulations](#) (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This FSS sets out the assumptions and methodology underpinning the 2025 actuarial valuation actuarial exercise.

1.1 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

The Fund engages with employers when developing funding strategy in a way which balances the risk appetite of stakeholders. The funding strategy therefore reflects the specific characteristics of its fund employers and its own investment strategy.

1.2 Who is the FSS for?

The FSS is mainly for employers participating in the Fund, because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers (otherwise known as Resolution bodies)

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts and Further Education Institutions (Colleges).
- Tier 3 – Standalone employers with no local or national taxpayer backing. Include universities, housing associations and charities.

1.3 How is the funding strategy specific to the London Borough of Hillingdon Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

1.4 How often is the Funding Strategy Statement reviewed?

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation and an annual check is carried out in the intervening years.

Any amendments will be consulted on and approved by the Pensions Committee.

Amendments to the FSS may be in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the fund actuary

- significant changes to investment strategy or if there has been significant market volatility which impacts the FSS or goes beyond FSS expectation
- if there have been significant changes to the fund membership and/or Fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g. exit/restructuring/failure) which could materially impact cashflow and/or maturity profile and/or covenant)
- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- recommendations from MHCLG/GAD.

In undertaking such reviews, the administering authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contributions income) and consequences of actions taken by employers (e.g. pay awards and early retirements)
- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS
- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process

A review won't necessarily lead to rates changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

1.5 Links to Administration Strategy

The Fund maintains an Administration Strategy Statement which outlines the responsibilities, standards and procedures for employers and the Fund. A copy of this can be found in the Documents and Policies section of the Fund's website [here](#).

Adherence with the requirements of the Administration Strategy Statement is crucial to ensure the well-running of the pension Fund and any failure to do so may lead to uncertainty around the value of an employer's liabilities and the need for prudent assumptions to fill any data gaps.

1.6 Actuarial valuation report

The actuarial valuation report sets out 1) the actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon. The Rates and Adjustments certificate shows the contribution rates payable by each employer (which may be expressed as a percentage of payroll and/or monetary amounts).

PART A – Key Funding Principles

2 How does the Fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions rates are determined by a mandatory actuarial valuation exercise and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund’s expenses.

The fund actuary uses a model to project each employer’s asset share over a range of future economic scenarios. The contribution rate takes each employer’s assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in [Appendix E](#).

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The approach taken by the fund actuary helps the Fund meet the aim of maintaining as stable a primary employer contribution rate as possible.

2.2 The contribution rate calculation

Table 1: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs
	Local authorities	Academies, Colleges	Other Scheduled Bodies	Open to new entrants	Closed to new entrants	(all)
SAB Tier	Tier 1	Tier 2	Tier 3	Tier 3	Tier 3	Tier 1
Funding target*	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing

Minimum likelihood of success	75%	75%	75%	75%	75%	75%
Maximum time horizon	20 years	20 years	20 years	20 years	15 years	15 years
Primary rate approach**	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon, expressed as a percentage of pensionable pay					
Secondary rate	The difference between the total contribution rate payable (determined as per 2.1) and the primary rate. Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary amounts (for mature closed employers).					
Stabilised contribution rate?	Yes	Yes	No	No	No	No
Treatment of surplus (assessed at valuation date)	Covered by stabilisation arrangement		Total contribution rate must be set at least at the primary rate. However, reductions may be permitted by the administering authority subject to additional consideration of the low-risk exit basis position.			
Phasing of contribution changes	Covered by stabilisation arrangement		3 years			

* See [Appendix E](#) or further information on funding targets.

** The Primary Rate for all employer has been calculated using an 80% likelihood of success.

The Primary Rate for the Whole Fund is the weighted average (by payroll) of the individual employers' primary rates

Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting employer, subject to administering authority approval. For pass-through arrangements let by London Borough of Hillingdon, the contribution rate is set at 21% of pay.

The Fund manages funding risks as part of the wider risk management framework, as documented in the Fund's risk register. The funding-specific risks identified and managed by the Fund are set out in [Appendix D – Risks and Controls](#).

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The Fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year. Stabilisation criteria and limits are reviewed during each triennial valuation process.

The administering authority believes a stabilised approach remains a prudent long-term strategy and the robustness of this approach was once again tested by extensive asset liability modelling (ALM) carried out by the Fund actuary at the 31 March 2025 funding valuation.

Table 2: current stabilisation approach

Type of employer	Local authorities, academies, colleges
Maximum contribution increase per year	+1% of pay*
Maximum contribution decrease per year	-1% of pay*

*The administering authority may exercise discretion over the phasing of annual contribution rate increases or decreases subject to a maximum increase/decrease of 3% of pay over the 3-year inter-valuation period.

At the 2025 funding valuation only, some stabilised employers, in light of sustained past service funding position improvements, may experience a 2026/27 total contribution rate change of greater than 3% of pay when compared to their 2025/26 total contribution rate.

2.4 How does the funding strategy link to the investment strategy

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the Fund's investment strategy in its Investment Strategy Statement (ISS) [here](#).

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the Fund won't be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is set considering the Fund's long-term funding requirements and its investment risk appetite. The fund's current strategic investment strategy is summarised in the table, with full details available set out in the ISS.

Asset Class	Allocation %	Allowable ranges %		Benchmark
		Min	Max	
Listed Equity	49	39	49	MSCI All Country World Index Total Return (Gross) in GBP
Private Equity	8	0	12	MSCI All Country World Index Total Return (Gross) in GBP
Private Credit	8	4	12	Absolute 6%
Property/Real Estate	8	4	13	MSCI All Property
Infrastructure	8	4	12	Absolute 8% p.a.
Other alternatives	5	2	8	Absolute 6% p.a.
Credit	7	4	10	SONIA (30-day compound) +4.5% gross
UK Government Bonds	7	2	12	FTSE Index Linked Gilts All Stocks Index
Investment Cash	0		5	
Other	0	0	0	
Total	100			

2.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that Funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

2.6 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The Fund's policy is available in Appendix F. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.7 What is pooling for funding and contribution rate purposes?

A single contribution rate is payable by all employers in the pool and individual funding positions are not tracked.

All schools within a single multi-academy trust are pooled for funding and contribution rate purposes.

2.8 What is pooling for contribution rate purposes only?

A single contribution rate is payable by all employers in the pool and individual funding positions are tracked, by the Fund actuary.

Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes, pooling across a group of employers minimises this.

As individual funding positions are tracked, some employers may be better funded or more poorly funded than the pool average. In this type of pooling arrangement, employers do not target full funding at exit. If an employer leaves the Fund, the cessation valuation is based on their own funding position rather than the pool average.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

TABs are usually also ineligible for pooling (with other TABs). Where pass-through is in place, a TAB will be pooled with the letting authority.

2.9 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The Fund may, at its absolute discretion, permit the prepayment of employer contributions in specific circumstances.

2.10 Non cash funding

The Fund will not accept any form of non-cash assets in lieu of contributions.

2.11 Managing surpluses and deficits

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time

horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergent of deficits and surplus from time to time, and lead to changes in employer contribution rates.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non-ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread over an appropriate period if the administering authority agrees.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

To mitigate this risk, individual employers may elect to use external insurance.

4 How does the Fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

Each Fund employer has a notional share of the Fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the Whole Fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the Fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share. These are calculated on an annual basis.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring.

4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix E](#), the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

PART B – Employer Events

5 What happens when an employer joins the Fund?

5.1 When can an employer join the Fund

Employers can join the Fund if they are a new scheduled body or a new admission body. New designated employers may also join the Fund if they pass a designation to do so.

On joining, the Fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.3 below.

5.2 New academies

Academies converting from local authority status

For an academy converting from local authority status, only active members of the former local authority school transfer to the new academy.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

New academies joining the Fund will fall into one of the below categories:

- a) one of multiple academies within the Fund who are part of a multi-academy trust (a "MAT");
- b) be a single academy trust (a "SAT"); or
- c) a standalone employer where they are the only academy within the Fund who are a part of a MAT (and the other academies in the MAT do not participate within the London Borough of Hillingdon Fund).

If the academy joins an existing MAT in the Fund, the assessed assets and liabilities are added to the MAT funding pool, and the academy will pay the MAT contribution rate. This approach represents full risk-sharing of past and future service costs.

If the new academy is a SAT or standalone employer, then the actuary will need to calculate the contribution rate to be paid on conversion.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

Newly set up academies (including free schools and studio schools)

Free schools do not transfer active members from a converting school but must allow new active members (non-teaching staff) to transfer in any eligible service.

Newly set up academies (including free schools and studio schools) will fall into one of the below categories:

- if the academy joins an existing MAT in the Fund, becomes part of the MAT funding pool and will pay the MAT contribution rate.
- if the academy is sponsored by another employer within the Fund, it becomes part of the sponsoring employer's funding pool and will pay the sponsoring employer's contribution rate.
- if the academy is standalone, the actuary will calculate the contribution rate to be paid.

The Fund's academy policy can be found in the Documents and Policies section of the Fund's website [here](#).

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the Fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the Fund, e.g. set up of a wholly owned subsidiary company by a local authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the Fund. Contribution rates will be set using the same approach as any other designated employers in the Fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

Where an academy is the letting employer, the Fund will expect academies to ensure and confirm that the outsourcing complies with the requirements set out in the DfE Academy Trust LGPS Guarantee policy before permitting an admission body in the Fund. Where this requirement is met, no additional risk assessment or security will typically be required for the admitted body as the pension liabilities will be covered by the DfE Academy Guarantee.

Please contact the Fund for future details on admission policy and guidance.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another Fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the Fund?

7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the Fund
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

The administering authority, at its discretion, can defer triggering a cessation for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time.

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the Fund leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining Fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix E](#).

- (a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis.
- (b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort this will have no effect on the cessation valuation. If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the Fund.
- (c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guaranteed terms. This is known as 'subsumption' of the assets and liabilities.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense.

The cessation policy is in Appendix G.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much (if any) will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions over the employer's period of participation in the Fund
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is covered in the cessation policy in Appendix G.

7.4 What happens if there is a deficit?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement (DDA), it stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy is covering in the cessation policy in Appendix G.

7.5 What if an employer has no active members?

When employers leave the Fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis based on each employer's share of overall liabilities at each formal valuation.
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other Fund employers based on each employer's share of overall liabilities at each formal valuation.

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government actuary's Department to report on LGPS Funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report includes advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other Funds. Either:

- (a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a 100% funding level; or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit. To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS Funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing Funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons. Standard information about the Fund's approach to solvency of the pension Fund and long-term cost efficiency will be provided in a uniform dashboard format in the valuation report to facilitate comparisons between Funds.

Appendices

Appendix A – The regulatory framework

A1 Why do Funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require Funds to maintain and publish a funding strategy statement (FSS). The purpose of the FSS was set out in Section 1.

To prepare this FSS, the administering authority has used guidance jointly prepared by the Scheme Advisory Board (SAB), MHCLG, and by the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The Fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The funding strategy statement sets out how the Fund meets these responsibilities.

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with “*persons the authority considers appropriate*”. This should include ‘*meaningful dialogue... with council tax raising authorities and representatives of other participating employers*’.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) A draft version of the FSS was issued to all participating employers and the Local Pensions Board in **December 2025** for comment.
- b) Comments were requested by **19/12/2025**
- a) Following the end of the consultation period the FSS was updated where required and then published, in 03/26

The fund also shared the draft FSS with the Department for Education.

A3 How is the FSS published?

The FSS is published on the Fund’s website at www.hillingdon.gov.uk/pension-fund-documents and copies are made available on request.

A4 How does the FSS fit into the overall Fund documentation?

The FSS is a summary of the Fund’s approach to funding liabilities and isn’t exhaustive. The Fund publishes other statements like the Investment Strategy Statement and the Fund’s annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at www.hillingdon.gov.uk/pension-fund-documents.

Appendix B – Roles and responsibilities

B1 The administering authority is required to:

1. operate a pension Fund
2. collect employer and employee contributions, investment income and other amounts due to the pension Fund as stipulated in LGPS Regulations
3. have an escalation policy in situations where employers fail to meet their obligations
4. pay from the pension Fund the relevant entitlements as stipulated in LGPS Regulations
5. invest surplus monies in accordance with the relevant regulations
6. ensure that cash is available to meet liabilities as and when they fall due
7. ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments take measures as set out in the regulations to safeguard the Fund against the consequences of employer default
8. take measures as set out in the regulations to safeguard the fund against the consequences of employer default
9. manage the valuation process in consultation with the Fund's actuary
10. prepare and maintain an FSS and associated funding policies and ISS, after proper consultation with interested parties
11. monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly
12. establish a policy around exit payments and payment of exit credits/debits in relation to employer exits
13. effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and scheme employer
14. enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference
15. support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

B2 Individual employers are required to:

1. ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),
2. provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
3. pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, promptly by the due date
4. develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework

5. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain
6. notify the administering authority promptly of all changes to active membership that affect future funding
7. Pay any exit payments on ceasing participation in the Fund timely provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any inaccuracies in data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.

B3 The fund actuary should:

1. prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions 26 set by the administering authority and having regard to the FSS and the LGPS Regulations
2. provide advice so the Fund can set the necessary assumptions for the valuation • prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc
3. provide advice and valuations to the Fund so that it can make decisions on the exit of employers from the Fund
4. provide advice to the Fund on bonds or other forms of security against the financial effect on the Fund of employer default
5. assist the Fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations
6. ensure that the Fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund.
7. identify to the Fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the Fund and other clients.

B4 Local Pension Boards (LPB):

Local Pension Boards have responsibility to assist the administering authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each Fund to determine the input into the development of the FSS (as appropriate within Fund's own governance arrangements) however this may include:

1. Assist with the development and review the FSS
2. Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation
3. Assist with the development of and review communications in relation to the FSS.

B5 Employer guarantors

1. Department for Education - To pay cessation debts in the case of academy cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.

2. Other bodies with a financial interest (outsourcing employers)
3. Any other guarantor

B6 Other parties:

- 1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
- 2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS
- 3 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
- 4 governance advisers may be asked to advise the administering authority on processes and working methods
- 5 internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
- 6 the Ministry for Housing, Communities and Local Government, assisted by the Government actuary's Department and the Scheme Advisory Board, work with LGPS Funds to meet Section 13 requirements.

Appendix C – Glossary

Actuarial certificates

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

Actuarial valuation

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the Fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

Administering Authority (referred to as 'the Fund')

A body listed in Part 1 of Schedule 3 of the regulations who maintains a Fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension Fund (the Fund). Usually, but not restricted to being, a local authority.

Admission agreement

A written agreement which provides for a body to participate in the LGPS as a scheme employer

Assumptions

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

Code of Practice

The Pensions Regulator's General Code of Practice.

Debt spreading arrangement

The ability to spread an exit payment over a period of time

Deferred debt agreement

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

Employer covenant

The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

Funding level

The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

Fund valuation date

The effective date of the triennial Fund valuation.

Guarantee / guarantor

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Local Pension Board

The board established to assist the Administering Authority as the Scheme Manager for each Fund.

Non-statutory guidance

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

Notifiable events

Events which the employer should make the Administering Authority aware of

Past service liabilities

The cost of pensions already built up or in payment

Pension committee

A committee or sub-committee to which an administering authority has delegated its pension function

Pensions Administration Strategy

A statement of the duties and responsibilities of scheme employers and Administering Authorities to ensure the effective management of the scheme

Primary and secondary employer contributions

Primary employer contributions meet the future costs of the scheme and Secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

Rates and adjustments certificate

A statement of the contributions payable by each scheme employer (see actuarial certificates)

Scheme Manager

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

Appendix D – Risks and controls

D1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

Details of the key Fund-specific risks and controls are set out in the Fund's Risk Management Policy, which can be found on the Fund's website at www.hillingdon.gov.uk/pension-fund-documents.

The local pension board assists the Fund its managing its risks and the full role of the local pension board in is set out in the London Borough of Hillingdon constitution which can be found at www.hillingdon.gov.uk/article/2513/Council-constitution-and-delegations.

D2 Employer covenant assessment and monitoring

Many of the employers participating in the Fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

Type of employer	Assessment	Monitoring
Local Authorities	Tax-raising or government-backed, no individual assessment required	n/a
Colleges	Government-backed, covered by DfE guarantee in event of failure	Check that DfE guarantee continues, after regular scheduled DfE review
Academies	Government-backed, covered by DfE guarantee in event of MAT failure	Check that DfE guarantee continues, after regular scheduled DfE review
Admission bodies (CABs)	No change since 2022 valuation	Regular ongoing dialogue
Admission bodies (TABs)	No change since 2022 valuation	Regular ongoing dialogue
Designating employers	No change since 2022 valuation	Regular ongoing dialogue

Any change in covenant over the inter-valuation period may lead to a contribution rate review.

D3 Climate risk and TCFD reporting

The Fund has considered climate-related risks when setting the funding strategy. The Fund has carried out climate scenario analysis incorporating both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex and interrelated risks associated with climate change by defining a specific extreme, downside risk (in this instance a food shock) and constructing narratives around potential policy and market responses, noting these may be sub-optimal. This approach allows consideration to be given to the impact of sudden, severe downside risks in the short term, the interdependencies that arise and potential immediate actions. Coupling this approach with stress testing (to better understand the impact of possible climate scenarios) has allowed the Fund to assess a range of outcomes that may arise and assess the resilience of the Fund under these scenarios.

The results show that:

1. When considering climate scenario stress tests, the Fund appears to be generally resilient to different climate scenarios, with generally modest impacts versus the base case modelled

2. The results of the downside, narrative analysis suggest that the Fund is likely to be resilient in the face of some severe downside risk events (in comparison to the base case), but not all.

Climate scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities. Identification of these vulnerabilities can inform risk management processes (see figure 1), helping the Fund ensure appropriate controls and mitigations are in place. Scenario analysis therefore supports informed decision making, and may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

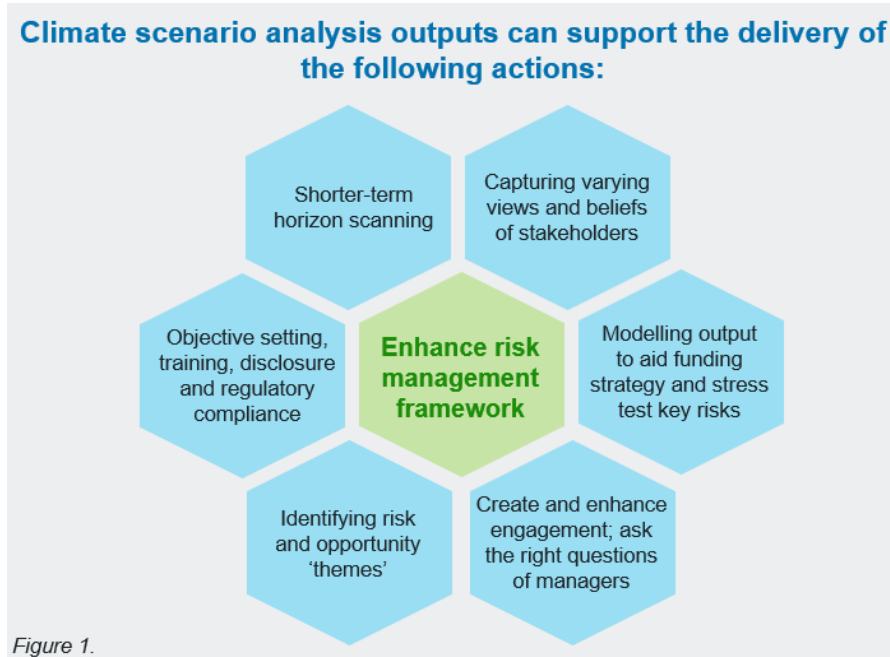


Figure 1.

This climate analysis was not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the local authority employers make up the vast majority of the fund's assets and liabilities, applying the climate analysis to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund's Responsible Investment beliefs are included in its Investment Strategy Statement.

Appendix E – Actuarial assumptions

The Fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the Funding Strategy Statement.

E1 What are actuarial assumptions?

Actuarial assumptions are required to value the fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore, to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments
- The assets allowed to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience except for the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a 'prudent' valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments ('liabilities'), but different assumptions don't affect the actual benefits the fund will pay in future.

E2 What funding bases are operated by the Fund?

A *funding basis* is the set of actuarial assumptions used to value an employer's (past and future service) liabilities. The fund operates two funding bases for funding valuations: the *ongoing participation basis* and the *low risk exit basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

E3 What financial assumptions are used by the fund?

Discount rate

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date. The fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.

The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

The average annual level of future investment return that can be achieved on the Fund's assets over a 20-year period with a 6.7% likelihood.

The prudence level is the likelihood. The prudence levels used by the fund are as follows:

Funding basis	Prudence level
Ongoing participation	75%
Low-risk exit	85%

CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions'). The CPI inflation assumption is calculated to be:

The average annual level of future CPI inflation that will be observed over a 20-year period with a 50% likelihood

Salary growth

The salary growth assumption is linked to the CPI inflation assumption via a fixed margin. The salary increases assumption is 0.5% above the CPI inflation assumption plus a promotional salary scale.

