

London Borough of Hillingdon Pension Fund Annual Report 2025/26



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CHAIRMAN'S FOREWORD

The Pension Fund Committee is responsible for overseeing the governance of the London Borough of Hillingdon Pension Fund, including investment management and pensions administration.

Committee continues to monitor the Fund closely at every meeting and challenges the officers, investment advisers and investment managers as necessary to ensure the Fund's investments are being managed effectively.

The Fund continues to work closely with its LGPS pool, the London Collective Investment Vehicle (LCIV), to achieve efficiencies through pooling of Pension Fund assets and indeed has one of the highest percentages of funds under LCIV management at almost 95%. This ensures that the Fund continues to benefit from the lower fees negotiated by LCIV on its Legal and General Passive Equities Portfolio, as well as benefitting from lower fees in active equity, Diversified Growth, and alternative investment managers.

2025/26 has seen several significant portfolio developments. The Fund increased its allocation to the Blackstone Dislocation Fund from 1.68% to 2.23% of assets, reflecting continued commitment to opportunistic private market investments. The LCIV Global Equity Value Fund allocation increased from 4.93% to 5.21%, whilst the LCIV MAC Fund and LCIV Private Debt allocations also grew. Total Fund assets increased from approximately £1.40bn at 31 March 2025 to £1.55bn on 31 March 2026. Passive equity mandates managed by Legal & General and LGIM Future World Equity remained the Fund's largest holdings, representing 23.89% and 23.76% of the portfolio respectively at year end.

The year has also been characterised by significant developments in the LGPS regulatory environment. The Government's "Fit for the Future" reforms are intended to strengthen the efficiency, scale and governance of LGPS investment management through greater asset pooling and enhanced accountability. Key themes include the expectation that administering authorities accelerate the transfer of assets into FCA-regulated investment pools, increased emphasis on value for money and cost transparency, greater collaboration across funds, and stronger governance frameworks to support long-term investment outcomes. The Fund has responded proactively by maintaining one of the highest levels of pooled assets within the London CIV, continuing the transition of legacy mandates into pooled vehicles and reviewing its investment governance arrangements to ensure readiness for future requirements.

These reforms are likely to represent the most significant change to LGPS investment management for over a decade, reinforcing the importance of pooling, robust governance and delivering value for money for scheme members.

2026/27, with the impact of the forthcoming triennial valuation and the Government's "Fit for the Future" legislative agenda, will see significant work undertaken by the Fund. This includes completing the transfer of assets into LCIV structures where appropriate,

reviewing asset allocation and investment strategy assumptions, and ensuring governance arrangements remain aligned with future LGPS pooling and regulatory requirements.

The Fund remains committed to being a responsible long-term steward of its assets and recognises that environmental, social and governance (ESG) factors are financially material to the achievement of sustainable investment returns. During the year, the Fund strengthened its Responsible Investment Policy to align with evolving regulatory expectations, full asset pooling through the London CIV and the principles of the UK Stewardship Code. The updated policy reinforces the Fund's commitment to active ownership, robust stewardship and engagement with investee companies and managers, whilst supporting the transition to a more sustainable economy. Through its investment managers and pooled vehicles, the Fund seeks to influence positive outcomes across its portfolios, integrating climate change considerations, responsible business practices and long-term value creation into investment decision-making. The Fund will continue to work with the London CIV and its investment managers to enhance stewardship activity, increase transparency and ensure that responsible investment remains embedded across all assets under management.

The revised policy also introduces priority to United Nations Sustainable Development Goals, a dedicated impact investment allocation target and enhanced stewardship expectations for investment managers, demonstrating the Fund's ambition to deliver both strong financial outcomes and positive long-term societal and environmental benefits for its members

The Fund has continued to evolve its portfolio structure during the year. A notable change has been the transition away from the legacy LGIM LPI Income Property and UBS Property mandates into the LCIV/CBRE Indirect Real Estate Fund, which represented 11.61% of Fund assets at 31 March 2026. This consolidation supports the Fund's pooling objectives through LCIV whilst maintaining diversified exposure to real estate.

I would like to thank all those involved in the governance of the London Borough of Hillingdon Pension Fund during the year during 2025/26, especially the members of the Pension Fund Committee and the Local Pension Board.

Cllr Reeta Chamdal

Chairman Pensions Committee 2025/26

INTRODUCTION TO THE FUND

Regulation 57 of the Local Government Pension Scheme Regulations 2013 (in respect of England and Wales) requires Local pension Funds to prepare and publish an annual report for each financial year.

The London Borough of Hillingdon Pension Fund is part of the Local Government Pension Scheme (LGPS) and is governed by statute. The scheme moved to a career average revalued earning (CARE) scheme, from a final salary scheme in 2014 because of the Local Government Pension Scheme Regulations 2013. In 2016/17, the regulations surrounding investments were amended with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Hillingdon Council is the Administering Authority for the Fund. Pensions and entitlement to benefits are fully protected in law. Membership of the Scheme is open to all employees of the Council including school employees except for teachers (who have their own pension scheme). Other employers are admitted to the Pension Fund and depending on their status; their employees may also be able to participate in the LGPS. Employee contributions are determined by central government and are between 5.5% and 12.5% of pensionable pay. Employer rates are set by the Fund actuary every 3 years following a valuation of the assets and liabilities of the Fund. Contributions for 2025/26 were set in the Actuarial valuation on 31 March 2022.

The conditions of the Local Government Pension Scheme (LGPS) Regulations set out in clear terms the benefits that are payable to Scheme members. The benefits are guaranteed for those members and therefore members are not reliant on investment performance for their pension benefits. Contributions payable by Scheme members are also defined in the regulations. Employing Authorities are required to pay contributions into the Scheme to meet the cost of funding employee benefits and are required to meet any shortfall in funding the pension liabilities of Scheme members.

The Pension Scheme during the financial year 2025/26 was a defined benefit career average revalued earnings scheme, which aligns LGPS retirement age with an individual's state pension age. The key benefits of the scheme are outlined below:

- Pension benefits based on a 1/49th accrual basis for each year of pensionable service with benefits calculated on the career average pay revalued annually in line with inflation.
- Pre-2014 benefits guaranteed with a final salary link for any benefits earned prior to 1 April 2014.
- Option to pay 50% of the contribution rate to accrue 50% of the benefits.
- Option to convert some pension to lump sum on retirement on a 1:12 ratio.
- Life assurance covers 3 x member final pay applicable from the day of joining scheme.
- Pensions for dependents: - spouses, civil partners and eligible co-habiting partners and eligible children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the cost of living (CPI).

It should be noted that the foregoing is not an exhaustive list and that certain conditions must be met for an individual to be entitled to the benefits outlined. The foregoing benefit structure came into effect on 1 April 2014 and saw the start of significant changes to the public sector pension schemes, with most other schemes introducing their changes a year later, on 1 April 2015. The previous LGPS introduced in 2008 was a defined benefit final salary scheme and was in operation until 31 March 2014. It should be recognised that many scheme members will have benefits accrued under both schemes and indeed some under the pre-2008 scheme. The key benefits under the 2008 scheme are outlined below:

- A guaranteed pension based on final pay and length of time in the scheme and an accrual rate of 1/60th per annum.
- Tax-free lump sum on benefit accumulated prior to 1 April 2008 and option to convert some of the pension into tax-free lump sum on post 1 April 2008 service.
- Life assurance cover 3x member final pay applicable from the day of joining Scheme.
- Pensions for dependents: - spouses, civil partners and eligible co-habiting partners and eligible children.
- An entitlement to have pension paid early on medical grounds.
- Pensions increase annually in line with the cost of living (CPI).

Contracting Out Status (with effect from 1 April 2002 until 5 April 2016)

The LGPS was contracted-out of the State Second Pension Scheme (S2P), up to 5 April 2016 when contracting-out ceased. This meant that members paid reduced National Insurance contributions, and they did not earn a pension under S2P. Instead, the LGPS must guarantee to pay a pension that in general is as high as the pension that would have been earned in the State Earnings Related Pension Scheme (SERPS) / S2P. For contracted-out membership between 6 April 1978 and 5 April 1997, HMRC calculates a Guaranteed Minimum Pension (GMP), which is the minimum pension, which must be paid from the London Borough of Hillingdon Pension Fund to the member. For membership after 5 April 1997, the LGPS has guaranteed that the benefits it provides will generally be no less favourable than those provided under a Reference Scheme prescribed under the Pensions Act 1995.

Additional Voluntary Contributions

A facility is available for scheme members to make Additional Voluntary Contributions (AVCs). The Pension Fund Committee has appointed Prudential as the nominated provider for this purpose. This is run separately to the Hillingdon Pension Fund. Further details are available from the Prudential Corporate Pensions Team on 0800 151 3941.

Shared Cost Additional Voluntary Contributions

Hillingdon Council have introduced a Shared Cost Additional Voluntary Contribution (SCAVC) arrangement for eligible Local Government Pension Scheme (LGPS) members from 26 April 2026. The scheme allows employees to make additional pension savings through a salary sacrifice arrangement, making it more tax-efficient than a standard AVC.

Hillingdon's Shared Cost AVC is a salary-sacrifice pension top-up arrangement that helps LGPS members increase their retirement savings more efficiently by reducing both Income Tax and National Insurance, making it cheaper than a traditional AVC for most employees.

Regulations

The Local Government Pension Scheme Regulations 2013 (as amended);

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

A: OVERALL FUND MANAGEMENT

SCHEME MANAGEMENT AND ADVISERS

The London Borough of Hillingdon Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS). The benefits paid out and the regulations are set nationally, but the Fund is administered locally. As the Administering Authority, the London Borough of Hillingdon has legal responsibility for the effective management of the Fund. The Council delegates this responsibility to the Pensions Committee ('the Committee'), which is the formal decision-making body for the Fund. The Corporate Director of Finance has delegated authority for the day-to-day running of the Fund. The local Pension Board ('the Board') was established in 2015 to assist the scheme manager in securing compliance with regulations relating to the governance and administration within the requirements set by the Pension Regulator.

Corporate Director of Finance

Steve Muldoon in his role of Corporate Director of Finance has delegated responsibility for the day-to-day running of the Pension Fund.

Officers Responsible for the Fund

The Pensions, Treasury and Statutory Accounts team ensures that both the Committee and Board receive relevant advice on investment strategy, monitoring of the performance of the Fund and on administration and governance matters, in addition to undertaking the accounting duties of the Fund.

Pete Carpenter	Director of Finance - Pensions, Treasury & Statutory
Accounts	
Tunde Adekoya	Finance Manager, Pensions & Governance
Seby Carvalho	Pensions Technical Officer
Ian Pyke	Pensions Officer
Karl Pereira	Trainee Pension Fund Accountant

Scheme Administration

Administration of the scheme is contracted out to Hampshire Pension Service (HPS) to provide the pensions administration under delegated authority for the London Borough of Hillingdon. HPS maintains pension scheme membership records and calculates benefits.

Email: pensions@hants.gov.uk
Telephone: 01962 845588
Address: Hampshire Pension Services
The Castle
Winchester
Hampshire
SO23 8UB

Fund Custodian and Performance Monitoring

The Northern Trust Company acts as the global custodian of the Fund's assets. As part of its normal procedures Northern Trust holds all assets in safe custody, settles trades, collects dividend income, provides data for corporate actions, liaises closely with all the investment managers and reports on all activity on a monthly and quarterly basis. Where holdings are in pooled funds, the underlying assets held by the relevant funds' custodian are reported to Northern Trust. Regular service reviews take place with Northern Trust to ensure continuous monitoring of the Fund's requirements. Additionally, Northern Trust provide performance analytics, comparing the performance of the Fund and individual managers to agreed benchmarks and market indices on a monthly, quarterly, and annual basis.

*Northern Trust
50 Bank Street
Canary Wharf
London
E14 5NT*

Fund Actuary

The Fund's actuary is Hymans Robertson
*Craig Alexander FFA
Hymans Robertson LLP
20 Waterloo Street
Glasgow
G2 6DB*

Fund Managers

Day-to-day investment management of the Fund's assets is delegated to specialist managers in accordance with the LGPS (Management and Investment of Funds) Regulations 2016. During 2025/26, the following managers managed the Fund's investments externally:

Fund Manager	Asset Class
Adam Street Partners	Private Equity
AEW UK	UK Core Plus and Urban Real Estate Property
Blackstone Investments	Dislocation Fund
Legal & General Investment Management	Listed Equities and Index Linked Bonds - (Passive) – Pooled & Property Pooled
London CIV – Baillie Gifford	Global Equity Income - Pooled
London CIV - Ruffer	Absolute Return Fund - Pooled
London CIV - Wellington	Global Value Equity Fund - Pooled
London CIV - Stepstone	Infrastructure - Pooled
London CIV – Churchill	Private Debt - Pooled
London CIV – CQS & PIMCO	Multi Asset Credit
LGT Capital Partners	Private Equity
M&G Investments (Direct Investment)	Private Debt
Macquarie Investment	Infrastructure
Permira LLP	Private Debt
LCIV/CBRE Investment Management	Global Portfolio Property

Fund Pool and Pool Operator

The London Borough of Hillingdon is a member of the London CIV Pool. The London CIV Pool is run and managed by the London LGPS CIV Ltd, an FCA authorised and regulated company.

Advisors to the Fund

The Fund's Investment Advisor is Iseran Bidco Ltd trading as Isio, (*formally* KPMG) who was appointed July 2014. They advise the Committee on the Fund's strategic asset allocation and assist in the monitoring of fund managers.

David O'Hara

Partner

Investment Advisory

Tax & Pensions

Iseran Bidco Ltd (Isio)

10 Norwich Street

London EC4A 1BD

In addition, the Fund had an Independent Advisor for 2025/26 – Marian George, who advises and supports the Fund on governance arrangements to the Board.

Legal Services

Legal support to the Fund is provided in-house by the Council. The Council's Borough Solicitor is Glen Egan.

Auditor

The Fund's external auditor, appointed by the Public Sector Audit Appointments (PSAA), is Ernst & Young.

Ernst & Young LLP

400 Capability Green

Luton

Bedfordshire LU1 3LU

Banker

Banking services are provided to the Fund by the Council's banker National Westminster Bank (NatWest).

NatWest Bank Plc

Unit 227-228 Intu Shopping Centre

The Chimes

High Street Uxbridge

UB8 1LA

AVC Provider

The Fund's provider for additional voluntary contributions is Prudential.

Prudential AVC Customer Services

Prudential

Craigforth

FK9 9UE

RISK MANAGEMENT POLICY

Risk Management within the Governance Structure

The Administering Authority recognises that effective risk management is an essential element of good governance in the LGPS and is part of the ongoing decision-making process of Committee. By identifying and managing risks, the Administering Authority can:

- demonstrate best practice in governance
- improve financial management
- minimise the risk and effect of adverse conditions
- identify and maximise opportunities that might arise
- minimise threats

The Administering Authority 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 of the Fund at a strategic and operational level.

To whom this Policy Applies

This Risk Management Policy applies to all members of the Pension Committee and the local Pension Board, including both scheme members and employer representatives. It also applies to senior officers involved in the management of the Fund.

Less-senior officers involved in the daily management of the Fund are also integral to managing risk for the Fund and will be required to have appropriate understanding of risk management relating to their roles, which will be determined and managed by the Head of Finance – Statutory Accounting and Pension Fund.

Advisers and suppliers to the Fund are also expected to be aware of this Policy and assist officers, Committee members and Board members as required, in meeting the objectives of this Policy.

Aims and Objectives

In relation to understanding and monitoring risk, the Administering Authority aims to:

- integrate risk management into the culture and day-to-day activities of the Fund
- raise awareness of the need for risk management by all those connected with the management of the Fund (including advisers, employers, and other partners)
- anticipate and respond positively to change
- minimise the probability of negative outcomes for the Fund and its stakeholders
- establish and maintain a robust framework and procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice
- ensure consistent application of the risk management methodology across all Fund activities, including projects and partnerships.

To assist in achieving these objectives in the management of the Fund, the Administering Authority will aim to comply with:

- the CIPFA publication, “Managing Risk in the Local Government Pension Scheme”
- the Pensions Act 2004 and the Pensions Regulator's Code of Practice for Public Service Pension Schemes as they relate to managing risk.

Responsibility

The Administering Authority must be satisfied that risks are appropriately managed. For this purpose, the Head of Statutory Accounts & Pensions is the designated individual for ensuring the process outlined below is carried out, subject to the oversight of the Pension Committee.

However, it is the responsibility of everyone covered by this Policy to identify any potential risks for the Fund and ensure that they are fed into the risk management process.

The London Borough of Hillingdon Pension Fund Risk Management Process

The Administering Authority's risk management process is in line with that recommended by CIPFA and is a continuous approach which systematically looks at risks surrounding the Fund's past, present and future activities. The main processes involved in risk management are identified in the figures below and detailed in the following sections:



1. Risk Identification

The risk identification process is both a proactive and reactive one: looking forward i.e., horizon scanning for potential risks, and looking back, by learning lessons from reviewing how previous decisions and existing processes have manifested in risks to the organization.

Risks are identified by several means including, but not limited to:

- formal risk assessment exercises managed by the Pension Committee
- performance measurement against agreed objectives

- findings of internal and external audit and other adviser reports
- feedback from the local Pension Board, employers, and other stakeholders
- informal meetings of senior officers or other staff involved in the management of the Fund.
- liaison with other organizations, regional and national associations, professional groups, etc.

Once identified, risks will be documented on the Fund's risk register, which is the primary control document for the subsequent analysis, control and monitoring of those risks.

2. Risk Analysis & Evaluation

Once potential risks have been identified, the next stage of the process is to analyse and profile each risk. Risks will be assessed by considering the likelihood of the risk occurring and the impact if it does occur, with the score for likelihood multiplied by the score for impact to determine the current overall risk rating, as illustrated in the table below.

Attributes:				Risk rating	Score	Risk rating	Score	Risk rating	Score	Risk rating	Score
Greater than 90%	This week	L I K E L I H O O D	Very High (A)	A4	6	A3	12	A2	18	A1	24
70% to 90%	Next week / this month		High (B)	B4	5	B3	10	B2	15	B1	20
50% to 70%	This year		Significant (C)	C4	2	C3	4	C2	6	C1	8
30% to 50%	Next year		Medium (D)	D4	1	D3	2	D2	3	D1	4
10% to 30%	Next year to five years		Low (E)	E4	0	E3	0	E2	0	E1	0
Less than 10%	Next ten years		Very Low (F)	F4	0	F3	0	F2	0	F1	0
				Small (4)		Medium (3)		Large (2)		Very Large (1)	
				IMPACT							
Attributes:											
THREATS:			Financial	up to £500k	Between £500k and £10m		Between £10m and £50m		Over £50m		
			Reputation	Minor complaint, no media interest	One off local media interest		Adverse national media interest or sustained local interest		Ministerial intervention, public inquiry, remembered for years		

When considering the risk rating, the Administering Authority will have regard to the existing controls in place and these will be summarised on the risk register.

Key risks to the effective delivery of this Policy

- Administration Risk
- Investment Risk
- Liquidity Risk
- Pooling Risk
- Cyber Risk
- Key officers Risk
- Governance Risk

Within each category a series of risks are identified and upon each review an update of the status and any changes in relevant controls are made, the Corporate Director of Finance has responsibility to keep the risk register under review. The register is reviewed quarterly by Pensions Committee.

Mitigating Risk

Detailed controls to mitigate risk are specified in the Funds risk register. However, the following table contains examples of the controls in place to mitigate key risks across investment, governance, and administration:

Area	Risk	Actions In Place	Risk Category/Rating
Administration	Poor Performance of Outsourced Administrator leading to poor quality information supplied to both members and the Fund Actuary	1. Regular service meetings in place. 2. Monthly KPI reports are provided to track and monitor performance. 3. Critical errors cleared prior to transfer of valuation data to actuary. 4. Data Improvement plan developed, implemented and continuously reviewed.	Yellow
	Failure of employers to deliver accurate and timely employee administration information	1. Training provided to educate and empower employers. 2. Regular updates provided to employers on the importance of accurate and timely information. 3. Regular newsletters and update from Hampshire to all employers. 4. Benchmarking and escalation to Employer contacts. 5. Regular meetings with payroll providers on behalf of Scheduled and Admitted bodies to escalate and manage backlog work.	Red

Investment Risk	Inappropriate long-term investment strategy	1. Set Pension Fund specific strategic asset allocation benchmark after taking advice from investment advisers, balancing risk and reward, based on historical data. 2. Keep risk and expected reward from strategic asset allocation under review. 3. Review asset allocation formally on an annual basis. 4. Asset allocation reported quarterly to committee. 5. Officer and advisers actively monitor this risk.	Yellow
	Active investment manager under-performance relative to benchmark	1. The structure includes active and passive mandates, and several managers are employed to diversify the risk of underperformance by any single manager. 2. Short term investment monitoring provides alerts on significant changes to key personnel or changes of process at the manager. 3. Regular monitoring measures performance in absolute terms and relative to the manager's index benchmark, supplemented with an analysis of absolute returns against those underpinning the valuation. 4. Investment managers would be changed following persistent or severe under-performance.	Green
Liquidity Risk	Liquidity on members dealings - risk that the fund is unable to settle member payments	1. The fund has an active daily cash management process in place to ensure there is sufficient cash available to meet all beneficiary payments. 2. The fund is significantly diversified in different asset classes with the option of distribution portfolios.	Green
	Liquidity on asset management - risk of failure to liquidate assets or meet drawdown calls	1. The fund has an active daily cash management process in place to ensure there is sufficient cash available to meet any drawdown requirements. 2. Cash management includes investing large amounts of surplus cash to balance the investment portfolio or hold in liquid asset classes in anticipation of cash calls. 3. Officers liaise with managers where commitments have been made to keep track of predicted drawdown timescales. 4. The fund is significantly diversified in different asset classes and asset managers to ensure if there is a stop on anyone holding then the portfolio will continue to operate as normal.	Yellow
Pooling Risk	Failure of the pool in management of funds / access to funds	1. Quarterly review meetings held with the LCIV pool. 2. Regular reporting out of the pool informing the fund of manager performance. 3. Swift communications received from the pool with staff turnover and concerns the fund may need to be aware. 4. Independent adviser carried out a review of governance for manager selection and manager monitoring to add assurance and discussion points with the pool. 5. Active Shareholder representation at General meeting and AGM. 6. Pool to attend Committee meetings where required, to provide assurance over progress and activity.	Green

Cyber Risk	Cyber Security - Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals	1. Council wide policies and processes in place around: acceptable use of devices, email and internet use of passwords and other authentication home and mobile working data access, protection (including encryption), use and transmission of data. 2. Risk is on the Corporate risk register with risk mitigation in place. 3. All member and transactional data flowing from HCC and Hillingdon is sent via encryption software or via the employer portal. 4. Data between the fund, HCC and Hymans is distributed via upload to an encrypted portal. 5. Systems at Hillingdon and HCC are protected against viruses and other system threats. 6. HCC are accredited to ISO27001:2013 and signed up to the Pensions Regulator Pensions Pledge. HCC currently undergoing penetration testing to ensure they are PSN compliant.	Yellow
Key officers Risk	Key officer risk - small team with specialists' knowledge in key roles results in the Fund being vulnerable if staff leave	1. The team endeavours to maintain a broad knowledge across the pension function. 2. The Fund has access to specialist support should it be required. 3. The Fund has access to the interim employment market should it be required.	Green
Governance Risk	Failure of the Fund's governance to comply with statutory requirements and/or The Pension Regulator expectations including: Failure to ensure that Committee members' knowledge and understanding of pension matters is robust and meets statutory requirements Failure to ensure that the Pension Board is effective in carrying out its role	1. Governance Policy Statement reviewed every 3 years. 2. Policies on range of issues, reviewed regularly. 3. Compliance with CIPFA Code of Practice on Public Sector Pensions Finance, Knowledge and Skills. 4. Programme of training sessions and access to external events. 5. Use of Regulator's on-line toolkit. 6. A knowledge self-assessment framework for Committee and Board members to identify training requirements. 7. The Fund's Annual Report includes details of Committee and Board members' training activities. 8. Fund Governance Adviser in place. 9. Access is provided to CIPFA K&S Framework training modules.	Yellow

Costs

All costs related to this Risk Policy are met directly by the Fund.

Approval, Review and Consultation

This Risk Policy was approved at the London Borough of Hillingdon Pension Committee meeting on 15 June 2016 and last amended on 26 March 2025. It will be formally reviewed and updated at least every three years or sooner if the risk management arrangements or other matters included within it merit reconsideration.

Third Party risk such as late payment of contributions

Contribution payments are monitored closely for accuracy and timeliness. A reporting process is in place to escalate any late/inaccurate payments to ensure all payments are received on 19th of the subsequent month of payment due date as prescribed by the regulations.

In respect of Investment Managers, internal control reports (SOC1 and ISAE3402) are received and reviewed regularly for any non-compliance issues. If management response to non-compliant issues is unsatisfactory, the matter is then addressed directly with the fund manager for further assurance.

Controls assurance reports

Fund manager	Type of report	Assurance obtained	Reporting accountant
Adams Street Partners	SOC 1	Reasonable Assurance	KPMG LLP
AEW UK Ltd	ISAE 3402	Reasonable Assurance	BDO LLP
Blackstone Investments	SOC 1	Reasonable Assurance	Deloitte & Touche LLP
Legal & General Investments	AAF 01/20/ ISAE 3402	Reasonable Assurance	KPMG LLP
Management LCV	Third Party Controls Oversight	Reasonable Assurance	N/A
M&G	SOC 1 (IFDS Transfer Agency)	Reasonable Assurance	PWC
Macquarie Infrastructure Real Assets	Internal Controls Report	Reasonable Assurance	RMG Internal Audit (Macquarie Risk Management Group)
Northern Trust Company	SOC 1	Reasonable Assurance	KPMG LLP

Permira LLP	SOC 1- Provided by Alter Domus, the fund's custodians	Reasonable Assurance	Ernst & Young LLP
CBRE Investments	AAF 01/20/ ISAE 3402	Reasonable Assurance	LLP

The risk management policy was introduced during 2016 as part of the work undertaken by the local Pension Board. The Committee regularly review Fund risks through the risk register. The policy is available at:

<https://www.hillingdon.gov.uk/pension-fund-documents#Policy%20documents>

B: FINANCIAL PERFORMANCE

The London Borough of Hillingdon Pension Fund is open to employees of the Council, non-teaching staff of local authority schools and certain other bodies eligible to join the Fund. Membership of the LGPS is not compulsory, although employees are automatically admitted to the Fund unless they elect otherwise.

General Scheme membership

Membership of the scheme is split between

- Active members - those still contributing to the scheme.
- Deferred members - those who are no longer active but have accrued benefits to be held until retirement or transfer to a new employer's scheme; and
- Pensioner members - comprise former active members now drawing their benefits and dependents of former active members.

The membership of the scheme analysed over the relevant membership profile is shown below:

Membership Summary

Membership Type	2025/26	2024/25	2023/24	2022/23
Active Members	8,839	8,999	9,182	10,271
Pensioners/Dependants	9,013	8,657	8,389	7,857
Deferred Members	14,550	14,524	14,371	12,252
Total Membership	32,402	32,180	31,942	30,380

Contributions and Member Activity

Contributions increased to £73.0k in 2025/26, up 9.2% from £66.9k in 2024/25, reflecting stronger member and/or employer participation. However, pension payments also increased by 7.0% to £81.6k, continuing the upward trend seen over the review period. As a result, the Fund remained in a negative net dealings position of £8.6k, although this was a slight improvement from the £9.5k deficit reported in 2024/25.

The exceptionally high positive net dealings figure of £40.3k in 2023/24 appears to have been a one-off event, with more typical net outflows recorded in the remaining years.

Analytical Review of Performance

Category	2025/26	2024/25	2023/24	2022/23	2021/22
Contributions	73,025	66,855	109,790	57,928	54,966
Pensions	-81,635	-76,309	-69,462	-56,961	-57,077
Management Expenses	-16,968	-13,100	-13,441	-13,844	-10,832
Net Investment Returns	24,629	17,573	19,609	15,752	11,858
Change in Market Value	146,326	52,595	129,976	-83,450	102,033
Taxes on Income	-10.00	-31	-29	-28	-35
Net Increase/(Decrease) in Fund	145,367	47,583	176,442	-80,603	100,913

Key observations:

- Contributions increased by 9.2% year-on-year.
- Pension payments continue to rise and exceeded contributions by £5.3k.
- Management expenses reduced by £2.9k, reaching their lowest level over the five-year period presented.
- Net investment returns improved by £6.9k (38.0%) year-on-year.
- Market value gains of £140.1k were the primary contributor to overall growth. The Fund reported a net increase of £146.0k, compared with £47.6k in 2024/25, primarily driven by stronger market value gains and investment returns.

Analysis of Operational Expenses

Category	2025/26 £' 000	2024/25 £' 000	2023/24 £' 000	2022/23 £' 000	2021/22 £' 000
Administration					
Employees	-381	-365	-325	-274	-384
Outsourced Administration Costs	-826	-705	-683	-779	-954
Support Services Charges	-168	-142	-158	-51	-47
	-1,375	-1,212	-1,166	-1,104	-1,385
Governance and Oversight					
Investment Advisory Services	-164	-61	-169	-53	-84
Governance & Compliance	-41	-91	-179	-5	-29
External Audit	-178	-93	-93	-50	-26
Actuarial Fees	-142	-51	-61	-184	-86
	-525	-296	-502	-292	-225
Investment Management					
Management Fees	-10,989	-6,817	-7,374	-7,158	-5,984
Performance Fees	-1,688	-1,668	-2,385	-2,267	-1,132
Transaction Costs	-2,290	-3,051	-1,991	-2,937	-2,046
Custodian fees	-101	-56	-46	-86	-60
	-15,068	-11,592	-11,796	-12,448	-9,222
Total Operational Expenses	-16,968	-13,100	-13,464	-13,844	-10,832

Investment Fees by Category			
	Management Fees £' 000	Performance Fees £' 000	Transaction Costs £' 000
LCIV/CBRE	8,261	834	2,931
LGIM	306	0	601
Permira	35	1,074	85
Macquarie	44	269	41
AEW	548	0	0
Private Equity	-83	-13	18
Northern Trust	115	0	0
Others	2	0	0
	9,228	2,164	3,676
		Total	15,068

The Key points to note from the operational expenses are as follows:

Management Expenses

Management expenses increased from £13.100m in 2024/25 to £16.969m in 2025/26, an increase of £3.869m (29.5%). The increase was primarily driven by investment management expenses, which rose by £3.477m (30.0%), from £11.592m to £15.069m due to transition and consolidation of Property assets from UBS Property, AEW UK and LGIM LPI Property portfolios into LCIV/CBRE Property portfolio.

C: INVESTMENT POLICY AND PERFORMANCE

Investment Policy

The Pension Fund Committee sets out a broad statement of the principles it has employed in establishing its investment and funding strategy in the Investment Strategy Statement (ISS).

The ISS is 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.

The Investment Strategy Statement required by Regulation 7 must include:

- a) A requirement to invest money in a wide variety of investments.
- b) The authority's assessment of the suitability of investments and types of investments.
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed.
- d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services.
- e) The authority's policy on how social, environmental or corporate governance considerations are considered in the selection, non-selection, retention and realisation of investments; and
- f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money, that it will invest in particular investments or classes of investment.

Fund Value and Asset allocation

The strategic asset allocation is agreed by the Pension Fund Committee based on the risk appetite and return on investments required to fulfil its paramount obligation of paying Pensions to members. The strategy benefits from input by both officers and the Fund's investment advisors.

Whilst managers can use their discretion to make minor variations in the allocation of investments between markets, the major movements are a combination of market gains, revised asset allocation and maturation of Private Equity and alternative investments during the year.

Cash movement is incidental as the Fund has a zero cash policy but cash income from alternative investments during the year are received in the custody account pending reinvestment.

The asset allocation as of 01 April 2025 to 31 March 2026 is as follows:

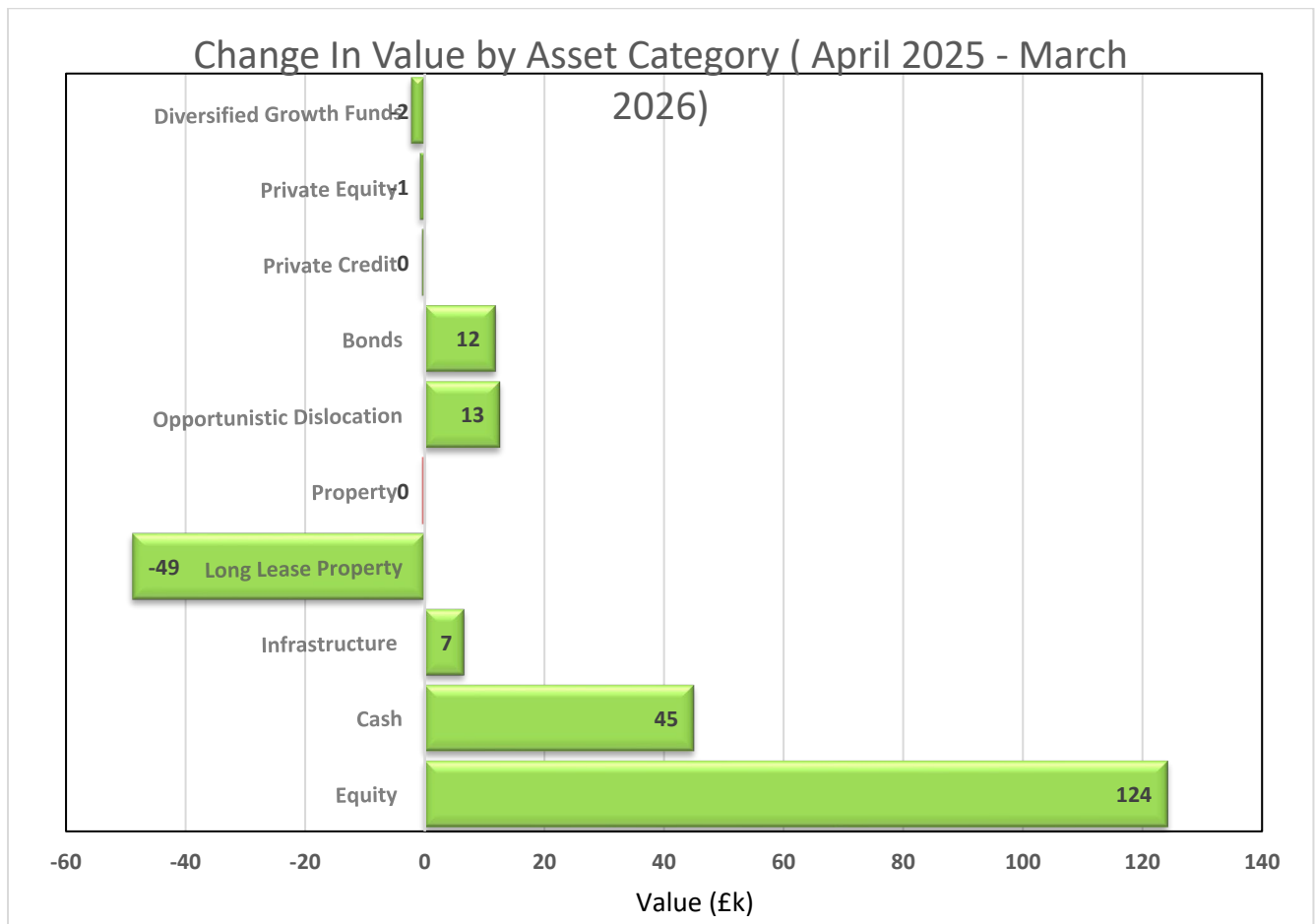
Asset Category	Closing Value 31 March 2025	Strategic Weighting	Actual Weighting	Closing Value 31 March 2026	Strategic Weighting	Actual Weighting
	£'000	%	%	£'000	%	%
Equities	763,790	51	54	888,001	51	57
Diversified Growth Fund	39,351	0	3	37,087	0	2
Bonds	231,038	19	16	242,940	19	16
Property	145,593	7	10	145,175	7	9
Alternatives:						0
Private Equity	2,993	0	0	2,213	0	0
Infrastructure	69,221	8	5	75,834	8	5
Private Credit	71,009	5	5	70,594	5	5
Long Lease Property	48,839	5	4	0	5	0
Opportunistic Dislocation	20,705	5	2	33,349	5	2
Cash	13,873	0	1	58,908	0	4
Total	1,406,412	100	100	1,554,101	100	100

Asset Allocation Movements

The changes in asset values during 2025/26 were primarily driven by market movements and investment performance rather than strategic asset reallocation. The most significant increase was in equities (£124m), reflecting strong market returns over the period. Increase in cash held (£45m) was mostly attributable to the new LCIV/CBRE portfolio as part of its transition plan, opportunistic dislocation increased by (£13m) due to drawdowns and valuation increase, bonds (£12m) and infrastructure (£7m).

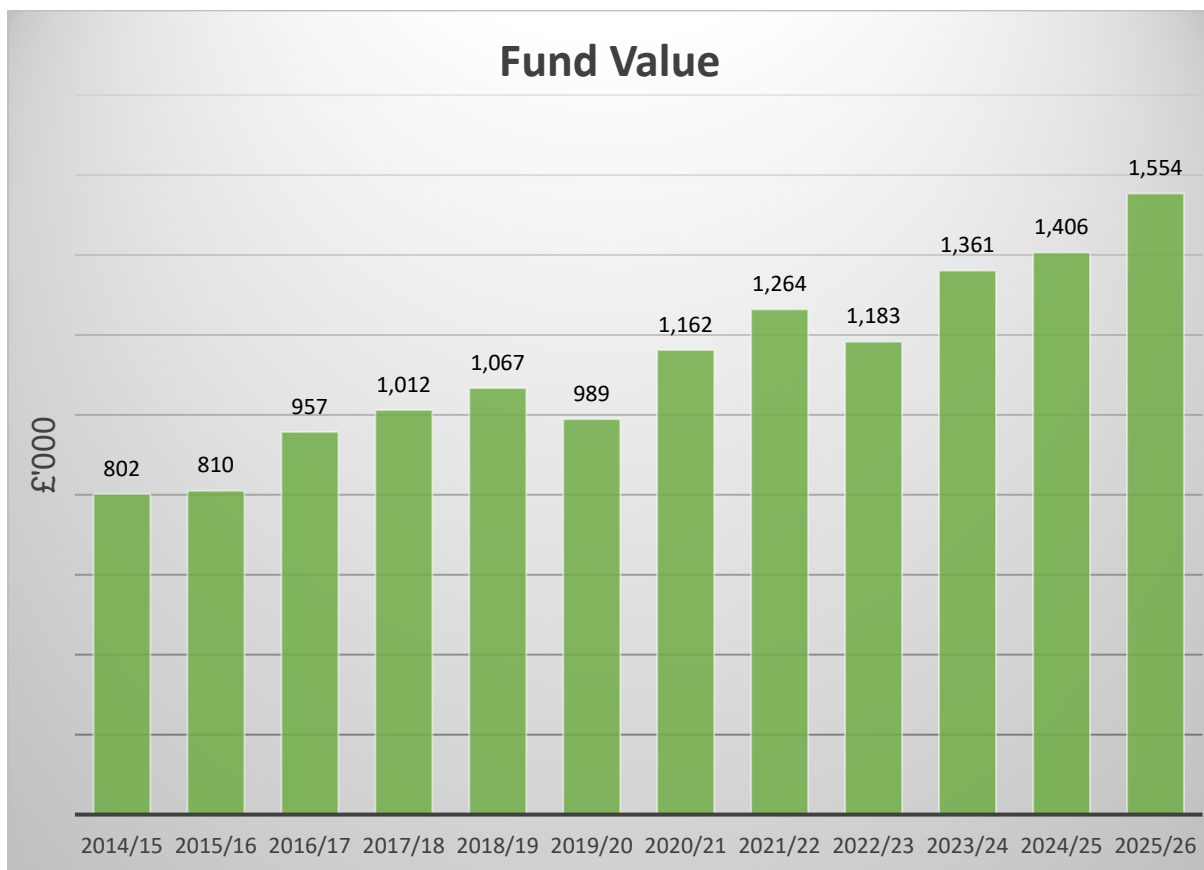
Elsewhere, diversified growth funds (£2m) and private equity (£1m) recorded modest decreases, while private credit and property remained broadly unchanged. The decrease in Long Lease Property (£49m), reflects the restructure undertaken by LCIV/CBRE portfolio to transition of property holdings from UK centric to a global portfolio.

Overall, the movements indicate that changes in the Fund's asset values were largely attributable to underlying market performance across the various asset classes, rather than significant changes to the Fund's strategic asset allocation. The increase in total asset values was predominantly driven by the strong performance of equity markets.



Fund Value

The Fund value increased by £148m (10.5%) from £1,406m in 2024/25 to £1,554m in 2025/26, building on the gains achieved in the previous year (£45m, 3.3%). The increase reflects continued positive market performance during the year under review, with investment returns primarily attributable to the strong performance of the passive equities portfolio managed by LGIM.



Funding Strategy Statement

The Funding Strategy Statement sets out the aims and purpose of the pension fund and the responsibilities of the administering authority as regards funding the scheme. Its purpose is:

- To establish a clear and transparent fund-specific strategy to identify how employers' pension liabilities are best met going forward.
- To support the regulatory requirement to maintain as nearly constant employer contribution rates as possible.
- To take a prudent longer-term view of funding those liabilities

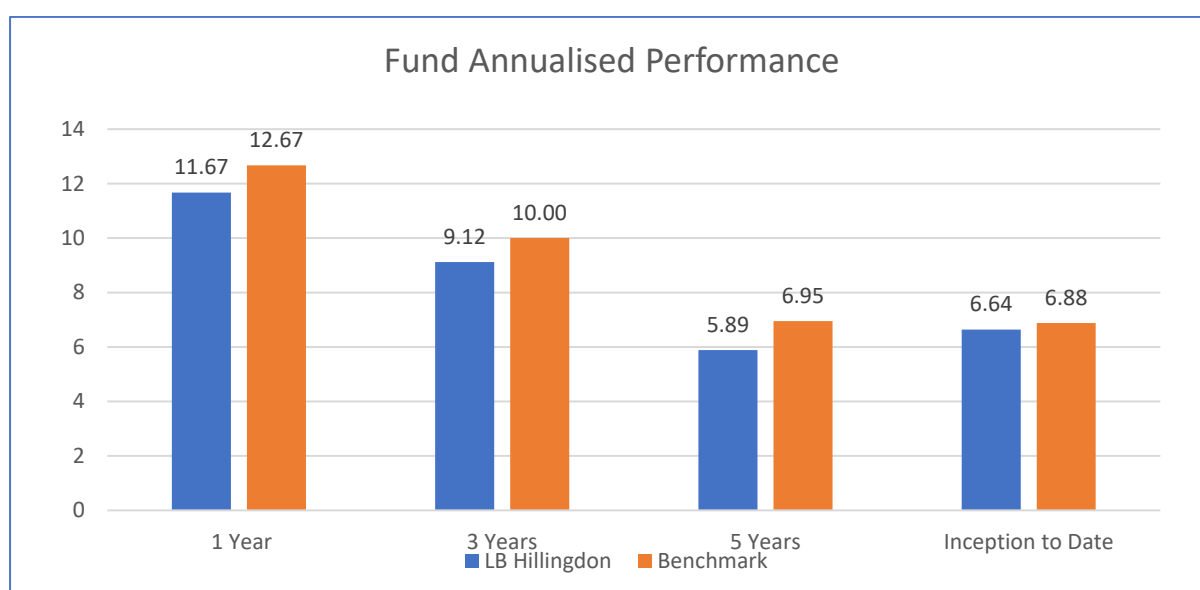
The latest Funding Strategy Statement can be accessed via the Pension Fund Web page.

<https://www.hillingdon.gov.uk/pension-fund-documents#Strategy%20statements>

Investment Performance

The chart shows that the LB Hillingdon Pension Fund underperformed its benchmark across all measured periods, although performance remains positive over all time horizons.

The Fund delivered positive returns across all reporting periods but underperformed its benchmark over one, three and five years. The largest relative shortfall was recorded over the five-year period, while since inception performance remains broadly in line with the benchmark. The consistent underperformance across shorter-term periods suggests that market positioning and manager selection detracted from returns relative to the benchmark during the period. Nevertheless, the Fund's long-term annualised return of 6.64% demonstrates continued growth in asset values over time, with most performance movements appearing to be market driven rather than the result of strategic asset allocation changes.

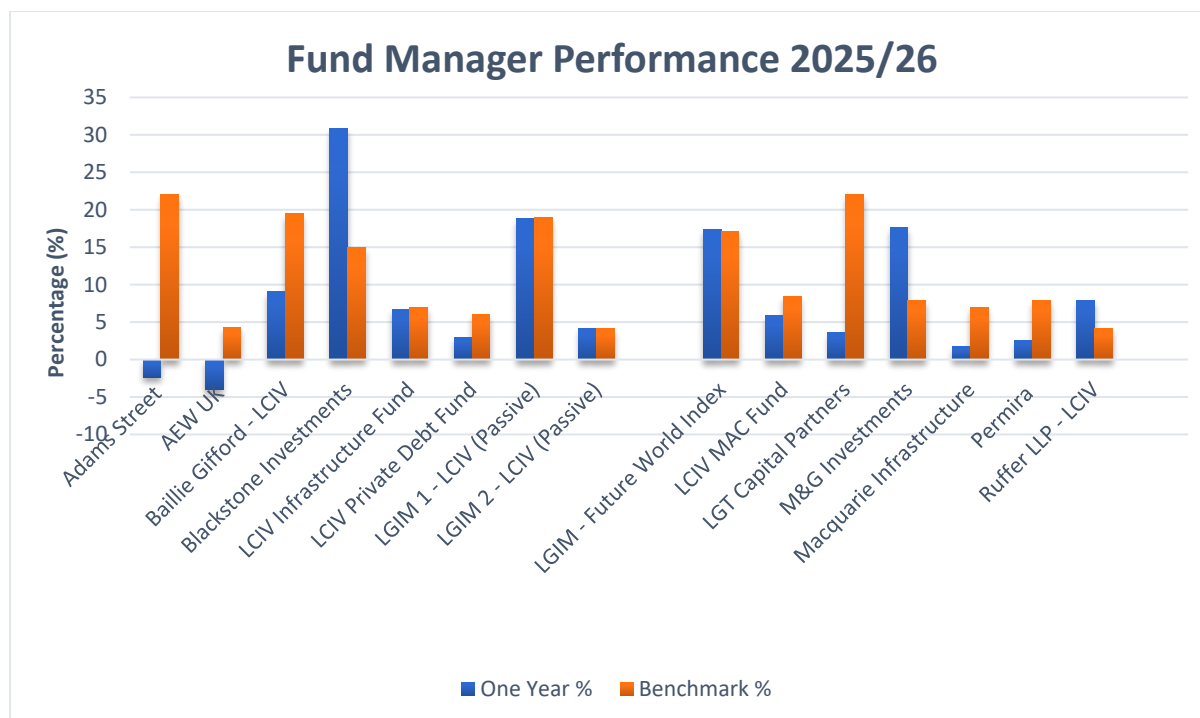


Performance of the Fund is measured against an overall strategic benchmark. Below this, each Fund Manager is given individual performance targets, which are linked to index returns for the assets they manage. Details of these targets can be found in the ISS.

Performance of fund managers is reviewed quarterly by the Pension Fund Committee, which is supported by officers and the Fund's investment and independent advisers.

Investment Managers' Performance

The overall performance of each manager is measured over rolling three-year periods, as inevitably there will be short-term fluctuations in performance.



Fund Manager Performance 2025/26		
	One Year	Benchmark
	%	%
Adams Street	-2.38	22.06
AEW UK	-4.04	4.29
Baillie Gifford - LCIV	9.05	19.45
Blackstone Investments	30.84	15.00
LCIV Infrastructure Fund	6.75	6.93
LCIV Private Debt Fund	3.01	6.00
LGIM 1 - LCIV (Passive)	18.78	18.97
LGIM 2 - LCIV (Passive)	4.11	4.09
LGIM - Future World Index	17.41	17.10
LCIV MAC Fund	5.92	8.43
LGT Capital Partners	3.67	22.06
M&G Investments	17.67	7.93
Macquarie Infrastructure	1.72	6.93
Permira	2.58	7.93
Ruffer LLP - LCIV	7.89	4.15

The portfolio is a mixture of active and passively managed asset classes:

- Targets for active fund mandates are set to out-perform the benchmark by a set percentage through active stock selection and asset allocation. Fund managers with active fund mandates are Adams Street, AEW UK, Baillie Gifford (LCIV), Churchill (LCIV), LGT Capital, M&G, Macquarie, Permira, Ruffer (LCIV), Stepstone (LCIV), LCIV/CBRE.
- Targets for passive funds are set to achieve the benchmark through investment in a stable portfolio. All LGIM mandates are passive.
- Underperformance of the Fund was mainly attributable to underperforming LCIV Bailie Gifford Global Alpha portfolio and the two Private Equity portfolios of Adams Street LLP and LGT Capital Partners, though both are well past their investment periods and just holding residual assets for disposal in an orderly manner.

The following table shows the one-year, three-year, and five-year performance of the Fund's managers.

Historical Fund Managers Performance Returns and Benchmarks									
Manager	Asset Class	Active/Passive	Pooled?	1 Year %	3 Years % (p.a.)	5 Years % (p.a.)	Strategic Weight %	Actual Weight %	Benchmark
Adams Street	Private Equity	Active	No	-2.38	-7.29	-3.54	0.0	0.1	3 Month SONIA
AEW UK	Property	Active	No	-4.04	1.17	1.96	0.0	0.6	IPD UK PPFI All Balanced Funds Index
LGIM Unit Trust Equity	Equities	Passive	Yes	18.78	15.42	10.42	20.5	23.8	FTSE World Developed Equity index Currency Hedged, FTSE World Developed Equity index unHedged, FTSE Emerging Markets
LGIM Index Linked Gilts	Bonds	Passive	Yes	4.11	-3.09	-6.85	7.0	6.5	FTSE A Govt Index Linked Gilts All Stocks Index
LGIM Future World Global Equity	Equities	Passive	Yes	17.41	14.5	10.78	20.5	23.9	Solactive Legal & genral ESG
LCIV Glb Equity Value Fund	Equities	Active	Yes	16.96	N/A	N/A	5.0	5.2	MSCI ACWI ND + 1.5%
LCIV MAC Fund	Bonds	Active	Yes	5.92	8.40	N/A	12.0	9.1	Sonia 3 Months +4.5%pa
LGT Capital Partners	Private Equity	Active	No	3.67	3.87	5.19	0.0	0.1	3 Month SONIA
LCIV Infrastructure Fund	Infrastructure	Active	Yes	6.75	7.13	7.84	5.0	4.4	Sonia 3 Months +3%pa
LCIV Private Debt Fund	Private Debt	Active	Yes	13.66	7.50	N/A	5.0	4.0	Absolute Return 6%
LCIV Bailie Gifford	Equities	Active	Yes	9.05	7.77	N/A	5.0	4.3	MSCI World ND +3%
M&G Investments	Private Debt	Active	No	17.67	-13.46	2.74	0.0	0.0	3 Month Sonia +4%pa
Macquarie Infrastructure	Infrastructure	Active	No	1.72	11.92	14.47	3.0	0.5	3 Month Sonia +3%pa
Permira	Private Debt	Active	No	2.58	7.72	7.18	0.0	0.5	3 Month Sonia +4%pa
LCIV Ruffer LLP	Diversified Growth	Active	Yes	7.89	1.77	2.72	0.0	2.4	Sonia
Blackstone	Diversified Growth/Dislocation	Active	No	30.84	N/A	N/A	5.0	2.1	15% Net of Fees
LCIV/CBRE Indirect Real Estate	Property	Active	Yes	-1.85	N/A	N/A	12.0	12.5	MSCI IPD BM

Fund Manager Performance

Overall, the Fund delivered mixed performance across asset classes, with strong returns from equity and diversified growth mandates offset by weaker results from certain private market investments. Performance over the longer-term remains driven by global equities and infrastructure allocations, while some private debt and private equity mandates continue to lag.

Key Findings

Diversified Growth delivered the strongest one-year return, with Blackstone achieving a return of 30.84%.

Passive global equity mandates produced strong and consistent returns across all measurement periods, reflecting the continued strength of global equity markets.

Infrastructure delivered solid positive returns over all periods, demonstrating resilience and stable long-term performance.

Private Debt results were mixed, with Permira producing strong medium and long-term returns while M&G Investments significantly underperformed over three years.

Private Equity (Adams Street) generated negative returns across all measurement periods, reflecting challenging market conditions and valuation pressures within the asset class.

The Fund's active bond allocation (LCIV MAC Fund) delivered positive returns and exceeded cash-plus benchmark expectations over the medium term.

Top & Bottom Fund Manager Performance by Period

1-Year (Most Recent)

Top 3

Blackstone – 30.84% (Diversified Growth/Dislocation)

LGIM Unit Trust Equity – 18.78% (Equities)

M&G Investments – 17.67% (Private Debt)

Bottom 3

Adams Street – -2.38% (Private Equity)
Permira – 2.58% (Private Debt)
LCIV MAC Fund – 5.92% (Bonds/MAC)

3-Year (p.a.)

Top 3

LGIM Unit Trust Equity – 15.42% (Equities)
LGIM Future World Global Equity – 14.50% (Equities)
LCIV MAC Fund – 8.40% (Bonds/MAC)

Bottom 3

M&G Investments – -13.46% (Private Debt)
Adams Street – -7.29% (Private Equity)
LCIV Infrastructure Fund – 7.13% (Infrastructure)

5-Year (p.a.)

Top 3

LGIM Future World Global Equity – 10.78% (Equities)

LGIM Unit Trust Equity – 10.42% (Equities)

LCIV Infrastructure Fund – 7.84% (Infrastructure)

Bottom 3

Adams Street – -3.54% (Private Equity)

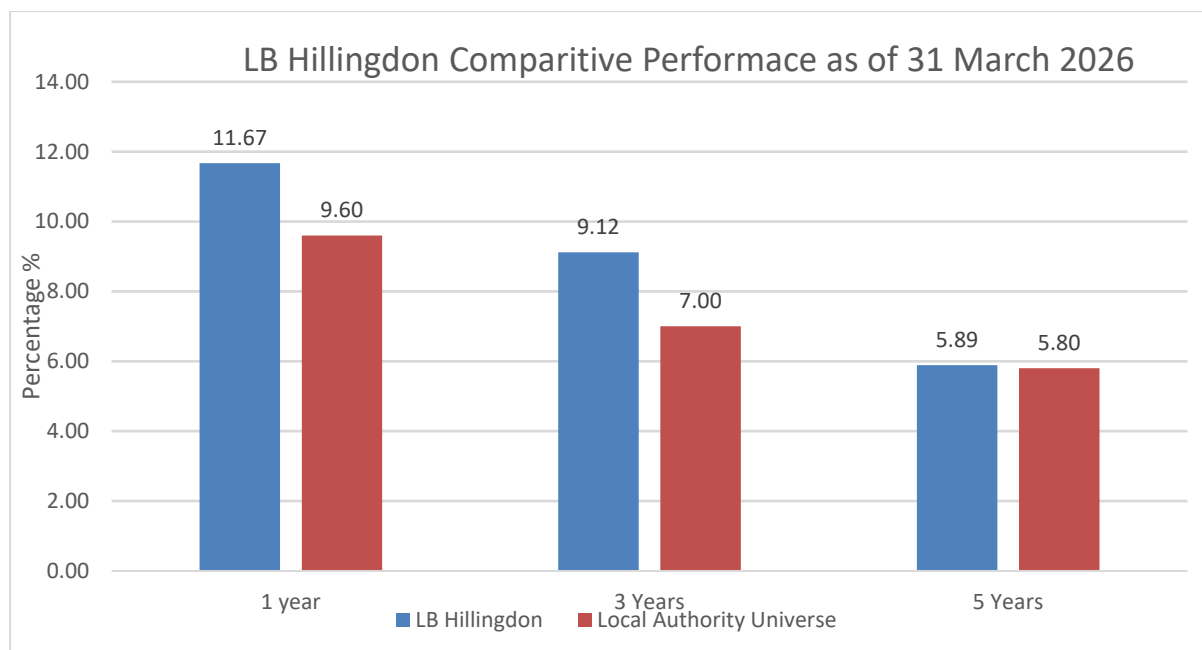
M&G Investments – 2.74% (Private Debt)

Permira – 7.18% (Private Debt)

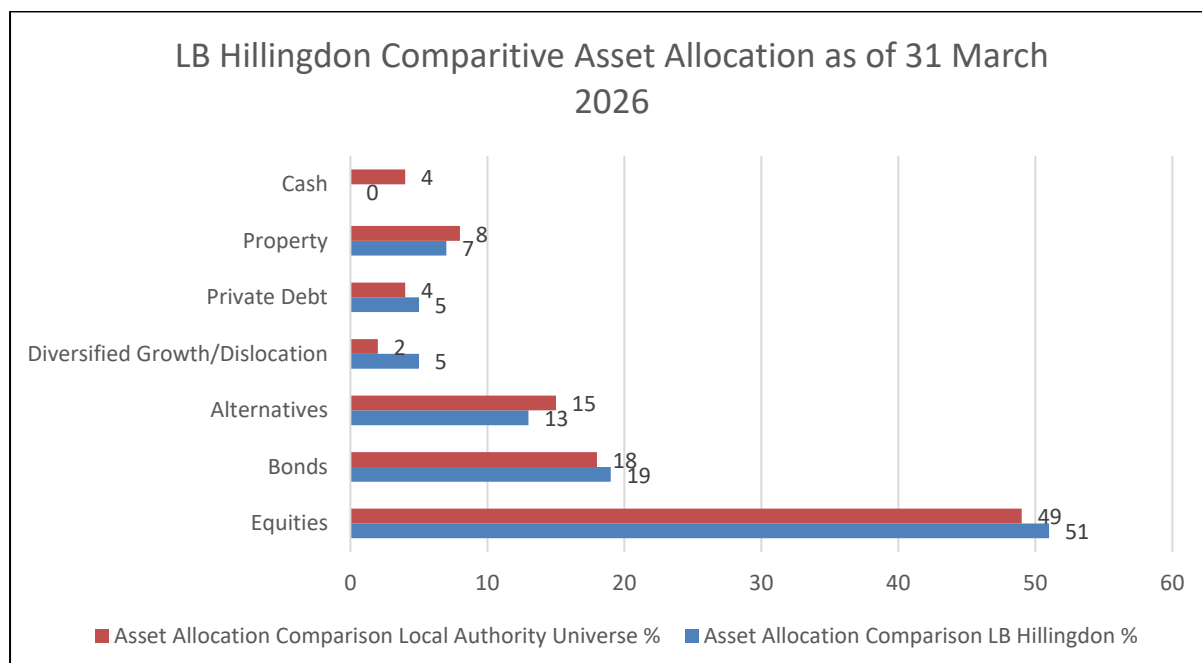
Conclusion

The Fund's strongest long-term performers remain the passive global equity mandates, which have benefited from sustained global market growth and delivered double-digit annualised returns over both three and five years. Infrastructure has also contributed positively through consistent returns across all periods. In contrast, Adams Street and M&G Investments have detracted from overall performance, recording negative returns over multiple measurement periods. The exceptional one-year return from Blackstone demonstrates the potential benefit of opportunistic alternative investments, although insufficient history prevents a meaningful long-term assessment. Overall, the Fund's performance highlights the importance of its equity and infrastructure allocations in supporting long-term investment objectives.

Comparative Performance



The graph above shows the Fund's investment returns in comparison with UK Local Authorities average over one, three and five-year periods. The performance difference is partly attributable to the cautious investment philosophy and risk averse asset allocation strategy adopted by the fund.



Responsible Investing

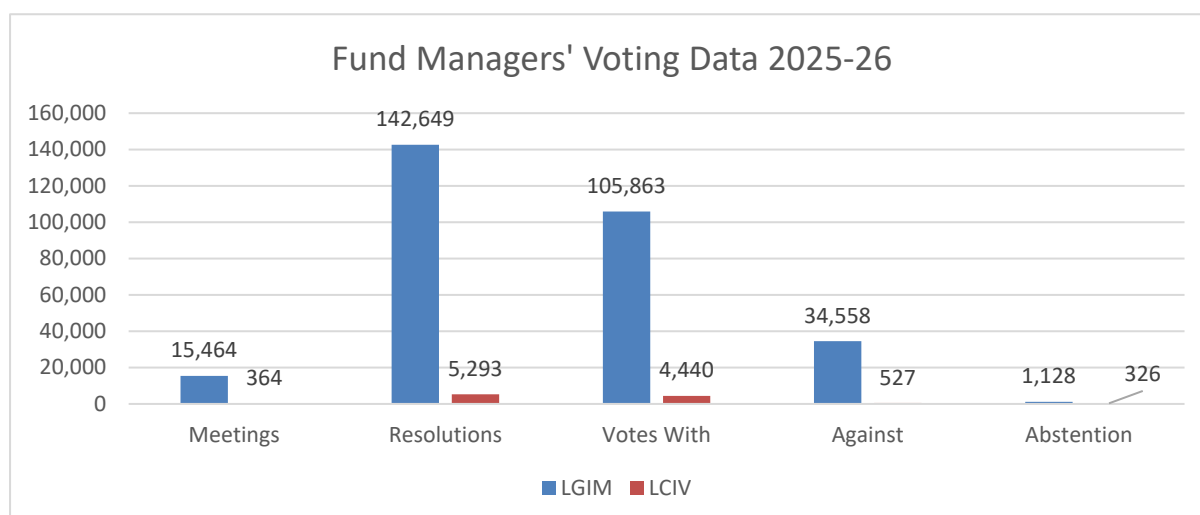
The Fund is committed to being a long-term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. External investment managers are expected to undertake appropriate monitoring of underlying investments regarding their policies and practices on all issues that could present a material financial risk to the long-term performance of the Fund such as corporate governance and environmental factors, integrating material ESG factors within its investment analysis and decision-making.

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund expects its 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; collaborating with other investors sharing similar concerns may be an effective tool.

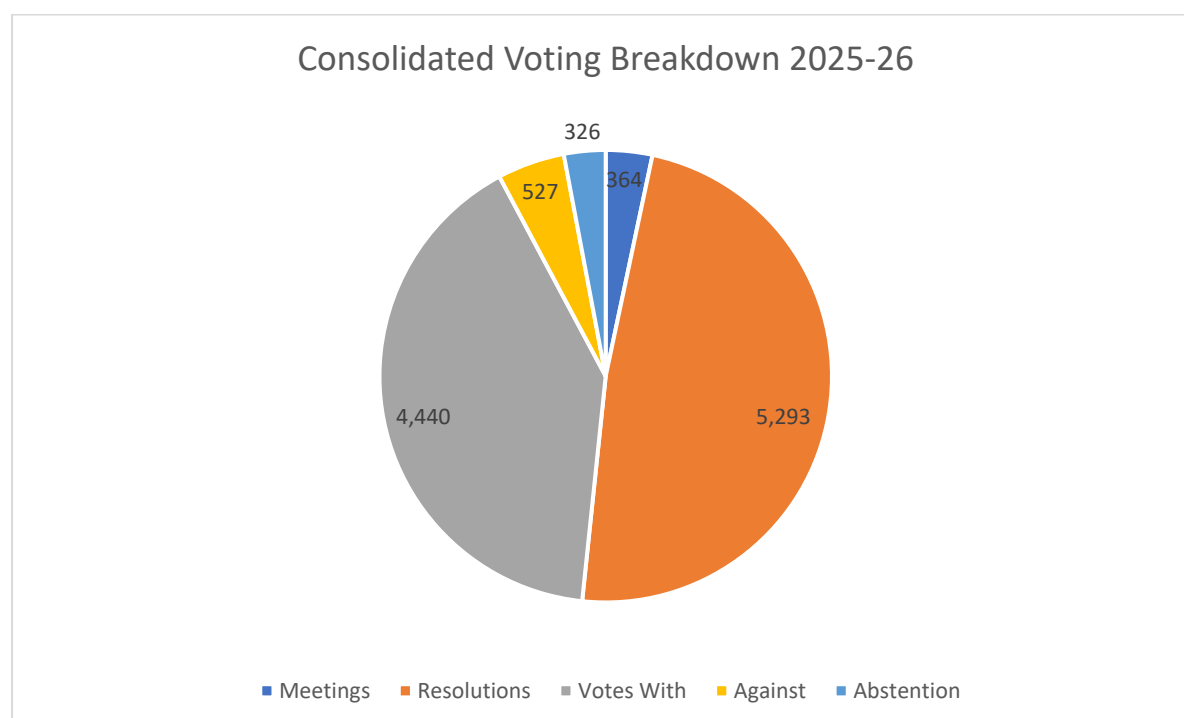
Exercise of voting rights

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



The graph above shows a breakdown of voting activities by reporting, Fund's investment managers during 2025-26 financial year (LGIM & LCIV). LGIM were the most active in terms of voting activities by attending and voting at 15,828 meetings.

All managers' voting activity relates to the managers' votes cast for the funds rather than Hillingdon specific shares.



Custody

The Northern Trust Company acts as the global custodian of the Fund's assets. As part of its normal procedures Northern Trust holds all assets in safe custody, settles trades, securities lending, collects dividend income, provides data for corporate actions, liaises closely with all the investment managers and reports on all activity on a monthly and quarterly basis. Where holdings are in pooled funds, the underlying assets held by the relevant funds' custodian are reported to Northern Trust. Regular service reviews take place with Northern Trust to ensure continuous monitoring of the Fund's requirements.

Separation of Responsibilities

The Fund employs a global custodian (Northern Trust), independent to the investment managers, to be responsible for the safekeeping of all the monies invested. Northern Trust is responsible for the settlement of all investment transactions and the collection of income.

As of the 31st of March 2025, the Fund's bank accounts were held with Nat West. Funds not immediately required to pay benefits are held as interest bearing operational cash with the bankers and the custodian.

The actuary, Hymans Robertson is responsible for assessing the long-term financial position of the pension fund and issues a Rates and Adjustments statement following their triennial valuation of the Pension Fund, which sets out the minimum contributions which each employer in the Fund is obliged to pay over the following three years.

D. SCHEME ADMINISTRATION

Service Delivery

Administration of the scheme is undertaken under delegated authority by the Pensions team at Hampshire Pension Services. The administrator is responsible for:

- Pensions Administration of the LGPS on behalf of London Borough of Hillingdon as the Administering Authority in accordance with relevant legislation and Committee decisions.
- Exploiting information technology to improve service standards and efficiency.

Hampshire and LB Hillingdon are working closely together to provide a full administration service covering the collecting, and reconciling of pension contributions, transfers of pension rights in to and out of the LGPS and deferred benefits, payment of pensions, calculations for retirements, re-employment, and death benefits.

The agreement with Hampshire details agreed performance targets and key performance indicators are reviewed quarterly at Pensions Committee and Pensions Board.

PERFORMANCE INDICATORS

The contract with Hampshire Pension Services includes several key performance indicators included to ensure that service to members of the pension fund is effective. The targets are set out below, along with actual performance.