E4 Further detail on the calculation of financial assumptions

The discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's propriety economic scenario generator; the *Economic Scenario Service* (or *ESS*). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2025

Time period	Percentile	Annualised total returns												Inflation/Yields		
		Cash	Global Equities (hedged)	Global Equities (unhedged)	EM equities (unhedged)	UK Equity	UK corporate bonds (BBB-rated average)	UK corporate bonds (A-rated average)	UK corporate bonds (BB-rated average)	Property	Private Equity	Private Lending	Infrastructure equity	Inflation (CPI)	17-year real yield (CPI)	17-year yield
5 Years	16 th	3.5%	0.3%	-0.2%	-3.2%	0.1%	3.8%	4.0%	3.8%	0.2%	-2.5%	4.5%	1.1%	1.2%	1.5%	4.8%
	50 th	4.3%	8.7%	8.5%	8.5%	8.2%	5.5%	5.2%	6.0%	6.8%	10.0%	8.2%	8.1%	2.8%	2.4%	5.8%
	84 th	5.1%	17.0%	17.1%	20.9%	16.4%	6.6%	6.1%	7.4%	14.1%	22.8%	11.4%	15.5%	4.3%	3.3%	7.1%
10 Years	16 th	3.6%	2.8%	2.5%	0.2%	2.5%	4.9%	4.8%	4.9%	2.3%	1.2%	6.4%	3.1%	0.8%	0.8%	3.9%
	50 th	4.6%	8.9%	8.7%	8.8%	8.6%	6.1%	5.8%	6.5%	7.3%	10.2%	8.8%	8.4%	2.5%	2.1%	5.3%
	84 th	5.8%	14.9%	15.0%	17.5%	14.6%	7.1%	6.7%	7.8%	12.7%	19.6%	10.9%	13.8%	4.1%	3.3%	7.1%
20 Years	16 th	3.1%	4.3%	3.9%	2.2%	3.8%	4.8%	4.6%	5.1%	3.5%	3.4%	7.0%	4.2%	0.7%	-0.5%	1.6%
	50 th	4.5%	8.7%	8.6%	8.5%	8.4%	6.1%	5.8%	6.5%	7.3%	9.9%	8.8%	8.3%	2.3%	1.3%	3.6%
	84 th	6.3%	13.3%	13.4%	15.1%	12.9%	7.6%	7.2%	8.1%	11.3%	17.0%	10.7%	12.4%	3.9%	3.0%	6.2%
Volatility (1 yr)		0.3%	17.8%	18.4%	24.3%	16.3%	3.7%	3.2%	4.7%	15.2%	26.6%	9.3%	14.5%	1.4%	-	-

The ESS model is recalibrated monthly. The fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

E5 What demographic assumptions were used?

The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) tables published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% p.a. applies.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 65 this is assumed to be 55% for males and 54% for females. The dependant of a male member is assumed to be 3.5 years younger than him and the dependent of a female member is assumed to be 0.6 years older than her.
Commutation	50% of maximum tax-free cash
50:50 option	0% of existing members will opt to change schemes

Males

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.17	420.48	609.76	0	0	0	0
25	117	0.17	277.74	402.77	0	0	0	0
30	131	0.2	197.07	285.73	0	0	0	0
35	144	0.24	153.97	223.22	0.1	0.07	0.02	0.01
40	151	0.41	123.96	179.66	0.16	0.12	0.03	0.02
45	159	0.68	116.44	168.72	0.35	0.27	0.07	0.05
50	167	1.09	95.98	138.92	0.9	0.68	0.23	0.17
55	173	1.7	75.58	109.45	3.54	2.65	0.51	0.38
60	174	3.06	67.37	97.51	6.23	4.67	0.44	0.33
65	174	5.1	41.35	59.85	11.83	8.87	0	0

Females

Age	Salary Scale	Death Before Retirement	Withdrawals		Ill Health Tier 1		Ill Health Tier 2	
			FT & PT	FT	PT	FT	PT	FT
20	105	0.1	422.91	411.29	0	0	0	0
25	117	0.1	284.56	276.71	0.1	0.07	0.02	0.01
30	131	0.14	238.54	231.92	0.13	0.1	0.03	0.02
35	144	0.24	205.88	200.09	0.26	0.19	0.05	0.04
40	151	0.38	171.35	166.48	0.39	0.29	0.08	0.06
45	159	0.62	159.9	155.33	0.52	0.39	0.1	0.08
50	167	0.9	134.81	130.81	0.97	0.73	0.24	0.18
55	173	1.19	100.59	97.71	3.59	2.69	0.52	0.39
60	174	1.52	81.07	78.65	5.71	4.28	0.54	0.4
65	174	1.95	38.64	37.47	10.26	7.69	0	0

Appendix F – Contribution review policy

The Fund may amend contribution rates between valuations for a 'significant change' to the liabilities or covenant of an employer. Such reviews may be instigated by the fund or at the request of a participating employer. Any review may lead to a change in the required contributions from the employer.

F1 Guidance and regulatory framework

[Regulation 64](#) of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS funds should determine employer contributions, including the following:

- Regulation 64 (4) – allows the Fund to review the contribution rate if it becomes likely that an employer will cease participation in the Fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the Fund may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects [statutory guidance](#) from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.

F2 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The Fund reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the Fund, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to affected employers.
- Advice will be taken from the Fund Actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

F3 Circumstances for review

The Fund would consider one or more of the following circumstances as a potential trigger for review:

- in the opinion of the Fund there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the Fund that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the Fund that there has been a significant change in the ability of an employer or

employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);

- it appears to the Fund that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the Fund.

F4 Employer requests

The Fund will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The Fund will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the Fund in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

F5 Other employers

When undertaking any review of contributions, the Fund will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The Fund will consult with other Fund employers as necessary.

F6 Effect of market volatility

Except in circumstances such as an employer nearing cessation, the Fund will not consider market volatility or changes to asset values as the basis for a change in contributions outside a formal triennial valuation.

F7 Documentation

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.

- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the Fund to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates

Appendix G – Cessation policy

On cessation, the Administering Authority will instruct the fund actuary to carry out a cessation valuation to determine whether there is any surplus or deficit.

F1 – Where there is a surplus on exit

Where there is a surplus, the administering authority will determine the amount of exit credit to be paid in accordance with the Regulations.

The administering authority's entitlement to determine whether exit credits are payable shall apply to all employers ceasing their participation in the fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the [Local Government Pension Scheme \(Amendment\) Regulations 2020](#).

The administering authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors.

- a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified.
- b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- c) any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- d) any other relevant factors

F2 – Where there is a deficit on exit

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The Fund's normal policy is that this cessation debt is paid in full as a single lump sum.

Deferred spreading arrangement (DSA)

However, the fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the fund's policy is:

- The agreed spread period is no more than three years, but the fund could use its discretion to extend this period in extreme circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.

- Payments due under the DSA may be subject to an interest charge.
- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.

Deferred Debt Agreement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the fund may exercise its discretion to set up a deferred debt agreement as described in [Regulation 64 \(7A\)](#).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the DDA.

The Administering Authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements

- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrolls new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their low risk basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer.

London Borough of Hillingdon Pension Fund

Investment Strategy Statement

March 2026



HILLINGDON
LONDON

www.hillingdon.gov.uk

1. Introduction

This is the Investment Strategy Statement (“ISS”) of the Hillingdon Pension Fund (the “Fund”) as required by regulation 12 of the Local Government Pension Scheme (LGPS) (Pooling, Management and Investment of Funds) Regulations 2026 (the “Regulations”).

The Hillingdon Pension Fund is administered by Hillingdon Council as the Administering Authority. The authority to administer the Fund on behalf of the Council is delegated to the Pensions Committee.

This statement has been written in accordance with the (draft) Local Government Pension Scheme (England and Wales) 2026 guidance on preparing and maintaining an investment strategy.

As set out in the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026, the Pensions Committee will review this ISS from time to time, and at least every three years and within 18 months of each actuarial valuation date. In the event of any significant change affecting any matter contained within this ISS, changes will be published within three months of the change occurring.

This ISS has been prepared by the Pensions Committee after taking advice from the Fund's investment advisor ISIO and Marian George, the Independent Governance Advisor to the Fund, in accordance with the Regulations. Going forward, as required by Regulation 10, the Fund's asset pool London CIV will provide the authority with proper advice (whether directly or indirectly) about the investment strategy. This ISS has been formulated after consultation with London CIV on all elements of the investment strategy, in line with guidance.

The Investment Strategy Statement required by Regulation 11 must include:

- a) A requirement to invest money in a wide variety of investments;
- b) The authority's high-level financial objectives;
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- d) The authority's priorities and preferences regarding responsible investment, including how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
- e) The authority's policy on the exercise of rights (including voting rights) attaching to investments.
- f) A high-level objective on local investments, including a target range for those investments as a proportion of the total value of the pension fund; and
- g) A high-level strategic asset allocation.

Consistent with the 2025 triennial revaluation of the Fund, the agreed investment aim is to generate, over time, a rate of return that is at least 6.7% p.a. and to achieve this, the Fund will invest in a wide variety of investments to reduce portfolio risk and reduce volatility.

2. The suitability of particular investments and types of investments;

2.1 Investment Objectives

The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. To achieve this objective the Fund will aim to:-

- Maximise the returns on its investments
- Manage risk within acceptable levels
- Maintain liquidity to meet obligations as they fall due
- Secure long-term solvency
- Where appropriate, ensure stable employer contribution rates
- Invest in a wide range of investments
- Pool assets
- Take proper advice
- Consider Environmental Social and Governance (ESG) factors when making all investment decisions.

The Committee has translated these objectives after taking proper advice into suitable strategic asset allocation benchmarks for the Fund. These benchmarks are consistent with the Committee's views on the appropriate balance between maximising returns on investment and maintaining an appropriate level of risk over the long term as set out in the risk management policy of the Fund. The analysis provided by the Fund's Investment Consultant, Isio, is that this strategic asset allocation has an expected return of 6.7% using a prudent 75th percentile assumption and will exceed the actuarial discount rate of 6.3%.

The analysis provided calculates that the 3 year 1-in-20 Value at Risk is £520m. This measure reflects the Committee's risk appetite and is consistent with the investment objectives and funding strategy, recognising the Fund's maturity and cash-flow needs.

The Fund is slightly negative cash flow and so requires the portfolio to provide some income each year to pay benefits. The position is monitored on a regular basis.

Administering authorities must set high-level investment objectives in the ISS to meet the requirements of the funding strategy. The Committee has interpreted the Fund's objectives as:

- **Returns:** To achieve a long-term return of at least 6.7% p.a;
- **Risk:** To invest in such a way that the 3-year 1-in-20 Value at Risk represents an acceptable level of risk, Value at Risk of current target strategy is c.£520m as of 30 September 2025 which is deemed acceptable.
- **Cashflow:** To ensure sufficient portfolio income generation and liquidity to meet all outgoings as and when it falls due and provide a minimum income of £15m per annum; and
- **Local Investment:** To invest 5% of the Fund in local assets which have quantifiable benefits to the local areas of the authority and the economic development of the region. Further details in Section 8.

3. Investment of money in a wide variety of investments

3.1 Asset allocation

The target asset allocation of the Fund is determined by the Pensions Committee acting on professional and proper advice in the best long-term interest of scheme beneficiaries, while looking to maintain overall target return. A full formal asset allocation review will be undertaken every three years following publication of the triennial revaluation results, or more frequently if necessary.

The Fund will only invest in asset classes that are deemed to be suitable investments and so must meet the following criteria:

- investments that are well understood by the Committee;
- investments which are consistent with the Fund's risk and return objectives;
- investments which make a significant contribution to the portfolio by improving overall return and risk characteristics; and
- a wide range of assets will be selected to increase diversification.

The Fund's target asset allocation includes eight asset classes that combine to form the policy portfolio. Each asset class is selected to have different exposures to economic factors (GDP growth and inflation); to combine different geographies; and span different currencies. In assessing suitability, the Pension Committee considered the respective return drivers, exposure to economic growth and sensitivity to inflation, income generation, each an important consideration, relative to the sensitivities of the Fund's liabilities and managing risk.

The Pension Committee determined target allocations to each asset class which it believes to be best suited to meeting the long-term objectives of the Fund. The Committee also identified tolerance ranges within which shorter term variations would be tolerated and/or actively pursued due to a combination of relative returns and investment opportunity.

The target asset allocations and tolerance ranges are shown in the table below. The actual allocations will be maintained within the ranges if the scheme can find attractive opportunities that meet its return, risk, and cash flow requirements. Should an asset class go outside the tolerance range the Committee expect LCIV to discuss with the Committee and propose a course of action rather than rebalance automatically. In the absence of opportunities, investments will not be "forced" and the Fund will be under or over allocated to any asset class.

Asset Class	Allocation %	Allowable ranges %		Benchmark
		Min	Max	
Listed Equity	49	39	49	MSCI All Country World Index Total Return (Gross) in GBP
Private Equity	8	0	12	MSCI All Country World Index Total Return (Gross) in GBP
Private Credit	8	4	12	Absolute 6%
Property/Real Estate	8	4	13	MSCI All Property
Infrastructure	8	4	12	Absolute 8% p.a.
Other alternatives	5	2	8	Absolute 6% p.a.
Credit	7	4	10	SONIA (30-day compound) +4.5% gross
UK Government Bonds	7	2	12	FTSE Index Linked Gilts All Stocks Index
Investment Cash	0		5	
Other	0	0	0	
Total	100			

* Target allocation reflects agreed changes to asset allocation at Pensions Committee of December 2025

During periods of investment drawdown, private markets assets may be significantly underweight the target allocation and outside the tolerance range.

Each asset class has its own specific investment objective and within each asset class there are further diversification controls. Currently approximately 95% of assets are managed by the London Collective Investment Vehicle (London CIV) - the Fund's investment pool (see section 4 below). The remaining assets are a single allocation to a specialist investment manager and small allocations to private assets which are in run-off. In line with Regulation 13, from 31 March 2026 London CIV will take delegated management responsibility for the Fund's assets and must take all reasonable steps to implement the Fund's investment strategy.

The Fund sets the overall objectives sought and strategic asset allocation in line with the detail outlined in the table above. Implementation choices, for example the split between active and passively managed assets, and the geographical region of investment, are made by the London CIV and are not shown in the strategic asset allocation.

Operational cash for benefit payments may be held outside the pool; London CIV is informed of balances to ensure the SAA covers all assets.

Equities

The Fund currently invests in Listed Equities on a global basis and through both active and passive management. The Committee prefers this geographic diversification and style balance to continue in the future.

For active Listed Equities the Fund's objective is to seek a balance between growth and value styles; the aim is to outperform the MSCI All Country World benchmark. The Committee prefers this style balance to continue in the future. Net dividends will continue to be reinvested until the fund's cash flow needs change. Passive Listed Equities are held to keep investment manager fees low and to contribute to the return objective by tracking the relevant benchmarks. Passive equities are currently partially currency hedged. The Committee prefers these passive equities to be fully hedged back to sterling in the future.

All Listed Equities investments are invested via the London CIV or passively via Legal & General, London CIV's pool-aligned partner, with monitoring responsibility delegated to the London CIV.

The Fund implements Responsible Investment tilts within its active and passive Listed Equities portfolio. The Committee prefers these RI tilts to continue in the future.

The Fund favours an 8% strategic allocation to Private Equities. The allocation will be implemented over time following launch of the London CIV strategies.

UK Government Bonds, Credit & Private Credit

The Fund currently invests in inflation-linked government bonds and diversified credit to improve the resilience of the portfolio and provide a contractual income to the Fund. The Fund is likely to have an increase in income requirement in the future and so prefers distributing share classes. Exposure includes index linked securities issued by the UK Government, given their similarities within the Fund's liabilities. To enhance yield, the Fund may place investments in credit securities issued by UK and overseas companies. This asset class is managed through both passive and active mandates. When active management is selected, for example diversified and private credit, the manager will aim to maximise risk adjusted returns across a full market cycle. The Committee prefers this inflation and credit exposure and investment style to continue.

Infrastructure

The Fund has committed to investing in infrastructure as the duration of this class of assets matches the long-term nature of the Fund's liabilities. The Fund's existing holding in Infrastructure looks to gain cost-effective, diversified exposure to global infrastructure assets. The aim is to generate predictable, inflation-linked cash flows; this reduces risk, adds diversification and helps pay benefits.

Property and UK Residential Housing

The Fund currently holds allocations in UK and Global Property to support the overall aim of generating a return more than the market while earning predictable cash flows. The Fund has also made an allocation to UK Residential Housing with the aim of helping achieve the Fund's Local Investment and Responsible Investment targets, while delivering inflation-linked cashflow driven returns. The Committee prefers this UK Residential Housing exposure to continue.

4. The authority's approach to pooling investments, including the use of collective investment vehicles and shared services

The Fund is committed to pooling of assets and the London Borough of Hillingdon as Administering Authority of the London Borough of Hillingdon Pension Fund formally agreed to join the London CIV on 25 February 2016 and were on-boarded on 1 March 2016. Through the London CIV the Fund will benefit from economies of scale, by pooling assets with other LGPS funds, enabling the London CIV to negotiate lower investment and implementation fees on various asset classes and to improve governance of investments.

4.1 London CIV

The London CIV was formed as a voluntary collaborative venture by the 33 London Boroughs in 2014 to pool their LGPS investments, with Buckinghamshire accepted into the partnership during 2025. The London CIV received regulatory authorisation from the Financial Conduct Authority in November 2015 and launched its first sub-Fund in December 2015. The London CIV has been established as a collective investment vehicle for LGPS Funds. The current regulatory permissions allow for operation as an Authorised Contractual Scheme (ACS) Fund. The London CIV was created in line with the government directive aimed at reducing investment costs and driving efficiencies from scale.

Since its initial launch, The London CIV has opened a diversified range of funds and continues to increase the available suite to provide various asset classes and styles. The London CIV structure and associated business plan is consistent with the criteria contained within the November 2015 Investment Reform and Criteria guidance.

The Fund's aim is for the London CIV to ultimately be responsible for managing all the Fund's assets. The Fund has transitioned all liquid assets and a proportion of its private market allocation into the London CIV and is working with the London CIV to transfer all remaining private market assets. In addition to the funds held directly on the London CIV platform, the Fund has an allocation to passive funds retained outside of the London CIV operating model, which for the time being is in accordance with government guidance on the retention of life funds outside pools, the London CIV will monitor the passive funds as part of the broader pool. The Fund benefits in this regard from work carried out by the London CIV to reduce fees through economies of scale. The Fund will work with London CIV to transition further assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund's investment strategy and governance requirements.

The Fund currently holds a portion of illiquid assets. The cost of exiting these strategies early would have a negative financial impact on the Fund as the costs of transitioning outweigh any potential gains. The expectation is these will be held as legacy assets by the London CIV until they mature and proceeds will be re-invested through the Pool, if it has appropriate strategies available, or until the Fund changes asset allocation and decides to disinvest. The Fund's illiquid assets currently held include Private Equity, Private Credit, Infrastructure and Property.

4.2 Pool Governance

The legal ownership of assets held within the London CIV is with the depository, which is currently Northern Trust, with the beneficial ownership of the assets remaining with the Fund; the London CIV is the delegated manager of the Fund's assets.

The governance structure of the London CIV has been designed to ensure that there are both formal and informal routes to engage with the other London boroughs both as shareholders and investors, making the London CIV accountable at both levels. Governance is achieved through the Shareholder Committee, comprising nominated Member representatives from boroughs within the pool; including a representative of the London Borough of Hillingdon Pensions Committee.

At a company level for London CIV the Company Board is responsible for decision making, which includes strategy and oversight, budget setting, performance review, contract and fund decisions and financial reporting and controls. The Board has three Committees, including the Investment Oversight Committee, Compliance Audit & Risk Committee and the Remuneration and Nomination Committee.

The London Borough of Hillingdon, as shareholder, will hold the London CIV Board accountable for delivery of the strategy and will work with the Board to ensure the pool is properly resourced to deliver it.

The share structure of London CIV involves each member body being shareholders who all retain equal shares in ownership and voting, making the company accountable to its shareholders. In addition, the Company has a highly respected Non-Executive Board, meeting the requirements for strong governance arrangements to be in place.

The Fund continues to work with the London CIV to improve the robustness of their governance framework and to ensure it meets the Fund's needs on an ongoing basis.

As part of the Fit for the Future legislative reforms, from 31 March 2026 the London CIV is required to take on increased responsibility on behalf of the London boroughs, including:

- Act as the primary adviser to the Fund's investment strategy, and to take responsibility for delegated management of the agreed asset allocation and underlying strategies.
- Take on the management of existing assets from London boroughs that cannot be exited easily; and
- Develop plans to increase investments in local investment and growth opportunities.

4.3 Investment implementation

Where suitable London CIV funds exist, the Fund will transition assets into pooled vehicles. As of 2025, the Fund has already transitioned substantial assets and expects to complete pooling of remaining eligible mandates in line with the government's pooling deadline.

The Fund retains its passive equity and passive index-linked gilt mandates outside the pool in accordance with government guidance, but these are monitored by the London CIV at pool level.

The Fund will engage with London CIV on updates to the ISS, consistent with regulatory requirements.

The London CIV is responsible for delivering the strategy, including by implementing an investment portfolio which seeks to meet the objectives and comply with the asset allocation set out by AAs. Should London CIV not be able to implement some or all the strategy the Committee expects to be consulted by London CIV as to any proposed alternative course of action.

4.4 Investment Governance

The Pensions Committee sets the objectives, risk tolerances and sets the required rate of return in conjunction with the scheme's actuary. Once the parameters are established, the Committee determines the strategic asset allocation that it believes has the highest probability of succeeding, considering proper advice from the Fund's investment advisor. Going forward, this decision will be considered after taking advice from the London CIV.

The Committee will hold the London CIV accountable for delivery of the strategy.

The Pensions Committee meets quarterly to monitor Fund performance and actual asset allocation compared to the targets.

An Investment Sub-Group structure is in place to consider urgent actions and take the necessary steps to manage the Fund's investment portfolio. Meetings can be called as required to ensure decisions are taken in a timely manner.

The Local Pensions Board was created to further enhance the governance of the Fund. The Local Pensions Board assists in ensuring compliance with legislation and codes of practice on the governance and administration as issued by the Pension Regulator.

The Fund also has a Training Policy which ensures that those making decisions have appropriate knowledge and skills.

4.5 Performance Measurement

The Pension Committee reviews the Fund's investment on a quarterly basis including performance, market conditions and asset allocation, and makes appropriate decisions where necessary.

The Fund's custodian provides an independent investment monitoring service. The London CIV also provides an ongoing monitoring service for the Fund. The Pensions Committee also receives reports from officers and advisors on review meetings with Fund's investment managers, including London CIV.

5. The authority's approach to risk, including the ways in which risks are to be measured and managed

The Fund has a Risk Management Policy which can be found on the Council's website at [Pension fund documents - Hillingdon Council](#)

The Risk Management Policy details the risk management strategy for the Fund, which explains:

- the risk philosophy for the management of the Fund, and in particular attitudes to, and appetite for, risk;
- how risk management is implemented;
- risk management responsibilities;
- the procedures that are adopted in the Fund's risk management process; and
- the key internal controls operated by the Administering Authority and other parties responsible for the management of the Fund.