Performance indicators for 2025/26

Type of Case	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	Total	% completed on time
Active Retirement	110	49	6	0	0	0	165	100%
Deferred Retirement	143	178	45	0	0	0	366	100%
Estimates	152	189	69	0	0	0	410	100%
Refunds	24	99	2	0	0	0	125	100%
Deferred Benefits	44	13	8	22	749	0	836	100%
Interfunds & Transfers In	105	11	26	0	0	0	142	100%
Interfunds & Transfers Out	27	161	106	0	0	0	294	100%
Divorce Quotes	10	23	7	0	0	0	40	100%
Divorce Actuals	0	0	0	0	0	0	0	100%
Rejoiners	8	47	109	86	0	0	250	100%
Death Benefits	118	19	33	0	0	0	170	100%
GRAND TOTAL	741	789	411	108	749	0	2798	100%

Below are tables of other Administration key performance indicators of activities undertaken through 2025/26.

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in 2025/26	Total % of cases completed in 2025/26	Total number of cases set up but not due until 2026/27	Total number of cases completed in 2024/25	Total % of cases completed in 2024/25
A1	Deaths recorded of active, deferred, pensioner and dependent members	54	116	170	100%	48	158	100%
A2	New dependent member benefits	21	55	76	100%	28	79	100%
A3	Deferred member retirements	9	357	366	100%	28	347	100%
A4	Active member retirements	7	158	165	100%	7	154	100%
A5	Deferred benefits	170	666	836	100%	131	1,161	100%
A6	Transfers in (including interfunds in, club transfers)	112	30	142	100%	159	168	100%
A7	Transfers out (including interfunds out, club transfers)	14	280	294	100%	13	247	100%
A8	Refunds	10	115	125	100%	9	213	100%
A9	Divorce quotations issued	8	32	40	100%	1	45	100%
A10	Actual divorce cases	0	0	0	100%	1	0	100%
A11	Member estimates requested either by scheme member and employer	109	301	410	100%	87	379	100%
A12	New joiner notifications	0	1,619	1,619	100%	0	1,815	100%
A13	Aggregation cases	55	195	250	100%	175	215	100%
A14	Optants out received after 3 months membership	0	78	78	100%	0	92	100%
Total		569	4,002	4,571		687	5,073	

Ref	Casework KPI	Suggested fund target*	Actual fund target	% completed within fund target in year	% completed in previous year
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5 days	5 days	100%	100%
B2	Communication issued confirming the amount of dependents pension	10 days	15 days	100%	100%
B3	Communication issued to deferred member with pension and lump sum options (quotation)	15 days	15 days	100%	100%
B4	Communication issued to active member with pension and lump sum options (quotation)	15 days	15 days	100%	100%
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	15 days	15 days	100%	100%
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	15 days	15 days	100%	100%
B7	Payment of lump sum (both actives and deferreds)	15 days	10 days	100%	100%
B8	Communication issued with deferred benefit options	30 days	30 days	100%	100%
B9	Communication issued to scheme member with completion of transfer in	15 days	15 days	100%	100%
B10	Communication issued to scheme member with completion of transfer out	15 days	15 days	100%	100%
B11	Payment of refund	10 days	15 days	100%	100%
B12	Divorce quotation	45 days	15 days	100%	100%
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	15 days	15 days	100%	100%
B14	Communication issued to new starters	40 days	20 days	100%	100%
B15	Member estimates requested by scheme member and employer	15 days	15 days	100%	100%

Table C - Communications and engagement		
Ref	Engagement with online portals	Percentage as at 31 March
C1	% of active members registered	66.51%
C2	% of deferred member registered	50.93%
C3	% of pensioner and survivor members	53.35%
C4	% total of all scheme members registered for self-service	56.31%
C5	Number of registered users by age	See separate table
C6	% of all registered users that have logged onto the service in the last 12 months	44.19%
	Communication	
C7	Total number of telephone calls received in year	2,025
C8	Total number of email and online channel queries received	6,265
C9	Number of scheme member events held in year (total of in-person and online)	32
C10	Number of employer engagement events held in year (in-person and online)	22
C11	Number of active members who received a one-to-one (in-person and online)	0
C12	Number of times a communication (i.e newsletter) issued to:	
	a)Active members	3
	b)Deferred members	3
	c)Pensioners	2

C5: Registrations by age						
Under 30	30 - 44	45-54	55-64	65-74	75+	Total
642	3,070	3,753	5,398	3,230	1,106	17,199

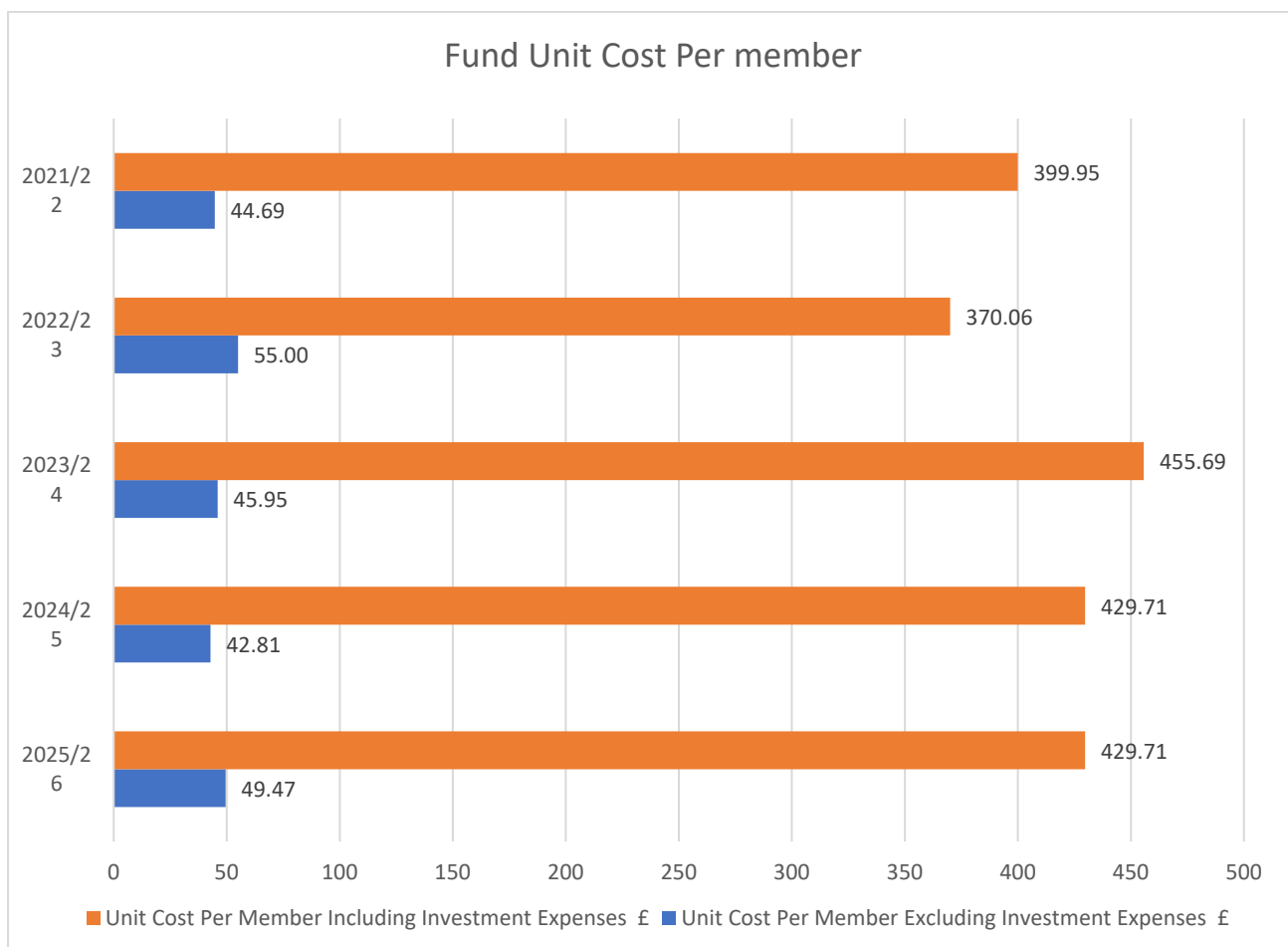
Administration KPI table D – Resources		
Ref	Resources	
D1	Total number of all administration staff (FTE)	9.5
D2	Average service length of all administration staff	7 years 5 months
D3	Staff vacancy rate as %	4.18%
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	3,215
D5	Ratio of administration staff (excluding management) to total number of scheme members	3,593

Table E - Data Quality			
	Annual Benefit Statements	Active	Deferred
E1	Percentage of annual benefit statements issued as at 31 August	99.55%	99.99%
	Short commentary if less than 100%	42 active statements not produced by 31/8/25, 39 due to outstanding information from employers, 3 awaiting a rejoiner process.	1 deferred not produced due to an error.
	Data category		
E3	Common data score	95%	
E4	Scheme specific data score	94%	
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	1.74%	
E6	Percentage of active, deferred and pensioner members with an email address held on file	70%	
Employer			
E7	Percentage of employers set up to make monthly data submissions	0	
E8	Percentage of employers who submitted monthly data on time during the reporting year	N/A	

Other information

Retirements by type

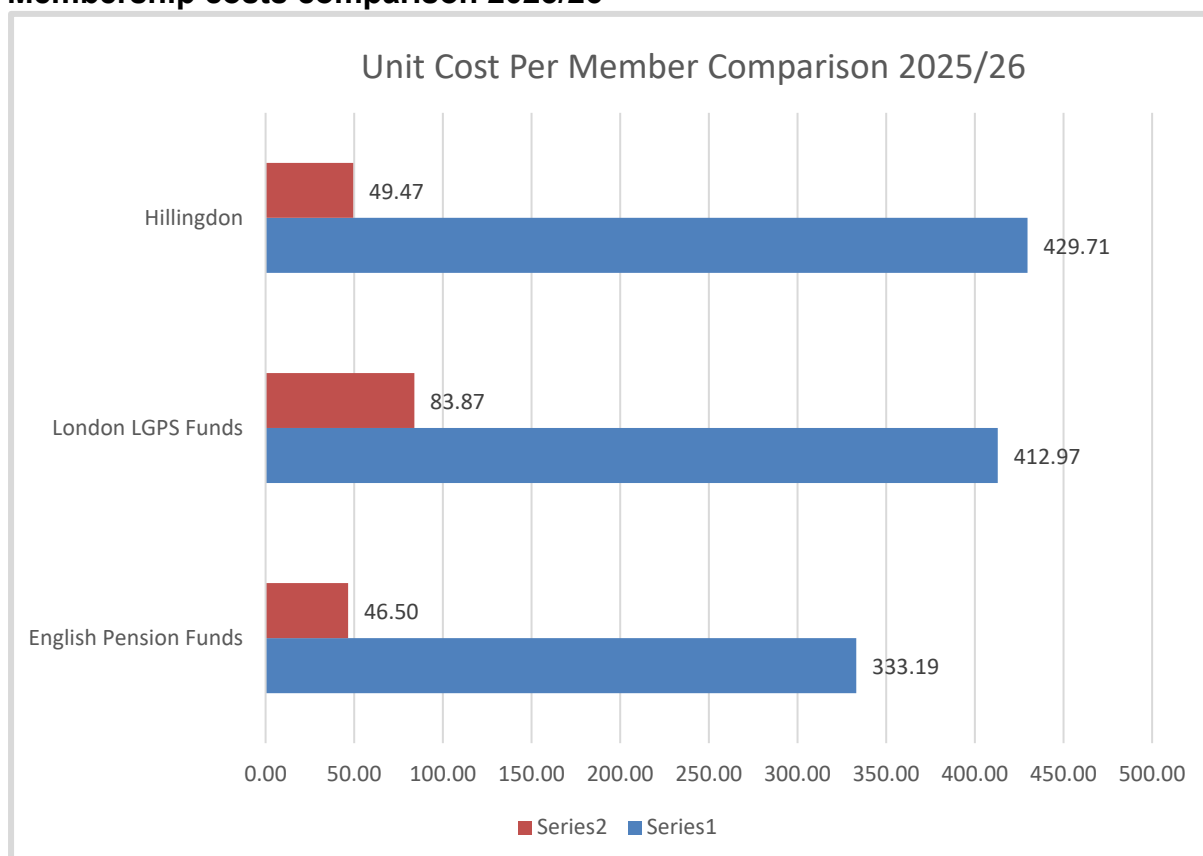
Deferred	328
Active - volun	123
Ill health	20
Redundancy	21
Total	492



The increase in costs per member from £43 in 2024/25 to £49 per head in 2025/26 is attributable to higher administration, governance and oversight costs in the period under review. The mature profile of alternative investments resulted in performance fees remaining broadly consistent, with the cost per member including investment expenses remaining unchanged at £430 as portfolios continued to wind down due to expiration of their respective investment periods

The cost comparison chart below is the latest comparative figure available from the ONS.

Membership costs comparison 2025/26



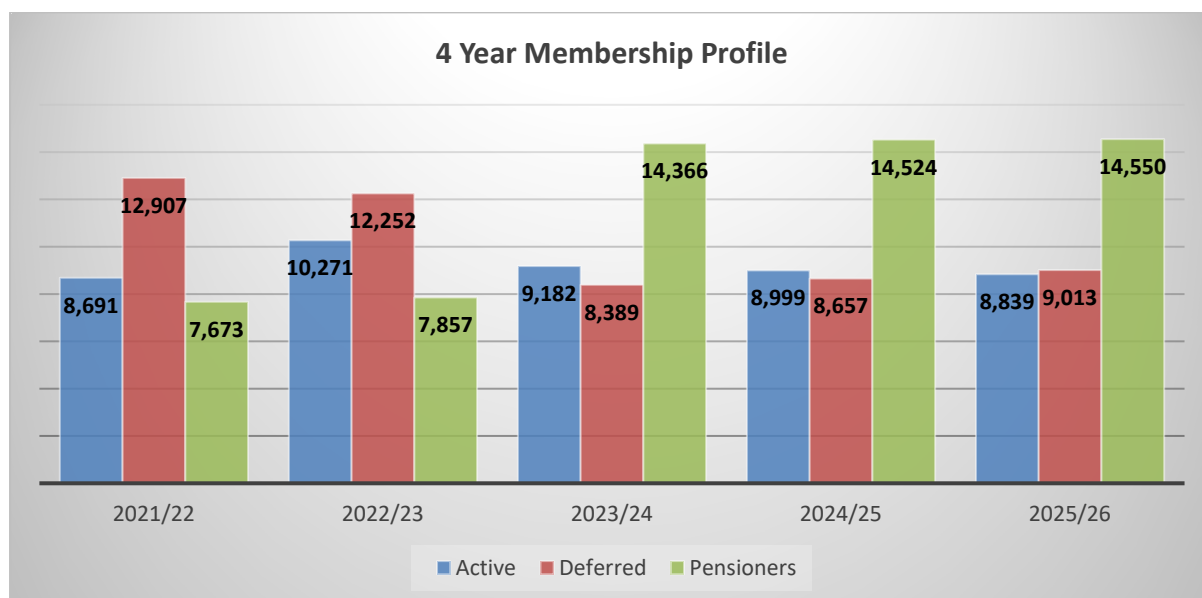
For 2025/26, the Fund's unit cost per member excluding investment management expenses was £49.47 per member, compared with an average of £83.87 per member across London LGPS funds and £46.50 per member across English pension funds. This indicates that the Fund continues to operate efficiently, with administration and governance costs significantly below the London average, although marginally higher than the English funds benchmark.

Including investment management expenses, the Fund's unit cost per member was £429.71, compared with £412.97 for London LGPS funds and £333.19 for English pension funds. The higher overall cost reflects the Fund's investment management expenses and remains above both comparator groups. As investment management costs are largely driven by the Fund's investment strategy and asset allocation decisions, the higher cost per member should be considered alongside the Fund's long-term investment performance and funding objectives rather than as a measure of administrative efficiency.

**Based on comparative figures obtained from ONS SF3 available as of 31 March 2026.*

MEMBERSHIP

Overall, scheme membership increased year-on-year by 222 (0.7%) from 32,180 to 32,402 in 2025/26. The increase was mainly driven by a rise in deferred members, which increased by 356 (4.1%) from 8,657 to 9,013, and pensioners, which increased by 26 (0.2%) from 14,524 to 14,550. This was partially offset by a decrease in active members of 160 (1.8%) from 8,999 to 8,839. The membership profile over the last five years is shown below.



The total number of pensioners in receipt of enhanced benefits due to ill-health or early retirement on the grounds of redundancy or efficiency of the service on 31 March over a five-year period is shown in the table below.

Reasons for leaving	2021/22	2022/23	2023/24	2024/25	2025/26
Ill Health Retirement	8	21	28	11	20
Redundancy	28	11	38	20	21
Total	36	32	66	31	41

COMPLAINTS

The Council's complaints procedure is available to any person who wishes to suggest or complain about the service. Number of complaints are reported as part of the administration KPI monitoring quarterly to Pensions Committee.

There is also a two-stage statutory Independent Dispute Resolution Procedure (IDRP) within the LGPS regulations. Details of this procedure are available on the Pensions web pages at www.hillingdon.gov.uk or on request. An application at stage one of the process is to the Chief Accountant, London Borough of Hillingdon.

CONTRIBUTING EMPLOYERS AND CONTRIBUTIONS RECEIVED

Below are a list of the current active contributing employers and the contributions received for 2025/26 (Figures include early retirement and deficit funding contributions).

2025/26

Employer	Type	Total Contributions	Contribution Rate %
London Borough of Hillingdon	Administering Authority	33,735,373.94	24.1
Barnhill School - ACADEMY	Scheduled Body	339,057.92	22.7
Belmore Primary School - ACADEMY	Scheduled Body	204,913.56	23.9
Bishop Ramsey C Of E School - ACADEMY	Scheduled Body	318,994.96	24
Bishopshalt School - ACADEMY	Scheduled Body	363,454.65	29
Charville Primary School	Scheduled Body	250,017.69	21.5
Coteford Academy - QED Academy Trust	Scheduled Body	190,830.38	26
Cowley St Laurence - LBDS FRAYS ACADEMY	Scheduled Body	149,073.10	23.8
Cranford Park School - Park Federation Academy	Scheduled Body	312,754.64	21.4
Douay Martyrs School - ACADEMY	Scheduled Body	502,348.23	23.5
The Eden Academy (Payroll Staff - Eden Academy Trust)	Scheduled Body	375,115.79	20
VLT - Field End Junior School	Scheduled Body	95,296.33	24.3
Grangewood School - EDEN ACADEMY	Scheduled Body	294,920.71	20
Global Academy - Heathrow	Scheduled Body	99,450.08	23.6
Guru Nanak Sikh Secondary - Guru Nanak Academy Trust	Scheduled Body	465,418.60	20.8
Harefield ACADEMY	Scheduled Body	124,074.48	22.6
Haydon Secondary School - ACADEMY	Scheduled Body	365,776.28	21
Heathrow Aviation (UTC) Alet	Scheduled Body	46,141.15	18.7
VLT - Hermitage Primary	Scheduled Body	153,132.85	24.3
Hillingdon Primary School - Elliot Foundation Trust	Scheduled Body	171,844.70	21.4

John Locke Academy - Elliot Foundation Trust	Scheduled Body	143,379.21	20
Lake Farm Academy - Park Federation Academy	Scheduled Body	239,623.15	19.7
Laurel Lane Primary School	Scheduled Body	146,111.40	23.8
LDBS FRAYS ACADEMY BGC	Scheduled Body	73,137.04	23.8
FRAYS TRUST	Scheduled Body	902,149.21	17.7
LHC	Scheduled Body	100,597.50	23.8
MPT - Central Payroll	Scheduled Body	268,607.98	20
Moorcroft Special School - EDEN ACADEMY	Scheduled Body	78,368.65	20.8
NANAKSAR PRIMARY - Guru Nanak Academy Trust	Scheduled Body	257,906.72	23.3
Northwood Academy - QED Academy Trust	Scheduled Body	104,863.58	19.7
Park Federation - Academy (Payroll Staff)	Scheduled Body	298,574.42	20
Pentland Field School - Eden Academy	Scheduled Body	233,885.98	26.4
Pinkwell Primary School - Elliot Foundation Trust	Scheduled Body	327,445.08	20.5
Queensmead Secondary School - QED Academy Trust	Scheduled Body	756,988.75	23.2
Rosedale College - Rosedale Hewens Academy Trust	Scheduled Body	310,785.72	24.3
Ruislip Academy	Scheduled Body	119,666.99	24.3
Ryefield ACADEMY - Multi Academy Trust	Scheduled Body	112,923.92	23.8
St Martins Primary School	Scheduled Body	135,424.67	23.8
St Matthews Primary School - LBDS FRAYS ACADEMY	Scheduled Body	162,447.85	18.5
Park West Academy	Scheduled Body	266,412.24	20
Sunshine House (Eden Academy)	Scheduled Body	351,005.83	19.2
Swakeleys School - ACADEMY	Scheduled Body	3,438,798.16	20
HCUC	Scheduled Body	360,393.19	20.8
Uxbridge High School - ACADEMY	Scheduled Body	182,844.58	24.3
VLT Central Payroll	Scheduled Body	375,964.76	24.3
Vyners School - Multi Academy Trust			

West Drayton Primary School	Scheduled Body	215,338.99	25.9
William Byrd Primary	Scheduled Body	182,348.91	26.5
Willows Special School - ACADEMY	Scheduled Body	174,654.81	29.2
Woodend Park School - Park Federation Academy	Scheduled Body	278,667.86	20.1
CCS HOMECARE SERVI	Admitted Body	44,167.40	26
CUCINA - Bishopshalt	Admitted Body	11,421.36	27.3
Cucina (VLT Ryefield)	Admitted Body	8,153.91	17.1
ENERGY KIDZ LTD	Admitted Body	354.69	34.5
E/N HERTS NHST	Admitted Body	2,493.52	36
Greenwich Leisure Services	Admitted Body	50,840.15	26
Hayward Services (Ryefield)	Admitted Body	5,751.35	26.3
Hayward Services (Guru Nanak)	Admitted Body	33,544.44	31.9
Hayward Services (VLT-Field End Junior)	Admitted Body	4,601.31	24.6
Hayward Services (VLT-Hermitage Primary School)	Admitted Body	1,472.26	18.7
Hillingdon Care Contract	Admitted Body	13,497.68	21.6
HEATHROW TRAVEL CARE	Admitted Body	61,780.56	18.9
Hillingdon & Ealing Citizens Advice	Admitted Body	18,378.44	35.4
HPS Services FM Ltd	Admitted Body	25,455.98	28
Service Master (Clean) Belmore Academy	Admitted Body	5,259.76	33.1
KGB Cleaning (Highfield School)	Admitted Body	165.90	34.6
Glen Group Ltd (Meadow High School)	Admitted Body	1,852.41	23.6
The Pantry (UK) Limited(Frays Academy - St Matthews)	Admitted Body	7,733.02	19.9
Junior Adventures Group (formerly EnergyKidz) (Sacred Heart)	Admitted Body	1,678.53	22.8
Nucleus	Admitted Body	2,875.05	21.2
Compass Catering (West Drayton Acd Ctr)	Admitted Body	12,455.81	30.6
Total		49,471,240.73	

Analysis of Fund Membership Data

The following table summarises the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities).

Analysis of Fund Membership Data			
	Active	Ceased	Total
Administering Authority	1	0	1
Scheduled Bodies	43	0	43
Admitted Bodies	21	0	21
	65	0	65

London Borough of Hillingdon Pension Fund (“the Fund”) Actuarial Statement for 2025/26

11 September 2026

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2018. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS).

In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the overall Fund
- to ensure the solvency of each individual employers’ share of the Fund based on their expected term of participation in the Fund
- to maximise the returns from investments within reasonable and considered risk parameters, and hence minimise the cost to the employer
- to minimise the degree of short-term change in employer contribution rates
- to ensure that sufficient cash is available to meet all liabilities as they fall due for payment
- to help employers manage their pension liabilities
- where practical and cost effective, to make allowance for the different characteristics of different employers and groups of employers

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2025. This valuation revealed that the Fund’s assets, which at 31 March 2025 were valued at £1,410 million, were sufficient to meet 118% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £211 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers’ contributions for the period 1 April 2026 to 31 March 2029 were set in accordance with the Fund’s funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2025 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2025 valuation were as follows:

Financial assumptions	31 March 2025
Discount rate	6.3%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2024 model, with core parameterisation, except, initial addition of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.2 years	24.8 years
Future Pensioners*	22.8 years	25.8 years

**Aged 45 at the 2025 Valuation.*

Copies of the 2025 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2025

The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Fund's liabilities.

Overall, we estimate that the funding position is likely to be slightly lower than at the previous formal valuation at 31 March 2025.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2029.

Prepared by:

Craig Alexander FFA C.Act

26 May 2026

For and on behalf of Hymans Robertson LLP

F: GOVERNANCE

Pension Committee

The Pensions Committee is the formal decision-making body for the Fund. The Committee consists of five Councillor Members, all with voting rights. During 2025/26 these were:



Councillor
Reeta Chamdal
(Chairman 2026)



Councillor
Kaushik Banerjee
(Vice-Chairman)



Councillor
Peter Smallwood
(From 27 November 2025)



Councillor
Stuart Mathers



Councillor
Tony Burles
(Until 09 July 2025)



Councillor Keith Burrows
(Until 26 November 2025)



Cllr Labina Basit
(From 10 July 2025)

The Committee meets quarterly to discuss investment strategy, legislative changes and developments that may affect the Fund, and to review the performance of the Fund Managers and the Fund Administrators. Committee training has been incorporated into these quarterly meetings to ensure that Committee Members maintain their knowledge and skills at a sufficient level to enable them to discharge their duties in relation to the Fund.

Record of Attendance

Name	Meetings attended
Cllr Reeta Chamdal	4/4
Cllr Kaushik Banerjee	1/4
Cllr Peter Smallwood	2/2
Cllr Keith Burrows	1/1
Cllr Stuart Mathers	4/4
Cllr Tony Burles	1/1
Cllr Labina Basit	3/3

Local Pension Board

The London Borough of Hillingdon local Pension Board was established in 2015 and like the Committee met on a quarterly basis. The Board was reconfigured in November 2017 with a change to membership and terms of reference.

The members of the Board meetings during 2025/26 were:

Employer Representatives:

Shane Woodhatch

Marie Stokes

Anna Beattie – From January 2024

Scheme Member Representatives:

Roger Hackett

Tony Noakes

Vacant

Record of Attendance

Four Meetings were held in 2025/26: April 2025, July 2025, November 2025 and February 2026.

Name	Meetings attended
Roger Hackett	4/4
Tony Noakes	4/4
Shane Woodhatch	0/4
Anna Beattie	1/4
Jack Francis Kent	3/4
Vicky Trott	2/4

The Board is not a decision-making body, rather it has a compliance and scrutiny role to ensure the Pensions Committee complies effectively and efficiently with the code of practice on the governance and administration of public service pension schemes issued by The Pensions Regulator, through the codes of Practice. Additionally, the Pension Board will help ensure that the London Borough of Hillingdon Pension Fund is managed and administered effectively and efficiently and complies with the code of practice.

Knowledge and Skills

The CIPFA Knowledge and Skills framework has been utilised to track training needs of both Pensions Committee and Pensions Board with some additional categories on asset classes and investment topics for Pension Committee members to ensure investment decisions are supported with knowledge in those areas. All members have been asked to complete a review scoring themselves against each topic from 1-5 of knowledge with 5 being highly skilled and 1 being no knowledge.

The Fund has a training policy in place which is reviewed every 3 years and members are invited on relevant training when courses arise. In addition, training is provided at the start of Pension Committee and Pension Board meetings.

Internal training provision has been focused on topics where members have highlighted, they have low knowledge and skills from their training needs analysis or where complex areas of investment decision making are taking place, and the Fund want to ensure the Committee are skilled in making those decisions.

Training Received in 2025/26

Pensions Committee Continuous Professional Development Log 2025/26

		Pensions Committee Members				
DATE	DETAILS	CIlr Reeta Chamdal	CIlr Kaushik Banerjee	CIlr Stuart Mathers	CIlr Peter Smallwood OBE	CIlr Labina Bosit
13/05/2025	London CIV Investment Review	0.75				
13/05/2025	Pensions Chair SAB meeting	1.5				
15/05/2025	Triennial Valuation Training - Hymans Robertson	2	2	2		
10/06/2025	Hymans Robertson - "Fit for the future webinar		1			
11/06/2025	LCIV Baillie Gifford - Manager Update	1				
09/07/2025	LAPFF Business Meeting			2		
16/07/2025	LCIV AGM	2				
18/07/2025	Pension fund Investment Forum - By Isio	2	2	2		
31/07/2025	London CIV Private Market Investment Review Webinar	2.5				
05/08/2025	London CIV Fixed Income & Multi Asset Webinar	1				
08/10/2025	LCIV Sustainability Working Group	2				
21/10/2025	Hymans Robertson	1				
22/10/2025	Scheme Advisory Board Conference	7				
30/10/2025	Tri-Borough Investment Training	4				
17/11/2025	Isio Investment Strategy Training	1.5	1.5	1.5		1.5
27/11/2025	Scheme Advisory Board Pooling Guidance	2				
28/11/2025	Isio Investment Sub-Committee Training	2	2	2	2	2
	Total Training Hours 2025/26	32.25	8.5	9.5	2	3.5
	CIPFA Knowledge & Skills Framework 7 Modules (Completed) 14 Hours	*	*	*	**	**
*Required Minimum PB Annual Training Hours (14 Hours)		14	14	14	14	14
*Completed Knowledge and Skills training prior to 2025/26.			Keys			
**Clrs Smallwood and Bosit joined Pension Committee on 27 November 2025 – training to be completed.						
			Meets Prorata Annual Requirement			
			On track to Prorata Annual Requirement			
			Did Not Meet Requirement			

Pension Board Annual Report 2025

1 Chair's Foreword

Welcome to the Annual Report of the Local Pension Board (LPB) of Hillingdon Pension Fund (HPF). This report covers the period from January to December 2025. At the Board meeting in February 2025, I was privileged to be elected to serve a third term as Chair of the Board during the calendar year 2025.

The Board met face-to-face for all four meetings during 2025. The Fund's administration partner, Hampshire Pension Services (HPS), also continued to attend virtually presented to the Board at each meeting. This is in continuation of the commitment of HPS to work collaboratively with the Fund, but also an extra layer of governance as the Board can now directly scrutinise and monitor the partnership administration arrangement and satisfy themselves that all day-to-day and ongoing administration requirements are being delivered.

Some of the key achievements the Board oversaw in addition to the regular review of the Pensions Committee reports were:

- Maintaining full compliance with the Pension Regulators General Code of Practice (GCoP)
- Assisting with the development of the Governance Plan in line with updated Pensions Regulator General Code and SAB Good Governance framework
- Production and implementation of a Cyber Security policy
- Production and implementation of an Equality, Diversity and Inclusion Policy (EDI) as part of the General Code of Practice (GCoP) compliance
- Monitoring breaches and ensuring corrective actions were implemented
- Undertaking targeted training
- Keeping abreast of Pension Dashboard progress
- Monitoring progress against implementation of McCloud, GMP and data cleansing projects
- Closely monitoring service provision of Hampshire Pension Services.
- Monitoring progress and implementation of Investment Strategy Statement
- Scrutinising and challenging investment and adviser performance
- Supporting the development of the Administration Strategy
- Supporting with the Pensions Committee and Officers

The year ahead continues to be met with governance and compliance challenges and the resulting uncertainties in terms of changes in rules that the government may implement.

There are upcoming regulatory changes with which the Fund must comply and that the Board will oversee, many of which continue to roll forward from the previous year; these include:

- The Fit for the future regulations
- Good Governance Framework
- The Pensions Dashboard Programme
- The Data Improvement Programme
- Continued implementation of McCloud

In closing I would like to thank the Pensions Committee, Officers, Advisers and fellow Board Members for their cooperation and support during my time as Chair and I look forward to helping the Fund address the challenges we expect to face in 2026.

Roger Hackett - Chair of Hillingdon Local Pension Board (2025)

2 Introduction to the Local Pension Board

The Public Service Pensions Act 2013 introduced the requirement to have a Local Pensions Board to assist in the good governance of the Local Government Pension Scheme 'Scheme'.

The purpose of the Board is to assist the Administering Authority in its role as a Pension Fund Manager of the Scheme. Such assistance is to:

- Secure compliance with the regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme; and
- To ensure the effective and efficient administration of the Scheme.

London Borough of Hillingdon Council established the with effect from 1st April 2015 with subsequent amendments to Board structure and Board flexibilities being approved in the intervening years.

The Board meets four times a year and for 2025 consisted of three Employer representatives, and three scheme member representatives.

Membership of the Board

Employer Representatives	Scheme/Fund Member Representatives
Anna Beattie	Roger Hackett
Shane Woodhatch	Tony Noakes
Jack Francis-Kent – From July 2024	Vicky Trott – From Nov 2024

Record of Attendance

Name	Feb-25	Apr-25	Jul-25	Nov-25
Roger Hackett	Y	Y	Y	Y
Tony Noakes	Y	Y	Y	Y
Shane Woodhatch	N	N	N	N
Jack Francis-Kent	N	Y	Y	Y
Anna Beattie	Y	Y	Y	N/A
Vicky Trott	Y	Y	N	N

The Scheme Advisory Board's LGPS Guidance on the Creation and Operation of Local Pension Boards in England and Wales recommends that the Board produces a report to the Pensions Committee, on the work undertaken during the year and future work plans. This report covers the work of the 2025 period.

Governance adviser Marian George assisted the Fund on Governance issues and supported the development and work of the Board and attended meetings.

3 Summary of the Work of the Board

Administration Partnership.

2025 saw the Fourth year with Hampshire Pension Services; our partner in delivering administration services for the Hillingdon Fund.

The Board were heavily involved in monitoring of their performance and governance. The Board continue to provide robust challenge to ensure all aspects relating to ongoing issues such as backlog of leavers and joiners processing, McCloud and Pension Dashboard projects are sufficiently resourced and remain on track.

The Board's direct involvement in terms of monitoring was enhanced during the year as HPS now attend Board meetings which allows direct engagement and the ability scrutinise all areas of the administration service and compliance with all governance items.

The Board are pleased to report that HPS continues to deliver a high level of service, remained at 100% against all key performance indicators and has been pro-active and at the forefront in all governance requirements. Attendance at Board meeting has strengthened the partnership and demonstrates a high level of good practice.

TPR code compliance review

During 2025, the Board has collaborated closely with officers and the Fund to ensure full compliance with the new General Code of Practise by the September 2025 deadline. Due to work load issues and other regulatory changes faced by the fund and officers, Pensions Board agreed to move full compliance date to March 2026 and

inform TPR accordingly. It was noted various other LGPS funds around the country were in the same situation.

Furthermore, the Board has been fully supportive in terms of steps taken by the Fund to ascertain where there may be gaps based on the new General Code of Practice (GCoP) and Good Governance Framework. This has enabled the Fund to highlight key areas of focus and devise an implementation timeline ahead of the new compliance deadline date.

Cyber Security & Equality Diversity and Inclusion (EDI)

The Board has continued to focus on cyber security to ensure all possible measures are in place to protect the IT infrastructure from malicious behaviour. As part of the GCoP compliance effort, the Pensions Board agreed with officers for the fund to commission and develop a Cyber Security Policy in collaboration with AON. Officers of the fund and a member of the PB, Vicky Trott collaborated to develop and produce an EDI policy for the fund in line with GCoP compliance and this was approved by the committee with further instructions to produce a gap analysis for the fund based on the policy

Other key areas of work have been undertaken as outline below

- Monitoring of the data quality and breaches
- Review of Policy documents to ensure they are kept up to date
- Monitoring the performance of the Pension Administration and observing Fund investment performance

Future Work of the Board

As partly noted in the Chair's foreword, several key areas will to be monitored in 2026 including:

- The Pensions Regulator's General Code of Practice
- Fair Deal and Gender Pay Gap
- Good Governance Framework
- The Pensions Dashboard Programme
- The Data Improvement Programme
- Funding Strategy and Investment Strategy implementation
- ESG issues including the revision of Responsible Investment Policy
- Review and update of the Board's function and responsibilities.
- Board resilience and succession planning
- Review of the risk register
- Knowledge Assessment

4 Areas Investigated by the Board

No official investigations were required or undertaken by the Board.

5 Details of any Conflicts of Interest

The SAB guidance recommends that the Board reports details of any conflicts of interest that have arisen in respect of individual Local Pension Board members and how these have been managed.

Declaration of interest remains on the agenda at the start of each meeting and in addition to the register of interest Pension Board members have been requested to renew their declaration of interest form in line with best practice.

No major conflicts of interests have arisen other than the declarations made at the start of each meeting.

Board members and officers continue to monitor conflicts of interest.

6 Areas of Concern or Risk

6.1 Regulatory changes – The Board recognises that there are currently many regulatory changes to be implemented in the LGPS. These include Fit for the future; McCloud Judgement; and Pensions Dashboard and potentially a new iteration of the Exit Cap.

The Board will continue to monitor and seek assurance from Officers that the changes can be effectively delivered in compliance with the regulatory deadlines.

7 Training

7.1 Regular training has been made available to the Board and is a standing item on the quarterly work programme. As a result of the move to virtual meetings, training has been delivered separately from the meetings. The schedule below outlines the training undertaken by the Board.

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

	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 Investment Review Webinar	03/02/2025	1							
Net-zero in LGPS: Articulating ambition and navigating the journey	18/02/2025	1							
Local Government Devolution and Reorganisation and the LGPS	28/02/2025	1							
Outlook for Investments in private Markets for 2025	19/03/2025	1							
Triennial Valuation Training - Hymans Robertson	15/05/2025	2	2	2		2	2	2	2
AON Addressing the Cyber Insurance Protection Gap in the Age of AI	12/06/2025	1					1		
Pension fund Investment Forum - By Isio	18/07/2025	2	2	0				2	
Local Government Association - LGPS Fundamentals	08/10/2025						6		
Investment Review Webinar - Equity (LCIV)	06/08/2025	1							
Quarterly Portfolio Review - Equities (Fisher)	26/08/2025	1							
2025 LGPS Valuations - Hymans Robertson	02/09/2025	1	1						
SAB Conference	22/10/2025	5							
Addressing the Cyber Insurance Protection Gap in the Age of AI (AON)	23/10/2025	1							
Tri Borough Training Morning	30/10/2025	4							
Other Training Hours			5.95				1.5		
Total Training Hours January-December 2025		22	10.95	2	0	2	10.5	26.5	15
*Required Minimum PB Annual Training Hours (14 Hours)		14	14	14	14	14			
Keys									
		Meets Prorata Annual Requirement							
		On track to Prorata Annual Requirement less 2 hours							
		Did Not Meet Requirement							

*Following the training needs assessment suitable knowledge was either demonstrated in these areas or completed in previous years.

7.2 The Board will continue training as required during 2026 to address any emerging issues and to ensure it is up to date with any regulatory or guidance requirements or outcome from the governance review.

7.3 In line with the Training policy Board members are required to undertake 14 hours of training annually.

8 Work Plan

The workplan below sets out the tasks undertaken by the Pension Board during 2025

Meetings	Specific topics
05 February 2025	• Board appointment matters • Pension Administration & Performance • Training Update Report • Draft LPB Annual Report • Governance including General Code of Practice • Draft Cyber Policy • Draft EDI Policy • Update on Fit for the future consultation • Update on Inheritance Tax Consultation (HPS) • Workplan • Review of Pension Committee Reports
23 April 2025	• Pension Administration & Performance • Training Update Report • Governance – Pensions Dashboard, EDI Policy update, Cyber Security Policy • Workplan • Effectiveness of Pension Board • Review of Pension Committee Reports
09 July 2025	• Pension Administration & Performance • Training Update Report • General Code & Good Governance Update – EDI, Cyber Security, Breaches log update and McCloud Remedy Implementation • Governance including Code of Practice • Workplan • Review of Pension Committee Reports
5 November 2025	• Pension Administration & Performance • Training Update Report • Governance

	• Workplan • Review of Effectiveness of Pension Board • Cyber Security strategy Update • EDI Policy Update • PDP (Pensions Dashboard Programme) Update • Breaches log update • Review of Pension Committee Reports
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The 2026 future workplan of the Board is set out below.

Meetings	Specific topics
04 February 2026	• Election of Board Chair • Pension Administration & Performance • Training Update Report • Draft LPB Annual Report • Governance Including General code of Practise • Cyber Update • Workplan • Review of Pension Committee Reports
08 April 2026	• Pension Administration & Performance • Review of Effectiveness of the Board • Training Update Report • Governance Including General code of Practise • Workplan • Review of Pension Committee Reports
22 July 2026	• Pension Administration & Performance • Training Update Report • Governance Including General code of Practise • Workplan • Review of Pension Committee Reports
4 November 2026	• Pension Administration & Performance • Election of Employer/Scheme Rep • Training Update Report • Governance Including General code of Practise • Workplan • Review of Pension Committee Reports

9 Expenses

The Board incurred expenses of £135 in relation to its operations in 2025. (This does not include the standard governance support fees)

G: FINANCIAL STATEMENTS and INDEPENDENT AUDIT REPORT

Statement of Responsibilities for the Pension Fund Statement of Accounts

1. Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Corporate Director of Finance.
- Manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- Approve the Pension Fund of Accounts

2. Corporate Director of Finance Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Pension Fund accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ('the Code').

In preparing this statement of accounts, the Corporate Director of Finance has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent; and
- Complied with the Local Authority Code.

The Corporate Director of Finance has also:

- Kept proper accounting records that were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

3. Corporate Director of Finance Approval of Pension Fund Accounts

I certify that these accounts present a true and fair view of the financial position of the London Borough of Hillingdon Pension Fund, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), as of 31st March 2025 and its income and expenditure for the year then ended.

Steve Muldoon
CORPORATE DIRECTOR OF FINANCE (S151 Officer)

XX-XX-XXXX

Pension Committee Certificate for the Approval of the Pension Fund Accounts

I confirm that the draft Pension Fund accounts were considered by Audit Committee at meetings held on xx-xx-2026

I confirm that this Annual Report was considered and approved for publications by Pensions Committee at the meeting held on xx-xx-2026.

Cllr Reeta Chamdal
On behalf of London Borough of Hillingdon Pension Fund
CHAIRMAN (PENSION COMMITTEE)
xx-xx-2026

Pension Fund Account

PENSION FUND ACCOUNT

	Note	31 March 2026 £'000	31 March 2025 £'000
Contributions	4	63,560	60,666
Transfers In from other pension funds	5	9,465	6,189
		73,025	66,855
Less: Benefits	6	(66,930)	(65,199)
Less: Payments to and on account of leavers	7	(14,705)	(11,110)
		(81,635)	(76,309)
Net additions/(withdrawals) from dealings with members		(8,610)	(9,454)
Less: Management expenses including fund management expenses	8	(16,968)	(13,100)
		(25,578)	(22,554)
Return on investments			
Investment income	9	24,629	17,573
Profit and losses on disposal of investments and changes in market value of investments	10A	146,326	52,595
Taxes On Income		(10)	(31)
Net return on investments		170,945	70,137
Net Increase/(Decrease) in the fund during the year		145,367	47,583
Net Assets at start of year		1,409,537	1,361,954
Net Assets at end of year		1,554,904	1,409,537

	Note	31 March 2026 £'000	31 March 2025 £'000
Investment Assets	10	1,554,101	1,406,412
Investment Liabilities	10	-	-
Total net investments		1,554,101	1,406,412
Current Assets	11	1,651	3,364
Current Liabilities	12	(848)	(239)
fund benefits at the end of the reporting period		1,554,904	1,409,537

The Pension Fund Accounts summarise the transactions of the scheme and show the net assets at the disposal of members. They do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 18.

Steve Muldoon
Corporate Director of Finance & S151 Officer
 XX XXXX 2026

Pension Fund Account

1. DESCRIPTION OF THE FUND

a. General

The London Borough of Hillingdon Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by the London Borough of Hillingdon ("the administering body"). The Council is the reporting entity for this pension fund. The Fund is a contributory defined benefits scheme established in accordance with statute to provide benefits to members and retired members of the London Borough of Hillingdon and Admitted and Scheduled bodies in the Fund. Benefits in respect of service from 1 April 2014 are based on career average revalued earnings (CARE) scheme. Benefits in respect of past service up to 31 March 2014 are based on final salary. Pensions move in line with the Consumer Price Index (CPI) annually. Benefits paid out include a pension payable to former members and their dependants, lump sum retirement benefits, payment of death benefits where death occurs in service or retirement, and yearly payment of benefits on medical grounds.

The Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- Local Government Pension Scheme Regulations 2013 (as amended)
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

b. Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside of the scheme. Due to government legislation, since 1 February 2013 all new employees who are not in the scheme are automatically enrolled. Members have the option to opt out of the scheme. Employees who have opted out are then re-enrolled every 3 years, when they can again opt out.

Organisations participating in the London Borough of Hillingdon Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the Fund.
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable, and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Employers who contribute to the Fund in addition to London Borough of Hillingdon are:

Admitted Bodies:

CCS Homecare Service

Cucina – Bishopshalt

Cucina – VLT Ryefield

East & North Herts NHS Trust

Energy Kidz Ltd

Greenwich Leisure

Hayward Services

- Guru Nanak School
- Ryefield School
- Field End Junior School
- Hermitage Primary School

Heathrow Travel Care

Notes to the Pension Fund Account

Hillingdon Care Contract

Hillingdon & Ealing Citizens Advice

HPS Services FM Limited

Service Master – Belmore Academy

KGB Cleaning – Highfield School

Glen Group Ltd – Meadow High School

The Pantry (UK) Limited (Frays Academy – St Matthews)

Junior Adventures Group (Sacred Heart)

Nucleus

Compass Catering (West Drayton Academy Catering)

Scheduled Bodies:

Barnhill Academy

Belmore Academy

Bishop Ramsey Academy

Bishopshalt Academy

Charville Academy

Douay Martyrs Academy

Eden Academy Trust

- Moorcroft School
- Pentland Field School
- Grangewood School
- Sunshine House School

Elliot Foundation Trust

- Hillingdon Primary School
- John Locke Academy
- Pinkwell School

Guru Nanak Academy Trust

- Nanak Sar Primary School
- Guru Nanak Sikh Academy

Global Academy

Harefield Academy

Richmond, Harrow & Uxbridge College

Haydon Academy

UTC Heathrow

Notes to the Pension Fund Account

LBDS Frays Academy Trust

- Cowley St. Lawrence Academy
- Laurel Lane Academy
- St. Matthews Primary School
- St. Martins Primary School

London Housing Consortium

Park Federation Trust

- Park Academy West London
- Cranford Park Academy
- Lake Farm Park Federation
- Wood End Academy

QED Academy Trust

- West Drayton Academy
- Coteford Junior Academy
- Queensmead Academy
- Northwood Academy

Rosedale Hewens Academy Trust

Swakeleys Academy

VLT

- Field End Junior School
- Hermitage Primary School
- Ruislip Academy
- Ryefield Academy
- Vyners Academy

Uxbridge Academy

William Byrd School

Willows Academy

London Borough of Hillingdon Pension Fund	31 March 2026	31 March 2025
Number of employers with active members	65	66
Number of employees in scheme		
London Borough of Hillingdon	5,280	5,445
Other employers	3,559	3,554
Total	8,839	8,999
Number of Pensioners		
London Borough of Hillingdon	7,215	7,445
Other employers	1,798	1,212
Total	9,013	8,657
Deferred Pensioners		
London Borough of Hillingdon	9,186	9,962
Other employers	5,364	4,562
Total	14,550	14,524

Notes to the Pension Fund Account

c. Funding

The Fund is financed by contributions from the employers, Pension Fund members and by income from the Fund's investments. The Pension Fund accounts do not take account of liabilities to pay pensions and other benefits in the future. The contributions from the London Borough of Hillingdon and other participating employers are set through the triennial actuarial valuation at a rate sufficient to meet the long-term liabilities of the Fund.

Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2026. Employers also pay contributions into the Fund based on triennial funding valuations. The last such valuation was as of 31 March 2022 - this covers the three financial years following 2022/23 (2023/24, 2024/2025 & 2025/26). Currently employer contribution rates range from 18.9% to 42.3% of pensionable pay, as per the 2022 valuation (New rates apply as per 2025 valuation from 1 April 2026).

d. Investments

The Pension Fund investments are managed externally by fund managers: Adams Street Partners, AEW UK, Legal & General Investment Management, LGT Capital Partners, London CIV, Macquarie Investments, Permira LLP, UBS Global Asset Management and Blackstone Investments. In addition, there is one direct investment into pooled funds with M&G Investments.

e. Governance

The Fund is overseen by the Pensions Committee (comprised of Councillors) and the Pensions Board (comprised of an even number of employer and member representatives). The performance of the fund managers is monitored by the Pensions Committee (Four meetings in 2025-26) and governance is overseen by the Pensions Board (Three meetings in 2025-26). Pensions Committee and Pensions Board consisted of the following members in 2025/26:

Pensions Committee

Cllr Reeta Chamdal (Chairman)	Cllr Stuart Mathers
Cllr Kaushik Banerjee (Vice-Chairman)	Cllr Tony Burles – To 11 July 2025
Cllr Keith Burrows – To 11 July 2025	Cllr Labina Basit – From 11 July 2025
Cllr Peter Smallwood – From 28 November 2025	

Pensions Board

Roger Hackett (Scheme Member Representative)	Shane Woodhatch (Employer Representative)
Tony Noakes (Scheme Member Representative)	Vicky Trott (Employer Representative)
Jack Francis-Kent (Scheme Membership Representative)	Anna Beattie (Employer Representative) To July 2025

Notes to the Pension Fund Account

2. BASIS OF PREPARATION

The accounts have been compiled in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 which is based on International Financial Reporting Standards (IFRS) as amended for the public sector and underpinned by the Local Government Pension Scheme Regulations. The accounts have been prepared on an accrual basis, except for transfer values, which are accounted for on a cash basis, and summarise the Fund transactions and report on the net assets available to pay pension benefits as of 31 March 2026.

The accounts do not consider obligations to pay benefits and pensions that fall due after the reporting date (31 March 2026). The Pension Fund Accounts have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

- a. Valuation of assets
 - Market quoted investments: Equities are valued at bid market prices available on the final day of the accounting period.
 - Fixed income securities including short-term instruments are priced based on evaluated prices provided by independent pricing services.
 - For pooled funds, if bid prices are provided by the Fund administrators, then these are used, otherwise the Net Asset Value (NAV) is used. The NAV for pooled funds is derived by subtracting the fund's liabilities from assets and divide the result by total units/shares within the pooled fund.
 - Private Equity is valued using the latest audited valuation from the Limited Partner/General Partner. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.
- b. Foreign currency translation of assets and liabilities and forward foreign exchange contracts are converted into sterling at the closing middle rates of exchange in the Net Assets Statement. Overseas income is converted at rates of exchange ruling when remitted.
- c. Acquisition costs of investments occur as brokerage commission when investments are purchased. They are recorded in the cost figure on an accrual basis.
- d. Investment management expenses are recorded at cost when the fund managers/custodian invoice the fund on a quarterly basis or provide a fee schedule deducted at source. Expenses are recorded on an accrual basis. Where an investment manager's complete fee schedule has not been received by year end, an estimate based on the previous quarter's amount is included in the accounts. In 2025/26, no such fees are based on estimates. The fund also agreed with the following fund managers that their fees include elements of performance, Adams Street Partners, AEW UK, Macquarie Infrastructure Partners, Permira LLP, London CIV and Blackstone Investments.
- e. Administration expenses are paid when invoiced by third party providers through the administering authority's payment system and recharged to the Pension Fund.
- f. Interest on property developments - property is held in unit trusts for the Pension Fund, the return received is calculated in accordance with the unit price at the Net Assets Statement date.
- g. Contribution Income
 - Normal contributions are accounted for on accrual basis as follows:
 - Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes, that rise according to pensionable pay.
 - Employer contributions are set at a percentage rate recommended by the fund actuary for the period which they relate.
 - Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant body.
 - Additional employers' contributions in respect of ill-health are accounted for as part of the tri-ennial valuation exercise and employers' contribution rates adjusted accordingly for relevant employers. Early retirement strain costs are accounted for on accrual basis.
- h. Benefits are accounted for in the period in which they fall due. All benefits are calculated in accordance with the statutory regulations in force at the relevant benefit date.

Notes to the Pension Fund Account

- i. Transfers are accounted for on a cash basis, as the amount payable or receivable by the scheme is not determined until payment is made and accepted by the recipient. Group transfers are accounted for under the agreement upon which they are made.
- j. Cash and cash equivalents are held in the custody accounts by fund managers as agreed in the individual Investment Management Agreements (IMA). Cash held is at the discretion of the manager but must not exceed the stipulated permitted range in the IMA.
- k. Investment Income - dividends from quoted securities are accrued when the securities are quoted ex-dividend. Interest on cash deposits is accrued on daily basis.

Critical Judgements and Uncertainties

- l. Unquoted Alternative Investments - Fair values of alternative investments are highly subjective in nature. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted alternative investments are valued by investment managers using methods such as IFRS fair value principles, discounted cash flow method and guidelines set out by the International Private Equity and Venture Capital Association (IPEV), of which the British Venture Capital Association is a founding member. The value of alternative investments as of 31 March 2026 was £282,597k (£269,998k on 31 March 2025).
- m. Assumptions made about the future and other major sources of estimation uncertainty - The Pension Fund accounts contain estimated figures that are based on assumptions made by the Fund about the future or events that are otherwise uncertain. Estimates are made considering historical experience, current trends, and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Notes to the Pension Fund Account

Items where there is a significant risk of material movements in value in the financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines or commensurate overseas equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The fair value principles employed to value the underlying investments and the valuation policy remains unchanged. Both managers continue to use the latest valuation available from underlying investment managers, adjusting for any known cash flows and take into account any known and measurable impact. It is important to note that given the evolving situation and the quarterly cycle of private equity valuations, additional data needs to be accessible before a more accurate estimate can be made with regard to potential effects of market events on net asset values.	The total private equity investments in the financial statements are £2,213,k. There is a risk that this investment may be under or overstated in the accounts.
Item	Uncertainties	Effect if actual results differ from assumptions
Infrastructure - Macquarie Infrastructure Real Assets and LCIV Stepstone	Infrastructure Valuation represents the fair value of investments held at 31 March 2026. The valuations have been completed by MIRA (Macquarie Infrastructure Real Assets) in accordance with ASC 820-10 (Fair Value Measurements), under which the fair value is determined to be the price that would be received upon sale of the investments in an orderly transaction between market participants. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total infrastructure alternative investments in the financial statements are £75,834k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Private Finance - M&G and Blackstone	Private Finance investments are valued at par as they are mostly floating rate notes tied to LIBOR. Final valuation is undertaken by the analysts employed by the fund manager as they are not traded on the open market.	The total private finance investments in the financial statements are £33,551k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.

Notes to the Pension Fund Account

Item	Uncertainties	Effect if actual results differ from assumptions
Direct Lending - Permira Credit Solutions & LCIV Private Debt	Private Debt Investments are valued on a quarterly basis and in accordance with International Private Equity and Venture Capital valuation guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Debt investments in the financial statements are £70,392k. There is a risk that this investment may be under or overstated in the accounts. There are no openly traded market prices available for this asset category.
Item	Uncertainties	Effect if actual results differ from assumptions
Pooled Property - AEW UK & CBRE/LCIV	Pooled property assets are valued independently for the respective managers with a lot of subjective and unobservable inputs that may be affected by prevalent socio-economic issues. The underlying assets do not have the luxury of an open market transactional data like Equities and does result in valuation varying by wide degrees.	The total Pooled property investments in the financial statement is £100,607k. There is a risk the investments may be over or under stated in the accounts. These asset class of investments are not openly traded and a lot of unobservable inputs are utilised in the valuation of the assets. These unobservable valuation assumptions may have a profound effect on the actual pricing at year end thus skew shown valuation the fund accounts.
Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rates used, the rates at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of actuaries, Hymans Robertson, are engaged to provide the fund with expert advice about the assumptions to be applied. The IAS19 balance sheet is based on financial market values and future market expectation indicators as at 31 March 2026 to comply with the accounting standard.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in pension liability. An increase in assumed earnings would increase the value of liabilities and an increase in assumed life expectancy would increase the liability. This would not effect the Fund Account or Net Asset Statement, but would impact the Council Accounts. Below are the details of the sensitivity analysis to the method of assumptions used for year ended 31 March 2026 by the fund's actuaries.

Notes to the Pension Fund Account

Sensitivity to Unquoted Alternative Assets valuation and Pricing: Information on sensitivities of the valuation and pricing methodologies of these asset classes are disclosed in notes 14 and 16.

Sensitivity Analysis

Sensitivity to the assumptions for the year ended 31 March 2026	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.1% p.a increase in the Discount Rate	2%	23
1 year increase in member life expectancy	4%	57
0.1% p.a. increase in the Salary Increase Rate	0%	1
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	22

The principal demographic assumption is the longevity assumption. For sensitivity purposes, it is estimated that a 1-year increase in life expectancy would approximately increase the liabilities of the Pension Fund by around 4%.

4. CONTRIBUTIONS

By category	31 March 2026 £'000	31 March 2025 £'000
Employees	14,088	13,412
Employers Contributions:		
Normal	42,417	40,045
Deficit Funding	7,055	7,209
	63,560	60,666

Deficit Funding: At the actuarial valuation on 31 March 2022 the Fund was 88% funded, with the remaining 12% deficit to be recovered over a period of 20 years.

By authority	31 March 2026 £'000	31 March 2025 £'000
LB Hillingdon	43,236	41,503
Scheduled Bodies	20,013	18,667
Admitted Bodies	311	496
	63,560	60,666

5. TRANSFERS IN

	31 March 2026 £'000	31 March 2025 £'000
Individual transfers in from other schemes	9,465	6,189
	9,465	6,189

Notes to the Pension Fund Account

6. BENEFITS

	31 March 2026 £'000	31 March 2025 £'000
By category		
Pensions	(55,584)	(53,735)
Commutations and Lump Sum Retirement Benefits	(9,835)	(9,885)
Lump Sum Death Benefits	(1,511)	(1,579)
	(66,930)	(65,199)
By authority		
LB Hillingdon	(57,454)	(56,183)
Scheduled Bodies	(8,547)	(8,462)
Admitted Bodies	(929)	(554)
	(66,930)	(65,199)

7. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	31 March 2026 £'000	31 March 2025 £'000
Refunds to members leaving service	(180)	(157)
Individual transfers out to other schemes	(14,525)	(9,230)
Bulk Transfers Out	-	(1,723)
	(14,705)	(11,110)

8. MANAGEMENT EXPENSES

The administering authority incurred costs in managing the Fund for the period ending 31 March 2026 as follows:

	31 March 2026 £'000	31 March 2025 £'000
Administrative Costs	(1,375)	(1,212)
Investment Management Expenses	(15,069)	(11,592)
Oversight and Governance	(525)	(296)
	(16,969)	(13,100)

Notes to the Pension Fund Account

8A. INVESTMENT MANAGEMENT EXPENSES BREAKDOWN

2025/2026	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Pooled Investments	(7,456)	(3,326)	(2,150)	(1,980)
Pooled Property Investments	(7,573)	(5,868)	(27)	(1,678)
Private Equity	77	83	12	(18)
	(14,952)	(9,111)	(2,165)	(3,676)
Custody Fees/Investment Advice	(117)			
Total	(15,069)			

2024/2025	£'000	£'000	£'000	£'000
	Total	Management Expenses	Performance Fees	Transaction Costs
Pooled Investments	(6,854)	(3,635)	(1,660)	(1,559)
Pooled Property Investments	(4,632)	(3,100)	(42)	(1,490)
Private Equity	(49)	(82)	34	(1)
	(11,535)	(6,817)	(1,668)	(3,050)
Custody Fees/Investment Advice	(56)			
Total	(11,591)			

8B. EXTERNAL AUDIT COSTS

	31 March 2026 £'000	31 March 2025 £'000
Payable in Respect of External Audit	(168)	(93)
	(168)	(93)

External Audit costs are included in Oversight and Governance within Management Expenses

Any Increase in external audit costs will be attributable to fee adjustment to reflect procurement outcome by PSAA/MHCLG

9. INVESTMENT INCOME

	31 March 2026 £'000	31 March 2025 £'000
Pooled Property Investments	3,078	4,359
Pooled Investments- Unit trusts and other managed funds	19,965	12,413
Interest on cash deposits	1,586	801
	24,629	17,573

Notes to the Pension Fund Account

10. INVESTMENTS

	31 March 2026 £'000	31 March 2025 £'000
Investment Assets		
Equities	0	27
Pooled investments	1,347,805	1,195,087
Pooled property investments	145,175	194,432
Private equity	2,213	2,993
Other Investment balances		
Cash deposits	58,523	13,793
Investment income due	385	80
Total investment assets	1,554,101	1,406,412
Net investment assets	1,554,101	1,406,412

Notes to the Pension Fund Account

10A. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2025/26	Value 1 April 2025 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2026 £'000
Equities	27	-	(15)	(12)	-
Pooled Investments	1,195,087	42,035	(29,283)	139,966	1,347,805
Pooled Property Investments	194,432	196,157	(238,115)	(7,299)	145,175
Private Equity	2,993	15	(871)	76	2,213
	1,392,539	238,207	(268,284)	132,731	1,495,193
Other investment balances	1,392,539	238,207	(268,284)	132,731	1,495,193
Cash Deposits	13,793				58,523
Investment Income Due	80				385
Adjustment to Market value Changes	-			13,595	
Total Investment Assets	1,406,412			146,326	1,554,101
2024/25	Value 1 April 2024 £'000	Purchases at cost £'000	Sales proceeds £'000	Profits and losses on disposal of investments and Changes in market value of investments £'000	Value 31 March 2025 £'000
Equities	29	-	(1)	(1)	27
Pooled Investments	1,156,787	315,432	(312,520)	35,388	1,195,087
Pooled Property Investments	190,460	220	(3,930)	7,682	194,432
Private Equity	5,521	14	(1,730)	(812)	2,993
	1,352,797	315,666	(318,181)	42,257	1,392,539
Other investment balances	1,352,797	315,666	(318,181)	42,257	1,392,539
Cash Deposits	8,316				13,793
Investment Income Due	269				80
Adjustments to Market Value Changes	-			10,338	-
Total Investment Assets	1,361,382			52,595	1,406,412

Notes to the Pension Fund Account

10B. ANALYSIS OF INVESTMENTS

	31 March 2026 £'000	31 March 2025 £'000
Equities		
UK		
Quoted	0	27
	0	27
Pooled funds - additional analysis		
Fixed income unit trust	242,940	231,038
Diversified Growth Funds	70,436	60,056
Infrastructure Funds	75,834	69,221
Global Equity	889,353	763,763
Limited liability partnerships	69,242	71,009
	1,347,805	1,195,087
Other Investments		
Pooled property Investments	145,175	194,432
Private equity	2,213	2,993
	147,388	197,425
Cash deposits	58,523	13,793
Investment income due	385	80
	58,908	13,873
Total investment assets	1,554,101	1,406,412
Net investment assets	1,554,101	1,406,412

10C. INVESTMENTS ANALYSED BY FUND MANAGER

Fund Manager	Market Value 31 March 2026 £'000	%	Market Value 31 March 2025 £'000	%
Investments Managed by London CIV Pool				
Legal & General Investment Management	843,062	53	779,602	55
London CIV Asset Pool	635,740	41	423,872	31
	1,478,802	94	1,203,474	86
Investments Managed Outside of London				
Adams Street Partners	1,156	0	1,600	0
AEW UK	8,704	1	74,652	5
Blackstone Investments	33,349	2	20,705	1
LGT Capital Partners	1,057	0	1,393	0
M&G Investments	202	0	171	0
Macquarie Infrastructure	7,884	1	8,362	1
Permira Credit Solutions	7,996	1	11,214	1
UBS Global Asset Management (Equities)	22	0	50	0
UBS Global Asset Management (Property)	3	0	72,827	5
Other*	14,926	1	11,964	1
	75,299	6	202,938	14
Total	1,554,101	100	1,406,412	100

* Other includes pending trades, accrued income and cash held in custody accounts, independent of fund managers not mandated to hold cash. * No single holding within an investment represents more than 5% of total assets

Notes to the Pension Fund Account

10D. STOCK LENDING

The Fund's investment strategy sets the parameters for the Fund's stock-lending programme. At the year-end, there were no quoted equities on loan. (31 March 2025: £27k).

Counterparty risk is managed through holding collateral at the Fund's custodian bank. At the year-end the Fund held no collateral as there were no assets out on loan. (31 March 2025: £29k).

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. There are no liabilities associated with the loaned assets.

11. CURRENT ASSETS

	31 March 2026 £'000	31 March 2025 £'000
Debtors		
Employers' contributions due	10	39
Employees' contributions due	37	137
Other	668	1,619
Cash balances	936	1,569
	1,651	3,364

12. CURRENT LIABILITIES

	31 March 2026 £'000	31 March 2025 £'000
Creditors		
Other entities	(848)	(239)
	(848)	(239)

Note: Other entities liabilities are due from the Pension Fund to bodies external to the government e.g., fund managers.

13. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions paid by scheme members are not included in the accounts. The additional voluntary contributions are paid by scheme members directly to Prudential Assurance Company, who manage these monies independently of the fund and, as determined by the fund actuary, do not form part of the Fund valuation.

According to information provided by Prudential, £78k was received in additional voluntary contributions by members, in 2025/26 (£99k 2024/25) and AVC Fund value was £3,909k (£3,374k 2024/25). Any transfer of additional contributions into the Fund during the year are included in the employee contributions value as detailed in note 4.

	Market Value 31 March 2026 £'000	Market Value 31 March 2025 £'000
Prudential Assurance Company	3,909	3,374
	3,909	3,374

Notes to the Pension Fund Account

14. FAIR VALUE - BASIS OF VALUATION

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period.	Not required	Not required
Pooled investments - overseas unit trusts	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not required
Pooled Investments - Property Funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price is published.	NAV-based pricing set on a forward pricing basis	Not Required
Pooled Investments Property Funds	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Alternative Assets (Private Equity, Private Credit and Infrastructure)	Level 3	Comparable valuation of similar companies e.g. in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018)	EBITDA multiple revenue multiple discount for lack of marketability control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Having analysed historical data and current market trends, and consulted with fund managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges and has set out below the consequent potential impact on the closing value of investments held on 31 March 2026.

It is worth noting the sensitivity analysis below is just one of the possible changes to assets value due to the impact of factors affecting valuation methodology employed by the fund managers. Sensitivity being measured in this note differs from those in note 16 (other price risks).