The Fund adopts best practice risk management, which supports a structured and focused approach to managing risks, and ensures risk management is an integral part in the governance at a strategic and operational level.

The Fund recognises that it is not possible or even desirable to eliminate all risks. Accepting and actively managing risk is therefore a key part of the risk management strategy. A key determinant in selecting the action to be taken in relation to any risk will be its potential impact on the Fund's objectives considering the risk appetite, particularly in relation to investment matters. Equally important is striking a balance between the cost of risk control actions against the possible effect of the risk occurring.

In managing risk, the Administering Authority on behalf of the Fund will:

- ensure that there is a proper balance between risk taking and the opportunities to be gained;
- adopt a system that will enable the Fund to anticipate and respond positively to change;
- minimise losses and damage to the Fund and other stakeholders who are dependent on the benefits and services provided; and
- make sure that any new areas of activity (new investment strategies, joint work, framework agreements etc.), are only undertaken if the risks they present are fully understood and considered in making decisions.

Risk Management is a sound management technique that is an essential part of stewardship of the Fund. The benefits of a sound risk management approach include better decision-making, improved performance and delivery of services, more effective use of resources and the protection of reputation.

The Pensions Committee analyse the level of risk and the drivers of risk and monitor and review the investment strategy and investment performance on an ongoing basis and take mitigating action where required. This may include rebalancing the allocation

of assets when the allocations to asset classes breach the pre-agreed ranges.

The Committee has established a target asset allocation for the Fund. They monitor the asset allocation and investment returns relative to the targets. The Committee also assesses risk relative to liabilities, monitoring the delivery of benchmark returns relative to liabilities on a regular basis.

The Pensions Committee provides a practical constraint on the Fund's investments, deviating greatly from the intended approach by adopting a target asset allocation and by monitoring the actual asset class allocations relative to this target on a regular basis.

The investment strategy is suitably diversified, with the balance of different asset classes mitigating the impact at an aggregate level of underperformance of an asset class. London CIV employs a range of investment managers mitigating the impact of individual manager performance. Diversification is a very important risk management tool. The Fund seeks to maintain a diversified exposure via a wide range of asset classes, geographies, and currencies. The Committee have a preference for multi manager funds where appropriate.

6. How social, environmental or corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments

The Fund is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from specialist investment advisers.

The Fund the London CIV and its underlying investment managers, to undertake appropriate monitoring of current investments regarding their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors. The Fund expects London CIV to ensure its investment managers integrate material ESG factors within its investment analysis and decision making.

The Fund will consider UK foreign policy or UK defence policy when making investment decisions. Non-financial factors may be considered only where this does not risk significant financial detriment and where there is good reason to think members support the decision; implementation is determined by the pool.

The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to, Fund employers, investment managers, Local Pension Board, advisers to the Fund and other parties that it deems appropriate to consult with.

The Fund has prepared a Responsible Investment policy which outlines its approach

ESG including the Stewardship Code and can be found at [Pension fund documents - Hillingdon Council](#)

From 31 March 2026 onwards, the Fund's Responsible Investment approach will be reviewed in collaboration with the London CIV and partner London boroughs to maximise the alignment between approaches and with the aim of increasing the impact of the approach in delivering positive change and the chosen objectives through greater scale of investment.

7. The authority's policy on the exercise of rights (including voting rights) attaching to investments.

Stewardship (engagement and voting) will be delivered by London CIV (or its appointed agent) under a pool-wide policy aligned with the UK Stewardship Code.

The Fund through its participation in the Local Authority Pension Fund Forum (LAPFF) and London CIV will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which the Fund invests. The Fund's investments through the London CIV are covered by the voting policy advising managers to consider voting in accordance with voting alerts issued by the LAPFF as far as practically possible. The London CIV will hold managers to account where they have not voted in accordance with the voting policy. Where LAPFF alerts are used, this will be effected through the pool's stewardship framework to ensure alignment and efficiency.

The Fund's approach to engagement recognises the importance of working in partnerships to magnify the voice and maximise the influence of investors as owners. The Fund expects LCIV and its underlying investment managers to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders and more broadly. The Fund appreciates that to gain the attention of companies in addressing governance concerns; it needs to join with other investors sharing similar concerns.

To ensure effective and consistent use of the voting rights, LCIV's underlying investment managers are tasked with exercising the voting rights accruing to the Fund. If important issues impacting local residents do emanate from actions of invested companies, the Pensions Committee will contact LCIV to make their opinion known and ask for such to be presented at meetings with the company or reflected in their voting pattern.

8. Local investment

The Fund recognises the role that long-term institutional investment can play in supporting sustainable economic growth in the UK alongside the delivery of appropriate risk-adjusted returns.

For the purposes of this Investment Strategy Statement, local investment is defined

as place-based investment within the functional economic area in which the Fund operates, including the London Borough of Hillingdon, Greater London, and, where appropriate, the wider London CIV pool area, having regard to relevant local, regional and GLA growth priorities.

Local investment is not treated as a standalone asset class and may be delivered across a range of asset classes, including private equity, private credit, infrastructure, property and other real assets. The local investment objective and target range have been set after taking advice from London CIV and, where possible, aligned with partner funds.

The Fund's proposed objective is to maintain a strategic exposure to local investment of approximately 5% of Fund assets over the long term, subject to the availability of suitable opportunities, fiduciary considerations and value-for-money assessments. This reflects a proportionate level of place-based investment that could reasonably be delivered within Greater London and, where appropriate, the wider London CIV pool area through pooled investment vehicles over time.

The Fund's return objectives are best described as a return on Strategic Asset Allocation (SAA) with agreed benchmarks. The Fund expects LCIV to manage the whole portfolio in such a way as to meet the overall return objectives within the risk tolerances that have been set - balancing the different risk/return characteristics across a diversified portfolio.

The Fund Impact priorities include affordable housing, regeneration, SME growth and low-carbon infrastructure.

9. Consultation and Publication

This ISS has taken account of advice from the LCIV, the actuarial valuation results, and relevant regulations and guidance. In line with the regulations and guidance the Committee have sought the views of relevant parties, including employers and the local pensions board, during the drafting process.

The agreed ISS will be published on the website.

March 2026

London Borough of Hillingdon Responsible Investment Policy 2026

Responsible Investment Policy

(Updated March 2026)



HILLINGDON
LONDON

www.hillingdon.gov.uk

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1. INTRODUCTION

The London Borough of Hillingdon Pension Fund (the Fund) is committed to being a long-term steward of the assets in which it invests to protect and enhance the value of the Fund over the long term.

The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. To meet this overriding objective, the Fund will act in the best financial interests of its members. Instead of pursuing the highest possible investment return, it will consider all financial risks within its investment strategy, including Environmental, Social and Corporate Governance (ESG) and responsible investment risks and considerations.

The Fund's secondary investment objective is to ensure as far as possible that levels of employer contribution will be stabilised and maintained at reasonable levels and not impacted because of poor investment performance.

As part of the Committee's fiduciary duty, which includes a comprehensive approach to risk management, it has been recognised that ESG factors, including, but not limited to, climate change, can be financially material. As such, the Committee recognises that there is a need for the Fund to be a long-term, responsible investor to achieve sustainable returns.

The Fund believes that ESG considerations should be integrated into all investment decision making as it helps reduce risk and improve performance to the pension fund and aligns with the fiduciary responsibility of the Fund. The Fund is a separate entity to the Council, and the Committee has delegated authority over the Fund. The Pensions Board has an oversight role in assisting the London Borough of Hillingdon Council (the Council), in its capacity as administering authority for the Fund, in ensuring compliance with regulations and policies that apply to the Fund.

The Committee defines Responsible Investment ("RI") in line with the UN-backed Principle for Responsible Investing ("PRI"), which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns.

Given the Transfer of all Fund assets to the London Collective Investment Vehicle (London CIV) from the 31st of March 2026, and over time the reduction of investment vehicles available through the London CIV, the Fund will need to apply its RI policy to the funds available for it to use through the London CIV going forward.

Development of policy

This Responsible Investment (RI) policy was initially developed through a working group consisting of three members of the Pensions Committee with support from officers who met several times to outline and develop the policy. Training on Responsible Investment and ESG has been provided for all Pensions Committee and Pension Board members. The policy has subsequently been reviewed and updated to ensure alignment to the UK Stewardship Code 2020.

The Fund has considered guidance and information from the Ministry of Housing, Communities and Local Government (MHCLG), the Local Government Association

(LGA), Scheme Advisory Board (SAB), Pensions UK, the Law Commission in establishing this policy and the UK Stewardship Code.

An initial draft of this policy was reviewed by the Pensions Board prior to its approval by the Pensions Committee on 29 January 2019. The policy was subsequently reviewed and updated in May 2021, March 2023 and March 2026.

This Policy has been written in accordance with the (draft) Local Government Pension Scheme (England and Wales) 2026 guidance on preparing and maintaining an investment strategy.

Compatibility with other policies

This Responsible Investment policy is aligned with the Fund's Investment Strategy Statement where a brief overview on ESG and voting is included. In addition, the policy is aligned with the Fund's Funding Strategy Statement with consistency of objectives and return expectations to support the funding level.

The Fund fully supports the principles of the UK Stewardship Code and expects LCIV and its underlying investment managers to abide by the code.

Policy Scope

This policy is applicable to all investment activities of the Hillingdon Pension Fund.

How We Invest

The Fund's primary objective is to provide pension and other benefits to members and their dependents on their retirement and/or death on a defined benefits basis. To meet this primary objective, the Fund invests in a diversified range of asset classes in order to maximise investment returns whilst keeping risk at an acceptable level.

The Fund invests in public market investments (such as equities, corporate bonds and government bonds), and in private market investments such as property and infrastructure. From April 2026, all assets will be managed by the Fund's chosen investment pool (London CIV). Whilst the Fund retains responsibility for setting the high-level strategic asset allocation, the London CIV will be responsible for its implementation including selecting Investment Managers. The Fund collaborates closely with the London CIV to ensure that its wishes and the needs of its members are clearly communicated. Post April 2026 the Fund will retain responsibility for its own Responsible Investment (RI) Policy, and the London CIV will be responsible for its implementation. The Fund will work closely with the London CIV to seek to reflect this policy in its investments.

Risks

There are several risks associated with this RI policy, including implementation of this strategy. The Fund is reliant on third parties to comply with its policies and for the LCIV to provide sub funds consistent with this policy. The Fund is reliant on the LCIV and its underlying external investment managers to integrate the policy into pooled funds and balance the views of other investors who may have conflicting policies. Risks will be mitigated through the LCIV and reporting of ESG activity.

Compliance

Compliance of the Fund's activity with this policy will be reported annually in the Pension Fund Annual report. LCIV will provide an annual RI report to the Committee.

Responsibilities and Governance

The London Borough of Hillingdon Pensions Committee has a fiduciary responsibility for the determination and oversight of investment policies and the conduct of those policies. The Committee works closely with officers, external advisers and the Pensions Board in meeting its obligations in this respect.

The Committee meets quarterly and regularly reviews asset allocations and investment policies with officers and external advisers. Periodically, investment goals and strategy are considered and revised as appropriate.

The Local Pensions Board has an oversight role in assisting the administering authority in securing compliance with regulations and policies that apply to the Fund.

The Pensions Board meets quarterly to review the Pensions Committee reports that will include reports relating to compliance with this Responsible Investment Policy.

In future Officers will maintain a rolling programme of review and due diligence on LCIV and report the results of their work to the Committee.

In considering the performance of investments and possible changes/improvements which could be made, the Committee always takes account of initial and recurring fund costs and fees. ESG considerations and financial risk are considered in all investment decisions.

The Fund pursues a policy of transparency and accountability to its stakeholders for the effective management of the Fund and its investment portfolio.

DEFINITIONS

Responsible Investment (RI)

The term Responsible Investment means the integration of Environmental, Social and corporate Governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance.

Environmental

Environmental considerations could include among other factors, energy usage, waste disposal, raw materials sourcing, carbon emissions, water usage and recycling processes.

Social

Social considerations could include among other factors, diversity, treatment of minorities, opportunities for women, employee rights, charitable activities, community work, use of agency workers and social infrastructure.

Governance

Governance considerations could include among other factors, composition of boards, external trustees, available share classes, interaction with shareholders, remuneration and voters' rights.

2. INVESTMENT OBJECTIVES, ESG BELIEFS & APPROACH

2.1 Investment Objectives

The Fund's primary objective is to ensure that, over the long term, the Fund will have sufficient assets to meet all pension liabilities as they fall due. To achieve this, the Fund will look to maximise the return on its investments while managing risk within acceptable levels.

Investment risks should be considered in the context of reasonable expectations of investment reward. Every effort must be made to ensure that risk and reward are considered jointly, and risks are sufficiently rewarded.

The Fund will ensure adequate liquidity is available within the portfolio to meet its obligations as and when they fall due.

The Fund will ensure as far as possible that levels of employer contributions will be stabilised and maintained at reasonable levels and not impacted on because of poor investment performance.

Investments will contribute as part of the Funding Strategy for the Fund to be fully funded over the long term.

The Fund will take proper advice on all investment decisions, from April 2026 LCIV will provide this advice

3. ESG Beliefs

The Committee has formulated a set of ESG beliefs to help underpin overall investment decision making. These are revised on a regular basis to ensure they remain appropriate. The Committee's ESG beliefs have been summarised below.

3.1 Risk Management

1. ESG factors (including Climate Change) are important for risk management (including reputational risk) and can be financially material. Managing these risks forms part of the fiduciary duty of the Committee.
2. The Committee believes that ESG integration, and managing ESG factors such as climate change risks, leads to better risk-adjusted outcomes and that ESG factors should be considered in the investment strategy, where there is clear financial rationale for doing so.
3. The Committee is responsible for the Fund's ESG beliefs and Responsible Investment Policy but will be cognisant of the Council's wider policies and values.

3.2 Approach/Framework

4. The Committee expects investment managers appointed by the London CIV to integrate ESG considerations into their investment process and in their stewardship activities and seeks to understand how they do so. When considering new investment allocations, the London CIV should look favourably on investment managers who are able to demonstrate a plan to transition to net zero.
5. The Committee believes that certain investment opportunities that provide a positive ESG impact, such as funds that support the climate transition, will perform strongly as countries transition onto more sustainable development paths. Where possible the Committee, through the London CIV, will consider allocating to these opportunities where there is clear financial rationale for doing so.

3.3 Voting & Engagement

6. ESG factors are relevant to all asset classes, whether liquid or illiquid investments, and investment managers have the responsibility to engage with companies on ESG factors.
7. The Committee wants to understand the impact and effectiveness of voting & engagement activity within their investment mandates. The Committee expects the London CIV to agree to a set of stewardship priorities with the appointed investment managers and review these on an annual basis.
8. The Committee believes that engage is more effective to initiate change than divesting and so will seek to communicate key ESG actions to LCIV in the first instance. Divestment will be considered on a pragmatic basis if the engagement with the investment manager has

not produced positive results.

3.4 Reporting & Monitoring

9. ESG factors are dynamic and continually evolving, therefore the Committee will receive training as required to develop their knowledge.
10. The Committee will seek to monitor key ESG metrics, such as greenhouse gas emissions, within the investment portfolio to understand the impact of their investments. The Committee will take a pragmatic view and look to evolve their approach over time.
11. The Committee will set pragmatic ESG targets based on their views, data availability, and how key ESG metrics evolve over time.

3.5 Collaboration

12. LCIV and the underlying investment managers should be actively engaging and collaborating with other market participants to raise broader ESG investment standards and facilitate best practices as well as sign up and comply with common frameworks.
13. The Fund should look to maintain current standards and seek to sign up to further recognised ESG framework/s or initiatives to collaborate with other investors on key issues as appropriate.

3.6 ESG Approach

The Fund believes in a policy of long-term investment to achieve sustainable returns from well-governed and sustainable assets. Investment in companies that are managed better and that work within strong Environmental, Social and Governance aware frameworks and can provide investors with risk-aware, long term sustainable returns.

The Fund believes that LCIV and the underlying investment managers that manage assets on behalf of the pension Fund should at the least be signatories to the UK Stewardship Code and Principles for Responsible Investment (PRI). Managers outside of these frameworks should have a valid reason not to sign up, for example are signed up to other relevant bodies for their industry or specific asset class but the Fund expects LCIV to encourage them to do so. We expect LCIV not to make new investments into managers who are not signatories to the UK Stewardship Code and PRI, or other similar regional initiatives, with clear rationale for doing so if not.

The Fund favours a policy of engagement with companies as opposed to widespread policies of exclusion of companies from specific sectors. However, divestment is a tool available to LCIV and its investment managers to divest from companies for any reason including ESG reasons.

The Fund will consider UK foreign policy or UK defence policy when making investment decisions.

The Fund believes that Climate Change is a financial risk to the Pension Fund and manages this risk through the Fund's Risk Register. Climate risk is evident in all sectors and should be considered in all investments.

The Fund expects LCIV to consider the usage of resources of companies and the implications of targets for reduced carbon emissions to support the achievement of the Paris agreement principles.

The Fund believes ESG risks should be approached holistically rather than on specific issues as factors are continually evolving, this enables LCIV to be reactive to the underlying company ESG issues and work with companies to make improvements.

The Fund believes sustainable investments can be achieved with robust and effective dialogue and engagement with investment managers and corporate management teams.

Sustainable investment policies should provide:

- Maintainable, competitive and risk adjusted returns
- Avoidance of harm and mitigation of ESG risks
- Demonstrable benefits to all stakeholders

Effective ESG integration combined with proactive engagement should maximise the adoption of these policies and structures within our portfolio to ensure companies in which the Fund ultimately invests have robust board structures, remuneration and sustainability policies, risk management and debtholder rights.

The Fund will consider the fullest range possible of asset classes when determining its asset allocation. No asset classes are excluded.

As per the spectrum of ESG approaches presented in the chart below, the Committee wish to pursue a “sustainable” investment approach for the Fund that integrates ESG risk analysis into investment decision-making, whilst pursuing certain “impact” opportunities that generate competitive financial returns whilst also providing positive and measurable environmental or societal impact. The Committee will seek clear financial rationale in any investment decision and consider in balance all financial and non-financial considerations. The Committee’s position is indicated on the spectrum chart below.

	Traditional ESG factors not considered.	Fully Delegated "Light Touch" Approach Reliance on investment managers' RI Policies.	Values-based/ Exclusionary/ Ethical Investing Reflect core values of an investor. Avoids sectors that are controversial.	Sustainable Investing "Integrated Approach" Manages ESG risks whilst seeking positive ESG outcomes.	Impact Investing Investing in companies, funds or infrastructure that provide solutions to social and environmental issues that look to deliver market rate financial returns.	Impact Only/ Philanthropic Investing Impact investing, but market returns are a lower priority.
ESG Impact						
Financial Impact		Focus on delivering long-term returns				Below market returns
Objectives				ESG risks managed		
				Pursues positive ESG outcomes		
Governance Requirements					Seeks specific ESG targets	
		Regular training to review ESG beliefs, set objectives and integrate ESG policy				
		Manager monitoring and engagement		ESG Reporting	ESG targets set and	Impact measured
			Review of strategy and allocation to funds aligned with			ESG policy

4. RESPONSIBLE INVESTMENT FRAMEWORK

4.1 This RI framework provides the investment beliefs and objectives as the starting point to deliver RI and stewardship for the Fund.

In making investment decisions, the Fund seeks and receives proper advice from specialist investment advisers. From April 2026 this advice will be provided by LCIV. The Fund requires the London CIV to undertake appropriate monitoring of current investments regarding their policies and practices on all issues which could present a material financial risk to the long-term performance of the Fund such as, but not limited to, corporate governance, social and environmental factors.

The Fund regularly appraises the ESG credentials and performance of LCIV to ensure that its ESG principles are properly reflected within the investment portfolio. The Fund expects its LCIV's underlying investment managers to integrate material ESG factors within its investment analysis and decision making.

4.2 Net Zero Target

Hillingdon Council has set a Net Zero Target of 2050, consistent with UK government policy. The Fund supports this ambition and target.

London CIV has committed to become a net zero entity by 2040 in line with the Paris Agreement objectives to limit global temperature rise below 1.5°C. LCIV achieving this target will ensure the Fund achieves its own target of 2050.

4.3 RESPONSIBLE INVESTMENT IMPLEMENTATION

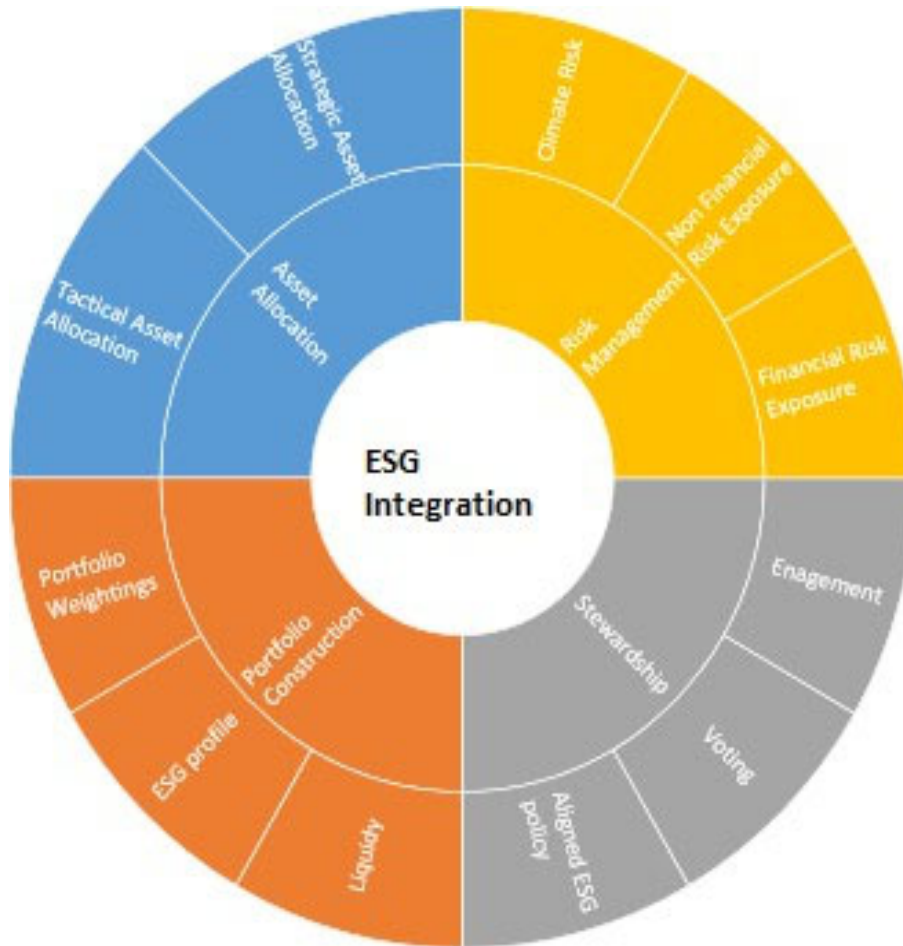
Pension Committee and Pension Board members have received and will continue to receive training and education in ESG matters including climate, governance and other risks, to keep up to date on the latest sustainable investment regulations and opportunities. Training will be recorded in a training log and reviewed under regular training needs analysis assessments. Key ESG issues will be considered and included on the Fund risk register, where material.