Sensitivity of assets valued at level 3

	Valuation range (+/-)	Market Value 31 March 2026 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled investments - Limited Liability Partnerships (Infrastructure) a	10%	75,834	83,417	68,251
Pooled investments - Limited Liability Partnerships (Private Credit) b	10%	70,594	77,653	63,535
Pooled Property - UBS Property & AEW UREF	10%	100,607	110,668	90,547
Pooled Dislocation Fund - Balckstone	5%	33,349	35,016	31,682
Private Equity - d	5%	2,213	2,324	2,102
Total		282,597	309,079	256,116

Notes to the Pension Fund Account

a) The potential movement of 10% represents a combination of the following factors, which could all move independently in different directions: i) material changes in economic and financial assumptions. ii) discounted equity cash flow rate.

b) The assumed movement is based on pricing of loans in the secondary leveraged loan market, with widening/narrowing spreads resulting in price changes either way.

c) The assumed movement is based fluctuations in market prices for comparable assets, real estate market illiquidity and counterparty default.

d) Movement in the assessed valuation range derive from changes in the underlying profitability of component companies, the range in the potential movement of 5% is caused by unexpected changes to cash flow forecast and discounts for lack of potential bids.

14A. FAIR VALUE HIERARCHY

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Notes to the Pension Fund Account

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values as at 31 March 2026	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	0	0	0	0
Pooled Investments	0	1,168,028	179,777	1,347,805
Pooled Property Investments	0	44,568	100,607	145,175
Private Equity	0	0	2,213	2,213
	0	1,212,596	282,597	1,495,193
Financial Liabilities at Fair Value through Profit and Loss				
Total	0	1,212,596	282,597	1,495,193

Values as at 31 March 2025	Quoted Market Price	Using Observable Inputs	With Significant Unobservable Inputs	
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets at Fair Value through Profit and Loss				
Equities	27	0	0	27
Pooled Investments	0	1,034,152	160,935	1,195,087
Pooled Property Investments	0	88,362	106,070	194,432
Private Equity	0	0	2,993	2,993
	27	1,122,514	269,998	1,392,539
Financial Liabilities at Fair Value through Profit and Loss				
Total	27	1,122,514	269,998	1,392,539

Notes to the Pension Fund Account

14B. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

Level 3 Assets Reconciliation

Fund Managers & Asset Categories	Value 1 April 2025	Purchases at cost	Sales proceeds	Unrealised gains/(losses)	Realised gains/(losses)	Value 31 March 2026
	£'000	£'000	£'000	£'000	£'000	£'000
Private Equity - Adams Street Partners, LGT Capital Partners & UBS	2,993	15	(871)	711	(635)	2,213
Private Finance - M&G	171	-	-	31	-	202
Infrastructure - Maquarie & LCIV	69,221	5,288	(842)	1,956	211	75,834
Property - LCIV/CBRE & AEW UREF	106,070	8,480	(5,586)	(8,291)	(65)	100,607
DGF/Dislocation - Blackstone	20,705	20,445	(6,661)	(814)	(326)	33,349
Direct Lending - Permira & LCIV Private Debt	70,838	6,249	(3,510)	(3,301)	116	70,392
Total Level 3 Assets	269,998	40,477	(17,470)	(9,708)	(699)	282,597

There were no transfers into Level 3 in 2025/26

Notes to the Pension Fund Account

14C. LEVEL 3 PRICING HIERARCHY DISCLOSURES

Quantitative Information on Significant unobservable inputs

Private Equity: Adams Street & LGT capital

The significant unobservable inputs used in the fair value measurement of privately held securities are Revenue multiples, EBITDA multiple, net income multiple and discount for lack of marketability and potential bids.

Private Finance: M&G

The assets are mostly floating rate notes and held at par value.

Infrastructure: Macquarie

The following quantitative information are considered for significant unobservable inputs, in valuation of infrastructure assets:

- The acquisition financial model is used as a base case.
- Update for any material changes in economic, operational, and financial assumptions.
- Discount equity cash flows at the sum of the risk-free rate and the appropriate risk premium (as determined by the implied risk premium at acquisition unless there is an inherent change in the riskiness of the underlying investments which may necessitate a change in the risk premium).

Direct Lending: Permira

The following key terms are confirmed as inputs for each yield analysis calculation:

- Cash / PIK (Payment in Kind) margin
- Frequency of interest payments
- Commitment and settlement date
- Contracted and expected maturity date

Pooled Property: AEW and LCIV/CBRE

Fair value is primarily derived using recent market transactions on arm's length terms, where available and discounted cashflow of future earnings are taking into consideration, alongside observable and unobservable inputs.

Description of Valuation Process

Private Equity

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Private equity investments for which market quotations are not readily available are valued at their fair values by the Board of Directors. Private equity valuations are usually generated by the managers of the underlying portfolio of investments on a quarterly basis and are received with a delay of at least one-to-two months after the quarter end date. As a result, the year-end net asset value predominantly consists of portfolio valuations provided by the investment managers of the underlying funds at a specific date, adjusted for subsequent capital calls and distributions. If the Board of Directors concludes upon recommendation of the Investment Manager (after applying the above-mentioned valuation methods), that the most recent valuation reported by the manager/administrator of a Fund investment is materially misstated, it will make the necessary adjustments using the results of its own review and analysis. The valuation adjustments relate to events after the last capital account valuation statement received but based upon information provided by the investment manager and all other available unobservable inputs. In estimating the fair value of fund investments, the Investment Manager in its valuation recommendation to the Board of Directors considers all appropriate and applicable factors.

Private Finance: M&G

These assets are floating rate and are held to maturity, they are valued at par unless suffering from impairment. Impairments may be applied if an asset's credit rating deteriorates.

Direct Lending: Permira

- In each case, valuations are prepared in accordance with International Private Equity & Venture Capital Valuation ("IPEV") Guidelines
- All direct lending investments are valued on a mark-to-market basis at the date of valuation
- Where an investment is considered illiquid (level 3), a yield analysis is performed to infer a fair market value for that investment.

Notes to the Pension Fund Account

- Each valuation is reviewed to ensure:
 - Third party evidence to support pricing (such as Market data, broker quotes or Bloomberg pricing, as well as latest financials and capital structure; and any other adjustments to value) was evidenced.
 - That the valuations are prepared in a consistent manner with previous valuations and that any changes in methodology or valuation are clearly explained; and valuations are derived using methodology consistent with the IPEV guidelines.

Infrastructure: Macquarie

Valuations are calculated by the individual asset teams on a quarterly basis. The valuation process follows the British Venture Capital Association (BVCA) guidelines and is compliant with International Financial Reporting Standards (IFRS). The most generally accepted methodology of valuing infrastructure assets is by way of a discounted cash flow (DCF) analysis.

DCF-Based Market Valuation Process

Financial Model

The acquisition financial models of all the Fund's underlying investments will be externally audited prior to financial close. They will be used as the initial base financial models for the DCF analysis.

Update for Economic, Operational and Financial Assumptions

The economic assumptions in the financial models are adjusted every three months to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

The initial operational assumptions in each of the financial models are the acquisition forecasts. Any historical information (e.g., distributions received in an intervening period and year-to-date performance) will be updated within the model. In relation to forward-looking assumptions, the acquisition assumptions will continue to be used unless there is a material inconsistency between these assumptions and:

- The actual operational results to date
- The revised forecasts provided by management or approved by the board.

The financial assumptions in the model (e.g., cost of debt and capital structure) are also updated to reflect the actual debt put into place, current base rates and any material change in outlook with regards to future leverage.

Discount Rate

Equity cash flows are discounted at the acquisition internal rate of return, which is adjusted for changes in the relevant risk-free rate. The acquisition internal rate of return is the return, which is forecast under the acquisition case and price, reflecting the risks inherent in each of the investments. The difference between the acquisition internal rate of return and the risk-free rate at the date of acquisition equates to the risk premium, which is the risk compensation to equity holders.

Most of the Fund's assets are likely to see some decrease in the risk premium as assets are de-risked following acquisition. Such projects may have a changing risk "life cycle", whereby the risk changes as the asset matures. In addition, if there is a change in the inherent risk of an investment, then the risk premium may need to be reconsidered.

Pooled Property: AEW UREF and LCIV/CBRE

Pooled properties have been valued in accordance with RICS valuation – Professional Standards VPS4 (7.1) fair value and VPGA 1 valuations for inclusion in financial statements, which adopts the definition of fair value used by the International Accounting Standards Board:

"The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date."

The properties are valued individually, and the details of tenure, tenancies and floor area are considered for valuation purposes.

Notes to the Pension Fund Account

Dislocation Fund: Blackstone

Fair value guidance defines fair value, establishes a framework for measuring fair value, and establishes requirements for disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

Investments in Investee Funds.

The fair value of investments in limited Consolidated Partnerships and investment funds and affiliated limited Consolidated Partnerships and investment funds ("Investee Funds") is generally determined using the reported net asset value per share of the Investee Fund, or its equivalent ("NAV"), as a practical expedient for fair value if the reported NAV of the Investee Fund is calculated in a manner consistent with the measurement principles applied to investment companies. In order to use the practical expedient, the AIFM has internal processes to independently evaluate the fair value measurement process utilized by the underlying Investee Fund to calculate the Investee Fund's NAV. Such internal processes include the evaluation of the Investee Fund's policies and related internal controls in place to estimate the fair value of its underlying investments that are included in the NAV calculation, performing ongoing operational due diligence, review of the Investee Fund's audited financial statements and ongoing monitoring of other relevant qualitative and quantitative factors.

Narrative and Quantitative description of sensitivity to changes in valuation methods and market conditions:

Private Equity

Market valuation method applied to investments is sensitive to four main components:

- i) changes in actual market prices.
- ii) interest rate risk.
- iii) foreign currency movements; and
- iv) other price risks

Private Finance (M&G)

The only possible sensitivity associated with private finance valuations and methodology is credit rating. This may result in an analyst impairing an asset if there is a change in the asset's credit rating.

Infrastructure: Macquarie

The economic assumptions in the financial models are adjusted every three months to reflect current market conditions. The main economic variables relate to interest rates, exchange rates and inflation.

Infrastructure: LCIV

See Direct Lending, LCIV Private Debt below

Direct Lending: Permira

The yield analysis methodology used to value the level 3 assets are sensitive to the following inputs:

- EURIBOR swap rates (up to 7 years)
- LIBOR swap rates (up to 7 years)
- ELLI (3-year discounted spread data)

These inputs are sourced directly from Bloomberg feeds or independently from Duff & Phelps (ELLI data) relevant to each period end date.

These inputs impact on: (1) the implied IRR calculations at the period end valuation date; (2) the forecast cash and/or PIK yields that track LIBOR or EURIBOR; and (3) ultimately the implied asset price calculated from these inputs as the period end to determine the valuation price.

Direct Lending: LCIV Private Debt

Investments are initially recognized at cost and subsequently measured at fair value. Investments are valued on a basis that the Manager considers fair and reasonable having considered the latest available valuation provided by the investment entity. The level of estimation uncertainty is significant, and actual values may differ significantly from estimates.

Purchases and sales are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver, an asset or liability arises. All realised and unrealised gains and losses on investments are recognized as net capital gains/(losses) in the Statement of Total Return. Unrealised gains and losses comprise changes in the fair value of investments for the period.

Notes to the Pension Fund Account

Pooled Property – AEW UREF and LCIV/CBRE

Prevalent economic conditions may affect occupancy rate or possible default in rent payments and conversely affecting transaction values. Local authority intentions, planning proposals and onerous restrictions are some of the other factors to which Pooled Property assets transactions may be sensitive towards. These are:

- i) Market price risk: Future values of investments in direct property and related property investments will fluctuate due to changes in market prices.
- ii) Real Estate valuation changes: Property investments are illiquid assets and valuing is difficult.
- iii) Credit risk: counterparty (to a financial instrument) or tenant (of a property) will cause a financial loss to the Fund by failing to meet a commitment it has entered with the Fund.

15. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total	Designated as fair value through P&L	Assets at amortised cost	Financial Liabilities at Amortised Cost	Total
	31 March 2026 £'000	31 March 2026 £'000	31 March 2026 £'000	31 March 2026 £'000	31 March 2025 £'000	31 March 2025 £'000	31 March 2025 £'000	31 March 2025 £'000
Financial Assets								
Equities	-	-	-	-	27	-	-	27
Pooled Investments	1,347,805	-	-	1,347,805	1,195,087	-	-	1,195,087
Pooled property investments	145,175	-	-	145,175	194,432	-	-	194,432
Private Equity	2,213	-	-	2,213	2,993	-	-	2,993
Cash	-	58,523	-	58,523	-	13,793	-	13,793
Other Investment balances	-	-	-	-	-	-	-	-
	1,495,193	58,523	-	1,553,716	1,392,539	13,793	-	1,406,332
Total	1,495,193	58,523	-	1,553,716	1,392,539	13,793	-	1,406,332

15A. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	31 March 2026 £000's	31 March 2025 £000's
Financial Assets		
Designated at Fair Value through profit and (loss)	146,326	52,595
	146,326	52,595

Notes to the Pension Fund Account

16. NATURE & EXTENT OF EXPOSURE TO RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities. Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency, and interest rate risks) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

The risk that the fair value of cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. To mitigate against market risk the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories. The management of the assets are placed with a few fund managers with different performance targets and investment strategies. Each fund manager is expected to maintain a diversified portfolio in each asset class. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to Pensions Committee where they are monitored and reviewed.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instruments or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The potential losses from shares sold short are unlimited. The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund Investment Strategy Statement.

Other price risk - Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, the Fund has determined that the following potential change in market price risk are reasonably possible for the relevant reporting periods.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Fund asset allocations. The potential volatilities are consistent with one standard deviation movement of the change in value of assets over the last three years. This can then be applied to period end asset mix.

Had the market price of the Fund investments increased or decreased in line with the percentage change below, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Notes to the Pension Fund Account

Asset Type	Value as at 31 March 2026 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Equity	889,353	10.30%	980,956	797,750
Bonds	242,940	6.80%	259,460	226,420
Infrastructure	75,834	4.40%	79,171	72,497
Property	145,175	5.80%	153,595	136,755
Diversified Growth	70,436	4.90%	73,887	66,985
Private Debt	69,242	5.80%	73,258	65,226
Private Equity	2,213	10.90%	2,454	1,972
Total	1,495,193		1,622,782	1,367,604

Restated				
Asset Type	Value as at 31 March 2025 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
Equity	763,790	12.00%	855,445	672,135
Bonds	231,037	8.50%	250,675	211,399
Infrastructure	69,221	5.60%	73,097	65,345
Property	194,432	6.20%	206,487	182,377
Diversified Growth	60,057	5.40%	63,300	56,814
Private Debt	71,009	4.90%	74,488	67,530
Private Equity	2,993	11.10%	3,325	2,661
Total	1,392,539		1,526,818	1,258,260

Note: This table was restated for better comparison with current year.

Interest Rate Risk - The risk to which the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. Based on interest received on fixed interest securities, cash, and cash equivalents.

The Fund's direct exposure to interest rate movements as of 31 March 2025 and 31 March 2026 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest Rate Risk Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of net assets available to pay benefits. A 100 basis points (1%) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy.

The analysis that follows assumes that all other variables, in particular exchange rates remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

	Value as at 31 March 2026 £'000	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Assets exposed to interest rate risks				
Cash balances	59,459	595	60,054	58,864
Bonds - pooled funds	242,940	2,429	245,369	240,511
Total change in assets available	302,399	3,024	305,423	299,375

	Value as at 31 March 2025 £'000	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Assets exposed to interest rate risks				
Cash balances	15,362	154	15,516	15,208
Bonds - pooled funds	231,038	2,310	233,348	228,728
Total change in assets available	246,400	2,464	248,864	243,936

Notes to the Pension Fund Account

Currency Risk - The risk to which the pension fund is exposed to fluctuations in foreign currency exchange rates.

The Pension Fund can set up a passive currency hedge where these risks are perceived to be adverse. As of 31 March 2025, the Fund had no currency hedge in place for those managers who do not hedge their own portfolios. The following table summarises the fund's currency exposure as of 31 March 2026 and as at the previous period ending 31 March 2025.

Currency exposure by asset type

Currency risk sensitivity analysis

Following analysis of historical data in consultation with PIRC Ltd, the Funds data provider, the Fund considers the likely volatility associated with foreign exchange rate movements to be 5.0%, based on the data provided by PIRC. A 5.0% fluctuation in the currency is considered reasonable based on PIRC's analysis of historical movements in month end exchange rates over a rolling twelve-month period. This analysis assumes that all variables, in particular interest rates, remain constant. Managers that hedge against currency risk are not included in this sensitivity analysis. A 5.0% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk

	Asset Value 31 March 2026	Potential market movement	Value on increase	Value on decrease
		5.00%		
	£'000	£'000	£'000	£'000
Pooled Funds	889,353	44,468	933,821	844,885
Private Equity/Infrastructure	78,047	3,902	81,949	74,145
	967,400	48,370	1,015,770	919,030

Assets exposed to currency risk

	Asset Value 31 March 2025	Potential market movement	Value on increase	Value on decrease
		6.10%		
	£'000	£'000	£'000	£'000
Pooled Funds	633,163	38,623	671,786	594,540
Private Equity/Infrastructure	72,214	4,405	76,619	67,809
	705,377	43,028	748,405	662,349

Credit Risk - Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Pension Fund's entire investment portfolio is exposed to some form of credit risk, except for the derivative position, where the risk equates to the net market value of a positive derivative position. Credit risk can be minimised through careful selection of high-quality counterparties, brokers, and financial institutions. The Pension Fund is also exposed to credit risk through Securities Lending, Forward Currency Contracts, and its daily treasury activities. The Securities Lending programme is run by the Fund's custodian Northern Trust which assigns four different risk management oversight committees to control counterparty risk, collateral risk, and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the pension fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time.

The prime objective of the Pension Fund treasury management activity is the security of principal sums invested. As such it will take a prudent approach to organisations employed as the banker and deposit taker. The Pension Fund will ensure it has adequate but not excessive cash resources to meet its objectives. The bank accounts are held with NatWest Bank, which holds an S&P long-term credit rating of A. Deposits are

Notes to the Pension Fund Account

placed in the AAAM rated Northern Trust Money Market Fund which is ring fenced from the administering company. Credit ratings, market indicators and media coverage are monitored to ensure credit worthiness is maintained. The Fund's cash holding under its treasury management arrangements on 31 March 2026 was £59,459k (31 March 2025: £15,362k) and this was held with the following institutions:

Summary	Rating S&P	Balances as at 31 March 2026 £'000	Rating S&P	Balances as at 31 March 2025 £'000
Money market funds				
Northern Trust	AAAm	58,523	AAAm	13,793
Bank current accounts				
NatWest	A+	936	A+	1,569
Total		59,459		15,362

Liquidity Risk - The risk the Pension Fund will have difficulties in paying its financial obligations when they fall due.

The Pension Fund holds a working cash balance in its own bank accounts with NatWest as well as Money Market Funds to which it has instant access to cover the payment of benefits and other lump sum payments (£936k). At an investment level the fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As of 31 March 2026, these assets totalled £1,168,028k, with a further £58,523k held in cash in the Custody accounts at Northern Trust.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its financial instruments at a time of unfavourable interest rates. The Fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

17. FUNDING ARRANGEMENTS

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a revaluation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation took place as of 31 March 2025 setting rates for the period April 2026 to March 2029. The next triennial valuation will take place as of 31 March 2028.

In line with the triennial valuation the Fund updates its Funding Strategy Statement every three years. The key elements of the funding strategy are:

1. to ensure the long-term solvency of the fund, i.e., that sufficient funds are available to meet all pension liabilities as they fall due for payment.
2. to ensure that employer contribution rates are as stable as possible.
3. to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
4. to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so.
5. to use reasonable measures to reduce the risk to other employers and ultimately to the Council taxpayer from an employer defaulting on its pension obligations.

The funding level is the ratio of assets to liabilities at the valuation date. A funding level of less/more than 100% implies that there is a deficit/surplus in the Fund at the valuation date against the funding target. Funding plans are set to eliminate any deficit (or surplus) over the set time horizon and therefore get back to a funding level of 100%. To do so, additional contributions may be required to be paid into the Fund; these contributions are known as the "secondary rate".

At the 2025 actuarial valuation, the Fund was assessed as 118% funded (88% at the March 2022 valuation). This corresponded to a surplus of £211m (2022 valuation: £167m) at that time. The improvement in funding position between 2022 and 2025 primarily due to higher assumed future investment returns in 2025.

Notes to the Pension Fund Account

Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as of 31 March 2026. Details can be found at <http://www.lgpsregs.org/>.

Contribution rates

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. These rates are the payroll weighted average of the underlying individual employer primary, and the total of employer secondary rates expressed as a monetary amount, calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (%) 1 April 2026 - 31 March 2029	Secondary Rate (£)		
	2026/27	2027/28	2028/29
19.50%	-£1,028,000	-£1,057,000	-£1,087,000

The Primary rate above includes an allowance for administration expenses of 0.8% of pay. The employee average contribution rate is 6.6% of pay.

At the previous formal valuation on 31 March 2022, a different regulatory regime was in force. Therefore, a contribution rate that is directly comparable to the rates above is not provided.

The valuation of the Fund has been undertaken using a risk-based approach, this approach recognises the uncertainties, and risks posed to funding and follows the process outlined below:

Step 1: The Fund sets a funding target (or funding basis) which defines the target amount of assets to be held to meet the future cash flows. The assumptions underlying the funding target are discussed further in the next section. A measurement is made at the valuation date to compare the assets held with the funding target.

Step 2: The Fund sets the time horizon over which the funding target is to be reached.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

Assumptions

Due to the long-term nature of the Fund, assumptions about the future are required to place a value of the benefits earned to date (past service) and the cost of benefits that will be earned in the future (future service). Assumptions fall into three categories when projecting and placing a value on the future benefit payments and accrual – financial, demographic and Commutation.

Financial Assumptions

A summary of the financial assumptions underpinning the target funding basis and adopted during the assessment of the liabilities of the Fund as of 31 March 2025 (alongside those adopted at the previous valuation for comparison) are shown below.

Description	31 March 2025	31 March 2022
Funding Basis Discount Rate	6.3%	4.1%
Benefit Increases (CPI)	2.3%	2.7%
Salaries Increases	2.8%	3.2%

Notes to the Pension Fund Account

Demographic Assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2025 model, with core parameterisation, initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. for both males and females.

Based on these assumptions, the average future life expectancies at age 65 for the Employer are summarised below:

	Males	Females
Current pensioners	22.2 years	24.8 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.8 years	25.8 years

Commutation assumptions

A commutation allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits.

18. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Pension Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting Fund contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The IAS19 balance sheet is based on financial market values and future market expectation indicators as of 31 March 2026 to comply with the accounting standard.

Description	31 March 2026 % per annum	31 March 2025 % per annum
Inflation /Pensions Increase Rate	3.0%	2.8%
Salary Increase Rate	3.5%	3.3%
Discount Rate	6.2%	5.8%

An IAS 26 valuation was carried out for the Fund as of 31 March 2026 by Hymans Robertson with the following results:

Description	31 March 2026 £m	31 March 2025 £m
Present Value of Promised Retirement Benefits	1,427	1,283
Active Members	399	419
Deferred Members	346	304
Pensioners	682	560

These figures are presented as required by IAS 26. They are not relevant for the calculations undertaken for funding purposes or other statutory purposes under UK pension legislation. This item is not recognised in the Net Asset Statement, hence is considered not to be in opposition to the assertion included in the Net Asset Statement surrounding future liabilities of the Fund.

The promised retirement benefits on 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as of 31 March 2025. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, the actuary is satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Notes to the Pension Fund Account

Net Liability

The table below shows the total net liability of the Fund as of 31 March 2026. The figures have been prepared by Hymans Robertson, the Fund's actuary, only for the purposes of providing the information required by IAS26. They are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

Description	31 March 2026	31 March 2025
	£m	£m
Present Value of Promised Retirement Benefits	(1,427)	(1,283)
Fair Value of Scheme Assets (bid value)	1,555	1,409
Net Liability	128	126

19. Going Concern

The Pension Fund accounts, and Notes have been prepared on a going concern basis. The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code (Code of Practice on Local Authority Accounting in the United Kingdom 2025/26) in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The Fund's triennial valuation on 31 March 2025 reported a funding level of 118%. Currently, contributions and investment income are sufficient to fund benefits as they fall due without the need to liquidate investments. The Fund is currently operating with a cash flow surplus. If a need to obtain liquidity arises, approximately 71% of the Fund's assets are held in liquid investments.

A cash flow forecast covering the period 01 April 2025 to 31 March 2028 has been produced to confirm the solvent position and outlook of the Pension Fund over the period stated above.

20. RELATED PARTY TRANSACTIONS

It is required under IAS 24 "Related Party Disclosures" that material transactions with related parties which are not disclosed elsewhere should be included in a note to the financial statements. The London Borough of Hillingdon is a related party to the Pension Fund, represented by the Pensions Committee members. The committee is responsible for management of fund assets, including investment directions and administration of the fund. List of committee members may be found in Note 1C. The revenue contributions the Council has made into the Pension Fund are set out in note 4 to the Pension Fund accounts. No senior officer or Pension Committee member had any interest with any related parties to the Pension Fund.

Notes to the Pension Fund Account

Key Management Personnel

Two employees of the London Borough of Hillingdon held key positions in the financial management of the London Borough of Hillingdon Pension Fund. These employees are the Section 151 officer, and the Director of Pensions, Treasury & Statutory Accounts. Total remuneration payable to key management personnel is set out below:

	31 March 2026 £'000	31 March 2025 £'000
Short term benefits	26	125
Post employment benefits	2	116
	28	241

The Pensions Committee of the London Borough of Hillingdon Pension Fund ("the Fund") has prepared an Investment Strategy Statement (ISS) in accordance with the MHCLG Guidance on Preparing and Maintaining an Investment Strategy Statement.

As set out in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Pensions Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change, changes will be reflected within three months of the change occurring. The current version of the ISS is available on the pension fund pages of the Council's website: www.hillingdon.gov.uk and included in the Annual Report.

21. BULK TRANSFER

There were no bulk transfers in the year under review.

22. CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) as of 31 March 2026 totalled £87,506k (£78,201k on 31 March 2025).

These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the Private Equity, Infrastructure, Property and Private Credit parts of the portfolio. The amounts called by these funds vary both in size and timing over a period of up to six years from the date of each original commitment.

23. CONTINGENT ASSETS

Five admitted body employers in the London Borough of Hillingdon Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. Total value of bonds held come to £867,000.00.

24. POST BALANCE SHEET EVENTS

Events taking place after the 31st of March 2026 are not reflected in the financial statements or notes, unless they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions. Where events taking place before this date provided information about conditions existing on 31 March 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no events to report after the Balance Sheet date that deem adjustment or disclosure in the accounts.

H. ASSET POOLS (LCIV)

In 2015 the Department of Housing Communities and Local Government (now Ministry of Housing Communities and Local Government) issued the LGPS: Investment Reform Criteria and Guidance which set out how the government expected the LGPS to establish a number of pools to deliver:

- Benefits of scale.
- Strong governance and decision making.
- Reduced costs and excellent value for money; and
- Improved capacity to invest in infrastructure.

All administering authorities were invited to submit proposals for pooling of their investments by February 2016 including a commitment to pooling and a description of their progress towards formalising their arrangements with other authorities.

Hillingdon made the decision at Council in February 2016 to join the London CIV (LCIV), to provide the Fund with a mechanism to pool investments with other London Boroughs.

Initial share capital investment of £150k was made on joining the pool in February 2016 as well as £50k for Hillingdon's share of set up costs. In addition to set up costs the fund pays an annual development funding charge to support the work of the LCIV which is currently £72.5k and annual service charge, currently £25k.

Hillingdon Council delegated functions necessary for the proper functioning of the London CIV company, including the effective oversight of the ACS Operator to the Joint Committee (now the Shareholder Committee). The Chairman of Pensions Committee was appointed to have power to act for the Council in exercising its rights as a shareholder at any general meetings of the LCIV Company.

Delegated authority was given to the Chairman of Pensions Committee to make urgent investment decisions. This delegated authority was to enable the transition of existing mandates into the LCIV once the Fund's existing managers have reached a stage to be included in the LCIV pool. This power was approved to include signing contracts, transferring funds to ensure the relevant sub funds within the LCIV pool would be launched on time. This power was delegated purely to transition existing mandates with existing fund managers to the equivalent with the LCIV and not for any wider investment decision which remains with the Pensions Committee.

In creation of the pools, the individual fund through the Pension Committee remains responsible for the Fund's Investment Strategy and for asset allocation; however, manager selection to meet the strategic asset allocation is managed by the pool. In December 2015 the London CIV opened its first sub-fund.

At the start of 2025/26 the London CIV had the following sub funds available for Hillingdon to invest.

Fund Name	Manager	Launch Date
Global Equities		
LCIV Global Alpha Growth Paris Aligned Fund	Baillie Gifford & Co	13-Apr-21
LCIV Global Alpha Growth Fund	Baillie Gifford & Co	11-Apr-16
LCIV Passive Equity Progressive Paris Aligned Fund (A Acc)	State Street Global Advisors Limited	01-Dec-21
LCIV LV Global Equity Fund	Longview Partners	17-Jul-17
LCIV Passive Equity Progressive Paris Aligned Fund (A Inc)	State Street Global Advisors Limited	24-04-2024
LCIV NW Global Equity Fund	Newton Investment Management	22-May-17
LCIV RBC Sustainable Equity Fund	RBC Global Asset Management (UK) Limited	18-Apr-18
LCIV Sustainable Equity Exclusion Fund	RBC Global Asset Management (UK) Limited	11-Mar 2020
LCIV Global Equity Quality Fund	Morgan Stanley Investment Management	21-Aug-2020
LCIV Global Equities Value Fund	Wellington Management	28-10-2024
Emerging Market Equities		
LCIV Emerging Market Equity Fund	J.P. Morgan Asset Management	11-Jan-18
Multi-Asset		
LCIV NW Real Return Fund	Newton Investment Management	16-Dec-16
LCIV PY Global Total Return Fund	Pyrford International Limited	17-Jun-16
LCIV RF Absolute Return Fund	Ruffer LLP	21-Jun-16
Fixed Income		
LCIV Global Bond Fund	Pimco	30-Nov-18
LCIV Alternative Credit Fund	CQS	31-Jan-22
LCIV MAC Fund	CQS & Pimco	31-May-18
LCIV Short Duration Buy and Maintain Fund	Insight	06-Dec-2023
LCIV Long Duration Buy and Maintain Fund	Insight	06-Dec-2023

LCIV All Maturities Buy and Maintain Credit Fund (A Inc)	Insight	09-10-2024
LCIV All Maturities Buy and Maintain Credit Fund (A Acc)	Insight	09-10-2024
LCIV Alternative Credit Fund (A Acc)	CQS	14-10-2024
Infrastructure		
LCIV Infrastructure Fund	Stepstone Infrastructure and Real Assets	31-Oct-19
LCIV Renewable Infrastructure Fund	Blackrock, Stonepeak, Quinbrook and Foresight	30-Mar-21

Property		
LCIV Real Estate Long Income Fund	Aviva Investors	11-Jun-20
The London Fund	LPPI	16-Dec-20
Private Debt		
LCIV Private Debt Fund	Churchill and Pemberton	30-Mar-21
Alternatives		
LCIV Nature Based Solution Fund	London CIV	12-Jul-24

In addition, the pool enabled access to Legal and General Investment Management and Blackrock passive investment products, under negotiated fees, to sit alongside the ACS structure with governance of the assets from the pool.

The Fund had total LCIV holdings of £1,480m on 31 March 2026, accounting for 95% of total assets of the Pension Fund. This was invested in Ruffer (Multi Asset) Bailie Gifford (Global Alpha Paris-Aligned), Stepstone (Infrastructure), Churchill/Pemberton (Private Debt), Pimco & CQS (LCIV MAC Fund), LCIV/CBRE (Property) on the LCIV platform and LGIM Passive.

Pooled assets

Sub Fund	Value £'000 31/03/2025	Opening Proportion %	Value £'000 31/03/2026	Closing Proportion %
LCIV Global Alpha Growth Paris Aligned Fund	61,293	4.36	66,834	4.30
LCIV RF Absolute Return Fund	39,351	2.80	37,087	2.39
LCIV Stepstone Infrastructure Fund	60,859	4.33	67,950	4.37
LCIV Private Debt	59,624	4.24	62,396	4.01
LCIV MAC Fund	133,438	9.49	141,332	9.09

LCIV Global Equities Value Fund	69,307	4.93	81,060	5.21
LGIM Passive Equities	633,163	45.02	741,454	47.68
LGIM Passive Bonds	97,600	6.94	101,608	6.53
LGIM LPI Property	48,839	3.47	0	0
LCIV/CBRE Property	0	0	180,426	11.60
	1,203,474	85.58	1,480,147	95.19

Post pool reporting

The costs set out in the table below represents the initial costs of creating the London CIV (LCIV) pool as advised by the LCIV, which the Hillingdon fund is a member.

LONDON CIV WHOLE POOL SET UP COSTS	Total Direct Costs
	£000s
Set Up Costs:	
Recruitment	200
Legal	700
Procurement	200
Other support costs e.g. IT, accommodation	200
Staff costs	400
TOTAL SET UP COSTS	1,700

LB Hillingdon Annual Pool Set up Costs Breakdown and Fee Savings

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Cumulative to date
Set Up Costs	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Development Charge	85	85	85	85	73	73	486
Annual Service Charge including establishment of pool	25	25	25	25	25	25	150
Share Capital Costs	0	0	0	0	0	0	0
Transition Costs	0	0	0	0	0	0	0
Fee Savings	-96	-150	-806	-416	-762	-940	-3,170

Net (Savings)/Cost Realised	14	-40	-696	-306	-664	-842	-2,534
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The figures in the table above represents the service and development costs charges levied on the fund as a member of the London CIV pool. Transition costs refer to costs incurred in transfer of assets currently managed directly by the London CIV and passive portfolios negotiated by the CIV with LGIM. Fee savings represents the current costs of investments managed within the pool and LGIM compared with pre-pooling charges based on current asset valuations.