ESG will be considered in all investment decisions and will be incorporated as part of Investment Strategy decisions.

The Fund will ensure LCIV's ESG integration policies are in line with Fund expectations and beliefs and LCIV will report on ESG factor management to the Fund regularly. Delegation of day-to-day ESG integration of investments is given to LCIV's underlying investment managers who are expected to have closer knowledge of companies under investment and board activity. However, the Committee, with the support from its officers and LCIV, will undertake annual reviews of LCIV's approach to integrating ESG factors and engage with them where there is misalignment with the Committee's ESG beliefs and look to remedy any issues where possible. The Fund will also seek to understand LCIV's approach to voting and engagement and monitor this on an ongoing basis to seek the effectiveness of these activities. The Fund will challenge and require assurance on decisions and investments made by LCIV's underlying investment managers where Fund stakeholders may have ESG concerns, to fully understand the risk profile of investment.

The Fund RI policy will be formally reviewed and updated annually. The Committee's ESG beliefs will be formerly reviewed biennially or more frequently if required, to ensure alignment with the policy.

The Committee will monitor the Fund's assets against this Policy on an ongoing basis, with the assistance of LCIV. The Committee views the development of the Policy as an ongoing process as approaches to integrating ESG factors continue to evolve over time. When reviewing the Policy, the Committee will take account of any significant developments in these areas to ensure they are taking the best practice approach.



The Fund is maintaining a regular dialogue with senior management of LCIV to ensure that its Investment beliefs and policies are considered and as much as possible accommodated by LCIV and its underlying investment managers.

Investment into pooled funds does not remove or reduce the fiduciary responsibilities of the Fund and the Committee and officers will engage closely with LCIV and will seek its full co-operation to properly acquit these responsibilities including implementation of ESG policies and stewardship of assets.

5. ENGAGEMENT AND ACTIVE OWNERSHIP

5.1 The Fund, through its participation in LCIV, will work closely with other LGPS Funds in London to enhance the level of engagement both with external managers and the underlying companies in which it invests.

The Fund's investments through the LCIV are covered by the voting policy advising managers to vote in accordance with voting alerts issued by the Local Authority Pension Fund Forum (LAPFF) as far as practically possible. The London CIV will hold managers to account where they have not voted in accordance with these directions.

The Fund's approach to engagement recognises the importance of working in partnerships to magnify the voice and maximise the influence of investors as owners. The Fund expects LCIV to work collaboratively with others if this will lead to greater influence and deliver improved outcomes for shareholders more broadly. The Fund appreciates that to gain the attention of companies in addressing governance concerns; it needs to join with other investors sharing similar concerns.

To ensure effective and consistent use of the voting rights, LCIV's underlying investment managers are tasked with exercising the voting rights accruing to the Fund. If important issues impacting local residents do emanate from actions of invested companies, the Pensions Committee will contact LCIV to make their opinion known and ask for such to be presented at meetings with the company or reflected in their voting pattern.

5.2 LCIV's Engagement and Escalation Process

As a partner fund of the London CIV, the Fund delegates the implementation of its Responsible Investment (RI) policy to LCIV, while retaining responsibility for setting the policy itself. From April 2026, all Fund assets will be managed within the London CIV pool. The London CIV's approach is based on the belief that stewardship and active ownership are primary tools for delivering long-term sustainable returns and managing financially material risks. Engagement involves meaningful discussions with companies on a wide range of topics and offers the opportunity to influence corporate behaviour and bring about real-world change.

5.3 The Engagement Approach

The Fund through London CIV employs a "stewardship first" philosophy, prioritising constructive engagement over immediate divestment. This approach is implemented by the London CIV through three primary channels:

- **Investment Managers:** London CIV selects and monitors external managers to ensure they integrate ESG factors into their investment processes and conduct active engagement with portfolio companies.
- **Stewardship Provider (EOS at Federated Hermes):** London CIV has appointed EOS to provide voting and engagement services for listed equities and corporate fixed income.
- **Collaborative Initiatives:** LCIV leverages the collective voice of multiple investors by

participating in groups such as the Local Authority Pension Fund Forum (LAPFF) and Climate Action 100+.

To track the effectiveness of these efforts, a four-stage milestone system is used through EOS to measure progress against specific objectives set for each company:

1. Milestone 1: The concern is raised with the company at the appropriate level.
2. Milestone 2: The company acknowledges the issue as a serious investor concern.
3. Milestone 3: The company develops a credible strategy or sets stretching targets to address the concern.
4. Milestone 4: The company implements the strategy or measures to address the concern.



5.4 Escalation Steps

If dialogue does not bring the desired outcomes after a defined period, or if a company is not open to constructive dialogue, various escalation strategies will be considered to trigger a corporate reaction. The approach taken will be proportionate and consistent with fiduciary duty.

Possible escalation steps include:

- **Manager Intervention:** Asking investment managers to take further action, such as writing directly to a particular Board member.
- **Collaborative Pressure:** Joining or leading collaborative groups to increase investor

pressure on a specific issue.

- **Direct Action:** Contacting the company directly to express concerns or make specific requests.
- **Public Statements:** Issuing a public statement or supporting media campaigns to highlight concerns.
- **Shareholder Resolutions:** Supporting, filing, or co-filing shareholder resolutions regarding ESG issues.
- **Voting Sanctions:** Using voting power to vote against the re-election of responsible directors (such as those on risk or audit committees), the board chair, or the annual financial report.

5.5 UN Sustainable Development Goals (SDGs)

The Sustainable Development Goals ("SDGs") are a global framework adopted by all United Nations member states, which serves to address global challenges of social, economic and environmental sustainability.

The Fund has identified several SDGs as relevant to the Fund and supportive of the Fund's responsible investment ambitions. The core principle underpinning the Fund's agreed approach is the desire for the Fund to be a long-term, sustainable investor. The following four SDGs have been selected as the Fund's priorities which have been grouped into three themes:

Environment

- **SDG 13 - Climate Action** - this is reflected as an overarching theme relevant to the Fund and has a dedicated section within the Responsible Investment policy.

Economic

- **SDG 8 - Economic Growth** - economic growth can lead to positive investment opportunities along with an opportunity to reduce inequalities and poverty. This has both local and global relevance.

Social

- **SDG 3 - Good Health and Wellbeing** - the recent COVID-19 pandemic reinforces the need for communities to invest in the health and wellbeing of their populations.
- **SDG 10 - Reduced Inequalities** - reducing inequality, and ensuring no-one is left behind, are integral to achieving the sustainable development goals. It is not sufficient for countries to record positive economic growth: the resultant benefits and opportunities must be available to all, regardless of gender,

ethnicity or any other characteristic. The Fund takes a proactive approach to human rights and diversity and inclusion across all aspects of the Fund's business.

The Fund notes that there is both local and global relevance to the SDGs, and that it is important to be mindful of the context in which investment opportunities are selected and the necessity of balancing the risk, return, and diversification characteristics of any decisions made.

The Fund will communicate the agreed priority SDGs to its investment managers through the London CIV, and will request that they have regard for, and provide evidence of having considered, the SDGs in their selection, retention, and realisation of underlying investments.

The full set of 17 SDG's are included in the Appendix.

5.6 Committee's Ambition

The Fund will seek investment opportunities that have a real-world positive impact, alongside generating suitable investment returns. The Fund has a target allocation of 5% to impact investments. Impact Investing can be defined as "Investments made with the intention to generate positive, measurable social and environmental impact alongside financial return".

5.7 Exclusions

LCIV have adopted a 'Three Pillar' approach to how exclusions are managed for partner funds. Each 'Pillar' has a different degree of exclusions. The approach is still being refined and is illustrated below.

	Pillar 1	Pillar 2	Pillar 3
Exclusions / Restrictions	Controversial weapons (includes incendiary weapons, cluster munitions, anti-personnel mines, biological and chemical weapons, blinding laser weapons and depleted uranium weapons) (0% revenue exclusion)	Restrictions from Pillar 1	Restrictions from Pillar 2
	Non-conventional fossil fuel extraction (5% revenue exclusion)	Controversial areas (includes adult entertainment, gambling, tobacco, and predatory lending) (5% revenue exclusion threshold on each sector)	Weapons (5% revenue exclusion)
		Companies breaching global norms and human rights standards	Companies officially listed by the UN as breaching human rights / international law in conflict zones
Impact Programme	Potentially across public and private markets. This would be available to all regardless of their alignment with the above Pillars.		

The Fund prefers an engagement approach over divestment; however, the Fund does not want to invest in companies which profit from the supply of arms to vulnerable regions of the world. Therefore, the Fund will not invest in companies that derive revenue from the development of components intended solely to be used within, or in relation, to controversial weapons. Controversial weapons include incendiary weapons, cluster munitions, anti-personnel mines, biological and chemical weapons, blinding laser weapons and depleted uranium. The Fund will liaise with LCIV to ensure this aim is understood and, where appropriate and possible, is implemented via their Three Pillar approach.

March 2026

6. Appendix





Appendix 9: Gender pensions gap

As required under the LGPS Regulations 2013, we have reported on the gender pension gap within the Fund. The reporting approach, including derivation of statistics, is consistent with the guidance '2025 Fund Valuations: Guidance for Gender Pension Gap reporting' dated 2 February 2026:

For the purpose of this analysis, we have

- relied upon the membership data provided by the Fund for the purpose of the 2025 actuarial valuation
- used the gender information provided in the submitted membership data

The Gender Pension Gap (GPG) is calculated as:

$$GPG = \frac{\text{Mean pension value for males} - \text{Mean pension value for females}}{\text{Mean pension value for males}}$$

The GPG is expressed as a percentage. For example, a GPG of 10% indicates that, on average within the population analysed, for every £1 of pension accrued by males, females will have accrued £0.90. A negative GPG implies the mean pension value for females is greater than the mean pension value for males.



Active members

The results in this section set out the analysis for members who were active at 31 March 2025.

Fund level analysis

At overall Fund level, the GPG for active members of the Fund is 42%. Further detail is set out in the table and charts below.

	Males	Females	
Number of members*	1,457	5,805	-
% of overall membership	20%	80%	-
Mean age	46.1	47.6	-
Mean age the member joined the Fund	38.2	40.8	-
Mean number of jobs held	1.09	1.20	-
Mean employee contribution rate (%)	6.54	5.98	-
Number of members with a Final Salary pension	385	1,319	-
			Gender pay gap
Mean FTE pay	39,223	32,960	16%
Mean actual pay	36,873	24,863	33%
			Gender pension gap
Mean CARE pension	4,437	2,792	37%
Mean Final Salary pension**	6,387	3,409	47%
Mean total pension	6,124	3,567	42%

Table 16: Gender pension gap for active members – Fund level analysis

* In line with the guidance, this represents the number of unique members within the Fund i.e. all multiple membership records have been summed for the purpose of the Fund calculation.

** In line with the guidance, this represents the mean for active members with a non-zero final salary pension.

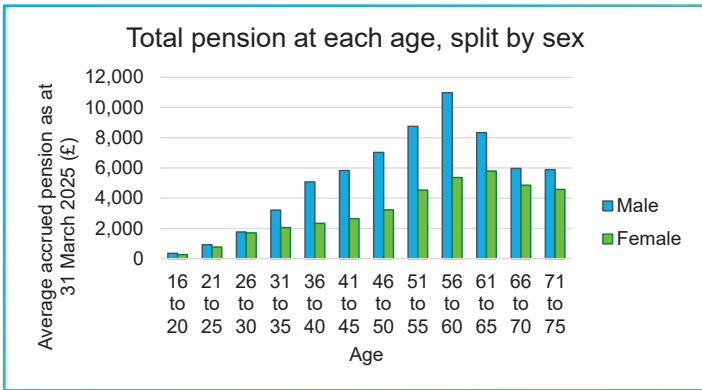


Chart 5: Total pension at each age, split by sex

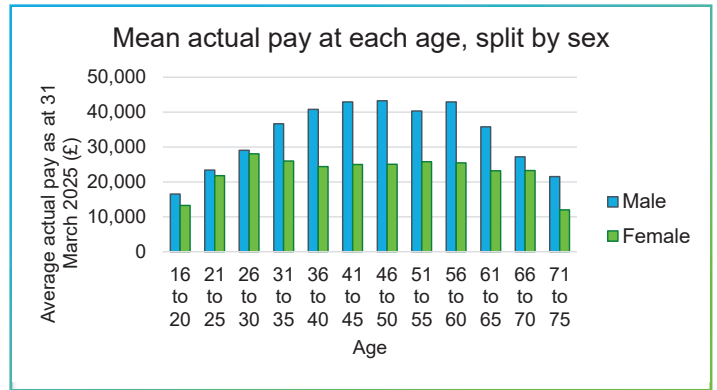


Chart 6: Mean actual pay at each age, split by sex

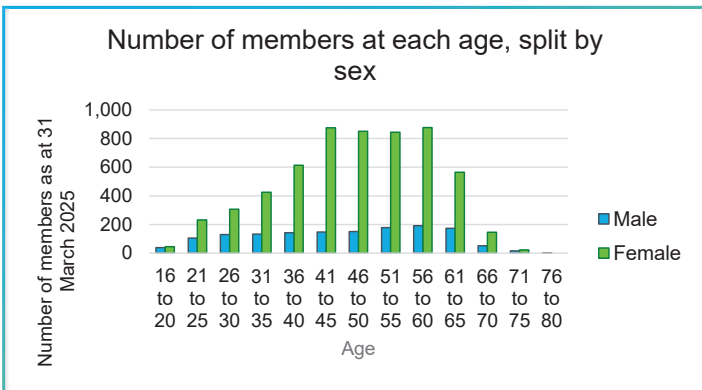


Chart 7: Number of members at each age, split by sex

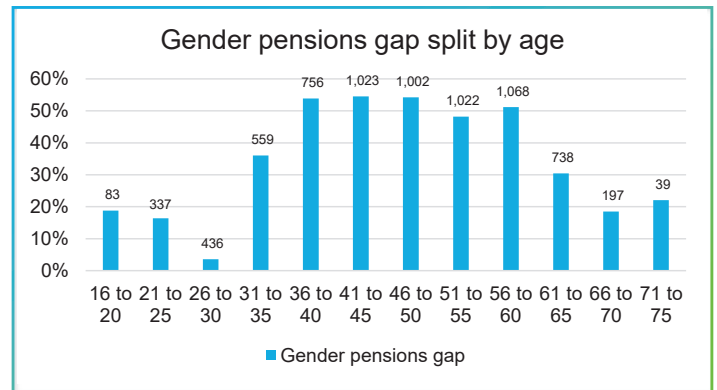


Chart 8: GPG at each age (number of members shown)

Employer category analysis

In line with the Guidance, analysis at employer category level is set out below (N/A entries apply where the number of active members in a group is less than 100):

Category	CARE pension GPG	Final Salary pension GPG	Total pension GPG
Local authorities and connected bodies	38%	43%	42%
Centrally funded public sector bodies excluding academies	26%	52%	31%
Academies	13%	31%	13%
Other public service bodies	N/A	N/A	N/A
Private/voluntary/other bodies	N/A	N/A	N/A

Table 17: Gender pension gap for active members – Employer category analysis

Employer category Additional statistics	Local authorities		Central PS bodies		Academies		Other PS bodies		Private/voluntary	
	Males	Females	Males	Females	Males	Females	Males	Females	Males	Females
Number of members*	1,039	3,419	249	1,318	162	1,035	-	-	13	60
% of overall membership	23%	77%	16%	84%	14%	86%	N/A	N/A	N/A	N/A
Mean age	47.1	47.3	43.7	46.8	43.0	49.3	N/A	N/A	N/A	N/A
Mean FTE pay	42,059	35,164	34,100	30,658	32,706	31,198	N/A	N/A	N/A	N/A
Mean actual pay	40,871	27,779	31,141	22,830	27,904	20,910	N/A	N/A	N/A	N/A
Mean CARE pension	5,126	3,193	2,865	2,134	2,527	2,203	N/A	N/A	N/A	N/A
Mean Final Salary pension	6,691	3,811	5,610	2,718	3,748	2,598	N/A	N/A	N/A	N/A
Mean total pension	7,165	4,143	3,766	2,605	3,106	2,715	N/A	N/A	N/A	N/A

Table 18: Gender pension gap for active members – Employer category analysis (additional statistics)

* In line with the guidance, this represents the number of unique members per employer within the Fund i.e. multiple membership records across an employer category have been summed.



Pensioner members

The GPG for pensioner members of the Fund is 48%. Further detail is set out in the table and charts below.

	Males	Females	GPG
Number of members*	2,111	4,968	-
% of overall membership	30%	70%	-
Mean age	73.6	72.9	-
Mean pension	10,514	5,482	48%
Mean CARE pension amount	3,691	2,492	-
Mean Final Salary pension amount	10,245	5,064	-
Mean partner pension amount	5,407	2,797	-
Mean number of retirement pension account	1.05	1.07	-
Mean age at retirement	59.7	60.5	-

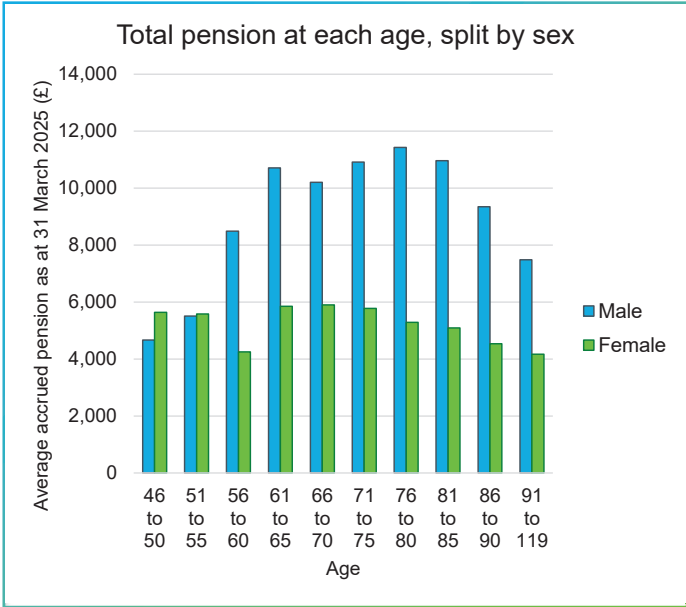


Table 19: Gender pension gap for pensioner members – Fund level analysis

* In line with the guidance, this represents the number of unique members within the Fund i.e. all multiple membership records have been summed for the purpose of the Fund calculation.

Chart 9: Total pension at each age, split by sex

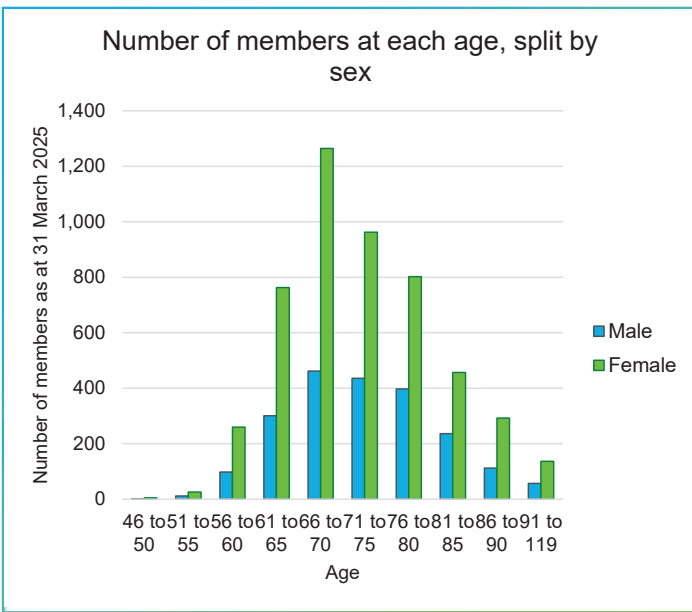


Chart 10: Number of members at each age, split by sex

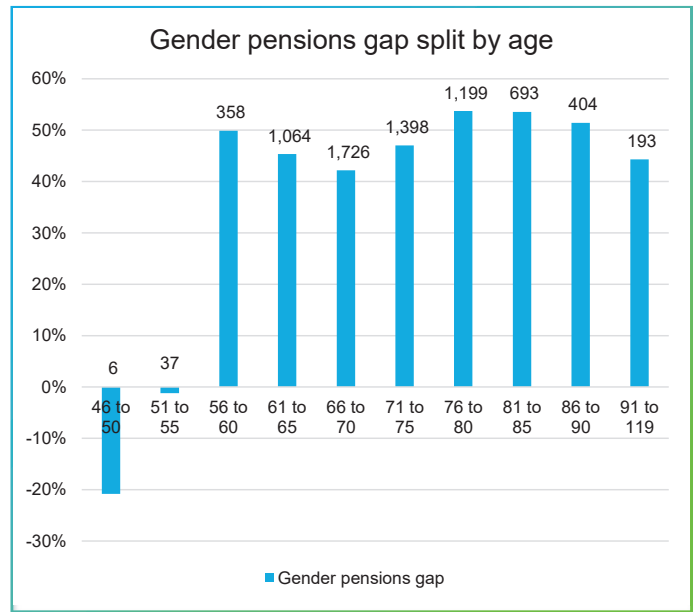


Chart 11: GPG at each age (number of members shown)

Date	Nature of /regulation breached	Description and cause of breach Possible effect of breach and wider implications	Traffic lights	Reported / Not reported (with justification if not reported and dates)
			Green	
			Green	
			Green	
			Green	
			Green	

GOVERNANCE (Part II)

ITEM 9

Committee

Local Pensions Board

Officer Reporting

Pete Carpenter - Finance

Papers with this report

- Fit for the future officers' investment governance changes assessment paper
- Investment Management Agreement (IMA)
- IMA Appendices

RECOMMENDATIONS

It is recommended that Pensions Board:

1. Note the Pension Committee's response to the item referred to them by Pension Board in December.
2. Note Officers' Fit for the future investment governance changes and where the fund sees itself at the present time.
3. Note the London CIV Documentation being signed that governs the Fund's future operational relationship in relation to investments.

SUMMARY

This report provides an update on the progress made so far by officers in conjunction with London CIV towards a seamless transition and implementation of the Fit for the future regulations expected to commence on 31 March 2026.

INFORMATION

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Pensions Board 09 April 2026

Pension Board referral to Pension Committee

The London Borough of Hillingdon Pension Board at the last meeting on 04 February 2026 decided to refer their concerns on the LCIV preparedness of the Fit for the future legislation implementation to the Pensions Committee. Key governance issues were highlighted in their paper and pertinent questions posed on how the Pensions Committee intend to tackle the various issues raised. The Key questions the board had were around:

1. Holding LCIV to Account Post-April 2026 from April 2026
2. LCIV Shareholder Powers
3. The makeup of the LCIV Shareholder Committee
4. Non-Executive Directors (NEDs) on LCIV Board
5. Levels of Financial Advice after April 2026

The Board accepts the move to mandatory pooling but emphasises that substantial governance and oversight challenges arise. The central concern for referral is ensuring that Hillingdon can effectively hold LCIV to account, supported by: • strengthened shareholder mechanisms, • active participation in governance appointments, • preparation for new advisory requirements, and • ensuring robust reporting and independent oversight arrangements.

The committee discussed these matters in detail at the Committee meeting on the 24th March and came to a view that to start with letters be drafted to send to both London Councils – who appoint the Shareholders Committee , and the Society of London Treasurers (who have 4 representatives on the Shareholders Committee) setting out Hillingdon’s concerns and asking for a route forward to ensure that the Shareholders Committee, as owners of the London CIV, can more proactively hold the London CIV’s executive to account around its overall governance, strategic direction and overall performance.

Officers’ Fit for The Future governance changes assessment

This briefing note provides an overview of the London Borough of Hillingdon Pension Fund's current assessment of required investment governance changes in relation to preparedness for implementation of the legislation.

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Over the past 4 months the Government produced draft guidance on

1. Fund Governance
2. Pooling
3. Investment Strategy Statement

The Committee has taken account of this guidance in drafting its updated Responsible Investment Policy and its new Investment Strategy Statement. **However, it should be noted that the Government expected the Guidance to be converted into Law by the 31st of March 2026. Royal Assent will now not happen by this date, and the Statutory approval of the legislation is now expected after the Easter Holidays with the starting date backdated to the 1st of April 2026.** The Fund and the London CIV are both assuming that there will be no or minimal changes to that legislation.

Appendix A sets out how the Fund has moved forward on implementation issues initially set out at the September Committee Meeting.

London CIV Arrangements

There is the requirement for the Fund to formalise its updated relationship with the London CIV. As part of this process, it is required to approve and sign

- 1) An updated Investment Management Agreement (IMA). This agreement, which has the following 35 clauses will be common to each of the 34 Members of the London CIV. The 35 Clauses are set out in **Appendix B** for reference.
- 2) Four Appendices setting out specific data for each individual Fund **This is set out in Appendix C**

There has been significant movement on these documents over the past 2 weeks, with respective London Funds and the London CIV in difficult positions due to the Government Legislation not being approved. At a meeting with the London CIV the following signing options were given:

1. If any partner would like to be seen to sign today, it is acceptable, but LCIV will not sign until review completed and dated on completion.

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2. Alternatively, any partner fund could send the IMA for LCIV review, and it will be signed by both parties via docusign once ready.

Although the Hillingdon Fund have a signed IMA version, approved by Committee on the 24th March the fund would rather sign the same time as the London CIV when there is no more movement on documents. Hillingdon are concerned with the talk of side letters (which was at the Pension Fund Managers meeting on Friday) and what implication this has as Hillingdon thought that the IMA was standard and we are now giving potentially 3 slightly different options. Hillingdon and other funds need to understand this.

As Hillingdon's assets are already 95% managed by the LONDON CIV, it does not see significant risk of waiting for a final version, as the London CIV already have the authority to manage these assets which would not be the case with many of the other Partner Funds.

Appendix A Implications of Fit for the Future Pension Requirements and present status at Hillingdon

RAG Status –

Green – Completed

Amber – Partially complaint but still some work to do

Red – Does not comply

Grey – Further information/guidance required

Requirement	Present Status	RAG	Status Sept 25	RAG	Status March 26
Requirement to appoint a senior LGPS officer with overall delegated responsibility for the management and administration of the Scheme.	Present Senior Officer has additional responsibilities. New guidance is expected as part of an update to the 2013 LGPS Regulations, with accompanying statutory guidance	Grey	As part of the Finance Modernisation Programme finance will be restructured and as such this post will be reassessed considering “Fit for The Future” requirements. Possibility to be discussed of collaborating with another fund to deliver economy of scale for the lead position.	Amber	Finance restructure is still planned to take place in the late summer 2026. The Statutory Post is not expected to be a full-time role and so a view will need to be taken on how it is delivered including joint deliver with other Funds. The role can have someone “acting” into it by September deadline and this is the likely approach that will be taken to ensure the Fund reaches the correct conclusion
Requirement to prepare and publish an administration strategy.	Administration Strategy is part of the Pension Committee workplan. The last	Amber	This will need to be updated for the changes as part of Business as Usual	Amber	This will need to be updated by March 2027 although it should not show significant

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	Review was March 2024				change from the 2024 Strategy.
Requirement for pension committee members, the senior officer, and officers to have the appropriate level of knowledge and understanding for their roles, with requirements for pension committee members and local pension board members aligned.	<p>This is already undertaken at Hillingdon with a report on member activity going to both Pension Committee and Pensions Board.</p> <p>The government intends to work with the SAB to develop accompanying guidance.</p>		The issue is ensuring Members and Officers keep up to date with their training requirements under the new code.		The Council has all out election in 2026 and therefore the makeup of the Pensions Committee has the potential to change. Training will be planned for the new appointed Committee to ensure they understand their obligations, especially training, under the new Requirements.
Requirement for Administering Authorities (AA's) to set out within their governance and training strategy how they will ensure that any committee, sub-committee, or officer will meet the new knowledge requirements within a reasonable period from appointment.	<p>We already set out what training is undertaken and timescales but are not clear on what is needed if members/officers do not meet the standard.</p> <p>The government intend to work with the SAB on guidance</p>		Update guidance on what appropriate timescales should be and possible sanctions if this does not happen (weighed against ensuring we have enough Members for both the Committee and the Board)		<p>This will be set out in the training and guidance given to the new Committee Membership following the May 2026 elections.</p> <p>The Council will follow the SAB guidance once it is issues to ensure consistency with other funds.</p>

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	on what these requirements are.			
<p>The Requirement for AAs to participate in an independent governance review and, if applicable, produce an improvement plan to address any issues identified.</p> <p>Require an independent governance review to take place once in every three-year period rather than every two years. This will align the reviews with the valuation cycle.</p>	<p>The Fund has asked for this to be undertaken by ISIO in the past, but this is a new requirement (as ISIO are the Fund's investment advisors and so not technically independent)</p> <p>The Governance Policy & Compliance Statement, including the Governance Compliance Statement, was last reviewed in December 2023. This is reviewed every 3 years.</p>		<p>Although it is a new requirement for this to be undertaken by an Independent Party, the Fund does have a process in place for review, and this is undertaken on a 3-year cycle. This will have to be amended for the new requirements.</p> <p>All to note: AAs will have the flexibility to carry out the review at any point during each valuation period, unless subject to a new power that the government will take, which allows for the Secretary of State to direct that a governance review is carried out of an AA at a specific time. This power will be exercised if there is concern that an AA has significant weaknesses in</p>	<p>The Fund in the second half of the 2026 calendar year will commission an Independent Governance Review as per the requirements. The new committee needs to be given time to understand and start delivering to their roles. The output of that review will be reported back to the March 2027 Committee.</p>

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			governance or is not in compliance with scheme regulations.		
Require AAs to have an independent advisor without voting rights, rather than an independent member of the committee	The Fund already has an independent advisor		This will need to be updated for the changes as part of Business as Usual.		The Council will update its existing arrangements. This requirement together with the Knowledge and Skills requirement may require the Committee's terms of reference to be reviewed

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					along with other governance procedures.
Require AAs to prepare strategies on governance, knowledge and training (replacing the governance compliance statement), and administration, and publish these either as separate strategies or as a single document. The knowledge and training strategy will be required to include a conflicts of interest policy	These strategies are all produced and reviewed by the Committee under the present arrangements. However, they will need to be updated for the new requirements.		Require the updated guidance to change the existing policies/strategies. The concept of 'conflicts' might be widened for the pension fund to include lobbying groups.		Updated strategies will be approved by the September 2026 Committee to ensure that: <ul style="list-style-type: none"> 1) They are owned by the new Committee 2) That they can reflect the new operating arrangements that come into force on the 1st April 2026. 3) That they can form the basis for the Governance Review (see previous item)
The forthcoming Pension Schemes Bill will put asset pooling on a statutory basis and will mandate the minimum standards for pooling whilst providing for the detail to be set out in regulations. Those powers will enable regulations to be made requiring	This is new (it was not statutory before)		We are already 95% compliant and as part of our work over the next 3-6 months with our updated investment strategies (following the Triennial revaluation)		The Fund's revised strategy is compliant with a new ISS and the existing Dislocation Fund being wound down.

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<p>all AAs to participate in an asset pool either as a shareholder or as a client, and for AAs to delegate the implementation of their investment strategy to the asset pool.</p>					
<p>The Pension Schemes Bill will also clarify the existing provision in the Public Service Pensions Act 2013 to allow for the winding-up of pension funds so that it explicitly includes the merger, including compulsory merger, of pension funds.</p> <p>This will ensure there are sufficient powers in place to facilitate the merger of pension funds if needed, for example any mergers that are needed as a consequence of local government reorganisation. The government's strong preference is that mergers take place by</p>	<p>This is new</p>		<p>The Fund needs to consider this as part of the other policies it is updating.</p> <p>The Fund may wish to pre-empt possible re-organisation and consider collaborating with other funds.</p>		<p>The Governance review that is taking place will need to reference this.</p> <p>The Fund will also need to establish, over the first 6 months of the 2026/27 financial year, its view of a shared approach with other Councils (for example having a joint Statutory Officer)</p>

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agreement between AAs, but the power to merge pension funds will allow government to intervene in the event that local decision making is not effective in bringing about satisfactory arrangements.					
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Pool Requirements (to be reviewed) linked to Performance and Governance

Requirement	Present Status	RAG	Status Sept 2025	RAG	Status March 2026
Pools to publish performance and transaction costs.	The government will work with the SAB to develop guidance on pool reporting to support transparency and accountability to scheme members, employers and others, including on cost and performance metrics. The government will continue to engage with the pools, AAs, and other users of these metrics in the development of this guidance.		Hillingdon as a fund need to be more proactive in challenging performance. The Fund needs to work with LCIV on improved reporting.		This is under development by the London CIV and is referenced in the SLD

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<p>Pools will be required to establish a governance model that works for their shareholders and any clients, with flexibility in how this is delivered.</p>	<p>The government has concluded pools and AAs should work together to ensure that scheme members' views are understood and considered by the pools and should publish their policy on how this is done. We will work with the SAB to highlight good practice and provide guidance.</p>		<p>Hillingdon need to formally ask LCIV what their proposals are on this and possibly collaborate with other like-minded funds in looking at the appropriate levels of representation including NED's.</p> <p>This includes Membership of Pool Boards. Hillingdon need to formally requests a copy of LCIV's conflicts of interest policy in respect of partner funds.</p>		<p>It is clear in the Guidance that this is a matter for shareholders to come to an agreement on and significantly more work is required from the present structure in place, given the changes in London CIV responsibilities.</p> <p>Present Membership of the Shareholders Committee is governed via London Councils.</p> <p>As per the comments from the Fund's Pension Board in the Governance item, this is an area that needs attention.</p>
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FINANCIAL IMPLICATIONS

Financial implications are contained within the body of the report.

LEGAL IMPLICATIONS

There are no legal implications in the report.

DATED [Insert Date] _____

[Insert Partner Fund]
and
LONDON LGPS CIV LIMITED

**AGREEMENT FOR DISCRETIONARY
INVESTMENT MANAGEMENT**

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THIS AGREEMENT is dated [31st March 2026]

BETWEEN

1 [INSERT] (the "Client"); and

2 **LONDON LGPS CIV LIMITED** whose registered office is at 4th Floor, 22 Lavington Street, London SE1 0NZ (the "**Investment Manager**")

(the "**Parties**" and each a "**Party**").

PRELIMINARY

WHEREAS

(A) The Investment Manager is authorised and regulated by the Financial Conduct Authority.

(B) The Client wishes to appoint the Investment Manager as the investment manager of the Portfolio and the Investment Manager agrees to such appointment on the terms and subject to the conditions of this Agreement.

NOW IT IS HEREBY AGREED as follows:

1 Definitions

- 1.1 Reference to a statute, statutory provision, regulation or FCA Rule includes a reference to that statute, statutory provision, regulation or FCA Rule as from time to time modified or re-enacted, and to any repealed statute, statutory provision, regulation or FCA Rule which it replaces (with or without modification).
- 1.2 The Schedules form part of this Agreement and will have the same force and effect as if expressly set out in the body of this Agreement. However, in the event of a conflict between any of the items in the Schedules and any provisions contained in the main body of this Agreement, the items contained in the Schedules shall prevail.
- 1.3 Unless the context otherwise requires references to recitals, clauses, appendices, paragraphs and schedules are to recitals to, appendices to, clauses of, and schedules to this Agreement.
- 1.4 In this Agreement:

"Applicable Laws"

means in relation to a party, all applicable laws, statutes, rules, regulations, codes and orders from

time to time, including, without limitation, FSMA, the Companies Act 2006 and the FCA Rules, as replaced, amended or re-enacted from time to time being binding the Investment Manager in so far as they relate to the Investment Manager's services under this Agreement.

"Associate"

a company or other person connected to the Investment Manager.

"Business Day"

means any day other than a Saturday, Sunday or a bank holiday in England and Wales.

"Client Money Rules"

The rules set out in the FCA's Client Assets Sourcebook.

"Client's Responsible Investment Policy"

The formal statement from the Client that outlines the Client's approach to integrating Environmental, Social, and Governance (ESG) factors into investment decisions and ownership practices.

"Collective Investment Scheme"

has the meaning set out in section 235(1) of FSMA.

"Conflicts of Interest Policy"

The Investment Manager's policy relating to the identification of conflicts of interest entailing a risk of damage to the interests of clients and procedures to prevent or manage such conflicts as required by the FCA Rules and as amended by the Investment Manager from time to time and available on the Investment Manager's client portal.

"Commercially Sensitive Information"

means confidential and/or commercially sensitive information relating to the Investment Manager or its Associates (including the terms of this Agreement), which is held by or provided to the Manager by the Investment Manager or its Associates.

"CRS"	Means the Organisation for Economic Co-operation and Development's Common Reporting Standard and Model Competent Authority Agreement (as amended from time to time).
"Custodian"	The person appointed by the Client to provide custody services for the whole or any part of a Portfolio.
"DAC"	Means EU Council Directive 2014/107 EU (as amended from time to time).
"Data Protection Laws"	means all applicable laws and regulations relating to the processing of personal data and/or privacy including but not limited to, the UK GDPR and the Data Protection Act 2018, together with all laws and regulations implementing or made under such applicable laws or regulations and any amendments or re-enactments of those laws and regulations.
"Dispute"	means any claim arising out of or in connection with this Agreement in respect of which a Party alleges, in good faith, a cause of action recognised under the laws of England and Wales against the other Party.
"Efficient Portfolio Management"	<p>means techniques and instruments which relate to transferable securities and approved money-market instruments, and which fulfil the following criteria:</p> <p>(a) they are economically appropriate in that they are realised in a cost-effective way;</p> <p>(b) they are entered into for one or more of the following specific aims:</p> <ul style="list-style-type: none"> (i) reduction of risk; (ii) reduction of cost;

(iii) generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the Portfolio.

"EIR"

means the Environmental Information Regulations 2004 and any subordinate legislation made under it, any amendment or re-enactment of any of them; and any guidance and/or codes of practice issued by the Information Commissioner, the Ministry of Justice (previously the Department for Constitutional Affairs and/or the Lord Chancellor) and/or Cabinet Office, or the Department for Environment food and Rural Affairs or decisions made by other appropriate legislative bodies (including in each case its successors or assigns) in relation to such legislation from time to time, all as amended, supplemented and/or replaced from time to time.

"Encumbrance"

A mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind, or another type of agreement or arrangement having similar effect.

"Execution Policy"

The Investment Manager's policy relating to the execution of orders and decisions to deal on behalf of clients, as required by FCA Rules and amended by the Investment Manager from time to time.

"FCA"

Financial Conduct Authority.

"FCA Rules"

The principles and rules established by the FCA as amended and updated from time to time.

"Feeder Vehicle"

A Collective Investment Scheme through which clients of the Investment Manager or the Sub-Investment Manager participate in underlying Collective Investment Schemes and for which the Investment Manager or the Sub-Investment Manager

or their Associates act as operator or investment manager, but for which service the Investment Manager, the Sub-Investment Manager or their Associates receive no fee from their clients.

“Financial Derivative Instruments” means types of investment which derive their value from the value and characteristics of one or more underlying assets such as a security, an index or an interest rate. They are leveraged, therefore a small movement in the value of the underlying asset can cause a large movement in the value of the Financial Derivative Instrument. Also known as “derivatives”.

“FoIA” means the Freedom of Information Act 2000, all regulations made under it and any subordinate legislation made under them, any amendment or re-enactment of any of them; any guidance and/or codes of practice issued by the Information Commissioner, the Ministry of Justice (previously the Department for Constitutional Affairs and/or the Lord Chancellor) and/or the Cabinet Office, the Department for Environment Food and Rural Affairs or the Ministry of Housing, Communities and Local Government (MHCLG), including the Local Government Transparency Code 2015, or decisions made by other appropriate legislative bodies (including in each case its successors or assigns) in relation to such legislation from time to time, all as amended, supplemented and/or replaced from time to time;

“Fol Legislation” means the FoIA and/or the EIR (as applicable).

"FSMA" The Financial Services and Markets Act 2000.

“Grace Period” the period as specified for each Portfolio in Schedule 4 during which the terms of clauses 4.3 and 4.4 shall apply.

"In-House Fund"	A Collective Investment Scheme for which the Investment Manager, a Sub-Investment Manager or any of their Associates act as manager and/or operator, other than a Feeder Vehicle.
"Initial Composition and Initial Value"	Respectively, the composition and value of the assets (collectively and individually) comprising each Portfolio at the time when the Investment Manager first assumes management of that Portfolio set out in Schedule 4.
"Investment Advice"	Means the provision of personal recommendations to the Client, either upon its request or at the initiative of the Investment Manager, in respect of one or more transactions relating to a particular investment.
"Investment Guidelines"	The Investment Guidelines applicable to the Portfolio as set out in Schedule 2.
"Investment Objective"	The performance and investment objective of the Portfolio as set out in Schedule 2.
"Investment Policy"	The Investment Policy of the Portfolio as set out in Schedule 2.
"Investment Service"	has the meaning set out in clause 4.2.
"Limit Order"	an order to buy or sell a financial instrument at its specified price limit or better and for a specified size.
"Portfolio"	means the portion of the Client's assets for which the Investment Manager has been appointed to manage pursuant to this Agreement set out in Schedule 4 and managed in line with the Investment Objective detailed in Schedule 2.

"Regulated Market"	has the meaning set out in the FCA Rules.
"Request for Information"	means a request for information pursuant to the FoI Legislation, where Commercially Sensitive Information is requested.
"Scheme Benchmark"	means the benchmark outlined in Schedule 2
"Services"	means the responsibilities of the Investment Manager to the Client as set out in this Agreement, including the Investment Service.
"Sub-Investment Manager"	means a sub-investment manager to which the Investment Manager has delegated all or a portion of the Investment Service for a London CIV Solution in accordance with the terms of this Agreement.
"Target Asset Allocation"	means the asset allocation set out in Schedule 2.
"Tax Information Provisions"	means FATCA or any successor provision that is substantially comparable thereto and any other current or future similar or related U.S or non-U.S. legislation including without limitation CRS and any intergovernmental agreements, legislation and regulations in connection with the foregoing (including but not limited to the DAC) and in each case any official interpretations thereof and any published administrative guidance in connection therewith.
"Trading Venue"	has the meaning set out in the FCA Rules.
"Transactions"	has the meaning set out in clause 4.2.
"UK GDPR"	means the EU GDPR, as it forms part of the law of England and Wales, Scotland and Northern Ireland by virtue of section 3 of the European Union (Withdrawal)

Act 2018, as amended, modified and reinstated from time to time, and any succeeding UK law or regulation which becomes enforceable by law from time to time.

"UK MiFID"

means Directive 2014/65/EU and related laws and guidance, as modified and introduced into the law of the UK by the Markets in Financial Instruments (Amendment) (EU Exit) Regulations 2018.