As at the end of 2025/26 the fund shows a net savings overall from pooling, if share capital is further excluded as it is still a fund asset then the fund has made a significant saving. As fund manager fees of the sub funds Hillingdon invests currently, are lower than before pooling, over time, the fund should show a cumulative saving in the long term.

Ongoing Investment Management Fees

The table below shows the fees paid to Fund Managers both pooled and non-pooled.

2025-26

	Asset Pool			Non-Asset Pool			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'000	£'000s	£'000	£'000	£'000s	£'000	£'000
Management Fees							
Ad Valorem	25	8,540	8,565	545	0	545	9,110
Performance	0	834	834	1,330	0	1,330	2,164
Transaction Costs	0	3,533	3,533	144	0	144	3,677
Custody	0	0	0	0	0	115	115
Other	0	0	0	0	0	2	2
Total £'000	25	12,907	12,932	2,019	0	2,136	15,068

In response to the Scheme Advisory Board Transparency Code the Fund contacted all managers regardless of whether they have signed up to the Code and requested that they complete the Transparency Code template for 2025/26 and future years to allow more transparent reporting. London CIV Ltd, in selecting Managers for the pool, also set this as a requirement that Fund Managers, they select are signed up to the Transparency Code. Information from the completed templates were utilised to compile the overall Investment management costs for 2025/26.

The following investment managers have managed mandates during the year:

Investment Managers 2025/26	
Active Equity	London CIV
DGF/Dislocation Fund	London CIV
DGF/Dislocation Fund	Blackstone
Multi Asset Credit	London CIV
Passive Equity	LGIM
UK Passive Gilts	LGIM
Private Debt	London CIV
Private Debt	Permira
Private Debt	M&G
Private Equity	Adams Street
Private Equity	LGT Capital
Property	LCIV/CBRE
Property	AEW UK Ltd
Property (LPI Index-Linked)	LGIM

Asset Allocation 2025/26

Asset Category	Opening Value		Closing Value	
	£'000	%	£'000	%
Asset Pool Managed Investments				
Active listed Equity	130,600	9.29	147,899	9.52
Active listed Fixed Income	133,438	9.49	141,332	9.09
Passive listed Equity	633,163	45.02	741,454	47.71
Passive Listed Fixed Income	97,600	6.94	101,608	6.54
Multi-asset funds/diversified growth funds	39,351	2.80	37,087	2.39
Private Debt	59,624	4.24	61,046	3.93
Infrastructure	60,859	4.33	67,950	4.37
Passive LPI Property	48,839	3.47	0	0.00
Property	0	0	136,444	8.78
Total - Pooled	1,203,474	85.58	1,434,820	92.33
Non-asset pool managed investments				
Active listed Equity	27	0	0	0.00
Private Debt	171	0.01	202	0.01
Private Debt	11,214	0.80	7,996	0.51
Property	74,651	5.31	25	0.00
Property	70,941	5.04	8,704	0.56
Multi-asset funds/diversified growth funds	20,706	1.47	33,349	2.15
Unlisted Equity	1,600	0.11	1,156	0.07
Unlisted Equity	1,393	0.10	1,057	0.07
Infrastructure	8,362	0.59	7,884	0.51
Cash	13,873	0.99	58,908	3.79
Total Non-Pooled	202,938	14.42	119,281	7.67

Grand Total

1,406,412

1,544,101

*The passive funds held with LGIM are included as “under pool management” on the framework agreed with London CIV partner funds in 2017 following a fee negotiation with the manager.

Investment Pooling Supplemental Reporting

DLUHC requires LGPS pension funds to report on investment in the UK, shown in the table adjacent, and specifically investments that support the Levelling-up agenda, which is shown in the table below. With some notable exceptions (property, index-linked gilts and investment grade credit) the Pension Fund invests in global mandates and enables its investment managers to find the best opportunities of which it expects some to be in the UK.

Central Government has set a Levelling-up agenda for the UK with the following 12 medium term missions (living standards, research and development, transport, digital connectivity, education, skills, health, well-being, pride in place, housing, crime and local leadership). Whilst the Pension Fund has not specifically allocated investment to Levelling-up in the UK, it has set targets for its alternative investments to invest in global sustainable and impact investments which will include Levelling-up investments in the UK. The following table shows that the Pension Fund has £189m (which represents 13.4% of the total Pension Fund) of investments categorised as UK Levelling-up investments.

Asset Value as of 31 March 2026	Pooled	Under Pooled Management	Not Pooled	Total
	£m	£m	£m	£m
Equities	0	889	0	889
Bonds	0	243	0	243
Property	8	137	0	145
Diversified Growth Funds/Dislocation Fund	33	37	0	70
Private Equity	3	0	0	3
Private Debt	8	61	0	69
Infrastructure	8	68	0	76
Cash & Cash Equivalents				59
Total	60	1,435	0	1,554

Asset Value as of 31 March 2026	Pooled	Under Pooled Management	Not Pooled	Total
	£m	£m	£m	£m
UK Listed Equities	0	0	0	0
Uk Government Bonds	0	102	0	102
UK Infrastructure	0	0	0	0
UK Private Equity	0	0	0	0
Total	0	102	0	102

The tables above show the level of pooled assets as of 31 March 2026. The Fund is in active conversations with its pooling operator, the London CIV, regarding further opportunities to pool its assets. This includes further investment in Private Debt and potential investment in Pooled Property.

The Fund will continue to work with the London CIV to enable the Fund to access appropriate investment solutions offered by London CIV which meet its objectives as per its latest Investment Strategy Statement. This will further increase the percentage of pooled assets in the Fund.

London Borough of Hillingdon Pension Fund

Pensions Administration Strategy

Date approved: 26 March 2024
Revised: 09 December 2025

Administration Strategy

Introduction and Background

This is the statement outlining the Pension Administration Strategy for the London Borough of Hillingdon Pension Fund ("the Fund") and has been developed following consultation with the Fund's third-party administrators, employers in the Fund, Local Pension Board members and other interested stakeholders.

The aims of the Pension Administration Strategy are to:

- ensure that the parties to which it relates are fully aware of their responsibilities under the Local Government Pension Scheme (LGPS), and
- outline the quality and performance standards expected of the Fund and its employers to ensure the delivery of a high-quality, timely and professional administration service.

London Borough of Hillingdon (the "Administering Authority") is responsible for the local administration of the Fund, which is part of the LGPS. Operationally, the administration of the Fund is undertaken through a formal delegation agreement by the Hampshire Pensions Services (HPS) team at Hampshire County Council (HCC). HPS and the Fund's officers work together to provide a seamless service to scheme employers and members.

This Pension Administration Strategy does not supersede any formal agreements between the Administering Authority and the administrators or between the Administering Authority and the employers. However, it is intended to complement such arrangements and provide greater clarity in relation to each party's role and responsibilities.

This Strategy applies to all existing employers in the Fund, and all new employers joining the Fund after the effective date of 9 December 2025. This Statement sets out the expected levels of administration performance of both the Administering Authority and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

Implementation

This Strategy outlines the level of service the Administering Authority aims to provide to scheme members and employers, as well as the role employers will need to play in providing that quality of service. It is recognised that the aims and objectives in this Strategy are ambitious in some cases and meeting these is dependent on the implementation of some changes in the existing ways of working. This Strategy is being implemented during a period which continues to present several challenges, not least:

- the need to carry out a major scheme reconciliation exercise because of the introduction of the new State Pension – GMP reconciliation project
- Changes to the scheme because of the legal ruling in the landmark McCloud judgement, which found the 2015 pension reforms affecting firefighters and judges to be discriminatory based on age.

- The unknown impact and implementation of the Local Government Pension Scheme Advisory Board (SAB) cost cap management process
- Implementation of pensions dashboard

This Strategy will be effective from 9 December 2025 and the performance indicators mentioned herein will demonstrate ongoing progress towards the Strategy's aims and objectives.

Regulatory Basis

The LGPS is a statutory scheme, established by an Act of Parliament. The Local Government Pension Scheme Regulations 2013 provide the conditions and regulatory guidance surrounding the production and implementation of Pensions Administration Strategies.

In carrying out their roles and responsibilities in relation to the administration of the LGPS, the Administering Authority and employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations
- Pensions Acts 2004 and 2011 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Data Protection Act 2003
- Finance Act 2013 and
- Relevant Health and Safety legislation.
- The Pensions Dashboards Regulations 2022

As a result of the Public Service Pensions Act 2013, the Pensions Regulator now has responsibility for oversight of several elements of the governance and administration of Public Service pension schemes including the LGPS. The Regulator has the power to issue sanctions and fines in respect of failings of the Administering Authority, and also where employers in the Fund fail to provide correct or timely information to the Administering Authority. Should this happen, the Administering Authority would recharge any costs back to employers as set out later in this strategy.

More information relating to the requirements of the Local Government Pension Scheme Regulations is included in Appendix A. This statement has been developed with those provisions in mind and describes the Administering Authority's approach to meeting these requirements in the delivery of administration.

Aims and Objectives

The primary objectives of the London Borough of Hillingdon Pension Fund are:

- to be known as forward thinking, responsive, proactive, and professional; providing excellent customer focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a 'can do' approach.

In addition, there are specific aims and objectives in relation to administration responsibilities as set out below.

Administration Aims and Objectives

The purpose of this Strategy is to set out the quality and performance standards expected of London Borough of Hillingdon in its role as Administering Authority and employer, as well as all other employers within the Fund.

The Administration Strategy has a number of specific objectives, as follows;

- Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders
- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

Delivery of Administration

London Borough of Hillingdon Pension Fund has delegated responsibility for the management of the Pension Fund to the Pensions Committee, assisted by the Local Pensions Board. The Committee will monitor the implementation of this Strategy on a regular basis as outlined below.

Operationally, the administration of the Fund is undertaken by Hampshire Pensions Services (HPS) through a delegation agreement with Hampshire County Council (HCC), supported by a small 'in-house' capacity within London Borough of Hillingdon Pension Fund.

The London Borough of Hillingdon Pension Fund will look for opportunities to work collaboratively with other Administering Authorities to reduce the quality of information such as:

- working with other administering authorities through the Pensions Officer Group networks to produce communications, which can then be customised further where necessary to the needs of the London Borough of Hillingdon Pension Fund
- Utilising economies of scale through procurement of services with other HCC managed funds
- participating in joint training sessions with other administering authorities.

Performance Standards – Quality

Local Standards

In addition to the legislative and regulatory standards, the Administering Authority and employers ensure that all administration functions and tasks are carried out to agreed standards. In this respect the standards to be met are:

- compliance with all requirements set out in the employer admission agreement
- information to be provided in the required format and/or on the appropriate forms.
- information to be legible and accurate
- communications to be in a plain language style
- information provided or actions carried out to be checked for accuracy by an appropriately trained member of staff
- information provided or actions carried out to be authorised by an agreed signatory, and
- actions carried out, or information provided, within the timescales set out in this strategy statement.

Secure Data Transfer

The Administering Authority and employers follow London Borough of Hillingdon's data security guidelines when sending any personal data. The pension administration function uses a secure email system to send data when required to prevent any sensitive information from being accidentally sent to unauthorised recipients.

One of the key methods of data transfer relating to the Fund's administration is the submission of information from employers in relation to scheme members. In order to meet the requirements, set out in this document in a secure and efficient way (for both employers and the Administering Authority), employers are strongly encouraged to use the HPS 'Employer Hub'. Any submission of data outside of this method should use a secure means for example encryption to mitigate the risk of compromising data security.

Oversight of Compliance and Quality

Ensuring compliance is the responsibility of the Administering Authority and the employers in the Fund. The Administering Authority has a range of internal controls in

place to assist with ensuring compliance and which are articulated in the Fund's risk register and risk management policy. However, there are ways in which the Administering Authority is subject to elements of scrutiny and/or oversight:

Audit

The Fund is subject to a regular annual audit which includes elements of processes and internal controls. The Administering Authority and the employers are expected to fully comply with any reasonable requests for information from both internal and approved external auditors. Any subsequent recommendations made will be considered by London Borough of Hillingdon, in its role as Administering Authority, and where appropriate duly implemented (following discussions with employers where necessary).

Local Pension Board, the national Scheme Advisory Board and the Pensions Regulator

The Public Service Pensions Act 2013 introduced greater oversight of LGPS Funds. As a result, the Local Pension Board of the London Borough of Hillingdon Pension Fund was established from 1 April 2015. In addition, the Pensions Regulator's remit was extended to include the public sector, and a national Scheme Advisory Board was created. The Administering Authority and the employers are expected to fully comply with any guidance produced by the Scheme Advisory Board and the Pensions Regulator.

Performance Standards – Timeliness and Accuracy

Overriding legislation, including The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. Further, the LGPS itself sets out a number of requirements for the Administering Authority or employers to provide information to each other, to scheme members and to prospective scheme members, dependants, other pension arrangements or other regulatory bodies. In addition to the legal requirements, local performance standards have been agreed which cover all aspects of the administration of the London Borough of Hillingdon Pension Fund. In many cases these go beyond the overriding legislative requirements.

The locally agreed performance standards for the Fund are set out in Appendix B. These standards are not an exhaustive list of the Administering Authority's and employers' responsibilities. Employers' responsibilities are provided in more detail in the employers' admission agreement.

Although all the locally agreed performance standards will be monitored on an ongoing basis by the administering authority, the key standards which will be publicly reported on are extracted and shown in the table below. These elements are measured against:

1. Any legal timescale that should be met ("legal requirement")
2. The overall locally agreed target time ("fund target")
3. The locally agreed target time for the Administering Authority or administrator

to complete that task ("LBHPF element target").

Generally, the LBHPF element target will be a sub-section of the overall process and hence will have a shorter target timescale than that being measured by the legal and Fund targets. This is because the legal and fund targets will generally include periods of time when the Administering Authority is waiting for information to be provided by an employer or scheme member.

For the avoidance of doubt "accuracy" in this strategy is defined as when the administrators have received information, for example from an employer, with.

- no gaps in the required areas *and*
- with no information which is either contradictory, or which needs to be queried.

Process maps to explain the flow of information from Schools to the Administrator are in the final stages of development and will be included as Appendix C shortly.

Hillingdon Pension Fund Key Performance Indicators

Process	Legal Requirement	LBHPF Administration element target
To send a Notification of Joining the LGPS to a scheme member	2 months from date of joining, or within 1 month of receiving jobholder information where the individual is being automatically enrolled / re-enrolled ¹	Within 20 working days of receipt of all relevant information
To inform members who leave the scheme of their deferred benefit entitlement	As soon as practicable and no more than 2 months from date of initial notification (from employer or from scheme member) ²	Within 30 working days of receipt of all relevant information
Obtain transfer details for transfer in, and calculate and provide quotation to member	2 months from the date of request ¹	Within 20 working days of receipt of all relevant information
Provide details of transfer value for transfer out, on request	3 months from date of request (CETV estimate) ³ or within a reasonable period (cash transfer sum) ⁴	Within 20 working days of receipt of all relevant information
Notification of amount of retirement benefits and payment of tax-free cash sum	1 month from date of retirement if on or after Normal Pension Age ¹ 2 months from date of retirement if before Normal Pension Age ¹	Within 15 working days of receipt of all relevant information
Providing quotations on request for retirements	As soon as is practicable, but no more than 2 months from date of request unless there has already been a request in the last 12 months ¹	Individual request within 15 working days of receipt of all relevant information
Calculate and notify dependant(s) of amount of death benefits	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request ¹	Within 15 working days of receipt of all relevant information

1 - The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, as amended

2 - The Occupational Pension Schemes (Preservation of Benefit) Regulations 1991

3 – Occupational Pension Schemes (Transfer Value) Regulations 1996

4 – Pension Schemes Act 1993

Employer Support and Performance Monitoring

This Strategy is focussed on good partnership working between the Administering Authority and the Fund's employers. The day-to-day relationship with employers will be supported by HPS and reported to Hillingdon through the 'Employer measurement and improvement' process. The strategic relationship with employers for example admissions, exits and triennial valuation will be managed by the Hillingdon Council.

HPS will support employers in carrying out their statutory role through ongoing communication, guidance and training including:

- six-monthly Employer focus group – covering specific topics and feedback and discussion around key issues/changes. Attended by representative employers from across the Fund.
- regular liaison meetings with key employers and other employers as required
- attendance at local Employer group meetings to provide updates on key Fund and Scheme issues/changes
- supporting and attendance at the Annual Employer Meeting (AEM)
- where required, specific workshops or meetings with groups of employers.

The HPS team will also proactively review Employer performance to ensure that data quality issues are addressed, that contributions are paid on a timely basis and that employers return member information (e.g. new starters, leavers) in a timely fashion. HPS will report to the Administering Authority on employer performance.

As part of this proactive approach HPS will:

- undertake the annual return process with all Scheme Employers
- address data concerns with Scheme Employers, resulting in reducing outstanding queries
- benchmark Scheme Employers annual returns based on timeliness, financial control and data quality. Scheme Employers receive a formal letter outlining this and the consequences of no improvement in future years
- request a data validation exercise be carried out by Scheme Employers who are highlighted as a 'significant' concern due to 'major data quality issues' with their previous annual return
- liaise with Finance Team in LBH in respect of any concerns they have about the timeliness of the payment of contributions by employers

Circumstances where the Administering Authority may levy costs associated with the Employers' poor performance

The Administering Authority will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Administration Strategy. The Administering Authority will also work with them to ensure that overall quality and timeliness is continually improved.

The Regulations provide that an Administering Authority may recover from an employer any additional costs associated with the administration of the scheme incurred because of the unsatisfactory level of performance of that employer. Where an Administering Authority wishes to recover any such additional costs, they must give written notice stating: -

- The reasons in their opinion that the employer's level of performance contributed to the additional cost
- The amount the Administering Authority has determined the employer should pay
- The basis on which this amount was calculated, and
- The provisions of the pension administration strategy relevant to the decision to give notice.

Commitment to the principles of this statement should mean that any non-compliance is addressed promptly, with no need to resort to levy costs. However, the following actions are possible:

- Where payment of contributions is late more than once in any 12-month period, the Fund will issue the employer with a written notice of unsatisfactory performance and may levy a charge of £150 for the late payment as well as charge interest on the late payment at a daily rate equal to the Bank of England's base rate plus 1%.
- As required of Scheme Administrators by the Pensions Act 2004, the Fund will report to the Pensions Regulator, failure of an employer to comply with requirements where they are persistent and material.
- Where the employer fails to comply with their scheme duties, including failure to pay contributions due, the Fund reserves the right to notify the member(s) involved and to notify all members employed by the employer in the event of serious or persistent failure.
- If additional and disproportionate resources are deployed by the Fund because of an employer's poor performance, the cost of the additional resources may be re-charged to the employer according to powers available under scheme regulations. Written notice will be given of the reasons for the re-charge, how the cost was calculated, and the part of this statement which, in the Fund's opinion, was contravened. The following table of charges applies to the annual return and employer performance benchmarking process.

Event	Charge levied
Failure to provide a complete annual return by 30 April	£150 per return, increasing by £150 for each further month this is late
Failure to provide full responses to queries raised through the annual return process within 10 working days	£50 per chaser communication
For Employers who are rated red for data quality as part of annual return benchmarking for 2 or more consecutive years a charge will be incurred on all queries raised	£25 per query
Additional work to correct records due to incorrect submission of annual return data	£35 per hour

- Where orders or instructions issued by The Pensions Regulator, the Pensions Ombudsman or other regulatory body require financial compensation or a fine to be paid by the Fund, or by any officer responsible for it, and it is due to the default, omission or otherwise negligent act of the employer, the sum concerned will be recharged to the employer.
- Where, as a result of the employer's failure to notify the Fund of the final retirement details in a timely manner, payment of any retirement lump sum is not made within 30 days from the date of the member's retirement, the Fund may issue the employer with a written notice of unsatisfactory performance and may charge the employer for the interest payment made.
- Where it is proven that the employer is not responsible for any fine or penalty imposed by The Pensions Regulator or any other statutory body as a result of non-compliance of this Service Level Agreement, any such charge will automatically default to the Fund.
- From time to time, the Fund will offer training and support to employers through 'Employer Days' and workshops. There is no charge made to an employer for attending this event, however the Fund reserves the right to charge a late cancellation fee of £100 + VAT, where at least one week's notice has not been given of non-attendance.

Measuring whether the Administration Objectives are met

The Administering Authority will monitor performance in carrying out its responsibilities in relation to the scheme and will regularly monitor performance by benchmarking against other administering authorities, using benchmarking clubs and other comparators where available. How well the Fund performs will be reported in the Fund's Annual Report based on the statistics available at that time.

In addition, the Administering Authority will monitor success against its administration objectives in the following ways:

Objectives	Measurement
Provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders.	Key target service standards (highlighted in table above) achieved in 95% of cases*.
Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money.	Cost per member is not in upper quartile when benchmarked against all LGPS Funds using national data (either SF3 or SAB)
Ensure the Fund's employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Fund.	Annual data checks (including ongoing reconciliations) resulting in few issues that are resolved within 2 months. Key target service standards (highlighted in table above) achieved in 95% of cases*. Issues included in formal improvement notices issued to employers resolved in accordance with plan.
Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.	Mainly positive results in audit and other means of oversight/scrutiny. Key target service standards (highlighted in table above) achieved in 95% of cases*.
Maintain accurate records and ensure data is protected and has authorised use only.	Annual data checks (including ongoing reconciliations) resulting in few issues that are all resolved within 2 months No breaches of data security protocols Mainly positive results in audit and other means of oversight/scrutiny

*Employers are expected to meet their targets in 95% of cases.

An overview of performance against these objectives and in particular against target standards for turnaround times will be reported within the Fund's annual report and accounts and reported on regularly to the Pensions Committee and Pension Board.

Where performance is substantially below standard (whether by a large margin for a short period of time or a small margin for a longer period of time) the Administering Authority will formulate an improvement plan. This will be reported to the Fund's

Pensions Committee and Pension Board together with an ongoing update on achievement against the improvement plan.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The London Borough of Hillingdon Officers will work with the Pensions Committee and the Local Pension Board in monitoring these and other key risks and formulate a response to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day-to-day delivery
- Significant external factors, such as national change, impacting on workload
- Incorrect calculation of members' benefits resulting in inaccurate costs (to employer), through for example, inadequate testing of systems
- Failure of employers to provide accurate and timely information resulting in incomplete and inaccurate records, which could lead to incorrect valuation results and incorrect benefits, which in turn could lead to complaints
- Failure to administer scheme in line with regulations and policies, including due to delays in enhancement to software or regulation guidance (e.g. transfers).
- Failure to maintain proper records leading to inadequate data, which could lead to increased complaints and errors
- Issues in production of annual benefits statements, e.g. wrong address and printing errors due to external supplier
- Unable to deliver a service to pension members due to system unavailability or failure
- Failure to maintain employer database leading to information not being sent to correct person
- Impact of COVID-19 on human resources and employer covenant.

Key Risk areas will be discussed as part of the quarterly liaison meetings with Hampshire Pensions Services

Approval and Review

This Strategy Statement was approved for consultation with stakeholders on 9 December 2025 by the London Borough of Hillingdon Pensions Committee. It will be reviewed following consultation with a view to the final strategy being agreed by Pension Committee on 26 March 2026, to become effective from that date.

It will be formally reviewed and updated at least every three years or sooner if the administration management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS Regulations or other relevant Regulations or Scheme Guidance which need to be considered.

In preparing this Strategy the Administering Authority has consulted with the relevant employers, the scheme member and employer representatives on the Local Pension Board and other persons considered appropriate.

This Strategy Statement will be included within the Fund's Annual Report and Accounts and available on the Administering Authority's website at: <http://www.hillingdon.gov.uk/pensions>.

Further Information

Any enquiries in relation to the day-to-day administration of the Fund or the principles or content of this Strategy should be sent to:

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e-mail - badekoya@hillingdon.gov.uk
Telephone - 01895 556350

Administration Legal Requirements within the LGPS

Regulations 72, 74 and 80 of Local Government Pension Scheme Regulations 2013 require the following:

Employer Responsibilities:

- To decide any rights or liabilities of any person under the LGPS (for example, what rate of contributions a person pays and whether or not a person is entitled to any benefit under the scheme) as soon as is reasonably practicable*
- To formally notify that person of the decision in relation to their rights or liabilities in writing as soon as is reasonably practicable (including a decision where a person is not entitled to a benefit and why not), including information about their internal dispute resolution procedure
- To inform the Administering Authority of all such decisions made
- To provide the Administering Authority with such information it requires so it can carry out its functions including, within three months of the end of each Scheme year**, the following information in relation to any person who has been an active member of the scheme in the previous year:
 - name and gender
 - date of birth and national insurance number
 - a unique reference number relating to each employment in which the employee has been an active member
 - in respect of each individual employment during that year:
 - the dates during which they were a member of the scheme
 - the normal pensionable pay received, and employee contributions paid
 - the pensionable pay received, and employee contributions paid whilst there was any temporary reduction in contributions
 - the normal employer contributions paid
 - any additional employee or employer contributions paid
 - any Additional Voluntary Contributions paid by the employee or employer
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to employer decisions (or a lack of a decision) ***

**And at the latest within 1 month of the need for a decision*

***Note that, in practice, the Administering Authority will require this information by a specific date as outlined in the specific correspondence requesting information to meet statutory deadlines on benefit statements*

****Note that, when the complaint made by the employee is against the decision made by the employer then the London Borough of Hillingdon Pension Fund will refer the case to the employer to consider stage 1 IDRPs complaints.*

Administering Authority Responsibilities:

- To decide the number of benefits that should be paid, including whether the person is entitled to have any previous service counting towards this for LGPS purposes, as soon as is reasonably practicable
- To formally notify that person of the decision in relation to the amount of their benefits in writing as soon as is reasonably practicable, including a statement showing how they are calculated and information about their internal dispute resolution procedure
- To appoint a person to consider complaints under stage 1 of the internal dispute resolution procedure relating to Administering Authority decisions (or a lack of a decision)
- To appoint a person to consider complaints under stage 2 of the internal dispute resolution procedure (which covers both employer and Administering Authority decisions or lack of decisions)
- To provide on request any information to an employer about a complaint under the internal dispute resolution procedure that may be required by an employer

Regulation 59(1) enables an LGPS Administering Authority to prepare a written statement ("the pension administration strategy") to assist in delivering a high-quality administration service to its scheme members and other interested parties, by setting out local standards which often go beyond the minimum requirements set out in overriding legislation as outlined above, and which the Administering Authority and employers should comply with. The statement can contain such of the matters mentioned below as they consider appropriate: -

- Procedures for liaison and communication with the relevant employers in their Fund.
- The establishment of levels of performance which the Administering Authority and the employers are expected to achieve in carrying out their functions under the LGPS by-
 - i. the setting of performance targets.
 - ii. the making of agreements about levels of performance and associated matters; or
 - iii. such other means as the Administering Authority consider appropriate.
- Procedures which aim to secure that the Administering Authority and the employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance.
- Procedures for improving the communication by the Administering Authority and the employers to each other of information relating to those functions.
- The circumstances in which the Administering Authority may consider giving written notice to an employer on account of that employer's unsatisfactory performance in carrying out its functions under the LGPS Regulations when measured against the desired levels of performance.
- The publication by the Administering Authority of annual reports dealing with—
 - i. the extent to which the Administering Authority and the employers have achieved the desired levels of performance, and

- ii. such other matters arising from its pension administration strategy as it considers appropriate
- Such other matters as appear to the Administering Authority to be suitable for inclusion in that strategy.

Regulation 59(2)e allows an Administering Authority to recover additional costs from an employer where they are directly related to the poor performance of that employer. Where this situation arises, the Administering Authority is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

In addition, regulation 59(6) also requires that, where a pension administration strategy is produced, a copy is issued to each of their relevant employers as well as to the Secretary of State. It is a requirement that, in preparing or revising any pension administration strategy, that the Administering Authority must consult its relevant employers and such other persons as it considers appropriate.

Both the Administering Authority and employers must have regard to the current version of the pension administration strategy when carrying out their functions under the LGPS Regulations.

Detailed Performance Standards

New Scheme Members	
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 20 working days from receipt of all relevant information
To apply for any transfer value details from a previous fund or scheme	Within 15 working days from receiving all information
To send a Notification of Joining the LGPS to a scheme member	Within 20 working days from receiving all information
Employers' Responsibility	
Notify HPF of a permanent National Insurance number if one was not provided with the starter information	Within two months of the member's start date in the scheme.

Changes in circumstances	
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 15 working days from receiving all information
To send a Notification of Change (or equivalent) if legally required	Within 20 working days from receiving all information

Retirement Estimates (including ill-health)	
Administering Authority's Responsibility	
Providing quotations on request for retirements	Within 15 working days from receipt of all relevant information

Actual Retirements (including ill-health)	
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 15 working days from receipt of all relevant information
Notification of amount of retirement benefits and payment of tax free cash sum	Within 15 working days from receipt of all relevant information
Notification of amount of recalculated retirement benefits and payment of any balance tax free cash sum following updated information	Within 15 working days from receipt of all relevant information

Members leaving before retirement	
Administering Authority's Responsibility	
To accurately record and update member records on the pension administration system	Within 15 working days from receipt of all relevant information
To inform members who leave the scheme of their deferred benefit entitlement	Within 30 working days from receipt of all relevant information
Provide a refund of contributions were requested	Within 15 working days from receipt of all relevant information

Provide a statement of current value of deferred benefits on request	Within 15 working days from receipt of all relevant information
Employers Responsibility	
Respond to data query required for the Fund to calculate and provide value data for the Pensions Dashboard	Within 5 working days of receipt of the request

Death Benefits	
Administering Authority's Responsibility	
Write to next of kin or other contact requesting information following the death of a scheme member	Within 5 working days from notification
Calculate and notify dependant(s) of amount of death benefits	Within 15 working days from receipt of all relevant information
Decide who should be recipient(s) of death grant and pay death benefits appropriately as directed	Within 10 working days from receipt of all relevant information

Transfers	
Administering Authority's Responsibility	
Obtain transfer details for transfer in, and calculate and provide quotation to member	Within 15 working days from receipt of all relevant information
Request transfer value upon acceptance of transfer in	Within 10 working days
Notify scheme member of benefits purchased by transfer in on receipt of payment	Within 20 working days from receipt of all relevant information
Provide details of transfer value for transfer out, on request	Within 15 working days from receipt of all relevant information
Provide payment of transfer value to appropriate recipient.	Within 10 working days

Additional Benefits (APCs and AVCs)	
Employer's responsibility	Target Service Standard
Commence, cease or amend (as appropriate) deduction of APCs and AVCs	In month following election
Administering Authority's Responsibility	
To provide information on APCs / AVCs on request to members and employers.	Within 15 working days from request

Various Financial Obligations	
Administering Authority's Responsibility	
To allocate the received contributions to each employer's cost centre	Prior to closing month end
Issue invoice in relation to additional fund payments in relation to early payment of benefits	Within 10 working days of employer costs being confirmed

Inform the employers of any new contribution banding	At least 1 month prior to the new contribution bands being introduced
Notify calculation and new value of pension following annual pensions increase	No longer than 2 working days before payment of revised pension

Annual Returns, Valuation and Annual Benefit Statements	
Administering Authority's Responsibility	
Process employer year end contribution returns	By 31 July each year
Produce annual benefit statements for all active and deferred members.	In line with LGPS regulation timescales Currently by 31 August
Provide Pension Saving Statement to members who have exceeded their annual allowance (Legislative)	By 6 October each year
To provide P60 statements to pensioners (HMRC requirement)	By 31 May each year
Provide information to the Actuary (or GAD as appropriate) for both the triennial valuation and for accounting purposes.	As agreed between the Fund and the Actuary
Provide an electronic copy of the valuation report and associated certificate to each employer, and to answer any questions arising.	Within 10 working days from publication of report

General	
Administering Authority's Responsibility	
Arrange for the setting up of an admission agreement where required	As soon as possible following receipt of information and prior to the start of any contract
Publish (on-line) and keep up to date the Short Scheme Guide and Employers' Procedural Guide.	Updates made as soon as possible from notification of any legislation changes but preferably before effective date
Publish and keep up to date all forms that members, prospective members and employers are required to complete.	Updates made as soon as possible from notification of any legislation changes but preferably before effective date
Publish the Fund's annual report and accounts and any report from the auditor	In line with CIPFA Guidance

Provision of other responses to general enquiries from scheme members and employers	Within 10 working days to provide initial response
Put in place a Stage 1 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Put in place a Stage 2 Internal Dispute Resolution Procedure	Before the effective date of any change to the existing procedure (e.g. an appointed person leaving)
Connection to the Pensions Dashboard	By 31 October 2026 and thereafter ensure connection is maintained – via an Integrated Service Provider (ISP) - and data is made available and kept up to date in accordance with PDP standards.
Respond to partial match queries	Within 10 working days of member providing additional information
Respond to missing value data queries where value data is not provided on the dashboard	Within 10 working days of request

Pension Payments	
Administering Authority's Responsibility	Target Service Standard
Issue pension payments to designated bank accounts	To arrive on due date
Issue payslips to home addresses for those pensions where net pay has changed by £10 or more	Posted to arrive on the due date
Investigate returned payments and action appropriately	Within 10 working days from receipt of return
Respond to pensioner queries in writing	Within 10 working days from receipt of query
Implement a change to pension in payment	By next payroll period where change occurs more than 5 days prior to the payment date

The main duties of the employers as set out in the Regulations are set out in the table below, together with timescales for completion where appropriate.