2 Regulation and Client classification

- 2.1 The Investment Manager is authorised and regulated by the FCA with permission to carry on investment business in the United Kingdom (with FCA Firm Reference Number 710618). Nothing in this Agreement will exclude any liability of the Investment Manager to the Client arising under Applicable Law.
- 2.2 Based on the information obtained in respect of the Client, the Investment Manager has categorised the Client as a "Professional Client" for the purposes of the FCA Rules. It is the Client's sole responsibility to keep the Investment Manager informed of any changes to the Client's circumstances which may affect the Investment Manager's categorisation of the Client as a "Professional Client". This client categorisation determines the minimum level of protection to which the Client is entitled under the FCA Rules and which it will receive from the Investment Manager. As a "Professional Client" the Client has the right but not the obligation to request that it be re-categorised as a "Retail Client". Such a request must be made directly by the Client to the Investment Manager in writing and the Investment Manager will consider such a request but is under no obligation to agree to the request. If the Investment Manager agrees to the Client's re-categorisation request, the Client's level of protection under the FCA Rules will not be reduced from that received as a "Professional Client". The Client is advised that, where applicable, despite being re-categorised as a "Retail Client", it may not be defined as an "Eligible Complainant" under the FCA Rules.
- 2.3 Based on the information provided by the Client, in providing the investment management service, the Investment Manager shall be responsible for assessing the suitability of investments for the Client and management of the Portfolio as required by the FCA Rules. As the Client has been categorised as a "Professional Client" the Investment Manager is entitled to assume that the Client has the necessary level of experience and knowledge in order to understand the risk involved in investments and in the management of the Portfolio. The Client shall be responsible for ensuring that information provided to the Investment Manager is accurate, complete and up to date so as to enable the Investment Manager to assess investment suitability for the Client.

3 Effective date of appointment

- 3.1 This Agreement shall become effective on the date of its execution by each of the parties and the Investment Manager shall commence its Investment Service, as contemplated under this Agreement, on the later of the date of:
- 3.1.1 the execution of this Agreement by each of the parties;
- 3.1.2 the agreement of the parties as to the Initial Composition and Initial Value pursuant to clause 8.1;

- 3.1.3 the receipt by the Investment Manager of confirmation in writing from the Custodian that either: (a) cleared funds are available to the Investment Manager for investment on behalf of the Client; or (b) the assets initially comprising a Portfolio have been delivered to the Custodian and are available for disposition by the Investment Manager; or
- 3.1.4 such other date agreed in writing by the Parties.

PROVISION OF SERVICES

4 Investment discretion

- 4.1 The Parties acknowledge and agree that the Investment Manager has been appointed to manage the Portfolio.
- 4.2 The Investment Manager as discretionary investment manager will, acting in good faith and with reasonable skill and care, manage the Portfolio by reviewing and deciding upon the composition of each Portfolio with a view to: (i) achieving the Investment Objective; (ii) abiding by the Investment Policy; and (iii) acting within any Investment Guidelines contained in Schedule 2 (such review and decision taking the "**Investment Service**"). Subject to the Investment Policy and Investment Guidelines and this Agreement, the Investment Manager acting as agent will have complete discretion for the account of the Client (and without prior reference to the Client) to manage the Portfolio at the Client's risk, including, without limitation, to buy, sell, retain, exchange or otherwise deal in investments and other assets, make deposits of cash, subscribe to issues and offers for sale and accept placings, underwritings and sub-underwritings of any investments, advise on or execute Transactions in Collective Investment Schemes, advise on or execute foreign currency transactions on a spot or forward basis, advise on or execute derivative transactions, effect Transactions on any market, negotiate and execute counterparty and account opening documentation, including the giving of all warranties and indemnities on behalf of the Client as may be usual or necessary in order to effect investments for the Portfolio, take all routine or day to day decisions and otherwise as the Investment Manager judges appropriate in relation to the management of the Portfolio and generally enter into any kind of transaction or arrangement with investments held or to be held by a Portfolio ("**Transactions**"), provided that the Investment Manager shall be subject to applicable obligations under the FCA Rules regarding suitability and best execution.
- 4.3 The Client and the Investment Manager agree that during a Grace Period (as specified in Schedule 4), the Investment Manager shall have full discretion as to the timing of any restructuring programme of a Portfolio so as to enable the Investment Manager to properly take account of the costs of disinvestment and reinvestment and the potential impact of these on the Portfolio's performance.
- 4.4 The Investment Guidelines will not be breached (i) during a Grace Period as specified in Schedule 4; or (ii) as a result of any events or circumstances outside the reasonable control of the Investment Manager including, but not limited to, changes in the price or value of investments of a Portfolio brought about solely through movements in the relevant market or any other supervening event. Where a breach of the Investment Guidelines arises, the Investment Manager will notify the Client as soon as reasonably practicable and shall consult with the Client in relation to how it intends to achieve compliance. Unless otherwise agreed with the Client, the Investment Manager will use reasonable endeavours to rectify the breach within a reasonable timeframe. For the avoidance of doubt, and notwithstanding anything to the contrary in this Agreement, there shall be no breach of the terms of this Agreement if at any time the Portfolio is not in compliance with the Investment Objectives set out in Schedule 2.

- 4.5 The Investment Manager will keep the Investment Objective, the Investment Policy and Investment Guidelines under review and may, from time to time, suggest to the Client such amendments as might be made to them, the Client shall be under no obligation to implement such amendments.
- 4.6 It is hereby acknowledged by the parties that the aim of achieving the Investment Objective does not represent an assurance that the Investment Manager will achieve it (or any particular level of performance) or that the Investment Manager is obliged to take any steps beyond the exercise of reasonable skill and care as an experienced discretionary Investment Manager and acting in accordance with its obligations in this Clause 4.
- 4.7 Unless otherwise specified in the Investment Policy and Investment Guidelines, the Investment Manager may effect Transactions for the Portfolio in both UK-based and off-shore Collective Investment Schemes including In-House Funds. A small charge may be made for purchasing or redeeming units of relevant In-House Funds, which reflects the underlying costs of buying or selling the underlying securities held by them. The Investment Manager and its Associates do not receive any commission from investing the Portfolio in these In-House Funds, although they may be paid fees by an In-House Fund for operation, management, advisory, agency or administration services that they provide to such In-House Fund.
- 4.8 The Investment Manager is the operator of the In-House Funds. Its performance of the function of operator of the In-House Funds, and any services provided to an In-House Fund as a result of or in connection with the performance of that function, is separate from, and not connected with, its role under this Agreement and/or its provision of the Services.

5 Delegation and appointment of agents

- 5.1 The Investment Manager may delegate the performance of all or part of the Investment Service, including to an Associate, without the Client's prior written consent. Without prejudice to clause 16, the Investment Manager's liability to the Client for all or part of the Investment Service so delegated will not be affected by such delegation.
- 5.2 Subject to clause 5.4 the Investment Manager may, as agent of the Client, contract on the Client's behalf with persons (such persons themselves acting as principals or as sub-agents of the Client) to perform any administrative, dealing, brokerage, advisory or ancillary services to provide the Investment Service under this Agreement (and such persons may include an Associate) and, without limitation, the Client hereby authorises the Investment Manager to open accounts, execute documents, provide indemnities, and make representations in the name of, binding against and on behalf of the Client, for all purposes reasonably necessary in the Investment Manager's view to provide the Investment Service under this Agreement.
- 5.3 Subject to clause 22.2, the Investment Manager may provide any delegate or person contracted with under clause 5.2 with such information relating to the Client and the Portfolio as it deems necessary to enable the delegate to perform all or part of the Investment Service delegated to it.
- 5.4 The Investment Manager will exercise reasonable care and skill in the selection, use and monitoring of delegates and persons contracted with pursuant to clause 5.2 including, for the avoidance of doubt, dealing or brokerage counterparties.

6 Voting

- 6.1 Subject to any contrary instructions from the Client to the Investment Manager, the Client appoints the Investment Manager as its agent, in the Investment Manager's sole discretion, to exercise or procure the exercise of all voting or other rights which may be exercisable in relation to any assets held or that were held in the Portfolio; and to execute and bind the Client in actions (including corporate actions), waivers, consents, covenants and indemnifications related to such assets.
- 6.2 The Client acknowledges and agrees that the Investment Manager may:
 - 6.2.1 from time to time establish a policy on shareholder activism including guidelines for the exercise of voting or other rights which shall be consistent with this Agreement and in particular the Investment Policy and Investment Guidelines; and
 - 6.2.2 in its sole discretion, elect not to exercise or procure the exercise of any voting or other rights.
- 6.3 A copy of the Investment Manager's policy or, where the Investment Service has been delegated to a Sub-Investment Manager, the Sub-Investment Manager's policy on shareholder activism is available on request. Unless stated otherwise in this Agreement, the Investment Manager and the Sub-Investment Manager (as applicable) will have due regard to its policy on shareholder activism in providing its Investment Service.

7 Investment Advice

For the avoidance of doubt, the Investment Services provided under this Agreement shall not constitute Investment Advice. However, the Investment Manager may provide investment research and financial analysis and other general information.

8 Valuations, reports and periodic statements

- 8.1 A valuation showing the Initial Composition and Initial Value will be prepared by the Investment Manager and agreed with the Client and shall constitute part of this Agreement. The basis of all valuations will be as stated in the first valuation unless otherwise notified by the Client to the Investment Manager.
- 8.2 Item 3.1 of Schedule 1 sets out the circumstances in which written confirmations of Transactions will be provided by the Investment Manager to the Client, including the types of Transaction in respect of which they are to be provided, the time period in which they must be despatched and any specific information requirements of the Client and the name of any person nominated by the Client to receive confirmations on its behalf.
- 8.3 The Investment Manager will provide periodic statements (as specified in item 3.1 of Schedule 1) to the Client setting out details of the activities undertaken by the Investment Manager and the performance of the Portfolio during the relevant reporting period including all information required by UK MiFID to be provided in such statements. Item 3.1 sets out whether periodic statements will include (i) performance measurement, and if so the basis of that measure, (ii) summary of Portfolio voting decisions and rationale, including where the Investment Manager chose not to vote and (ii) any additional or alternative requirements of the Client in addition to those set out in the FCA Rules.

- 8.4 With respect to the Portfolio: the Investment Manager will provide the following information to the Client:
 - 8.4.1 on a monthly basis, Portfolio valuations , monthly transactions, details of cash balances and accruals balances; and
 - 8.4.2 on a quarterly basis, a report including the quarter end Portfolio valuation, updates on environment, social and governance matters, information on the performance of the Portfolio and the Investment Manager's commentary; and
 - 8.4.3 on an annual basis, costs transparency initiative reporting; and periodic reports on its responsible investment activities pursuant to Clause 8.5 below.
- 8.5 The Investment Manager hereby agrees that it will provide the Client with periodic reports (at least annually) on its responsible investment activities.

DEALING AND COUNTERPARTIES

9 Dealing and counterparties

- 9.1 In effecting Transactions for the Portfolio, the Investment Manager will to the extent applicable, seek best execution under FCA Rules and, subject to the Investment Objective, Investment Policy and any Investment Guidelines contained in Schedule 2, the Investment Manager's Execution Policy (the "**Order Execution Policy**"), Clause 4.1 and any specific instructions as referred to in clause 9.3, may deal on such markets, exchanges or facilities, and subject to clause 5.4, with or through such counterparties as it thinks fit. All Transactions will be effected in accordance with the rules and regulations of the relevant market or exchange, and the Investment Manager may take all such steps as may be required or permitted by such rules and regulations and/or by appropriate market practice.
- 9.2 A summary of the Investment Manager's Order Execution Policy is available on the Investment Manager's Client portal. The Client confirms that it has read and understood the Order Execution Policy and agrees to the Investment Manager's Order Execution Policy. In particular the Client agrees that the Investment Manager may trade outside of a Trading Venue.
- 9.3 Specific instructions from the Client in relation to the execution of orders may prevent the Investment Manager from following its Order Execution Policy in relation to such orders in respect of the elements of execution covered by the instructions.
- 9.4 The Investment Manager shall not make public Limit Orders in respect of shares admitted to trading on a Regulated Market or traded on a Trading Venue which are not immediately executed under prevailing market conditions.
- 9.5 If any counterparty fails to deliver any necessary documents or to complete any Transaction, the Investment Manager will take all reasonable steps on behalf of the Client to promptly rectify such failure and/or obtain compensation in lieu thereof. All resulting reasonable costs and expenses properly incurred by the Investment Manager shall be paid by the Client.

- 9.6 The Investment Manager may aggregate Transactions for the Portfolio with those of its other clients, its employees and its Associates and their employees and will allocate such Transactions on a fair and reasonable basis in accordance with the requirements of the FCA Rules. The Client recognises that each individual aggregated Transaction may operate to the advantage or disadvantage of the Client.

MATERIAL INTERESTS

10 Potential conflicts of interest, disclosures and inducements

- 10.1 In accordance with FCA Rules the Investment Manager's Conflicts of Interest Policy sets out the types of actual or potential conflicts of interest which affect the Investment Manager's business and provides details of how these are identified, prevented or managed. Where the Investment Manager does not consider that the arrangements under its Conflicts of Interest Policy are adequate to manage a particular conflict, it will inform the Client of the nature of the conflict so that the Client may consider how it wishes to proceed. The Investment Manager shall make available a copy of its Conflicts of Interest Policy on the Investment Manager's client portal.
- 10.2 The Investment Manager and any Associate may effect Transactions in which the Investment Manager or an Associate, or another client of the Investment Manager or an Associate, acting as agent or principal, has, directly or indirectly, a material interest or a relationship of any description with another Party, which involves or may involve a potential conflict with the Investment Manager's duty to the Client. The Investment Manager will ensure that such Transactions are effected on terms which are not materially less favourable to the Client than if the conflict or potential conflict had not existed. Neither the Investment Manager nor any Associate shall be liable to account to the Client for any profit, commission or remuneration made or received from or by such Transactions or any connected Transactions nor will the Investment Manager's fees as set forth in this Agreement be reduced as a result.
- 10.3 The Investment Manager has established policies and procedures to ensure compliance with applicable rules regarding the receipt of fees, commissions, monetary and non-monetary benefits, as set out in the FCA Rules. Where required, appropriate disclosures will be made to the Client via the Investment Manager's Client Portal.
- 10.4 None of the services to be provided under this Agreement nor any other matter will give rise to any fiduciary or equitable duties which would prevent or hinder the Investment Manager, or any Associate, in effecting Transactions with or for the Client, including programme trades, acting as both market-maker and broker, principal or agent, dealing with other Associates and other clients, and generally effecting Transactions as provided above, to which the Client consents accordingly.

11 Dealing commission

All transactions effected by the Investment Manager through brokers or other persons shall comply with the requirements of FCA Rules on dealing commission.

GENERAL

12 Fees and charges

- 12.1 The Client shall pay fees to the Investment Manager for the Services rendered by it in accordance with the fee basis set out in Schedule 3. Payment by the Client shall be due within 30 days of the date of receipt of the invoice by the Client. All charges shall be exclusive of VAT, which shall be added as required by law.
- 12.2 Schedule 3 provides details of any arrangements which involve the payment or receipt by the Investment Manager of any fee, commission or non-monetary benefit to or from any person other than the Client in connection with the services provided under this Agreement.
- 12.3 The Client will be liable for any disbursements, fees, expenses, costs and liabilities properly incurred in the performance of the Services under this Agreement, including, without limitation, due diligence costs, commissions, transfer and registration fees, taxes, stamp duties and other fiscal liabilities. For the avoidance of doubt, the fees, disbursements and costs of any person contracted with under clause 5.2 shall be payable by the Client.

13 Taxation

The Investment Manager will not knowingly or negligently take or omit to take any action would prejudice the tax position of the Client stated in item 1 of Schedule 1. Subject thereto, the Client acknowledges that the Client remains solely responsible for the management of its affairs for tax purposes.

14 Client's representations and warranties

- 14.1 The Client hereby represents, warrants (and acknowledges that the Investment Manager is entering into this Agreement and will enter into Transactions as agent for the Client in reliance on the same) and agrees with the Investment Manager that:
- 14.1.1 the Client has the power to employ the Investment Manager on the terms of this Agreement;
- 14.1.2 no restrictions exist on the transfer, sale or other disposition of any assets in the Portfolio and that no Encumbrance exists or will exist, due to any act or omission of the Client, other than may normally be found in the custody arrangements between the Custodian and the Client;
- 14.1.3 this Agreement has been duly authorised and executed by the Client and constitutes a legal, valid and binding contract with the Client and, without limitation, all Transactions in investments and other instruments and obligations of any kind thereto authorised by the Client in this Agreement (collectively "**Obligations**") are within the Client's power, are duly authorised by the Client and, when duly entered into by the Investment Manager as the Client's agent will be legal, valid and binding Obligations of the Client;
- 14.1.4 without limitation, the Transactions and agreements which the Investment Manager enters into on behalf of the Client pursuant to clause 5.2 of this Agreement will not violate the constituent documents of, or any law, rule, regulation, order or judgement binding on the Client or any contractual restriction

binding on or affecting the Client or its properties and no governmental or other notice or consent is required in connection with the authorisation, execution or performance of this Agreement or any agreements governing or relating to any Obligations;

- 14.1.5 notice of the appointment of the Investment Manager has been given (or concurrently herewith is being given) to the Custodian;
 - 14.1.6 the Client will have full responsibility for the payment of all taxes due on capital or income held or collected for the Portfolio;
 - 14.1.7 the Client will not deal or authorise anyone other than the Investment Manager to deal with the Portfolio;
 - 14.1.8 that to the best of its knowledge and belief all the information the Client has provided to the Investment Manager is true and accurate in all material respects and that it has not omitted or withheld any information which would render the information so supplied inaccurate in any material respect including in relation to the tax status of the Client or the Portfolio as applicable;
 - 14.1.9 it will not take, allow, or procure any act or omission which would constitute a breach of any representation, warranty or undertaking given in this Agreement;
 - 14.1.10 the Client shall provide all necessary co-operation to enable the Investment Manager to meet its obligations under applicable law and regulations from time to time including, but not limited to, law and regulations relating to Anti-Money Laundering and Anti-Bribery and the Client shall itself comply with law and regulations applicable to it from time to time; and
 - 14.1.11 the Client has and shall procure that it has independently examined and understands the nature and risks involved in and the tax, legal and accounting consequences related to the Portfolio, this Agreement and the Transactions permitted under the Investment Policy and Investment Restrictions.
- 14.2 Furthermore, the Client agrees to inform the Investment Manager promptly in writing if any of the representations, warranties or agreements made by the Client in clause 14.1 of this Agreement or otherwise are no longer true or require exception or modification to remain true and will provide such other relevant information as the Investment Manager may from time to time reasonably request in order to fulfil its regulatory and contractual obligations. The Client acknowledges that a failure to provide such information may adversely affect the ability of the Investment Manager to provide services hereunder, or the accuracy of any warranties given on the Clients behalf.

15 Investment Manager's representation and warranties

- 15.1 The Investment Manager represents, warrants and agrees that, as at the date of this Agreement and on a continuing basis:
 - 15.1.1 it is authorised and regulated by the FCA in carrying out the business of managing investments and providing investment advice and shall remain so authorised and regulated at all times during the term of this Agreement;

- 15.1.2 it is duly organised and validly existing under the laws of England and Wales;
 - 15.1.3 neither its entry into this Agreement nor into any transaction contemplated by this Agreement will breach any law, rule or regulation applicable to the Investment Manager;
 - 15.1.4 it will comply with all Applicable Laws in providing the services under this Agreement;
 - 15.1.5 it has all necessary power and authority to execute, deliver and perform this Agreement; and
 - 15.1.6 to the best of its actual knowledge, it is not subject to any regulatory action and/or any administration, insolvency or similar occurring event that is reasonably likely to have a material adverse impact on the Investment Manager's obligations under this Agreement.
- 15.2 The Investment Manager acknowledges that the Client is committed to being a long-term and responsible investor. The Investment Manager confirms that it has reviewed the Client's Responsible Investment policy and will have regard to it with respect to the management of the Portfolio and its investments. The Investment Manager acknowledges that the Client's decision to appoint the Investment Manager has been informed by the Investment Manager's commitment to align the management of the Portfolio to the Investment Manager's prevailing Responsible Investment Policy.
- 15.3 Save as expressly provided in this Agreement, no other representation or warranty, expressed or implied, is made by either Party. Each Party shall promptly notify the other Party if any representation ceases to be true, accurate or complete in any material respect.
- 15.4 The Investment Manager will, at its own cost, maintain sufficient insurance for the duration of this Agreement to cover its risks and liabilities under this Agreement, and any other insurances required by Applicable Law with reputable insurers who are authorised by the FCA or equivalent regulator in the insurer's jurisdiction of domicile to conduct insurance business or equivalent. Evidence of this insurance will be made available to the Client on request. The Investment Manager will promptly notify the Client in writing of any matter which would or may materially affect any insurance (including the withdrawal or variation of such insurance) which it maintains to cover its risks and liabilities under this Agreement from time to time.

16 Indemnity and liabilities

- 16.1 This Clause 16 (together with Clause 5) sets out the entire liability of the Investment Manager (including any liability for the acts or omissions of its delegates and any Associate) in respect of any breach of this Agreement and any representation, statement or tortious act or omission, including negligence arising under or in connection with the Agreement, provided that nothing in this Agreement shall seek to exclude or restrict any duty or liability that the Investment Manager may have to the Client under the FCA Rules.
- 16.2 Nothing in this Agreement shall exclude or limit a party's liability for fraud or for death or personal injury caused by that party's negligence.
- 16.3 None of the parties shall be liable for any indirect, special or consequential loss or damage howsoever caused whether in contract, tort, negligence or otherwise.

- 16.4 The Investment Manager accepts no responsibility for loss to the Client unless such loss is due to the negligence, wilful misconduct or fraud of the Investment Manager or its delegates or a material breach of the Agreement by the Investment Manager or its delegates that is either (a) not capable of remedy or (b) if capable of being remedied, has not been remedied within 30 business days (or such longer period as may be reasonable) of written notice to do so.
- 16.5 The Client shall keep the Investment Manager, its Associates and delegates indemnified in respect of all fees, charges, expenses, costs, losses and other liabilities (the "**Losses**") reasonably and properly incurred in relation to the proper performance of its duties under this Agreement including, without limitation, in respect of its suppliers, contractors and other third parties or in consequence of any breach by the Client of the Agreement. Any such Losses will be in addition to the fees due to the Investment Manager.
- 16.6 The Investment Manager shall keep the Client and the Portfolio indemnified in respect of all Losses reasonably and properly incurred in consequence of the Investment Manager's or any of its delegates' fraud, wilful misconduct, negligence or any breach of the Agreement arising from the Investment Manager's or any of its delegates' fraud, wilful misconduct or negligence.
- 16.7 No representation or warranty is given by the Investment Manager as to the performance or profitability of a Portfolio or any part of it. Accordingly, the Client agrees that the Investment Manager is not giving any representation or warranty, express or implied, that the Investment Objectives will be achieved.

17 Instructions and communications

- 17.1 Instructions from the Client (other than instructions to amend this Agreement, to which clause 18 applies) will be acknowledged by the Investment Manager acting upon them unless the Client is advised as soon as reasonably practicable that the Investment Manager believes such action may not be practicable or might involve any Party in a breach of any law, rule or regulation.
- 17.2 The Investment Manager may rely and act on any instruction or communication which purports to have been given (and which is reasonably accepted as having been given) by or on behalf of any person notified by the Client from time to time as being authorised to instruct the Investment Manager in respect of the Portfolio and, unless restricted in item 3 of Schedule 1, by whatever means transmitted and, unless the Investment Manager receives written notice to the contrary, whether or not the authority of any such person has been terminated.
- 17.3 Subject to clause 17.2, any instruction or communication to be given to the Investment Manager by the Client under this Agreement must be in writing (including by way of email transmission) and sent to the address as stated in the front of this Agreement or such other address (or email address) as the Investment Manager notifies to the Client and will take effect upon receipt.
- 17.4 All written communications by the Investment Manager to the Client will be sent to the address stated in item 3 of Schedule 1 or such other address as the Client notifies to the Investment Manager.
- 17.5 Telephone conversations with the Client may be recorded in accordance with Clause 33.

18 Amendments

- 18.1 Subject to clause 18.2 any amendment to this Agreement shall be agreed in writing by both parties.
- 18.2 Each Party may amend this Agreement in order to comply with, or to make this Agreement consistent with, any legal or regulatory requirements or changes to which such Party may be subject by providing 30 days' prior written notice to the other of such amendment.
- 18.3 The Client may from time to time notify the Investment Manager in writing of any changes to the Client's authorised persons.
- 18.4 Either Party may amend their contact details in Schedule 1 by providing written notice to the other Party of such amendment.

19 Assignment

Without prejudice to clause 5.1 neither the Client nor the Investment Manager may assign or transfer or purport to assign or transfer a right or obligation under this Agreement without having first obtained the others written consent, such consent not to be unreasonably withheld or delayed.

20 Termination of Agreement

- 20.1 The Client may terminate this Agreement at any time by providing three months' written notice to the Investment Manager, or by immediate written notice if so required by any competent regulatory authority.
- 20.2 The Investment Manager may terminate this Agreement on three months' written notice to the Client, or by immediate written notice if so required by any competent regulatory authority.
- 20.3 The Client may terminate this Agreement forthwith by written notice to the Investment Manager, and the Investment Manager may terminate this Agreement forthwith by written notice to the Client if the Investment Manager (in respect of a notice served by the Client) or the Client (in respect of a notice served by the Investment Manager):
 - 20.3.1 is in material breach of any Applicable Law (to the extent relevant to its obligations under this Agreement) and where such breach is capable of remedy the Party in breach fails to remedy the breach within 30 business days (or such longer period as may be reasonable) of written notice of being requested to do so; or
 - 20.3.2 is dissolved;
 - 20.3.3 ceases to carry on its business;

- 20.3.4 proposes a voluntary arrangement within the meaning of Section 1 of the Insolvency Act 1986 or any other steps are taken or negotiations commenced by the other party or any of its creditors with a view to proposing any kind of composition, compromise or arrangement involving the other party and any of its creditors; or
- 20.3.5 is deemed to be unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986, or calls a meeting for the purpose of passing a resolution to wind it up and such resolution is passed, or a resolution is passed by the directors of the other party to seek a winding up or administration order, or the other party presents, or has presented, a petition for a winding up order, or presents, or has presented, a petition to appoint an administrator, or has an administrative receiver, or receiver appointed over all or any part of its business, undertaking, property or assets

21 Consequences of termination

- 21.1 Termination will be without prejudice to the completion of Transactions already initiated which will be completed expeditiously by the Investment Manager.
- 21.2 Termination will not affect accrued rights, indemnities, existing commitments or any contractual provision intended to survive termination and will be without penalty or other additional payment. The Client will:
- 21.2.1 pay the fees of the Investment Manager pro rata to the date of termination (save where the Client has terminated for cause pursuant to clause 20.3);
- 21.2.2 pay any additional expenses necessarily incurred by the Investment Manager in terminating this Agreement; and
- 21.2.3 bear any losses necessarily realised in settling or concluding outstanding obligations.
- 21.3 Upon termination, the Investment Manager may, with prior notice to the Client, direct the Custodian to retain and/or realise any assets of the Portfolio as may be required to settle Transactions already initiated and to pay any outstanding liabilities of the Client. Where insufficient cash is available to settle such outstanding Transactions and/or liabilities, the Investment Manager may at its discretion sell such of the investments in the Portfolio as it may select in order to realise cash sufficient to cover any outstanding amount, and/or cancel, close out, terminate or reverse any Transaction or enter into any other Transaction or do anything which has the effect of reducing or eliminating any outstanding amount or of reducing or eliminating liability under any contracts, positions or commitments undertaken on the Client's behalf. If there is a dispute as to the payment of fees to the Investment Manager, the Client may require the disputed amount to be held in an escrow account pending resolution of the dispute.
- 21.4 Any fees, costs, and expenses incurred in the transfer of a Portfolio to a replacement investment manager will be for the account of the Client.

22 Confidentiality and Data Protection

- 22.1 Except as required by FCA Rules, neither the Investment Manager nor any Associate is obliged to disclose to the Client or to take into consideration information:
- 22.1.1 the disclosure of which to the Client would or might be a breach of duty or confidence to any other person; or

- 22.1.2 which comes to the notice of the Investment Manager, its Associates, delegates, agents and its and their directors, officers and employees, but does not come to the knowledge of any individual involved in the management, oversight or execution of activities related to the Portfolio, including but not limited to the portfolio manager and any supporting personnel, provided that sufficient information barriers were in place to prevent such information from being shared.
- 22.2 Subject to clause 22.1, the Investment Manager and the Client undertake to keep private and confidential all information acquired in connection with this Agreement, and not to disclose such information to any person except to the extent that:
- 22.2.1 the other Party gives prior written consent; or
- 22.2.2 either Party is required to disclose the information by law or regulation, or which is requested by regulatory or fiscal authorities or a court of competent jurisdiction; or
- 22.2.3 disclosure to the Parties' professional advisers is reasonably necessary for the performance of their services; or
- 22.2.4 disclosure is deemed necessary by the Investment Manager pursuant to clause 5.3; or
- 22.2.5 disclosure is necessary to enable the Investment Manager to perform its obligations under this Agreement.
- 22.3 Neither Party will knowingly do or permit any act or thing which would or might reasonably be expected to prejudice materially or bring into disrepute the business or reputation of the other Party.
- 22.4 The Investment Manager will act as data controller within the meaning of the UK GDPR. The Client hereby consents to the processing and use by the Investment Manager, its Associates, delegates, agents and its and their directors, officers and employees of personal data (as defined in the UK GDPR) given by the Client under this Agreement for the provision of services to the Client, which may include the transfer of such data out of the European Economic Area (as defined in the UK GDPR). The Client shall ensure that its directors, officers, employees or representatives who become the Investment Manager's data subjects as a result of this Agreement are aware of the provisions of this paragraph. The Investment Manager will hold any personal data given by the Client under this Agreement in accordance with the UK GDPR and any local data protection laws (if applicable) whichever is in force at the time (or any legislation which amends, extends or replaces it from time to time). Taking into account the state of the art, the costs of implementation and the nature, scope, context and purposes of processing as well as the risk of varying likelihood and severity for the rights and freedoms of natural persons, the Investment Manager shall implement appropriate technical and organizational measures to ensure a level of security appropriate to the risk. The Investment Manager will also take appropriate technical, administrative, and organizational security measures against the unauthorised and unlawful processing of personal data given by the Client under this Agreement and against any accidental loss or destruction of or damage to, the personal data of the Client. In connection with the receipt of personal data from the Client, Investment Manager will only use the personal data it receives from the Client for the purpose of performing its obligations under this Agreement. If the Investment Manager becomes aware of any breach of security leading to the accidental, unauthorised or unlawful destruction, loss, alteration, or disclosure of, or access to the personal data of the Client that the Investment Manager is in possession of, the Investment Manager shall without undue delay notify the Client thereof and thereafter provide such information, co-operation and other assistance to the Client as the Client may reasonably require (taking into account the nature and severity of the breach). Upon the Client's request,

the Investment Manager shall securely delete or securely return all personal data of the Client in the Investment Manager's possession to the Client after the end of the provision of services under this Agreement, subject to the Investment Manager retaining any copies required by applicable law.

23 Request for Information

23.1 The Investment Manager acknowledges and agrees that:

23.1.1 the Client is subject to the requirements of the FoI Legislation and may receive Request for Information; and

23.1.2 the Client shall be responsible for determining at its absolute discretion whether any information (including Commercially Sensitive Information) is exempt or subject to any exemption and/or exception from disclosure and/or publication in accordance with the relevant provisions of the FoI Legislation or is to be disclosed in response to a Request for Information, and nothing in this Agreement shall remove or in any way limit that discretion of the Client.

23.2 Subject to clause 23.1.2, the Investment Manager agrees to provide all necessary assistance to enable the Client to comply with its obligations under the FoI Legislation.

23.3 Subject to clause 23.6, where the Client receives a Request for Information:

23.3.1 The Client shall notify the Investment Manager as soon as reasonably possible after becoming actually aware of a Request for Information, and/or confirming what Commercially Sensitive Information is being requested, and in each case shall promptly provide the Investment Manager with such details as it reasonably requests.

23.3.2 The Client agrees to

- (a) give the Investment Manager no less than seven Business Days to make representations on whether an exemption from the requirement to disclose may be applicable and the Client shall withhold information and apply such exemption as far as it is reasonable to do so;
- (b) without prejudice to its obligations to disclose information, seek to apply to the fullest extent in its response the "information provided in confidence" and "commercial interests" exemptions set out in the FoI Legislation provided that the Investment Manager provides such comments within a reasonable time so that the Client has a reasonable opportunity to consider the Investment Manager's comments prior to the deadline for the Client to respond to the Request for Information;
- (c) provide a copy of the Request for Information and any response to the Request for Information to the Investment Manager.

23.4 The Client will notify the Investment Manager as soon as reasonably possible if it:

23.4.1 receives a complaint in relation to the handling of a Request for Information;

- 23.4.2 becomes aware that an application has been made to the Information Commissioner's Office ("ICO") for a decision in relation to the Request for Information;
- 23.4.3 becomes aware that the ICO has served any notice on it in relation to the Request for Information;
- 23.4.4 becomes aware that an appeal has been made to the Information Tribunal or the court in relation to the Request for Information; or
- 23.4.5 becomes aware that Commercially Sensitive Information has been or is about to be disclosed to a third party pursuant to a decision of the ICO, Information Tribunal or court without the Investment Manager's prior written consent,
- and in each case shall provide the Investment Manager with such details as may reasonably be requested by the Investment Manager.
- 23.5 The Investment Manager agrees to provide all necessary assistance to enable the Client to comply with its obligations in connection with this clause 23.
- 23.6 The Investment Manager acknowledges that:
- 23.6.1 in some circumstances it may not be possible or reasonable for the Client to provide notice of any Request for Information (or other matters described in Clauses 23.2 or 23.4) or to consider the comments of the Investment Manager in relation to it, prior to responding to such a request;
- 23.6.2 the Client has sole discretion under the FoI Legislation to decide to what extent to disclose details (if any) pursuant to a Request for Information and/or to what extent (if any) to withhold any such details (and on what basis, including as to exemptions/exceptions under FoI legislation) in response to any Request for Information; and
- 23.6.3 the Client may need to publish certain details about its relationship with the Investment Manager and this Agreement to comply with its legal obligations under FoI legislation (and notwithstanding that there has been no corresponding Request for Information).

24 Audit Rights

- 24.1 The Investment Manager shall make available during normal business hours to the Client, its auditors, their respective authorised agents and the representatives and appointees of the FCA, (each an "Access Party"), all accounts, books and other records relating to the Portfolio. The Client is entitled on 30 Business Days' notice (or such shorter period as may be required pursuant to Applicable Law) to review the Investment Manager's processes and procedures and inspect the records and documents of the Investment Manager pertaining to the Portfolio, and the Investment Manager's management of the Portfolio in accordance with this Agreement, to the extent necessary for compliance with Applicable Law.
- 24.2 To the extent that the Investment Manager has delegated or sub-contracted any function or service under this Agreement it shall ensure that each Access Party has equivalent rights to those set out in this clause 24 in respect of the relevant delegate or sub-contractor.

25 Custodial services

- 25.1 The Client will appoint its own Custodian to hold the Portfolio. The Investment Manager will not hold or have physical control of any of the Portfolio and will not provide or arrange for custodial services. The Investment Manager shall have no responsibility for the selection or appointment of any Custodian. The Client will ensure that any Custodian:
- 25.1.1 enters into arrangements with the Client with regard to the provision of custody services for the whole or relevant part of the Portfolio so as to allow the Investment Manager to carry out the Investment Service in accordance with this Agreement and, without any obligation whatsoever on the Investment Manager to approve such arrangements, which are satisfactory to the Investment Manager; and
 - 25.1.2 is obliged to comply with any instructions of the Investment Manager given in accordance with this Agreement, including directions made in accordance with clause 25.3.
- 25.2 For such purposes, the Client hereby authorises the Investment Manager to give instructions to and deal with any Custodian wherever necessary in the carrying out of its duties hereunder. The Investment Manager will not be responsible for supervising such Custodian and will have no responsibility or liability in respect of any Custodian's acts or omissions. Where the Investment Manager is made aware of or itself identifies an act or omission by the Custodian, the Investment Manager will promptly notify the Client in writing.
- 25.3 The Client will instruct the Custodian to:
- 25.3.1 settle, within the limits of the Investment Manager's authority under this Agreement, all Transactions in accordance with the Investment Manager's instructions, such instructions to be given in accordance with market practice;
 - 25.3.2 provide the Investment Manager with copies of periodic account statements and access to electronic enquiry systems, which will include details of all income received and rights conferred with respect to Portfolio assets held by the Custodian;
 - 25.3.3 upon the Investment Manager's request, confirm to the Investment Manager as soon as practicable which assets it is holding for the Portfolio;
 - 25.3.4 give the Investment Manager timely notice of any rights that arise with respect to such Portfolio assets and act as soon as practicable upon the Investment Manager's instructions as to whether and how such rights, including voting rights, should be exercised;
 - 25.3.5 inform the Investment Manager as soon as practicable of any withdrawals or other debits to accounts holding Portfolio assets;
 - 25.3.6 attend to the collection of all income due on and the vesting of all other rights and entitlements attaching to investments in the Portfolio; and
 - 25.3.7 comply with the directions of the Investment Manager under clause 25.2.

25.4 The Client will not change any Custodian without giving the Investment Manager reasonable prior written notice of its intention to do so together with the name and other relevant information which the Investment Manager may reasonably request in respect of the new Custodian.

26 Portfolio Money

26.1 All Portfolio cash shall be retained as cash or placed on deposit in each case in an account or accounts in the Client's name with the Custodian (each a "**Cash Account**") for such periods in such currency or currencies with such banks or sub-custodians as may, in the reasonable opinion of the Investment Manager, be desirable having regard, inter alia, to the currencies in which the Client's liabilities are, from time to time, likely to arise.

26.2 The Client will establish Cash Accounts in respect of the Portfolio. Save as otherwise provided in this Agreement the Investment Manager shall debit the Cash Accounts to make or procure the making of payments only:

26.2.1 in connection with the acquisition of investments for the account of the Portfolio;

26.2.2 in payment on behalf of the Portfolio of banking charges and Transaction-related costs including any stamp and other duty, taxes of whatsoever nature, impositions and fiscal charges (in each case wherever in the world imposed), brokerage fees, transfer fees and registration fees relating to the Portfolio;

26.2.3 in connection with the disposal, conversion, exchange or surrender of investments held for the Portfolio;

26.2.4 approved and authorised in accordance with clause 25;

26.2.5 to be made to any account maintained in the Client's name; or

26.2.6 upon the termination of this Agreement on the terms hereof

and the Client will ensure that the relevant Custodian to accept instructions from authorised employees of the Investment Manager in relation to these actions.

26.3 The payments referred to in clause 26.2 shall not exceed the funds available in the Cash Account in question at any time.

26.4 Money held in the Cash Accounts will not be treated as Client Money. For the avoidance of doubt the Investment Manager is not permitted to hold Client Money.

26.5 The Client agrees that the Investment Manager may allow another person such as an exchange, a clearing broker or an intermediate broker, to hold or control the Portfolio money where it transfers the money (a) for the purposes of a Transaction for the Client through or with that person; or (b) to meet the Client's obligation to provide collateral for a Transaction (e.g. an initial margin requirement for a derivatives Transaction).

- 26.6 The Client agrees that the Investment Manager may within the limitations included in clause 26.2 pass money to a person who is located outside the United Kingdom. In such circumstances the legal and regulatory regime applying to the intermediate broker or settlement agent will be different from that of the United Kingdom and, in the event of failure of the intermediate broker or settlement agent, this money may be treated in a different manner from that which would apply if the money was held by an intermediate broker or settlement agent in the United Kingdom.
- 26.7 The Client agrees that early payment or overpayment of fees by the Client to the Investment Manager will be treated as monies belonging to the Investment Manager for the purpose of securing or otherwise covering present or future, actual or contingent or prospective obligations. In such situations, the Client agrees the FCA Client Money Rules will not be applicable.
- 26.8 The Client agrees to make available for investment, such amounts of cash that are available for draw down by the Investment Manager pursuant to Schedule 4, on 8 Business Days' notice from the Investment Manager (or such shorter notice period as may be agreed between the Parties from time to time).

27 Complaints and compensation

All formal complaints by the Client relating to the services provided by the Investment Manager under this Agreement should in the first instance be made in writing to the Investment Manager at the address stated in the front of this Agreement, or such other address as the Investment Manager notifies to the Client. A copy of the Investment Manager's complaints management policy is available on request and will otherwise be provided in accordance with the FCA Rules.

28 Governing law

The Agreement will be governed by and construed in accordance with English law. The English courts will have exclusive jurisdiction to adjudicate any disputes or claims which may arise out of or in connection with this Agreement for which purpose both parties agree to submit to such jurisdiction.

29 Dispute Resolution Procedure

- 29.1 If any Dispute arises out of or in connection with this Agreement, either Party may invoke the Dispute Resolution Procedure in this clause by informing the other Party in writing setting out reasonable details of the alleged breach or liability and the remedy sought. The Parties shall first attempt in good faith to resolve the dispute through discussions between senior representatives with authority to settle the matter.
- 29.2 If the Dispute is not resolved within 30 days of such discussions, or such longer period as the Parties may agree in writing, the Parties agree that it shall be referred to and decided by an expert acting as an independent expert but not as an arbitrator. The decision of the expert shall be binding on the Parties other than in the case of manifest error.
- 29.3 If the Parties are unable to agree on the appointment of an expert within 10 working days of one Party serving notice on the other requesting the appointment of an expert then either Party may apply to a Shareholder Representative on the London LGPS CIV Limited Board who shall nominate the

expert provided that any expert so appointed pursuant to this paragraph shall have had at least 10 years post qualification experience in an advisory capacity in the relevant area.

30 Further assurance

- 30.1 Each Party will take and execute, or procure the taking and executing of, each necessary act, document and thing reasonably within its power to implement this Agreement.

31 FATCA

- 31.1 Under the Foreign Account Tax Compliance Act ("**FATCA**"), foreign financial institutions (each an "**FFI**") may be subject to U.S. federal withholding taxes (at potentially a 30% rate) on payments of certain amounts ("**Withholdable Payments**"), unless it complies with extensive reporting and withholding requirements, where applicable. Withholdable Payments generally include interest, dividends, rents, annuities, other fixed or determinable annual or periodical gains, profits or income, if such payments are derived from U.S. sources. Gross proceeds from the sale, redemption, repurchase or other disposal of any property that produces U.S. source interest or dividends may also be treated as Withholdable Payments. To ensure compliance with FATCA, an FFI may be required to register with the U.S. Inland Revenue Services ("**IRS**"), disclose identifying and financial information about each U.S. taxpayer (or foreign entity with substantial U.S. ownership) which invests in an FFI and the Investment Manager and/or FFI may be required to take any other action required by law, with a view to ensuring, on the current formulation of the US Internal Revenue Code ("**Code**"), the Treasury regulations promulgated thereunder, and the Intergovernmental Agreement ("**IGA**") concluded between the UK and the US, that no FATCA withholding will be made on the distributions or other payments made by or on behalf of an FFI.
- 31.2 If an FFI is subject to any deduction and withholding under Section 1471 or Section 1472 of the Code ("**FATCA Tax**") as a result of the Client being a "recalcitrant account holder" within the meaning of Section 1471(d)(6) of the Code or a non-US entity that is not compliant with Section 1471 or 1472 of the Code, the Investment Manager shall use reasonable efforts to cause an FFI to allocate the economic burden of such FATCA Tax solely to the Client to the fullest extent possible.
- 31.3 The Client will be required to provide the Investment Manager with a signed and valid US withholding tax form (an applicable W-8 or W-9 Form), including any applicable appendices, establishing the status of the Client for FATCA purposes and to update such forms and appendices in case of any changes in circumstances.