Employer responsibility	Timescale
Decide who is eligible to become a member of the LGPS and the date from which membership of the LGPS starts).	Within 10 working days following the end of the month in which the

Employer responsibility	Timescale
Notify HPF of the new member details and provide employee with details of the pension scheme.	employee joined the LGPS.
Determine the rate of employee contributions to be deducted from the employee's pensionable pay and, where the employee holds more than one post, the rate that should be applied to each post. This should be reviewed at least annually or more often where employer policy states	For the first pay period in which the employee joins the LGPS
Move employees into the 50:50 section Provide an amendment form to advise of change to/from 50:50 section	From the next pay period after receiving the employee's request Within 10 working days following the change
Collect and pay to the HPF the deduction of the correct rate of pension contributions payable by the employee and the employer, including any additional employee contributions of any kind.	Payment over to HPF by 22 nd of the month following deduction
Complete monthly remittance form containing detail of the contribution's payment.	Send to Pension Services with payment of contributions every month
Collect and pay over AVC contributions to the specified AVC provider in accordance with statutory timescales Notify HPF of a member's election to pay, vary or cease AVCs.	Payment over to HPF by 22 nd of the month following deduction
Refund contributions through the payroll to any employee who opts out of the scheme with less than 3 months membership. Notify HPF of opt out and refund through payroll by providing a copy of the opt out form	From the next pay period after receiving the employee's request to opt out Within 10 working days following the end of the month in which the employee left the scheme

Employer responsibility	Timescale
Calculate assumed pensionable pay for any employees who met this requirement under the regulations.	As required
Leavers (excluding retirements/casuals) When an employee's LGPS membership ends, determine the reason for leaving and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.	Within 10 working days following the end of the month in which the employee was last paid
Leavers (casuals) When an employee's LGPS membership ends, determine the reason for leaving and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.	Within 10 working days following the end of the month the employer is aware they have left or were last paid
Retirements When an employee's LGPS membership ends on the grounds of retirement, determine the reason for retirement and entitlement to benefit and notify the HPF, supplying timely and accurate information to HPF so that benefits payable from the LGPS are calculated correctly.	Within 20 working days before an employee's retirement date
Use an independent registered medical practitioner qualified in occupational health medicine in determining requests for ill health retirement.	As required
Write, publish and maintain a policy on areas of the regulations in which employers can exercise their discretion.	In accordance with regulations and then regular review. Notify HPF and members of any changes to those policies within one month of setting a policy and the changes taking effect.
Appoint a person to consider applications from members regarding decisions, acts or omissions and to decide on those applications.	On entry to the HPF and review as required

Employer responsibility	Timescale
Notify HPF of any outsourcing arrangements which impact on employees eligible to the LGPS Where an admission agreement is required, the Scheme employer should complete an 'Outsourcing data capture' form, transferring 'staff data capture' form and 'Undertaking of costs' form Ensure admission agreement is finalised Provide individual TUPE forms for transferring staff to HPF	As soon as possible but no later than 20 working days before change As soon as possible but no later than 20 working days before change No later than date of transfer Part A of the TUPE form completed within 10 working days following the end of the month in which the transfer took place
Notify HPF of a change of payroll provider by completing a 'Employer Change of payroll provider' form Submit individual 'Change of payroll provider' forms to HPF for all transferring employees Provide notification of new payroll numbers (if applicable) to HPF Complete a mid-year return if date of change is not 1 April	As soon as possible but no later than 20 working days before change Within 20 working days post transfer Within 20 working days post transfer Within 40 working days post transfer
Designate a named individual to act as the main contact for any aspect of administering the LGPS	Within 30 days of becoming a scheme employer or within one month of the change in officer role.

Employer responsibility	Timescale
Complete and return an 'Employers contact form' detailing authorised signatories. Form available by emailing pensions@hillingdon.gov.uk	Within 30 days of becoming a scheme employer or within one month of the change in officer role.
Fully respond to all queries relating to data submitted to the Fund within 10 working days (or such shorter timescale as required for queries relating to annual returns which are received after the deadline)	Within 10 working days of receipt of the request.

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
Sub-type	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 in managing its risks and the full role of the local pension board 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

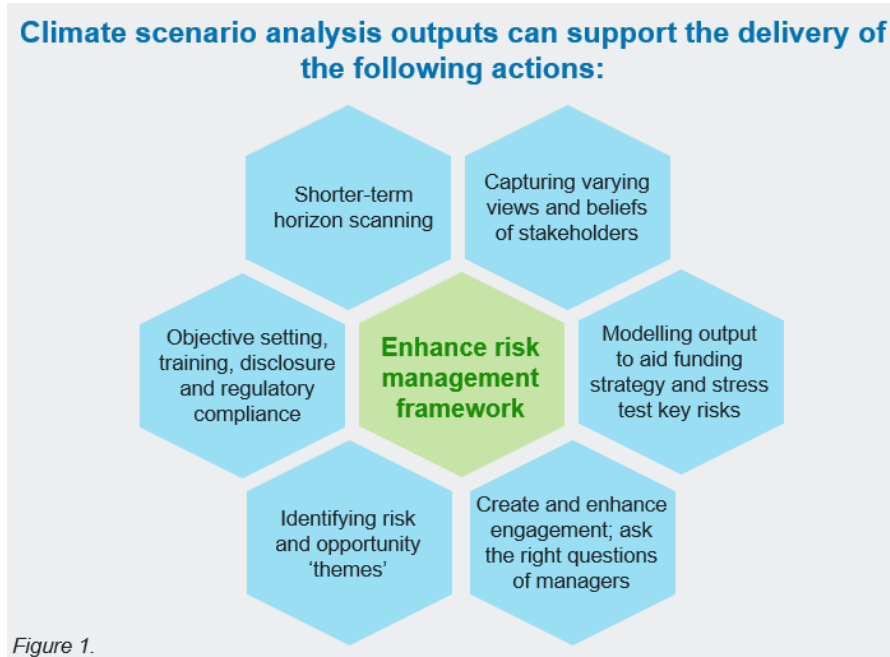
The Fund has considered climate-related risks when setting the funding strategy. The Fund has carried out climate scenario analysis incorporating both stress testing, and narrative-based scenario analysis for the local authority employers at the 2025 valuation. The narrative approach explores the complex 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.



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		III Health Tier 1		III Health Tier 2	
			FT	PT	FT	PT	FT	PT
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		III Health Tier 1		III Health Tier 2	
			FT	PT	FT	PT	FT	PT
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



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 underling 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
Administering Authority for the
London Borough of Hillingdon Pension Fund

COMMUNICATION STRATEGY

Date approved: 26 March 2025 - Revised

Date of renewal: September 2027

COMMUNICATION STRATEGY

Introduction and Background

This is the Statement outlining our Pension Communication Strategy for the London Borough of Hillingdon Pension Fund ("the Fund") and has been developed following consultation with employers in the Fund, scheme member representatives, Pension Board members and other interested stakeholders.

The aim of this Communication Strategy is to ensure that scheme members appreciate the benefits of the scheme, and all stakeholders are kept informed of developments within the Pension Fund, and effective communications will also help to maintain the efficient running of the Scheme.

London Borough of Hillingdon (the "administering authority") is responsible for the local administration of the Fund, which is part of the Local Government Pension Scheme ("the LGPS"). Operationally, the administration of the Fund is undertaken by Hampshire County Council (HCC) under a delegation agreement. and the team at Hampshire and Hillingdon Council staff work together to provide a seamless service to scheme employers and members, and as such effective communication *between* the two organisations is vitally important. This policy focuses on effective communication between the Fund (i.e. the Council and Hampshire County Council as administrator) and its external stakeholders.

The Statement sets out who we will communicate with, how this will be done and how the effectiveness of that communication will be monitored.

Implementation

This Strategy outlines the type of communications the administering authority would like to provide to scheme members and employers. It includes making more use of technology to provide quicker and more efficient communications for the Fund's stakeholders.

This Strategy will be effective from 28 September 2024 and the performance indicators mentioned herein will demonstrate ongoing progress towards the Strategy's aims and objectives.

Regulatory Basis

The LGPS is a statutory scheme, established by an Act of Parliament. Regulation 61 of the Local Government Pension Scheme Regulations 2013, reproduced below, provides the conditions and regulatory guidance surrounding the production and implementation of Communications Strategies:

Statements of policy concerning communications with members and Scheme employers

61. (1) An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with —

- (a) members.
- (b) representatives of members.
- (c) prospective members; and
- (d) Scheme employers.

(2) The statement must set out its policy on —

- (a) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers.
- (b) the format, frequency and method of distributing such information or publicity; and
- (c) the promotion of the Scheme to prospective members and their employers.

(3) The statement must be revised and published by the administering authority following a material change in their policy on any of the matters referred to in paragraph (2).

This statement has been developed to include the information required by those provisions and to describe our approach in relation to meeting these requirements in the delivery of communications.

Our Aims and Objectives

Mission Statement

The primary objectives of the London Borough of Hillingdon Pension Fund are:

- to be known as forward thinking, responsive, proactive and professional providing excellent stakeholder focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a ‘can do’ approach.

In addition, we have specific aims and objectives in relation to our communication responsibilities as set out below.

Communication Aims and Objectives

This Communications Strategy has a number of specific objectives relating to how we communicate with our stakeholders, as follows;

- Promote the Scheme as a valuable benefit and provide sufficient information to educate members to help them to make informed decisions about their benefits.
- Communicate in a clear, concise manner.
- Ensure we use the most appropriate means of communication, considering the different needs of our stakeholders.

- Look for efficiencies in delivering communications, including through greater use of technology and partnership working, with the view that digital communications are the preferred long term communications solution.
- Annually evaluate the effectiveness of communications and shape future communications appropriately.

Ultimately, achieving these objectives should result in fewer member and employer queries, which will help all stakeholders whilst maintaining and improving the efficient running of the Scheme.

Delivery of Communications

London Borough of Hillingdon has delegated responsibility for the management of the Pension Fund to the London Borough of Hillingdon Pensions Committee, taking into consideration the input of the Pensions Board. The Committee will monitor the implementation of this Strategy on a regular basis as outlined later in this statement.

Operationally, the communications of the Fund are undertaken by Hampshire County Council with the sign-off of the London Borough of Hillingdon. The London Borough of Hillingdon will also look for opportunities to work collaboratively with other Administering Authorities to reduce development costs and enhance the quality of information. This might include:

- working with other administering authorities through the Pensions Officer Group networks to produce communications, which can then be customised further where necessary to the needs of the London Borough of Hillingdon Pension Fund
- participating in joint training sessions with other administering authorities.

How we Communicate

Ensuring that key stakeholders are well informed about the LGPS is of paramount importance, and London Borough of Hillingdon recognises that communicating in a clear informative style is vital in achieving this aim.

With whom we will Communicate

London Borough of Hillingdon recognises that there are several distinct stakeholder groups, such as:

- Scheme Members (active, deferred, pensioner and dependant members) and prospective Scheme Members
- Scheme Employers and prospective Scheme Employers
- Pension Fund Committee and Pension Board members
- Pension Fund Staff
- Other interested organisations including Government Departments, Scheme Advisory Board and Advisors to the Pension Fund.

The main means of communication with these key stakeholders are outlined in the next section.

Ethnic, Diversity & Inclusion Communication

The London Borough of Hillingdon Pension Fund's information and support is also available in alternative formats for example, Braille, large print or alternative languages on request. The London Borough of Hillingdon Pension Fund always aims to use the most appropriate communication medium(s) for the audience receiving the information. However, the London Borough of Hillingdon acknowledges that digital communications are the preferred long-term communications solution.

Methods of Communication

a) With Scheme Members and Prospective Scheme Members

Our aim is to provide all communications electronically where possible as a rapid access and secure means of sharing personal information. We however recognise that it is not always a suitable method for all stakeholders and where appropriate will provide communication in writing and other inclusive formats such as large print or braille where required.

Member Portal

All members are encouraged to sign up to the member portal which provides secure access to their specific details and allows them to complete various forms, upload certain documents and send secure messages to Hampshire Pension Services staff. Members will also securely receive important documents like annual benefit statements, payslips via the member portal.

Members can access the portal at Civica Pensions - Home (hants.gov.uk)

Website

All members have access to the Fund's website

<https://archive.hillingdon.gov.uk/pensions> which contains information about the Fund and the LGPS, and members can download scheme literature and forms. The website also links to the Hampshire Pension Service website Local Government Pension Scheme (LGPS) | Hampshire County Council (hants.gov.uk) which offers extensive information about membership of the LGPS and scheme regulations as well as forms and guides for members and links to relevant organisations. It is regularly updated and provides news feed for topical information.

Annual Benefit Statements

These statements are distributed electronically to all active and deferred scheme members. Where email addresses are held for the members, a notification is sent to advise that the statement is available on the portal. Members can choose to opt out of this service in which case they will receive a paper copy.

Correspondence

Most of our communication with members is undertaken electronically, either through our Member Portal or by secure email. If we hold a member's email address, then we will email to advise when a letter or document is made available for them to view. However, if we are unable to communicate electronically then we send the information in writing to the member's home address.

If a member wishes to opt out of electronic communications and to receive paper copies, then we ask that they put their request to us in writing.

We can also communicate with members in an alternative method on request.

All emails sent contain a link to our satisfaction survey to encourage feedback from members.

Benefit statements

We make our annual benefit statements available to all members through our Member Portal. If we hold an email address for a member then we email to advise that the statement is available to view on the Portal.

Members can choose to opt out of this online service and instead receive paper statements.

All statements include some explanatory notes and members are advised where to find a more detailed explanation of their statement on our website.

Pension saving statements

By 6 October each year, we send a pension saving statement to any member who may be affected by the annual allowance tax limit. These are also available to view on the Member Portal.

Pensioner payslips, P60s and annual newsletter

All payslips are available to our pensioners through the Member Portal. If a member has paid income tax during the preceding year, then a P60 will also be available through the portal by the end of May. The member can either view or download copies of the payslip and P60.

A pensioner newsletter is added to the Member Portal every year in March or April.

An expanded version of the newsletter can be viewed on our website.

Pensioner members can opt out of electronic communications and choose always to receive paper copies, by putting their request to us in writing.

Declaration of pension entitlement

We send forms to verify a member's continuing entitlement to receive pension payments:

- every year, to pensioners that live overseas and
- whenever a pensioner payment or mail is returned to us.

Telephone and email

All members can telephone or email the London Borough of Hillingdon Pension Fund / Hampshire Pension Services (as appropriate) for information in addition to the other lines of communication open to them. However, specific pension figures and sensitive information will not be provided by telephone.

Literature

The London Borough of Hillingdon Fund makes pension-related literature available to scheme members, including:

A New Joiner Option Form which is the responsibility of employers to issue to all new members upon joining the London Borough of Hillingdon Pension Fund.

A retirement pack sent to all members about to retire from the London Borough of Hillingdon Pension Fund.

A welcome letter which is sent to all members joining the scheme to confirm their membership and provide information about the option to transfer in benefits and pay additional contributions if they wish.

Pensions Taxation Correspondence

Where appropriate, letters are distributed to all members who are affected by the Annual Allowance or the Lifetime Allowance, explaining changes to taxation rules and how this may affect their pension savings.

Annual Report

The Annual Report is published to highlight how the Fund has performed during the previous financial year. It also includes statements with regards to investment strategy, funding strategy, and governance. It is available on the Fund's website.

b) With Employers

Effective communication between the Fund and its employers reduces errors, improves efficiency and leads to good working relationships. The day-to-day communication with employers will be supported by Hampshire Pensions Services with sign off from London Borough of Hillingdon on key areas of communication. The main means of communication with employers are outlined below.

Website

The HPS website has a dedicated section for employers. It includes technical information, details of training courses, the latest employer news and an Employer Manual which contains details of procedures and employer responsibilities. The website offers access to our Employer Hub. Employers are asked to register for this service which enables them to view or amend details of their own employee's records, submit forms to us or to provide member estimates, depending on their level of access.

Newsletters

We send a regular electronic newsletter, "Pensions Matters", to employing authorities to keep them up to date with the latest regulation changes and proposals, as well as any changes in administrative processes.

We also send ad hoc email communications, under the heading "Stop Press" to advise employers of any changes or information they should be aware of or would find useful.

Copies of "Pensions Matters" and "Stop Press" emails are also added to the employer section of the website.

Employer training

We offer employer training workshops on a variety of topics, in addition to dealing with queries via email or phone.

In addition, Pension Services will work with employers who have individual training needs offering targeted training on request or when a need is identified.

Employer meetings

We hold employer liaison meetings throughout the year with key employers or those where additional support is required. All employers may request a meeting with us. We also hold six-monthly meetings with employer focus groups and will attend established employer forums.

Administration Strategy

The administration strategy provides an overview of how the administering authority and employers will work together to achieve a high-quality service. It is available on the Fund's website.

c) With Pension Committee and Pension Board members:

Effective communication ensures that Pension Committee and Pension Board members are appropriately knowledgeable and able to act in the best interests of the Fund and its members:

Members are provided with regular reporting on all areas relevant to pensions, including investment, funding, audit, governance, administration and risk. This is communicated in a variety of formats including via the external website, the intranet, the annual report and accounts, through committee and board meetings and through regular training in line with the Fund's training policy. Most reports provided to Pension Committee together with the meeting minutes, are available on the Democratic Service pages of the Council's website. The Pension Board members and reports to the Board can be found at this website address:

<https://archive.hillingdon.gov.uk/article/29807/Local-Pensions-Board>

d) With Fund Staff:

Effective communication ensures that both Hillingdon and Hampshire staff are confident and prepared to undertake their role, as follows:

Senior Pension Person

The London Borough of Hillingdon and Hampshire County Council Pension managers maintain open-door policies and are available to staff both within and outside the Pensions Teams. In addition, staff have unrestricted access to their managers and senior colleagues to discuss and resolve work related issues.

Team Meetings

Office and/or Team meetings are held on a regular basis to discuss operations, ensuring there is a shared understanding of any issues and developing a consistent approach towards addressing them. Any items arising from such meetings are escalated to the relevant Senior Pension Person and raised at Senior Management Team Meetings if required.

Intranet

Each member of staff has access to the relevant Fund's intranet so that it can be used as an information resource.

E-mail

All staff have access to the e-mail facility.

Internet

All staff have authority to access the internet to assist them in their role within Pension Services.

Induction and training

All new members of staff undergo an induction procedure to acquaint themselves with the operational running of the Pension Fund. Subsequently, all pension staff also receive both in-house and external training to enable them to administer the scheme effectively, answer member queries, and offer a good customer service and also to assist in their personal development.

Appraisal and Assessment

Staff at all levels in the Pension Team have annual assessments, with a mid-year review, during which there are open discussions of work issues and areas for development. This dialogue is supplemented by regular one-to-one meetings within team structures.

e) Communicating with other bodies:

There are a few other interested parties with whom we communicate as required, including:

The Ministry of Housing Communities and Local Government (MHCLG)
We have regular contact with MHCLG as Responsible Authority of the LGPS, participating and responding to consultations as required.

Scheme Advisory Board

The national Scheme Advisory Board was established following the Public Services Pensions Act 2013 to provide advice to administering authorities and local pension boards in relation to the effective and efficient administration and management of the Scheme and their funds. We therefore liaise with the Scheme Advisory Board as appropriate.

The Pensions Regulator

The Pensions Regulator's remit has been extended to the Public Sector because of the Public Services Pensions Act 2013. We therefore liaise with the Regulator as required and ensure that the London Borough of Hillingdon Fund supports the Pensions Regulator's General Code of Practice.

Trade Unions

We work with relevant trade unions as required to ensure the Scheme is understood by all interested parties. Efforts are made to ensure all pension related issues are communicated effectively with the trade unions.

Employer Representatives

We work with relevant employer representative bodies to ensure that the Fund's views are represented to employer groups. Employers are represented on the Pension Board.

Pension Fund Investment Managers, Advisers and Actuaries

We have regular meetings with.

- the Fund Managers which invest funds on behalf of the Fund
- the London Collective Investment Vehicle (LCIV) which invests funds and overseas elements of investment governance on behalf of the Fund
- Investment Advisers who provide help and advice on the asset allocation and investments of the Fund
- the Fund Actuary to discuss funding levels, employer contributions and valuation of the assets and liabilities of the Fund

Pension Fund Custodian

The Fund's Custodian ensures the safekeeping of the Funds investment transactions and all related share certificates if applicable.

AVC Provider

Additional Voluntary Contributions (AVC) are a way for members to top up their pension benefits, and in some instances provide tax free lump sum depending on the policy and are held and invested separately from the LGPS. The Fund's AVC provider is Prudential.

Regional Forums

The London Pension Officers Group takes place quarterly. It is an opportunity for the Pensions Managers and other Pension Officers from administering authorities in the region to share information and ensure uniform interpretation of the Local Government Pension Scheme, and other prevailing regulations.

The Society of London Pension Managers takes place every two months where senior pension officers discuss investment, pooling and governance initiatives and information.

Requests for Information (FOI)

Requests for information either under the Freedom of Information Act or otherwise, will be dealt with as openly and swiftly as allowed providing that such information does not breach confidentiality.

Consultations

There are occasions when the administering authority will consult with interested parties either because of potential changes to the regulations governing the LGPS or specific policy changes relating to the London Borough of Hillingdon Fund. In these instances, the most effective way of communicating with interested parties is to hold a period of consultation, during which, they are given the opportunity to respond to specific changes. Interested parties and representative groups will be approached to provide feedback to the policy changes before amendments are enacted.

Where relevant the Fund will respond to consultations from third parties.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The London Borough of Hillingdon's Lead Pensions Officer will work together with the Lead Pensions Officer

at Hampshire and with the Pension Committee and Pension Board in monitoring these and other key risks and considering how to respond to them.

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and staff absence due to sickness
- Significant increase in the number of employing bodies causes strain on day-to-day delivery
- Significant external factors, such as national change, impacting on workload
- Issues in production of annual benefits statements, e.g. wrong address and printing errors due to external supplier
- Issuing incorrect or inaccurate communications
- Failure to maintain employer database leading to information not being sent to correct person
- Lack of clear communication to employers, scheme members and pensioners

Preparation and Review

This Strategy Statement was approved on 28 September 2024 by the London Borough of Hillingdon Pensions Committee. It is effective from 1 October 2024

It will be formally reviewed and updated at least every three years or sooner if the communication management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be considered.

In preparing this Strategy we have consulted with the scheme member and employer representatives on the London Borough of Hillingdon Pension Board and other persons considered appropriate.

This Strategy Statement will be included within the Fund's Annual Report and Accounts and available on our website at: <http://www.hillingdon.gov.uk/pensions>.

Further Information

Any enquiries in relation to the Fund's communications or the principles or content of this Strategy should be sent to:

Tunde Adekoya – Finance Manager, Pensions and Governance
London Borough of Hillingdon
Civic Centre
High Street
Uxbridge
UB8 1UW

E-mail - badekoya@hillingdon.gov.uk

M: EXTERNAL AUDIT OPINION

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LONDON BOROUGH OF HILLINGDON ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

GLOSSARY

Active Management

A style of management where the fund manager aims to outperform a **benchmark** by superior **asset allocation**, market timing or **stock selection** (or a combination of these).

Actuary

An independent consultant who advises the Council on the financial position of the Fund. See **actuarial valuation**.

Actuarial Valuation

This is an assessment done by an **actuary**, usually every three years. The actuary will work out how much money needs to be put into a pension fund to make sure pensions can be paid in the future.

Additional Voluntary Contribution (AVC)

An option available to individuals to secure additional pensions benefits by making regular payments in addition to the 5.5%-12.5% of basic earnings payable.

Administering Authority

In this instance, the 'Administering Authority' is London Borough Hillingdon. An administering authority is responsible, amongst other things, for maintaining member records, dealing with member queries/requests, investment of the fund and paying your LGPS pension.

Admitted Bodies

Employers whose staff can become members of the Fund by virtue of an admission agreement made between the administering authority and the employer.

Asset Allocation

The apportionment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives. In the short term, the fund manager can aim to add value through **tactical asset allocation** decisions.

Asset Liability Modelling

Models the interaction and the allocation of assets to meet to meet present and future financial liabilities over time

Benchmark

A yardstick against which the investment policy or performance of a fund manager can be compared. Each Fund's benchmark is customised, meaning that it is tailored to the Fund's **liability profile**.

Bond

A debt investment with which the investor loans money to an entity (company or government) that borrows the funds for a defined period of time at a specified interest rate.

Book cost

The value of an asset as it appears on a balance sheet, equivalent to how much was paid for the asset (less liabilities due). Book cost often differs substantially from **market value**.

Broker

An individual or firm that charges a fee or commission for executing buy and sell orders submitted by an investor.

CARE

'Career Average Revalued Earnings'. LGPS 2014 is a career average scheme, and is a method used for calculating pensions earned from April 2014.

Commission

A service charge assessed by an agent in return for arranging the purchase or sale of a security or real estate. The commission must be fair and reasonable, considering all the relevant factors of the transaction. (Underwriting commission)

Corporate Bond

A debt security issued by a corporation, as opposed to those issued by the government.

Corporate Governance

The system by which organisations are run, and the means by which they are responsible to their shareholders, employees and other stakeholders.

Coupon

The return earned on an investment. E.g. £5 received from a £100 debenture is the coupon.

Creditors

Amounts owed by the pension fund.

Custody

Safekeeping of securities by a financial institution. The custodian keeps a record of the client's investments and may also collect income; process tax reclaims and provide other services such as performance measurement.

Debtors

Amounts owed to the pension fund.

Defined Benefit

A type of pension plan in which an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the

employee's earnings history, tenure of service and age, rather than depending directly on individual investment returns.

Derivative

Used to describe a specialist financial instrument such as **options** or **futures contracts**. Financial instruments are agreements to buy or sell something, under terms laid out in a contract.

Diversification

A risk management technique that mixes a wide variety of investments within a portfolio. It is designed to minimize the impact of any one security on overall portfolio performance.

Dividend

Distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. The amount of a dividend is quoted in the amount each share receives or in other words dividends per share.

Dividend Yield

An indication of the income generated by a share, calculated as Annual Dividend per Share/Price per Share

Emerging Markets

There are about 80 stock markets around the world of which 22 markets are generally considered to be mature. The rest are classified as emerging markets.

Equity

Stock or any other security representing an ownership interest.

Ex-dividend

Purchase of shares without entitlement to current dividends. This entitlement remains with the seller of the shares.

Final Salary Scheme

An employer pension scheme, the benefits of which are linked to length of service and the final salary of the member (also known as defined benefit).

Fixed interest

A loan with an interest rate that will remain at a predetermined rate for the entire term of the loan. See bond.

FTSE All-Share

An arithmetically weighted index of leading UK shares (by market capitalisation) listed on the London Stock Exchange (LSE). The FTSE 100 Index covers only the largest 100 companies.

Funding Level

A comparison of a scheme's assets and liabilities.

Futures Contract

A contract to buy goods at a fixed price and on a particular date in the future. Both the buyer and seller must follow the contract by law.

Gilts

The familiar name given to sterling, marketable securities (or bonds) issued by the British Government.

Hedge

Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of taking an offsetting position in a related security, such as a **futures contract**.

Index Linked

A **bond** that pays a coupon that varies according to some underlying index, usually the Consumer Price Index.

Liability Profile

The future cash outflows for Scheme Member benefits as they mature.

LGPS

Local Government Pension Scheme

LSE

London Stock Exchange

Mandate

The agreement between a client and investment manager laying down how the portfolio is to be managed, including performance targets.

Market Value

A security's last reported sale price (if on an exchange) i.e. the price as determined dynamically by buyers and sellers in an open market. Also called market price.

Option

The name for a contract where somebody pays a sum of money for the right to buy or sell goods at a fixed price by a particular date in the future. However, the goods do not have to be bought or sold.

Passive Management

A style of fund management that aims to construct a portfolio to provide the same return as that of a chosen index.

Pension Fund

A fund established by an employer to facilitate and organise the investment of employees' retirement funds contributed by the employer and employees. The **pension fund** is meant to generate stable growth over the long term, and provide pensions for employees when they reach the end of their working years and commence retirement.

Private Equity

When equity capital is made available to companies or investors, but not quoted on a stock market. The funds raised through private equity can be used to develop new products and technologies, to expand working capital, to make acquisitions, or to strengthen a company's balance sheet. Also known as **development capital**.

Property Unit Trusts

Pooled investment vehicles that enable investors to hold a stake in a diversified portfolio of properties

Quantitative Easing (QE)

QE is monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply

Resolution Bodies

Scheme employers with the power to decide if an employee or group of employees can join the scheme

Return

Synonymous with profit, be it income received, capital gain or income and capital gain in combination. Usually expressed as a percentage of the nominal value of the asset.

Risk

The likelihood of performance deviating significantly from the average. The wider the spread of investment in an investment sector or across investment sectors, i.e. the greater the diversification, the lower the risk.

Scheme Employers

Local authorities and other similar bodies whose staff automatically qualify to become members of the pension fund

Security

An investment instrument, other than an insurance policy or fixed annuity, issued by a corporation, government, or other organisation, which offers evidence of debt or equity

Socially Responsible Investment (SRI)

Investments or funds containing stock in companies whose activities are considered ethical.

Specialist Manager

A fund management arrangement whereby a number of different managers each concentrate on a different asset class. A specialist fund manager is concerned primarily with **stock selection** within the specialist asset class. **Asset allocation** decisions are made by the investment committee, their consultant or by a specialist tactical asset allocation manager (or combination of the three).

Stock

A type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings. Also known as shares or **equity**.

Stock Selection

The process of deciding which stocks to buy within an asset class.

The Fund

'The Fund' explicitly refers to London Borough of Hillingdon Pension Fund

Tracking Error

An unplanned divergence between the price behaviour of an underlying stock or portfolio and the price behaviour of a benchmark. Reflects how closely the make-up of a portfolio matches the make-up of the index that it is tracking.

Transaction Costs

Those costs associated with managing a portfolio, notably brokerage costs and taxes.

Transfer Value

The amount transferred to/from another pension fund should a member change employment. The amount transferred relates to the current value of past contributions.

Transition

To move from one set of investment managers to another

Underwriting

The process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing securities (both equity and debt)

Unit Trust

A pooled fund in which investors can buy and sell units on an ongoing basis

Unlisted Security

A security that is not traded on an **exchange**

Unrealised Gains/ (losses)

The increase/ (decrease) at year-end in the market value of investments held by the fund since the date of their purchase.

Yield

The rate of income generated from a stock in the form of dividends, or the effective rate of interest paid on a bond, calculated by the coupon rate divided by the bond's market price. Furthermore, for any investment, yield is the annual rate of return expressed as a percentage.

London Borough of Hillingdon Pension Fund

Governance Policy and Compliance Statement

December 2023

Governance Policy and Compliance Statement– Administering Authority

London Borough of Hillingdon is the Administering Authority of the London Borough of Hillingdon Pension Fund and administers the Local Government Pension Scheme on behalf of participating employers.

Regulation 55 of the Local Government Pension Scheme Regulations 2013 requires Local Government Pension Scheme (LGPS) Administering Authorities to publish Governance Compliance Statements setting out information relating to how the Administering Authority delegates its functions under those regulations and whether it complies with guidance given by the Secretary of State for Communities and Local Government. It also requires the Authority to keep the statement under review and to make revisions as appropriate and where such revisions are made to publish a revised statement.

Aims and Objectives

The London Borough of Hillingdon recognises the significance of its role as Administering Authority to the London Borough of Hillingdon Pension Fund on behalf of its stakeholders which include (at time of drafting):

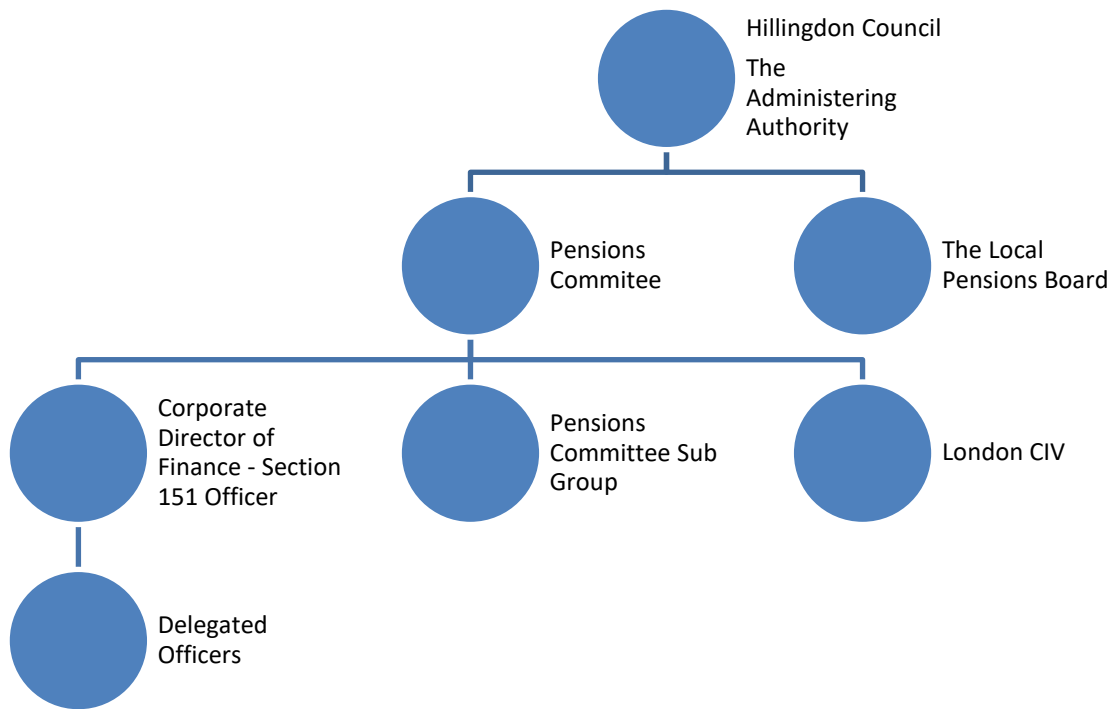
- around 32,000 current and former members of the Fund, and their dependants
- over 119 employers within the Fund
- local taxpayers within the council areas participating in the Fund.