32 Additional Reporting

- 32.1 The Client shall promptly provide the Investment Manager with any other information, certifications, representations and forms relating to it and its direct or indirect owners, account holders and controlling persons as the Investment Manager may reasonably request from time to time so as to permit the Investment Manager to evaluate and comply with any present or future obligations under any applicable Tax Information Provisions.

32.2 The Client shall indemnify the Investment Manager solely for actual and direct losses or liabilities (including, but not limited to, any withholding tax, penalties or interest suffered by the Investment Manager) arising as a result of the Client's failure to provide the requested information under clause 32.132.1 within a reasonable timeframe, provided such losses and liabilities are:

(i) not attributable to the Investment Manager's own acts or omissions; and

(ii) the Investment Manager has given the Client reasonable prior notice of the consequences of non-compliance.

33 Electronic Communications

In order to satisfy its regulatory requirements under UK MiFID the Investment Manager may record or monitor telephone conversations and other communications with the other (including mails, emails or documentation of orders made at meetings). The Client agrees that the Investment Manager may deliver copies or transcripts of such recordings to any court or competent regulatory authority. A copy of any such conversations with and communications will be made available on request and within a reasonable timeframe and at no cost to the Client (save for where requests are excessive or unduly repetitive), for a period of up to five years (or, where requested by the FCA or other competent authority, for a period of up to seven years) from the date when the recording is made.

34 Counterparts

This Agreement may be executed in any number of counterparts, and by the Parties on separate counterparts, each of which so executed and delivered will be an original, but all counterparts will constitute one and the same agreement.

35 Other provisions

35.1 This Agreement contains the whole agreement between the Parties hereto, superseding all prior representations, proposals, agreements or understandings (whether written or oral) made by any Party relating to the subject matter of this Agreement. This clause shall not exclude any liability for or remedy in respect of fraudulent misrepresentation.

35.2 This Agreement will be binding on and will accrue to the benefit of the successors and permitted assigns of each of the Parties to this Agreement.

35.3 A failure to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies. No single or partial exercise of a right or remedy provided by this Agreement or by law prevents further exercise of the right or remedy or the exercise of another right or remedy.

35.4 The rights and remedies contained in this Agreement are cumulative and not exclusive of rights or remedies provided by law.

35.5 Except where expressly provided for in this Agreement, the provisions of this Agreement will not be enforceable by any person which is not a party to it and the Contracts (Rights of Third Parties) Act 1999 does not apply to this Agreement.

This Agreement has been entered into on the date stated at the beginning of it.

Signed by

Authorised Signatory
of For and on behalf of **Client**

Date

Signed by

Authorised Signatory
of For and on behalf of **Client**

Date

Signed by

Authorised Signatory
For and on behalf of **London LGPS CIV LIMITED**

Date

Schedule 1

Client specific matters

This Schedule sets out Client-specific factual and administrative information only for the purposes of the Investment Management Agreement (the “Agreement”).

Nothing in this Schedule:

- amends or supplements the Investment Manager’s obligations under the Agreement; or
- conditions the effectiveness of the Agreement on the approval of any service descriptions or operational documents outside the Agreement.

Item	Relevant Clause	Description	Details
1.		Client Identification	
1.1		Partner Fund Name	London Borough of Hillingdon Pension fund
1.2		Administering Authority	The London Borough of Hillingdon
1.3		Legal Status	Local Government Pension Scheme Fund
1.4		Regulatory Classification	Elective Professional Client
1.5		Base currency of Account	GBP (Great British Pound)
1.2	<u>Error! Reference source not found.13</u>	Tax status	LGPS UK Tax Exempt
1.3	<u>Error! Reference source not found.13</u>	Pension Scheme Tax Reference (PSTR)	00330519RP
2.		Portfolio	
2.1		Portfolios to which this Agreement applies: All investments managed by the Investment Manager on behalf of the Client pursuant to this Agreement, as further described in Schedule 4.	
3.		Confirmations, Reporting and Communications	

3.1	Error! Reference source not found. 2 & Error! Reference source not found. 25 3	Transaction Confirmations	
		<p>The Investment Manager shall instruct the Client's Custodian to settle all Transactions in respect of the following types of Transaction:</p> <ul style="list-style-type: none"> • Subscriptions • Redemptions • Switches and reallocations • Other Transactions (if any): <p>The Investment Manager will ensure that written confirmations of Transactions are available to the Client. Further details will be set out in the Service Level Description (SLD)</p>	
	Error! Reference source not found. 3	<p>Periodic Statements</p> <p>Periodic statements provided by the Investment Manager shall include:</p> <ul style="list-style-type: none"> • Portfolio performance measurement • The basis of such performance measurement • A summary of portfolio voting decisions and rationale, including where the Investment Manager chose not to vote <p>No additional or alternative reporting requirements apply beyond those required under applicable FCA and UK MiFID rules, unless otherwise agreed in writing between the Client and the Investment Manager.</p> <p>Frequency and format will be set out in the SLD</p>	
3.2	Error! Reference source	<p>Instructions</p> <p>The following person(s) are authorised by the Client to instruct the Investment Manager in respect of the Portfolio:</p>	<p>Steve Muldoon – Corporate Director of Finance (S151 officer) Email: SMuldoon@hillingdon.gov.uk</p>

	not found.17-2& Error! Reference source not found.18-3	Unless otherwise restricted above, instructions and communications may be transmitted by the following means: <input checked="" type="checkbox"/> Email <input checked="" type="checkbox"/> Secure portal <input type="checkbox"/> Other (please specify): [●]	Pete Carpenter – Director of Pensions, Treasury & Statutory Accounts. Email: PCarpenter@hillingdon.gov.uk Tunde Adekoya – Finance Manager, Pensions & Governance. Email: BAdekoya@hillingdon.gov.uk Andy Goodwin – Head of Strategic Finance Email: AGoodwin@Hillingdon.Gov.UK
3.3	Error! Reference source not found.17-4 & Error! Reference source not found.18-3	Communications The following person(s) are authorised by the Client to receive communications from the Investment Manager in respect of the Portfolio:	Pete Carpenter – PCarpenter@hillingdon.gov.uk Tunde Adekoya – Badekoya@hillingdon.gov.uk Marian George – mariangeorge@btinternet.com Stephane Desnoues – sd131@ntrs.com Northern Trust Custody Services - corp@ntrs.com
4.		External Service Providers (for Information Only)	
4.1	25	Custodian:	The Northern Trust Company
		Primary contact(s)	Stephane Desnoues
		Telephone number	020 7982 3573
		E-mail address	Sd131@ntrs.com
4.2		Auditor	Ernst & Young LLP
		Primary contact	Debbie Hanson
		Telephone number	01223 394789
		E-mail address	DHanson@uk.ey.com
4.3		Fund Actuary	Hymans Robertson LLP
		Primary contact	Craig Alexander
		Telephone number	0141 566 7843

		E-mail address	Craig.Alexander@hymans.co.uk
4.4		Other Key Service Providers (optional)	Service: Independent Adviser Provider: Marian George Contact: email - mariangeorge@btinternet.com 07780 668515

Schedule 2

Investment objectives, policies and guidelines

This schedule has been completed based on [the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016] [the DRAFT Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 and draft Guidance on preparing and maintaining an investment strategy statement circulated

1. Investment Objectives

The primary objective of the Portfolio is to generate returns at least in line with those of the Fund's Strategic Asset Allocation Benchmark over the medium term (5 - 7 years) whilst taking account of market volatility and risk, so that in normal market conditions all accrued benefits are fully covered by the value of the Funds assets.

Strategic Asset Allocation Benchmark

Returns Objective ("Scheme Benchmark"): To generate returns at least in line with those of the Scheme Strategic Asset Allocation Benchmark over the medium term (5 - 7 years)

The Scheme Strategic Asset Allocation Benchmark is expected to generate an annualised return in excess of 6.7% (using a prudent 75th percentile assumption) over the medium term (5 - 7 years) and to exceed the actuarial discount rate of 6.3%.

Risk Objective: The chosen Scheme Strategic Asset Allocation Benchmark is expected to have a 3 year 1-in-20 Value at Risk of no more than £520m.

Cash Flow Objective: To ensure up to £15m p.a. is available over the valuation period including a margin of 1% for higher-than-expected growth in benefits.

Local Objective: To target investment of 5% of the Fund's portfolio in local Investments.

2. Investment Policy

In seeking to achieve the investment objective, the Investment Manager will allocate between asset classes in line with the Strategic Asset Allocation Benchmark.

The Investment Manager aims to achieve the Investment Objectives by investing the Portfolio in:

- a. regulated and unregulated Collective Investment Schemes including those operated by the Investment Manager;
- b. cash, near cash, deposits and money market instruments;
- c. Direct property
- d. Financial Derivative Instruments for the purposes of Risk Management (including currency hedging) and Efficient Portfolio Management.

The Investment Manager may also invest the Portfolio in listed and unlisted equities, fixed rate and variable rate bonds (including but not limited to government bonds, corporate and municipal bonds, event linked bonds, loans, structured notes, convertible securities, and preferred stocks).

For the avoidance of doubt, the Investment Manager is permitted to invest in collective investment schemes via preferred equity, bonds, notes, loans, debt instruments or similar investments.

The Investment Manager will have regard to the Client's whole Investment Strategy Statement ("ISS") including high-level objectives and approach to Responsible Investment when interpreting the Strategic Asset Allocation¹ and in the management of the Portfolio and its investments.

[The Investment Manager will have regard to the Client's Responsible Investment Policy dated March 2026 with respect to the management of the Portfolio and its investments and will balance this RI approach with delivering the other client objectives.

3. Target Asset Allocation and tolerance ranges

Asset Class	Allocation %	Allowable ranges %		Benchmark ⁽¹⁾
		Min	Max	
Listed Equity	49	39	49	
Private Equity	8	0	12	
Private Credit	8	4	12	
Property/Real Estate	8	4	13	
Infrastructure	8	4	12	
Other alternatives	5	2	8	
Credit	7	4	10	
UK Government Bonds	7	2	12	
Investment Cash	0		5	
Other	0	0	0	
Total	100			

⁽¹⁾ For the purposes of measuring performance versus objective.

This SAA was approved by the Pension Committee/Panel on **24/03/2026**.

¹ As required under DRAFT ISS Guidance section 4.

Should an Asset Allocation range be breached the Client expects the Investment Manager to discuss with the Client a proposed course of action (including timescale) as to how this is to be addressed. The portfolio is not subject to automatic rebalancing.

4. Investment Guidelines **

Foreign Currency Exposure Management	
Asset class [target hedging ratio of Currency Pairs]	Listed Equity 50%
Currency Pairs	GBP/EUR; GBP/YEN; GBP/USD

Local Investment

Definition of Local : The Client defines the target areas for Local investment as place-based investment within the functional economic area in which the Fund operates, including the London Borough of Hillingdon, Greater London, and, where appropriate, the wider London CIV pool area. .

Local Target : The Fund's objective is to maintain a strategic exposure to local investment of approximately 5% of Fund assets over the long term, subject to the availability of suitable opportunities, fiduciary considerations and value-for-money assessments.

Types of Local Investment : The Fund has set a high-level goal for local investment of delivering beneficial economic, social and environmental impacts to the local area. Local investments may include a wide variety of investments including but not limited to property, private equity and private debt with a focus on property including housing, social care (such as care homes, children's homes etc.), infrastructure and supporting the development of local businesses, with the aim of providing additional benefits to the local community including but not limited to job creation, provision of services, energy creation and efficiency, environmental benefits etc..

Return Target : The Fund expects each local investment should have an initial business case which is expected to deliver a positive return. While the Fund recognises that local investments may have different risk/return characteristics the Fund does not set a specific return objective for local investment. We expect LCIV to manage our whole portfolio in such a way as to meet our overall Fund return objectives within the risk tolerances we have set - balancing the different asset class risk/return characteristics across a diversified portfolio.

The Investment manager will take this view into account in implementing the Client's approved investment strategy to meet its objectives, however, this will be on a best-efforts basis and not at the detriment of the overall client objectives or expected benefits of pooling.

Net Zero

The client has adopted a net zero target of 2050.

The Investment manager will take this target into account in implementing the Client's approved investment strategy to meet its objectives, however, this will be on a best-efforts basis and not at the detriment of the overall client objectives or expected benefits of pooling.

Schedule 3

The Investment Manager's fees

The Client shall pay or cause to be paid to the Investment Manager an annual fee as remuneration for its Investment Service of 0.005% per annum of the value of the Portfolio.

The Client shall also pay or cause to be paid to the Investment Manager an annual fee as remuneration for its Investment Services in relation to specific asset classes (excluding In-House Funds) of:

Asset Class	% per annum
Public Market	
Listed Equity (excluding passive strategies)	0.020
UK Government Bonds (excluding passive strategies)	0.020
Credit / Fixed Income (excluding passive strategies)	0.020
Private Market	
Private Equity	0.030
Private Credit	0.030
Property/Real Estate (LCIV Indirect Real Estate Pooling Solution)	0.020 + Sub Investment Manager fee ²
Property/Real Estate (Other Indirect solutions)	0.030 + any external Investment Manager fee ²
Property/Real Estate (Direct)	0.030
Infrastructure	0.030
Other alternatives	0.030
Other (e.g. multi-asset class strategies)	TBD
Passives	
Listed Equity (passive strategies)	0.005
UK Government Bonds (passive strategies)	0.005
Credit / Fixed Income (passive strategies)	0.005
Cash	
Investment Cash	0.000

In addition to the relevant annual fee set out above, the Client shall be responsible for all costs and expenses as described in clause [Error! Reference source not found. 42.3](#) of this Agreement.

The quarterly fees shall be assessed on the valuation of the Portfolio prepared by the Investment Manager as at the relevant calendar quarter end. An invoice for such fees will be sent to the Client or if relevant the Custodian after the end of the quarter. The quarterly fees will be payable within 30 days of receipt of the invoice.

The Investment Manager shall arrange for such fees to be paid from Investment Cash held when due unless the Client has disputed the invoice. this is not best practice and we need to discuss this

² The Investment Manager will provide a separate schedule of Sub-Investment Manager fees and external Investment Manager fees prior to the effective date of appointment.

The fees will be pro-rated for any quarter during which the Agreement is in effect for only a portion of that quarter.

Schedule 4
The Portfolio³

1 Portfolio (as of 28/02/2026)

Holding	ISIN/SEDOL or equivalent (LEI for private market holdings)	Current Income treatment	Asset Class	No. of Units	Local Currency	Local Currency		Base Currency (GBP)	
						Value (M)	Undrawn Commitment (M)	Value (M)	Undrawn Commitment (M)
LCIV ABSOLUTE RETURN FUND	GB00BYQP8463	REINVESTED	DGF	26,794,894.25	GBP	37,700,416.21		37,700,416.21	
LCIV GLOBAL ALPHA GROWTH PARIS-ALIGNED FUND	GB00BMVMFK30	REINVESTED	Equities	65,909,522.82	GBP	70,918,646.55		70,918,646.55	
LCIV GLOBAL EQUITY VALUE FUND	GB00BQXP5P33	REINVESTED	Equities	70,000,000.00	GBP	83,860,000.00		83,860,000.00	
LCIV INFRASTRUCTURE FUND		PAID	Infrastructure	514,188.32	GBP	66,774,551.99		66,774,551.99	
LCIV MAC FUND	GB00BD6T1Z39	REINVESTED	Credit	137,465,080.93	GBP	139,114,661.90		139,114,661.90	
LCIV PRIVATE DEBT FUND		PAID	Private Debt	501,279.89	GBP	62,629,708.94		62,629,708.94	
ASP OFFSHORE COMPANY LIMITED - 2005 U.S. FUND	022809W	PAID	Private Equity	2,145,428.69	USD	59,439.96		44,211.35	
ASP OFFSHORE COMPANY LIMITED - 2005 NON-U.S. FUND	019935W	PAID	Private Equity	1,070,397.00	USD	20,910.95		15,553.53	
ADAMS ST PTRS 2006 DIRECT FUND	9999AS598	PAID	Private Equity	28,684.26	USD	1.00		0.74	
ASP OFFSHORE COMPANY LIMITED - 2007 DIRECT FUND	627968W	PAID	Private Equity	858.00	USD	56,242.00		41,832.72	
ASP OFFSHORE COMPANY LIMITED - 2007 U.S. FUND	630109W	PAID	Private Equity	380,264.65	USD	16,754.00		12,461.60	

³ The value of each holding shown as provided by the prior manager/custodian of the client as at portfolio date; initial value to be established by the Investment Manager in accordance with Clause 8 of this Agreement.

ASP OFFSHORE COMPANY LIMITED - 2006 NON-U.S. FUND	019937W	PAID	Private Equity	696,027.39	USD	20,663.03	15,369.13
ASP OFFSHORE COMPANY LIMITED - CO-INVESTMENT FUND II	8A1FCNW	PAID	Private Equity	520,771.00	USD	872,554.99	649,005.11
ASP OFFSHORE COMPANY LIMITED - 2009 NON-U.S. DEVELOPED MARKETS FUND	3A1K69W	PAID	Private Equity	66,601.70	USD	103,117.01	76,698.28
ASP OFFSHORE COMPANY LIMITED - 2009 U.S. FUND	6A1C95W	PAID	Private Equity	239,321.89	USD	275,530.00	204,938.81
ASP OFFSHORE COMPANY LIMITED - 2006 U.S. FUND	019541W	PAID	Private Equity	1,289,012.43	USD	49,993.06	37,184.76
ASP OFFSHORE COMPANY LIMITED - 2009 NON-U.S. EMERGING MARKETS FUND	6A1E44W	PAID	Private Equity	66,454.00	USD	110,237.00	81,994.12
ASP OFFSHORE COMPANY LIMITED - 2007 NON-U.S. FUND	629519W	PAID	Private Equity	177,231.45	USD	8,368.00	6,224.11
ASP OFFSHORE COMPANY LIMITED - 2009 DIRECT FUND	267299634	PAID	Private Equity	5,169.88	USD	64,491.00	47,968.31
Crown Europe Middle Market II PLC	2A15L7W	PAID	Private Equity	1.00	EUR	426,953.70	374,952.02
CROWN EUROPEAN BUYOUT OPPORTUNITIES II PLC	663237W	PAID	Private Equity	1.00	EUR	501,988.00	440,847.36
Crown Asia-Pacific Private Equity PLC	267299634	PAID	Private Equity	246,507.42	USD	349,605.99	260,036.42
Crown Global Secondaries II PLC	6A1LH9W	PAID	Private Equity	1.00	USD	51,067.00	37,983.56
M&G DEBT OPPORTUNITIES FUND II	2A5GR4U	PAID	Private Debt	2,013.57	GBP	198,196.09	198,196.09
MACQUARIE EUROPEAN INFRASTRUCTURE FUND IV LP	991ETV994	PAID	Infrastructure	2,687,291.03	EUR	1,289,945.92	1,132,834.37
MACQUARIE SBI INFRASTRUCTURE LIMITED	9915YE995	PAID	Infrastructure	1,519,598.00	USD	1.06	0.79
MACQUARIE INFRASTRUCTURE PARTNERS III, LP	991UBV997	PAID	Infrastructure	1.00	USD	8,702,515.55	6,472,918.22

MACQUARIE GREATER CHINA INFRASTRUCTURE FUND LP	991ADF994	PAID	Infrastructure	943,101.34	USD	298,402.26	221,951.16
AEW UK URBAN REAL ESTATE FEEDER FUND	9942XS999	PAID	Real Estate	9,922,930.21	GBP	8,932,428.28	8,932,428.28
PERMIRA CREDIT SOLUTIONS II SENIOR (FEEDER) LP	991VZA995	PAID	Private Debt	2,716,111.23	GBP	6,785,110.13	6,785,110.13
PERMIRA CREDIT SOLUTIONS III SENIOR GBP LP	992FW7999	PAID	Private Debt	1,411,938.31	GBP	1,028,966.28	1,028,966.28
L&G GPCT-WRLD DEV EQU INDX GBP HGD	0A7CVYU	REINVESTED	Equities	62,851,583.52	GBP	168,655,939.22	168,655,939.22
L&G WORLD DEVELOPED EQUITY INDEX	7A5LGRU	REINVESTED	Equities	62,970,322.15	GBP	158,199,080.93	158,199,080.93
L&G XPAH WORLD EM MRKTS EQTY IND (OFC)	6A6WJ7U	REINVESTED	Equities	28,302,196.25	GBP	57,856,198.64	57,856,198.64
L&G LUAI ALL STOCK INDEX LINK GILT (OFC)	6A6WL5U	REINVESTED	Uk Govt Bonds	121,402,572.91	GBP	101,209,682.96	101,209,682.96
L&G GPEV – Future World GLOBAL EQUITY INDEX GBP OFC	4AX8Y6U	REINVESTED	Equities	221,056,911.31	GBP	381,194,959.00	381,194,959.00
BLACKSTONE DISLOCATION FUND EUROPE SCSP	C995AUQ997	PAID	DGF	39,302,408.30	USD	37,821,973.04	28,131,927.72
Value of Holdings						1,383,365,441.31	1,396,159,301.64
Investment Cash held in Custody account ⁴						0	0
Operational Cash held off pool ⁵						18,624,466.89	18,624,466.89
TOTAL							
					GBP	1,345,058,547.12	1,345,058,547.12
					EUR	1,948,633.75	2,218,887.62
					USD	36,358,260.44	37,821,973.04

⁴ Where the AA currently holds Investment cash outside of the custody account, please include details on this schedule

⁵ For information purposes only to align with DRAFT ISS Guidance section 4.5 “Operational cash may be managed by the fund, with no pool involvement – in these cases the AA should inform the pool of the amount of cash being held outside the pool.”

Outstanding Redemptions (as of 28-02-2026)

	No. of Units	Local Currency		Base Currency	
		Local Currency	Value (M)	Undrawn Commitment (M)	Value (M)
	0	0	0	0	0

2 Grace Periods:

Based on the portfolio detailed in section 1 above, the Grace Period will be [X] years