In relation to the governance of the Fund, our objectives are to ensure that:

- all staff and members of the Pensions Committee and Local Pensions Board charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund aims to be at the forefront of best practice for LGPS funds
- the Fund manages Conflicts of Interest appropriately.

Structure

The Constitution of the Council sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and that those who made the decisions are accountable to local people. The Constitution sets out the framework under which the Pension Fund is to be administered as shown in the diagram below.



Terms of Reference for the Pensions Committee

The Pensions Committee's principal aim is to carry out the functions of the London Borough of Hillingdon as the Administering Authority for the London Borough of Hillingdon Pension Fund in accordance with Local Government Pension Scheme regulations and any other relevant legislation.

In its role as the Administering Authority, the London Borough of Hillingdon owes fiduciary duties to the employers and members of the Fund and must not compromise this with its own particular interests. Consequently this fiduciary duty is a responsibility of the Pensions Committee and its members must not compromise this with their own individual interests.

The Pensions Committee operates under the following terms of reference:

Terms of Reference

The Committee considers all issues concerning the administration and investment of the Pension Fund. In particular:

1. To exercise all functions concerning the Pension Fund including, but not limited to: governance; funding; actuarial valuations; policies; accounting and audit; risk management, budgets and resourcing; investment, and administration.
2. To review and approve all aspects of investment policy relating to the Pensions Fund, including agreeing the strategic asset allocation and authorisation or prohibition of particular investment activities.
3. To review the Investment Strategy Statement and amend it when necessary.
4. To agree benchmarks and performance targets for the investment of the Fund's assets and review periodically.
5. To agree to transfer funds into mandates managed by the London Collective Investment Vehicle (CIV) as soon as appropriate opportunities become available.
6. To receive regular reports from investment managers including the London CIV and to agree resultant actions from a review of the investments held.
7. To keep the performance of the investment managers under regular review and extend or terminate their contracts as required. To appoint new managers when necessary.
8. To agree policy guidelines for the exercise of voting rights attached to the Fund's shares.
9. To review the appointment of specialist advisors and service providers and make new appointments as necessary.
10. To approve the appointment of persons to hear appeals under the Internal Dispute Resolution Procedure.
11. To set up a Pensions Sub-Group, should it be required, comprising 3 Elected Members politically balanced and relevant officers and advisors to:
 - i. Be consulted on urgent decisions that are required to be taken by the Corporate Director of Finance in the absence of a Committee meeting;
 - ii. Assist in strategic discussions with regard to the Pensions Fund and Investment Strategy, including the monitoring of fund manager performance and associated actions or investigations and making any recommendations on such matters to the Pensions Committee for decision.
12. The Corporate Director of Finance be authorised to take urgent decisions in relation to the pensions fund and investment strategy on behalf of the Committee, and if established, in consultation with any Pension Sub-Group, reporting back to the Pensions Committee for ratification

Membership of the Pensions Committee

Councillor membership of the Committee will be 5, will be politically balanced and have voting rights. In addition, the Independent Governance Adviser and Investment Consultant would normally attend meetings along with relevant officers in an advisory, non-voting capacity.

Meetings

The Council shall agree the day of meetings of the Pensions Committee and the ordinary meetings for the Pensions Committee shall be at Hillingdon Civic Centre, but they may arrange to meet elsewhere when they see fit.

Pensions Committee meetings are broadcast with the public section being streamed live on the Council's youtube channel <https://www.youtube.com/user/HillingdonLondon>

The Chair may cancel meetings. The Pensions Committee meets every quarter and the dates are arranged annually in advance. The Chairman of the Committee may call a special meeting if required or ask for a Pension Sub-Group to be convened.

Access to Agenda, Reports and Minutes of Meetings

The Council will give at least seven clear working days notice of any meeting by posting details of the meeting at the Hillingdon Civic Centre and on the Council's website. The Council will make copies of the agenda and reports open to the public available for inspection at least five clear working days before the meeting. If an item is added to the agenda later, the revised agenda will be open to inspection from the time the item was added to the agenda. The reason for lateness will be specified in the report. There may on occasions be items, which may be exempt from the agenda, reports and minutes of the meetings when it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential

information would be disclosed. Items which are most likely to be excluded are issues where to disclose information would contravene an individual's privacy or where there are financial interests which may be compromised as a result of disclosure for example discussions surrounding contracts. The Council will make available copies of the minutes of the meeting and records of decisions taken. Minutes of meetings and records of decisions are available for inspection on the Council's website: <http://www.hillingdon.gov.uk>

The Committee's full terms of reference can also be found on the Council's website.

Pension Sub-Group

As set out in the Terms of Reference, The Pension Sub-Group is able to meet as required to discuss urgent investment and other pension related issues; will be politically balanced and be supported by officers and advisers.

Scheme of Delegation

Where Council functions are not specifically reserved to the Pensions Committee in relation to the Pension Fund, the functions are deemed to be delegated to the relevant Chief Officers, or the Corporate Director of Finance in the case of the Pension Fund. The Corporate Director of Finance is responsible for the establishment of a scheme of delegation for their department which includes the Pension Fund function. The scheme of delegation specifies the function, names the post which may carry out that delegated decision and the limits if any on the delegation. The limits on delegation may include the obligation to consult record and/or refer back to the Chief Executive or Corporate Director of Finance in certain circumstances. The Finance Directorate has a scheme of delegation which sets out the delegated powers to individual officers within the directorate. In relation to the Pension Fund the management is delegated to the Corporate Director of Finance and responsible officer for the pension Fund. The scheme of delegation is reviewed regularly by the Council.

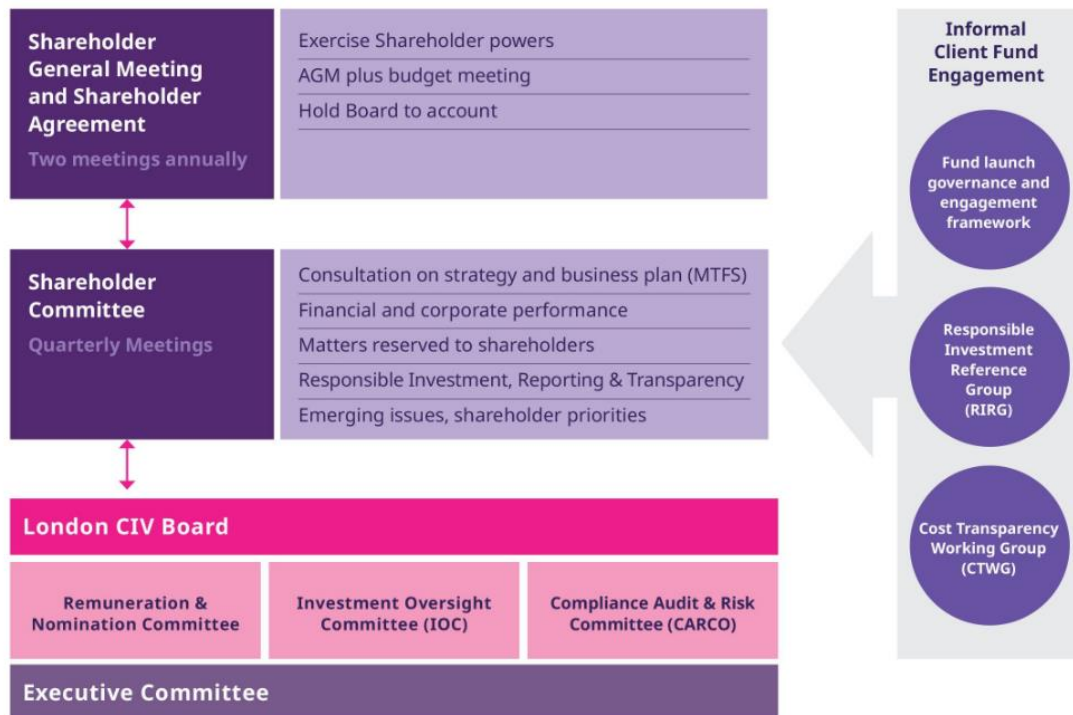
London CIV

The London CIV was formed as by the 33 London Boroughs in 2014 to pool their LGPS investments. It received regulatory authorisation from the Financial Conduct Authority in November 2015. The London CIV has been established as a collective investment vehicle for LGPS Funds. The current regulatory permissions allow for operation in public markets as an Authorised Contractual Scheme (ACS) Fund and for private markets via their Exempt Unauthorised Unit Trust Vehicle (EUUT).

The governance structure of the London CIV has been designed to ensure that there are both formal and informal routes to engage with the investing Funds both as shareholders and investors, making the London CIV accountable at both levels.

London CIV committee structure

Formal Governance



Major decisions, including approval of the budget, strategic objectives and business plan are reserved to shareholders in General Meeting as set out in a Shareholder Agreement.

Certain decisions require approval from all (or a majority of) shareholders. There are two meetings each year of all shareholders and quarterly meetings of a Shareholder Committee representative of shareholders. The Committee considers all reserved matters, emerging issues and corporate and financial performance. In addition, there are two shareholder nominated directors who are Leaders of London Local Authorities and a Treasurer Observer (s151 officer) on the Board. Information about individual Board members can be found [here](#).

The overall strategic direction, management and general policy of London CIV is vested in the Board, which is responsible for major decisions unless reserved to shareholders. The Executive Directors, led by the Chief Executive, are responsible for the day to-day management of the company and there is an Executive Committee which is attended by other senior managers in the firm. The Board Committees are an Investment Oversight Committee (IOC); a Compliance, Audit, and Risk Committee (CARCO); and a Remuneration and Nomination Committee

(RemNomCo) which includes the Chair of the Shareholder Committee amongst its membership. The Shareholder Committee is a consultative committee to the Board. You can read more about the work of the Board and Committee in the Annual Review.



Local Pension Board

In keeping with the Public Service Pensions Act 2013, Hillingdon Council has established a Local Pension Board (LPB). Local Pension Boards are not local authority committees; as such the Constitution of London Borough of Hillingdon, does not apply to the Pension Board unless it is expressly referred to in the Board's terms of reference. The Local Pension Board was established by London Borough of Hillingdon on 1st April 2015. The terms of reference of the Board can be found on the Fund's website hillingdon.gov.uk/pensions.

Role of the Pension Board

The role of the Board as outlined in the legislation is to assist the Administering Authority in ensuring the effective and efficient governance and administration of the scheme including:

- securing compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the Scheme, and requirements imposed in relation to the LGPS by the Pensions Regulator and:
- any other matters the LGPS regulation may specify.

The Local Pensions Board is not a decision making body, rather it has a compliance and scrutiny role to ensure the Pensions Committee effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator. Additionally the Local Pension Board will help ensure that the London Borough of Hillingdon Pension Fund is managed and administered effectively and efficiently and complies with codes of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

Membership

The membership of the Local Pensions Board must be equally split between employer and scheme member representatives with relevant experience and the capacity to represent. Council has determined that membership shall be at least:

- 3 employer representatives - elected Members, appointed on the basis of political balance and appointed annually by Council. No elected Member may sit on both the Pensions Committee and the Pensions Board.
- 3 employee/scheme member representatives - selected at interview by the Chairman and one other Member of the Pensions Committee and a Senior Officer, on the basis of capacity and/or experience. Term of Office to be indefinite

Meetings

The Local Pension Board meets quarterly in the ordinary course of business and additional meetings may be arranged as required to facilitate its work. It is treated in the same way as a Committee of the London Borough of Hillingdon and, as such, members of the public may attend and papers will be made public in the same way as described above for the Pensions Committee.

Terms of reference of the Pension Board

- 1.

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 reports 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.

Policy Documents

In addition to the foregoing, there are a number of other documents which are relevant to the Governance and management of the Pension Fund. Brief details of these are listed below and the full copies of all documents can be found on the Pension Fund Website: hillingsdon.gov.uk/pensions.

Funding Strategy Statement

The Funding Strategy Statement forms part of the framework for the funding and management of the Pension Fund. It sets out how the Fund will approach its liabilities and contains a schedule of the minimum contribution rates that are required of individual employers within the Fund. The Funding Strategy Statement (FSS) is drawn up by the Administering Authority in collaboration with the Fund's actuary and after consultation with the Fund's employers. The FSS forms part of a broader framework which covers the Pension Fund and applies to all employers participating in the Fund. The FSS represents a summary of the Fund's approach to funding the liabilities of the Pension Fund.

Investment Strategy Statement

The Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 2016 require pension fund administering authorities to prepare, maintain and publish a statement of the principles governing their decisions on the investment of the Pension Fund.

The areas covered in the Investment Strategy Statement are as follows:

- Investment objectives.

- Asset allocation
- Pooling of assets
- Investment implementation
- Investment governance
- Performance management
- Risk Management
- Environment, Social and Governance (ESG) policy

Governance Compliance Statement

This sets out the Pension Fund's compliance with the Secretary of State's Statutory Guidance on Governance in the LGPS. This is attached as Appendix A and shows where the Fund is compliant or not compliant with best practice and the reasons why it may not be compliant.

Training Policy

London Borough of Hillingdon has a Training Policy which has been put in place to assist the Fund in achieving its governance objectives and all Pensions Committee members, Pension Board members and officers are expected to continually demonstrate their own personal commitment to training and to ensuring that the governance objectives are met.

To assist in achieving these objectives, the London Borough of Hillingdon Pension Fund aims to comply with:

- the CIPFA Knowledge and Skills Frameworks and
- the knowledge and skills elements of the Public Service Pensions Act 2013 and the Pensions Regulator's (TPR) codes of practice

as well as any other LGPS specific guidance relating to the knowledge and skills of Pensions Committee members, Pension Board members or Pension Fund officers which may be issued from time to time.

Members of the Pensions Committee, Local Pension Board and officers involved in the management of the Fund will receive training to ensure that they meet the aims of the Training Policy with training schedules drawn up and reviewed on at least an annual basis.

Conflicts of Interest

The Hillingdon Pension Fund has a Conflicts of Interest Policy that outlines how to identify, monitor and manage conflicts of interest that may occur. A register of interest is also maintained for the Local Pension Board and declaration of interest in relation to members of the Pensions Committee are available on the Council's website. Fund managers and advisors are also required to submit their organisations conflict of interest policy. Declaration of interests is a standing item on both the Local Pension Board and Pensions Committee agenda.

Conflicts of interest have always existed for those with LGPS administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected Member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. Further any of those persons may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their

role managing or advising LGPS funds.

It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interest of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the Fund from having other roles or responsibilities which may result in an actual or potential conflict of interest.

Annual Report and Accounts

As part of the financial standing orders it is the duty of the Corporate Director of Finance to ensure that record keeping and accounts are maintained by the Pension Fund. The Pension Fund accounts are produced in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - Statement of Recommended Practice. The financial statements summarise the transactions of the Scheme and deal with the net assets of the Scheme. The statement of accounts is reviewed by both the Pensions Committee and the Audit Committee and incorporated in the Statement of Accounts for the Council. Full copies of the Report and Accounts are distributed to employers in the Fund and other interested parties and a copy placed on the website: hillingdon.gov.uk/pensions.

Communication Policy

This policy sets out the strategy for ensuring that all interested parties are kept informed of developments in the Pension Fund and the Fund complies with regulatory requirements. This helps to ensure transparency and an effective communication process for all interested parties. A copy of the policy can be found on the Pensions website: hillingdon.gov.uk/pensions.

Discretions Policies

Under the LGPS regulations, the Administering Authority has a level of discretion in relation to a number of areas and the policy document details how it will exercise these discretions. The Administering Authority reviews these policies as appropriate and will notify interested parties of any significant changes. Employing Authorities are also required to set out their discretions policies in respect of areas under the Regulations where they have a discretionary power. Copies of both the Administering Authority and London Borough of Hillingdon's Employing Authority Discretions can be found on the website: <http://www.hillingdon.gov.uk>

Pension Administration Strategy

In order to assist with the management and efficient running of the Pension Fund, the Pension Administration Strategy encompassing administrative procedures and responsibilities for the Pension Fund for both the Administering Authority and Employing Authorities has been distributed to employers within the Fund following consultation and can be found on the website: hillingdon.gov.uk/pensions. This represents part of the process for ensuring the ongoing efficient management of the Fund and maintenance of accurate data and forms part of the overall governance procedures for the Fund.

Monitoring Governance of the London Borough of Hillingdon Pension Fund

The Fund's governance objectives will be monitored as follows:

Objective	Monitoring Arrangements
Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.	• The Pensions Committee and the section 151 officer make decisions on behalf of the fund. • The Committee and Officers are also supported by various fund experts and advisors. • The Local Pensions Board has oversight of the decisions made to ensure compliance with relevant legislation and regulations • Policy and strategy documents are regularly reviewed and published to ensure they are up to date.
Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise	• A Training Policy is in place together with monitoring of all training by Pensions Committee members and key officers. A knowledge assessment takes place to inform the training plan.
Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based	• Pension Committee and Local Pension Board meetings are open to all stakeholders to attend and papers and minutes are published. • The Local Pension Board includes representatives from scheme members and employers in the Fund. • The Local Pension Board prepares and publishes an annual report which may include comment on decision making.
Understand and monitor risk	• A Risk Policy and risk register is in place. • Ongoing consideration of key risks at Pensions Committee meetings through the Risk Register.
Strive to ensure compliance with the appropriate legislation and statutory guidance and to act in the spirit of other relevant guidelines and best practice guidance	• The Governance of the Fund is considered by both the External and Internal Auditors. All External and Internal Audit Reports are reported to Pensions Committee. • The Fund maintains a log of all breaches of the law in accordance with the Fund's breaches procedure.

Key Risks

The key risks to the delivery of this Strategy are outlined below. Pensions Committee members will monitor these and other key risks and consider how to respond to them.

- Changes in Pensions Committee membership, Pension Board membership and/or key officers resulting in loss of continuity and potentially diminishing knowledge and understanding
- Changes in government / legislative requirements meaning insufficient time allocated to ongoing management, either at Pensions Committee meetings or as part of key officers' duties
- Ineffective delegation of duties and/or presentation of Pensions Committee items resulting in insufficient time spent on key matters

- Poor attendance and/or a lack of engagement at training and/or formal meetings by Committee members, Board members and/or other key officers resulting in a poor standard of decision making and/or monitoring
- Conflicts of interest not being appropriately managed by Committee members, Board members and/or key officers.

Approval, Review and Consultation

This Governance Policy and Statement was approved at the London Borough of Hillingdon Pensions Committee meeting on 13 December 2023. Local Pension Board will review the policy and it will be formally reviewed and updated at least every three years or sooner if the governance arrangements or other matters included within it merit reconsideration.

Contact Information

Any enquiries in relation to the Fund's governance or the principles or content of this Strategy, or for further information on the Fund, contact:

Pete Carpenter, Director of Pensions, Treasury & Statutory Accounts
 London Borough of Hillingdon
 Civic Centre
 High Street
 Uxbridge
 UB8 1UW

E-mail - PCarpenter@hillingdon.gov.uk

Telephone - 01895 250111 Ext.4508

Website: hillingdon.gov.uk/pensions

Governance Best Practice – Compliance Statement

Appendix A – London Borough of Hillingdon Pension Fund Governance Compliance Statement

Best Practice	Compliant or not?	Explanatory Note
A. STRUCTURE & REPRESENTATION		
a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Fully compliant	
b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Non-compliant	Prior to establishment of the Local Pensions Board, both employees and Unions were represented on Pensions Committee. However, membership of the Local Pensions Board now includes pensioner, employer representative, and employee representative.
B. REPRESENTATION		
a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:- i) employing authorities (including non-scheme employers, e.g. admitted bodies); ii) scheme members (including deferred and pensioner scheme members), iii) where appropriate, independent professional observers, and iv) expert advisors (on an ad-hoc basis).	Non-compliant	Council took the decision to only have Council Members as voting members on Committee. Meetings are open to all to attend, but representation comes through Local Pensions Board. The Local Pension Board members attend Committee meetings and they also reviews all decisions taken by the Committee.

Best Practice	Compliant or not?	Explanatory Note
<i>b.</i> That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	N/A	
C. SELECTION AND ROLE OF LAY MEMBERS		
<i>a.</i> That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Fully compliant	
<i>b.</i> That at the start of any meeting committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Fully compliant	
D. VOTING		
<i>a.</i> The policy of individual administering authorities on voting rights is clear and transparent, and forms part of the Local Government and Housing Act 1989. This oncludes the justification for not extending voting rights to co-opted members or other groups represented on main LGPS committees.	Fully Compliant	
E. TRAINING / FACILITY TIME / EXPENSES		
<i>a.</i> That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Fully compliant	
<i>b.</i> That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Fully Compliant	

c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Compliant	Following a needs assessment and workplan a training plan is developed. A training log is maintained.
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Best Practice	Compliant or not?	Explanatory Note
F. MEETINGS (FREQUENCY/QUORUM)		
a. That an administering authority's main committee or committees meet at least quarterly.	Fully compliant	
b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	N/A	
c. That an administering authority who do not include lay members in their formal governance arrangements, must provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	Fully compliant	Local Pensions Board
G. ACCESS		
a. That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Fully compliant	
H. SCOPE		
a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Fully compliant	Pensions Committee remit covers all Pension Fund matters.
I. PUBLICITY		
a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Fully compliant	

Delegation of Functions to Officers by Pensions Committee

Key:

PC – Pensions Committee

CDF – Corporate Director of Finance

FA – Fund Actuary

Advisers – Investment, actuarial and/or benefits consultants as appropriate

Function delegated to PC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Investment strategy - approving the Fund's Investment Strategy Statement including specific liability profile and risk appetite. Monitoring the implementation of these policies and strategies on an ongoing basis.	Rebalancing and cash management Implementation of strategic allocation	CDF (having regard to ongoing advice of advisers)	High level monitoring at PC with more detailed monitoring by CDF
Selection, appointment and dismissal of the Fund's advisers, including actuary, benefits consultants, investment consultants, global custodian, fund managers, lawyers, Pension Fund administrator, and independent professional advisers.	Ongoing monitoring of Fund Managers	CDF (having regard to ongoing advice of advisers and subject to ratification by PC)	High level monitoring at PC with more detailed monitoring by advisers

Function delegated to PC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Agreeing the terms and payment of bulk transfers into and out of the Fund.	Agreeing the terms and payment of bulk transfers into and out of the Fund where there is a bulk transfer of staff from the Fund. Exceptions to this would be where there is a dispute over the transfer amount or it relates to significant assets transfers relating to one employer or the Fund as a whole	CDF after taking appropriate advice from the FA.	Ongoing reporting to PC for noting
Making decisions relating to employers joining and leaving the Fund. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund.	Making decisions relating to employers joining and leaving the Fund and compliance with the Regulations and policies. This includes which employers are entitled to join the Fund, any requirements relating to their entry, ongoing monitoring and the basis for leaving the Fund where the employer.	CDF after taking appropriate advice from the FA.	Ongoing reporting to PC for noting
To set the Pension Fund's policy and strategy documents on a regular cycle and review performance against the Fund's objectives within the business plan	Changes to Administering Authority discretionary policies necessitated by changes to regulations - authority to amend the policies to reflect the requirements of such new regulations, subject to those decisions having no significant financial implications.	CDF and the Head of HR	Copy of policy to be circulated to PC members once approved.

Function delegated to PC	Further Delegation to Officer(s)	Delegated Officer(s)	Communication and Monitoring of Use of Delegation
Agreeing the Administering Authority responses to consultations on LGPS matters and other matters where they may impact on the Fund or its stakeholders.	Agreeing the Administering Authority responses where the consultation timescale does not provide sufficient time for a draft response to be approved by PC.	CDF, subject to agreement with Chairman	PC advised of consultation via e-mail (if not already raised previously at PC) to provide opportunity for other views to be fed in. Copy of consultation response provided at following PC for noting.
Overall responsibility the Fund's Training Policy for all Pensions Committee members and for all officers of the Fund, including determining the Fund's knowledge and skills framework, identifying training requirements, developing training plans and monitoring compliance with the policy.	Implementation of the requirements of the The Pensions Regulator codes and the CIPFA Code of Practice ¹	CDF	Regular reports provided to PC
The Committee may delegate a limited range of its functions to one or more officers of the Authority. The Pensions Committee will be responsible for outlining expectations in relation to reporting progress of delegated functions back to the Pensions Committee.	Other urgent matters as they arise	CDF, subject to agreement with Chairman	PC advised of need for delegation via e-mail as soon as the delegation is necessary. Result of delegation to be reported for noting to following PC.
	Other non-urgent matters as they arise	Decided on a case by case basis	As agreed at PC and subject to monitoring agreed at that time.

London Borough of Hillingdon Pension Fund

Conflicts of Interest Policy



March 2024

1. Introduction

The London Borough of Hillingdon ('the Council') is the administering authority of the London Borough of Hillingdon Pension Fund ('the Fund'). The Council delegates the management of the Fund to its Pensions Committee ('the Committee') which is assisted by the Local Pension Board.

This Conflict of Interest Policy applies to all members of the Pensions Committee , Local Pensions Board , all managers in the Council's Pension Fund Management Team, and the Corporate Director of Finance (Section 151 Officer) who are, from hereon in, collectively referred to as the senior officers of the Fund .

The Head of Pension, Treasury & Statutory Accounts will monitor potential conflicts for less senior officers involved in the daily management of the Fund and highlight this Policy to them as appropriate.

This Policy will be regularly reviewed in accordance with the requirements of the Pensions Regulator's codes and any other regulations that apply. It will be reviewed every three years or more frequently if deemed necessary.

2. Legislative Context

The overriding requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance. These are considered further below.

The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a "conflict of interest", which is defined in Section 5(5) as a "financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme."

This policy should be considered in the context that the Local Pension Board assists in complying with regulations and is not a decision making body. It is not therefore anticipated that any significant conflict of interest will arise. This policy has been established as the agreed framework for the Council, as the administering authority of the Fund to effectively apply the three step approach of identifying, monitoring and managing conflicts of interest including but not limited to the consideration of actual or potential conflicts related to stewardship matters.

The Pension Regulators General Code of Practice (the Code) requires funds to have an agreed documented conflict of interest policy for managing actual and perceived conflicts of interest and to publish on the fund's website. The Code also requires the fund to have processes in place to ensure that their decision-making is not compromised by actual or potential conflicts.

Scheme regulations and the Code require that the Fund must be satisfied that a prospective member of the Local Pension Board does not have a conflict of interest and must remain satisfied that none of the members has a conflict of interest.

3. CIPFA Investment Pooling Governance Principles for LGPS Administering Authorities Guidance

The CIPFA governance principles guidance states "the establishment of investment pooling arrangements creates a range of additional roles that committee members, representatives, officers and advisers might have." It includes some examples of how conflicts of interest could arise in these new roles.

It highlights the need for Administering Authorities to:

- update their conflicts policies to have regard to asset pooling;
- remind all those involved with the management of the fund of the policy requirements and the potential for conflicts to arise in respect of asset pooling responsibilities; and
- ensure declarations are updated appropriately.

4. Localism Act 2011

All members of the Pensions Committee are required by the Localism Act 2011 to declare 'disclosable pecuniary interests' and to abide by the Council's Code of Conduct for Members, which contains provisions relating to disclosure of interests.

5. The Seven Principles of Standards in Public Life

Sometimes referred to as the 'Nolan Principles', the seven principles of public life applies to anyone who holds public office. This includes people who are elected or appointed to public office, nationally and locally, and all people appointed to work in:

- the civil service;
- local government;
- the police;
- the courts and probation services;
- non-departmental public bodies; and
- health, education, social and care services.

The principles also apply to all those in other sectors that deliver public services.

Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness;
- integrity;
- objectivity;
- accountability;

- openness;
- honesty; and
- leadership.

6. Advisers Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries.

Any agreement or other document entered into between an adviser and the Council in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

7. Senior Officers

In addition to the requirements of this Policy, officers of the Council are required to adhere to the Council's Code of Conduct, its Declarations of Interest Policy and its Gifts and Hospitality Policy which includes requirements in relation to the disclosure and management of potential or actual conflicts of interest or relationships (financial and non-financial) that may impact on their work.

Senior officers of the Fund will, as a matter of course provide advice and support on pension fund matters.

8. Advisers

The Fund appoints its own advisers and agreements with advisers include clauses on the declaration of actual or perceived conflicts of interest. Advisers will be required to declare interests on an annual basis.

There may be circumstances where these advisers are asked to give advice to scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the Hillingdon Pension Fund and on which advice is required or to a supplier or organisation providing services to the Hillingdon Pension Fund.

An adviser can only continue to advise the Fund and another party where there is no conflict of interest in doing so.

An adviser appointed to advise the Pensions Committee, Local Pensions Board or Fund officers can be the same person, as long as there is no conflict of interest between the multiple responsibilities.

The Fund will adopt the three stage approach to Identify, monitor and manage potential conflicts of interest as recommended in Cop14.

9. Identifying Conflicts of Interest

A conflict of interest is a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Committee or Local Pension Board, or a senior officer. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the Committee or Board is established.

Prospective Local Pension Board members must complete a declaration of interest form . The forms are available on the Fund's website.

The register of interests for members of the Pensions Committee are available on the Council's website.

Monitoring and Reporting Conflicts of Interest

A register of interests will be maintained, monitoring dual interests, conflicts in relation to stewardship and other responsibilities. Members of the Local Pension Board will be required to update their declaration of interests and declare any gifts or hospitality on an annual basis.

Decisions about how to manage potential conflicts of interest will be recorded in the register of interests. The register will be published on the pension fund website and considered in each Committee/Board meeting.

Declaration of conflicts of interest is included as an opening agenda item at each Pensions Committee and Local Pension Board meeting. This will provide an opportunity for all those present to declare any changes in interests, including other responsibilities, which have the potential to become conflicts of interest, and to minute discussions about how they will be managed to prevent an actual conflict arising. This conflict could be with a general subject area or a specific item on the agenda.

As part of their risk assessment process, Pensions Committee and Local Pension Board members should be able to identify, evaluate and manage dual interests which have the potential to become conflicts of interest and pose a risk to the scheme and possibly members, if they are not mitigated. The Fund will evaluate the nature of any dual interests and assess the likely consequences were a conflict of interest to materialise.

11. Managing conflicts of Interest

Pensions Committee and Local Pension Board members are required to have a clear understanding of their role and the circumstances in which they may find themselves in a position of conflict of interest, and should know how potential conflicts should be managed.

The Pensions Committee and Local Pension Board are required to evaluate the nature of any dual interests and responsibilities, assess the impact on operations and governance were a conflict of interest to materialise, and seek

to prevent a potential conflict of interest becoming detrimental to their conduct.

The Pensions Committee and Local Pension Board may consider seeking independent legal advice from a nominated officer (for example, the monitoring officer) or external advisers where necessary on how to deal with these issues, if appropriate.

Individual members of the Pensions Committee and Local Pension Board must know how to identify where they have a conflict of interest which needs to be declared and which may also restrict their ability to participate in meetings or decision making. They must also appreciate their legal duty under the Regulations to provide information to the Administering Authority in respect of such conflicts of interest.

Any individual who considers that they have a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair of the Committee or Board and the Head of Finance – Statutory Accounts & Pension Fund prior to the meeting where possible, or state this clearly at the earliest possible opportunity in the meeting. A decision should then be reached on whether further action needs to be taken.

Options for managing an actual conflict of interest, should one arise, include:

- A member withdrawing from the discussion and any decision-making process;
- The Committee or Board establishing a sub-board to review the issue (where the terms of reference give the power to do so); or
- A member resigning from the Committee or Board if the conflict is so fundamental that it cannot be managed in any other way.
- Consider taking independent legal advice to help decide the best approach to manage an actual or perceived conflict of interest.

12. Examples of Conflicts of Interest

- Any commercial relationships between the administering authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the Fund. These may include shared service arrangements which impact the Fund operations directly or outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations.
- Setting of employer contribution rates for the administering authority and other employers.
- Cross charging for services or shared resourcing between the administering authority and the Fund and ensuring the service quality is appropriate for the Fund.
- Dual role of the administering authority as an owner and client of London CIV.
- Local investment decisions.
- How the pension fund appropriately responds to Council decisions or policies on wider issues such as climate change.

- Any other roles within the Council being carried out by Pensions Committee members or officers which may result in a conflict either in the time available to dedicate to the Pensions Committee or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or cabinet should be disclosed.
- An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Pensions Committee or Local Pension Board. He or she has to consider whether to share this information in the light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Pensions Committee or Local Pension Board.
- An employer representative on the Local Pensions Board works for an employer who is not providing member information to the Fund in line with legislative requirements and the Board is considering whether this breach is reportable to The Pensions Regulator.
- A member representative (who is also a trade union representative) on the Board, only acts in the interests of their union rather than in the interest of all Fund members.
- A member of the Committee/Board has a personal or family relationship with an employee of a company tendering for services.
- Stewardship related conflicts may arise as a result of business relationships between asset owners and asset managers, ownership structure of invested companies, differences between the stewardship policies of asset managers and their clients, cross-directorships, and client and other beneficiary interests which differ from each other.

Approval, Review and Consultation

This Conflict of Interest Policy was approved on 26 March 2024 by the Pensions Committee. It will be formally reviewed and updated at least every three years or sooner if the conflict management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant regulations or guidance which need to be taken into account.

Further Information

If you require further information about anything in or related to this Conflict of Interest Policy, please contact James Lake, Director of Pensions, Treasury & Statutory Accounts

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